



THE FEDERAL RESERVE BANK *of* MINNEAPOLIS

Banking Conditions in Ninth District States: Third Quarter 2011 Results

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Summary of Prior Banking Condition Discussions

- Year-end 2010 forecast for 2011: Conditions will improve, although the pace of recovery could be quite slow
- 1st quarter banking conditions were weak
- 2nd quarter banking conditions improved, but remained sluggish

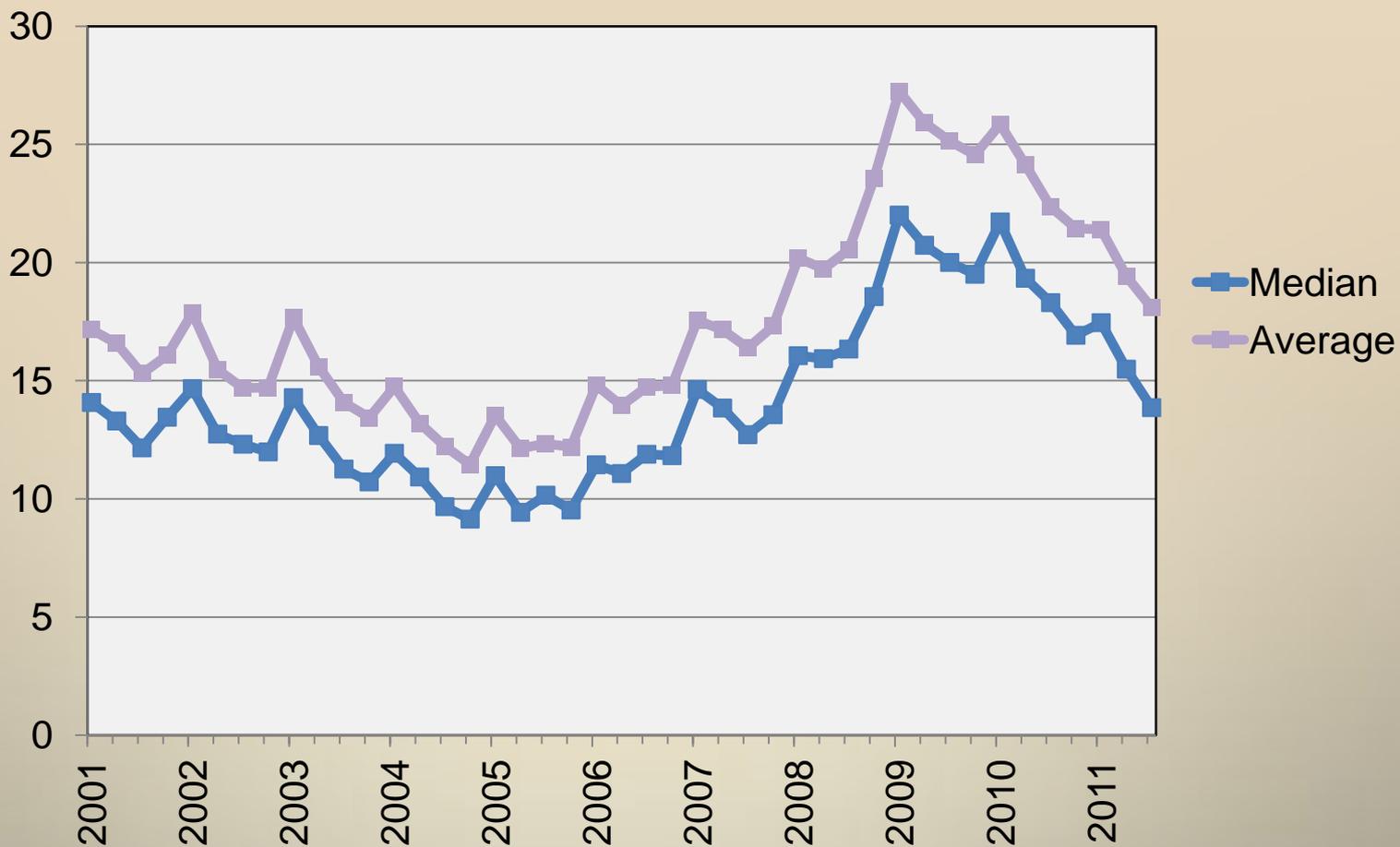


Main Points for 3rd Quarter 2011

- Continued gains in key measures, but progress varies and precrisis levels not reached
 - Strong to middling improvement in asset quality
 - Small/middling profit gains
 - Loan growth remains negative
- Some continued improvement in stronger liquidity and capital measures
- Dakotas perform better than district; Minnesota, Montana and Twin Cities perform generally worse
 - Asset quality varies by location; other metrics less so

