

# Banking in Arkansas

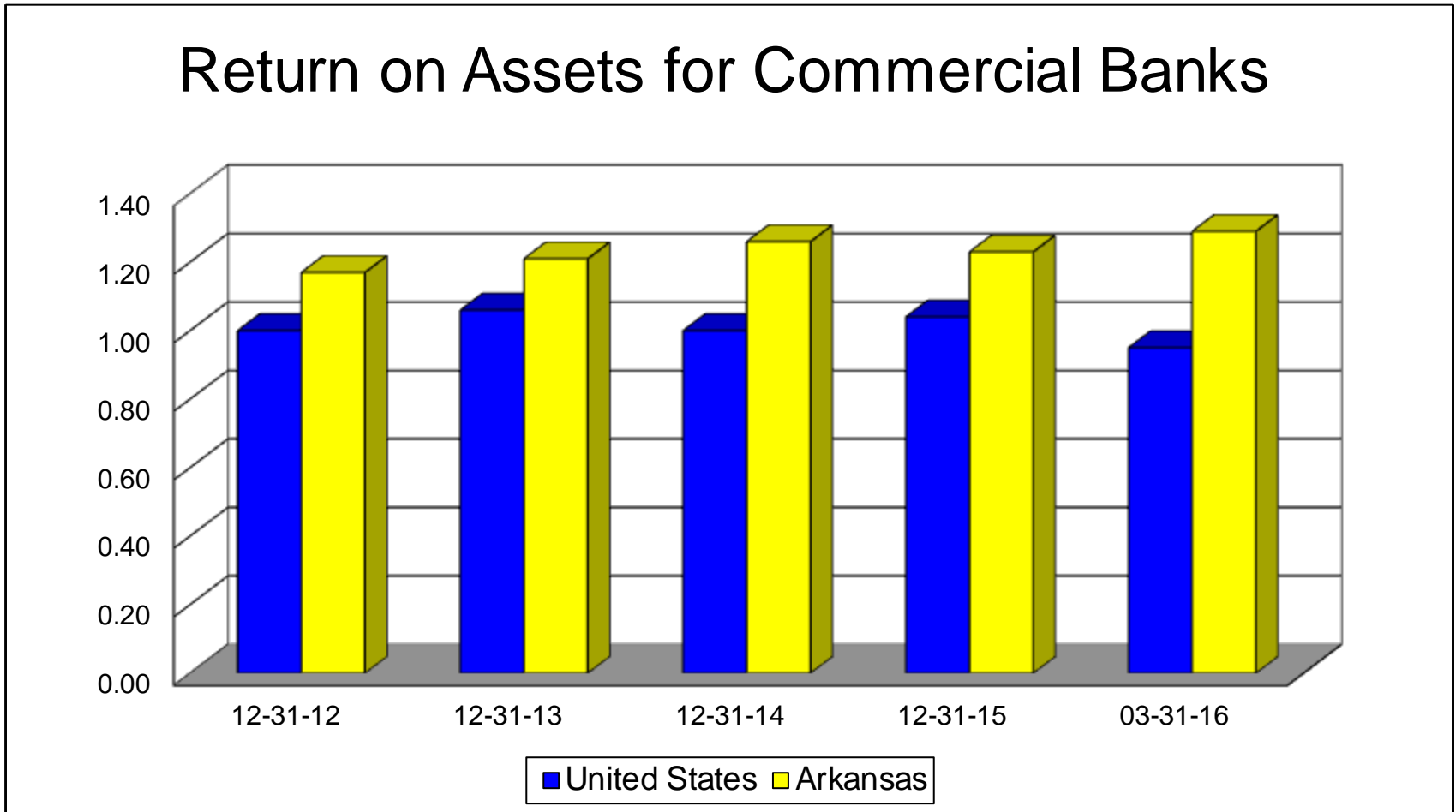
## *Performance and Trends in 2016*

- Candace A. Franks
- Commissioner
- Arkansas State Bank Department
- 400 Hardin Road, Suite 100
- Little Rock, AR 72211
- 501-324-9019
- <http://banking.arkansas.gov>
  
- Joint meeting
- Arkansas Senate and House Insurance and Commerce committees
- Arkansas State Capitol
- August 17, 2016



## Return on Assets for Commercial Banks

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	1.00	1.06	1.00	1.04	0.95
Arkansas	1.17	1.21	1.26	1.23	1.29

