First Glance 12L (1Q17)

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

Solid Bank Performance Continued Despite Uncertainty

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12th District Overview
"Solid Bank Performance Continued Despite Uncertainty"

Growth in the District continued to outpace the nation, but the rate of growth decelerated further. Annual 12th District job growth of 2.2% moderated, but continued to exceed a national growth rate of 1.6%. The pace of job gains slowed across most District states; Alaska continued to shed jobs (see table at right). Political and monetary policy uncertainty likely played a role in moderating growth. It remains unclear if a post-election surge in business optimism can prime the nation's job engine (see chart bottom right).

Homebuilding expanded modestly and home prices appreciated further. One-to-four family housing starts in the West increased 2.4% year-over-year but remained below historical average volumes. Affordability strains continued to intensify because of a limited amount of new and existing homes for sale. According to CoreLogic, four of the District's states (WA, UT, OR, and ID) ranked among the top 5 nationally for the rate of annual home price gains. Cumulative price increases in several markets may have left them "overvalued" in relation to "long-term fundamental value" per CoreLogic. Meanwhile, 1Q17 multifamily starts were flat compared with 1Q16, and retracted seasonally after a very strong 4Q16.

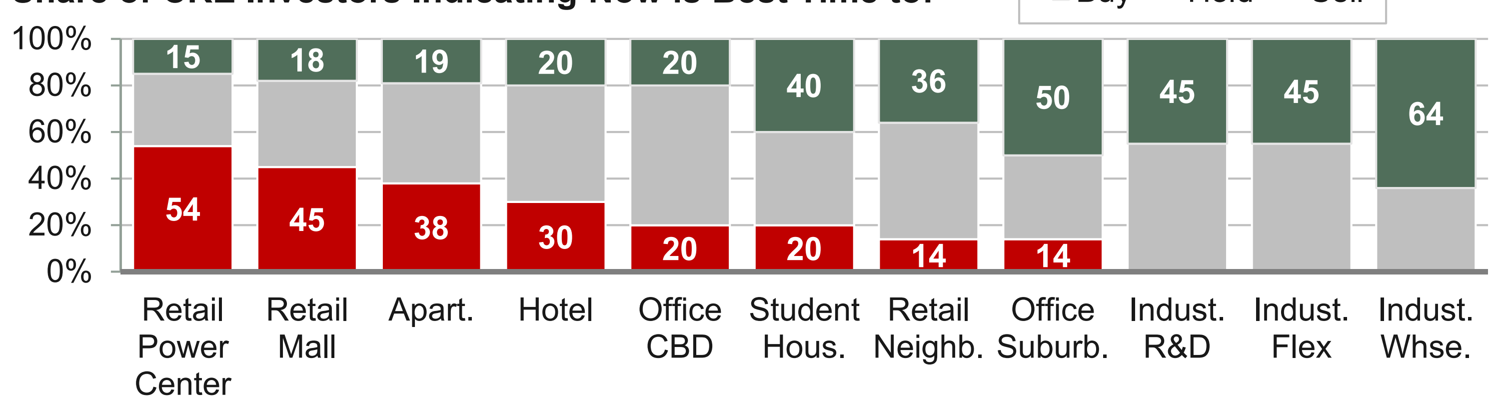
Commercial real estate (CRE) markets may have entered a period of transition. CRE price gains and transaction volumes downshifted during 1Q17, according to data from Moody's/Real Capital Analytics. Deceleration was notable among industrial and apartment properties; retail price gains remained weak. Retail property demand has declined and warehousing needs have increased as e-commerce has grown. Investor preference for industrial over retail has been strong (see chart below), but even industrial prices may have reached a limit. A Situs RERC-Deloitte-National Association of REALTORS® report suggested that 2017 may be the peak for property values and CBRE Econometric Advisors expects vacancies to increase and rent growth to slow in some markets and property types in the coming years.

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

	12-Mo. Trend	Mar-17
Idaho		3.35%
Nevada		3.23%
Utah		3.23%
Washington		2.86%
Oregon		2.20%
Arizona		2.12%
California		2.03%
Hawaii		0.86%
Alaska		-2.07%
Nation		1.59%

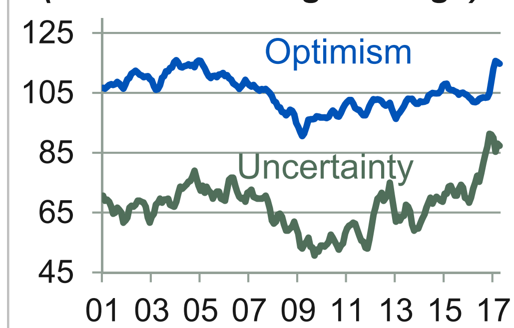
Bureau of Labor Statistics / Haver Analytics

Share of CRE Investors Indicating Now is Best Time to:



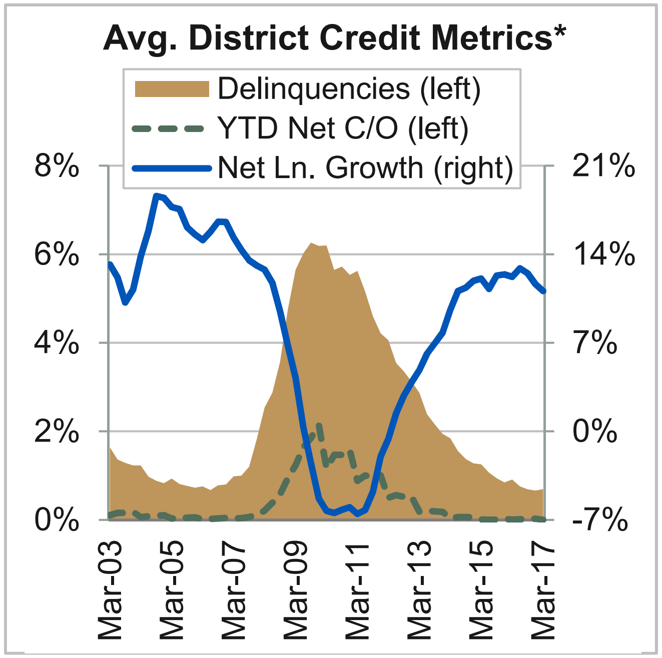
Situs RERC, *Flash Report* | *1Q 2017*; CBD = central business district; R&D = research & development.

Small Business Indexes
(3-Month Moving Average)

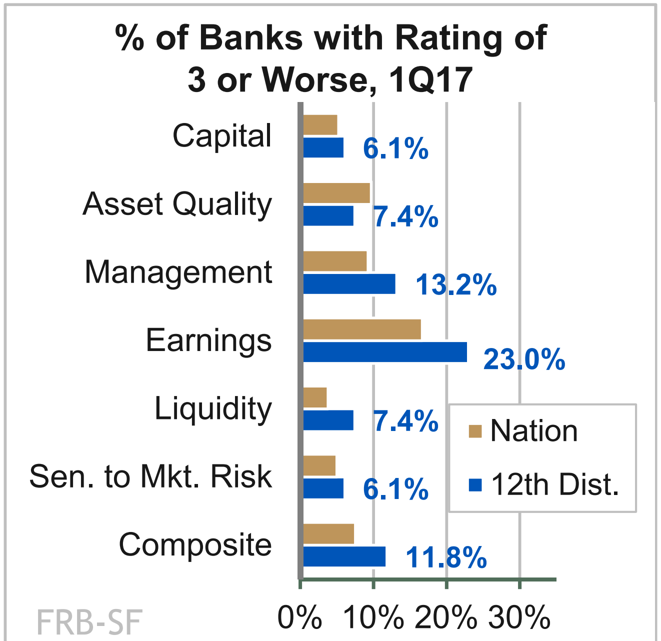


National Federation of Independent Businesses / Haver Analytics

12th District Overview, Continued



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



Loan growth continued at a strong but slower pace, reflecting employment trends and political and monetary policy uncertainty. The District's average annual net loan growth rate decelerated to 11.1%, extending a period of cooling since mid-2016 (see chart at left), but remained well above a national average of 6.2%. Commercial construction and land development (C&LD) and other commercial mortgages remained an outsized source of growth, contributing to higher CRE loan concentrations. Political and monetary policy uncertainty may have made businesses reluctant to borrow and damped bank merger activity, which had contributed to average loan growth rates in recent years. Favorably, loan delinquencies and losses eased further.

The Fed's April 2017 Senior Loan Officers Survey reported continued tightening of underwriting in some loan categories. In particular, a growing share of lenders noted tighter underwriting for construction and multifamily loans in the past quarter. Respondents indicated that in the past year, CRE pricing and, to a lesser degree, loan-to-value and debt service coverage requirements became stricter. At least three quarters of those tightening CRE standards noted less favorable or more uncertain outlook for CRE property prices, fundamentals, and/or capitalization rates as being important drivers in underwriting changes. Regulators remain concerned about potential lender over-reliance on CRE collateral values to mitigate risks posed by concessions on pricing, structure, and/or recourse, especially given the significant increase in CRE property values over the past few years.

Bank earnings improved further. The District's average 1Q17 return on average assets (ROAA) ratio (adjusted for Subchapter S tax filers) was 0.91%, up 10 bps from the same period in 2016 and compared favorably to the national average. Further declines in noninterest expense ratios led the trend. Ongoing improvements in technology, banking conditions, and growth/consolidation-related economies of scale supported some efficiency gains. Still, regulators have lingering concerns that cost controls may have come at the expense of internal controls.

On-balance sheet liquidity and capital ratios moderated slightly. Year-over-year, the share of assets held in loans increased while the proportion invested in liquid instruments and securities retreated. The continued shift caused risk-weighted asset growth to outpace equity formation modestly, pressuring risk-based capital ratios. Meanwhile, noncore funding levels, in particular brokered deposits, increased but remained well below pre-crisis peaks.

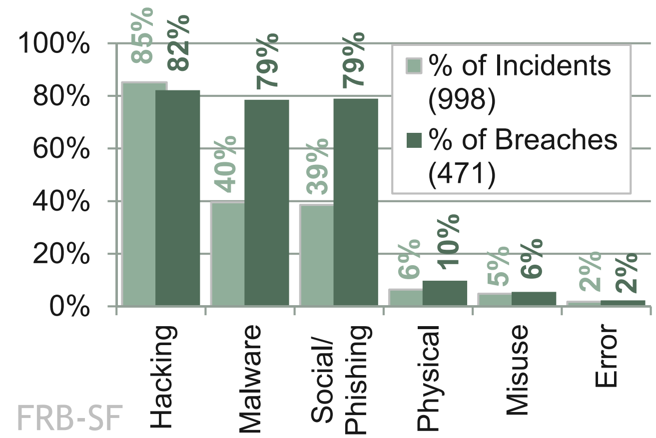
Examination ratings were relatively steady. Roughly 88% of District banks were rated satisfactory or strong for safety and soundness, with Earnings and Management component ratings still trailing other components (see chart at left). In addition, more than 95% were rated satisfactory or better for consumer and/or Community Reinvestment Act compliance.

Hot Topics: Areas We are Monitoring Most Closely

The following areas are drawing heightened supervisory attention within the 12th District based on risk exposures and metrics of Federal Reserve-supervised institutions:

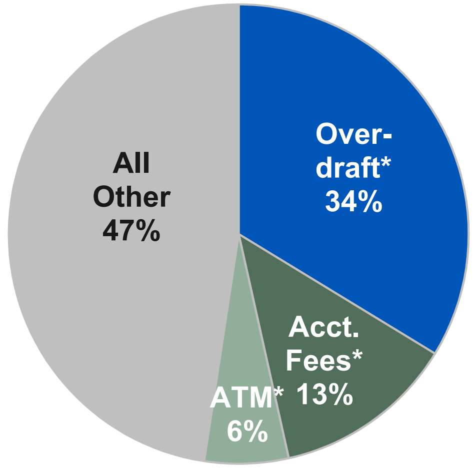
- *Cyberthreats*. Verizon noted 998 incidents (471 data breaches) within the Financial Services industry during 2016. Hacking, malware, and social engineering were typical methods of attack (see chart at right). For institutions outsourcing core operations and/or security administration, vendor management programs remain critical to managing and mitigating cyberthreats. Inherent risks can increase from a variety of factors, such as system complexity, services, and visibility. The Federal Financial Institutions Examination Council developed an optional tool to help banks assess the adequacy of their cybersecurity preparedness, which is described in SR letter 15-9, available at http://www.federalreserve.gov/bankinforeg/srletters/sr1509.htm.
- *Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) compliance*. Although most banks in the District have satisfactory BSA compliance programs, BSA/AML continues to be a significant "hot topic" due to the District's role in the global economy and the array and strategic focus of supervised institutions. BSA/AML risks have increased with California and Nevada's legalization of cannabis last Fall; seven District states now allow recreational or medicinal cannabis use. 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 weak program oversight and ineffective independent tests are also emerging as examination themes.
- *Consumer compliance issues.* In addition to redlining, which was highlighted in prior editions of *First Glance 12L*, overdraft practices have gained attention. Consumer overdraft fees generated about one-third of all deposit service charges nationally (see chart at right), but not without legal, regulatory, and reputational risk. Litigation and/or regulatory action has occurred at banks that used the "available balance method" when assessing overdraft fees, imposed "continuing negative balance" fees on extended overdrafts, or added overdraft balances to loans without customer authorization.
- *Lengthening asset maturities*. Following the financial crisis, many banks increased their holdings of longer-term assets, driven by low short-term interest rates and a relatively steep yield curve. This trend moderated somewhat in the past two years; however, the proportion of longer-dated assets remains elevated. In a rising interest rate environment, longer-term assets are slower to reprice and could mute margin expansion if not appropriately matched, hedged, or managed.

