

First Glance 12L

A First Look at the Financial Performance of
Commercial Banks in the West – as of 3/31/2009

A Set of Charts Using Preliminary* Call & Income
Report Data for Commercial Banks Headquartered
within “12L” (the 12th Federal Reserve District)

May 22, 2009



* This report utilizes preliminary 1st quarter 2009 banking data, so is subject to revisions. However, revisions are generally minor; all banks have filed their regulatory reports and this analysis relies largely on ratio averages which do not change materially between preliminary and final stages.

This report has been prepared to provide a quick snapshot of banking conditions for use primarily by bank supervisors and bankers. Analysis and opinions are those of the authors.

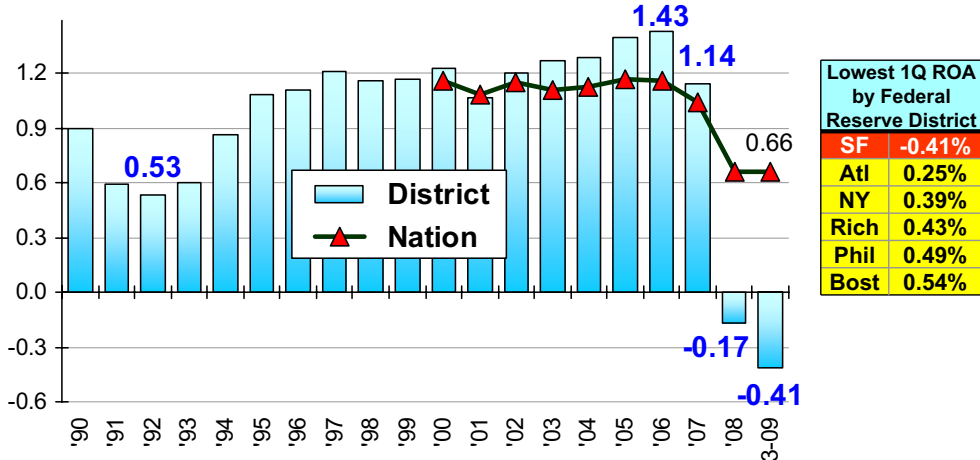
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Profitability: Avg. District ROA Remains in the Red

12th Fed District performance far worse than other Districts

District Banks' Avg. Return on Average Assets (%)



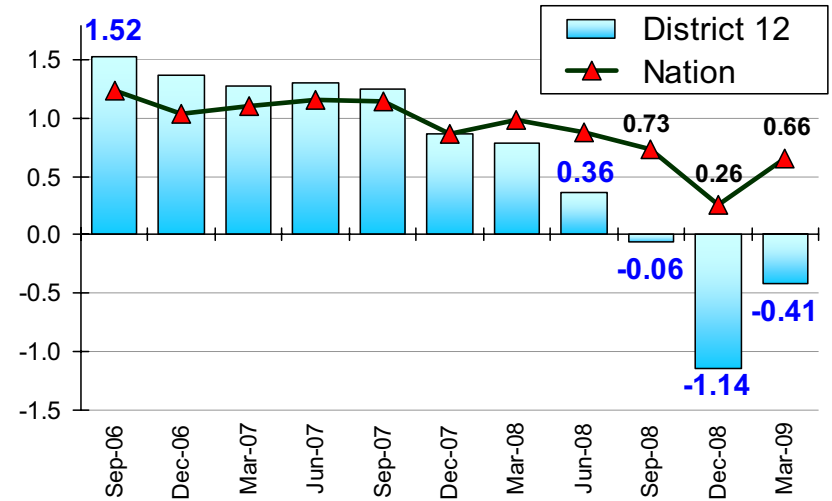
Lowest 1Q ROA by Federal Reserve District	
SF	-0.41%
Atl	0.25%
NY	0.39%
Rich	0.43%
Phil	0.49%
Bost	0.54%

All commercial banks excl. De Novo banks; adjusted averages (10% trim -- 5% of highest and 5% of lowest ratios are trimmed out)

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Quarterly ROA Trends - 3 Consecutive Quarters of Losses for District Banks

1-Quarter Avg. Return on Average Assets (%)

