

Banking Conditions in Ninth District States Second Quarter 2016

Ron Feldman

Executive Vice President
Federal Reserve Bank of
Minneapolis



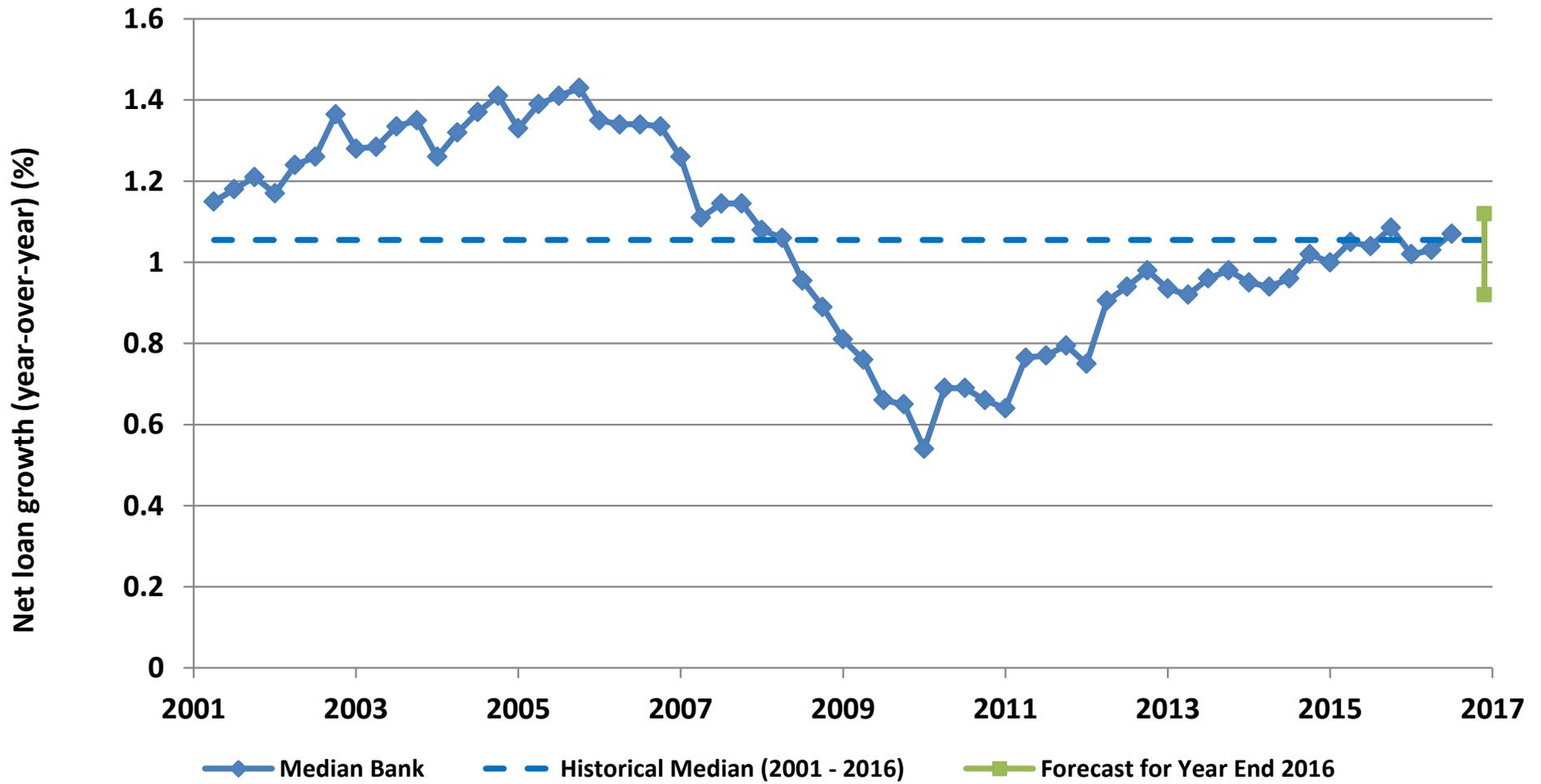
Ninth District

- 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/community-banking-research/banking-conditions>

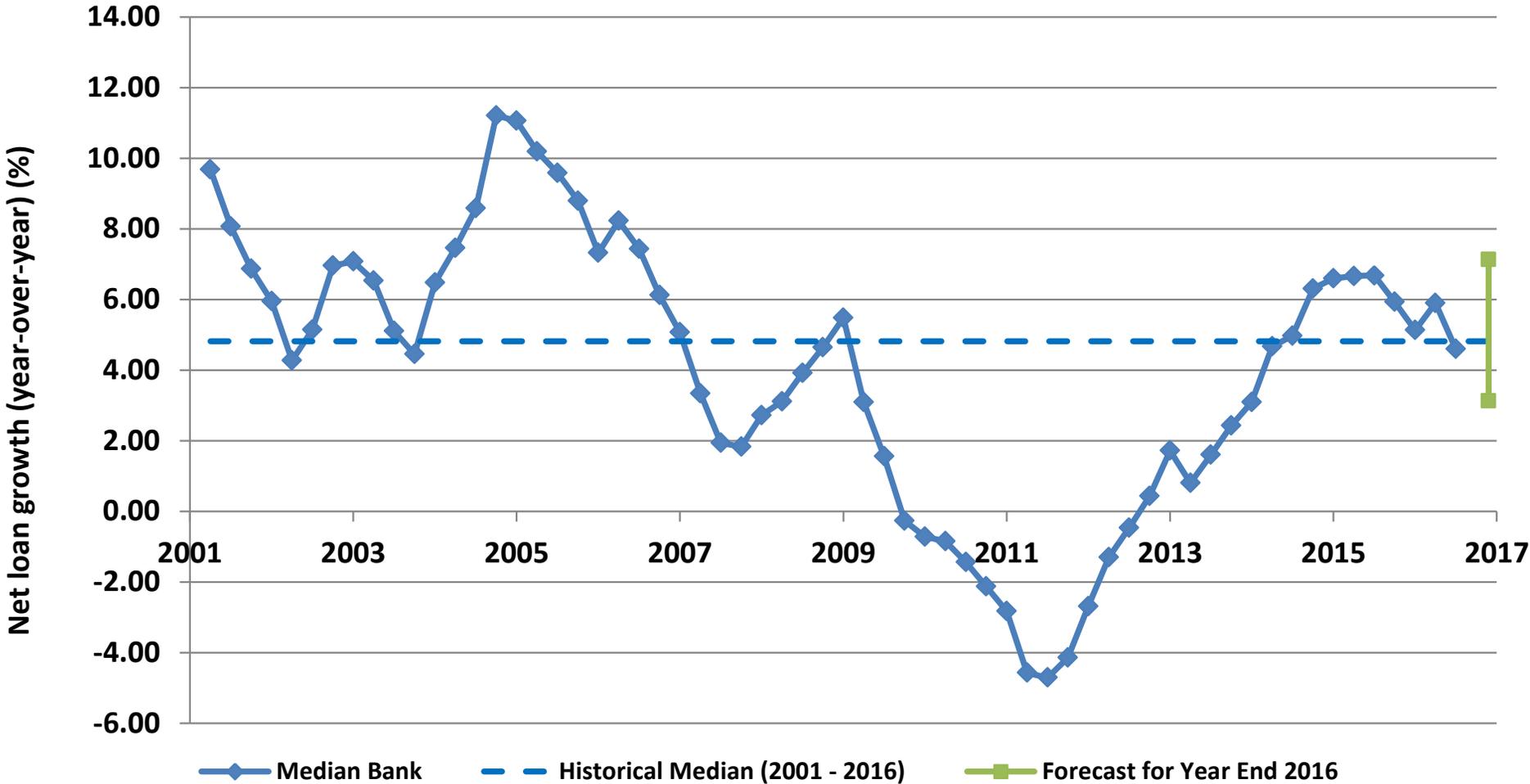
Second Quarter 2016 Results

- Generally weak second quarter for District banks
- Profits flat in many states, remaining at historical norms
- Less loan growth in almost all states
- Already-low levels of problem loans continue in most states

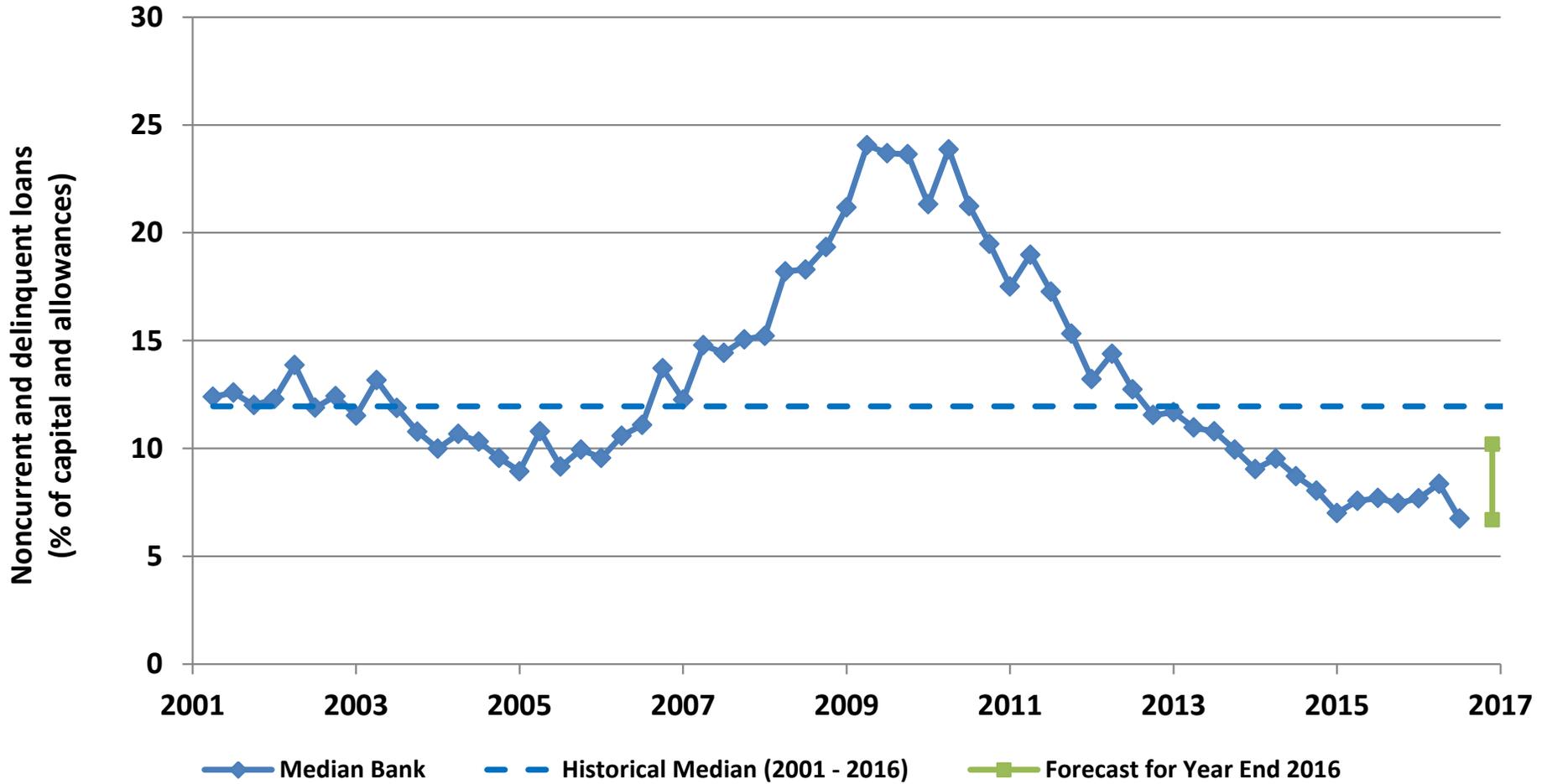
Medium Increase in MN Bank Profitability in 2016 Q2



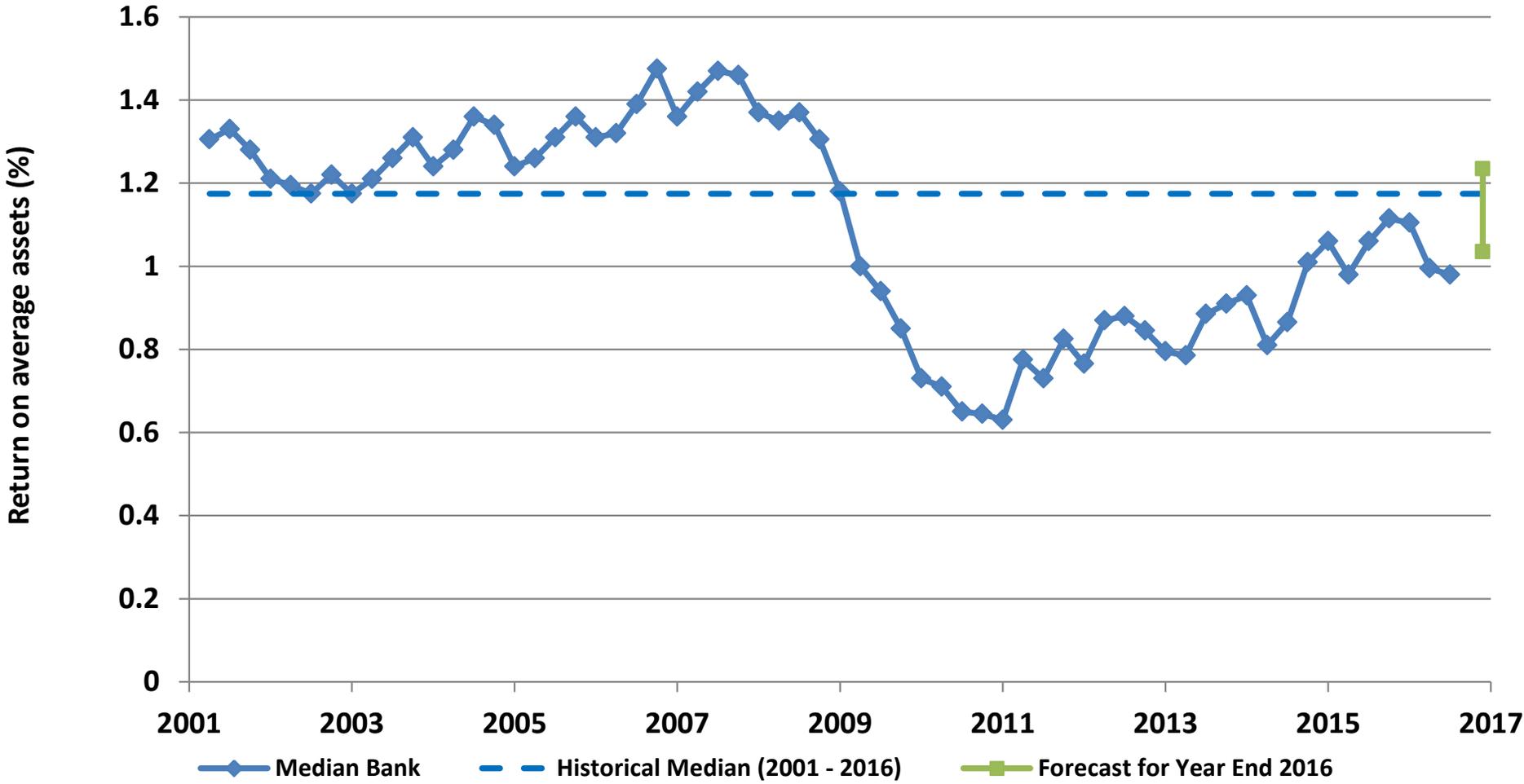
Medium Decline in MN Bank Loan Growth in 2016 Q2



