

FDIC State Profile

SUMMER 2003

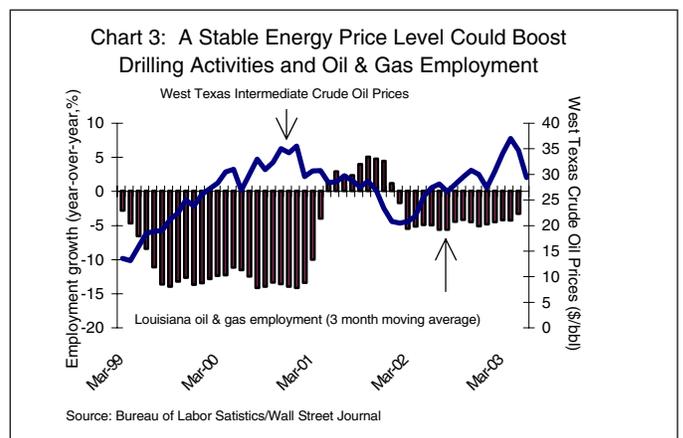
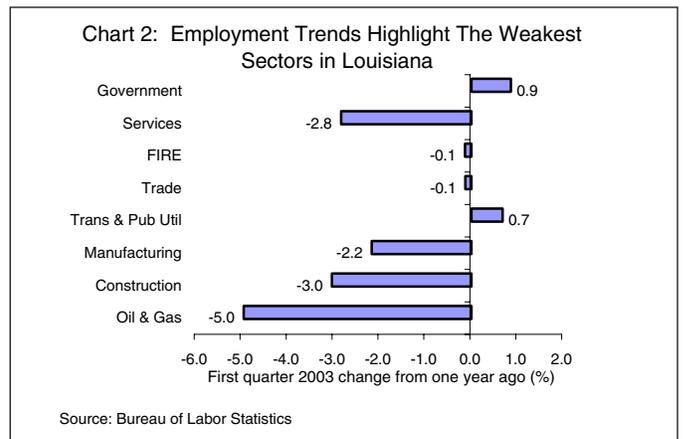
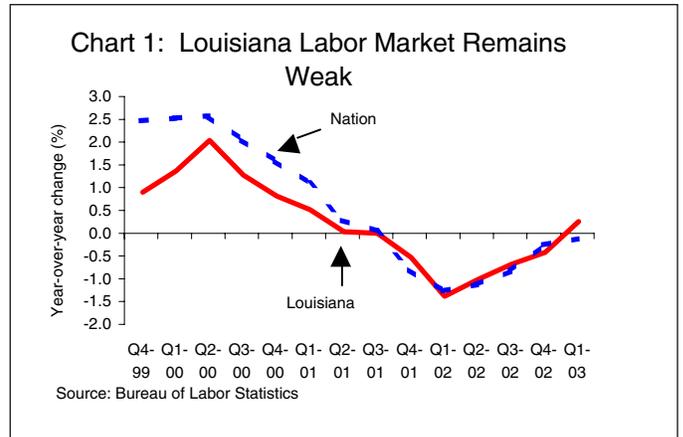
Louisiana

Louisiana's employment situation stabilized in first quarter 2003, following several quarters of job losses.

- Louisiana's economy experienced moderate employment growth until the first quarter of 2001, which marked the beginning of the 2001 national recession. (see Chart 1). The moderate increase in employment growth in the first quarter 2003 represents the first positive overall growth since the first quarter of 2001. During the national recession in 2001, employment gains continued at a modest pace, led by professional and business services, lodging establishments, health services, and transportation and public utilities. However, continued weakness in the national economy has since impeded employment growth in many of these sectors.
- Louisiana's employment levels declined throughout 2002, but stabilized somewhat in first quarter 2003 with employment growth of 0.1 percent, indicating labor market conditions may have passed their cyclical lows.
- The largest employment declines in first quarter 2003 occurred in oil and gas, construction, services and manufacturing sectors (see Chart 2). In contrast government, transportation and public utilities reported moderate employment gains in first quarter 2003 on a year-over-year basis.
- Economic weakness and rising healthcare costs are primary reasons for a growing gap between state government revenues and expenditures. Reductions in state and local employment levels are one likely consequence of requirement to balance the state budget. However, the May 2003 passage of a \$20 billion federal aid package for the states may help to mitigate some of the adversity that would otherwise accrue from balancing the budget. State and local government employment in Louisiana represented 18.1 percent of total employment in first quarter 2003.