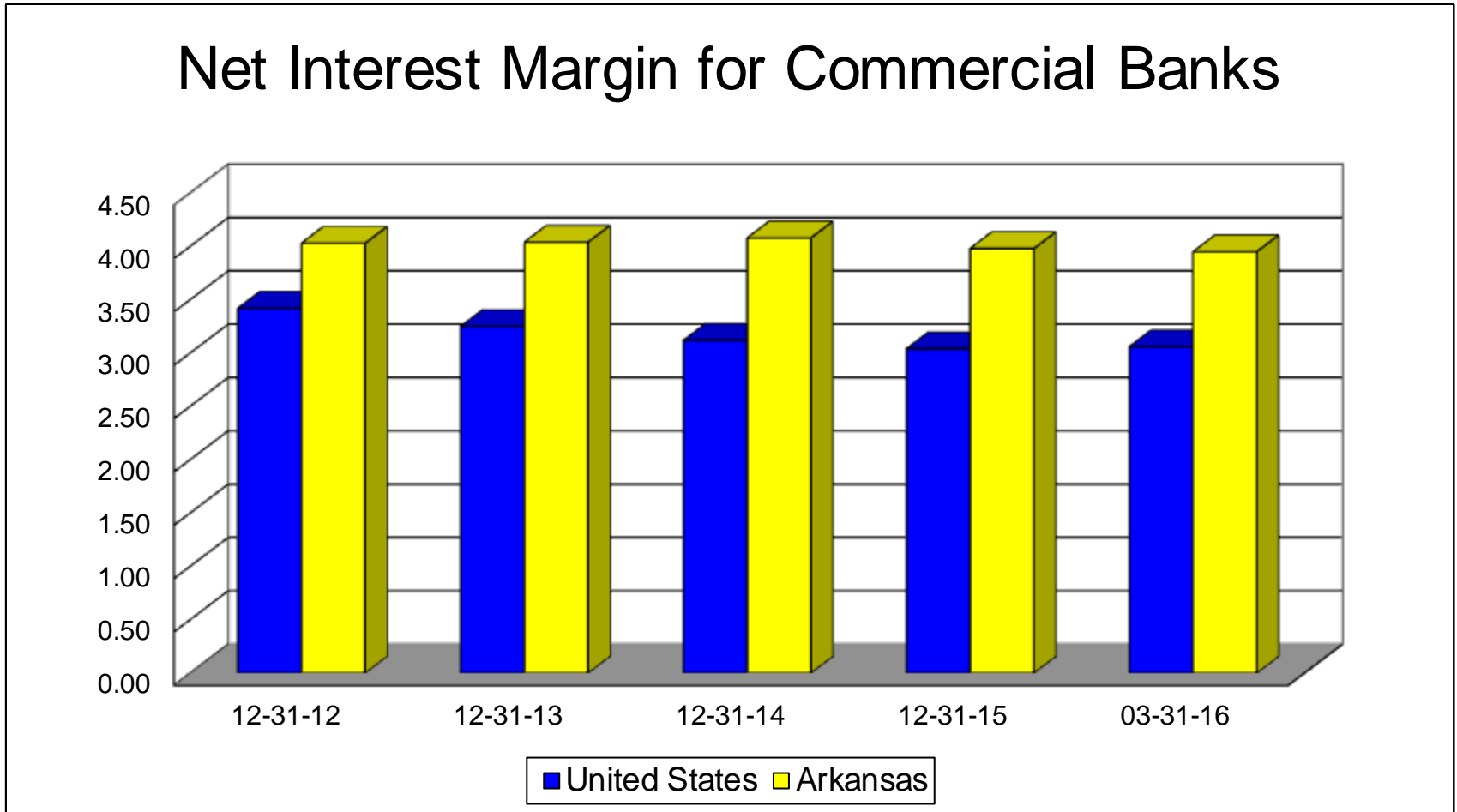


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Net Interest Margin for Commercial Banks

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	3.42	3.25	3.12	3.04	3.06
Arkansas	4.03	4.04	4.08	3.98	3.95



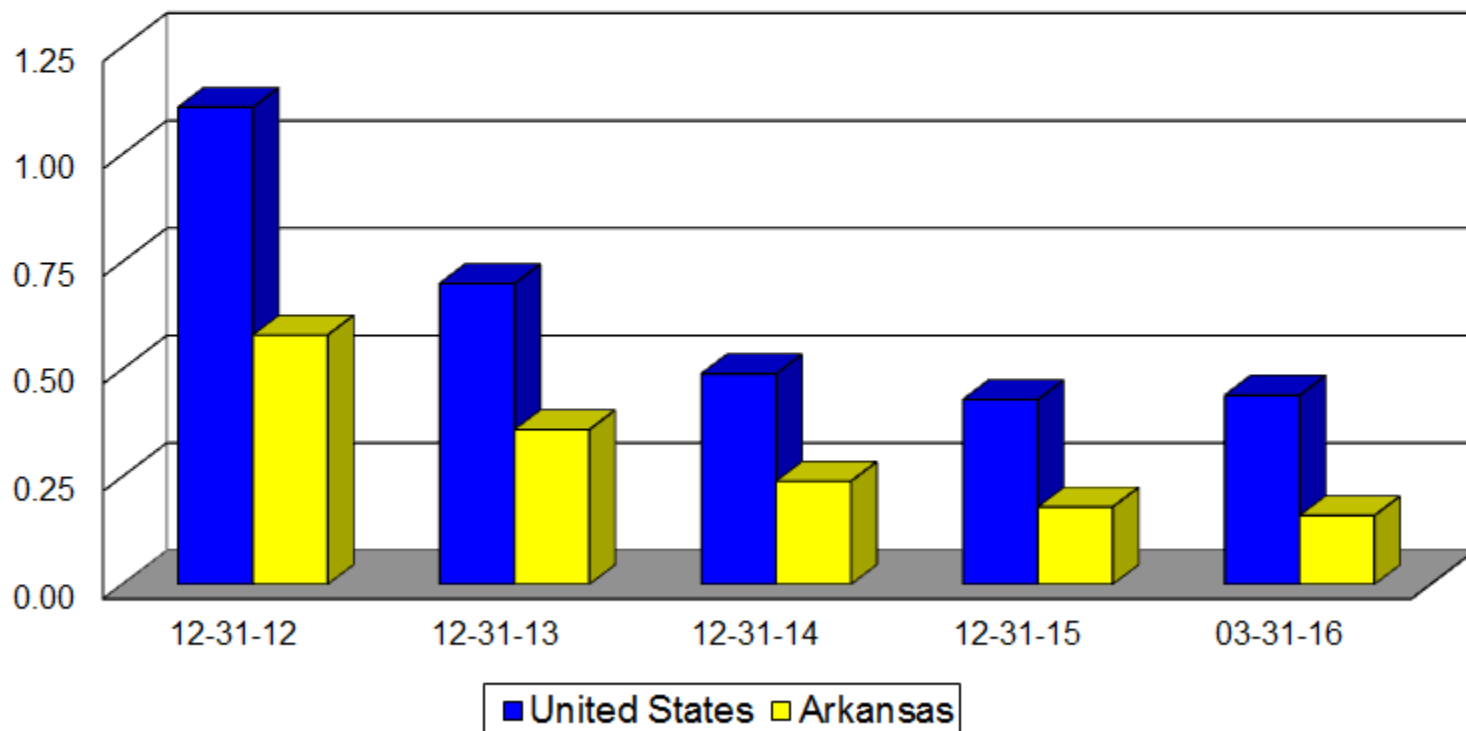
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Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Net Charge-offs to Loans for Commercial Banks

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	1.11	0.70	0.49	0.43	0.44
Arkansas	0.58	0.36	0.24	0.18	0.16