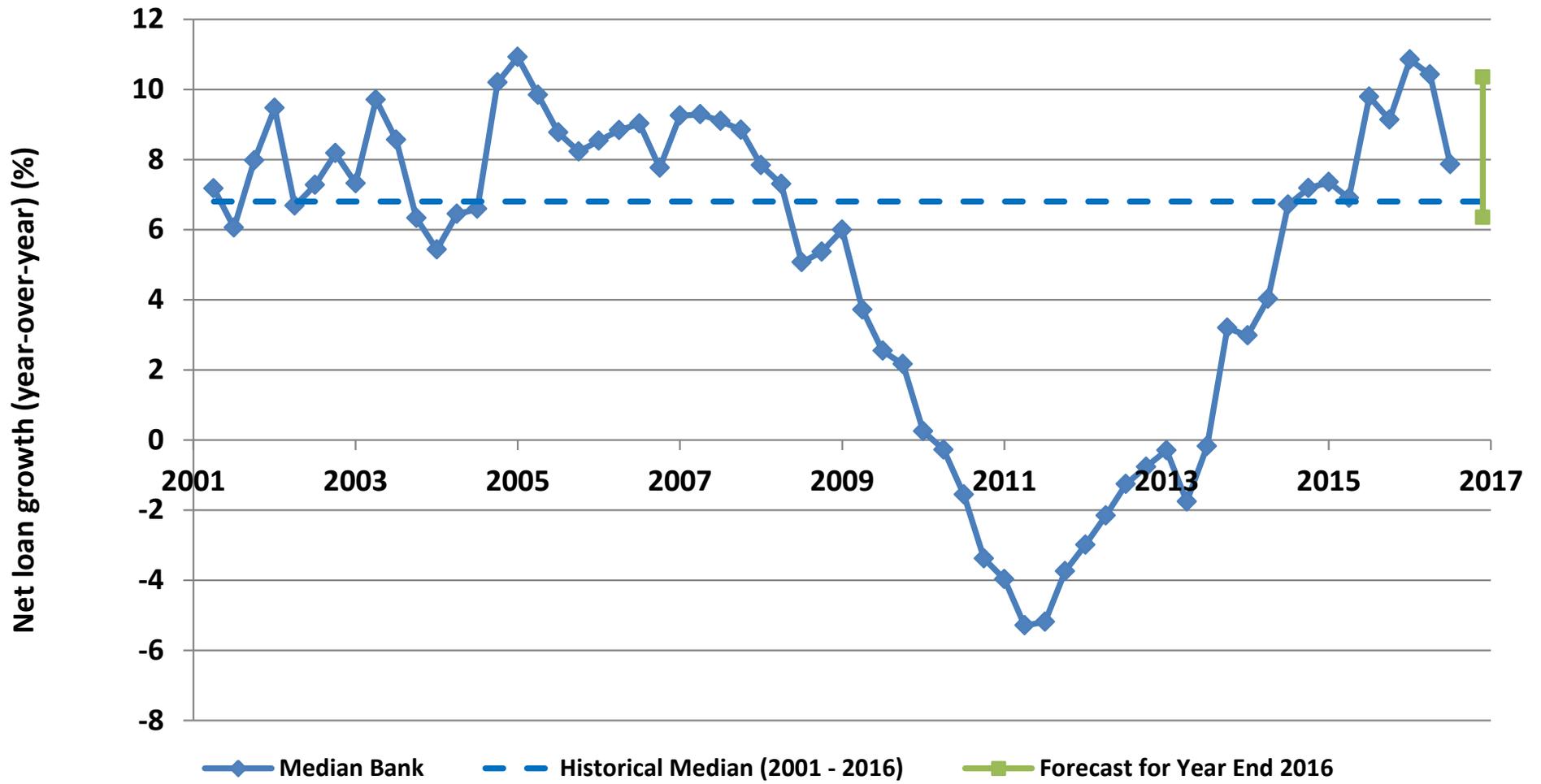
Medium Decrease in MN Bank Problem Loans in 2016 Q2



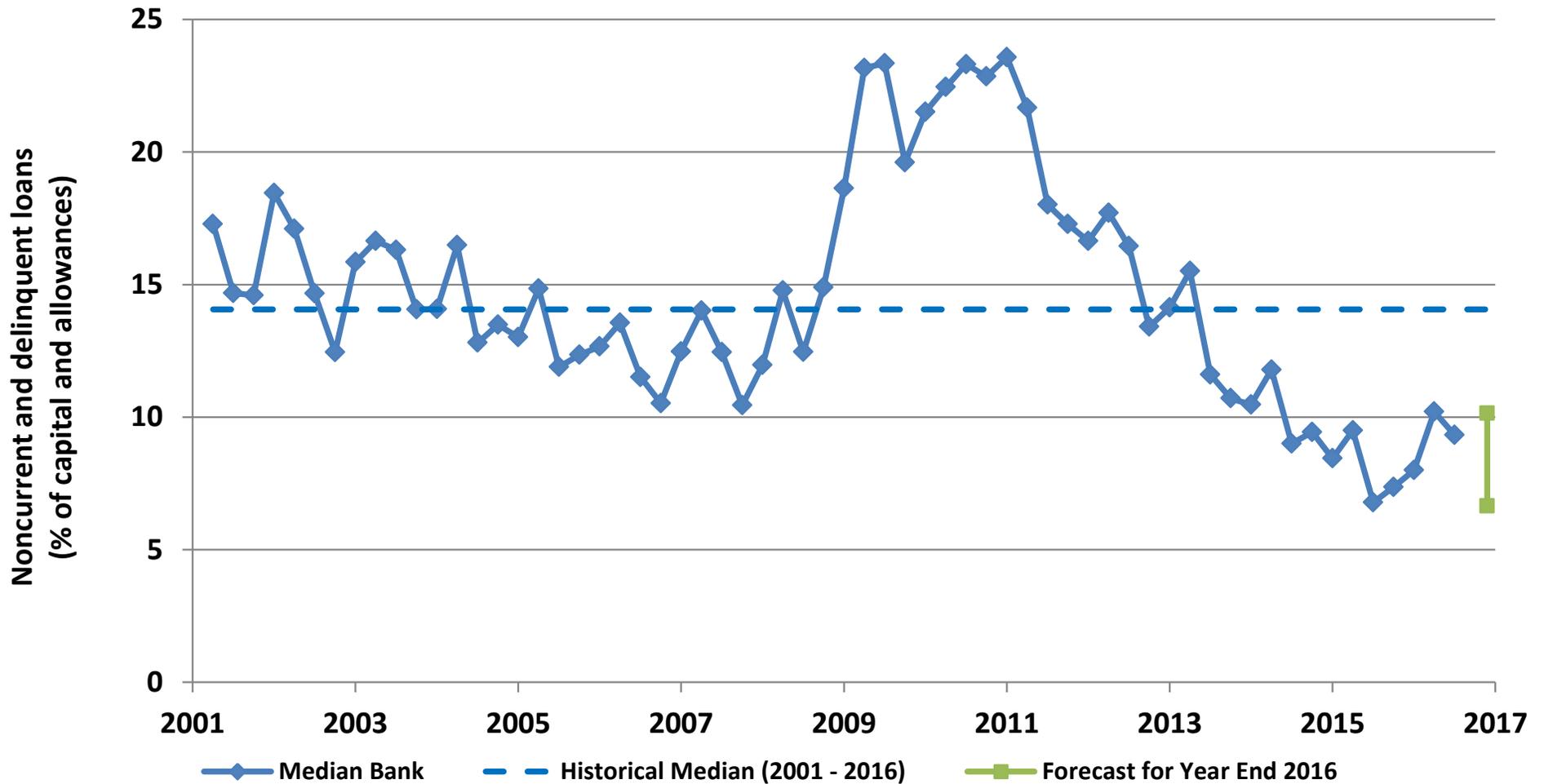
MT Profitability Was Flat in 2016 Q2



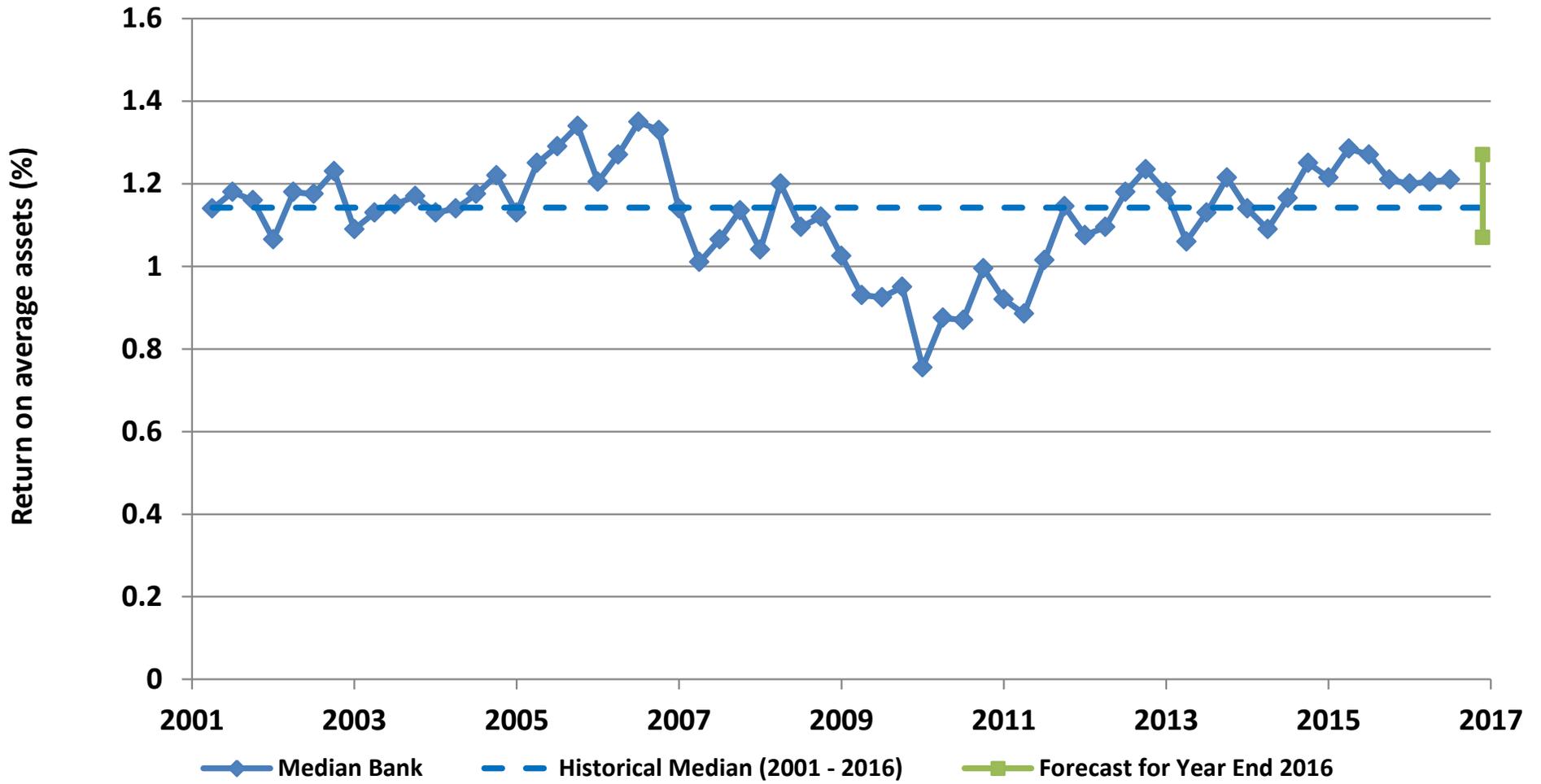
Large Decline in MT Loan Growth in 2016 Q2



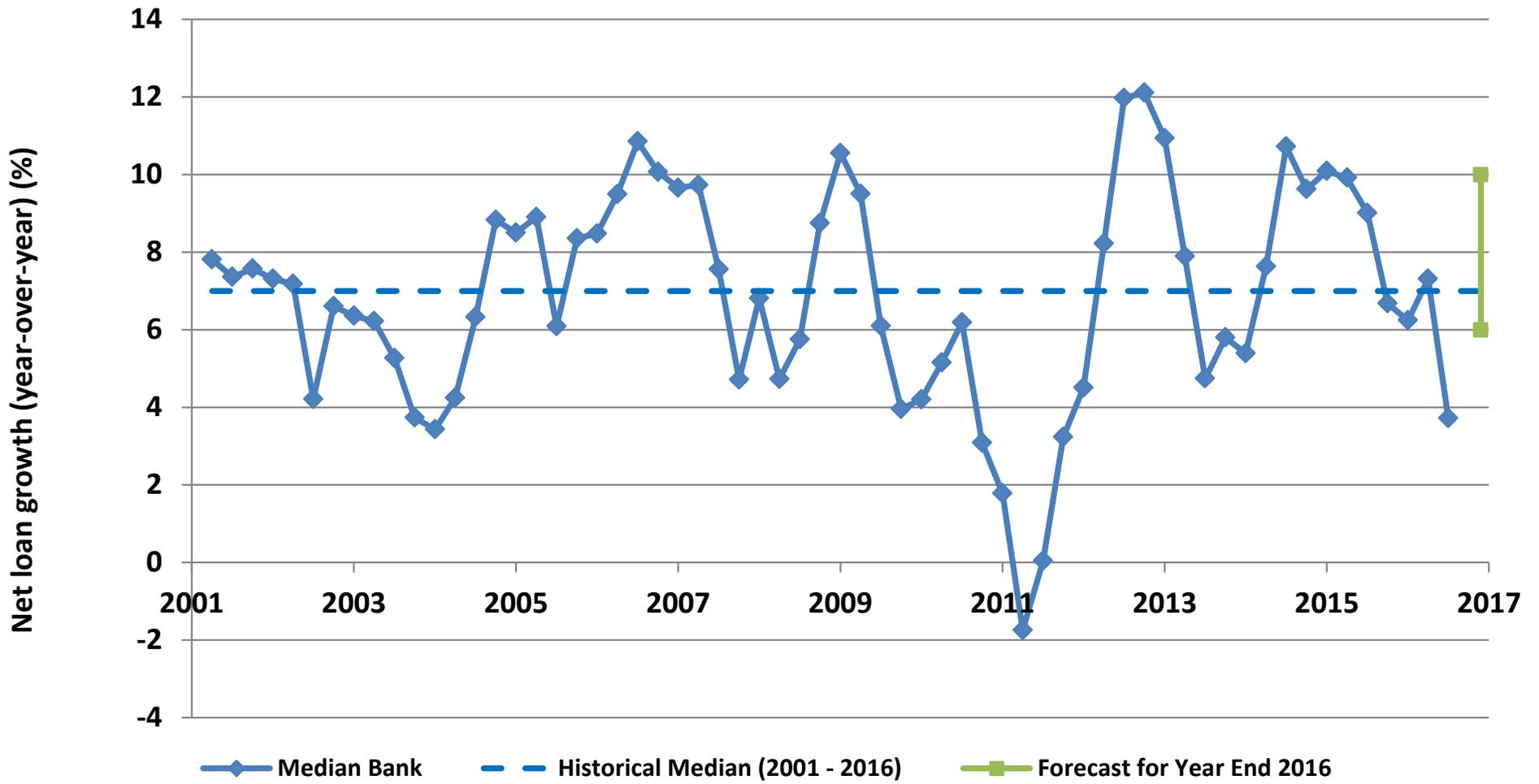
Small Decrease in MT Problem Loans in 2016 Q2



