

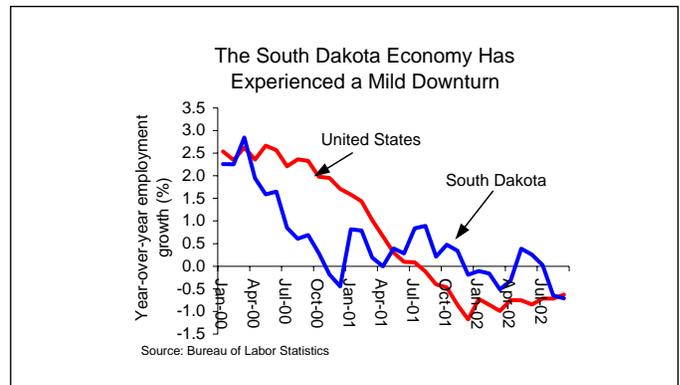
FDIC State Profile

WINTER 2002

South Dakota Economic Profile

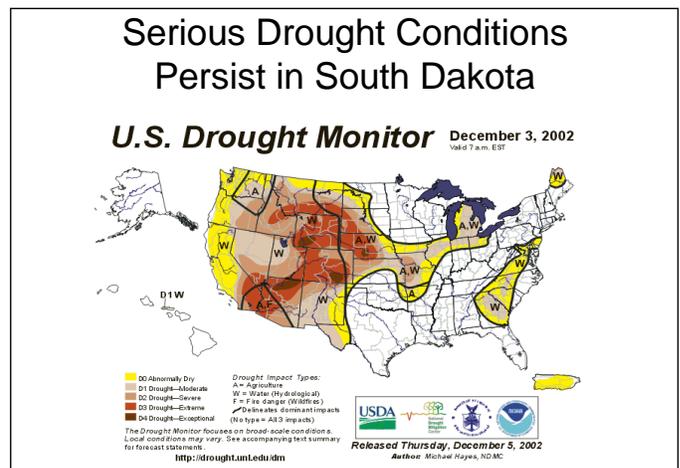
The South Dakota economy was less severely affected by the recession than other states.

- Job growth declined earlier than the nation's in 2000, but the state gained jobs in 2001.
- Layoffs in manufacturing and the mining sector led to periodic declines in employment in 2002.
- October data were somewhat negative; the monthly year-over-year decline in employment, while relatively slight, was the greatest seen in 6 years. However, the unemployment rate was only 2.5 percent, up from 2.1 percent a month earlier, but down significantly from the peak of 4.0 percent in November 2001.



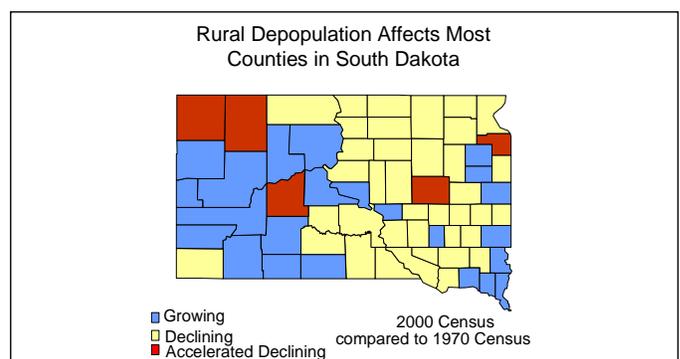
South Dakota's agricultural sector was moderately affected by drought in 2002.

- The 2002 drought affected the western part of the state, while the eastern fourth was largely unaffected (see map).
- Corn production was 10 percent below the previous year's level, and soybean production was down 6 percent.
- Cattle production was also disrupted as shortages of hay and pasture forced ranchers to sell cattle at low prices and liquidate breeding stock.



Depopulation in rural areas is a continuing challenge.

- Forty-four of South Dakota's 67 counties have lost population since 1970, and 5 of those counties also lost population at an increasing rate in the 1990s.
- Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor, and farmers have become less dependent on nearby small towns to purchase inputs and professional services.
- As a result, people have migrated from rural areas to metropolitan areas to seek better employment opportunities.



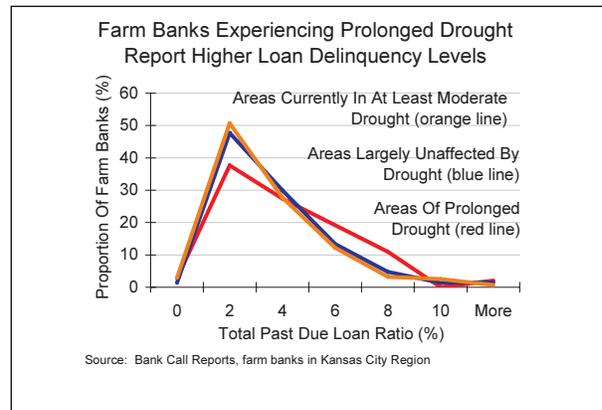
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- Counties that are losing population at a faster rate could lose their economic viability, as shrinking tax rolls may

make essential infrastructure, such as utilities and school systems, difficult to maintain.

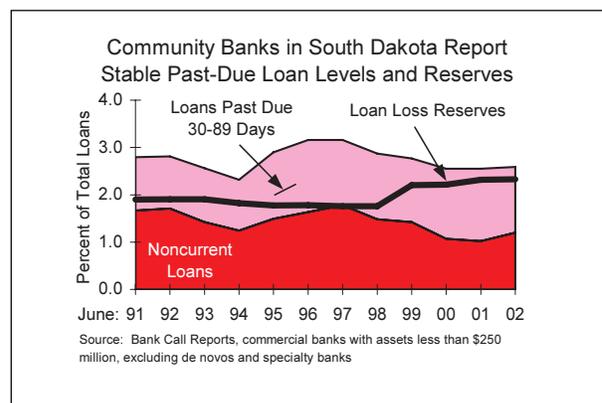
Severe drought conditions threaten asset quality among many of the state's farm banks.

