



First Glance 12L (2Q14)



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

*District Banks Have Largely Recovered,
But Earnings Remain Under Pressure*

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This report is based on preliminary 2Q2014 Condition & Income Report Data and has been prepared primarily for bank supervisors and bankers. Analyses are those of the authors and are not necessarily the official opinion of the Federal Reserve Bank of San Francisco or the Board of Governors of the Federal Reserve System.

Press Inquiries: please contact Media Relations at <http://www.frbsf.org/our-district/press/>

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12th District Overview - “District Banks have Largely Recovered, but Earnings Remain Under Pressure”

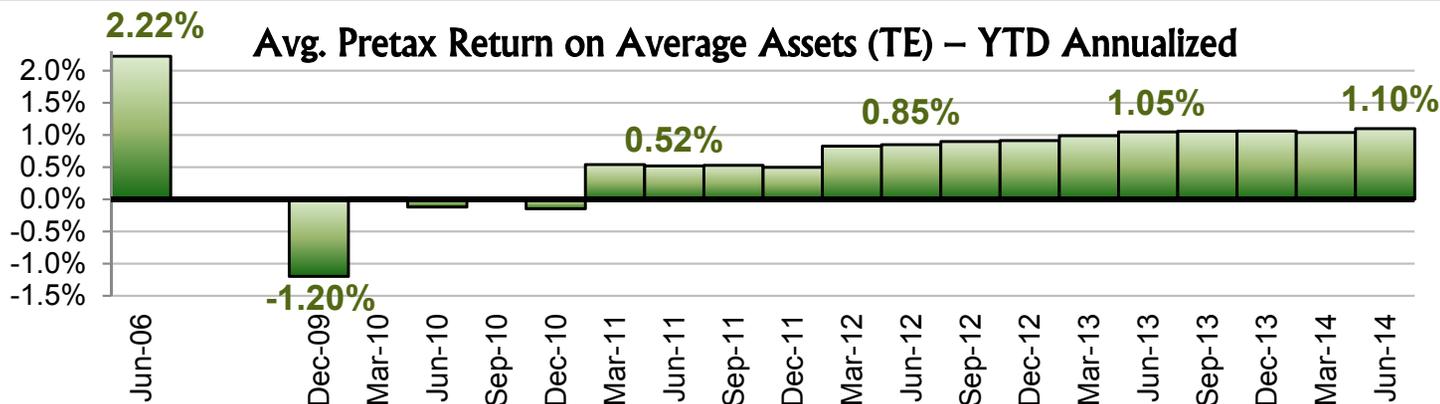
The First Glance 12L has been redesigned this quarter. The report continues to have sections on the **Economy**, **Commercial Banks**, and **Savings and Industrial Banks**, followed by appendices. Slides with **red** colored headers denote **Bank Supervisors’ “Hot Topics.”**

Measures and statistics in the following summary refer to averages in the 12th District unless otherwise noted.

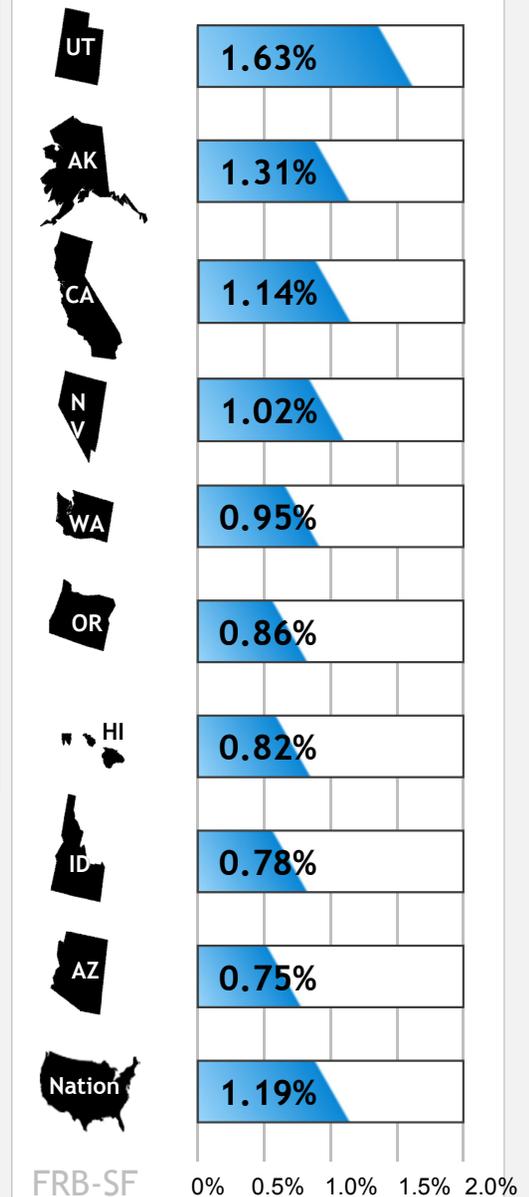
Banking conditions in the 12th District continued to improve in 2Q14. Though trends are positive, a return to “normalcy” by pre-crisis standards has not yet materialized. Banks will continue to face challenges and risks going forward.

Through 2Q14, average pretax profitability continued to slowly increase. Small banks showed a marked improvement, while larger banks faltered on this measure. Bottom-line profits and core profitability (before provision expenses) remained flat. The divergence of pre- and post-tax profitability measures was due, in part, to some banks exhausting tax loss carry-forward positions and having to increase tax payments.

The main positive forces behind earnings were reduction in the average noninterest expense rate, down to its lowest first-half level in over 10 years, and the continued decline in credit loss provisions with over half the District’s banks taking zero or negative provisions. Hurting profits, noninterest income rates decreased in the first half (annualized), possibly reflecting new regulations limiting certain fees, and net interest margins remained severely depressed and at the lowest 1H level in over 10 years. Intense competition for quality loans resulted in reduced loan yields.

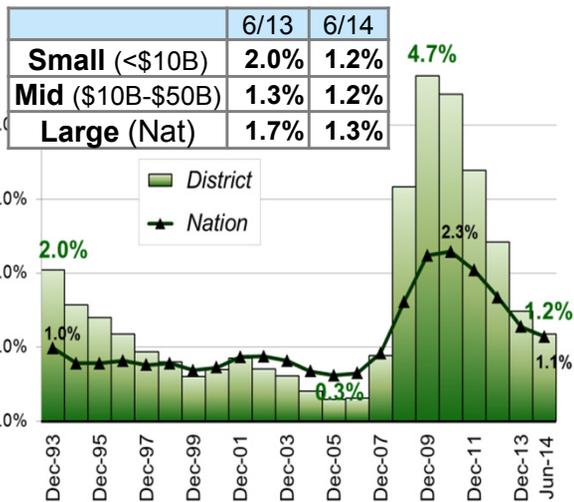


Avg. 1 H Pretax ROAA



12th District Overview, Continued

Average Noncurrent Rate

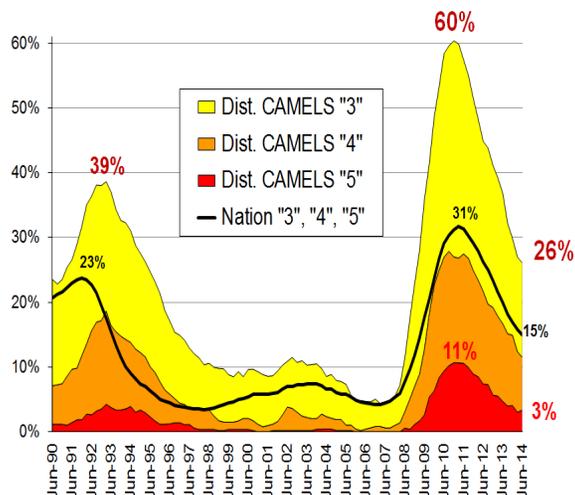


Asset quality has improved markedly with improvement most dramatic at banks under \$10B. This “small bank” group had an almost 60% reduction in the average noncurrent rate year-over-year (YoY), moving this group from the worst performing to the best in one year’s time. The average net charge-off rate among District banks was down to almost zero as many banks had net recoveries.

District banks experienced strong growth in loan portfolios, up 11% YoY, on average. In aggregate, multifamily and consumer loan growth were strong, with auto loans showing particular strength among the District’s auto lenders. The biggest standout in YoY loan growth rates, however, was construction and land development loans (C&LD). In aggregate, these loans grew 22% YoY. It should be noted, however, that C&LD loans currently constitute just 5% of the typical bank’s portfolio, and the growth represented just 10% of aggregate loan growth in dollar terms.

Maturities on loans and securities continued to lengthen, while non-maturity deposits increased to the highest level over assets in over 10 years. These measures are watched as they indicate the potential for interest rate risk at District banks.

Rated CAMELS 3, 4, or 5



Capital and balance sheet liquidity measures remained strong, but the growth in loans had an impact. Reliance on noncore funding remained relatively low. Though capital ratios have edged down, they remained elevated by historical standards. It remains to be seen what the “new normal” for capital will be as Basel III and new PCA rules come in to effect over the coming years.

Continuing the trend that began in early 2011, the percentage of District banks with adverse CAMELS ratings (3, 4 or 5) continued to fall. The latest percentage, 26%, was still high, but partially reflected the lag resulting from the frequency of examinations and the depth of the problems that banks faced. Earnings and management ratings were the weakest of the components assigned during bank exams and the avg. sensitivity rating flattened out, suggesting some room for improvement in sensitivity risk management. Consumer ratings have largely recovered from the crisis, but the percentage of less-than-satisfactory community reinvestment act (CRA) ratings has edged upward since 2007.

Section 1 - Economic Conditions

Job Growth

Unemployment Rates

Housing Market Metrics

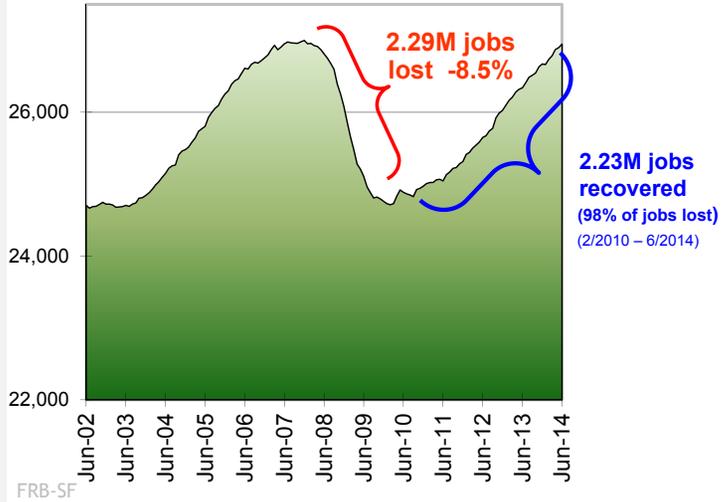
Commercial Real Estate Market Metrics

Additional 12th District economic trends:

<http://www.frbsf.org/economic-research/publications/fedviews/>

Economy Recovering: District Jobs Have Nearly Recovered to the Previous Peak

Total Nonfarm Jobs in 12th District (000)



Sources: Bureau of Labor Statistics, Haver Analytics, Seasonally Adjusted.

AK, UT, WA, CA: Job Totals Now Exceed Pre-Recession Peaks

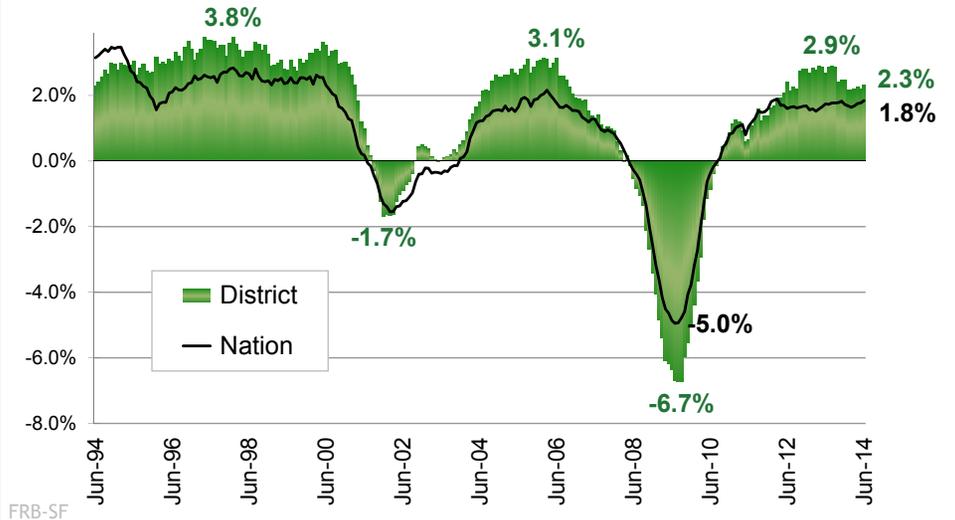
% of Nonfarm Jobs Recovered from Recession (2/10)	
AK*	285
UT	173
WA	125
CA	101
HI	89
OR	86
ID	79
AZ	59
NV	57
District	98
Nation	105

* AK lost less than 2% of jobs during recession that were quickly recovered.