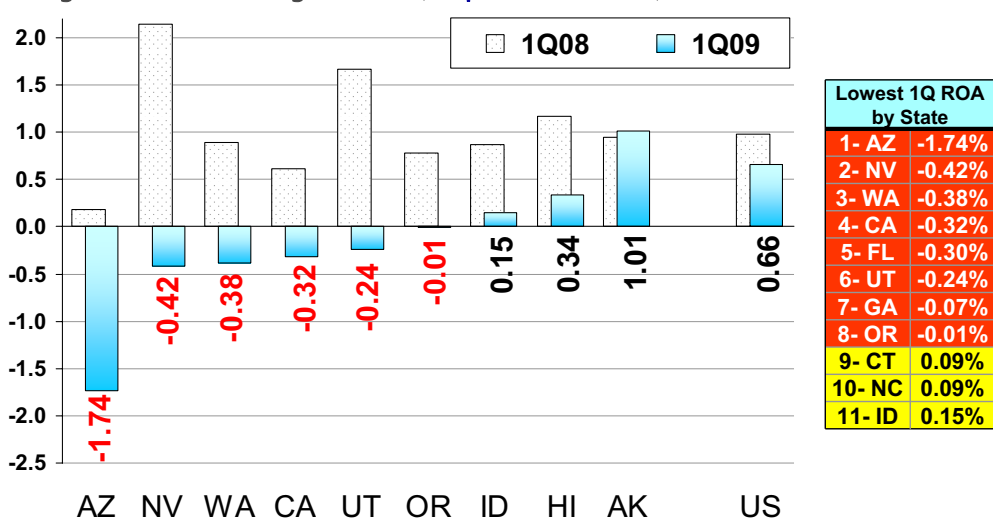


All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data; note: 12/08 ROA revised from -0.9% based on restatements

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1st Qtr Losses Were Spread Across Most of the West

Avg. Return on Average Assets (1-quarter ROA - %)



Lowest 1Q ROA by State	
1- AZ	-1.74%
2- NV	-0.42%
3- WA	-0.38%
4- CA	-0.32%
5- FL	-0.30%
6- UT	-0.24%
7- GA	-0.07%
8- OR	-0.01%
9- CT	0.09%
10- NC	0.09%
11- ID	0.15%

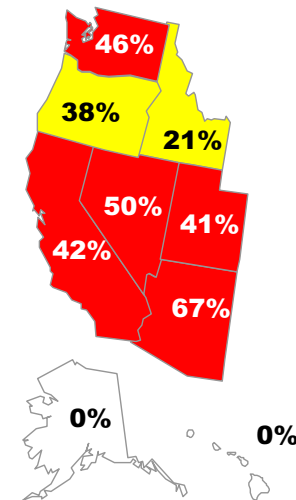
All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

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1Q09: 42% of District Banks Lost Money

1st Quarter 2009

District Totals
 1Q09: **42%**
 4Q08: **52%**
 2008: **40%**

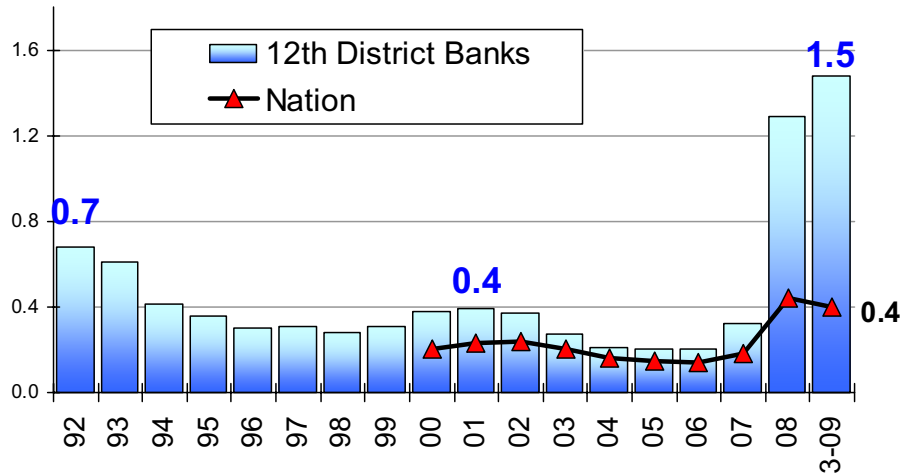


All commercial and industrial banks excluding De Novo banks; prelim data

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District Loss Provisions Continued at High Levels in 1Q09

YTD Provisions/Avg. Assets (% - Adj. Avgs)



