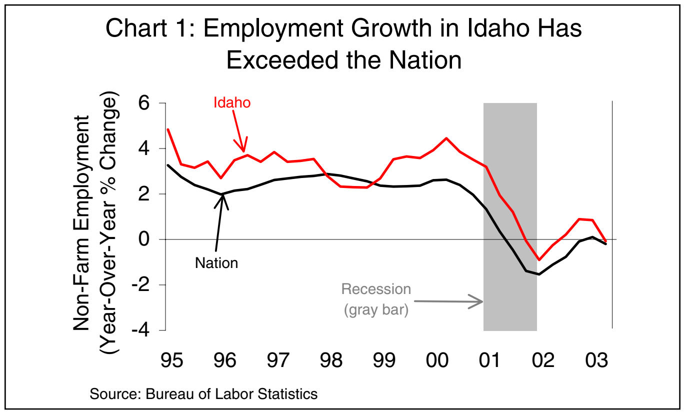
FDIC State Profile

FALL 2003

Idaho

Employment in Idaho decreased 0.16 percent year-over-year as of the second quarter of 2003, primarily because of weakness in the manufacturing sector.

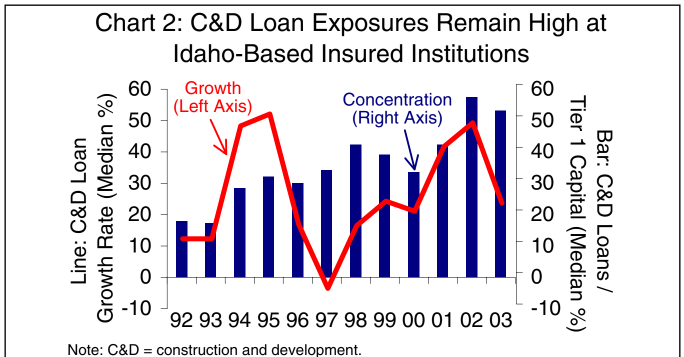
- Manufacturing employment declined 6.2 percent year-over-year as of the second quarter 2003, the highest rate of job loss among major sectors, and reflecting weakness in the semiconductor and food-processing industries.
- The downturn in the information technology (IT) sector had a significant impact on Idaho's economy. The ***Boise*** metro area lost 24 percent of IT manufacturing jobs between January 2001 and March 2003.[1] Micron, Idaho's largest private employer and the world's second largest manufacturer of computer memory products, recently confirmed that demand for its products had increased.[2] However, increased demand is not forecast to translate into significant IT sector job growth until 2005.



Source: Bureau of Labor Statistics

Construction employment is forecast to decrease, while construction and development (C&D) loan concentrations remain at a high level among Idaho-based insured institutions.

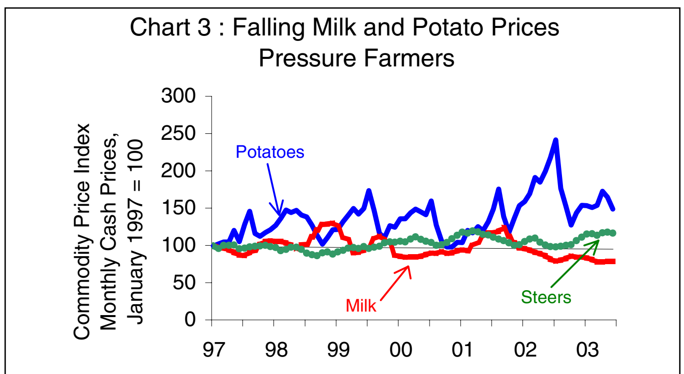
- The construction sector has been a source of employment growth in Idaho over the past decade (see Chart 1), a result of the state's rapid population growth during the 1990's. Recent forecasts expect the sector to lose jobs over the next three years as Idaho housing starts are anticipated to decline.[3]
- 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 2).



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

Idaho farmers face pressure from falling commodity prices (see Chart 3).

- Milk prices have fallen approximately 25% over the last two years, as dairy producers expanded production to meet anticipated demand that failed to materialize. Nationwide, the default rate among dairy farmers has increased, according to some institutions.[4]
- In reaction to lower potato prices, reduced demand, and the announced April 2004 closure of a potato processing plant owned by one of the state's largest private employers, farmers have reduced the amount of acreage planted to the



Source: USDA (Haver Analytics)

[1] Glen, James. "No Tech Jobs Yet," *Dismal Scientist/Economy.com*, June 2, 2003.

[2] Howard, Julie. "Analysts: Future looks bright for Micron," *The Idaho Statesman*, July 24, 2003.

[3] Division of Financial Management, State of Idaho, *Idaho Economic Forecast*, July 2003, pages 17-18.

[4] Jackson, Ben. "Dairy Farmers' Woes Starting to Squeeze Lenders," *American Banker*, August 7, 2003, page 4.

second lowest level in 14 years, in the hopes of raising prices.[5]

- However, credit quality has not weakened. In fact, agricultural lenders[6] based in the state reported a median overall past-due loan ratio of 2.10 percent as of March 31, 2003, down from 2.77 percent the prior quarter.

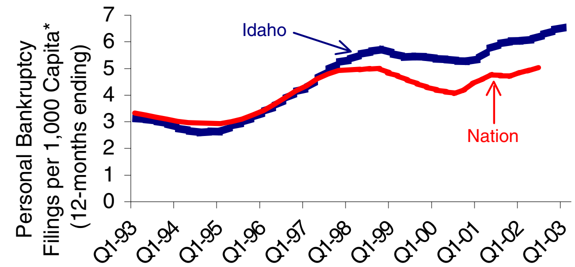
The effects of high bankruptcy and foreclosure rates on Idaho insured institutions have been modest.

