12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

June 2012
Data as of March 31, 2012

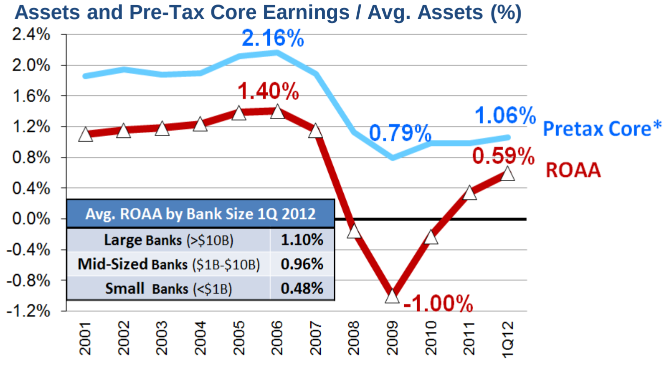
Key indicators of banking conditions in the 12th Federal Reserve District

Overview

12th District banks continued to recover in 1Q12 from severe recession. Bottom line earnings improved sharply on average from three years of losses, although core earnings remained at about half historical levels. Banks beefed up their capital ratios via deleveraging and taking steps to preserve and augment capital. And, loan quality was much improved, although metrics such as the average "Texas Ratio" still remained uncomfortably high. The bottom two charts on this page present trends in average CAMELS ratings assigned by bank examiners. At the worst point in the banking crisis, the average District bank composite rating was 3.0, the highest on record. As conditions slowly improved, this average rating edged down to 2.8, but this remained well above the satisfactory level of 2 and above the national average of 2.2. CAMELS component rating averages all have improved; the weakest components are earnings and asset quality and the strongest are liquidity and sensitivity.

District Bank Earnings Recovery Continued into Early 2012

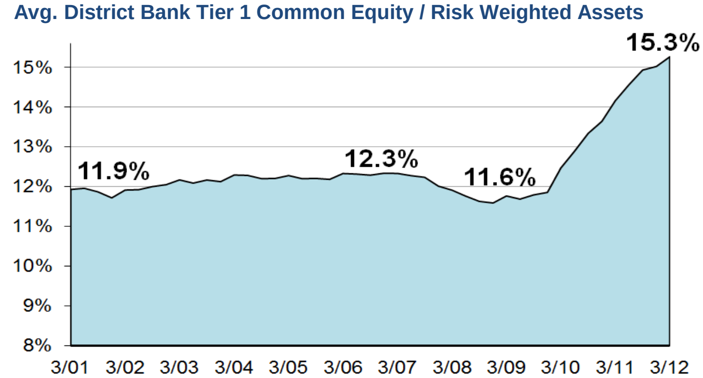
12th District Commc'l Bank Profitability – Return on Average Assets and Pre-Tax Core Earnings / Avg. Assets (%)



Trimmed means for District banks excluding De Novos; 1Q12 ratios annualized;
* Pretax Core Earnings are before provision for credit losses

Tier 1 Common Equity Ratio Averages Are Up Sharply During This Recovery

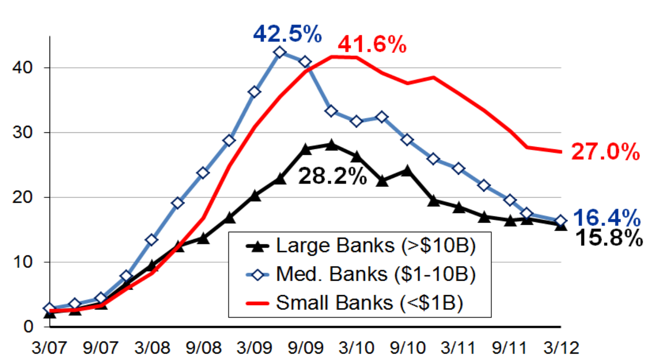
Avg. District Bank Tier 1 Common Equity / Risk Weighted Assets



Trimmed means for commercial banks, excluding De Novos; T1CE ratio is Tier 1 less those portions of preferred stock and minority interests included in Tier 1

"Texas Ratios": Pace of Recovery Has Been Striking, Especially for Mid-Sized Banks

