



12th District Banking Profile

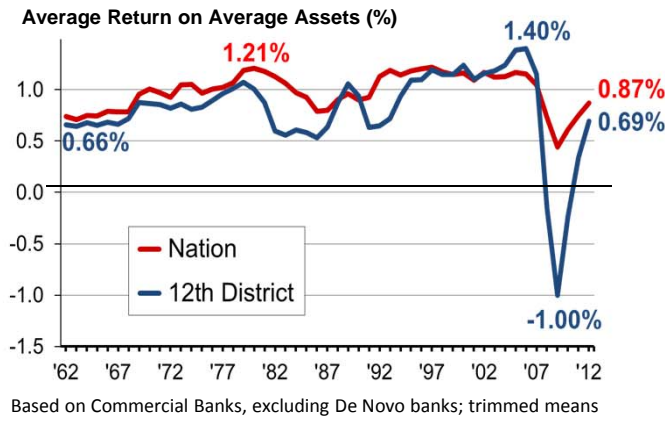
Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

April 16, 2013

Overview

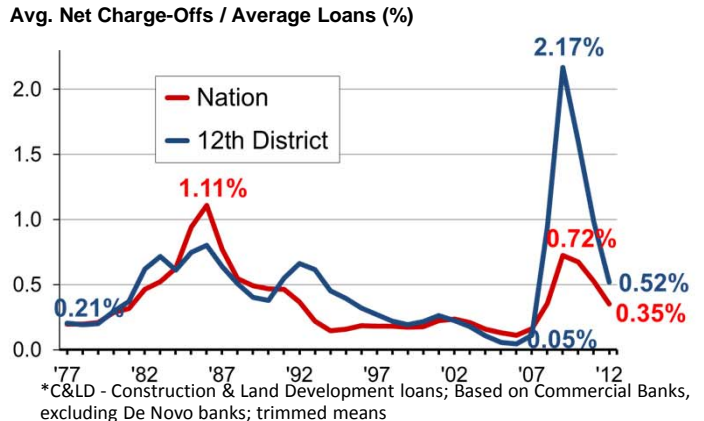
As banks in the 12th District continue to recover from the financial crisis, we take a look at both the crisis and recovery periods from a long-term perspective. Profitability at District banks rose above the national average prior to the crisis, followed by operating losses and net loan charge-offs that were far more severe. Through 2012, District earnings and loan quality remained moderately weaker than the nation. Loans grew steadily relative to overall balance sheets, peaking in 2008 then contracting through the financial crisis deleveraging period. Over time, real estate credits became the predominant loan type, reaching 77% of District bank loans on average. While exposure to RE cycles is greater, average equity/assets ratios are up sharply from the '70s, despite temporarily dipping during the financial crisis. Nationwide, just over 6,000 commercial banks are in operation, down from nearly 31,000 in 1921. Several failure waves, industry mergers, and loosening of branching laws fed the long-term trend.

12th District Bank Profitability: Peaked in '05-'06, Negative in '08-'10, Recovering Since

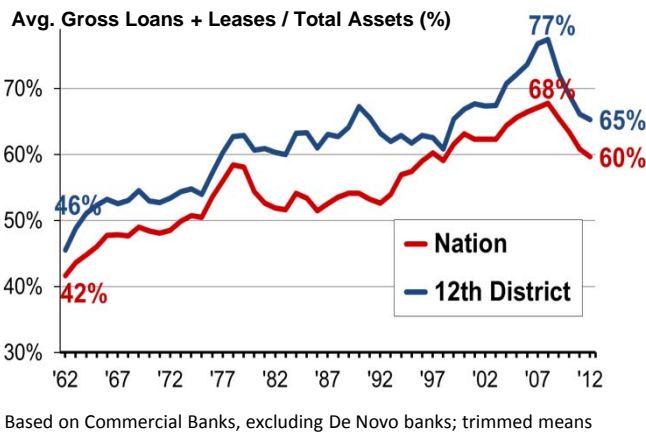


Average 12th District Net Charge-Off Rates Spiked Far Above Historical Peaks from '08 through '11

