

Banking Conditions in Ninth District States Third Quarter 2016

Ron Feldman

Executive Vice President
Federal Reserve Bank of
Minneapolis



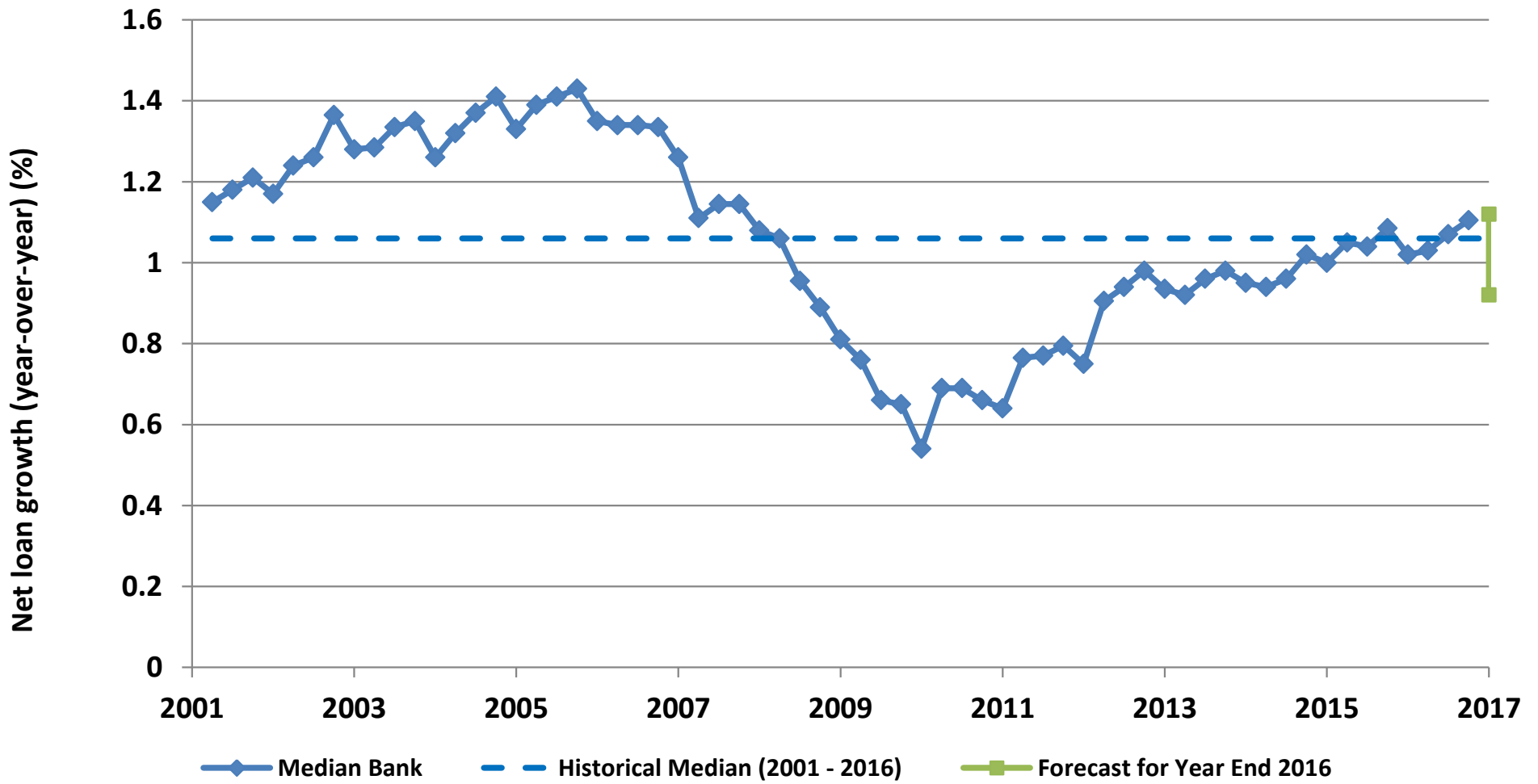
Ninth District

- 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 types of banks found at –
<https://www.minneapolisfed.org/banking/communitybanking-research/banking-conditions>

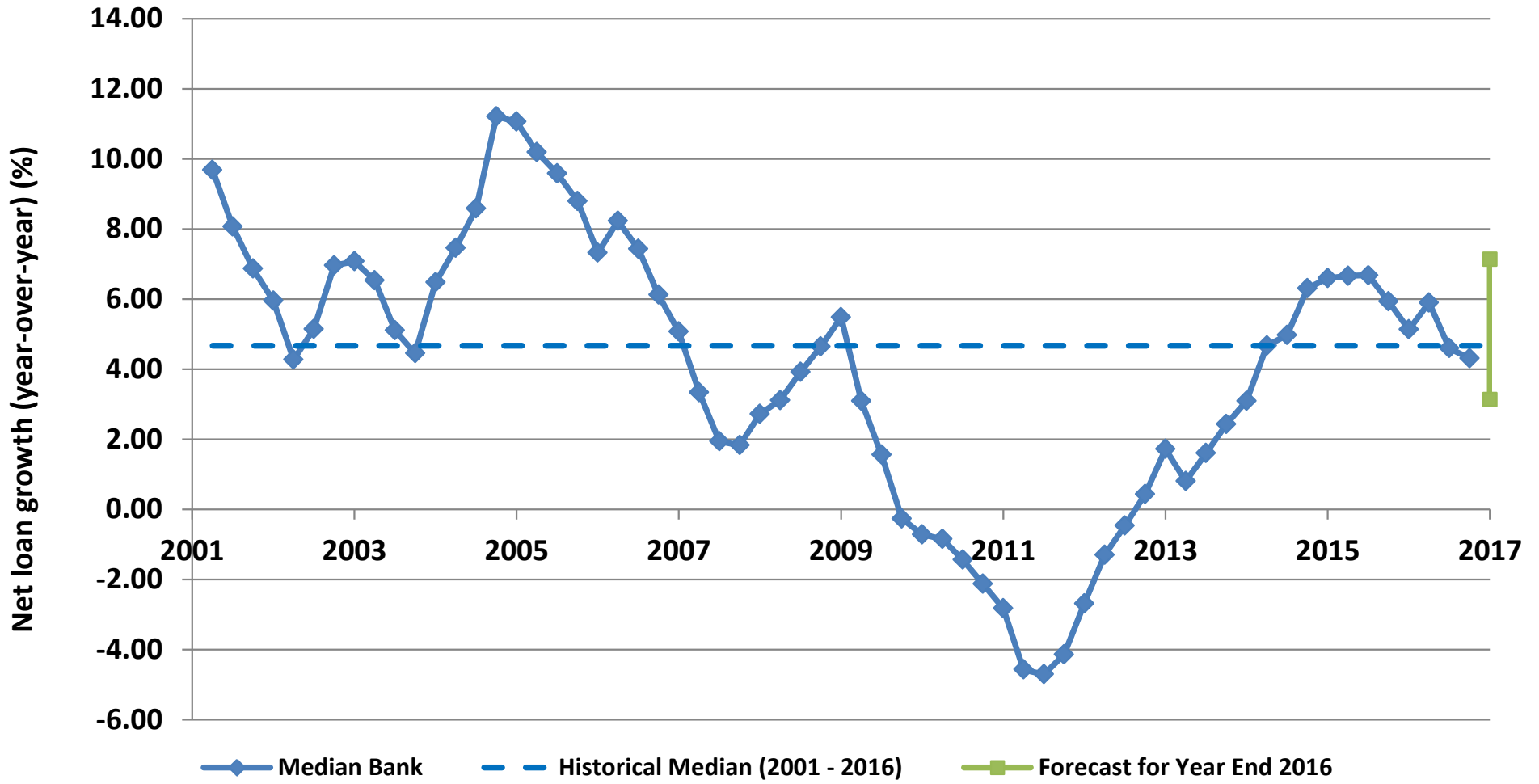
Third Quarter 2016 Results

- District banks' performance was mixed
- Profitability was generally up from last quarter, although degree of improvement was not consistent
- Bank loans are still growing, but at a generally slower rate
- Problem loans generally fell from the second quarter

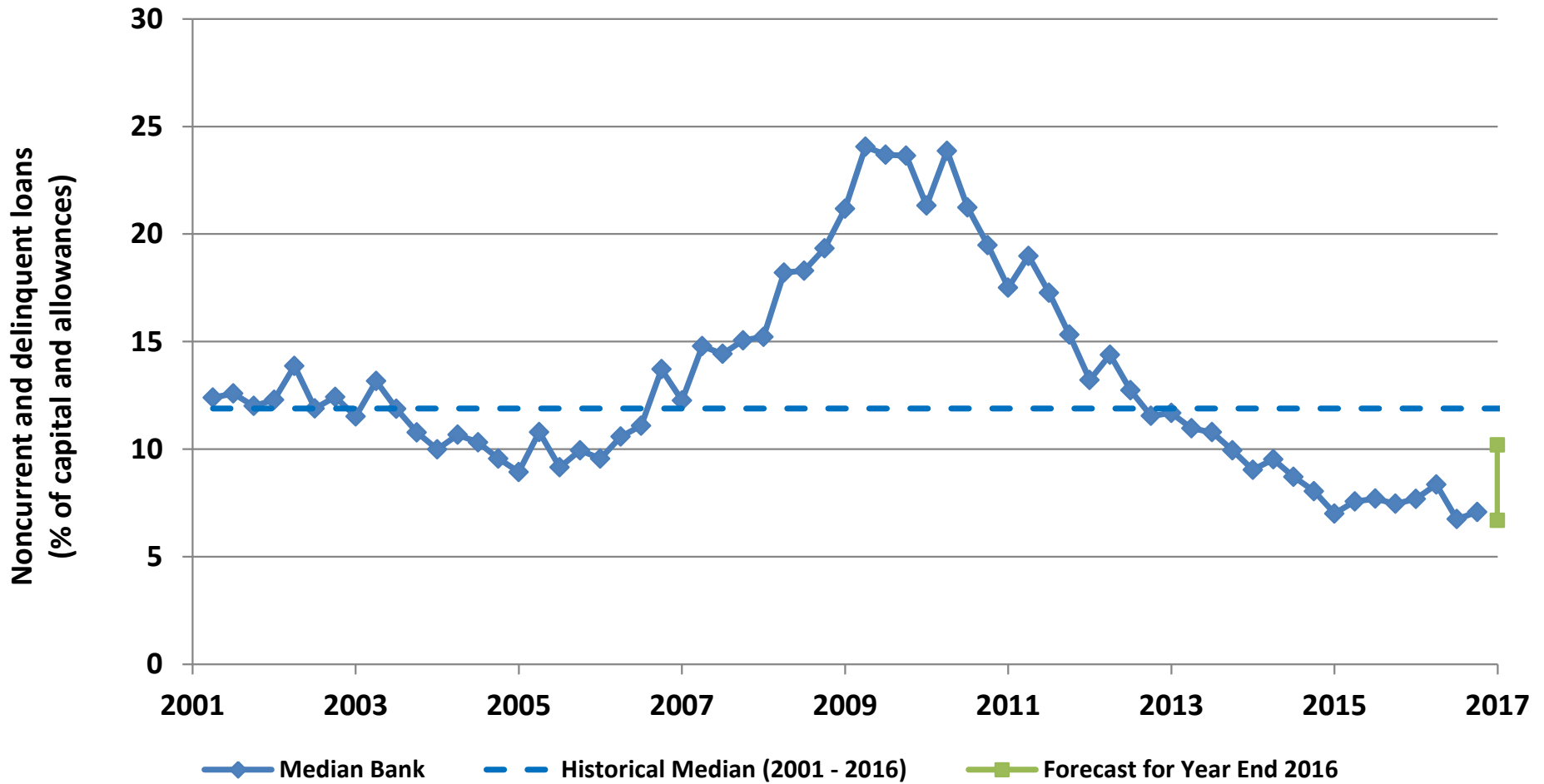
Small Increase in MN Bank Profitability in 2016 Q3