Methods of Attack in Financial Services Industry, 2016



Verizon, *Data Breach Investigations Report*, April 2017; multiple methods may apply to same incident/breach.

Service Charges on Domestic Deposits, 1Q17



*Consumer related fees only; Limited to banks with total assets > $1 billion.

FRB-SF

Hot Topics: Areas We are Monitoring Most Closely

- *Quality of loan growth*. The District's average annual net loan growth continued to outpace the national average in several District states. Economic expansion played a role, as did commercial property price appreciation. However, some growth may have come by virtue of relaxed underwriting. Recent credit performance has been good, but now is a critical time in the credit and economic cycle for bankers to maintain lending discipline and enhance risk management practices.

- *Commercial real estate lending concentrations*. CRE (i.e., nonfarm-nonresidential, multifamily, C&LD, and non real estate-secured CRE-purpose) loan concentrations to capital declined during the recession, but have edged higher since 2013, and averages were at or above the U.S. average across most District states (see table at right). Loan concentration levels, combined with potential competitive easing of underwriting standards and elevated property prices increase regulatory concern. A rising interest rate environment could negatively impact debt service coverage ratios on variable-rate commercial mortgages and pressure commercial property price appreciation. Given the increasing risks, lenders should review CRE risk management guidance, including the 2015 *Interagency Policy Statement on Prudent Risk Management for Commercial Real Estate Lending* (SR letter 15-17 available at http://www.federalreserve.gov/bankinforeg/srletters/sr1517.htm).

- *Nonmaturity Deposit (NMD) risk management*. NMDs (traditionally viewed as "core" deposits) have become an increasingly important source of funding for most institutions. While these products proved inexpensive in a low-rate environment, these funds may disintermediate or transition to higher-cost deposit products in a rising interest rate environment. During the last economic expansion and rate tightening cycle (2004-2006), the mix of bank funding shifted away from NMDs and toward higher-cost time deposits and borrowings as growth in NMDs lagged loans.

- *Balancing overhead expense pressures with risk management requirements*. Asset growth has led to some economies of scale and improved efficiency ratios have helped boost profitability. There is a regulatory concern that banks may not be devoting sufficient resources to back-office operations, internal controls, and compliance programs commensurate with their increasing size and complexity.

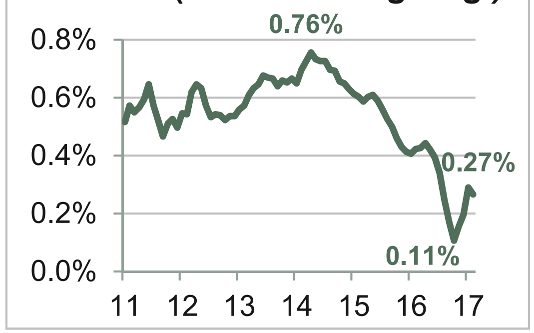
- *Financial technology (fintech) opportunities and threats*. Depository institutions have increasingly partnered with fintech companies, and with marketplace lenders in particular. Given the different origination and underwriting methods that consumer fintech lenders may use, banks should closely evaluate transactions for credit risk, fair lending, and unfair/deceptive acts or practices, especially since credit decisions may use nontraditional data sources. Data from Orchard Platform's U.S. Consumer Online Lending Index suggests that online consumer lending returns (derived from yields, loan price changes, re/prepayments, and chargeoffs) have edged down as the industry has matured. Returns sank in late 2016 as a result of increased chargeoffs and lower average loan yields.

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

	2007-17**	Mar-17
Nevada	526%	405.1%
Oregon	490%	376.5%
California	440%	371.9%
Washington	482%	357.0%
Arizona	572%	364.7%
Idaho	359%	265.3%
Alaska	343%	265.3%
Utah	408%	224.8%
Hawaii	215%	199.5%
Nation	231%	199.6%

**Trimmed means; includes owner-occupied ; **March of each year*

Online Consumer Loan Returns (*3-Mo. Moving Avg.)*



Orchard Platform U.S. Consumer Online Lending Index Returns

Section 1
Economic Conditions

Job Growth

Business Optimism

Export Activity

Housing Market Metrics

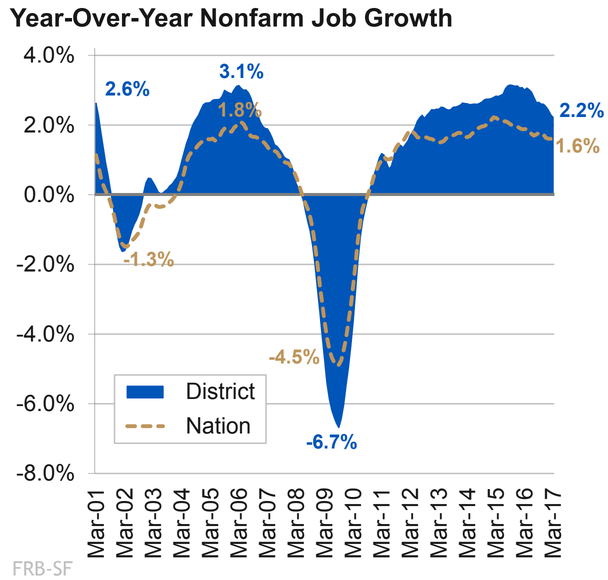
Commercial Real Estate Market Conditions

For more information on the District's real estate markets and economy, see:
Real Estate Lending Risks Monitor
(http://www.frbsf.org/banking/publications/real-estate-lending-risks-monitor/)
Banks at a Glance
(http://www.frbsf.org/banking/publications/banks-at-a-glance/)

For more information on the national economy, see:
FRBSF FedViews
(http://www.frbsf.org/economic-research/publications/fedviews/)
FOMC Calendar, Statements, & Minutes (https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm)

District Job Growth was Solid But Continued to Decelerate; Construction Remained Fastest-Growing Sector

Economy



Job Growth by Sector 12th District

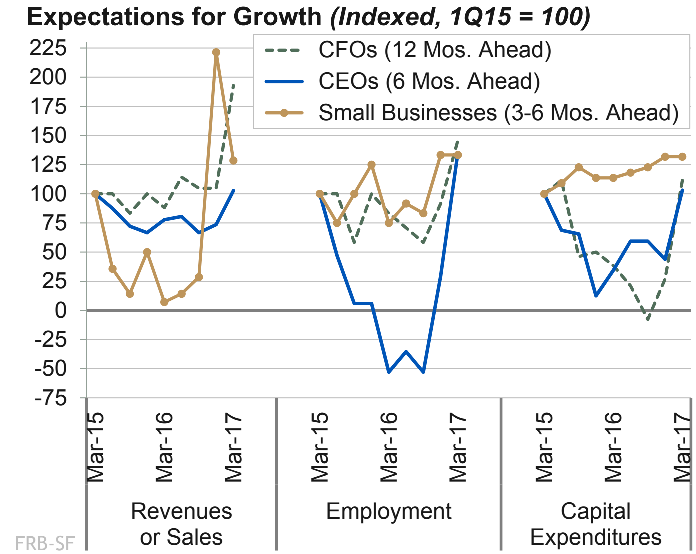
Job Sector	1-Yr % Change 2007-17*	1-Yr % Change 1Q 2017
Construction		4.40%
Educ. & Health Svcs.		3.39%
Transport. & Utilities		3.03%
Leisure & Hospitality		2.92%
Financial Activities		2.59%
Information		2.58%
Prof. & Business Svcs.		2.02%
Government		1.78%
Wholesale Trade		1.77%
Other Private		1.51%
Retail Trade		1.42%
Manufacturing		-0.32%
Total		2.22%

Note: Construction sector includes mining in HI; Information sector excludes HI and NV.

Based on average nonfarm payroll levels over trailing three months; data are preliminary estimates; *year-over-year change in sector table as of first quarter in each year. Source: Bureau of Labor Statistics via Haver Analytics.

Will Higher Business Owner & Executive Optimism Translate into Increased Job Growth/Capital Outlays?

Economy



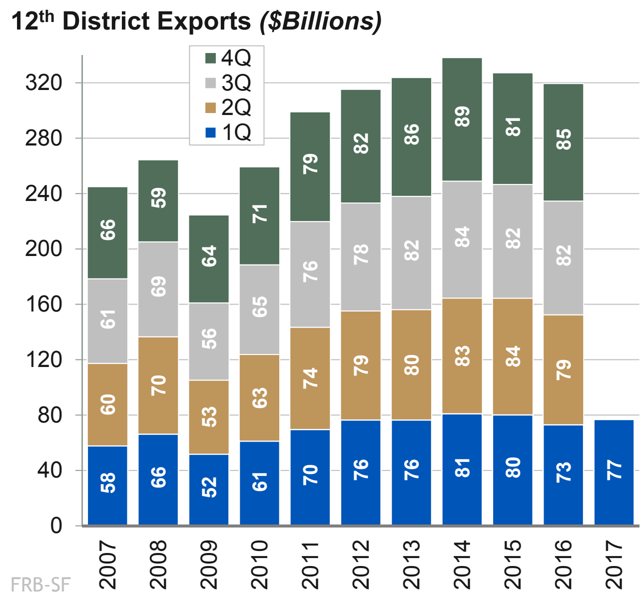
Share of Surveyed U.S. CFOs Rating Issue as a Top Concern in 1Q17

Concern Category	All Industries	Financial Services
Government Policies	39%	38%
Economic Uncertainty	35%	32%
Attract / Retain Staff	33%	15%
Cost of Benefits	33%	32%
Regulatory Requirem't.	33%	57%
Data Security	22%	45%
Weak Demand	22%	13%

Sources: CFOs = Duke University's Fuqua School of Business / CFO Magazine Business Outlook Survey (based on expected growth rate 12 months from now); CEOs = Business Roundtable CEO Economic Outlook Survey (based on net share expecting increase); Small Businesses = National Federation of Independent Business Small Business Economic Trends Survey (based on net share expecting increase); indexed by FRBSF.

District Export Volumes Declined Modestly Since 2014, But Strengthened in the Past Two Quarters

Economy



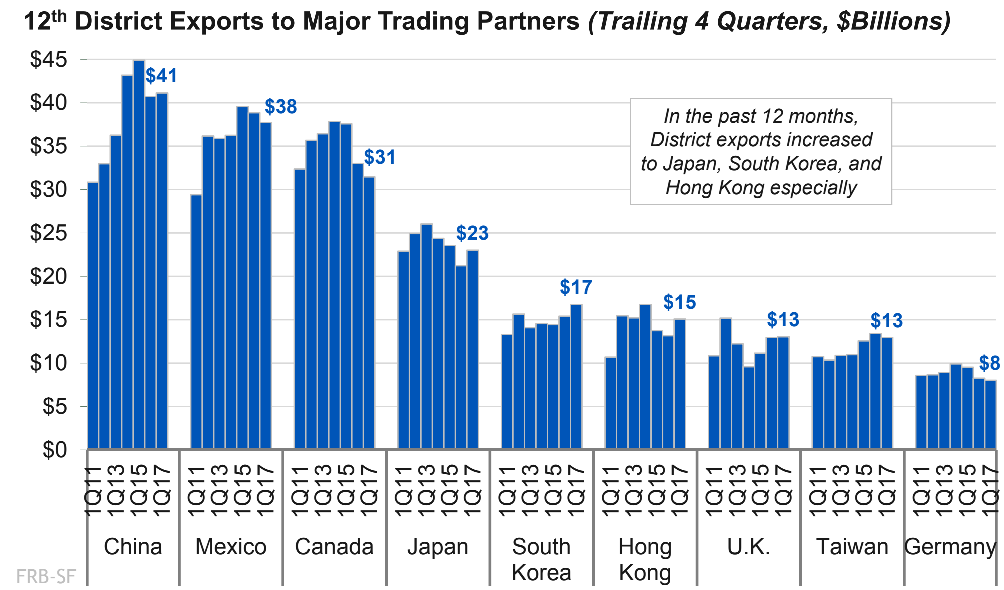
Year-Over-Year Change in Exports & Share of GSP
Based on Trailing 4-Quarter Data

	Exports $, 2007-17 (12 Mos. Ending Mar.)	1-Year Change (12 Mos. Ending Mar-17)	Exports/ GSP (12 Mos. Ending Mar-17)*
AK		-4.62%	8.53%
AZ		1.01%	7.33%
CA		2.74%	6.43%
HI		-33.43%	1.37%
ID		7.51%	6.95%
NV		17.88%	7.03%
OR		13.99%	9.92%
UT		-6.90%	7.75%
WA		-5.38%	16.73%
12L		1.00%	7.87%
Nation		0.09%	8.01%

Export data based on origin of movement series; *Gross State Product (GSP) based on 4-quarter trailing average through 4Q16. Sources: WISER Trade, Bureau of Economic Analysis via Haver Analytics.

