



THE FEDERAL RESERVE BANK *of* MINNEAPOLIS

Banking Conditions in Ninth District States: Second Quarter 2011 Results

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Summary of Last Discussion

- Conditions in 2011 should improve, although the pace of recovery could be quite slow
- The pace of banking conditions recovery was weak in the first quarter of 2011
 - Asset quality generally flat to slight decline
 - Profits up but not driven by core earnings
 - Weak loan growth

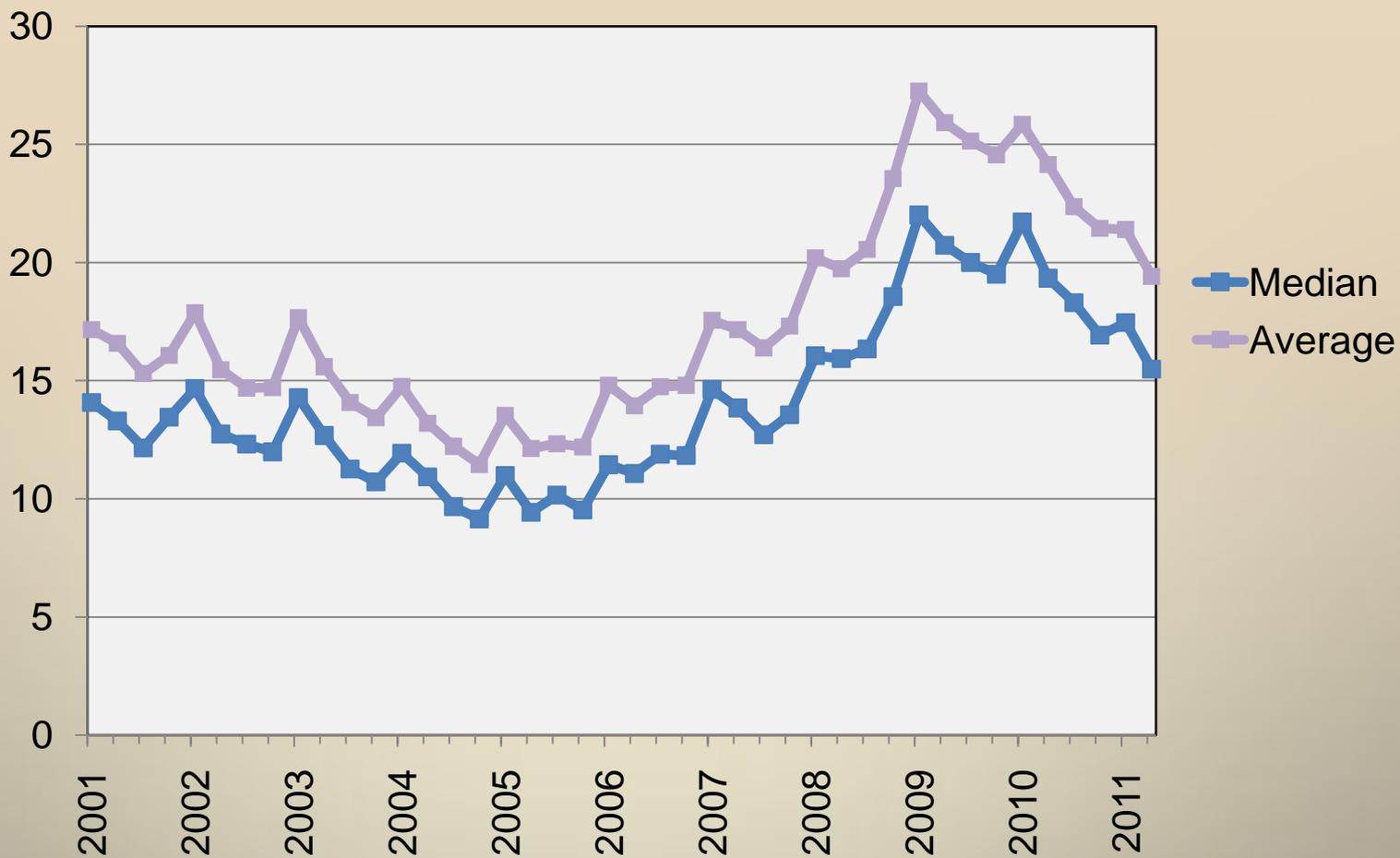


Main Points for 2nd Quarter 2011

- Pace of banking conditions recovery improved but remains sluggish
 - Overall asset quality improved but underlying asset quality performance was mixed
 - Improvement in “commercial and industrial”
 - Change in other loan categories varied
 - Profits remain weak
 - Loan growth remains weak
- Some continued improvement
 - Liquidity and capital
- Asset quality varies by location; other metrics less so