# Net Charge-offs to Loans

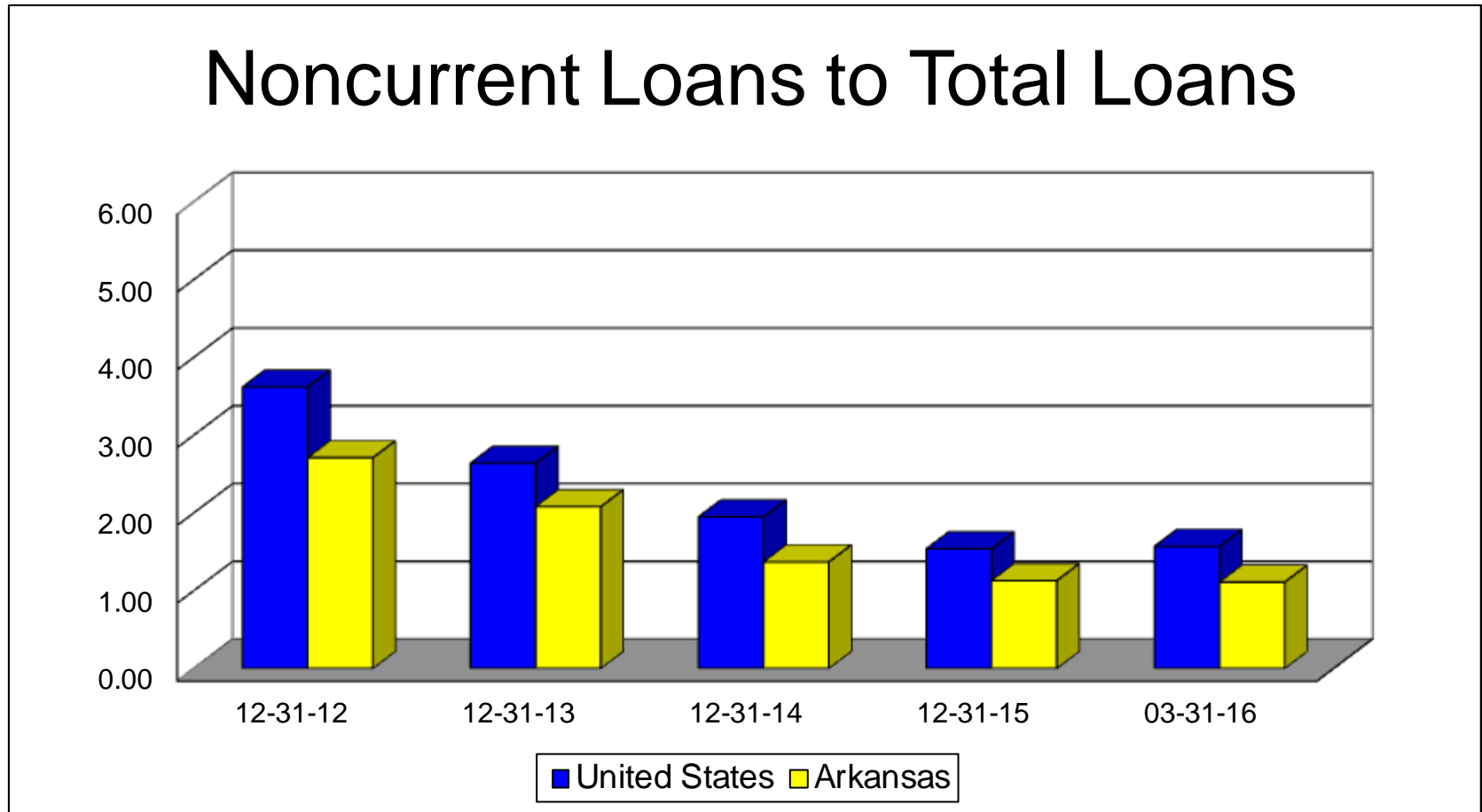


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Noncurrent Loans to Total Loans for Commercial Banks

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	3.62	2.64	1.95	1.54	1.57
Arkansas	2.71	2.08	1.37	1.13	1.11



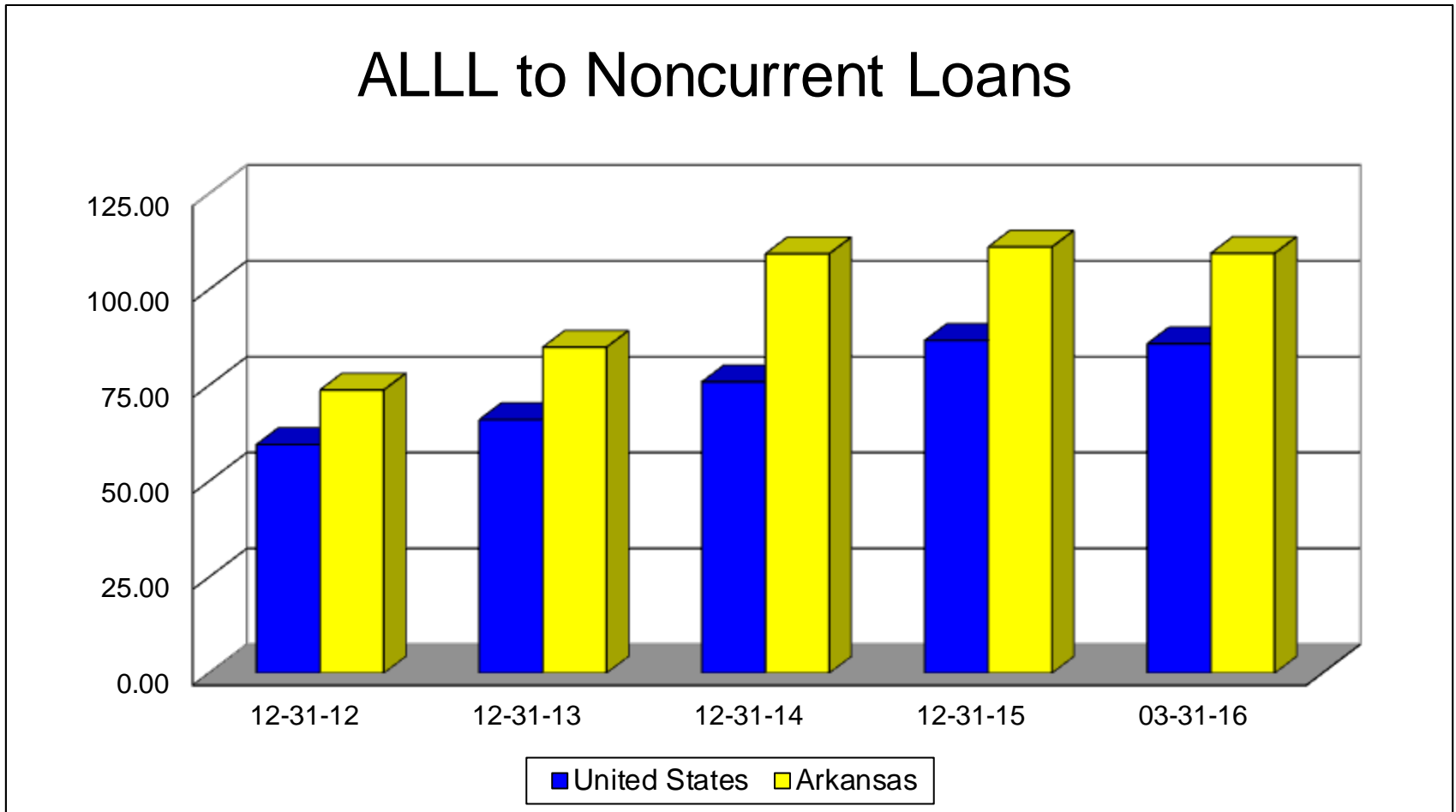
Noncurrent loans are loans and leases 90 days or more overdue and still accruing and loans and leases in nonaccrual status.

Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## ALLL to Noncurrent Loans

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	59.62	66.08	75.95	86.72	85.91
Arkansas	73.85	84.99	109.36	111.12	109.47



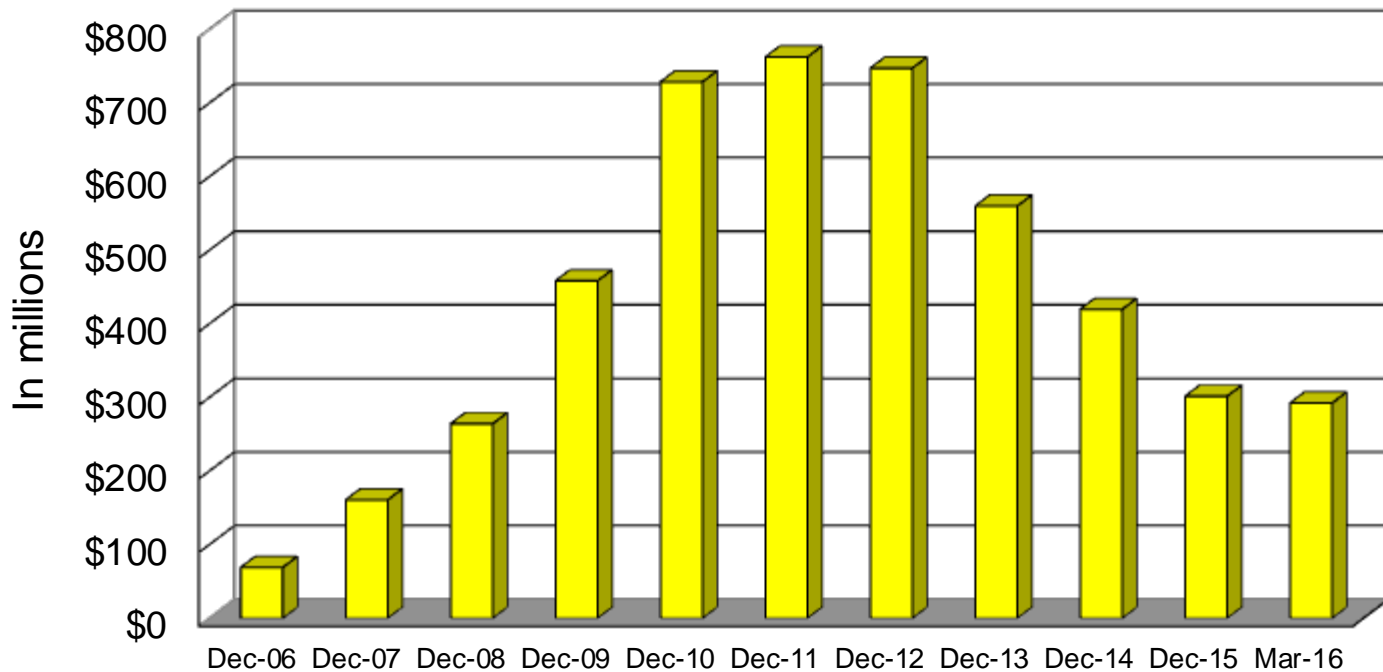
Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

**Balance of Other Real Estate Owned in commercial banks with main offices in Arkansas (in millions)**

Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Mar-16
\$68.9	\$160.8	\$264.2	\$458.4	\$728.7	\$762.5	\$747.3	\$560.0	\$419.5	\$301.5	\$292.3

## OREO in Arkansas commercial banks



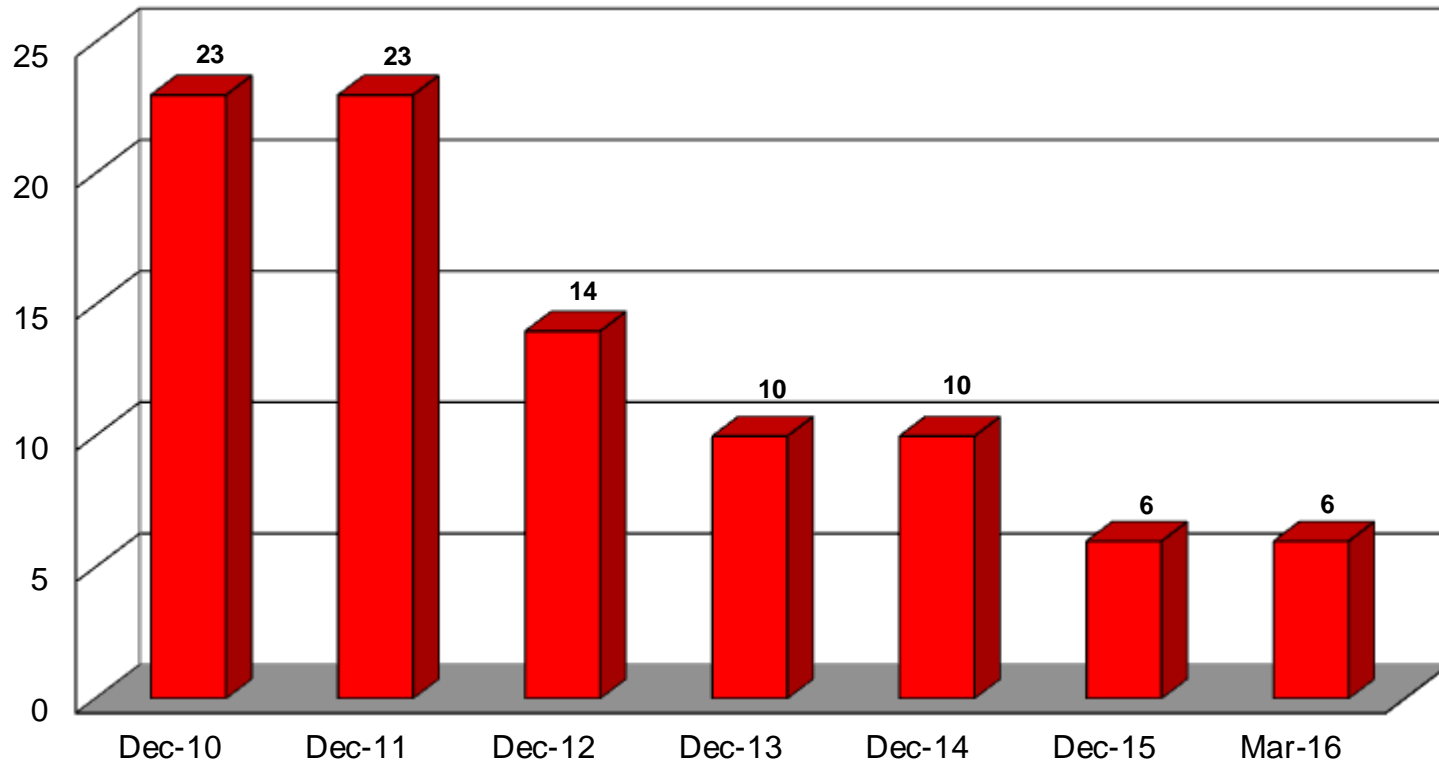
Data is for FDIC-insured commercial banks with main offices in Arkansas.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## State-chartered Banks Operating Under Enforcement Actions

Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Mar-16
23	23	14	10	10	6	6

# State Banks Under Regulatory Order



Includes banks for which new or revised orders are pending. Banks under self-imposed board resolutions also are included.

