

A MESSAGE FROM COMMISSIONER ENTRINGER



It is amazing how quickly a quarter goes by; I hope you are all enjoying summer and get some time to relax and spend quality time with family and friends. Speaking of summer and the current “heat wave” I took a look at the USDA’s Crop Weather Report for the week ending July 8, 2012; topsoil and subsoil appears adequate for much of the state at 56% and 65% respectively, while 36% and 27% respectively reported short, and 6% and 5% respectively were very short. Hopefully everyone gets adequate rainfall for a good harvest! As you can see from the information provided below, the condition of our banks continues to improve evidenced by the continued decline in the average Adversely Classified Items Coverage ratio. Unfortunately, the average Tier 1 Capital to Average Assets ratio continues to decline as well, down from 9.03% on June 30, 2011, to 8.8% on June 30, 2012. As all of you know, the challenge of deposit growth continues to put pressure on the ability to maintain capital levels.

On June 20th I was able to join several of my fellow commissioners as well as a number of bankers and trade association executives in Kansas City, MO, for a meeting with FDIC’s Acting Chairman Martin J. Gruenberg and Director Thomas M. Hoenig; the meeting was a regional roundtable to discuss the future of community banking. The roundtable was selected by the FDIC from a list of names submitted by myself, NDBA and the FDIC Regional Office; North Dakota was well represented by Stan Koppinger, President and CEO of American Bank Center, Dickinson, ND. The roundtable was broken up into two parts: Financial and Operational Challenges and Regulatory Interaction. Regarding Financial and Operational Challenges, the areas discussed included loan demand, the TAG program, management of interest rate risk and a question of where you see your bank in five years. The Regulatory Interaction was interesting with the discussion kicked off by this question: Thinking about your last examination (both risk management and compliance) what things went well and what opportunities did you see for improvement? I found the comments to be very interesting, insightful and thoughtful. I came away with a lot to think about! Other topics discussed in the Regulatory Interaction included resources necessary to keep up with the changes in regulation, the need to address Mortgage Loan Originator (MLO) compensation and how technology changes the way banks will do business in the future. I greatly appreciated the opportunity to attend this roundtable and look forward to visiting with more of you to discuss the future of community banking and your challenges. The comments I heard will be shared with our staff to continue to impress upon them the importance of community banking in North Dakota. I would like to thank all of you for the job you do. Finally, I would like to thank Roger Monson for his 10 years of service on the State Banking Board; Roger’s term expired on June 30, 2012, and I truly appreciate his thoughtful comments, guidance and counsel over the last 10 years. I would also like to welcome Tom Stennes, President and CEO of Harwood State Bank as the newest member of the State Banking Board; Tom’s 5 year term started July 1, 2012.

Enjoy the rest of the summer!

FACTS & FIGURES

As of June 30, 2012:

- ◆ Average Adversely Classified Items Coverage Ratio: 26.92%
- ◆ Average Adversely Classified Assets / Total Assets: 2.64%
- ◆ Average Adversely Classified Loans / Total Loans: 3.35%
- ◆ Average Past Due & Nonaccrual Loans / Total Loans: 2.20%

Averages are of the 75 North Dakota state-chartered banks.