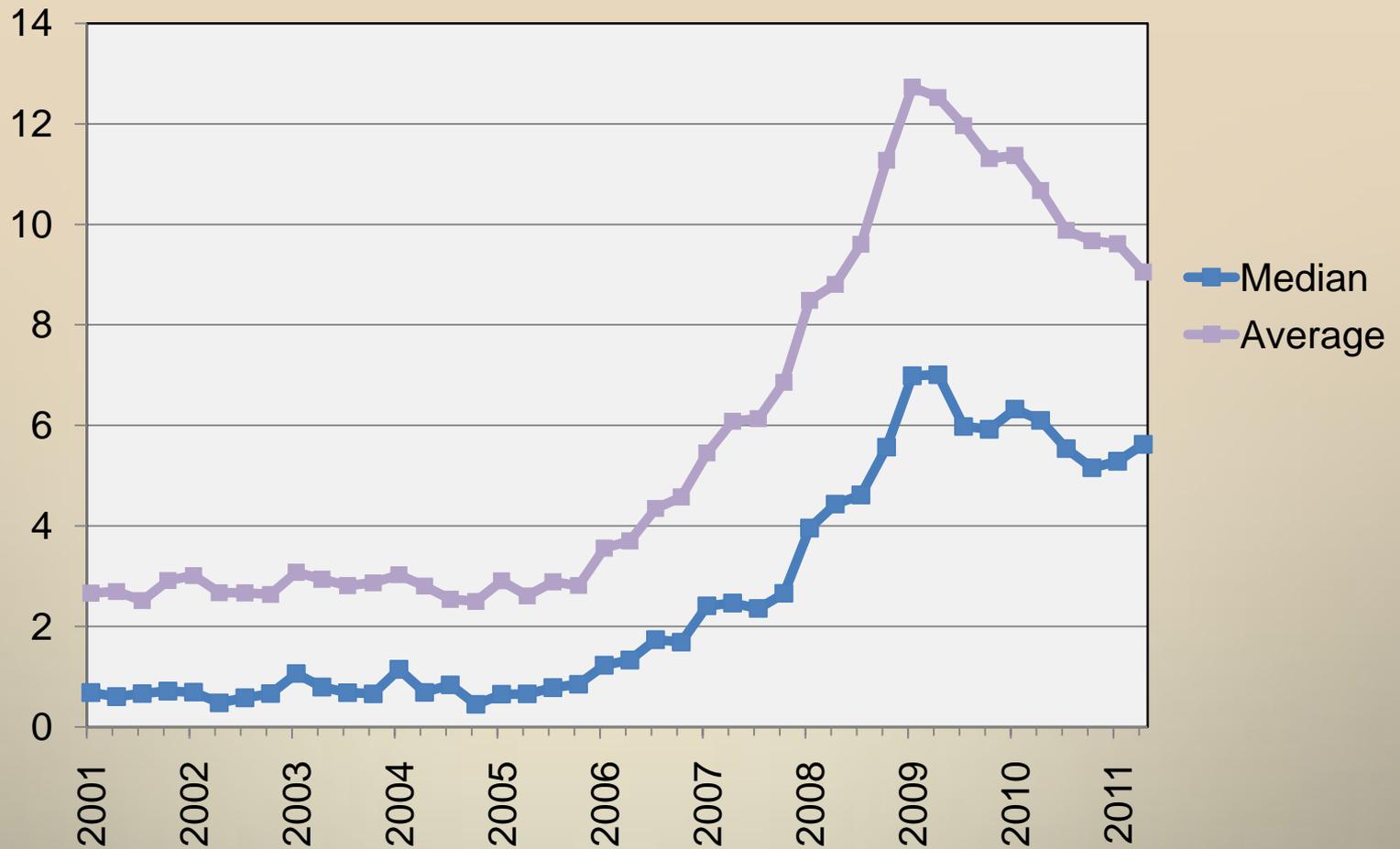


Pickup in Overall Asset Quality



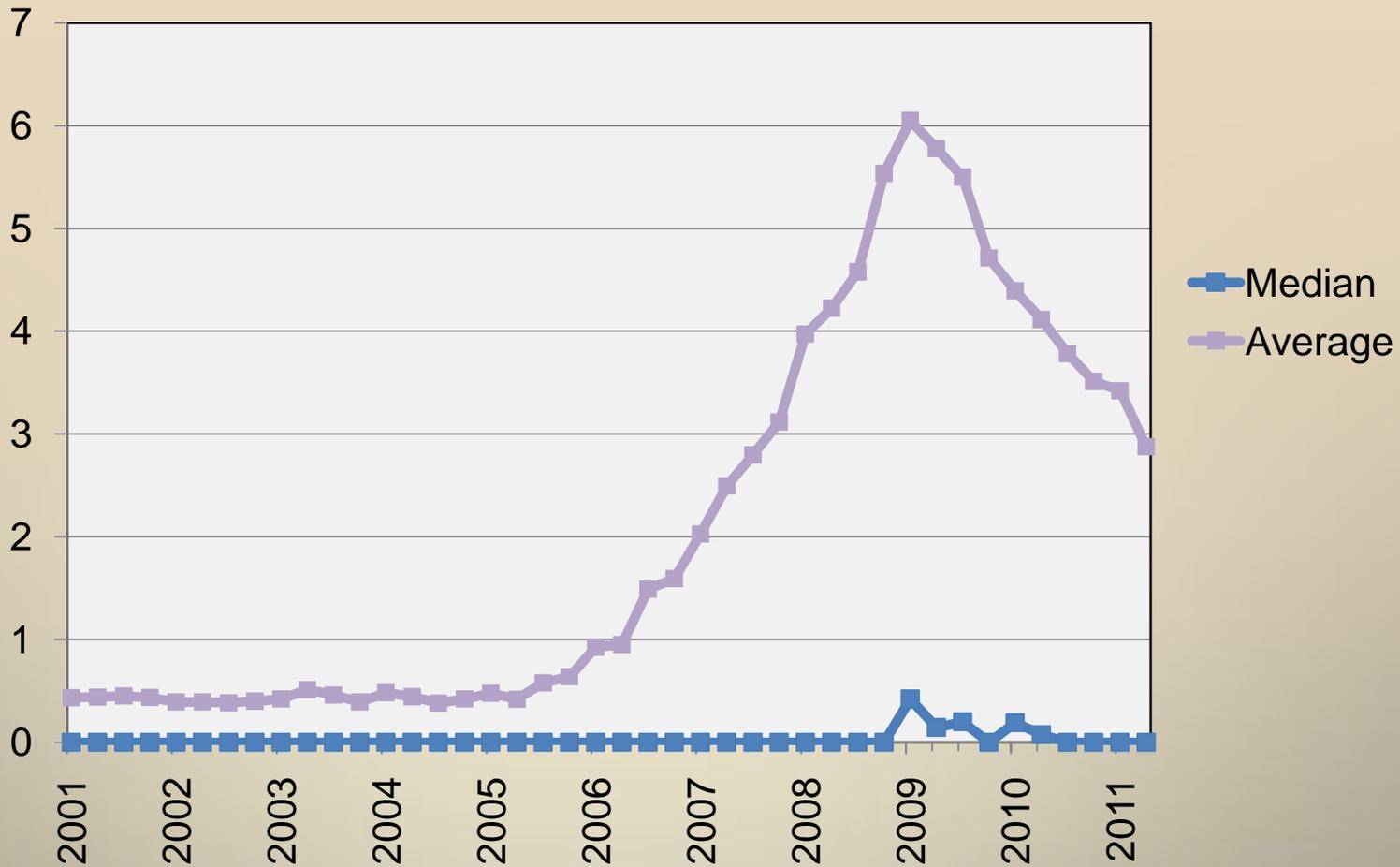
Noncurrent and delinquent loans as a percent of capital and allowances

Small Changes in Commercial Real Estate Quality: Weakening at the Median and Improving on Average



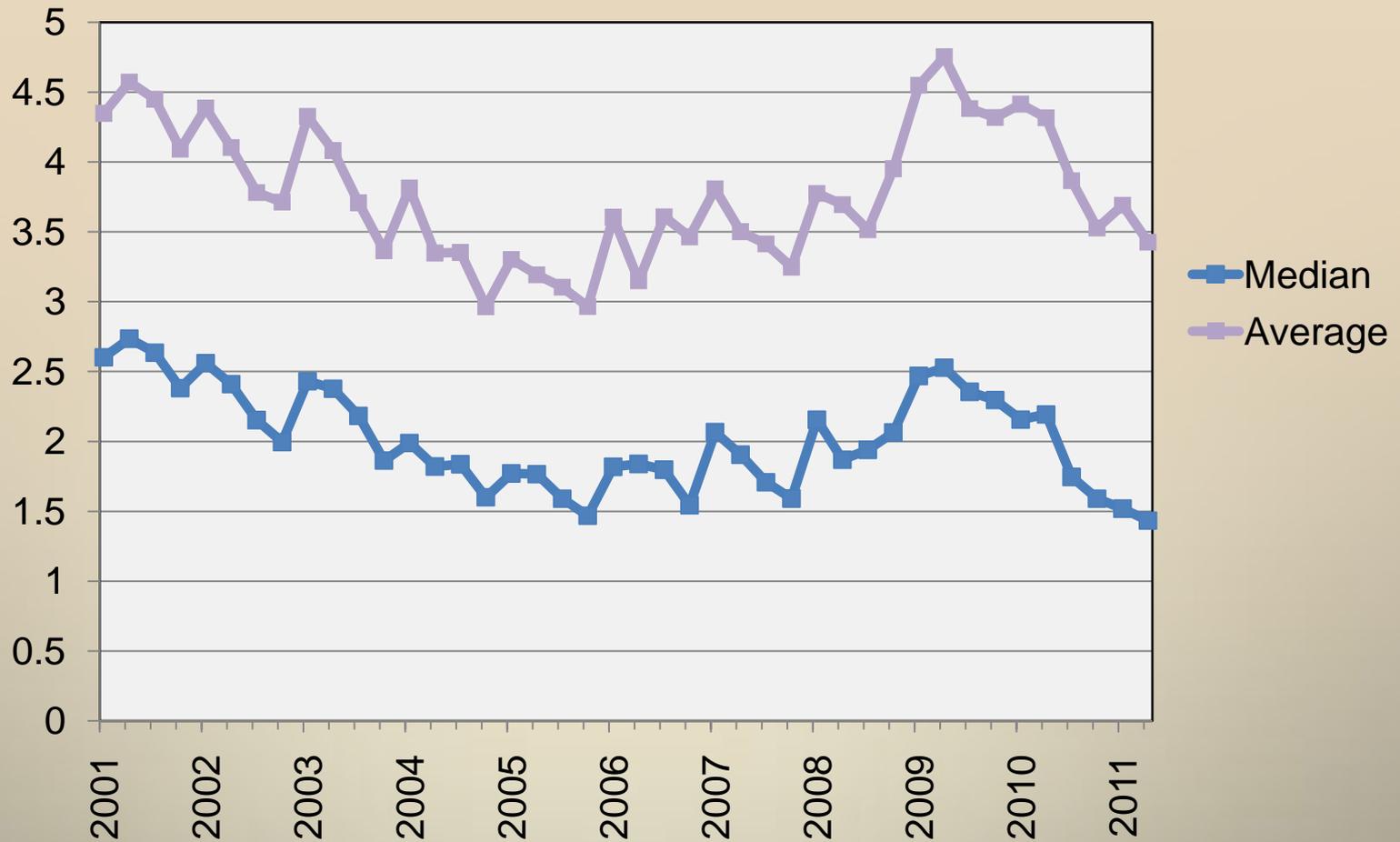
Noncurrent CRE loans and delinquencies as a percent of capital and allowances