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Job Growth Rates Remained Moderately Below Typical Non-Recession Levels

Annual Growth Rate of Nonfarm Jobs in 12th District

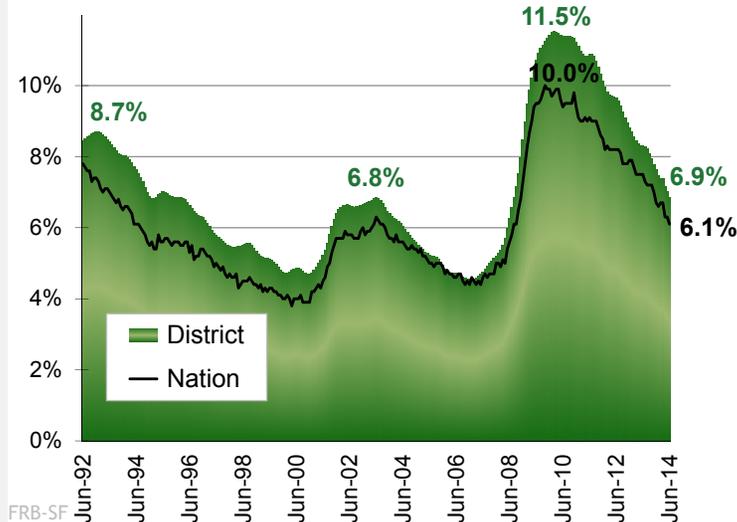


Source: Bureau of Labor Statistics, Haver Analytics.

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Unemployment Rates Continued to Recede, Although Still Well Above Normal Non-Recession Levels in Most States

Unemployment Rates (seasonally adjusted) – 12th District



12th District rates are an aggregate, or weighted average, of the nine District states.
Source: Bureau of Labor Statistics, Haver Analytics

Biggest year-over-year improvement in NV, ID, and CA.

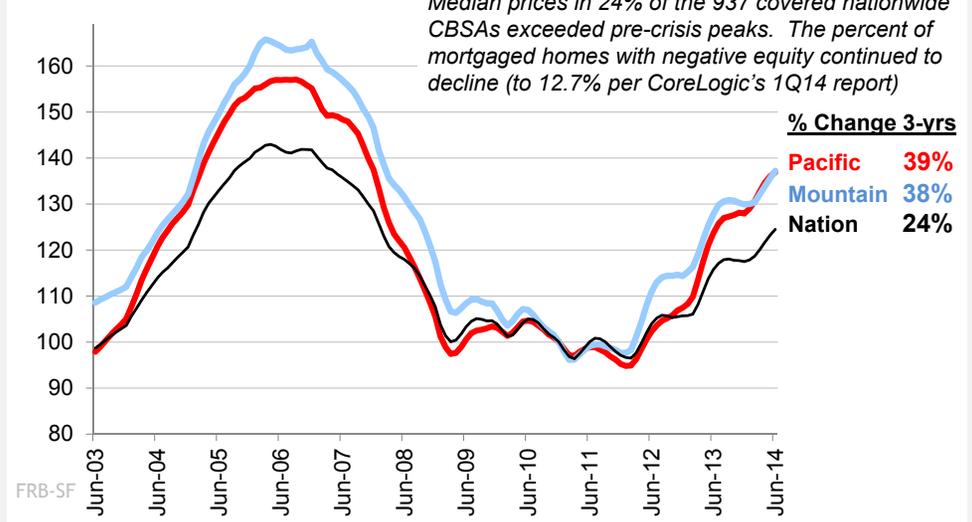
Unemployment Rates		
State	June 2013	June 2014
NV	10.0%	7.7%
CA	9.0%	7.4%
AZ	8.1%	6.9%
OR	7.8%	6.8%
AK	6.6%	6.4%
WA	7.0%	5.8%
ID	6.3%	4.7%
HI	4.7%	4.4%
UT	4.6%	3.5%
Dist.	8.3%	6.9%
Nation	7.5%	6.1%

Red: >8%; Gold: 6% – 8%

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The Housing Recovery Should be Tailwind for District Banks

Median Home Price Indices

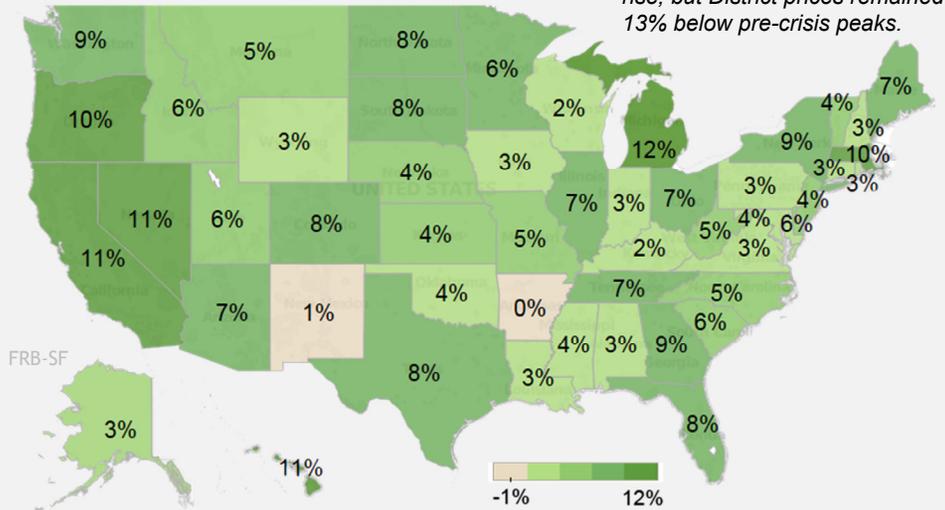


Source: CoreLogic Home Price Indices, indexed to 100 at 12/10; Mountain: AZ, CO, ID, MT, NM, NV, UT, WY; Pacific: AK, CA, HI, OR, WA

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Home Price Appreciation Rates Healthy in Most States

1-Year Home Price Change by State – June 2014

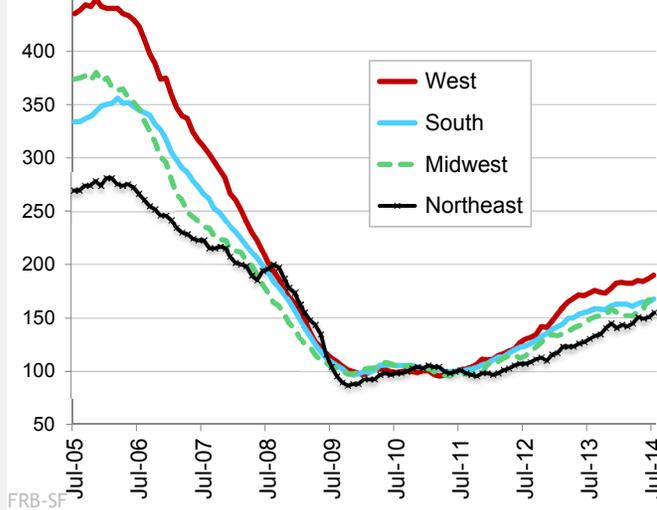


Source: CoreLogic Home Price Indices

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Housing Starts Remained Depressed, But the Trends were Positive

Housing Starts: 12-month moving average



Pace of starts remained slow, but should improve given the tight supply of homes on the market.

Housing Starts based on 12-mo. moving avg.		
Region	3-yr growth	Chg. from peak
West	+87%	-58%
South	+66%	-53%
Midwest	+67%	-56%
Northeast	+53%	-45%

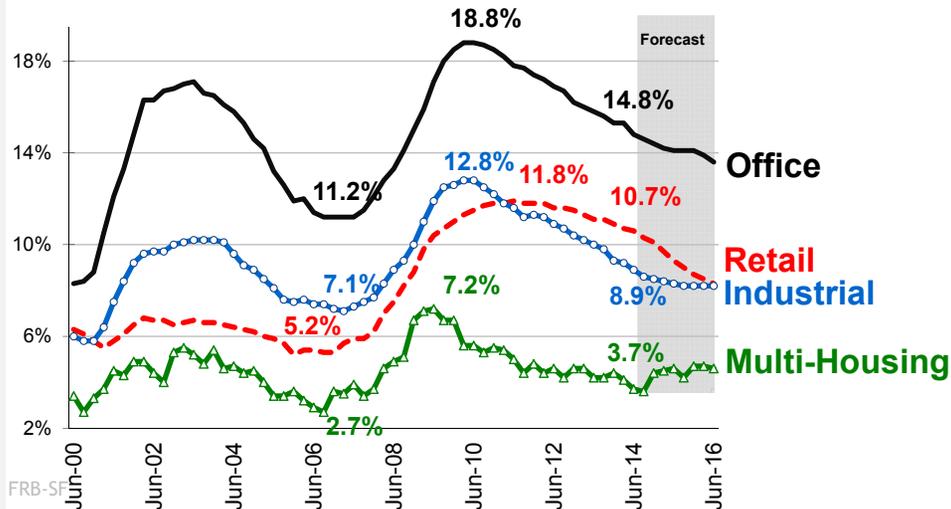
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New privately owned housing units started; seasonally adjusted, indexed to 100 at 6/11; West: AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY; Source: Census Bureau, Haver Analytics

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CRE Markets: Vacancy and Availability Rates Continued to Trend Down

Quarterly Aggregate Vacancy or Availability Rates – 12th District



Source: CBRE-Econometric Advisors; Retail and Industrial trends are availability rates; Office and Multi-Housing trends are vacancy rates. Based on an aggregate of rates for 15-16 large metropolitan areas

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CRE Property Values Fully Recovered in Four of the Twelve National Sectors (see Table below)

National CRE Property Price Indices



Change in CRE Prices: Prior Peak to Current

Sector	Major Mkts	Non-Major
Apt.	+32%	+3%
CBD-Office	+17%	-6%
Retail	+1%	-25%
Industrial	-6%	-16%
Sub-Office	-19%	-24%
Hotel	-27%	-28%
All	+9%	-12%

CBD = Central Business District
Sub = Suburban

FRB-SF

Source: Moody's Commercial Property Index; Combination of 4 core property sectors; major markets = six gateway metropolitan areas: Boston, Chicago, Los Angeles, New York, San Francisco, and Washington, DC. Indexed to 100 at pre-recession peak.

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Section 2 Commercial Bank Performance

Focusing on trends among the 357 commercial banks headquartered within the 12th Federal Reserve District.

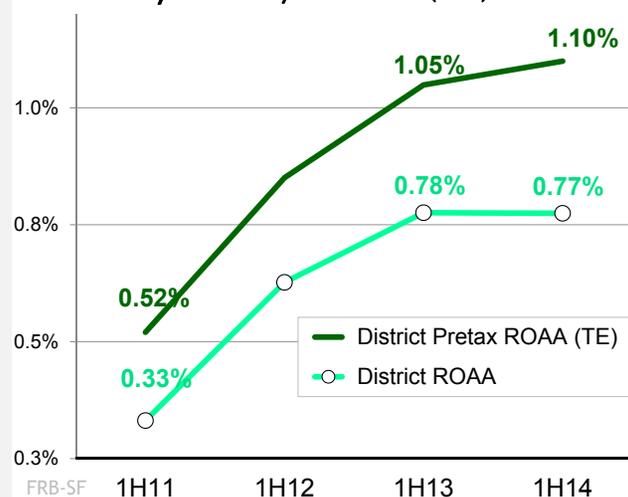
Note: Beginning this quarter, 'small', 'mid-sized' and 'large' bank groups have been redefined. This was done to better align the peer groups with generally accepted definitions of community (<\$10B), regional (\$10B-\$50B) and large (>\$50B) banks. The large bank group covers nationwide banks (a larger statistical population was needed), while the other two groups cover 12th District banks.

See also "Banks at a Glance," Bank Profiles by State:

<http://www.frbsf.org/banking-supervision/publications/banks-at-a-glance/>

Profitability: Average Pretax Profitability Rose While Bottom-Line ROAAs Were Flat

Profitability Rates - year-to-date (YTD) annualized



Average effective tax rates rose as more banks earned profits.