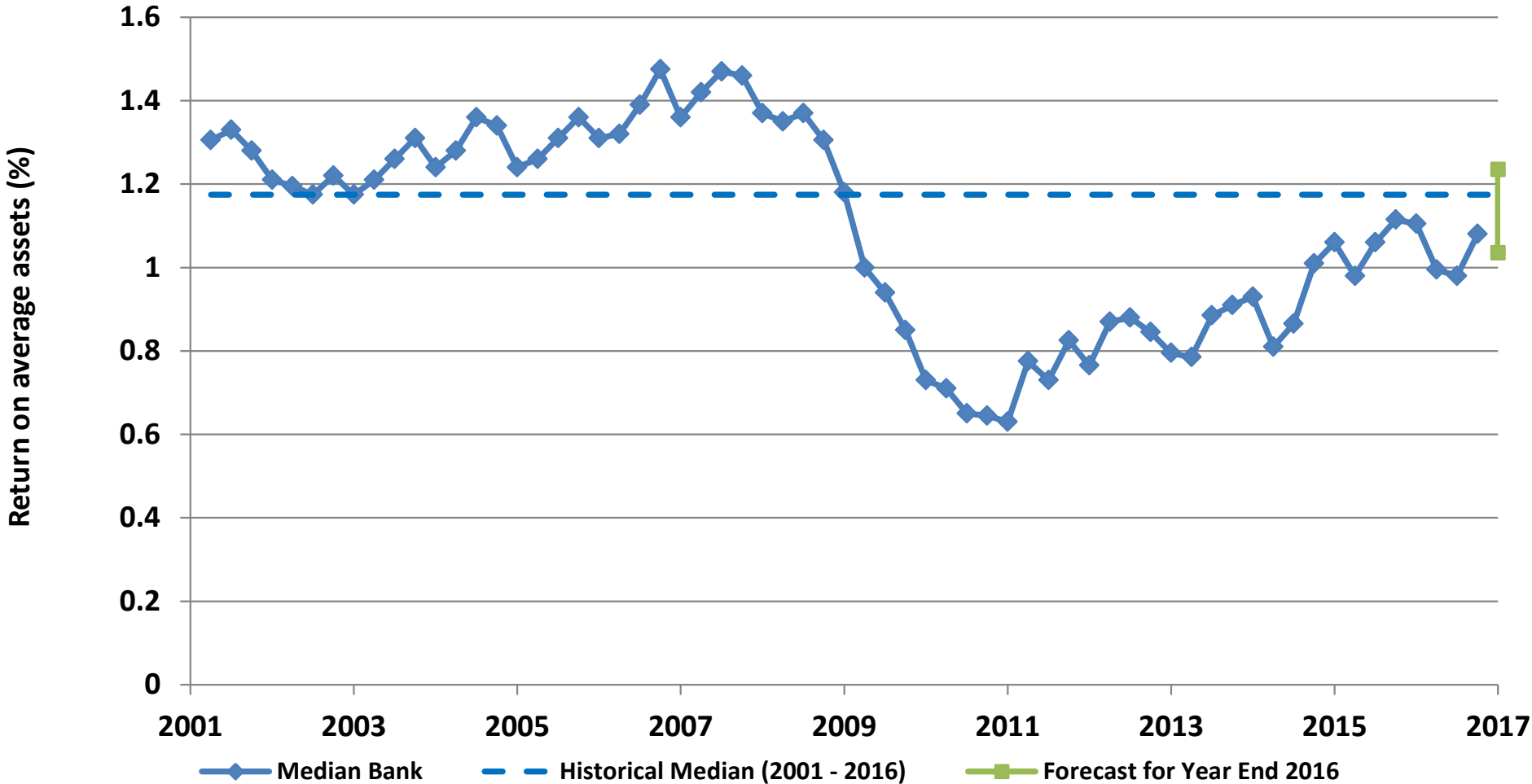
MN Bank Loan Growth Was Flat in 2016 Q3



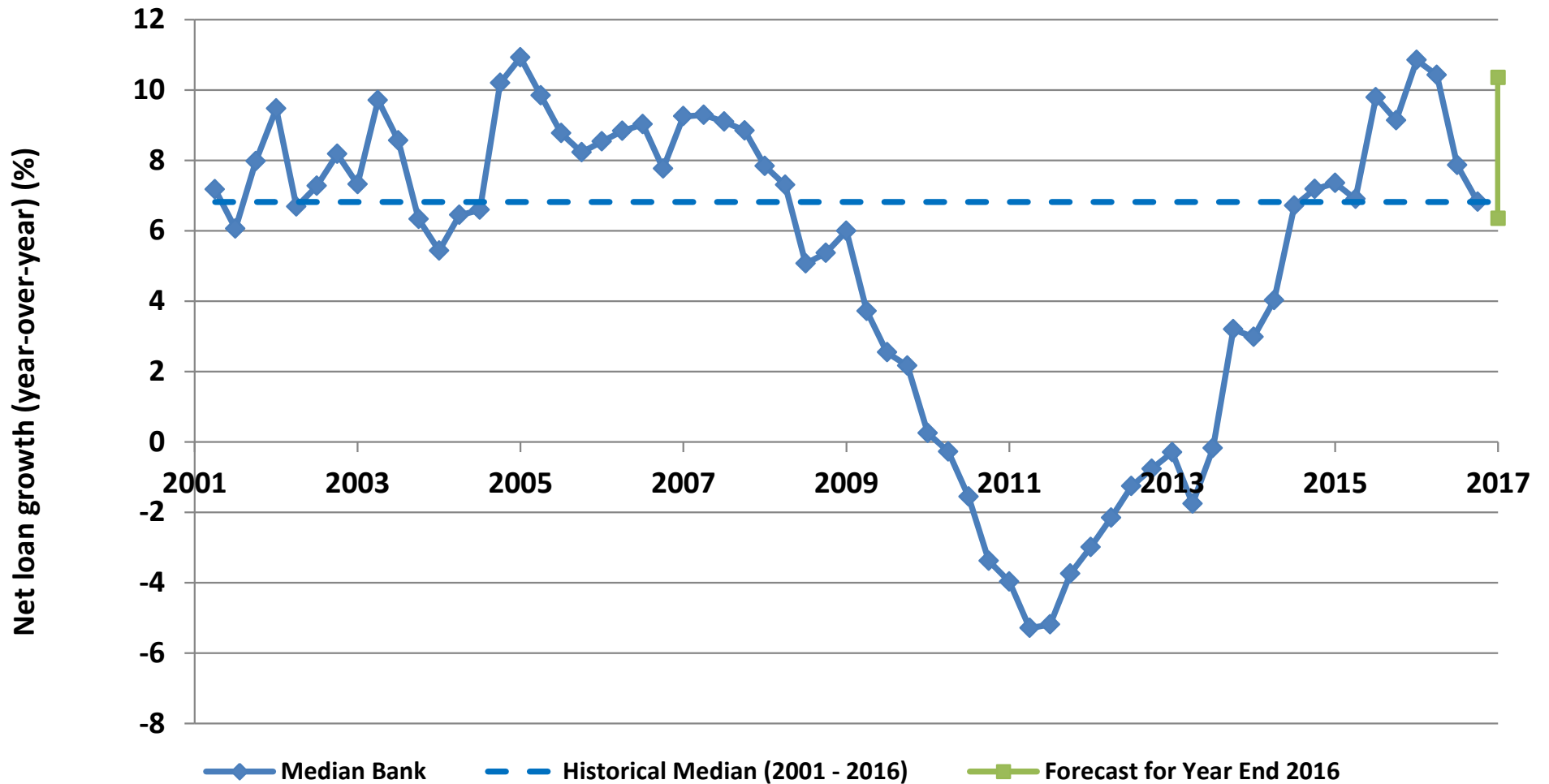
MN Bank Problem Loans Were Flat in 2016 Q3



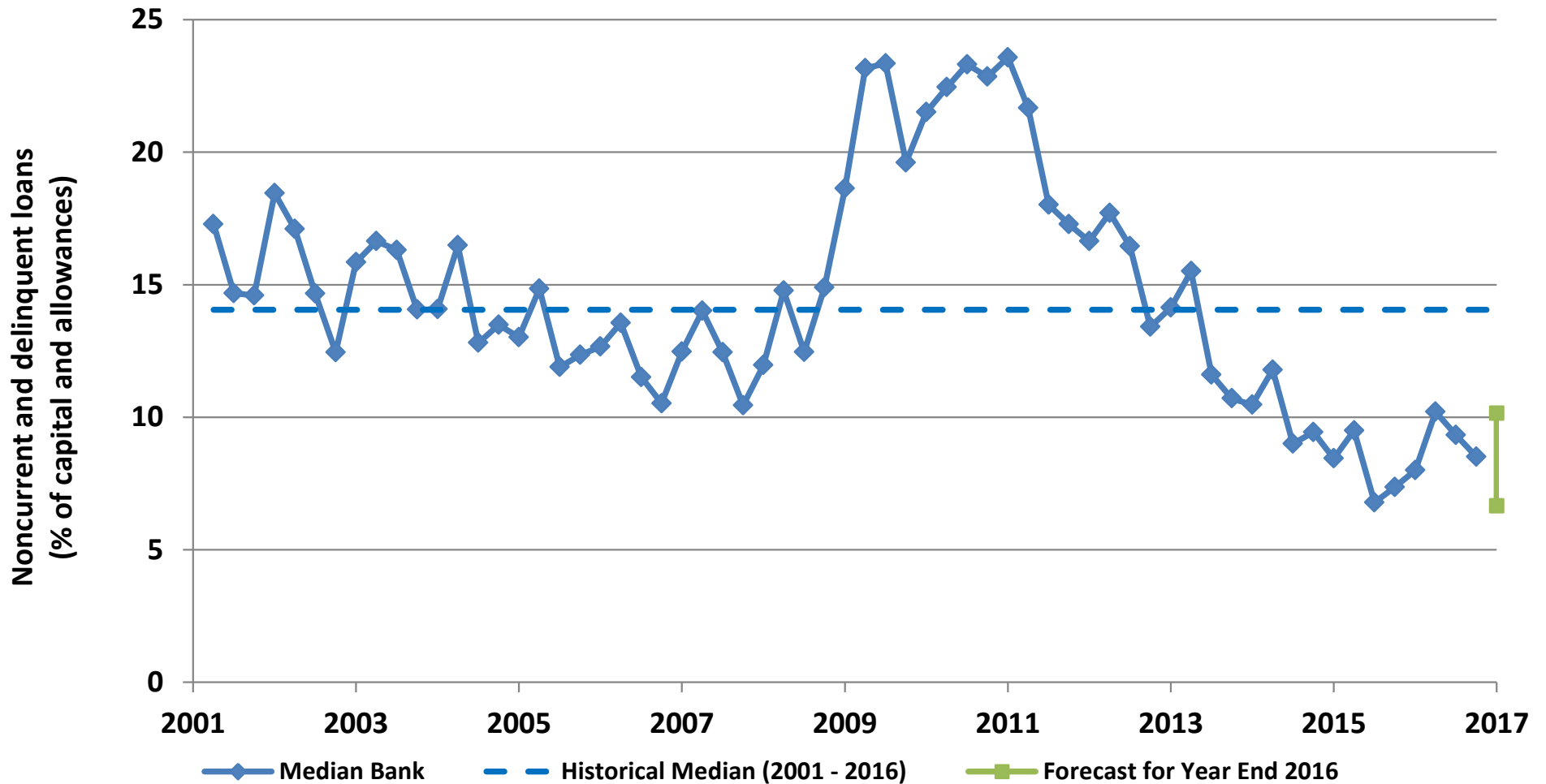
Strong Increase in MT Profitability in 2016 Q3



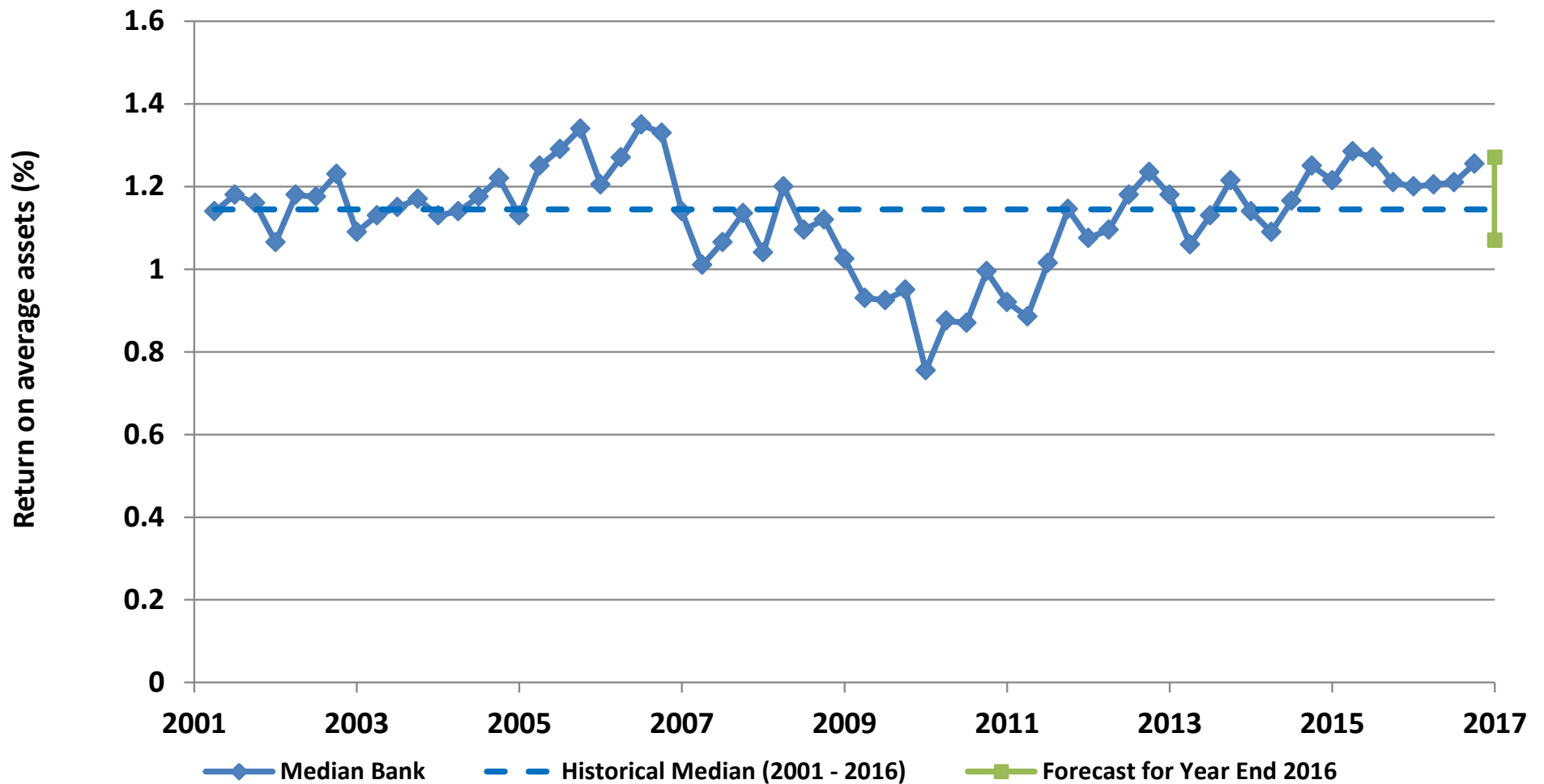
Medium Decline in MT Loan Growth in 2016 Q3



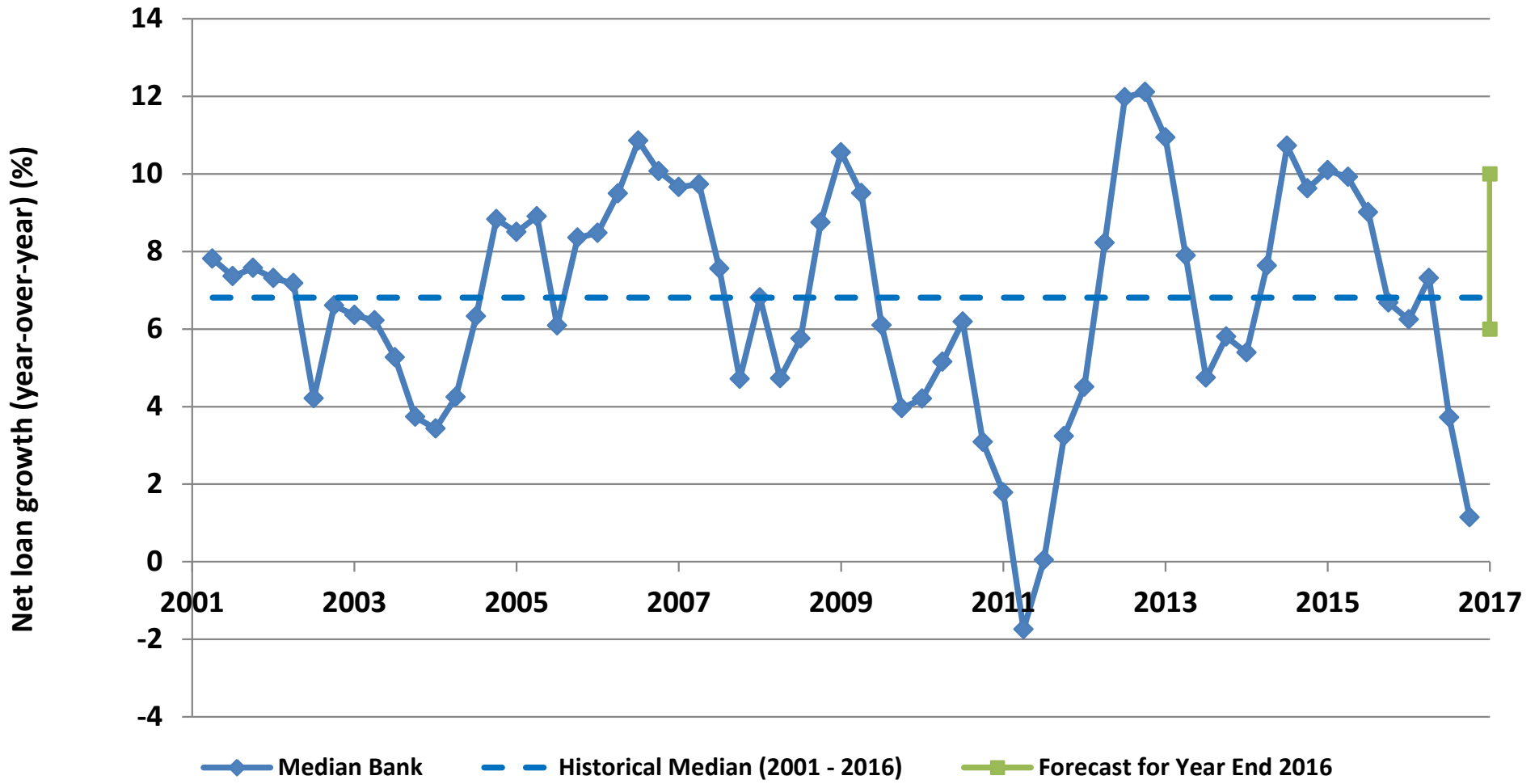
Small Decrease in MT Problem Loans in 2016 Q3



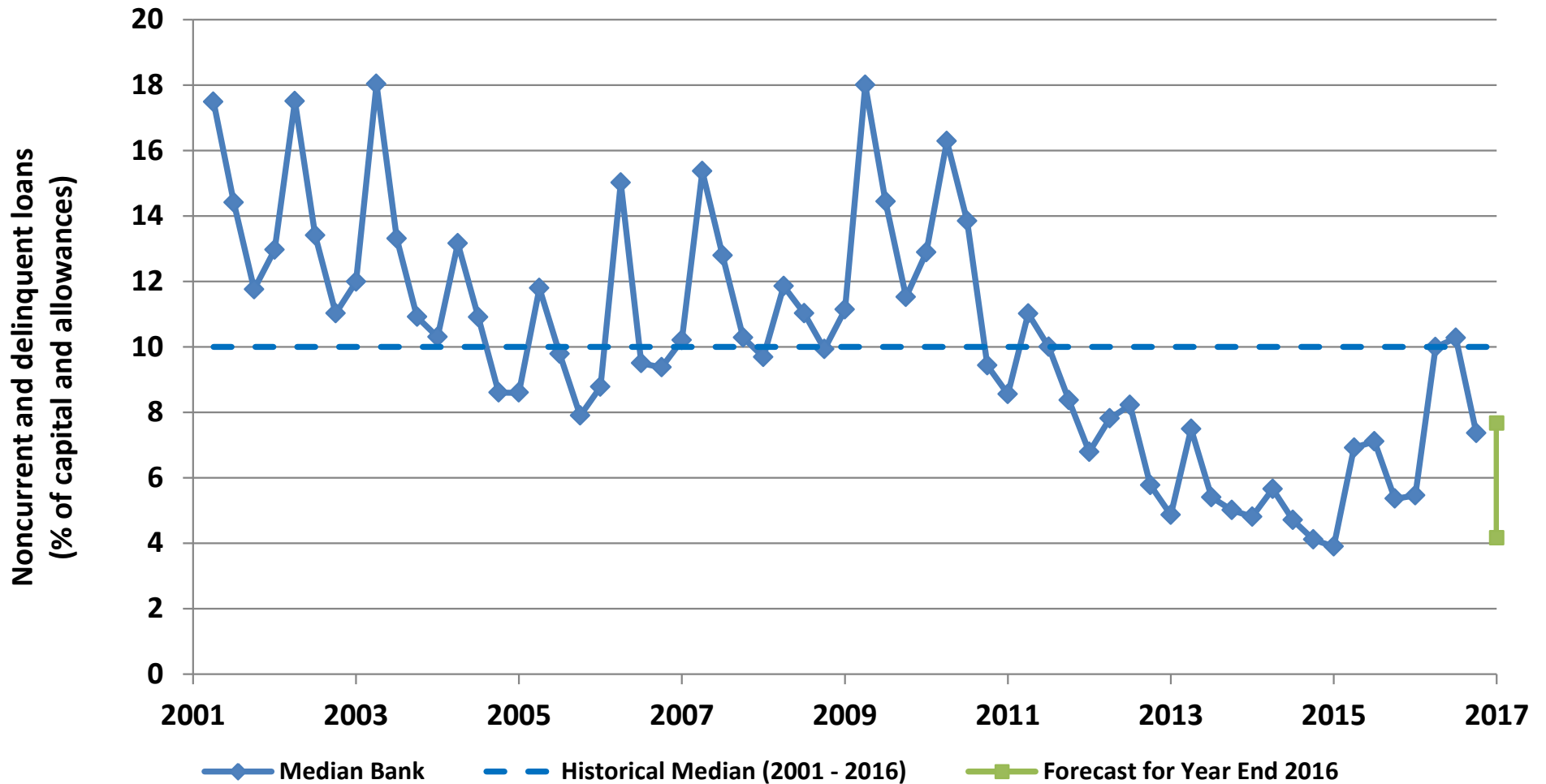
Small Increase in ND Profitability in 2016 Q3



