

Banks at a Glance: Arizona

Economic and Banking Highlights

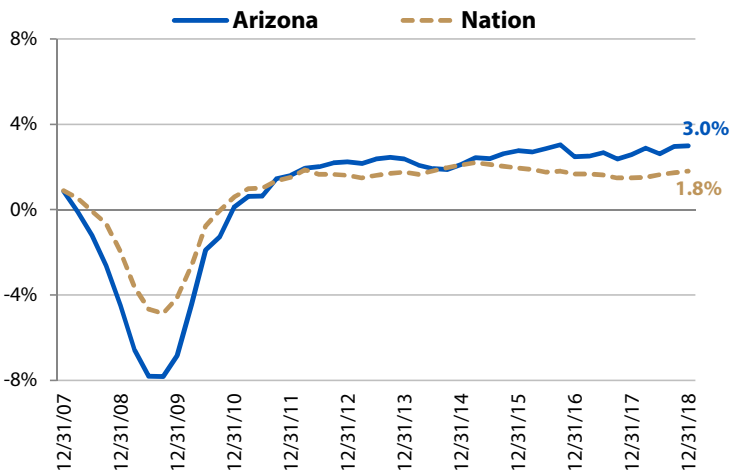
Data as of 12/31/2018

- Arizona's economy expanded robustly in the second half of 2018. Payrolls grew at the second-highest rate in the nation, as faster professional and business services hiring offset a slowdown in financial-sector job growth. The unemployment rate ticked up, but this was due to job seekers entering the labor force. Furthermore, sustained in-migration supported home-price growth and more permitting activity, in contrast to stagnating housing indicators at the national level.
- Arizona-based banks' average loan growth moderated in the fourth quarter, led by slower single-family and nonfarm-nonresidential real estate lending. The latter contributed to a decline in the average commercial real estate concentration. Capital accretion, albeit slowing, outpaced decelerating loan and risk-weighted asset growth, allowing average capital ratios to increase. High overhead expense ratios, partly due to Arizona banks' relatively small sizes and limited economies of scale, kept average profitability among the lowest in the nation. Nevertheless, average returns rose from a year ago due to lower tax expenses and wider margins. Asset quality continued to improve across most loan categories, and balance sheet liquidity, stable since 2012, edged above national levels in recent quarters.

Key Economic Metrics (ranking #1 = highest in the nation)

Year-over-Year Job Growth: 3.0%

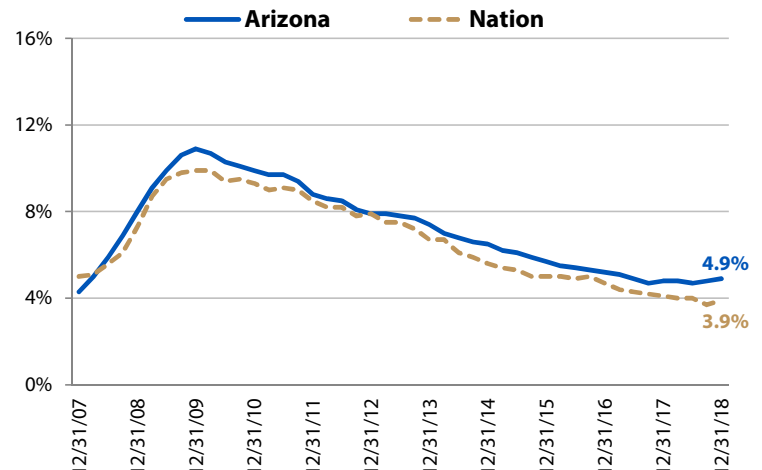
State Rank: #3



Establishment Survey, nonfarm payrolls, quarterly average, seasonally adjusted
Source: Bureau of Labor Statistics

Unemployment: 4.9%

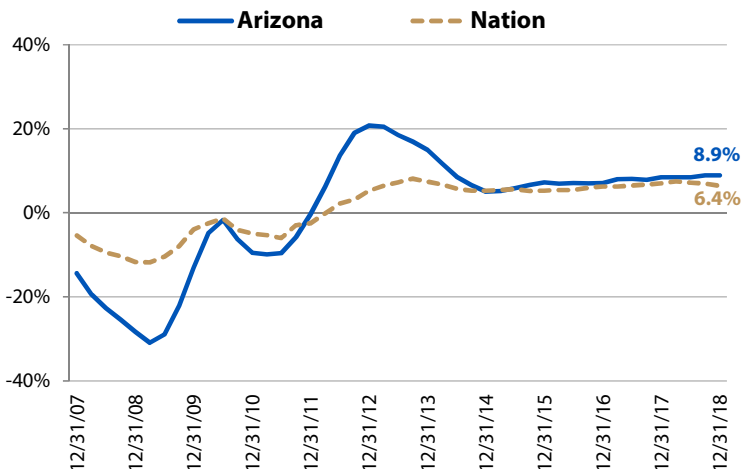
State Rank: #4



Household Employment Survey, end of period, seasonally adjusted
Source: Bureau of Labor Statistics