- Much of South Dakota currently is in "severe" to "exceptional" drought, following at least moderate drought conditions in 2001. These weather problems follow four years of very low crop prices that left many farm banks holding substantial levels of carryover debt.
- The drought's effects likely will not be fully evident until late 2002 and spring 2003 when operating loans come due. The chart shows that farm banks in areas of prolonged drought (predominantly in Nebraska and northwest Kansas) report higher loan delinquency levels than do insured institutions in less affected areas.
- Positively, the June 2002 median capital ratio of 11.6 percent reported by South Dakota farm banks remains high by historical standards and is well above levels present during the 1980s farm crisis and 1988 drought.



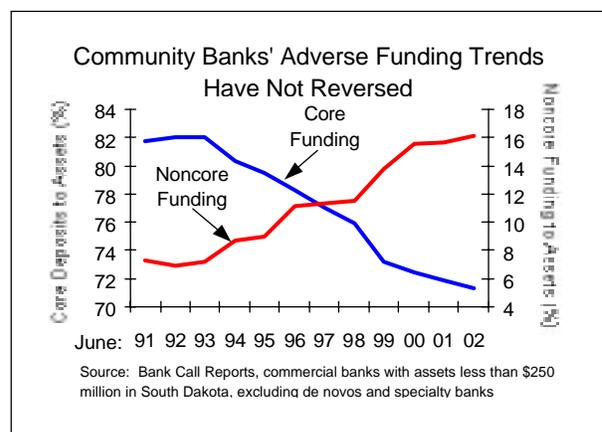
Community banks headquartered in South Dakota report sound asset quality despite the economic slowdown.

- Noncurrent and past-due loan levels remain moderate, and charge-off rates also remain low.
- Loan loss reserve levels have declined in proportion to total loans, but appear to be keeping pace with the level of problem loans.



South Dakota community banks continue to face funding challenges.

- Utilization of core funds to support assets declined steadily throughout the 1990s because of negative population trends, competitive forces from larger banks and nonbanks, and significant disintermediation of funds into the stock and bond markets.
- To counter declining deposits, community banks headquartered in South Dakota increased reliance on non-core funds, such as large time deposits and borrowings.
- The current economic slowdown and large market losses have slowed but not halted the core deposit erosion as investors moved funds back into banks.



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South Dakota at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	97	97	104	107	109
Total Assets (in thousands)	67,762,996	37,056,651	36,888,512	30,749,996	28,606,925
New Institutions (# <3 years)	1	1	1	3	6
New Institutions (# <9 years)	6	6	8	7	7
Capital					
Tier 1 Leverage (median)	11.12	11.36	10.76	10.51	10.61
Asset Quality					
Past-Due and Nonaccrual (median %)	2.33%	2.04%	2.00%	2.60%	2.43%
Past-Due and Nonaccrual ≥ 5%	15	14	17	20	18
ALLL/Total Loans (median %)	1.73%	1.65%	1.78%	1.96%	1.63%
ALLL/Noncurrent Loans (median multiple)	2.00	1.94	2.38	1.71	1.53
Net Loan Losses/Loans (aggregate)	5.04%	2.72%	4.29%	3.19%	3.43%
Earnings					
Unprofitable Institutions (#)	4	3	3	3	2
Percent Unprofitable	4.12%	3.09%	2.88%	2.80%	1.83%
Return on Assets (median %)	1.29	1.32	1.44	1.35	1.42
25th Percentile	0.82	0.96	0.94	0.89	1.05
Net Interest Margin (median %)	4.36%	4.43%	4.66%	4.48%	4.64%
Yield on Earning Assets (median)	7.19%	8.57%	8.63%	8.21%	8.60%
Cost of Funding Earning Assets (median)	2.77%	4.12%	3.97%	3.73%	3.95%
Provisions to Avg. Assets (median)	0.07%	0.10%	0.09%	0.08%	0.11%
Noninterest Income to Avg. Assets (median)	0.60%	0.59%	0.65%	0.61%	0.64%
Overhead to Avg. Assets (median)	3.10%	3.04%	2.96%	2.96%	2.99%
Liquidity/Sensitivity					
Loans to Deposits (median %)	83.19%	82.01%	82.64%	76.86%	79.72%
Loans to Assets (median %)	69.52%	68.57%	67.02%	64.77%	65.89%
Brokered Deposits (# of Institutions)	24	27	23	23	26
Bro. Deps./Assets (median for above inst.)	2.19%	2.52%	2.08%	3.33%	1.04%
Noncore Funding to Assets (median)	14.24%	13.31%	13.95%	12.49%	11.44%
Core Funding to Assets (median)	71.25%	72.23%	73.35%	74.76%	74.97%
Bank Class					
State Nonmember	60	62	65	65	68
National	19	18	22	23	22
State Member	14	13	13	15	15
S&L	0	0	0	0	0
Savings Bank	4	4	4	4	4
Mutually Insured	0	0	0	0	0
MSA Distribution					
	# of Inst.	Assets	% Inst.	% Assets	
No MSA	78	7,874,843	80.41%	11.62%	
Sioux Falls SD	14	59,308,740	14.43%	87.52%	
Rapid City SD	5	579,413	5.15%	0.86%	

Source: Bank and Thrift Call Reports