FEDERAL RESERVE BANK OF SAN FRANCISCO

First Glance 12L (4Q15)

Financial Performance of Banks in the 12th Federal Reserve District (“12L”)

Will 2015 be the High Point for District Bank Credit Quality?

February 22, 2016

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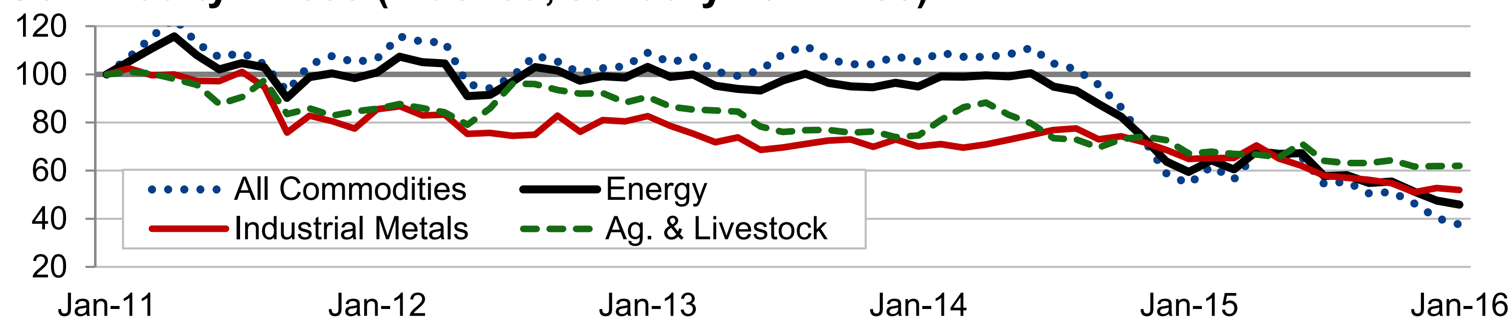
12th District Overview
"Will 2015 be the High Point for District Bank Credit Quality?"

The 12th District's economic picture remained bright in 2015. Jobs in the District expanded 2.8% during the year, down slightly from an annual rate of 3.0% in the third quarter, but faster than the national growth rate of 2.0%. Jobs expanded by more than 2% in each District state, with the exception of oil-exposed Alaska, where job growth was anemic (see table at right). Meanwhile, the District's aggregate unemployment rate inched down to 5.6% by December 2015, versus 5.7% and 6.7% in the prior quarter and year, respectively.

Real estate values appreciated on a year-over-year basis, but the pace of future price gains may depend on the trajectory of interest rates, capital flows, and/or credit availability. Home prices increased faster than average across most District states and outpaced household income gains, straining affordability. Price and job trends stimulated additional construction. Commercial real estate (CRE) vacancies and rents remained stable-to-improving. Foreign capital and ample credit availability kept capitalization rates low and buoyed commercial property values during 2015. Still, a strong pipeline of commercial construction and the prospect of higher interest rates could eventually pressure CRE capitalization rates, rent growth, and/or vacancies and demand for single-family home purchases.

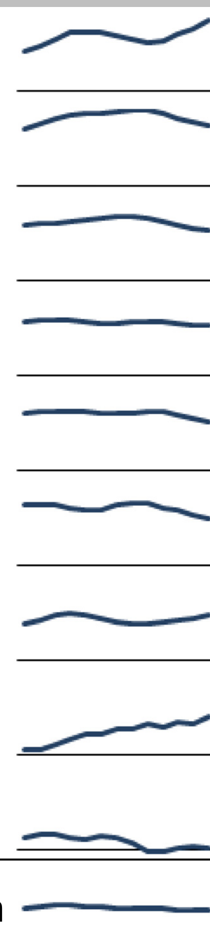
Slowing abroad, especially in China, contributed to ongoing commodity price declines (see chart below), weakened emerging market prospects, and heightened volatility in global equity and sub-investment grade debt markets. Global slowing and the strong dollar weighed on net exports, trimming 47 bps. from fourth quarter growth in U.S. gross domestic product (advance estimate, seasonally-adjusted annual rate). Locally, fourth quarter exports from 12th District states declined 10% year-over-year and job growth in manufacturing and other trade-related sectors slowed modestly. Although providing headwinds, commodity price gyrations and slowing abroad are not expected to derail the overall U.S. economy and had little impact on the District's community banks through year-end 2015.

Commodity Prices (Indexed, January 2011=100)*



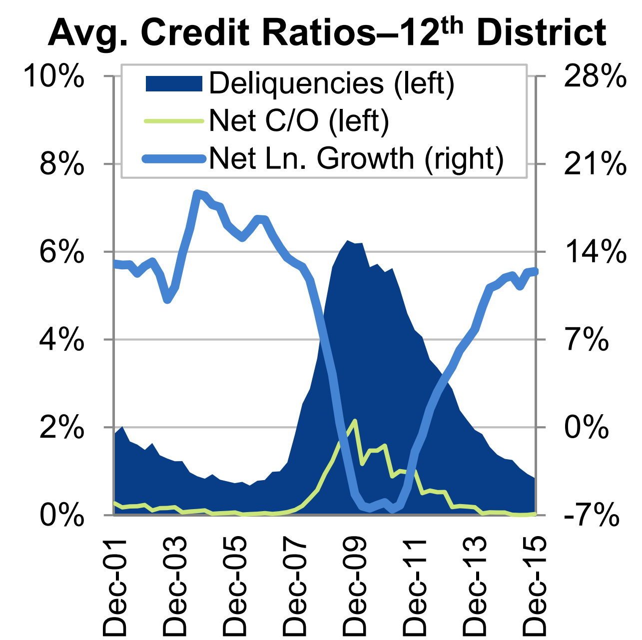
*S&P GSCI indices, based upon end-of-period spot values

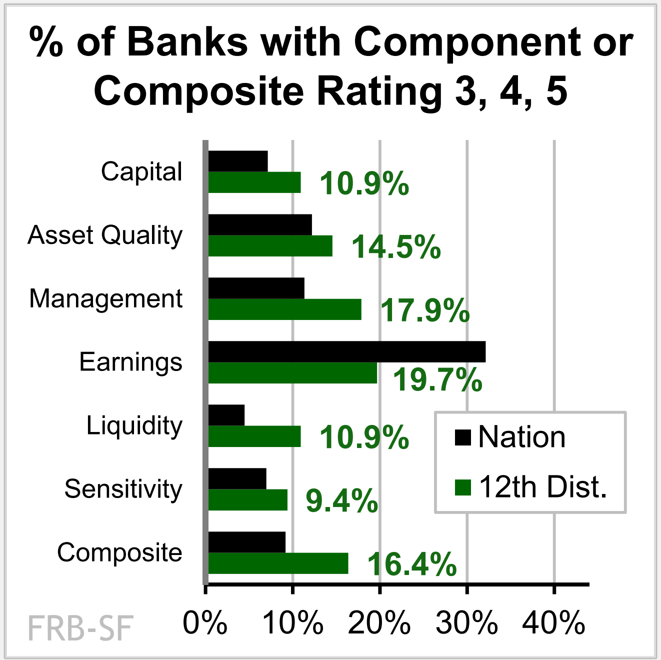
Year-Over-Year Change in Nonfarm Jobs (%) (Based on Seasonally-Adjusted, 3-Month Moving Avg.)



	12 Months	Dec-15
ID		4.0%
UT		3.4%
WA		2.8%
CA		2.8%
OR		2.8%
NV		2.7%
AZ		2.5%
HI		2.2%
AK		0.1%
Nation		2.0%

12th District Overview, Continued





**Delinquent=30+ days past-due or nonaccrual; C/O= chargeoff (year-to-date); trimmed means*

On the whole, 2015 may be a tough year to beat in terms of credit performance (see chart at left). The average District net charge-off rate for a full year hit a record low at 0.02% and problem asset levels were very low. That said, many mid- and large-sized banks reported quarterly increases in commercial and industrial (C&I) loan delinquencies and losses, led by energy sector woes. According to the January 2016 Federal Reserve Senior Loan Officer Survey (SLOS), some lenders expect C&I loans to deteriorate further in 2016. Meanwhile, the average one-year net loan growth rate accelerated slightly to 12.4% districtwide, and remained well-above a national average growth rate of 6.9%. Construction and land development (C&LD) and multifamily remained among the fastest-growing (but also smaller) credit segments.

The latest SLOS also suggested modestly tighter underwriting among a small net fraction of respondents for C&I and CRE loan categories during the fourth quarter of 2015. Modest tightening in recent quarters has come on the heels of several years of loosening. Looking forward, a notable share of lenders responded that underwriting may tighten further in some categories in the coming year, especially within the multifamily and C&LD loan segments.

Bank earnings performance also strengthened modestly in 2015. The District's average year-to-date return on average assets (ROAA) increased to 0.91%, led by continued declines in overhead ratios. Because of ongoing asset quality improvement, nearly half of the District's community banks reported zero or negative provision expenses for the full year. Of note, however, provisions increased quarter-over-quarter among larger banks, often prompted by oil- and gas-related stress. Credit seasoning within rapidly-growing portfolios (and the eventual implementation of Current Expected Credit Loss (CECL) accounting), could lift provision expense burdens and pressure earnings prospectively.

Historically, rising short-term interest rates have been associated with widening net interest margins among the District's commercial banks. However, compared with the last rate tightening cycle (2004-2006), banks reported higher exposures to longer-dated loans and securities, potentially delaying asset repricing. Meanwhile, non-maturity deposits remained elevated. Depositors in these categories may prove rate-sensitive and disintermediate or shift to costlier time deposit products should rates increase.

Safety and soundness and consumer compliance ratings continued to improve. Roughly 84% of District banks were rated satisfactory or strong for safety and soundness (see chart at left). In addition, 96% or more were rated satisfactory or better for consumer compliance and/or community reinvestment.

<u>Hot Topics</u>: Areas We are Monitoring Most Closely

The following have been identified as areas of higher concern among 12th District-based, Federal Reserve-supervised institutions:

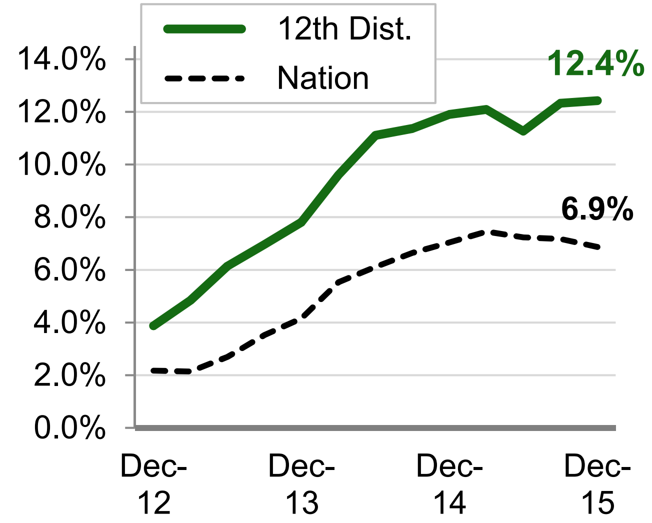
- *Cyberthreats*. Attacks continue to evolve in both complexity and frequency and expose institutions to financial, operational, reputational, legal, and compliance risks. For institutions outsourcing core banking operations and/or security administration, vendor management programs remain critical to managing and mitigating cyber threats. Inherent risks can increase from a variety of factors, such as system complexity, services and visibility. To assess vulnerabilities, institutions can use the FFIEC's Cybersecurity Assessment Tool (see SR letter 15-9 for more information).

- *Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) compliance*. Although most banks in the District have satisfactory BSA compliance programs, the District's geographic, demographic, and political characteristics, coupled with the institutional mix, continue to make BSA/AML a significant "hot topic." BSA/AML-related criticisms noted at bank examinations most often relate to internal controls (e.g., institutional risk assessments; customer due diligence, including customer risk assessments; and suspicious activity monitoring programs). Concerns related to scarce compliance resources and ineffective independent tests are also emerging as examination themes.