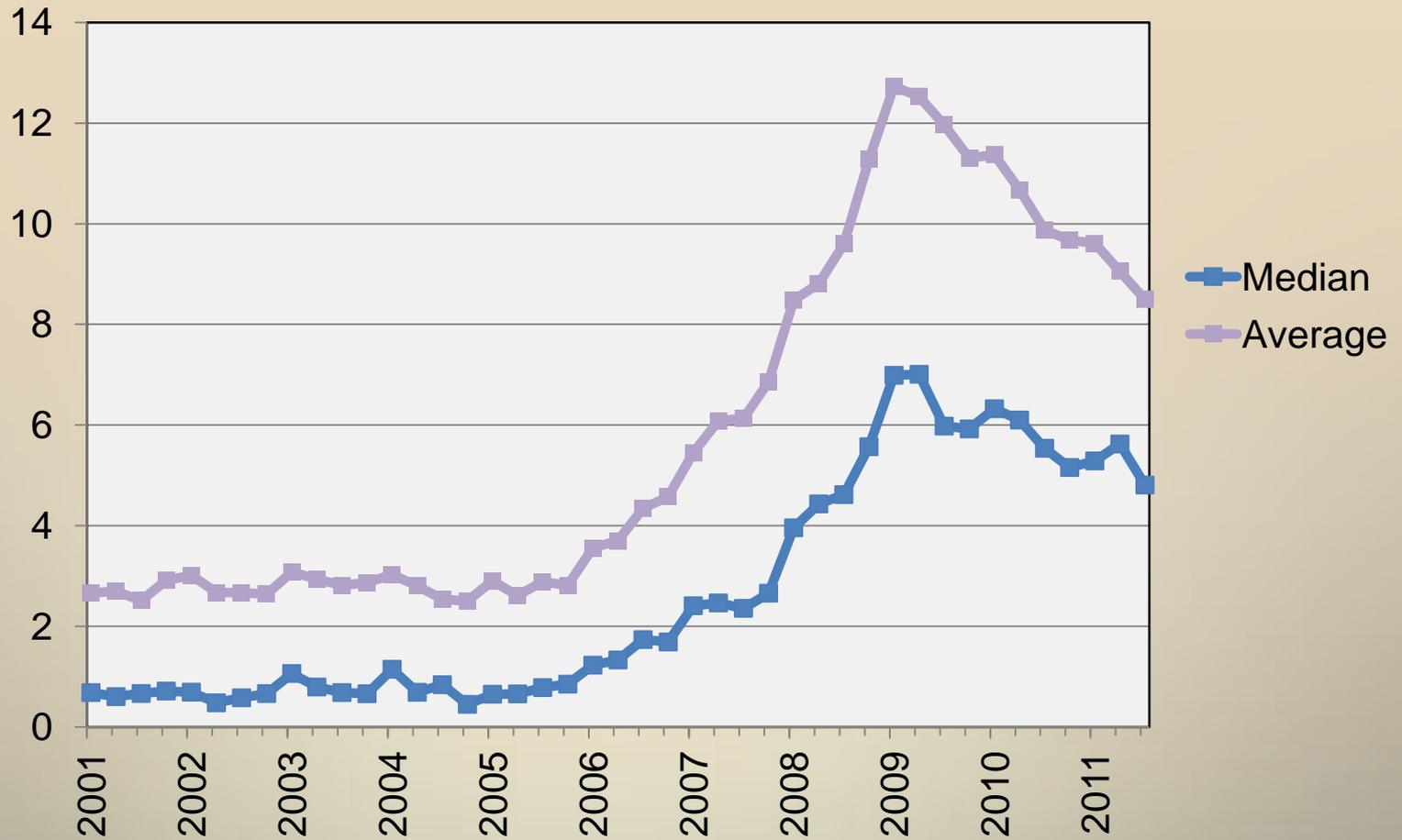


Strong Improvement in Overall Asset Quality



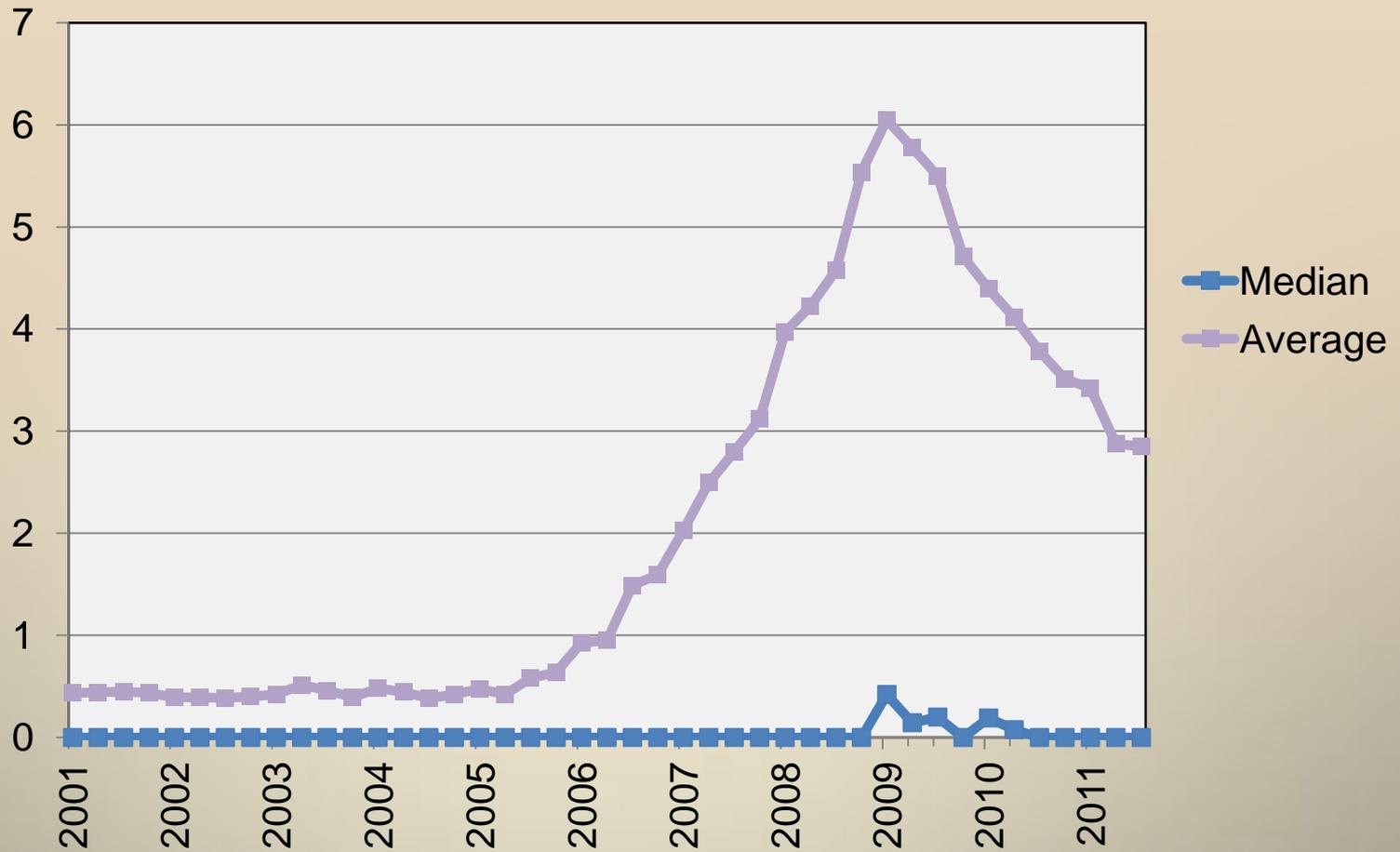
Noncurrent and delinquent loans as a percent of capital and allowances

