



Banking Conditions in Ninth District States: Second Quarter 2012 Results

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Ninth District

- Ninth District consists of
 - MN, MT, ND, SD, Western WI (WI) and Upper Peninsula of MI (UP)
- Detailed data on banking conditions for these geographies, metro areas and type of bank found at
 - <http://www.minneapolisfed.org/banking/data/bankingconditions/index.cfm>



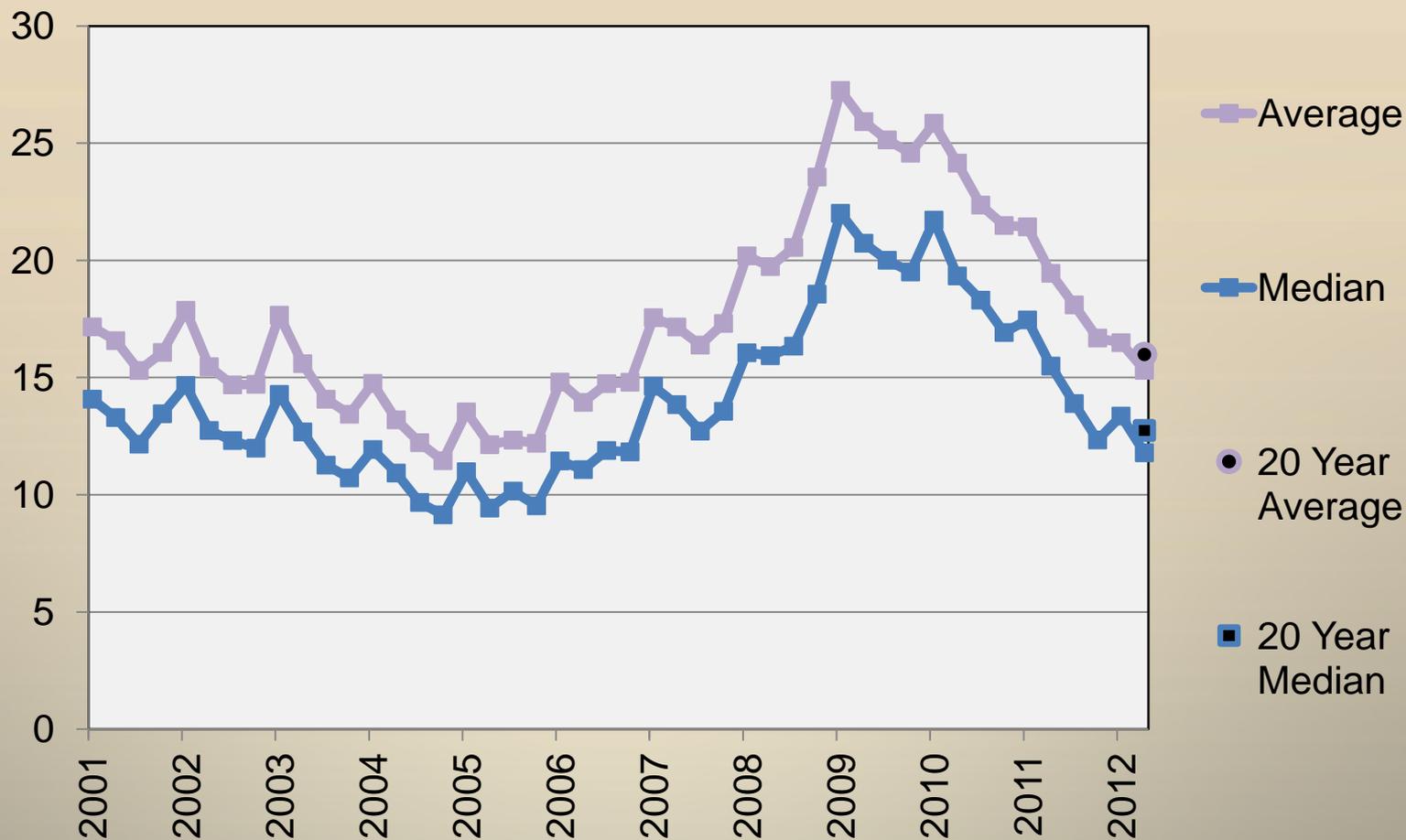
Summary of Second Quarter 2012 Banking Performance

- Overall asset quality now below 20-year median/average; profits less so, and loan growth still way off
- Overall improvement in 2Q12
 - Strong improvement in asset quality
 - Small improvement in profitability
 - Strong improvement in loan growth; rate is now positive
- Dakotas generally in best shape
- Year-to-date changes consistent with 2012 forecast



Strong Improvement in Overall Asset Quality

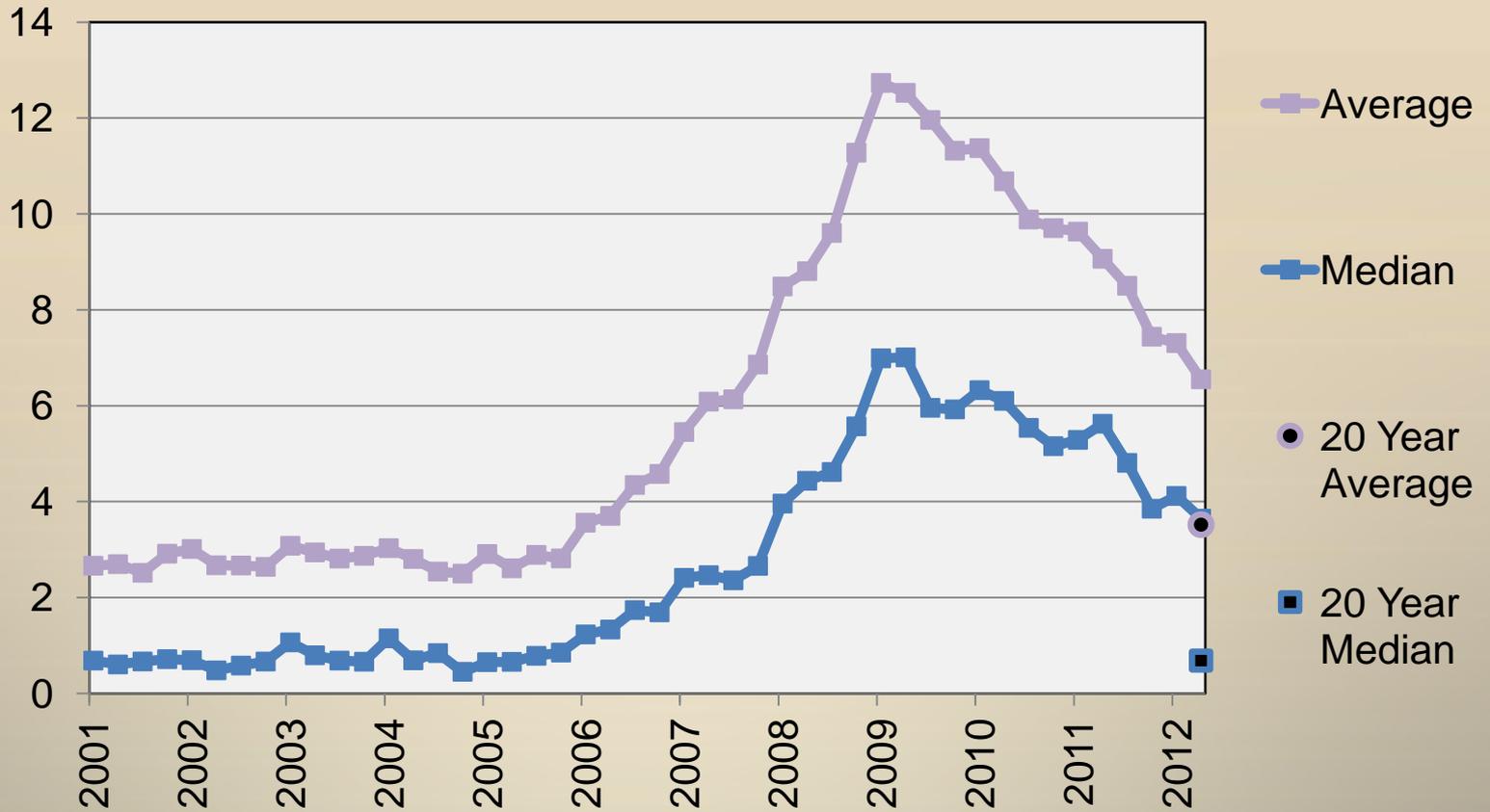
Noncurrent and delinquent loans as a percent of capital and allowances