All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/08 data annualized

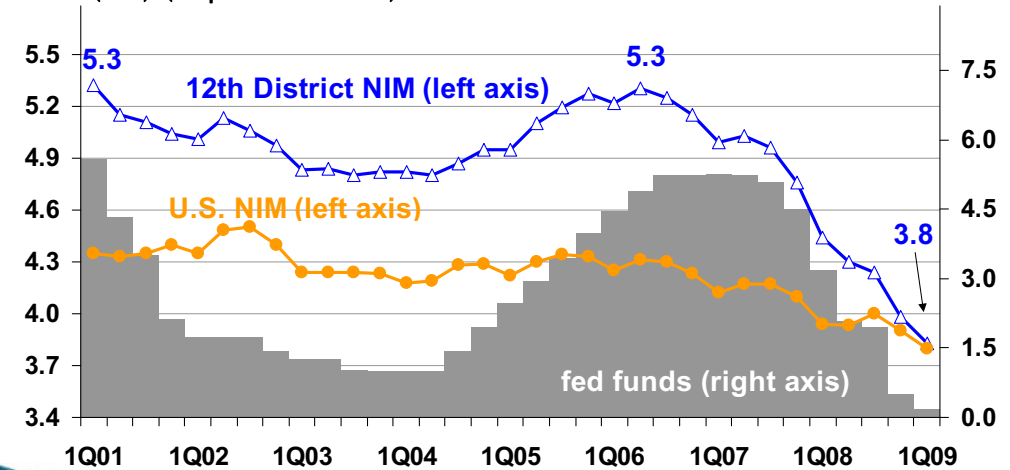
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Net Interest Margins Continued to Narrow, Contributing to Losses

Net interest income (tax equiv) / avg. earning assets (NIM) (1-qtr. annualized %)

Effective fed funds rate (quarterly avg. annualized %)



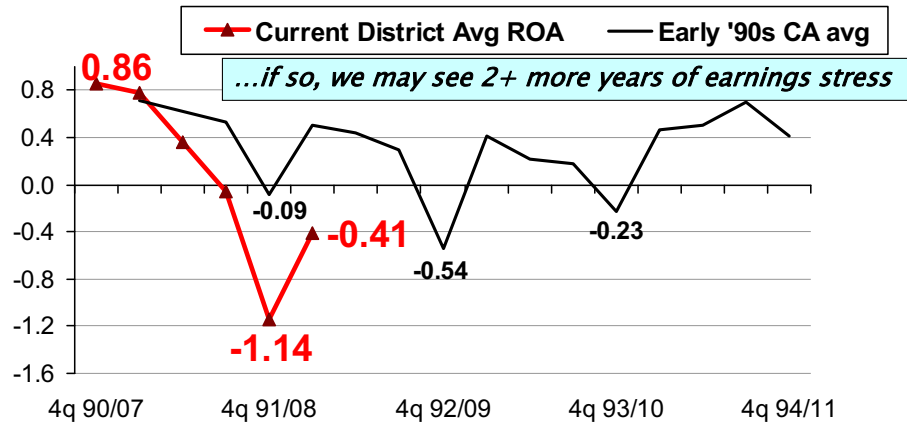
Note: Data are trimmed averages among banks > 3 years old
Source: Commercial Bank Call Reports, FRB-St.L Fed Funds data

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Hypothesis: This Cycle Will Pattern After the Calif. Bank Experience in the '90s...

1-Qtr Avg. ROA (%) - Mapping 1991 to 2008, etc.



The CA bank avg. ROA from 4q1991 is mapped against the District bank avg. ROA of 4Q2008, 1Q1992 is mapped against 1Q2009, etc. During down cycles, ROA tends to be cyclical, with the strongest performance in first quarters and weakest in fourth quarters. A pattern similar to the early 1990s is possible during this down cycle.