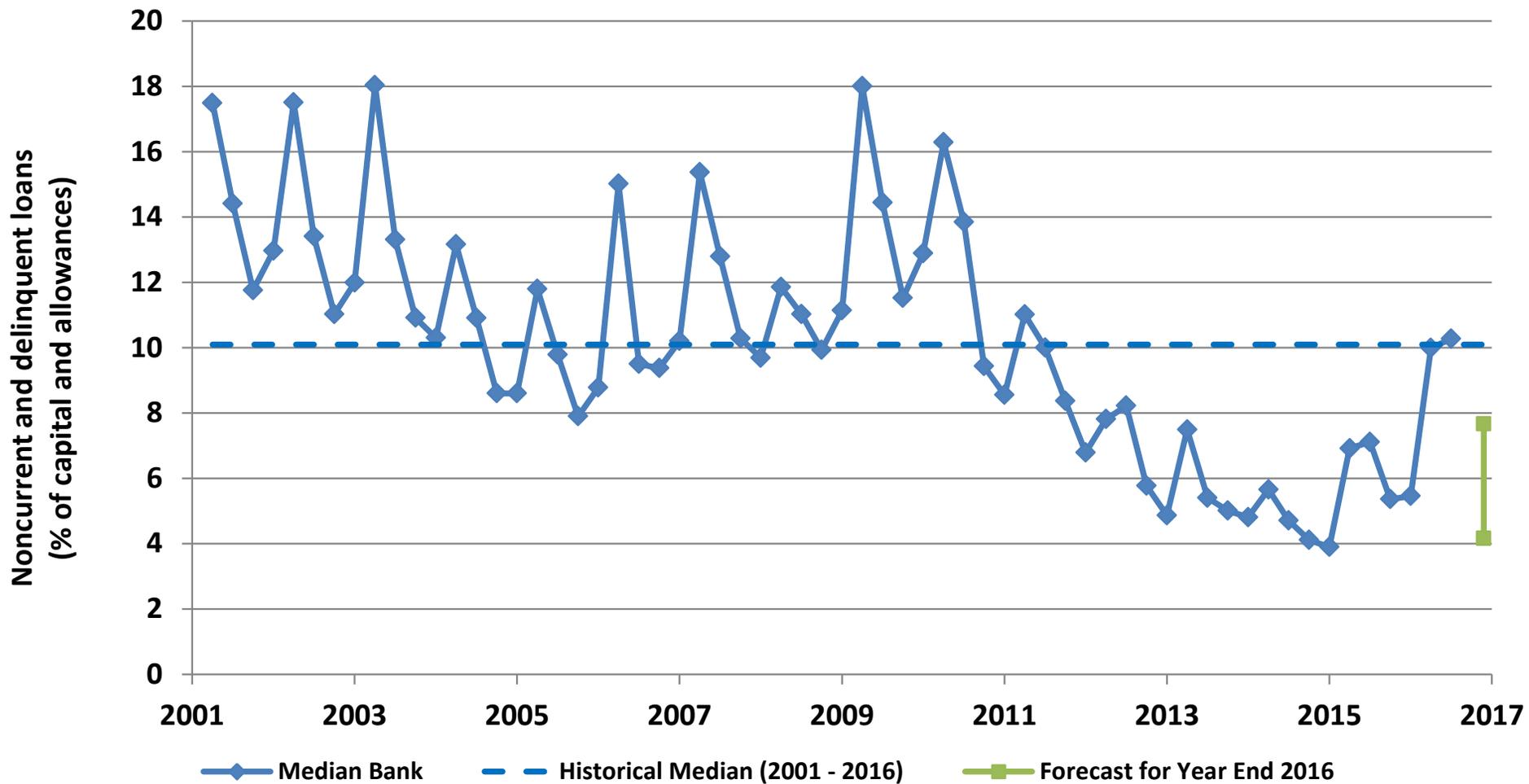
ND Profitability Was Flat in 2016 Q2



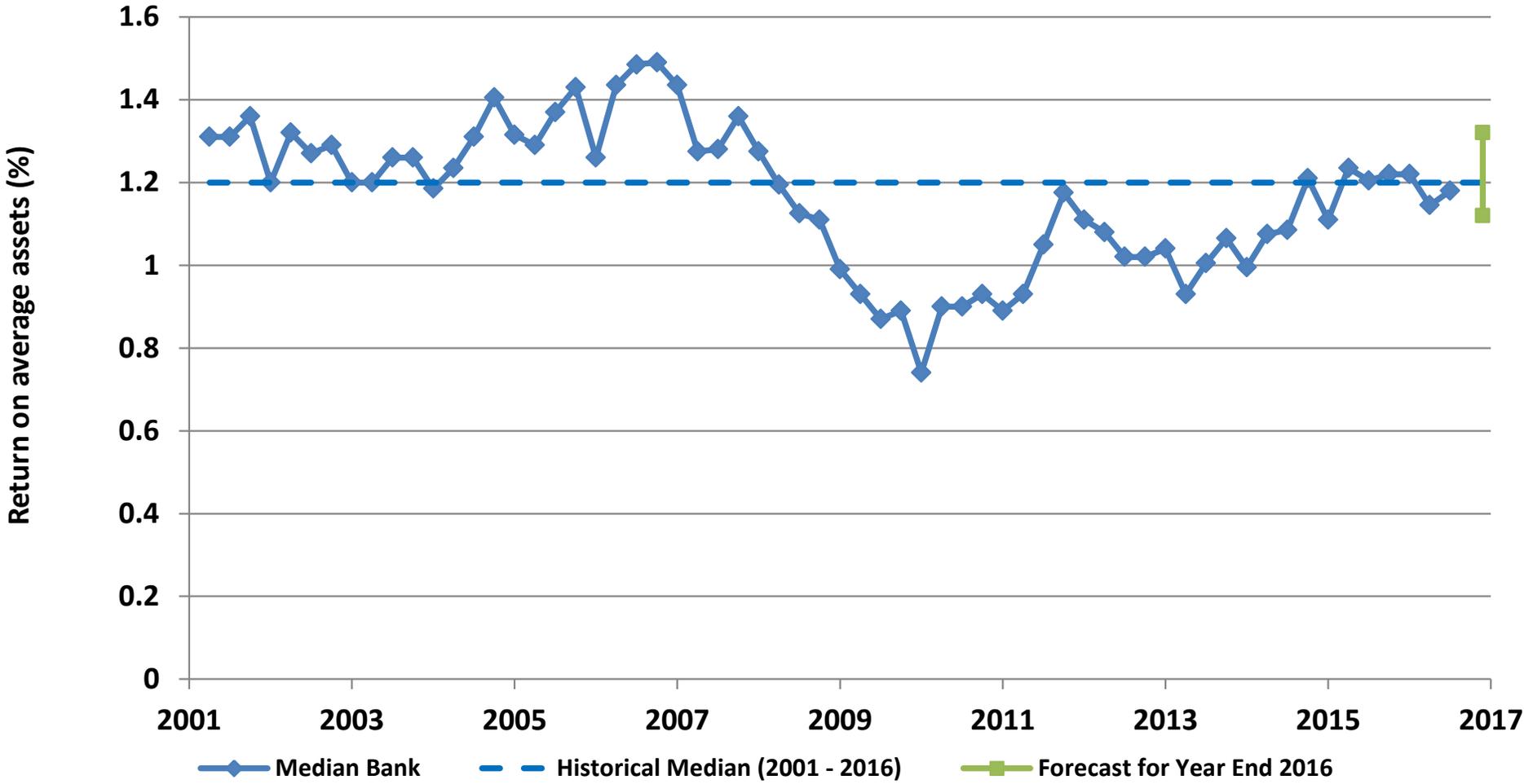
Large Decline in ND Loan Growth in 2016 Q2



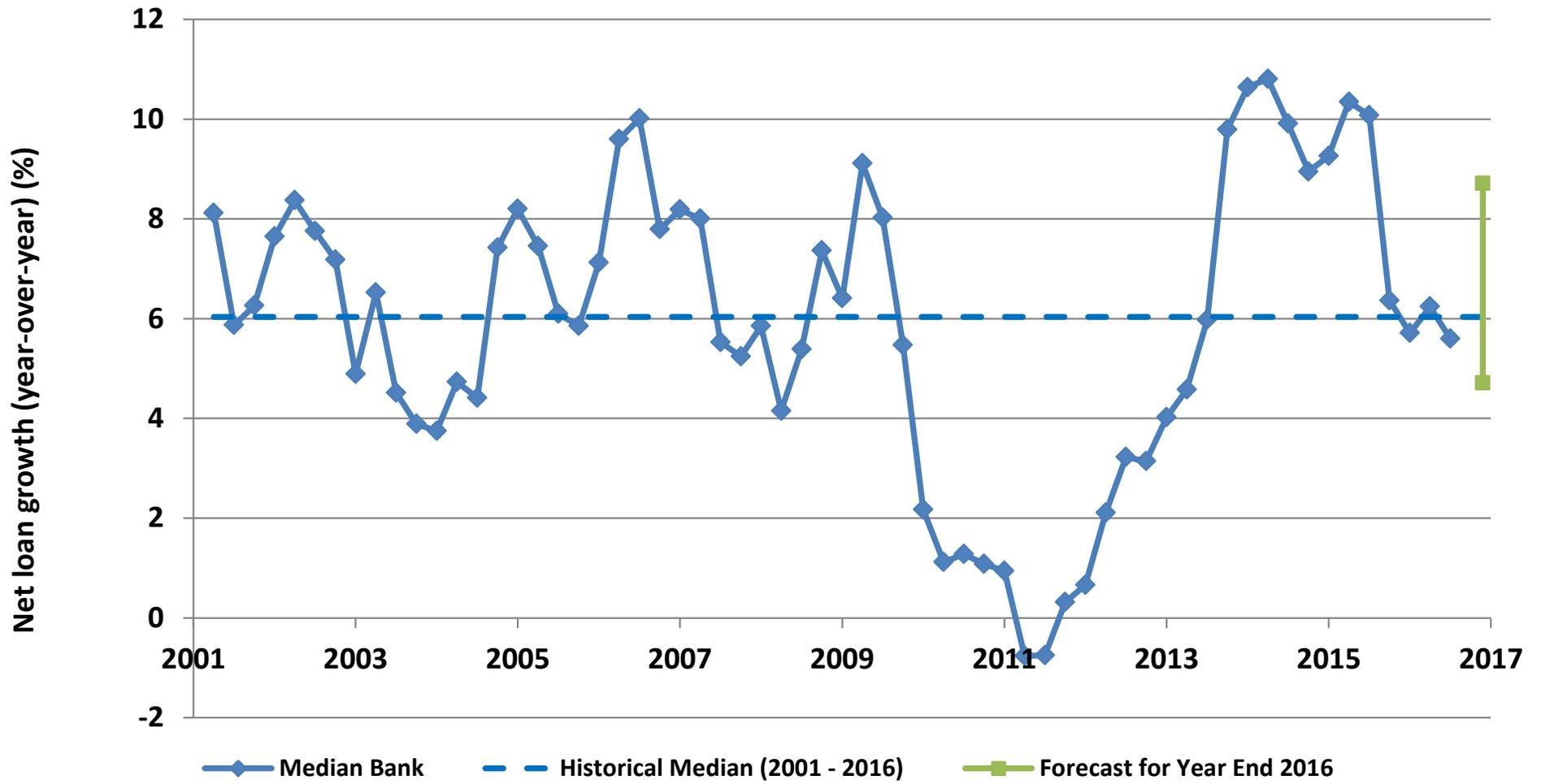
ND Problem Loans Were Flat in 2016 Q2



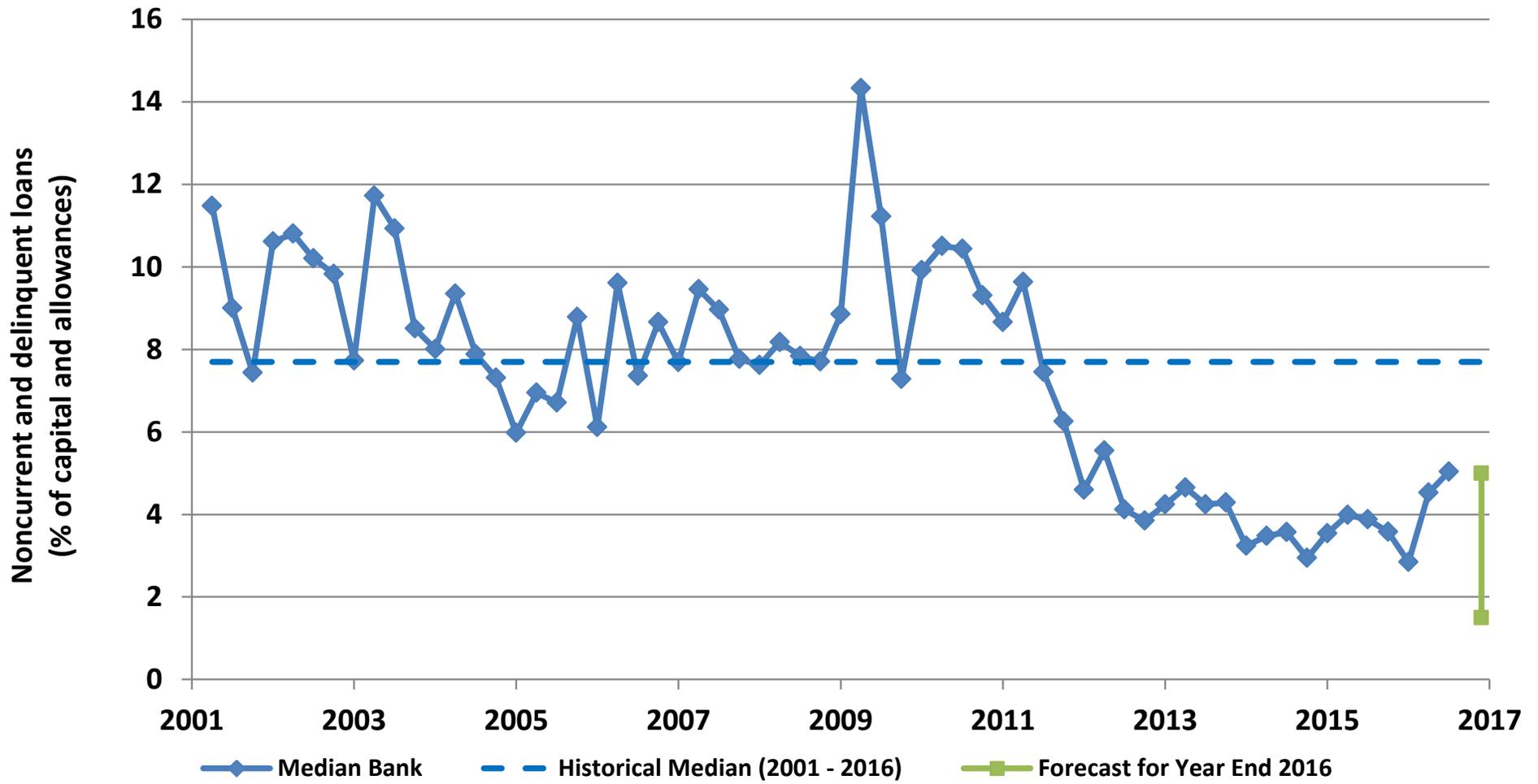
Small Increase in SD Profitability in 2016 Q2



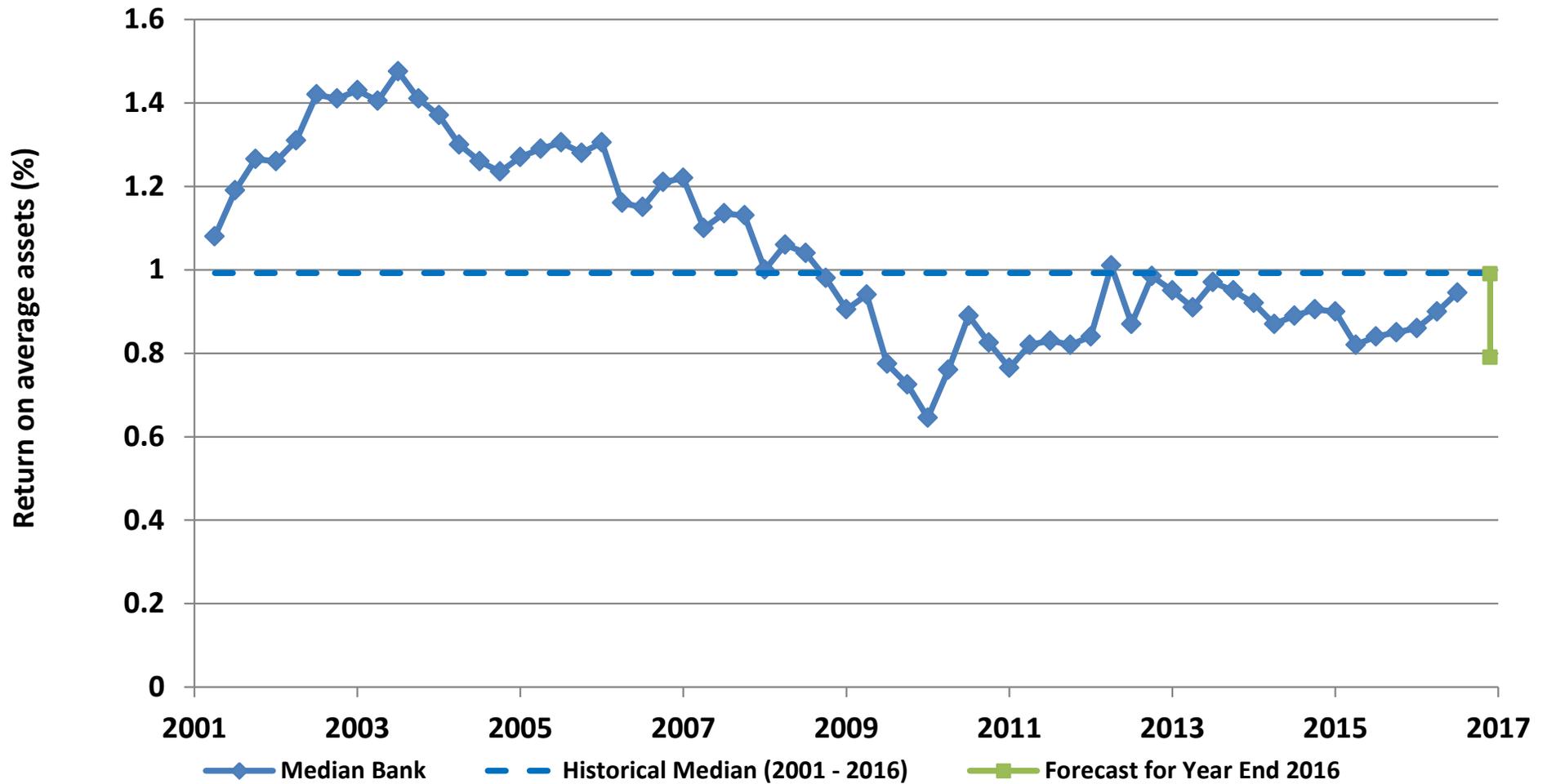
Small Decline in SD Loan Growth in 2016 Q2



