FDIC State Profile

WINTER 2003

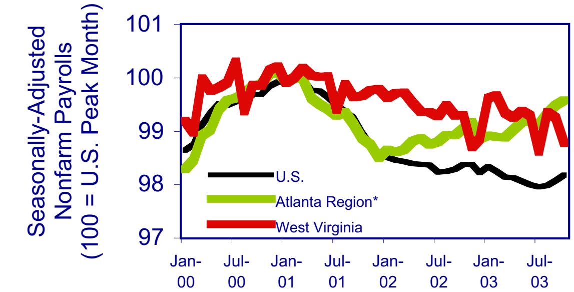
West Virginia

West Virginia labor market remains unstable in Fall 2003; traditional industries continue to flounder.

- Following a first quarter 2002 peak in jobless rates, unemployment has fallen to the national average of 6.0 percent. While initial state unemployment insurance claims remain at historically high levels, a downward trend in filings continues from the peak reached following the recession in early 2002 (see Chart 1).
- Payrolls in the coal and steel-related industries continue to trend downward after showing some signs of moderation in early 2003, reflecting a structural decline in both industries. In 2002, the average annual wage from a coal-mining job was more than $54,000, nearly twice the average state wage for all industries.
- Service-related industries, comprising three-quarters of the state payroll, remain stagnant; however, professional services, heath care, and the food services industries continue to experience job growth.
- Population outflows that have constrained faster economic growth in West Virginia may be moderating. In 2002, the U.S. Census Bureau estimated that the state's population increased marginally. While substantially less than the national average, the increase was a substantial improvement over the six prior years during which the state's population base shrank. Anecdotal evidence suggests that the improvement is the result of fewer retirees relocating to states such as Florida.

Despite healthy conditions among community banks[1] headquartered in West Virginia, earnings growth has weakened.

- Earnings among community banks based in West Virginia slowed substantially during the 12 months ending June 30, 2003. Net income grew only 2 percent to $39 million during the period, much slower than the 45 percent growth rate recorded a year earlier. Subsequently, profitability measures fell appreciably over the past 12 months as both net interest margins and return on assets trended lower. Slowing loan growth combined with declining asset yields, which led to the lackluster earning performance.



*Atlanta Region includes AL, FL, GA, NC, SC, VA, WV
Source: Bureau of Labor Statistics/Haver Analytics

- Loan growth continued to weaken during the 12 months ending June 30, 2003, finishing the year at 6 percent on a merger-adjusted basis; the growth rate slowed for a second time in as many years. The greatest activity occurred in the nonresidential component of the commercial real estate loan segment, which also includes construction and multifamily loans. Although 1-to-4 family mortgages comprise the majority of the loan portfolio, the CRE segment now represents 18 percent of assets, up from 15 percent two years ago. CRE loan concentrations have increased among almost all community banks based in West Virginia, but remain lower than among banks in other areas in the region. Credit quality among community banks headquartered in the state appears solid as noncurrent loans and charge-offs improved in the period ending second quarter 2003.

[1] Community banks have less than $1billion in assets and exclude de novos, specialty institutions, and thrifts.

West Virginia at a Glance

General Information		Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)		76	77	78	86	90
Total Assets (in thousands)		20,793,349	19,711,185	18,537,355	23,173,676	24,243,921
New Institutions (# < 3 years)		3	3	4	5	6
New Institutions (# < 9 years)	11	10	9	9	8	

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.89	9.74	9.58	10.18	9.76

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	2.19%	2.45%	2.93%	2.48%	2.82%
Past-Due and Nonaccrual > = 5%	13	13	15	16	21
ALLL/Total Loans (median %)	1.20%	1.16%	1.16%	1.11%	1.21%
ALLL/Noncurrent Loans (median multiple)	1.53	1.30	1.21	2.15	1.26
Net Loan Losses/Loans (aggregate)	0.21%	0.78%	0.51%	0.40%	0.43%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	4	3	6	3	4
Percent Unprofitable	5.26%	3.90%	7.69%	3.49%	4.44%
Return on Assets (median %)	0.96	0.93	0.81	0.95	0.96
25th Percentile	0.64	0.72	0.56	0.70	0.69
Net Interest Margin (median %)	4.05%	4.25%	4.12%	4.37%	4.28%
Yield on Earning Assets (median)	6.10%	6.94%	7.95%	8.02%	7.79%
Cost of Funding Earning Assets (median)	1.90%	2.63%	3.86%	3.68%	3.45%
Provisions to Avg. Assets (median)	0.16%	0.18%	0.15%	0.14%	0.13%
Noninterest Income to Avg. Assets (median)	0.50%	0.48%	0.48%	0.51%	0.42%
Overhead to Avg. Assets (median)	2.91%	2.96%	2.95%	2.99%	2.81%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	74.38%	74.07%	74.98%	77.04%	70.20%
Loans to Assets (median %)	60.83%	62.45%	62.52%	64.52%	59.04%
Brokered Deposits (# of institutions)	8	8	3	5	6
Bro. Deps./Assets (median for above inst.)	0.60%	1.09%	0.61%	0.76%	1.58%
Noncore Funding to Assets (median)	12.57%	12.52%	12.27%	13.51%	10.79%
Core Funding to Assets (median)	75.13%	76.49%	75.92%	75.21%	77.12%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	35	34	34	39	41
National	20	21	23	25	27
State Member	14	15	14	15	15
S&L	1	1	1	1	1
Savings Bank	6	6	6	6	6
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
	53	6,073,801	69.74%	29.21%
	5	4,407,089	6.58%	21.19%
	5	2,929,928	6.58%	14.09%
	5	2,671,399	6.58%	12.85%
	3	608,002	3.95%	2.92%
	3	3,712,927	3.95%	17.86%
	2	390,203	2.63%	1.88%