Construction and Development Quality Improved



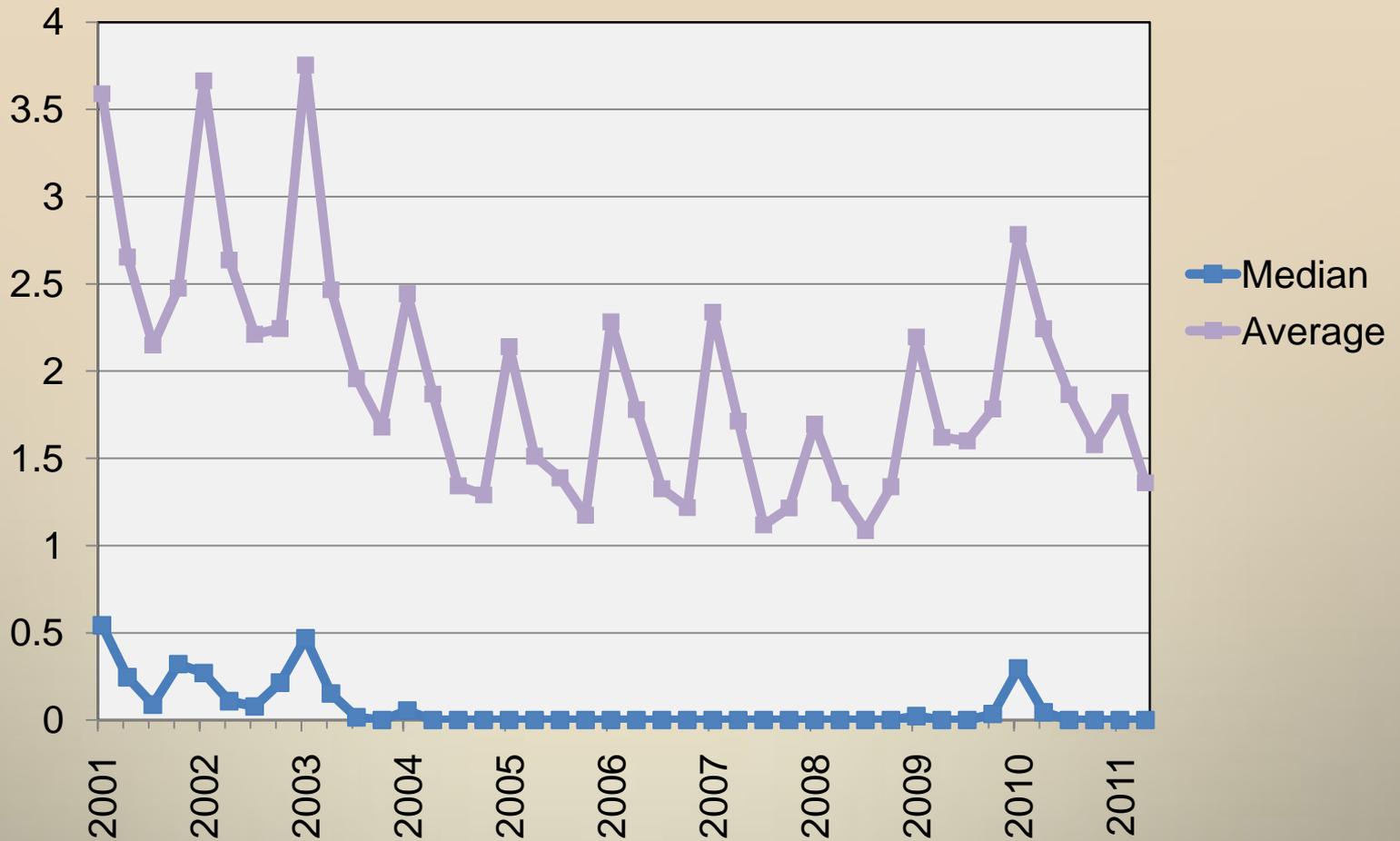
Noncurrent CLD loans and delinquencies as a percent of capital and allowances

Commercial and Industrial Asset Quality Improved



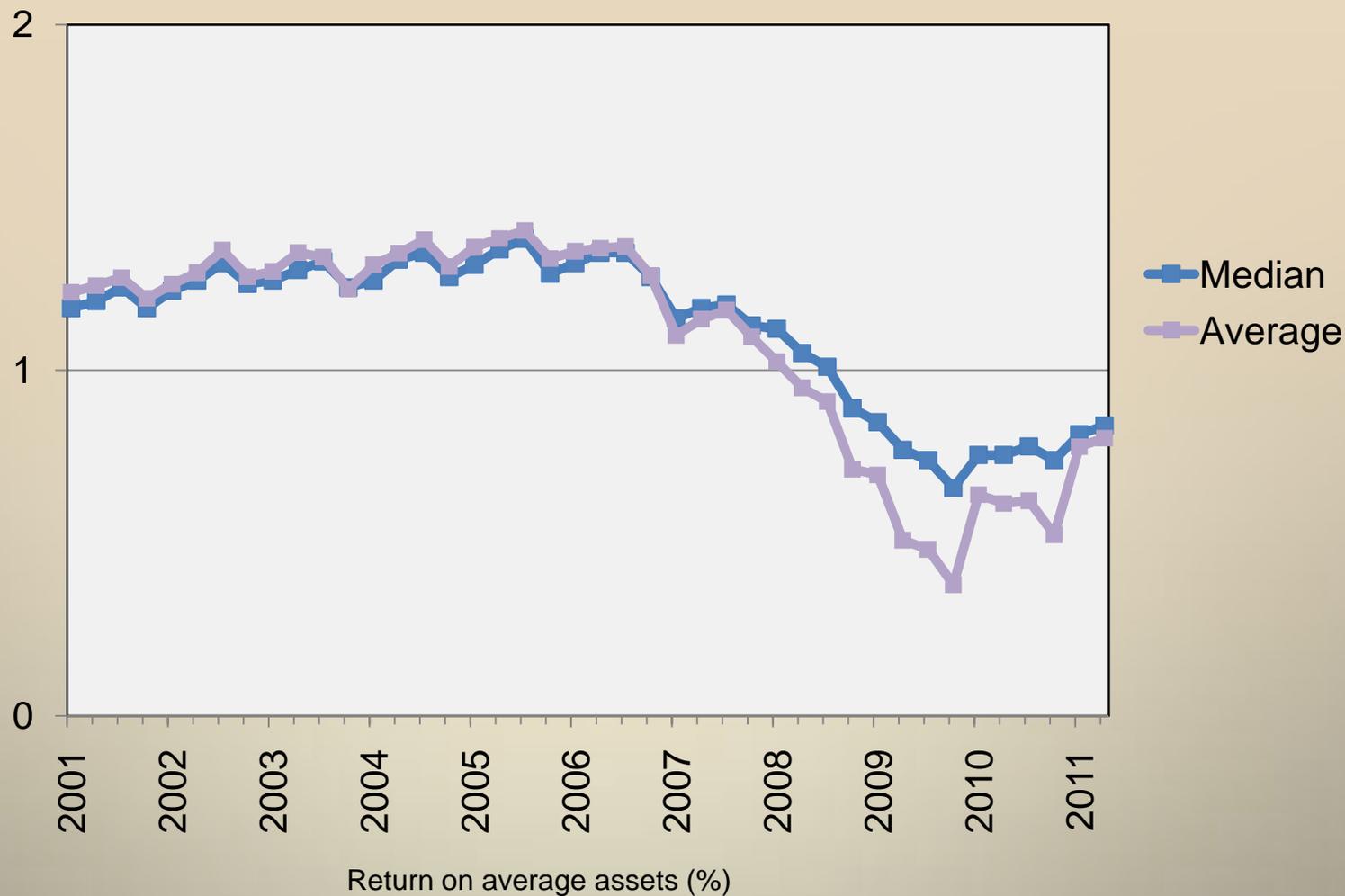
Noncurrent C&I loans and delinquencies as a percent of capital and allowances