District Exports to Major Asian Trading Partners Increased, But Goods Destined to North American Neighbors Declined

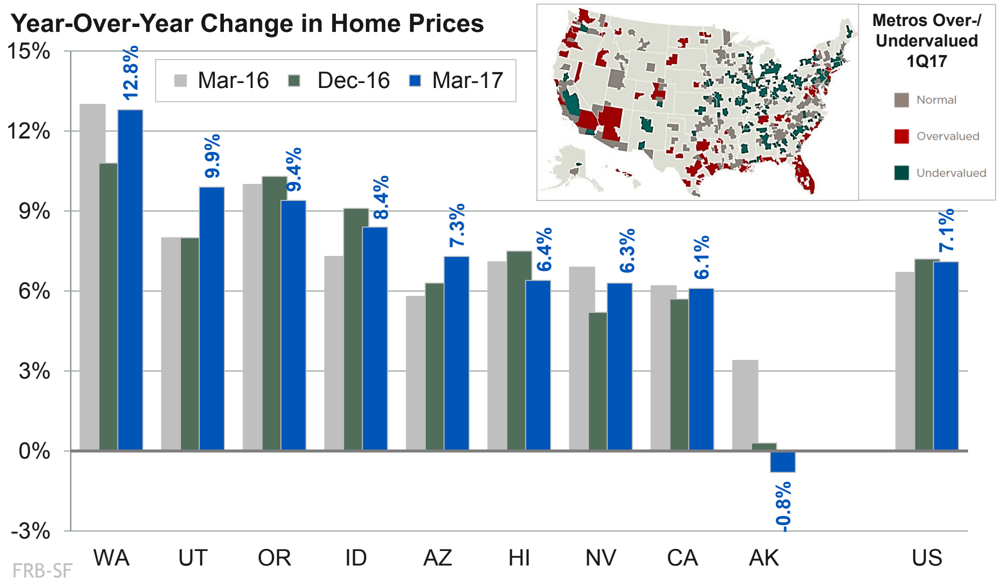
Economy



Export data based on origin of movement series. Source: WISER Trade via Haver Analytics.

Economy

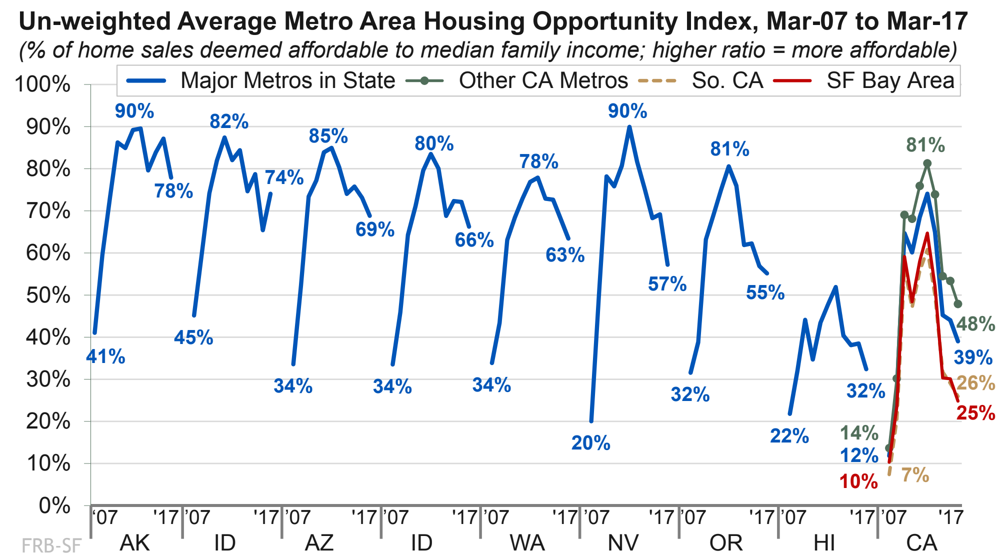
Home Price Gains in WA, UT, OR, and ID Ranked Among the Top 5 Nationally, Several Metros May Be "Overvalued"



An overvalued/undervalued market is defined as having a current Home Price Index at least 10% above/below the "long-term fundamental value" for that market. Source: CoreLogic Home Price Index (includes all detached and attached homes, including distressed sales).

Economy

Continued Home Price Appreciation and Higher Mortgage Rates Crimped Affordability, Especially in California

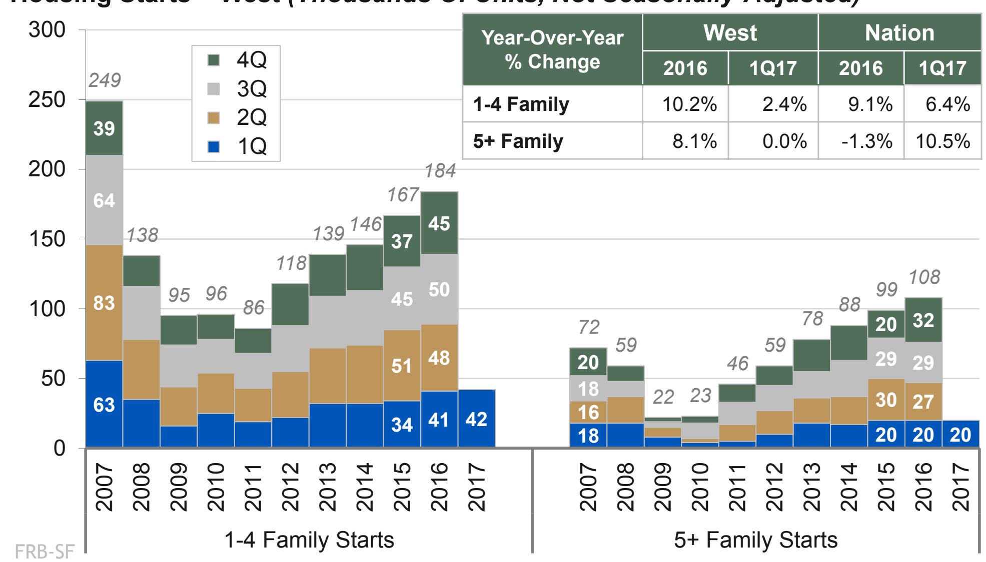


Assumes median income, 10% down payment, ratio of income-to-housing costs (principal, interest, taxes, and hazard insurance) of 28%, and a fixed-rate, 30-year mortgage; So. CA = Los Angeles, Orange, Riverside-San Bernard., San Diego, and Ventura metros; SF Bay Area = San Francisco, Oakland, San Jose, Napa, Vallejo, and Santa Cruz metros. Sources: National Association of Homebuilders/Wells Fargo, Federal Reserve Bank of San Francisco.

Economy

Regional 1-4 Family Starts Were Up Slightly from 1Q16; Multifamily Starts Were Flat Year-Over-Year

Housing Starts – West *(Thousands Of Units, Not Seasonally-Adjusted)*



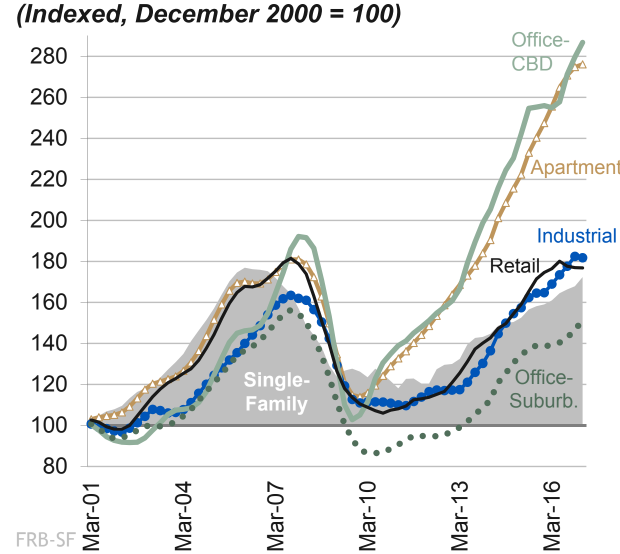
Year-Over-Year % Change	West		Nation	
	2016	1Q17	2016	1Q17
1-4 Family	10.2%	2.4%	9.1%	6.4%
5+ Family	8.1%	0.0%	-1.3%	10.5%

West = 12th District plus CO, MT, NM, and WY. Source: Census Bureau via Haver Analytics.

Economy

Nationally, Commercial Property Price Gains Slowed, Especially Industrial and Apartment; Retail Still Weak

National Real Estate Prices *(Indexed, December 2000 = 100)*



Change in National Property Price Indices

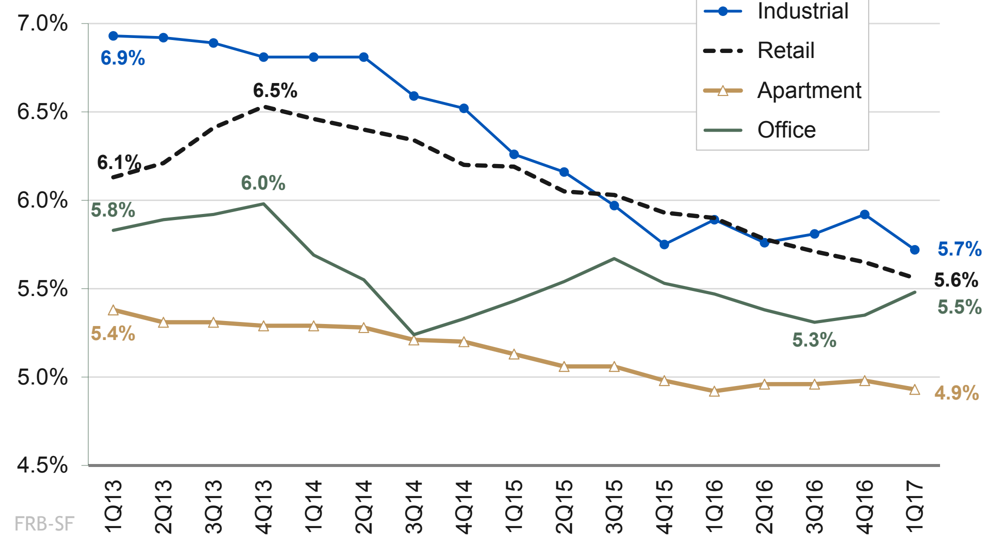
Property Type	1-Qtr.* Change 1Q17	1-Yr. Change 1Q17	Prior Peak to 1Q17
Office - CBD	10.2%	12.5%	49.2%
Office - Suburban	6.5%	7.7%	-4.2%
Apartment	1.9%	8.1%	52.2%
Retail	-0.3%	0.2%	-2.6%
Industrial	-1.5%	7.6%	11.2%
Single-Family	10.8%	7.1%	-2.8%

Based on repeat sales indices; CBD = central business district (downtown); *1-quarter change annualized. Sources: Moody's/RCA (Commercial Property Price Indices); Core Logic (Home Price Index), Federal Reserve Bank of San Francisco.

Economy

Average Capitalization Rates for Most CRE Sectors in the West Declined in 1Q17; Office Was the Exception

Commercial Real Estate Capitalization Rates – West
(Trailing 12-Month Average %)

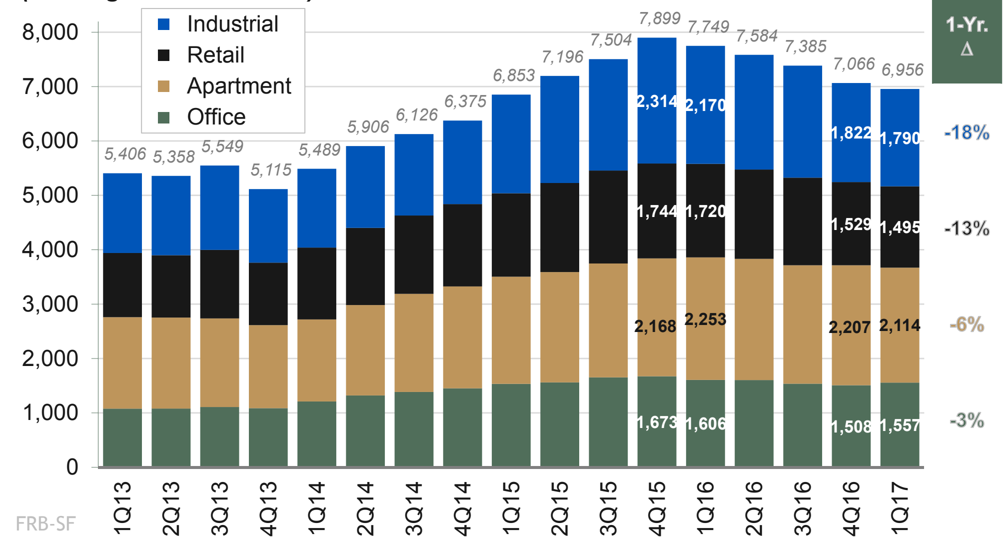


West = AK, CA, HI, MT, NV, OR, UT, WA, WY; limited to property sales > $2.5 million for which capitalization rate data was available. Source: Real Capital Analytics.