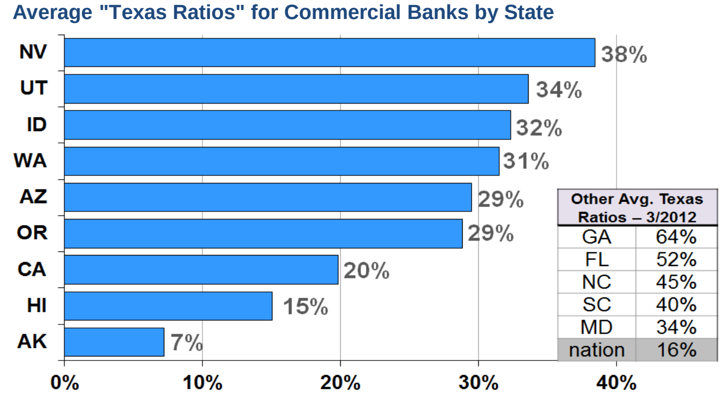
Average District Commc'l Bank "Texas Ratios" by Bank Size



Trimmed means for District banks, excluding De Novos; Texas Ratio = Loans 90 Days past due or on nonaccrual + OREO / Equity + ALLL

Banks Across Every 12th District State Improved Loan Quality with the Highest Avg. Texas Ratio Now < 40%

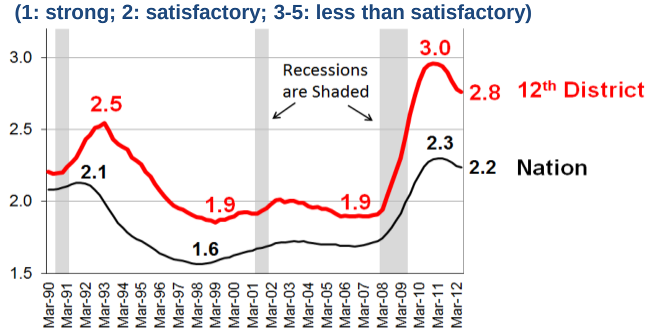
Average "Texas Ratios" for Commercial Banks by State



Trimmed means for District banks, excluding De Novos; Texas Ratio = Loans 90 Days past due or on nonaccrual + OREO / Equity + ALLL

Average CAMELS Composite Ratings Reflect Recovery of Banks' Financial Conditions

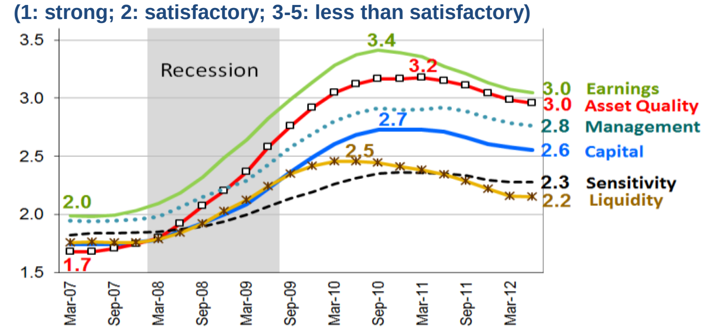
Average CAMELS Composite Rating for 12th District Banks (1: strong; 2: satisfactory; 3-5: less than satisfactory)



Trends for commercial banks based on CAMELS composite ratings and examination mail dates; updated 06/07/12

CAMELS Rating Components all Improving e.g. Avg. AQ Rating climbed from 1.7 to 3.2 before improving to 3.0

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



Trends for 12th District commercial banks based on CAMELS component ratings and examination mail dates; updated 06/07/12

12th District Banking Profile *(commercial banks only)*

Data as of March 31, 2012

I. Summary Items	**12th District Mar-12**	**12th District Dec-11**	**12th District Mar-11**	**United States Mar-12**	**United States Dec-11**	**United States Mar-11**
median bank asset size (millions)	$ 236	$ 245	$ 260	$ 156	$ 153	$ 150
number of banks ***	421	424	450	6,208	6,238	6,402
state member	36	35	37	809	811	809
national	82	83	86	1,306	1,311	1,365
nonmember	303	306	327	4,093	4,116	4,228
memo: portion < 5 years old	10.2%	11.6%	19.3%	3.6%	4.2%	6.0%

