FEDERAL RESERVE BANK OF SAN FRANCISCO

First Glance 12L (3Q15)

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

Banking Conditions Improved Despite Slowdown Abroad

November 23, 2015

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First Glance 12L: http://www.frbsf.org/banking/publications/first-glance-12l/

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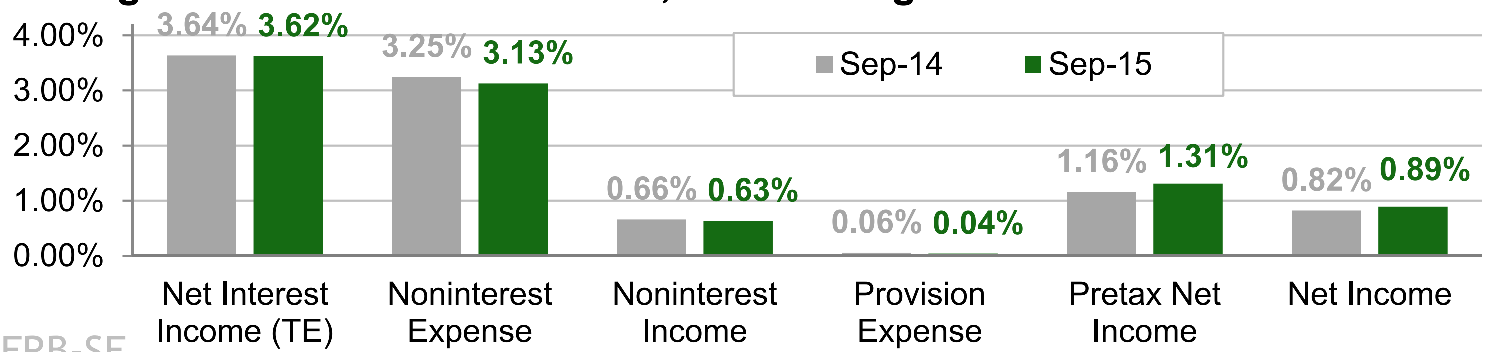
12th District Overview
"Banking Conditions Improved Despite Slowdown Abroad"

12th District year-over-year job growth continued at a healthy clip of nearly 3.0%, outpacing the national rate of 2.0%. As a result, the District's aggregate unemployment rate improved to 5.7% by September 2015, down from a year-earlier figure of 6.8%, but still above a nationwide rate of 5.1%. State-level joblessness lingered above 6.0% in Nevada, Alaska, Arizona, and Oregon, worsening recently in the latter two states (see table at right). California and Washington reported unemployment rates towards the middle of the pack with California's unemployment rate dipping below 6.0% for the first time since November 2011. Jobless rates in Idaho and Utah were low but may have bottomed out, and remained low and declining in Hawaii.

Demand for residential and commercial real estate remained strong. Home prices increased in the upper-single digits year-over-year in most District states. Appreciation rates accelerated in the Pacific Northwest and Mountain states especially. Price traction stimulated additional residential construction. Commercial real estate (CRE) vacancies and rents remained stable-to-improving. Foreign capital and ample credit availability kept capitalization rates low and buoyed commercial property values. Still, current and expected commercial construction could weigh on vacancies and/or rents in some sectors and markets.

Global trade challenges continued in the third quarter. Economic weakness abroad and dollar strength vis-à-vis trade partners' currencies weighed mildly on net exports and trimmed 3 basis points from third quarter growth in gross domestic product (seasonally-adjusted annual rate). During the third quarter, the aggregate value of 12th District exports declined 2.5% year-over-year.

Average* Year-to-Date Annualized, % of Average Assets - 12th District



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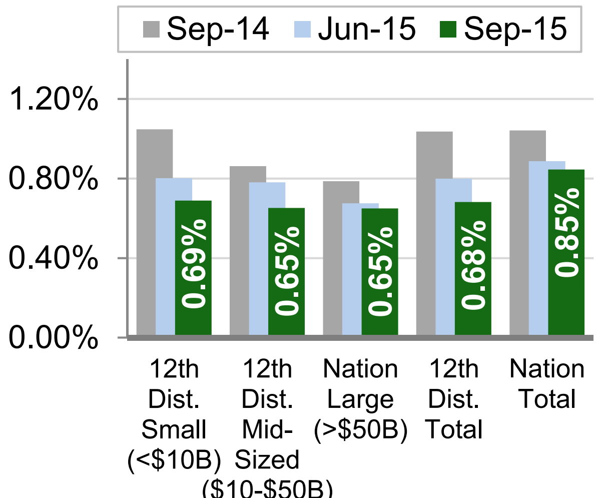
*Trimmed Means

Seasonally-Adjusted Unemployment Rate (%)

	1-Year	Sep-15
NV		6.7
AK		6.4
AZ		6.3
OR		6.2
CA		5.9
WA		5.2
ID		4.2
UT		3.6
HI		3.4
Nation		5.1

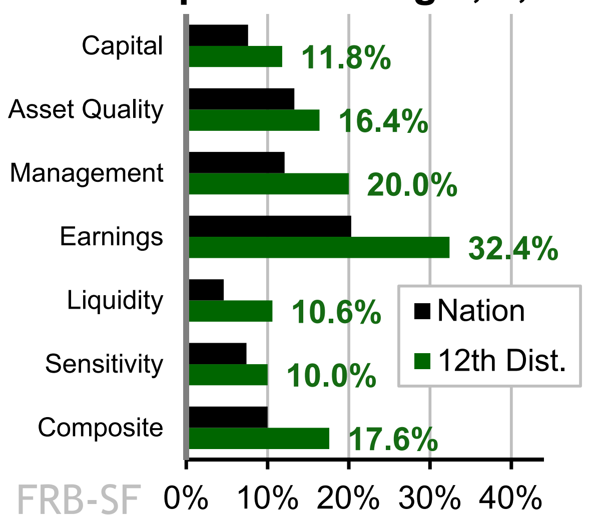
12th District Overview, Continued

Average* Nonperforming Assets / Total Assets (%)



*Trimmed Means

% of Banks with Component or Composite Rating 3, 4, 5



FRB-SF

Bank earnings performance strengthened modestly. The District's average year-to-date annualized return on average assets (ROAA) increased to 0.89%, up 6 basis points year-over-year, led by continued declines in overhead ratios and historically low provision expenses (see chart, prior page). On a quarterly basis, the average net interest margin dipped 2 basis points after having a small seasonal lift in second quarter.

Loan growth and performance indicators continued to improve. The average 1-year net loan growth rate accelerated to 12.3% districtwide, with each of the District's states exceeding a national average growth rate of 7.2%. As with prior quarters, construction and land development (C&LD) and multifamily were often the fastest-growing credit segments at community banks, but larger loan categories (such as nonfarm-nonresidential and commercial and industrial) accounted for most loan growth in dollar terms. Meanwhile, the level of problem loans compared favorably to the nation (see chart at left) and credit losses were at historically low levels.

According to the Federal Reserve's October 2015 Senior Loan Officer Survey, a small net fraction of lenders tightened standards modestly across commercial-related loan categories during the quarter. There was a notable shift in standards among commercial and industrial (C&I) loans to mid- to large-sized firms. For those borrowers, lenders reported some tightening of premiums on riskier loans, primarily in response to a less favorable economic outlook, industry-specific problems, and/or decreased liquidity in the secondary market. However, C&I loan size, maturity, pricing, and collateral requirements were somewhat looser on net.

Banks remained somewhat vulnerable to rising short-term interest rates, in particular if accompanied by a flattening yield curve. Compared with the last rate tightening cycle (2004-2006), banks reported higher exposures to longer-dated loans and securities, potentially delaying asset repricing. Meanwhile, non-maturity deposits remained elevated. Although this funding source was relatively cheap, depositors in these categories may disintermediate or shift to pricier time deposit products as rates rise.

Safety and soundness and consumer compliance ratings trends reflected the overall improvement in bank financial performance. Roughly 82% of District banks were rated satisfactory or strong for safety and soundness (see chart at left); 97% or more were rated satisfactory or better for consumer compliance and/or community reinvestment.

Hot Topics: Areas We are Monitoring Most Closely

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

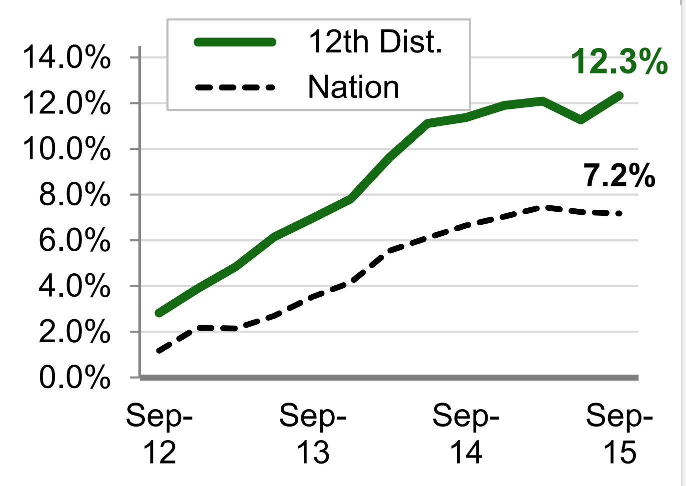
- *Cyberthreats*. Attacks continue to evolve in both complexity and frequency and expose institutions to operational, reputational, legal, and compliance risks. For institutions outsourcing core banking operations and/or security administration, vendor management programs remain critical to managing and mitigating cyberthreats. Inherent risks increase with system complexity.

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

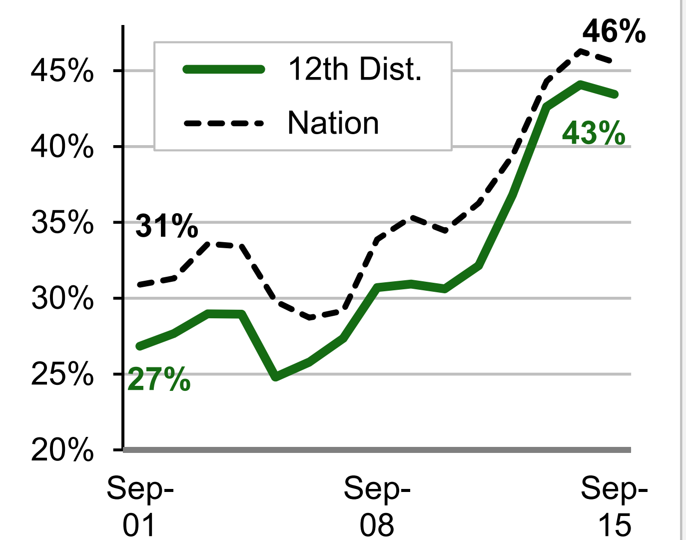
- *Quality of loan growth*. The District's average annual net loan growth has outpaced the nation's for several years (see chart at right). While the expanding economy has likely fueled much of the growth, various banker surveys suggest some relaxation of underwriting standards and potentially aggressive loan pricing. Prior credit cycles have proven that the worst loans are underwritten during the best economic times.