Economy

Industrial and Retail Sectors in the West Have Had Double-Digit Shifts in Property Transaction Volumes

Commercial Real Estate Transaction Counts – West
(Trailing 12-Month Total)

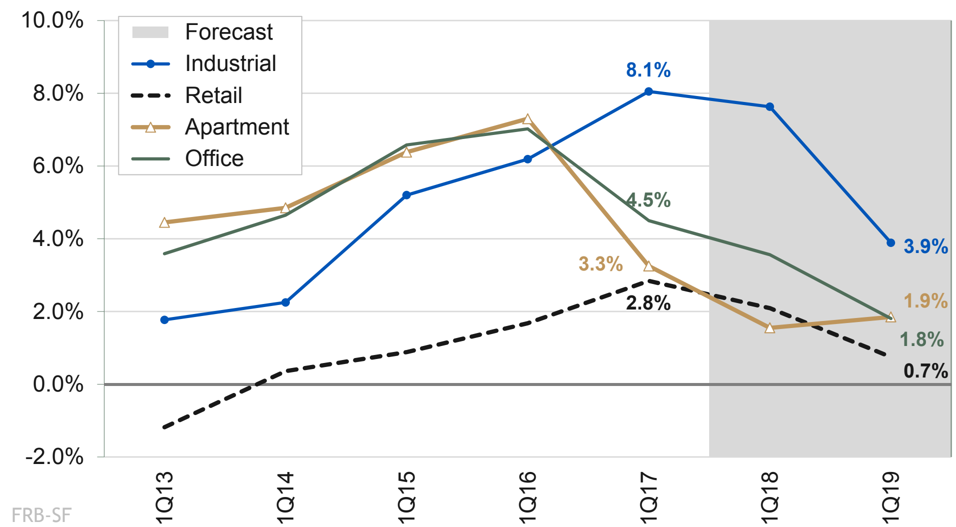


West = AK, CA, HI, MT, NV, OR, UT, WA, WY; limited to property sales > $2.5 million. Source: Real Capital Analytics.

Economy

Aggregate 12th District CRE Rent Growth is Expected to Decelerate in the Coming Years per CBRE

Rent Growth – 12th District
(Year-Over-Year % Change)

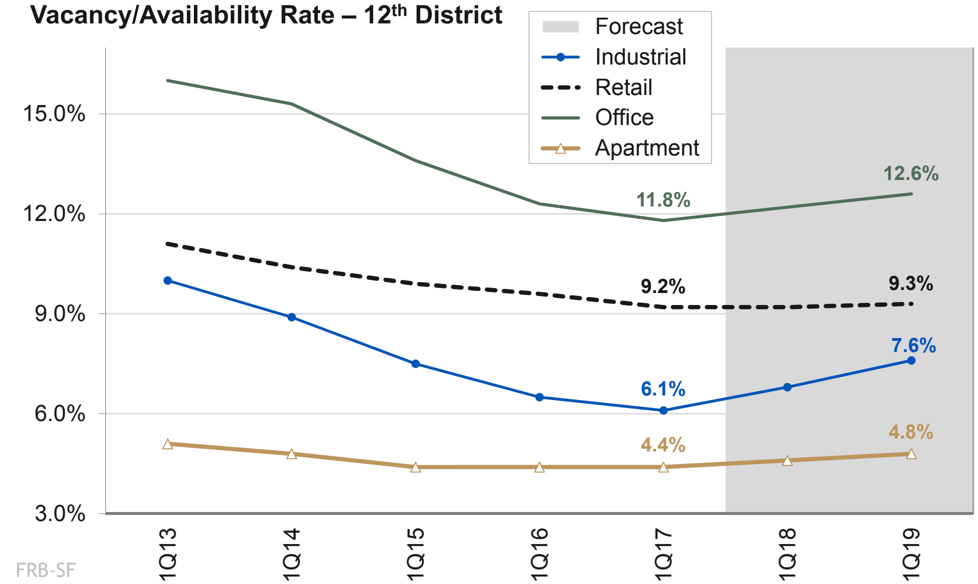


12th District based on aggregates across 15-16 large metropolitan areas; retail data relates to neighborhood and community centers only. Source: CBRE Econometric Advisors.

Economy

CBRE Forecasts Also Suggest Aggregate 12th District Vacancy/Availability Rates May Drift Higher

Vacancy/Availability Rate – 12th District



12th District based on aggregates across 15-16 large metropolitan areas; apartment vacancy based upon number of units; retail data relates to neighborhood and community centers only. Source: CBRE Econometric Advisors.

Section 2
Commercial Bank Performance

Earnings

Provisions and Loan Loss Allowances

Loan Growth and Underwriting

Credit Quality

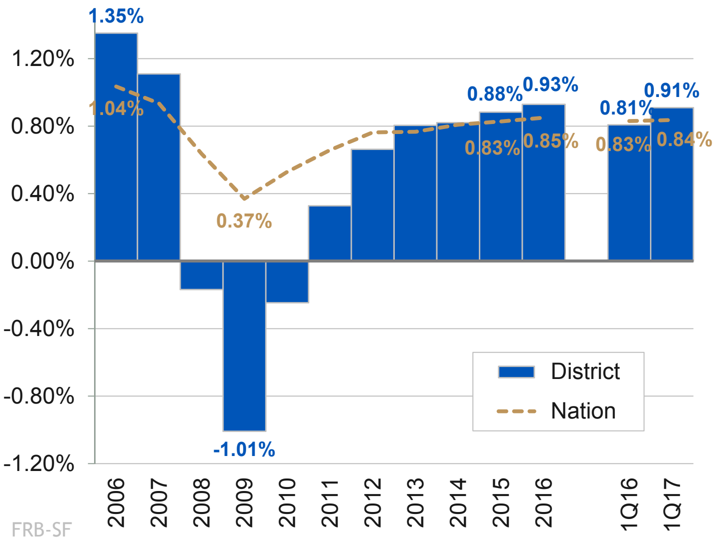
Liquidity and Interest Rate Risk

Capital

Note: Bank size groups are defined as very small (<$1B), small ($1B-$10B), mid-sized ($10B-$50B), and large (>$50B) banks. The large bank group covers nationwide banks (a larger statistical population), while the other three groups cover 12th District banks.

First Quarter Profits Increased Year-Over-Year, Primarily from Lower Noninterest Expense Ratios

Average YTD ROAA *(Adjusted for Subchapter S Filers*)*



Average Profit Component as % of Average Assets 12th District
(Expenses = Negative Values)

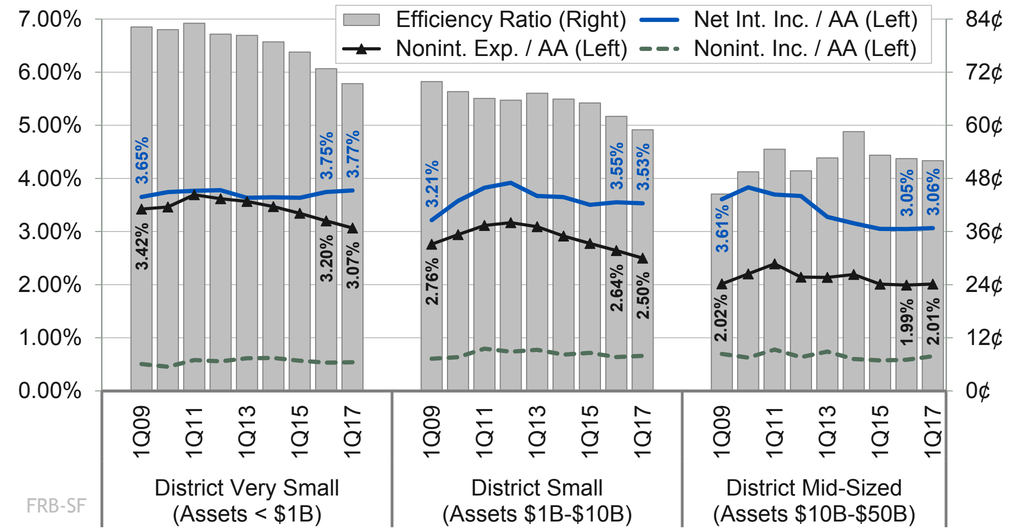
Profit Component	1Q16	1Q17
Interest Income	3.97	3.98
Interest Expense	(0.29)	(0.30)
Net Int. Income	3.66	3.67
Nonint. Income	0.56	0.58
Nonint. Expense	(3.03)	(2.87)
Provision Expense	(0.05)	(0.05)

Average = trimmed mean; YTD = year-to-date (annualized); ROAA = return on average assets (net income / average assets), *adjusted for Subchapter S filers (theoretical tax expense deducted for comparability).

Smaller Bank Efficiency Ratios Compared Unfavorably to Mid-Sized Banks, But They Improved Significantly

Average YTD Income or Expense — Average Efficiency Ratio

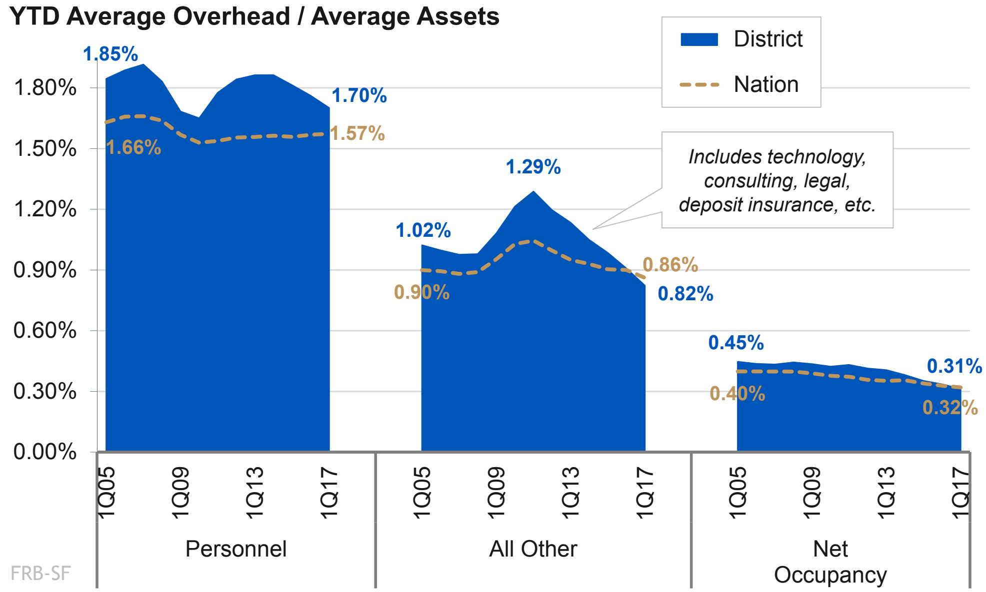
(Cost to produce $1 of revenue; lower = more efficient)



Average = trimmed mean; YTD = year-to-date (annualized); AA = average assets; efficiency ratio = net interest income + noninterest income / noninterest expense.

Personnel Expenses Continued to Drive Most of the Disparity Between District and Nation Overhead Ratios

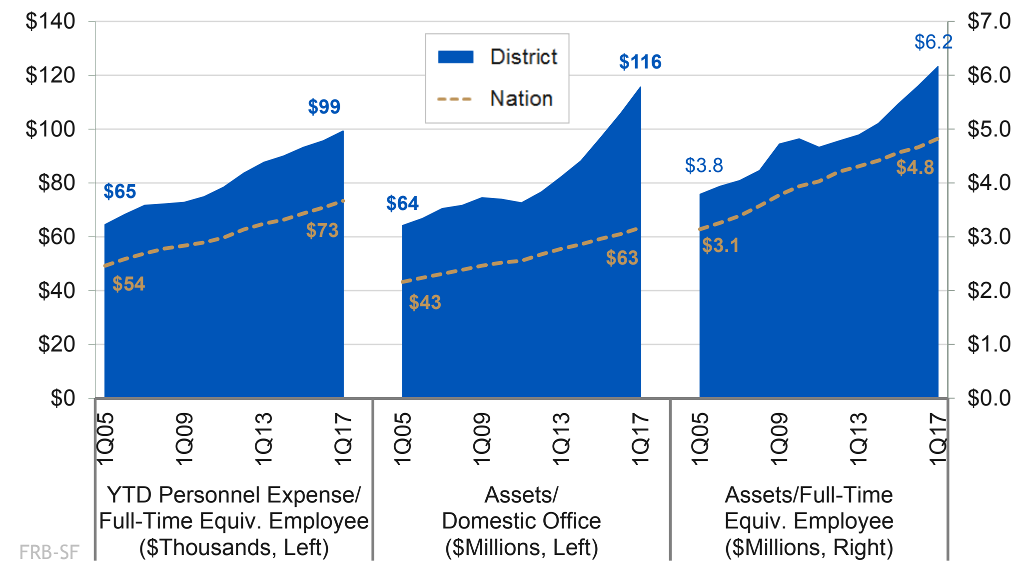
YTD Average Overhead / Average Assets



Average = trimmed mean; YTD = year-to-date (annualized); overhead = noninterest expense; NV excludes credit card and zero-loan banks; growth rates not merger-adjusted.

