



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

March 2012

Data as of December 31, 2011

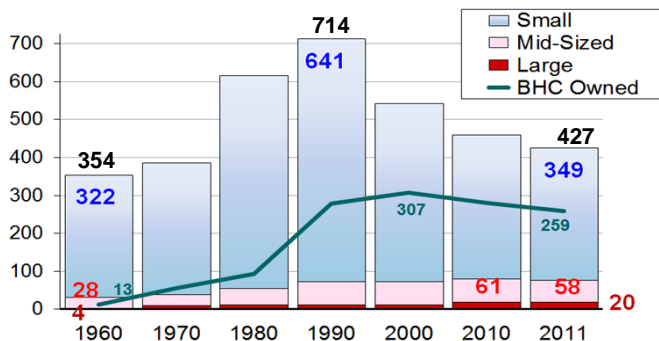
Key indicators of banking conditions in the 12th Federal Reserve District

Overview

In this report, we examine key District bank metrics over the past 50 years. Three peer groups are established based on inflation-adjusted size cutoffs, and metrics are averaged over multi-year periods. Key takeaways: From '60-'85, profitability was strongest at smaller banks, but in recent years, the largest banks are outperforming from efficiencies, stronger noninterest income, and lower provisions. Capital ratios trended down into the '70s, but climbed sharply since, as capital standards evolved and recently, as banks deleveraged. Despite rising in recent years, equity/loans at small banks are about where they were in the '60s. The average small bank loans/assets rose from 49% to 68% over this period, with similar trends at larger banks. And, real estate loans increased from roughly 30% of the typical bank portfolio in the '70's to 75% as banks shifted their emphasis to real estate and away from consumer lending that became more concentrated at a smaller number of large banks and non-bank institutions.

Number of 12th District Commercial Banks Soared in the '80s and '90s then Fell

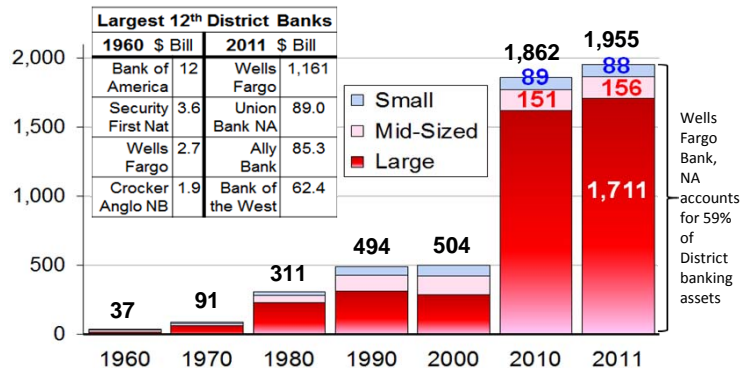
Number of commercial banks headquartered in the 12th District



Counts as of 12/31 every 10 years; size definitions as of 2011: Large >\$10B; Mid-Sized \$1B-\$10B; group definitions are inflation-adjusted back in time

District Commercial Bank Assets Rose Sharply Since '00

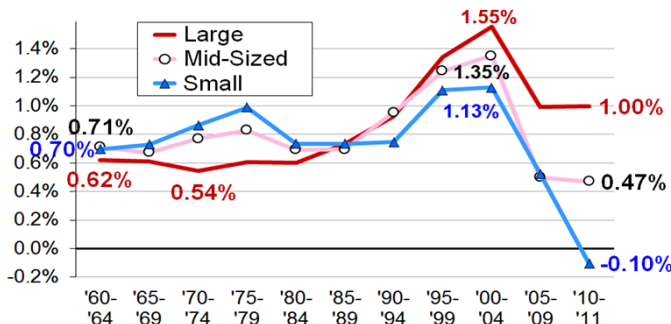
12th District aggregate commercial bank assets (\$ Billions)



Assets as of 12/31 every 10 years; major asset changes over time: Bank of America left District totals starting 2000; Wells Fargo acquired Wachovia starting 2010

12th District Bank Profitability: Large Banks Once Reported Lowest ROAs, Now the Highest