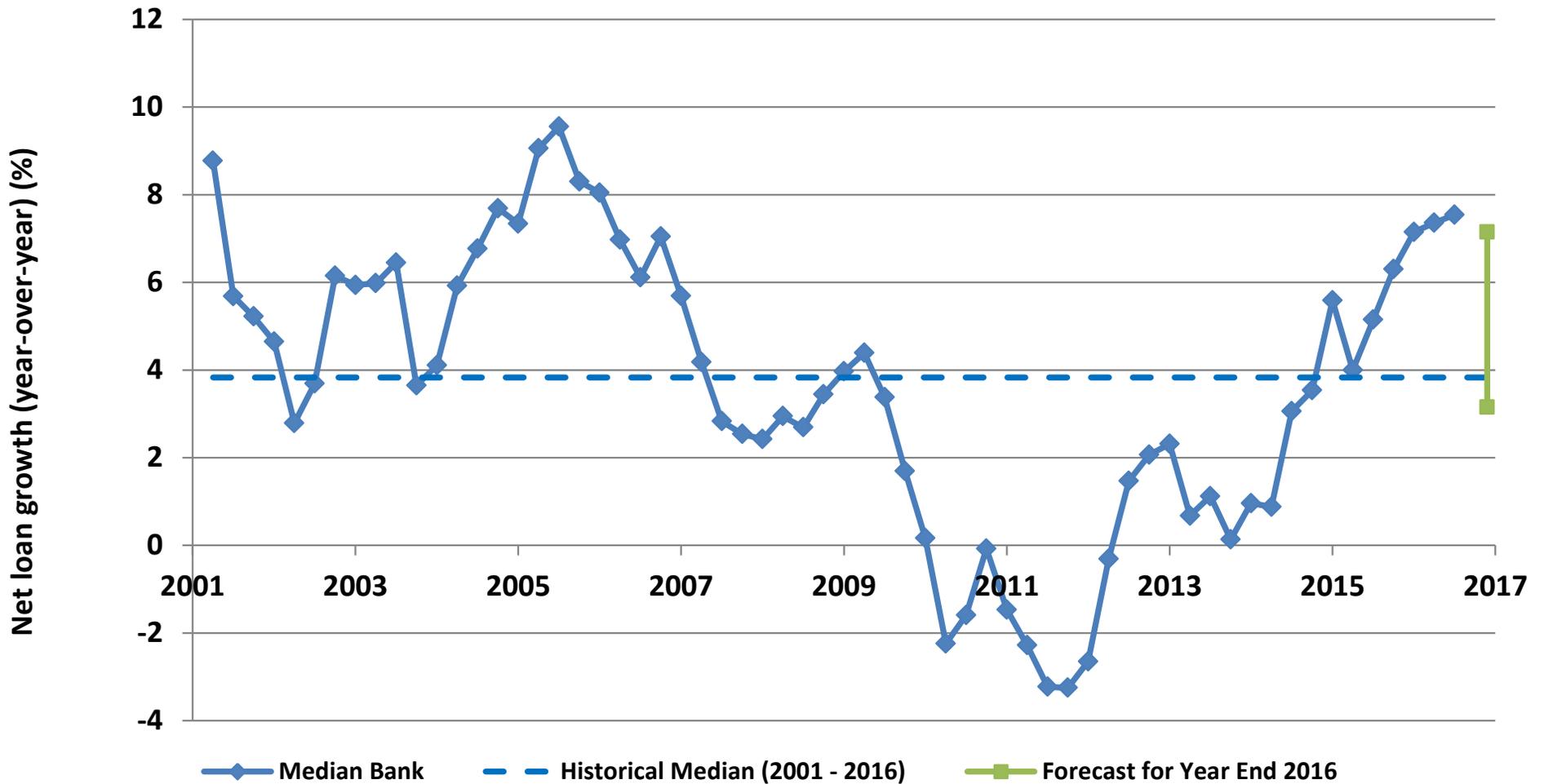
Small Increase in SD Problem Loans in 2016 Q2



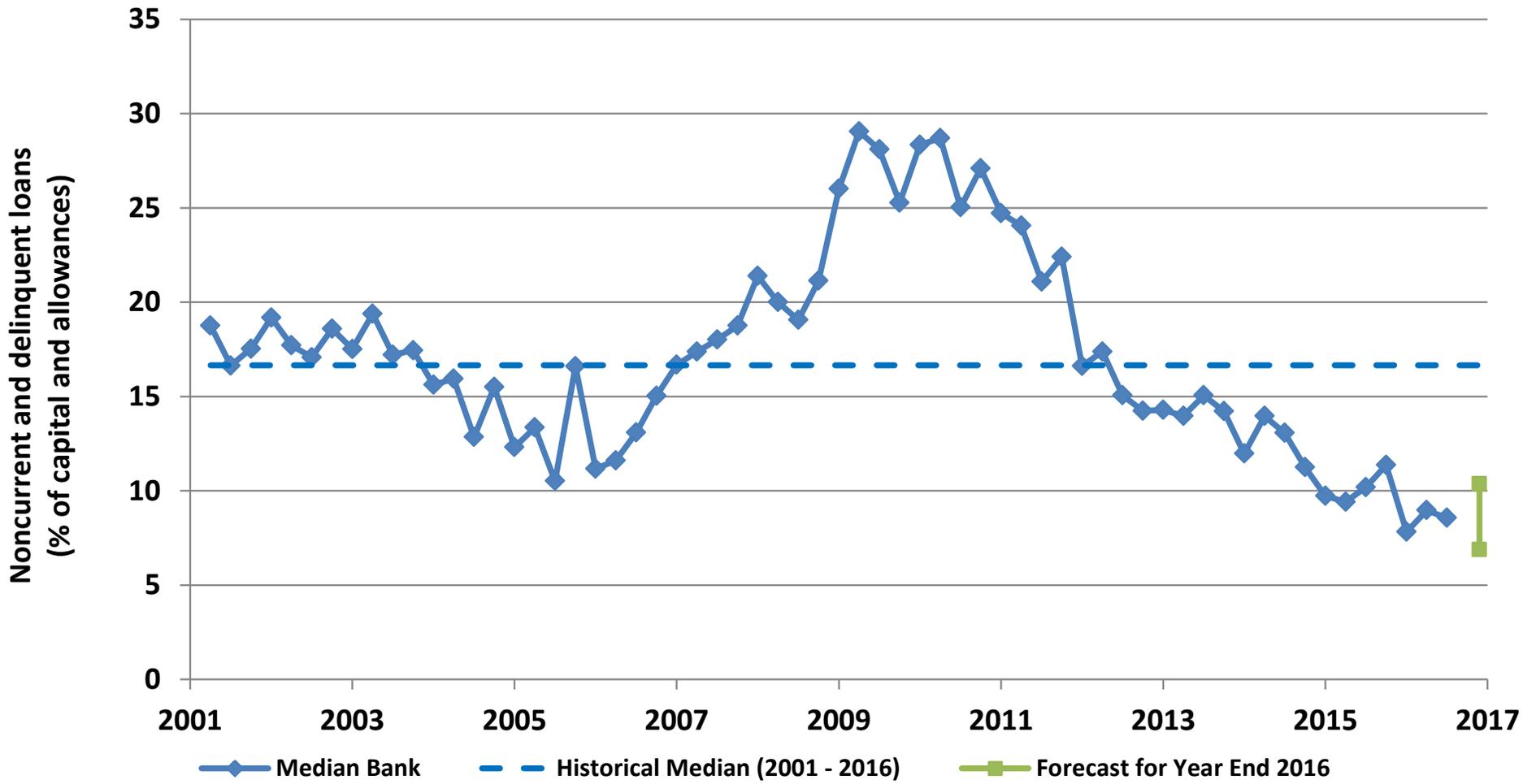
Medium Increase in Western WI Profitability in 2016 Q2



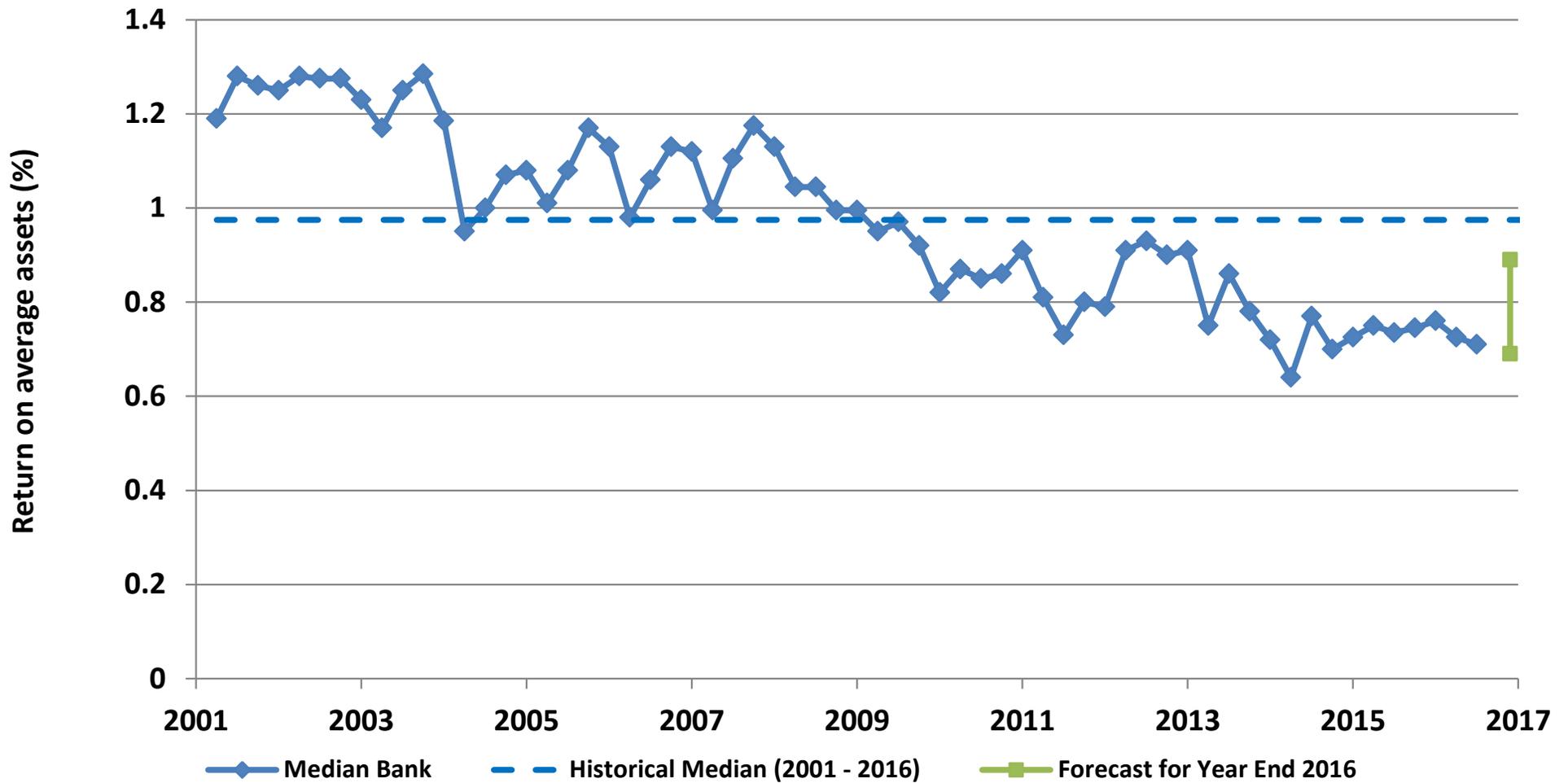
Western WI Loan Growth Was Flat in 2016 Q2



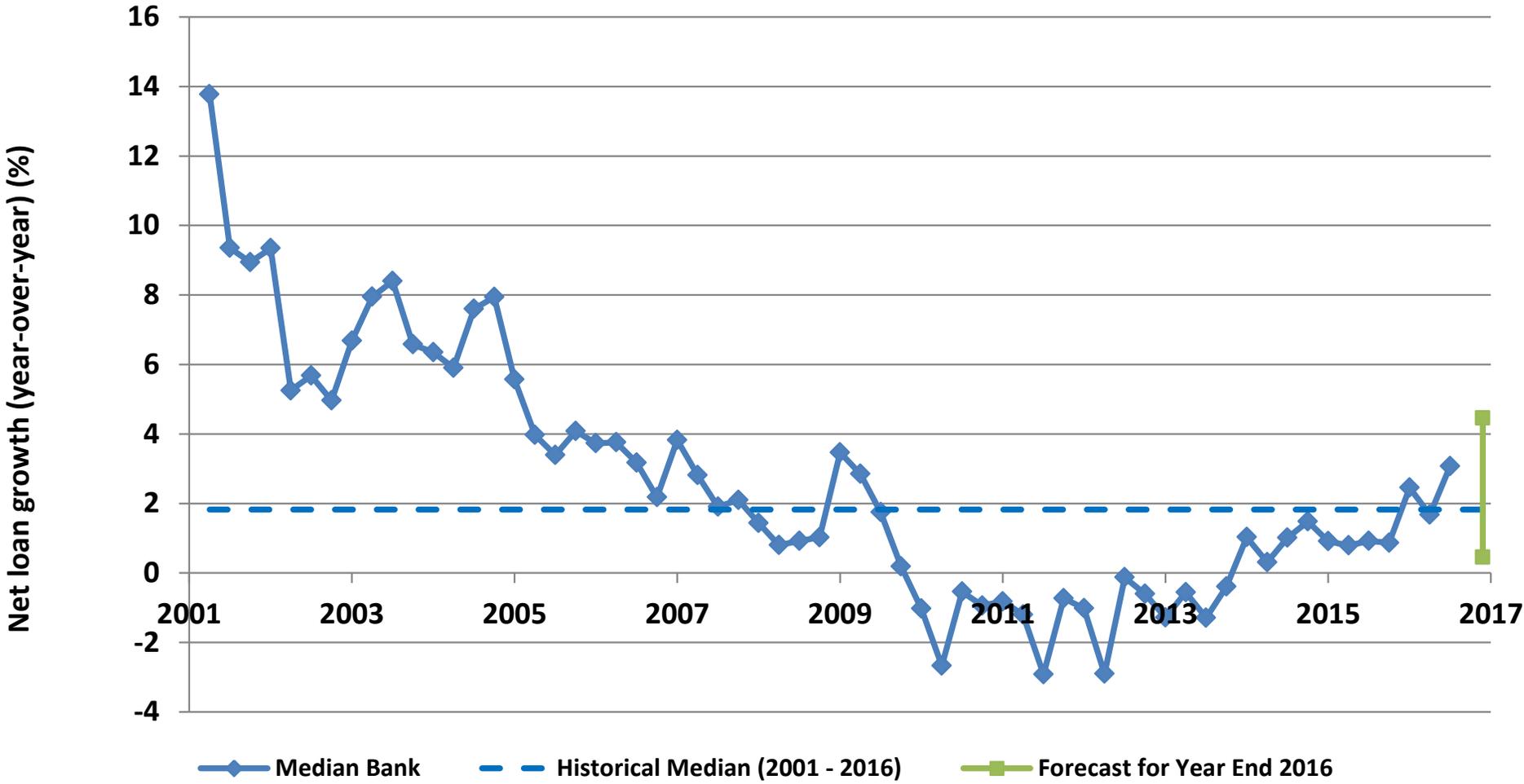
Western WI Problem Loans Were Flat in 2016 Q2



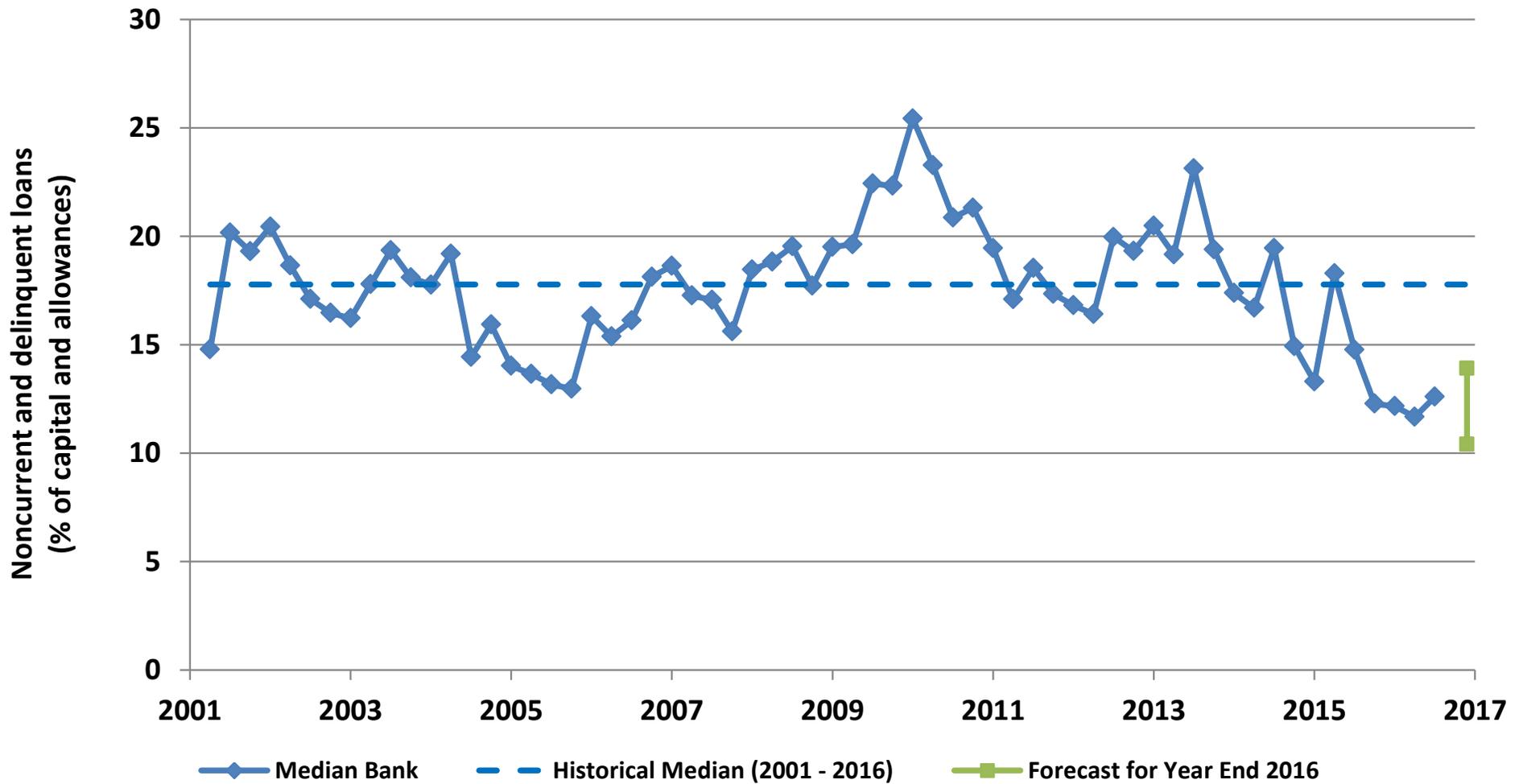
Upper Peninsula MI Profitability Was Flat in 2016 Q2