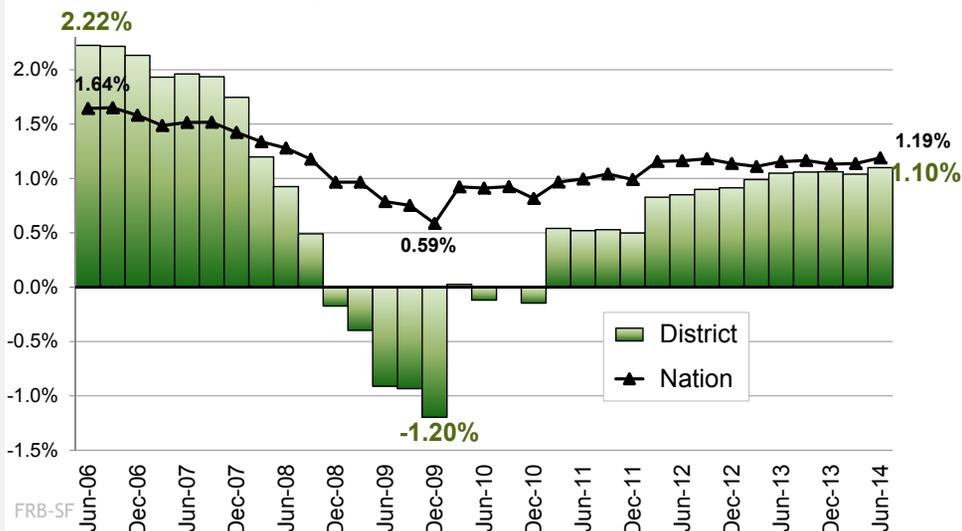
The profitability analysis that follows focuses on pretax profitability

Income Taxes / Net Operating Income (averages)		
	1H13	1H14
Profitable banks only (excl. S-corps)	29%	33%
All banks	21%	24%

Based on commercial banks, excluding De Novos; trimmed means; for comparability, Pretax ROAAs (Tax Equivalent) are adjusted to assume taxes are paid on income from tax-free municipal securities; 1H data is annualized; preliminary 6/30/14 data

Average Pretax Profitability Continued to Slowly Edge Up in 2Q14

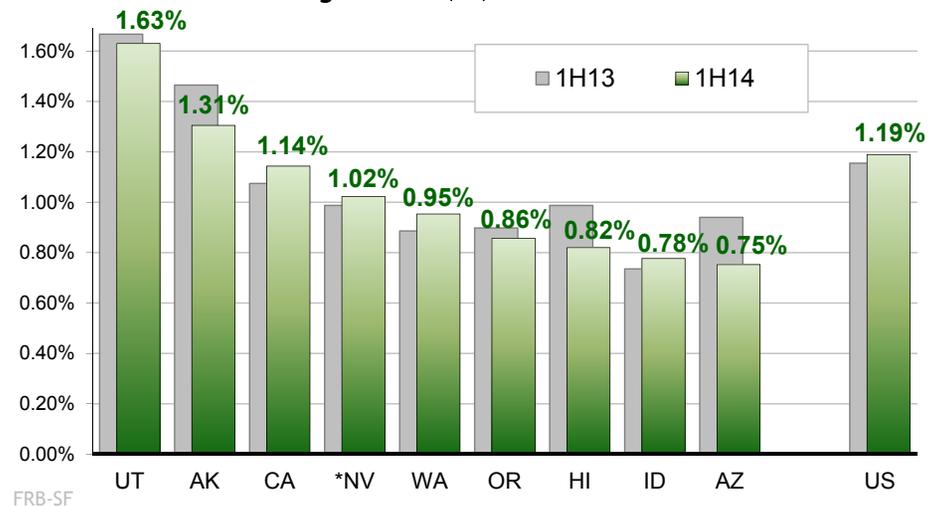
Pretax Return on Average Assets (TE) - YTD annualized



Based on commercial banks, excluding De Novos; pretax earnings ratios are tax-equivalent adjusted, assuming taxes on income from tax-free municipal securities; trimmed means; data is annualized; prelim. 6/30/14 data

Average Pretax ROAA Trends by State Were Mixed

Pretax Return on Average Assets (TE)

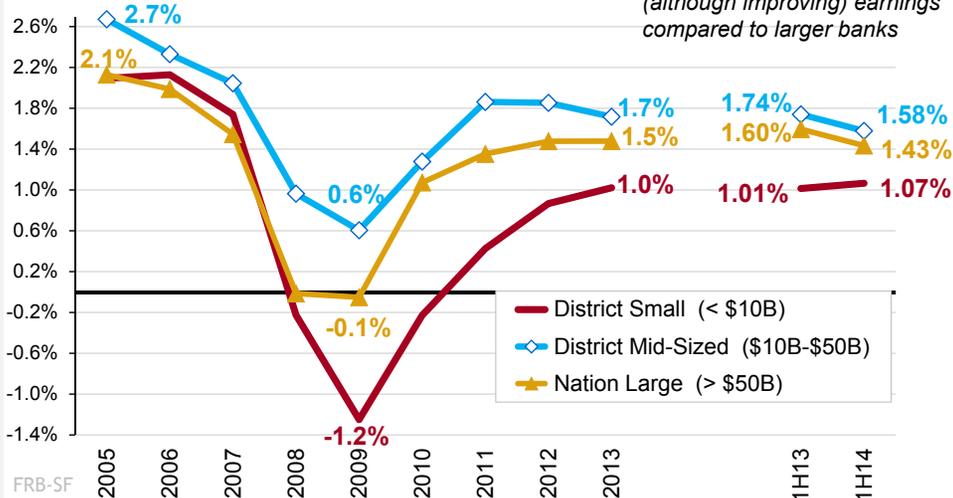


Based on commercial banks, excluding De Novos; trimmed means, preliminary 6/30/14 data, 1H data annualized; *NV: excludes credit card and zero-loan banks

Pretax Profitability Rates Fell at Large and Mid-Sized Banks

Pretax Return on Average Assets (TE) by Bank Size

Small banks continued to report somewhat weaker (although improving) earnings compared to larger banks



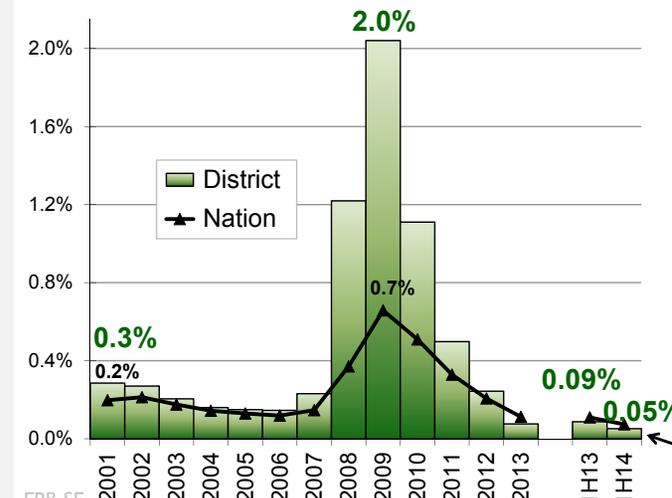
Based on commercial banks, excluding De Novos; trimmed means; 1H data is annualized; preliminary 6/30/14 data. The large bank peer group includes nationwide banks to ensure a large enough population for averaging ratios; preliminary 6/30/14 data

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Provision Expenses Continued at 20+ Year Lows

Loan Loss Provisions/Average Assets

Over half of District banks took zero or negative provisions during 1H14



1H14 Percent of Commercial Banks with:		
	Dist.	U.S.
Negative loss provisions	13%	6%
Zero loss provisions	39%	31%
Lowered ALLL / Loan Ratios	69%	56%

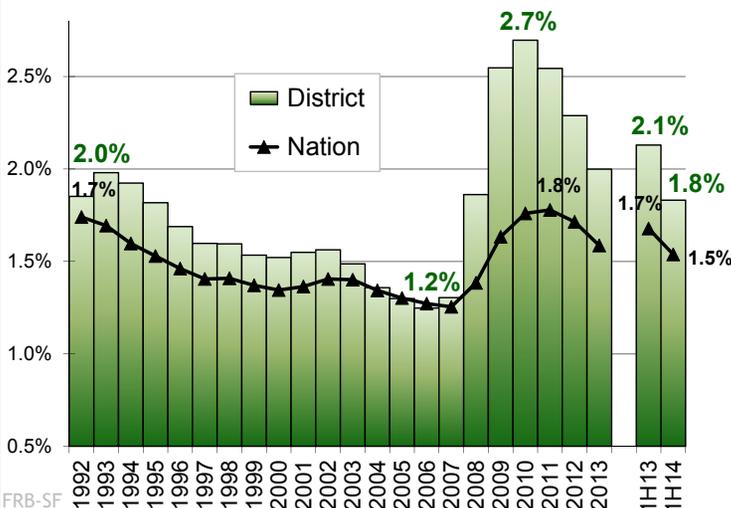
ALLL releases are not a sustainable source of earnings

Based on commercial banks, excluding De Novos; trimmed means; 1H data annualized; preliminary 6/30/14 data

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Decline of ALLL / Loan Ratios Continued in 2Q14 Driven Primarily by Loan Growth

Allowance for Loan and Lease Losses / Total Loans and Leases



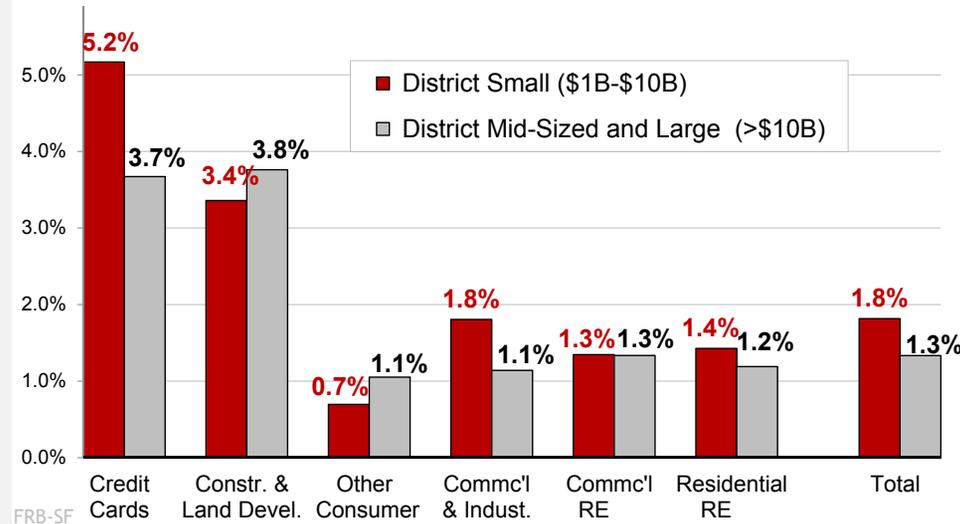
Bank ALLL / Loan Ratio Avg. by Bank Size – June 2014	
District Small (<\$10B)	1.9%
District Mid-Sized (\$10B-\$50B)	1.4%
Nation Large (>\$50B)	1.3%

Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

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ALLL Balances by Loan Type Highlighted Differences in Credit Risk

Allowance for Loan and Lease Losses / Total Loans and Leases – By Loan Type



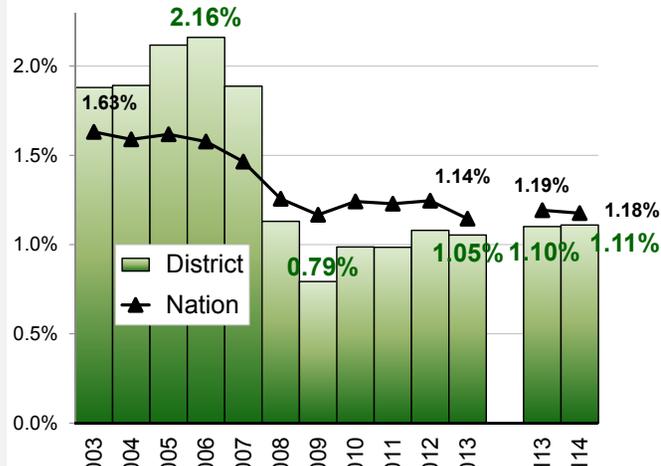
Based on aggregate data for commercial banks, preliminary 6/30/14 data. Note: banks with assets <\$1B do not report this information. "Residential RE" = 1-4fam.; "Commercial RE" = NFNR+MF; "C&I" = C&I+All Other.

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Core Profitability Rates Remained Flat And Well Below Pre-Recession Levels

Core Profitability

Pretax Pre-Provision Income / Average Assets



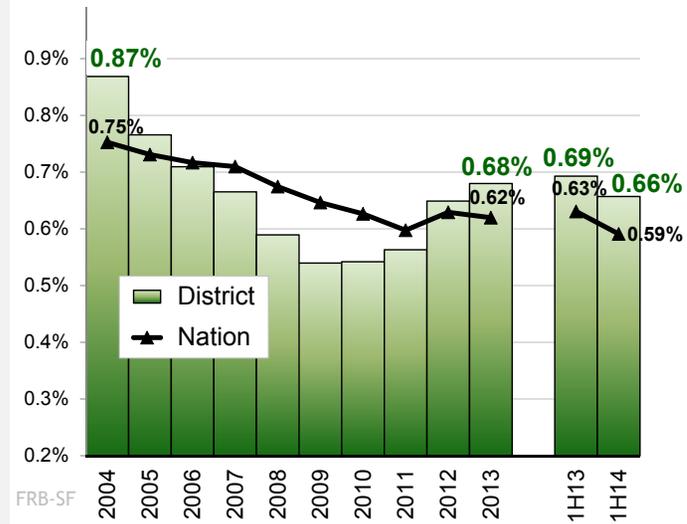
Core profitability declined YoY at mid-sized & large banks on average, mainly due to reduced noninterest income rates.