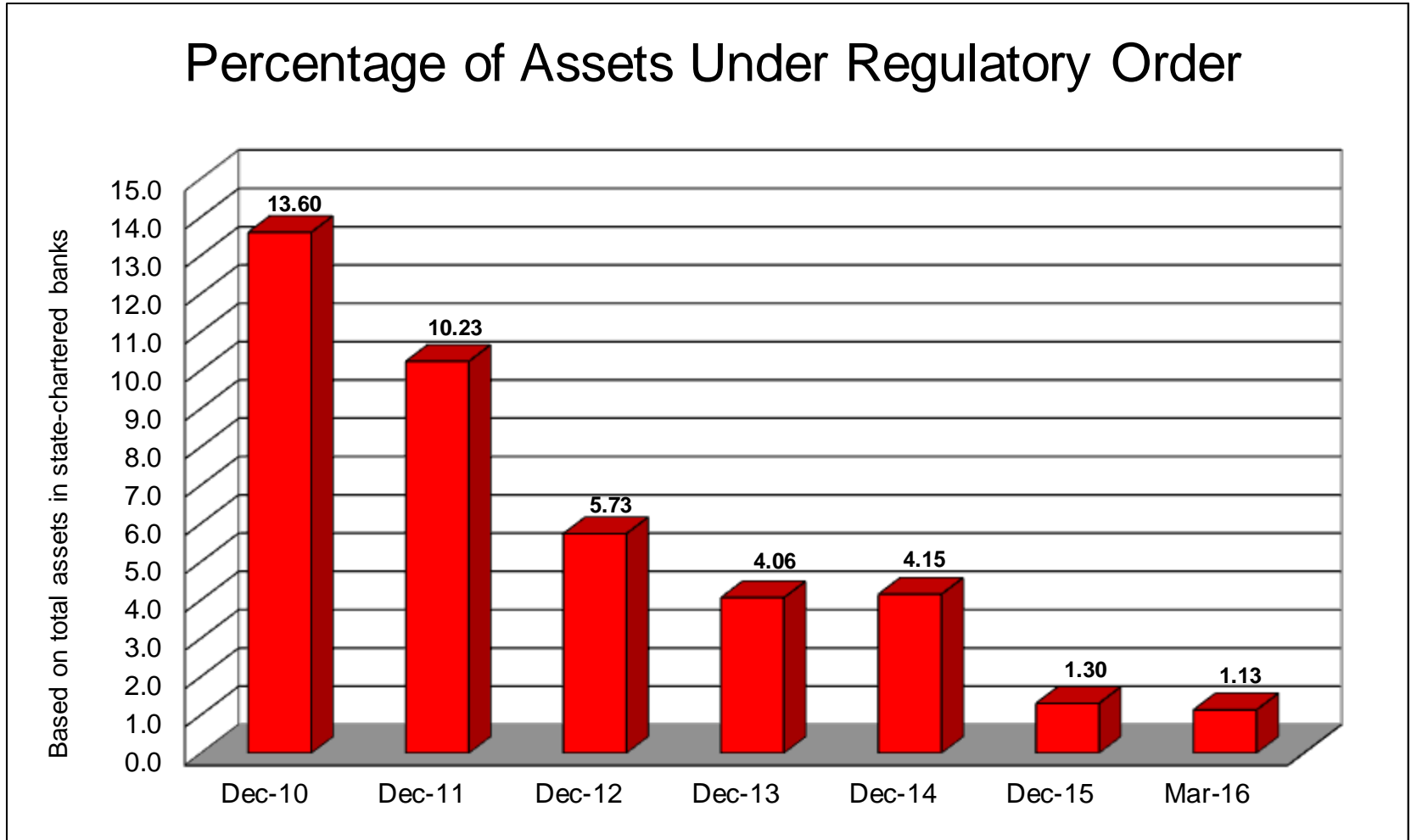
Note: There were four banks under regulatory order as of June 7, 2016.

Source: Arkansas State Bank Department.



## Percentage of State-chartered Assets Under Enforcement Actions

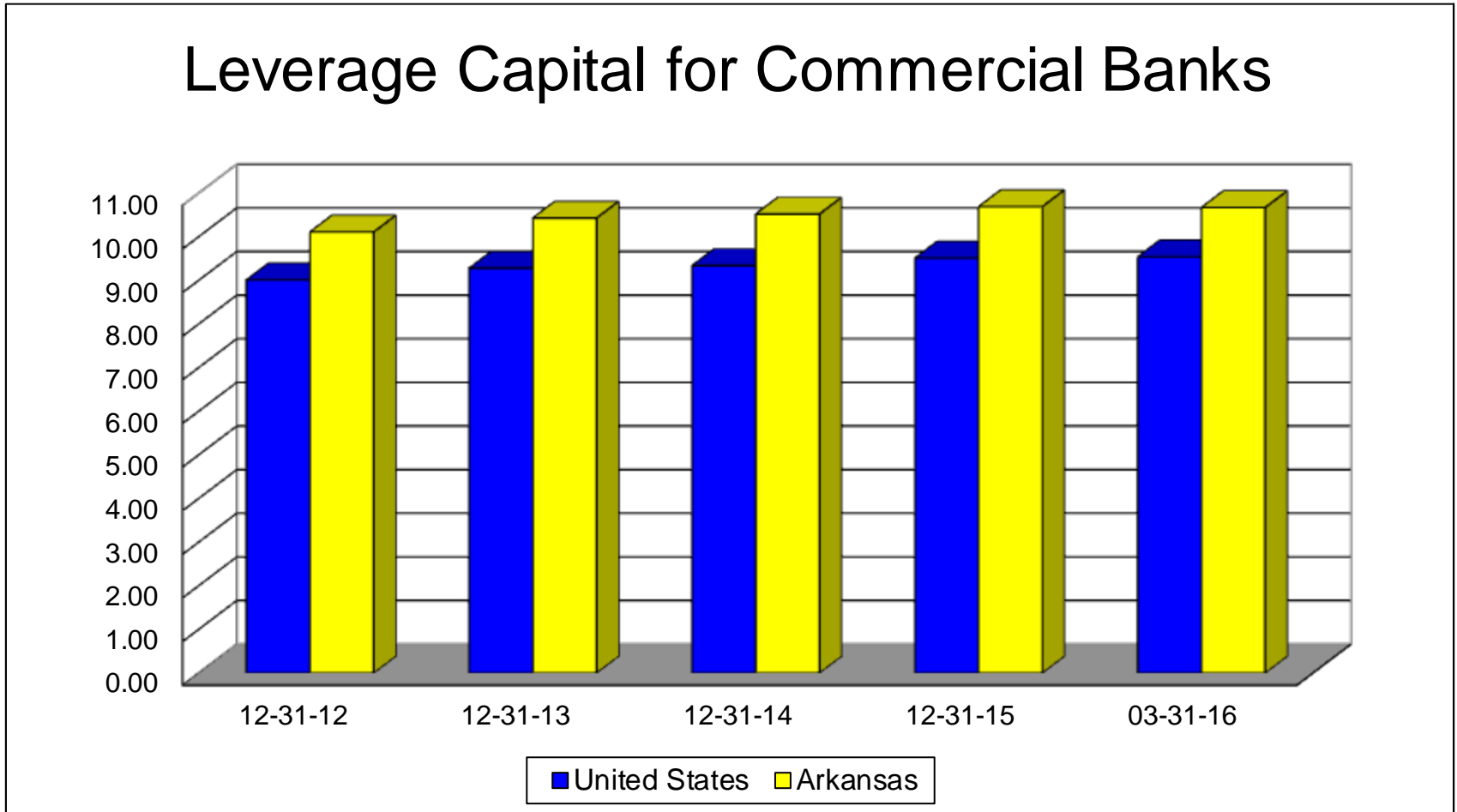
Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Mar-16
13.60	10.23	5.73	4.06	4.15	1.30	1.13



