

Banks at a Glance:

Economic and Banking Highlights by State

2Q 2019

These semi-annual reports highlight key indicators of economic and banking conditions within each of the nine states comprising the 12th Federal Reserve District.



This report is based on data as of 6/30/2019 and has been prepared primarily for bank supervisors and bankers. The opinions expressed in this publication are those of the authors. Opinions are intended only for informational purposes, and are not formal opinions of, nor binding on, the Federal Reserve Bank of San Francisco or the Board of Governors of the Federal Reserve System.

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Contact Media Relations for press inquiries: <https://www.frbsf.org/our-district/contact-us/>

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Banks at a Glance 12th District

Economic and Banking Highlights

Financial Institution
Supervision and Credit
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Data as of 6/30/2019

Economy

The 12th District economy showed resilience in the second quarter of 2019. Job growth reaccelerated, diverging from the national growth rate after tracking it closely since mid-2018. Construction-sector hiring jumped in the second quarter, and business/professional and educational/health services also contributed to the acceleration. Conversely, retail employment contracted. The unemployment rate held steady. Residential real estate conditions in the District were mixed. District home-price growth slowed more sharply than the nation, and single-family permitting softened. On the other hand, lower mortgage rates supported an uptick in home sales and a slight improvement in housing affordability indicators.

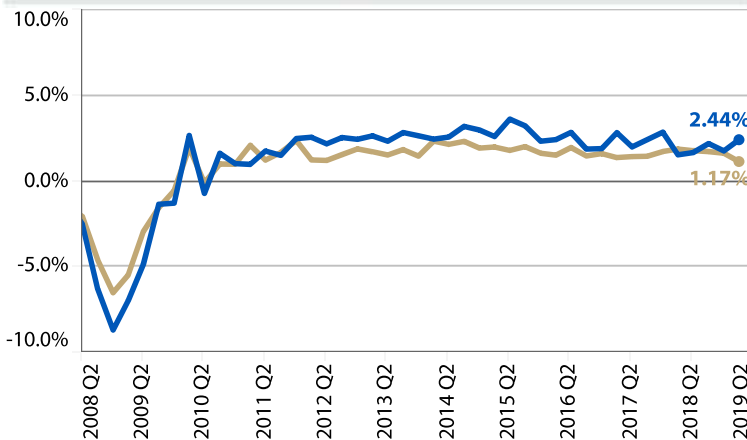
Banks

Banking conditions in the 12th District remained strong amid robust, albeit slowing, loan growth. Average profitability ranked first among 12 Federal Reserve Districts in 2019, driven by wider net interest margins. Average loan growth was also the fastest among all Districts, led by multifamily mortgages and construction loans, and the high proportion of unseasoned loans supported a low average nonperforming asset ratio. District banks bolstered their risk-based capital ratios, on average, but still trailed the national average due to concentrations in riskier asset classes. Loans displaced more liquid assets on banks' balance sheets, and slowing core deposit growth forced many banks to turn to more expensive funding sources.

Key Economic Metrics

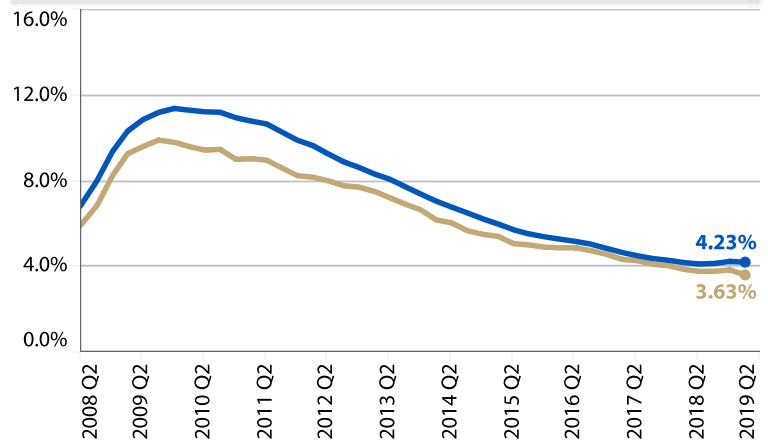
12th District Nation

Job Growth: 2.44%



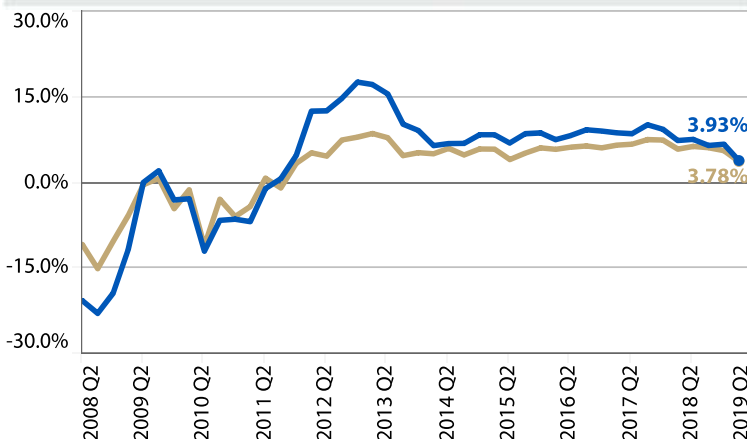
Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Unemployment Rate: 4.23%



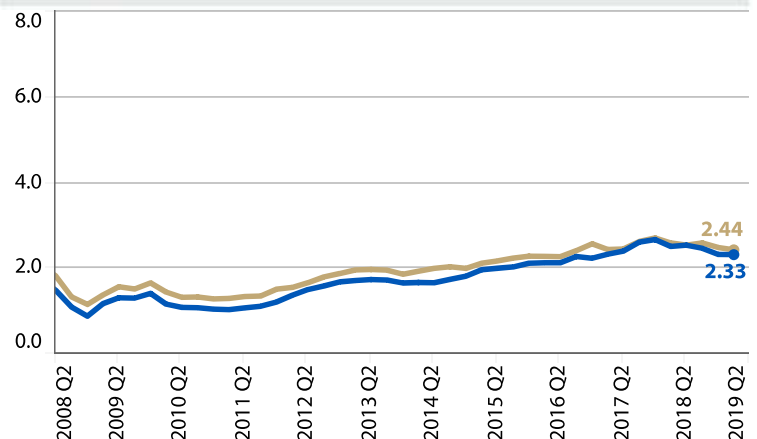
Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

Home-Price Growth: 3.93%



Expanded House Price Index, weighted average of states, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

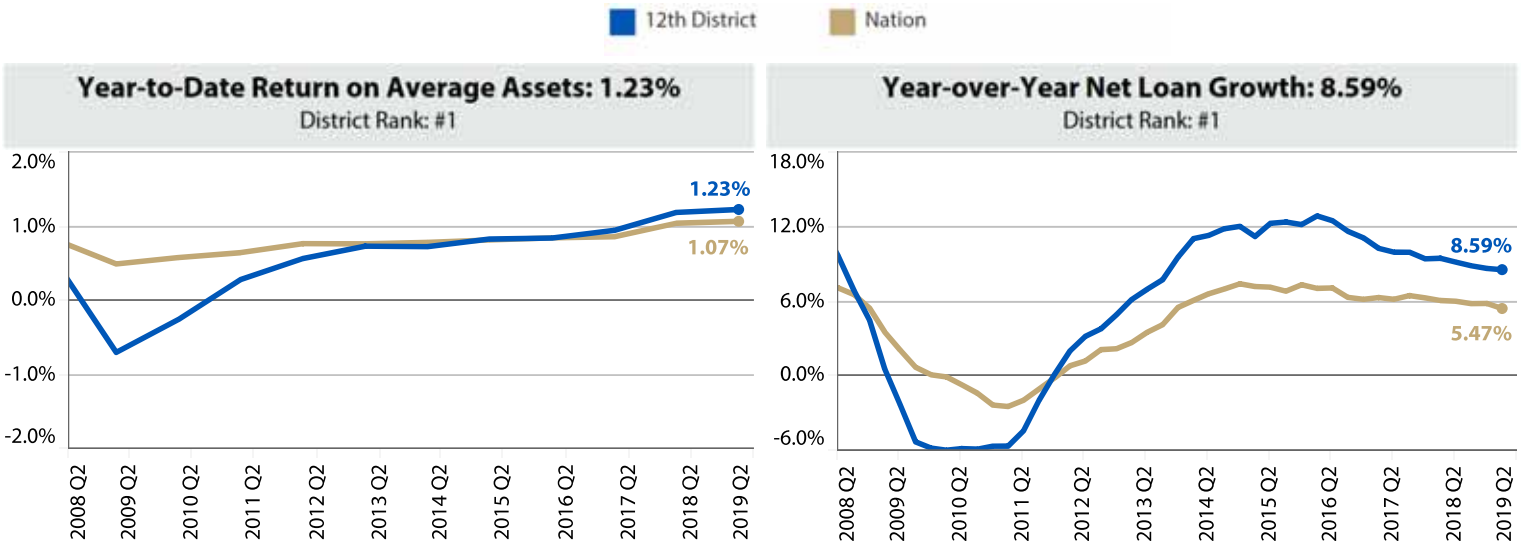
Single-Family Permits per 1,000 Residents: 2.33



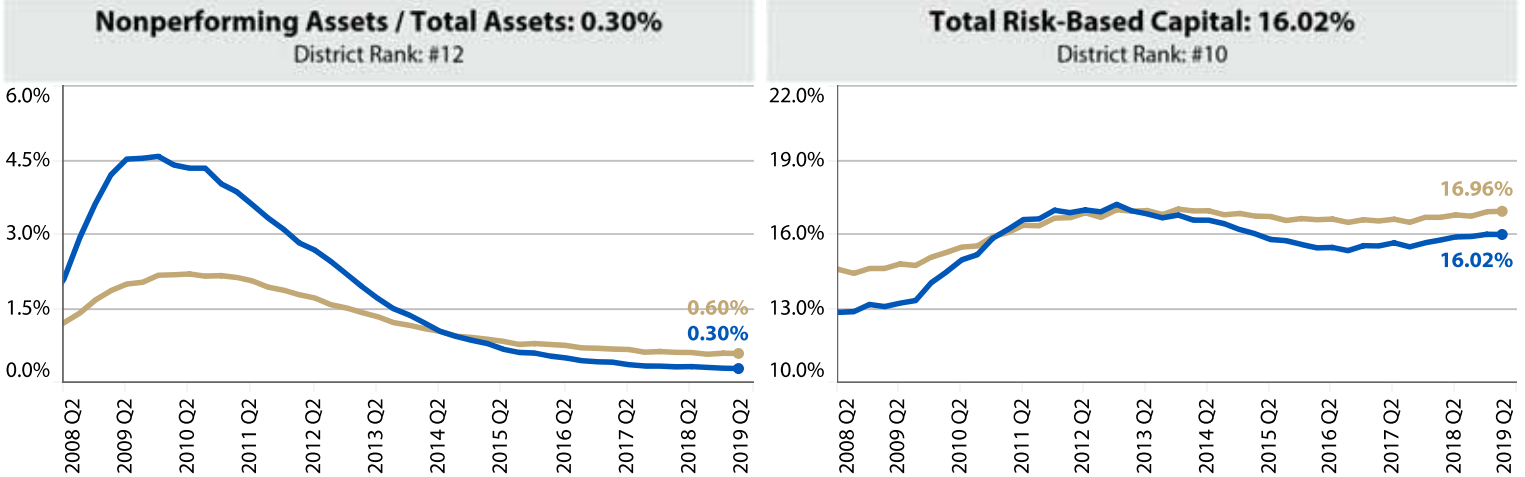
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 12 Federal Reserve Districts)

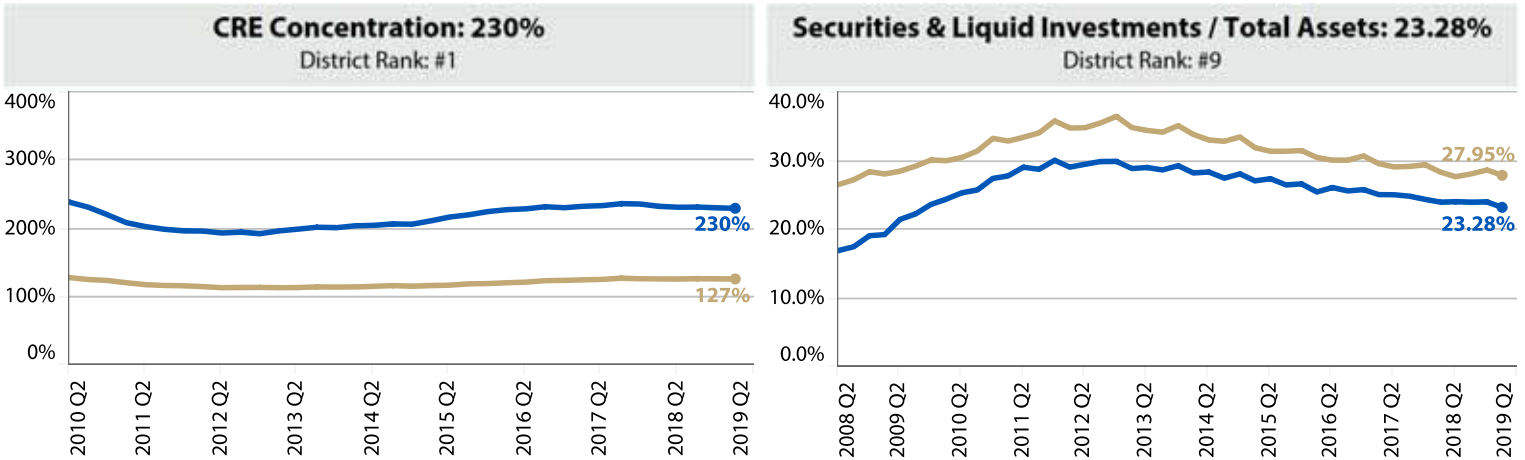


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 253 for the 12th District and 4,605 for the nation.

Banks at a Glance Alaska

Economic and Banking Highlights

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Data as of 6/30/2019

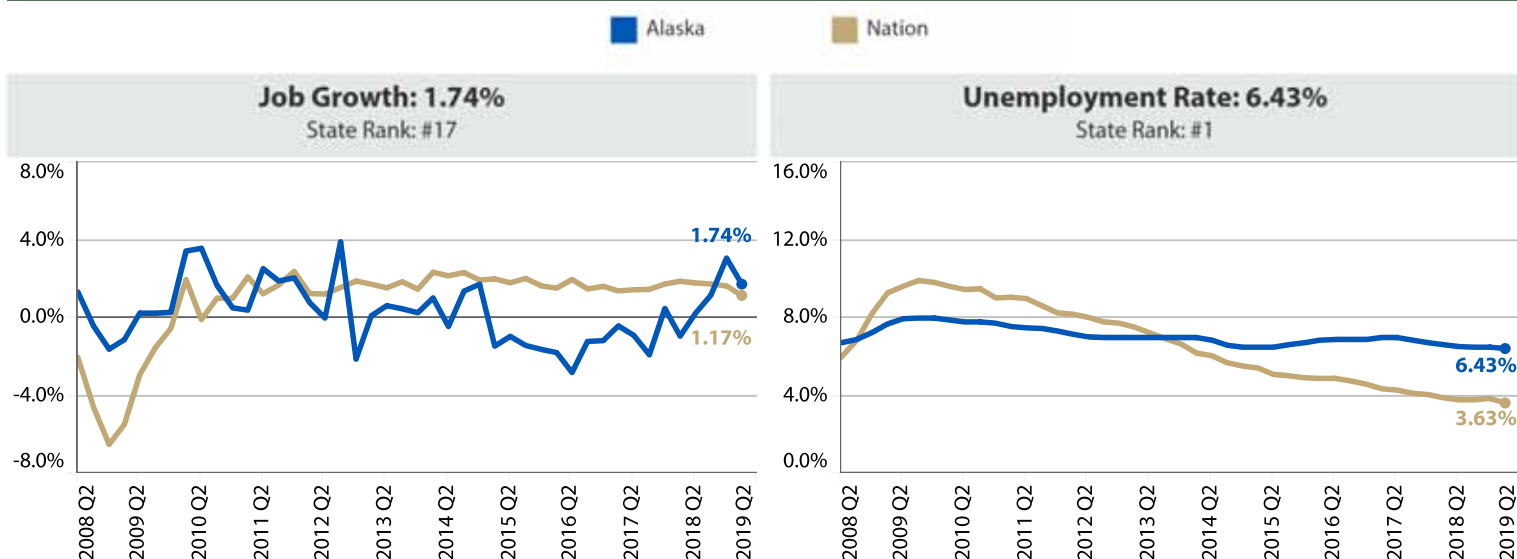
Economy

Alaska's economic conditions improved over the past year, but remained vulnerable to ongoing declines in oil production and trade tensions with China. Job growth has been positive since 3Q18 due to a turnaround in the mining and construction sectors, and in 2019 outpaced the national growth rate for the first time since 2012. That said, oil production remained near multi-decade lows. Additionally, state budget cuts could lead to government job losses, and much of the state's fish production is subject to tariffs. The state's unemployment rate edged downwards due in part to a shrinking labor force. Home-price growth ranked 50th in the nation in 2Q19, and a declining population contributed to low residential permitting.

Banks

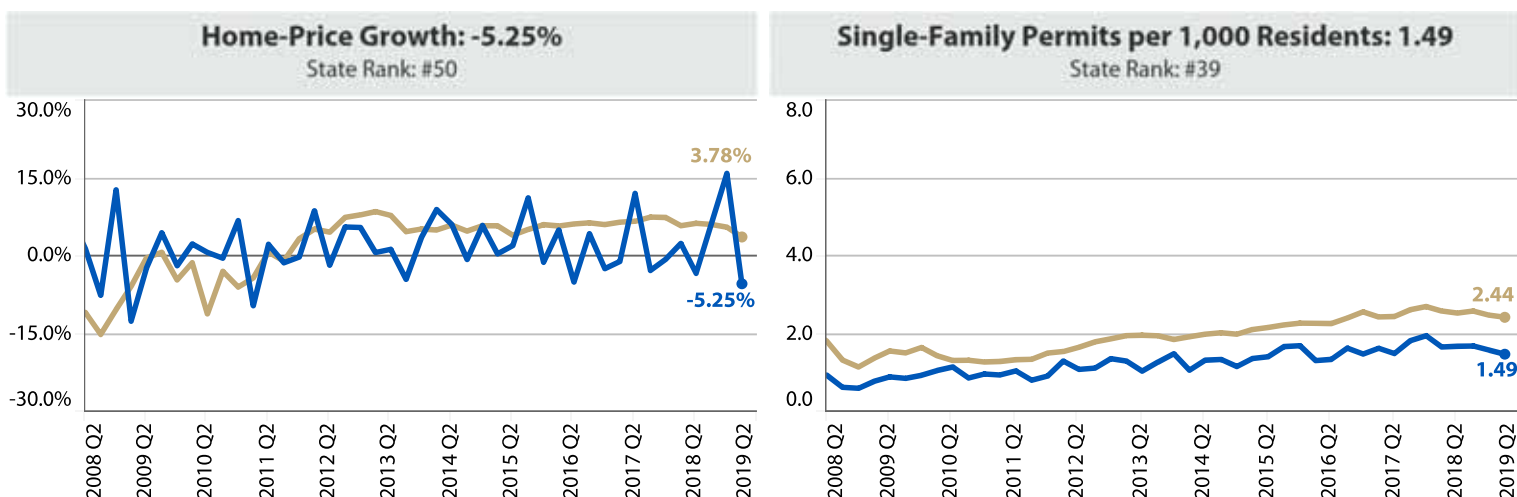
Rising provision expense and lower noninterest income caused average bank profitability in Alaska to fall below the national average in the first half of 2019, despite wider net interest margins. Loan growth has been below the national average since mid-2016 as nonfarm-nonresidential lending contracted year-over-year in 2019, on average. Average asset quality held steady in 2019, following an uptick in the average nonperforming asset ratio in late 2018 amid increases in noncurrent nonfarm-nonresidential and 1-4 family loans. The state's average CRE concentration stabilized in recent quarters. Balance-sheet liquidity continued to edge down but was still among the highest in the nation.

