FDIC State Profile

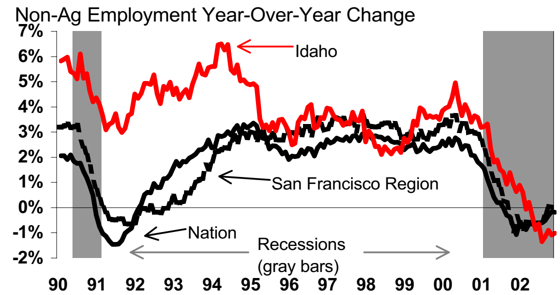
Spring 2003

Idaho

Employment in Idaho declined 1.1 percent during the year ending December 2002 (see Chart 1) primarily because of weakness in the construction, manufacturing, and mining sectors.

- Employment in the construction sector declined 11 percent as of the year ending December 2002; this sector experienced the highest rate of job loss during this period. A sluggish economy and strained state and local government budgets may continue to adversely affect employment in this sector.
- Employment in the manufacturing sector declined by 4 percent year-over-year for December 2002, in part as a result of weakness in the high-tech, food processing, and lumber industries.
- The high-tech sector in Idaho has laid off approximately 4,500 workers during the recent recession.[1] The effects of these layoffs, as well as pay cuts, may be felt throughout local economies because high-tech workers earn more than twice the average private sector wage. Employment in the business services industry, which includes temporary workers in the high-tech sector, declined 6 percent during the year ending December 2002.

Chart 1: The Decline in Employment in Idaho Has Exceeded the Nation



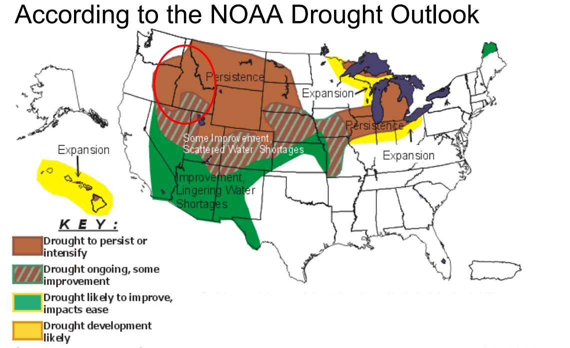
Source: Bureau of Labor Statistics

- Employment in the mining and chemical and allied product manufacturing industries was at an historically low level during 2002.
- State government employment fell 3 percent year-over-year as of December 2002, driven by a strained state budget.

Drought likely will hurt Idaho farmers and cattle ranchers (see Map 1).

- The drought has severely reduced the supply and quality of pastureland available for grazing young cattle. In addition, milk prices were historically low during 2002 and continued at these low levels in January 2003. Milk production in Idaho ranked 6th in the nation as of December 2002.
- Drought conditions may challenge the potato crop which generated more than 17 percent of the state's 2000 farm cash receipts. The 2002 farm bill does not include subsidies for potato growers.
- As of third quarter 2002, 8 of the 20 insured institutions headquartered in Idaho reported agricultural loans-to-Tier 1 capital ratios of at least 100 percent. However, credit quality has not weakened. In fact, as of September 2002, agricultural lenders[2] based in the state reported a median overall past-due loan ratio of 1.31 percent, down from 1.81 percent a year-earlier. However, should drought conditions persist, asset quality could deteriorate.

Map 1: Dry Conditions May Persist in Idaho, According to the NOAA Drought Outlook



Source: National Oceanic and Atmospheric Administration; January 16, 2003. http://www.cpc.ncep.noaa.gov/products/expert_assessment/seasonal_drought.html

[1] General Fund Revenue Book, FY 2004 Executive Budget, Division of Financial Management, State of Idaho, January 2003, p. 15. (http://www2.state.id.us/dfm/genfundbk/GFRB04/GFRfy04FULL.pdf)

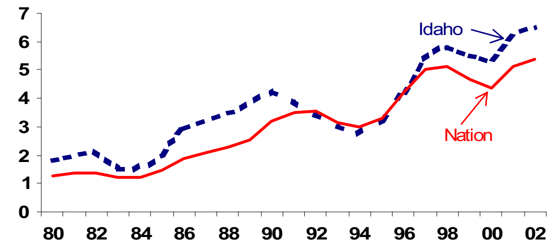
[2] Agricultural lenders are defined as insured institutions holding agricultural lines and farm loans at least 100 percent of Tier 1 capital.

The effects of high bankruptcy and foreclosure rates on insured institutions based in Idaho have been modest.

- During the year ended September 2002, the personal bankruptcy rate in Idaho rose 5.4 percent; the state filing rate was 20 percent higher than the national average (see **Chart 2**). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. During third quarter 2002, the **Mortgage Bankers Association of America** (MBAA) estimated that 0.41 percent of all mortgages entered foreclosure, exceeding a national third quarter rate of 0.36 percent.
- Heightened personal bankruptcy activity pushed up the median past-due consumer loan ratio among established community institutions[3] based in Idaho from 1.19 to 1.23 percent during the year ending third quarter 2002. Concurrently, the median consumer loan net charge-off ratio rose from 0.46 to 0.52 percent. Despite higher foreclosure start estimates, the median single-family mortgage delinquency ratio among established community institutions declined during the same period from 1.23 to 0.69 percent, possibly as a result of heavy refinancing activity.