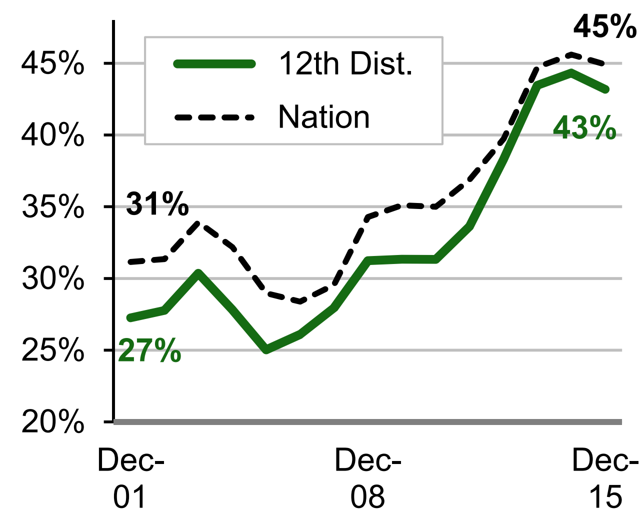
- *Quality of loan growth*. The District's average annual net loan growth has outpaced the nation's for several years (see chart at right). While the expanding economy has likely fueled much of the growth, various banker and examiner surveys suggest some relaxation of underwriting standards in recent years and potentially aggressive loan pricing. Prior credit cycles have shown that the worst loans are underwritten during the best economic times. As the credit cycle lengthens, it is important to re-assess exception trends and credit risk appetite to ensure ongoing, sound risk management.

- *Lengthening asset maturities*. In part because of the steep yield curve, institutions have increased their holdings of longer-dated assets over the past few years (see chart at right). In a rising interest rate environment, higher concentrations in longer-dated assets could mute asset repricing and margin expansion and/or lead to mis-matches in rate-sensitive assets and liabilities, if not appropriately managed.

Avg. Year-Over-Year Net Loan Growth*



Avg. Loans & Securities Repricing > 3 Yrs. / Assets*

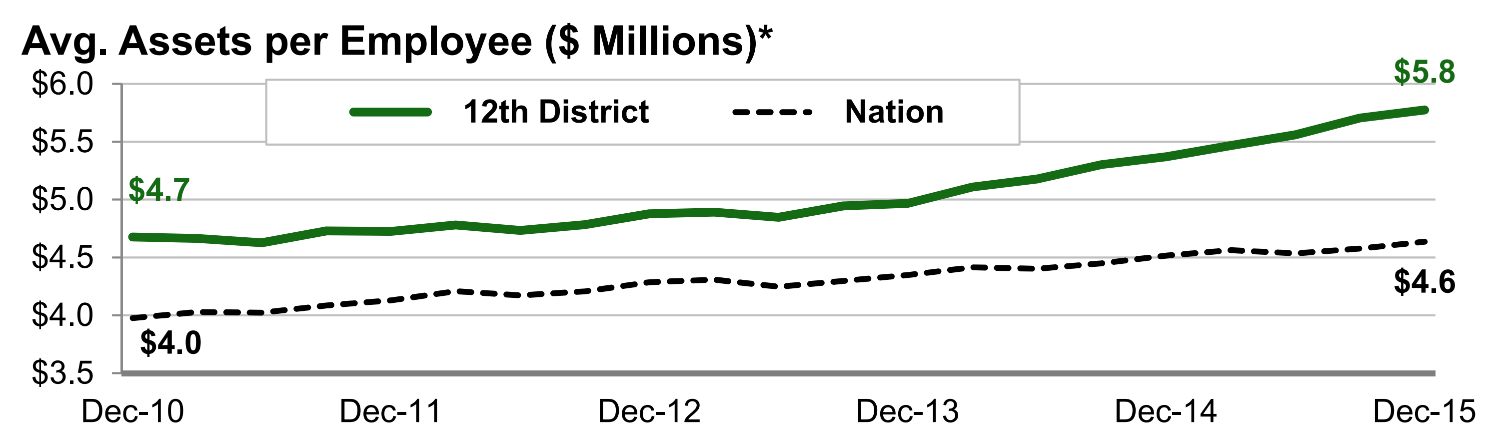


*Trimmed means

Hot Topics: Areas We are Monitoring Most Closely

Additionally, these areas pose more moderate, but increasing, concern:

- *Nonmaturity Deposit (NMD) reliance*. NMDs (traditionally viewed as "core" deposits) have become an increasingly important source of funding for most institutions. While these products have proven inexpensive in a low-rate environment, there is a concern that these funds may disintermediate or transition to higher-cost deposit products in a rising interest rate environment. During the last rate tightening cycle (2004-2006), the mix of bank funding shifted away from NMDs and towards higher-cost time deposits and borrowings.
- *Overhead expense ratios*. Asset growth has led to some economies of scale (see chart below) and improved efficiency ratios have helped boost profitability. Still, some banks may not be devoting sufficient resources to back-office operations, internal controls, and compliance programs commensurate with their increasing size and complexity.
- *Commercial real estate (CRE) lending concentrations*. Concentrations of CRE loans (i.e., nonfarm-nonresidential, multifamily, C&LD, and CRE-purpose loans) relative to capital have declined from pre-crisis peaks, due mainly to lower C&LD exposures. However, CRE concentrations have recently edged up and remain high in relation to national averages (see table at right). During the last two banking crises, high CRE exposures, especially C&LD, led to severe credit problems and bank failures. In a rising interest rate environment, debt service coverage ratios on variable-rate commercial mortgages and commercial property values may weaken. Given developing risks, lenders should review SR letter 15-17, *Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending*, which reiterates important risk considerations.



Average Commercial Real Estate Loans / Total Capital* (%)

	2005-15	Dec-15
OR		369.4%
CA		362.6%
AZ		361.6%
NV**		358.3%
WA		342.2%
AK		308.8%
ID		248.4%
UT		223.4%
HI		179.1%
Nation		195.4%

*Trimmed Means; **excludes credit card and zero-loan banks.

Section 1 - Economic Conditions

<u>Fundamentals:</u>

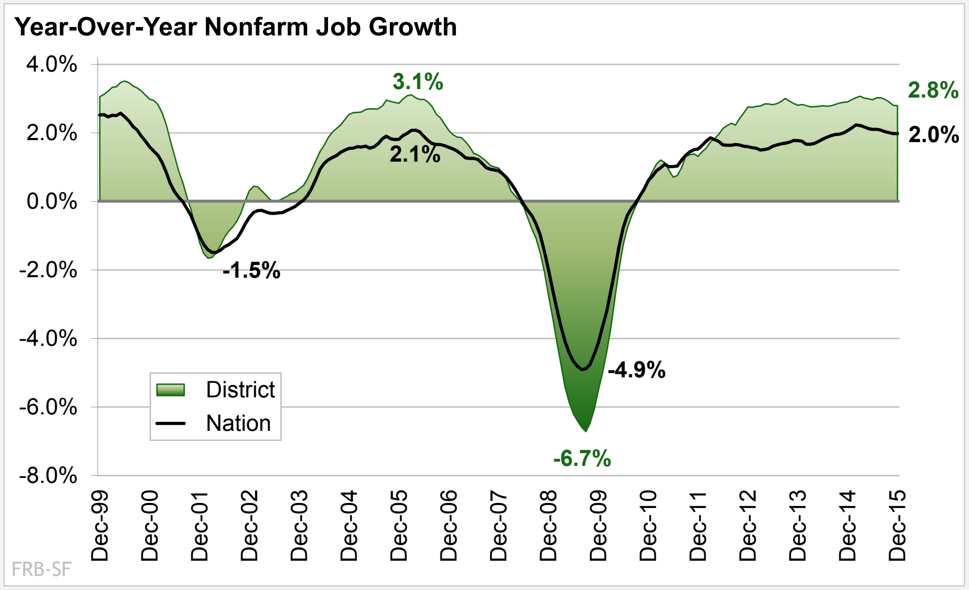
Job Growth

Housing Market Metrics

Commercial Real Estate Market Conditions

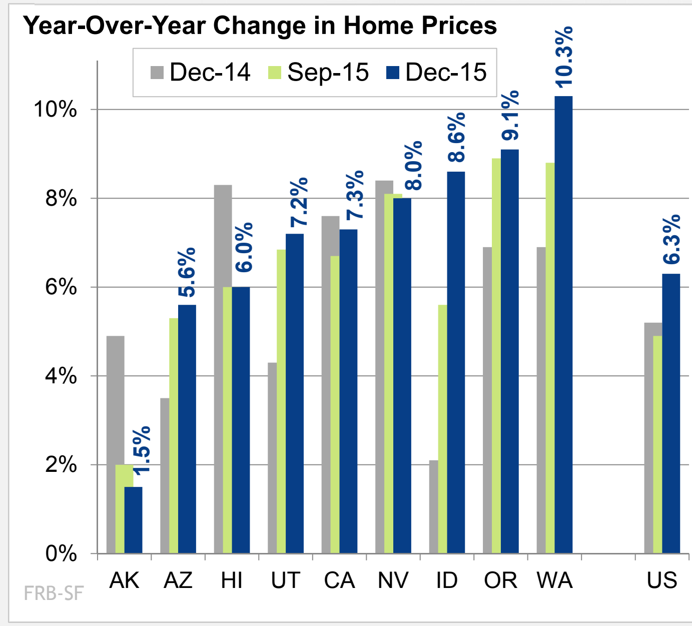
Global Trade, Currencies, & Stock Markets

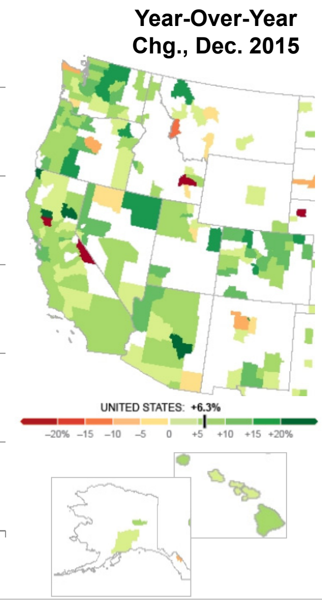
District Job Growth Decelerated Modestly, But Continued to Outpace the Nation



Based on average nonfarm payroll levels over trailing three months; Source: Bureau of Labor Statistics via Haver Analytics.