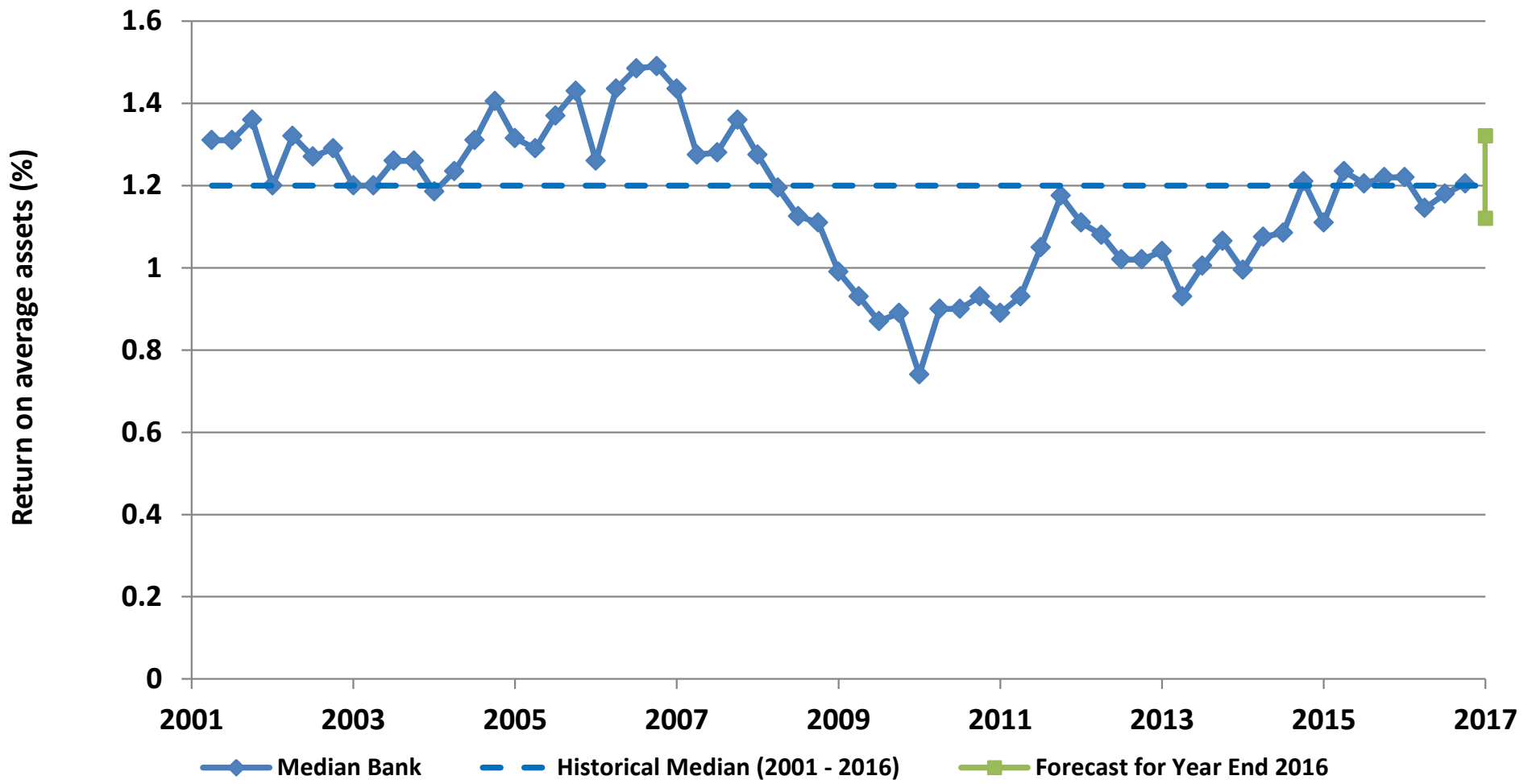
Large Decline in ND Loan Growth in 2016 Q3



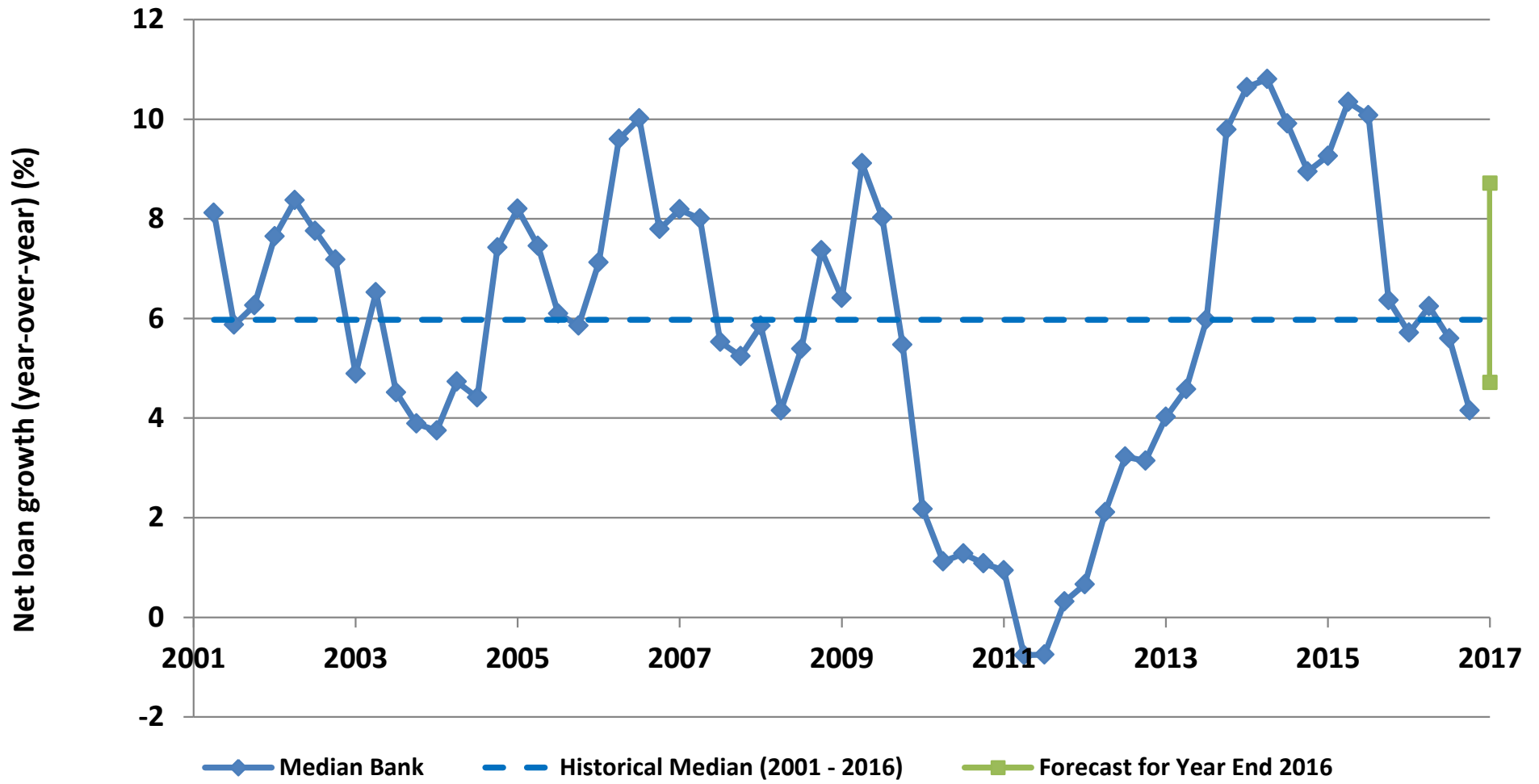
Medium Decrease in ND Problem Loans in 2016 Q3



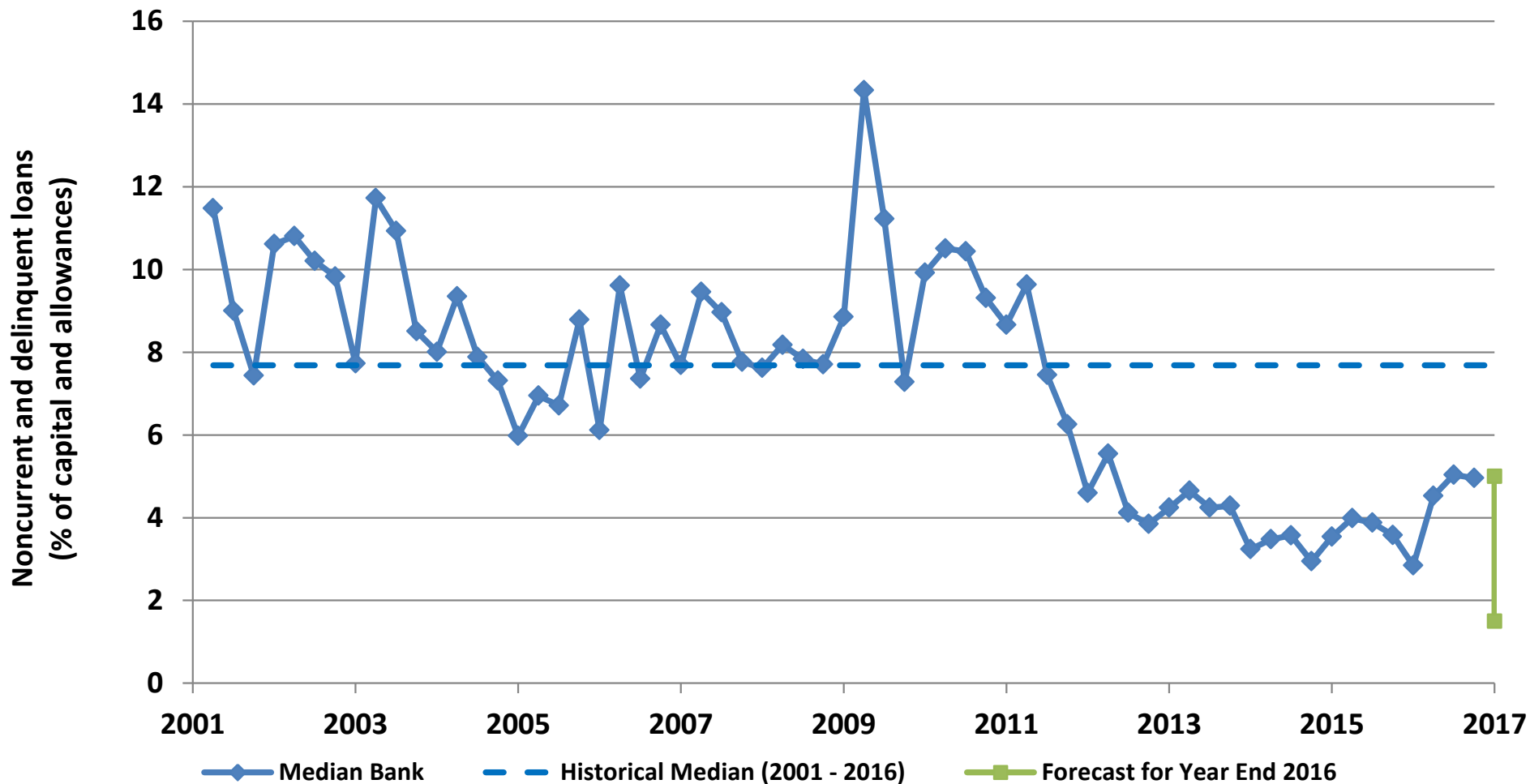
SD Profitability Was Flat in 2016 Q3



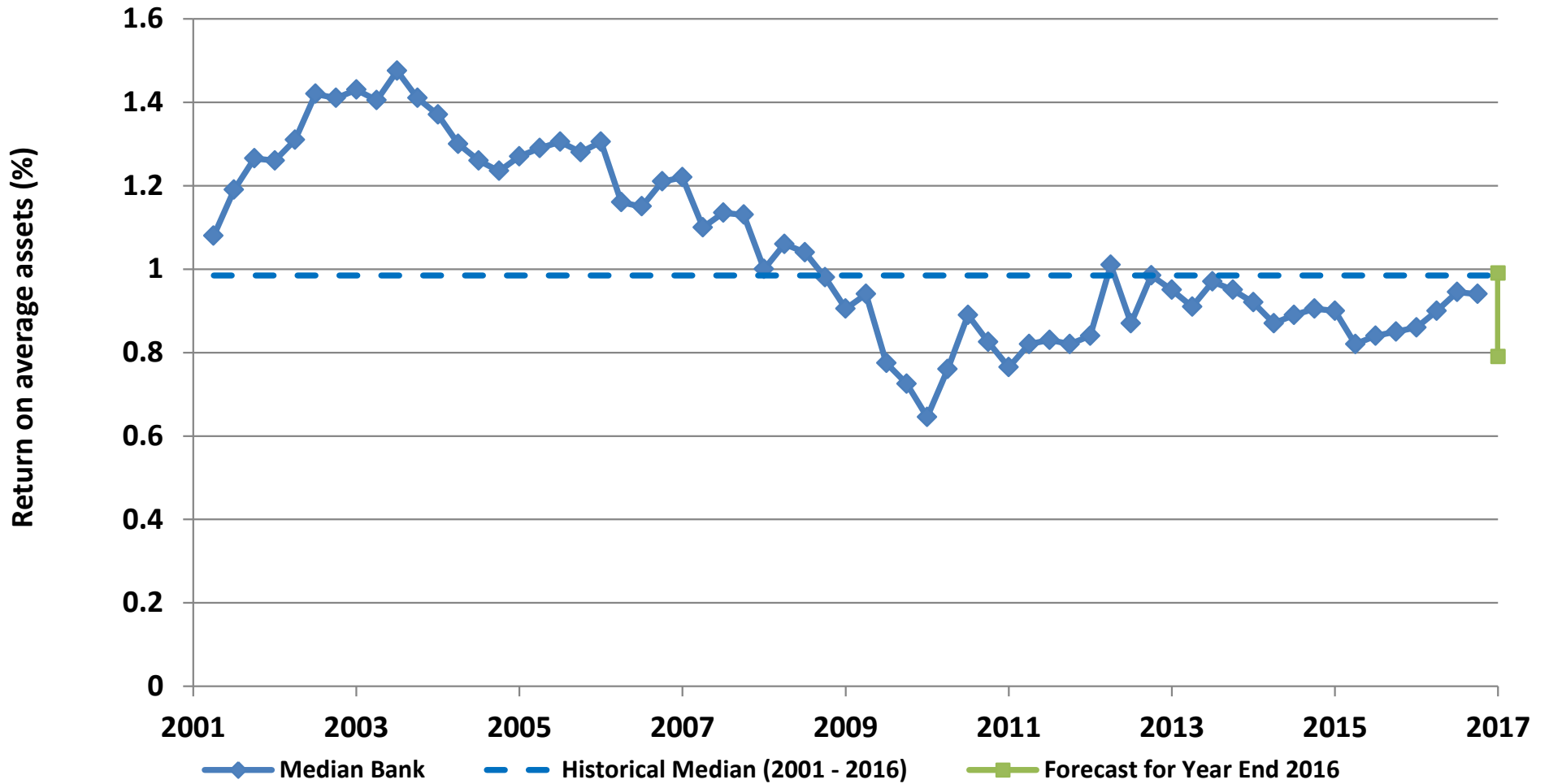
Medium Decline in SD Loan Growth in 2016 Q3