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

Avg. Year-Over-Year Net Loan Growth (%)*



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



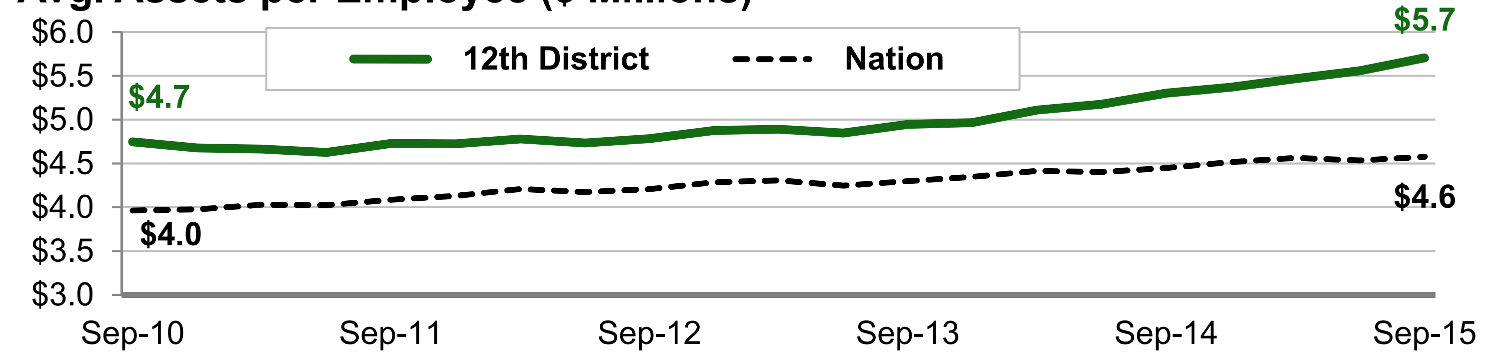
*Trimmed means.

Hot Topics: Areas We are Monitoring Most Closely

Additionally, these areas pose "Moderate" but increasing concern:

- *Nonmaturity Deposit (NMD) reliance*. NMDs (traditionally viewed as "core" deposits) have become an increasingly important source of funding for most institutions. While these products have proven inexpensive in the current low-rate environment, there is a concern that a significant amount of these funds may disintermediate or transition to higher-cost deposit products in a rising interest rate environment. During the last rate tightening cycle (2004-2006), the mix of bank funding shifted away from NMDs and towards higher-cost time deposits and borrowings.
- *Overhead expense ratios*. Asset growth has led to some economies of scale and improved efficiency ratios have helped boost profitability. Still, some banks may not be devoting resources to back-office operations, internal controls, and compliance programs commensurate with their increasing size and complexity (see chart below).
- *Commercial real estate (CRE) lending concentrations*. Concentrations of CRE loans (i.e., nonfarm-nonresidential, multifamily, construction, and CRE-purpose loans) relative to capital have declined from pre-crisis peaks, especially for construction and land development (C&LD) credits. Nonetheless, average concentrations in most District states exceeded the nation's and growth in some CRE-related categories, such as multifamily, have been relatively strong in some parts of the District (see table at right). During the Financial Crisis, high CRE exposures, especially C&LD, led to severe credit problems and bank failures. The increasing pipeline of new commercial construction and rising interest rates may hamper debt service coverage ratios on variable-rate commercial mortgages, and pressure capitalization rates.

Avg. Assets per Employee ($ Millions)*



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Avg. Multifamily Loans/ Total Capital (%)*

	5-Years	Sep-15
AK		9.2
AZ		17.5
CA		33.5
HI		26.7
ID		10.7
NV**		17.4
OR		37.1
UT		9.5
WA		32.0
Nation		12.1

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

Section 1 - Economic Conditions

Fundamentals:

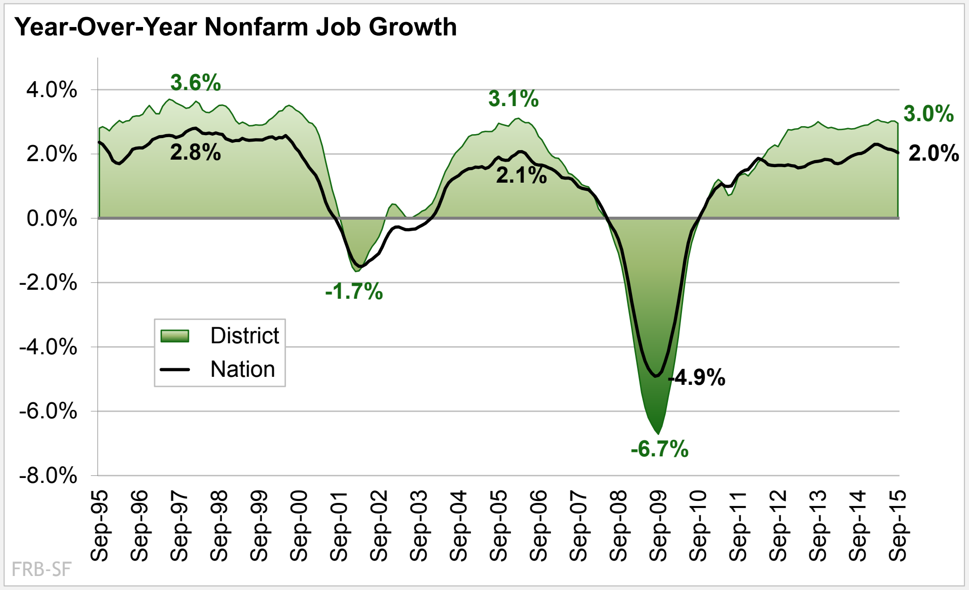
Job Growth

Housing Market Metrics

Commercial Real Estate Market Conditions

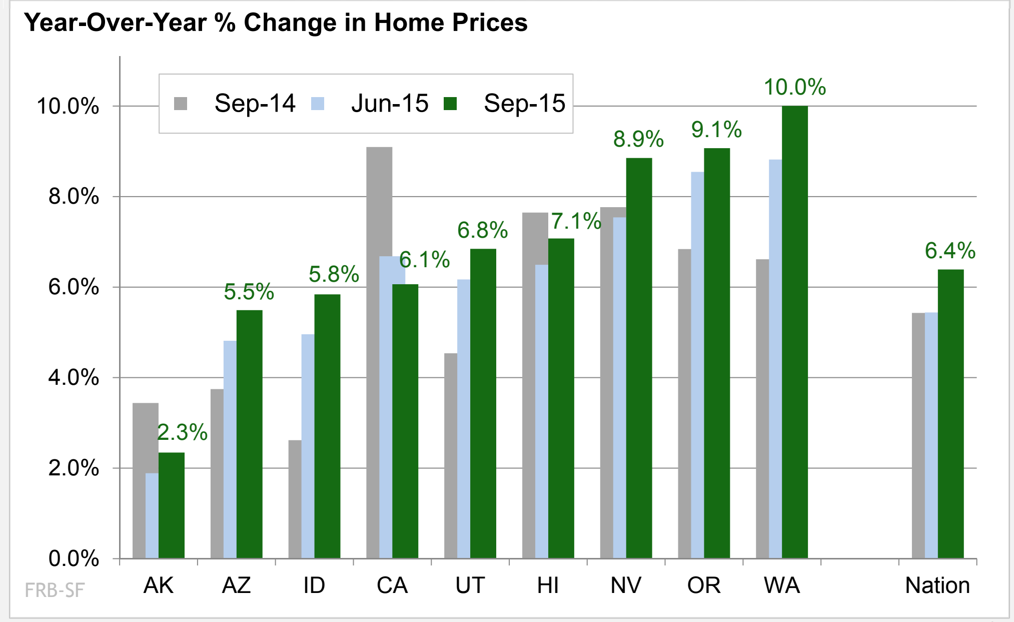
Global Developments & Currencies

District Job Growth Held at a Steady, Strong Pace



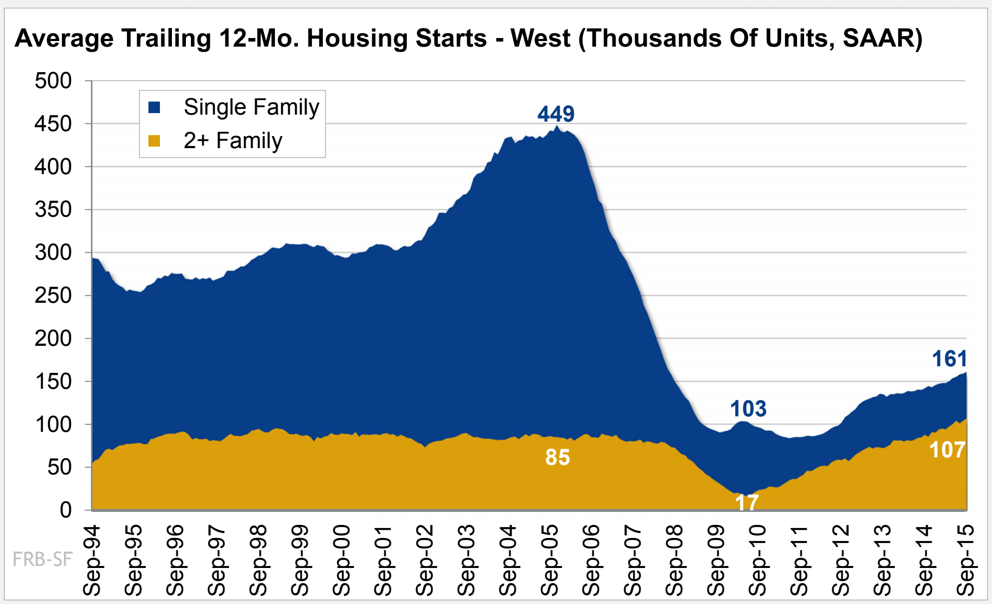
Based on average nonfarm payroll levels over trailing three months; Source: Bureau of Labor Statistics via Haver Analytics.

Home Price Appreciation Accelerated in the Pacific Northwest and Mountain States, but Slowed in California



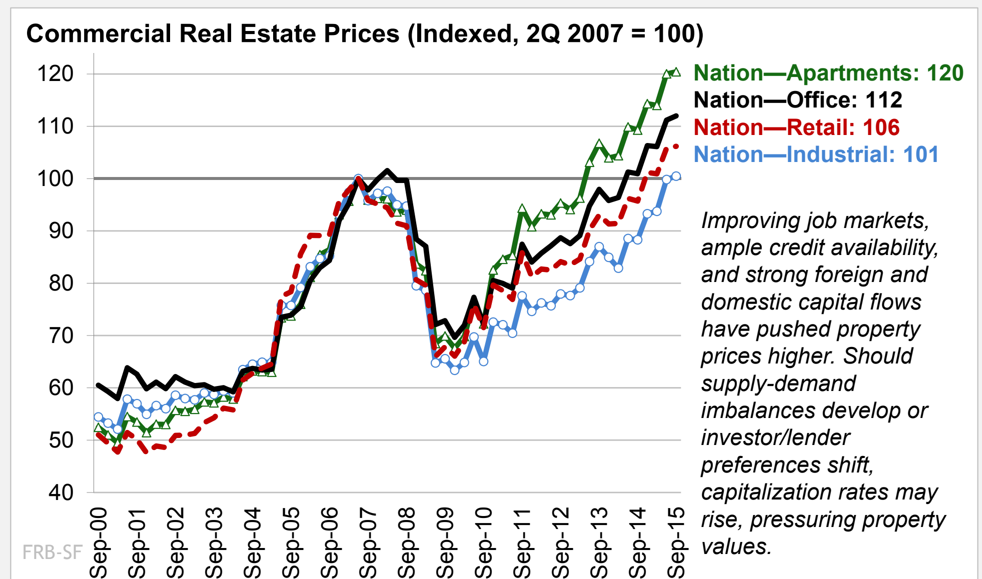
Source: Core Logic (for market level data maps, see http://www.newyorkfed.org/home-price-index/)