Key Economic Metrics (ranking #1 = highest among 50 states)



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

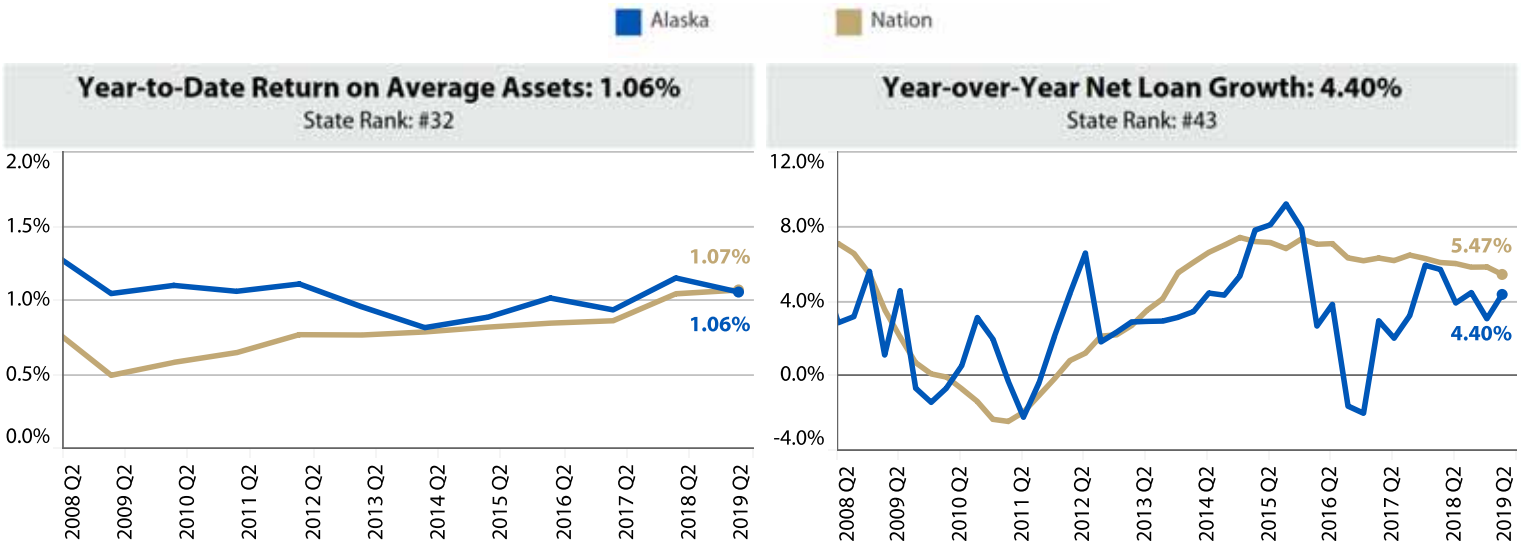


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

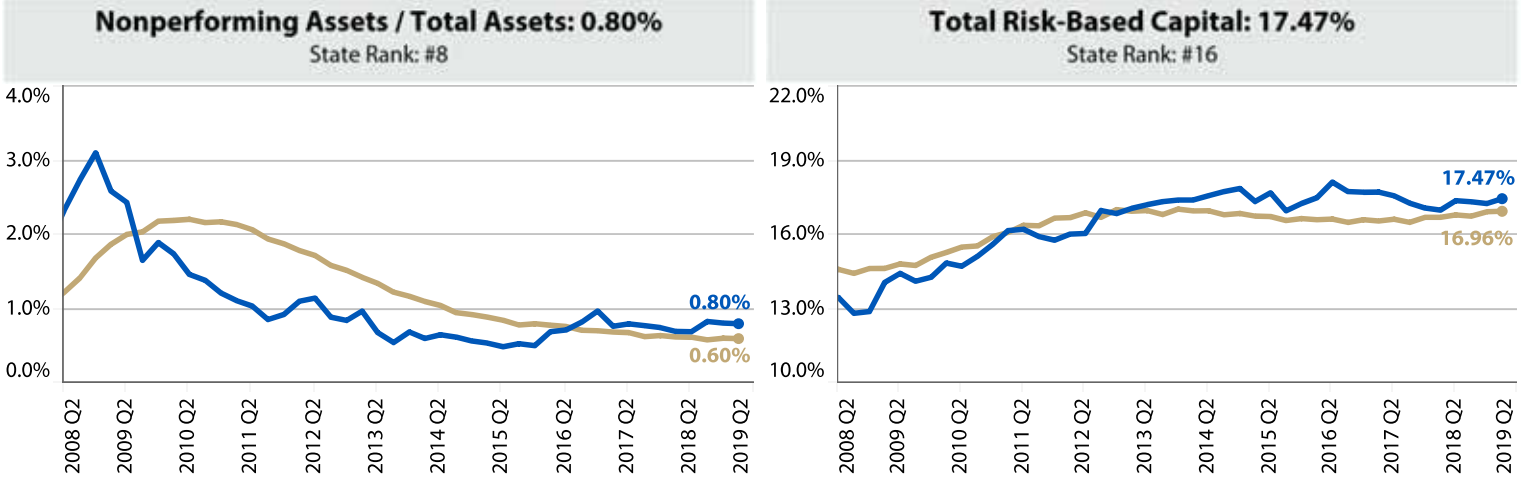
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

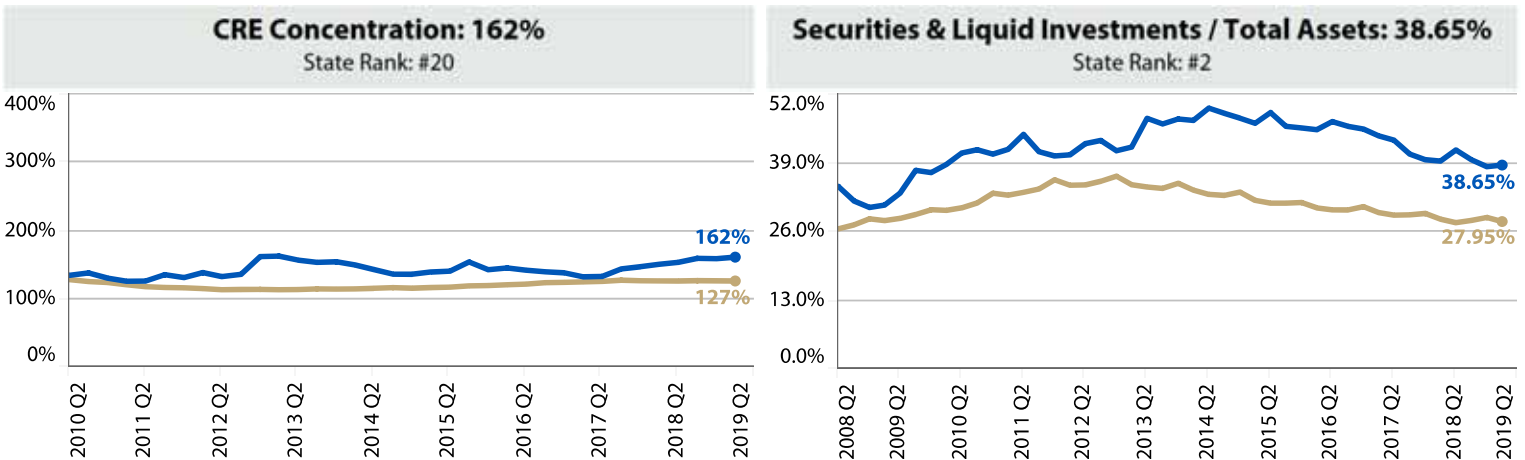


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 4 for the state and 4,605 for the nation.

Banks at a Glance Arizona

Economic and Banking Highlights

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Data as of 6/30/2019

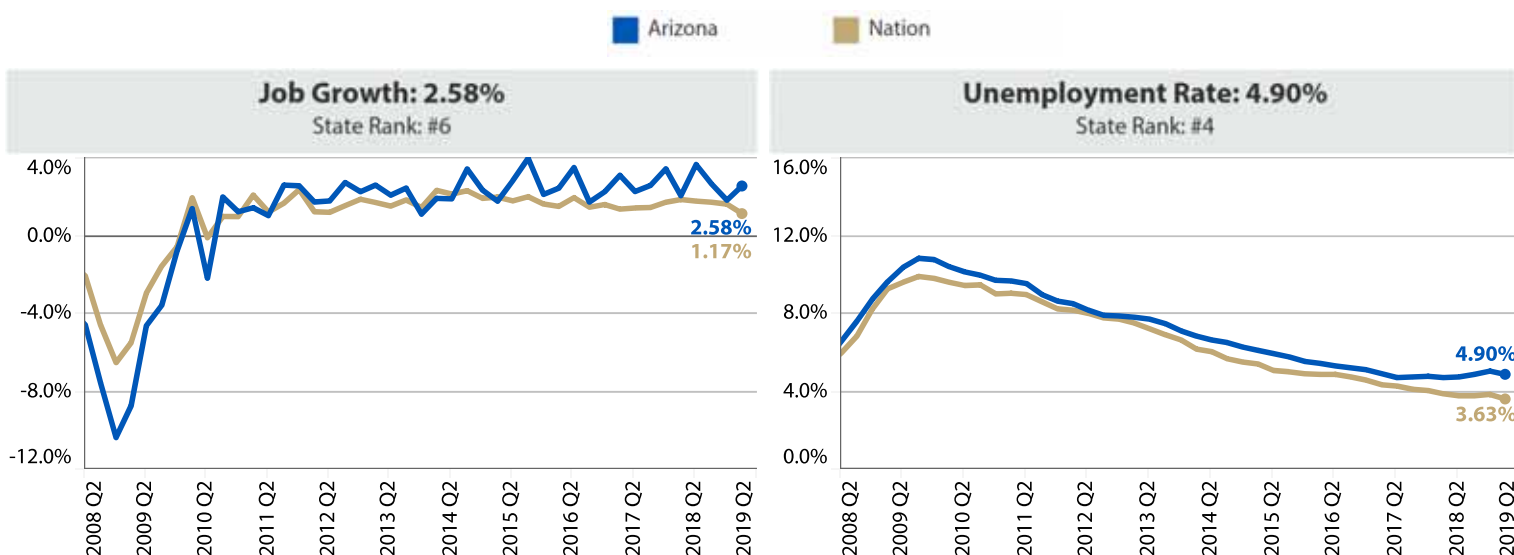
Economy

Arizona's economy remained robust in the second quarter of 2019, bolstered by strong population growth. The state's job growth rate has exceeded the national average since mid-2015, powered by the professional/business and education/health services in recent quarters. Arizona's relatively low business costs make it an attractive location for the back-office operations of finance and technology firms. The state unemployment rate held steady in recent quarters as the national rate fell, but this was largely due to a fast-growing labor force. Although home-price growth and single-family permitting have slowed since the end of 2018, both were well above the national and 12th District averages.

Banks

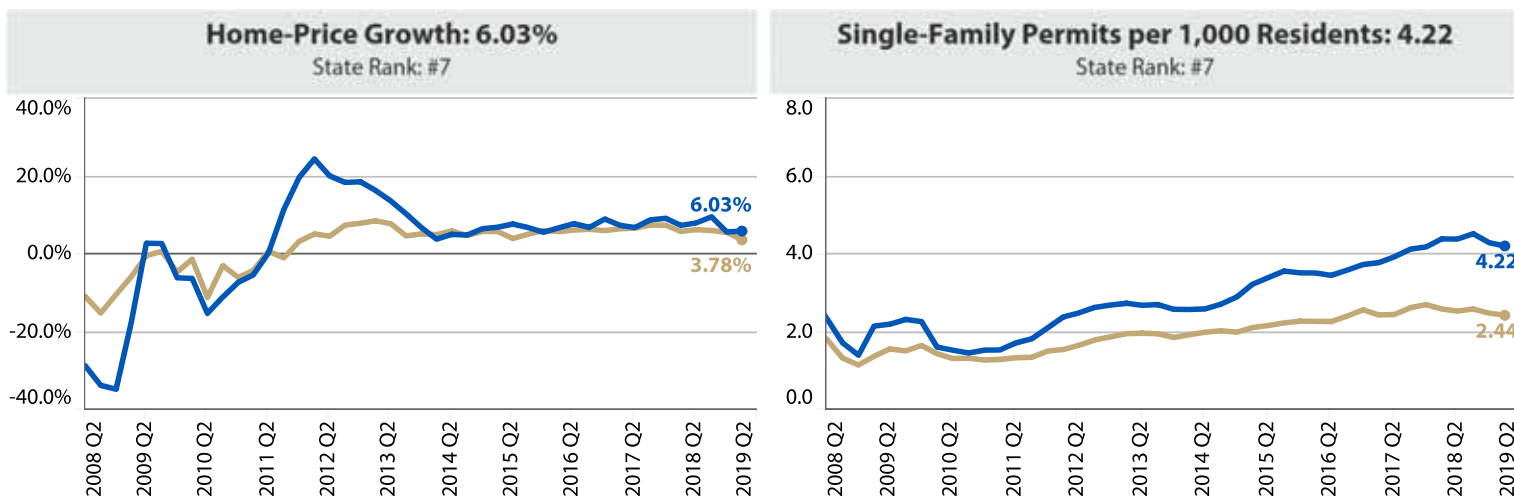
Average bank profitability in Arizona rose above the national average in 2019 for the first time since before the financial crisis. This occurred because of a reduction in the state's chronically high average overhead expense ratio, even as the state average net interest margins compressed. Average loan growth remained comfortably above the national average thanks to rapid growth in construction and commercial and industrial loans. These fast-growing loan categories weighed on average risk-based capital ratios in 2019. The average CRE concentration ratio also edged up. Arizona banks bucked the national liquidity trend, boosting holdings of liquid instruments and maintaining stable levels of nonmaturity deposit funding, on average.

Key Economic Metrics (ranking #1 = highest among 50 states)



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

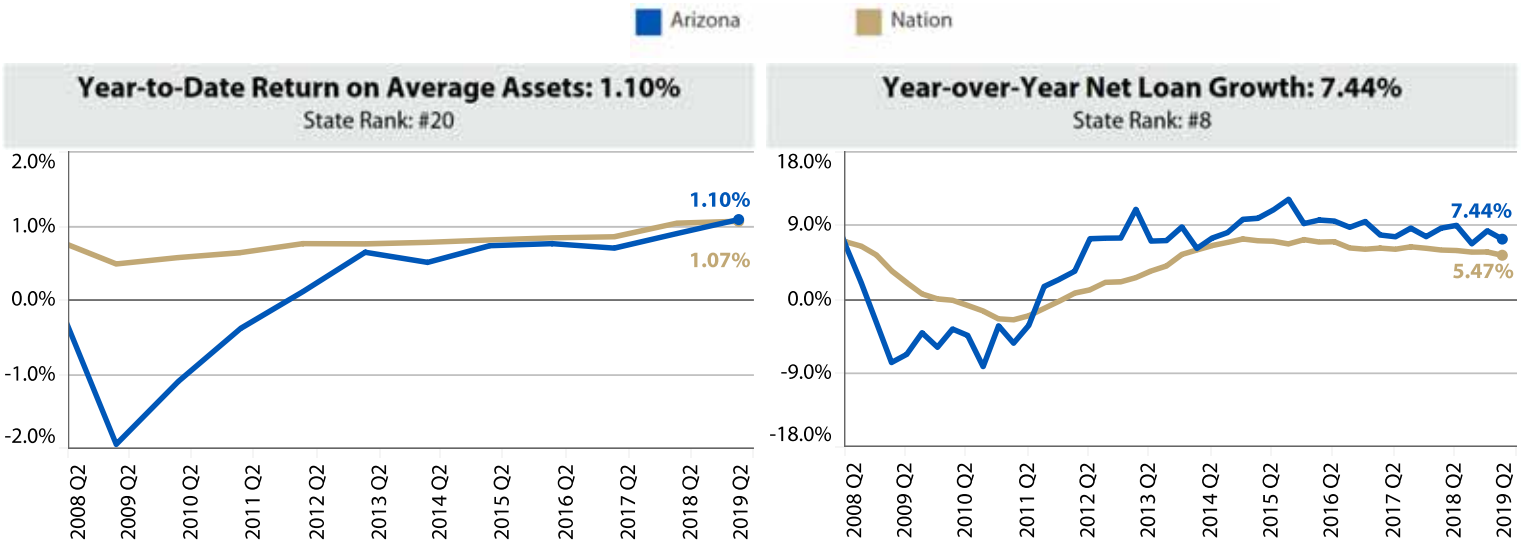


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

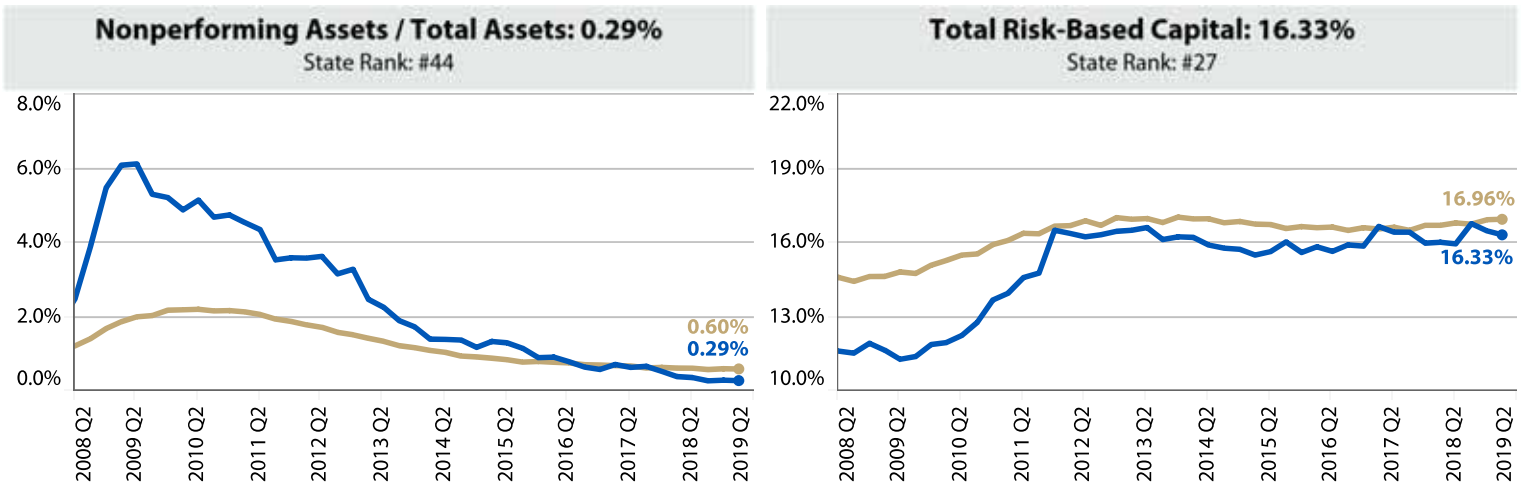
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

