



# 12th District Banking Profile

Federal Reserve Bank of San Francisco  
Banking Supervision & Regulation

December 2009  
Data as of September 30, 2009

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

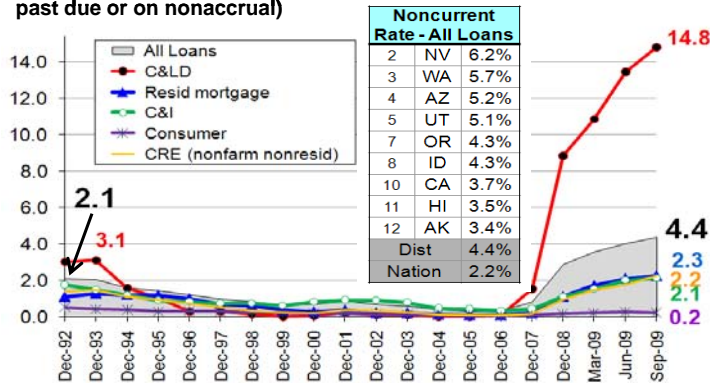
## Overview

Banking conditions remained poor in general in 3Q09. Worsening credit quality remained a drag on performance, requiring substantial loss provisions and intensive collection/workout resources. Noncurrent and net charge-off rates rose to extraordinary levels across most areas of the 12th District, and these problems likely will continue into 2010. On average, District banks lost money for the fourth consecutive quarter, with problems in AZ, NV and WA the most severe. Almost 60% of banks reduced their loan portfolios in the past year, reacting to adverse conditions by tightening lending standards. And more District banks faced severe challenges with growing proportions undercapitalized or rated "less than satisfactory" by bank regulators.

### District Bank Loan Quality Worsened in 3Q09

Construction & development problem rate continued to skyrocket

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

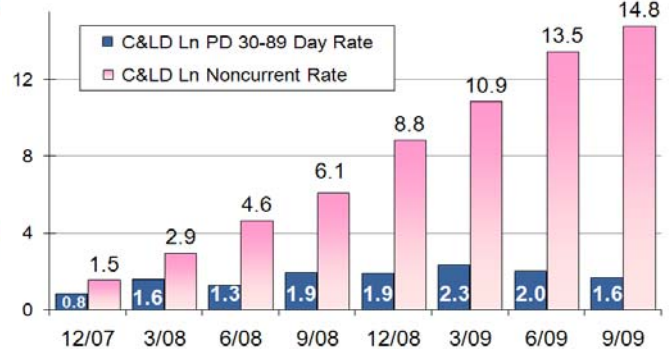


Source: Regulatory Call & Income Reports; all commercial & industrial banks excluding De Novos; trimmed means

### C&LD Loan Quality Remained Poor, However, Early Delinquency Rates Declined

Also, the increase in noncurrent rates has slowed

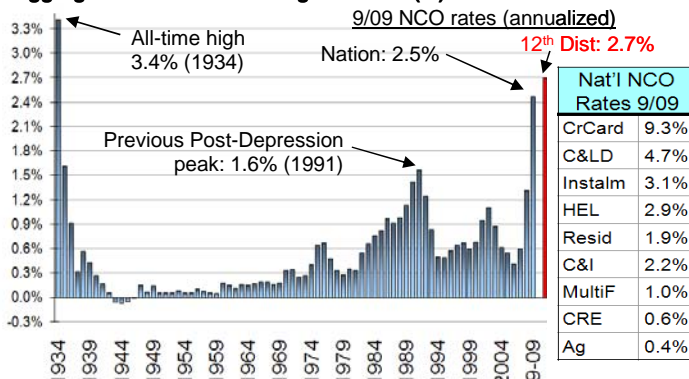
Construction & Land Development Loan Quality Statistics %



Source: Regulatory Call & Income Reports; all commercial & industrial banks

### Net Charge-Off Rate Climbed Sharply, Nearing Depression Levels

Aggregate National Net Charge Off Rate (%)