Average Core Profitability		
Bank Size	1H13	1H14
District Small (<\$10B)	1.07%	1.08%
District Mid-Sized (\$10B-\$50B)	1.80%	1.55%
Nation Large (>\$50B)	1.75%	1.51%

FRB-SF Based on commercial banks, excluding De Novos; trimmed means; 1H data annualized; prelim. 6/30/14 data 22

Average Noninterest Income Ratios Declined in 1H14, Particularly at Mid-Sized and Large Banks

Noninterest Income / Average Assets

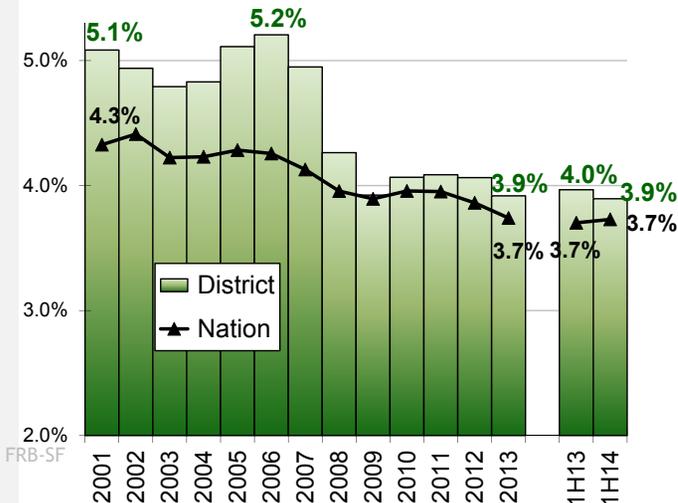


Average Noninterest Income Ratios		
Bank Size	1H13	1H14
District Small (<\$10B)	0.68%	0.66%
District Mid-Sized (\$10B-\$50B)	0.80%	0.54%
Nation Large (>\$50B)	1.87%	1.70%

FRB-SF Based on commercial banks, excluding De Novos; trimmed means; 1H ratios annualized; preliminary 6/30/14 data 23

Bank Supervisors' Hot Topic: Net Interest Margins (NIM) Remained Weak, Constraining Profitability

Net Interest Income (TE) / Avg. Earning Assets

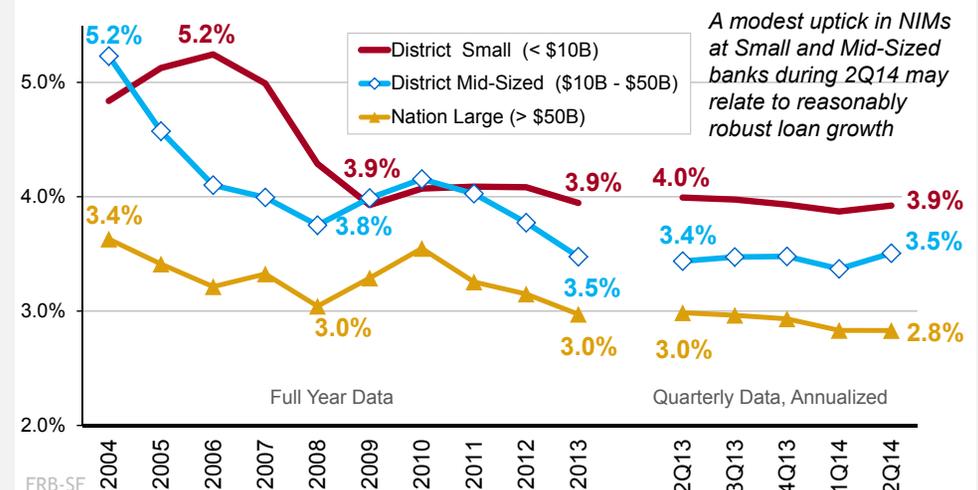


NIM Components (% of average earning assets)		
	Interest Income (TE)	Interest Expense
2006	7.63%	2.47%
1H2014	4.24%	0.33%
Change	-339 bp	-214 bp

FRB-SF TE - interest income presented on a tax equivalent basis. Based on commercial banks, excluding De Novos; trimmed means; 2Q data is annualized; preliminary 6/30/14 data 24

Mid-Sized Bank Net Interest Margins Narrowed the Most Since the Pre-Crisis Period

Net Interest Income (TE) / Average Earning Assets by Bank Size



A modest uptick in NIMs at Small and Mid-Sized banks during 2Q14 may relate to reasonably robust loan growth

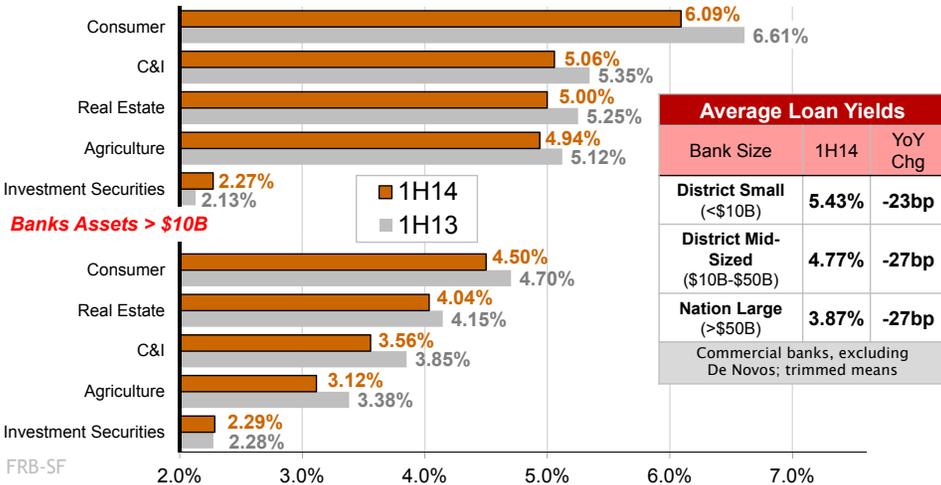
FRB-SF Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data 25

Loan Yields Continued to Fall

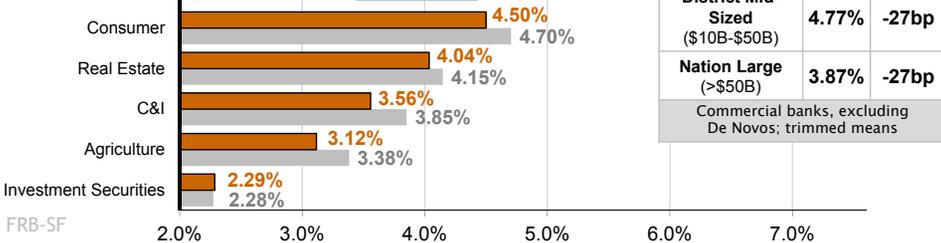
Yields – Nationwide Banks – aggregate; annualized

Investment securities yields ticked up as banks extended durations

Banks Assets < \$10B



Banks Assets > \$10B



Average Loan Yields

Bank Size	1H14	YoY Chg
District Small (<\$10B)	5.43%	-23bp
District Mid-Sized (\$10B-\$50B)	4.77%	-27bp
Nation Large (>\$50B)	3.87%	-27bp
Commercial banks, excluding De Novos; trimmed means		

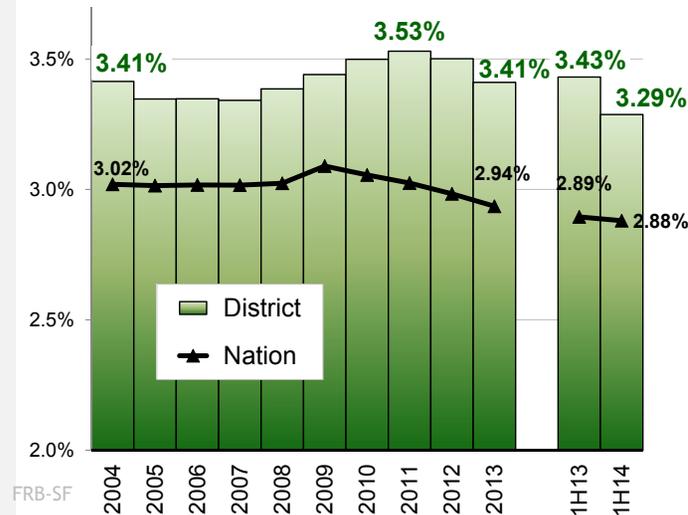
FRB-SF 2.0% 3.0% 4.0% 5.0% 6.0% 7.0%

Based on aggregate nationwide commercial and industrial banks; 1H data is YTD annualized; preliminary 6/30/14 data

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Noninterest Expense Ratio Averages Declined in 1H14

Noninterest Expense / Average Assets



On average, occupancy expense and "other" overhead ratios dropped, while personnel expense ratios rose somewhat

Average Noninterest Expense Ratios

Bank Size	1H13	1H14
District Small (<\$10B)	3.48%	3.35%
District Mid-Sized (\$10B-\$50B)	2.32%	2.15%
Nation Large (>\$50B)	2.86%	2.75%

FRB-SF

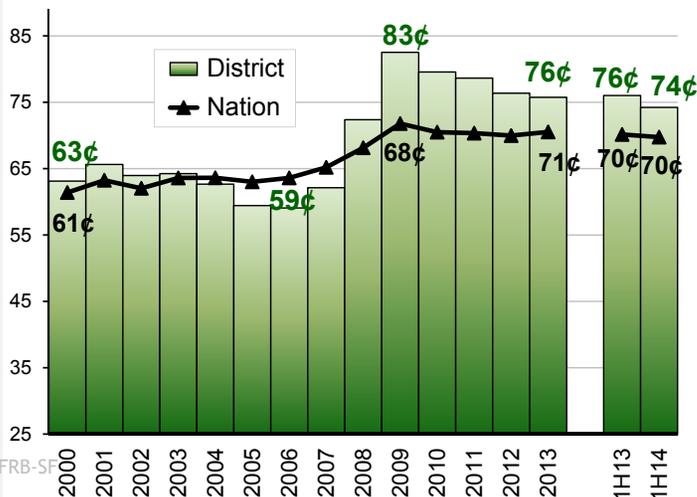
Based on commercial banks, excluding De Novos; trimmed means; 1H ratios annualized; preliminary 6/30/14 data

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Average District Bank Efficiency Measures Remained Elevated but Improved Slightly in 1H14

Efficiency Measures

Overhead / (Net Interest Income + Noninterest Income)



Large bank ratios remain lower (i.e., better) but they are moving in the wrong direction

Average Efficiency by Bank Size

Bank Size	1H13	1H14
District Small (<\$10B)	77¢	75¢
District Mid-Sized (\$10B-\$50B)	58¢	58¢
Nation Large (>\$50B)	62¢	64¢

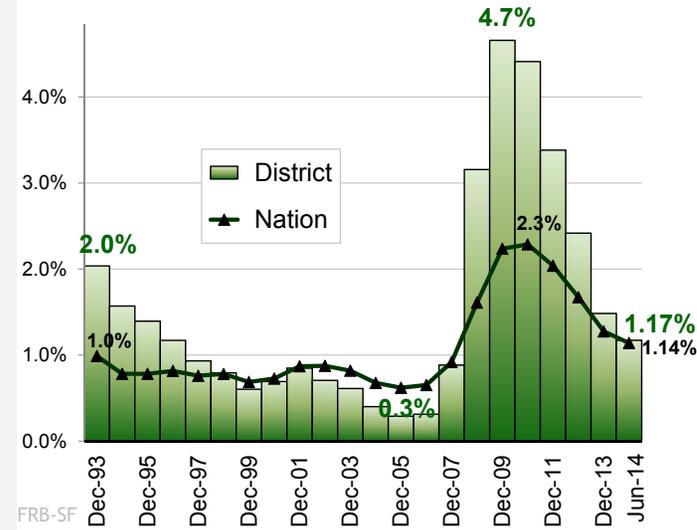
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Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data; this metric measures the cost to produce \$1 of revenue

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Credit Quality: Average 12th District Noncurrent Rate Dropped To Nearly Below the National Figure for First Time Since 2007

Noncurrent Loans and Leases / Total Loans and Leases



The small bank average noncurrent rate dropped sharply, to the lowest of the three size groups for the first time since 2006

Average Noncurrent Rate

Bank Size	6/13	6/14
District Small (<\$10B)	1.96%	1.17%
District Mid-Sized (\$10B-\$50B)	1.28%	1.19%
Nation Large (>\$50B)	1.68%	1.32%

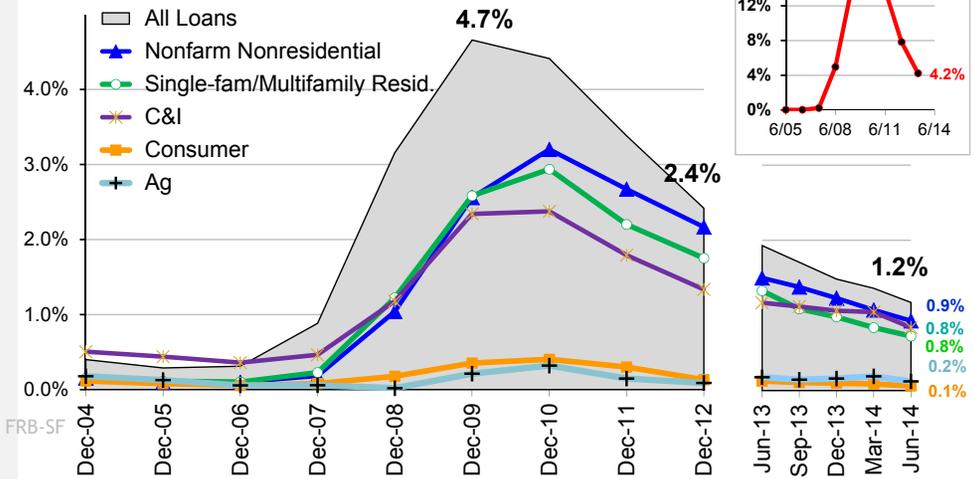
FRB-SF

Noncurrent = 90 Days past due or on nonaccrual; based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