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



SAAR=seasonally adjusted annual rate; West=12th District plus CO, MT, NM, and WY; Source: Census Bureau via Haver Analytics

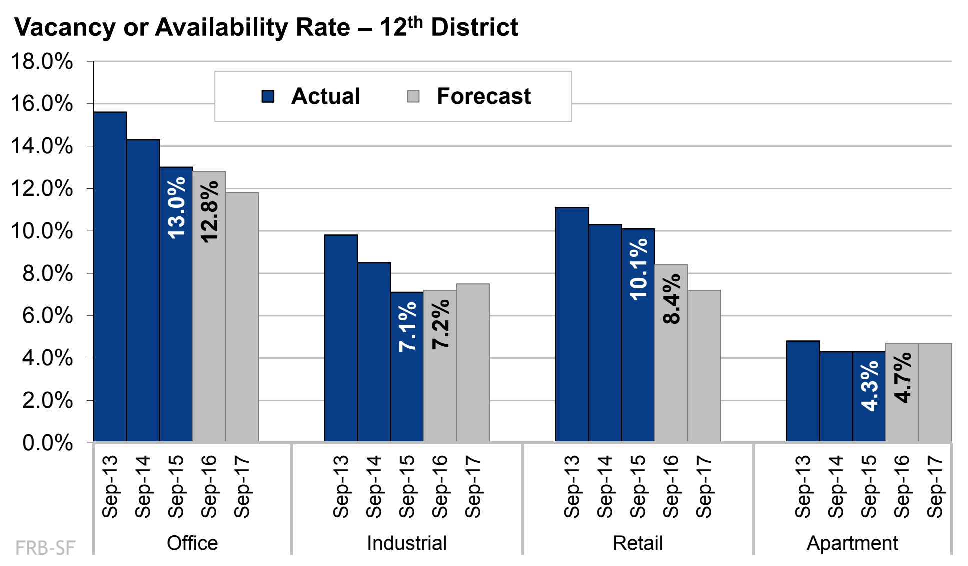
Commercial Real Estate Prices Fully Recovered to Pre-Crisis Peaks; Apartment Resurgence Especially Strong



Improving job markets, ample credit availability, and strong foreign and domestic capital flows have pushed property prices higher. Should supply-demand imbalances develop or investor/lender preferences shift, capitalization rates may rise, pressuring property values.

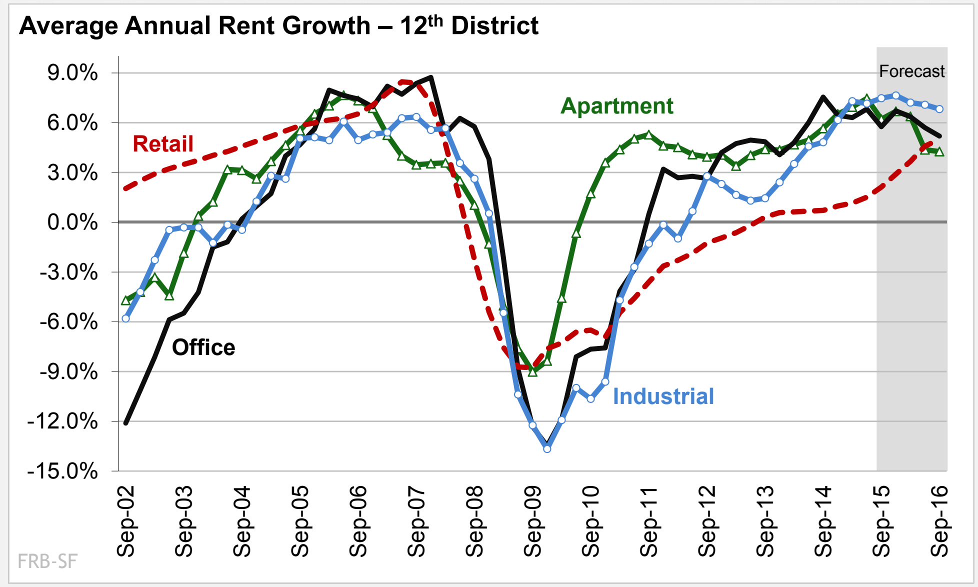
Underlying properties are institutionally held, mainly investment-grade; Source: NCREIF CRE Transaction-Based Price Indices

According to Third-Party Forecasts, Vacancy Rates May Drift Higher in Apartment and Industrial Properties



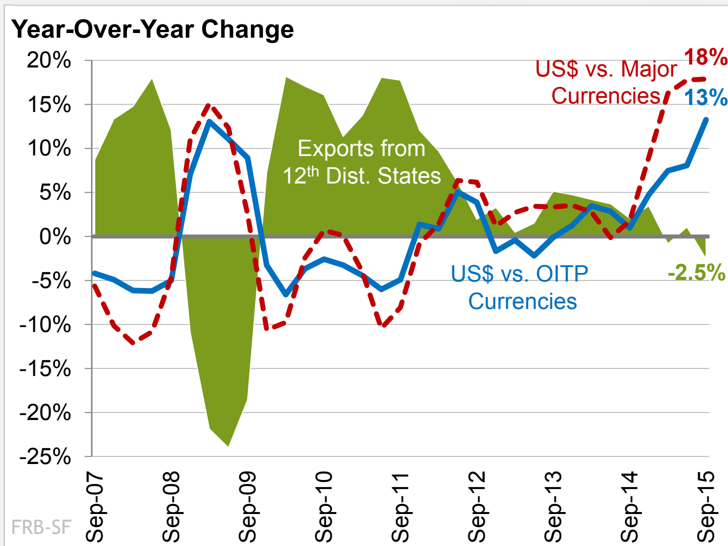
Based on aggregates across 15-16 large metropolitan areas; apartment data based upon number of units; other property types based upon square footage; Source: CBRE-Econometric Advisors

Third-Party Forecasts Suggest Rent Growth in the District's Major Markets May Moderate for All But Retail Properties



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

12th District Export Volumes Dipped in Response to a Continued Strong U.S. Dollar and Economic Slowing Abroad

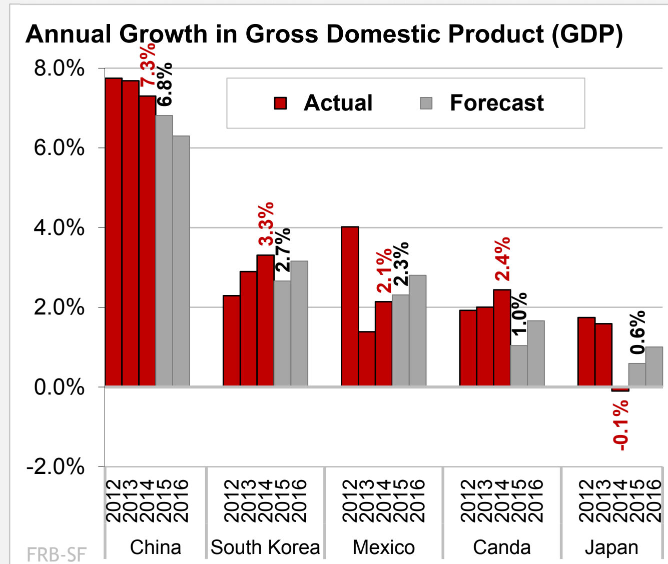


Export Activty by State

State	Exports/ GSP (2014)	Yr/Yr % Change in Exports (3Q15)
AK	9.0%	-8.0%
AZ	7.4%	6.3%
CA	7.4%	-3.6%
HI	1.9%	85.6%
ID	8.0%	-11.1%
NV	5.8%	16.5%
OR	9.7%	-6.7%
UT	8.6%	12.4%
WA	21.2%	-5.6%
Nation	9.3%	-7.9%

Major: Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden; OITP (Other Important Trading Partners): Mexico, China, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Thailand, Philippines, Indonesia, India, Israel, Saudi Arabia, Russia, Argentina, Venezuela, Chile and Colombia; export data based on origin of movement series; GSP =Gross State Product; Sources: Bureau of Economic Analysis, Census Bureau, Federal Reserve, and WISER Trade via Haver Analytics

Economic Slowing or Weakness Among Several Key Trade Partners Has Weighed on 12th District Export Activity



Top 5 12th District Trade Partners

Country	Share of 12th Dist. Imports	Share of 12th Dist. Exports
China	31%	14%
S. Korea	10%	11%
Canada	10%	11%
Japan	10%	7%
Mexico	4%	4%

GDP figures based on constant prices. Data for 2015 and 2016 are projections by International Monetary Fund; trade shares are based on 2014 figures; Sources: International Monetary Fund: World Economic Outlook Database (October 2015), US Census Bureau: U.S. International Trade in Goods and Services

Section 2
Commercial Bank Performance

Earnings

Provisions and Loan Loss Reserves

Loan Growth and Underwriting

Credit Quality

Drought Risk and Impacts

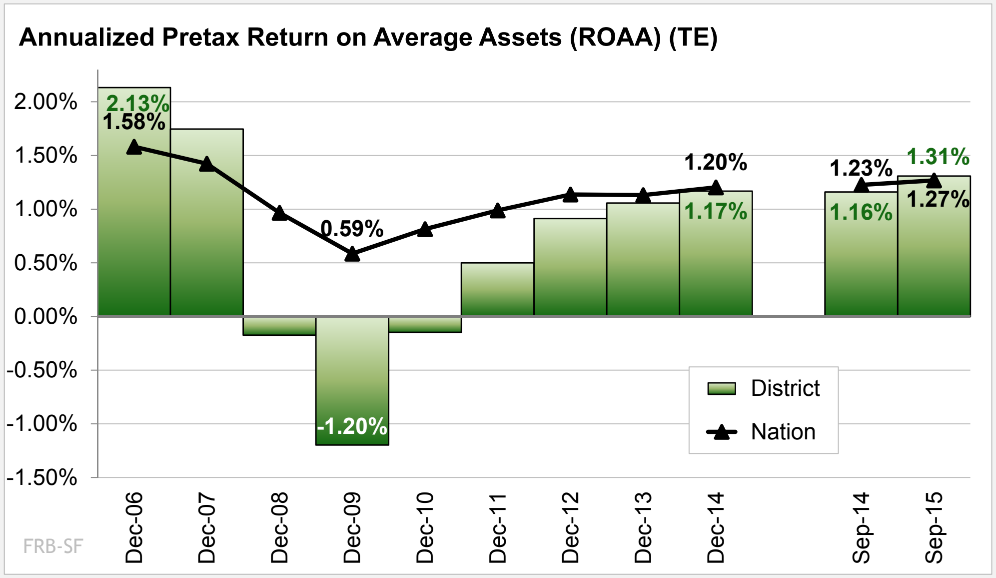
Liquidity and Interest Rate Risk

Capital

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

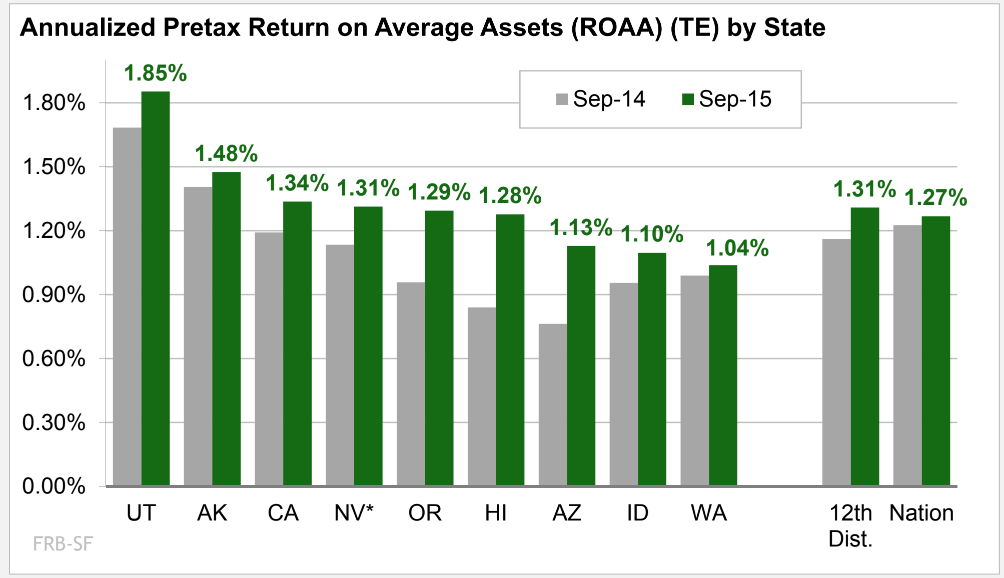
See also "Banks at a Glance," Bank Profiles by State:
http://www.frbsf.org/banking/publications/banks-at-a-glance/