Includes banks for which new or revised orders are pending. Banks under self-imposed board resolutions also are included.  
Sources: Arkansas State Bank Department/Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Tier 1 Leverage Capital for Commercial Banks

	12-31-12	12-31-13	12-31-14	12-31-15	03-31-16
United States	9.01	9.28	9.34	9.51	9.54
Arkansas	10.11	10.43	10.52	10.69	10.67

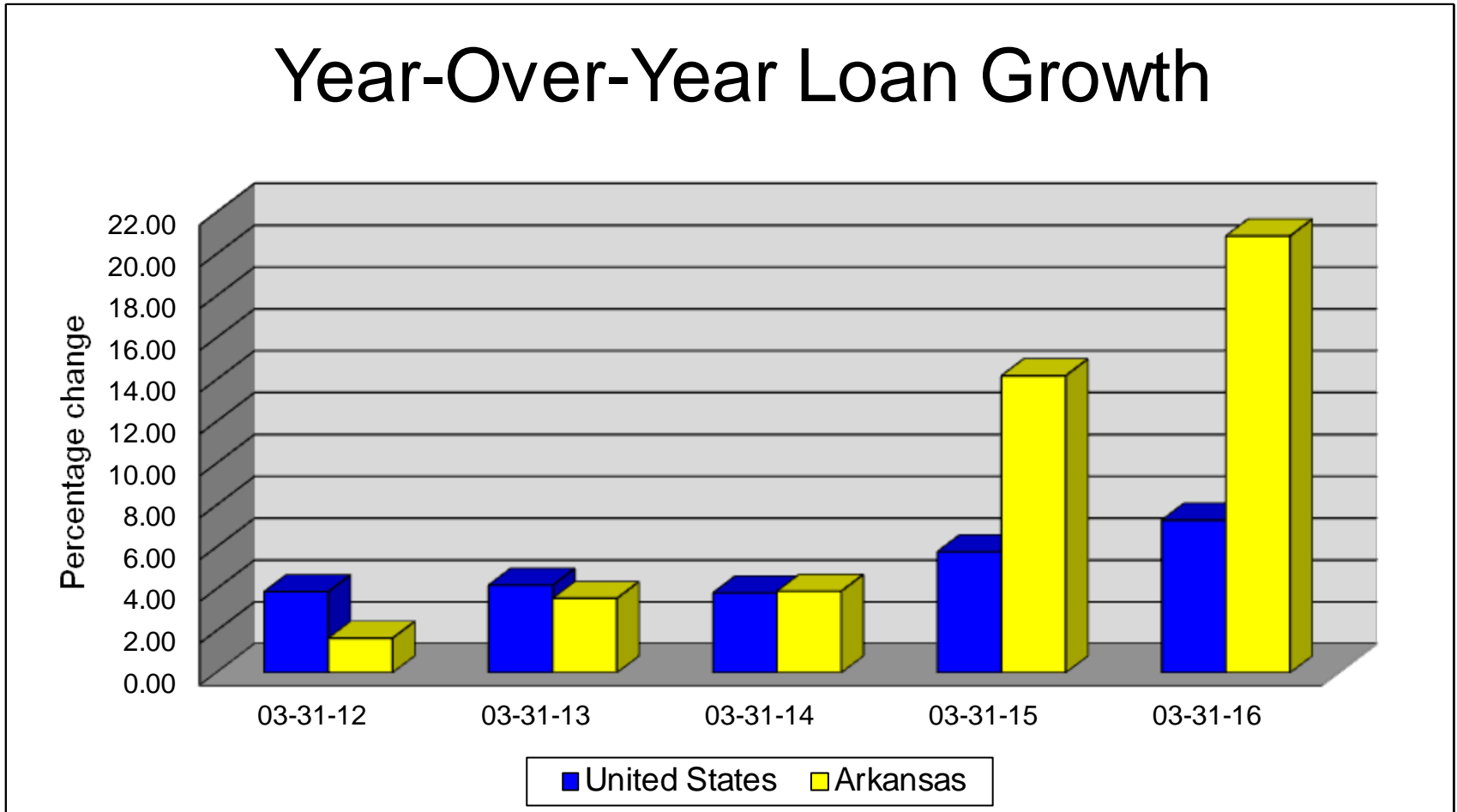


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Year-Over-Year Total Loan Growth

	03-31-12	03-31-13	03-31-14	03-31-15	03-31-16
United States	3.88	4.18	3.82	5.79	7.29
Arkansas	1.65	3.55	3.90	14.20	20.87