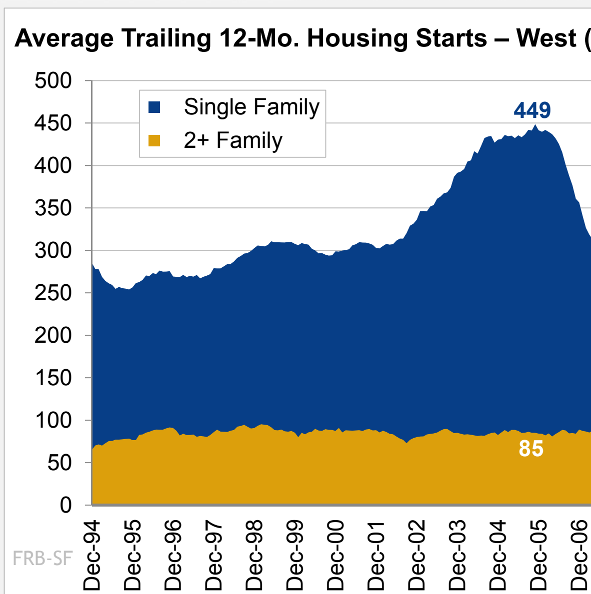
Home Price Appreciation Accelerated Across Most District States, but Slowed in Oil-Exposed Alaska





Source: Core Logic (for market level data maps, see http://www.newyorkfed.org/home-price-index/)

Housing Starts in the West Climbed Higher, but Single-Family Construction Remained Well Below Historical Average

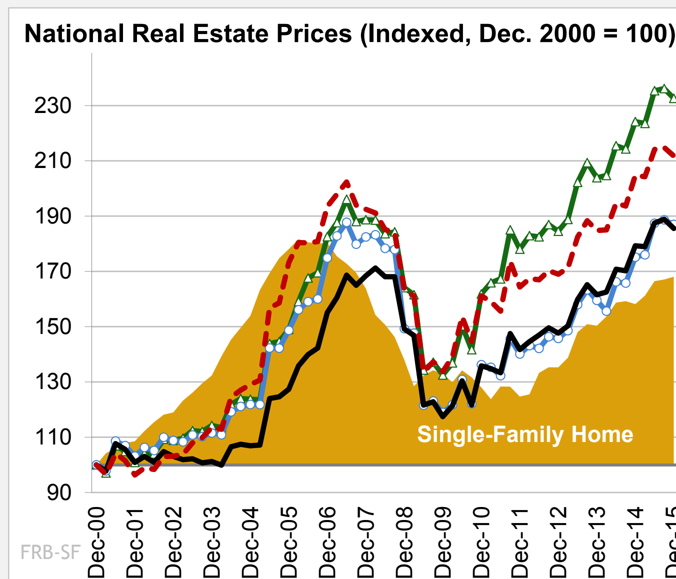


National Year-Over-Year Change in Starts* (%)

Property Type	2015	2016 Forecast	2017 Forecast
Single Family	13%	19%	13%
Multi-Family	5%	0%	-4%

SAAR=seasonally adjusted annual rate; West=12th District plus CO, MT, NM, and WY; Sources: Census Bureau via Haver Analytics; *Zelman & Associates, *The Blueprint*

In the Past 15 Years, Commercial Property Values Have Appreciated More Strongly Than Home Prices

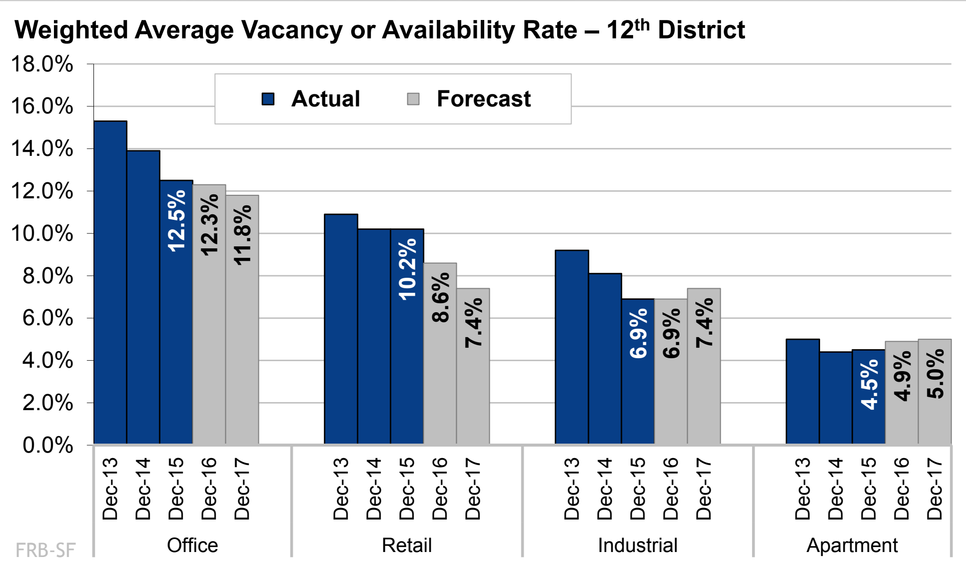


Cumulative Change in Price Indices (%)

Property Type	Dec-00 to Dec-15	Dec-14 to Dec-15
Apartment	132.6%	3.8%
Retail	111.8%	3.4%
Industrial	87.0%	6.8%
Office	85.6%	3.5%
Home	68.1%	6.3%

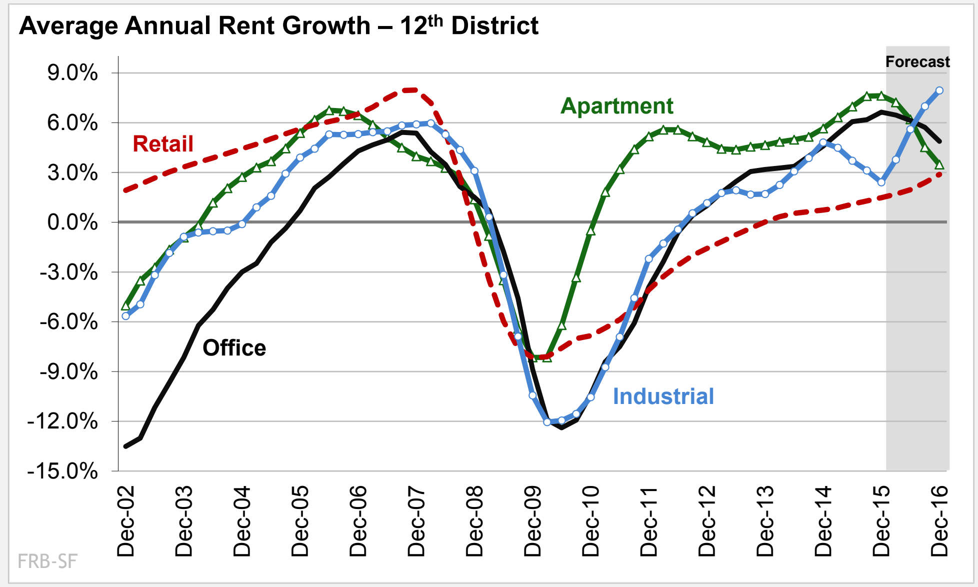
Underlying commercial properties are institutionally held, mainly investment-grade; Sources: NCREIF Commercial Real Estate Transaction-Based Price Indices, Core Logic Home Price Index

According to Third-Party Forecasts, Vacancy Rates Are Expected to Remain Relatively Low or Decline Through 2017



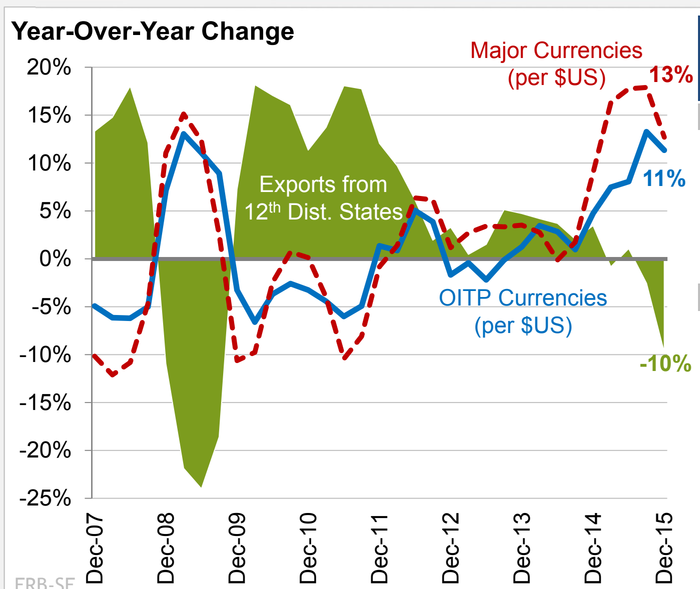
Based on aggregates across 15-16 large metropolitan areas; apartment data based upon number of units; other property types based upon square footage; Source: CBRE-Econometric Advisors

Third-Party Forecasts Suggest Rent Growth in Major Western Metros May Moderate in Office and Apartment Properties



Annual 12 month rolling rent average across 15-16 large metropolitan areas; Source: CBRE-Econometric Advisors

Economic Slowing Abroad and Continued Dollar Strength Weighed on the District's Export Activity in Late 2015

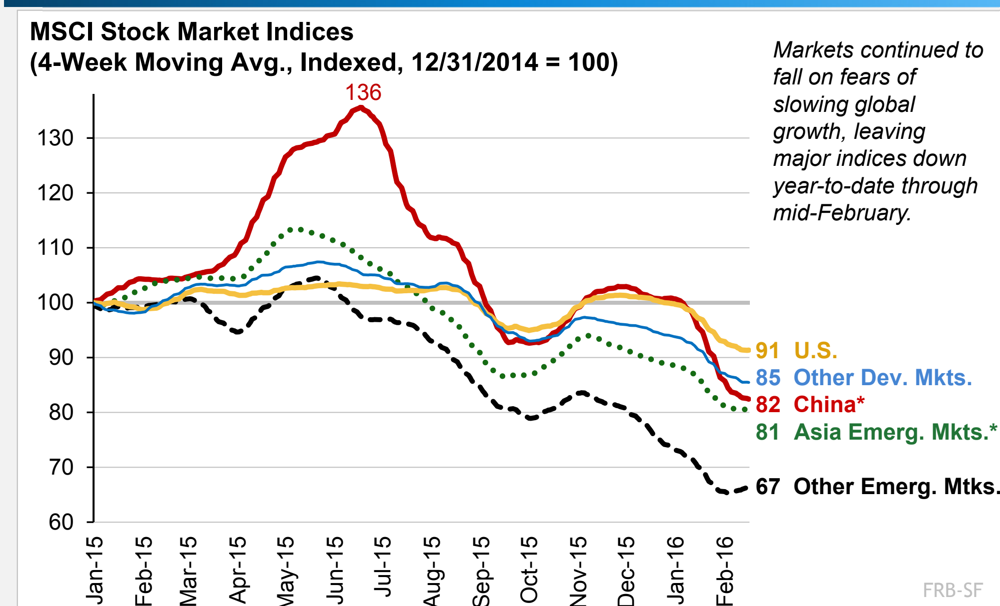


Year-Over-Year % Change in Foreign Currency / $US (Based on 4th Qtr. Avgs.)	
Major Currency	**13%**
Euro Area	14%
Canada	18%
Japan	6%
UK	6%
Switzerland	1%
Australia	19%
Sweden	14%
OITP Currency	**11%**
China	4%
Mexico	21%
South Korea	6%
Taiwan	6%
Hong Kong	0%
Malaysia	27%
Singapore	9%
Brazil	51%
India	6%

OITP also includes Thailand, Philippines, Israel, Indonesia, Russia, Saudi Arabia, Chile, Argentina, Colombia, and Venezuela.

OITP = other important trading partners; export data based dollar volumes and origin of movement; Sources: Federal Reserve (G.5, Nominal Indices) and WISER Trade via Haver Analytics

Global Stock Markets, Especially in Emerging Economies, Remained Volatile



*Asia Emerging Markets includes China; Source: MSCI Inc. (through 2/16/2016)

Section 2
Commercial Bank Performance

Earnings

Provisions and Loan Loss Reserves

Loan Growth and Underwriting

Credit Quality

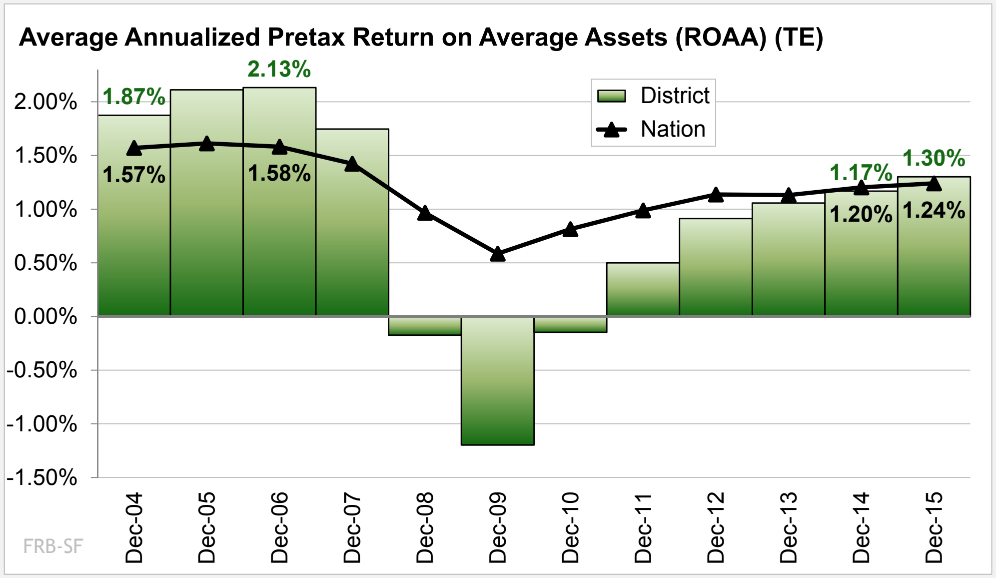
Liquidity and Interest Rate Risk

Capital

Note: Bank size groups are defined as small (<$10B), mid-sized ($10B-$50B), and large (>$50B) banks. The large bank group covers nationwide banks (a larger statistical population), while the other two groups cover 12th District banks.