Earnings: Average District Pretax ROAA Outpaced Prior Year and National Levels but Still Trailed Pre-Crisis Performance



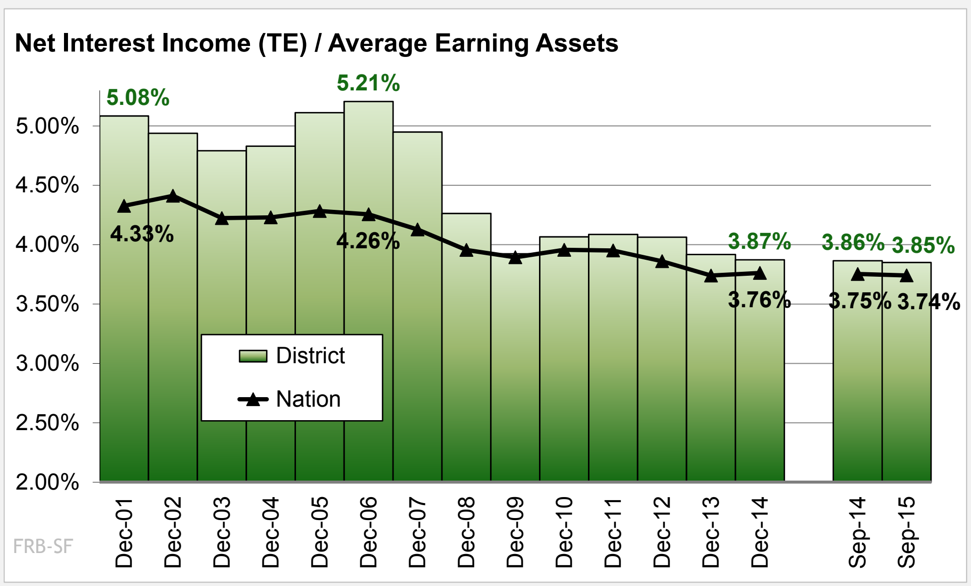
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 9/30/15 data; for comparability, Pretax ROAAs are adjusted on a tax-equivalent (TE) basis to assume taxes are paid on income from tax-free municipal loans and securities

Earnings Improved Among All States in the District



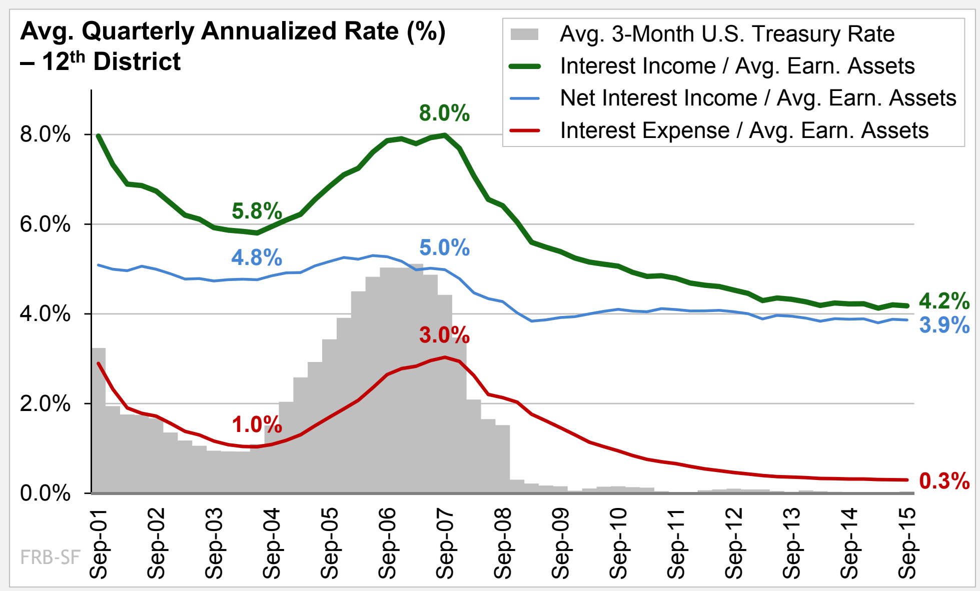
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 9/30/15 data; for comparability, Pretax ROAAs are adjusted on a tax-equivalent (TE) basis to assume taxes are paid on income from tax-free municipal loans and securities; *NV: excludes credit card and zero-loan banks

Year-to-Date Net Interest Income Margins Slightly Trailed 2014



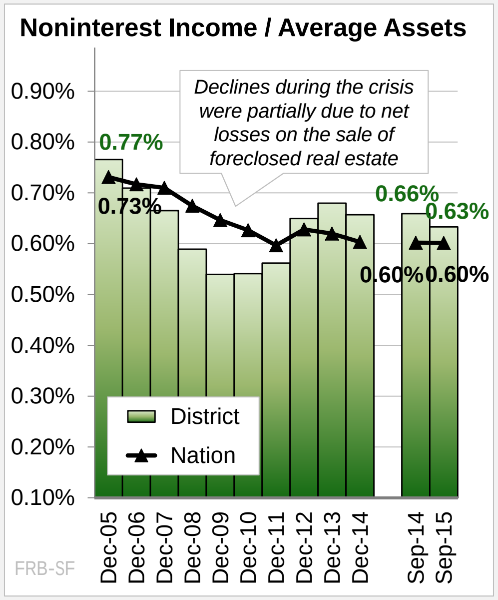
Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 9/30/15 data; for comparability, net interest income is adjusted on a tax-equivalent (TE) basis to assume taxes are paid on income from tax-free municipal loans and securities

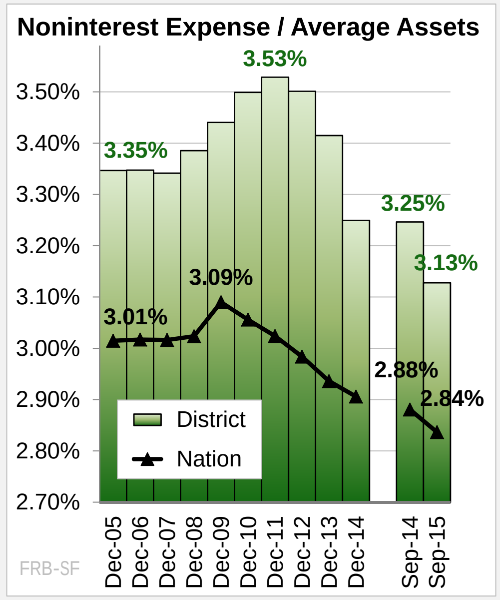
Quarterly Yields and Margins Remained Well Below Historical Norm With Slight Seasonal Fluctuations



Based on 12th District commercial banks, excluding De Novos; quarterly annualized trimmed means; preliminary 9/30/15 data; data are presented on a tax-equivalent (TE) basis; average 3-month constant maturity U.S. Treasury Rate from Federal Reserve, Haver Analytics

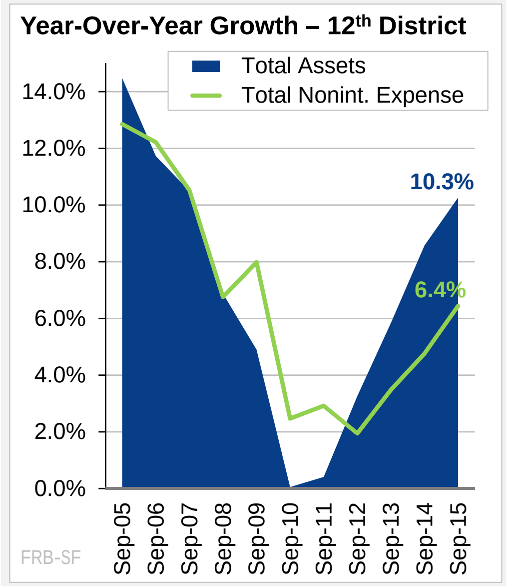
Noninterest Income Ratios Slipped; Lower Noninterest Expense Ratios Drove Earnings Improvement at Most Banks

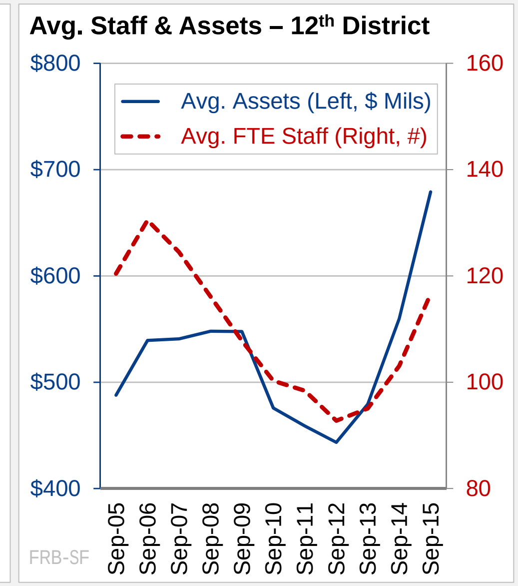




Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 9/30/15 data

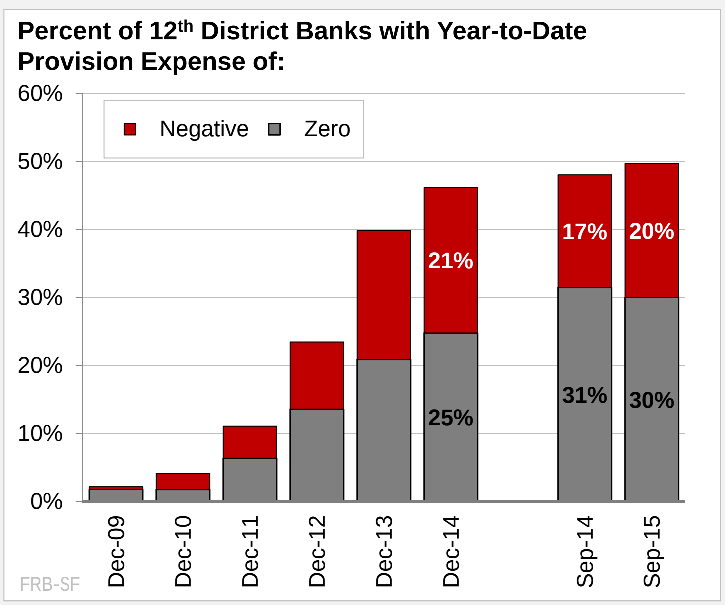
Noninterest Expense Growth Has Been Contained; But Are Internal Controls Keeping Pace with Growth?