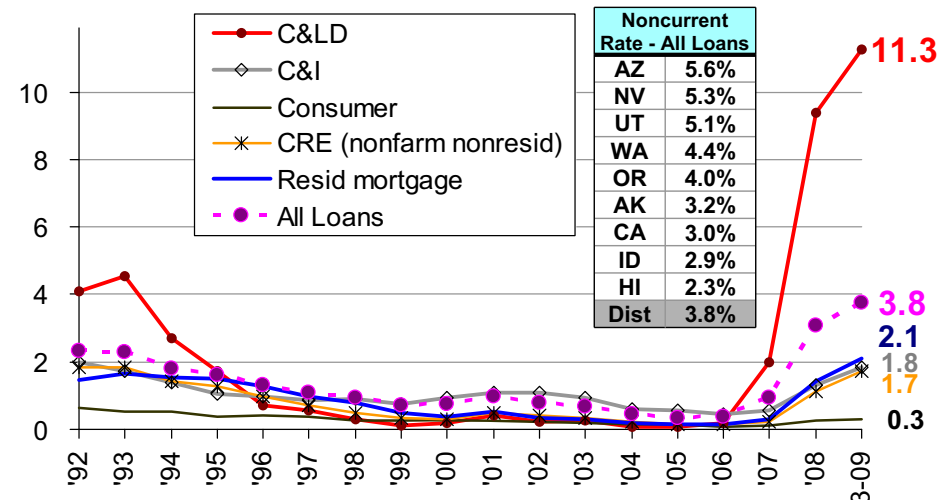
All commercial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

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District Loan Quality is Worse than early '90s Construction & Development Loan Deterioration Led the Rise in Noncurrent Loan Rates

12th District Bank Noncurrent Loan Rates - Pct 90+ days past due or on nonaccrual (%)



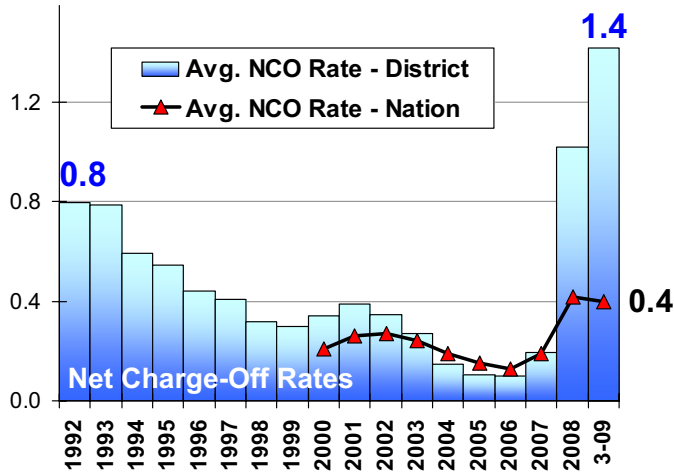
Adj. avgs. (10% trim) for all 12th District commercial & industrial banks, excluding De Novos; prelim 3/09 data

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District Bank Net Charge-Off Rate is Well-Above Prior Highs

Avg. Net Charge-Off Rates (%)



New recent net charge-off highs - every state except AK and HI

State	Avg. NCO rates (%)	
	Prior peak	3-09
AZ	0.92 ('92)	2.51
UT	1.72 ('02)	2.36
NV	1.59 ('99)	1.95
WA	0.30 ('02)	1.30
CA	1.14 ('93)	1.21
OR	0.26 ('02)	1.05
ID	0.43 ('92)	0.71
HI	0.91 ('98)	0.66
AK	0.47 ('96)	0.34
Dist	0.80 ('92)	1.42
Nat		0.40

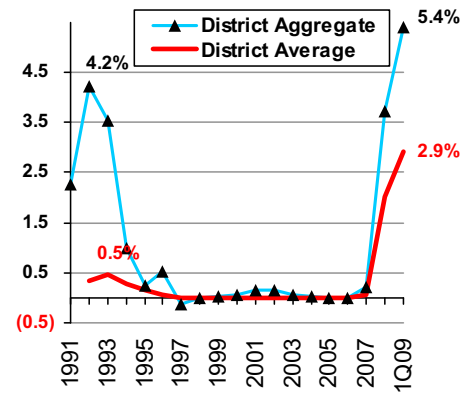
Red: > 1%; Yellow 0.5%-1%

Adj. Avgs. (10% trim) for all 12th District commercial & industrial banks, excluding De Novos; prelim 3/09 data, annualized