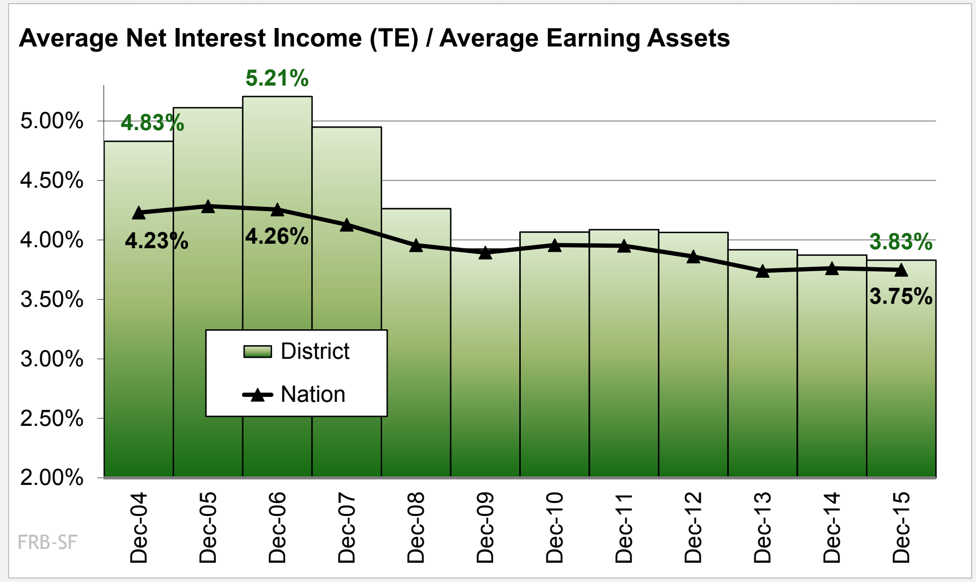
See also "Banks at a Glance," Bank Profiles by State:
http://www.frbsf.org/banking/publications/banks-at-a-glance/

Earnings: Pretax Profit Ratios Improved, Outpacing the Nation



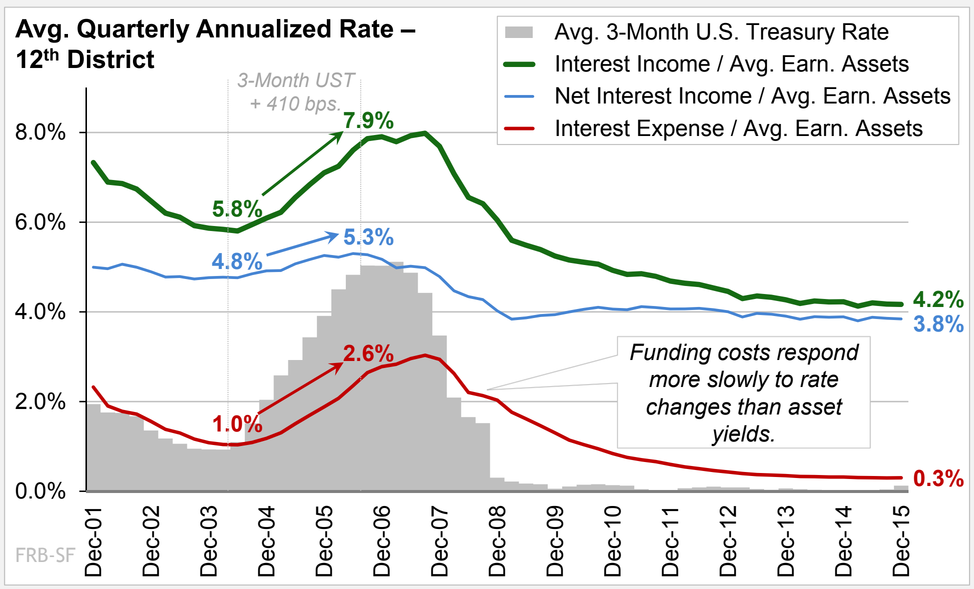
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 12/31/15 data; for comparability, Pretax ROAAs are adjusted on a tax-equivalent (TE) basis to assume taxes are paid on income from tax-free municipal loans and securities

Net Interest Margins Were Not Responsible for the Earnings Boost at Most Banks



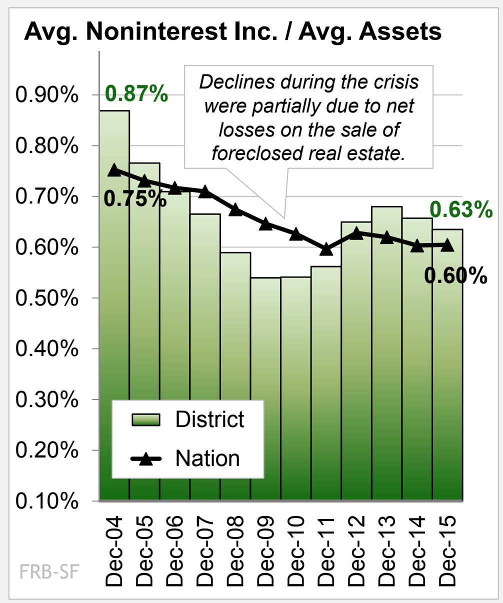
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 12/31/15 data; for comparability, net interest income is adjusted on a tax-equivalent (TE) basis to assume taxes are paid on income from tax-free municipal loans and securities

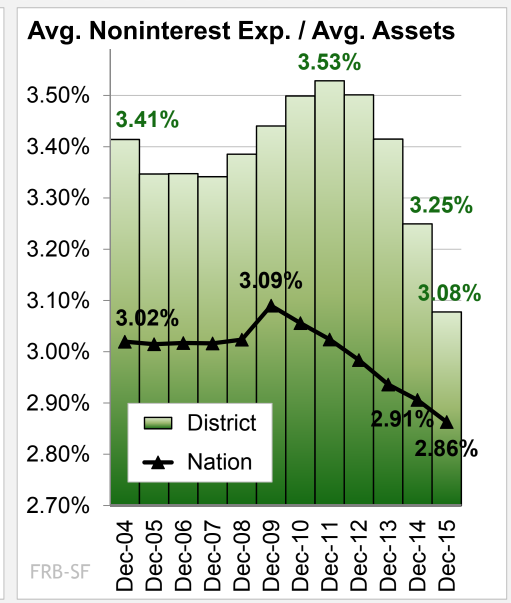
Will Future Rate Increases Contribute to Margin Expansion, As Was the Case Between 2004 and 2006?



Based on 12th District commercial banks, excluding De Novos; quarterly annualized trimmed means; preliminary 12/31/15 data; data are presented on a tax-equivalent (TE) basis; average 3-month constant maturity U.S. Treasury (UST) Rate from Federal Reserve via Haver Analytics

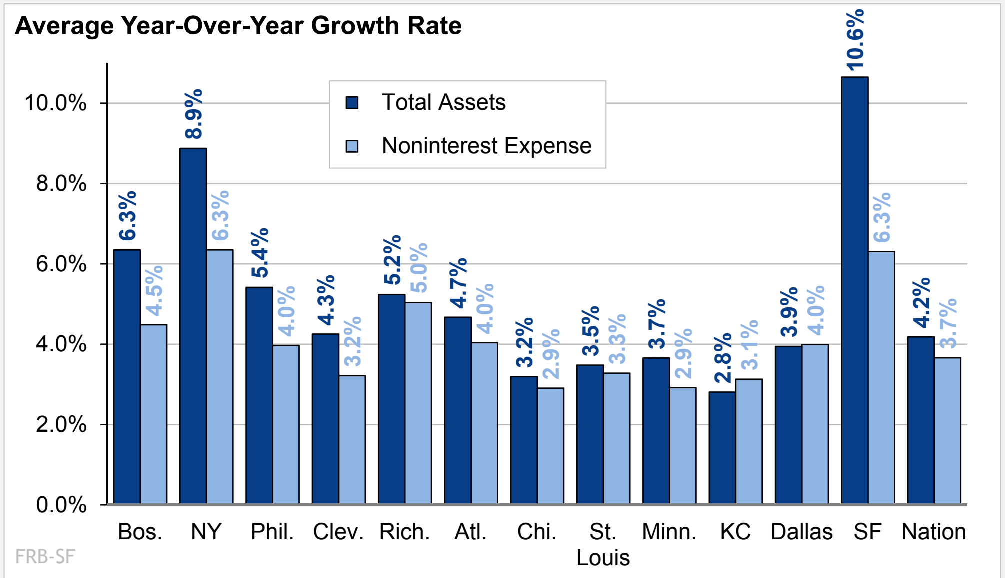
Mild Deterioration in Noninterest Income Ratios Were More Than Offset by Continued, Steep Drops in Overhead Ratios





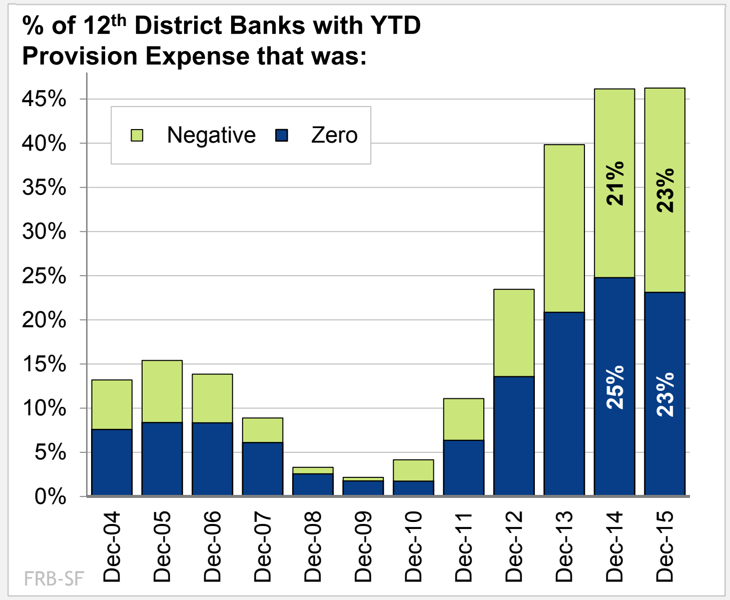
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 12/31/15 data

The 12th District Had One of the Largest Gap Between Growth in Total Assets and Growth in Noninterest Expenses



Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; noninterest expense comparison made on full year totals

Loan Loss Reserves: A Large Share of Community Banks Continued to Report Zero or Negative Provision Expenses