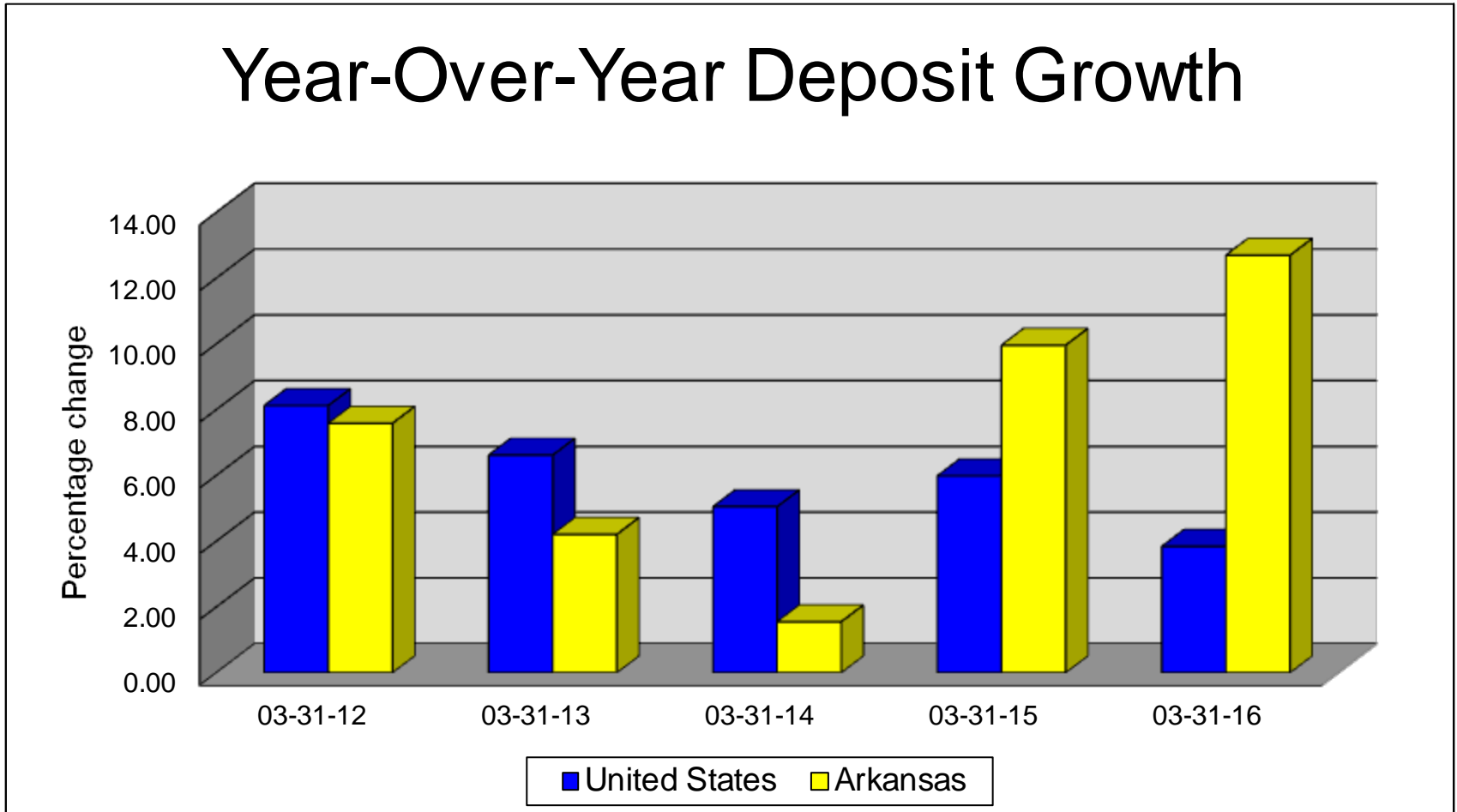


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Year-Over-Year Deposit Growth

	03-31-12	03-31-13	03-31-14	03-31-15	03-31-16
United States	8.13	6.62	5.05	5.99	3.84
Arkansas	7.59	4.21	1.55	9.96	12.70

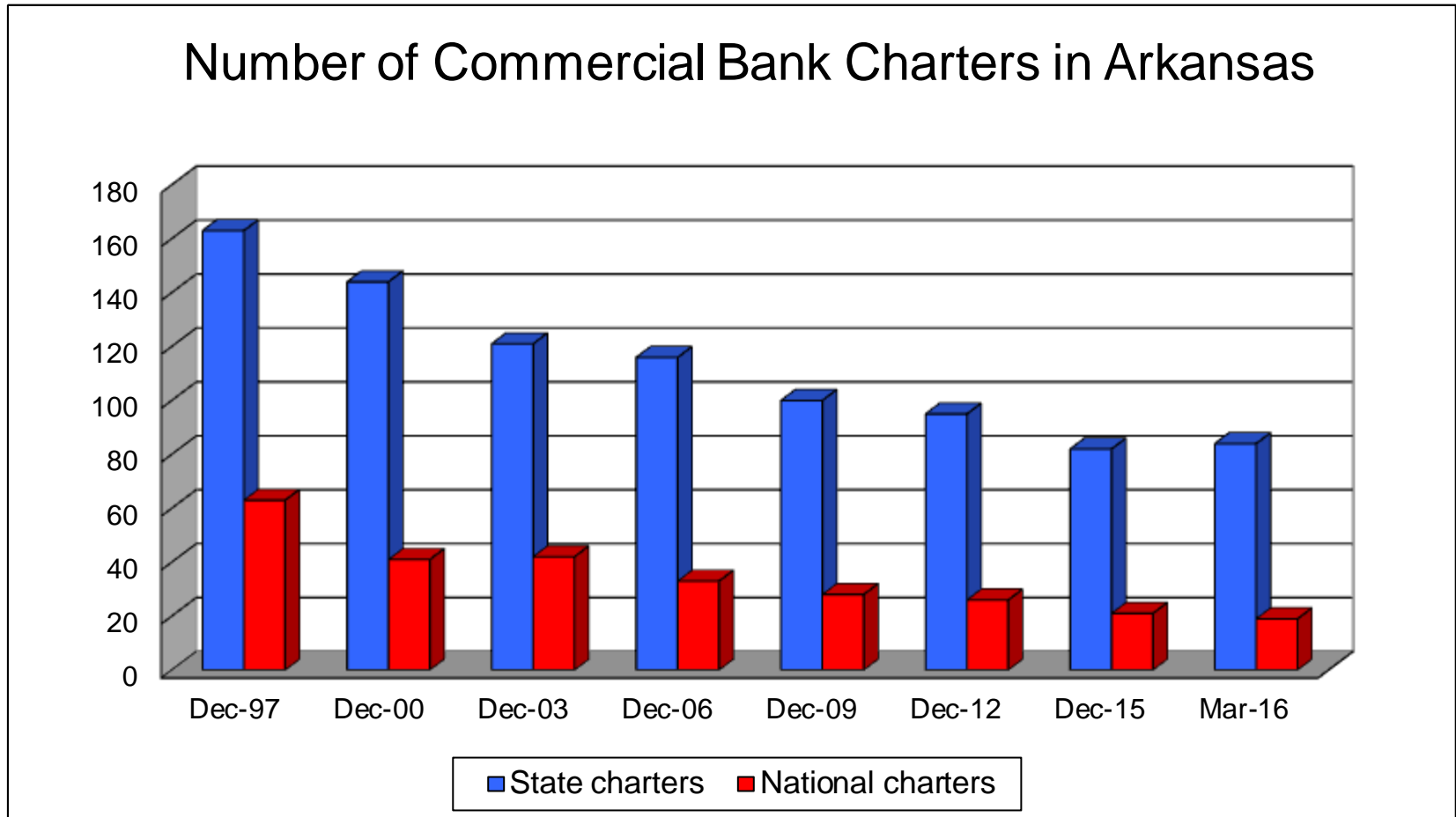


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

## Number of Commercial Bank Charters Based in Arkansas

	Dec-97	Dec-00	Dec-03	Dec-06	Dec-09	Dec-12	Dec-15	Mar-16
State charters	163	144	121	116	100	95	82	84
National charters	63	41	42	33	28	26	21	19
Total	226	185	163	149	128	121	103	103



