

12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

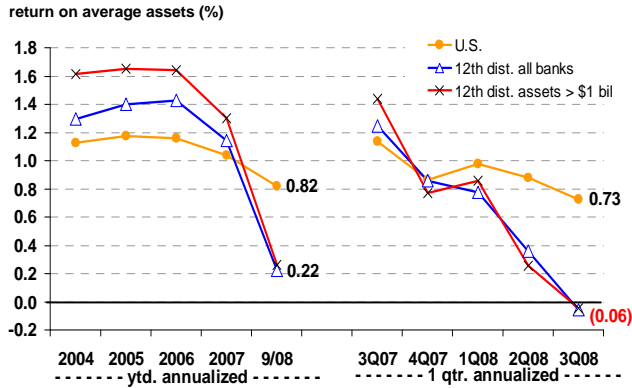
January 2009
Data as of September 30, 2008

Key indicators of banking conditions in the 12th Federal Reserve District

Highlights

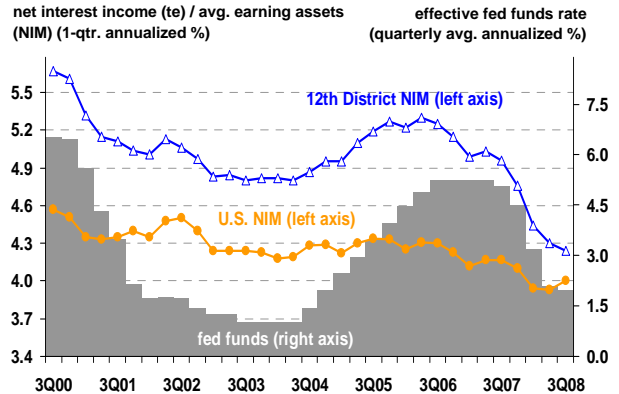
- A sharp rise in loss provisions and squeezed margins contributed to District bank operating losses in 3Q08
- Loan delinquencies and charge-offs surged, mostly from residential construction & development lending
- CRE loan concentrations receded somewhat
- Noncore funding dependence continued to rise with 12th district increases outpacing the nation
- Capital ratios edged downward, but over 97% of district banks remained in the PCA "well capitalized" category
- Down credit cycle has led to more CAMELS downgrades

District banks lost money in the 3Q2008



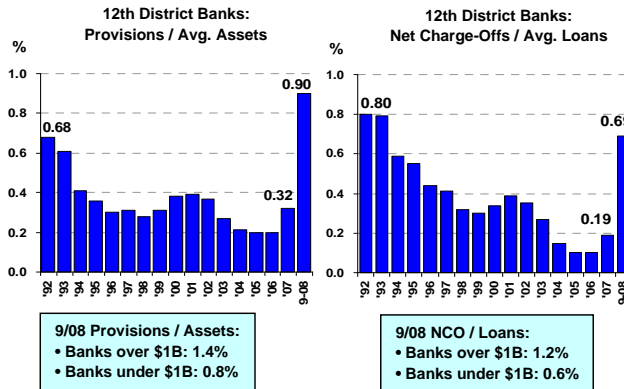
data are trimmed averages among banks > 3 years old

Slim margins hurt earnings



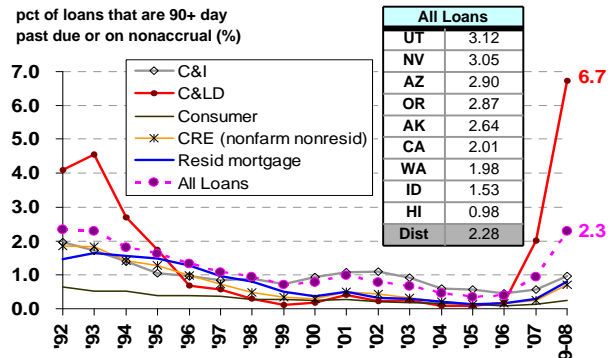
data are trimmed averages among banks > 3 years old

Loss provisions and net charge-offs soared



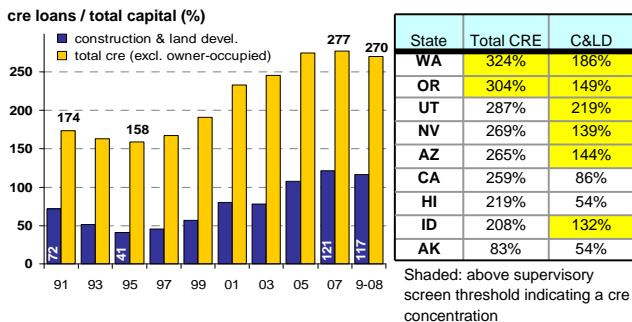
data are trimmed averages among banks > 3 years old

Noncurrent rates hit record highs, driven by construction & land development loans



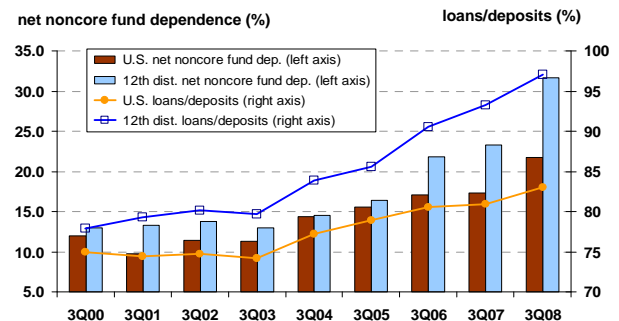
data are trimmed averages among 12th district banks > 3 years old