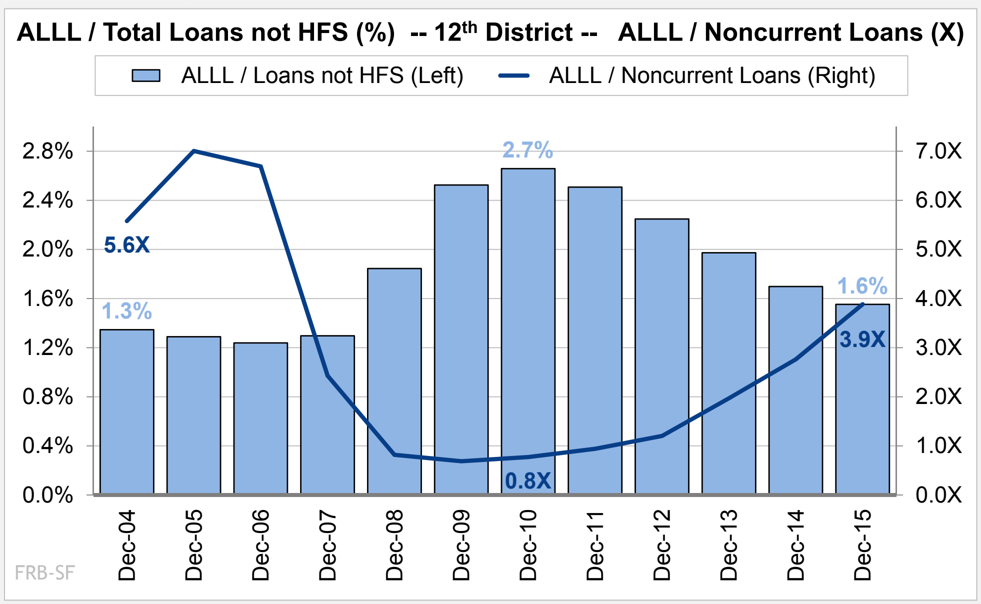


% of Banks with Zero or Negative YTD Provision Expenses

Bank Size	Dec-2014	Dec-2015
District Small (<$10B)	47 %	48%
District Mid-Sized ($10B-$50B)	41%	31%
Nation Large (>$50B)	9%	3%

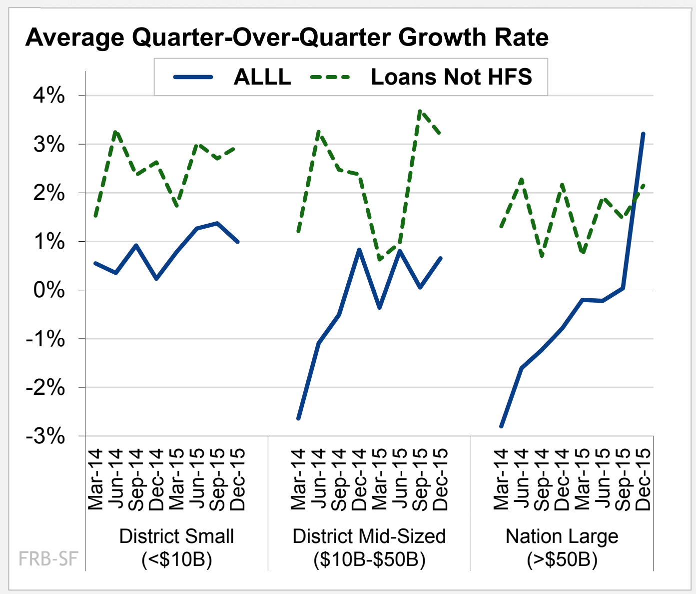
Based on commercial banks, excluding De Novos; year-to-date (YTD); preliminary 12/31/15 data

Low Provisioning, Strong Loan Growth, and Improved Credit Quality Reduced Average ALLL-to-Loan Ratios



Based on commercial banks based in the 12th District, excluding De Novos; trimmed means; preliminary 12/31/15 data; ALLL = allowance for loan and lease losses; HFS = held for sale

Of Note, Larger Banks Expanded Loan Loss Reserves in Late 2015, Spurred in Part by Oil and Gas Concerns



Although large banks added to reserves in late 2015, loan growth for the duration of the year diluted ALLL-to-loan ratios relative to year-end 2014.

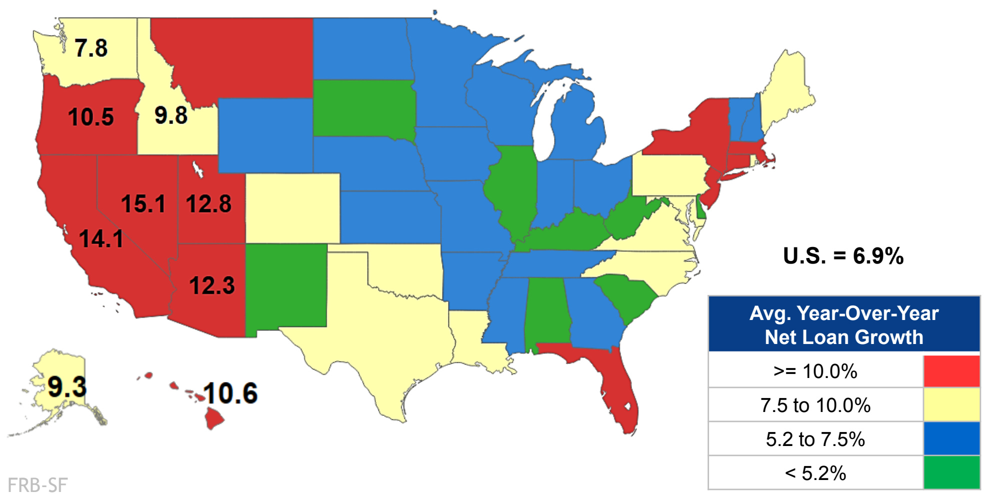
Average ALLL / Loans Not HFS (%) by Bank Size

Bank Size	Sep-2015	Dec-2015
District Small (<$10B)	1.64%	1.59%
District Mid-Sized ($10B-$50B)	1.19%	1.16%
Nation Large (>$50B)	1.13%	1.12%

Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 12/31/15 data; ALLL = allowance for loan and lease losses; HFS = held for sale

Loan Growth: Average Net Loan Growth Was Brisk Throughout the West

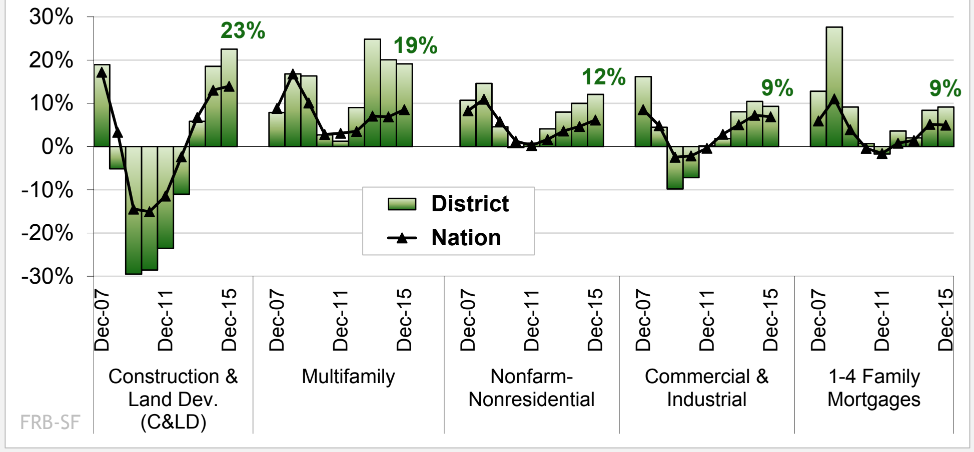
Average Year-Over-Year Net Loan Growth



Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 12/31/15 data; Nevada excludes credit card and zero-loan banks

Growth Among (Relatively Small) C&LD and Multifamily Mortgage Portfolios Remained Especially Strong

Average Year-Over-Year Loan Growth Rate

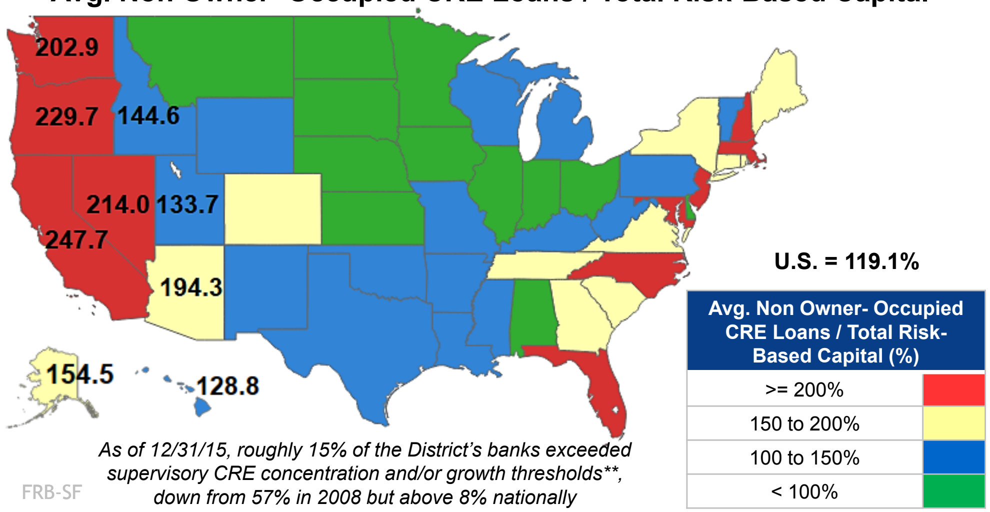


Memo: Average Share of Total Loans					
District	5.3%	4.9%	45.1%	16.1%	13.6%
Nation	4.8%	2.1%	24.4%	12.8%	25.3%

Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 12/31/15 data

Loan Growth Helped Propel Already High Non Owner-Occupied CRE Loan Concentrations*

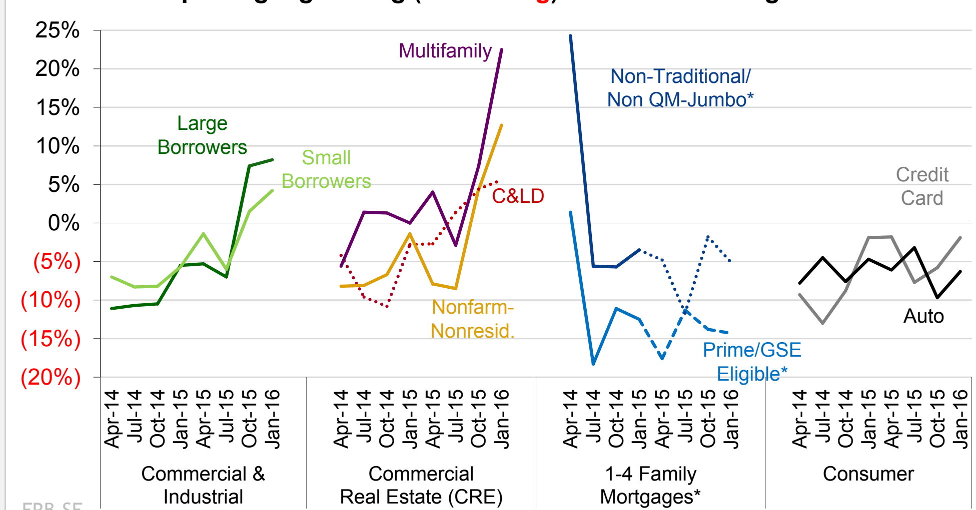
Avg. Non Owner- Occupied CRE Loans / Total Risk-Based Capital



Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 12/31/15 data; *non owner-occupied commercial real estate (CRE) includes construction and land development (C&LD), multifamily, and non owner-occupied nonfarm-nonresidential mortgages, plus CRE purpose loans not secured by real estate; **supervisory CRE thresholds defined as C&LD > 100% of total capital OR total non owner-occupied CRE > 300% of total capital with a three-year growth rate above 50%; Nevada excludes credit card and zero-loan banks

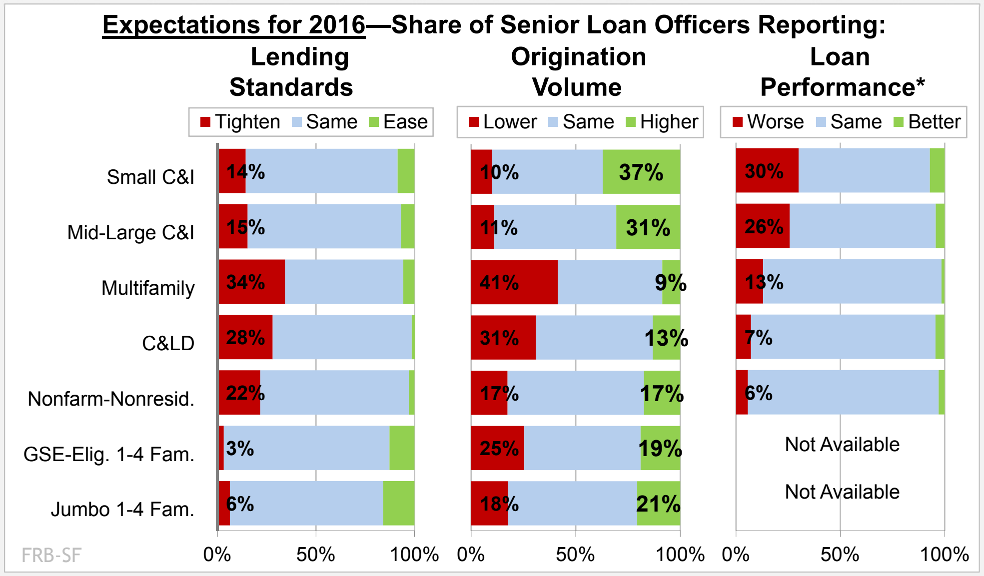
On Net, Lenders Reported Modest Tightening of Standards on Commercial & Industrial and CRE Loans in Late 2015

Net Share Reporting Tightening (Loosening) Standards During 3 Mos.