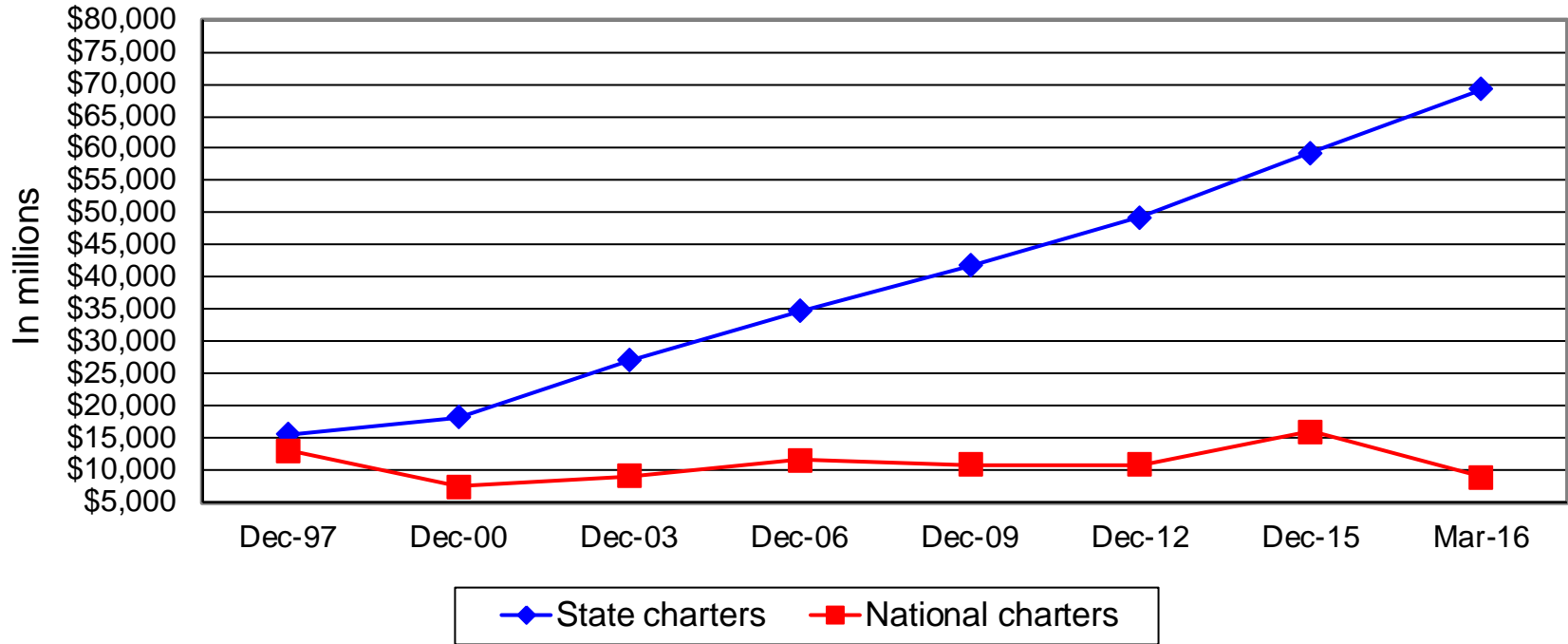
Data is for FDIC-insured commercial banks based in Arkansas.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

**Assets in Commercial Banks Based in Arkansas (in millions)**

	Dec-97	Dec-00	Dec-03	Dec-06	Dec-09	Dec-12	Dec-15	Mar-16
State charters	\$15,641	\$18,210	\$27,113	\$34,808	\$41,813	\$49,325	\$59,342	\$69,264
National charters	\$13,093	\$7,467	\$9,073	\$11,655	\$10,918	\$10,944	\$15,976	\$9,024
Total	\$28,734	\$25,677	\$36,186	\$46,463	\$52,731	\$60,269	\$75,318	\$78,288

# Assets in Arkansas Commercial Banks



Data is for FDIC-insured commercial banks based in Arkansas. Assets of out-of-state banks are not included.  
 Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

# Regulatory Issues

## Pending legislation to ‘right size’ regulations for community banks

**TAILOR Act of 2015.** Approved by the House Committee on Financial Services on March 2, 2016, and sent to the full House. Would require:

- The federal banking agencies and Consumer Financial Protection Bureau to tailor regulations to a financial institution’s business model and risk profile.
- The agencies, in issuing regulations, to consider the: (1) burden of regulatory compliance and (2) effect on the ability of a financial institution to flexibly serve customer needs.
- The agencies to report to Congress annually on their efforts to tailor regulatory action.

Requirements would be applicable to all regulations adopted five years before the Act’s introduction and ending on the date of enactment.

# Regulatory Issues

## Pending legislation to 'right size' regulations for community banks

### Financial CHOICE Act.

- Would enable a financial institution with a leverage capital ratio of at least 10 percent and an examination composite rating of 1 or 2 to opt in to an alternative regulatory system.
- This alternative would exempt an institution from more complex capital and liquidity requirements and provisions of Dodd-Frank.
- Would require that all financial regulators conduct a detailed cost-benefit analysis of proposed regulations.
- All major financial regulations would be subject to congressional review before being enacted.

Federal Reserve Board chair Janet Yellen has indicated the Board could support the provision reducing regulatory burden for banks holding higher capital. But Yellen said these exemptions should be available only to smaller banks.



# Small Business, Farm and CRE Loans

All commercial banks - national As of March 31, 2016 \$ balances in 000s	Commercial banks ≤ \$10B 5,196 banks	Commercial banks > \$10B 93 banks	Total 5,289 banks
Total assets	2,509,546,256	12,693,302,466	15,202,848,722
Percentage of total	16.51%	83.49%	100.00%
Gross loans and leases	1,681,044,232	6,593,408,952	8,274,453,184
Percentage of total	20.32%	79.68%	100.00%
Total deposits	2,055,756,935	9,513,012,168	11,568,769,103
Percentage of total	17.77%	82.23%	100.00%
Small business and farm loans	340,061,941	281,359,113	621,421,054
Percentage of total	54.72%	45.28%	100.00%
Commercial real estate loans	497,482,510	839,692,550	1,337,175,060
Percentage of total	37.20%	62.80%	100.00%

Source: FDIC Statistics on Depository Institutions



# Critical factors moving forward

- Performance strengthened in 2015 amid indications of drop in quality of risk management
  - ✓ *Continued easing of underwriting standards and strong loan growth increase credit risk*
  - ✓ *Loan concentration risk is building in indirect auto, commercial and industrial, and commercial real estate lending*
  - ✓ *Interest rate risk due to competition for funding and eventual transition to higher interest rates*
  - ✓ *Credit card, automobile and student loans are weakening*

## Questions?

Candace Franks  
Bank Commissioner  
Arkansas State Bank Department  
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