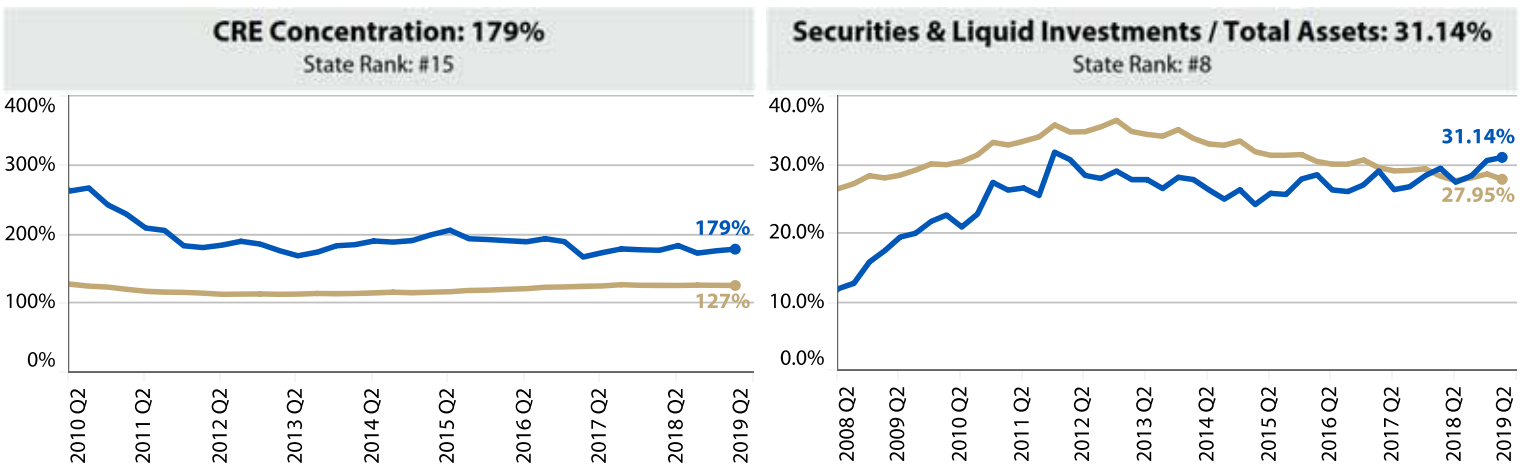


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 15 for the state and 4,605 for the nation.

Banks at a Glance California

Economic and Banking Highlights

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Data as of 6/30/2019

Economy

California's economy showed resilience in 2Q19 as the construction and education/health services sectors boosted overall job growth materially above the national average for the first time since 1Q18. The state's unemployment rate held steady in recent quarters; however, a second-quarter contraction of the labor force may signify that the state's high costs are beginning to drive residents and businesses elsewhere. Home-price growth in the state continued to moderate, tracking the national trend. And while lower mortgage rates and robust household earnings growth may lead to modest improvements in housing affordability, very low permitting suggests that a constrained housing supply will continue to weigh on the economy.

Banks

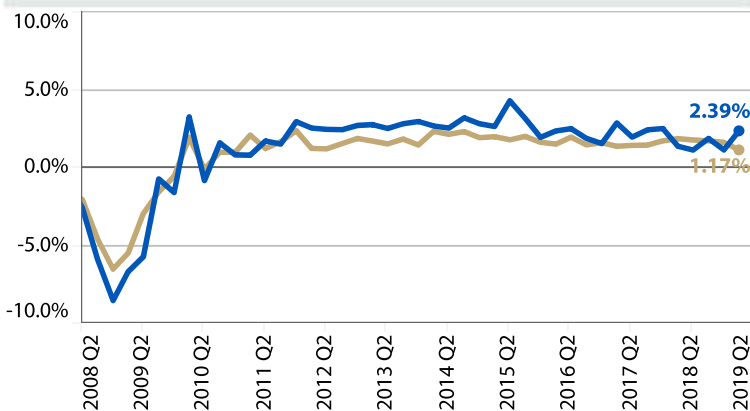
Banking conditions in California remained robust through 2Q19. Average loan growth was faster than the nation as a whole, driven by multifamily and construction lending. The proportion of unseasoned loans helped keep the average nonperforming asset ratio among the lowest in the country. Meanwhile, California's average CRE concentration was among the highest, contributing to below average, albeit steady, risk-based capital ratios. Liquid assets and nonmaturity deposits as a share of total assets have declined more in the state, on average, than the nation. In contrast, average mid-year bank profitability was steady year-over-year as higher average tax expenses and lower noninterest income offset wider net interest margins.

Key Economic Metrics (ranking #1 = highest among 50 states)

California Nation

Job Growth: 2.39%

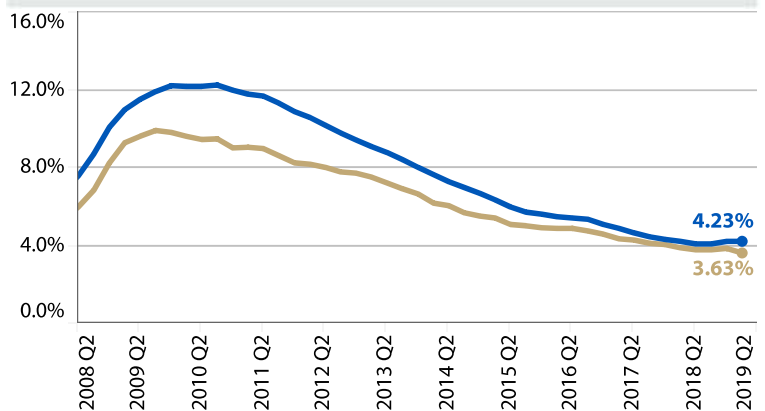
State Rank: #11



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Unemployment Rate: 4.23%

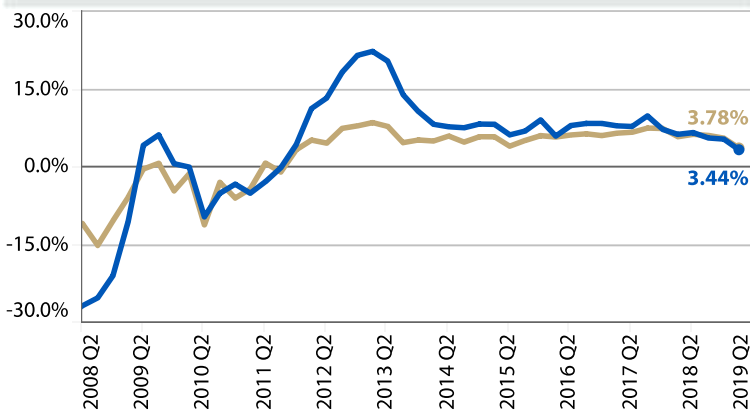
State Rank: #9



Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

Home-Price Growth: 3.44%

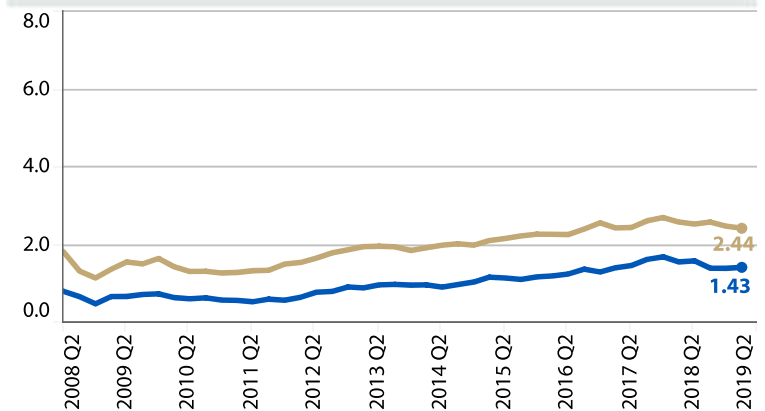
State Rank: #30



Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

Single-Family Permits per 1,000 Residents: 1.43

State Rank: #40



Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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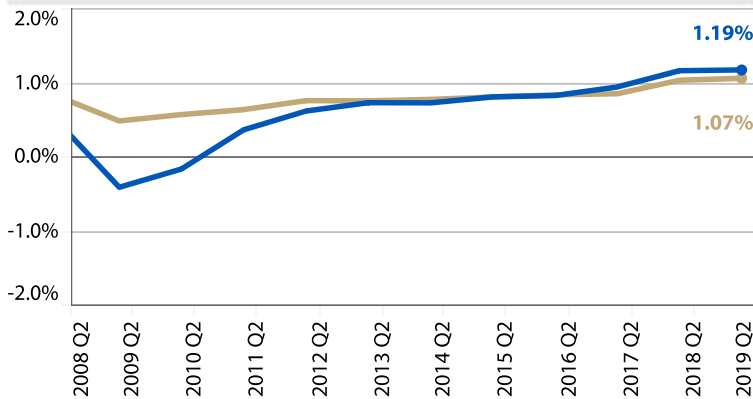
Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

California

Nation

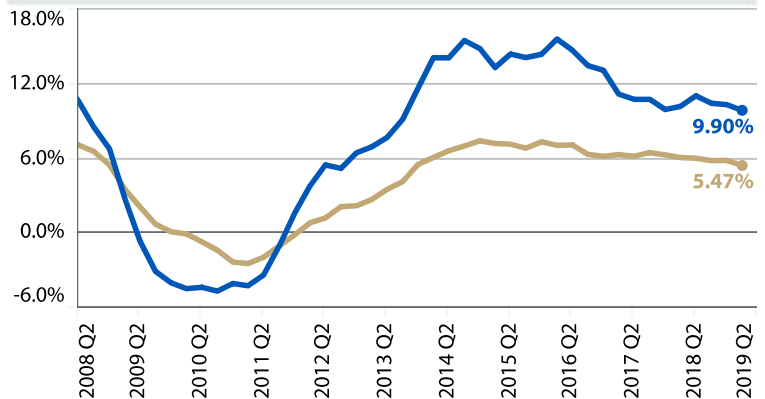
Year-to-Date Return on Average Assets: 1.19%

State Rank: #9



Year-over-Year Net Loan Growth: 9.90%

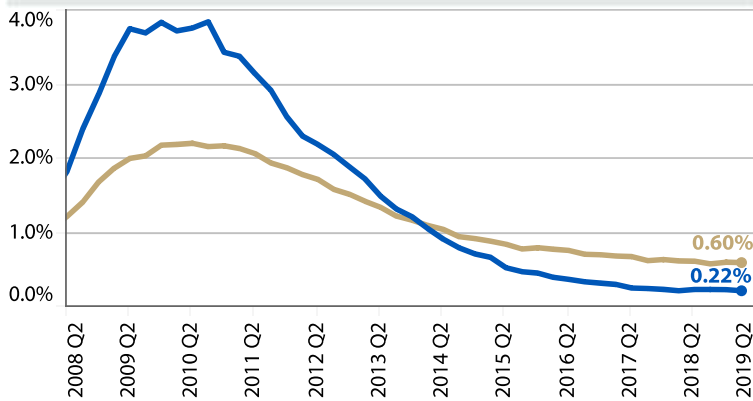
State Rank: #3



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

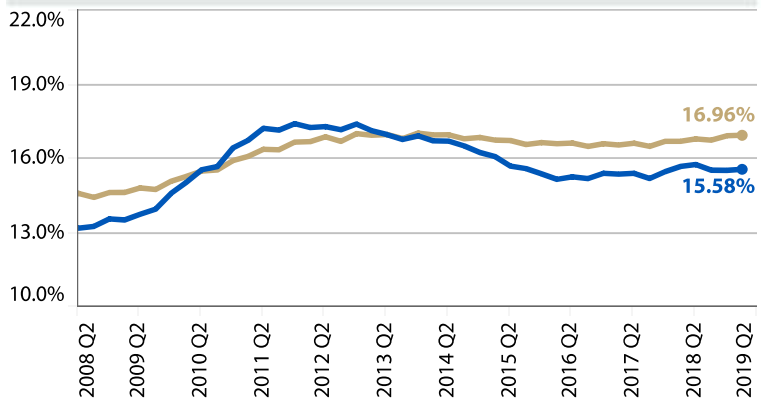
Nonperforming Assets / Total Assets: 0.22%

State Rank: #48



Total Risk-Based Capital: 15.58%

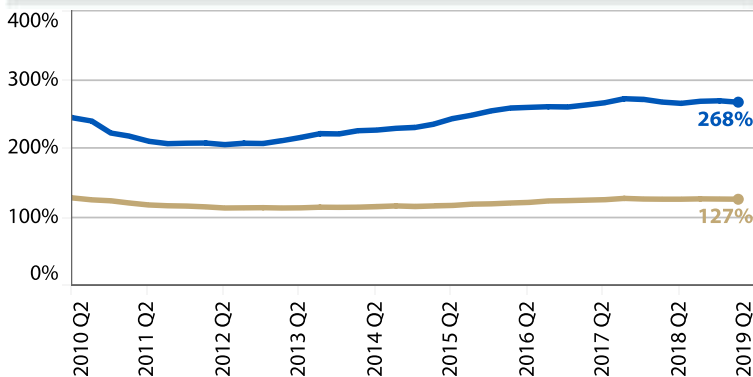
State Rank: #37



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

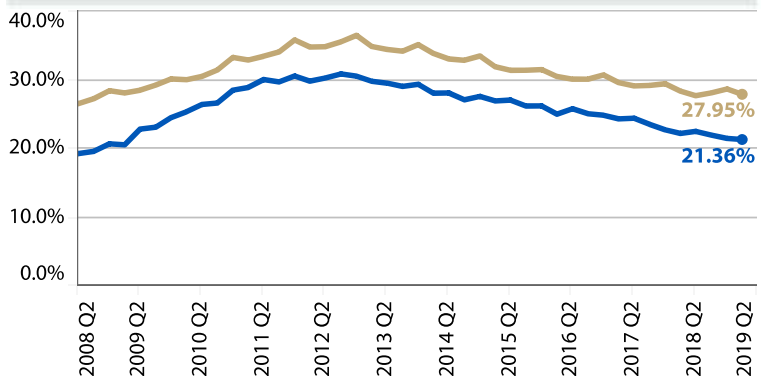
CRE Concentration: 268%

State Rank: #3



Securities & Liquid Investments / Total Assets: 21.36%

State Rank: #42



Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Total non-owner-occupied commercial real estate / total capital.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 138 for the state and 4,605 for the nation.

Banks at a Glance Hawaii

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Data as of 6/30/2019

Economy

Hawaii's economy continued to cool in 2Q19, largely due to a slowdown in tourism. Tourist spending declined year-over-year from a cyclical peak in mid-2018 amid fewer higher-spending foreign visitors, despite an increase in domestic tourist arrivals and leisure/hospitality hiring in the first half of 2019. Construction and business/professional hiring also increased in the second quarter, but not enough to offset job losses in several other sectors. Hawaii's labor force has declined since early-2017, while unemployment increased modestly starting in early 2018. Home-price growth has been volatile, but was among the fastest in the nation in 2Q19, and home-price levels remained high relative to incomes.

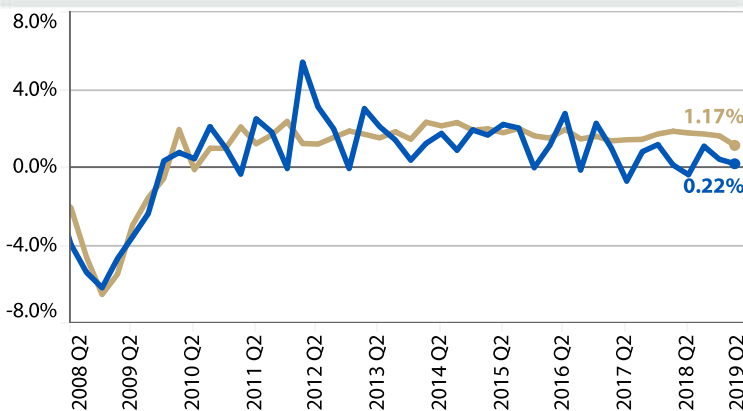
Banks

Average bank profitability in Hawaii was little changed from mid-2018 amid stable margins and a slight uptick in provision expense. The rise in the average provision expense ratio was concurrent with a slight increase in nonperforming assets, driven by 1-4 family and commercial and industrial loans. Annual loan growth has been roughly stable since late-2017 as accelerating construction and commercial and industrial lending offset slowing growth in residential mortgages. High dividends muted capital accretion, while accelerated risk-weighted asset growth drove risk-based capital ratios even lower. Liquidity moderated further--on average, liquid assets slipped as a share of total assets and reliance on noncore funds increased year-over-year.