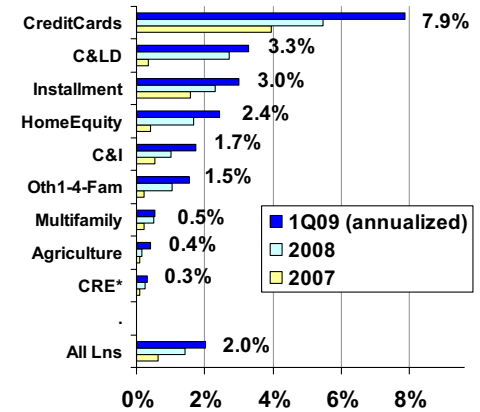
Net Charge-Off Rates Have Spiked

- 1) District aggregate & avg. net charge-off rates on pace for record highs in 2009
- 2) Nationally, credit card loss rates are highest, but C&LD & Installment are close

1) District C&LD Loan Net Charge-Off Rates - Aggregate vs Average (%)



2) National Loan Net Charge-Off Rates in All Major Loan Categories - Aggregate

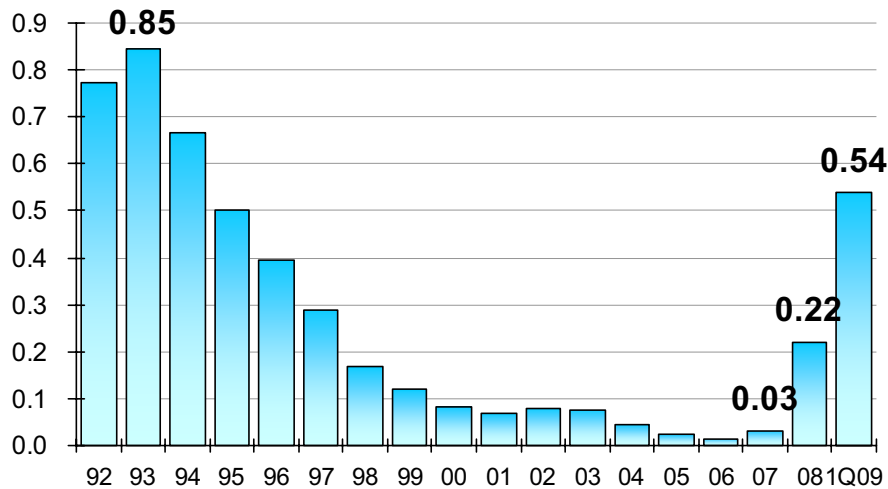


Data for all commercial banks; prelim 1Q09 data, annualized; averages are trimmed means, excluding de novo banks

* CRE = Nonfarm nonresidential secured loans
Aggregate national data for commercial and industrial banks, prelim 1Q09 data, annualized

REO Up Sharply in 1Q09 From Foreclosures

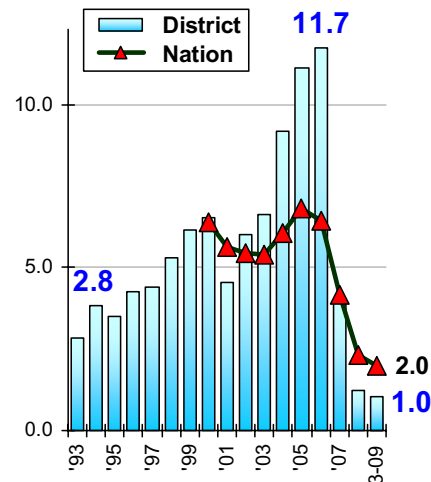
District Bank Other Real Estate Owned (% of Assets)



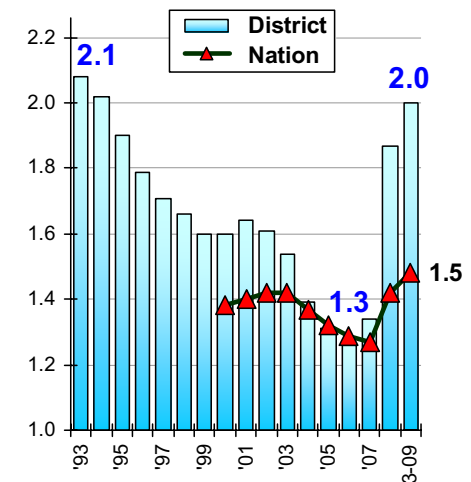
All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

District Bank ALLL Coverage of Nonaccruals Dropped Below Early-'90s Levels

Allowance for Loan and Lease Loss (ALLL) coverage of nonaccrual loans (x)



ALLL coverage of total loans improved since 2006 (%)