Based on 12th District commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; FTE = full-time equivalent

Loan Loss Reserves: Half of District Banks Avoided Provisions or Released Reserves Versus One-Third Nationally

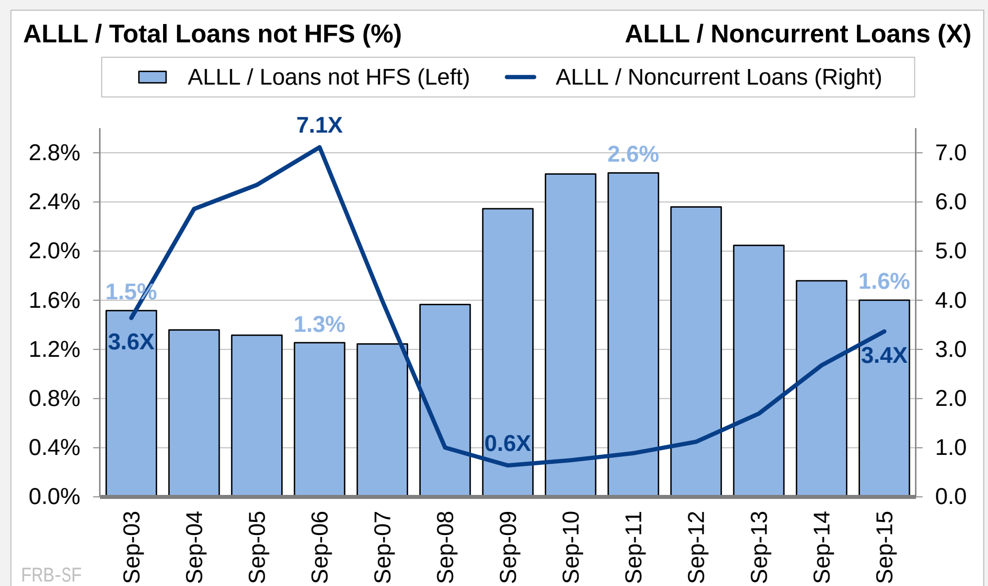


% of Banks with YTD Zero or Negative Provision Expenses

State	Sep-15	Sep-15
AK	50%	25%
AZ	29%	39%
CA	51%	51%
HI	83%	80%
ID	42%	64%
NV*	50%	73%
OR	56%	50%
UT	45%	37%
WA	44%	50%
Nation	34%	33%

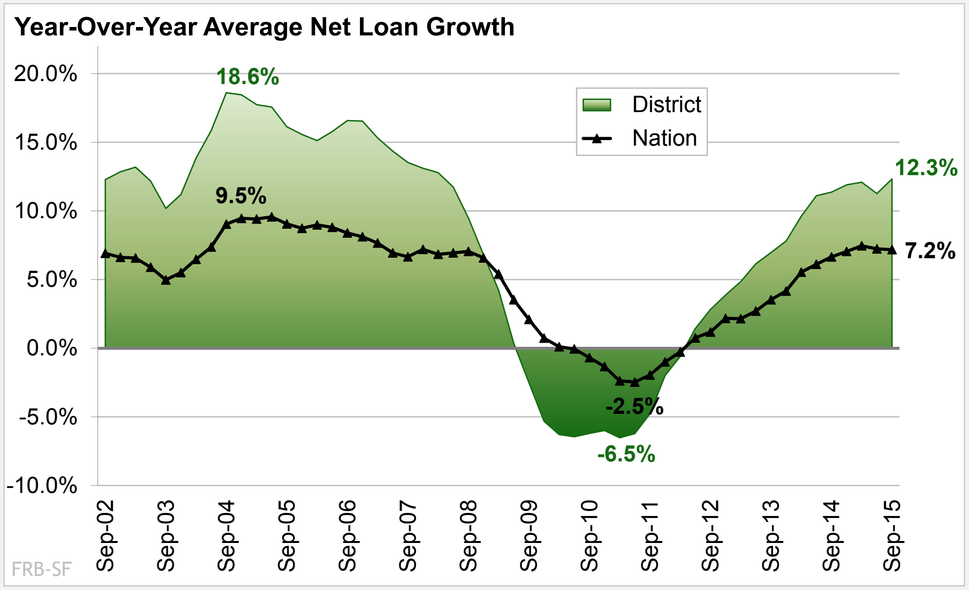
Based on commercial banks, excluding De Novos; year-to-date; preliminary 9/30/15 data; *Nevada excludes credit card and zero-loan banks

Low Provisioning and Strong Loan Growth Reduced ALLL-to-Loan Ratios



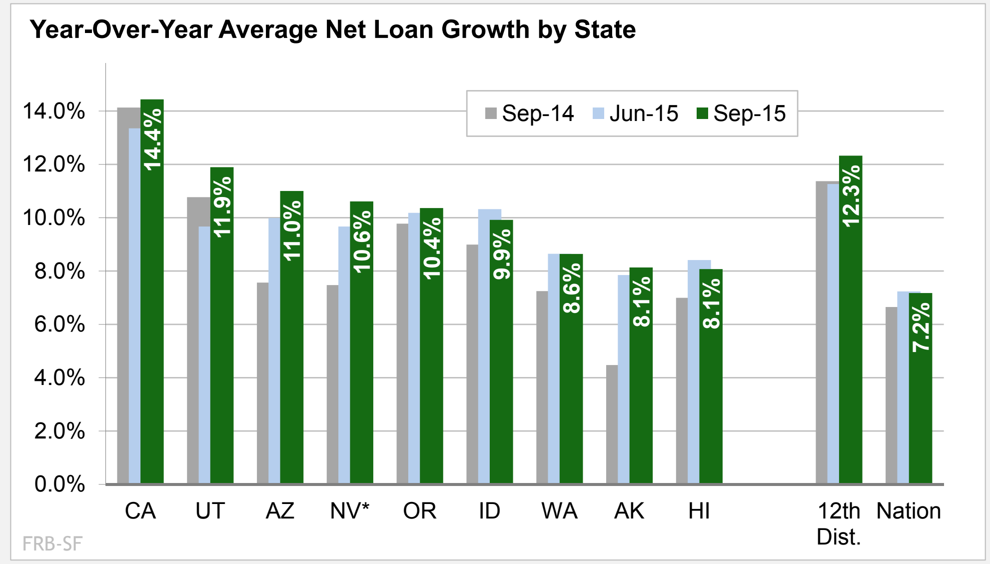
Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; ALLL = allowance for loan and lease losses; HFS = held for sale

Loan Growth: District Loan Growth Accelerated While National Loan Growth Flattened



Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 9/30/15 data

Average Net Loan Growth Continued to Outpace the National Average in All District States



Based on commercial banks, excluding De Novos; trimmed means (not merger adjusted); preliminary 9/30/15 data; *NV: excludes credit card and zero-loan banks

Multifamily, C&LD, and Specialty Segment Growth Rates Were High but Were Not Primary Drivers of Overall Loan Growth

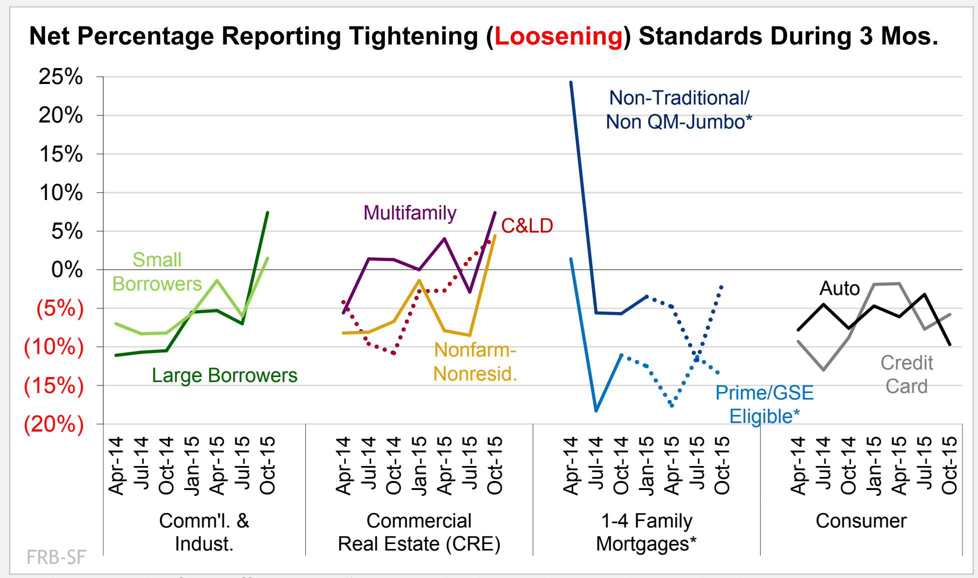
Composition of Aggregate Loan Growth - 12th District Banks

FRB-SF

Loan Segment	Banks < $10 Billion: Segment Level Year-Over-Year Growth Rate	Banks < $10 Billion: % Point Contribution to Loan Growth	Banks < $10 Billion: % of Total Loans	Banks $10-$200 Billion: Segment Level Year-Over-Year Growth Rate	Banks $10-$200 Billion: % Point Contribution to Loan Growth	Banks $10-$200 Billion: % of Total Loans
Nonfarm Nonresidential	11.0%	4.4%	39.7%	4.9%	0.9%	17.4%
Commercial & Industrial	10.0%	1.7%	17.0%	6.1%	1.4%	21.8%
Consumer Loans	13.8%	1.5%	11.2%	17.3%	2.4%	15.2%
Closed-End 1-4 First Liens	11.4%	1.3%	11.5%	3.9%	1.0%	23.5%
Multifamily	21.0%	1.3%	6.5%	5.6%	0.3%	5.2%
Construction & Land Dev.	22.3%	1.0%	4.7%	22.7%	0.6%	2.9%
Other Loans*	14.5%	0.3%	2.4%	12.4%	0.9%	7.2%
Agricultural and Farmland	12.3%	0.4%	3.4%	8.7%	0.2%	2.7%
HELOC + Closed-End 1-4 Jr. Liens	5.0%	0.2%	3.7%	6.5%	0.3%	4.1%
Total Loans		12.2%			8.0%	