Chart 2: Idaho's Personal Bankruptcy Filing Rate Attained Record Levels in 2002

Personal Bankruptcy Filings / 1,000 Residents*



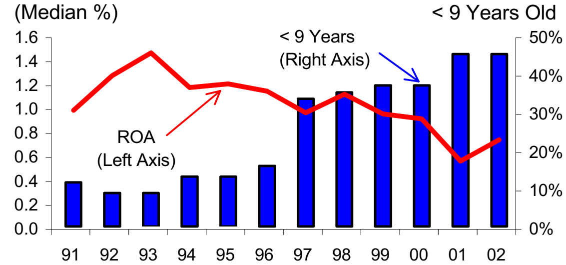
* The population data is for the previous year.
Sources: Administrative Office of U.S. Courts, and Census Bureau

Year-to-date profits reported by insured institutions based in Idaho did improve, but remained weak because of high overhead and a significant number of new charters.

- The third quarter 2002 median return on average assets (ROA) ratio among Idaho-based insured institutions was 0.73 percent, up from 0.55 percent a year earlier, but far below the 1.10 percent ROA reported by insured institutions nationwide. A median overhead-to-average asset ratio of 4.25 percent (versus 2.90 percent nationally) contributed to this weak performance.
- The state's large proportion of younger institutions (i.e., in operation less than 9 years) also adversely affected median performance (see **Chart 3**). Younger institutions, which comprise 45 percent of all Idaho-based insured institutions, reported a median ROA of 0.45 percent, compared to 0.81 percent among more established institutions.

Chart 3: A High Share of Younger Institutions Lowers Idaho's Median ROA Performance

Line: ROA (Median %) Bar: Share of Institutions < 9 Years Old



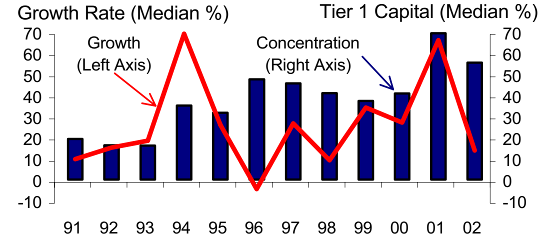
Note: ROA = return on average assets.
Source: Idaho Bank and Thrift Call Reports (September of each year)

Traditionally higher-risk construction and development (C&D) loan concentrations have increased significantly among insured institutions based in Idaho.

- The median C&D loan-to-Tier 1 capital ratio reported by insured institutions headquartered in Idaho has increased significantly during the past eleven years (see **Chart 4**).
- Cooling in the construction sector could limit growth in this loan segment going forward.

Chart 4: C&D Loan Exposures Increased Among Idaho-Based Insured Institutions

Line: Year-Over-Year C&D Loan Growth Rate (Median %) Bar: C&D Loans / Tier 1 Capital (Median %)



Note: C&D = construction and development.
Source: Idaho Bank and Thrift Call Reports (September of each year)

[3] Established community institutions are defined as insured institutions open longer than three years with total assets of less than $1 billion.

Idaho at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	20	20	19	19	20
Total Assets (in thousands)	4,107,586	3,573,725	2,970,438	2,534,826	2,197,776
New Institutions (# < 3 years)	2	2	0	5	5
New Institutions (# < 9 years)	9	9	7	7	7

Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	8.19	8.49	8.97	9.72	9.66

Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	1.19%	1.80%	1.18%	1.29%	1.72%
Past-Due and Nonaccrual ≥ 5%	0	0	0	1	1
ALLL/Total Loans (median %)	1.27%	1.32%	1.24%	1.24%	1.36%
ALLL/Noncurrent Loans (median multiple)	2.45	1.90	2.90	2.59	2.00
Net Loan Losses/Loans (aggregate)	0.21%	0.28%	0.21%	0.14%	0.09%

Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	2	3	2	1	4
Percent Unprofitable	10.00%	15.00%	10.53%	5.26%	20.00%
Return on Assets (median %)	0.73	0.55	0.90	0.94	1.11
25th Percentile	0.45	0.18	0.41	0.55	0.72
Net Interest Margin (median %)	4.70%	4.54%	5.24%	5.08%	5.10%
Yield on Earning Assets (median)	6.75%	8.37%	9.17%	8.39%	8.71%
Cost of Funding Earning Assets (median)	2.26%	3.74%	3.93%	3.33%	3.74%
Provisions to Avg. Assets (median)	0.35%	0.35%	0.32%	0.25%	0.22%
Noninterest Income to Avg. Assets (median)	1.12%	1.00%	0.91%	1.06%	0.95%
Overhead to Avg. Assets (median)	4.25%	4.23%	4.12%	4.16%	4.08%

Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	80.65%	83.77%	83.37%	77.57%	74.81%
Loans to Assets (median %)	70.74%	69.55%	71.73%	67.72%	64.12%
Brokered Deposits (# of Institutions)	4	4	4	2	0
Bro. Deps./Assets (median for above inst.)	6.09%	8.85%	3.81%	5.62%	na
Noncore Funding to Assets (median)	17.83%	19.33%	21.37%	18.64%	15.38%
Core Funding to Assets (median)	68.55%	69.15%	68.30%	72.63%	72.98%

Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	14	14	14	14	14
National	1	1	1	1	1
State Member	2	2	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	1	1	2
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	15	3,141,209	75.00%	76.47%
Boise City ID	4	891,383	20.00%	21.70%
Pocatello ID	1	74,994	5.00%	1.83%