High Cost of Living Affected District Personnel Expenses; Banks Grew Assets Faster Than Employees and Offices

Average Per Capita FTE Cost & Assets / Office — Average Assets / FTE

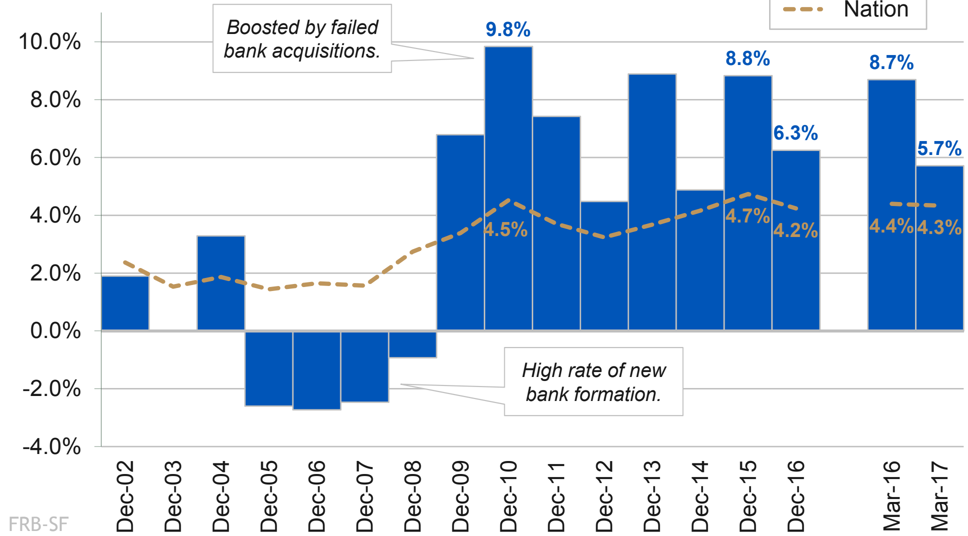


Average = trimmed mean; YTD = year-to-date (annualized); FTE = full-time equivalent employee.

Earnings

Rapid Consolidation in the District Boosted Growth and Economies of Scale; Mergers Slowed in Recent Quarters

Annual Rate of Consolidation Among Commercial Banks
(prior year count – ending count / prior year count)

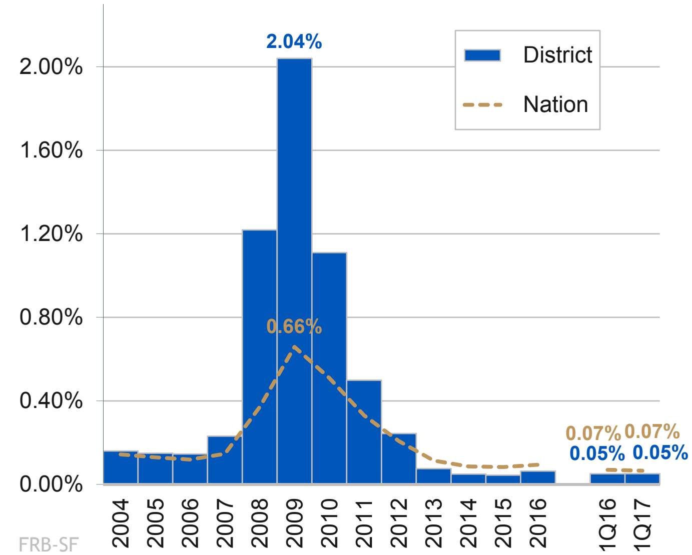


Negative rate denotes new entrants exceeding exits (e.g., high De Novo activity).

Prov. & ALLL

Although Low and Steady Overall, Average District Provision Expense Trends Varied by Bank Size

Average YTD Provision Expense / Average Assets



Average Provision Expense / Average Assets (%)

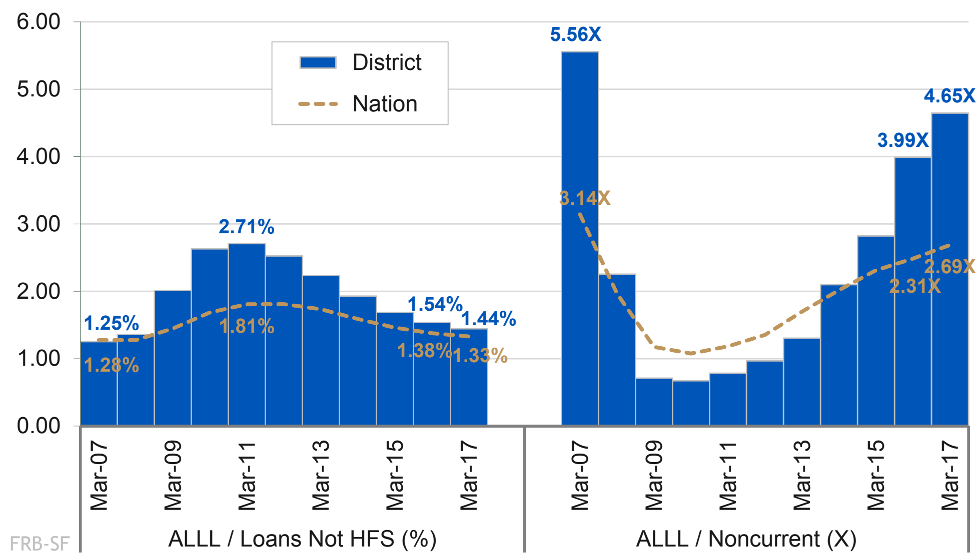
Bank Size	1Q16	1Q17
District Very Small (<$1B)	0.04	0.05
District Small ($1B-$10B)	0.06	0.05
District Mid-Sized ($10B-$50B)	0.05	0.09
Nation Large (>$50B)	0.28	0.18

Average = trimmed mean; YTD = year-to-date (annualized).

Prov. & ALLL

ALLL Increases Continued to Lag Loan Growth; Coverage of Noncurrent Boosted by Lower Delinquencies

Average ALLL Coverage of Loans not HFS (%) and Noncurrent Loans (X)

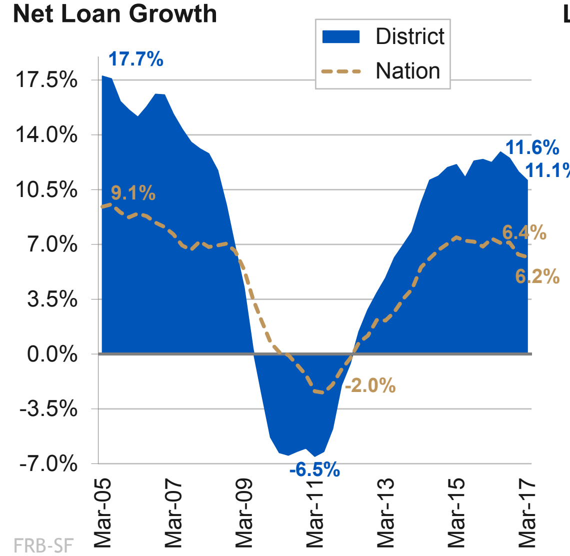


Average = trimmed mean; ALLL = allowance for loan and lease losses; HFS = held for sale; noncurrent = loans past due 90+ days or on nonaccrual status.

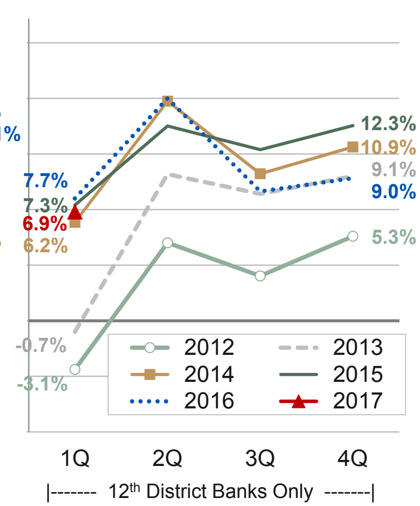
Growth

Average Loan Growth Cooled Further, Both on an Annual and Quarterly Basis

Average Year-Over-Year Net Loan Growth



Average Quarter-Over-Quarter Net Loan Growth (Annualized)

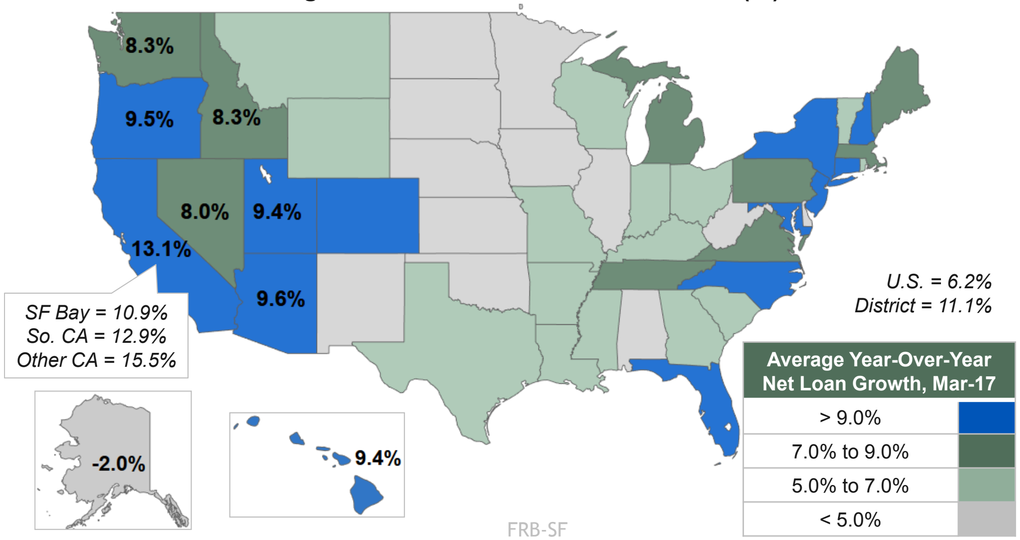


Average = trimmed mean; growth rates are not merger-adjusted.

Growth

Although Decelerating, Most 12th District States Reported Healthy Annual Loan Growth Rates

Average Year-Over-Year Net Loan Growth (%)

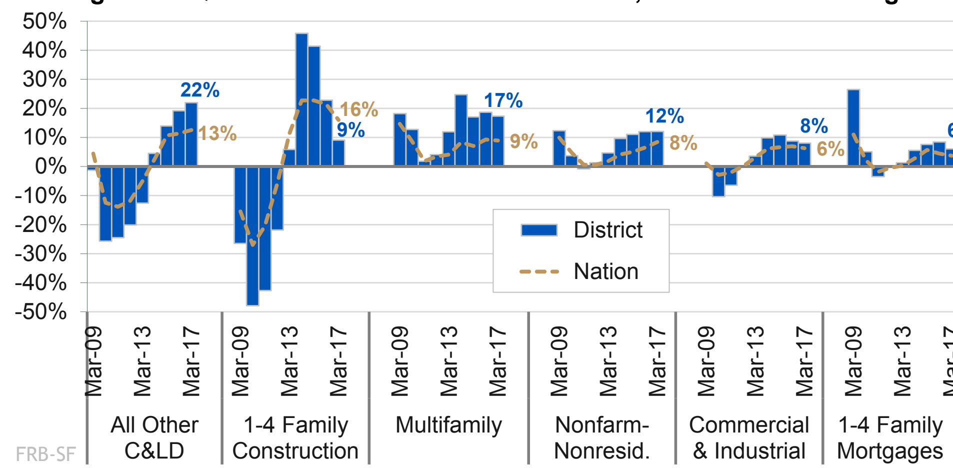


Average = trimmed mean; growth rates are not merger-adjusted; NV excludes zero loan and credit card banks. SF Bay = 42 banks based in San Francisco-San Jose Consolidated Statistical Area (CSA); So. CA = 82 banks based in Los Angeles CSA + San Diego Metropolitan Statistical Area; Other CA = 39 banks based in all other California counties.

Growth

1-4 Family Construction Slowed Notably; Other C&LD and Multifamily Loan Growth Very Strong

Average First Quarter Year-Over-Year Loan Growth, Selected Loan Categories



Memo: Average Concentration to Total Capital, Mar-17

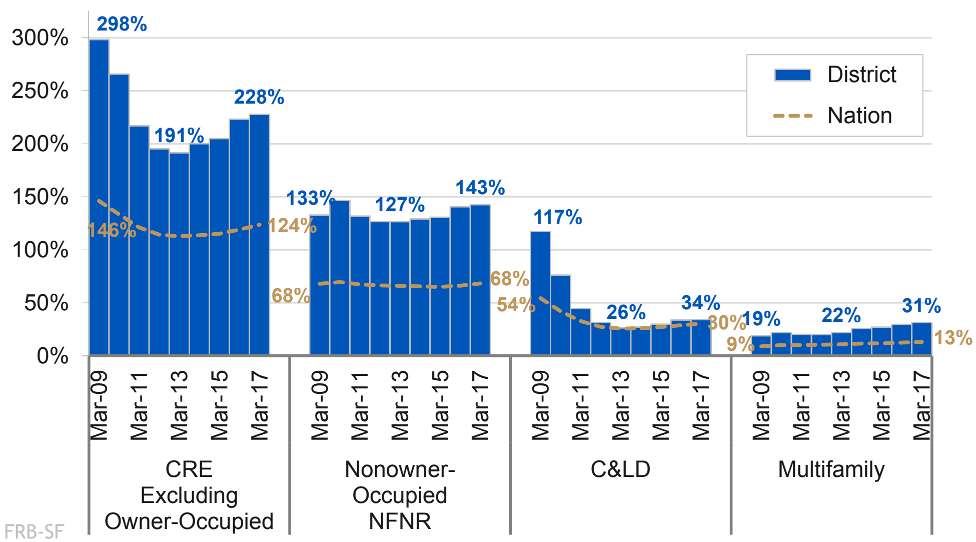
	All Other C&LD	1-4 Family Construction	Multifamily	Nonfarm-Nonresid.	Commercial & Industrial	1-4 Family Mortgages
District	22.13	9.45	31.37	260.13	88.42	79.51
Nation	18.45	9.59	13.06	142.86	71.45	138.91

Average = trimmed mean; growth rates are not merger-adjusted; C&LD = construction and land development; nonfarm-nonresidential includes mortgages with owner-occupied collateral.