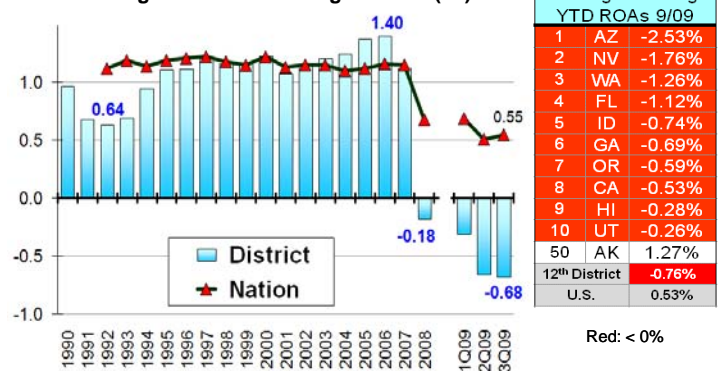


Sources: FDIC; FRS Board of Govs; FRBSF; 9/09 rates are annualized

### Loss Provisions Drove ROAs Increasingly into the Red

Eight of the ten worst state-wide ROAs were in the 12th District

Bank Average Return on Average Assets (%)

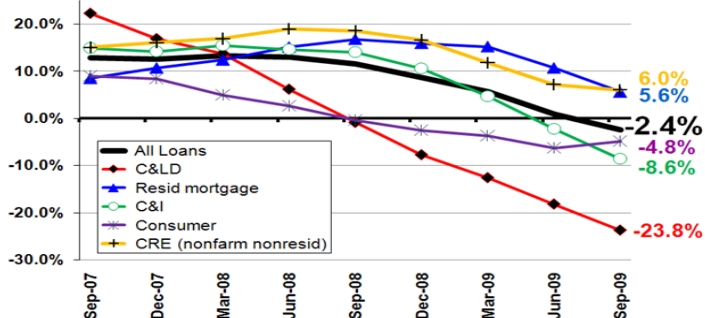


Source: Regulatory Call & Income Reports; all commercial & industrial banks excluding De Novos; trimmed means; quarterly ratios are annualized

### Bank Response: Contraction

Construction, C&I and consumer loans declined year-over-year

12th District Bank Annual Loan Growth Rates %

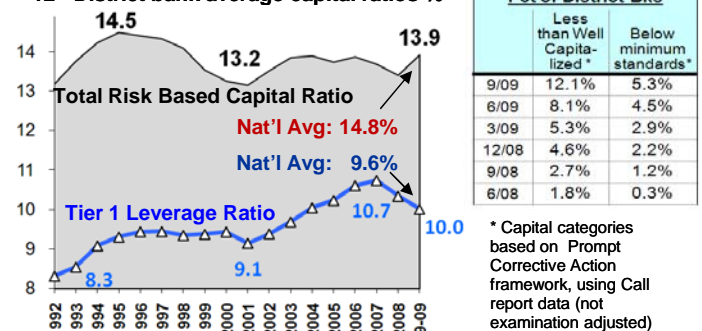


Aggregate YoY changes for a "panel" of all commercial banks that existed over the period and have assets < \$50B; excludes a few large banks with significant mergers or loan transfers

### Loan Reductions & TARP Helped Maintain Capital

However, more banks fell to adverse PCA capital categories

12th District bank average capital ratios %

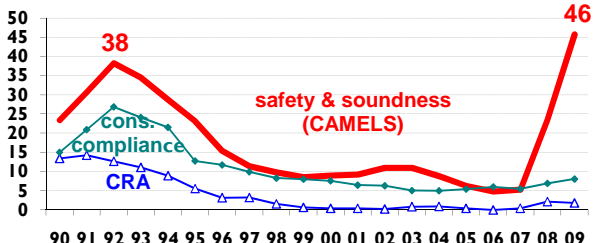


Source: Regulatory Call & Income Reports; all commercial & industrial banks excluding De Novos; trimmed means