Small to Middling Improvement in Commercial Real Estate Asset Quality

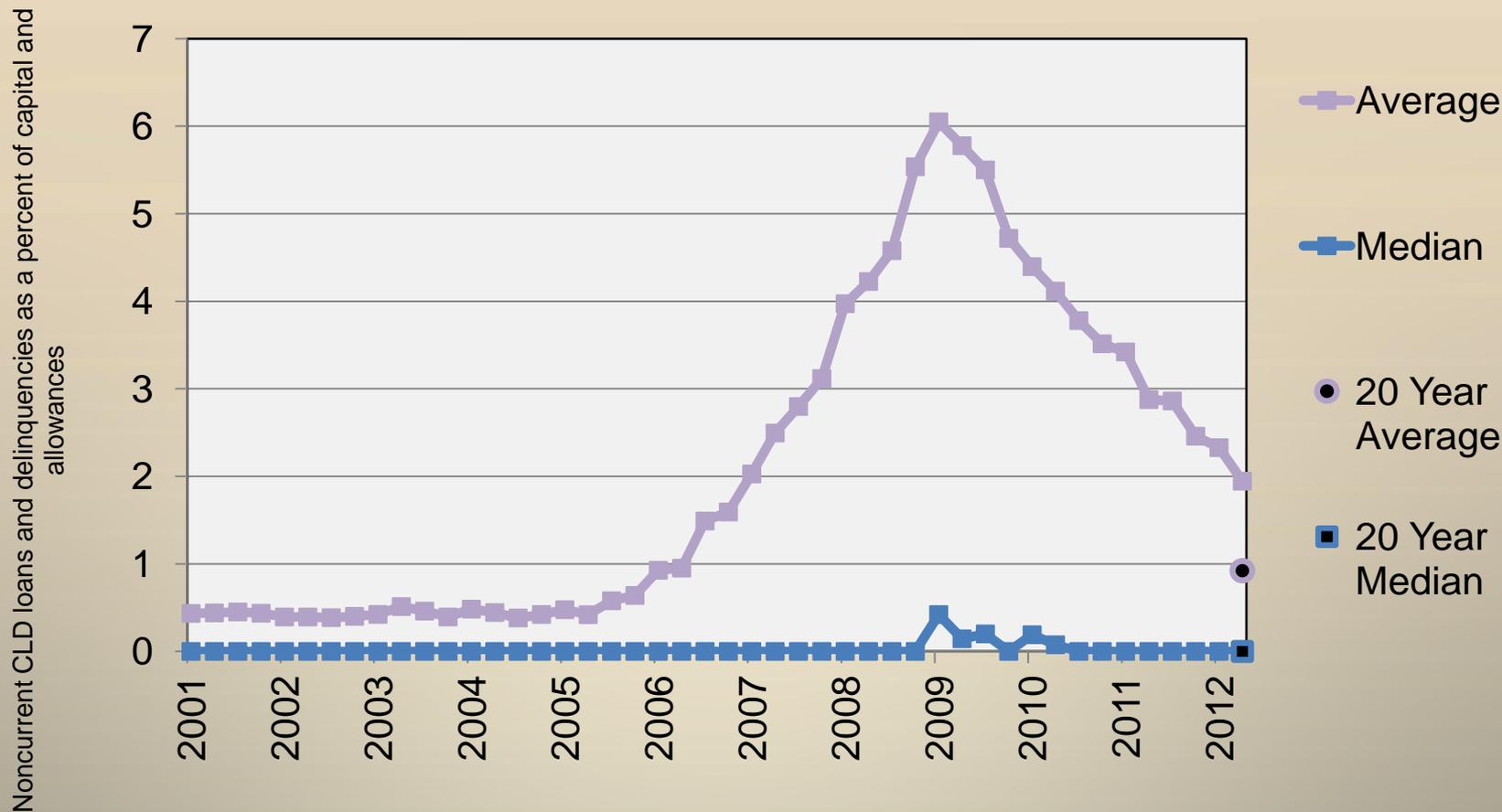


Noncurrent CRE loans and delinquencies as a percent of capital and allowances



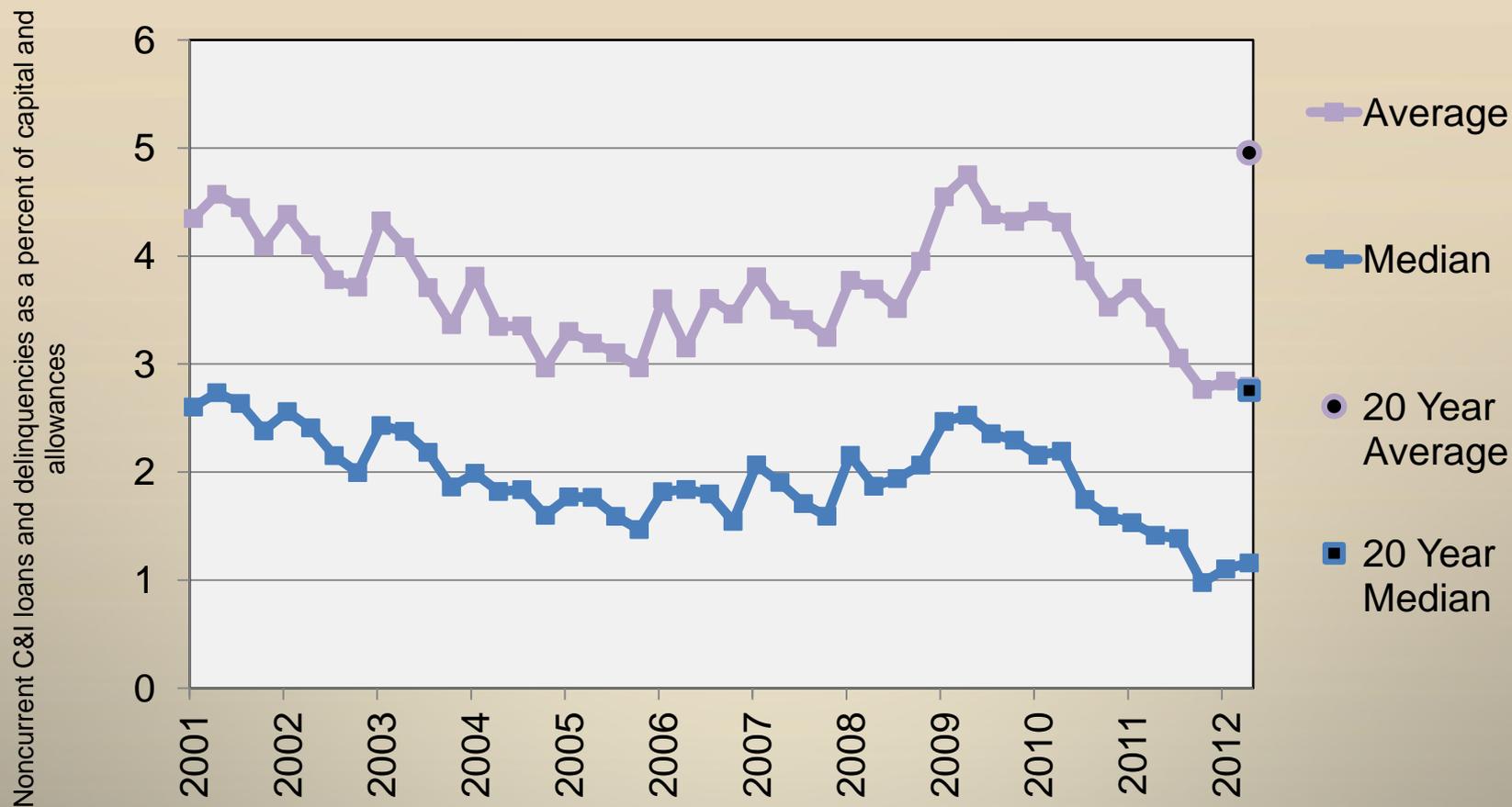


Small Improvement in Construction and Land Development Asset Quality





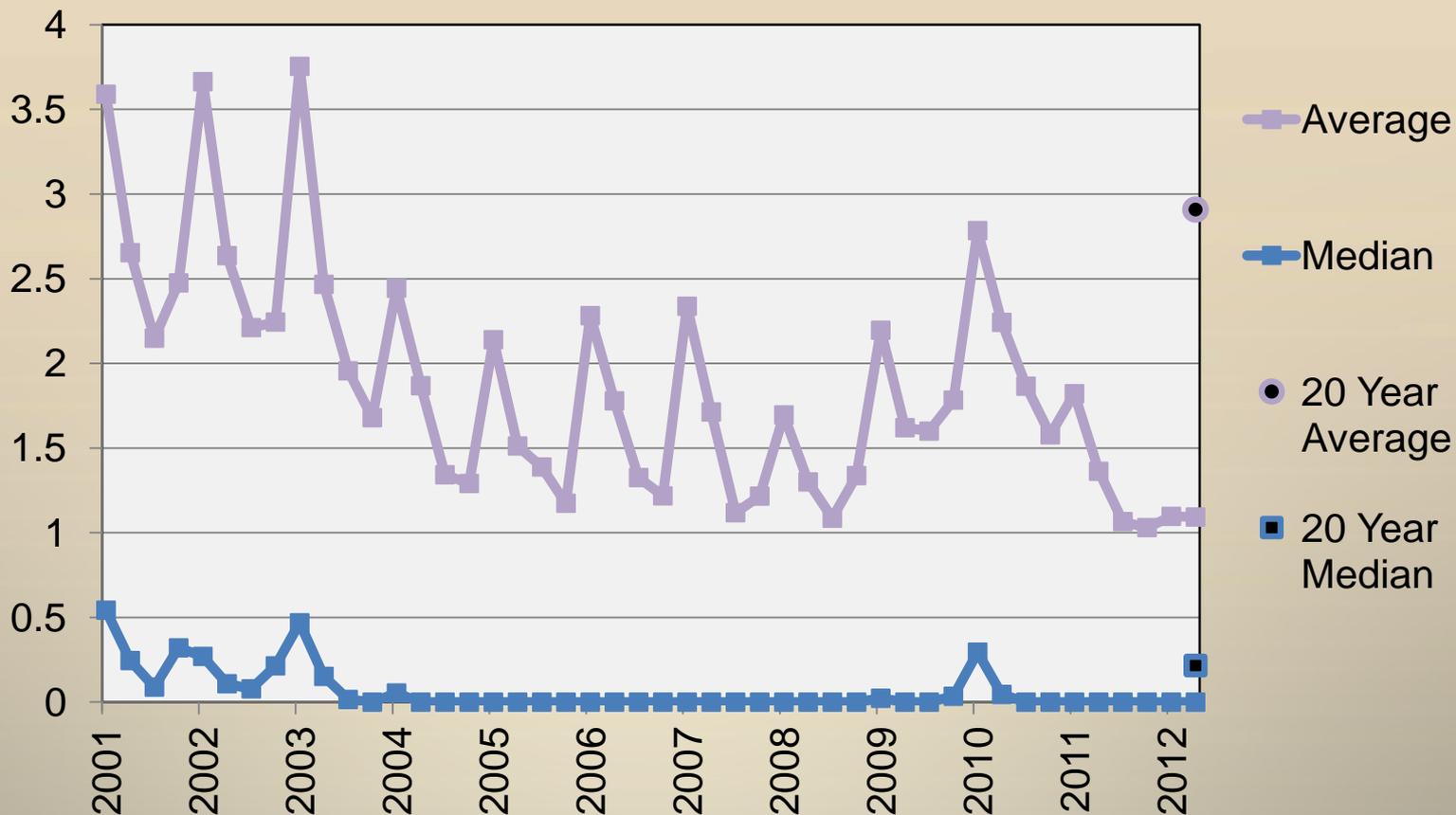
Flat to Worsening in Commercial and Industrial Asset Quality