As Did Agricultural Asset Quality

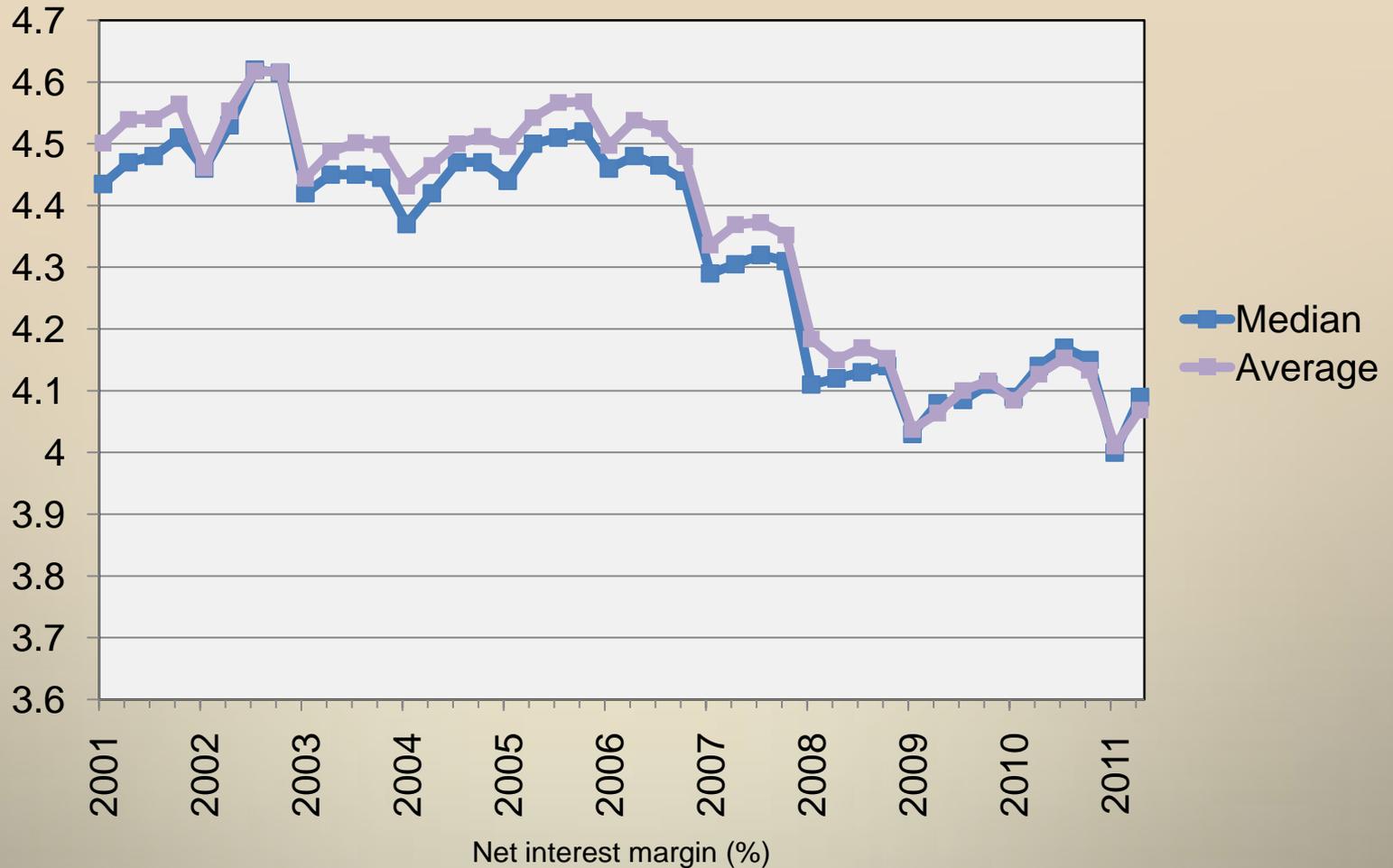


Noncurrent agricultural loans and delinquencies as a percent of capital and allowances