I. Summary Items	12th District			United States		
	Sep-09	Jun-09	Sep-08	Sep-09	Jun-09	Sep-08
median bank asset size (millions)	\$ 253	\$ 254	\$ 265	\$ 145	\$ 143	\$ 138
number of commercial banks	561	576	589	6,899	6,983	7,135
state member	43	45	47	838	850	868
national	100	103	105	1,490	1,503	1,554
nonmember	418	428	437	4,571	4,630	4,713
memo: portion < 3yrs old	13.0%	15.5%	19.2%	4.5%	5.1%	6.6%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Sep-09	Jun-09	Sep-08	Sep-09	Jun-09	Sep-08
<b>selected loan concentrations (as % of total capital)</b>	%	%	%	%	%	%
construction & land development	87.4	96.7	123.9	50.3	53.3	61.2
multifam., nonfarm-nonresid., & other CRE purp.	304.9	298.0	270.6	173.0	171.8	164.1
total commercial real estate (CRE)	408.9	413.9	422.6	232.8	235.3	238.6
total CRE (excl. owner-occupied nonfarm-nonresid)	270.2	277.0	290.7	145.4	148.2	154.0
1-4 family RE (includes home equity)	83.4	79.6	67.0	156.1	156.4	150.9
commercial & industrial	115.6	116.0	115.6	88.9	90.9	93.6
agricultural lines & farmland	8.5	8.0	7.6	62.7	61.5	62.0
consumer	11.7	11.5	12.1	33.2	33.6	35.8
<b>liquidity and funding</b>	%	%	%	%	%	%
net loan growth rate (year over year)	(0.7)	1.8	11.1	2.4	4.0	7.6
net loans / assets	71.5	73.5	77.2	65.8	66.2	67.8
core deposits / assets	62.9	62.3	62.7	66.1	66.4	66.2
net noncore funds dependence	25.6	28.8	31.7	20.3	20.7	21.9
securities / assets	9.1	8.5	8.3	18.7	18.5	18.6
tier 1 leverage ratio	10.0	10.1	10.5	9.6	9.6	9.8
total risk-based capital ratio	13.9	13.7	13.4	14.8	14.7	14.6

III. Performance Measures	Sep-09	Jun-09	Sep-08	Sep-09	Jun-09	Sep-08
	<b>earnings (year-to-date annualized)</b>	%	%	%	%	%
return on average assets	(0.76)	(0.63)	0.28	0.52	0.56	0.84
net interest income (tax equiv.) / avg assets	3.64	3.61	4.05	3.57	3.54	3.69
noninterest revenues / avg assets	0.53	0.53	0.61	0.64	0.63	0.67
overhead expenses / avg assets	3.49	3.47	3.42	3.05	3.04	2.97
loan loss provisions / avg assets	1.83	1.72	0.84	0.55	0.46	0.25
efficiency ratio (overhead / revenue)	82.2	81.6	70.0	71.6	72.0	67.1
<b>asset quality</b>	%	%	%	%	%	%
noncurrent loans / total loans	4.39	4.04	2.09	2.24	2.10	1.38
loans past due 30-89 days / total loans	1.36	1.49	1.15	1.36	1.39	1.22
loans past due 30+ days + noncurrent / total loans	6.02	5.82	3.47	3.81	3.69	2.79
allowance for losses / loans & leases not held for sale	2.33	2.18	1.58	1.56	1.49	1.30
net charge-offs / avg loans (ytd annualized)	1.81	1.59	0.59	0.56	0.47	0.23

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Sep-09	Sep-08	Sep-09	Sep-08
<b>Safety &amp; soundness ratings deterioration continues</b>					
share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)					
					
overall safety & soundness		45.8	22.6	23.5	12.4
capital		38.0	16.9	15.9	7.6
asset quality		55.0	32.7	27.9	17.7
management		44.6	23.0	23.7	14.0
earnings		69.7	38.3	49.7	26.7
liquidity		35.7	15.1	18.0	7.4
sensitivity to market risk		24.3	11.5	8.8	5.8
community reinvestment		1.8	0.8	2.2	0.8
consumer compliance		8.0	4.4	6.9	3.9

\* averages are trimmed means (upper and lower 10% 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](http://www.frbsf.org/publications/banking/index.html) and [www.frbsf.org/banking/data/regional](http://www.frbsf.org/banking/data/regional).

12th Federal Reserve District



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