FDIC State Profile

FALL 2003

Wyoming

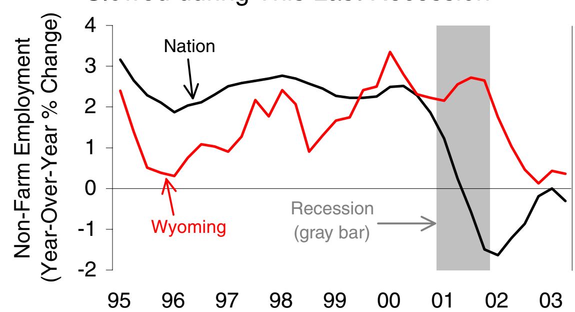
Employment growth in Wyoming slowed in the year ending second quarter 2003, with the state's manufacturing sector continuing to shed jobs.

- Non-farm payroll employment in Wyoming expanded 0.4 percent year-over-year as of mid-year 2003 (see Chart 1). The most significant employment gains occurred in the finance, insurance, real estate (FIRE), and information technology sectors. The largest job losses occurred in the manufacturing sector. Employment decreased by nearly 4 percent in the manufacturing sector. Manufacturing is a small sector in Wyoming, accounting for less than 5 percent of total employment.
- Employment in the natural resources and mining sector decreased by 1 percent in the year ending in second quarter 2003, because of employment losses within mining support activities. Oil and gas extraction employment increased, prompted by higher natural gas prices and an increase in active rig counts.[1]
- Oil and gas extraction and coal mining represented approximately 21 percent of Wyoming's Gross State Product (GSP) during 2001. In addition, state and local government, which represented almost 10 percent of the GSP during 2001, relies heavily on mineral-related taxes as a source of revenue. Although the state is not predicting a budget deficit, these exposures increase the state's vulnerability to fluctuations in commodity prices.

Drought conditions in Wyoming are hurting the state's agricultural producers, particularly cattle ranchers and grain farmers.

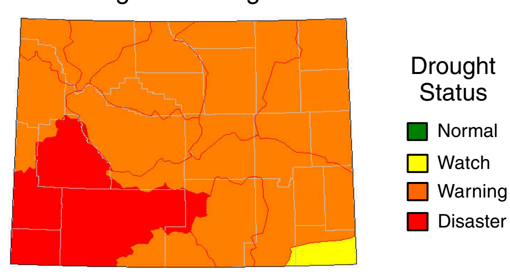
- Precipitation in Wyoming was reported to be 70 to 80 percent below average during the past three years; 2002 was the second driest year in more than 100 years (see Map 1).
- Dry conditions have severely reduced the supply and quality of hay and grazing pastureland. Cattle producers, which generate more than 75 percent of the state's agricultural revenues, have been forced to sell portions of their foundation herds.

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



Source: Bureau of Labor Statistics

Map 1: A Majority of Wyoming Is in a Drought Warning or a Drought Disaster Status



Source: Wyoming State Climatologist Assessment: 16 July 2003
Wyoming Drought Monitor, Wyoming Department of Agriculture
http://www.wrds.uwyo.edu/images/wrds/wsc/droughtstatus/droughtstatus.gif

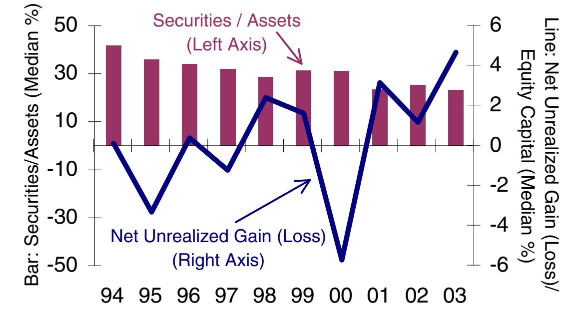
- As of March 31, 2003, 22 of the state's 50 insured institutions reported agricultural loan-to-Tier 1 capital ratios exceeding 100 percent. Agricultural lenders reported a median overall past-due loan ratio of 2.86 percent, up from 2.32 percent one year earlier. If drought conditions persist, asset quality could further deteriorate.

[1] Wyoming Department of Employment Research & Planning, State of Wyoming, "Forecasting Oil & Gas Employment for the State of Wyoming," *Wyoming Labor Force Trends,* July 2002.

Insured institutions headquartered in Wyoming have reported relatively stable earnings during the past several years, though asset quality has shown some signs of deterioration.