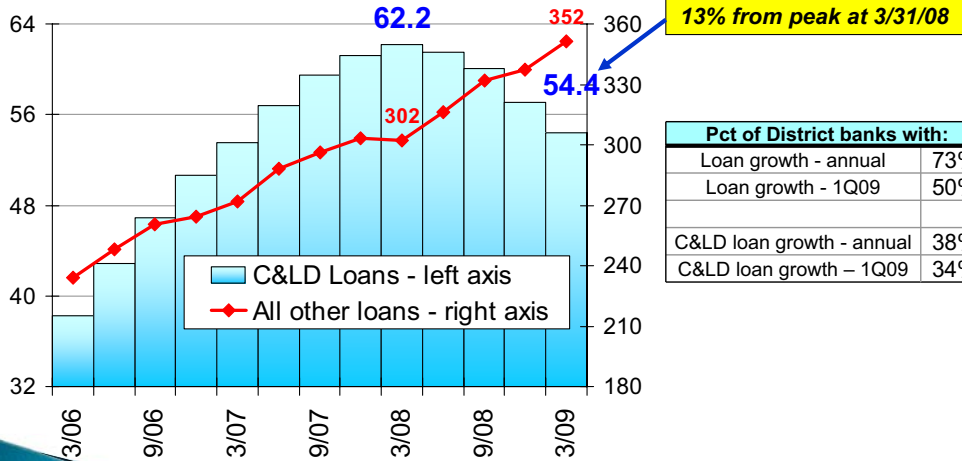


Data for all commercial and industrial banks; prelim 3/09 data; averages are trimmed means, excluding de novo banks

12th District Banks Continue to Reduce Construction & Development Loans; Other Loan Categories Still Rising

(based on a panel of banks with assets <\$25B)

\$ Billion in Loans on District Bank Balance Sheets



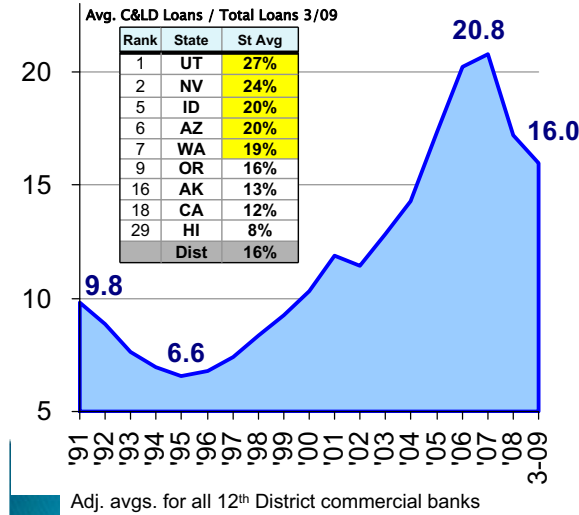
Source: Call Reports; based on a "panel" of all commercial banks that existed over the period and currently have assets < \$25B

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12th District Bank Loan Mix:

- 1) C&LD loan concentrations are declining, but remain well higher than the early '90s;
- 2) Relative emphasis - CRE, C&I + C&LD loans; relatively low - SF residential + ag loans

1) Construction & Land Development Loans / Total Loans (avg. %)



Adj. avgs. for all 12th District commercial banks

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2) Avg. Loan Balances as a pct of Total Capital - 3/09

Loan Type	12 th District	Nation
CRE (nonfarm nonresidential)	249%	157%
C&I	116%	95%
C&LD	110%	62%
1-4 Family Resid.	79%	159%
HELOC	22%	16%
CRE - multifamily	20%	11%
Consumer	15%	36%
Ag incl. farmland secured	11%	69%

Adj. avgs. for all commercial + industrial banks; preliminary; excludes de novo banks

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Liquidity: Brokered Deposit Usage Surged in 2008

Slightly down in 1Q09

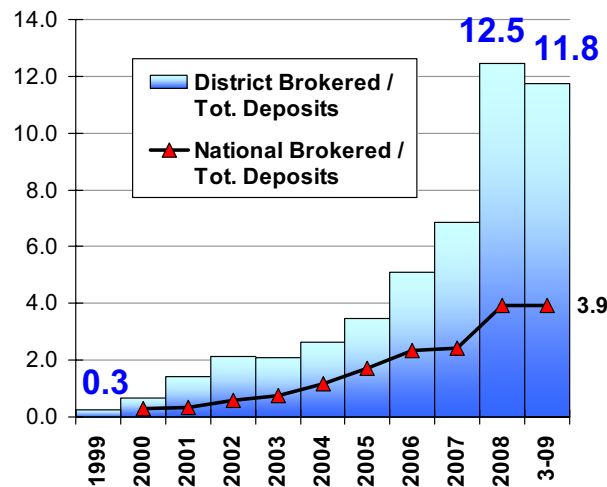
Potential Issues:

- Out-of-area deposits can be volatile
- May fund excessive growth
- Historical correlation with CAMELS downgrades
- Banks face limits when falling below well-capitalized

St	Brokered Dep / Tot. Deposits
UT	39%*
AZ	18%
NV	15%*
OR	13%
WA	11%
CA	9%
ID	8%
HI	3%
AK	0%

* Excluding industrial banks, Utah's average ratio was 23%; Nevada's was 12%

12L Banks: Brokered Dep./Deposits (adj avg. %)

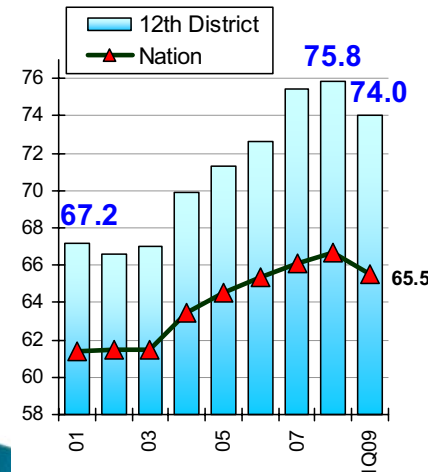


All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

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Rise in Loan/Assets Ratios May Have Ended; Core Deposit Ratios Have Improved Since 2007

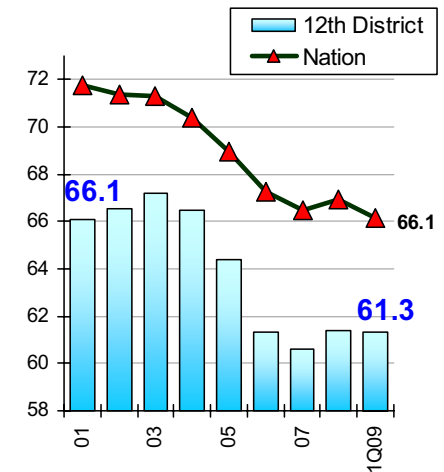
Loans/Assets (adj avg. %)



All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

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12th Dist. Core Deposits/Assets (adj avg. %)



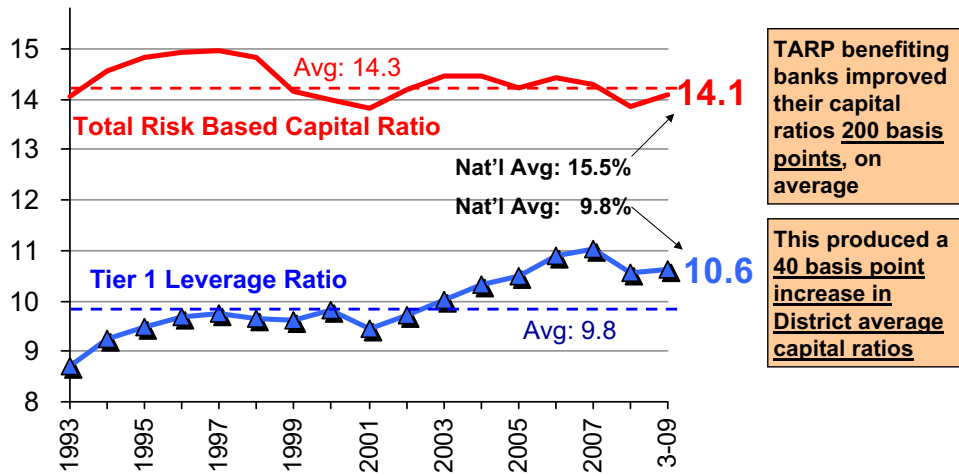
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Despite Losses, Average Bank Capital Ratios Held Steady

Roughly 20% of District Banks Benefited from TARP Capital

12th District bank average capital ratios (%)