Earnings Were Relatively Flat

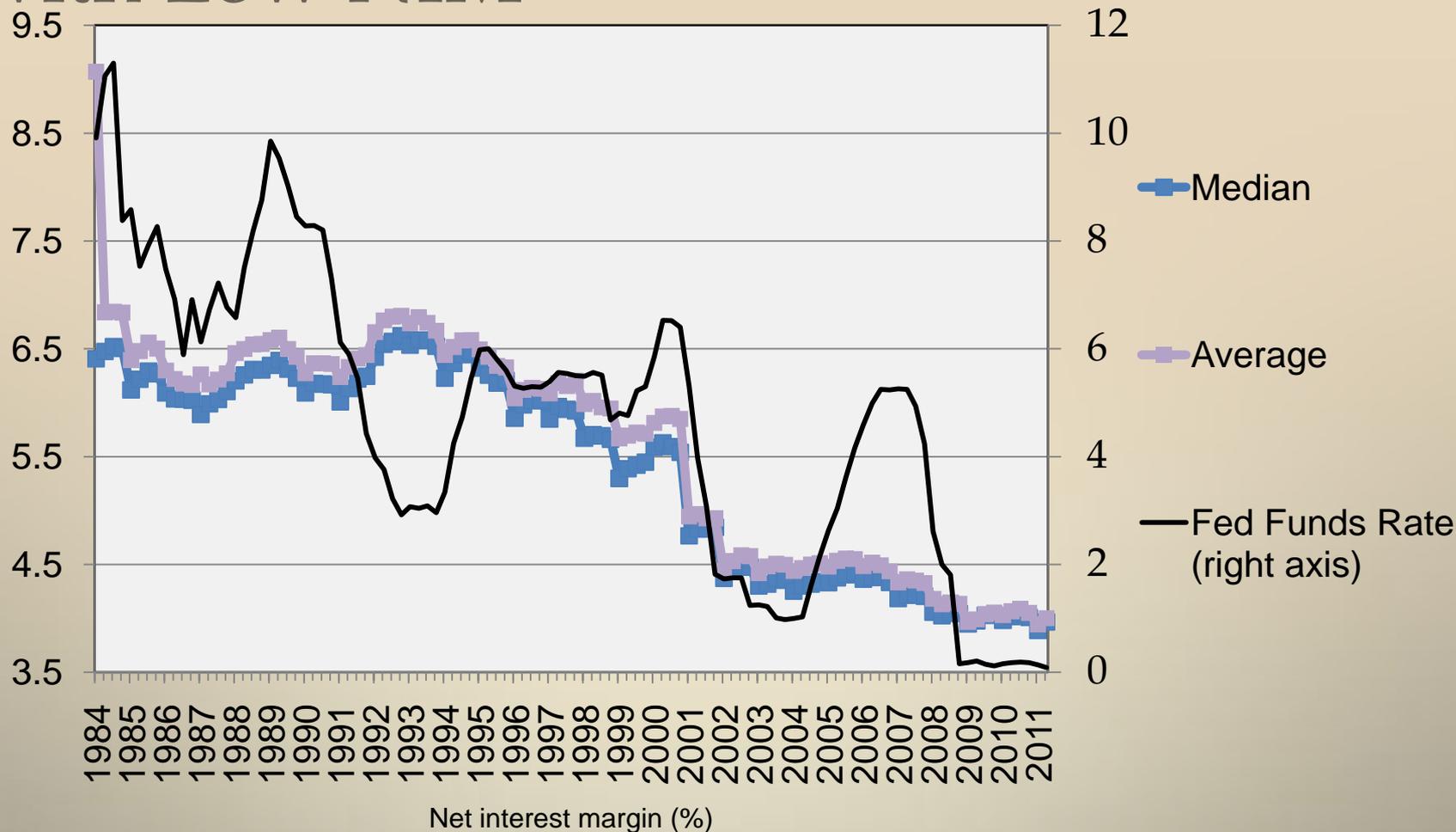


Net Interest Margins (NIM) Up Slightly

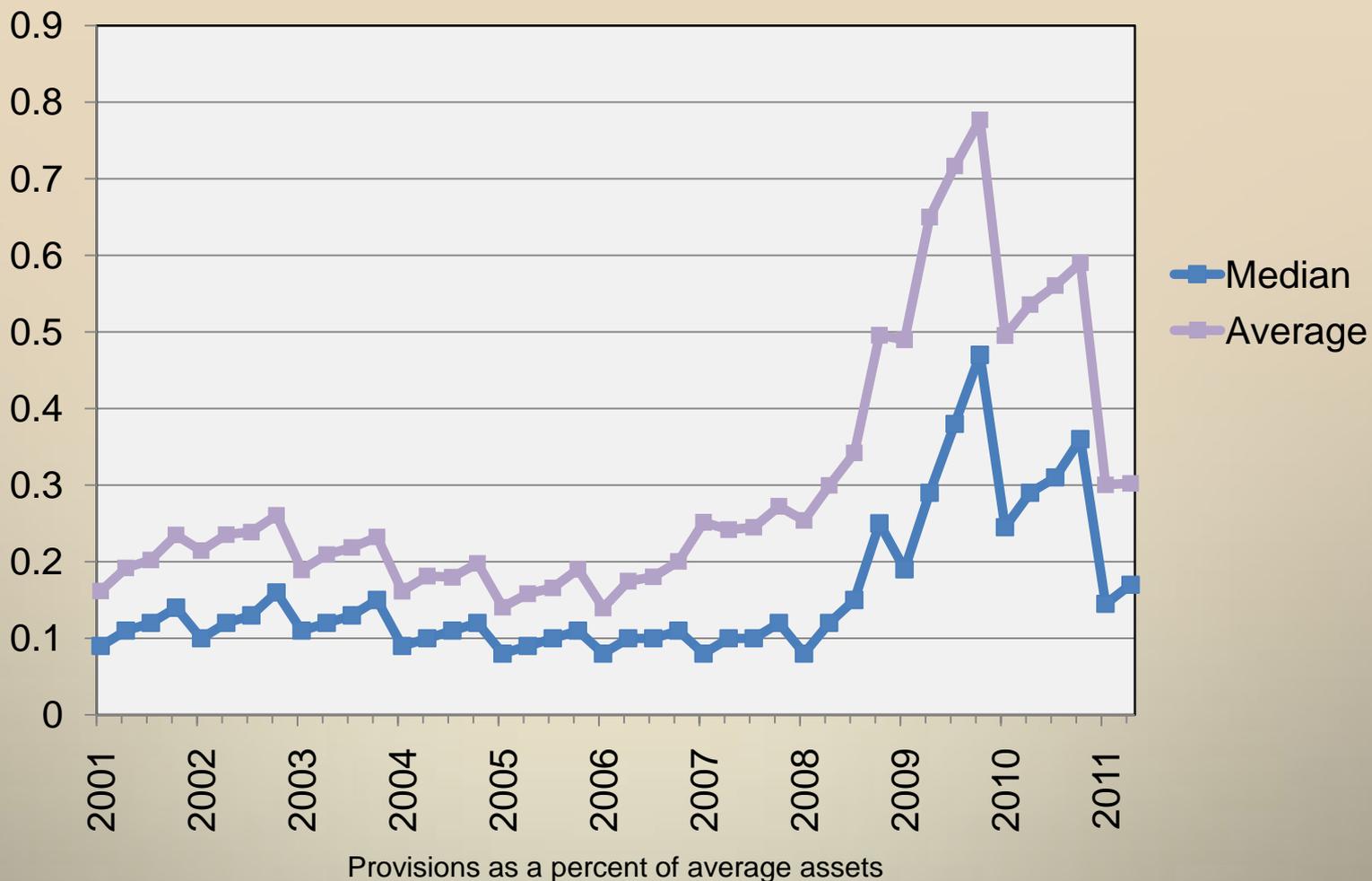




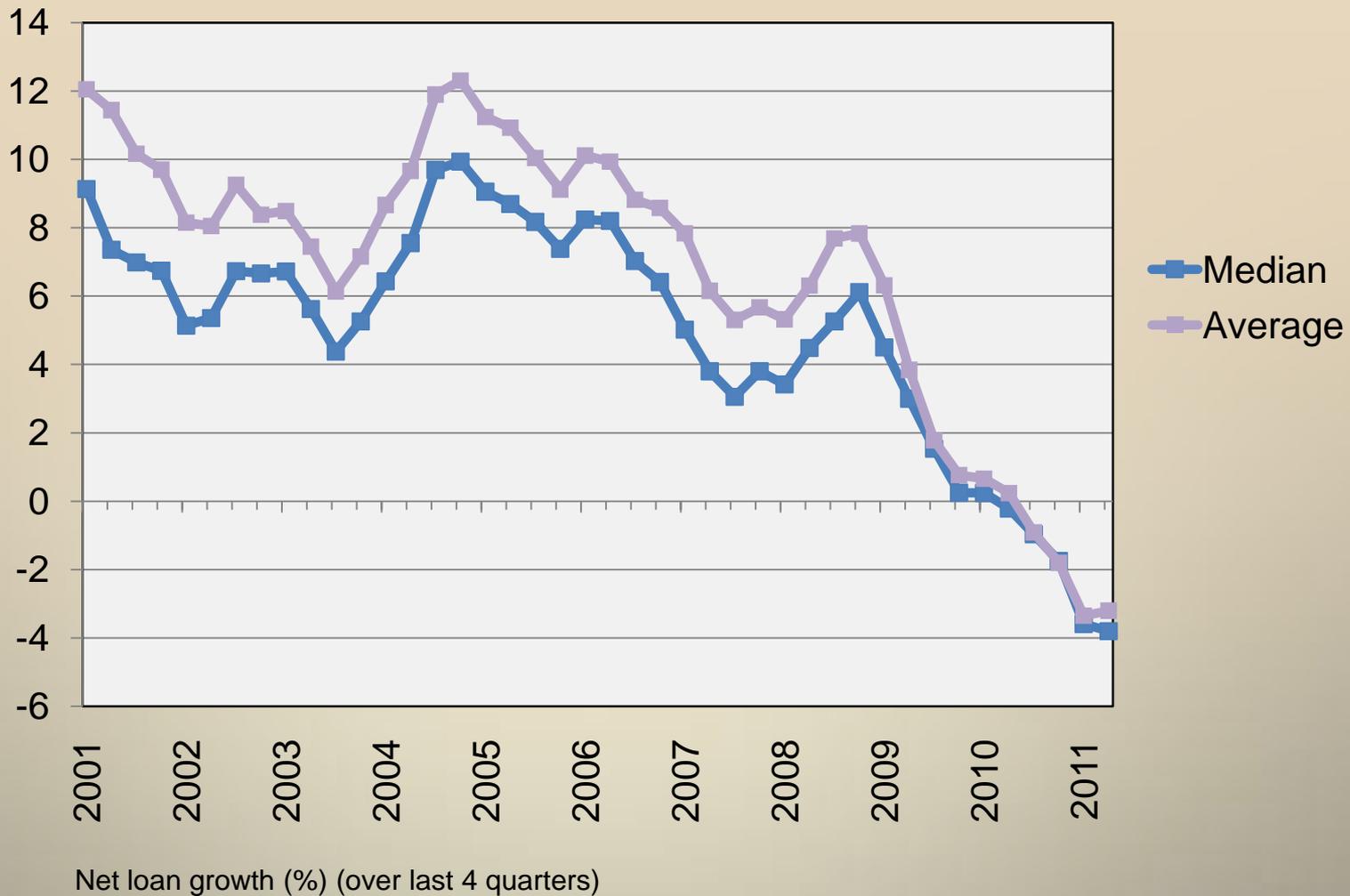