Agricultural Asset Quality Remains Flat

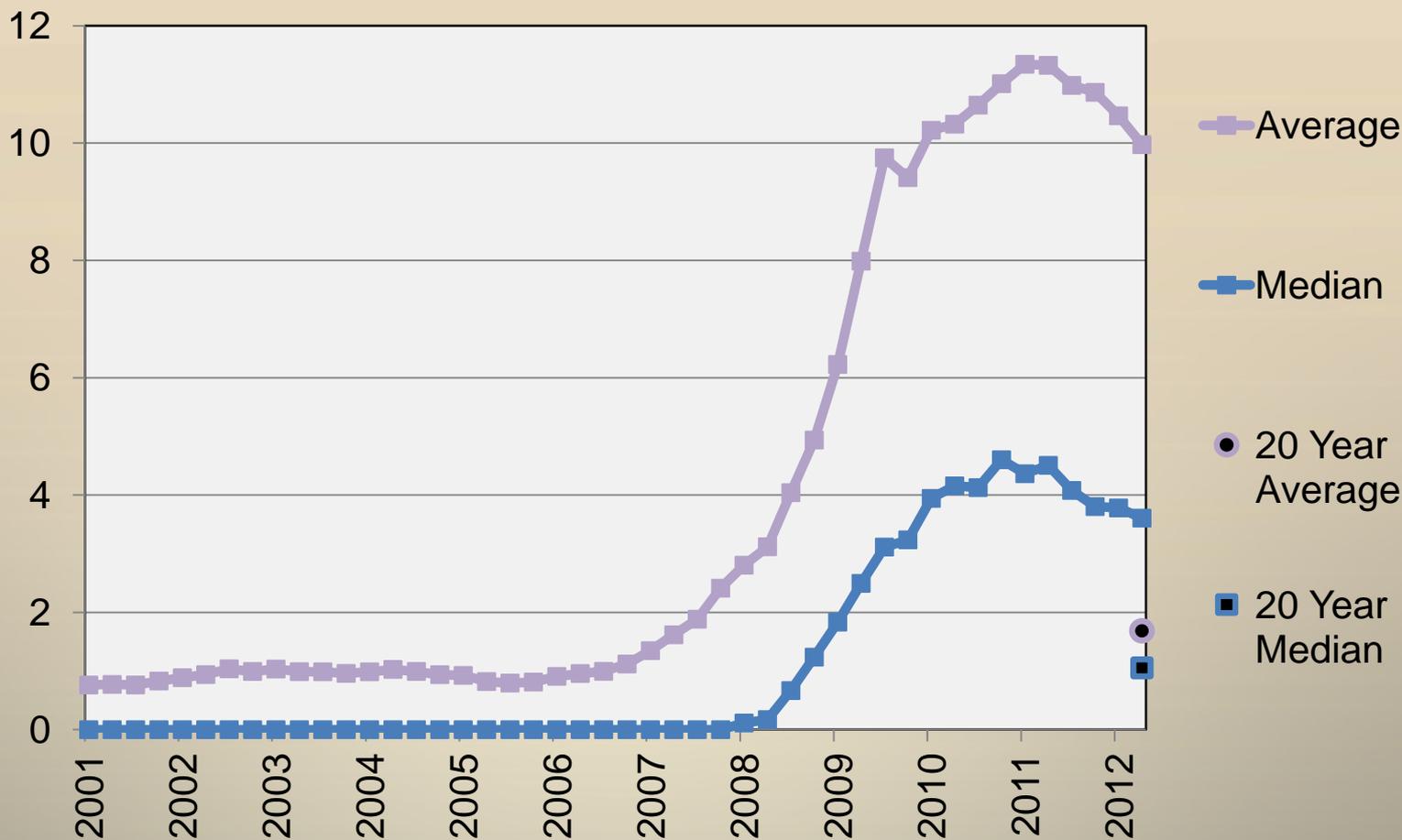
Noncurrent agricultural loans and delinquencies as a percent of capital and allowances



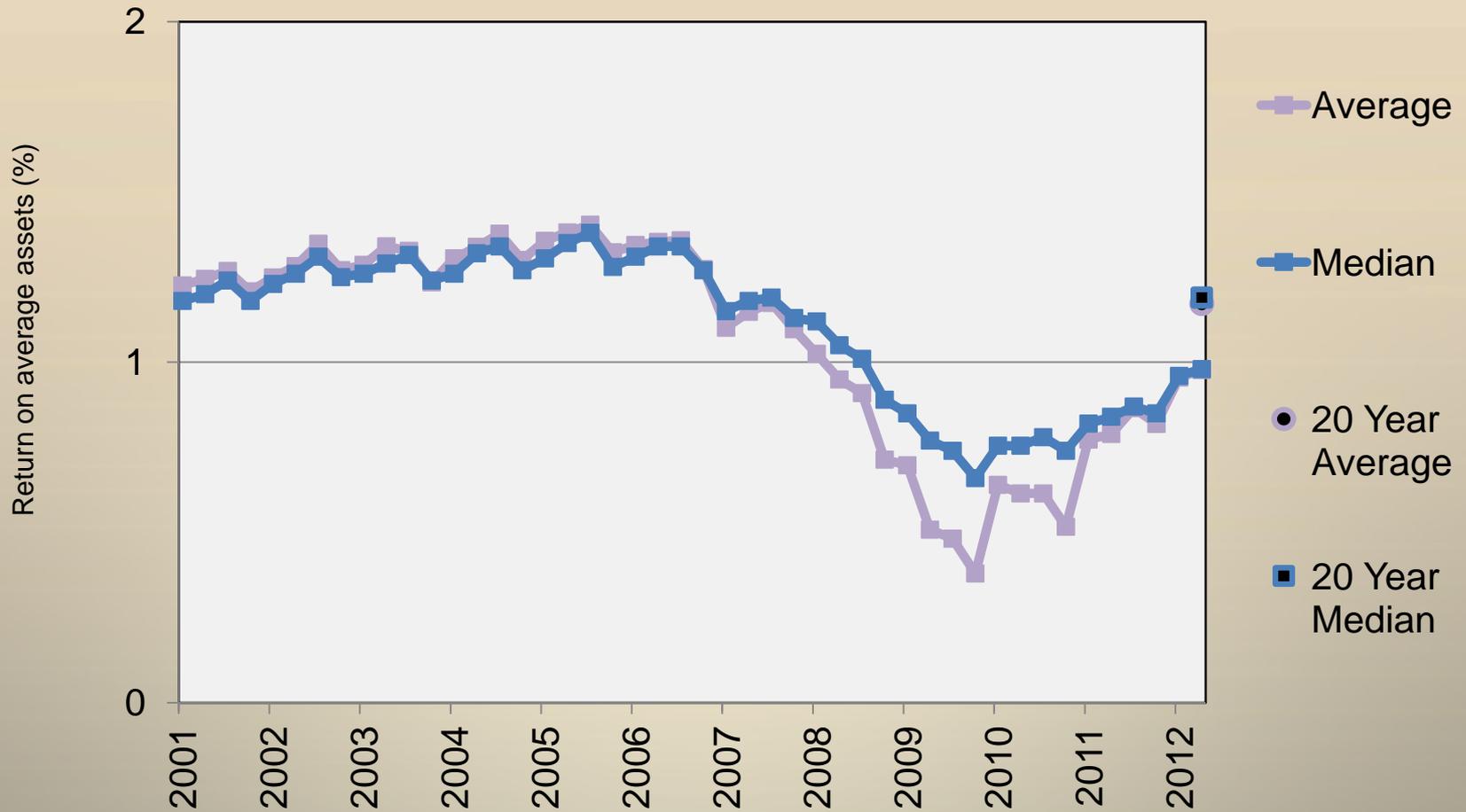


Flat to Small Improvement in Other Real Estate Owned

Noncurrent loans and other real estate owned as a percent of total loans and OREO