Year-over-Year Home Price Growth: 8.9%

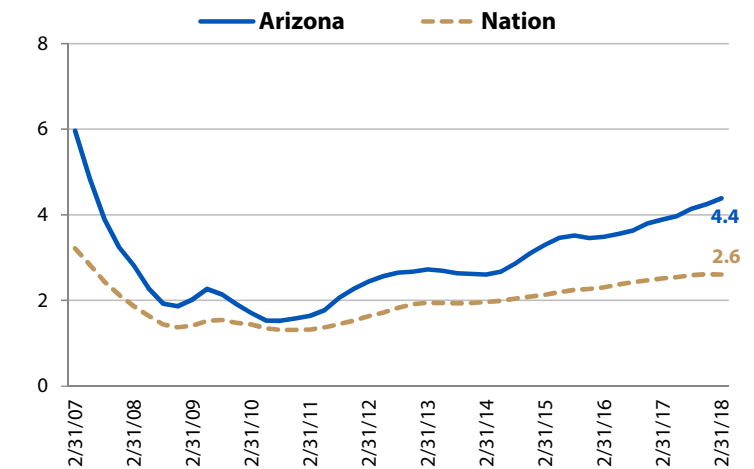
State Rank: #4



Housing Price Index, year-over-year change of average home prices
Source: Federal Housing Finance Agency

Single Family Permits / 1,000 Residents: 4.4

State Rank: #8

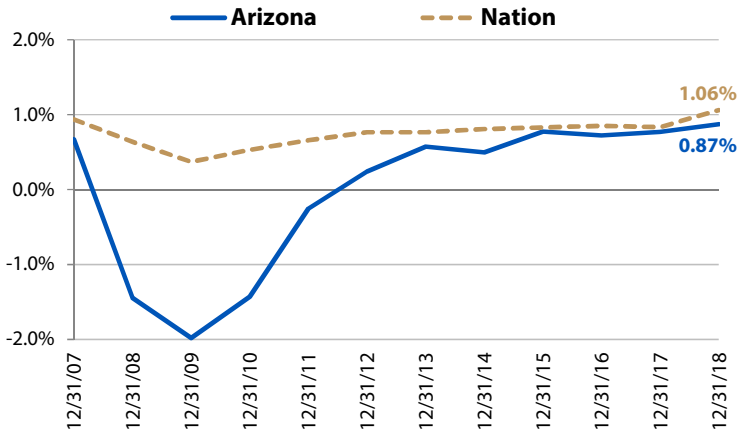


Trailing twelve month single family permits / average twelve month population in thousands, by state. Source: Census Bureau

Key Banking Metrics (averages across banks; ranking #1 = highest in the nation)