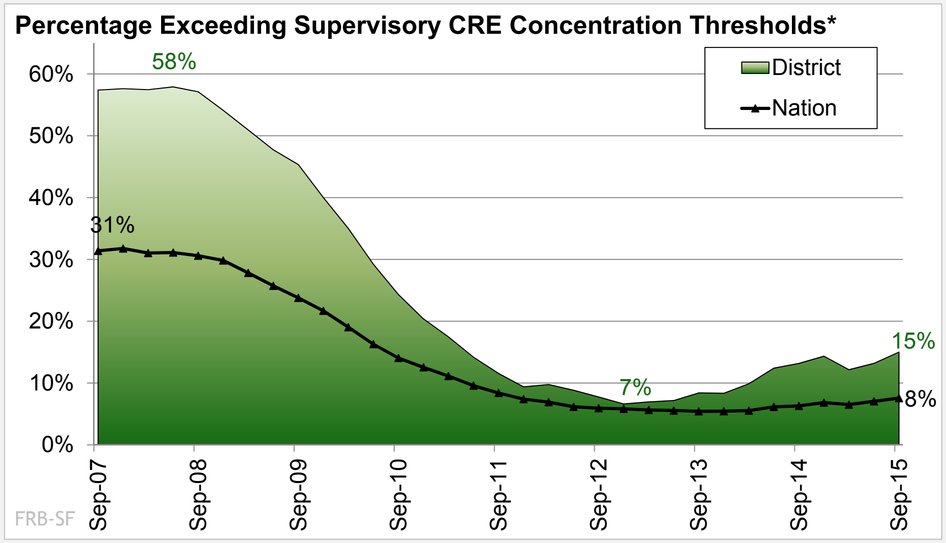
Based on a panel of commercial banks, excluding De Novos and banks with extreme growth (likely merger-related); preliminary 9/30/15 data; *includes leases as well as loans collateralized by securities (margin loans), loans extended to governments and to depository and non-depository institutions, and all other

On Net, Lenders Reported Modest Tightening of Standards on Commercial & Industrial and Commercial Real Estate Loans



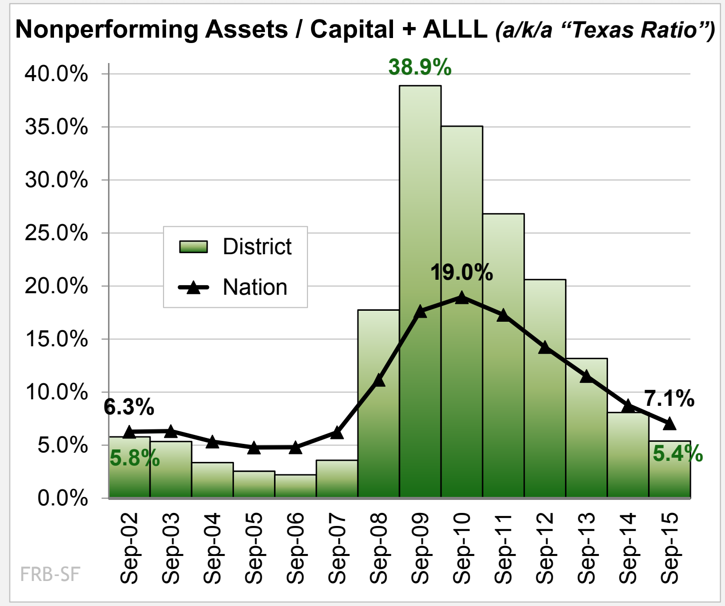
Based on a sample of loan officers at 70+/- domestic banks (number varies by period and loan type); *beginning January 2015, two categories were replaced with six based on GSE eligibility, qualifying mortgage (QM) status, and size (making comparisons imperfect); C&LD = construction and land development;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

Percentage of Banks Exceeding Supervisory Commercial Real Estate Concentration Thresholds* Ticked Up



*Supervisory commercial real estate (CRE) thresholds include construction and land development loans (C&LD)=> 100% of total capital or total CRE loans=>300% of total capital and total CRE loan growth of=>50% during the prior 3 years. Total CRE loans include C&LD, multifamily, owner-occupied nonfarm-nonresidential mortgages and CRE purpose loans not secured by real estate.

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



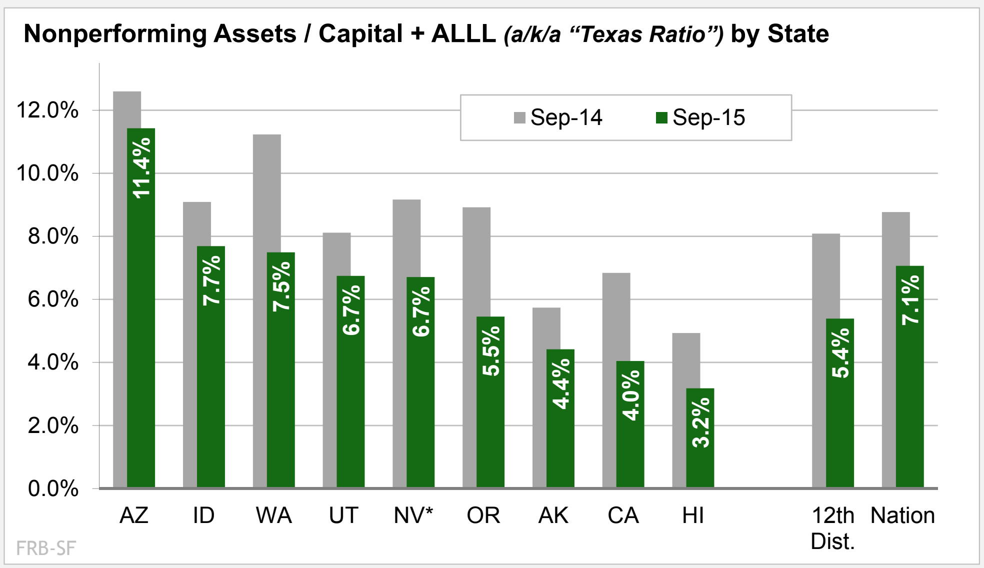
Problem assets relative to capital and reserves are again well-below the national average.

Average Texas Ratio (%)

Bank Size	Sep-2009	Sep-2015
District Small (<$10B)	39.7%	5.5%
District Mid-Sized ($10B-$50B)	31.2%	5.0%
Nation Large (>$50B)	19.7%	4.9%

Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; nonperforming assets = loans 90+ days past due or on nonaccrual plus other real estate owned

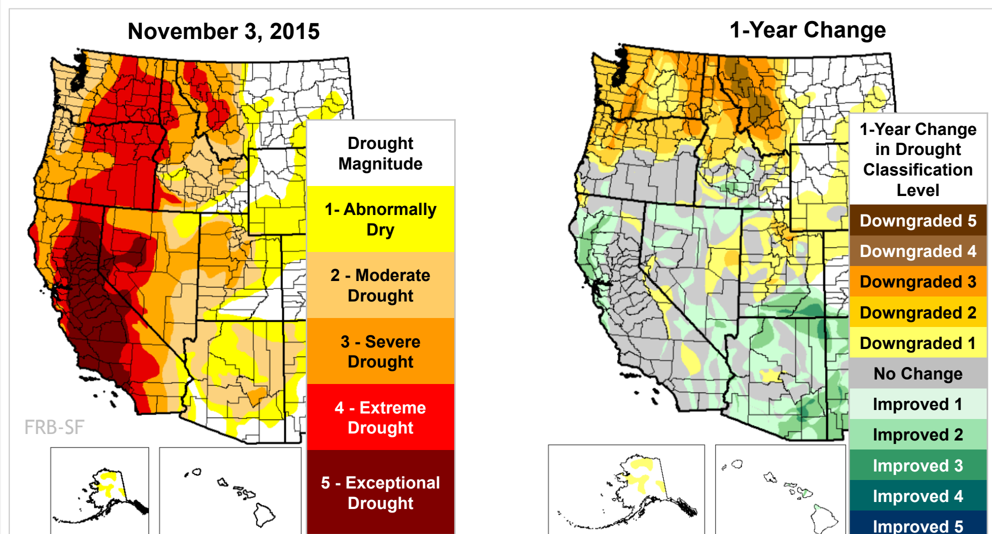
Average Texas Ratios in Arizona, Idaho, and Washington Continued to Exceed the National Average



Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; *NV: excludes credit card and zero-loan banks; nonperforming assets = loans 90+ days past due or on nonaccrual plus other real estate owned

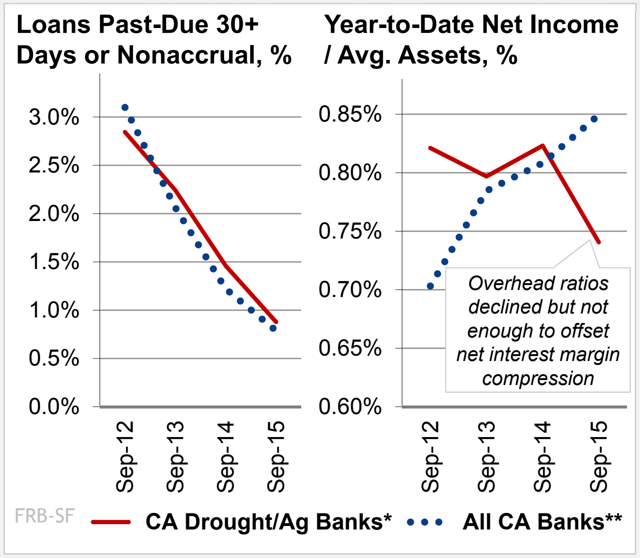
Extreme Drought Remained Ongoing in Several States; Severe Drought More Recent in Parts of Pacific Northwest

While California, Nevada, and So. Oregon have been grappling with dry conditions for awhile, drought in much of the Pacific Northwest has intensified in the past 12 months.



Sources: U.S. Drought Monitor (Nat'l. Drought Mitigation Center at the Univ. of Nebraska-Lincoln/U.S. Dept. of Agriculture/National Oceanic and Atmospheric Administration-NOAA), as of November 3, 2015

California's More Drought and/or Agriculture-Exposed Banks* Reported Declining Delinquencies, but Worsening Earnings

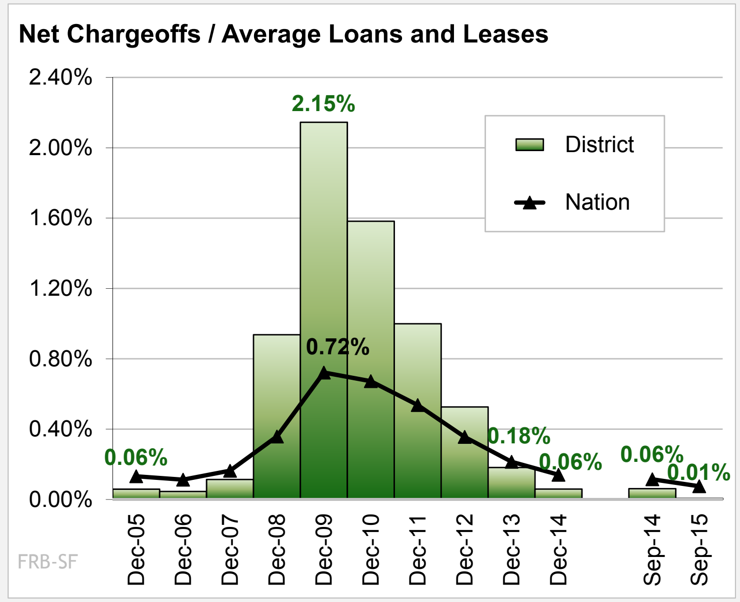


Comparative Statistics

Ratio	CA Drought/ Ag Banks*	All CA Banks**
Ag.-Related Loans / Total Capital	44.0%	7.8%
CRE Loans / Total Capital	310.3%	358.1%
1-Year Asset Growth	10.4%	12.5%
Noncurrent Lns. + ORE / Lns. + ORE	1.1%	0.8%