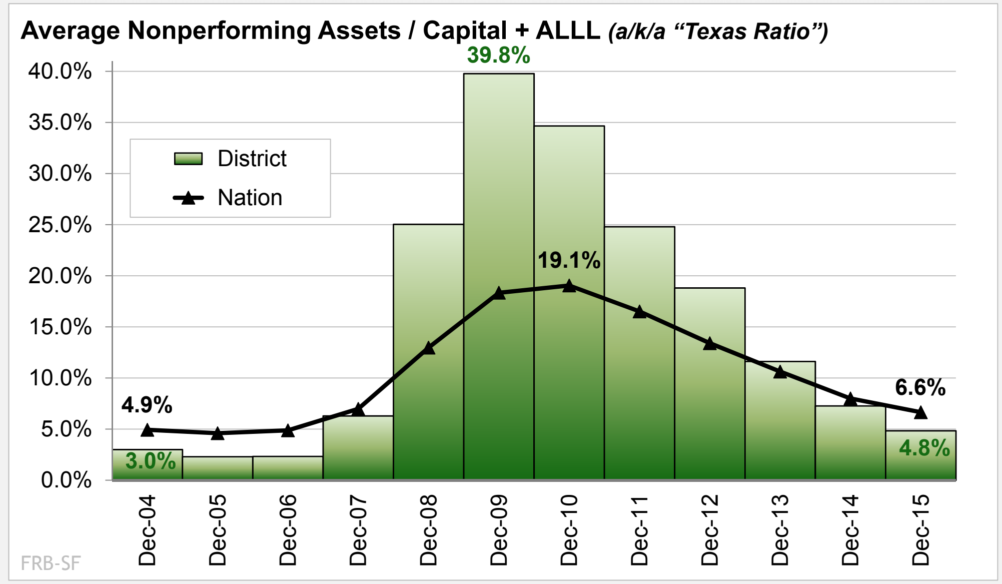
Based on a sample of loan officers at 70+/- domestic banks (number varies by period and loan type); *beginning January 2015, two categories were replaced with six based on GSE eligibility, qualifying mortgage (QM) status, and size (making comparisons imperfect); C&LD = construction and land development; Source: Federal Reserve Senior Loan Officer Opinion Survey (http://www.federalreserve.gov/BoardDocs/snloansurvey/)

Lenders Expect CRE Originations and Standards to Tighten but C&I Originations to Increase Despite Weaker Performance



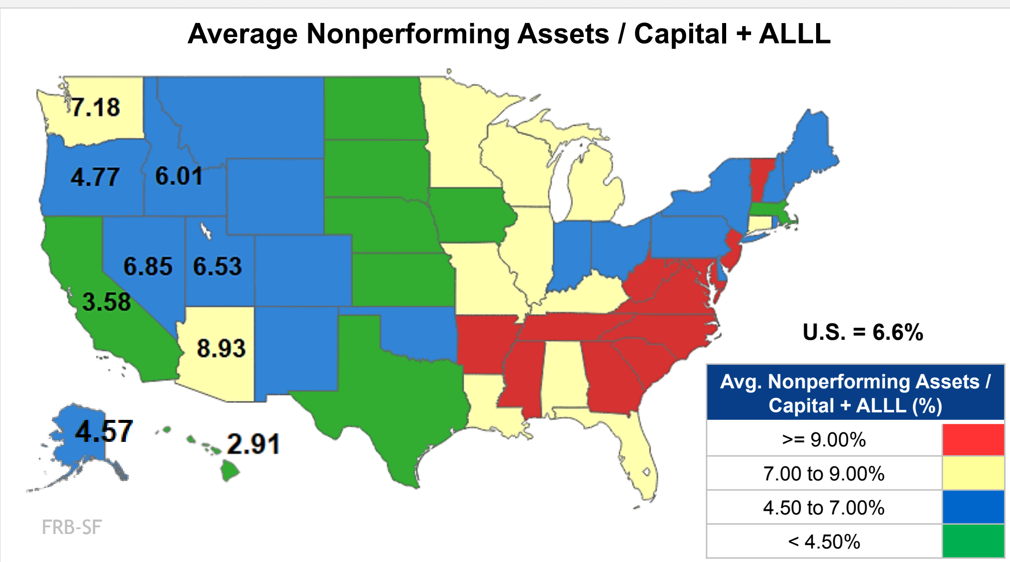
Based on a sample of loan officers at 70+/- domestic banks; C&I = commercial and industrial (*excludes syndicated loans); CRE = commercial real estate; C&LD = construction and land development; Source: Federal Reserve Sr. Loan Officer Opinion Survey (http://www.federalreserve.gov/BoardDocs/snloansurvey/), Jan. 2016

Credit Quality: Nonperforming Assets Dipped Further Relative to Capital and Reserves



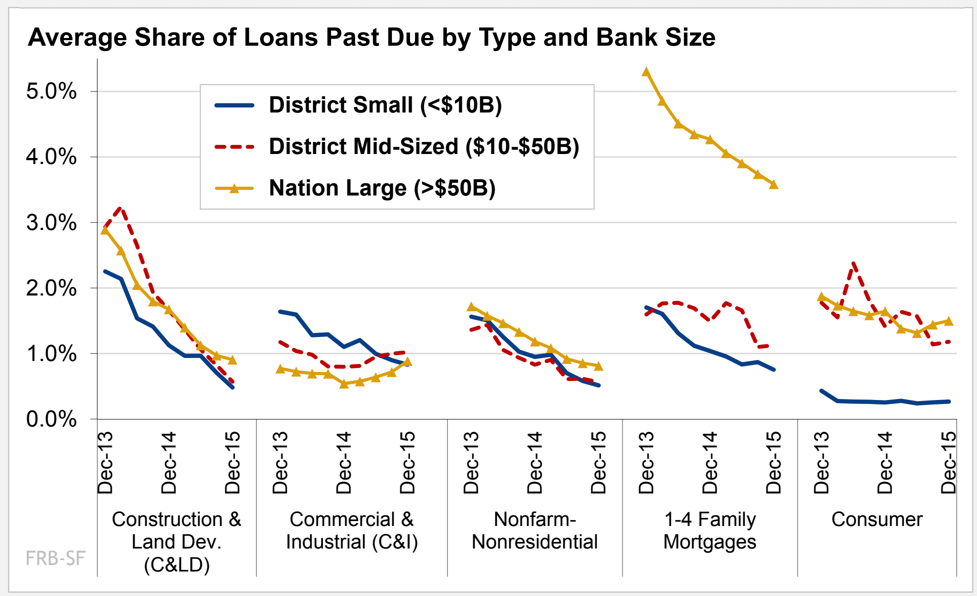
Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; nonperforming assets = loans 90+ days past due or on nonaccrual plus other real estate owned; ALLL = allowance for loan and lease losses

Nonperforming Assets Were Low in Relation to Capital and Reserves Across Most 12th District States



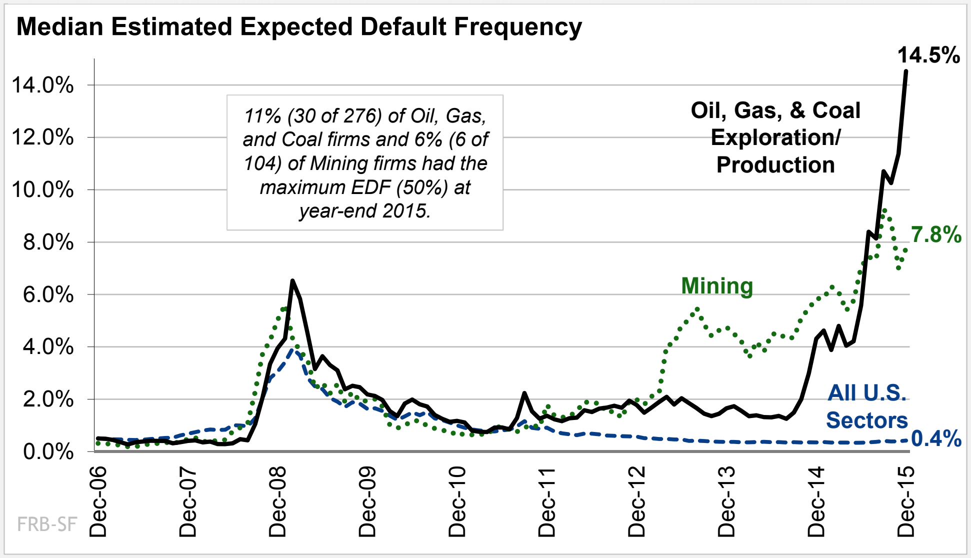
Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; nonperforming assets = loans 90+ days past due or on nonaccrual plus other real estate owned; ALLL = allowance for loan and lease losses; Nevada excludes credit card and zero-loan banks

Although Credit Metrics Improved Generally, Oil & Gas Problems Pushed Up Past Due C&I Ratios at Larger Banks



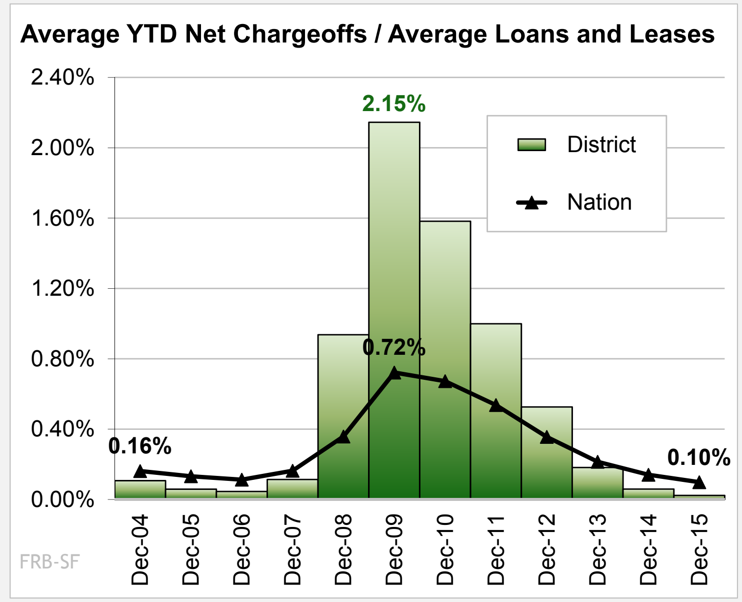
Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; past due = loans 30+ days past due or on nonaccrual status

Expected Default Frequencies Among Energy- and Mining-Related Firms Surged During 2015