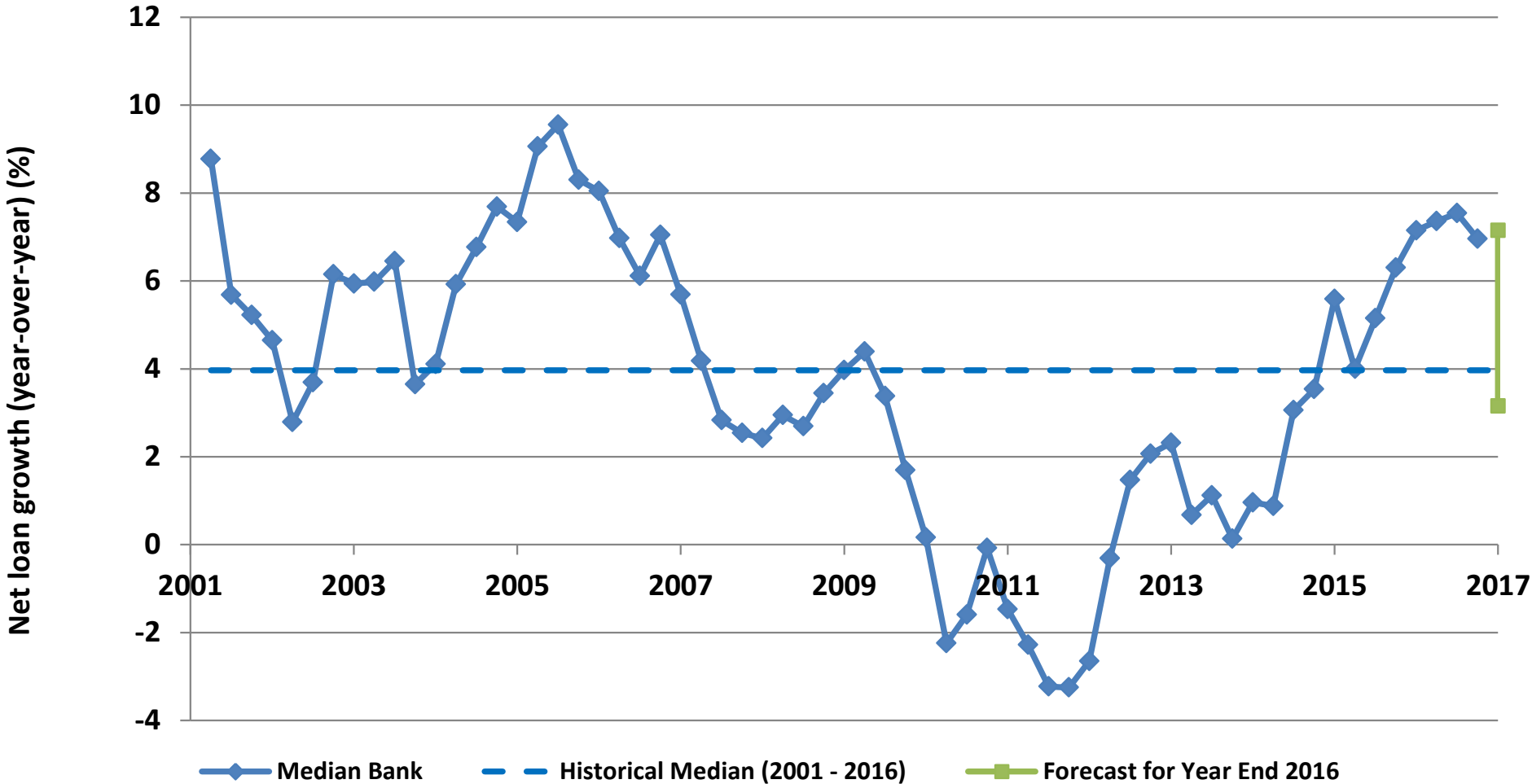
SD Problem Loans Were Flat in 2016 Q3



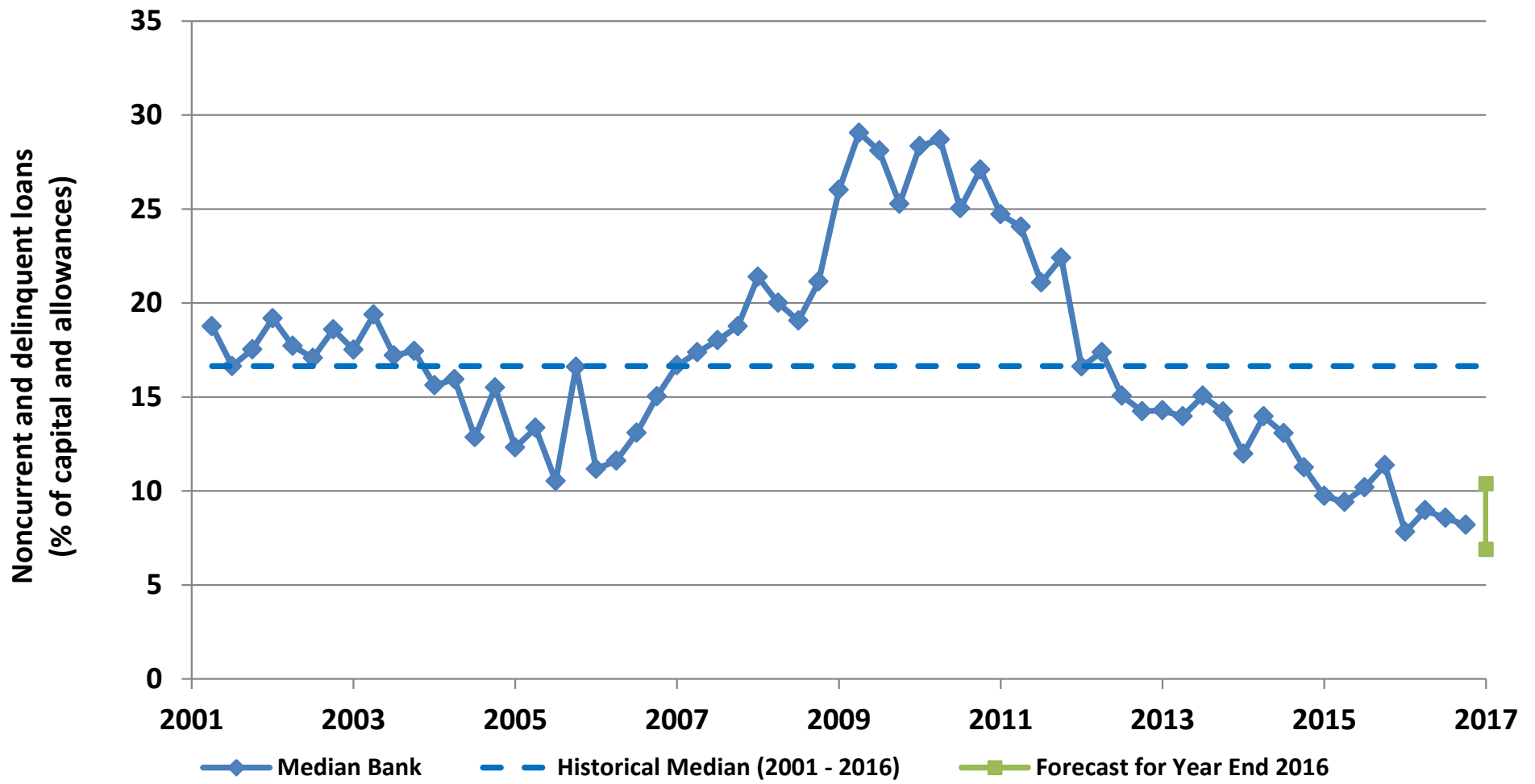
Western WI Profitability Was Flat in 2016 Q3



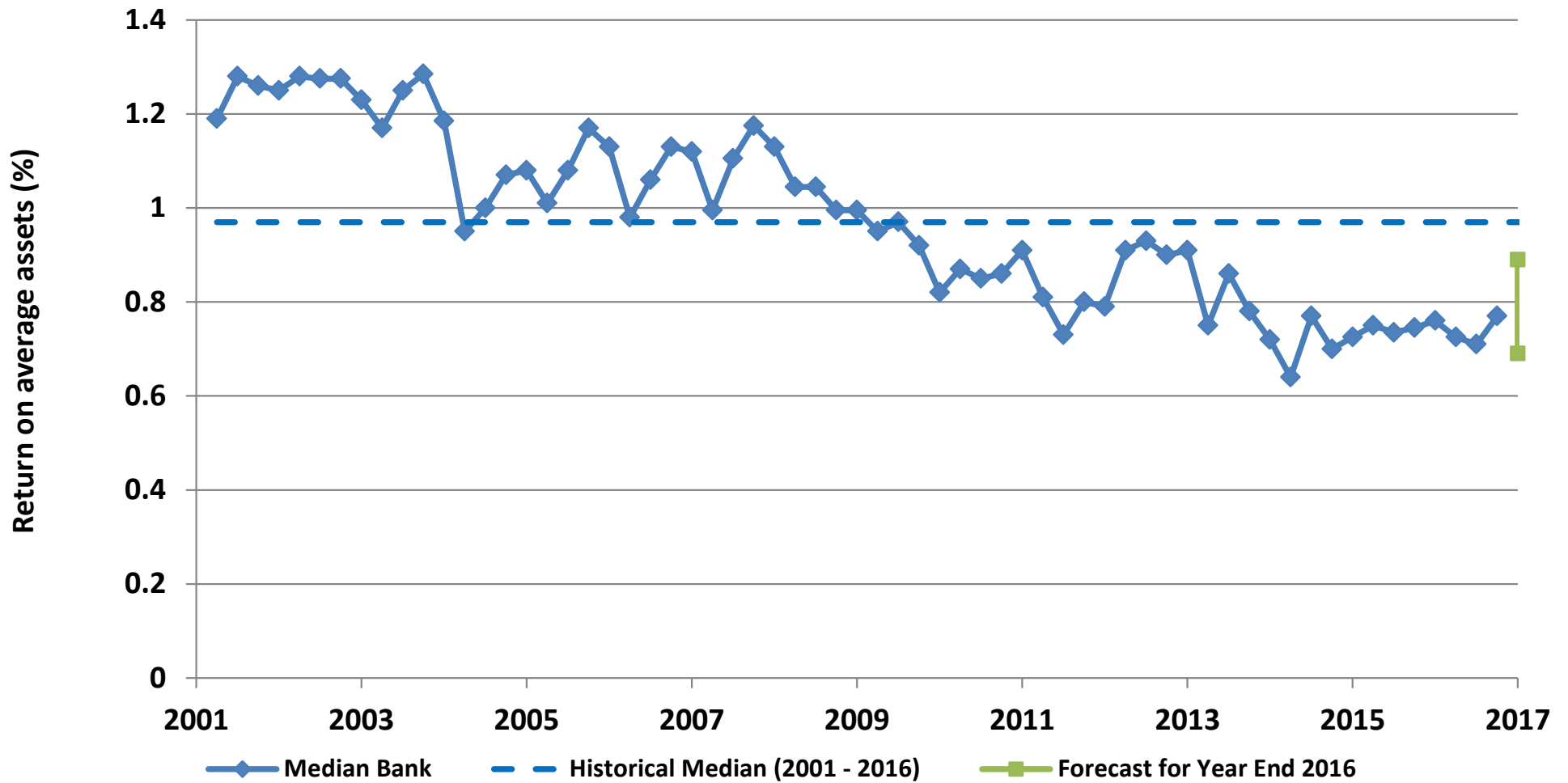
Small Decline in Western WI Loan Growth in 2016 Q3



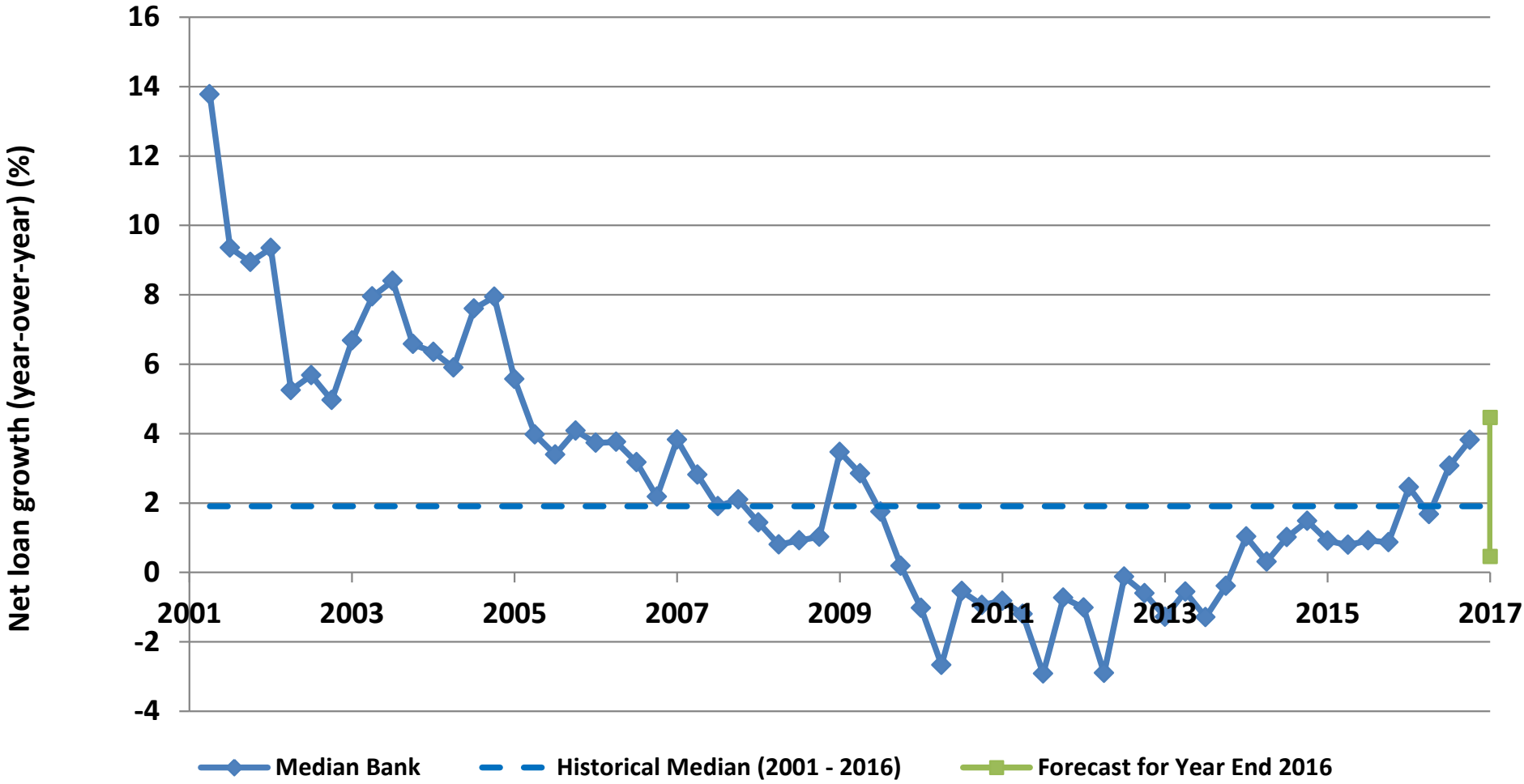
Western WI Problem Loans Were Flat in 2016 Q3



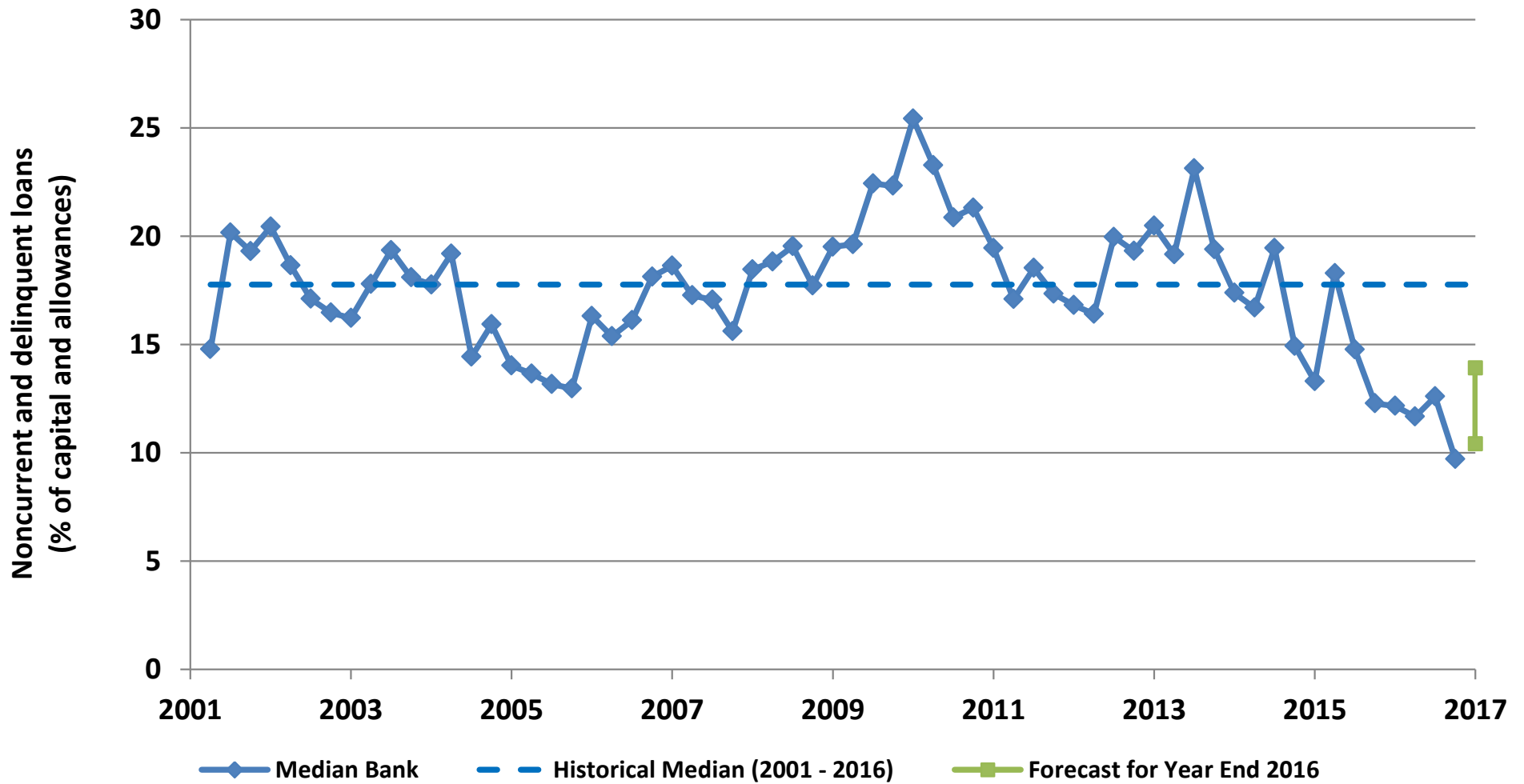
Medium Increase in Upper Peninsula MI Profitability in 2016 Q3