Strong Improvement in Commercial Real Estate Asset Quality



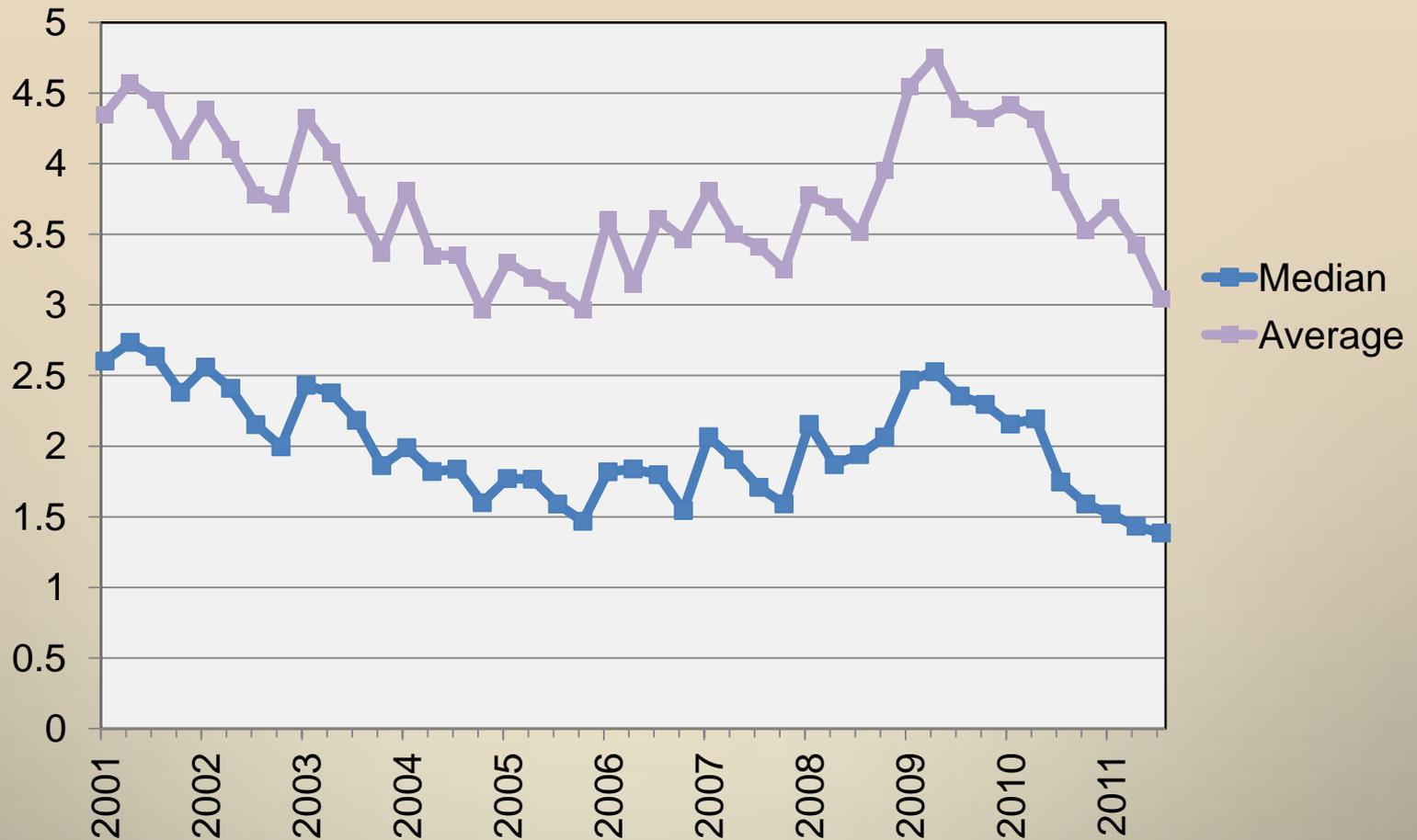
Noncurrent CRE loans and delinquencies as a percent of capital and allowances

Construction and Land Development Asset Quality Unchanged



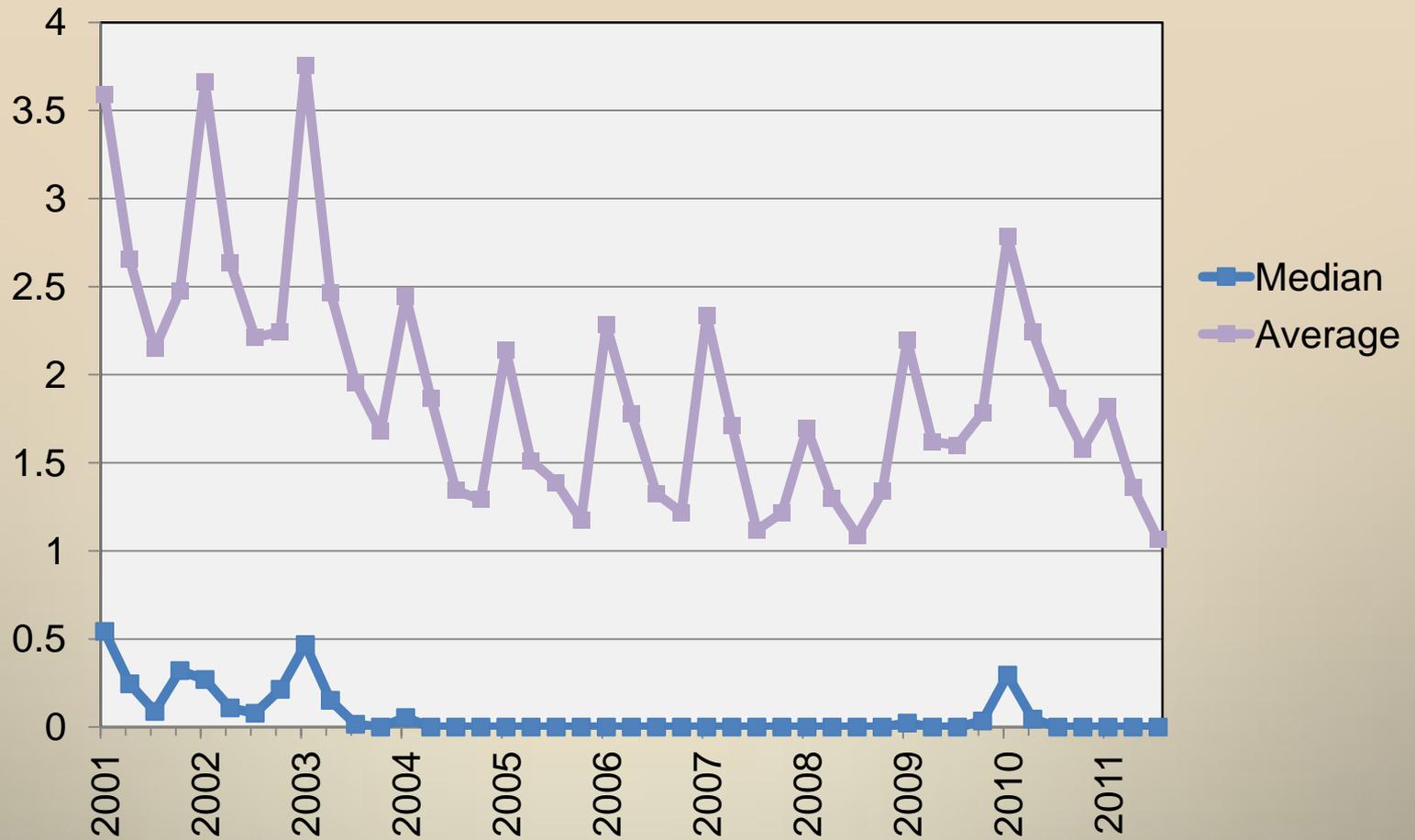
Noncurrent CLD loans and delinquencies as a percent of capital and allowances