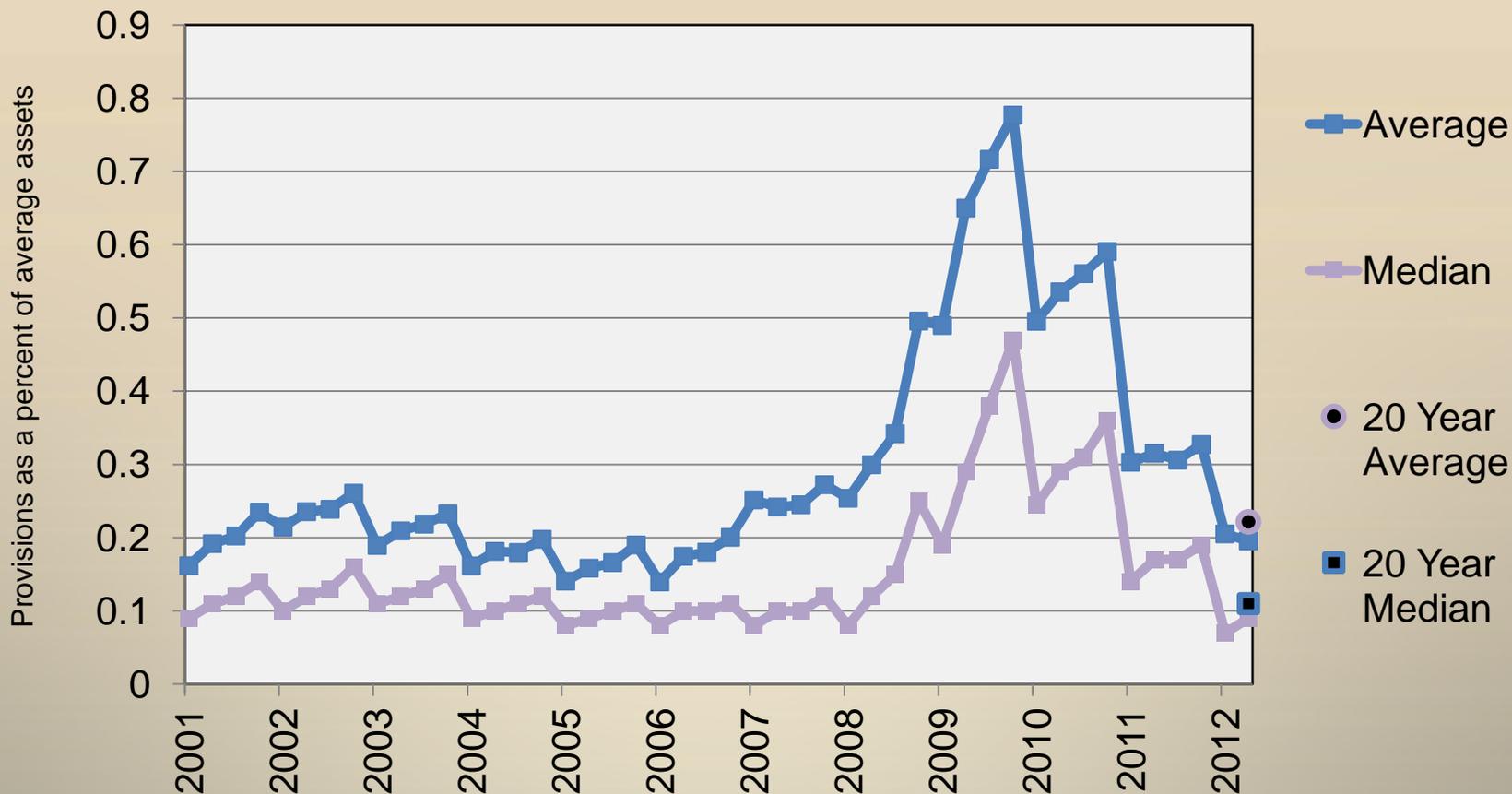


Small Improvement in Profitability



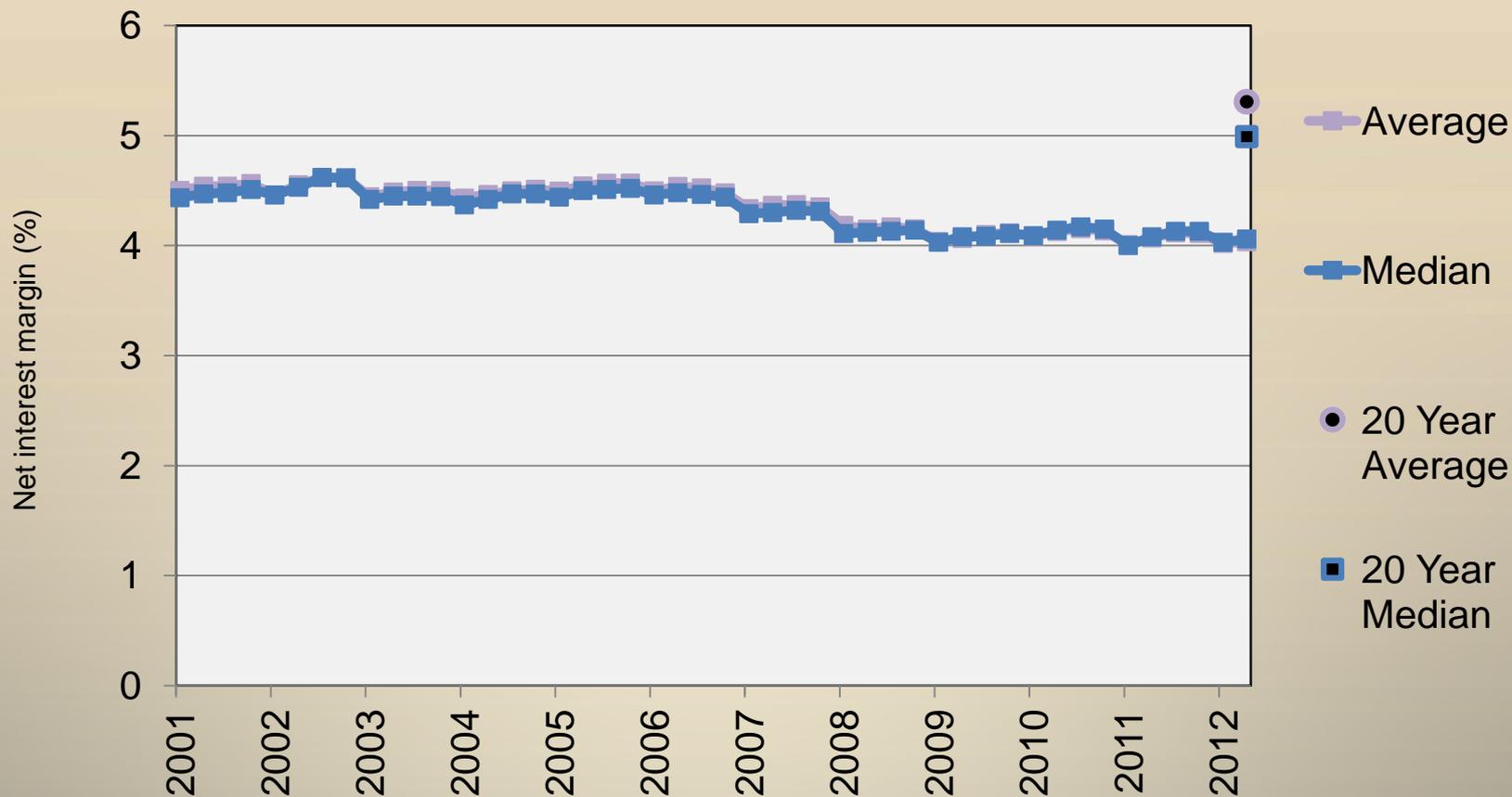


Flat to Slight Increase in Provisions



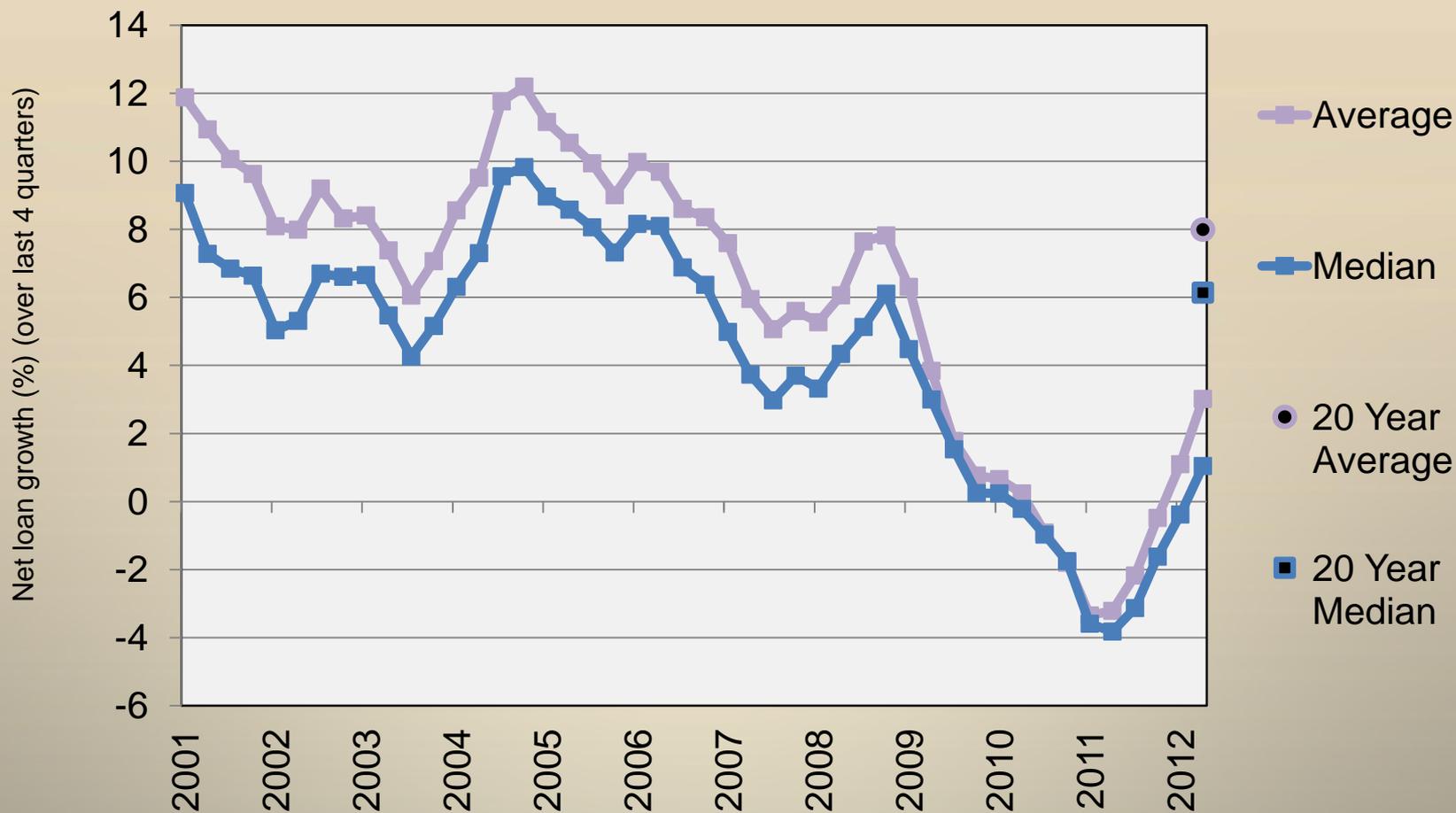


Slight Increase in Net Interest Margin



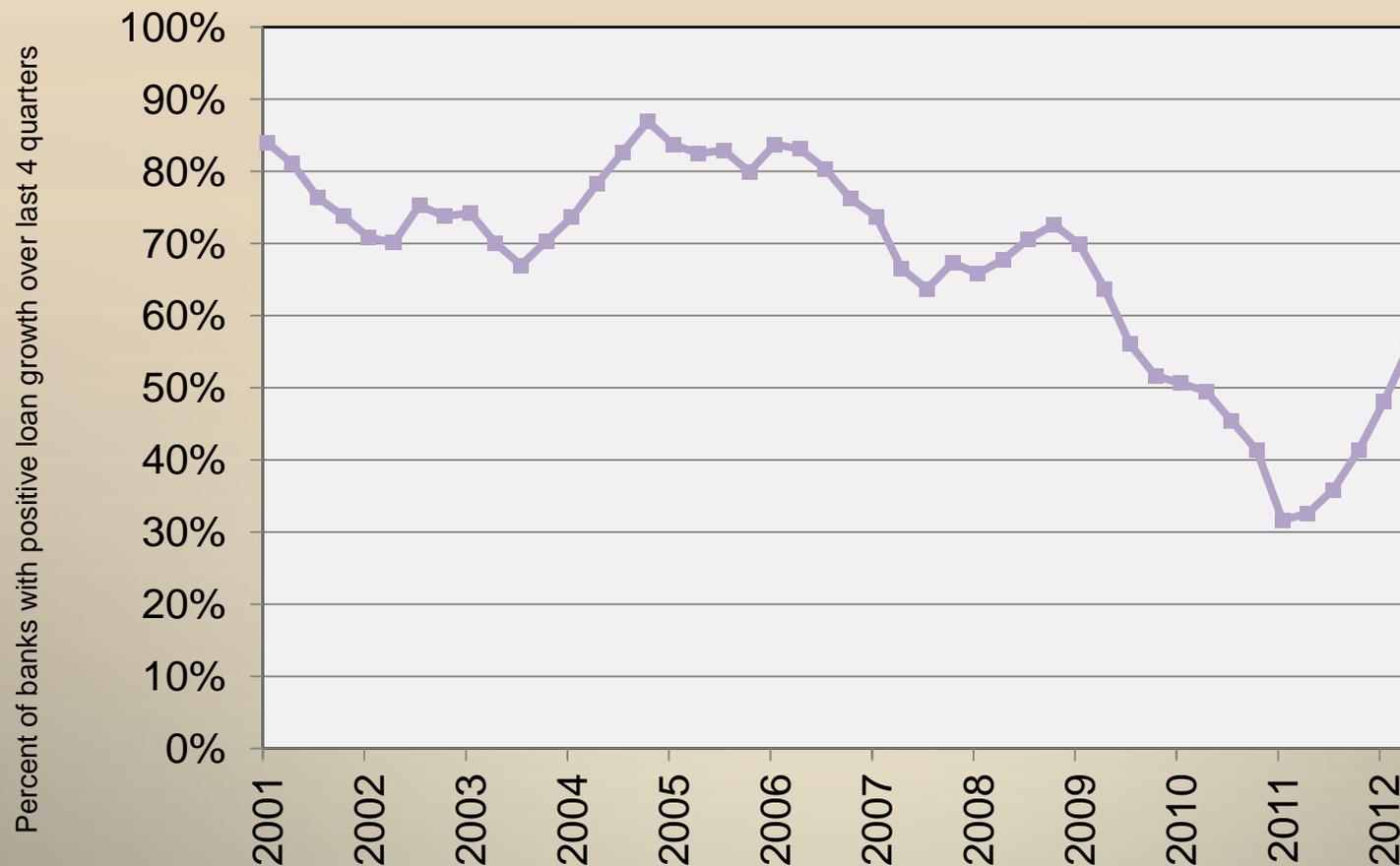


Year-Over-Year Loan Growth Trend Continues to Improve; Average and Median Bank Now Positive





More Banks with Positive Loan Growth; More than Half of Banks Now Have Positive Loan Growth