Key Economic Metrics (ranking #1 = highest among 50 states)

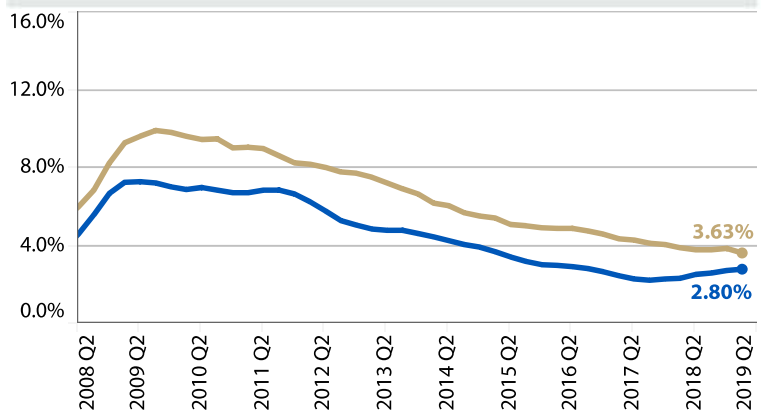
■ Hawaii ■ Nation

Job Growth: 0.22% State Rank: #37



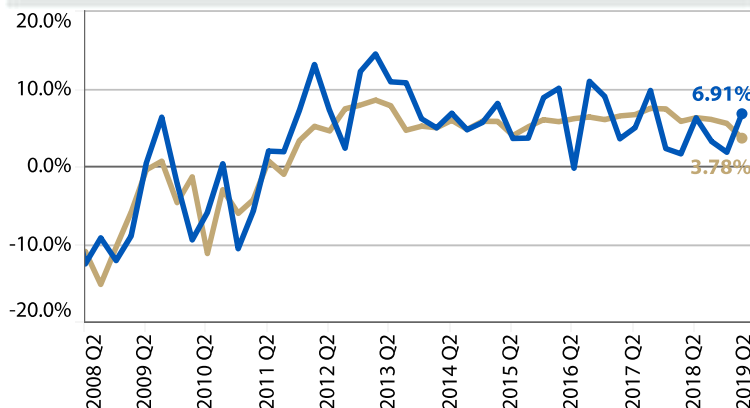
Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Unemployment Rate: 2.80% State Rank: #45



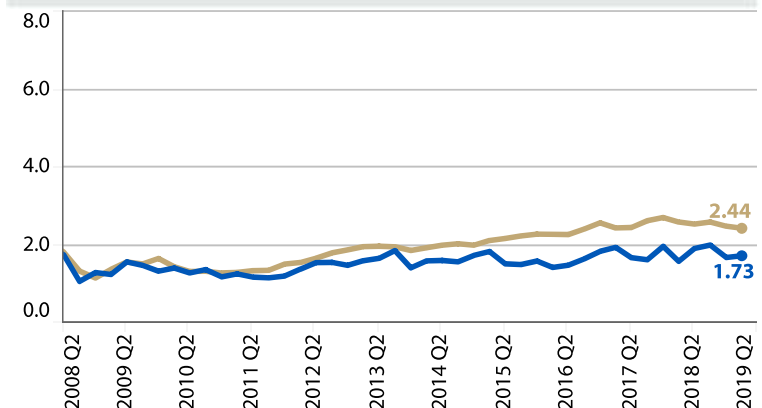
Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

Home-Price Growth: 6.91% State Rank: #4



Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

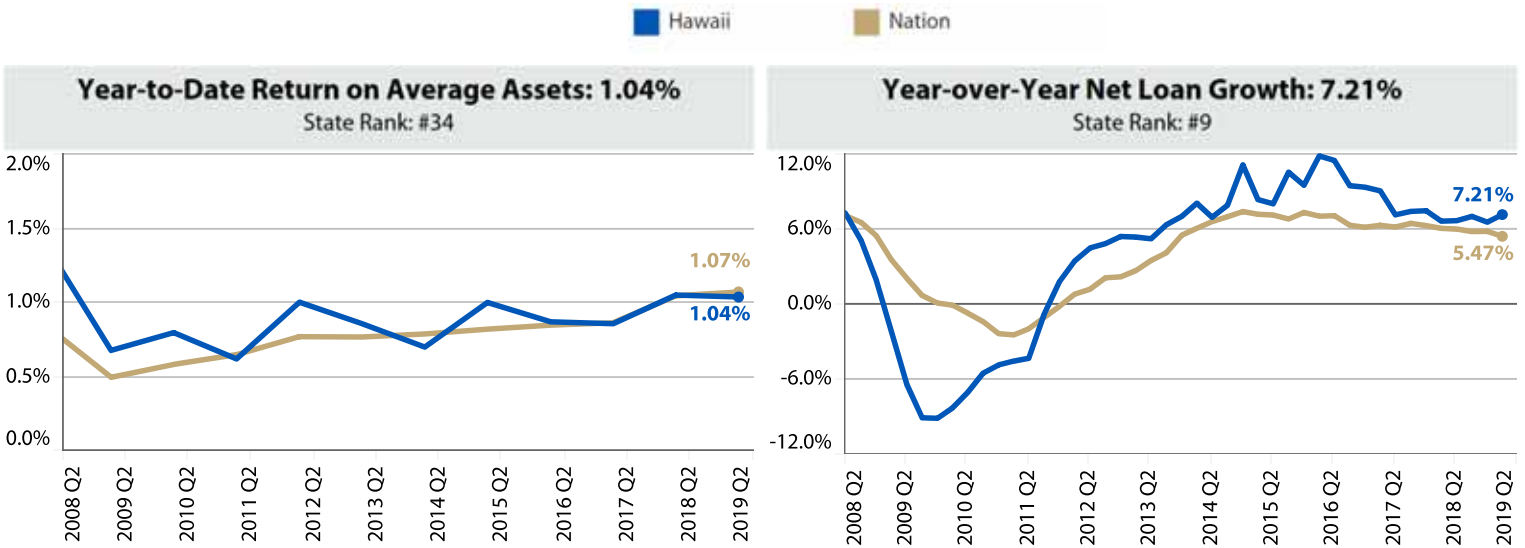
Single-Family Permits per 1,000 Residents: 1.73 State Rank: #34



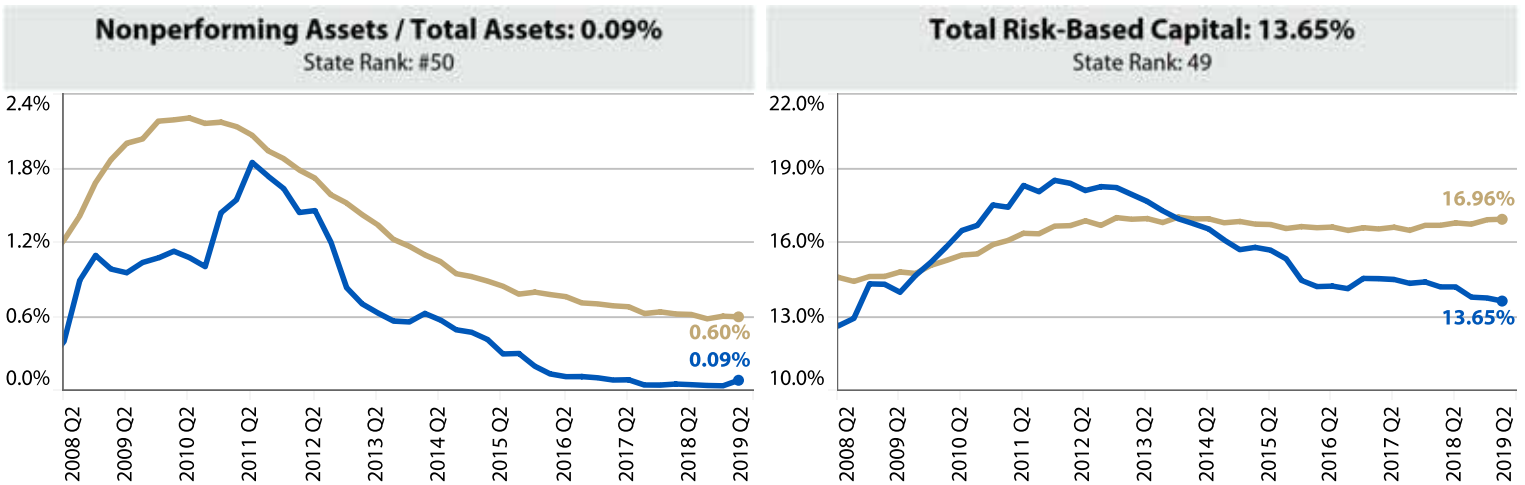
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

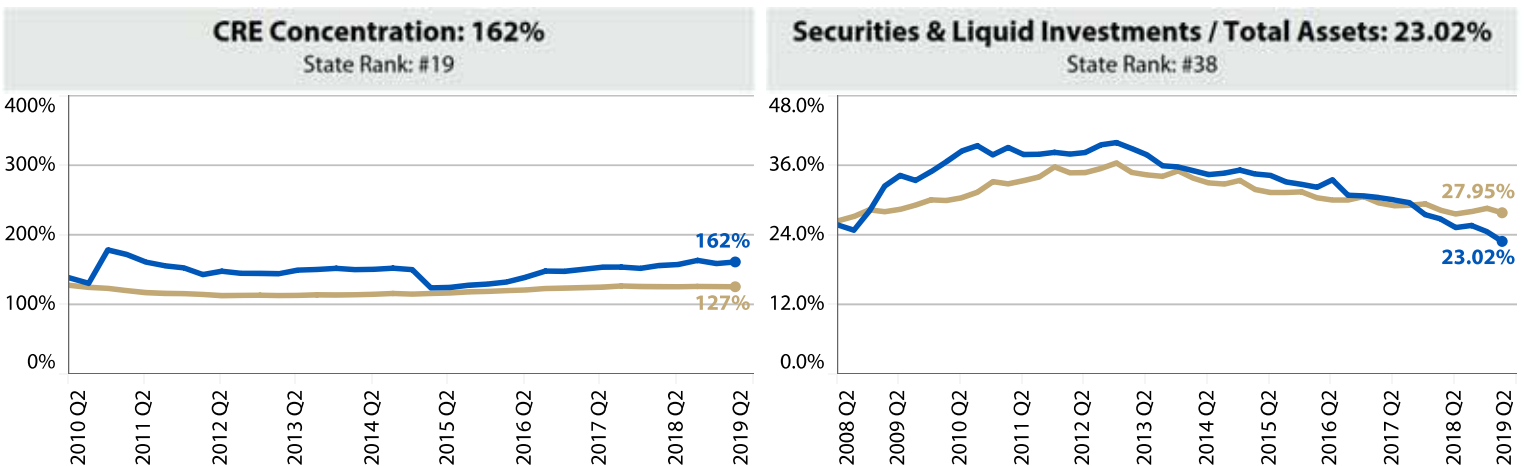


Net income / average assets, adjusted for S-Corps, annualized.



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Total capital / risk-weighted assets.



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Banks at a Glance Idaho

Economic and Banking Highlights

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Data as of 6/30/2019

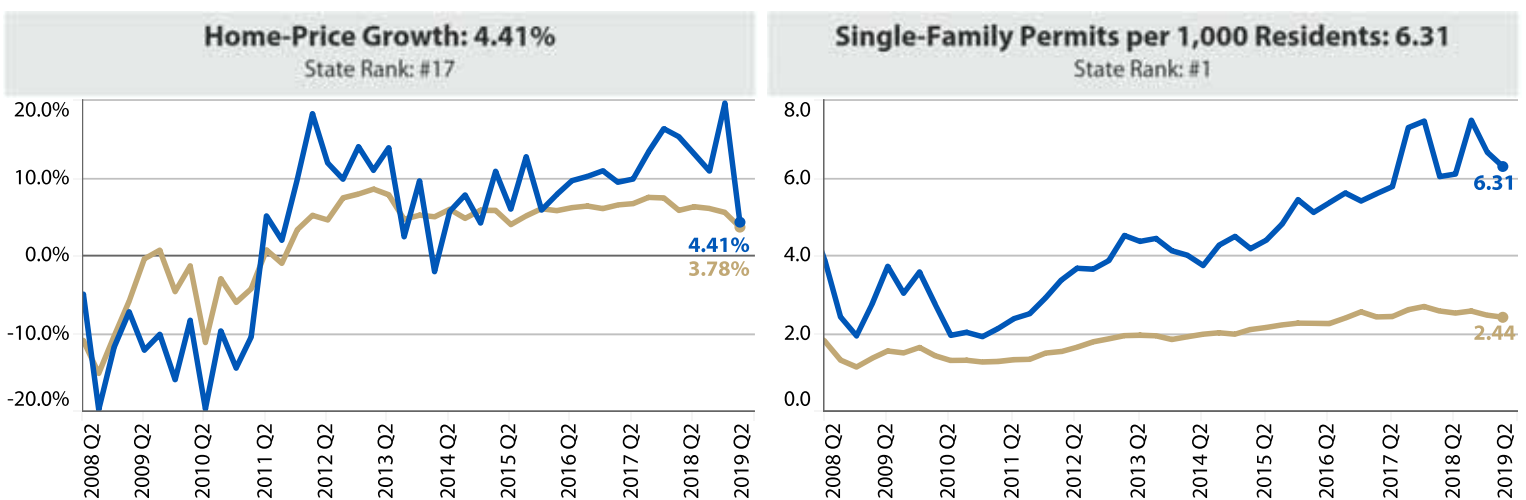
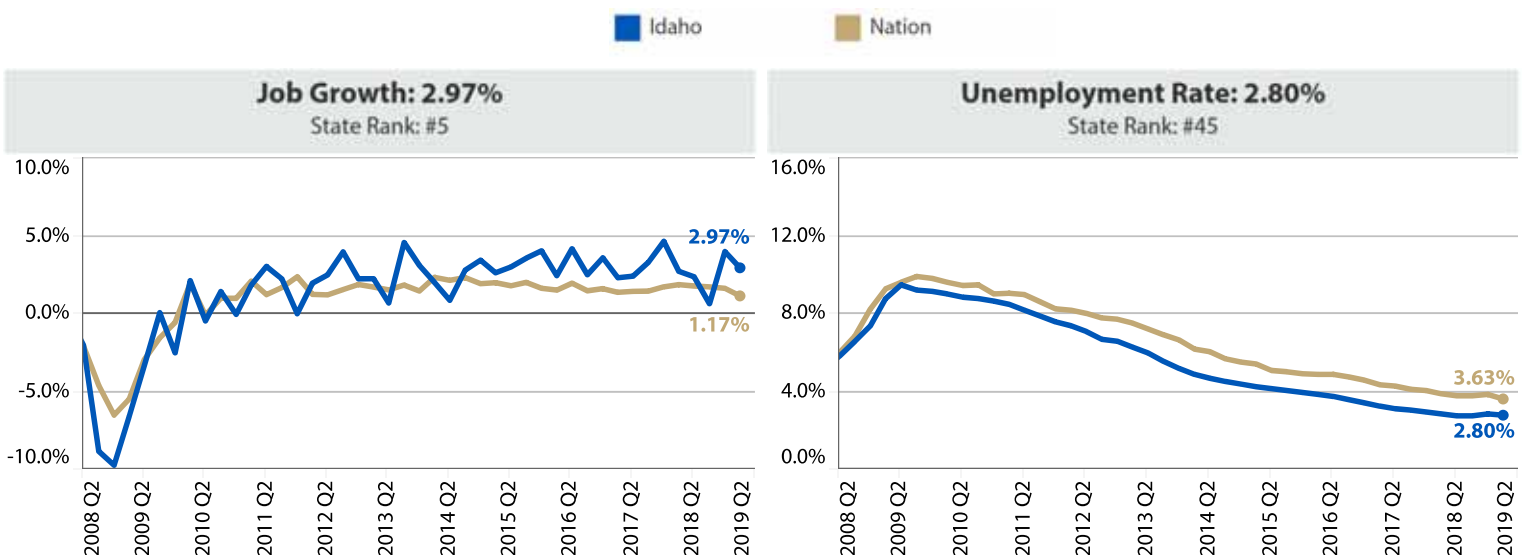
Economy

Idaho's economy remained among the strongest in the nation in 2Q19. Following a modest slowdown during 2018, job growth re-accelerated, led by the manufacturing, education/health services, and professional/business services sectors. The unemployment rate remained among the lowest in the nation, despite a rapidly expanding labor force. Population growth and relatively affordable housing powered home-price growth at the fastest pace in the nation from the beginning of 2018 through 1Q19, even as the state maintained the fastest (or second-fastest) rate of single-family permitting in the nation. However, home-price growth decelerated significantly in 2Q19.

Banks

Significantly wider net interest margins helped Idaho banks continue to increase profitability through mid-2019, on average, despite a high and rising average overhead expense ratio. Average loan growth in the state reaccelerated in 2019, largely due to faster 1-4 family mortgage and commercial and industrial lending. Although solid capital accretion helped to moderate the state average CRE concentration ratio, it lagged increases in risk-weighted assets, weakening the average risk-based capital ratio. And while balance sheet liquidity in the state had been on an upward trend through the end of 2018, it tightened in 2019, on average, as banks reduced cash holdings. That said, reliance on more expensive noncore funding remained low.