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Average Noncurrent Loan Rates Continued to Improve Across All Major Loan Categories

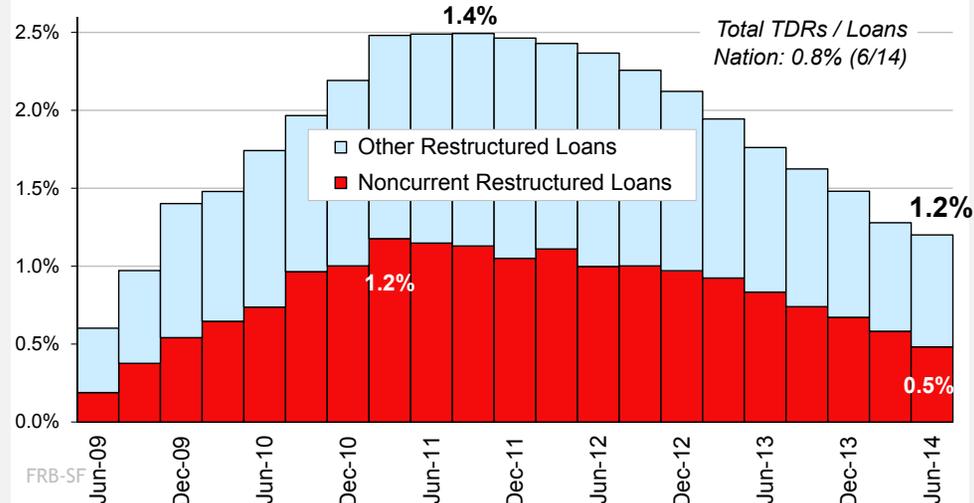
Noncurrent Loans and Leases / Total Loans and Leases by Loan Type - 12th District



Noncurrent = 90 Days past due or on nonaccrual; based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data 30

Troubled Debt Restructurings Continued Steady Decline

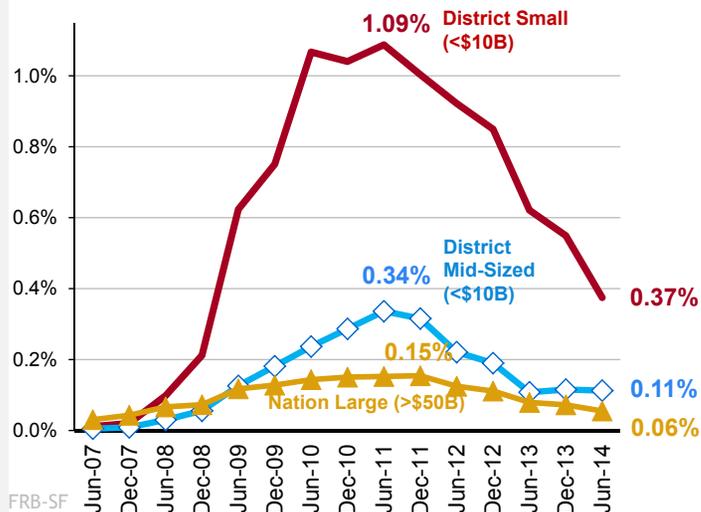
Restructured Loans and Leases / Total Loans and Leases - 12th District



Noncurrent = 90+ Days past due or on nonaccrual. Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data 31

Foreclosed Real Estate Remained High at Small Banks, But was Down Substantially from the 2011 Peak

Other Real Estate Owned / Total Assets



Aggregate OREO by Loan Type 6/14 - District banks < \$200B; % of Total OREO

Construction & Land Development	42%
CRE - Nonfarm nonresidential	31%
1-4 Family Residential	24%
Other	3%

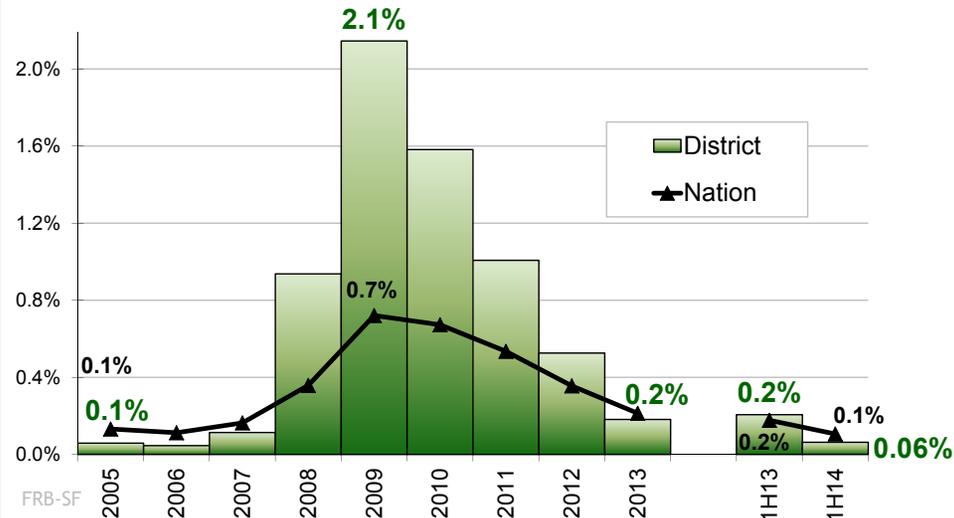
OREO/Assets - All Commercial Bks - 6/14	
12 th District	0.35%
Nation	0.34%

Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

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Average District Bank Net Charge-Off Rate Dropped to Nearly Zero in 1H14

Net Charge-Offs / Average Loans and Leases



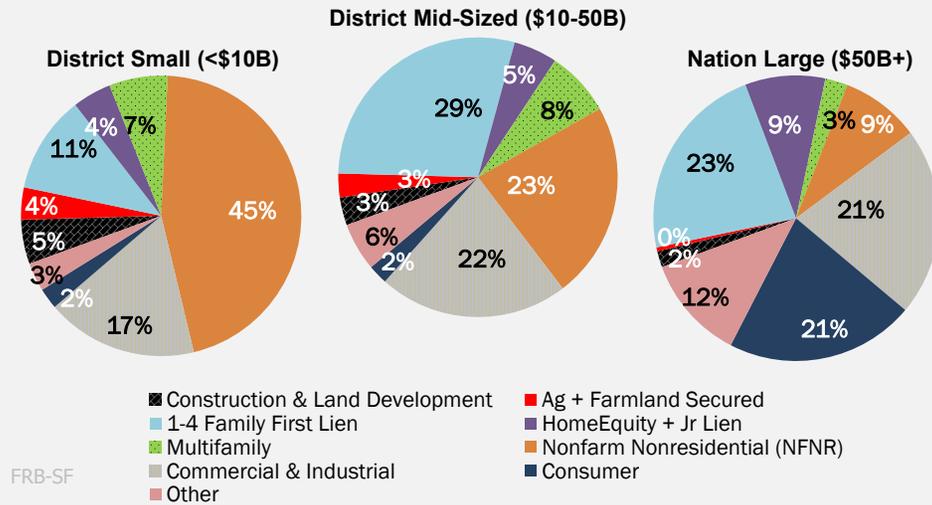
Based on commercial banks, excluding De Novos; trimmed means; first half ratios are annualized; preliminary 6/30/14 data

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District Bank Aggregate Loan Mix by Size

Loan Mix (%)

Large banks nationwide are focused more on 1-4 family, Consumer & C&I, while small District banks focused on CRE/NFNR; C&I loans are also significant across small and mid-sized groups.

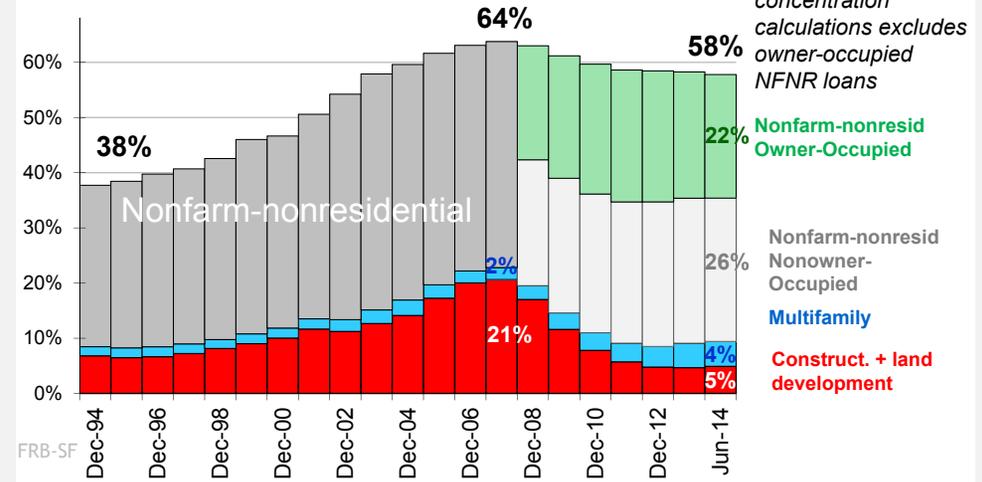


Based on all commercial banks; prelim 6/30/14 data

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Commercial Real Estate Exposures Remained High For District Banks on Average

CRE Loans / Total Loans and Leases - 12th District

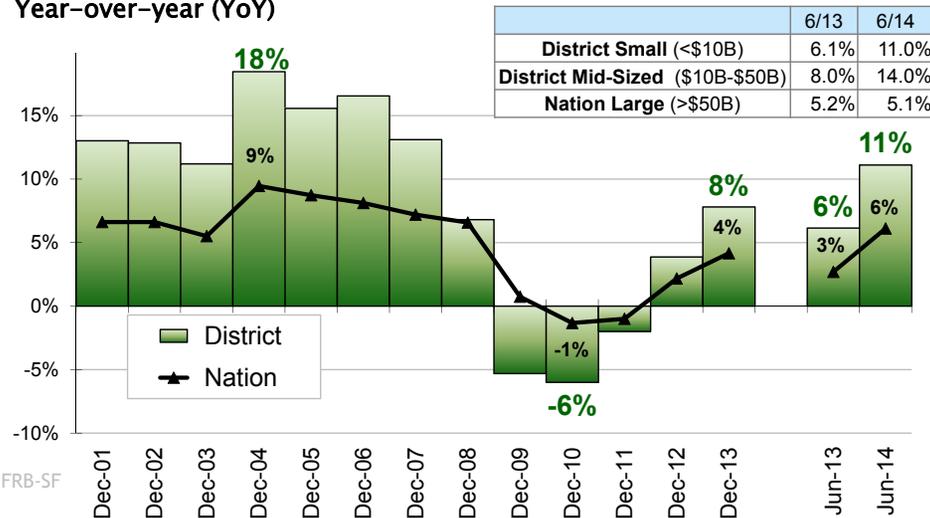


Based on all 12th District commercial banks; trimmed means; minor adjustments were made to ensure that the stacked bar charts provide the correct top line CRE loan ratio trimmed means. The owner-occupied portion of nonfarm nonresidential loans was estimated prior to 2008. Preliminary 6/30/14 data

35

Loan Growth Rates: Returned to Double-Digit Levels At District Banks on Average

Net Loan & Lease Annual Growth Rates Year-over-year (YoY)



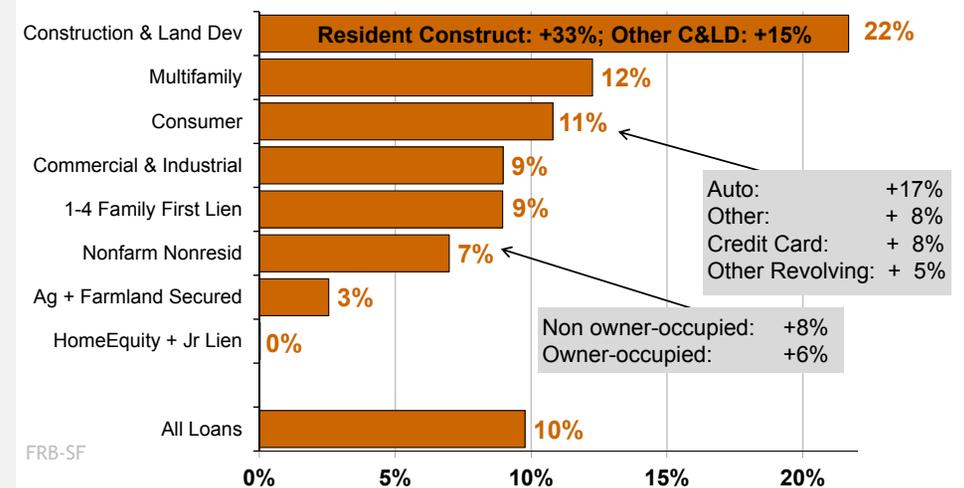
Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