Small/Middling Improvement in Commercial and Industrial Asset Quality



Noncurrent C&I loans and delinquencies as a percent of capital and allowances

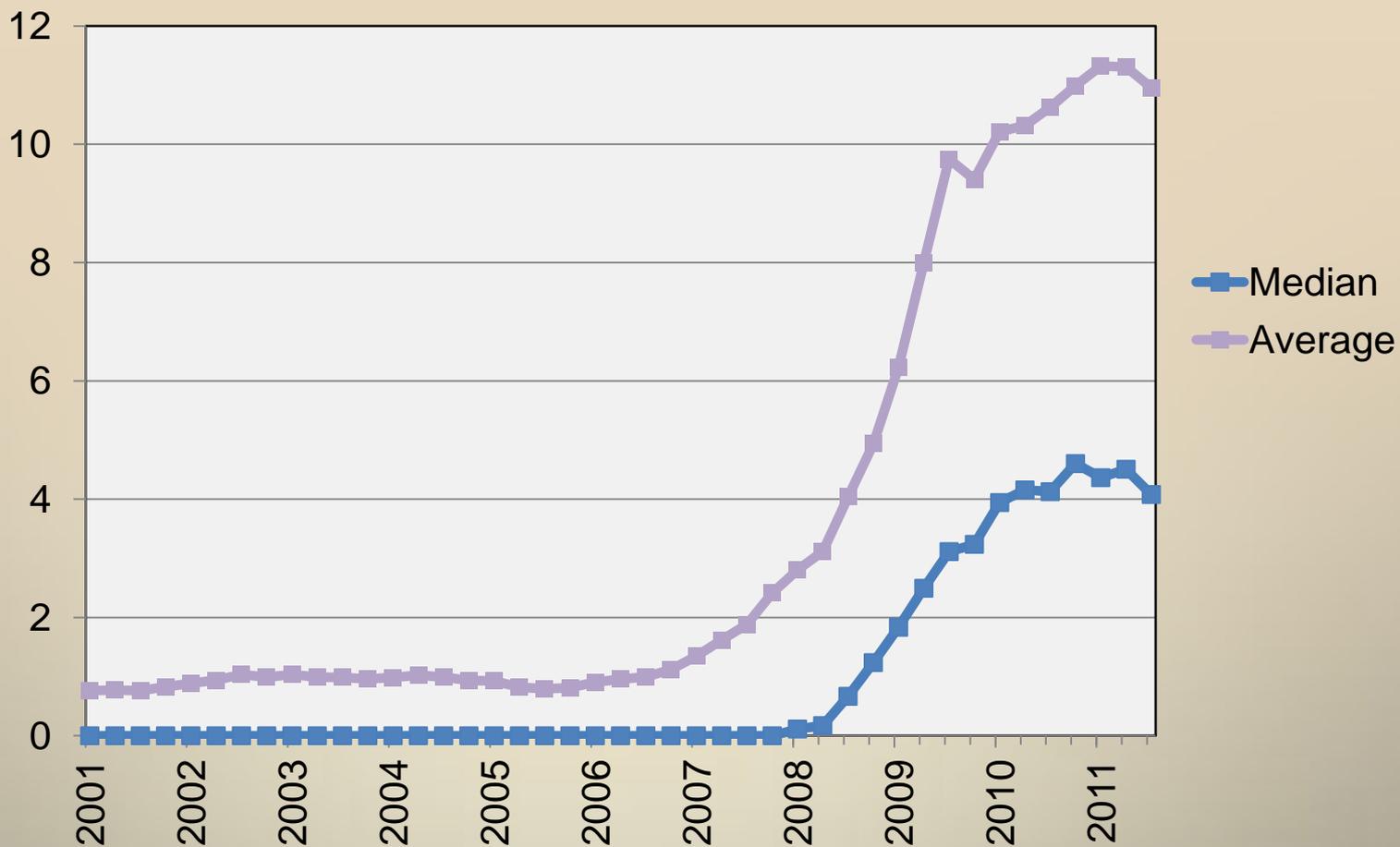
Middling Improvement for Agricultural Asset Quality