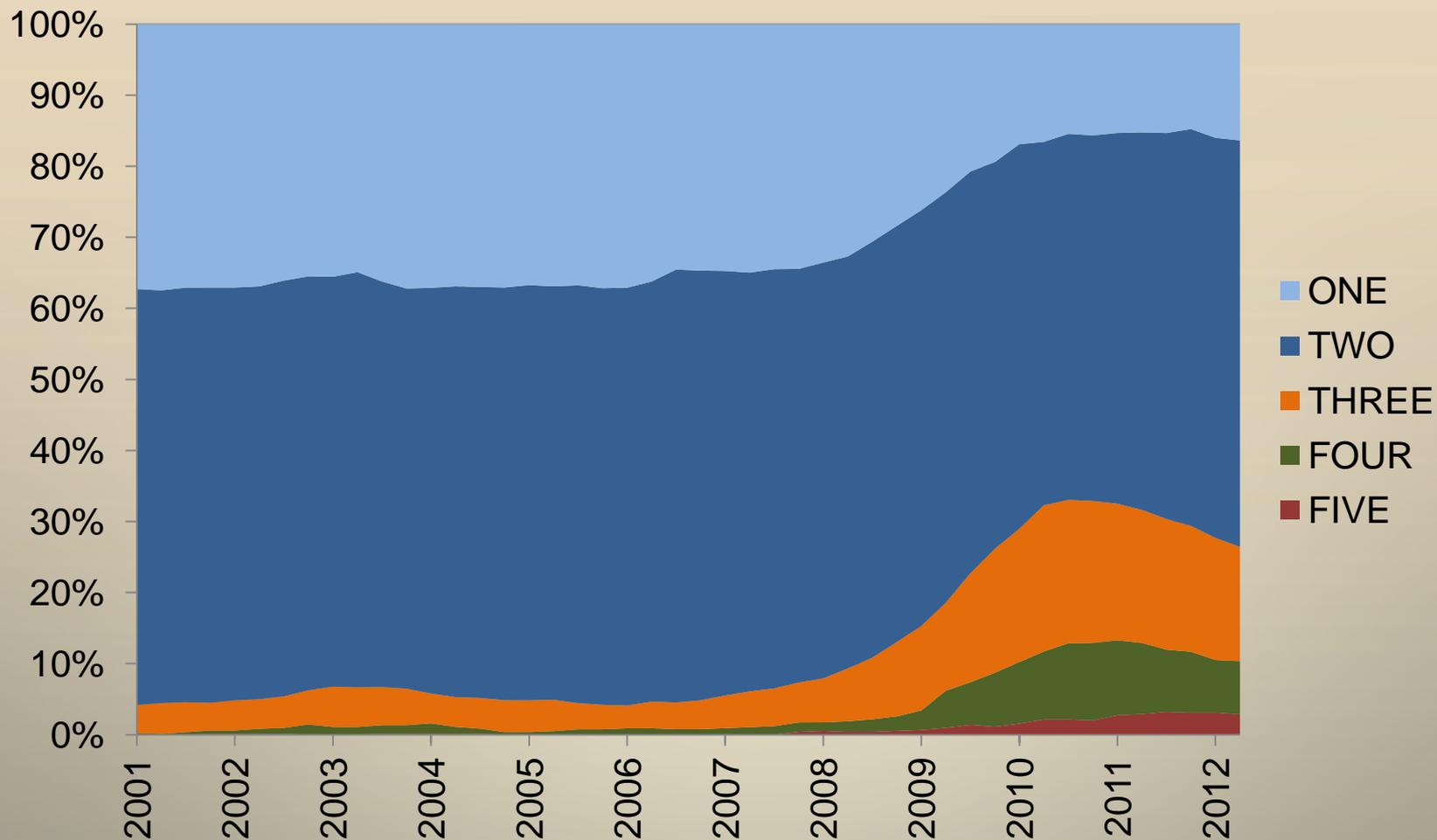


Continued Improvement for Liquidity and Capital

- Small improvements continue in liquidity
 - Noncore funding continued to fall at a moderate rate
 - Sharp drop in liquid assets as a percent of total assets
 - Average use of brokered deposits continues to decline
- Capital levels remain strong