Medium Increase in Upper Peninsula MI Loan Growth in 2016 Q3



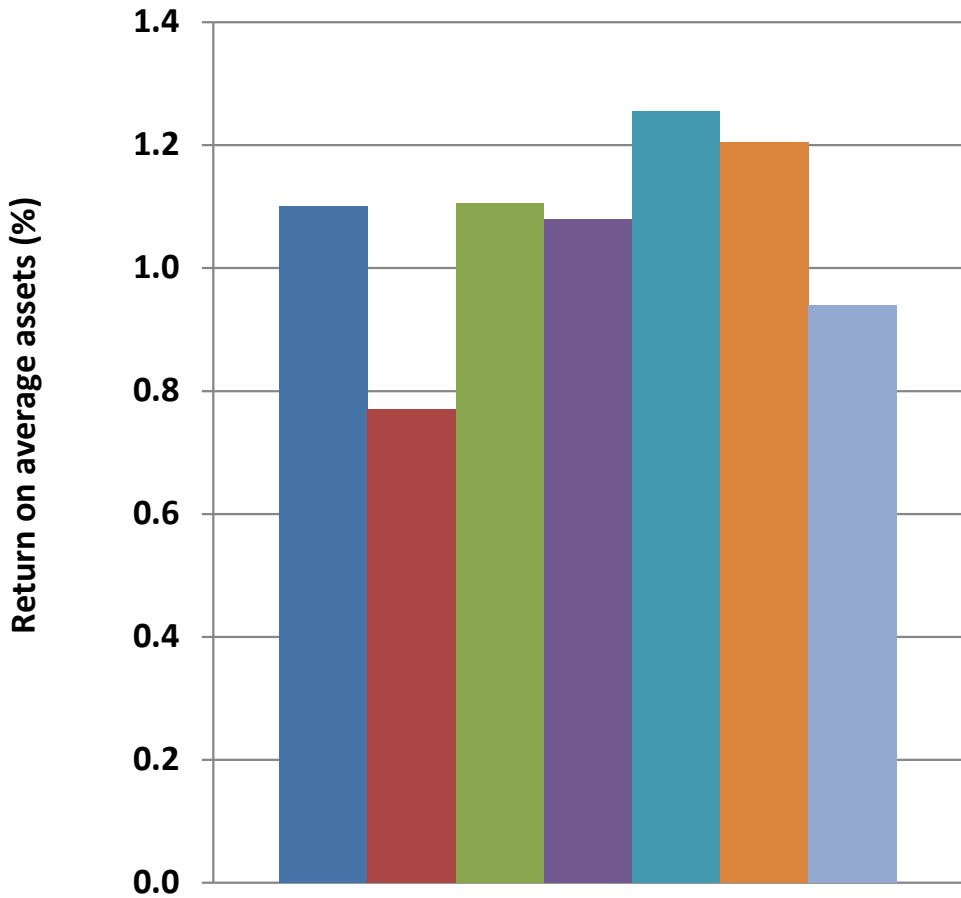
Large Decline in Upper Peninsula MI Problem Loans in 2016 Q3



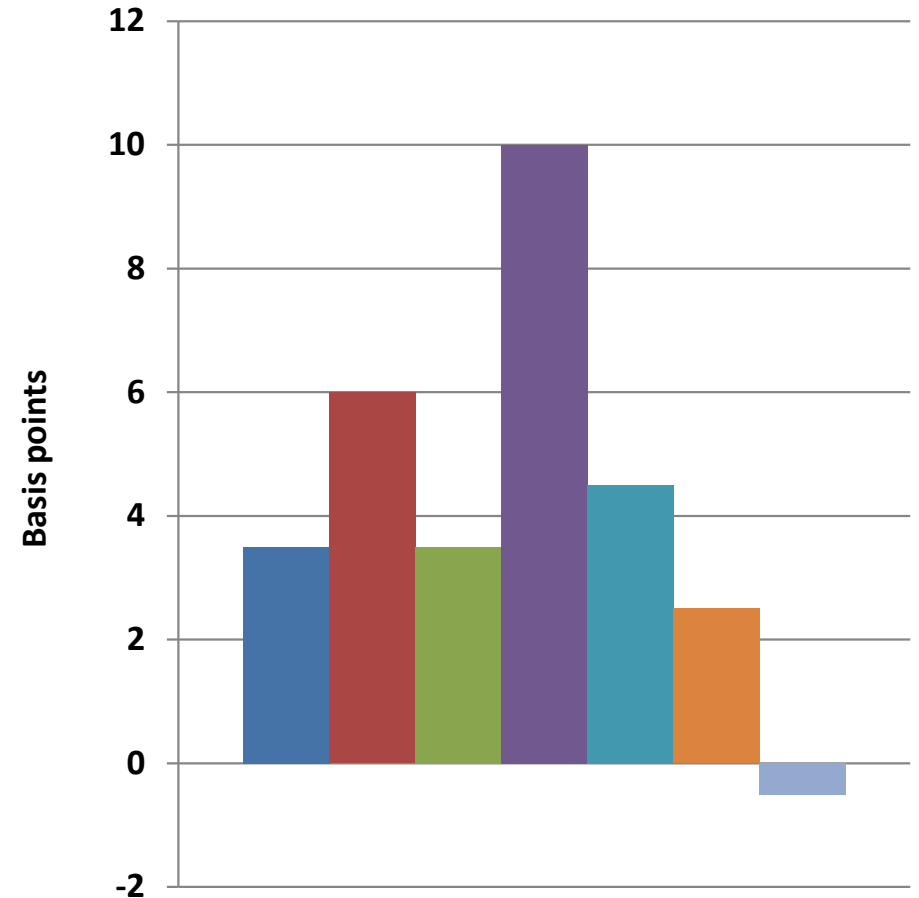
Dakotas Had Highest Profits

MT Had Strongest Profit Increase

Current Observation (9/30/2016)

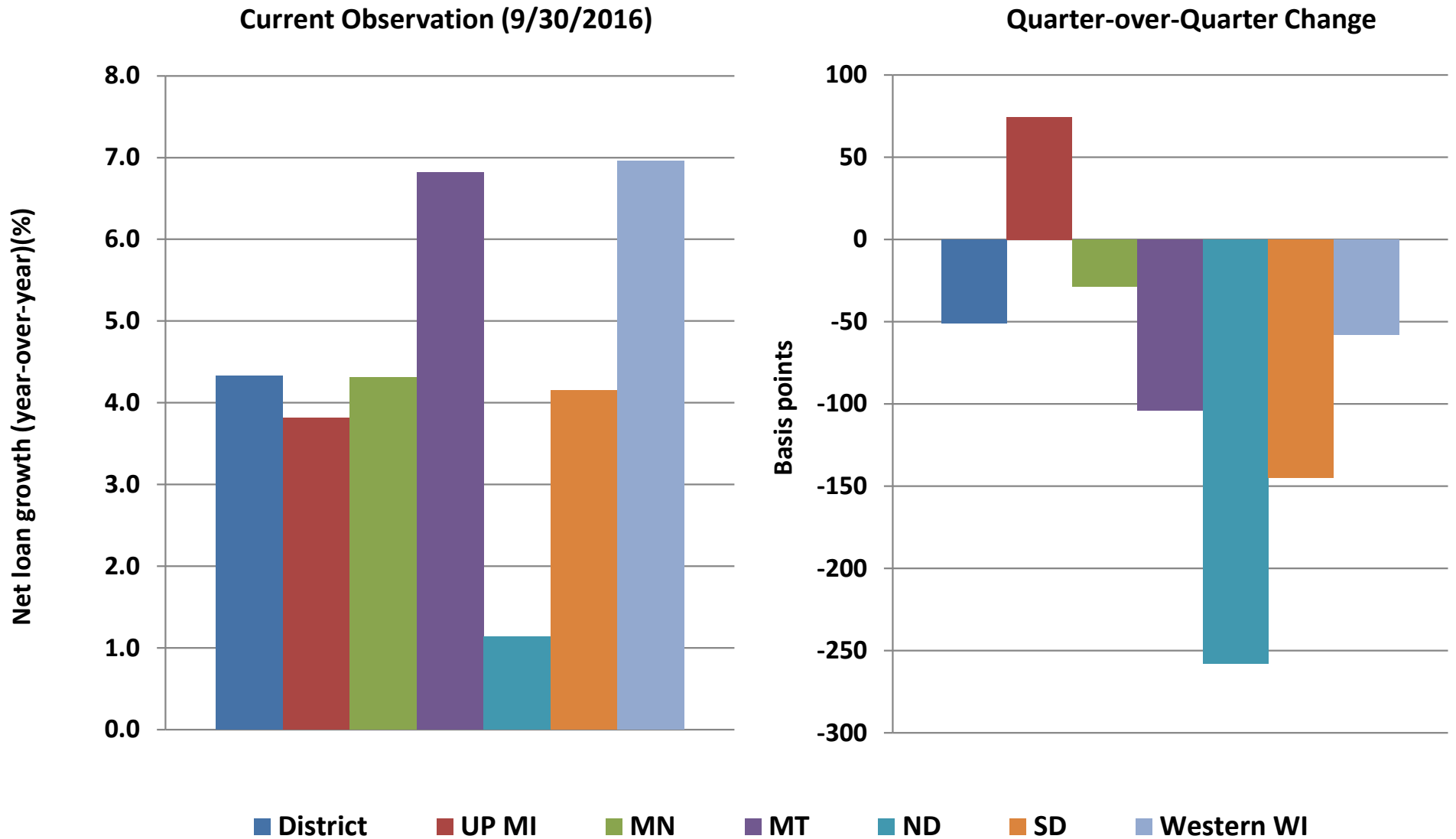


Quarter-over-Quarter Change



■ District
 ■ UP MI
 ■ MN
 ■ MT
 ■ ND
 ■ SD
 ■ Western WI

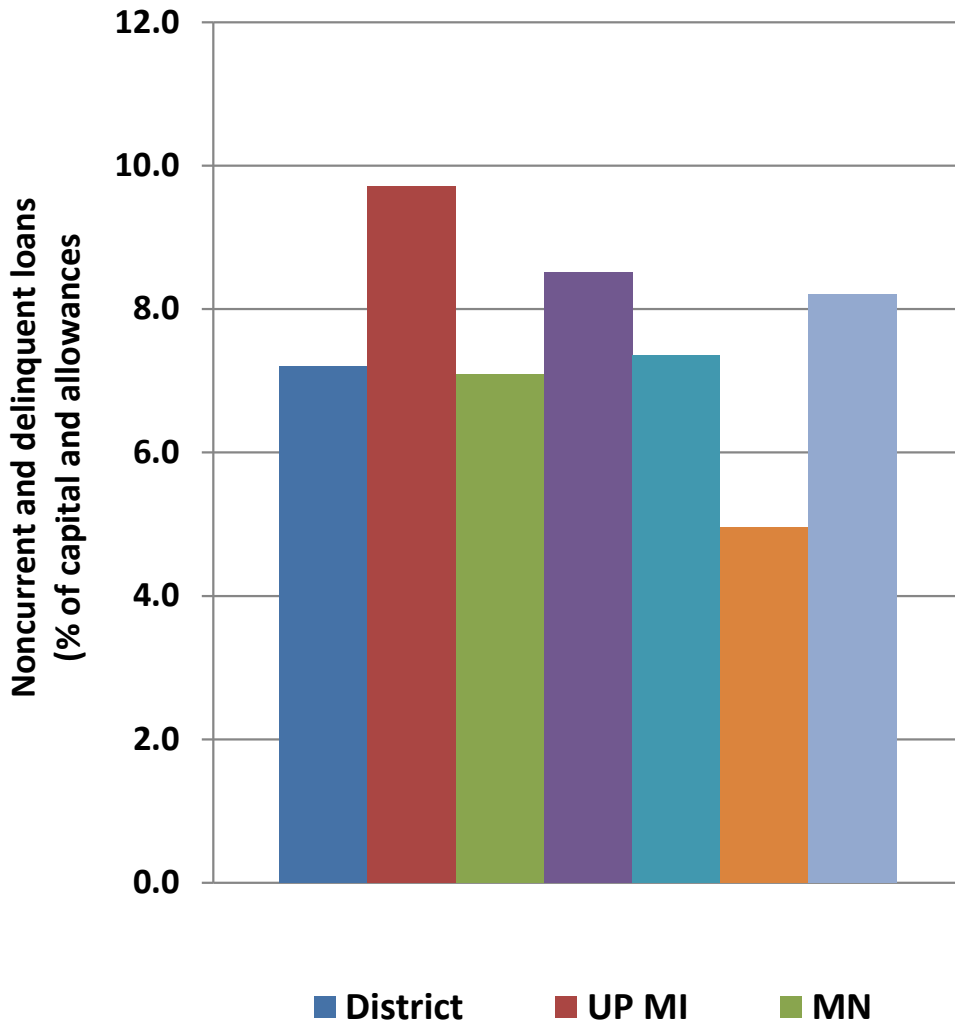
MT and Western WI Had Strongest Increase in Loan Growth



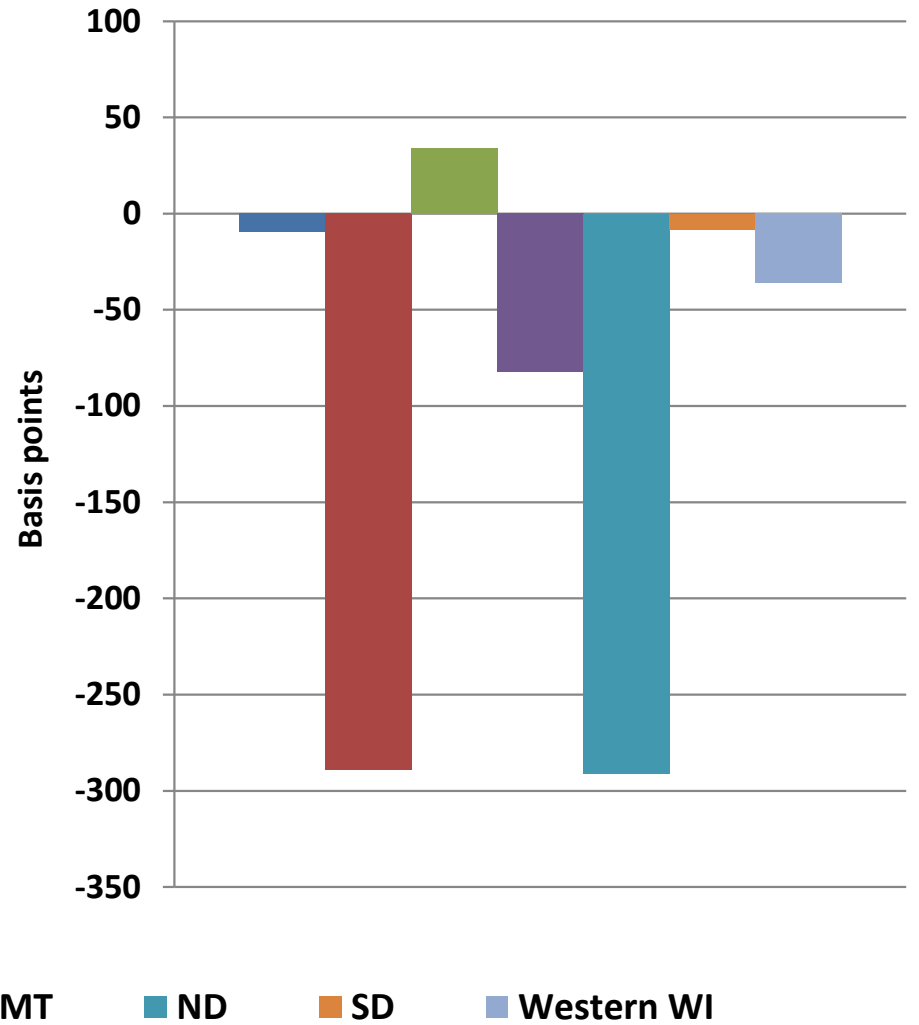
UP Michigan Had Highest Problem Loan Levels