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

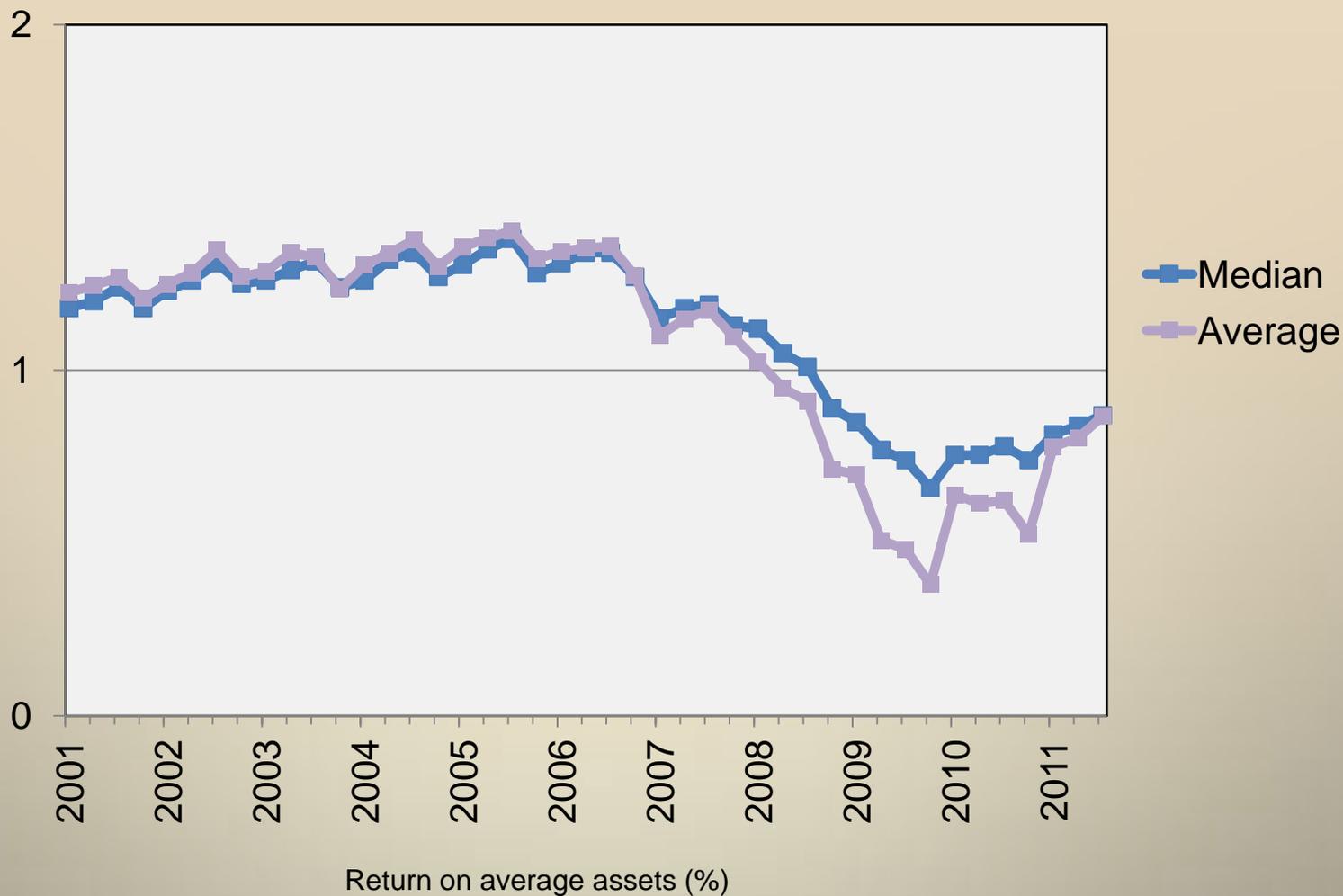


Amount of Real Estate Owned by Banks on Initial Decline

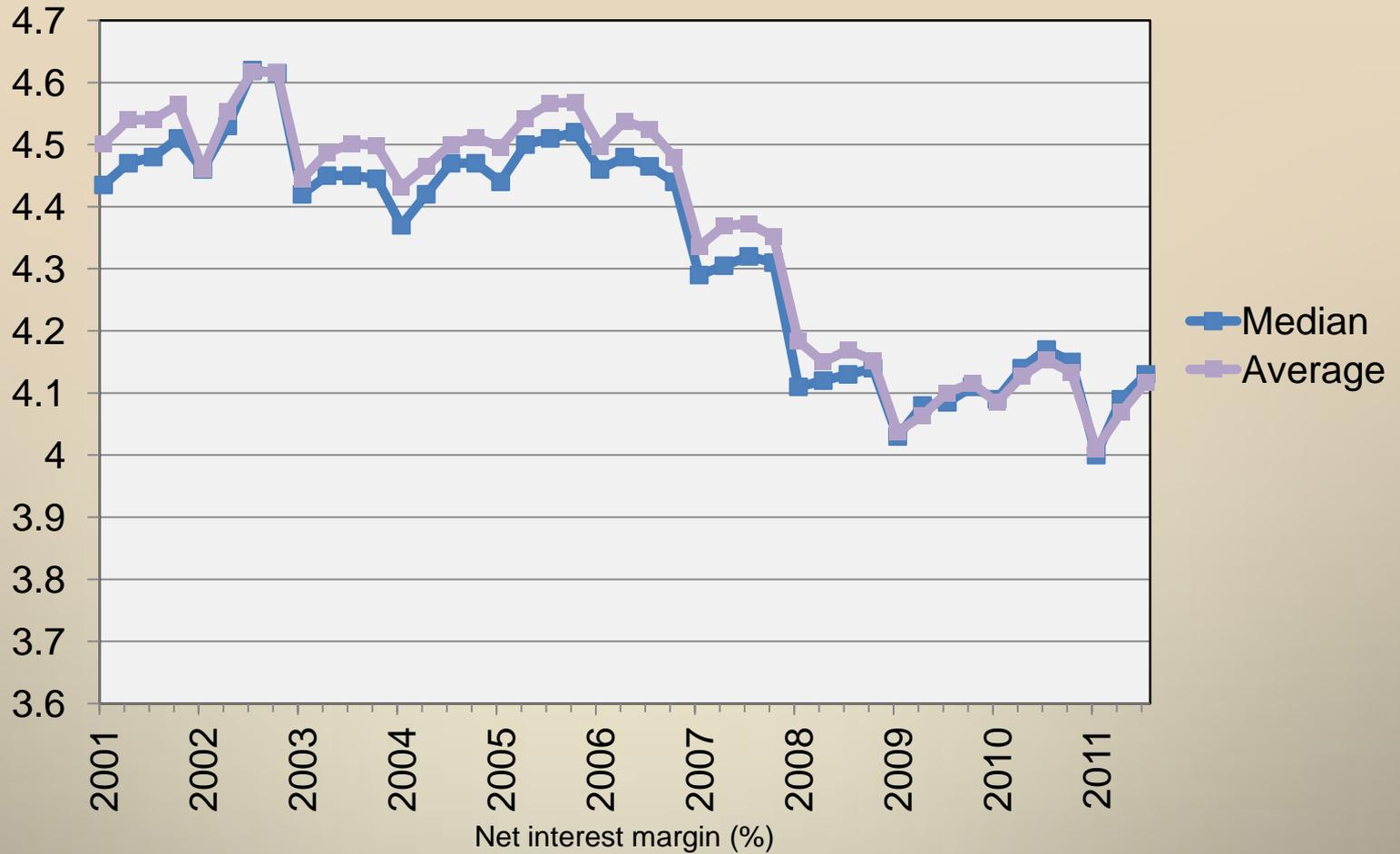


Noncurrent Loans and Other Real Estate Owned as a Percent of Total Loans and OREO