Growth

Nonowner-Occupied CRE Loan Concentrations Increased, with Upticks in All Major Categories

Average CRE Concentrations to Total Capital

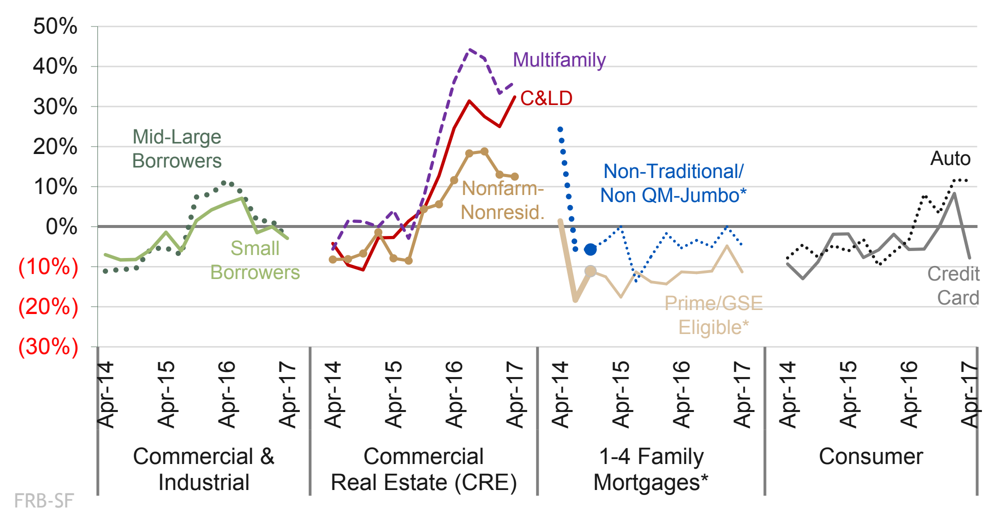


Average = trimmed mean; Commercial Real Estate (CRE) Excluding Owner-Occupied = nonowner-occupied nonfarm-nonresidential (NFNR), construction and land development (C&LD), multifamily, and other CRE-purpose loans.

Growth

Although CRE Portfolios Expanded, Lenders Reported Tightened Standards in Recent Quarters

Net % of Lenders Reporting Tighter (Easier) Standards vs. 3 Months Prior

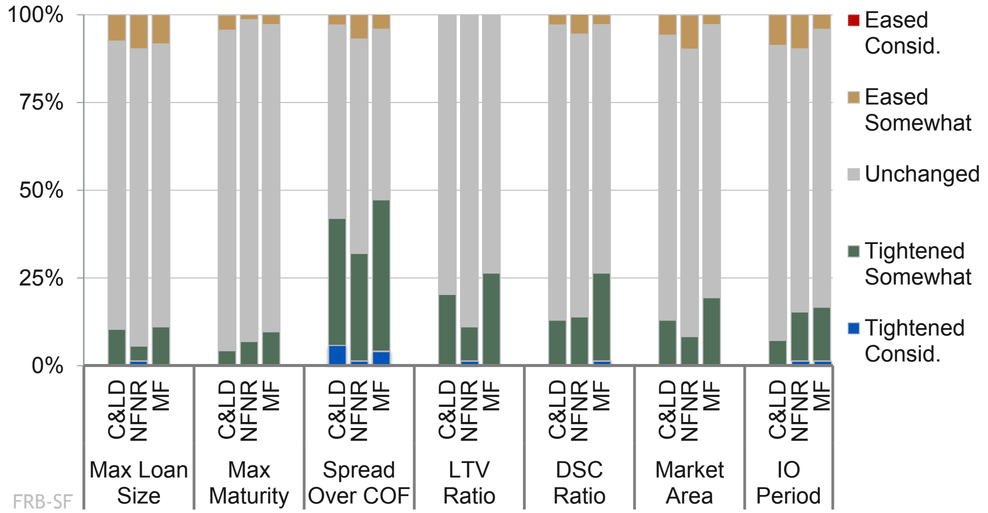


Based on a sample of loan officers at domestic banks (number varies by period and loan type); C&LD = construction and land development; *beginning January 2015, 2 categories were replaced with 6 based on GSE eligibility, qualifying mortgage (QM) status, and size (making comparisons imperfect). Source: Federal Reserve Senior Loan Officer Opinion Survey (http://www.federalreserve.gov/BoardDocs/snloansurvey/).

Growth

CRE Tightening Since April 2016 Was Generally Seen in Pricing, LTV, and/or DSC Ratios

Share of Respondents Changing CRE Lending Standards During Prior 12 Mos.

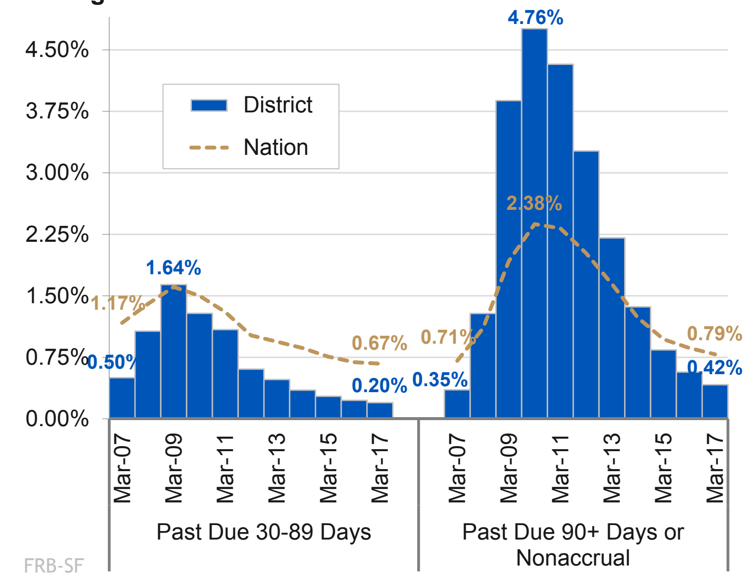


Based on sample of loan officers at 72 domestic banks in April 2017; C&LD = construction and land development; NFNR = nonfarm-nonresidential mortgages; MF = multifamily; COF = cost of funds; LTV = loan-to-value; DSC = debt service coverage; IO = interest only; Source: Federal Reserve Senior Loan Officer Opinion Survey, April 2017.

Credit Quality

Early-Stage and Severe Delinquency Ratios Improved; Overall Past Due Rates Declined Across Major Categories

Average Past Due or Noncurrent / Gross Loans & Leases



Average Past Due 30+ Days or Nonaccrual / Gross Loans 12th District

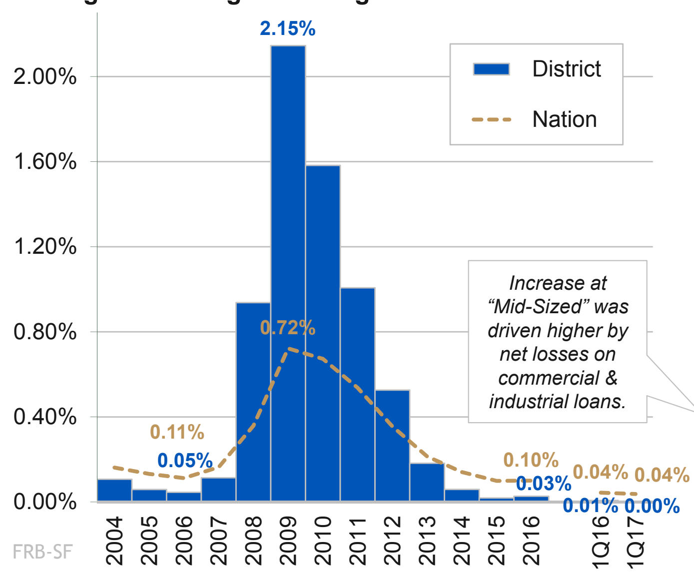
Loan Type	Mar-16	Mar-17
C&I	0.87	0.73
1-4 Family Mortgages	0.77	0.71
Nonfarm-Nonresid.	0.59	0.35
Owner-Occupied	*0.61*	*0.43*
Nonowner-Occupied	*0.30*	*0.15*
Consumer	0.31	0.28
C&LD	0.40	0.23

Average = trimmed mean; loans past due 30-89 days are delinquent but still accruing interest; noncurrent = loans past due 90+ days or on nonaccrual status.

Credit Quality

Average First Quarter Net Chargeoffs Were Negligible at "Very Small" Banks; Modest Increase at Other Banks

Average Net Chargeoffs / Avg. Loans and Leases



Average Net Chargeoffs (Recoveries) / Average Loans (%)

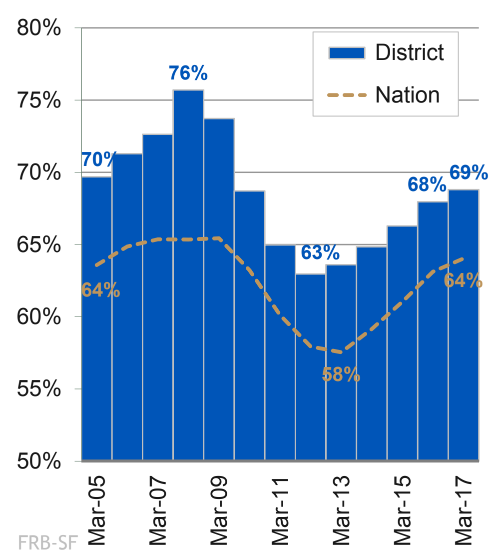
Bank Size	1Q16	1Q17
District Very Small (<$1B)	0.00	(0.01)
District Small ($1B-$10B)	0.01	0.02
District Mid-Sized ($10B-$50B)	0.03	0.12
Nation Large (>$50B)	0.30	0.31

Average = trimmed mean; year-to-date annualized.

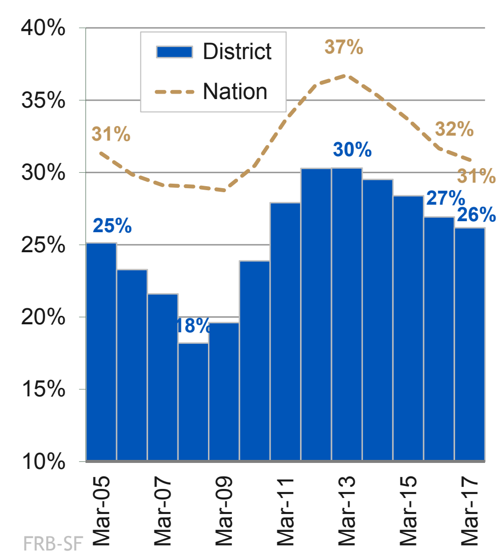
Liquidity

Loan-to-Asset Ratios Edged Higher; Share of Assets Held in Liquid Instruments & Securities Eased Slightly

Net Loans and Leases / Assets*



Securities & Liquid Invest. / Assets*

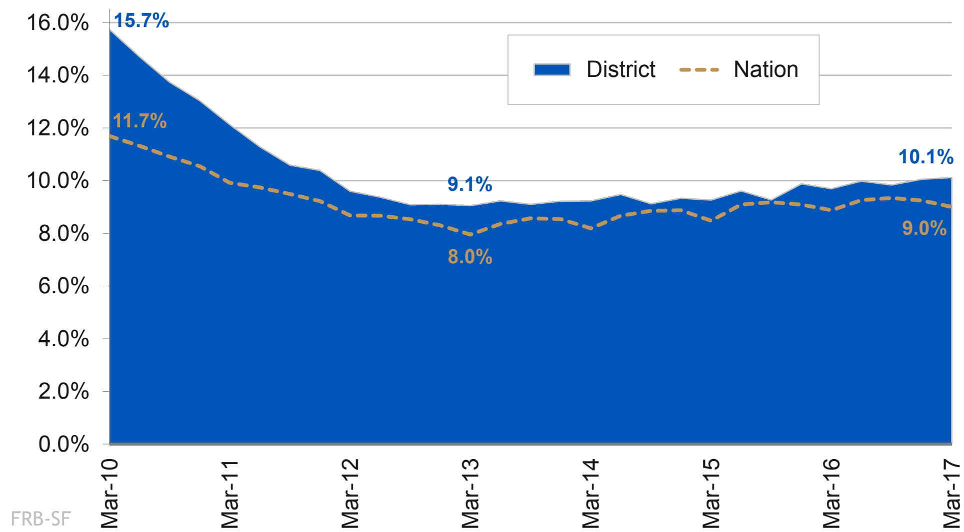


*All data are averages (trimmed means); liquid investments = cash, due from balances, and Federal funds sold & securities purchased under agreements to resell.