Key Economic Metrics (ranking #1 = highest among 50 states)

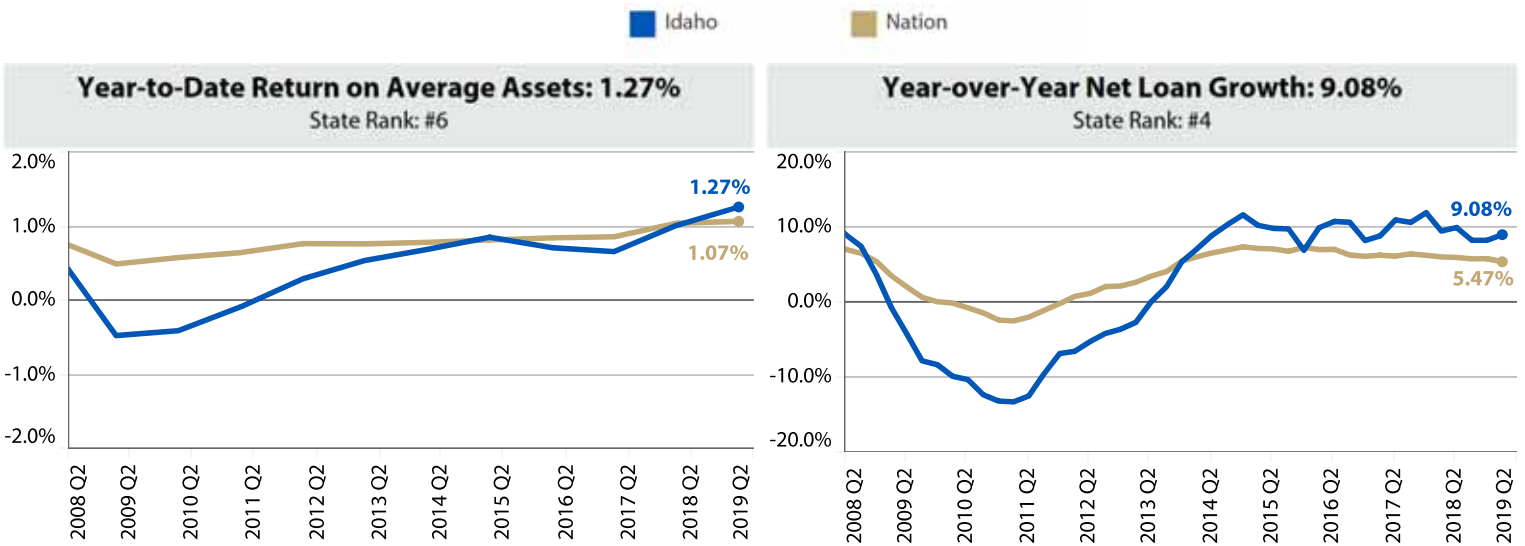


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

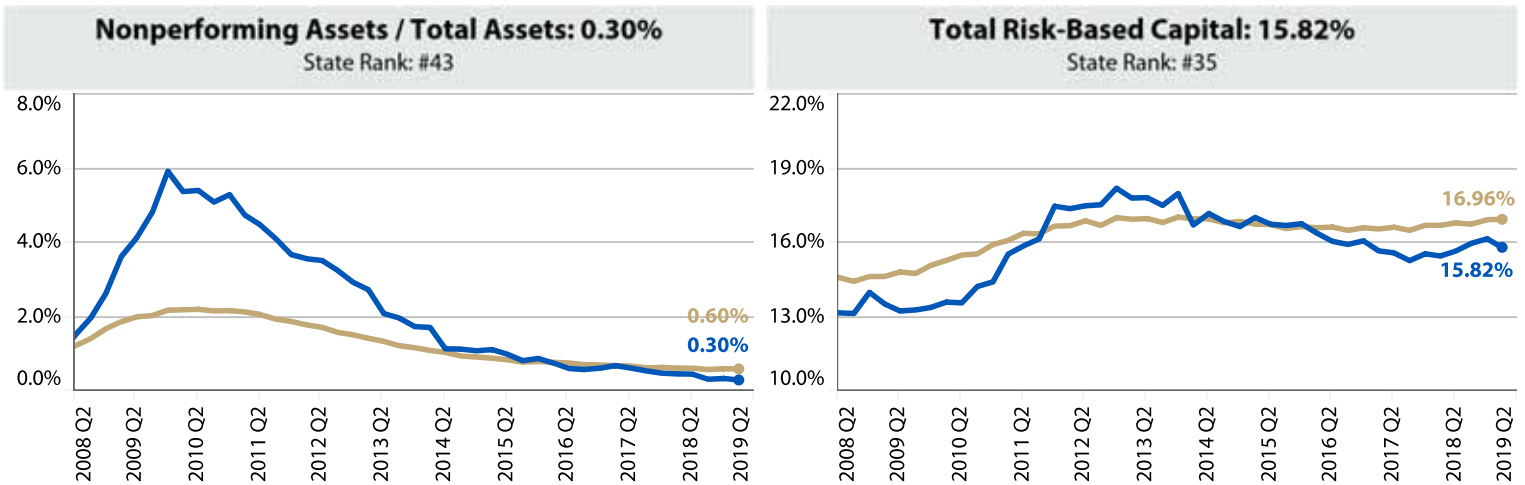
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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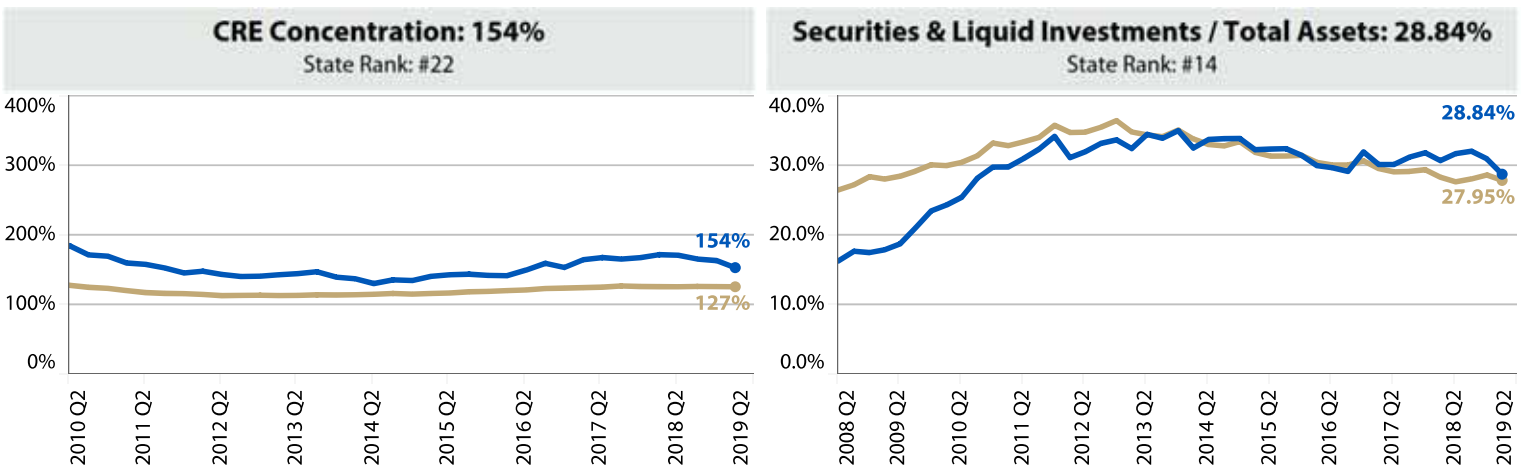


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 10 for the state and 4,605 for the nation.

Banks at a Glance Nevada

Economic and Banking Highlights

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Data as of 6/30/2019

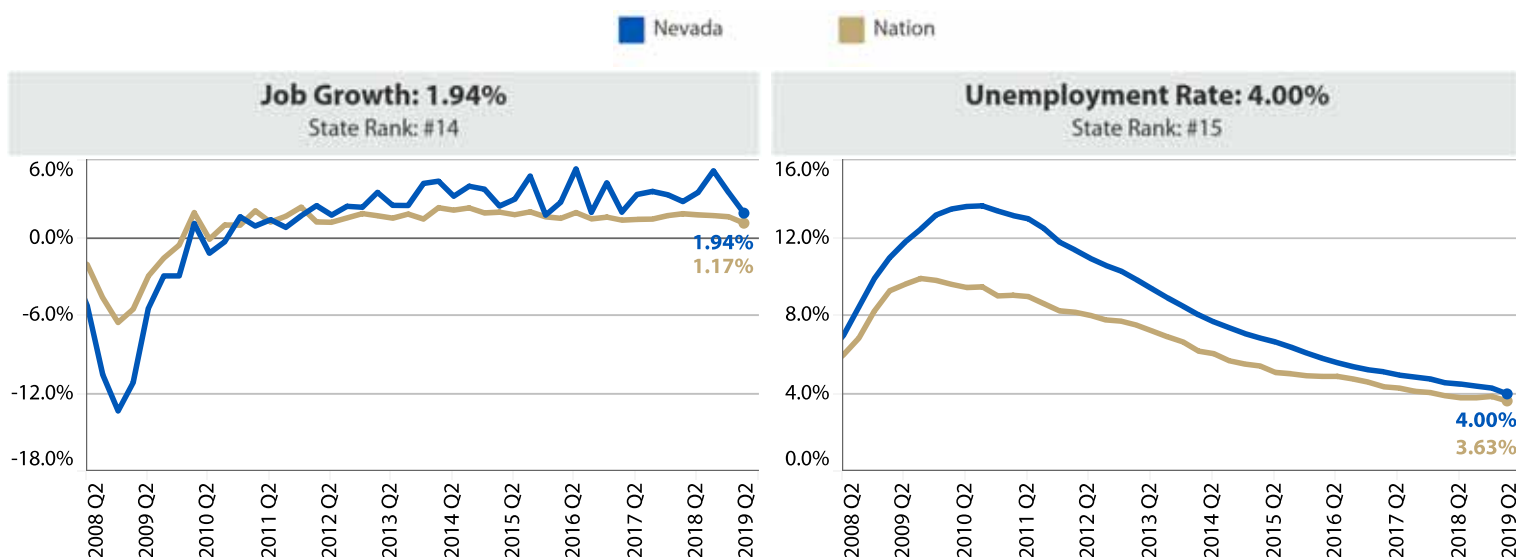
Economy

Nevada's economy cooled in the first half of 2019, following several quarters of nation-leading performance. Job growth slowed as construction, manufacturing, and professional/business services hiring leveled off and retail employment contracted. Employment growth in the important, but low-paying leisure/hospitality sector was relatively strong through mid-2019 as visitor volume and hotel occupancy in Las Vegas edged up. Rapid job formation allowed the state unemployment rate to nearly close the gap with the national rate. Despite easing home-price growth, housing affordability deteriorated rapidly in recent years and was only better than California and Hawaii among 12th District states as of 2Q19.

Banks

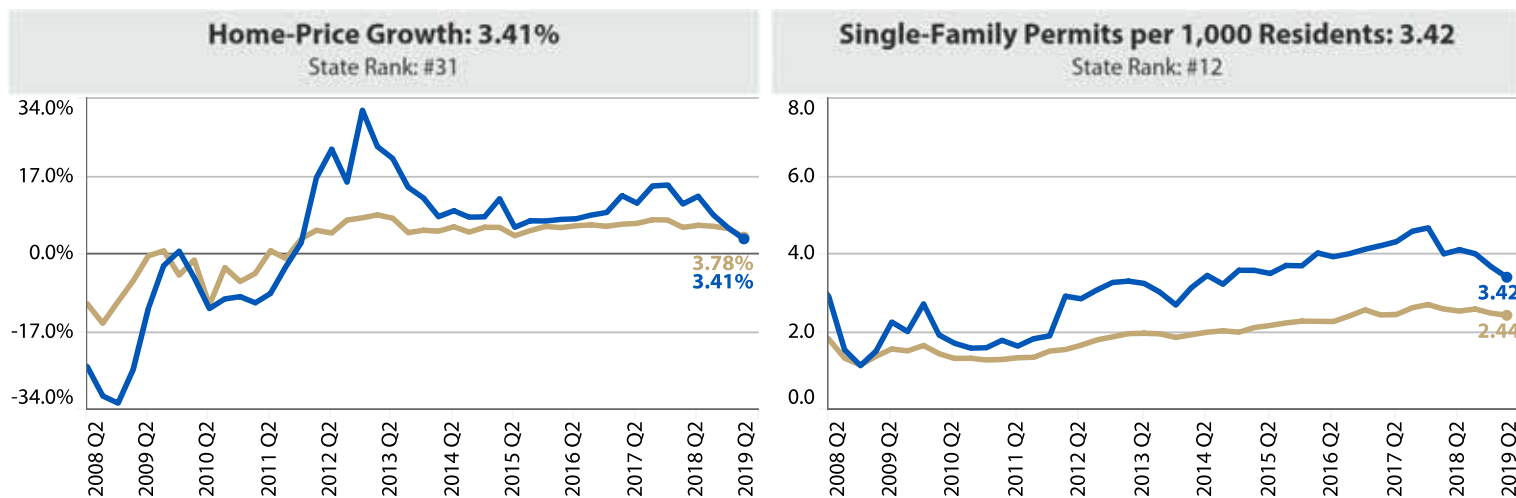
Nevada-based banks posted strong results, on average, in 2Q19, with loan growth and profitability among the highest in the nation. Profit expansion was driven by wider net interest margins and lower overhead expenses. Average loan growth state reaccelerated sharply starting in late-2018, led by 1-4 family and nonfarm-nonresidential real estate. Average nonperforming asset metrics remained very low, which is unsurprising given rapid loan growth. Nevada's average total risk-based capital ratio moderated in 2019 as dividend activity picked up. Average CRE loan concentration remained close to post-crisis lows. Balance sheet liquidity tightened as banks reduced holdings of liquid instruments in favor of margin-boosting loans.

Key Economic Metrics (ranking #1 = highest among 50 states)



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

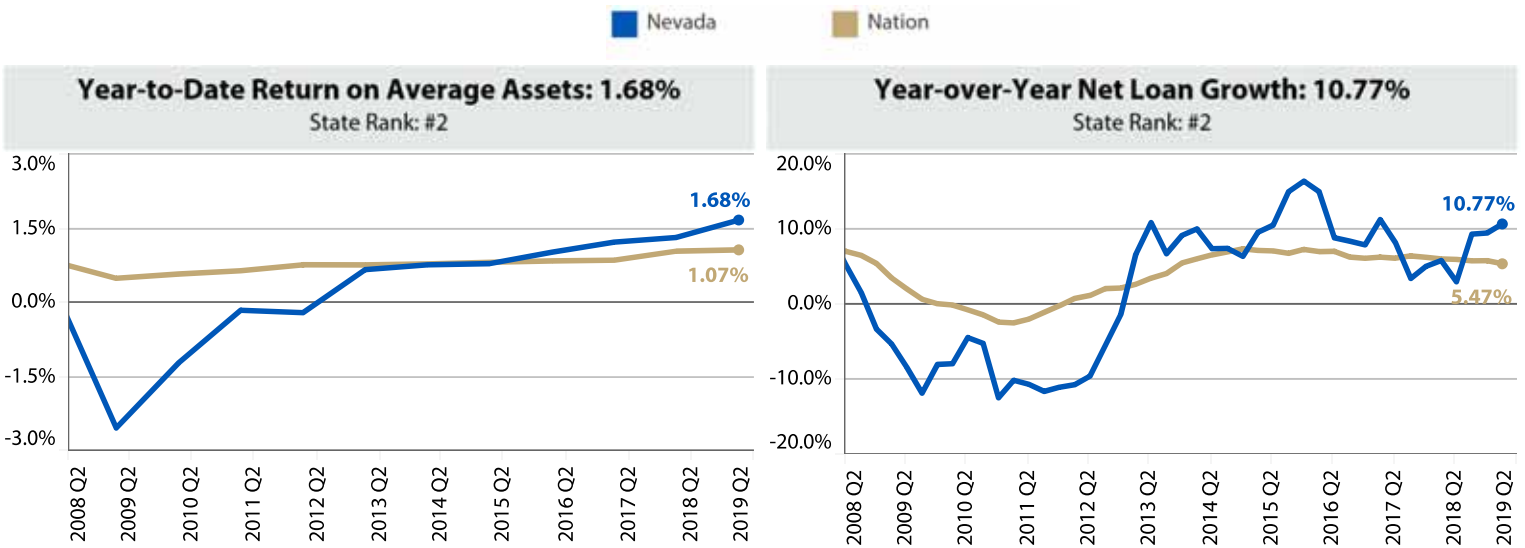


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

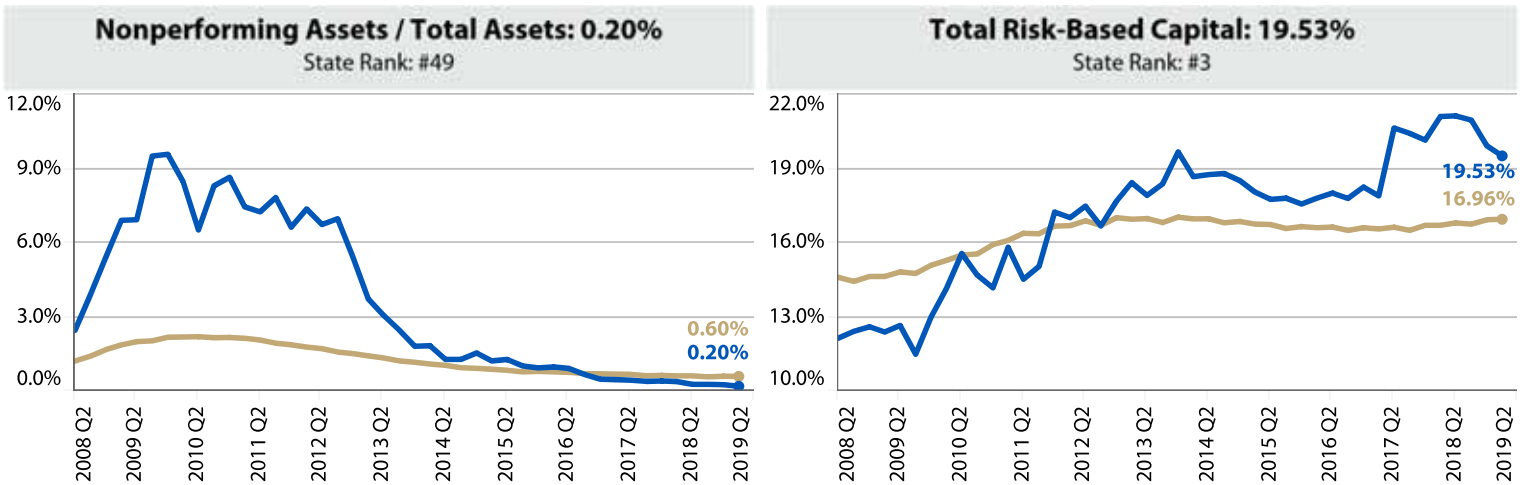
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

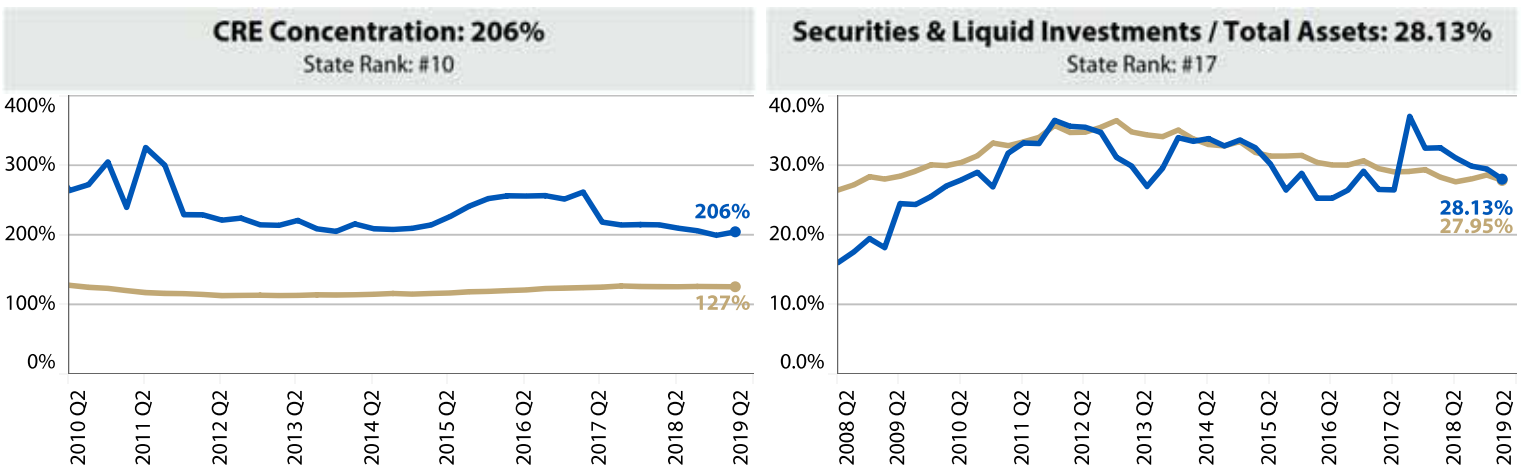


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 11 for the state and 4,605 for the nation.