Medium Increase in Upper Peninsula MI Loan Growth in 2016 Q2



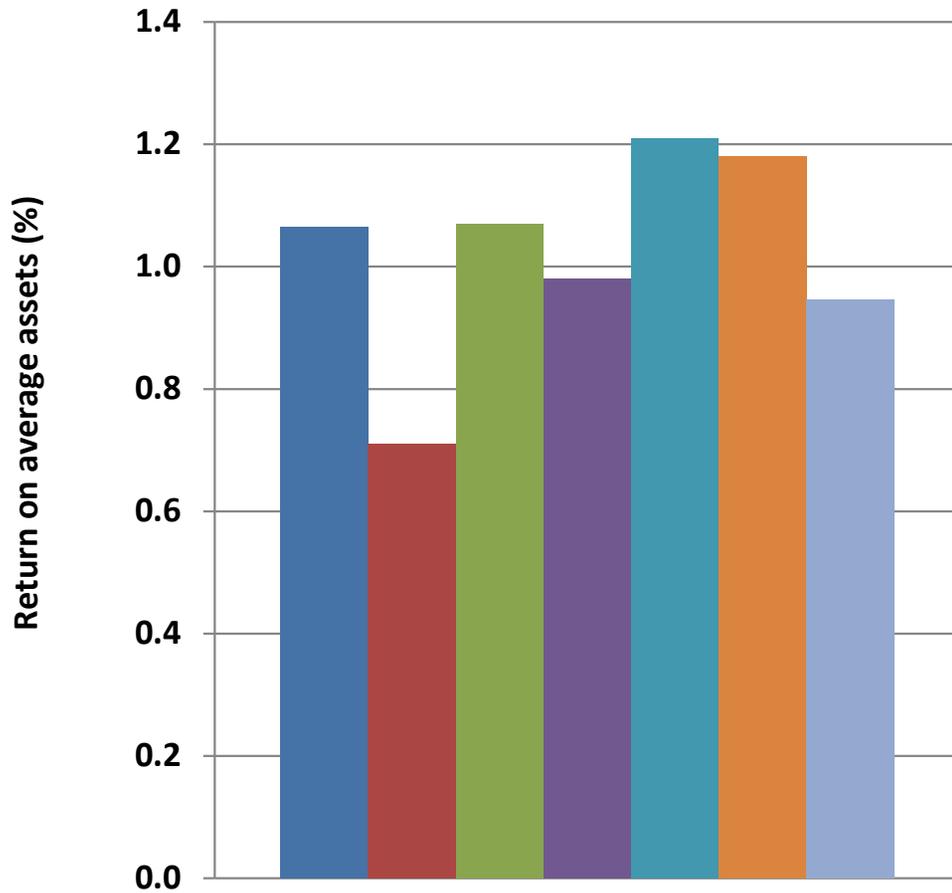
Small Increase in Upper Peninsula MI Problem Loans in 2016 Q2



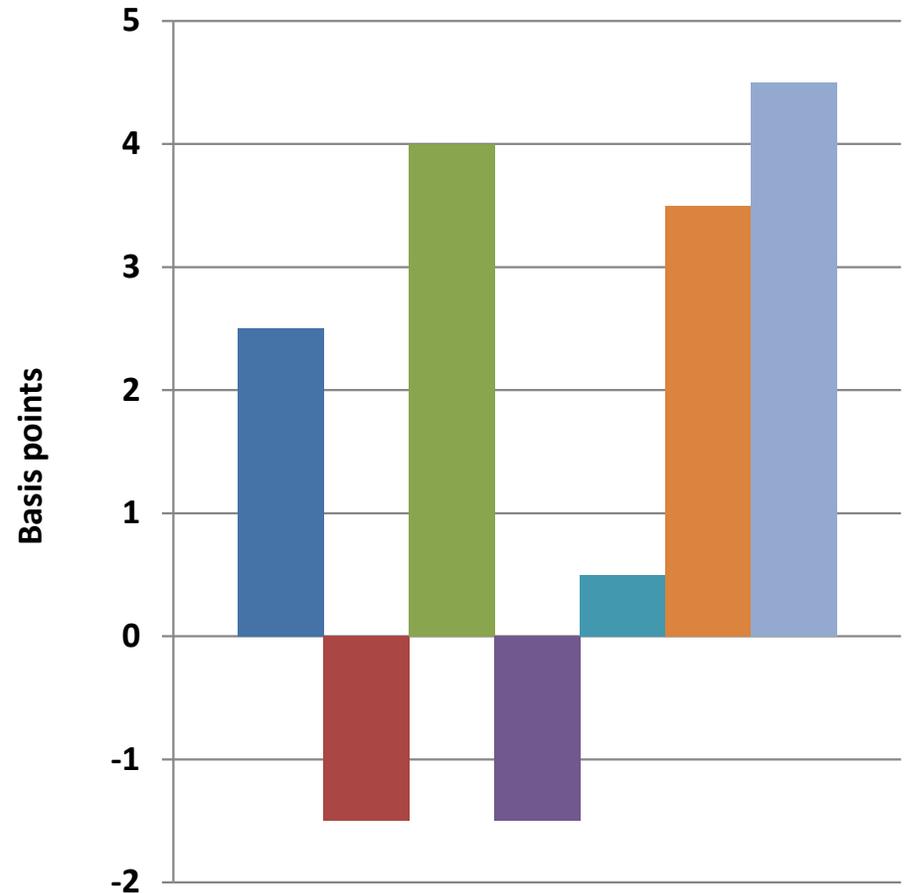
Dakotas Had Highest Profits

Western WI Had Strongest Profit Increase

Current Observation (6/30/2016)

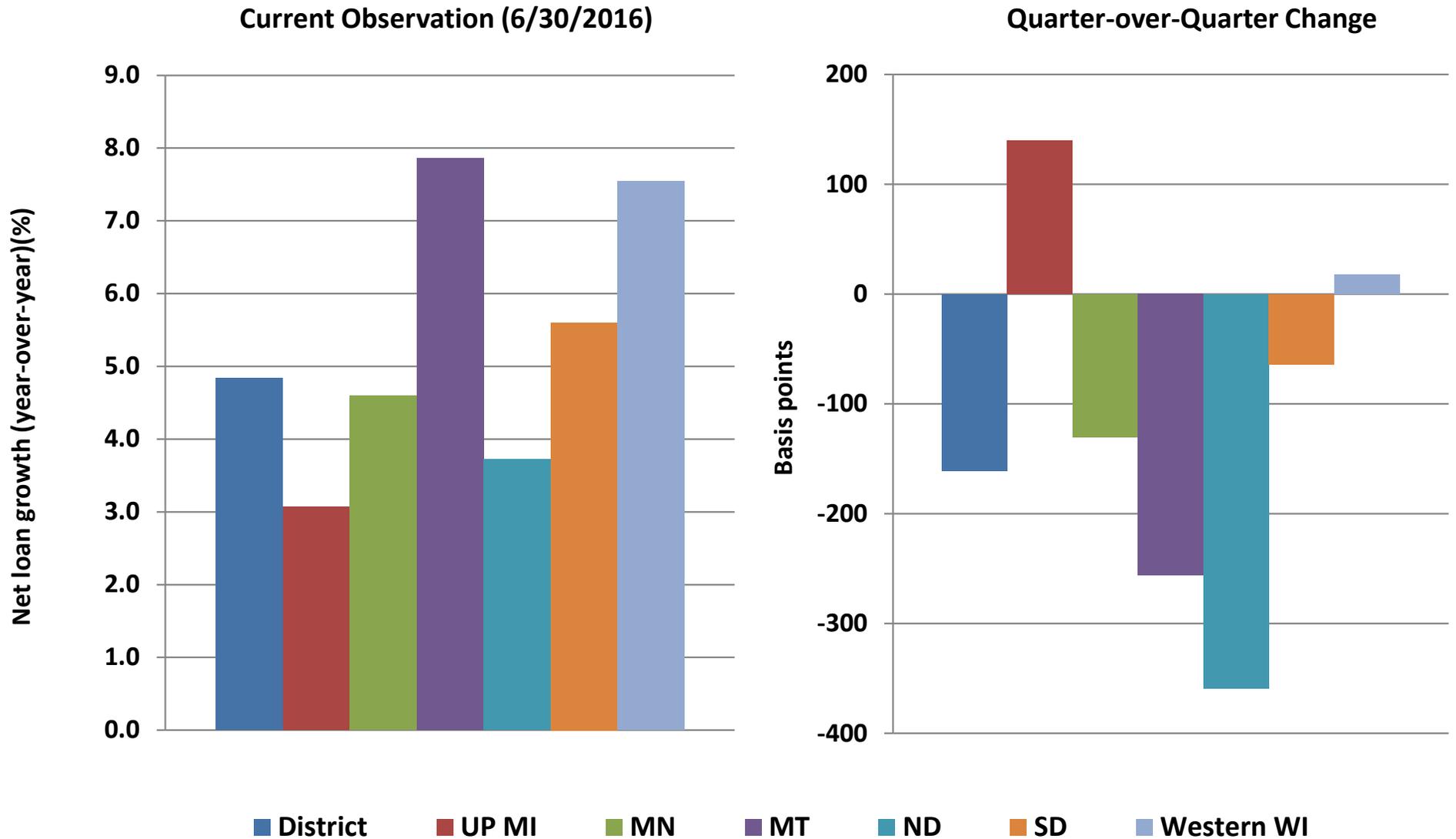


Quarter-over-Quarter Change



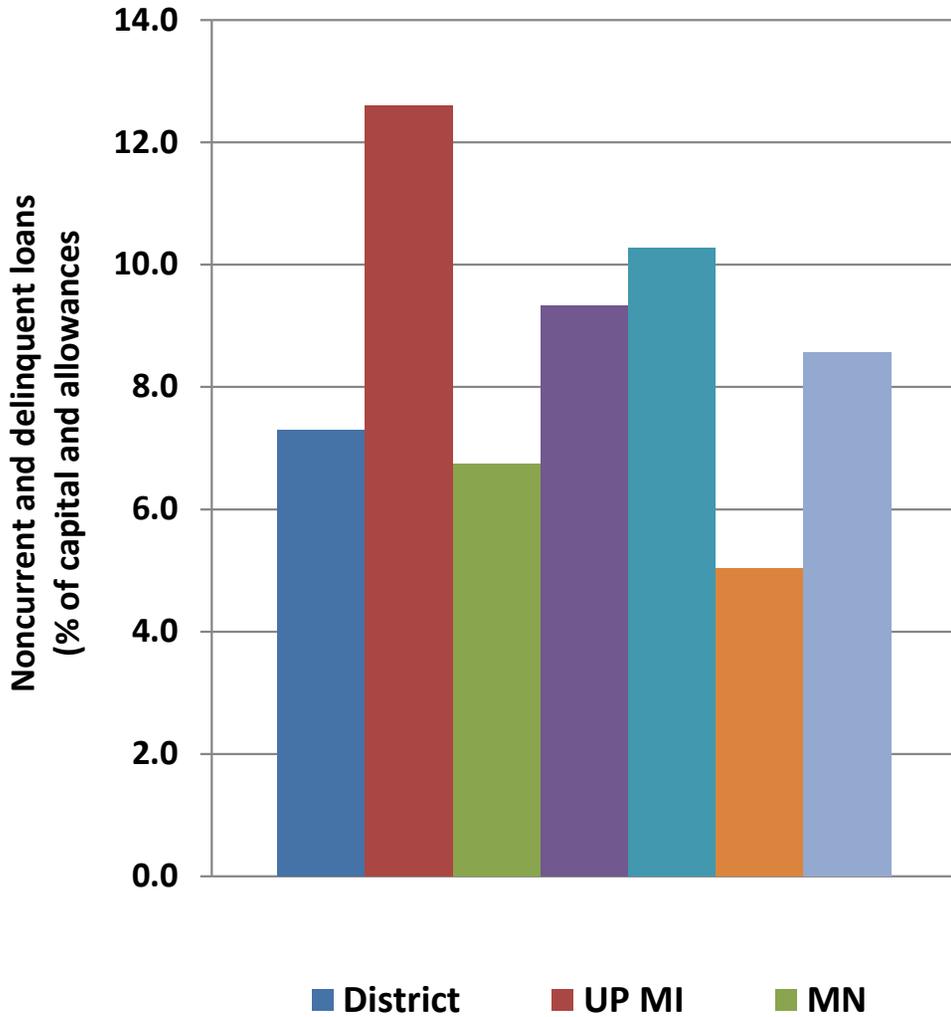
■ District
 ■ UP MI
 ■ MN
 ■ MT
 ■ ND
 ■ SD
 ■ Western WI

MT and Western WI Had Strongest Increase in Loan Growth

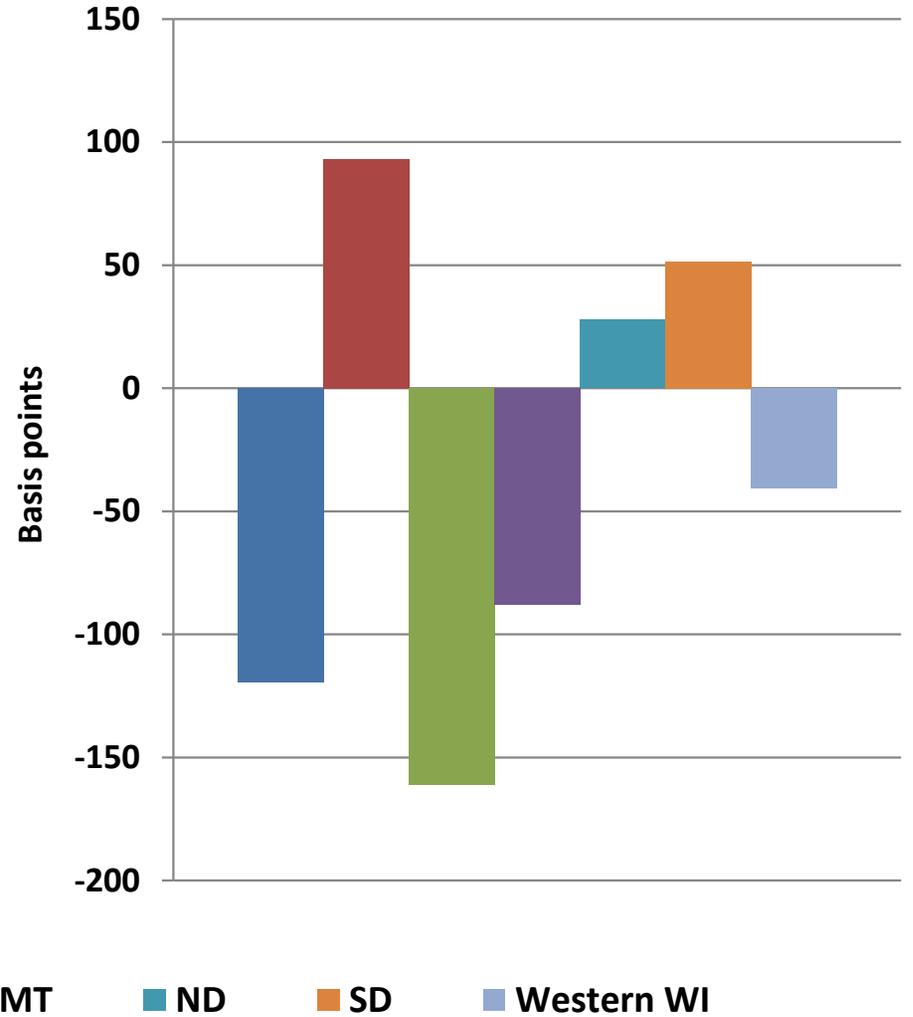


UP Michigan Had Highest Problem Loan Levels and Biggest Quarter-over-Quarter Increase in Problem Loans