36

Aggregate Loan Growth: C&LD Loans Surged and Multifamily Lending Remained Strong

Loan Growth Rates - 12th District YoY Aggregate

Auto lending growth was strong among the District's auto lenders



Based on a panel of District commercial banks with assets <\$200B; excludes banks with significant mergers, loan sales, or loan purchases over the period; preliminary 6/30/14 data

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Nonfarm Nonresidential-Secured Loans Provided Most of the Dollar Loan Growth Within the Two District Peer Groups

12th District Bank Aggregate YoY Loan Growth – 6/30/14

FRB-SF Loan Growth year-over-year	Small Banks (<\$1B)		Mid-Sized Banks (\$1B-\$10B)		Large Banks (\$10B-\$200B)	
	YoY Growth	% of Total Ln Growth	YoY Growth	% of Total Ln Growth	YoY Growth	% of Total Ln Growth
Nonfarm Nonresidential Secured	11%	50%	10%	34%	4%	7%
Multifamily	22%	11%	30%	19%	5%	3%
Commercial & Industrial	10%	17%	17%	24%	7%	17%
Ag & Farmland Secured	7%	3%	8%	3%	0%	0%
Construction & Land Dev.	16%	10%	17%	8%	27%	7%
Consumer	16%	4%	15%	4%	10%	7%
1-4 Family First Liens	9%	9%	7%	8%	9%	32%

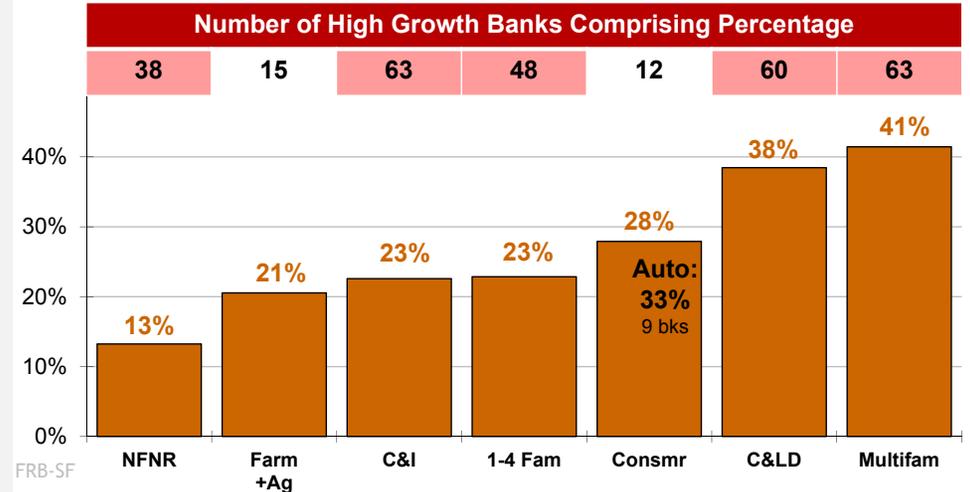
Highlighted cells show loan categories accounting for 20%+ of total loan growth in the past year

Based on a panel of District commercial banks with assets <\$200B; excludes banks with significant mergers, loan sales, or loan purchases over the period; preliminary 6/30/14 data 38

Bank Supervisors' Hot Topic: Quality of Underwriting and Pricing to Risk - High Growth Banks in Certain Segments

Percent of District Banks* with >25% YoY Growth by Loan Type – 6/30/2014

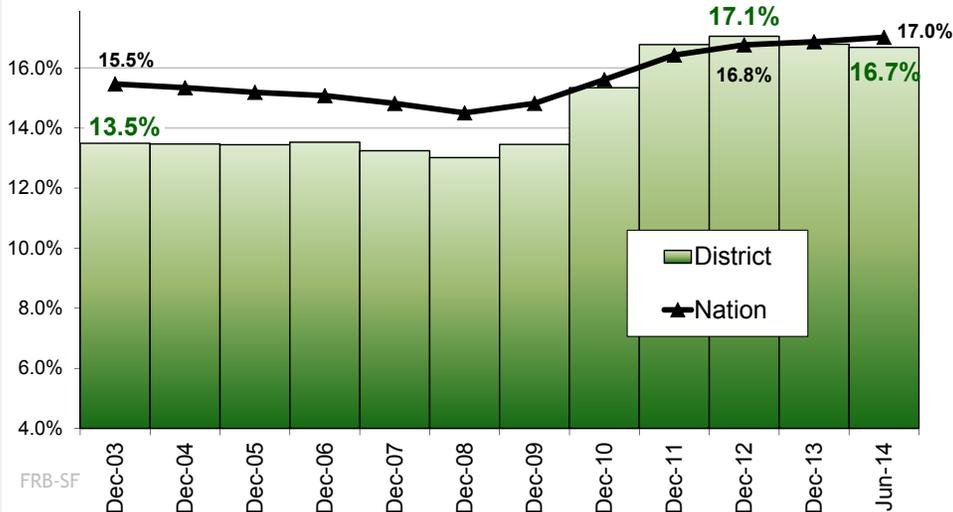
Many District banks grew multifamily and/or C&LD loans by 25%+ YoY



Based on a panel of 315 District commercial banks without significant mergers, loan sales, or loan purchases over the period. Includes only banks with at least 4% of loans in the particular loan type; preliminary 6/30/14 data 39

Capital: Average District Risk-Based Capital Ratios Remained High with Flat Trend

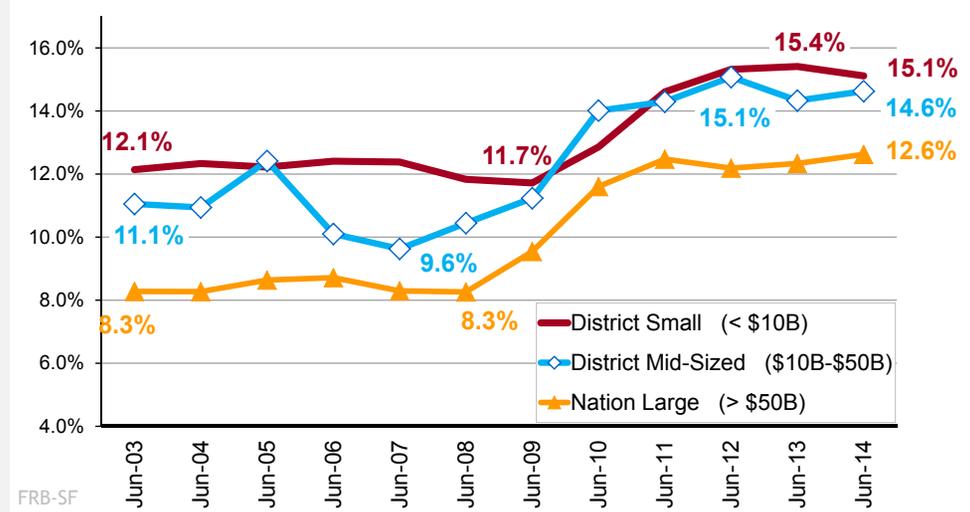
Total Risk-Based Capital / Risk-Weighted Assets



Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data 40

Tier 1 Common Equity Ratios Were Down Slightly at Small Banks due to Accelerated Loan Growth

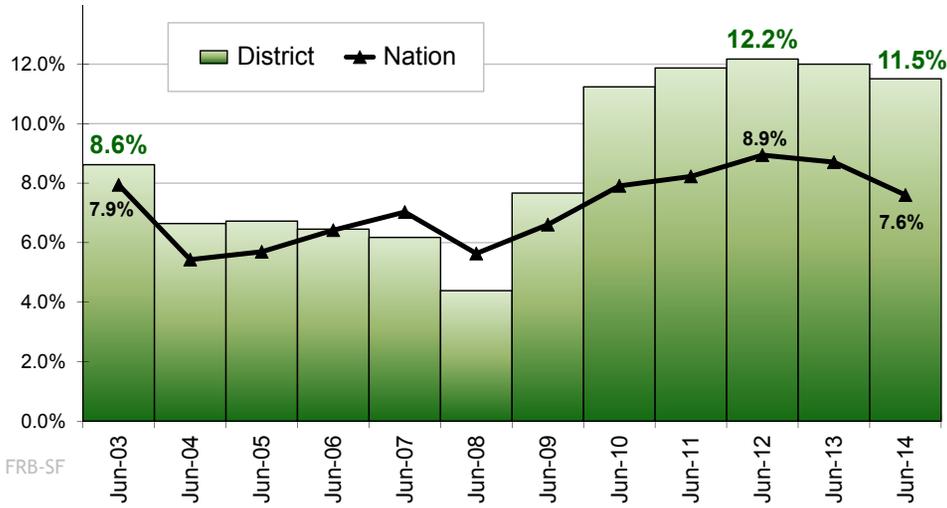
Tier 1 Common Equity / Risk-Weighted Assets



Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data 41

Liquidity: Short-Term Investments Off Peak but Remained High

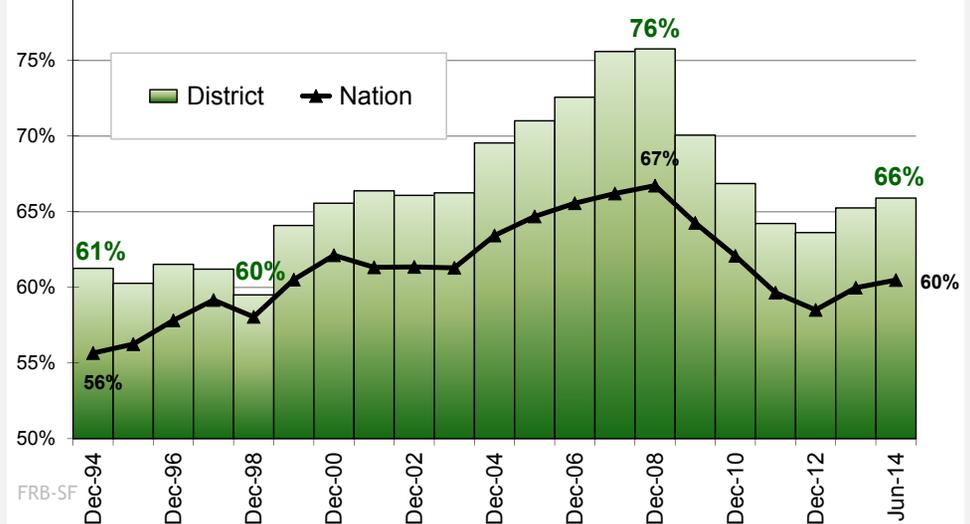
Short-Term Investments/Assets



Short-Term Investments: interest-bearing bank balances, Federal funds sold & securities purchased under agreements to resell, <1-year debt securities. Based on commercial banks, excluding De Novos; trimmed means preliminary 6/30/14 data

Average District Loan/Assets Ratio Continued to Inch Higher

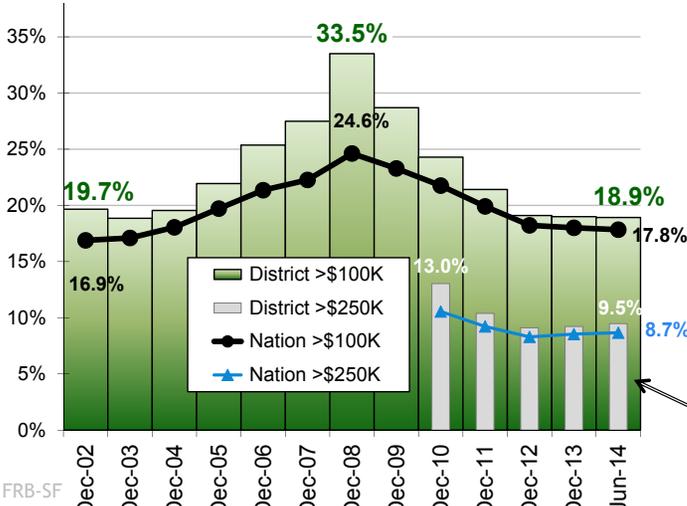
Loans & Leases / Assets



Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

Average Bank Reliance on Noncore Funding Returned to Pre-Crisis Levels

Noncore Liabilities / Assets



Average Noncore Liabilities (>\$100K defn.) / Assets by Bank Size		
Bank Size	12/08	06/14
District Small (<\$10B)	33%	19%
District Mid-Sized (\$10B-\$50B)	45%	20%
Nation Large (>\$50B)	39%	24%

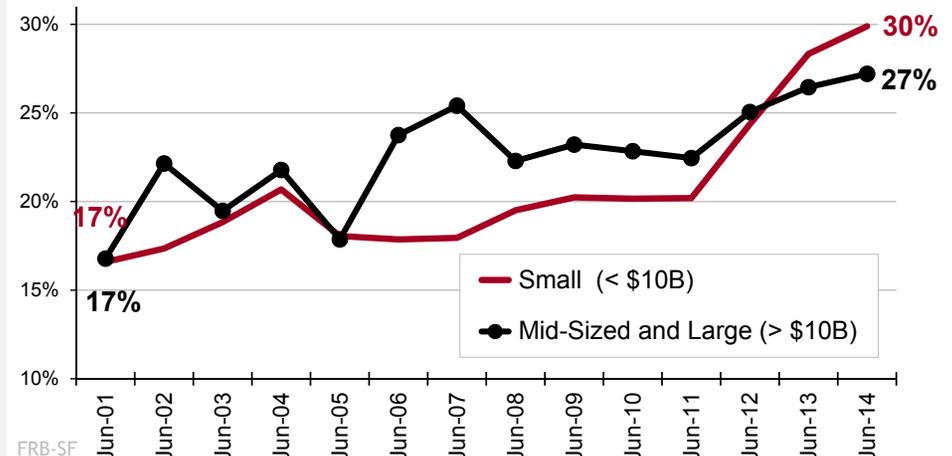
New definition of noncore based on CDs > \$250K

