



A MESSAGE FROM COMMISSIONER ENTRINGER



July started with a bang for us and I am not even thinking of the 4th of July holiday! As I told you in previous newsletters the banking division was up for reaccreditation this summer and the Accreditation Review Team was on-site July 8th through the 10th. It was sort of stressful for some of the staff that had not been involved in previous reviews but in the end it was all worth it; while the results are strictly preliminary at this point, the team did indicate they were recommending reaccreditation. For those of you who are not aware, the Department was first accredited December 16, 1992, and we were the 27th state to receive CSBS Accreditation. I am very pleased with the results and am very proud of our staff for their achievements.

August 1 is a significant date in legislative years as that is when most of the bills passed become effective. The primary legislation affecting banks was found in House Bill 1085 and I just wanted to make you aware of one particular section of the bill: Section 18; this section codified an Order the state banking board had issued allowing state-chartered banks to engage in lease financing of public facilities. You will now be able to purchase or construct a municipal building, school building, or other public facility and lease the facility to a municipality or other public authority. The language is found under Section 6-03-59.2, North Dakota Century Code. However, you should also be aware of Section 21-03-06.1, North Dakota Century Code (school district voter approval requirements) enacted this session as well. This section contains limitations which may apply if you are considering engaging in lease financing in connection with the acquisition, improvements, or construction of any property or structure at a total cost of \$4,000,000 or more to be used by a school district. Also Section 6-08-27, North Dakota Century Code was amended and becomes effective August 1; this section applies to independent trust companies and will now allow reciprocal interstate branching.

As always feel free to contact us if you have any questions. Enjoy the remainder of your summer.

FACTS & FIGURES

As of June 30, 2013:

- ◆ Average Adversely Classified Items Coverage Ratio: 19.16%
- ◆ Average Adversely Classified Assets / Total Assets: 1.94%
- ◆ Average Adversely Classified Loans / Total Loans: 2.38%
- ◆ Average Past Due & Nonaccrual Loans / Total Loans: 1.45%

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

Trend

The financial condition of our banks has steadily improved over the last few years as we are enjoying good economic conditions in our state. The Average Coverage Ratio peaked at 34.67% as of April 30, 2011, and is now at less than 20%!

DIVIDENDS

We continue to see an elevated number of dividend violations cited at our examinations. Please be mindful that future dividends are impacted for at least two years from the dividend declaration date. To determine the amount available for dividends you must include the net profits for the most recent quarter *and* the preceding *two* calendar years. Therefore, you are encouraged to make sure to use the dividend worksheet (available on our website <http://www.nd.gov/dfi/forms/index.html>) to calculate available net profits for future dividends *especially* when you have declared an extraordinarily large dividend. If your desired dividend exceeds the available amount, you must obtain prior approval from the Commissioner in accordance with NDCC 6-03-36.

REPORT OF EXAMINING COMMITTEE

Remember the Annual Report of Examining Committee is due every July in accordance with NDCC 6-03-69. Remember to make the report part of the minutes of a regular Board of Directors meeting. The report is available on our website: <http://www.nd.gov/dfi/forms/index.html>

POST-EXAMINATION SURVEY

As you may have noticed if you have had a recent DFI examination, we have implemented an electronic post-examination survey similar to what our Federal counterparts use. We value and appreciate your feedback.

NEW CAPITAL REGULATIONS: BASEL III

The Basel III Capital Regulations have been finalized and will go into effect January 1, 2015. Several resources have been published in the recent weeks to assist us in interpreting the new regulations. Here are some links to the Federal agencies' websites which are helpful:

Federal Deposit Insurance Corporation:

On July 9, 2013, the FDIC Board of Directors approved the Regulatory Capital Interim Final rule. Helpful resources for you are published here: <http://www.fdic.gov/regulations/capital/>

Federal Reserve Bank:

The Federal Reserve Bank's press release on July 2, 2013, contains helpful resources on the bottom of the web page found here: <http://www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm>

Office of the Comptroller of the Currency (OCC):

The OCC site contains some good resources on the bottom of the web page: <http://www.occ.gov/news-issuances/news-releases/2013/nr-occ-2013-110.html>

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.