Current Observation (6/30/2016)

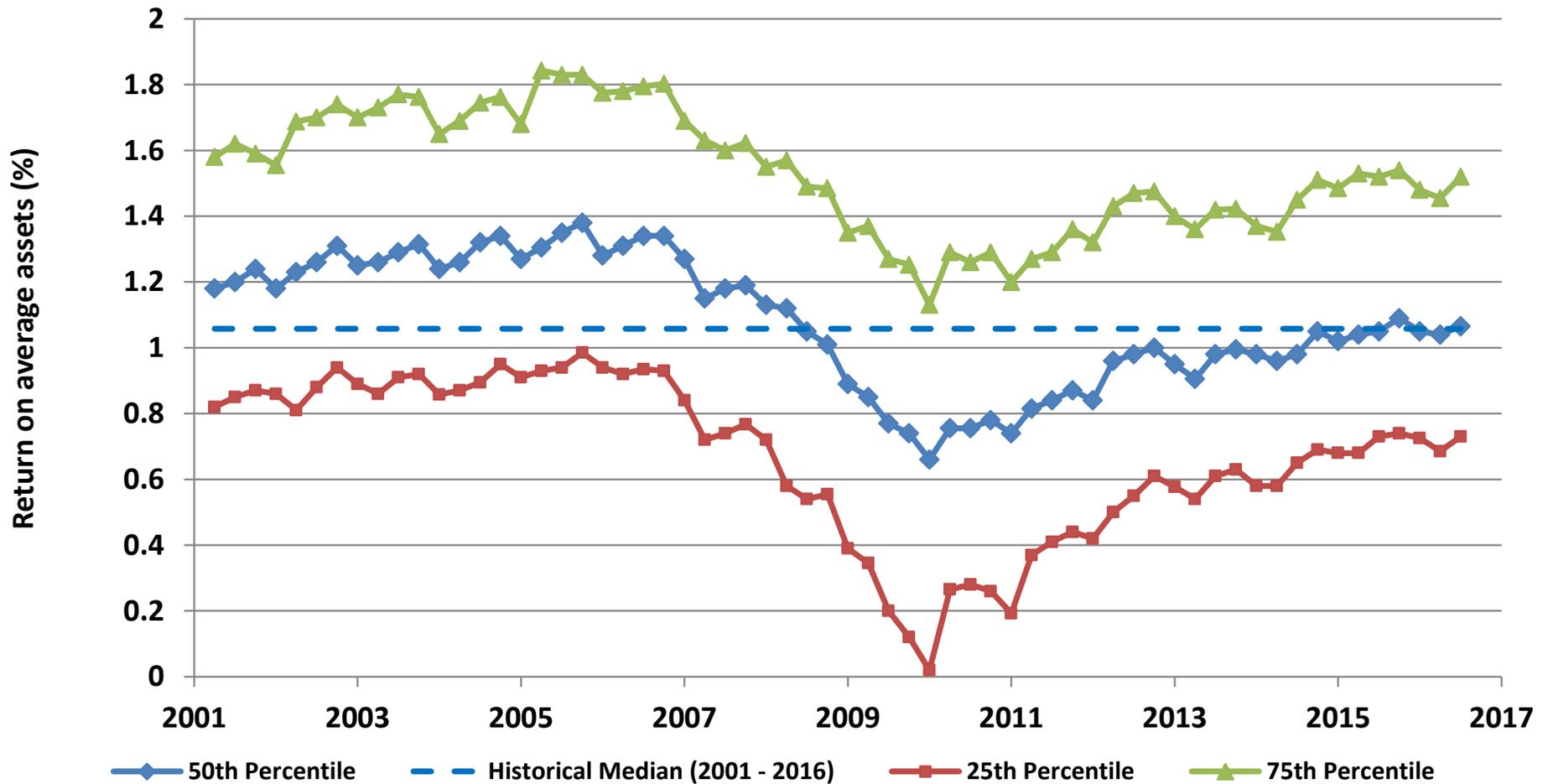


Quarter-over-Quarter Change

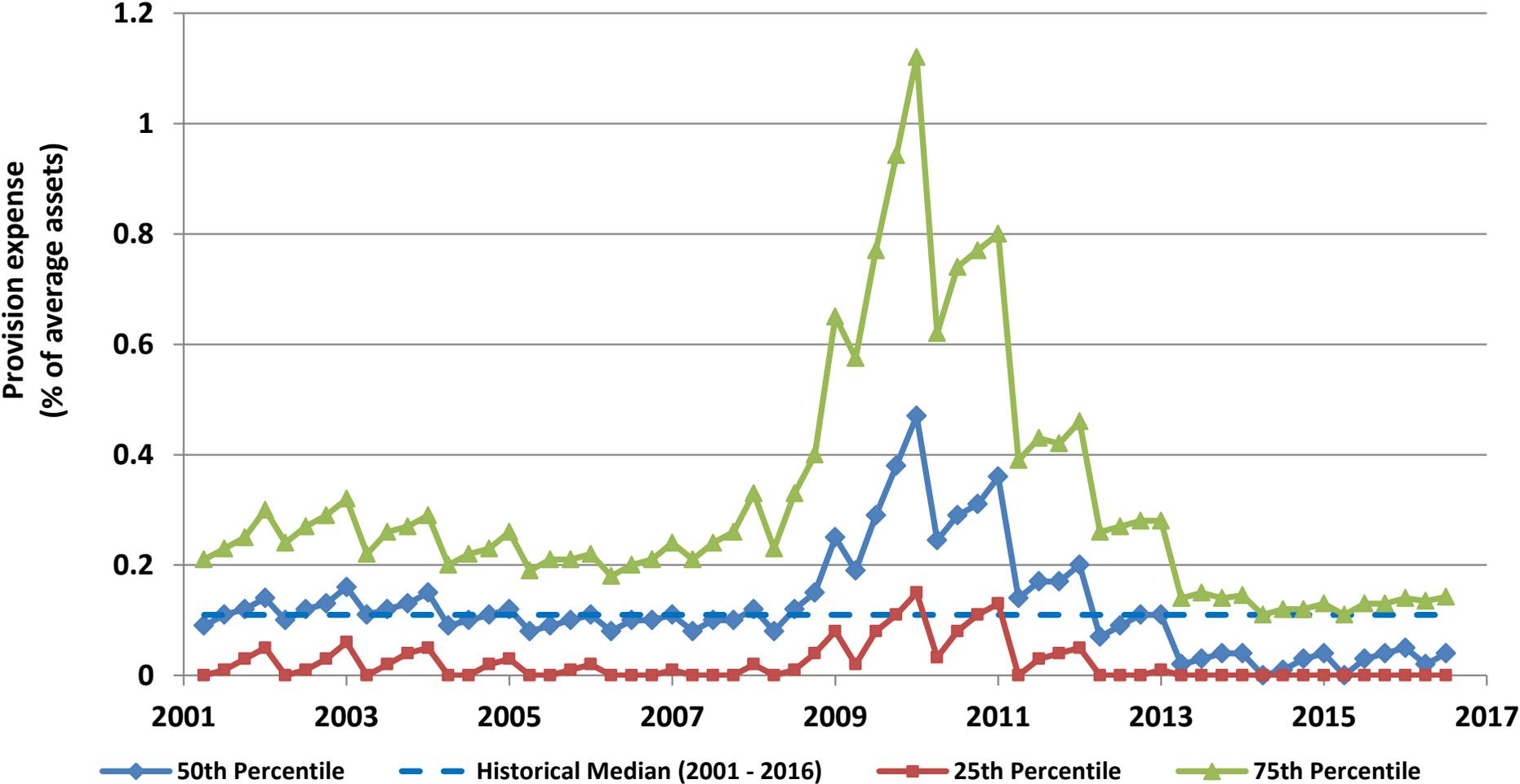


Appendix:
Details on 2016 Q2 District Bank Performance

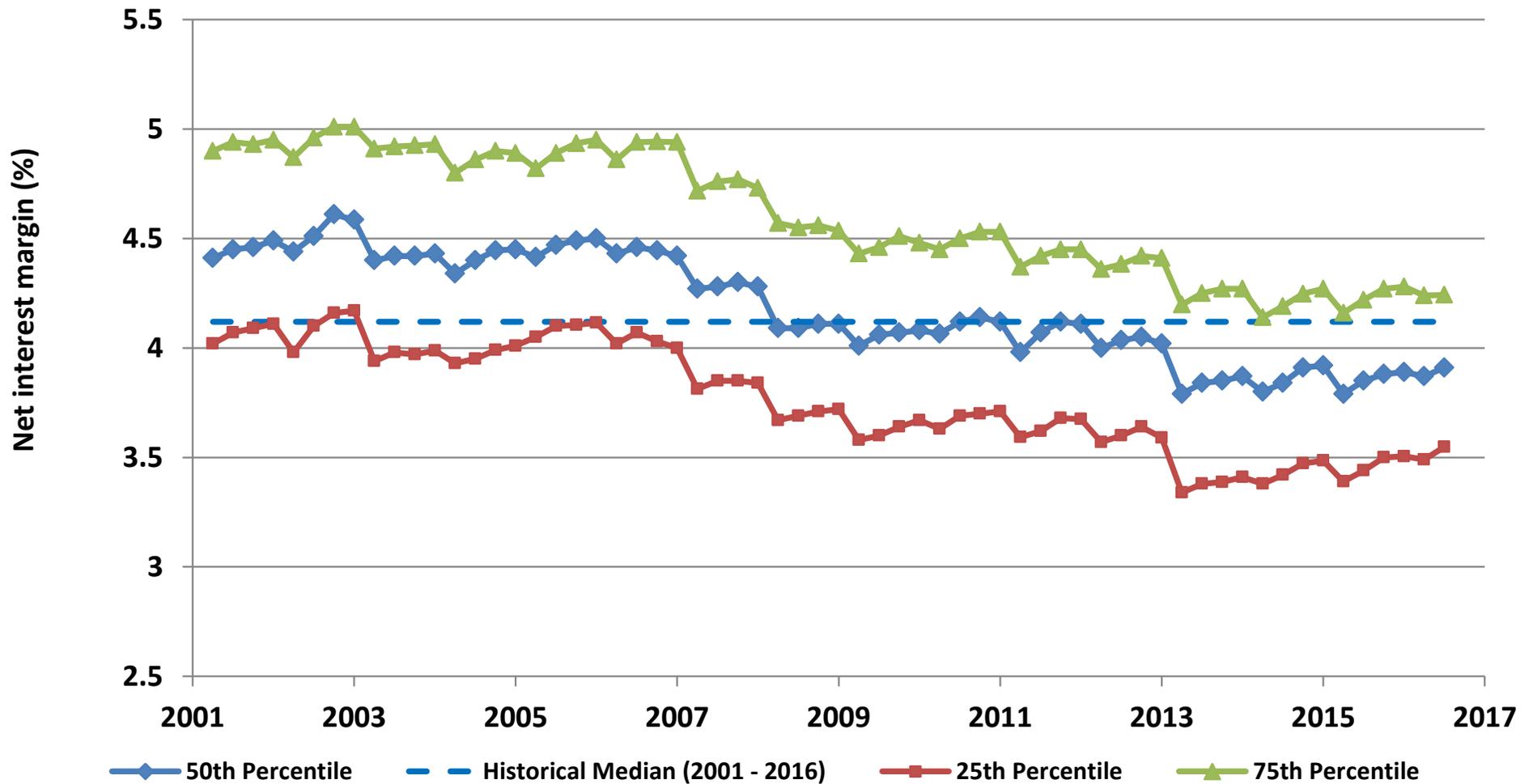
Small Increase in Profitability in 2016 Q2 at District Banks



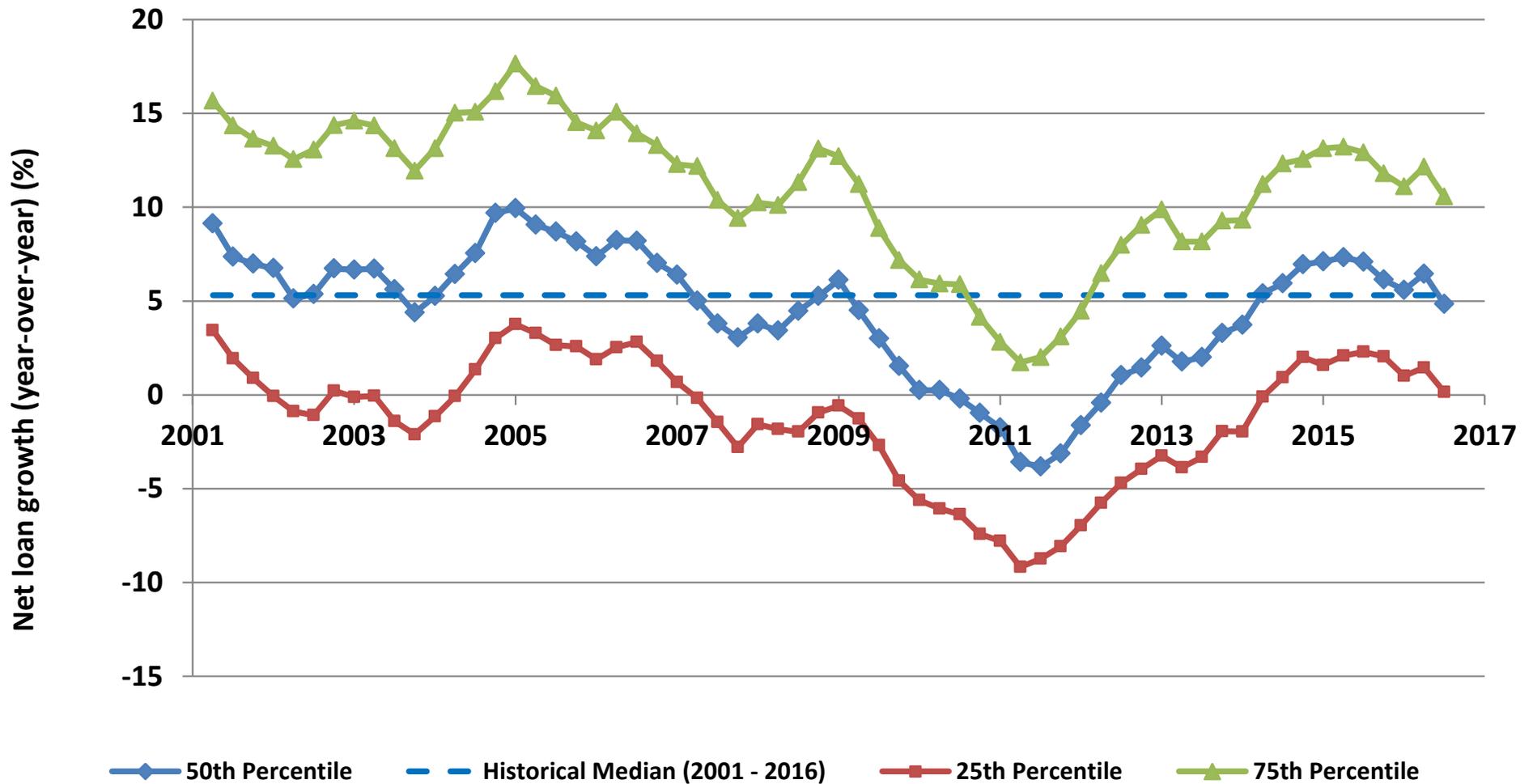
Medium Increase in Provisions in 2016 Q2 at District Banks



