State Profile

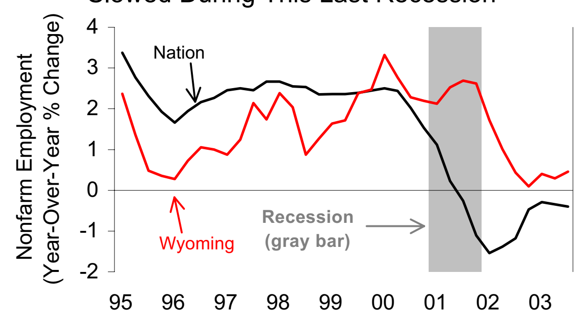
Winter 2003

Wyoming

Wyoming posted modest employment growth in the year ending third quarter 2003, continuing to avoid the overall job losses reported by the nation.

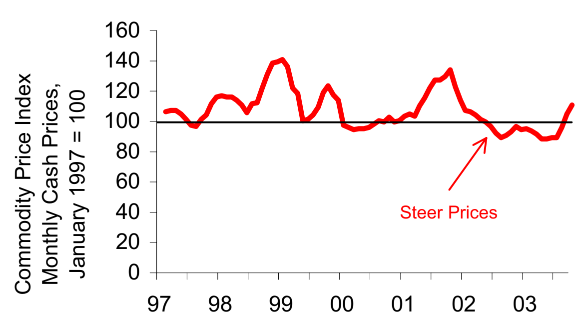
- Nonfarm payroll employment in Wyoming expanded 0.5 percent year-over-year as of third quarter 2003 (see Chart 1). Gains occurred in the majority of employment sectors. The government, educational and health services, and leisure and hospitality sectors added the greatest number of jobs. These three sectors accounted for 46 percent of Wyoming's employment as of third quarter 2003. The largest job losses occurred in the construction, manufacturing, and professional and business services sectors, which accounted for less than 20 percent of the state's nonfarm employment.
- Wyoming's economy remained dependent upon natural resources, with state revenues sensitive to swings in these commodity prices.[1] The natural resources and mining sector represented 7 percent of nonfarm payroll employment, but mining, including oil and gas extraction and coal mining, provided 23 percent of Wyoming's Gross State Product (GSP) for 2001, the latest data available. In addition, state and local governments, which represented almost 10 percent of the GSP during 2001, rely heavily on mineral-related taxes as a source of revenue. Rising natural gas prices resulted in an estimated state budget surplus of $1 billion for fiscal year 2005-2006. However, this surplus does not necessarily flow through to Wyoming's municipalities. In 2000, the state legislature passed a bill limiting the revenue municipalities receive from mineral royalties and mineral severance taxes.

Chart 1: Employment Growth in Wyoming Slowed During This Last Recession



Source: Bureau of Labor Statistics and National Bureau of Economic Research

Chart 2: Steer Prices Continued Upward Trend



Source: USDA (Haver Analytics)

Agricultural conditions in Wyoming improved, spurred by higher beef prices.

- Cattle producers, which generate more than 75 percent of the state's agricultural revenues, benefited from increased beef prices. Steer and heifer prices increased 30 percent year-over-year as of September 30, 2003, in part a result of increased consumer demand for beef (see Chart 2).
- Improved weather conditions helped crop production. Average 2003 crop yields and acreage for harvest were forecast to be better than last year.[2] Although the state continues to face a drought watch or warning, no part of Wyoming was classified as a drought disaster at the end of the third quarter 2003.[3]
- As of June 30, 2003, 20 of the state's 47 insured institutions reported agricultural loan-to-Tier 1 capital ratios exceeding 100 percent. These agricultural lenders reported an improved median overall past-due loan ratio of 2.17 percent as of June 30, 2003, down from 2.47 percent one-year earlier.

[1] McVeigh, Buck. "Wyoming State Government Revenue Forecast Highlights," Wyoming State Government, Economic Analysis Division, October 22, 2003

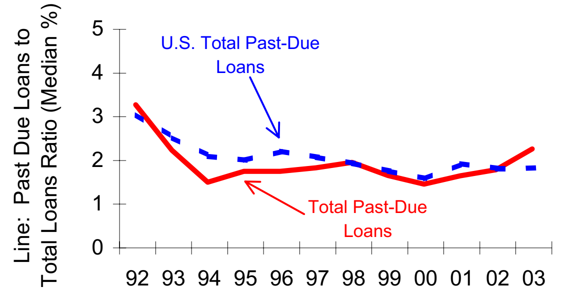
[2] Wyoming Range Review, Wyoming Agricultural Statistics Service, August 13, 2003

[3] Wyoming State Climatologist Assessment, Wyoming Drought Monitor, Wyoming Department of Agriculture, September 29, 2003

Earnings performance and asset quality at insured institutions headquartered in Wyoming showed some signs of deterioration.