UP Michigan and ND Had Biggest Quarter-over-Quarter Decline in Problem Loans

Current Observation (9/30/2016)

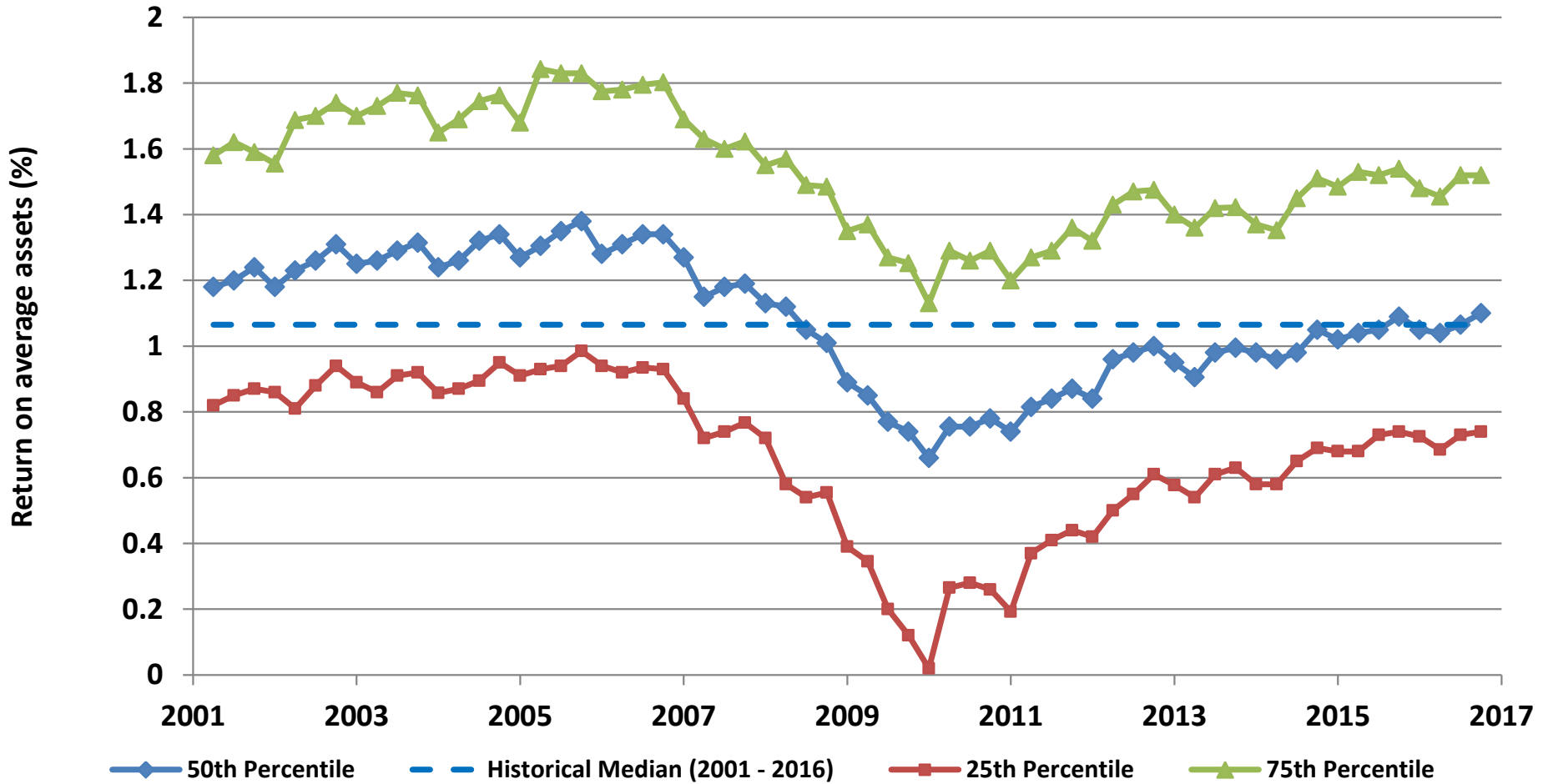


Quarter-over-Quarter Change

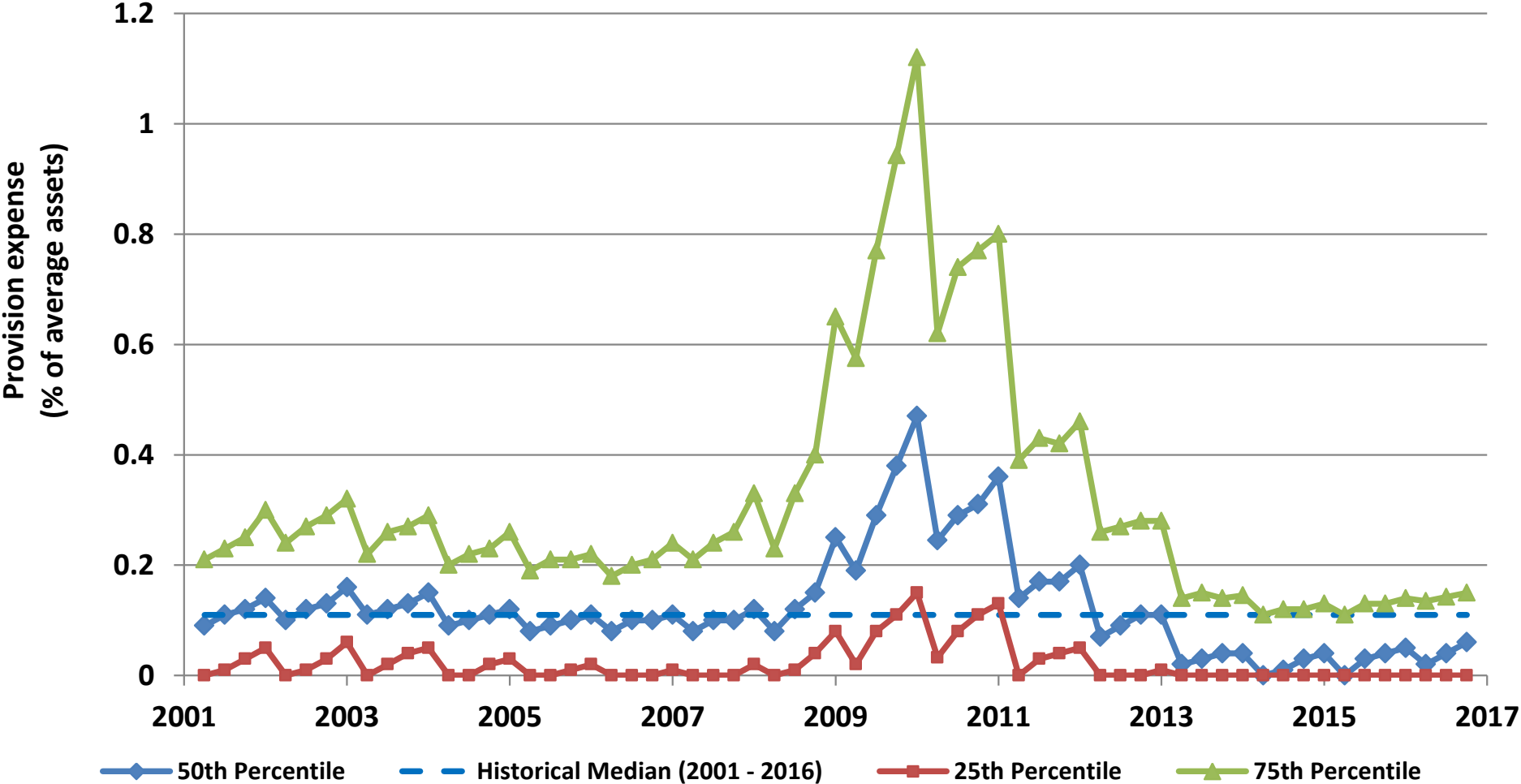


Appendix:
Details on 2016 Q3 District Bank Performance

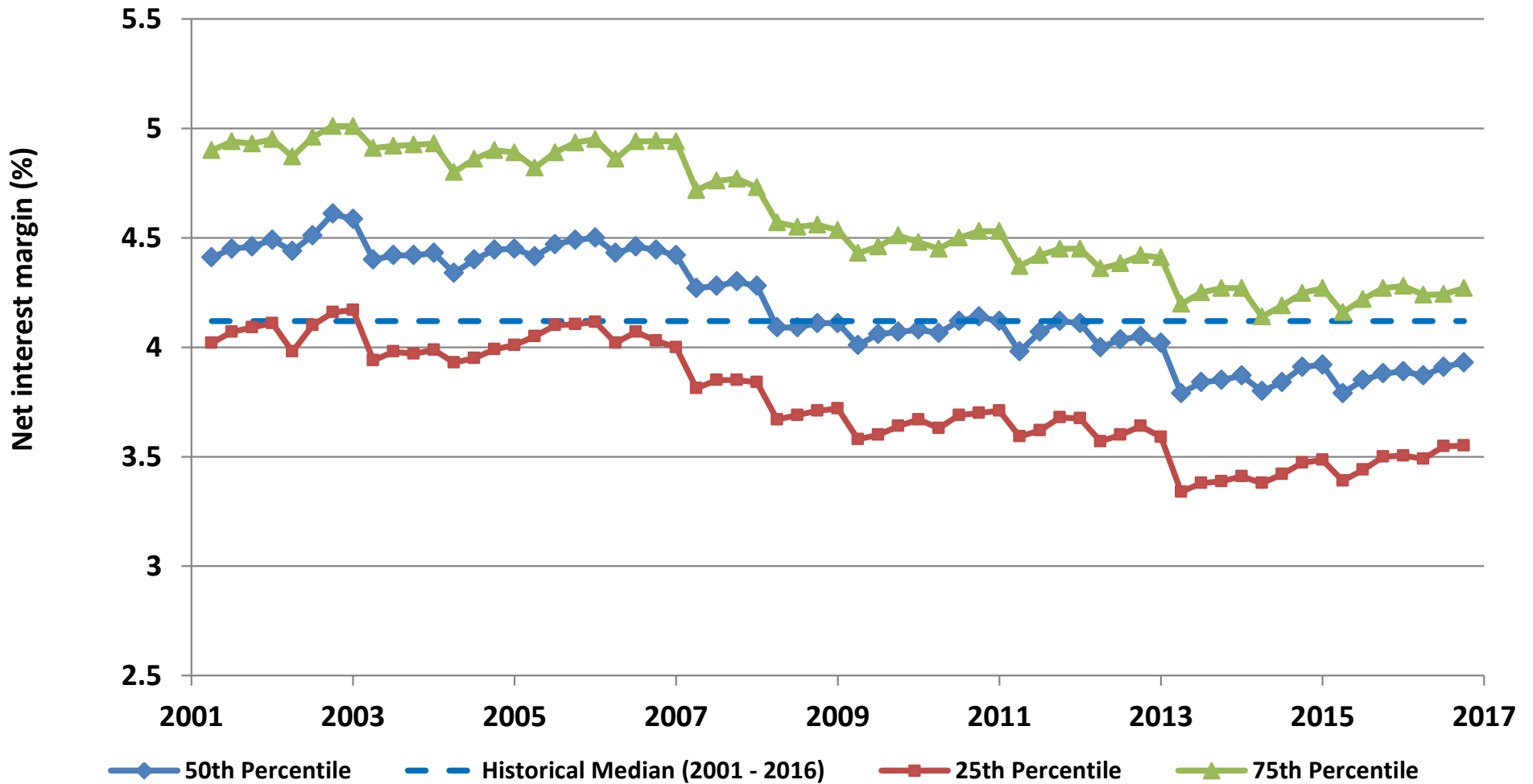
Medium Increase in Profitability in 2016 Q3 at District Banks



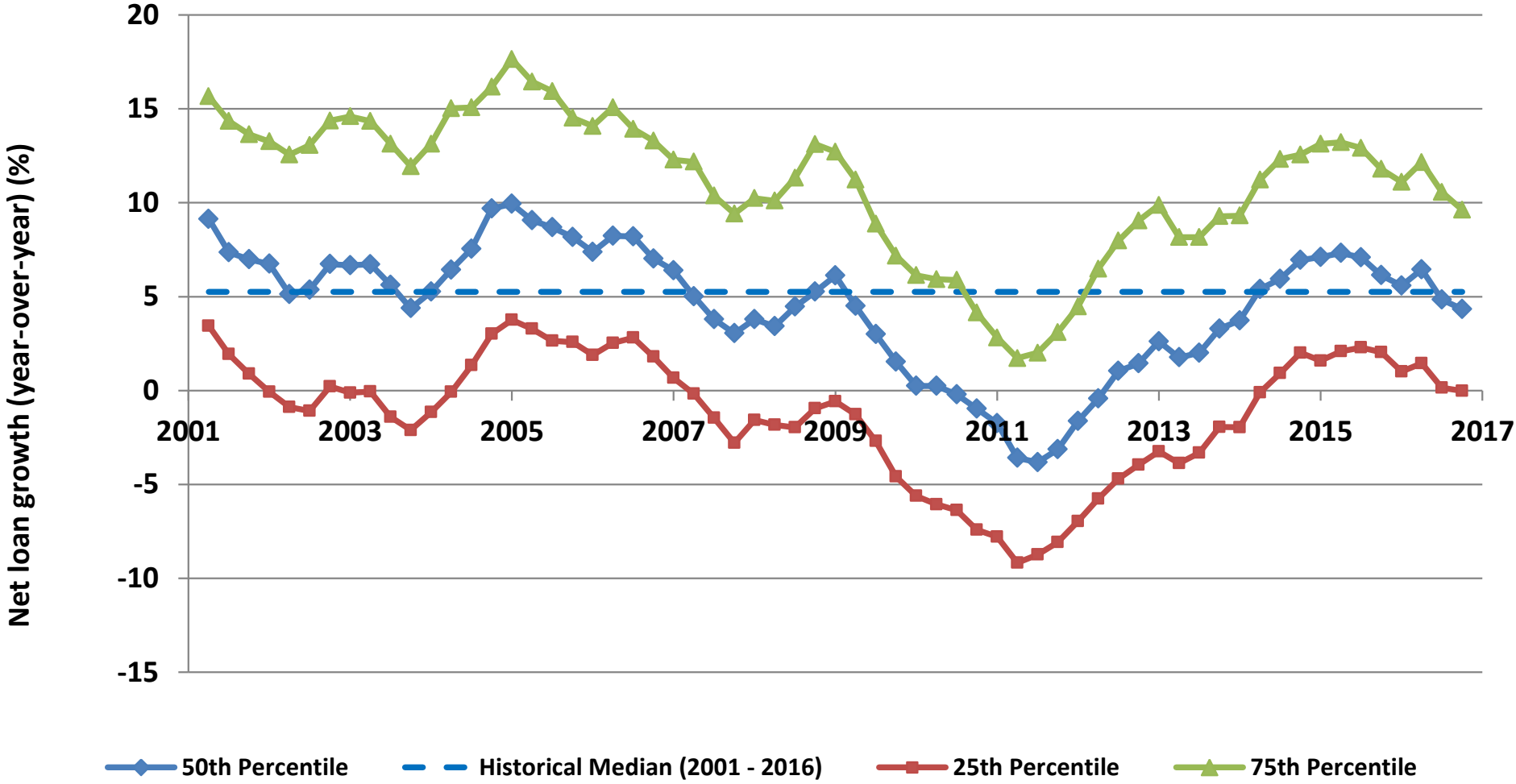
Medium Increase in Provisions in 2016 Q3 at District Banks