Low Interest Rates Associated with Low NIM



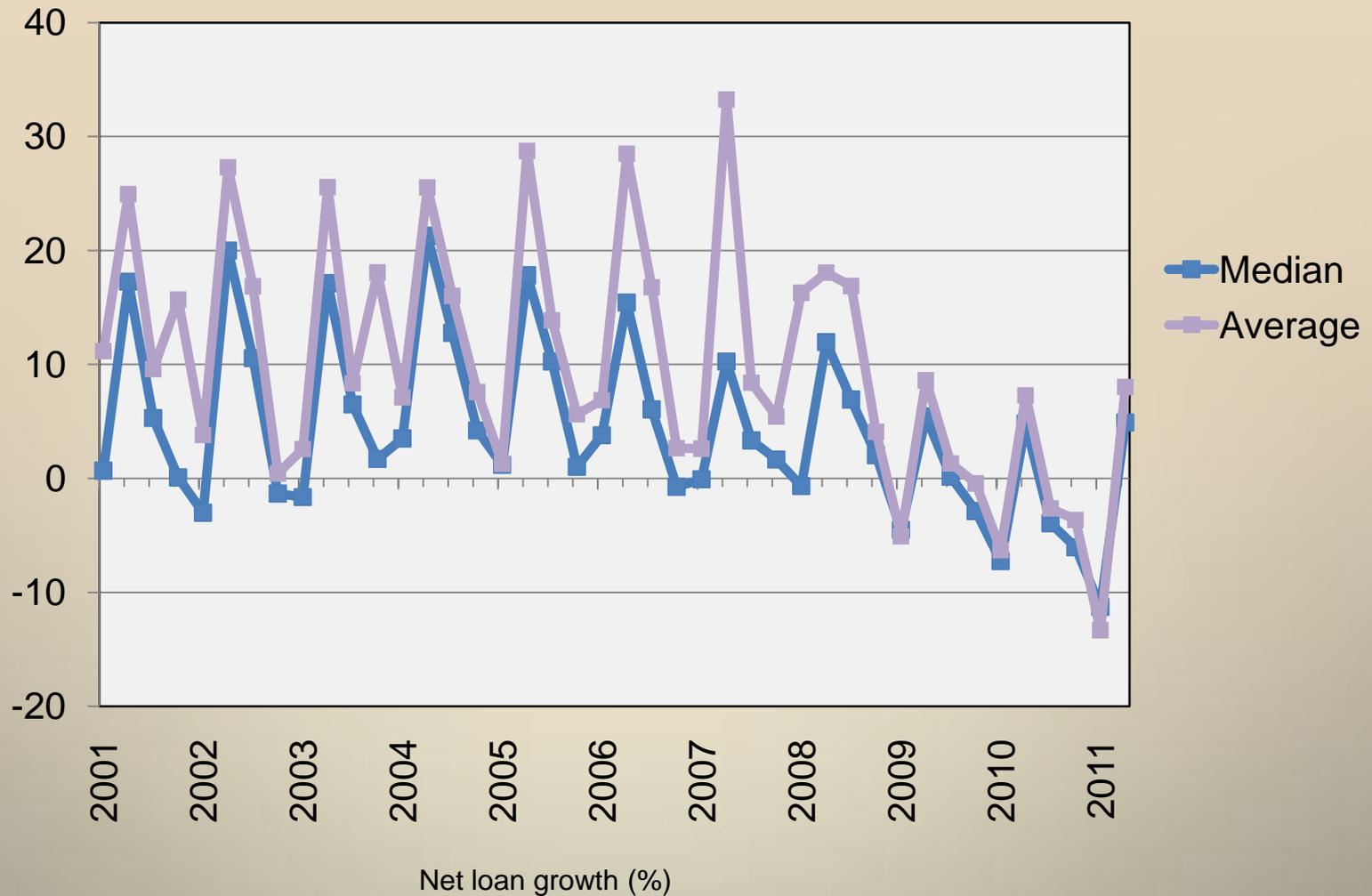
But Provisions Increased after a Decline Last Quarter: Consistent with Seasonal Patterns