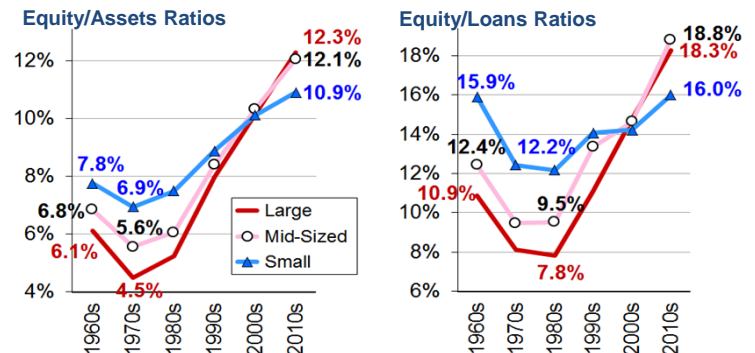
Return on Avg. Assets – 12th District Commercial Bank 5-Year Averages



Trimmed means, excl. De Novo banks; each point represents the 5-year avg. of the metric, except in 2010, which is a 2-year average that includes 2011

12th District Equity Ratios Climbed Sharply Since the mid-'70s; Large Banks Now Have the Highest Ratios

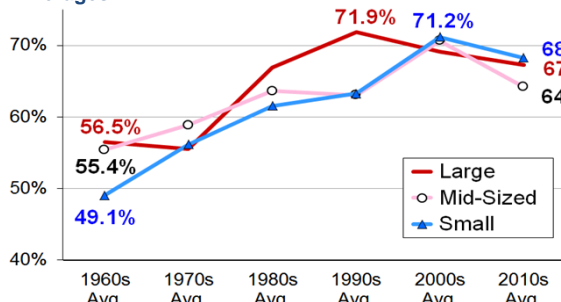
12th District Commercial Bank 10-Year Averages



Trimmed means, excluding De Novo banks; each point represents the 10-year avg. of the metric, except in 2010, which is a 2-year average that includes 2011

Loans/Assets Ratios Today are Substantially Higher Than They Once Were, Despite Recent Moderation

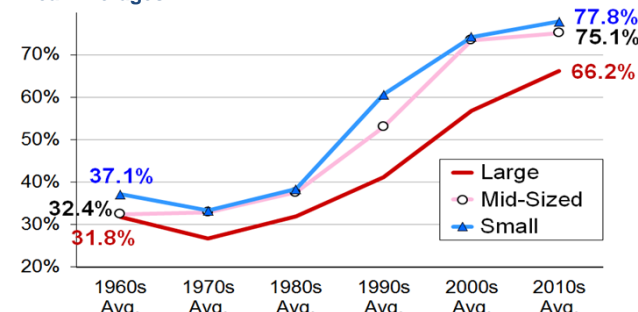
Loans/Assets Ratio – 12th District Commercial Bank 10-Year Averages



Trimmed means, excl. De Novo banks; each point represents the 10-year avg. of the metric, except in 2010, which is a 2-year avg. that includes 2011

Real Estate Loans Now Dominate Portfolios, Especially At Small and Mid-Sized Banks

Real Estate Loans/ Total Loans – 12th District Commercial Bank 10-Year Averages

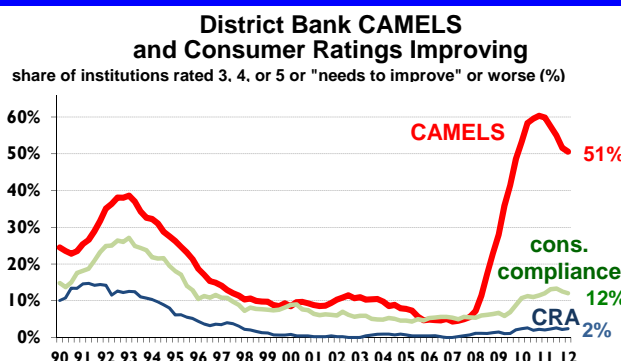


Trimmed means, excluding De Novo banks; each point represents the 10-year avg. of the metric, except in 2010, which is a 2-year average that includes 2011