Moody's Analytics CreditEdge® (formerly KMV) Service estimates a publicly-traded firm's expected default frequency (EDF), or the probability that the firm will default within 1 year; the model is based upon movements in a firm's stock price and level of liabilities and is scaled from 0% to 50%; Source: Moody's Analytics CreditEdge® (www.creditedge.com)

Average District Net Chargeoff Rate Was Near Zero and Declined Year-Over-Year in Most 12th District States

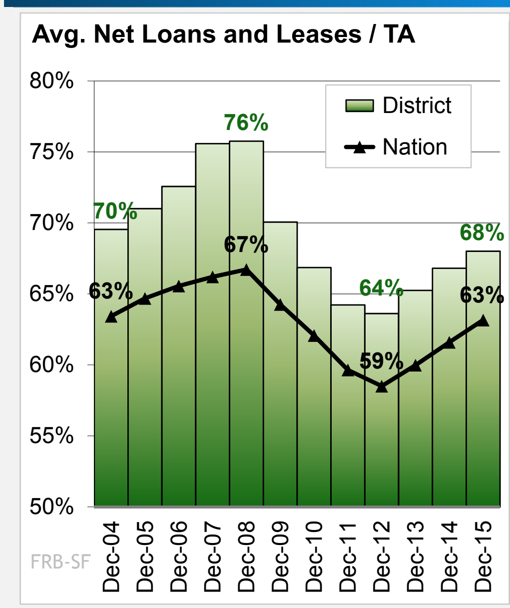


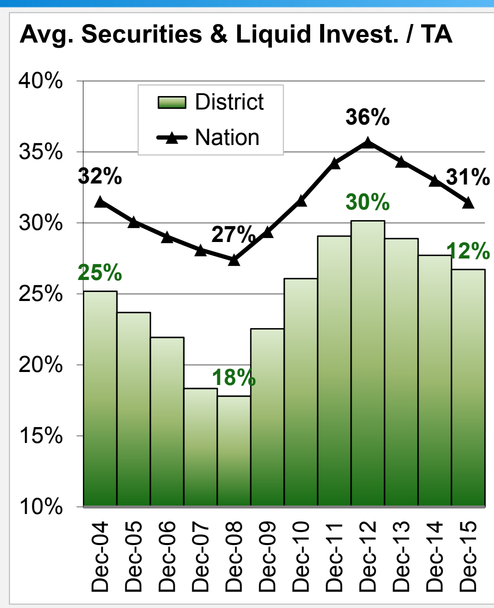
Average YTD Net Chargeoff Rate (%) by State

State	Dec-14	Dec-15
AK	0.01	0.04
AZ	0.45	(0.01)
CA	0.01	(0.00)
HI	0.03	0.05
ID	0.06	0.05
NV*	0.03	0.08
OR	0.05	0.02
UT	0.18	0.14
WA	0.12	0.03
Nation	0.14	0.10

Based on commercial banks, excluding De Novos; year-to-date (YTD) annualized trimmed means; preliminary 12/31/15 data; *Nevada excludes credit card and zero-loan banks

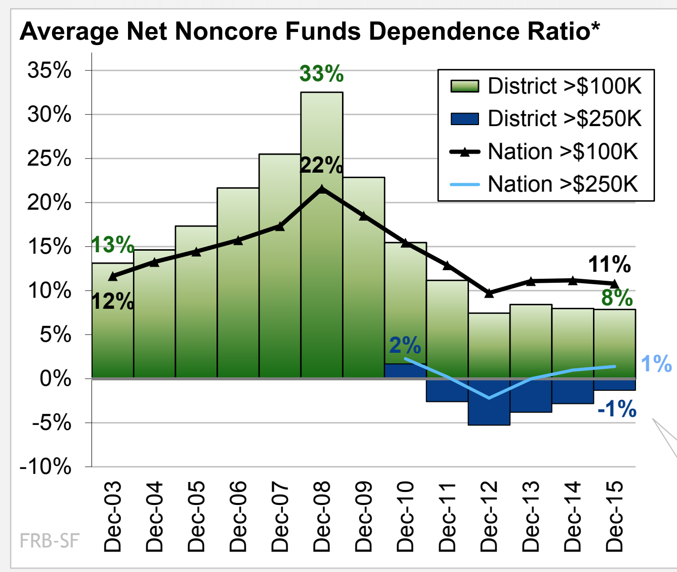
Liquidity: During 2015, Bank Asset Mixes Shifted Away from Securities and Liquid Instruments and Towards Loans





Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; TA = total assets; Liquid invest. = cash, due from balances, and Federal funds sold & securities purchased under agreements to resell

Reliance on Noncore Funding Remained Moderate, Especially Among Small Banks



Avg. Net Noncore Funds Dependence* (%) by Bank Size
(Using CDs > $100K)

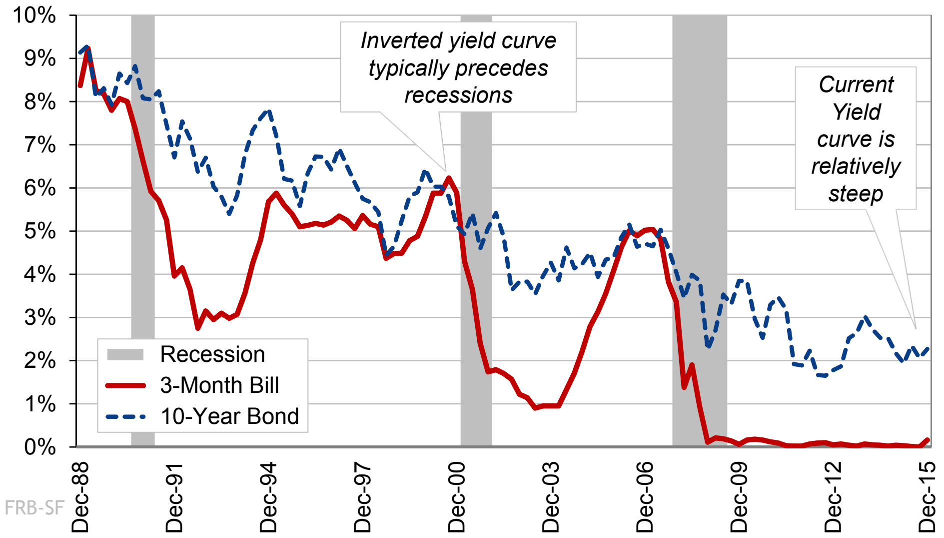
Bank Size	Dec-2014	Dec-2015
District Small (<$10B)	7.5%	7.4%
District Mid-Sized ($10B-$50B)	15.2%	14.7%
Nation Large (>$50B)	16.1%	15.7%

Net noncore funding ratio remained negative if CDs between $100K and $250K were excluded.

Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; *Net noncore funds dependence is sum of borrowed funds, foreign and brokered deposits, large CDs (previously defined as > $100K—green bars, now defined as > $250K—blue bars) less short-term investments divided by long-term assets

Interest Rate Risk: Long-Term Interest Rates May Not Rise in Lockstep with Short Term Rates (as in 2004-2006)

End-of-Period U.S. Treasury Yields*, Annualized

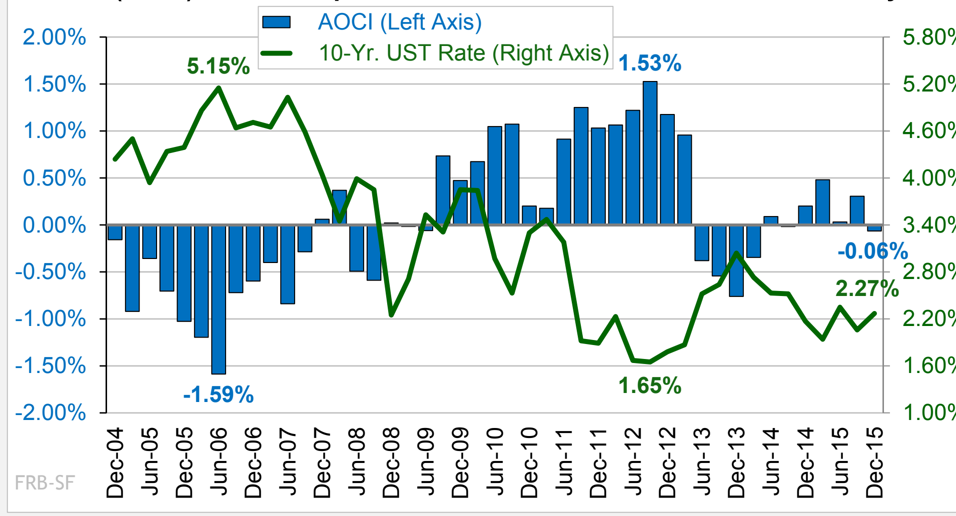


*Constant maturity basis; Sources: Federal Reserve and National Bureau of Economic Research via Haver Analytics

The Recent Increase in Long-Term Interest Rates Pressured Investment Portfolio Values and AOCI

Avg. Accumulated Other Comprehensive Income (AOCI)* / Tier 1 Cap. – 12th District

End-of-Period 10-Year U.S. CM Treasury Rate

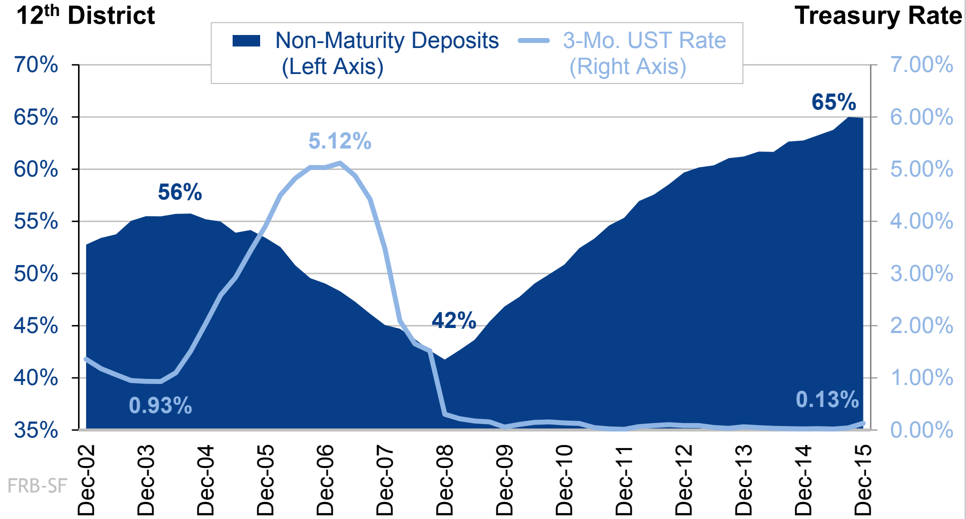


Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; *accumulated other comprehensive income is comprised mainly of net unrealized gains and losses on available-for-sale securities; Constant Maturity (CM) Treasury Rate from Federal Reserve via Haver Analytics

The Share of Assets Funded by Non-Maturity Deposits Could Decline as Rates Rise (as in 2004-2006)

Avg. Non-Maturity Deposits* / Total Assets – 12th District

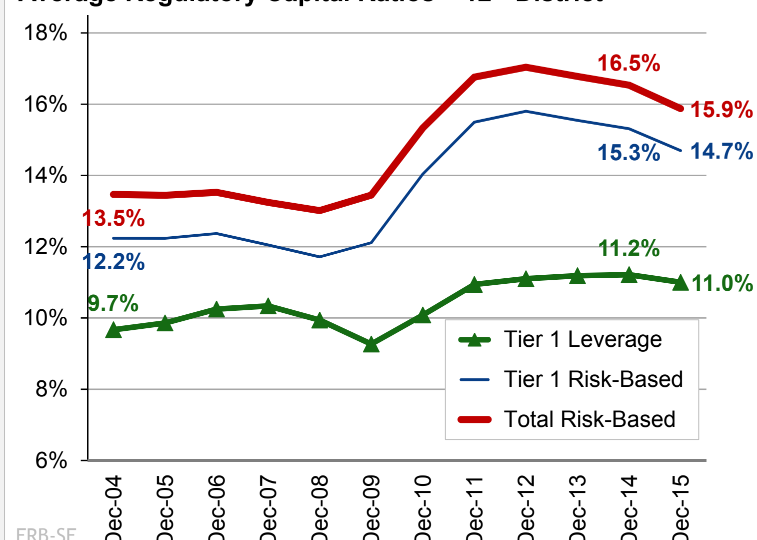
Qtly. Avg. 3-Month U.S. CM Treasury Rate