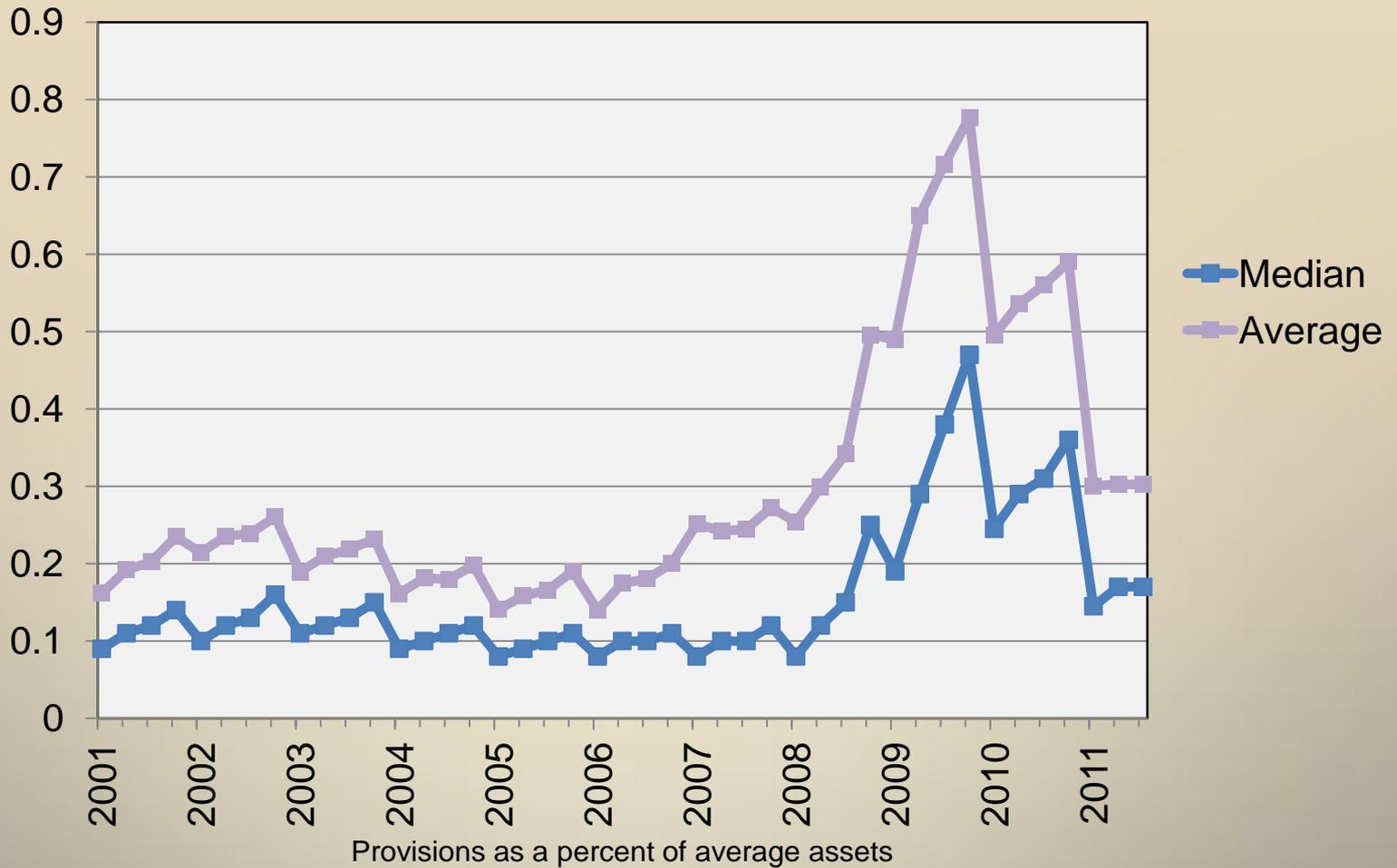
Small/Middling Improvement in Earnings



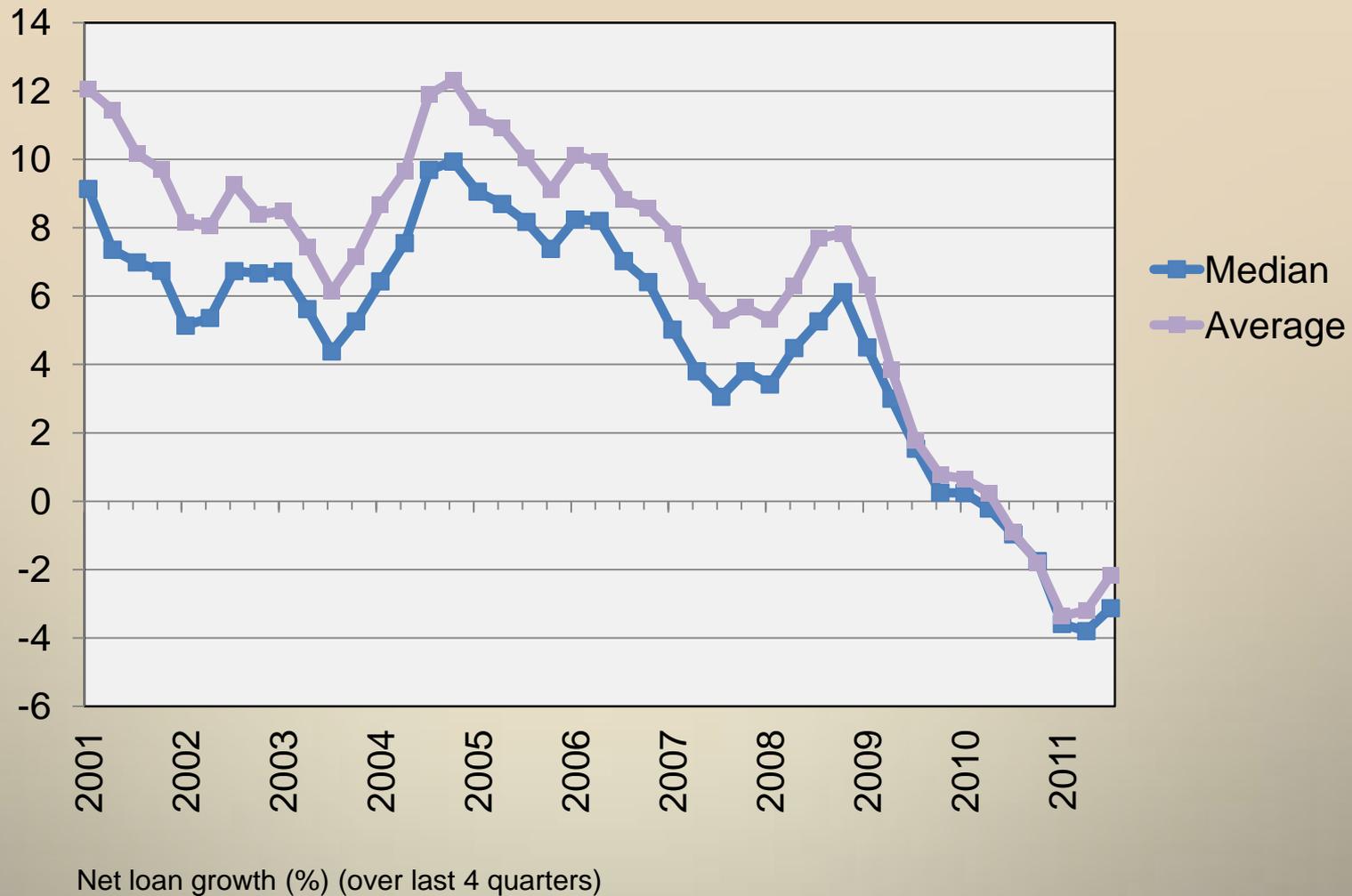
Middling Improvement in Net Interest Margins