Post-Examination Survey

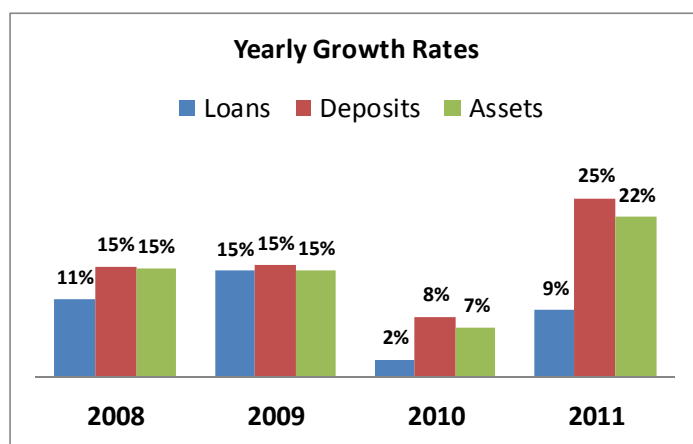
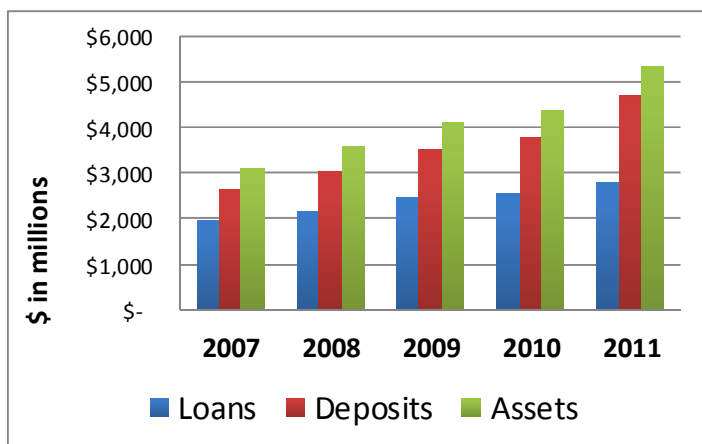
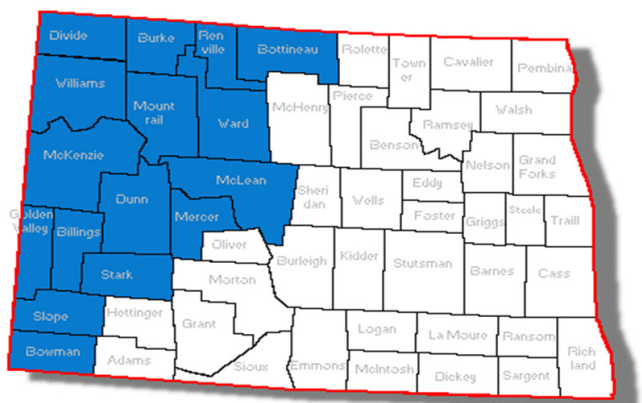
The Department is implementing a post-examination survey, similar to what our federal counterparts use. You will receive a survey along with your examination report. Your feedback will be greatly appreciated!

NORTH DAKOTA OIL PATCH TRENDS

There are 23 banks located in the oil patch of North Dakota.

These banks have faced unique challenges the last few years due to the booming economy. The following graphs illustrate the growth since 2007.

Numbers are derived from the Reports of Condition and Income (Call Reports) from the various banks.



CHECK OUT OUR WEBSITE

We have made revisions to our website to provide useful information and helpful tools. Our website is: <http://www.nd.gov/dfi>. You can for example find the following:

- ◆ Assessment calculator to assist with the 6/30 assessment (<http://www.nd.gov/dfi/financial/assessment.html>)
- ◆ State Banking Board Orders and Authorizations (<http://www.nd.gov/dfi/regulate/rules.html>)
- ◆ Various electronic forms (<http://www.nd.gov/dfi/forms/index.html>)

Among the forms are the Dividend Worksheet and Extension Request for Other Real Estate.

- ◆ NDCC 6-03-36 prohibits dividends under certain conditions. To determine the amount available for dividends you must include the net profits for the most recent quarter *and* the preceding *two* calendar years. The Dividend Worksheet will assist you in calculating the available amount, and if your desired dividend exceeds the available amount, you must obtain prior approval from the Commissioner.
- ◆ NDCC 6-03-09 specifies a limit of five years for holding other real estate unless an extension is granted by the Commissioner. Use the Extension Request form if you need to apply for an extension.

If you would ever want Commissioner Entringer or a member of our staff to come meet with your board outside of a routine examination, please feel free to contact our office – we'd be happy to accommodate your request.