C&LD* Concentrations Contributed to High Credit Loss Rates

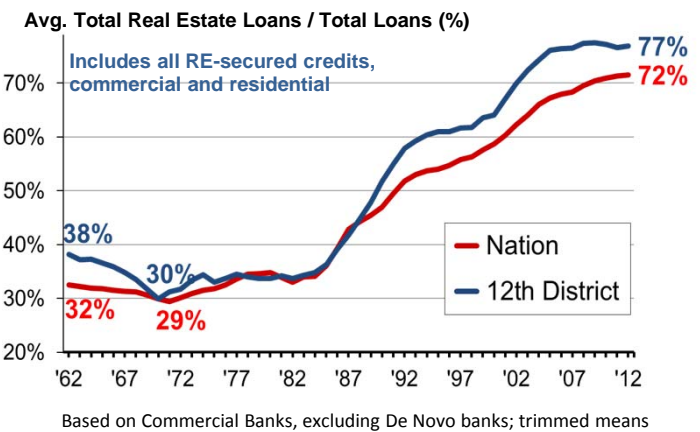


Loans/Assets Ratios Peaked in 2008 Prior to the Crisis Despite Subsequent Drop, Avg. Ratios Still Above Historical Levels



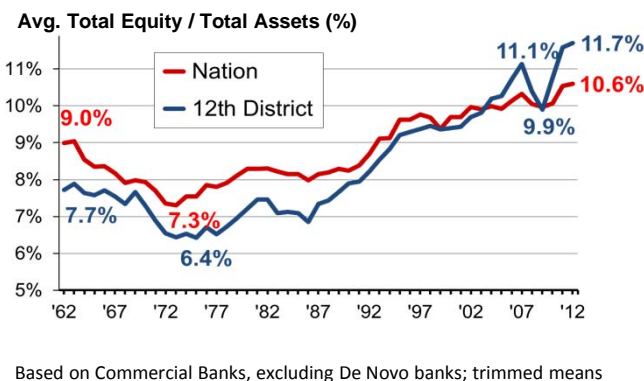
Real Estate Lending at Commercial Banks Rose Dramatically Since the Mid '80s

Vulnerability to Real Estate Market Corrections Much Higher Now



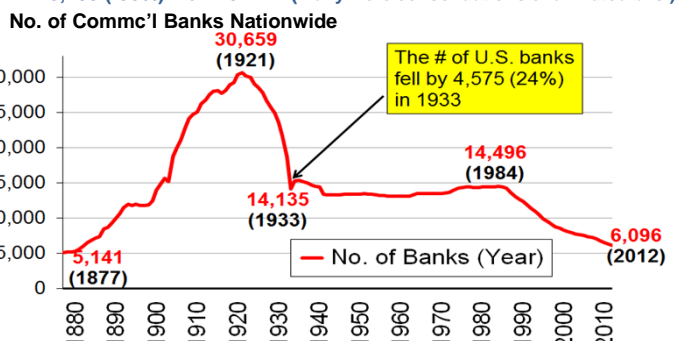
Equity/Assets Ratios Strengthened Since the '70s

12th District Averages Now Above Nation



FYI: Very Long-Term Trend in # of Banks Nationwide

Numbers fell by 16,524 (-54%) from '21-'33; then by 8,400 (-58%) from '84-'12 (many were consolidations of affiliated bks.)