Banks at a Glance Oregon

Economic and Banking Highlights

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Data as of 6/30/2019

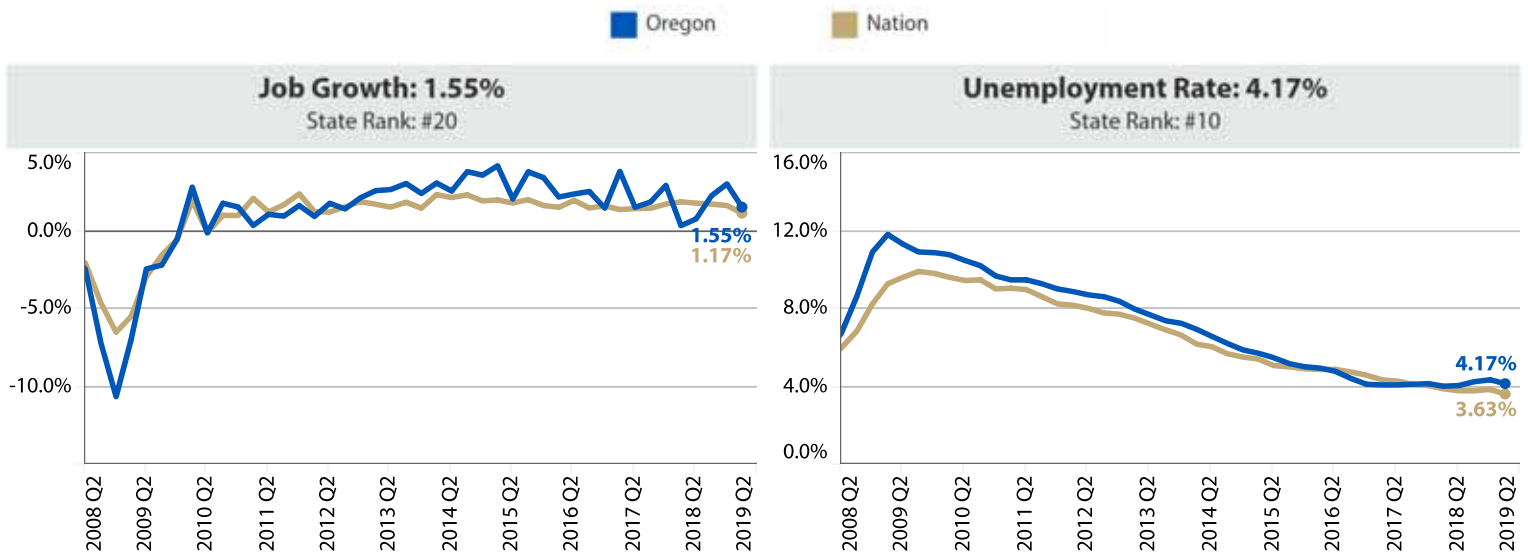
Economy

Oregon's economic trajectory converged with the national average in recent quarters, despite a 1Q19 jump in job growth attributable to a faster hiring in the education/health services, construction, and manufacturing sectors. In 2Q19, job growth slowed or stalled across most sectors. Meanwhile, the unemployment rate was roughly stable amid a multi-year slowdown in the labor force growth rate. The state's relatively export-intensive economy is vulnerable to trade tensions and global economic slowing. Home-price growth and single-family permitting have both matched national averages in recent quarters. Although housing affordability improved slightly in 2019 due to lower mortgage rates, it remained near pre-recession lows.

Banks

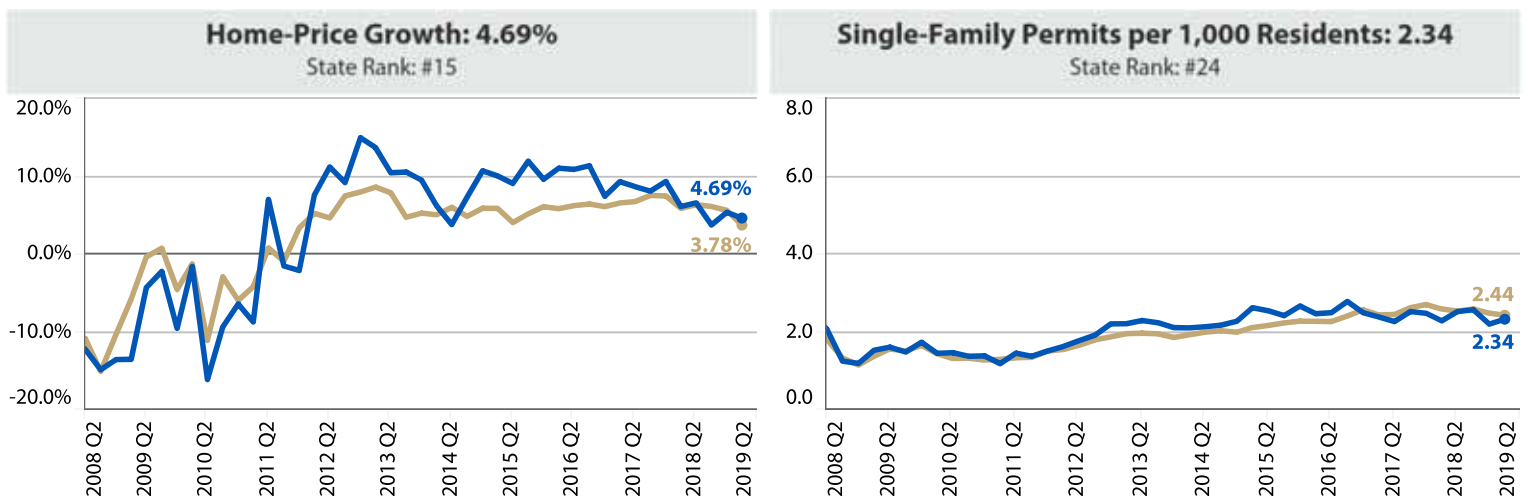
Oregon posted the fastest average annual net loan growth in the nation in 2Q19, with increases widespread across multiple loan categories. Loan growth outpaced increases in liquid instruments, crimping on-balance sheet liquidity--although Oregon banks had relatively low reliance on noncore funding, on average. Year-to-date average profitability and net interest margin ratios were flat from a year earlier in 2Q19, but restrained dividends allowed the average risk-based capital ratio to increase. The state average nonperforming asset ratio remained low. Oregon's average CRE concentration-to-capital ratio edged higher in 2Q19, although it has moderated since mid-2016 thanks to strengthening earnings and capital accretion.

Key Economic Metrics (ranking #1 = highest among 50 states)



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

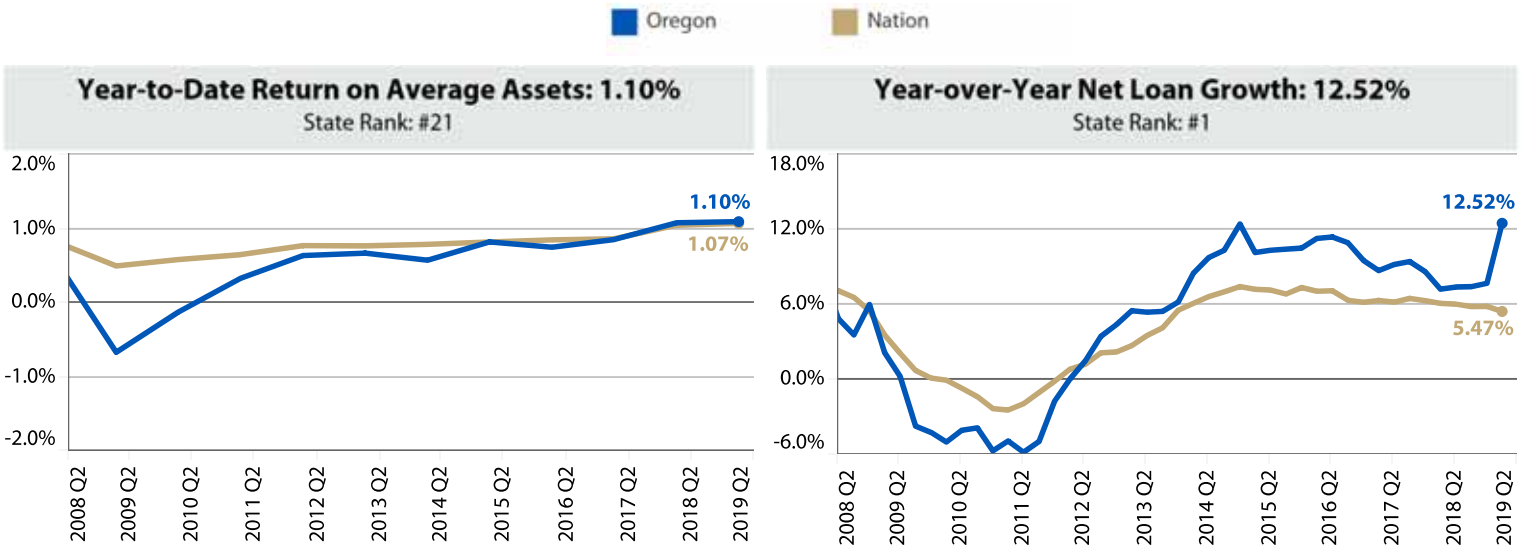


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

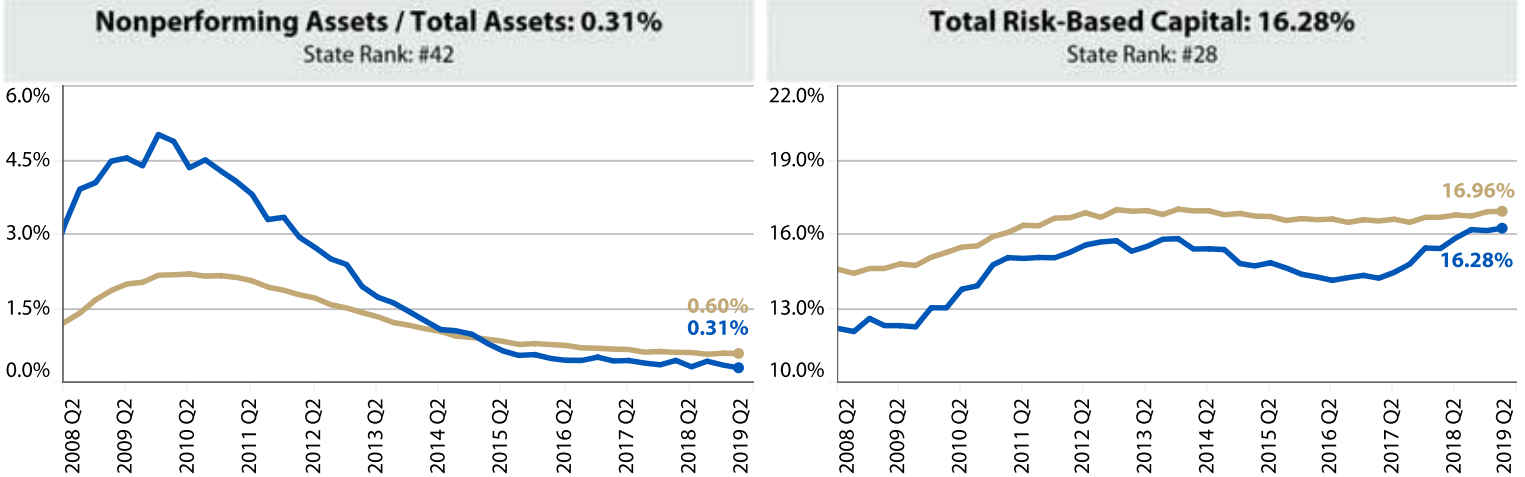
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

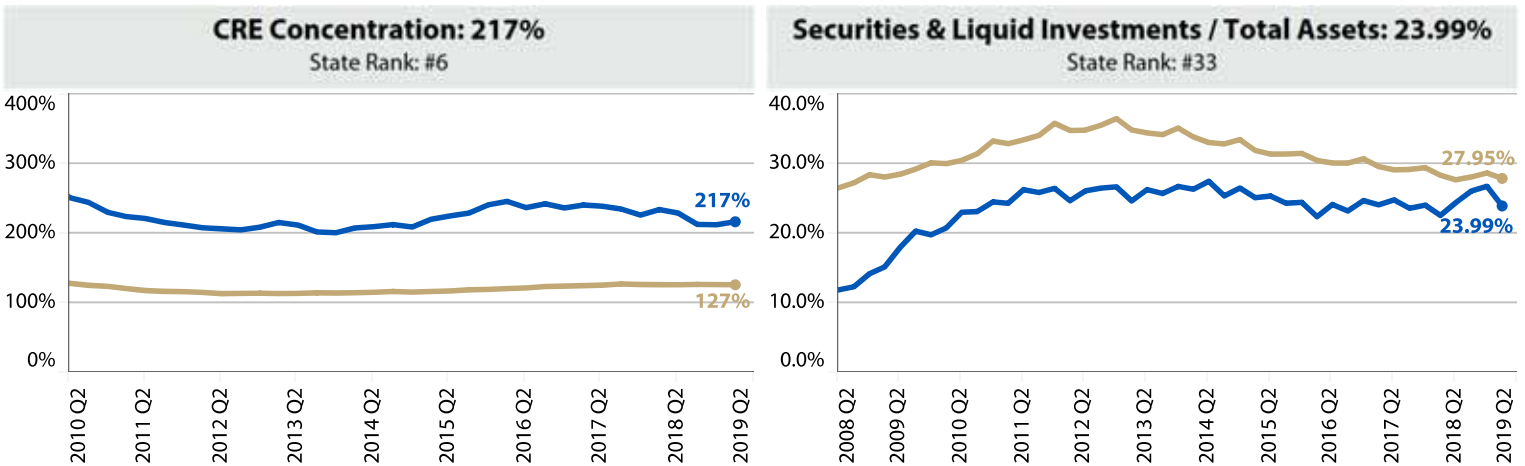


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 14 for the state and 4,605 for the nation.

Banks at a Glance Utah

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Economic and Banking Highlights

Data as of 6/30/2019

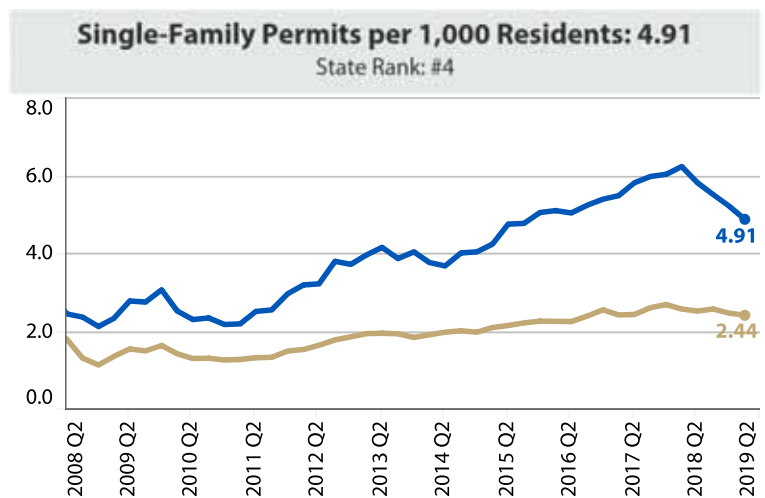
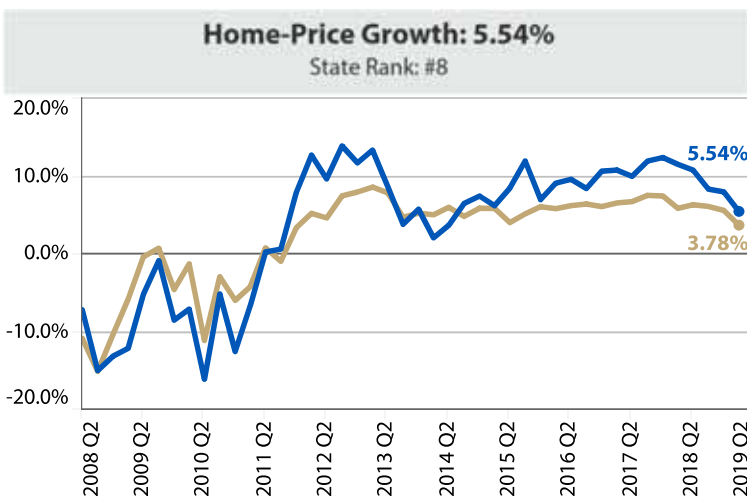
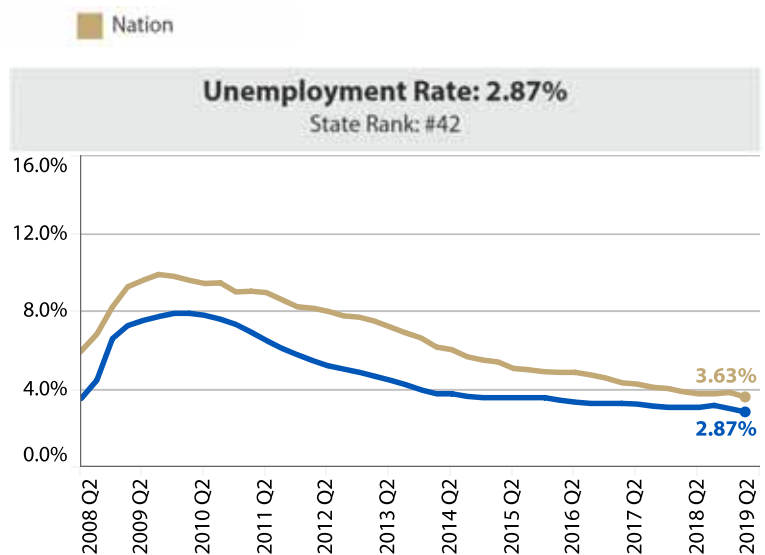
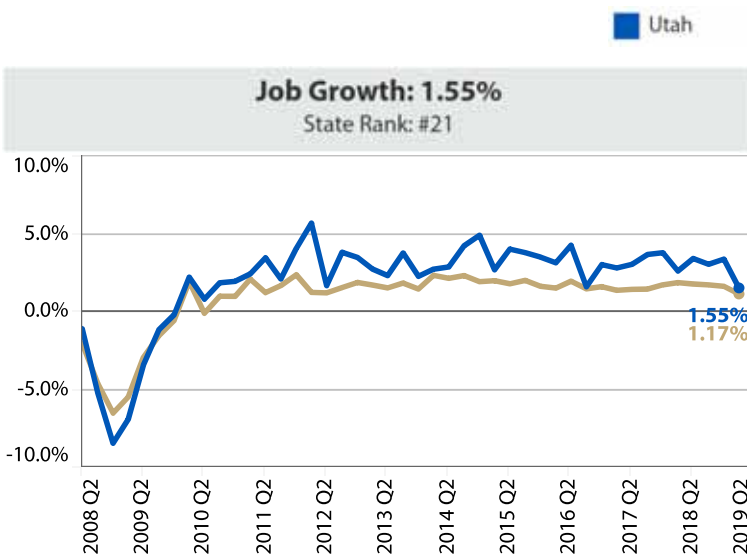
Economy

Utah's economy cooled further in the first half of 2019. Quarterly job growth slowed to nearly the national average after ranking among the top five states for several quarters. Nevertheless, education/health services, professional/business services, and manufacturing hiring was resilient. Employment continued to increase faster than the growing labor force, which pushed the unemployment rate to new lows for this cycle and contributed to robust wage growth as firms competed for workers. Population growth, per capita single-family permits issued, and home price appreciation remained above national averages and housing was affordable relative to other 12th District states, despite a cooling housing market in recent quarters.