Year to Date Return on Average Assets: 0.87%

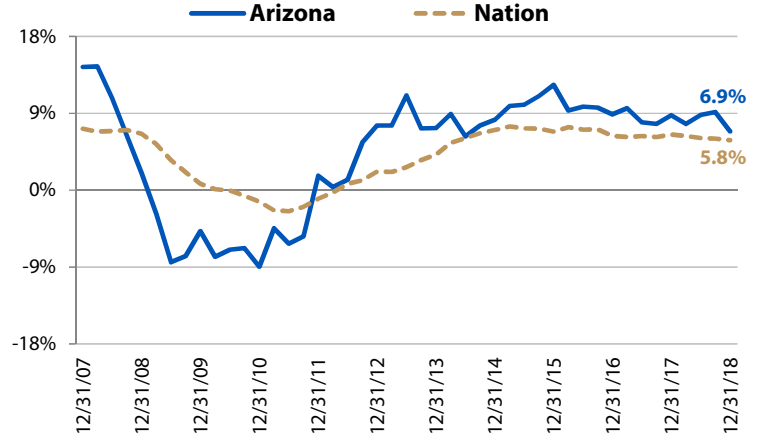
State Rank: #48



Net income / average assets, adjusted for S-Corps, annualized

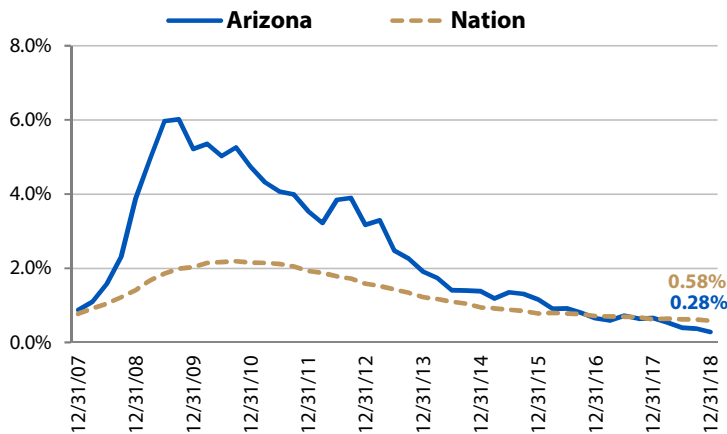
Year-over-Year Net Loan Growth: 6.9%

State Rank: #21



Nonperforming Assets / Total Assets: 0.28%

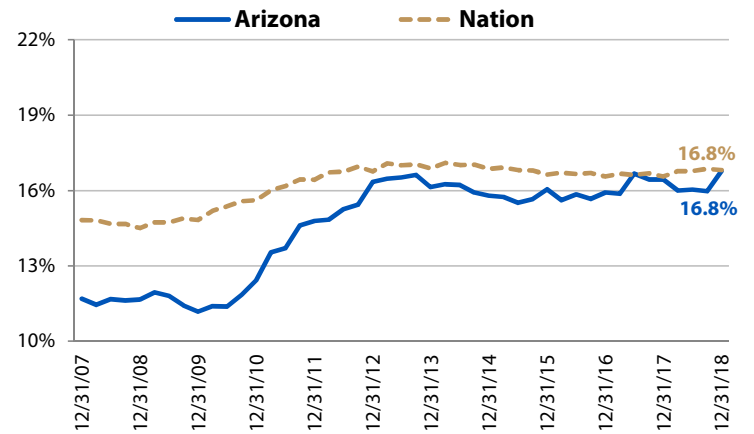
State Rank: #46



90+ days past due + nonaccruals + other real estate owned / total assets

Total Risk-Based Capital: 16.8%

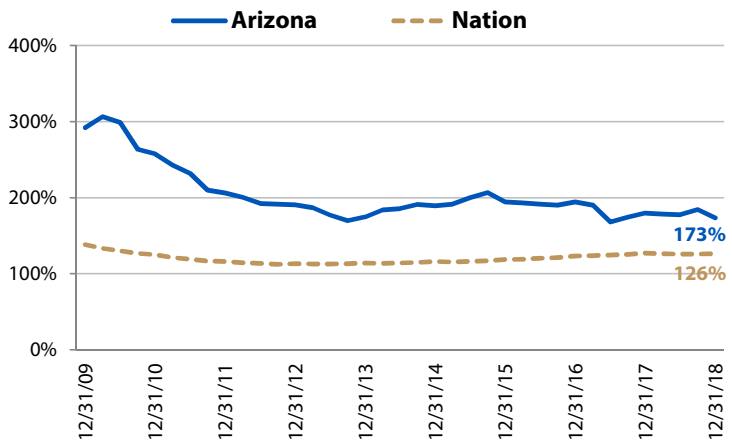
State Rank: #21



Total capital / risk-weighted assets

CRE Concentration: 173%

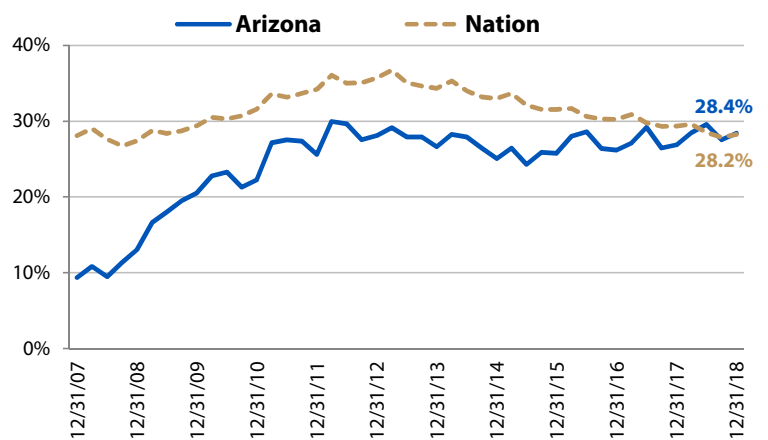
State Rank: #16



Total nonowner-occupied commercial real estate / total capital

Securities and Liquid Invest. / Total Assets: 28.4%

State Rank: #19



Liquid investments = cash, due from balances, interest bearing bank balances, and Fed funds sold and securities purchased under agreements to resell

Source: Call Report data for commercial banks based upon headquarters location. Averages are calculated on a "trimmed" basis by removing the highest 10% and lowest 10% of ratio values prior to averaging to prevent distortion from outliers. All charts display quarterly data, except for return on average assets which displays the same quarter in each year. Growth rates are not adjusted for mergers. Graphics and data exclude "De Novo" banks (banks less than five years old). As of the latest period, the count of banks included in these statistics were 15 for the state and 4,677 for the nation. For this and other publications, see: <http://www.frbsf.org/banking/publications>