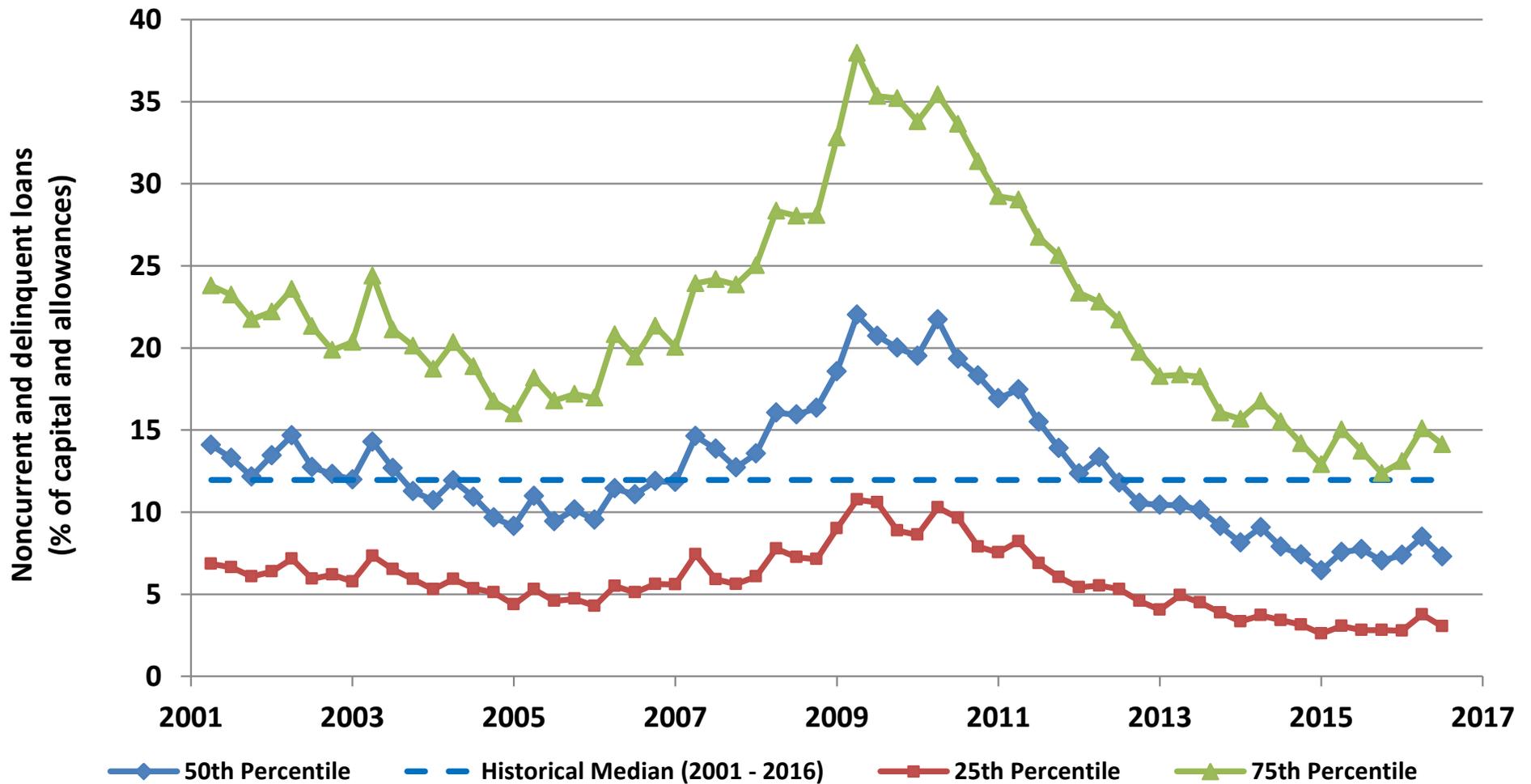
Medium Increase in Net Interest Margin in 2016 Q2 at District Banks



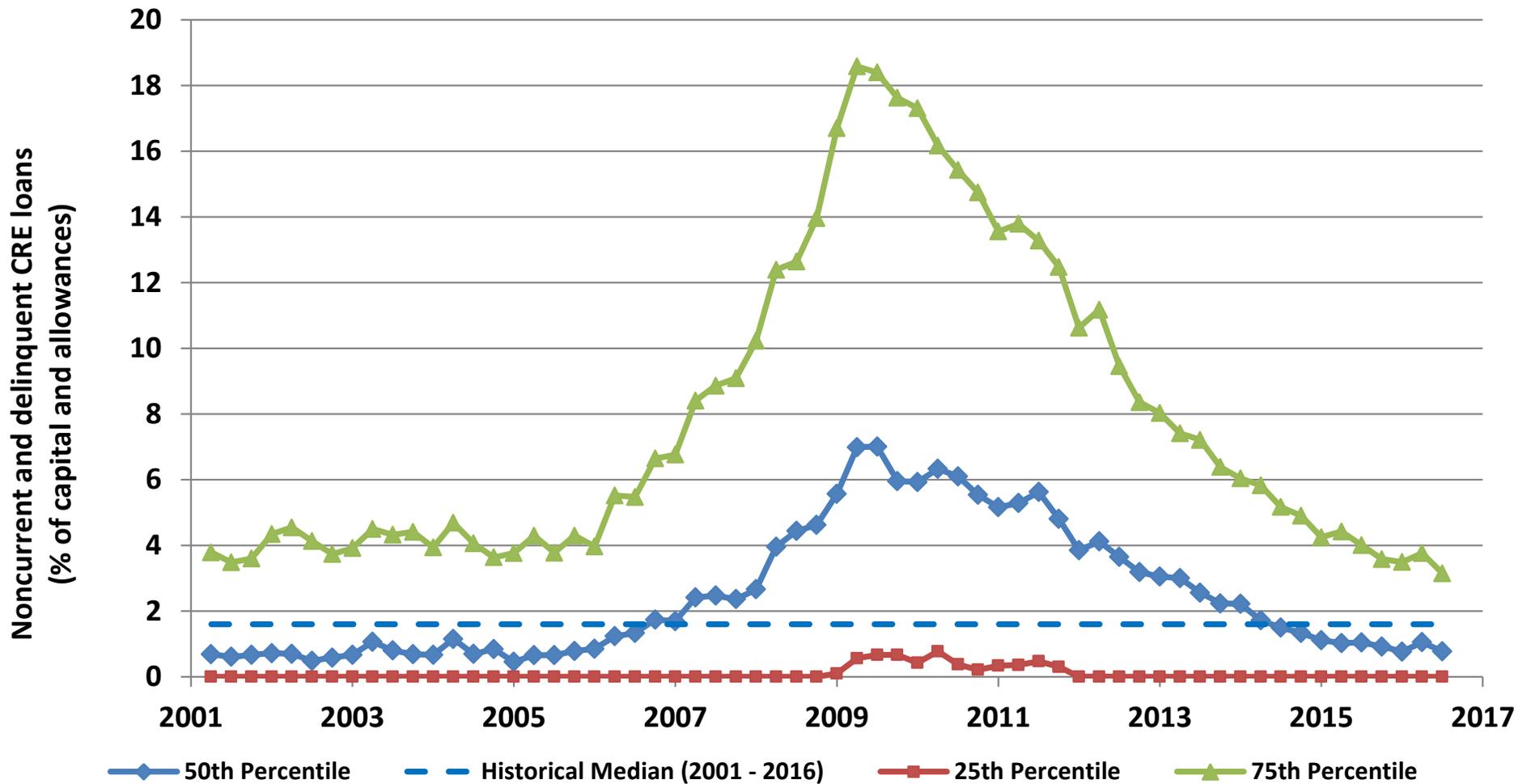
Large Decline in Loan Growth in 2016 Q2 at District Banks



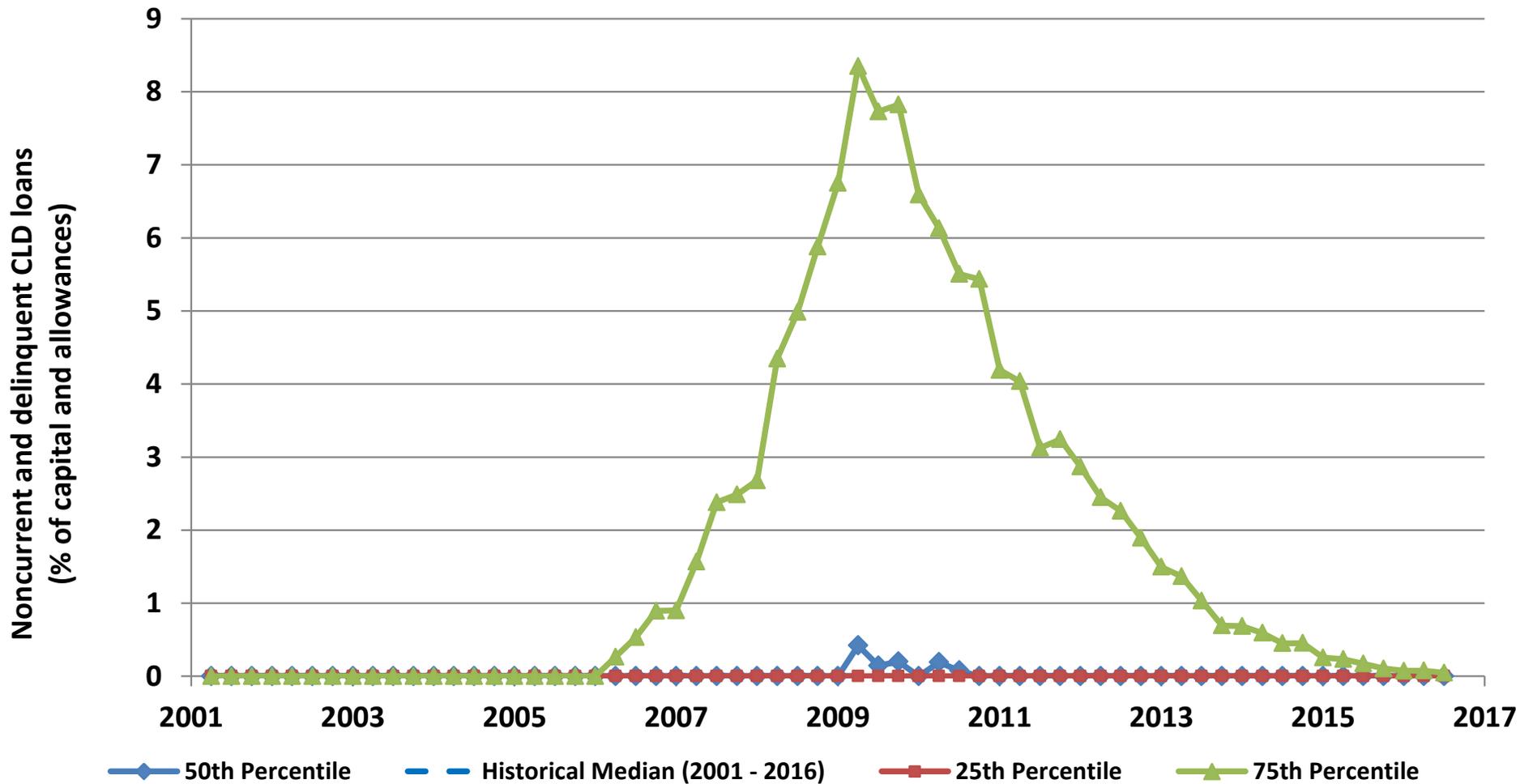
Medium Decrease in Overall Problem Loans in 2016 Q2 at District Banks



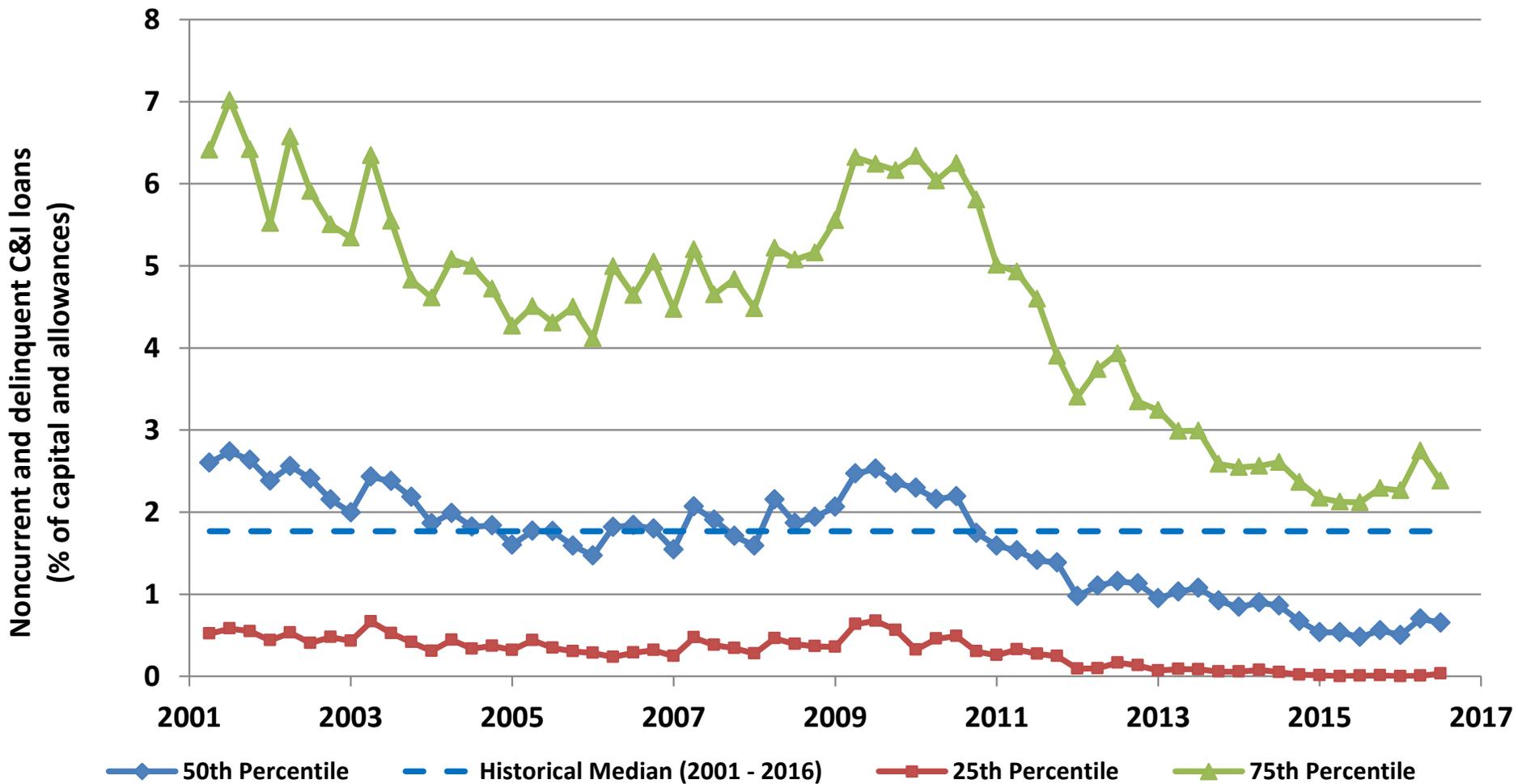
Medium Decrease in Commercial Real Estate (CRE) Problem Loans in 2016 Q2 at District Banks



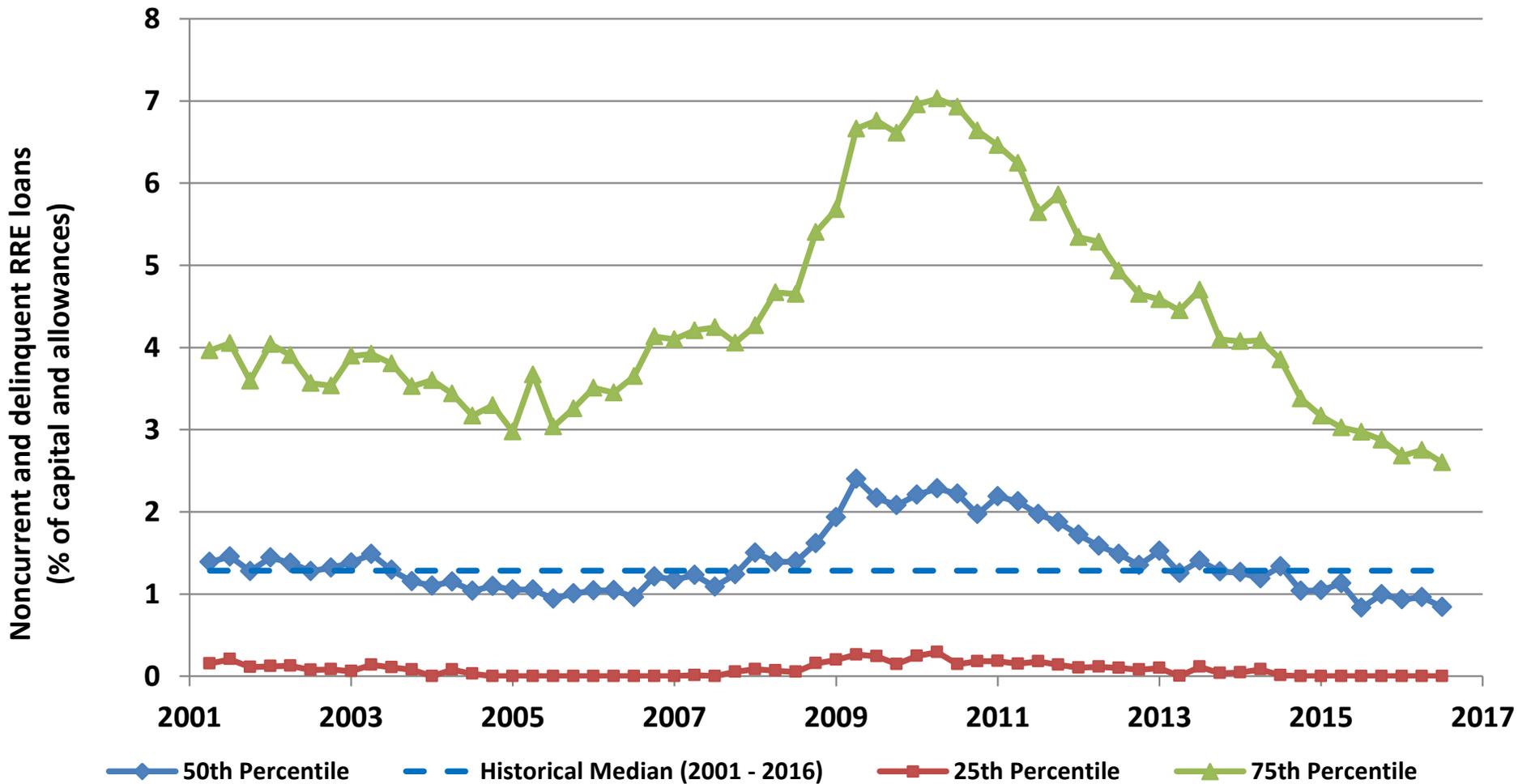
Construction & Land Development (CLD) Problem Loans Were Flat in 2016 Q2 at District Banks