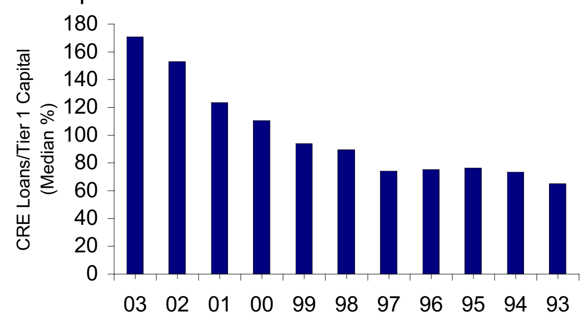
- The median return on assets (ROA) reported by all Wyoming insured institutions was 1.43 percent as of June 30, 2003. The median *pre-tax* ROA, which is a more useful performance measure when evaluating institutions electing Subchapter S tax status,[4] was 1.73 percent, substantially above the national median of 1.45 percent. However, both the median ROA and pre-tax ROA suffered declines year-over-year as of June 30, 2003. Earnings declined as a result of narrowing net interest margins, increased provision expenses, and a small decrease in fee income.
- Asset quality among insured institutions headquartered in Wyoming deteriorated year-over-year as of June 30, 2003 (see Chart 3). The median past-due loan ratio increased from 1.74 percent to 2.22 percent over the period, with increases concentrated in commercial real estate and commercial and industrial loans. The increase in delinquencies pressured allowance for loan loss levels (ALLL) at Wyoming-based institutions. The median ALLL to noncurrent loan multiple fell from 2.34 times to 1.68 times during the year ending June 30, 2003.[5] However, net loan losses to average loans remained unchanged at 0.06 percent.

Chart 3: Asset Quality Among Insured Institutions in Wyoming Has Deteriorated



Source: Wyoming Bank and Thrift Call Reports (June of each year)

Chart 4: Wyoming-Based Insured Institutions Report Increased CRE Loan Concentrations



Source: Wyoming Bank and Thrift Call Reports (June of each year)

Growing commercial real estate (CRE) loan concentrations among insured institutions in Wyoming are a potential concern, particularly for banks that have not experienced a full real estate cycle.

- During the past 10 years, the median CRE[6] loan-to-Tier 1 capital ratio among Wyoming's insured institutions has nearly tripled from 65 percent in March 1993 to 171 percent in June 2003 (see Chart 4). As of second quarter 2003, 21 percent of all Wyoming-based insured institutions reported CRE loan-to-Tier 1 capital ratios exceeding 300 percent, up from less than 2 percent in second quarter 1993.
- Construction and development (C&D) loans contributed materially to the trend. The median C&D loan-to-Tier 1 capital ratio among Wyoming-based institutions increased from nearly 5 percent to 29 percent during the past 10 years. As of second quarter 2003, seven institutions reported C&D loan-to-Tier 1 capital ratios greater than 100 percent.

[4] Pre-tax ROA is used to allow better comparability between regular banking corporations and institutions electing Subchapter S Corporation status. Twenty-one of Wyoming's 47 insured institutions elected Subchapter S status, which eliminates income tax at the bank level.

[5] Noncurrent loans are defined as loans on nonaccrual status and loans past due 90 or more days and still on accrual status.

[6] Commercial real estate loans include construction, multifamily, and nonfarm-nonresidential mortgages.

Wyoming at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	47	49	50	54	53
Total Assets (in thousands)	7,627,029	7,212,757	8,151,626	8,911,371	8,789,326
New Institutions (# < 3 years)	1	0	1	2	2
New Institutions (# < 9 years)	4	3	3	3	3

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.72	8.32	8.46	8.98	9.06

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	2.22%	1.74%	1.60%	1.41%	1.61%
Past-Due and Nonaccrual ≥ 5%	7	6	8	6	4
ALLL/Total Loans (median %)	1.23%	1.28%	1.38%	1.39%	1.43%
ALLL/Noncurrent Loans (median multiple)	1.68	2.34	2.49	2.88	2.01
Net Loan Losses/Loans (aggregate)	0.09%	0.55%	0.66%	0.14%	0.11%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)		0	1	2	2
Percent Unprofitable	0.00%	0.00%	2.00%	3.70%	3.77%
Return on Assets (median %)	1.43	1.54	1.34	1.37	1.33
25th Percentile	0.97	0.92	0.76	1.05	0.95
Net Interest Margin (median %)	4.27%	4.54%	4.35%	4.78%	4.55%
Yield on Earning Assets (median)	5.92%	6.74%	8.14%	8.17%	7.76%
Cost of Funding Earning Assets (median)	1.65%	2.31%	3.73%	3.52%	3.32%
Provisions to Avg. Assets (median)	0.10%	0.08%	0.10%	0.11%	0.08%
Noninterest Income to Avg. Assets (median)	0.54%	0.55%	0.59%	0.59%	0.60%
Overhead to Avg. Assets (median)	2.80%	2.91%	2.86%	3.00%	2.94%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	69.40%	70.51%	72.65%	69.94%	66.03%
Loans to Assets (median %)	59.90%	60.03%	63.06%	60.50%	56.69%
Brokered Deposits (# of institutions)	12	5	4	5	7
Bro. Deps./Assets (median for above inst.)	2.03%	1.30%	1.20%	1.01%	1.58%
Noncore Funding to Assets (median)	17.26%	15.48%	18.98%	17.54%	16.11%
Core Funding to Assets (median)	71.15%	74.25%	71.54%	71.24%	72.03%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	9	8	10	11	11
National	18	20	20	21	20
State Member	17	17	16	18	18
S&L	1	1	1	1	1
Savings Bank	2	3	3	3	3
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	39	4,520,474	82.98%	59.27%
Cheyenne WY	6	540,634	12.77%	7.09%
Casper WY	2	2,565,921	4.26%	33.64%