

Ninth District Bank Operations

As of 06/30/2011

Bank Medians	MN	ND	SD	MT	WI	MI
Assets						
Loans	63%	60%	61%	59%	65%	58%
Federally guaranteed securities	12%	15%	16%	15%	10%	8%
Other securities	3%	6%	6%	2%	9%	15%
Cash, repos and deposits with the Fed	10%	8%	8%	11%	7%	6%
Other (includes real estate, intangibles, subsidiary investments, trading assets, etc.)	5%	4%	5%	7%	6%	5%
Liabilities						
Insured deposits	73%	71%	70%	71%	72%	69%
Uninsured deposits	23%	25%	25%	23%	23%	26%
Other	2%	3%	2%	3%	3%	5%
Capital						
Risk-Based Capital Ratio	10.1%	9.4%	11.1%	10.5%	10.6%	11.1%
Equity to Assets	14.6%	13.4%	16.3%	16.2%	15.6%	18.0%
Net Loan Growth (last 4 qtrs)	-4.7%	0.0%	-0.8%	-5.2%	-2.8%	-2.9%
Total Assets Growth (last 4 qtrs)	4.7%	4.2%	4.8%	5.2%	4.9%	4.3%

Ninth District Bank Demographics

As of 06/30/2011

	MN	ND	SD	MT	WI	MI
Size						
>\$1 billion	6 (2%)	5 (6%)	6 (8%)	4 (6%)	0 (0%)	0 (0%)
\$500 million to \$1 billion	11 (3%)	5 (6%)	6 (8%)	3 (4%)	3 (5%)	0 (0%)
\$100 million to \$500 million	140 (37%)	27 (30%)	21 (27%)	25 (36%)	29 (51%)	14 (67%)
<\$100 million	217 (58%)	53 (59%)	44 (57%)	38 (54%)	25 (44%)	7 (33%)
Locale (%)						
Metro	42%	20%	23%	21%	35%	0%
Rural	58%	80%	77%	79%	65%	100%
Business Focus						
Agricultural (>25% of Loans)	59%	66%	74%	65%	39%	0%
Commercial Real Estate (FR BOG definition)	41%	34%	26%	35%	61%	100%

Definitions and Interpretation

Capital

Capital ratios are a key measure of a bank's financial stability. There are a variety of capital ratios, but they generally measure certain types of bank capital against certain types of assets. As a rule of thumb, the higher the ratio, the more sound the bank.

Total Risk-Based Capital Ratio

Total risk-based capital/total risk-weighted assets is a measure that adjusts both capital and assets for their underlying risk and allows lower capital charges for less risky assets.

Asset Quality

Asset quality refers to the amount of risk or probable loss in a bank's assets and the ability of the bank's capital stock and other reserve accounts to absorb any losses. Asset quality measures usually focus on a bank's loan portfolio since (i) loans typically constitute a majority of a bank's assets, and (ii) most bank failures occur because of loan portfolio problems.

Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

[Noncurrent loans + delinquent loans]/[capital + allowances] is a broader measure of asset quality that combines noncurrent loans (loans past due 90 days or more plus loans that are no longer accruing interest) with delinquent loans (loans that are still accruing interest but are past due 30-89 days). The denominator consists of total bank capital (equity) plus allowances (the cumulative capital the bank has set aside in the past to cover losses on loans and other bad debts), which together represent the maximum loss the bank could suffer while still remaining solvent.

Construction and Land Development Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

CLD [NCL + DQ]/[capital + allowances], a subset of the prior measure, is a ratio that focuses on problematic loans that are used to finance construction and land development.

Commercial Real Estate Noncurrent and Delinquent Loans as a Percent of Capital and Allowance

CRE [NCL + DQ]/[capital + allowances] is a ratio that focuses on problematic commercial real estate loans.

Earnings

Earnings are the difference between revenues and expenses, taking into account various gains, losses and taxes. An especially important item is the “provision for loan and lease losses,” the amount set aside by a bank to maintain its allowances at a level sufficient to absorb estimated loan losses.

Return on Average Assets

ROAA is a standard measure of bank earnings. It is the ratio of net income to annual average assets.

Net Interest Margin

NIM is the difference between interest income and interest expense. It represents the spread or gross margin on a bank’s loans and investment (what it earns from its assets minus what it pays to buy those assets).

Provisions as a Percent of Average Assets

provision expense/average assets, as mentioned above, provisions are the amounts set aside by a bank to absorb future loan losses

Liquidity

Bank liquidity refers to the ability of a bank to raise cash quickly and easily at a reasonable cost. Banks must have adequate liquidity in order to serve their customers and operate efficiently.

Noncore Funding as a Percent of Liabilities

Noncore funding/total liabilities—noncore funding sources include federal funds purchased, Federal Home Loan Bank (FHLB) advances, subordinated notes and debentures, CDs of more than \$100,000 (jumbo CDs) and brokered deposits. Banks that make extensive use of the sort of financing may find themselves subject to potential liquidity stress if the funding sources are no longer available.

Miscellaneous

Net Loan Growth (over past four quarters)

The percentage change in total loans and leases, net of allowances, over the past four quarters.