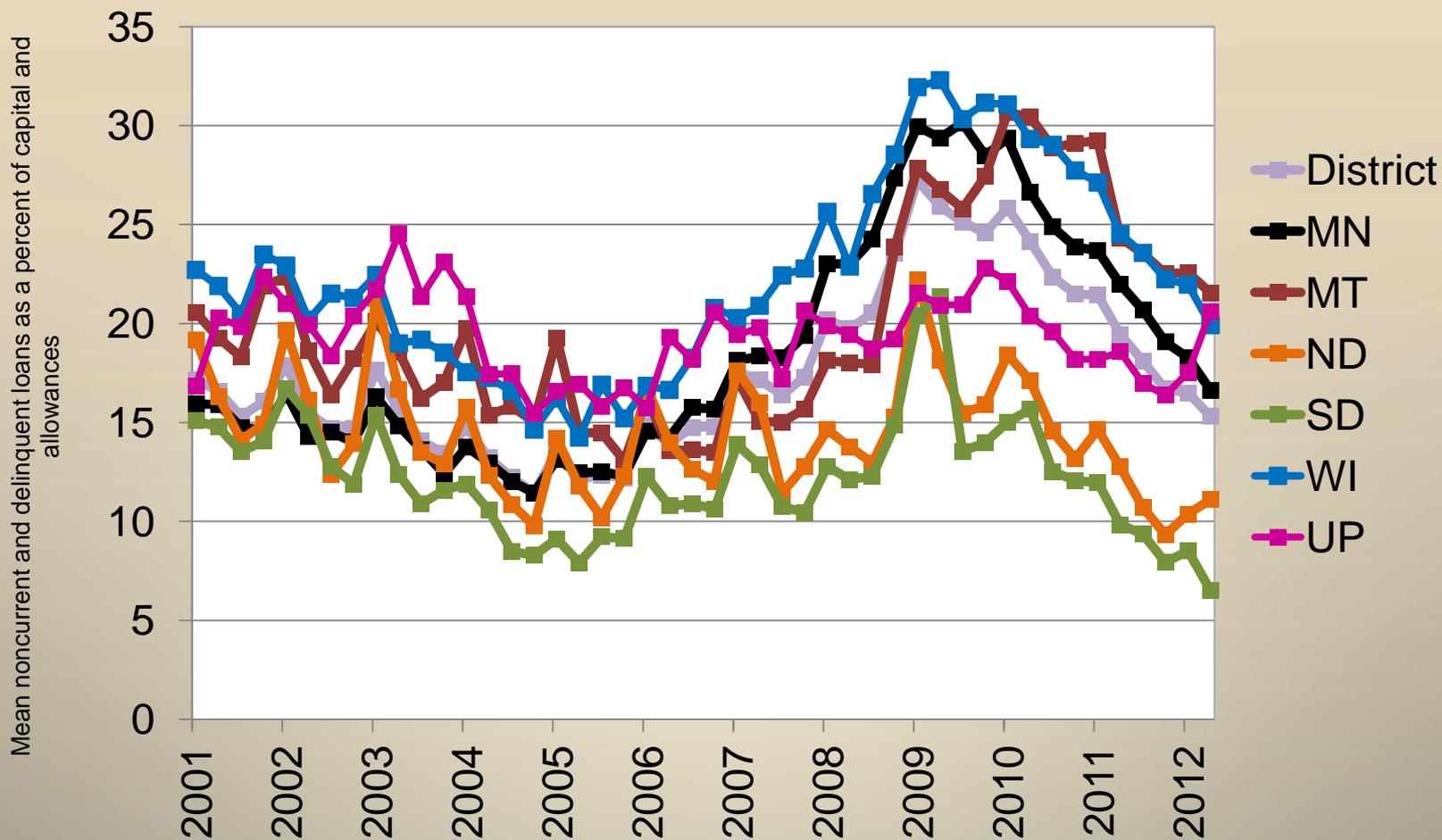


Bank Ratings Flat



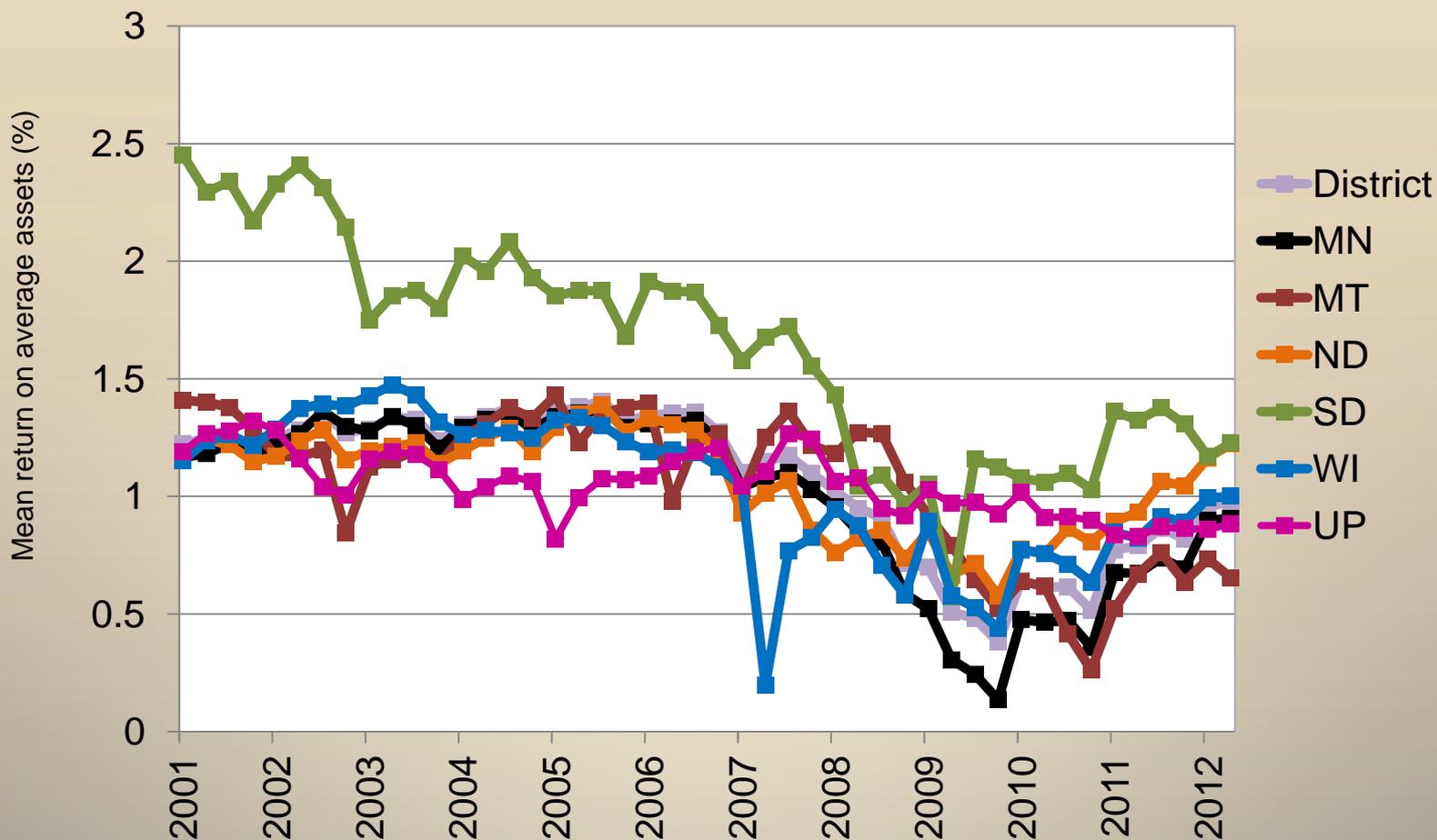


Asset Quality Remains the Best in the Dakotas; MT, UP, and WI the Worst



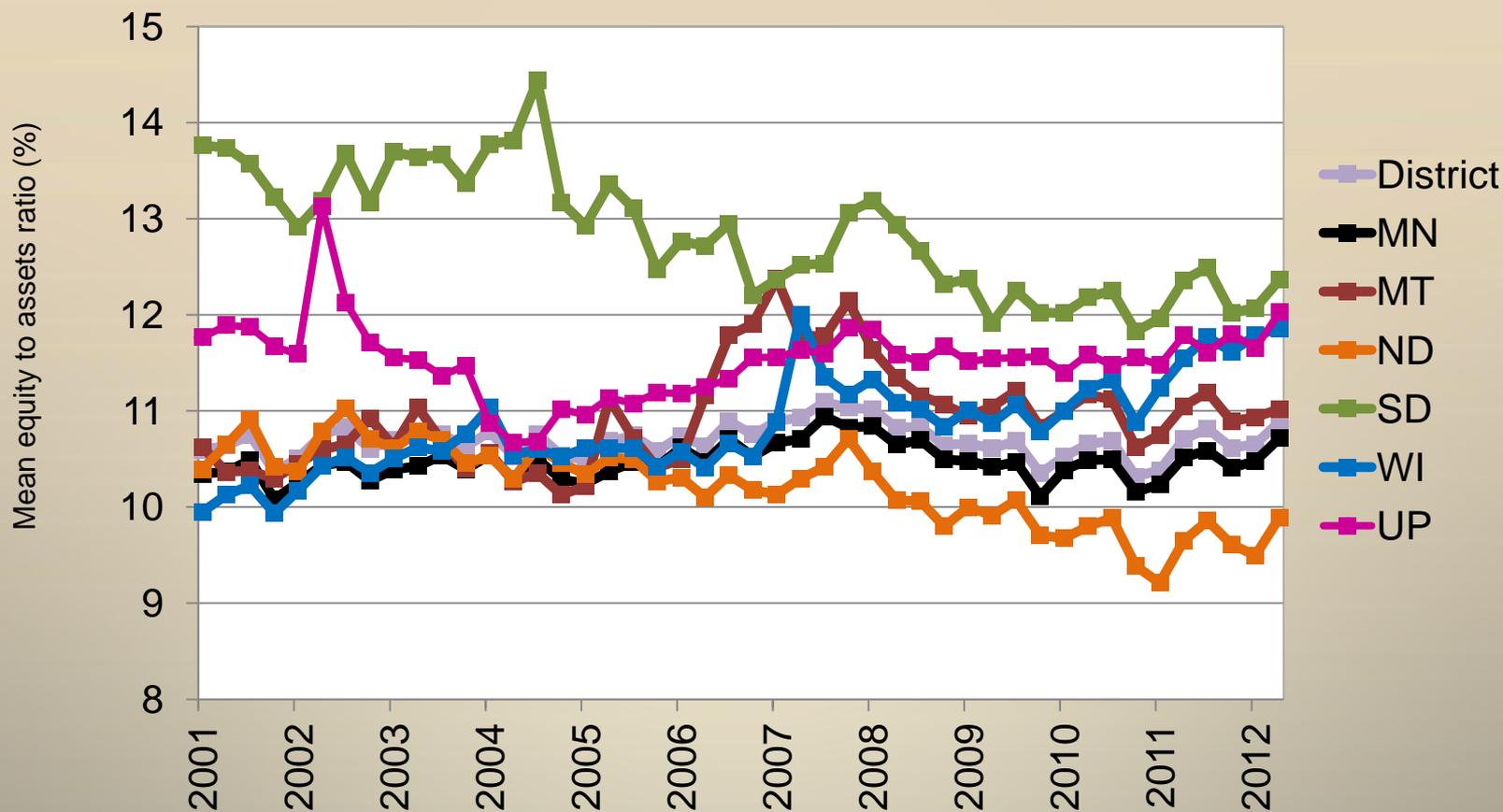


Little Change, Profits Remain the Highest in the Dakotas; MT the Lowest



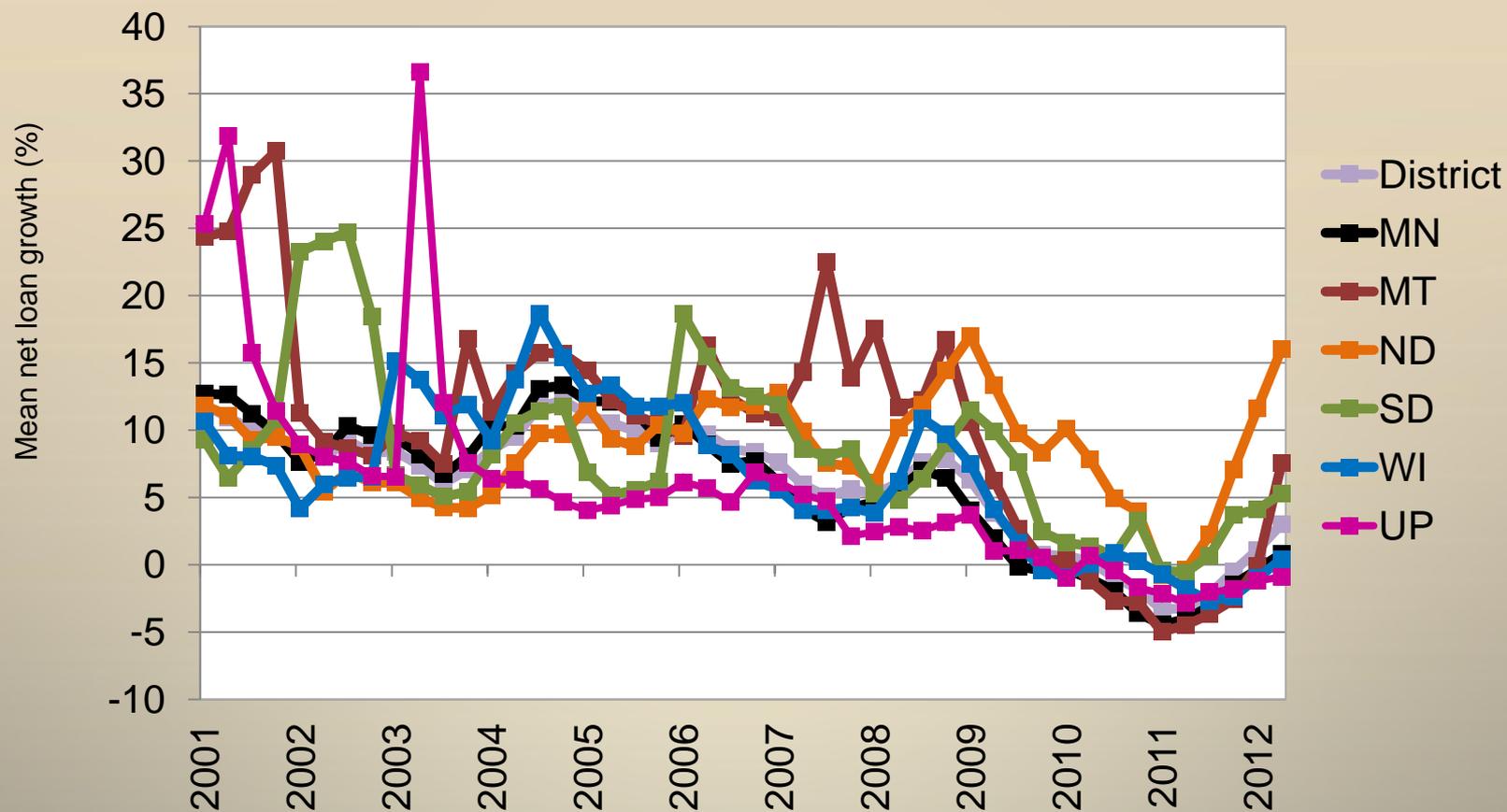


Capital Remains the Highest in SD, WI, and UP; ND the Lowest

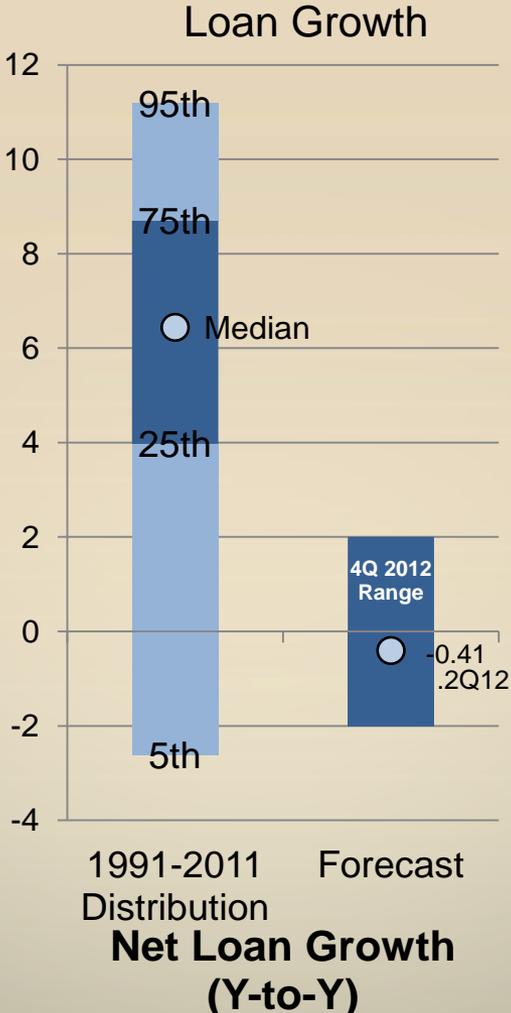
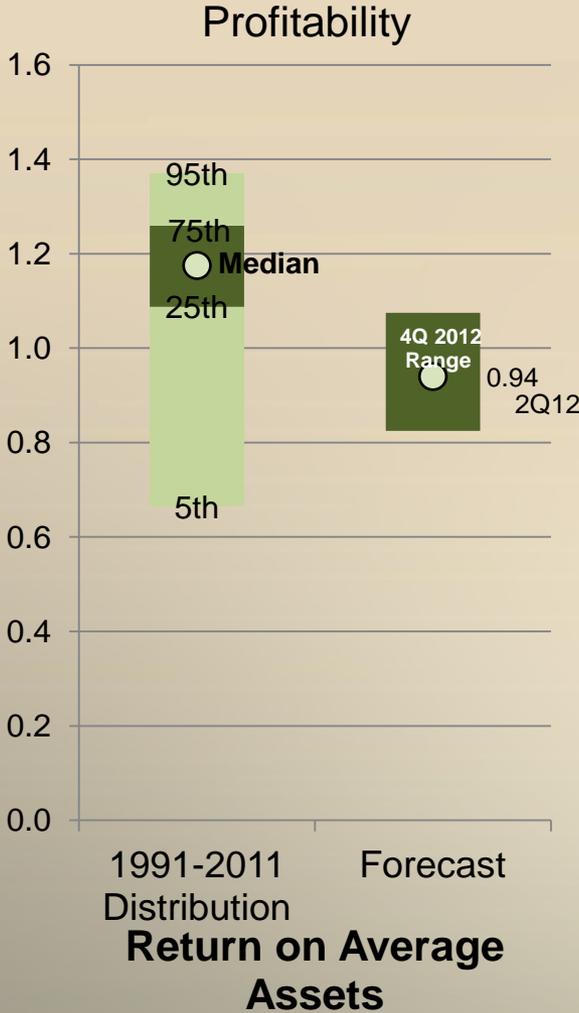