- The Idaho personal bankruptcy rate rose 9 percent year-over-year as of first quarter 2003; the state filing rate was 20 percent higher than the national average (see Chart 4). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. The first quarter 2003 Idaho foreclosure rate, according to the Mortgage Bankers Association of America (MBAA), was 0.40 percent of all mortgages, slightly exceeding the national rate of 0.37 percent.
- Heightened personal bankruptcy activity had little effect on the median past-due consumer loan ratio, which decreased from 1.67 percent to 1.53 percent from first quarter 2002 to first quarter 2003, among established community institutions[7] based in Idaho. Conversely, the median consumer loan net charge-off ratio rose from 0.07 percent to 0.46 percent.
- Despite higher foreclosure start estimates, the median single-family mortgage delinquency ratio among established community institutions declined year-over-year as of first quarter 2003 from 1.12 percent to 0.85 percent, possibly as a result of heavy refinancing activity.

Idaho-based insured institutions reported significantly higher profits for first quarter 2002, driven by younger institutions reporting higher profits.

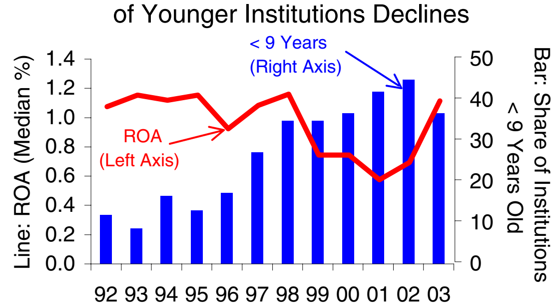
- The median return on average assets (ROA) ratio among Idaho-based insured institutions was 1.10 percent as of March 31, 2003, up from 0.68 percent one year earlier, and modestly above the 1.05 percent ROA reported by insured institutions nationwide. Improvements in the net interest margin and noninterest income, as well as a reduction in overhead expenses, combined to boost earnings performance. Idaho-based insured institutions continue to report a median overhead-to-average asset ratio much higher than the nation (4.01 percent versus 2.90 percent).
- The state's large proportion of younger institutions (in operation less than 9 years) helped boost median performance (see Chart 5). Younger institutions, which comprise 37 percent of all Idaho-based insured institutions, reported a median ROA of 0.77 percent, compared to 0.22 percent one year earlier.

Chart 4: Idaho's Personal Bankruptcy Filing Rate Is Increasing Faster than the Nation's



*Personal bankruptcy filing rate calculated using prior year population figure
Source: Mortgage Bankers Association and U.S. Courts (Haver Analytics)

Chart 5: Idaho's Median ROA Improves as Share of Younger Institutions Declines



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

[5] "Potato Growers Plant Second Smallest Acreage in 14 Years," *The Idaho Statesman*, July 17, 2003.

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

[7] Established community institutions are defined as insured institutions open longer than three years with total assets of less than $1 billion, average loans greater than 25 percent average assets, unused credit card commitments less than total assets, consumer loans less than 300 percent of Tier 1 capital, excluding industrial loan companies and specialty institutions.

Idaho at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	19	20	19	19	20
Total Assets (in thousands)	4,251,570	3,722,696	3,288,752	2,669,194	2,384,267
New Institutions (# < 3 years)	2	2	1	2	5
New Institutions (# < 9 years)	7	9	8	7	7

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	8.42	8.57	8.73	9.71	9.21

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.09%	1.89%	1.34%	1.67%	1.60%
Past-Due and Nonaccrual >= 5%	1	0	0	0	1
ALLL/Total Loans (median %)	1.37%	1.36%	1.37%	1.38%	1.39%
ALLL/Noncurrent Loans (median multiple)	3.08	2.16	3.13	2.97	2.20
Net Loan Losses/Loans (aggregate)	0.04%	0.14%	0.20%	0.15%	0.16%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	1	3	2	1	5
Percent Unprofitable	5.26%	15.00%	10.53%	5.26%	25.00%
Return on Assets (median %)	1.10	0.68	0.56	0.73	0.73
25th Percentile	0.72	0.27	0.17	0.46	0.10
Net Interest Margin (median %)	4.70%	4.44%	4.67%	5.14%	4.91%
Yield on Earning Assets (median)	6.21%	6.99%	8.81%	8.75%	8.01%
Cost of Funding Earning Assets (median)	1.69%	2.43%	4.09%	3.76%	3.42%
Provisions to Avg. Assets (median)	0.25%	0.27%	0.22%	0.37%	0.19%
Noninterest Income to Avg. Assets (median)	1.43%	1.18%	0.90%	0.87%	1.02%
Overhead to Avg. Assets (median)	4.01%	4.28%	4.01%	4.24%	4.33%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	83.83%	79.62%	80.16%	78.80%	74.82%
Loans to Assets (median %)	71.34%	67.81%	68.78%	71.00%	64.91%
Brokered Deposits (# of institutions)	5	4	4	3	0
Bro. Deps./Assets (median for above inst.)	3.47%	5.74%	5.72%	5.80%	na
Noncore Funding to Assets (median)	17.35%	18.09%	20.49%	20.20%	15.31%
Core Funding to Assets (median)	67.91%	67.96%	68.34%	68.93%	74.22%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	13	14	13	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	2	1	2
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets ($000s)	% Inst.	% Assets
No MSA	14	3,198,352	73.68%	75.23%
Boise City ID	4	968,109	21.05%	22.77%
Pocatello ID	1	85,109	5.26%	2.00%