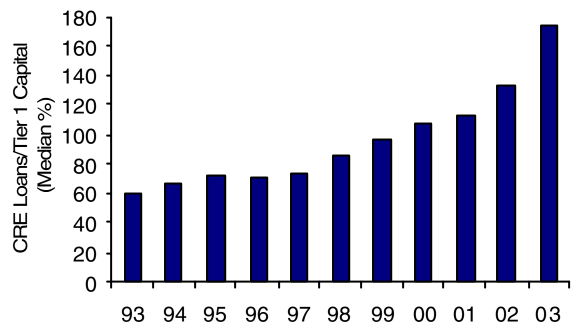
- The median return on assets (ROA) reported by all Wyoming insured institutions was 1.46 percent as of the first quarter 2003. The median *pre-tax* ROA, which is a more useful performance measure when evaluating institutions electing Subchapter S tax status,[2] was 1.67 percent, substantially above the national median of 1.43 percent. Despite reduced net interest margins, earnings performance improved as a result of securities sales.
- Through first quarter 2003, 40 percent of the insured institutions headquartered in Wyoming realized securities gains, with 20 percent of all Wyoming institutions reporting gains in excess of 10 percent of pre-tax earnings. The number of institutions realizing large gains has risen sharply as declining interest rates have increased the market value of securities portfolios. If interest rates rise, the reinvestment of the funds received from these sales may result in future net interest margin compression. Furthermore, in the first quarters of 1995 and 2000 (periods of rising interest rates), Wyoming institutions reported median unrealized *losses* on securities portfolios of approximately 3 percent and 6 percent, respectively, of equity capital (see Chart 2).
- Asset quality among insured institutions headquartered in Wyoming deteriorated year-over-year in first quarter 2003. The median past-due loan ratio increased from 1.61 to 1.98 percent over the period, driven in part by credit weaknesses among agricultural lenders.

Chart 2: Future Rate Increases Could Eliminate Unrealized Portfolio Gains as in 1995 and 2000



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

Chart 3: Wyoming-Based Insured Institutions Report Increased CRE Loan Concentrations



Source: Wyoming Bank and Thrift Call Reports (March 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 ten years, the median CRE loan[3]-to-Tier 1 capital ratio among Wyoming's insured institutions has nearly tripled from 60 percent in March 1993 to 174 percent in March 2003 (see Chart 3). As of first quarter 2003, nearly one-quarter of all Wyoming-based insured institutions reported CRE loan-to-Tier 1 capital ratios exceeding 300 percent, up from less than 2 percent in first 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 3 percent to 28 percent during the past 10 years. As of first quarter 2003, six institutions reported C&D loan-to-Tier 1 capital ratios greater than 100 percent.

[2] Pre-tax ROA is used to allow better comparability between regular banking corporations and institutions electing Subchapter S Corporation status. Twenty-four of Wyoming's 50 insured institutions elected Subchapter S status, which eliminates income tax at the bank level.

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

Wyoming at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	50	49	50	54	55
Total Assets (in thousands)	7,536,531	7,152,479	7,903,203	8,450,653	8,776,544
New Institutions (# < 3 years)	1	1	1	2	1
New Institutions (# < 9 years)	4	3	3	3	2

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	8.72	8.28	8.54	8.99	8.74

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.98%	1.61%	1.40%	1.73%	1.90%
Past-Due and Nonaccrual >= 5%	8	7	9	6	12
ALLL/Total Loans (median %)	1.30%	1.40%	1.41%	1.40%	1.48%
ALLL/Noncurrent Loans (median multiple)	1.56	2.21	2.62	2.47	2.04
Net Loan Losses/Loans (aggregate)	0.07%	0.65%	0.54%	0.13%	0.16%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	1	3	3	2	2
Percent Unprofitable	2.00%	6.12%	6.00%	3.70%	3.64%
Return on Assets (median %)	1.46	1.37	1.21	1.31	1.29
25th Percentile	0.94	0.78	0.87	0.97	0.91
Net Interest Margin (median %)	4.26%	4.49%	4.43%	4.67%	4.53%
Yield on Earning Assets (median)	5.97%	6.71%	8.22%	8.11%	7.67%
Cost of Funding Earning Assets (median)	1.72%	2.36%	3.86%	3.47%	3.30%
Provisions to Avg. Assets (median)	0.07%	0.07%	0.10%	0.10%	0.08%
Noninterest Income to Avg. Assets (median)	0.54%	0.55%	0.57%	0.58%	0.57%
Overhead to Avg. Assets (median)	2.87%	2.85%	2.84%	2.96%	2.87%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	68.24%	67.75%	72.20%	67.65%	63.65%
Loans to Assets (median %)	60.19%	58.36%	62.80%	59.40%	55.98%
Brokered Deposits (# of institutions)	7	5	4	4	6
Bro. Deps./Assets (median for above inst.)	2.59%	0.89%	0.89%	1.98%	2.88%
Noncore Funding to Assets (median)	16.49%	16.14%	18.21%	16.92%	15.22%
Core Funding to Assets (median)	72.77%	74.49%	71.60%	72.09%	72.93%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	9	9	10	11	11
National	21	20	20	21	20
State Member	17	16	16	18	20
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 ($000s)	% Inst.	% Assets
No MSA	42	4,510,797	84.00%	59.85%
Cheyenne WY	6	407,213	12.00%	5.40%
Casper WY	2	2,618,521	4.00%	34.74%