*Includes 43 California-based banks with at least 25% of deposits from counties in the San Joaquin Valley, Sacramento Valley, or other top agricultural producing areas (i.e., Butte, Colusa, Fresno, Glenn, Imperial, Kern, Kings, Madera, Merced, Monterey, Sacramento, San Joaquin, Solano, Stanislaus, Sutter, Tehama, Tulare, Ventura, Yolo, and/or Yuba counties); **based on all California-based commercial banks excluding De Novos; trimmed means; preliminary 9/30/15 data; CRE = nonfarm-nonresidential + multifamily + construction; ORE = other real estate owned

Average District Net Chargeoff Rate Was Near Zero; Banks in California and Arizona Reported Net Recoveries

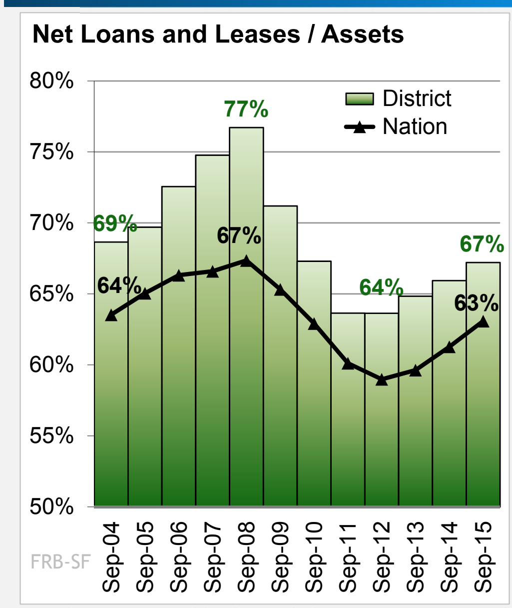


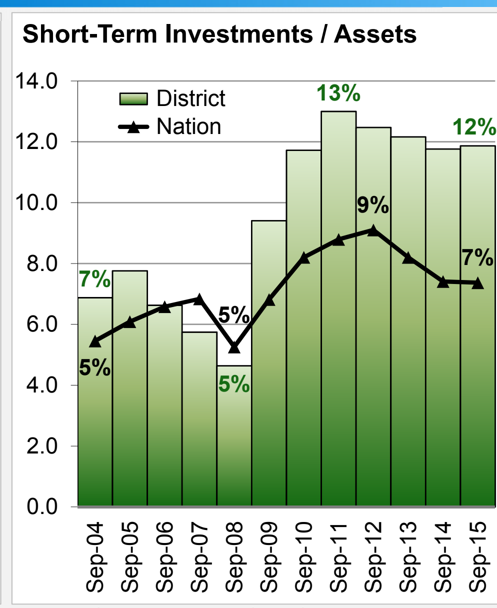
Average Net Chargeoff Rate by State

State	Sep-14	Sep-15
AK	-0.02%	0.03%
AZ	0.53%	0.00%
CA	0.01%	-0.02%
HI	0.00%	0.03%
ID	0.09%	0.01%
NV*	0.08%	0.09%
OR	0.04%	0.01%
UT	0.16%	0.12%
WA	0.12%	0.03%
Nation	0.11%	0.08%

Based on commercial banks, excluding De Novos; year-to-date annualized trimmed means; preliminary 9/30/15 data; *Nevada excludes credit card and zero-loan banks

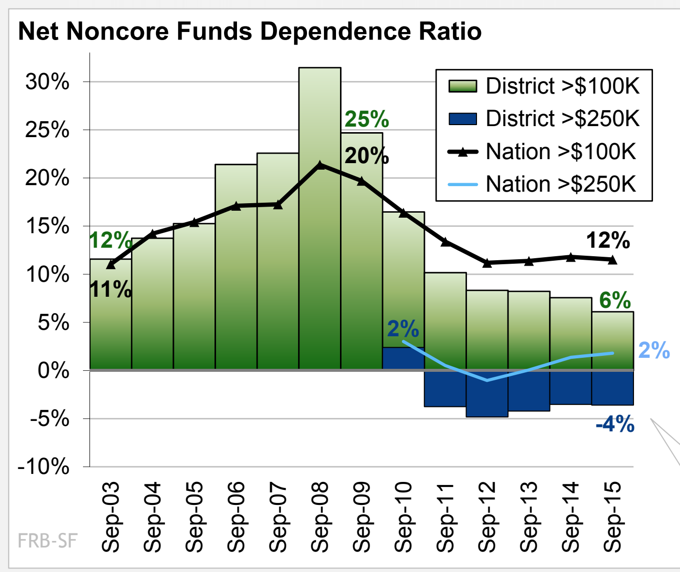
Liquidity: Net Loans Increased as a Share of Assets; Short-Term Investments Held Steady





Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; Short-Term Investments: interest-bearing bank balances, Federal funds sold & securities purchased under agreements to resell, and <1-year debt securities

Reliance on Noncore Funding Remained Moderate, Especially Among Small Banks



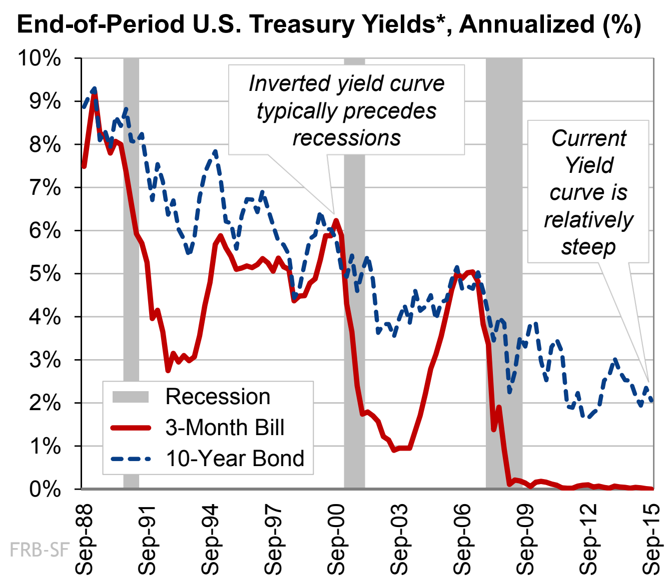
Average Net Noncore Funds Dependence by Bank Size
(Using CDs > $100K)

Bank Size	Sep-2014	Sep-2015
District Small (<$10B)	7.0%	5.6%
District Mid-Sized ($10B-$50B)	16.0%	11.6%
Nation Large (>$50B)	14.3%	17.1%

Net noncore funding ratio turns negative if CDs between $100K and $250K are excluded.

Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; *Net noncore funding is sum of borrowed funds, foreign and brokered deposits, large CDs (previously defined as > $100K—green bars, now defined as > $250K—blue bars) less short-term investments divided by long-term assets

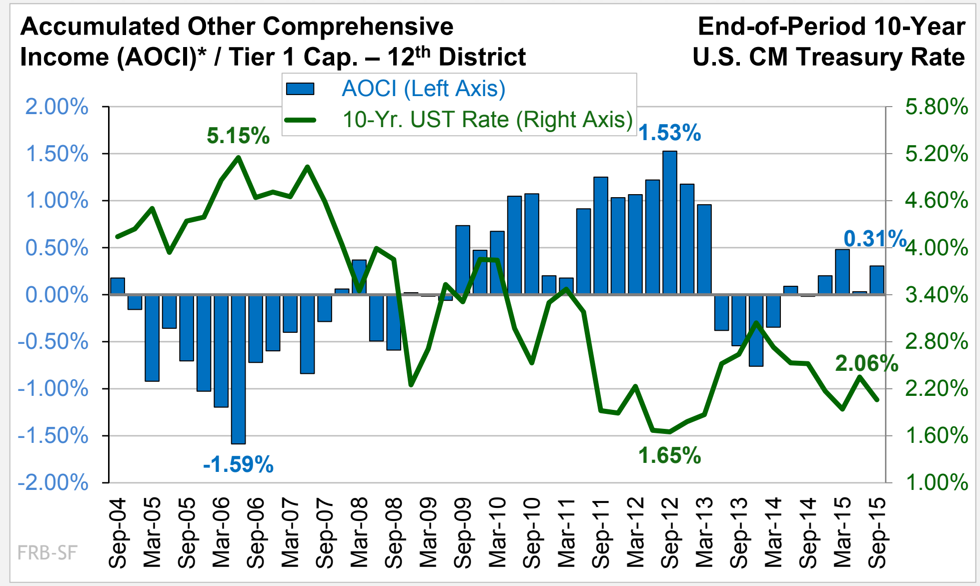
Interest Rate Risk: Long-Term Interest Rates May Not Rise in Lockstep with Short Term Rates (a la 2004-2006)



The current steep yield curve has provided financial incentive to fund short-term and lend long-term. All else equal, a flattening yield curve could pressure net interest margins among banks that have developed significant re-pricing imbalances. During the last major rate tightening cycle (2004-2006), many banks increased concentrations in short-term, high-yielding C&LD loans to help offset rising funding costs. However, that increased credit risk, especially during the subsequent recession.

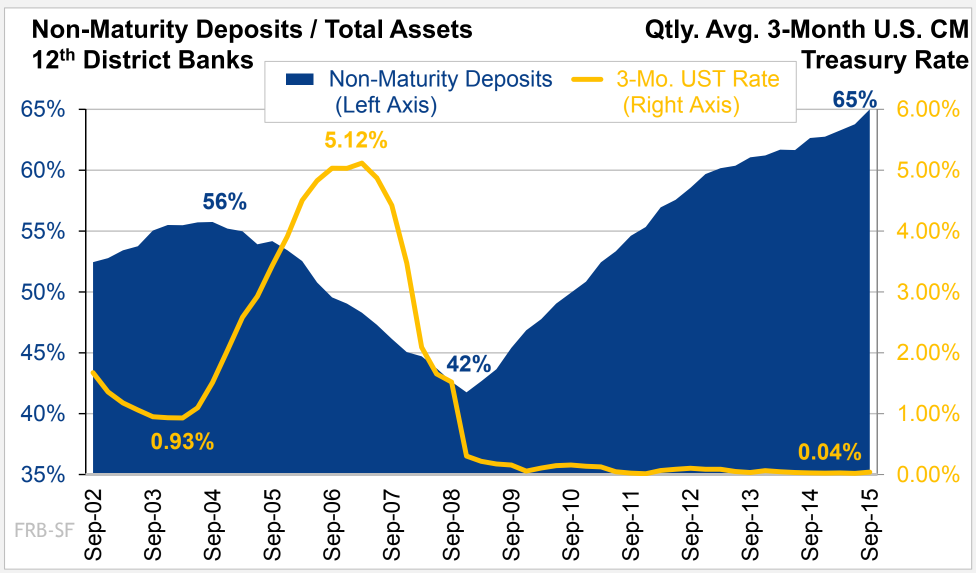
*Constant maturity basis; Sources: Federal Reserve and National Bureau of Economic Research via Haver Analytics

The Recent Dip in Long-Term Interest Rates Buoyed Investment Portfolio Values and AOCI