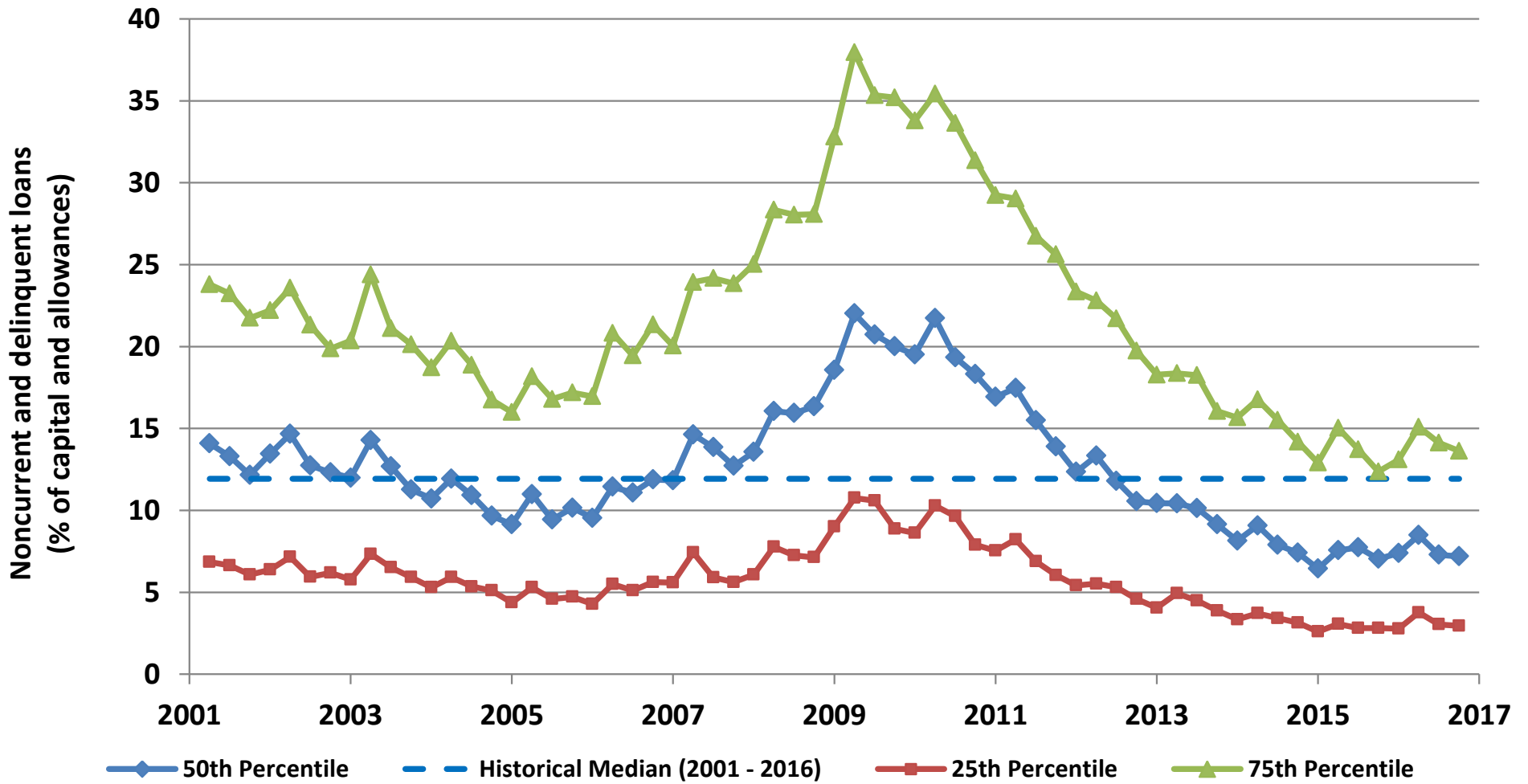
Small Increase in Net Interest Margin in 2016 Q3 at District Banks



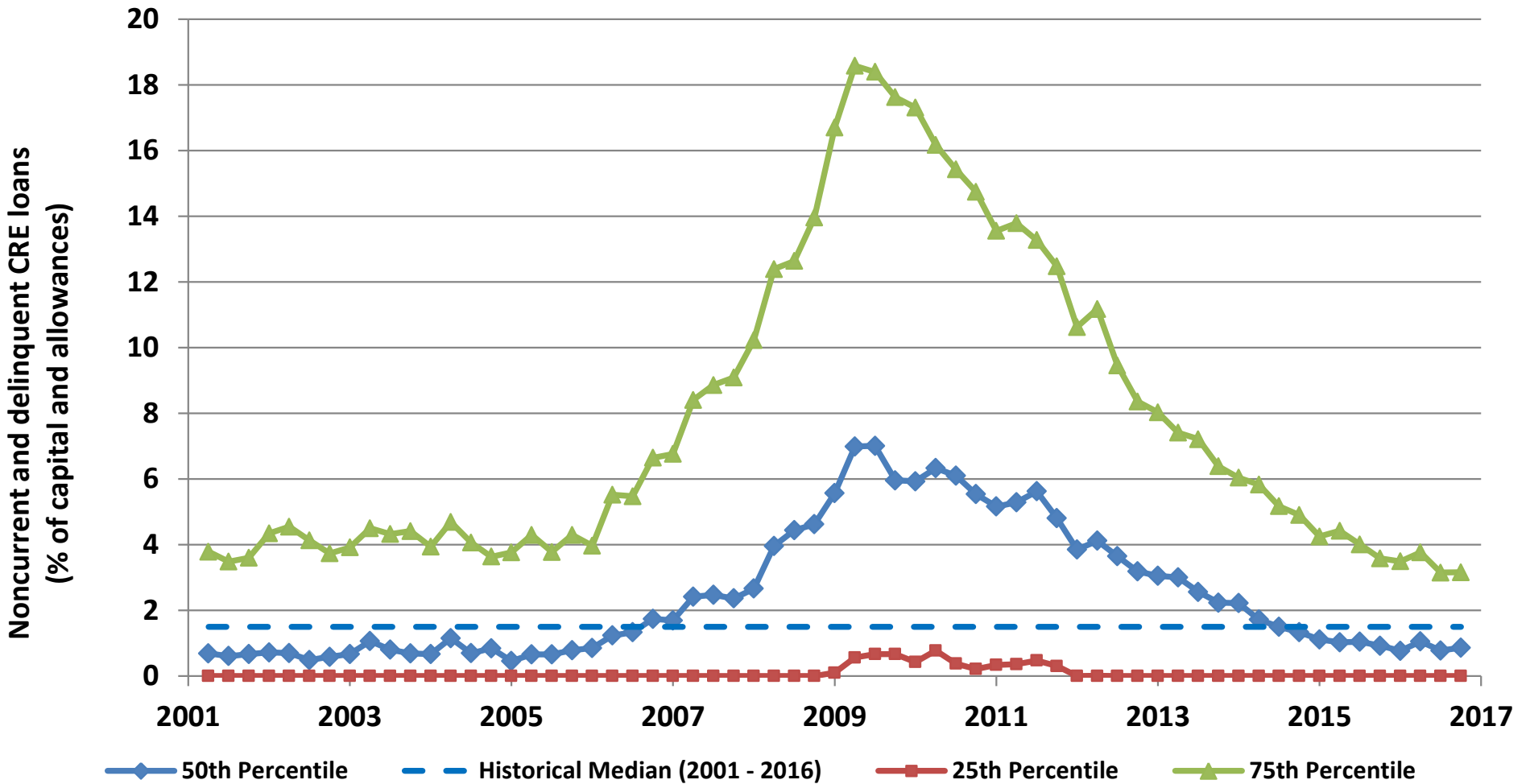
Small Decline in Loan Growth in 2016 Q3 at District Banks



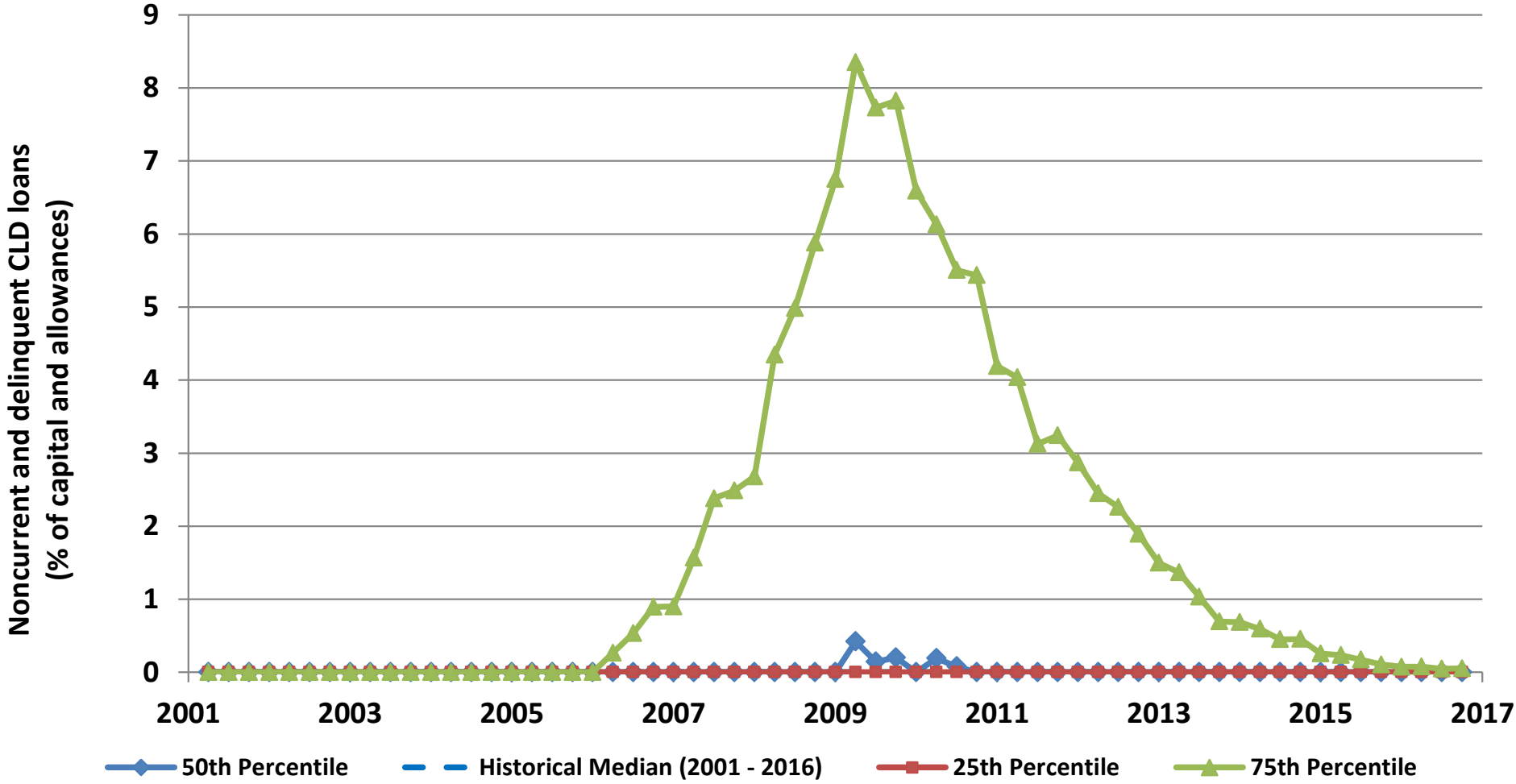
Overall Problem Loans Were Flat in 2016 Q3 at District Banks



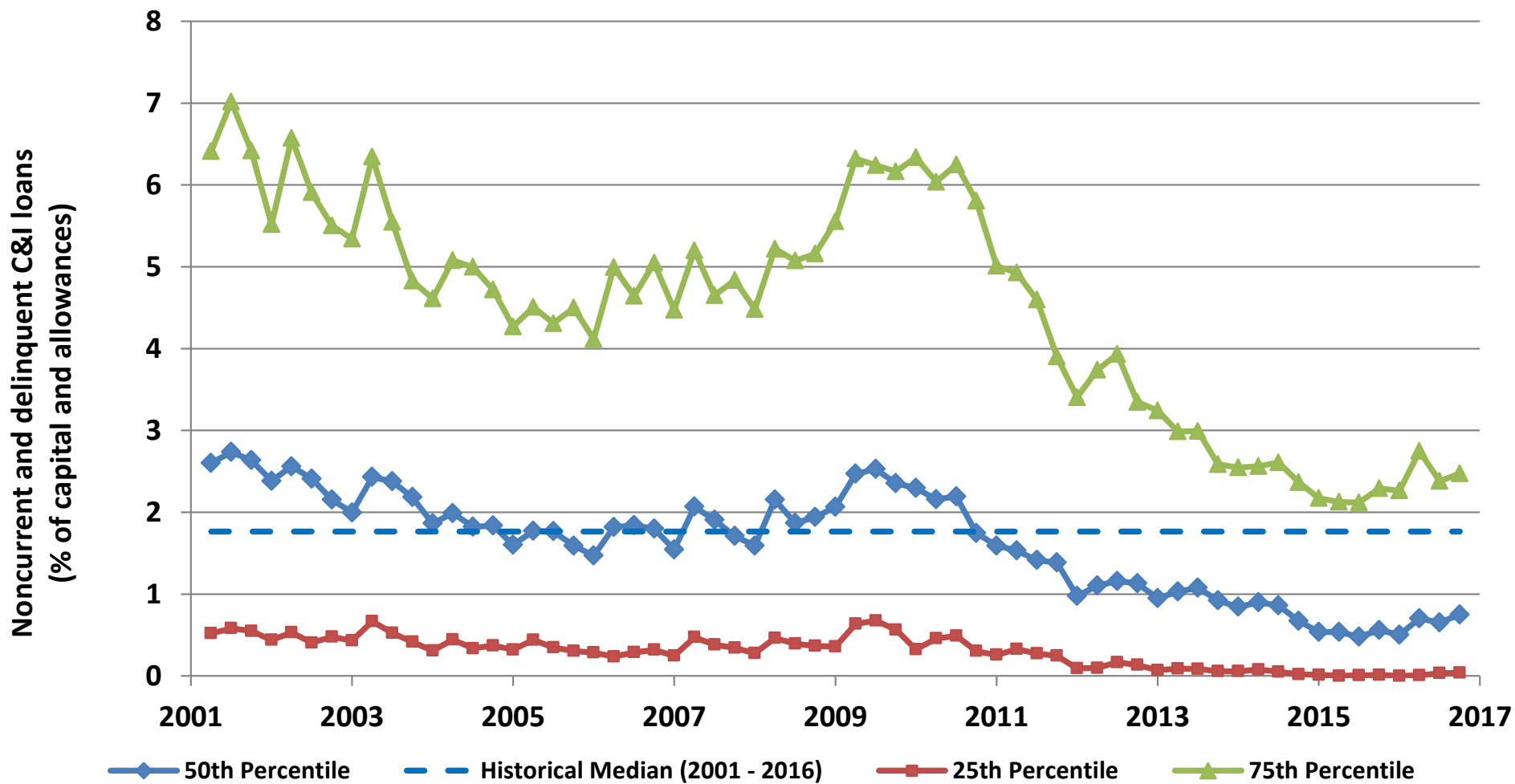
Commercial Real Estate (CRE) Problem Loans Were Flat in 2016 Q3 at District Banks



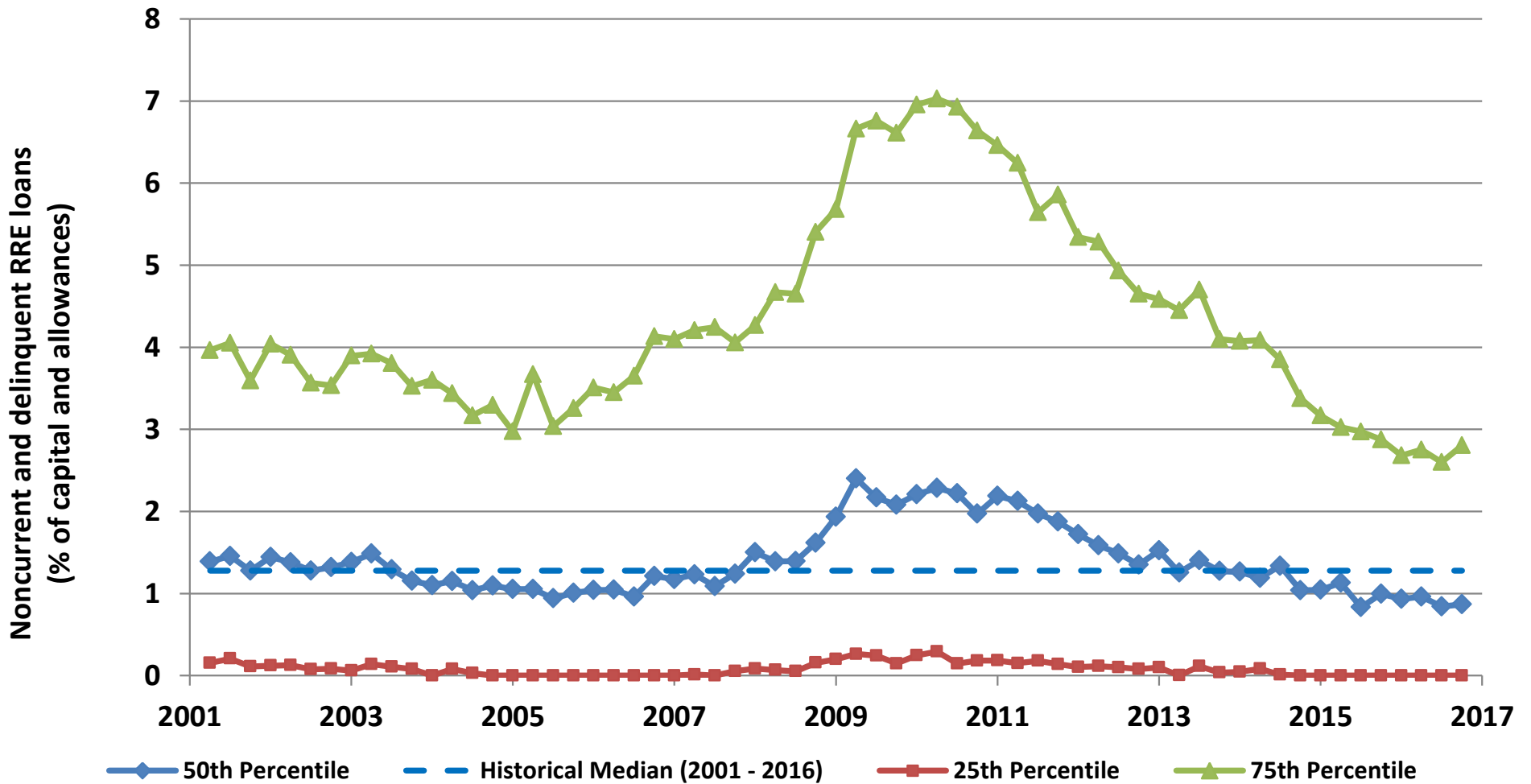
Construction & Land Development (CLD) Problem Loans Were Flat in 2016 Q3 at District Banks



