



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

April 2009

Data as of December 31, 2008

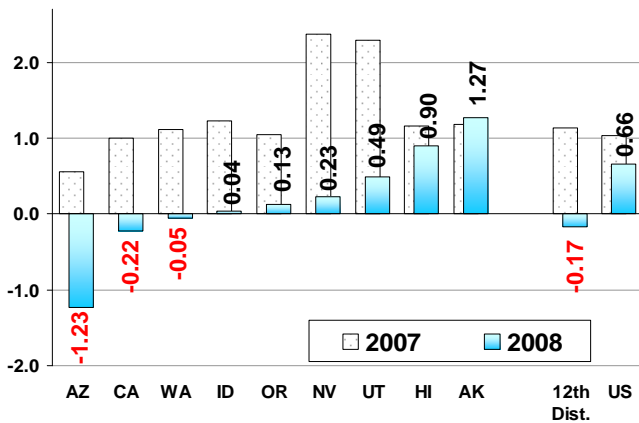
Key indicators of banking conditions in the 12th Federal Reserve District

Overview

After over a dozen years of strong banking conditions, the down credit cycle grew to full force in 2008. Deteriorating asset quality and frozen credit markets led to some of the worst District bank performance in recent history. Capital levels edged downward as noncurrent rates surged, driven by residential construction & development loan weaknesses, and net charge-off rates rose to levels not seen since the early 90s. District banks, on average, lost money, probably for the first time since the Great Depression, and losses were widespread geographically. Typical of down credit cycles, the percentage of banks with adverse safety and soundness ratings climbed sharply, nearing 30% of all District banks.

Earnings Plummeted Across Most of the West

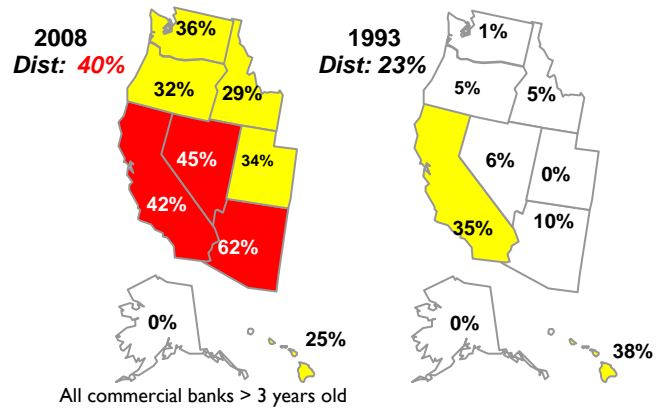
Return on Average Assets (ROA - %)



data are trimmed averages among banks > 3 years old

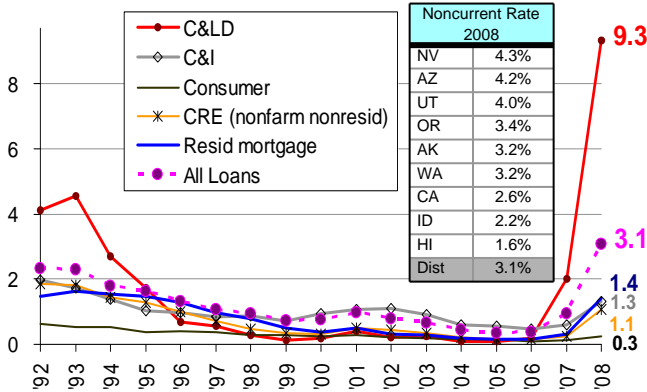
Pct of District Banks Losing Money: Now + Then

The highest pct. of district banks losing money in the '90s was in 1993 – But 2008's percentage was sharply higher



District Noncurrent Rates at Record Highs, Driven by C&LD Loan Deterioration

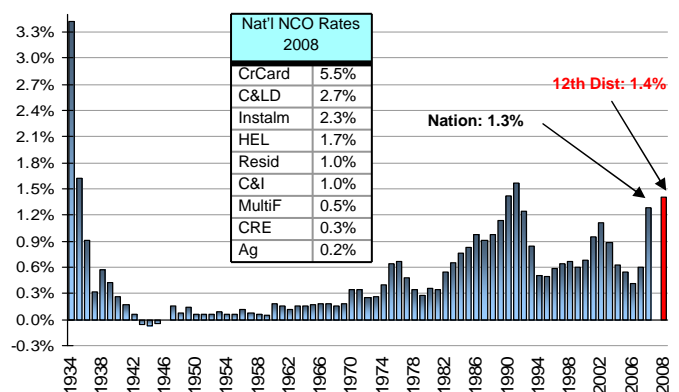
Pct of loans that are 90+ day past due or on nonaccrual (%)



data are trimmed averages among banks > 3 years old

Nat'l Loan Net Charge-off Rate Nearly Back to '90-'91 Levels...and Likely Rising

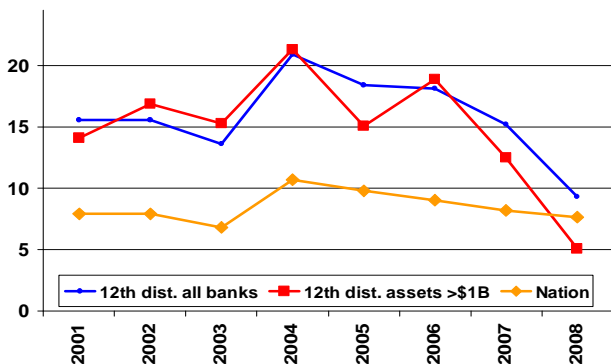
Aggregate National NCO Rate (%)