Provisions Were Flat



Continued Negative Year-Over-Year Loan Growth; Some Improvement



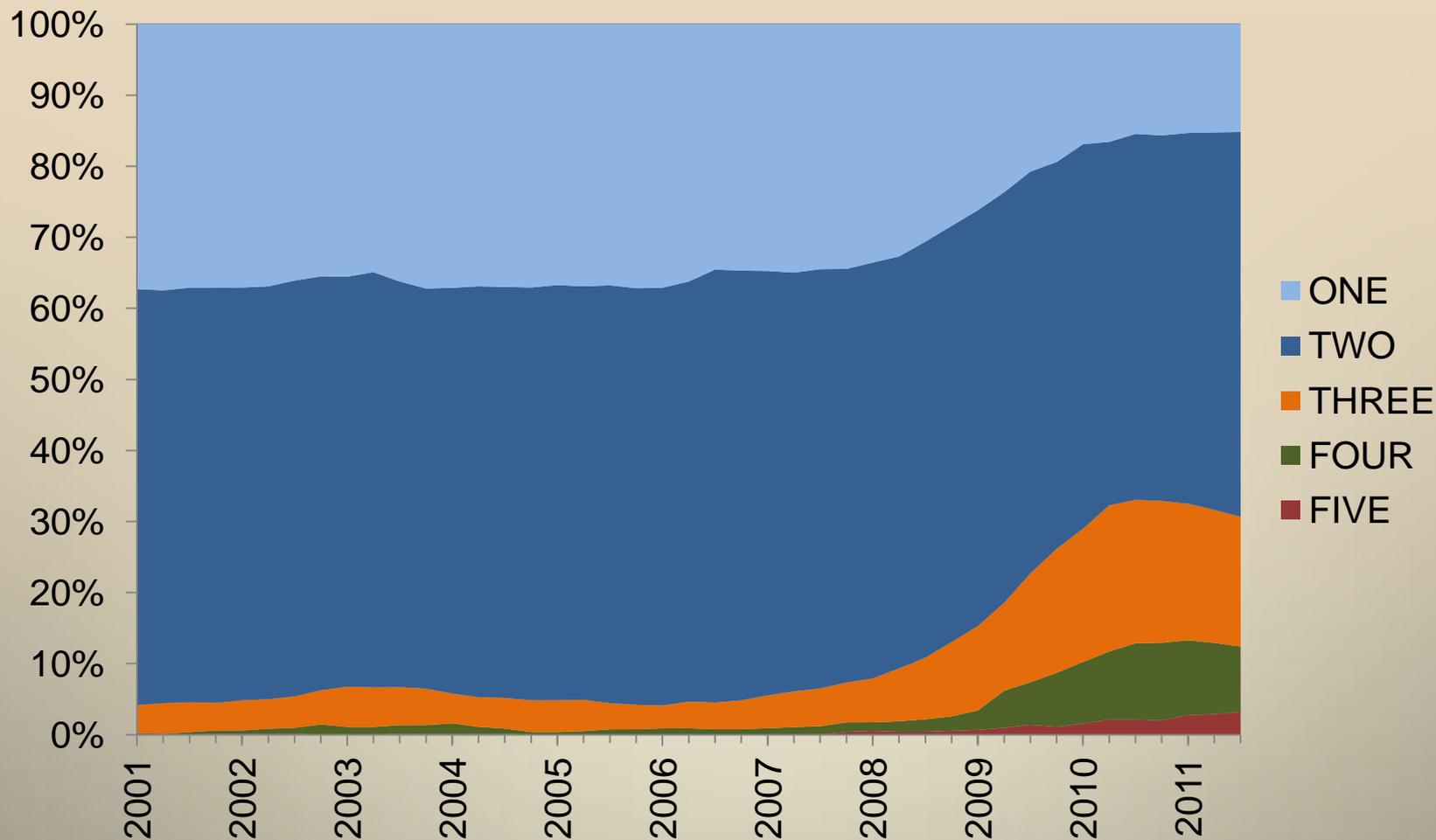


Continued Improvement for Liquidity and Capital

- Liquidity
 - Noncore funding continued to fall
 - High share of liquid assets
 - Falling use of brokered deposits
- Capital
 - Capital levels much closer to precrisis levels