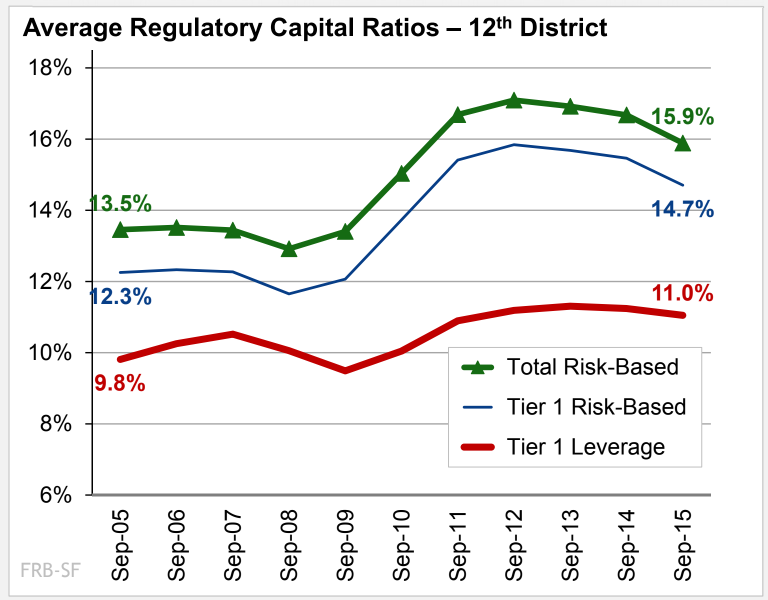
Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; accumulated other comprehensive income* is comprised mainly of net unrealized gains and losses on available-for-sale securities; Constant Maturity (CM) Treasury Rate from Federal Reserve, Haver Analytics

Non-Maturity Deposits Could Ebb as Rates Rise (as in 2004-2006)



Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; non-maturity includes demand, money market, and savings; Constant Maturity (CM) Treasury Rate from Federal Reserve, Haver Analytics

Risk-Based Capital Ratios Eased as Assets Shifted and Basel III's Higher Risk-Weight Buckets Were Implemented



Average Total Risk-Based Capital Ratios by Bank Size

Bank Size	Sep-2014	Sep-2015
District Small (<$10B)	16.8%	16.0%
District Mid-Sized ($10B-$50B)	15.3%	14.3%
Nation Large (>$50B)	14.8%	14.1%

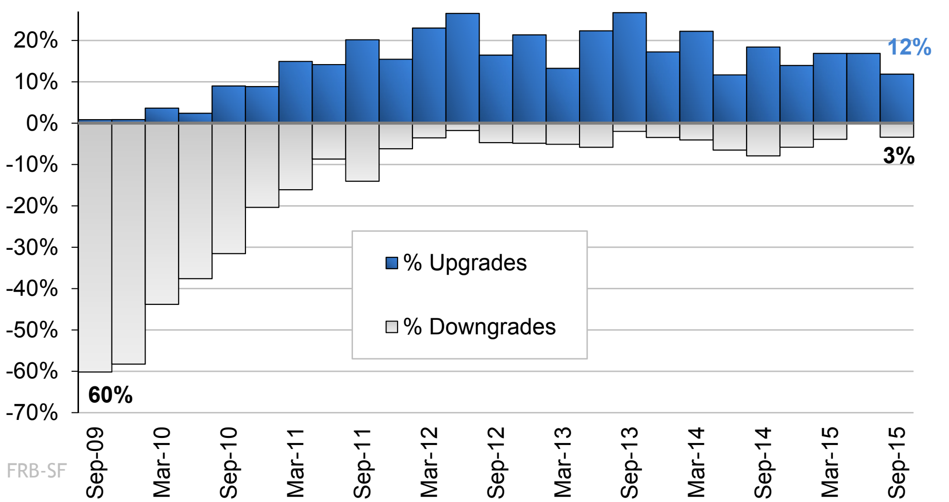
Based on commercial banks, excluding De Novos; trimmed means; preliminary 9/30/15 data; new risk-based capital reporting became effective March 2014 for advanced approach adopters and March 2015 for others

Section 3 – Regulatory Ratings and Trends

Focusing on trends in examination (CAMELS) ratings assigned by regulatory agencies among commercial banks headquartered within the 12th Federal Reserve District.

Regulatory Ratings: Upgrades Continued to Outpace Downgrades in Third Quarter

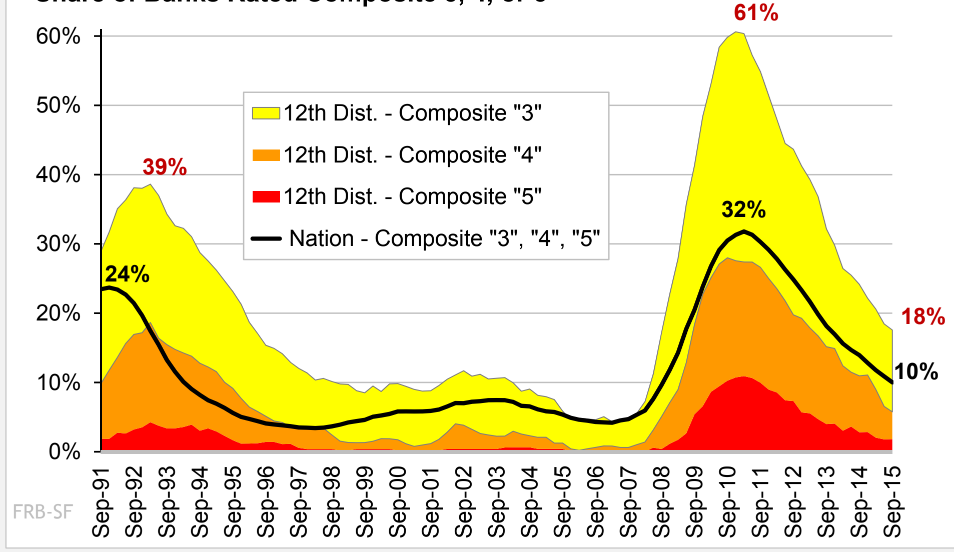
Percent of 12th District Exams that Resulted in CAMELS Composite Rating Upgrade or Downgrade (downgrades shown as negative percentages)



Includes any change in composite CAMELS rating for commercial banks; quarterly data based on examination completion dates (mail dates); preliminary third quarter 2015 data updated through 11/16/15

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

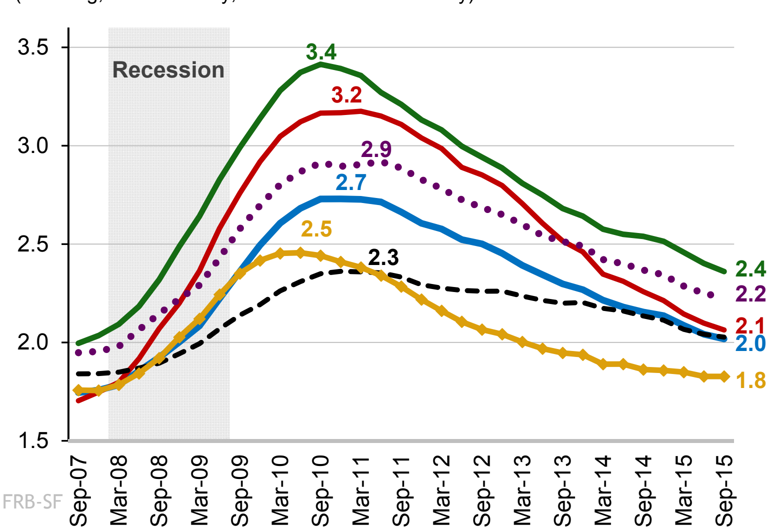
Share of Banks Rated Composite 3, 4, or 5



Trends for all commercial banks based on examination completion dates (mail dates); preliminary third quarter 2015 data updated through 11/16/15

Earnings and Management Remained Weakest Components

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

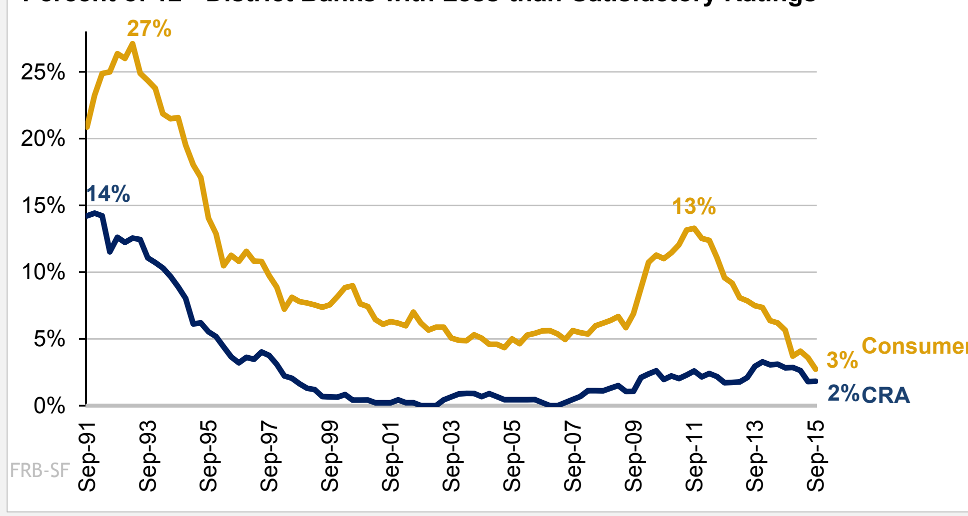


Earnings and Management often garnered weaker ratings compared with other component areas—even before the Financial Crisis

Trends for all commercial banks based on examination completion dates (mail dates); preliminary third quarter 2015 data updated through 11/16/15; *Sensitivity to Market Risk

Consumer Compliance Ratings Improved While While CRA Ratings Remained Steady

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



Trends for all commercial banks based on examination completion dates (mail dates); CRA = Community Reinvestment Act; preliminary third quarter 2015 data updated through 11/16/15

Appendices

1. Summary of Institutions
2. Technical Information

Appendix 1: Summary of Institutions

Area	Commercial Banks (De Novos)		Industrial Banks (De Novos)		Savings Institutions (De Novos)	
	Sep-14	*Sep-15*	*Sep-14*	*Sep-15*	*Sep-14*	*Sep-15*
AK	4 (0)	4 (0)	-	-	1 (0)	1 (0)
AZ	21 (0)	18 (0)	-	-	1 (0)	1 (0)
CA	196 (1)	183 (0)	5 (0)	3 (0)	14 (0)	12 (0)
GU	2 (0)	2 (0)	-	-	1 (0)	1 (0)
HI	6 (0)	5 (0)	1 (0)	1 (0)	2 (0)	2 (0)
ID	12 (0)	11 (0)	-	-	1 (0)	1 (0)
NV	12 (0)	12 (0)	4 (0)	4 (0)	2 (0)	2 (0)
OR	25 (0)	22 (0)	-	-	3 (0)	3 (0)
UT	31 (0)	30 (0)	18 (0)	16 (0)	4 (0)	4 (0)
WA	48 (0)	44 (0)	-	-	12 (0)	12 (0)
12L	357 (1)	331 (0)	28 (0)	24 (0)	41 (0)	39 (0)
US	5,637 (14)	5,381 (7)	30 (0)	26 (0)	919 (2)	860 (1)

based on preliminary 9/30/15 data.

Appendix 2: Technical Information

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

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

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

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

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