Banks

Utah banks continued to post top-ranking profitability and improved capital positions year-over-year; however, loan growth eased further. Average bank profitability, while still strong, was flat from a year earlier in 2Q19, as wider net interest margins were offset by higher average provision expense. Since mid-2018, average 1-4 family mortgage lending has contracted, and consumer and CRE lending slowed considerably. The CRE slowdown kept the average CRE concentration-to-capital ratio in the state in line with the national average. Restrained dividend activity so far in 2019 fostered capital accretion. Average holdings of liquid instruments improved during 2019, but reliance on noncore funding sources was high and increasing.

Key Economic Metrics (ranking #1 = highest among 50 states)

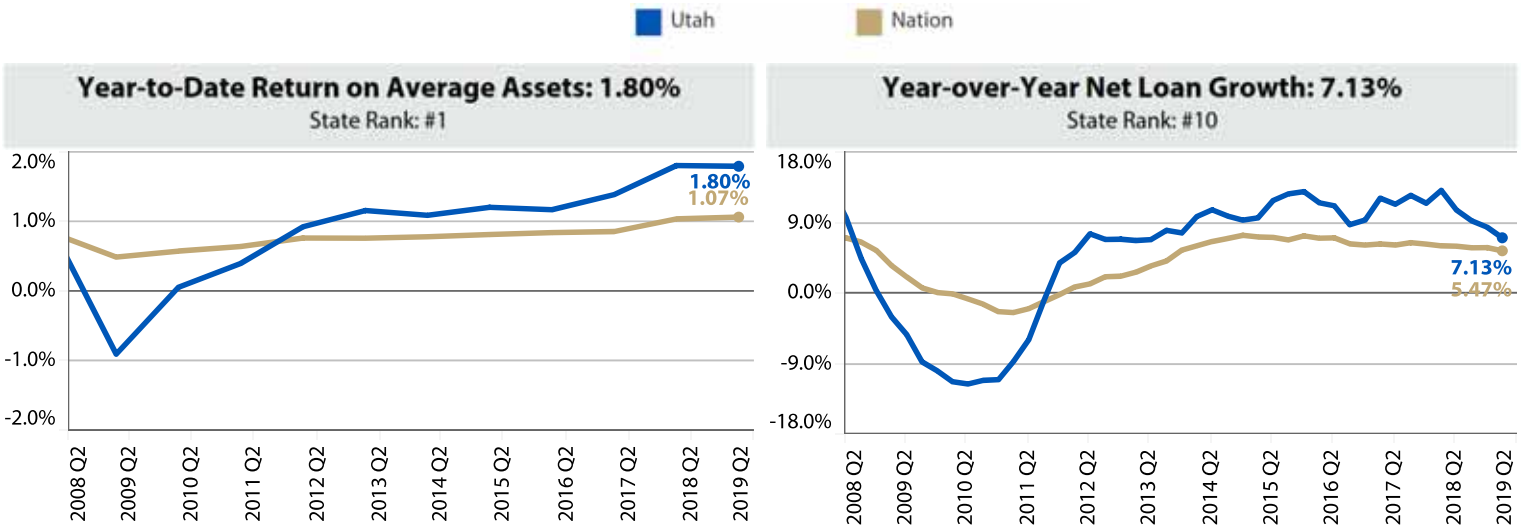


Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

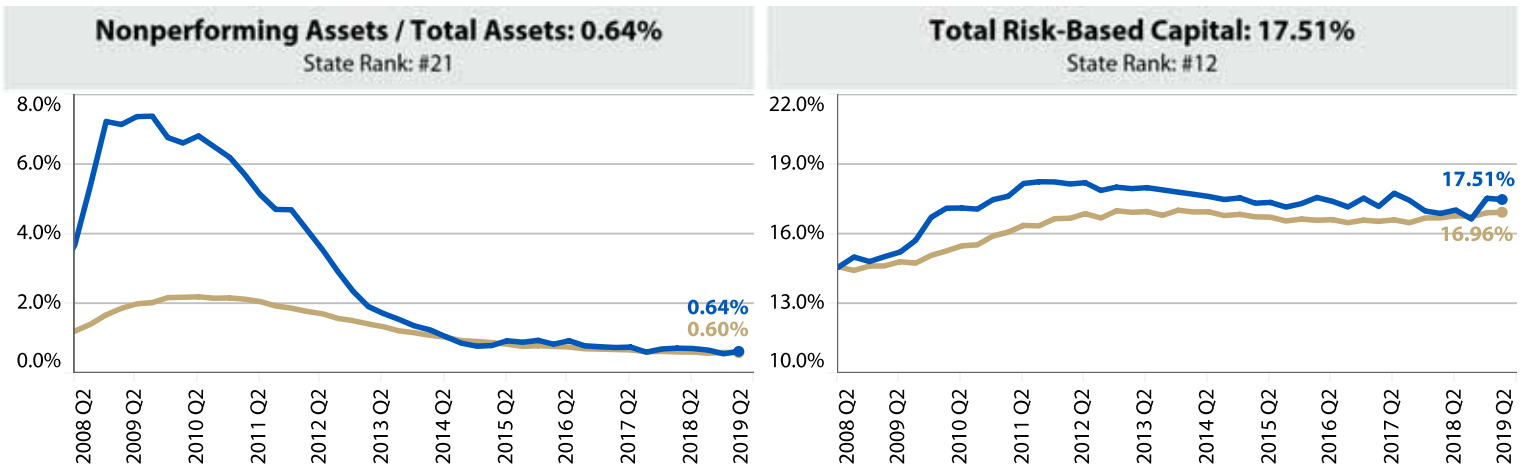
Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

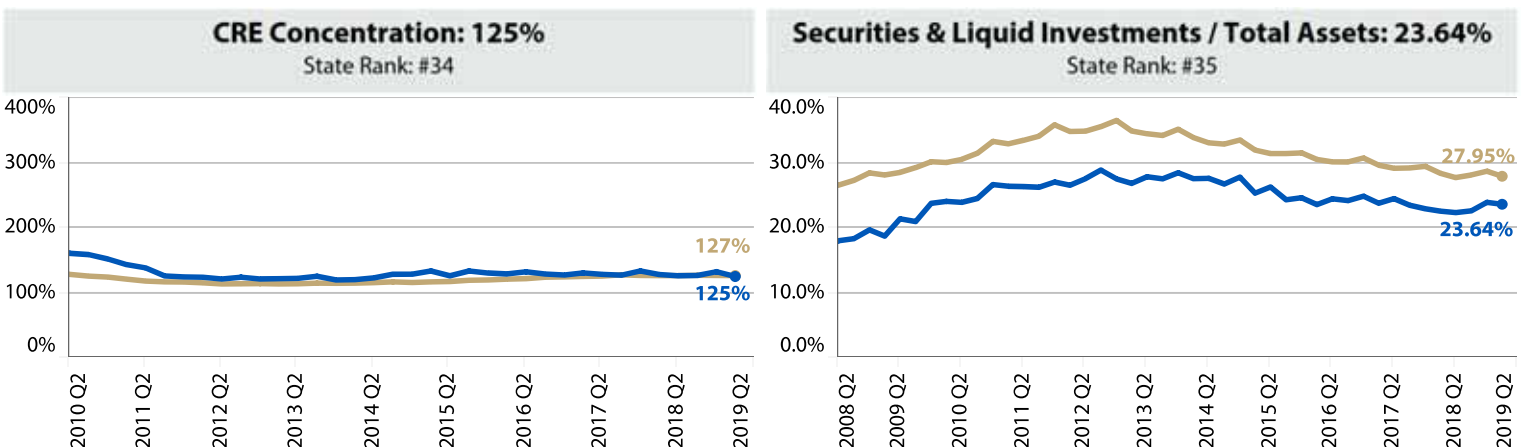


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for commercial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old), zero-loan banks, and banks where credit card lending is more than 80% of total lending. As of the latest period, the count of banks included in these statistics were 24 for the state and 4,605 for the nation. Utah banking averages reflect the specialty business models of several banks in the state (even after excluding industrial banks); these lenders often report elevated off-balance-sheet activity, non-CRE loan concentrations, and high usage of noncore funding.

Banks at a Glance Utah-Industrial

Economic and Banking Highlights

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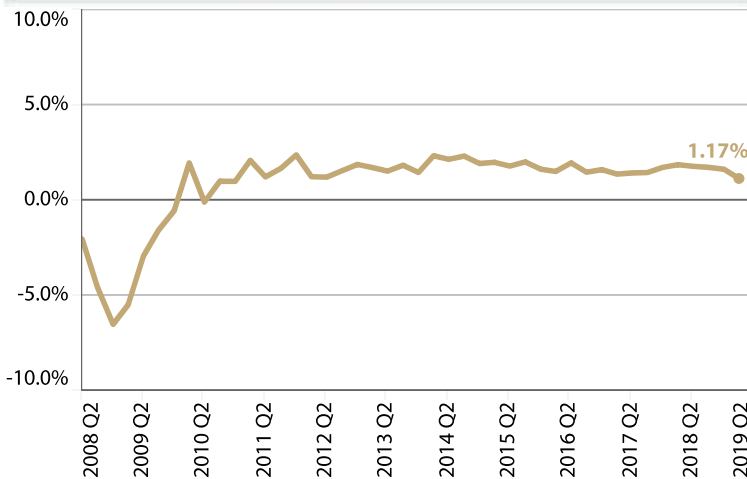
Data as of 6/30/2019

Industrial banks (IBs) can be owned by nonfinancial firms and are somewhat limited in the types of activities they can conduct. They employ different business models and individual performance can vary widely from the average. As of mid-2019, 14 of the nation's 24 IBs (58%) were based in Utah; they largely engaged in nationwide consumer lending, but some focused on business-based lending. Due to Utah IBs' nationwide exposures, the economic charts below show only national-level indicators.

Utah IBs' average profitability in the first half of 2019 was roughly flat from the same period in 2018, as wider net interest margins offset lower net noninterest income. High profitability allowed Utah IBs to increase dividend payouts substantially year-over-year. Solid earnings retention, combined with a slight shift in assets from loans to liquid instruments, benefitted risk-based capital ratios and balance sheet liquidity. State average year-over-year consumer loan growth declined in 2Q19 despite improving consumer sentiment and a declining household debt burden, but this was largely due to moderation at two previously fast-growing specialty banks. Asset quality at Utah IBs has been stable for multiple years, with consumer and commercial & industrial noncurrent ratios both range-bound, on average. Likewise, the average consumer loans-to-total loans ratio has been stable since a discrete drop in 2Q18, when American Express Centurion Bank converted to a national charter.

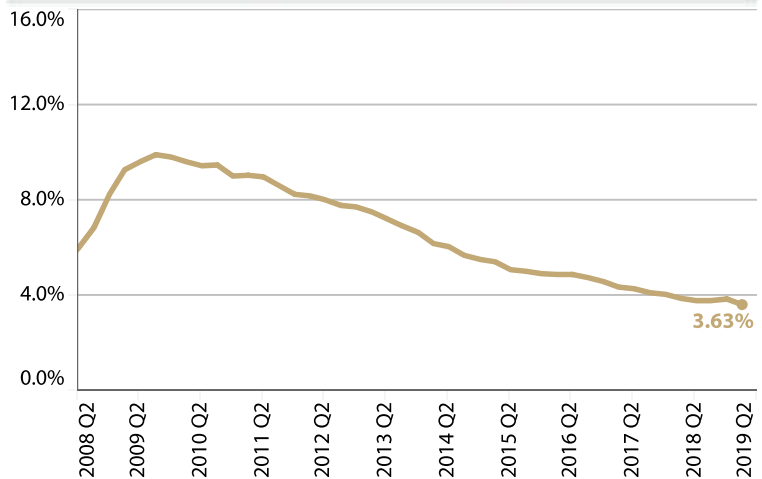
Key Economic Metrics - Nation

Job Growth: 1.17%



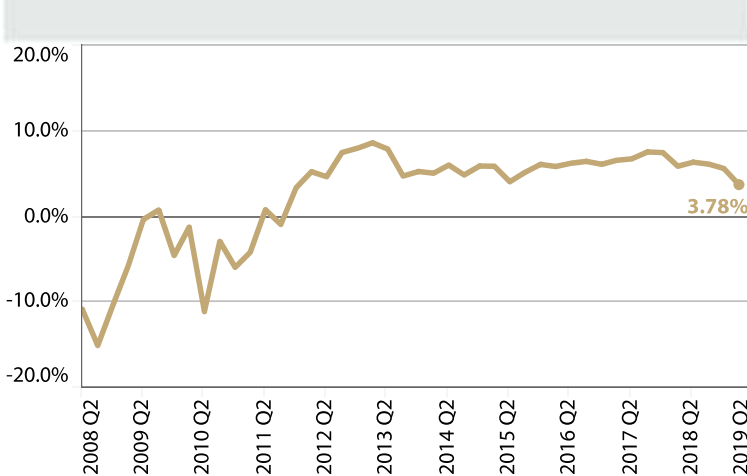
Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Unemployment Rate: 3.63%



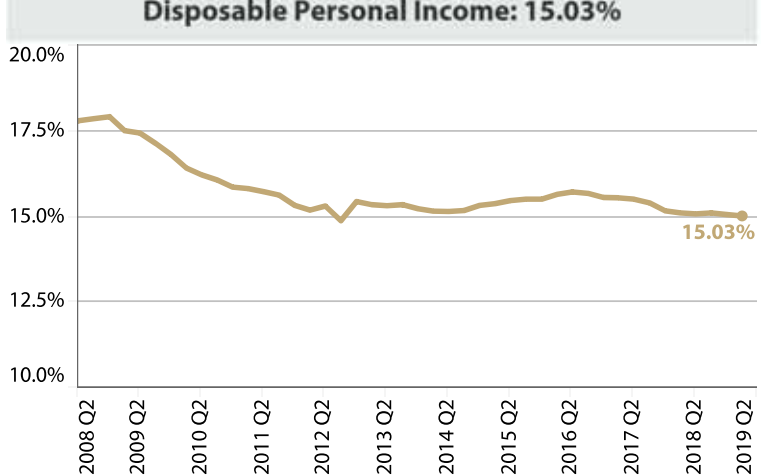
Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.

Home-Price Growth: 3.78%



Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

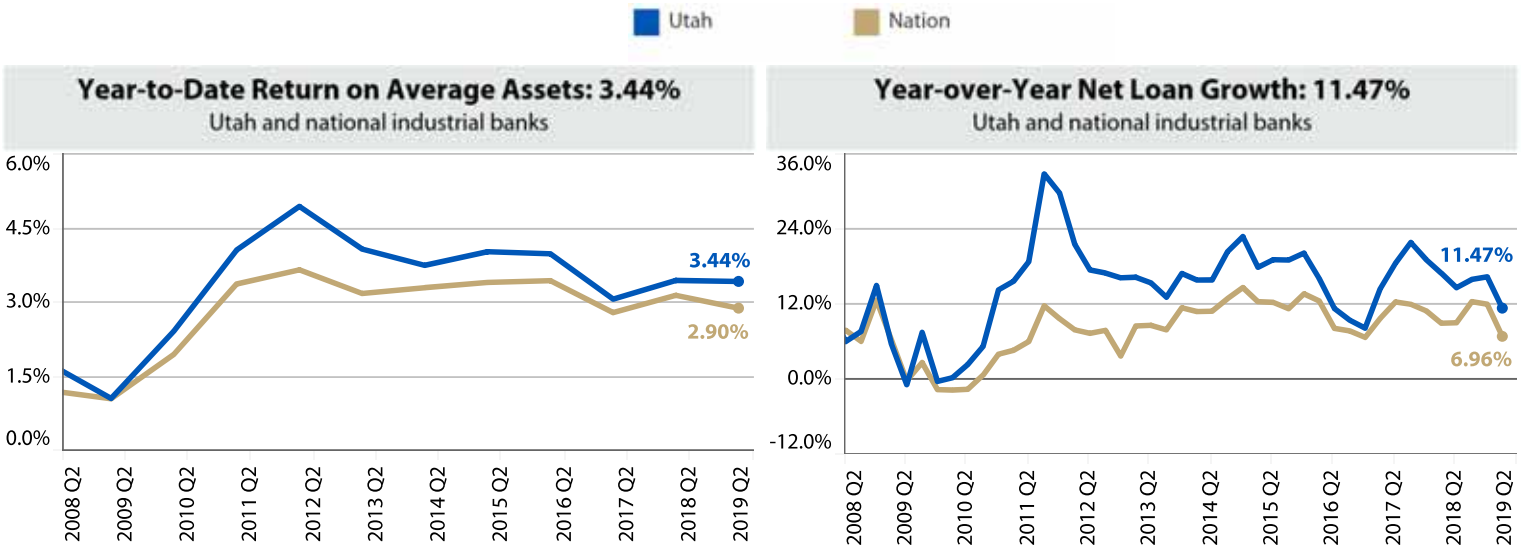
Household Financial Obligation Payments / Disposable Personal Income: 15.03%



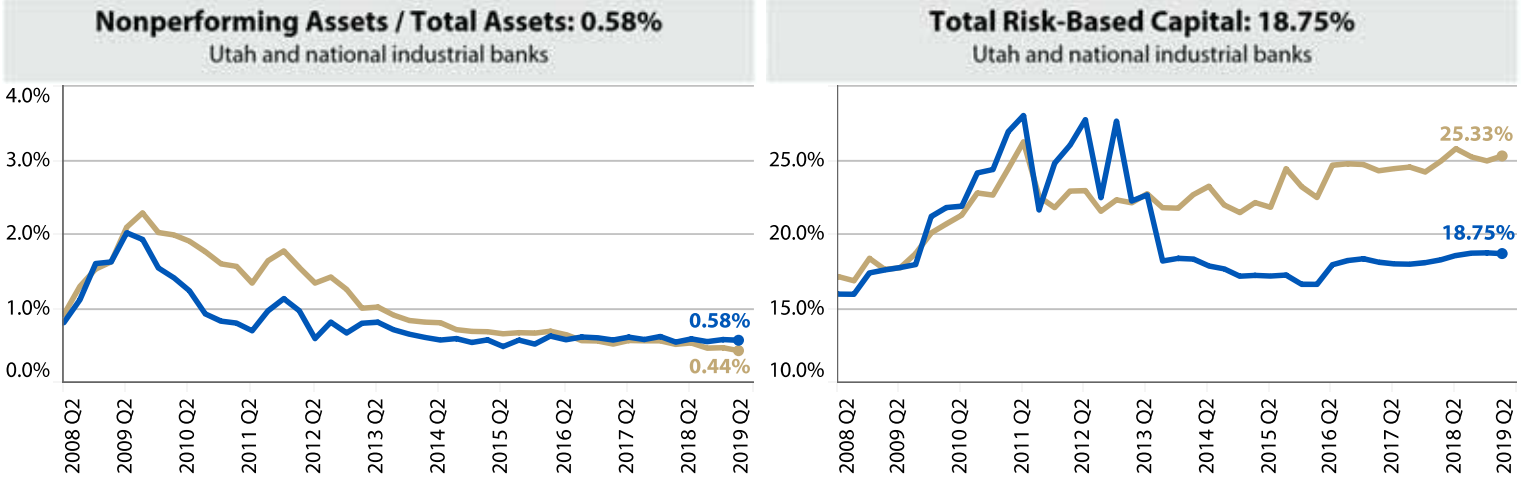
All household financial obligation payments as a percentage of disposable personal income, seasonally adjusted. Source: Federal Reserve via Haver Analytics.