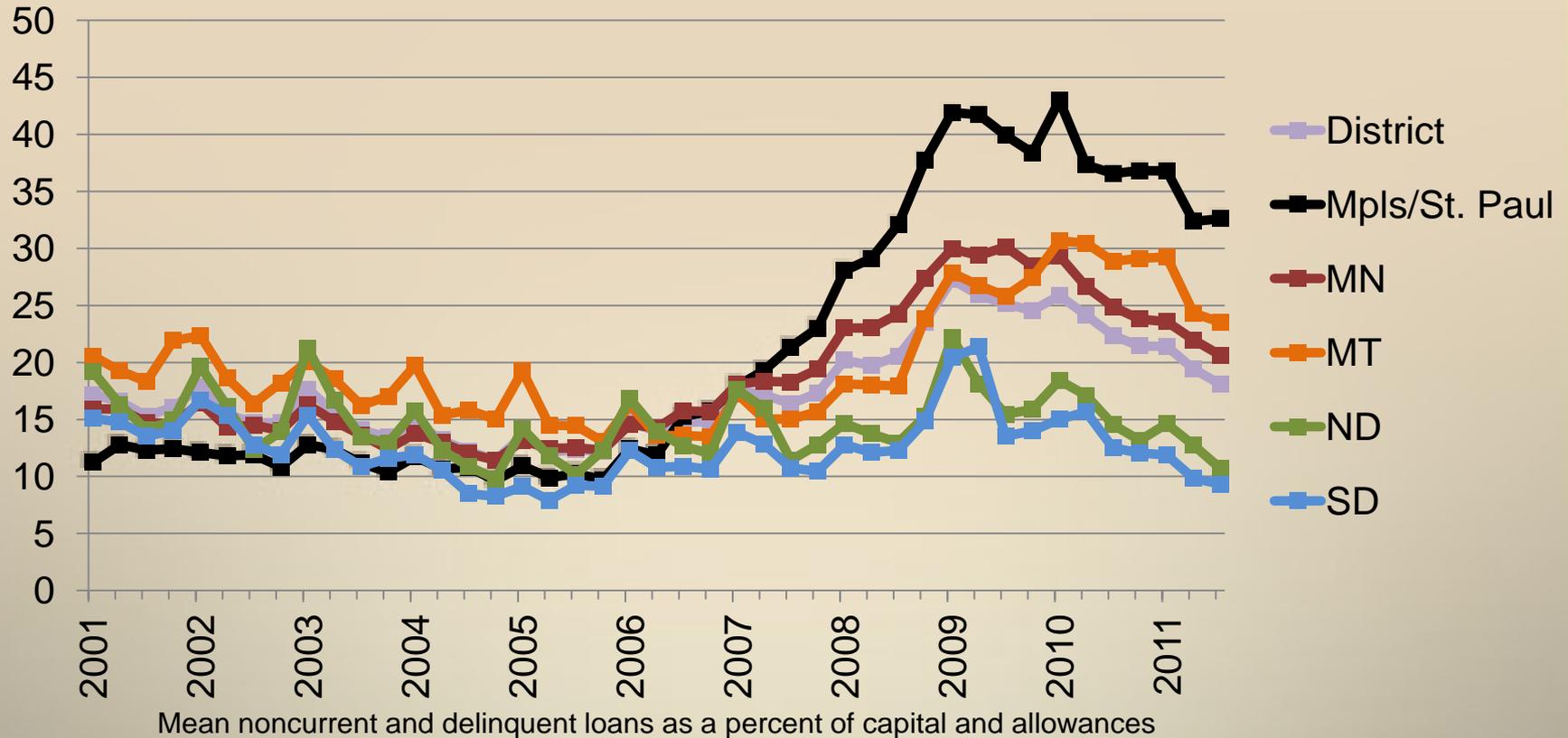


Bank Ratings Flat to Slightly Improved



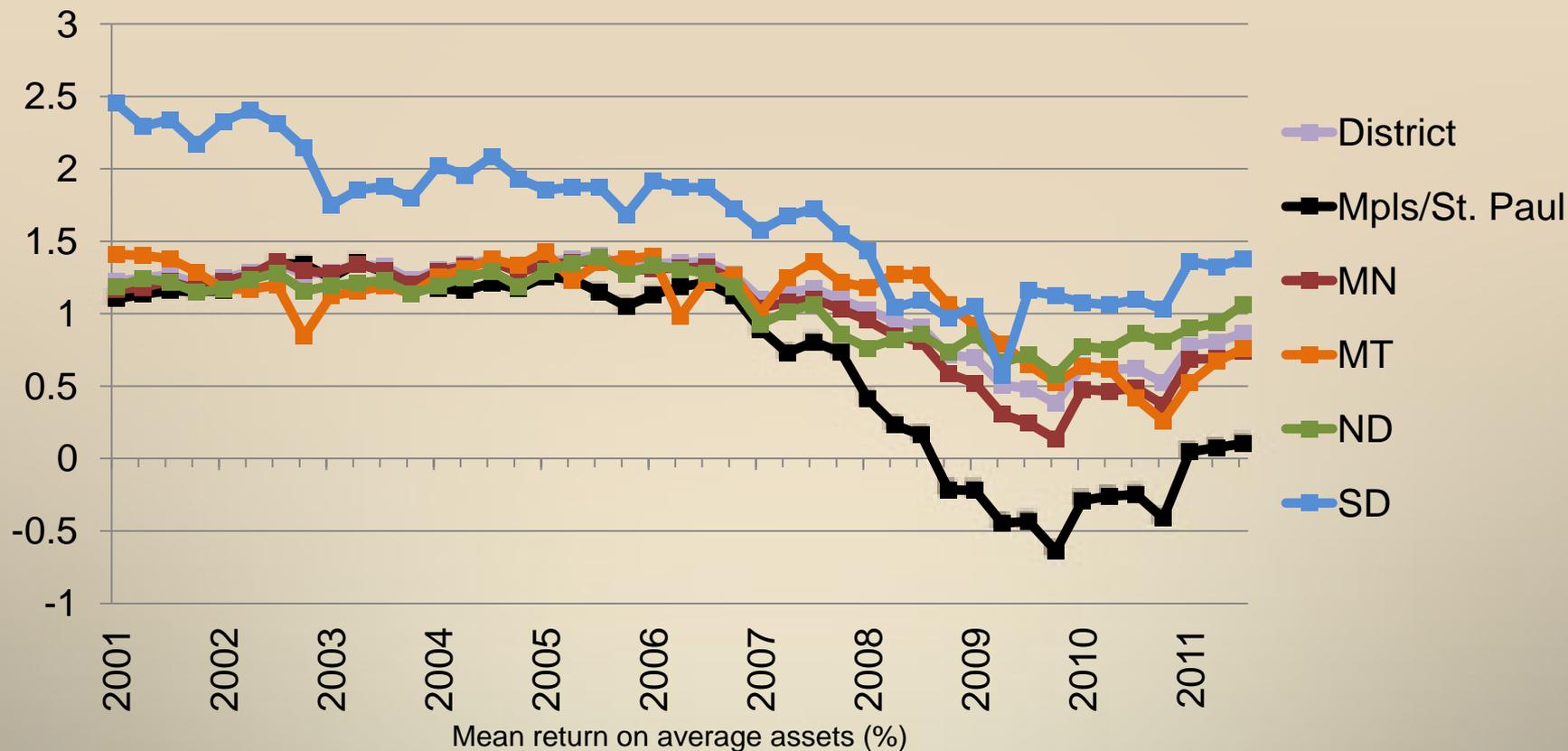


Dakotas Best Asset Quality; Twin Cities and Montana Worst



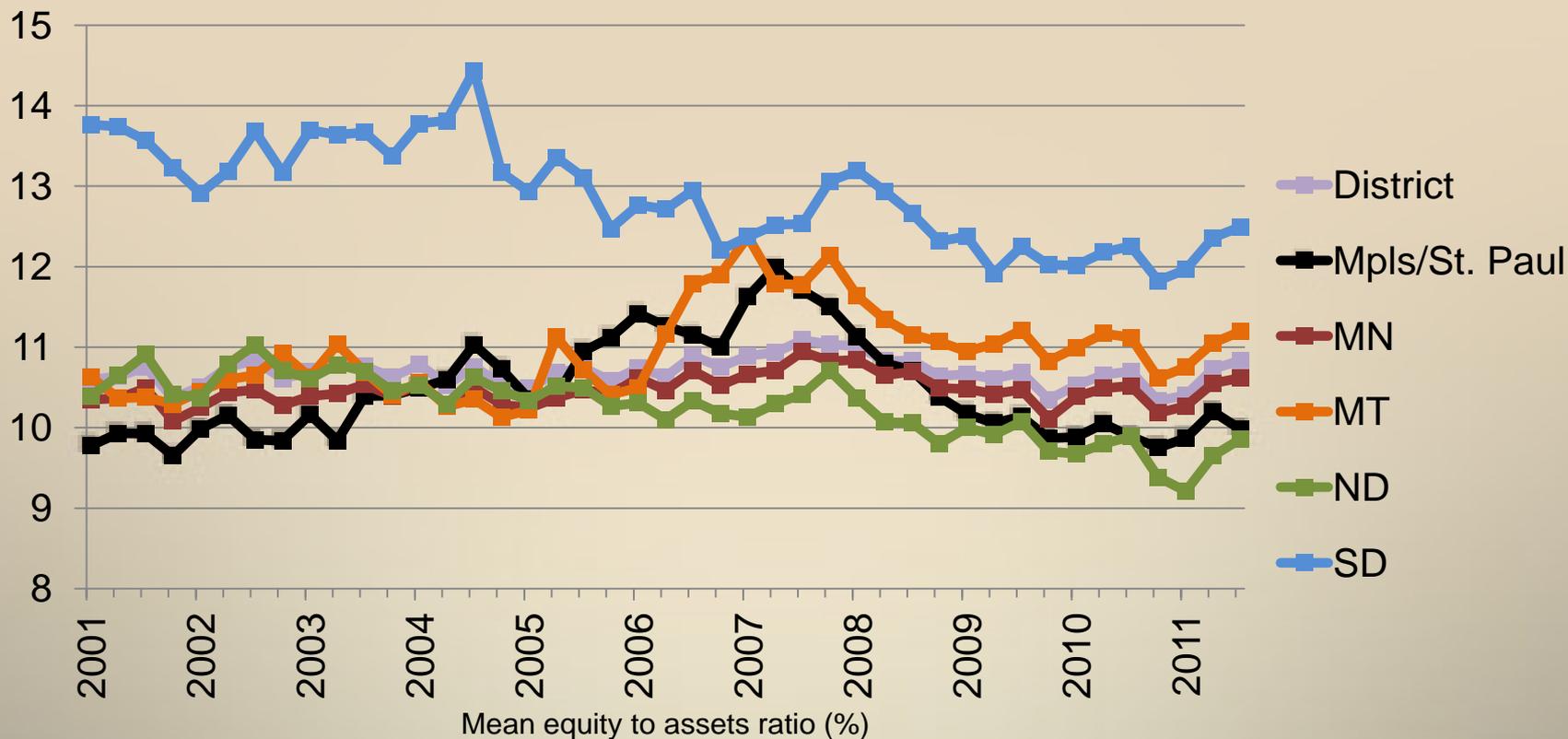


Dakotas Highest Profits; Twin Cities Lowest





Capital Levels Vary Less by Geography





All but Dakotas Have Negative Loan Growth