Liquidity

District Noncore Funding Increased Slightly in Relation to Assets

Avg. Noncore Liabilities / Total Assets

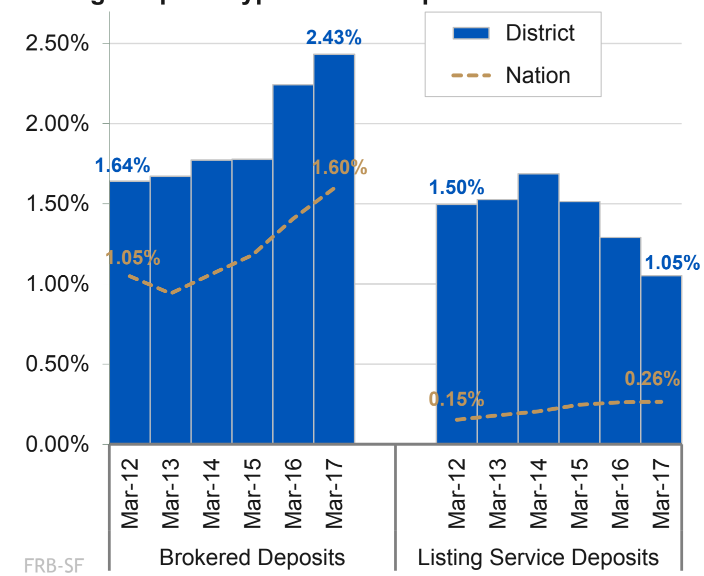


Average = trimmed mean; Noncore liabilities = sum of borrowings (Federal funds purchased, repurchase agreements, and other borrowed money), foreign deposits, certificates of deposit > $250K and brokered deposits < $250K.

Liquidity

Brokered Deposit Reliance Ticked Up, While the Share of Deposits Obtained Through Listing Services Declined

Average Deposit Type to Total Deposits



Average Brokered + Listing Service Deposits / Total Deposits

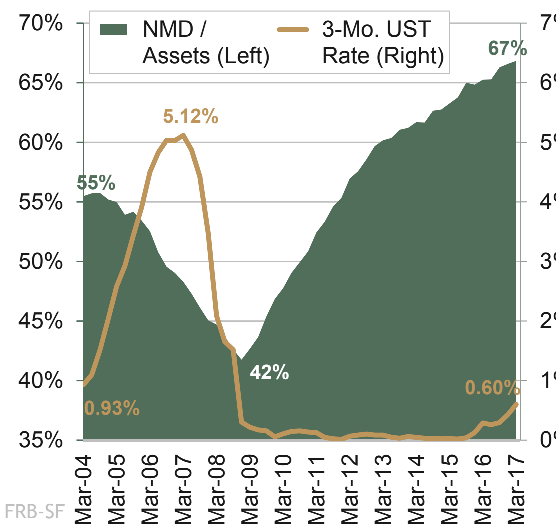
Federal Reserve District	Mar-12	Mar-17
Boston	5.06	7.92
New York	2.55	5.93
San Francisco	4.62	4.73
Richmond	4.52	3.61
Philadelphia	1.87	3.06
Kansas City	1.25	2.72
Chicago	2.21	2.70
Minneapolis	1.66	2.47
St. Louis	1.34	2.22
Atlanta	2.66	2.17
Cleveland	0.95	1.90
Dallas	0.40	0.78
Nation	1.90	2.59

Average = trimmed mean.

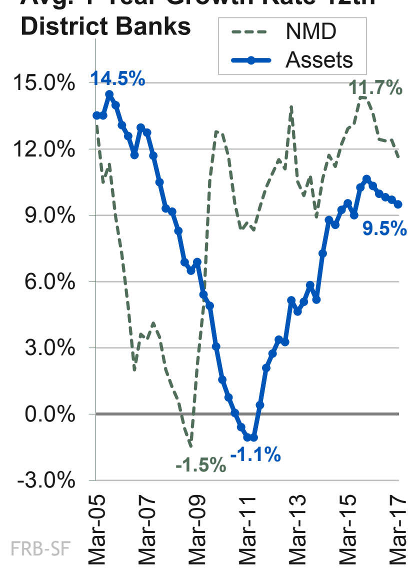
Liquidity

Nonmaturity Deposit Growth Has Slowed Since Late 2015 But Continued to Outpace Asset Growth

Avg. NMD / Assets 12th District Banks **Qtly. Avg. 3-Month U.S. CM UST Rate**



Avg. 1-Year Growth Rate 12th District Banks

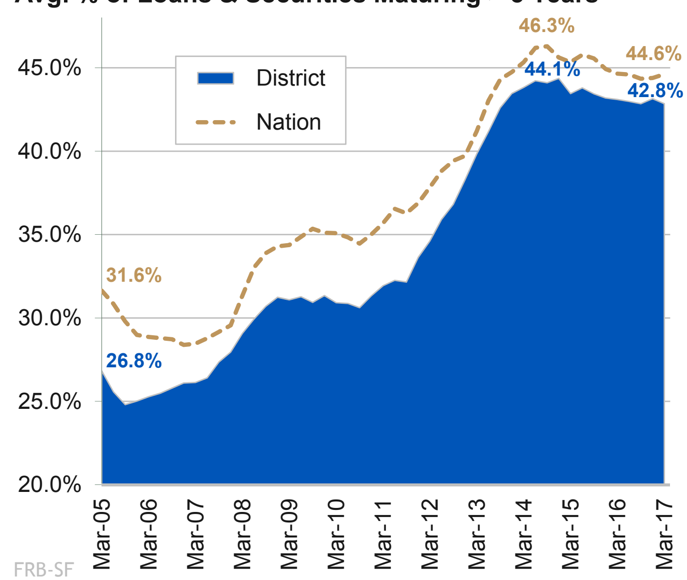


Average = trimmed mean (excluding Constant Maturity (CM) U.S. Treasury (UST) Rate); NMD (nonmaturity deposits) = transaction, money market, and savings accounts. Source: U.S. Treasury Rate from Federal Reserve via Haver Analytics.

Liquidity

Banks Maintained Exposures to Assets With Longer Repricing Intervals

Avg. % of Loans & Securities Maturing > 3 Years



Average Loans & Securities > 3 Years / Assets (%)

	2004-17*	Mar-17
AK		54.8%
OR		52.3%
HI		48.4%
WA		46.7%
AZ		46.2%
NV		45.8%
CA		42.9%
ID		33.4%
UT		30.5%
Nation		44.6%

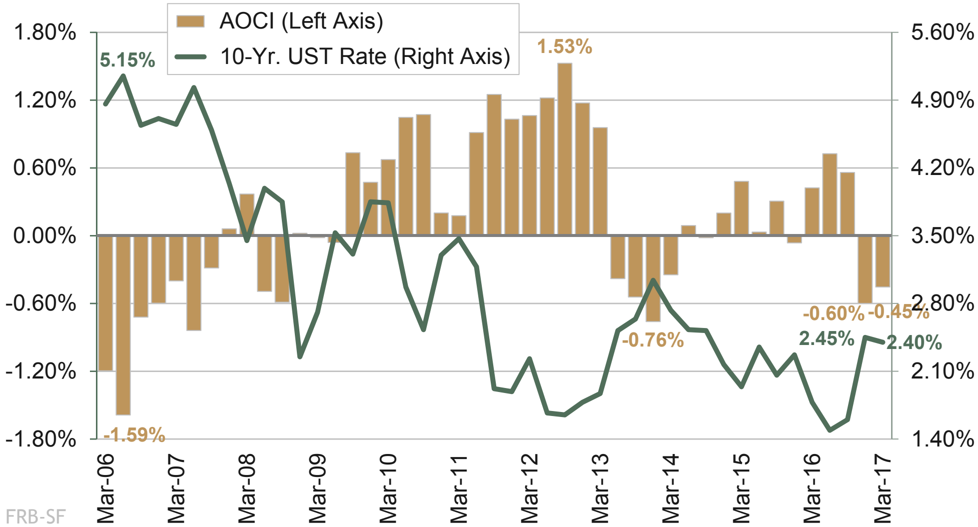
Average = trimmed mean; *March of each year; NV excludes credit card and zero-loan banks.

Liquidity

Net Unrealized Losses on AFS Securities Abated in Response to Dip in Long-Term Interest Rates

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

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

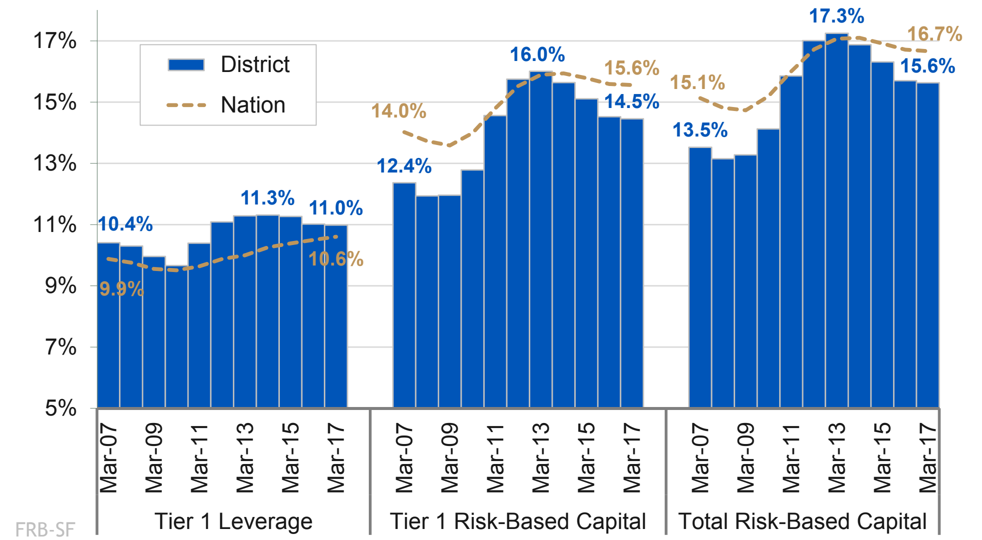


Average = trimmed mean; accumulated other comprehensive income (AOCI) includes net unrealized gains/losses on available-for-sale (AFS) securities. Source: Constant Maturity (CM) U.S. Treasury Rate from Federal Reserve/Haver Analytics.

Capital

Regulatory Capital Ratio Decline Slowed; Rule Changes, Growth, and Shifts in Asset Mix Fed the Trend Since 2013

Average Regulatory Capital Ratios

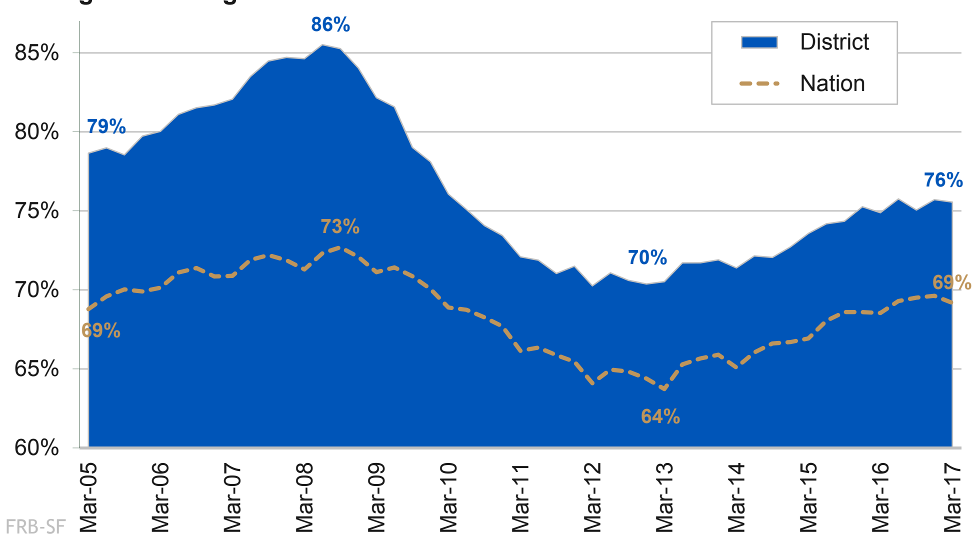


Average = trimmed mean; new risk-based capital rules that became effective March 2015 for most banks (March 2014 for some larger/more complex banks) included the phase out of some capital instruments and the introduction of higher risk weights on some asset and off balance sheet commitment categories.