Banks Loans Still Shrinking, but Some Initial Flattening



Quarterly Loan Growth Was Positive Consistent with Seasonal Patterns





Continued Improvement

■ Liquidity

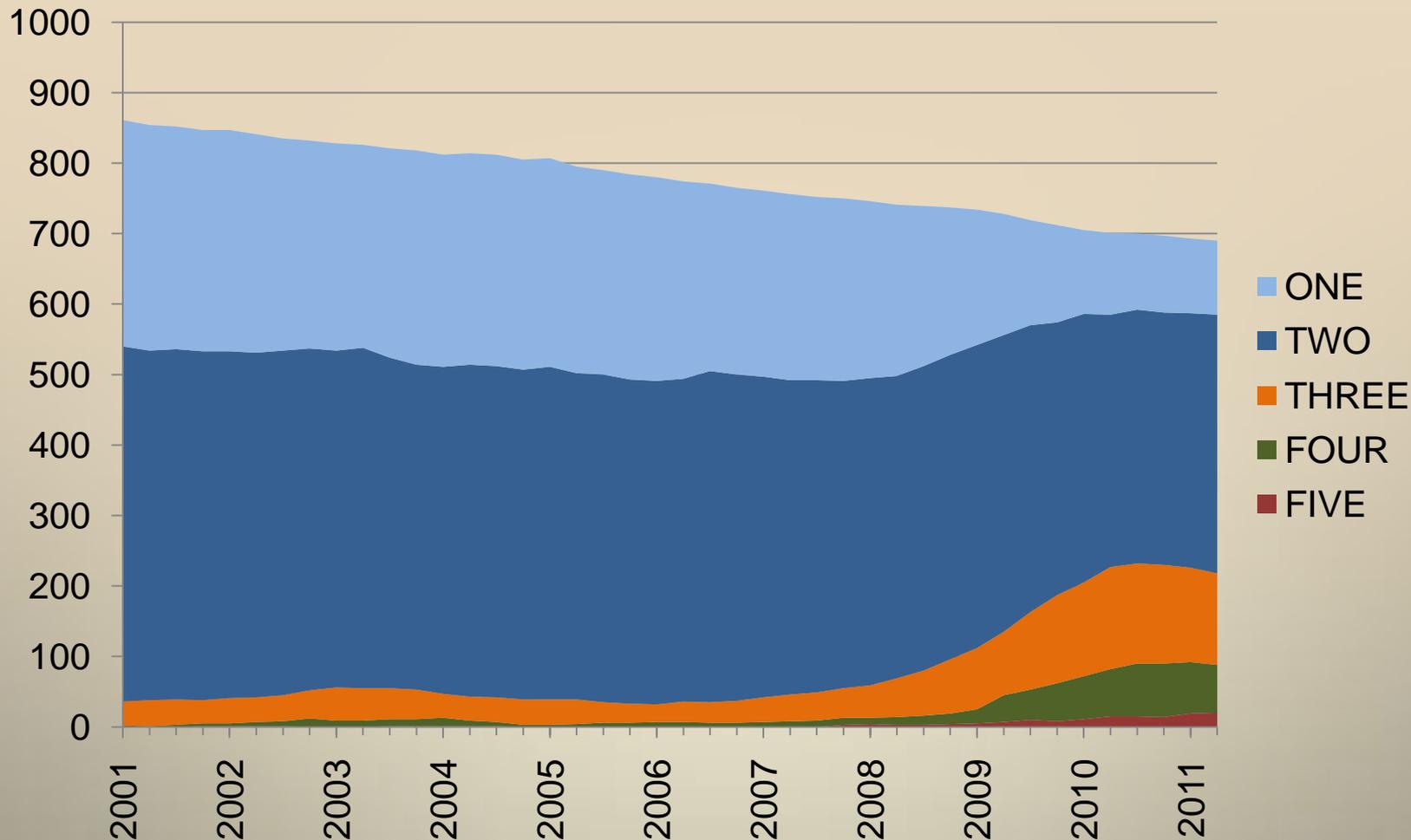
- The district average and median ratio of noncore funding to total liabilities fell for the fourth consecutive quarter
- Average liquid assets as a percent of total assets fell slightly after reaching a 10-year high last quarter
- Average use of brokered deposits fell to its lowest point since 2005

■ Capital

- The average and median total risk-based capital ratio and the ratio of equity to assets increased from the previous quarter