* Noncore includes borrowed funds, foreign and brokered deposits, large CDs. Old definition is based on CDs >\$100K, new definition (smaller grey bars) is based on CDs >\$250K; Based on commercial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

Bank Supervisors' Hot Topic - Interest Rate Risk: District Banks Continued to Extend Asset Maturities

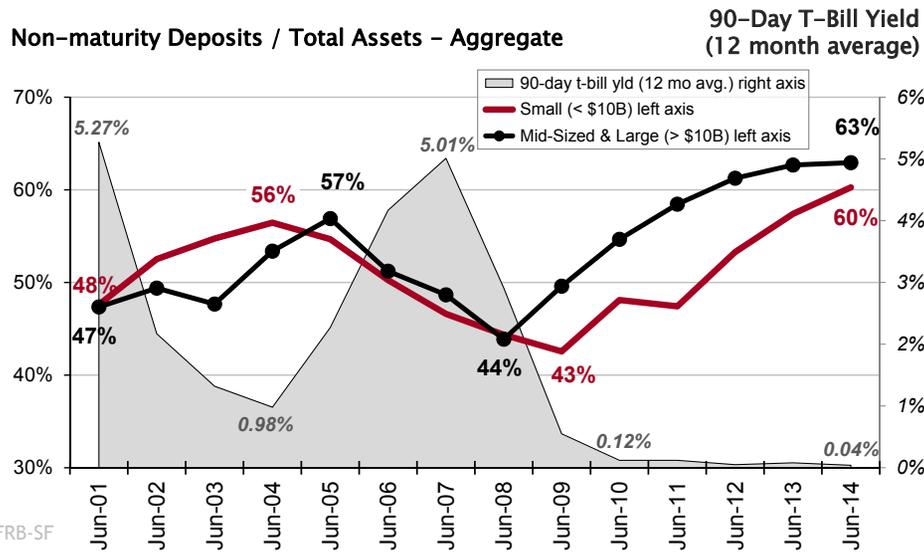
Loans & Securities Maturing or Re-pricing > 5 Years / Assets - Aggregate

Earning assets will be slower to re-price upward as rates rise



Based on aggregate data for all 12th District commercial banks active as of 6/30/14 with their data back in time; preliminary 6/30/14 data

Some Banks are Counting on Surge Deposits* To be Stable, but they May Flow Out as Rates Rise

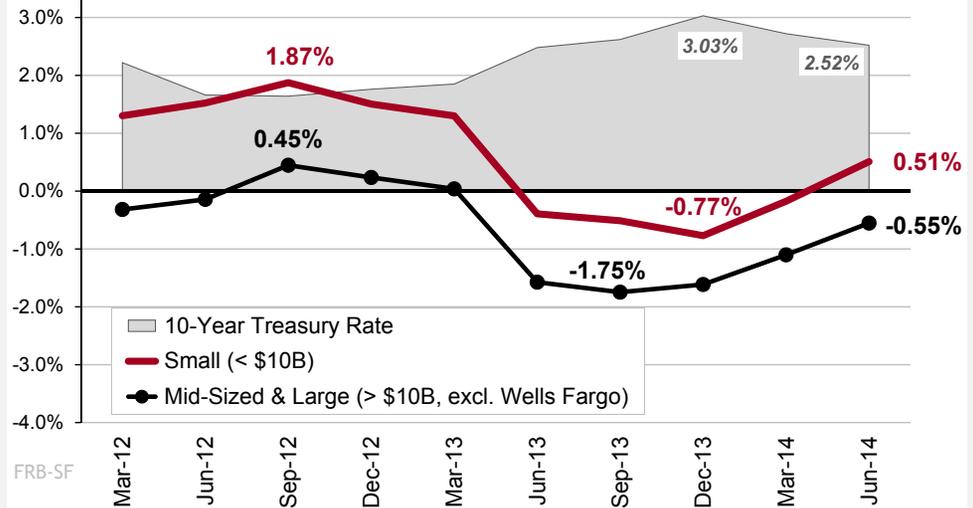


Based on aggregate data for all 12th District commercial banks active as of 6/30/14 with their data back in time; preliminary 6/30/14 data; *Surge deposits: large inflow of deposits since financial crisis; T-Bill yield: Federal Reserve, Haver Analytics

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Losses in Accumulated Other Comprehensive Income Narrowed Over the Past Two Quarters

AOCI / Equity - District Banks - Aggregate

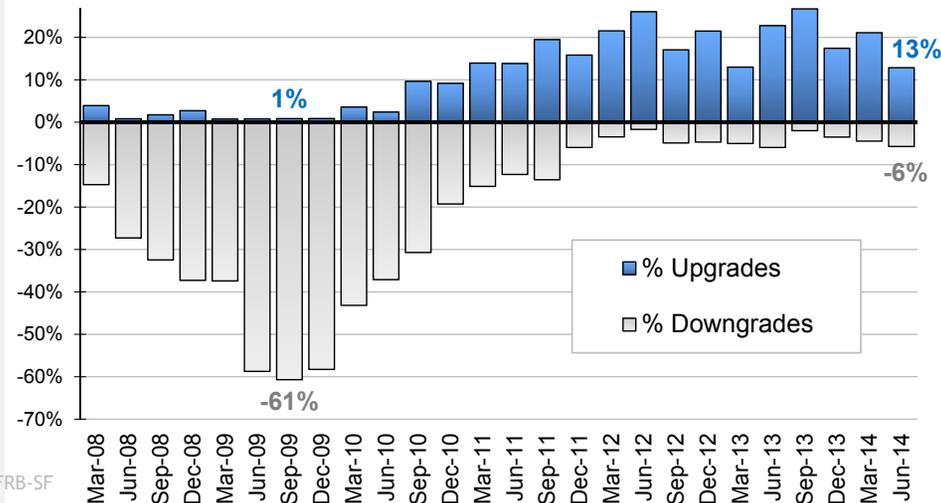


Based on a panel of commercial banks active over this period, preliminary 6/30/14 data; 10-yr treasury yield on last day of each quarter. Source: Yahoo Finance - ticker ^TNX

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Regulatory Ratings: CAMELS Upgrades Outpaced Downgrades for the Past 13 Quarters

Pct. of 12th District Exams Each Quarter that Resulted in CAMELS Composite Rating Upgrade or Downgrade (downgrades are shown as negative percentages)

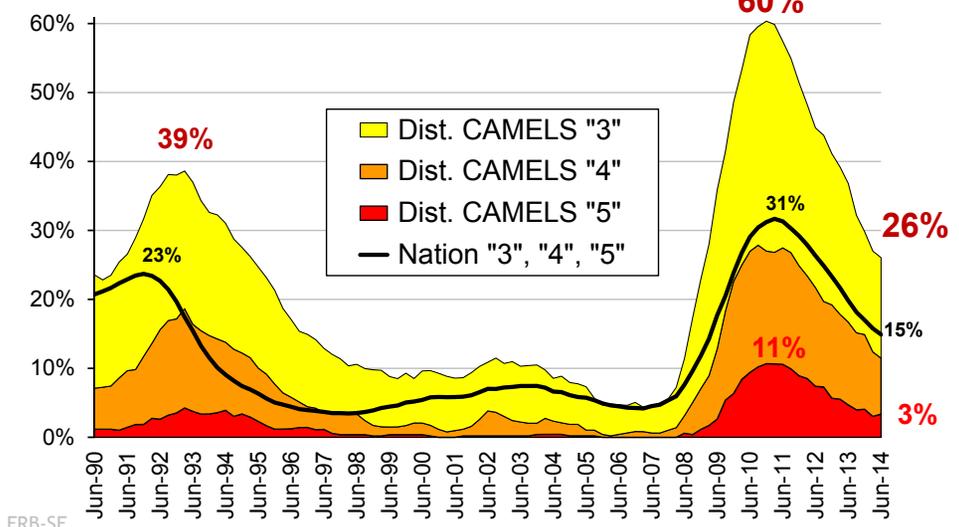


Includes any change in composite CAMELS rating for commercial banks; quarterly trends based on examination completion dates (mail dates); recent data are preliminary; updated 08/13/14

48

Percentage of Banks Rated CAMELS 3, 4, or 5 Continued to Fall

Banks Rated CAMELS 3, 4, or 5

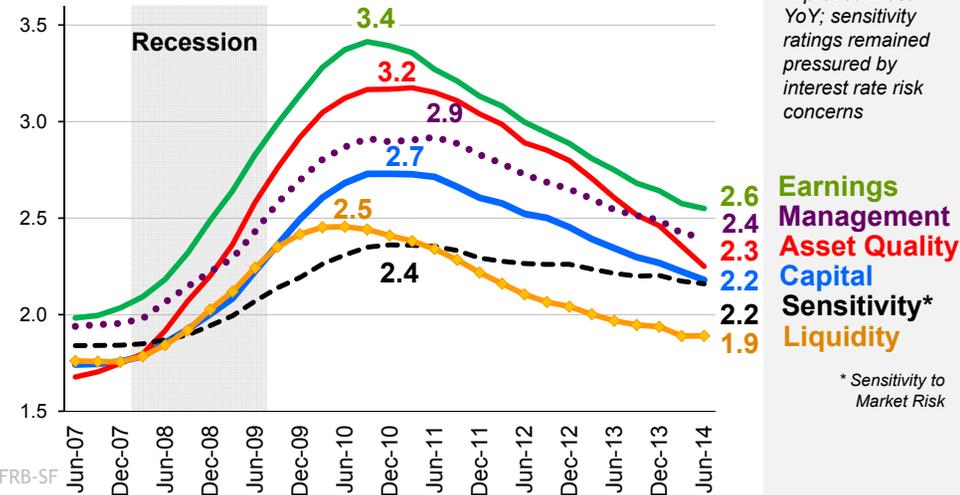


Trends for all commercial banks based on examination completion dates (mail dates); updated 08/13/14

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CAMELS Rating Components Continued to Improve

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



Asset quality & earnings ratings improved most YoY; sensitivity ratings remained pressured by interest rate risk concerns

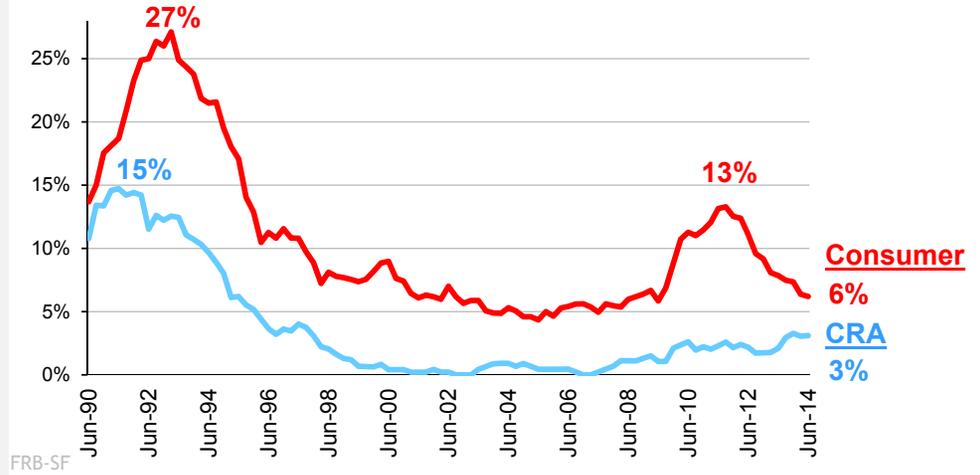
2.6 Earnings
2.4 Management
2.3 Asset Quality
2.2 Capital
2.2 Sensitivity*
1.9 Liquidity

* Sensitivity to Market Risk

FRB-SF Trends for all commercial banks based on examination completion dates (mail dates); recent data are preliminary; updated 08/13/14

District Bank Consumer Compliance Ratings Improved; CRA Ratings Worsened Slightly in Recent Quarters