Capital

Risk-Weighted Assets Flattened as a Share of Assets, Suggesting a Slower Rotation into High Risk Assets

Average Risk-Weighted Assets / Total Assets

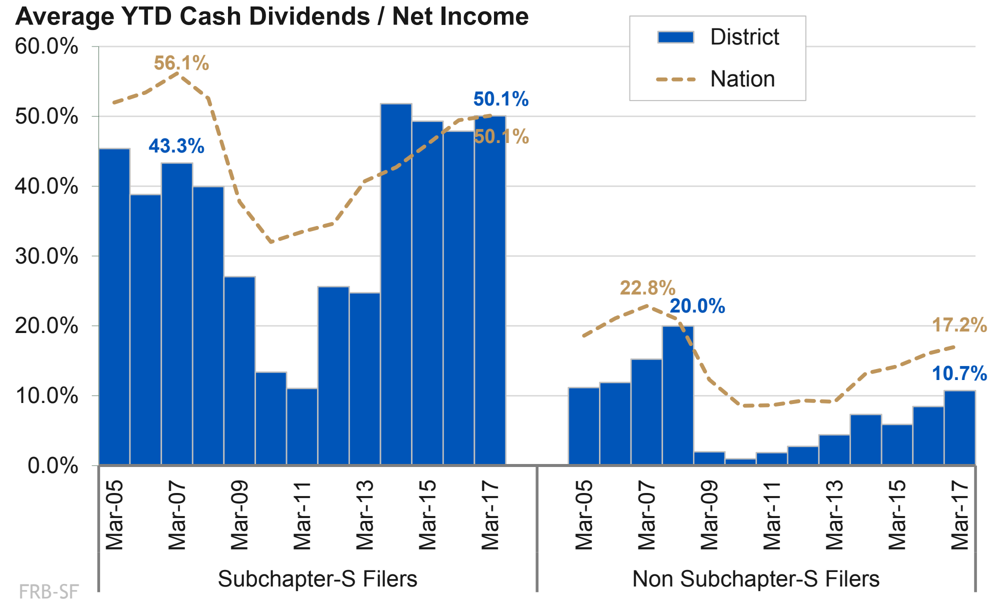


Average = trimmed mean; Risk-Weighted Assets are weighted according to regulatory risk-based capital rules in effect as of the report filing date (weights generally reflect perceived credit risk); includes off-balance sheet values subject to credit conversion and risk weighting.

Capital

Dividend Payout Ratios Increased Among Both Subchapter-S and Non Subchapter-S Filing Banks

Average YTD Cash Dividends / Net Income



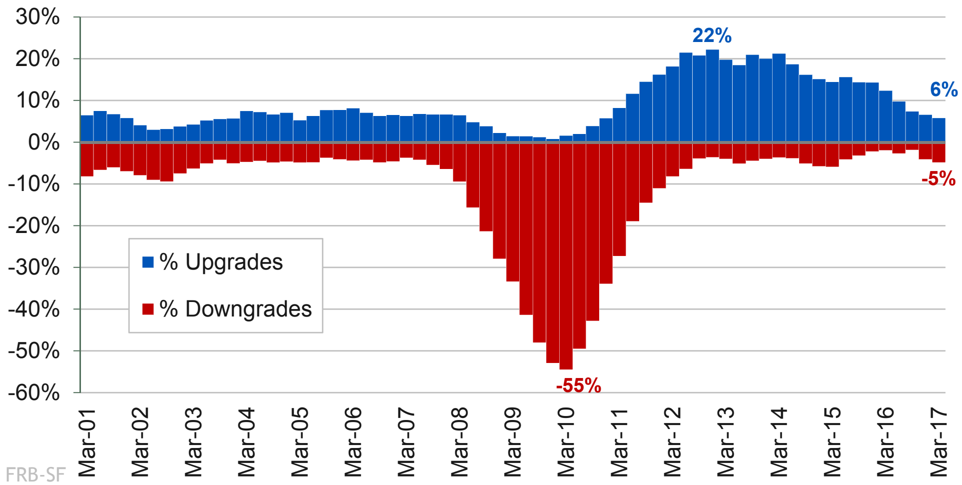
Average = trimmed mean; YTD = year-to-date; Subchapter-S filing banks pay taxes at the shareholder rather than corporate level and typically distribute dividends so that shareholders can cover tax obligations.

Section 3
Commercial Bank Regulatory Ratings & Trends

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

Upgrades Slightly Outpaced Downgrades During the 12 Months Ending March

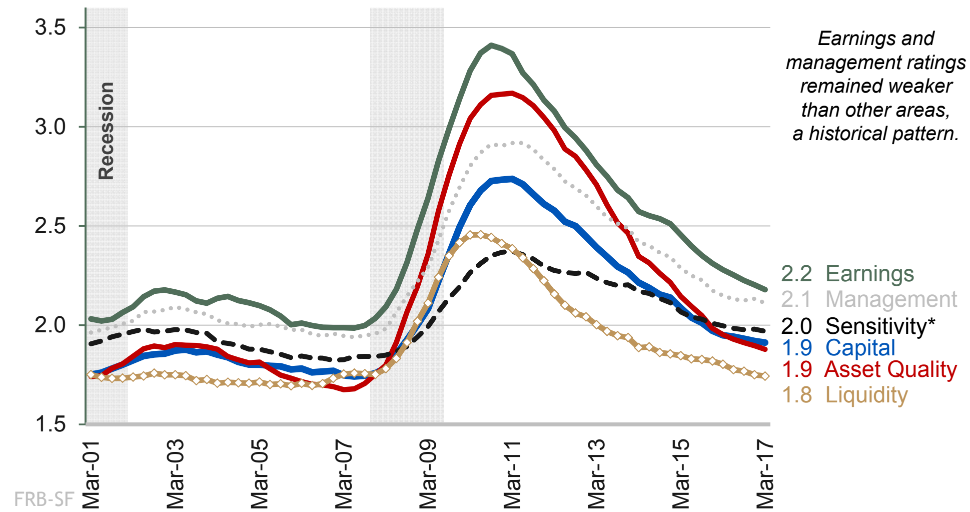
Rolling 4-Quarter Share of 12th District Examinations that Resulted in CAMELS Composite Rating Upgrade or Downgrade
(downgrades shown as negative percentages)



Includes any change in composite CAMELS rating for commercial banks; trailing 4 quarters; based on examination completion dates (mail dates); preliminary first quarter 2017 data updated through 5/15/17.

Average Component Ratings Improved; Year-Over-Year Changes Most Significant for Earnings and Asset Quality

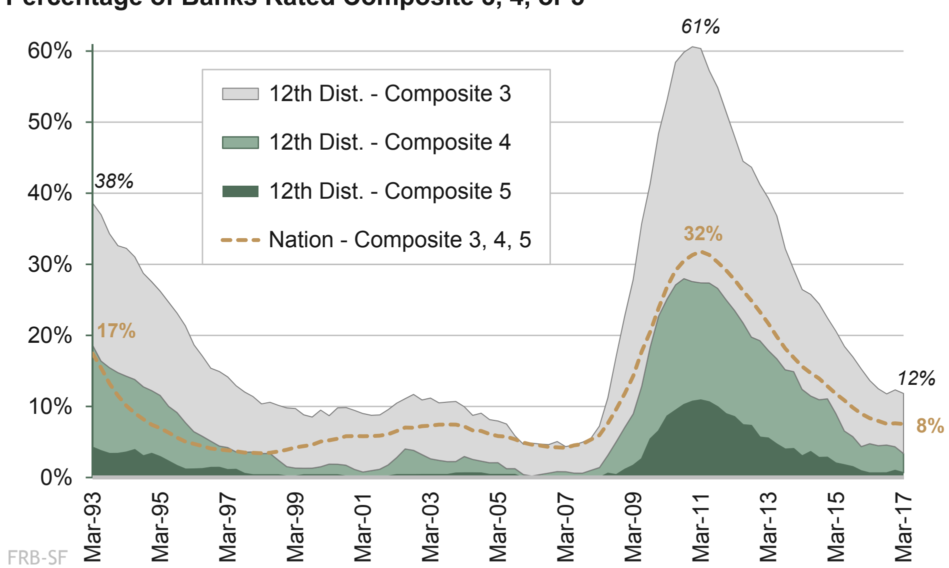
Average CAMELS Component Ratings for 12th District Banks
(1: strong; 2: satisfactory; 3-5: less-than-satisfactory)



Based on examination completion dates (mail dates); preliminary first quarter 2017 data updated through 5/15/17;
*Sensitivity to Market Risk. Sources: Federal Reserve Bank of San Francisco, National Bureau of Economic Research.

The Share of District Banks with Composite Ratings of 3, 4, or 5 Was Relatively Steady, But Still Above Pre-Crisis

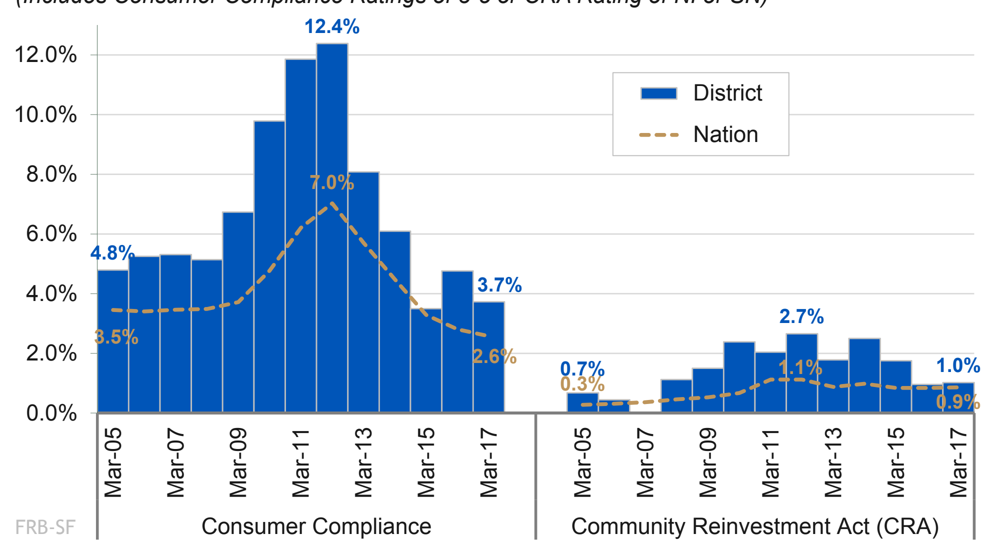
Percentage of Banks Rated Composite 3, 4, or 5



Trends for all commercial banks based on examination completion dates (mail dates); preliminary first quarter 2017 data updated through 5/15/17.

While District Consumer Compliance/CRA Ratings Were Weaker Than Nation, Few Were Less-Than-Satisfactory

Percentage of 12th District Banks with Less-than-Satisfactory Ratings
(Includes Consumer Compliance Ratings of 3-5 or CRA Rating of NI or SN)



Trends for all commercial banks based on examination completion dates (mail dates); NI = Needs to Improve; SN = Substantial Noncompliance; preliminary first quarter 2017 data updated through 5/15/17.

Appendices

Summary of Institutions

Technical Information

Appendix 1: Summary of Institutions

Area	Commercial Banks (De Novos)		Industrial Banks (De Novos)		Savings Institutions (De Novos)	
	Mar-16	*Mar-17*	*Mar-16*	*Mar-17*	*Mar-16*	*Mar-17*
AK	4 (0)	4 (0)	-	-	1 (0)	1 (0)
AZ	17 (0)	16 (0)	-	-	1 (0)	1 (0)
CA	173 (0)	163 (1)	3 (0)	3 (0)	12 (0)	11 (0)
GU	2 (0)	2 (0)	-	-	1 (0)	1 (0)
HI	5 (0)	5 (0)	1 (0)	1 (0)	2 (0)	2 (0)
ID	11 (0)	12 (0)	-	-	1 (0)	1 (0)
NV	9 (0)	9 (0)	4 (0)	4 (0)	2 (0)	2 (0)
OR	22 (0)	20 (0)	-	-	3 (0)	3 (0)
UT	30 (0)	29 (0)	16 (0)	15 (0)	2 (0)	2 (0)
WA	42 (0)	38 (0)	-	-	10 (0)	10 (0)
12L	315 (0)	298 (1)	24 (0)	23 (0)	35 (0)	34 (0)
US	5,260 (4)	5,032 (4)	26 (0)	25 (0)	833 (1)	796 (1)

Based on preliminary first quarter 2017 data.

Appendix 2: Technical Information

General: This report focuses on the financial trends and performance of commercial banks headquartered within the 12th Federal Reserve District ("12L"). 12L includes nine western states: AK, AZ, CA, HI, ID, NV, OR, UT, and WA, as well as Guam.

Banking Statistics: Unless otherwise noted, all data are for commercial banks based upon headquarters location. Averages are calculated on a "trimmed" basis by removing the highest 10% and lowest 10% of ratio values prior to averaging to prevent distortion from outliers. Earnings figures are presented on an annualized year-to-date or quarterly basis, as noted. Growth rates are not adjusted for mergers. The latest quarter of data is considered preliminary. Other than the table to the left, graphics exclude "De Novo" banks (banks less than five years old) and industrial banks and savings institutions (which have different operating characteristics).

Groups by Asset Size: "Very Small," "Small," and "Mid-Sized" bank groups are based on total asset ranges of <$1B, $1B-$10B, and $10B-$50B, respectively. The "Large" bank group uses banks with assets >$50B nationwide because these banks typically operate beyond the District's geographic footprint and a larger statistical population is needed to construct trimmed means.