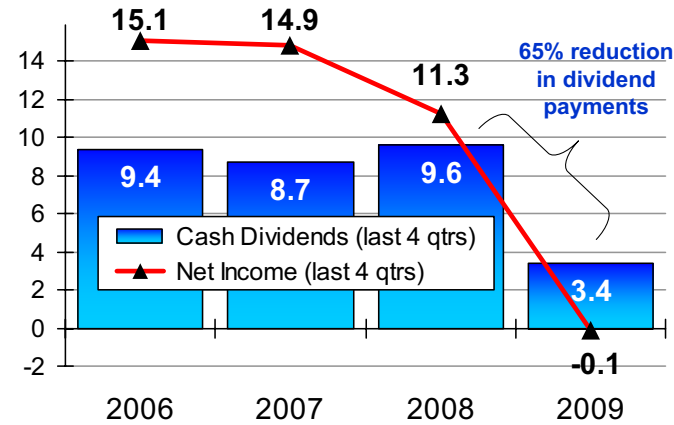


All commercial & industrial banks excl. De Novos; adjusted averages (10% trim), prelim 3/09 data

District Banks Cut Dividend Payments by Two-Thirds in Aggregate, Benefiting Capital

However, 16% of banks paid dividends from losses

Net income and cash dividends: 12th District commercial banks -- in \$ Billions



Trailing 4-qtr data as of March 31 of each year

Data for all District commercial banks; prelim 2009 data

Percentage of banks that paid dividends -- last 4 quarters

	3/08	3/09
All banks	46%	42%
Paid dividends from losses	2%	16%
Paid dividends from losses or had > 75% payout rate	16%	26%

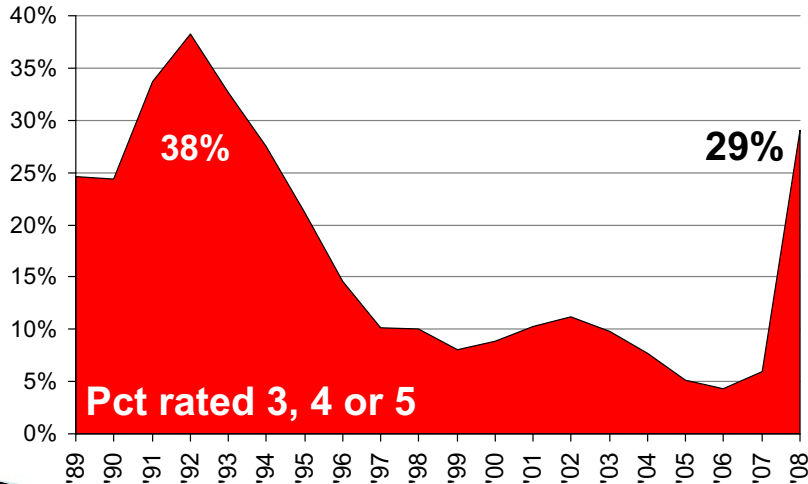
Trailing 4 quarter data

Percentage of banks that paid dividends in the first quarter

	1Q08	1Q09
All banks	32%	20%

CAMELS Ratings Have Worsened Quickly

Pct of District Banks with CAMELS Ratings of "3"–"5"



Source, FRS. CAMELS composite ratings for all 12th District banks.

Summary & Outlook

- ▶ The first quarter 2009 brought further credit weakening to 12th District banks. Construction & development credit quality was poor, with an 11% average noncurrent rate and an aggregate 5% net charge-off rate (annualized) across the District.
- ▶ In other loan areas (residential mortgage, C&I, income producing CRE) net charge-offs remained modest, on average, but noncurrent rates rose to levels approximating or exceeding highs from the early '90s.
- ▶ Heavy loss provisions and margin shrinkage caused a third consecutive quarter of operating losses for District banks on average.
 - The District's six most populated states (CA, WA, AZ, OR, UT, NV) each suffered from operating losses for the average bank headquartered in those states.
- ▶ Balance sheet liquidity improved moderately as loan growth slowed and short term investments grew. Capital held steady on average due largely to TARP capital received directly or indirectly by some 20% of the District's banks. Many banks curtailed dividend payments to preserve capital
- ▶ Given the magnitude of the current economic downturn, and the fact that bank credit quality typically lags the economy, it is likely that challenging conditions will continue through at least 2010. This situation will continue to tax management resources and require heightened attention.