Louisiana tourism experienced moderate growth.

- The state's important tourism and hospitality industry experienced moderate growth after slowing in late 2001 and the first half of 2002. Employment growth in the leisure hospitality sector, a proxy for the state's tourism industry, grew 0.9 percent in first quarter 2003 compared with a year earlier. First quarter 2003 job growth was the third quarterly increase, following two quarters of consecutive declines. The hotel and tourism industry is facing weak prospects as a



result of statewide economic weaknesses and a nationwide slowdown in traveling activities.

Louisiana's oil and gas sector employment could improve with stable energy prices.

- Louisiana's energy sector's contribution to the state's gross state product (GSP) has declined over the years to just 13 percent in 2000. However, the sector has a disproportionately large influence on the areas where employment is concentrated, because of the above-average wages garnered by employees. A stable energy price of about \$ 25.00 per barrel over an extended period could lead to an increase in oil and gas employment (see Chart 3).

Asset quality remains an ongoing concern as past-due levels increased.

- At year-end 2001, insured institutions headquartered in Louisiana reported a peak in past-due and nonaccrual loan levels at a median 2.67 percent of total loans (see Chart 4).
- Although past-due and nonaccrual loan levels (2.64 percent of total loans) are marginally below the peaks of year-end 2001, delinquencies held steady in 2002, signaling that credit problems remain among the state's insured institutions.¹

Loan loss coverage of nonperforming loans declined among the state's insured institutions.

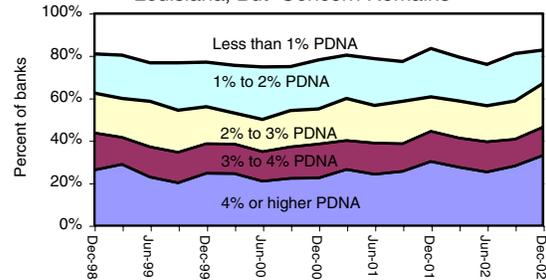
- Insured institutions headquartered in Louisiana responded to the peak in delinquencies at year-end 2001 by maintaining allowance levels at approximately 1.3 percent relative to total loans, a trend continuing throughout 2002² (see Chart 5).
- Coverage of nonperforming loans was 143 percent in fourth quarter 2002, down from 163 percent and 153 percent one-quarter ago and one-year ago, respectively.

Narrowing spreads may pressure future margins.

- Improved earnings levels resulted from the lagged effect of a favorable interest rate environment during the first half of 2002. The quarterly median net interest margin (NIM) for insured institutions headquartered in Louisiana peaked at 4.73 percent in third quarter 2002, but decreased to 4.54 percent at year-end 2002 (see Chart 6).
- The narrowing of the spread between short- and long-term interest rates may have detrimental effects on the NIM as funding costs hit effective

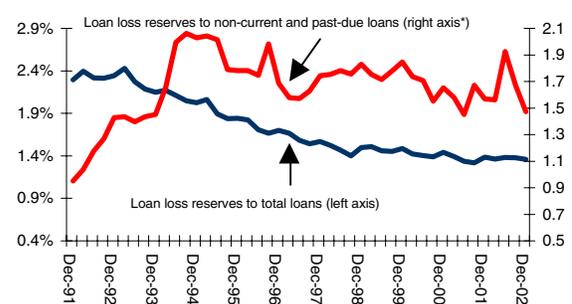
¹Although down from 2.75 percent at year-end 2001, the median past-due ratio among established banks (those in existence for at least three years) was 2.64 percent in fourth quarter 2002, up from 2.45 percent in third quarter 2002 and up from 2.38 percent in second quarter 2002.