I. Summary Items	12th District			United States		
	Dec-11	Sep-11	Dec-10	Dec-11	Sep-11	Dec-10
median bank asset size (millions)	\$ 245	\$ 243	\$ 255	\$ 153	\$ 152	\$ 148
number of banks ***	424	433	458	6,237	6,297	6,478
state member	35	37	37	811	809	817
national	83	85	88	1,311	1,332	1,382
nonmember	306	311	333	4,115	4,156	4,279
memo: portion < 3yrs old	11.6%	14.1%	19.7%	4.2%	4.7%	6.5%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Dec-11	Sep-11	Dec-10	Dec-11	Sep-11	Dec-10
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresid)	196.4	199.7	227.2	116.0	116.7	124.8
construction & land development	33.4	36.3	50.3	28.7	29.9	35.0
nonfarm nonresidential (excl. owner-occ)	127.1	127.5	136.6	66.8	66.5	68.5
multi-family	19.4	19.4	20.3	10.4	10.3	10.3
nonfarm nonresidential owner-occupied	123.6	122.5	133.8	75.7	75.7	78.0
1-4 family RE (includes home equity)	80.8	81.3	91.2	147.4	147.9	155.5
commercial & industrial	98.2	96.9	105.4	78.4	78.2	83.1
agricultural lines & farmland	9.5	10.0	10.0	63.2	63.9	66.8
consumer	8.8	9.1	10.5	27.2	27.8	30.9
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	(2.0)	(4.8)	(6.0)	(1.0)	(1.9)	(1.3)
net loans / assets	64.2	63.6	66.9	59.6	60.1	62.1
core deposits / assets	76.6	76.5	74.8	79.1	78.7	78.3
net noncore funds dependence	11.2	10.2	15.5	12.9	13.4	15.4
securities / assets	13.5	13.1	11.9	22.1	21.6	20.3
tier 1 leverage ratio	11.0	10.9	10.1	9.8	9.9	9.6
total risk-based capital ratio	16.8	16.7	15.3	16.4	16.4	15.6

III. Performance Measures	Dec-11	Sep-11	Dec-10	Dec-11	Sep-11	Dec-10
	%	%	%	%	%	%
earnings (year-to-date annualized)	%	%	%	%	%	%
return on average assets	0.36	0.35	(0.23)	0.76	0.79	0.61
net interest income (tax equiv.) / avg assets	3.81	3.81	3.78	3.65	3.65	3.65
noninterest revenues / avg assets	0.56	0.57	0.54	0.60	0.60	0.63
overhead expenses / avg assets	3.52	3.53	3.50	3.02	3.00	3.06
loan loss provisions / avg assets	0.49	0.48	1.11	0.32	0.30	0.51
efficiency ratio (overhead / revenue)	78.4	78.5	79.6	70.3	69.6	70.5
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	3.36	3.73	4.41	2.03	2.18	2.29
loans past due 30-89 days / total loans	0.64	0.70	0.92	1.04	1.02	1.20
loans past due 30+ days + noncurrent / total loans	4.19	4.60	5.54	3.29	3.42	3.70
allowance for losses / loans & leases not held for sale	2.50	2.64	2.66	1.76	1.78	1.75
net charge-offs / avg loans (ytd annualized)	1.00	0.98	1.58	0.53	0.46	0.67

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Mar-12 [†]	Mar-11	Mar-12 [†]	Mar-11
District Bank CAMELS and Consumer Ratings Improving share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%) 	overall safety & soundness	50.6	59.9	28.9	31.7
	capital	42.9	49.9	23.6	25.6
	asset quality	64.6	71.8	42.0	45.1
	management	50.1	58.1	29.7	32.2
	earnings	67.9	76.1	40.2	45.0
	liquidity	26.0	35.3	14.2	17.6
	sensitivity to market risk	26.5	30.8	16.4	17.2
	consumer compliance	12.1	12.1	7.0	6.2
	community reinvestment	2.4	2.0	1.0	1.0
	bank/thrift failures (YTD [†])	0	13	4	26

* 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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