Sources: Banking Studies, Federal Reserve, 1941; Historical Statistics on Banking, FDIC; Data source change and uninsured banks excluded starting 1941

I. Summary Items	12th District			United States		
	Dec-12	Sep-12	Dec-11	Dec-12	Sep-12	Dec-11
median bank asset size (millions)	\$ 235	\$ 236	\$ 245	\$ 160	\$ 157	\$ 153
number of banks ***	405	410	424	6,036	6,110	6,238
state member	38	36	35	818	811	811
national	75	79	83	1,232	1,272	1,311
nonmember	292	295	306	3,986	4,027	4,116
memo: portion < 5 years old	4.0%	6.1%	11.6%	1.9%	2.5%	4.2%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Dec-12	Sep-12	Dec-11	Dec-12	Sep-12	Dec-11
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresid)	193.4	192.0	197.0	113.1	112.3	116.1
construction & land development	27.1	28.1	33.5	26.1	26.4	28.8
nonfarm nonresidential (excl. owner-occ)	128.7	127.0	127.4	66.1	65.5	66.9
multi-family	21.4	20.2	19.4	10.7	10.5	10.5
nonfarm nonresidential owner-occupied	116.8	118.4	124.0	73.5	73.1	75.9
1-4 family RE (includes home equity)	78.8	79.1	81.0	143.0	143.0	147.7
commercial & industrial	97.2	96.3	98.5	76.9	75.9	78.6
agricultural lines & farmland	9.2	8.9	9.5	61.6	61.0	63.2
consumer	7.6	7.8	8.8	24.8	25.3	27.2
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	3.9	2.8	(2.0)	2.2	1.2	(1.0)
net loans / assets	63.6	63.6	64.2	58.5	59.0	59.6
core deposits / assets	77.6	77.6	76.6	79.9	79.4	79.1
net noncore funds dependence	7.5	8.3	11.2	9.8	11.2	12.9
securities / assets	13.2	13.6	13.5	22.2	22.6	22.1
tier 1 leverage ratio	11.1	11.2	10.9	10.0	10.1	9.8
total risk-based capital ratio	17.1	17.1	16.8	16.8	17.0	16.4

III. Performance Measures	Dec-12	Sep-12	Dec-11	Dec-12	Sep-12	Dec-11
earnings (year-to-date annualized)	%	%	%	%	%	%
return on average assets	0.69	0.67	0.34	0.87	0.90	0.75
net interest income (tax equiv.) / avg. assets	3.78	3.79	3.80	3.56	3.57	3.65
noninterest revenues / avg. assets	0.65	0.65	0.56	0.63	0.62	0.60
overhead expenses / avg. assets	3.50	3.49	3.53	2.98	2.95	3.02
loan loss provisions / avg. assets	0.24	0.24	0.50	0.20	0.20	0.33
efficiency ratio (overhead / revenue)	76.2	76.2	78.6	69.9	69.2	70.3
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	2.39	2.64	3.38	1.67	1.79	2.04
loans past due 30-89 days / total loans	0.52	0.50	0.63	0.98	0.94	1.03
loans past due 30+ days + noncurrent / total loans	3.10	3.36	4.21	2.85	2.94	3.29
allowance for losses / loans & leases not held for sale	2.24	2.36	2.51	1.69	1.74	1.76
net charge-offs / avg. loans (ytd annualized)	0.52	0.52	1.01	0.35	0.32	0.54

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Mar-13 [‡]	Mar-12	Mar-13 [‡]	Mar-12
District Bank CAMELS, Consumer and CRA Ratings Improving share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%) 	overall safety & soundness	40.9	48.2	22.4	27.9
	capital	30.3	41.1	18.2	23.1
	asset quality	51.7	62.6	33.9	40.9
	management	40.9	48.0	22.9	28.7
	earnings	57.4	66.7	33.1	39.4
	liquidity	18.0	25.1	9.9	13.4
	sensitivity to market risk	23.4	25.3	13.3	15.7
	risk management	36.4	53.6	26.3	34.3
	community reinvestment	1.2	2.4	0.7	1.0
	consumer compliance	8.4	12.4	5.8	7.0
‡ Prelim data for 1Q13 examinations					
bank/thrift failures		1	0	4	16

* 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

12th Federal Reserve District



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