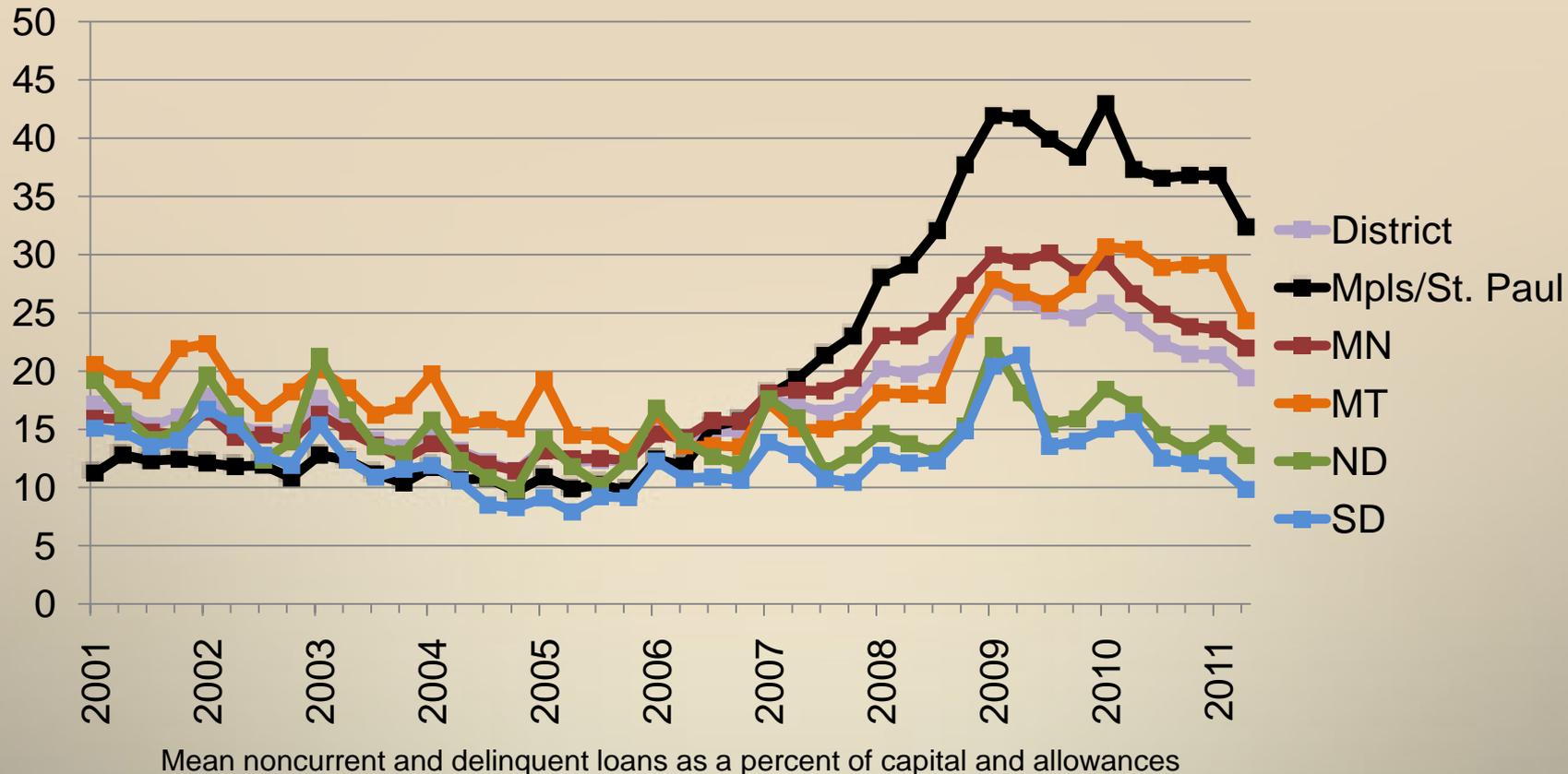


Bank Ratings Are Flat



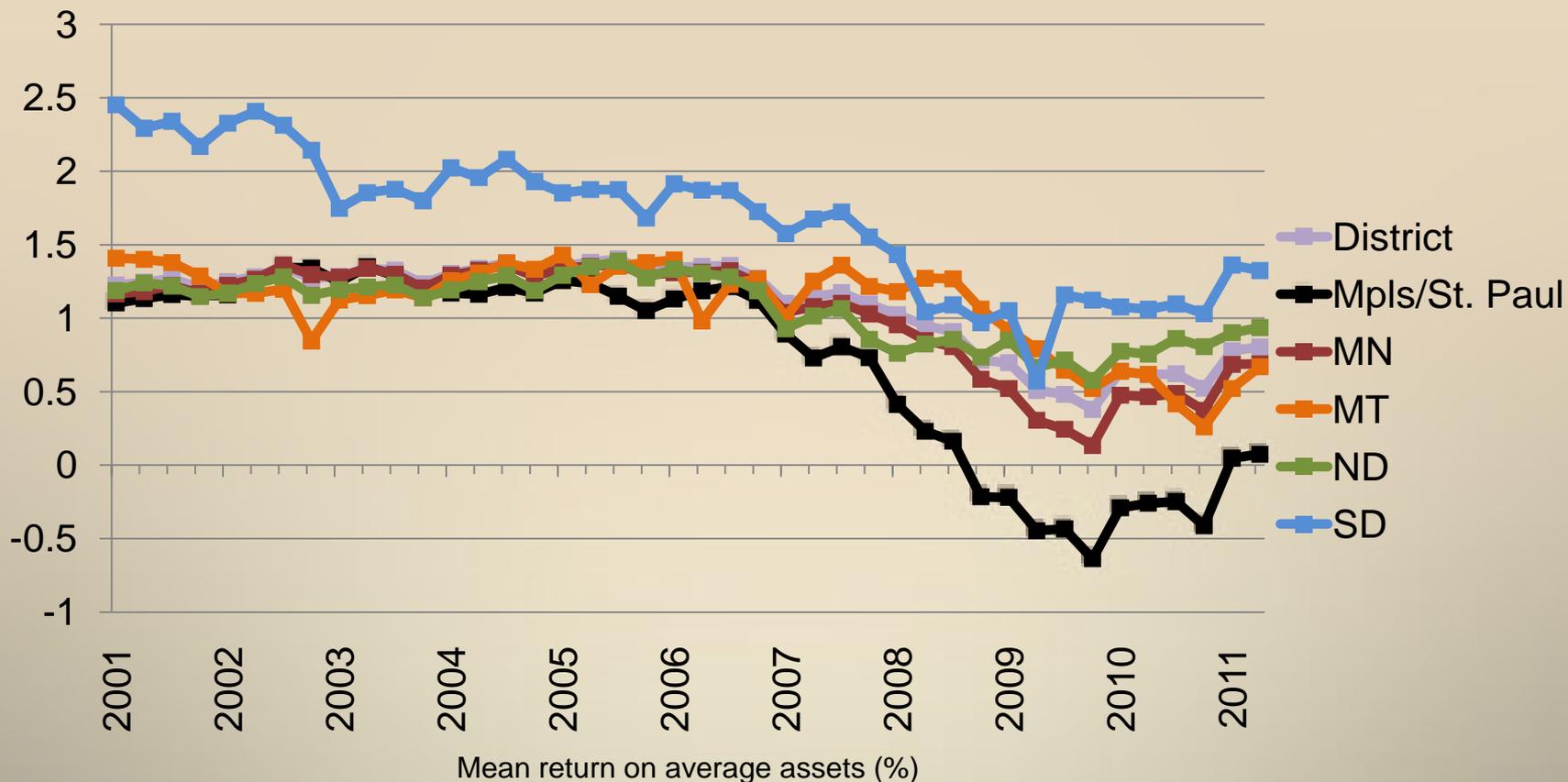


Asset Quality Levels Vary a Lot by Geography

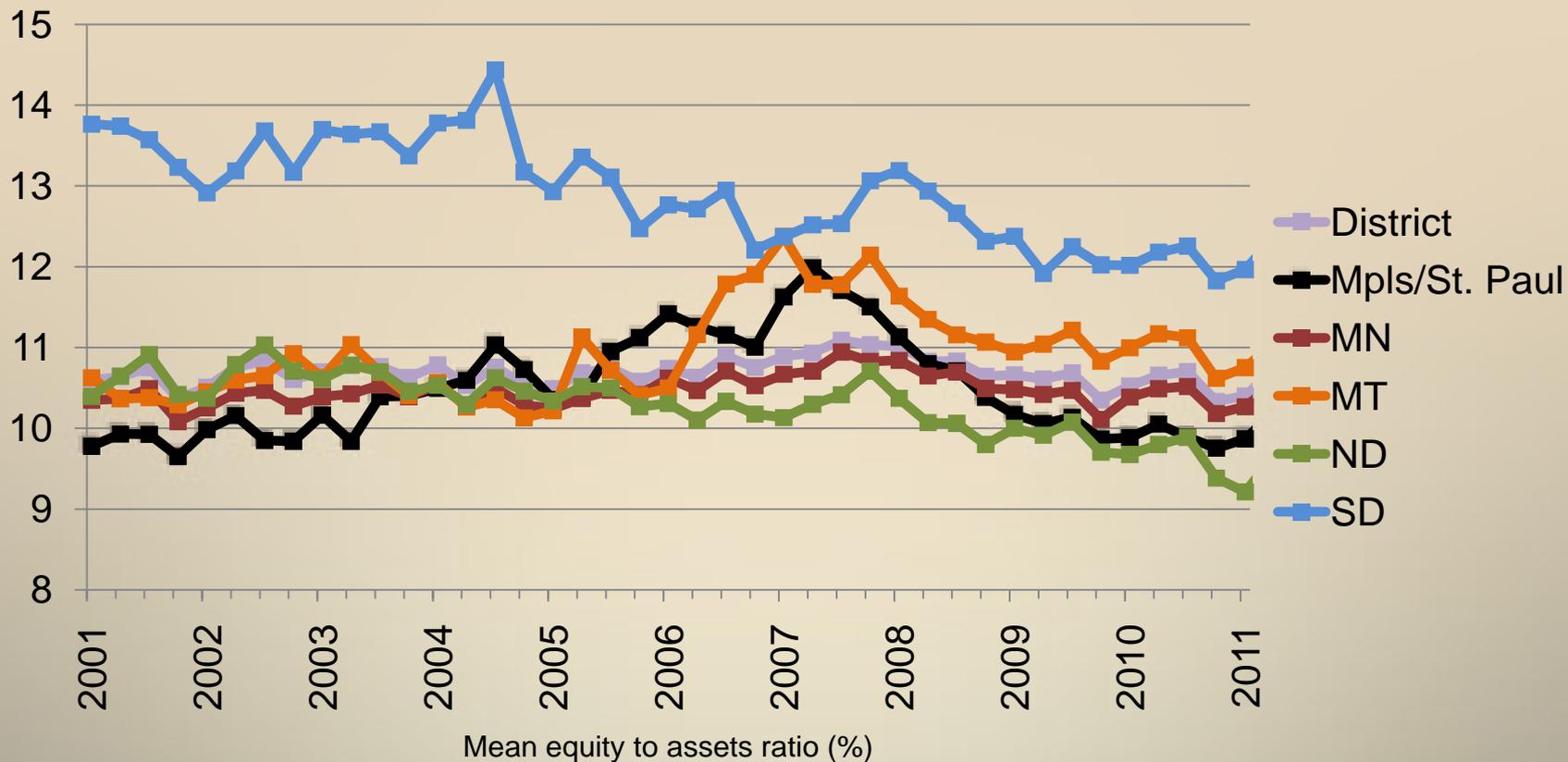




Profit Levels Vary Somewhat by Geography



Capital Levels Vary a Little by Geography





Negative Loan Growth Is Fairly Consistent across District