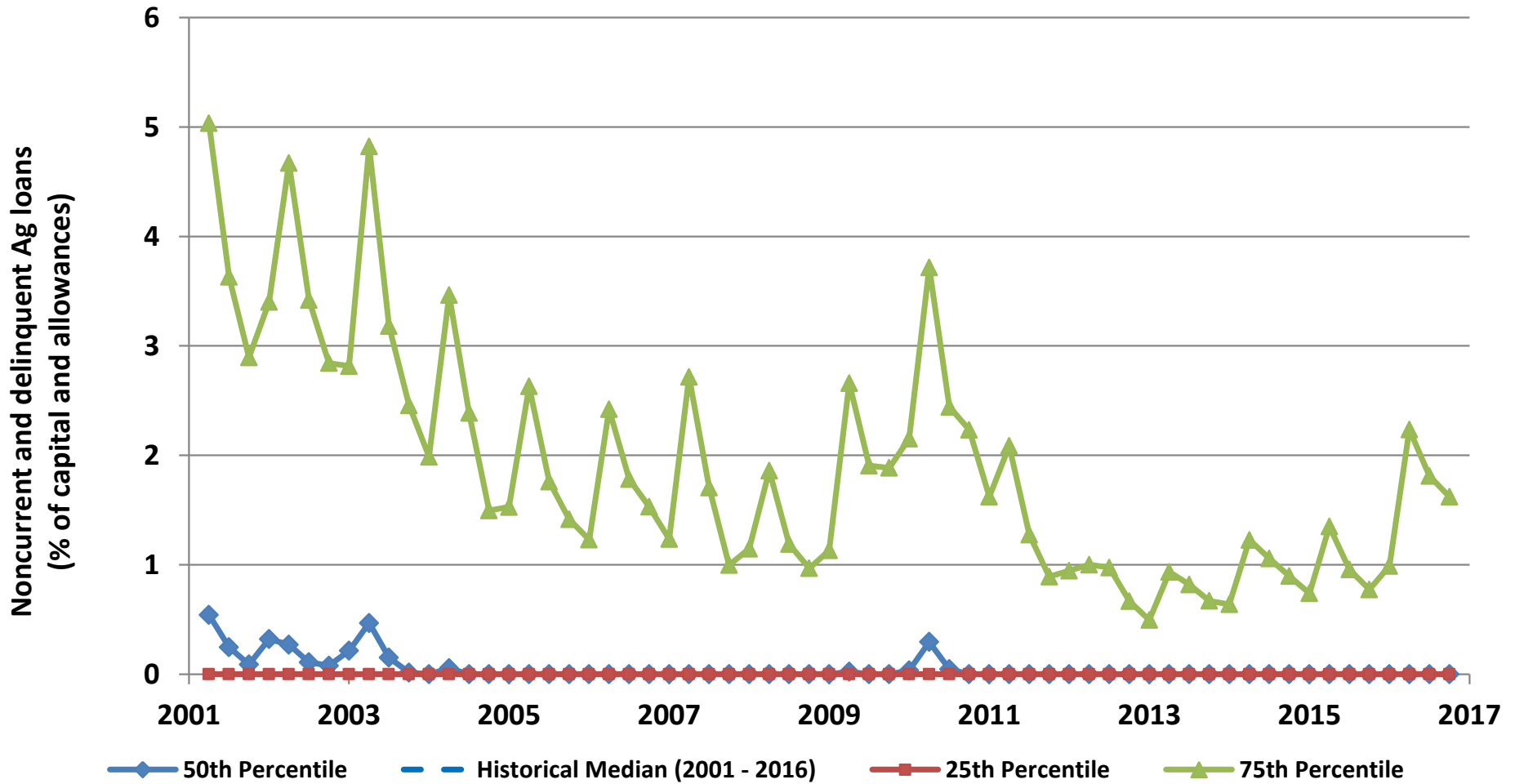
Small Increase in Commercial & Industrial (C&I) Problem Loans in 2016 Q3 at District Banks



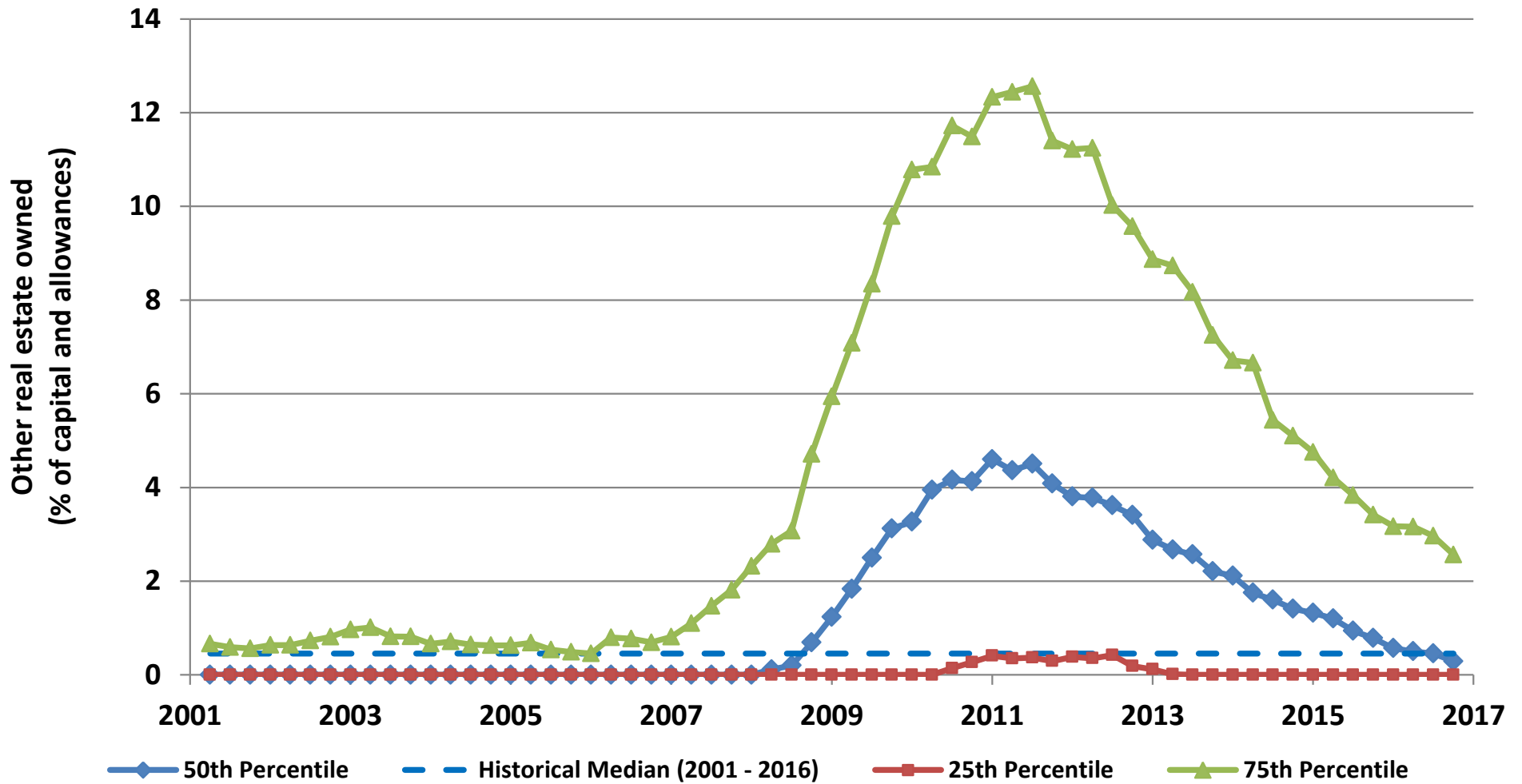
Residential Real Estate (RRE) Problem Loans Were Flat in 2016 Q3 at District Banks



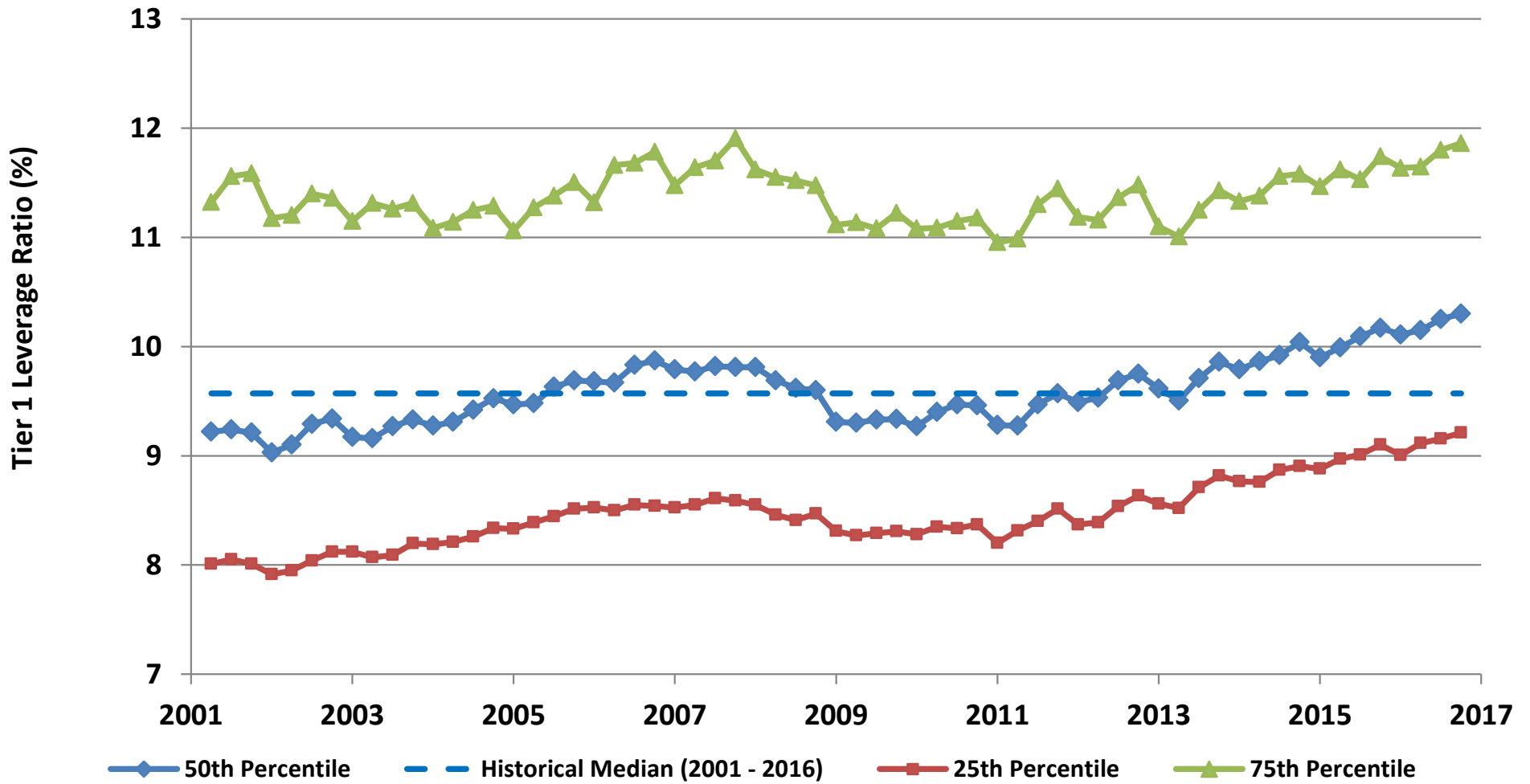
Agricultural (Ag) Problem Loans Were Flat in 2016 Q3 at District Banks



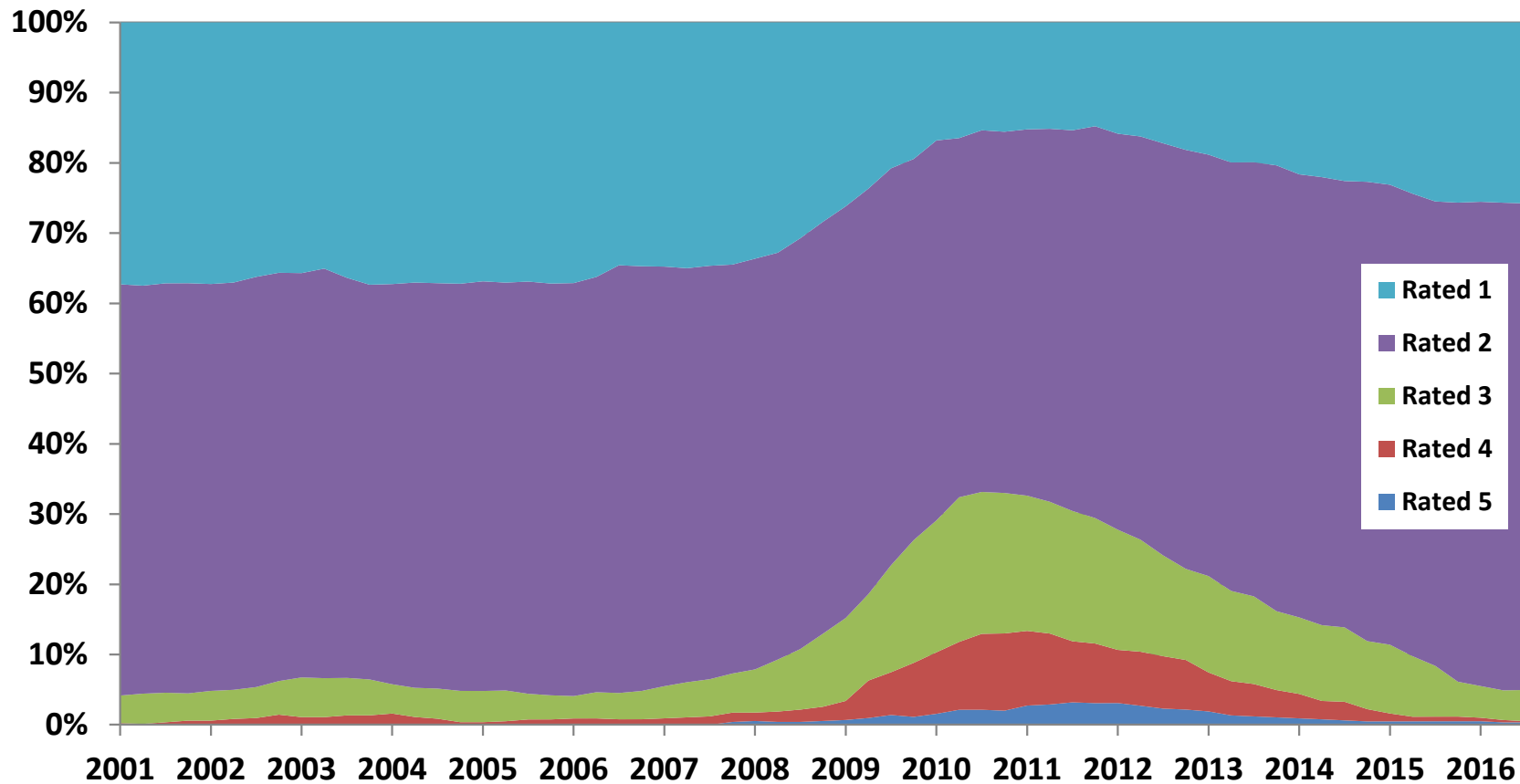
Medium Decrease in Other Real Estate Owned (OREO) Problem Loans in 2016 Q3 at District Banks



Small Increase in Capital in 2016 Q3 at District Banks



District Bank Ratings Were Consistent During 2016 Q3



Federal Reserve Risk Management Ratings – Summary of Definitions

- 1 – Strong or sound in every respect
- 2 – Satisfactory or fundamentally sound
- 3 – Fair/less than satisfactory; requires more than normal supervision
- 4 – Unsatisfactory; unsafe and/or unsound practices and conditions; failure a possibility
- 5 – Critically deficient; extremely unsafe and unsound; failure is highly probable

Commercial Bank Examination Manual. [“Overall Conclusions Regarding Condition of the Bank: Uniform Financial Institutions Rating System and the Federal Reserve’s Risk Management Rating.”](#) Section A.5020.1. October 2015.