Sources: FDIC, FRS Board of Govs

Loan Growth Slowed Sharply but Remained Positive in 2008

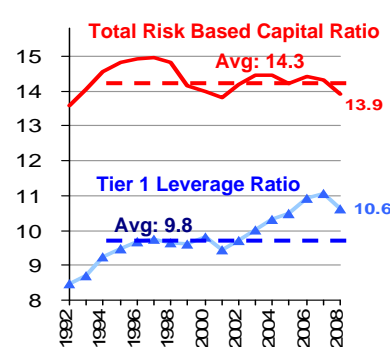
One Year Net Loan Growth (%)



data are trimmed averages among banks > 3 years old

Despite a Difficult Year, Avg Bank Capital Ratios Declined Just Modestly

12th District bank avg capital ratios (%)



trimmed avgs among banks > 3 years old

Avg. Ratios of TARP Banks Compared to All Other Banks Capital		
Banks by TARP / no-TARP	Date	Tot RB Cap Ratio
43 TARP banks YE08	12/08	14.0%
	9/08	12.4%
All other banks	12/08	13.7%
	9/08	13.9%

While 125 District institutions received TARP capital by mid-April 2009, just 43 commercial banks had rec'd TARP related capital by YE08 and are included in these statistics

I. Summary Items	12th District			United States		
	Dec-08	Sep-08	Dec-07	Dec-08	Sep-08	Dec-07
average bank asset size* (millions)	\$ 701	\$ 725	\$ 722	\$ 239	\$ 235	\$ 227
number of commercial banks	588	589	587	7,074	7,135	7,277
state member	45	47	44	853	868	875
national	103	105	107	1,535	1,554	1,630
nonmember	440	437	436	4,686	4,713	4,772
memo: portion < 3yrs old	17.3%	19.2%	21.5%	6.0%	6.6%	7.0%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Dec-08	Sep-08	Dec-07	Dec-08	Sep-08	Dec-07
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
construction & land development	120.3	127.6	135.2	65.0	66.9	68.4
multifam., nonfarm-nonresid., & other CRE purp.	283.0	271.5	247.4	173.1	168.0	158.2
total commercial real estate (CRE)	416.5	415.3	403.1	246.8	244.4	236.9
total CRE (excl. owner-occupied nonfarm-nonresid)	288.5	289.3	N.A.	161.0	160.9	N.A.
1-4 family RE (includes home equity)	77.3	70.6	59.4	158.4	154.6	148.9
commercial & industrial	119.7	117.3	111.8	97.0	96.4	96.2
agricultural lines & farmland	11.1	11.0	10.5	72.0	72.0	70.4
consumer	16.3	15.4	16.9	37.4	38.0	40.2
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	9.3	11.8	15.2	7.6	8.1	8.2
net loans / assets	75.8	76.6	75.4	66.7	67.3	66.1
core deposits / assets	61.3	62.0	60.6	65.9	66.0	66.5
net noncore funds dependence	33.5	31.7	25.9	22.3	21.8	17.4
securities / assets	9.2	9.0	10.3	19.2	19.1	19.8
tier 1 leverage ratio	10.6	10.8	11.0	9.8	10.0	10.1
total risk-based capital ratio	13.9	13.9	14.3	15.0	15.1	15.3

III. Performance Measures	Dec-08	Sep-08	Dec-07	Dec-08	Sep-08	Dec-07
earnings (year-to-date annualized)	%	%	%	%	%	%
return on average assets	(0.17)	0.22	1.14	0.66	0.82	1.04
net interest income (tax equiv.) / avg assets	3.97	4.05	4.60	3.67	3.69	3.87
noninterest revenues / avg assets	0.66	0.70	0.74	0.68	0.70	0.72
overhead expenses / avg assets	3.58	3.54	3.47	3.05	3.00	3.05
loan loss provisions / avg assets	1.23	0.90	0.32	0.43	0.30	0.18
efficiency ratio (overhead / revenue)	74.2	70.8	62.7	69.3	67.6	65.7
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	3.08	2.28	0.93	1.77	1.52	1.01
loans past due 30-89 days / total loans	1.60	1.25	0.88	1.53	1.30	1.35
loans past due 30+ days + noncurrent / total loans	4.81	3.70	1.96	3.43	2.94	2.46
allowance for losses / loans & leases not held for sale	1.85	1.62	1.35	1.41	1.34	1.28
net charge-offs / avg loans (ytd annualized)	0.98	0.69	0.19	0.41	0.28	0.19

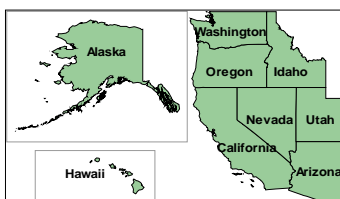
IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Dec-08	Dec-07	Dec-08	Dec-07
<p>Safety & soundness ratings deterioration continues</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> <p>89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08</p> <p>includes 12th District commercial banks; 2008 data as of 12/31/08</p>	overall safety & soundness	28.5	7.6	14.2	6.1
	capital	20.0	4.4	9.0	3.1
	asset quality	35.7	7.0	20.7	8.2
	management	27.8	10.8	15.4	8.3
	earnings	55.6	30.5	29.4	18.2
	liquidity	22.5	6.6	9.0	2.9
	sensitivity to market risk	11.9	4.8	6.9	3.5
	community reinvestment	2.2	1.1	0.8	0.6
	consumer compliance	7.1	5.6	3.9	3.7

* averages are trimmed means (upper and lower 5% of observations are removed prior to averaging) and exclude de novos (banks < 3 yrs old)
 ** 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. For each, only the top two ratings are considered satisfactory or better.

Sources: Federal Reserve financial & exam databases.

For this and other publications, see: www.frbsf.org/publications/banking/index.html and www.frbsf.org/banking/data/regional/.

12th Federal Reserve District



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