All but UP at Positive Loan Growth Levels



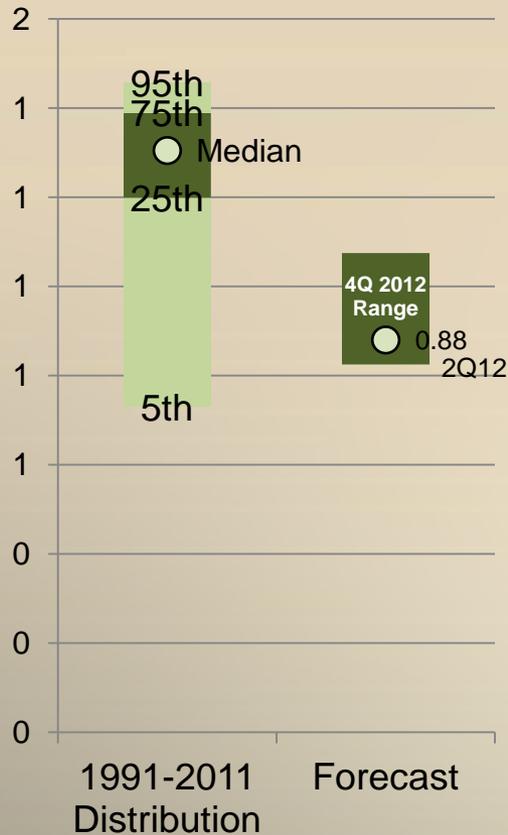
Status of YE12 Minnesota Forecast as of 2Q12 Bank Median



Status of 4Q12 Montana Forecast as of 2Q12 Bank Median

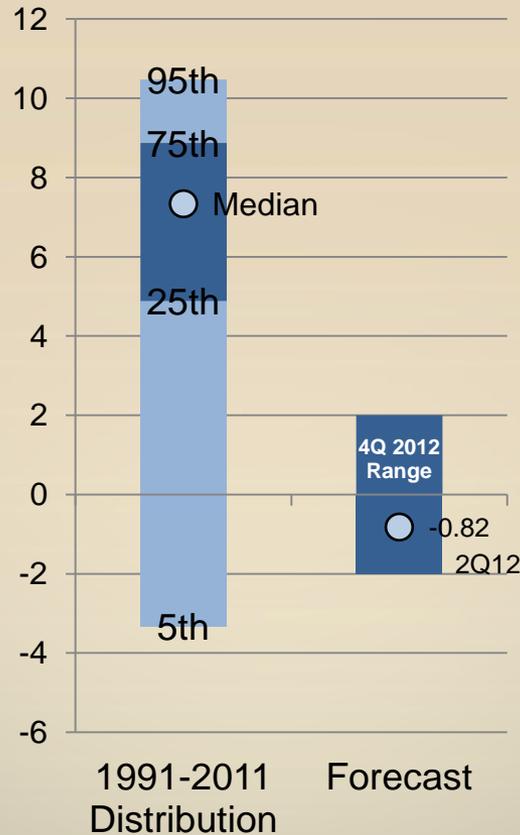


Profitability



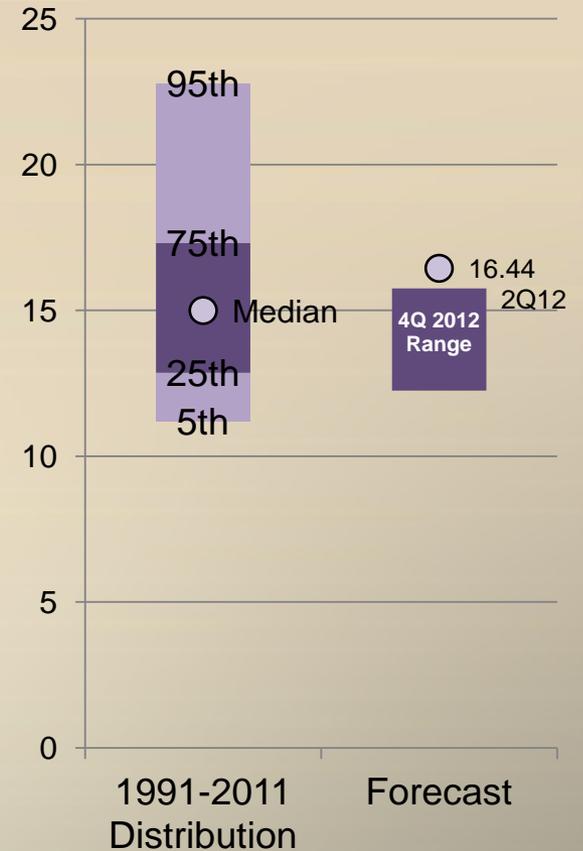
Return on Average Assets

Loan Growth



Net Loan Growth (Y-to-Y)

Asset Quality

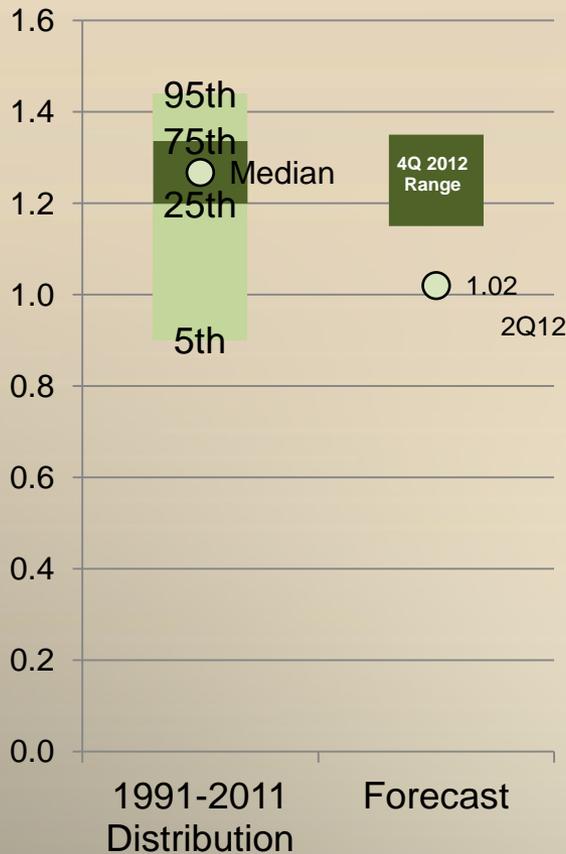


Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

Status of 4Q12 South Dakota Forecast as of 2Q12 Bank Median



Profitability



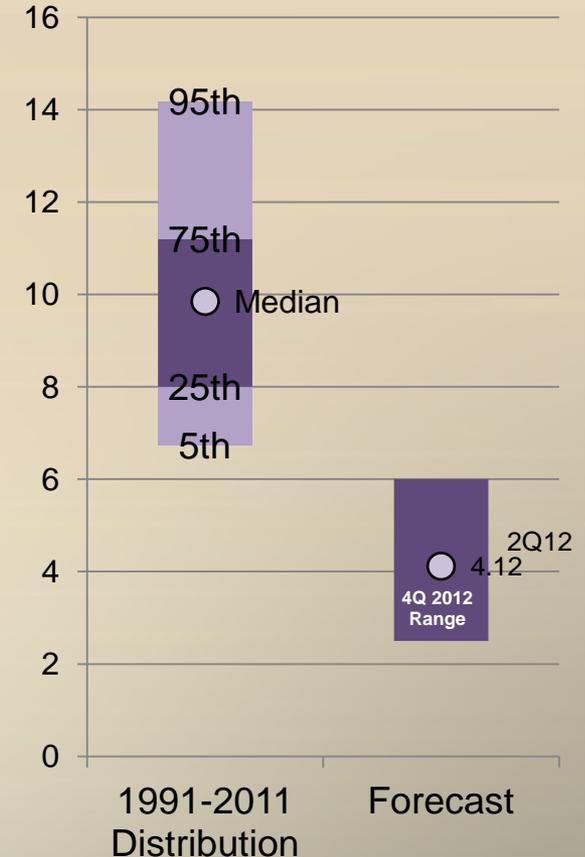
Return on Average Assets

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Net Loan Growth (Y-to-Y)

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Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

Status of 4Q12 North Dakota Forecast as of 2Q12

Bank Median

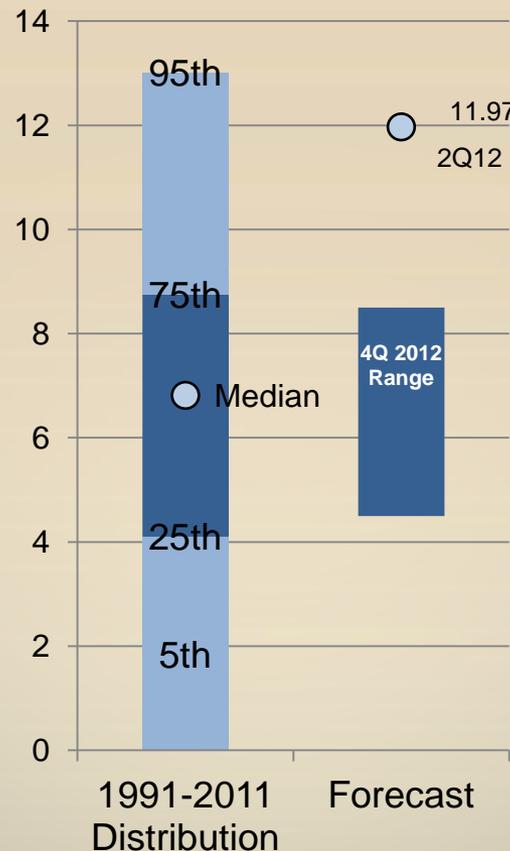


Profitability



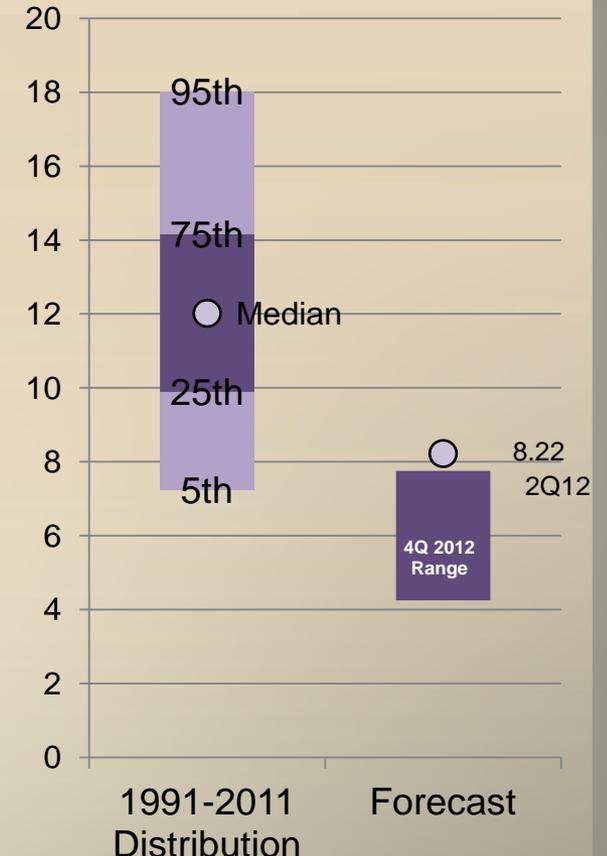
Return on Average Assets

Loan Growth



Net Loan Growth (Y-to-Y)