Chart 4: Credit Problems May Have Peaked at Year-End 2001 for Insured Institutions Headquartered in Louisiana, But Concern Remains



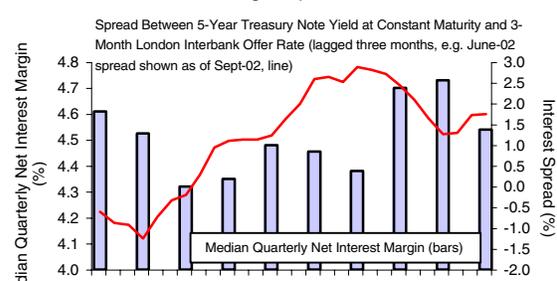
PDNA includes loans 30 days or more past-due and nonaccrual loans.
Source: Bank and Thrift Call Reports

Chart 5: Coverage Levels of Nonperforming Loans Have Declined



*Median loan coverage multiple
Source: Bank and Thrift Call Reports

Chart 6: Recent Narrowing of Spreads Could Pressure NIMs



Median Quarterly Net Interest Margin for all Louisiana Insured Institutions, excluding de novos.

floors and earning-asset yields decline. A rise in interest rates could pressure NIMs, particularly if accompanied by a decline in interest rate spreads to more normal levels.³

² Loan loss reserves were 1.29 percent of total loans in fourth quarter 2002, relatively unchanged from year-end 2001.

³The 10-year average monthly spread between 3-month Libor and 5-year Treasury rates is 77 basis points, compared with 162 basis point spread in December 2002.

State Profile

Louisiana at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	172	175	182	186	183
Total Assets (in thousands)	50,052,325	47,504,960	56,136,689	55,066,379	53,054,717
New Institutions (# < 3 years)	1	9	14	16	9
New Institutions (# < 9 years)	17	17	18	20	16
Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	10.27	9.95	10.36	10.32	10.10
Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	2.64%	2.67%	2.35%	2.25%	2.70%
Past-Due and Nonaccrual >= 5%	38	33	31	30	34
ALLL/Total Loans (median %)	1.29%	1.31%	1.30%	1.30%	1.34%
ALLL/Noncurrent Loans (median multiple)	1.43	1.59	1.77	1.91	1.79
Net Loan Losses/Loans (aggregate)	0.39%	0.42%	0.48%	0.47%	0.34%
Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	1	5	11	19	12
Percent Unprofitable	0.58%	2.86%	6.04%	10.22%	6.56%
Return on Assets (median %)	1.06	0.95	1.01	0.95	1.05
25th Percentile	0.77	0.67	0.64	0.68	0.75
Net Interest Margin (median %)	4.57%	4.42%	4.58%	4.51%	4.69%
Yield on Earning Assets (median)	6.71%	7.78%	8.27%	7.82%	8.01%
Cost of Funding Earning Assets (median)	2.25%	3.47%	3.78%	3.36%	3.48%
Provisions to Avg. Assets (median)	0.13%	0.15%	0.14%	0.14%	0.13%
Noninterest Income to Avg. Assets (median)	0.84%	0.84%	0.79%	0.82%	0.83%
Overhead to Avg. Assets (median)	3.44%	3.46%	3.49%	3.46%	3.52%
Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	69.95%	69.24%	71.48%	70.12%	64.24%
Loans to Assets (median %)	59.45%	58.82%	59.90%	59.11%	55.73%
Brokered Deposits (# of Institutions)	13	13	10	8	7
Bro. Deps./Assets (median for above inst.)	1.29%	1.42%	2.20%	3.02%	3.43%
Noncore Funding to Assets (median)	18.56%	18.25%	17.73%	17.14%	15.37%
Core Funding to Assets (median)	69.04%	69.78%	70.02%	71.13%	72.72%
Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	122	125	129	131	128
National	15	16	18	19	20
State Member	3	2	2	3	2
S&L	21	21	21	21	22
Savings Bank	8	8	9	9	8
Mutually Insured	3	3	3	3	3
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		92	11,950,516	53.49%	23.88%
New Orleans LA		28	29,592,341	16.28%	59.12%
Lafayette LA		22	2,975,817	12.79%	5.95%
Baton Rouge LA		10	2,550,787	5.81%	5.10%
Shreveport-Bossier City LA		8	728,891	4.65%	1.46%
Houma LA		6	685,942	3.49%	1.37%
Monroe LA		2	438,178	1.16%	0.88%
Lake Charles LA		2	831,349	1.16%	1.66%
Alexandria LA		2	298,504	1.16%	0.60%