District CRE loan concentrations receded after years of sharp growth



Data are trimmed averages for 12th District banks; owner occupied portions excluded, estimated prior to 2008 (does not exclude de novos)

Balance sheet liquidity continued to weaken



data are trimmed averages among 12th district banks > 3 years old

I. Summary Items	12th District			United States		
	Sep-08	Jun-08	Sep-07	Sep-08	Jun-08	Sep-07
average bank asset size* (millions)	\$ 725	\$ 725	\$ 728	\$ 235	\$ 232	\$ 222
number of commercial banks	589	593	585	7,135	7,193	7,297
state member	47	45	44	868	868	874
national	105	106	111	1,554	1,583	1,657
nonmember	437	442	430	4,713	4,742	4,766
memo: portion < 3yrs old	19.2%	20.2%	21.0%	6.6%	6.8%	6.8%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Sep-08	Jun-08	Sep-07	Sep-08	Jun-08	Sep-07
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
construction & land development	127.6	132.9	133.0	66.9	68.1	67.2
multifam., nonfarm-nonresid., & other CRE purp.	271.5	261.3	242.4	168.0	164.5	154.8
total commercial real estate (CRE)	415.3	413.3	396.2	244.4	242.5	232.3
total CRE (excl. owner-occupied nonfarm-nonresid)	289.3	292.1	N.A.			
1-4 family RE (includes home equity)	70.6	66.3	57.7	154.6	151.4	146.9
commercial & industrial	117.3	114.7	107.4	96.4	97.8	94.5
agricultural lines & farmland	11.0	11.0	10.7	72.0	70.8	71.2
consumer	15.4	15.9	16.3	38.0	38.6	40.4
liquidity, funding & capital	%	%	%	%	%	%
net loan growth rate** (year over year)	11.8	14.0	15.7	8.1	8.0	7.7
net loans / assets	76.6	76.5	74.3	67.3	66.6	66.4
core deposits / assets	62.0	60.6	61.5	66.0	66.1	66.6
net noncore funds dependence	31.7	30.8	23.3	21.8	20.5	17.3
securities / assets	9.0	9.4	10.8	19.1	19.4	20.2
tier 1 leverage ratio	10.8	10.9	11.2	10.0	10.0	10.2
total risk-based capital ratio	13.9	14.0	14.5	15.1	15.1	15.5

III. Performance Measures	Sep-08	Jun-08	Sep-07	Sep-08	Jun-08	Sep-07
	earnings (year-to-date annualized)	%	%	%	%	%
return on average assets	0.22	0.52	1.27	0.82	0.91	1.11
net interest income (tax equiv.) / avg assets	4.05	4.09	4.66	3.69	3.67	3.88
noninterest revenues / avg assets	0.70	0.73	0.78	0.70	0.70	0.72
overhead expenses / avg assets	3.54	3.48	3.46	3.00	2.99	3.01
loan loss provisions / avg assets	0.90	0.74	0.21	0.30	0.24	0.13
efficiency ratio (overhead / revenue)	70.8	69.3	61.5	67.6	67.5	64.6
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	2.28	1.89	0.59	1.52	1.36	0.91
loans past due 30-89 days / total loans	1.25	1.09	0.65	1.30	1.28	1.18
loans past due 30+ days + noncurrent / total loans	3.70	3.13	1.34	2.94	2.74	2.19
allowance for losses / loans & leases not held for sale	1.62	1.52	1.29	1.34	1.32	1.28
net charge-offs / avg loans (ytd annualized)	0.69	0.50	0.12	0.28	0.21	0.13

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse***	12th District		United States	
		Sep-08	Sep-07	Sep-08	Sep-07
<p>Just over 20% of banks have less than satisfactory CAMELS ratings, highest since 1995</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> <p>12th dist. commercial banks; 2008 data as of 9/30; prior yrs as of 12/31</p>	overall safety & soundness	20.4	5.3	11.2	5.4
	capital	13.7	2.8	6.7	2.6
	asset quality	25.0	4.7	16.4	7.4
	management	20.8	9.5	12.8	7.7
	earnings	46.5	27.2	25.4	17.1
	liquidity	15.6	4.9	6.2	2.5
	sensitivity to market risk	8.1	4.3	5.2	3.3
	community reinvestment	1.1	0.5	0.5	0.5
	consumer compliance	6.3	5.5	3.7	3.6

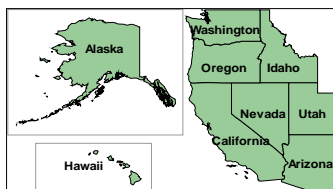
* averages are trimmed means (upper and lower 5% of observations are removed prior to averaging) and exclude de novos (banks < 3 yrs old)

** The YoY loan growth rate is positive on an average bank basis, but is slightly negative (-0.2%) based on a District aggregate basis

*** includes all commercial bank charters; safety and soundness and consumer compliance have a 5-point rating scale; community reinvestment has a 4-point rating scale ("outstanding", "satisfactory", "needs to improve", or "substantial noncompliance")

Sources: Federal Reserve financial & exam databases. This report and other Banking Supervision & Regulation publications are available at www.frbsf.org/publications/banking/index.html. For additional banking data, visit www.frbsf.org/banking/data/regional/.

Federal Reserve District 12



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