



# FACT SHEETS

## Iowa, Nebraska, South Dakota Fact Sheet

### Performance and Condition of Community National Banks and Federal Savings Associations in Iowa, Nebraska, and South Dakota

- Ninety-seven percent of banks located in Iowa, Nebraska, and South Dakota are rated 1 or 2 on the five-point CAMELS scale, up from the low point of 82 percent in 2011.
- Most of the financial performance metrics monitored by the OCC have improved over the past several years, and banks in these states have nearly returned to pre-crisis performance levels. Earnings have improved to a median return on assets of 0.90 percent and capital levels are satisfactory overall with a median Tier 1 Leverage ratio of 10.5 percent. Although earnings have improved, many banks continue to see compression in net interest margins.
- Asset quality has improved and median classified assets represent 15 percent of capital, in line with pre-crisis levels. Most of these banks experienced modest loan growth last year.
- Many community banks in Iowa, Nebraska, and South Dakota have significant concentrations in agricultural loans. While performance in this sector has been positive for the past several years, declines in some commodity prices and continuing increases in operating costs may put pressure on cash flow for some operators in 2014. However, agricultural producers in this area have substantial equity positions and liquidity so a single difficult year should not have a material impact on overall credit quality.
- Most of the banks in the three states have ample sources of liquidity and moderate interest rate risk.

### Looking Forward

- Community banks in the three states will continue to face significant strategic challenges. Protracted low interest rates and slow economic growth continue to pressure earnings.
- Competition for good quality loans is strong in most markets and expected to continue. This competition will impact pricing and put pressure on underwriting standards.
- Complex changes to several consumer regulations, particularly related to mortgage lending, represent a continuing challenge for community banks.

### Eighty-Seven Community National Banks and Federal Savings Associations in the Region

- Iowa has 33 national banks and federal savings associations.
- Nebraska has 34 national banks and federal savings associations.
- South Dakota has 20 National Banks and Federal Savings Associations .

## Western District Fact Sheet

The OCC's Western District, which includes Iowa, Nebraska, and South Dakota, is headquartered in Denver, Colorado. District staff supervise 291 community institutions, consisting of 210 national banks, five trust companies, and 76 federal savings associations, including 27 mutual savings institutions, collectively banks. The district also has responsibility for 23 technology service providers.

The OCC supervises community banks and thrifts in the western district through a network of 17 field and satellite offices. While the Western district is geographically quite large, the OCC houses its examination staff in these fields offices so that examiners live and work near the banks they supervise.

National banks and federal savings associations in the Western district range in asset size from \$8 million to \$14.4 billion, and together hold assets of \$157 billion. Sixty percent of these banks are located in Kansas, California, Iowa, and Nebraska.

Community banks and thrifts in the OCC's Western District tend to offer traditional products and services, focusing on residential mortgages, commercial real estate, agricultural credit, and commercial and industrial loans. More specialized business lines include mortgage banking, Small Business Administration lending, payment processing, and asset-based lending.

The district covers a very large geographic area, with banks in 19 states, including Alaska and Hawaii. Economic conditions vary across the district, as the current recovery has been somewhat uneven. Residential and commercial real estate values did not decline as much in the eastern part of the District and current values are at or above pre-crisis levels in most markets east of the Rocky Mountains. Prices have been slower to rebound in many Southwest, West Coast and Pacific Northwest markets.

Many district banks have agricultural lending concentrations and conditions in that sector continue to be good. However, some areas of the district have continuing drought concerns and declining commodity prices may have some impact on farm income in 2014.

### Western District Bank Performance and Condition

- At the end of 2013, 80 percent of district banks were rated 1 or 2 on the five-point CAMELS scale, which rates capital, asset quality, management, earnings, liquidity and sensitivity to risk. Institutions rated 1 or 2 are considered highly rated, while those with a 3, 4, or 5 rating

are considered problem institutions. The OCC anticipates continued improvement in the condition of the community banks under its supervision.

- Most financial performance metrics have improved over the past several years. Earnings have improved to a median return on assets of 0.74 percent district-wide. Reduced loan loss provisions have had a positive impact on earnings, but many banks continue to deal with compressed net interest margins. Capital levels are satisfactory overall with a median Tier 1 Leverage ratio of 10.7 percent.
- While asset quality has improved, commercial credit continues to present the highest risk to earnings. Despite improving trends, many credit metrics are still below historical norms, with median classified assets representing 23 percent of capital. The majority of district banks have experienced a modest amount of net loan growth over the past year after a sustained period of contraction.
- Most banks have ample sources of liquidity and moderate interest rate risk.

The OCC charters, regulates, and supervises national banks and federal savings associations and supervises the federal branches and agencies of foreign banks. Nationwide, the OCC regulates and supervises 1,808 institutions. These institutions include 40 large banks, 41 midsize banks, 48 federal branches, 1,164 community banks, and 515 federal savings institutions. Assets subject to OCC supervision total \$10.4 trillion, which represent 69 percent of total U.S. commercial banking assets.

Headquartered in Washington, D.C., the OCC has four district offices, which oversee the 67 field and satellite offices responsible for the supervision of community banks and thrifts. In addition, the OCC maintains a London office to supervise the international activities of national banks.

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