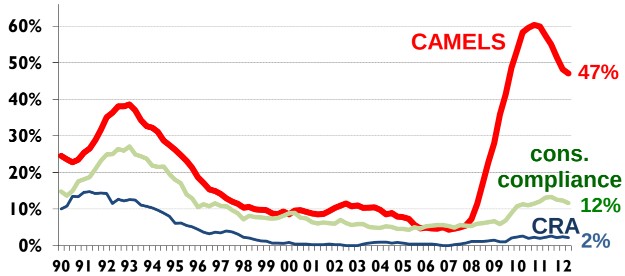
II. Balance Sheet Highlights	**Average 12th District Bank* Mar-12**	**Average 12th District Bank* Dec-11**	**Average 12th District Bank* Mar-11**	**Average U.S. Bank* Mar-12**	**Average U.S. Bank* Dec-11**	**Average U.S. Bank* Mar-11**
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresid)	195.1	197.0	216.6	114.4	116.1	121.1
construction & land development	31.5	33.5	44.4	27.4	28.8	32.8
nonfarm nonresidential (excl. owner-occ)	126.7	127.4	131.8	66.4	66.9	67.5
multi-family	19.9	19.4	20.2	10.5	10.5	10.2
nonfarm nonresidential owner-occupied	122.0	124.0	130.8	74.9	75.9	77.6
1-4 family RE (includes home equity)	79.7	81.0	86.2	144.7	147.7	150.7
commercial & industrial	97.0	98.5	101.4	77.4	78.6	81.2
agricultural lines & farmland	8.7	9.5	9.9	59.2	63.2	62.9
consumer	8.2	8.8	9.6	25.9	27.2	29.2
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	(0.6)	(2.0)	(6.5)	(0.3)	(1.0)	(2.4)
net loans / assets	63.0	64.2	65.0	57.9	59.6	60.1
core deposits / assets	77.4	76.6	75.5	79.7	79.1	78.9
net noncore funds dependence	9.1	11.2	13.4	10.6	12.9	13.7
securities / assets	13.6	13.5	12.8	22.6	22.1	21.4
tier 1 leverage ratio	11.1	10.9	10.4	9.9	9.8	9.6
total risk-based capital ratio	17.0	16.8	15.9	16.7	16.4	16.0

III. Performance Measures	**Mar-12**	**Dec-11**	**Mar-11**	**Mar-12**	**Dec-11**	**Mar-11**
earnings (year-to-date annualized)	%	%	%	%	%	%
return on average assets	0.59	0.34	0.35	0.88	0.75	0.73
net interest income (tax equiv.) / avg assets	3.78	3.80	3.77	3.57	3.65	3.58
noninterest revenues / avg assets	0.59	0.56	0.63	0.61	0.60	0.59
overhead expenses / avg assets	3.48	3.53	3.54	2.94	3.02	2.99
loan loss provisions / avg assets	0.21	0.50	0.41	0.18	0.33	0.25
efficiency ratio (overhead / revenue)	77.1	78.6	78.6	69.3	70.3	70.8
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	3.25	3.38	4.32	2.02	2.04	2.32
loans past due 30-89 days / total loans	0.60	0.63	1.09	1.02	1.03	1.30
loans past due 30+ days + noncurrent / total loans	4.04	4.21	5.63	3.25	3.29	3.84
allowance for losses / loans & leases not held for sale	2.48	2.51	2.68	1.79	1.76	1.80
net charge-offs / avg loans (ytd annualized)	0.50	1.01	0.88	0.23	0.54	0.33

IV. Examination Data

District Bank CAMELS and Consumer Ratings Improving

share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)



% rated 3, 4, 5, "needs to improve" or worse**	**12th District Jun-12‡**	**12th District Jun-11**	**United States Jun-12‡**	**United States Jun-11**
	%	%	%	%
overall safety & soundness	47.0	57.4	27.4	31.3
capital	39.2	48.9	22.7	25.7
asset quality	61.0	70.7	40.0	44.9
management	46.6	57.2	28.2	32.1
earnings	65.0	73.6	38.8	43.7
liquidity	24.3	32.4	13.1	16.4
sensitivity to market risk	25.5	30.6	15.7	17.3
consumer compliance	11.7	13.2	6.8	6.6
community reinvestment	2.2	2.3	0.8	1.1
‡ Prelim data for 2Q12				
bank/thrift failures (YTD‡)	1	7	31	48

* Averages are trimmed means (upper and lower 10% of observations are removed prior to averaging) and exclude De Novos (banks < 5 yrs. old)

** Includes all commercial bank charters; safety and soundness and consumer compliance have a 5-point rating scale; community reinvestment has a 4-point rating scale. For each, only the top two ratings are considered satisfactory or better.

*** Population of banks includes commercial banks only.

Sources: Regulatory Call & Income Reports; Federal Reserve financial & exam databases.

For this and other publications, see: ***www.frbsf.org/publications/banking/index.html*** and ***www.frbsf.org/banking/data/regional***.

12th Federal Reserve District

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