Deposit data based on commercial banks based in the 12th District, excluding De Novos; trimmed means; preliminary 12/31/15 data; *non-maturity includes demand, money market, and savings; Constant Maturity (CM) U.S. Treasury (UST) Rate from Federal Reserve via Haver Analytics

Risk-Based Capital Ratios Slipped as Assets Shifted to Loans and Basel III's Higher Risk Weights Took Effect

Average Regulatory Capital Ratios – 12th District



Average Total Risk-Based Capital Ratios (%) by Bank Size

Bank Size	Dec-2014	Dec-2015
District Small (<$10B)	16.6%	16.0%
District Mid-Sized ($10B-$50B)	15.0%	14.0%
Nation Large (>$50B)	14.5%	14.1%

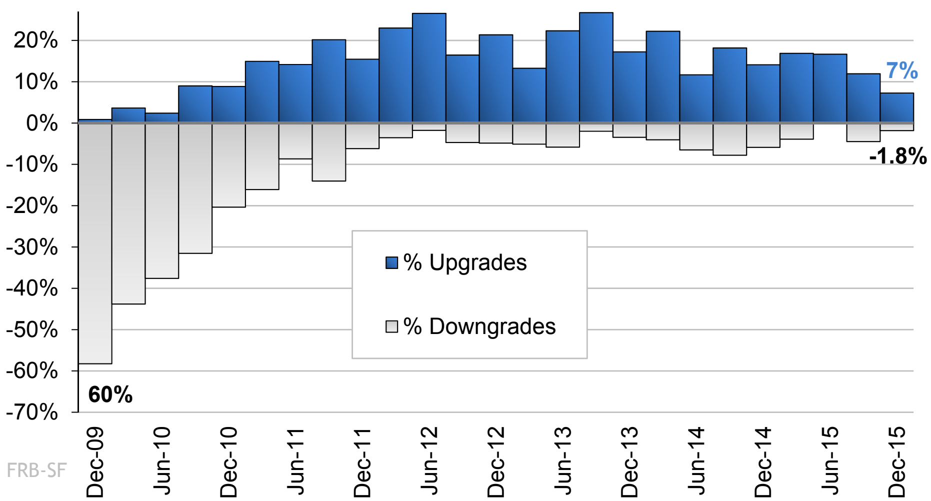
Based on commercial banks, excluding De Novos; trimmed means; preliminary 12/31/15 data; new risk-based capital reporting became effective March 2014 for advanced approach adopters and March 2015 for others

Section 3 – Regulatory Ratings and Trends

Focusing on trends in safety and soundness, consumer compliance, and Community Reinvestment Act examination ratings assigned by regulatory agencies among commercial banks headquartered within the 12th Federal Reserve District.

Regulatory Ratings: Upgrades Continued to Outpace Downgrades in Fourth Quarter

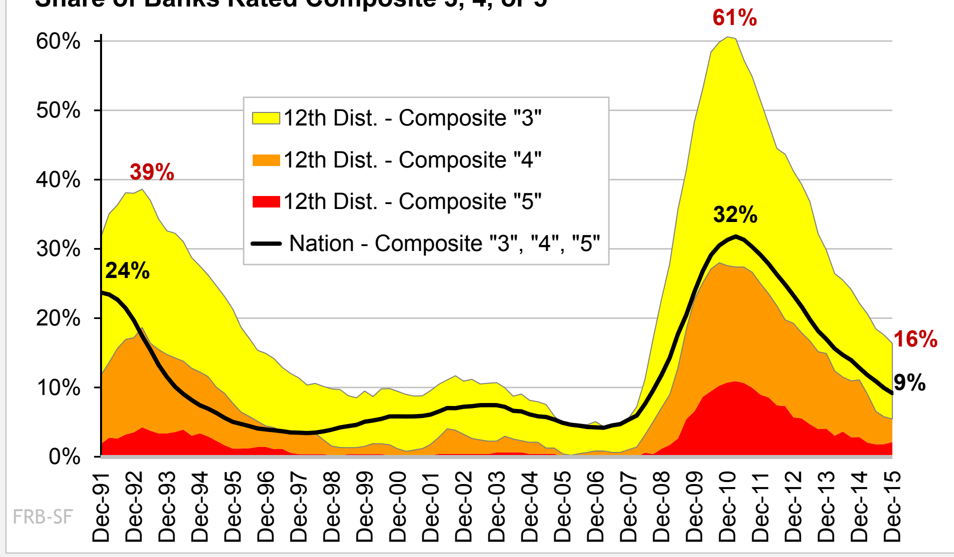
Percent of 12th District Exams that Resulted in CAMELS Composite Rating Upgrade or Downgrade (downgrades shown as negative percentages)



Includes any change in composite CAMELS rating for commercial banks; quarterly data based on examination completion dates (mail dates); preliminary fourth quarter 2015 data updated through 01/22/16

The Share of District Banks with CAMELS Composite Ratings of 3, 4, or 5 Moderated Further

Share of Banks Rated Composite 3, 4, or 5

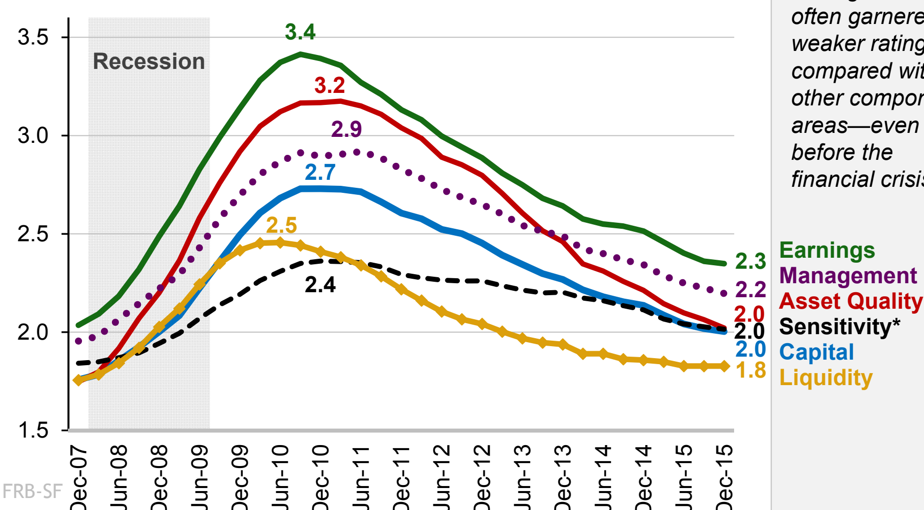


Trends for all commercial banks based on examination completion dates (mail dates); preliminary fourth quarter 2015 data updated through 01/22/16

Earnings and Management Remained Weakest Components

Average CAMELS Component Ratings for 12th District Banks
(1: strong; 2: satisfactory; 3-5: less-than-satisfactory)

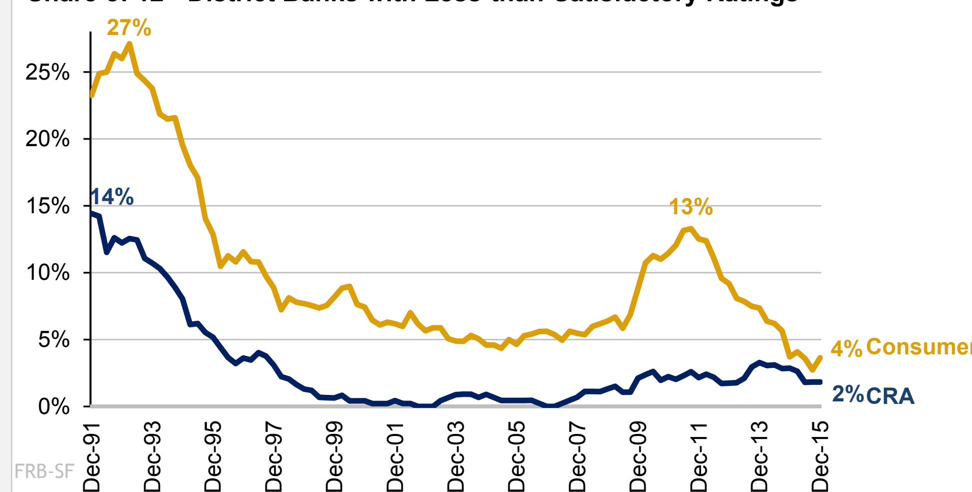
Earnings and Management often garnered weaker ratings compared with other component areas—even before the financial crisis.



Trends for all commercial banks based on examination completion dates (mail dates); preliminary fourth quarter 2015 data updated through 01/22/16; *Sensitivity to Market Risk

Consumer Compliance and CRA Ratings Were Relatively Steady

Share of 12th District Banks with Less-than-Satisfactory Ratings



Trends for all commercial banks based on examination completion dates (mail dates); CRA = Community Reinvestment Act; preliminary fourth quarter 2015 data updated through 01/22/16

Appendices

1. Summary of Institutions
2. Technical Information

Appendix 1: Summary of Institutions

Area	Commercial Banks (De Novos)		Industrial Banks (De Novos)		Savings Institutions (De Novos)	
	Dec-14	Dec-15	Dec-14	Dec-15	Dec-14	Dec-15
AK	4 (0)	4 (0)	-	-	1 (0)	1 (0)
AZ	21 (0)	17 (0)	-	-	1 (0)	1 (0)
CA	193 (1)	179 (0)	4 (0)	3 (0)	13 (0)	12 (0)
GU	2 (0)	2 (0)	-	-	1 (0)	1 (0)
HI	6 (0)	5 (0)	1 (0)	1 (0)	2 (0)	2 (0)
ID	11 (0)	11 (0)	-	-	1 (0)	1 (0)
NV	12 (0)	11 (0)	4 (0)	4 (0)	2 (0)	2 (0)
OR	25 (0)	22 (0)	-	-	3 (0)	3 (0)
UT	31 (0)	30 (0)	18 (0)	16 (0)	4 (0)	2 (0)
WA	47 (0)	40 (0)	-	-	12 (0)	12 (0)
12L	352 (1)	321 (0)	27 (0)	24 (0)	40 (0)	37 (0)
US	5,571 (13)	5,309 (4)	29 (0)	26 (0)	904 (2)	844 (1)

based on preliminary 12/31/15 data.

Appendix 2: Technical Information

This report focuses on the financial trends and performance of commercial banks headquartered within the 12th Federal Reserve District ("12L"). 12L includes 9 western states: AK, AZ, CA, HI, ID, NV, OR, UT, and WA, as well as Guam. Industrial banks and savings institutions, which have different operating characteristics, are excluded from graphics (other than the table to the left).

De Novos: Many of the charts exclude "De Novo" banks, or banks less than five years old.

Groups by Asset Size: "Small", and "Mid-Sized" bank groups are based on 12th District community banks (<$10B) and regional banks ($10B-$50B), respectively. The "Large" bank group is based on nationwide banks with assets >$50B because a larger statistical population was needed to construct trimmed means.

Trimmed Mean (also referred to as "average"): Many of the charts present trends in ratio averages, adjusted for outliers. The method used is to eliminate or "trim" out the highest 10% and the lowest 10% of ratio values and average the remaining values.

Aggregate: In some cases, the trimmed mean method is not appropriate (e.g., when many banks have zero values for a particular ratio or for some growth rates where there may be many highly positive and highly negative values). In these cases, District aggregates sometimes are computed (i.e., summing numerator values across all District banks and dividing by the sum of all denominator values), as opposed to averaging individual bank ratios. When an aggregate is used, it is indicated on the chart.