Less-than-Satisfactory Ratings for 12th District Banks

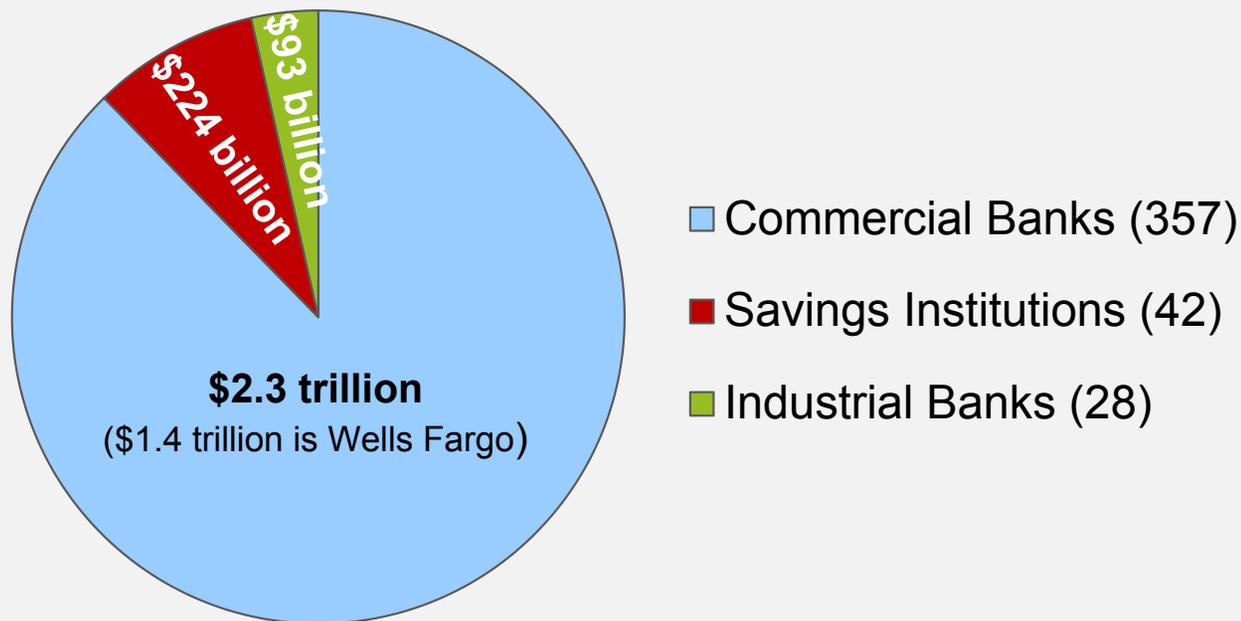


FRB-SF

Trends for all commercial banks based on examination completion dates (mail dates); CRA = Community Reinvestment Act; recent data are preliminary; updated 08/13/14

Section 3 - Savings Institution and Industrial Bank Performance

Focusing on trends among the 42 savings institutions and 28 industrial banks headquartered within the 12th Federal Reserve District.

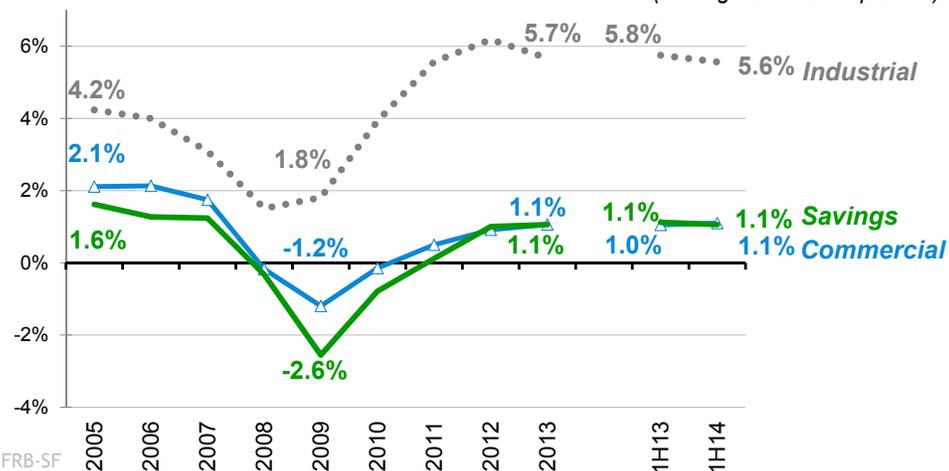


The savings institutions represent a combined population of District savings & loan associations plus savings banks – regardless of whether they filed the thrift Call Report or the bank Call Report. Starting March 2012, all savings institutions file the bank Call Report.

District Industrial Bank Average Pretax Profitability Remained Strongest of the Institutional Groups

Return on Average Assets

Industrials typically conduct nationwide consumer or C&I lending (contributing to strong loan yields) from one office (limiting overhead expenses)



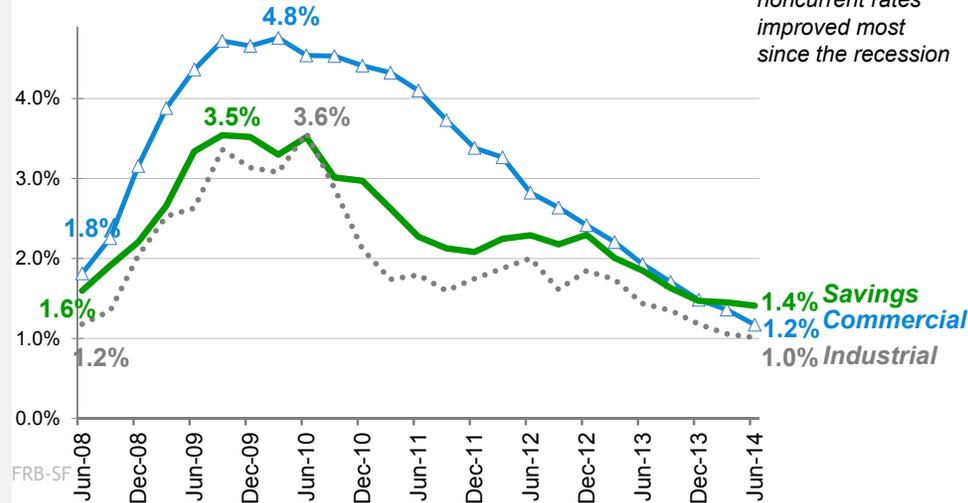
Based on District commercial banks, savings institutions, and industrial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

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Noncurrent Loan Ratios Declined For Each Institutional Group

Noncurrent Loans and Leases / Total Loans and Leases

Commercial bank noncurrent rates improved most since the recession

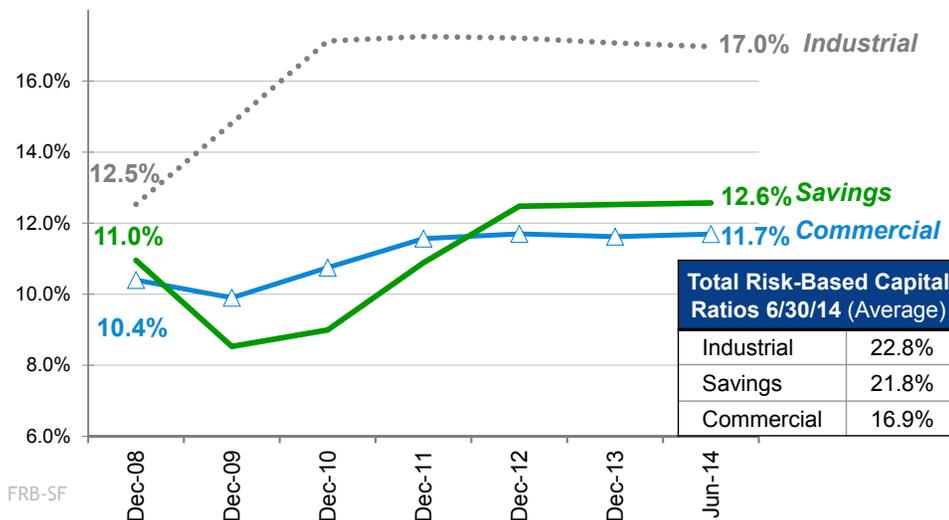


Noncurrent = 90+ days past due or on nonaccrual. Based on District commercial banks, savings institutions, and industrial banks excluding De Novos; trimmed means; preliminary 6/30/14 data

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Average Equity/Assets Ratios Remained Essentially Flat for Each Institution Type after Rising Post-Crisis

Equity / Assets

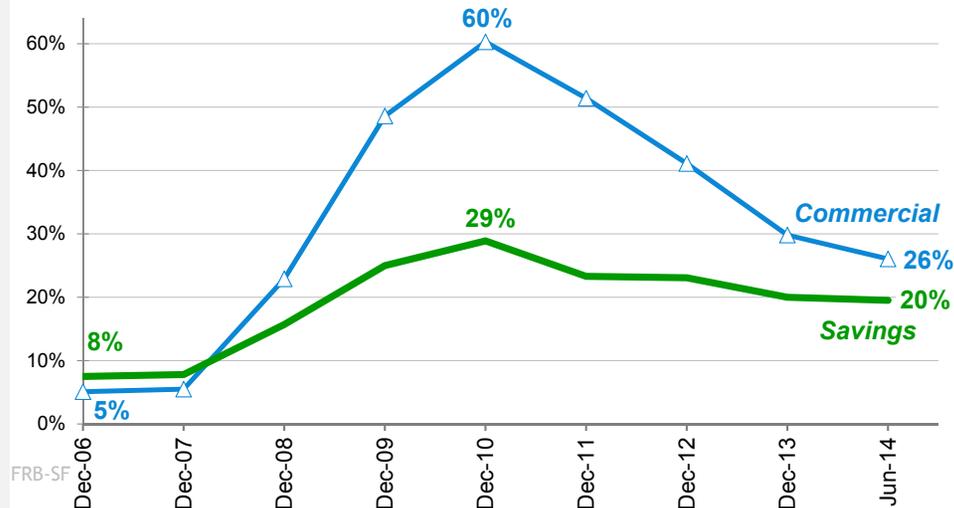


Based on District commercial banks, savings institutions, and industrial banks, excluding De Novos; trimmed means; preliminary 6/30/14 data

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Percent Rated CAMELS 3, 4, or 5 Also Drifted Downward For Savings Institutions

District Institutions Rated CAMELS 3, 4, or 5



Trends for all institutions based on examination completion dates (mail dates); recent data are preliminary; updated 08/13/14; note: there are too few Industrials to disclose specifics, but the percentage rated CAMELS 3, 4, or 5 is under 15%.

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Appendices

12th District Bank Aggregate Net Charge-Off Rates

Banks Covered in this Report

Technical Information

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Appendix 1 - 12th District Bank Aggregate Net Charge-Off Rates

Aggregate District Commercial Bank Net Charge-Off (Recovery) Rates (%)

FRB-SF	All Banks		Small Banks (<\$10 Billion)	
	1H13	1H14	1H13	1H14
Construction & Land Development	(0.58)	(0.42)	(0.58)	(0.62)
Residential Construction	(0.36)	(0.60)	(0.54)	(0.88)
Other C&LD	(0.63)	(0.39)	(0.60)	(0.53)
CRE - Nonfarm Nonresidential Loans	0.10	(0.00)	0.19	0.05
Owner-Occupied	0.11	(0.00)	0.19	0.06
Nonowner-Occupied	0.09	(0.00)	0.19	0.05
Residential Closed-End Loans	0.48	0.13	0.24	0.01
Home Equity Loans	1.28	0.62	0.71	0.18
Multifamily Loans	(0.03)	(0.03)	0.02	0.01
Commercial & Industrial Loans	0.19	0.11	0.35	0.16
Agricultural Loans	(0.21)	(0.08)	0.06	(0.04)
Farmland Secured	(0.15)	0.05	0.21	0.06
Credit Card Loans	3.90	3.39	2.73	2.63
Installment Loans	0.76	0.71	0.44	0.79
Total Loans and Leases	0.44	0.24	0.32	0.18

NCO rates for all District commercial banks, annualized; Red: >= 2%; Yellow: 0.75% to 2%; Green: net recovery. This data soon will be available at <http://www.frbsf.org/banking-supervision/banking-economic-data/aggregate-data/> - see 12th District Net Charge-Off Rates 58

Appendix 2 - Banks Covered in this Report

Geography	Commercial Banks (De Novos)		Industrial Banks (De Novos)		Savings Institutions (De Novos)	
	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13
FRB-SF						
Alaska	4 (0)	4 (0)	-	-	1 (0)	2 (0)
Arizona	22 (0)	24 (0)	-	-	1 (0)	1 (0)
California	195 (1)	208 (5)	5 (0)	6 (1)	15 (0)	18 (1)
Guam	2 (0)	2 (0)	-	-	1 (0)	1 (0)
Hawaii	6 (0)	6 (0)	1 (0)	1 (0)	2 (0)	2 (0)
Idaho	12 (0)	15 (0)	-	-	1 (0)	1 (0)
Nevada	12 (0)	15 (0)	4 (0)	4 (0)	2 (0)	2 (0)
Oregon	25 (0)	25 (0)	-	-	3 (0)	3 (0)
Utah	31 (0)	32 (0)	18 (0)	19 (0)	3 (0)	4 (0)
Washington	48 (1)	53 (1)	-	-	13 (0)	12 (0)
12 th District	357 (2)	384 (6)	28 (0)	30 (0)	42 (0)	46 (1)
Nation	5,693 (17)	5,917 (56)	30 (0)	32 (1)	931 (2)	989 (4)

Based on preliminary 6/30/14 data.

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Appendix 3 - 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.

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.

Industrial banks and savings institutions: The main focus of this report is on commercial banks. Industrial banks and savings institutions have different operating characteristics so are highlighted separately in Section 3. There, the savings institution data include institutions that file the bank Call Report plus those that, up until March 2012, filed the thrift Call Report.

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