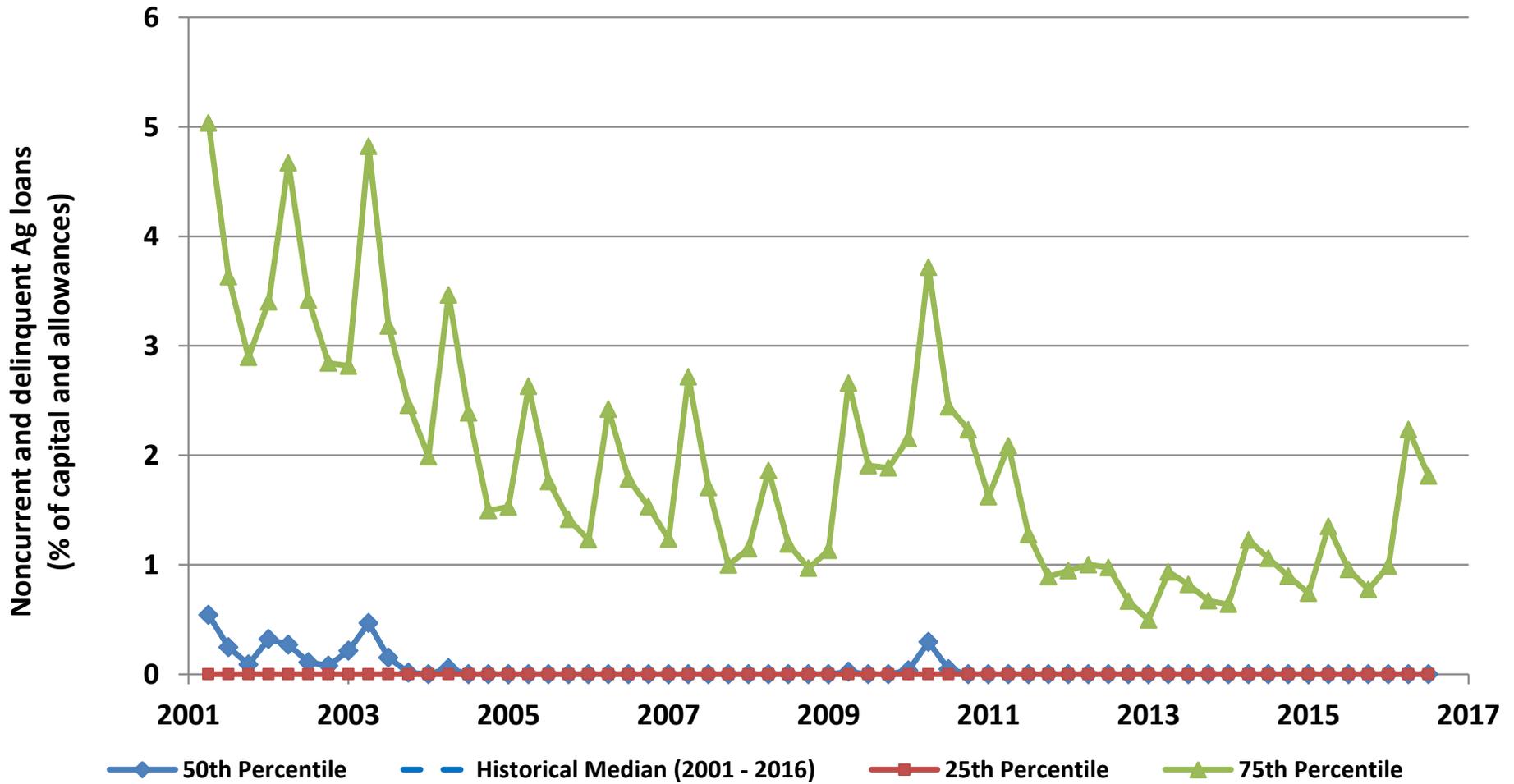
Commercial & Industrial (C&I) Problem Loans Were Flat in 2016 Q2 at District Banks



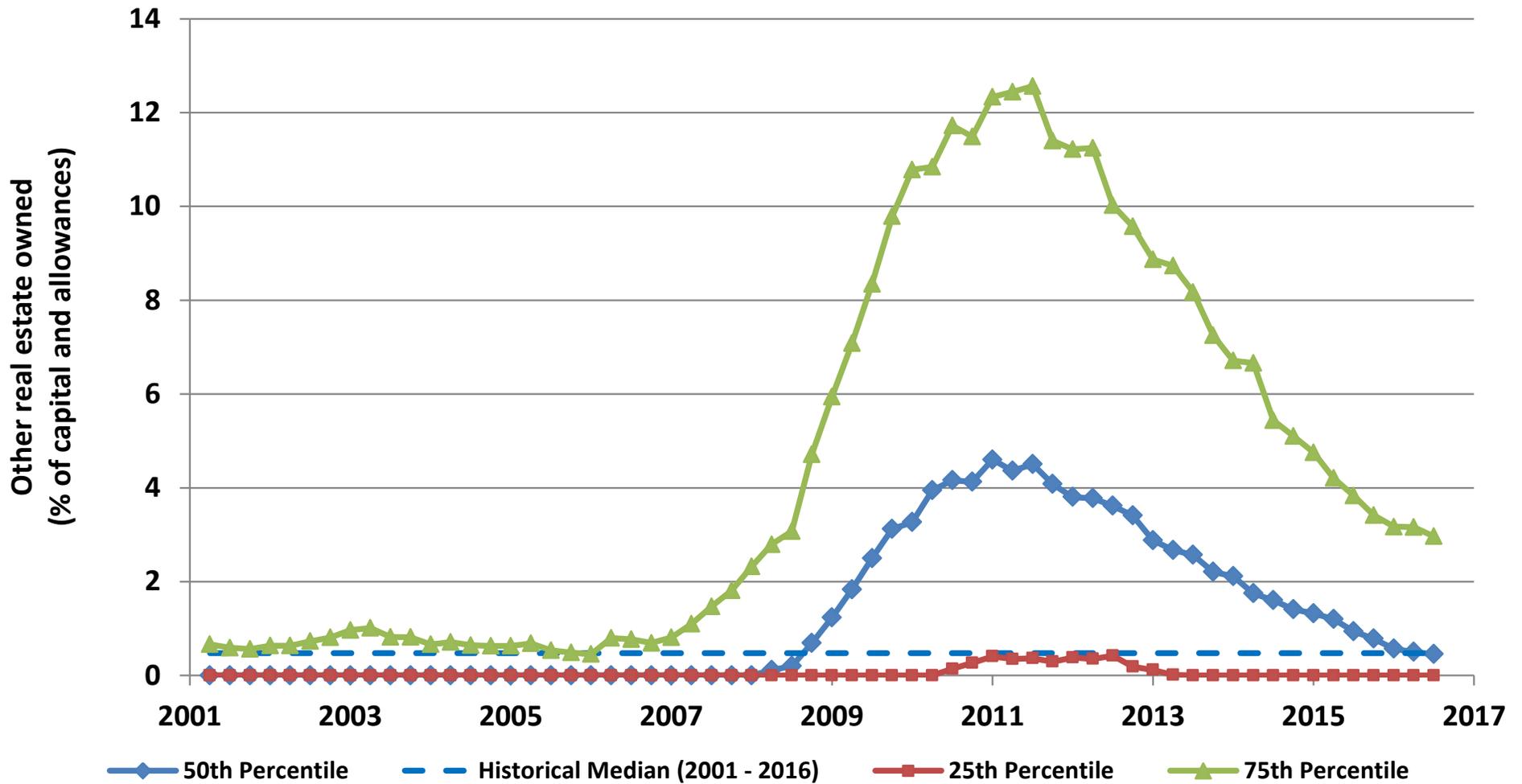
Medium Decrease in Residential Real Estate (RRE) Problem Loans in 2016 Q2 at District Banks



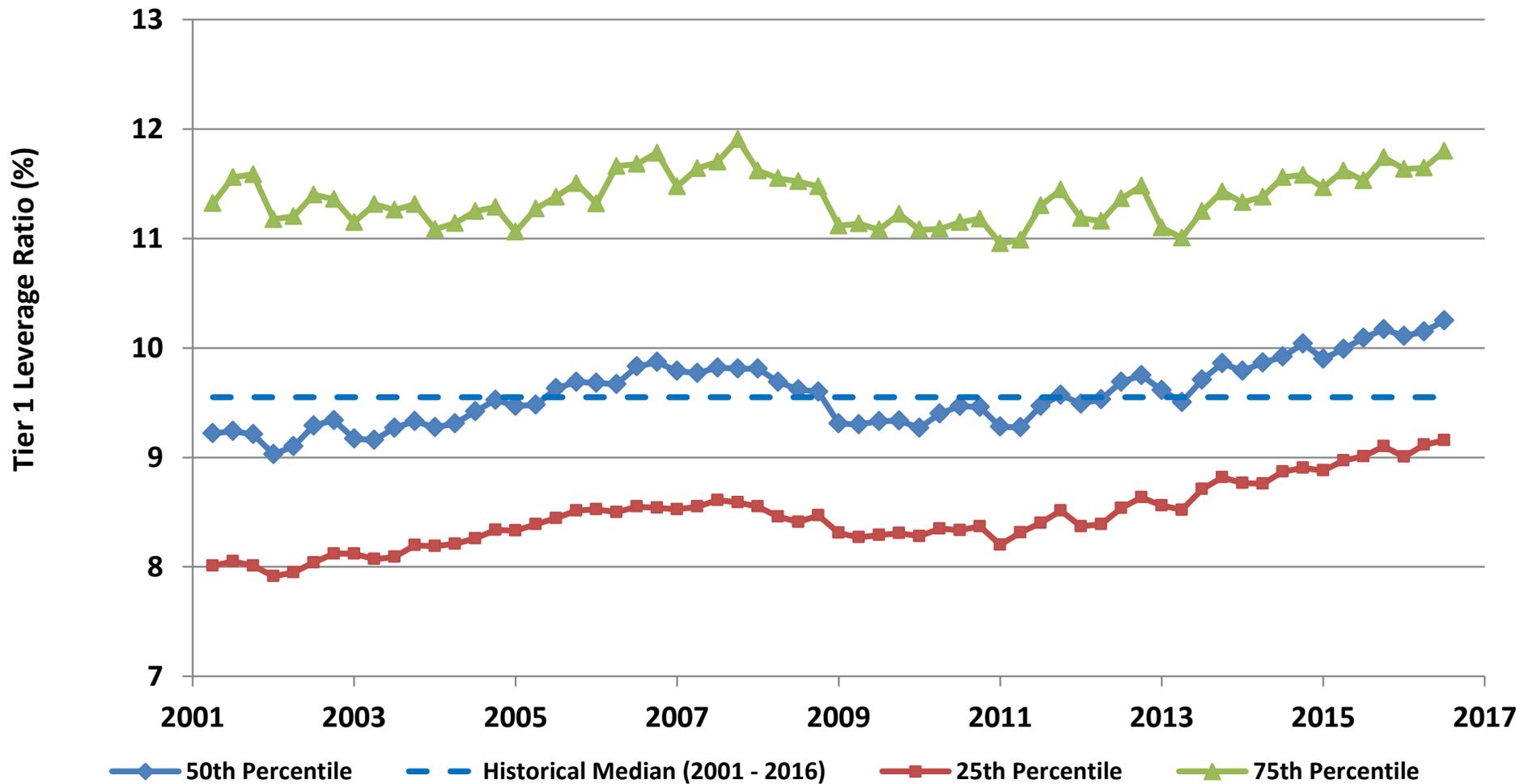
Agricultural (Ag) Problem Loans Were Flat in 2016 Q2 at District Banks



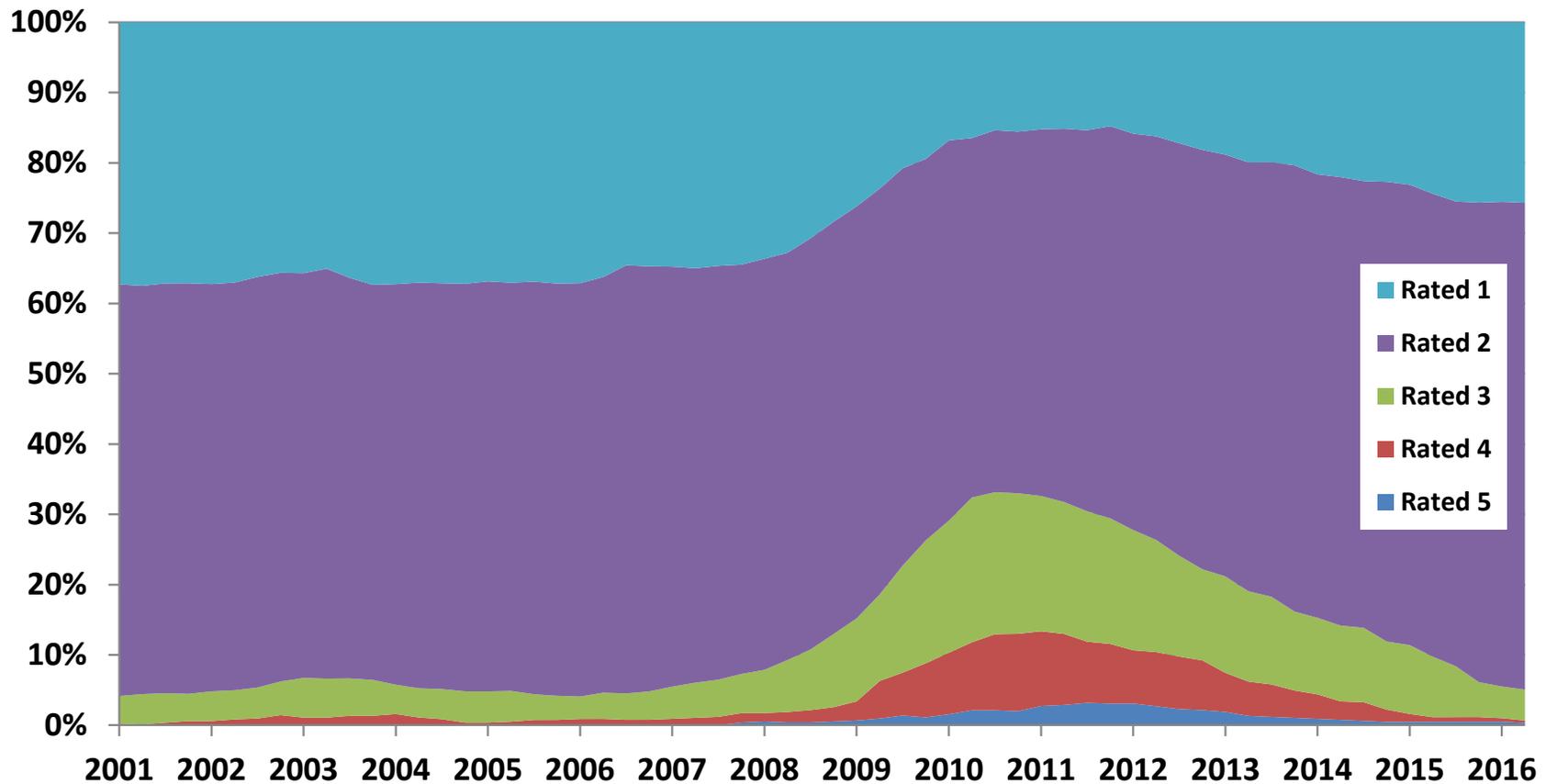
Small Decrease in Other Real Estate Owned (OREO) Problem Loans in 2016 Q2 at District Banks



Medium Increase in Capital in 2016 Q2 at District Banks



District Bank Ratings Improved During 2016 Q2



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.