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Key Banking Metrics (averages across industrial banks)

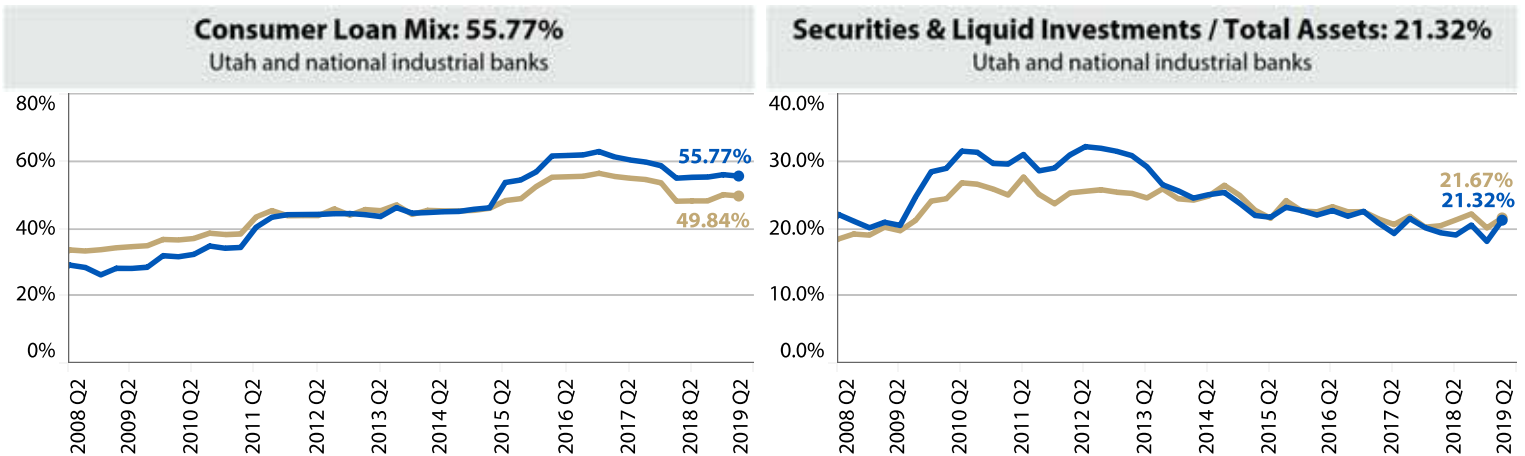


Net income / average assets, adjusted for S-Corps, annualized.



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

Total capital / risk-weighted assets.



Total consumer loans / total loans and leases. Commercial & industrial loans accounted for 18.7% of total loans and leases on 6/30/2019.

Liquid investments = cash, due-from balances, interest-bearing bank balances, and fed funds sold and securities purchased under agreement to resell.

Source: Call Report data for industrial banks based upon headquarters location. Averages are "trimmed" by removing the highest and lowest 10% of values prior to averaging to prevent distortion by 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 (less than five years old). As of the latest period, the count of industrial banks included in these statistics were 14 for the state and 24 for the nation.

Banks at a Glance Washington

Economic and Banking Highlights

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Data as of 6/30/2019

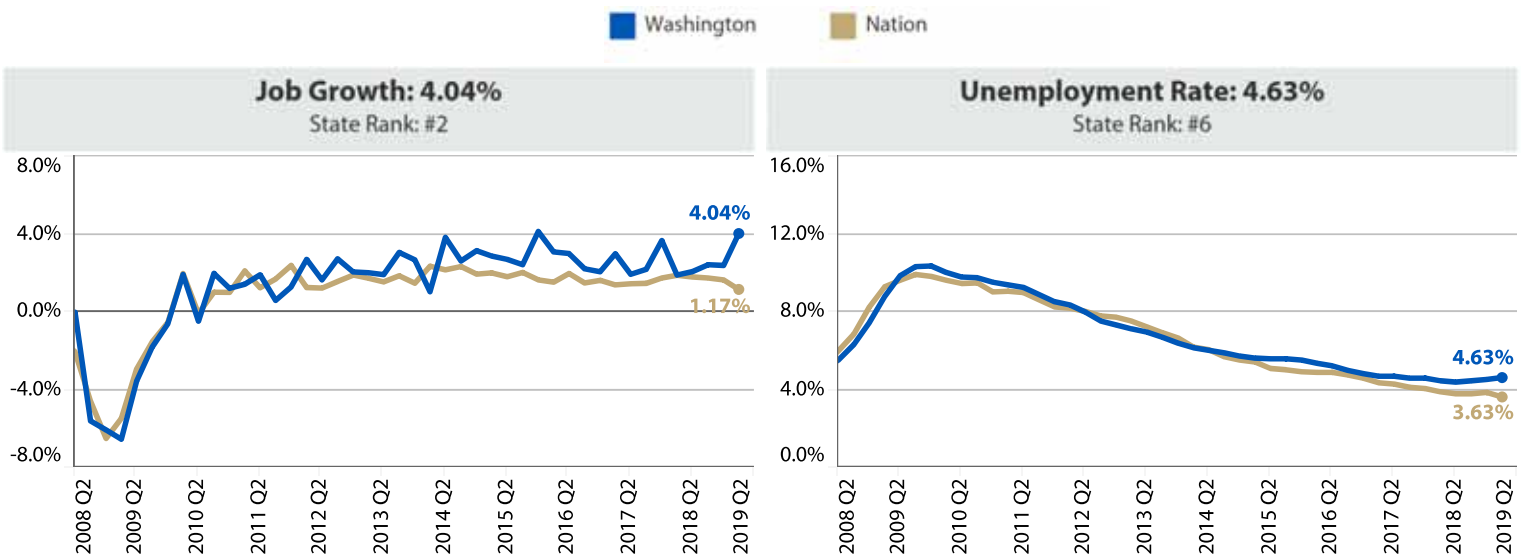
Economy

Washington's economy showed strength in 2Q19. Job growth accelerated to the second-fastest pace in the nation due to jumps in construction, professional/business services, and government hiring. Job market strength was primarily due to Seattle's tech sector. Manufacturing hiring slowed but remained positive as Boeing faced continued production delays. The unemployment rate ticked up in 2019, but this was due to an increase in the labor force participation rate. Meanwhile, the pace of home price growth slowed to below the national average in 2Q19 for the first time in five years, possibly due to oversupply in the high-end market segment, and permitting activity has trended downward since late-2017.

Banks

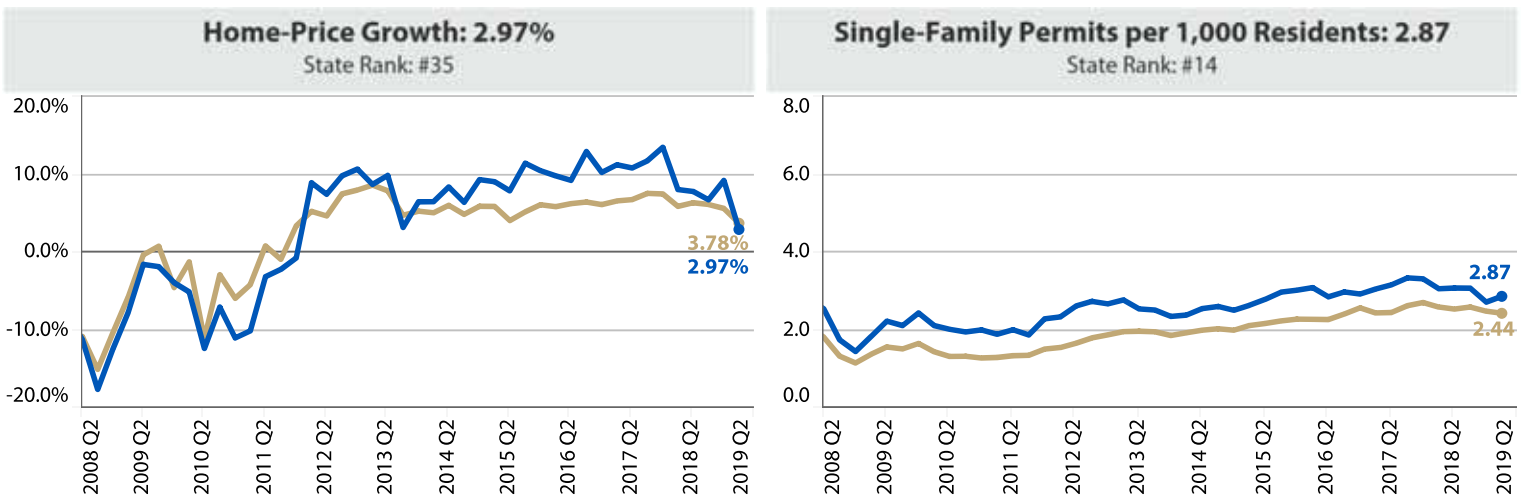
Wider net interest margins boosted average bank profitability in Washington in 2Q19, even as loan growth slowed across most loan categories—with the exception of nonfarm-nonresidential real estate lending, which grew steadily. A moderate increase in dividend payout ratios, combined with a shift in assets towards higher risk-weighted loans, contributed to a minor decrease in average risk-based based capital ratios in 2Q19; however, average capital ratios remained notably above mid-2018 levels. Capital accretion helped mute the effects of CRE loan growth on CRE concentration-to-capital ratios. Recently, state banks decreased their relative investments in liquid instruments and increased reliance on more expensive noncore funding sources.

Key Economic Metrics (ranking #1 = highest among 50 states)



Quarterly average nonfarm payrolls, seasonally adjusted annual rate. Source: Bureau of Labor Statistics (Establishment Survey) via Haver Analytics.

Quarterly average, seasonally adjusted. Source: Bureau of Labor Statistics (Household Employment Survey) via Haver Analytics.



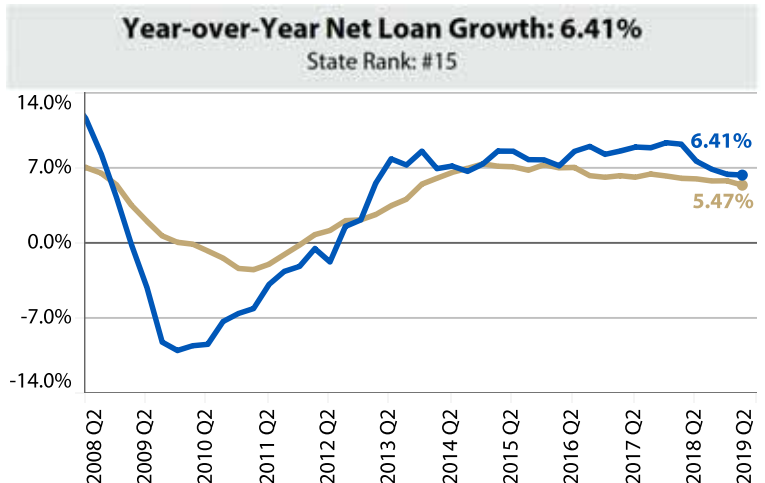
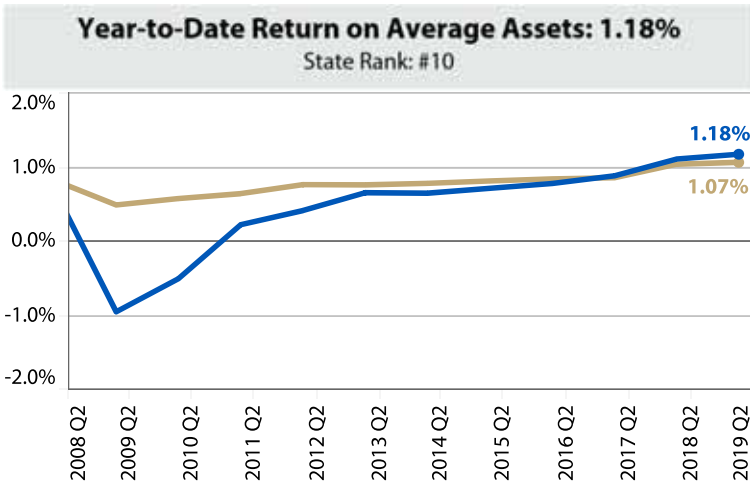
Expanded House Price Index, seasonally adjusted annual rate. Source: Federal Housing Finance Agency via Haver Analytics.

Quarterly average single-family permits (seasonally adjusted annual rate) / quarterly population in thousands. Source: Census Bureau via Haver Analytics.

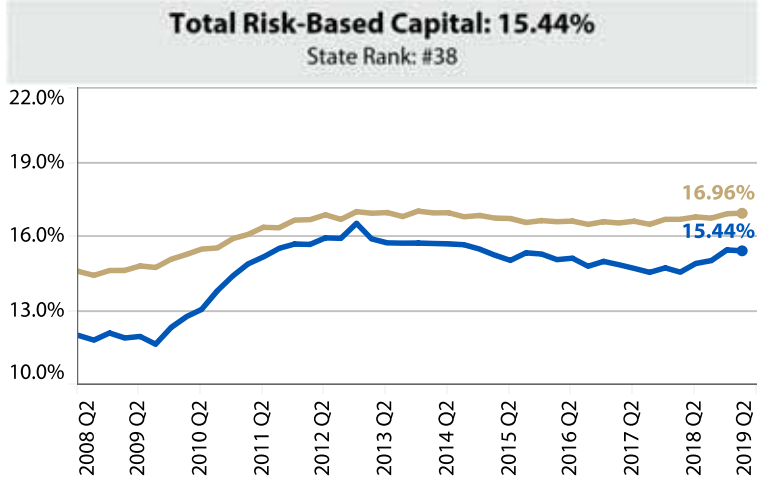
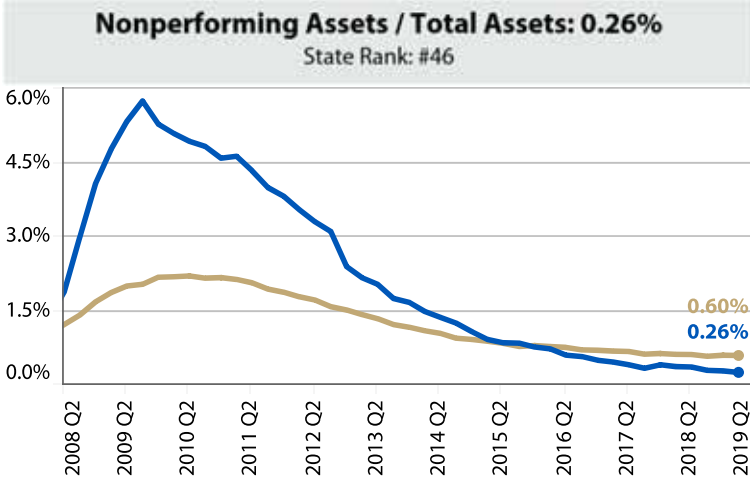
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Key Banking Metrics (averages across banks; ranking #1 = highest among 50 states)

Washington Nation

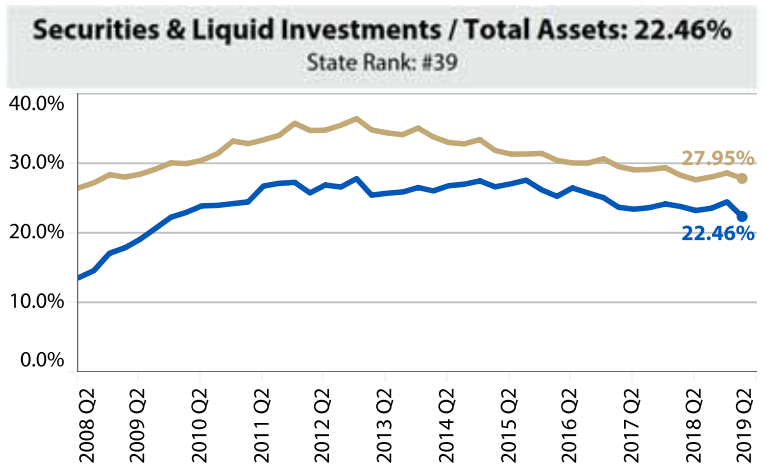
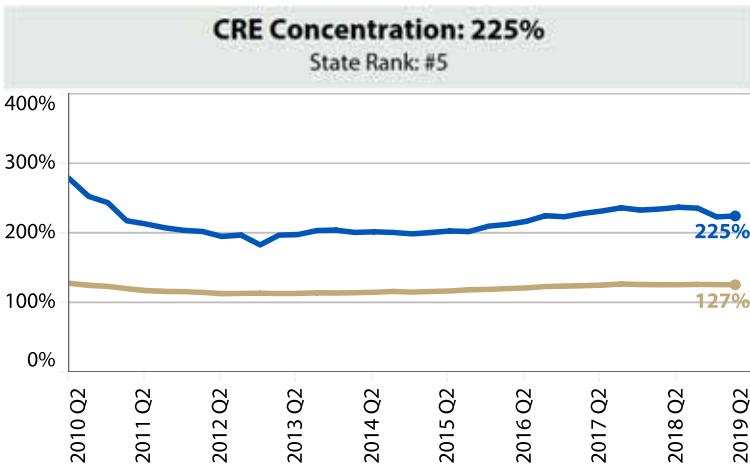


Net income / average assets, adjusted for S-Corps, annualized.



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Total capital / risk-weighted assets.



Total non-owner-occupied commercial real estate / total capital.

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