Asset Quality



Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

Western Wisconsin 2Q12 Performance Data

Bank Median



Profitability



1991-2011
Distribution

**Return on Average
Assets**

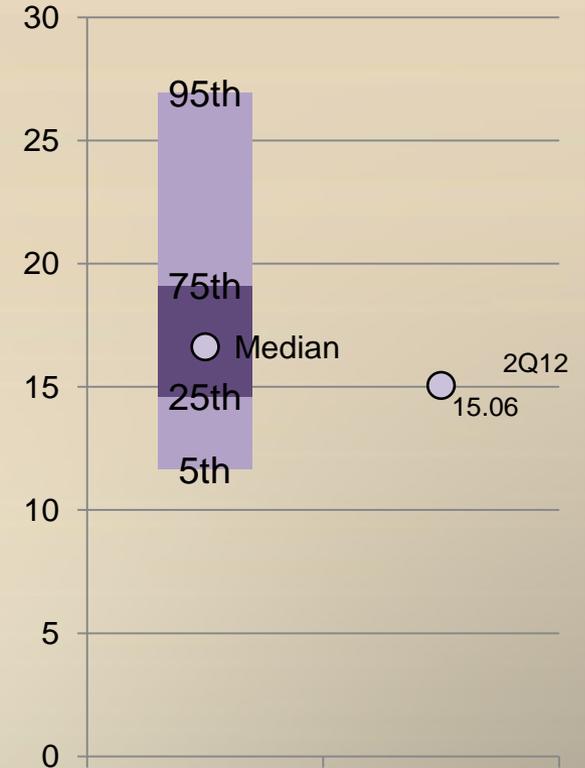
Loan Growth



1991-2011
Distribution

**Net Loan Growth
(Y-to-Y)**

Asset Quality



1991-2011
Distribution

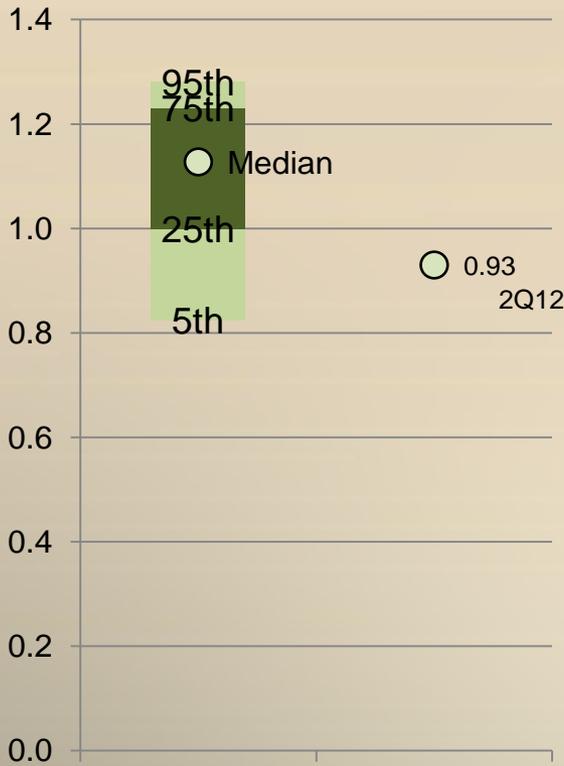
**Noncurrent and
Delinquent Loans as a
Percent of Capital and
Allowance**

Upper Peninsula of Michigan 2Q12 Performance Data

Bank Median



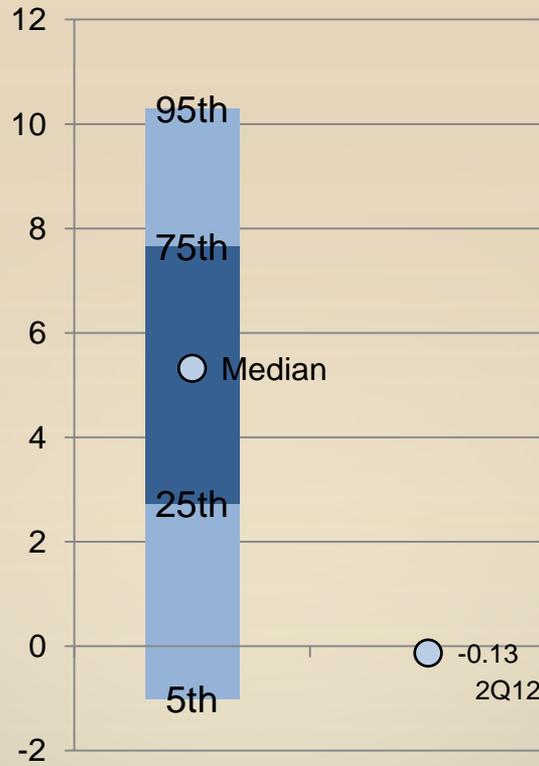
Profitability



1991-2011
Distribution

**Return on Average
Assets**

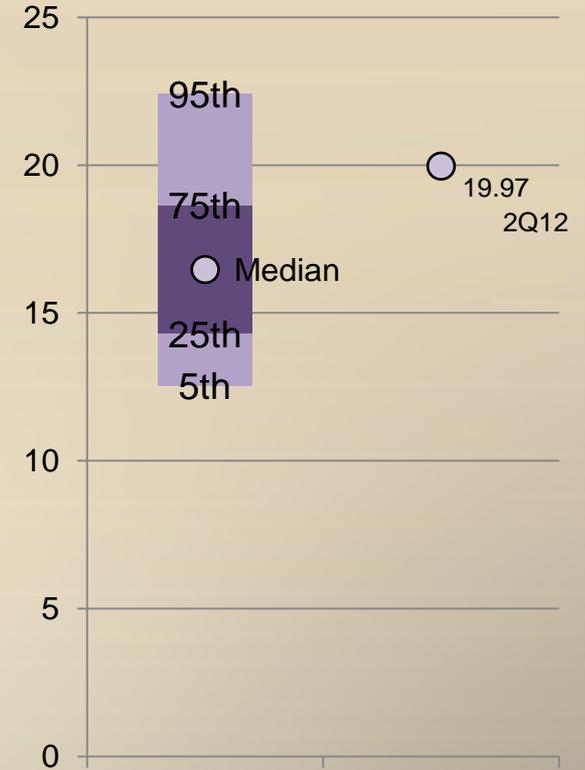
Loan Growth



1991-2011
Distribution

**Net Loan Growth
(Y-to-Y)**

Asset Quality



1991-2011
Distribution

**Noncurrent and
Delinquent Loans as a
Percent of Capital and
Allowance**

Status of YE12 Minnesota Forecast

Bank Median



| Profitability (ROAA) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 0.94 |
| Median Value for 1991 to 2011 | 1.175 |
| High Value, Range of Forecast | 1.075 |
| Low Value, Range of Forecast | 0.825 |

| Loan Growth (Yr Over Yr) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | -0.41 |
| Median Value for 1991 to 2011 | 6.44 |
| High Value, Range of Forecast | 2.0 |
| Low Value, Range of Forecast | -2.0 |

| Asset Quality (NC+DL Ratio) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 12.74 |
| Median Value for 1991 to 2011 | 12.29 |
| High Value, Range of Forecast | 13.25 |
| Low Value, Range of Forecast | 9.75 |

Forecast made for YE2012 as of YE2011

Status of YE12 Montana Forecast

Bank Median



| Profitability (ROAA) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 0.88 |
| Median Value for 1991 to 2011 | 1.305 |
| High Value, Range of Forecast | 1.075 |
| Low Value, Range of Forecast | 0.825 |

| Loan Growth (Yr over Yr) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | -0.82 |
| Median Value for 1991 to 2011 | 7.34 |
| High Value, Range of Forecast | 2.0 |
| Low Value, Range of Forecast | -2.0 |

| Asset Quality (NC+DL Ratio) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 16.44 |
| Median Value for 1991 to 2011 | 15.00 |
| High Value, Range of Forecast | 15.75 |
| Low Value, Range of Forecast | 12.25 |

Forecast made for YE2012 as of YE2011

Status of YE12 North Dakota Forecast

Bank Median



| Profitability (%) (ROAA) | |
|--|------|
| Current Value (2 nd Quarter 2012) | 1.18 |
| Median Value for 1991 to 2011 | 1.16 |
| High Value, Range of Forecast | 1.30 |
| Low Value, Range of Forecast | 1.10 |

| Loan Growth (%) (Yr over Yr) | |
|--|-------|
| Current Value (2 nd Quarter 2012) | 11.97 |
| Median Value for 1991 to 2011 | 6.82 |
| High Value, Range of Forecast | 8.50 |
| Low Value, Range of Forecast | 4.50 |

| Asset Quality (%) (NC+DL Ratio) | |
|--|-------|
| Current Value (2 nd Quarter 2012) | 8.22 |
| Median Value for 1991 to 2011 | 12.02 |
| High Value, Range of Forecast | 7.75 |
| Low Value, Range of Forecast | 4.25 |

Forecast made for YE2012 as of YE2011



Status of YE12 South Dakota Forecast

Bank Median

| Profitability (ROAA) | (%) |
|------------------------------------|------------|
| Current Value (First Quarter 2012) | 1.02 |
| Median Value for 1991 to 2011 | 1.27 |
| High Value, Range of Forecast | 1.35 |
| Low Value, Range of Forecast | 1.15 |

| Loan Growth (Yr over Yr) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 3.23 |
| Median Value for 1991 to 2011 | 6.36 |
| High Value, Range of Forecast | 5.0 |
| Low Value, Range of Forecast | 1.0 |

| Asset Quality (NC+DL Ratio) | (%) |
|--|------------|
| Current Value (2 nd Quarter 2012) | 4.12 |
| Median Value for 1991 to 2011 | 9.85 |
| High Value, Range of Forecast | 6.0 |
| Low Value, Range of Forecast | 2.5 |

Forecast made for YE2012 as of YE2011