FDIC State Profile

Summer 2004

Colorado

Based upon employment losses, Colorado remains in recession.

- The rate of job losses in Colorado continues to exceed that of the nation (See Chart 1).
- The state's lackluster job growth can be attributed, in part, to troubled industries such as telecommunications, manufacturing and airlines.
- Colorado's severe recession has hampered per capita income and personal income growth. The state ranked 46th and 44th in the nation, respectively, for these two economic indicators in 2003. Growth rates in these factors dropped dramatically between 2000 and 2003 from the robust growth of the 1990s.

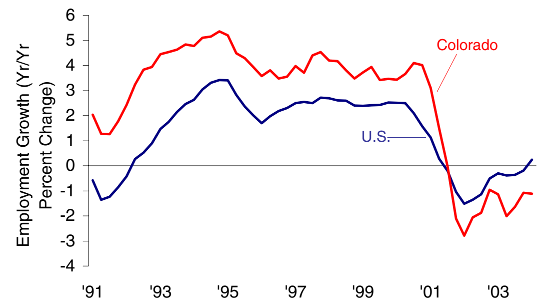
Job growth in Colorado has been uneven with respect to major industry sectors.

- The sectors of financial activities and education and health services have added jobs on a year-over-year basis in first quarter 2004, led by historically low mortgage interest rates and favorable demographic trends (See Chart 2).
- Employment losses were concentrated primarily in the goods-providing sectors of construction and manufacturing. Losses in these sectors can be explained in part by the protracted downturn of the telecommunications industry.

The 2004 outlook for the Colorado economy is mixed.

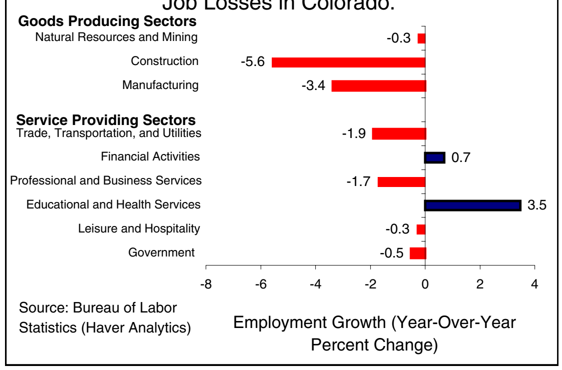
- The Coincident Index of Economic Activity[1] indicates that the Colorado economy has been improving for the past three quarters and has recently started growing (See Chart 3).
- However, the state is not expected to reach pre-recession employment peak levels until 2005.
- **Denver** may not see an employment turnaround until 2006 or later because of extensive weakness in

Chart1: The Rate of Job Losses in Colorado Continues to Exceed That of the Nation.



Source: Bureau of Labor Statistics (Haver Analytics)

Chart 2: Construction and Manufacturing are Driving Job Losses in Colorado.



Source: Bureau of Labor Statistics (Haver Analytics)

Chart 3: Colorado's Economy is Starting to Show Signs of Recovery.

Source: Federal Reserve Bank of Philadelphia (Haver Analytics)

[1] Coincident Economic Activity includes four indicators: non-farm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The state's index is designed to approximate that of gross state product.

telecommunications and other high-tech industries.[2] Forecasted growth in investment banking, money management, aircraft, and technology should eventually stimulate employment in Denver by this time.

Colorado banks and thrifts report declining profitability.

- Colorado insured institutions continued to report their weakest earnings performance in a decade, primarily a result of net interest margin compression. The state's institutions are generally smaller, with three-quarters holding less than $250 million in assets. The median return on asset ratio was 1.14 percent for the first quarter of 2004, above the national average, but well below the state's 1.27 percent ten year average.

- The state's institutions could be well positioned to take advantage of rising interest rates. Unlike much of the country, long-term assets (over five years) in Colorado commercial banks are at their lowest level in ten years allowing assets to reprice more quickly.

Increasing consumer bankruptcy rates highlight the vulnerability of personal balance sheets.

- Personal bankruptcy rates continued to rise in Colorado in 2003, climbing to their highest level in a decade (See Chart 4).

- While consumer past-due loan rates among Colorado insured institutions have fallen over the past several years, the upward trend in consumer debt service burdens and bankruptcy filings suggests that consumer credit quality is an area to watch going forward.

- Colorado residential real estate continues to show signs of stress as single-family mortgage foreclosures remain among the highest levels in a decade (See Chart 5).

- Weak residential real estate fundamentals have not affected credit quality at insured institutions. Colorado insured institutions reported an average residential mortgage past-due rate of 2.29 percent at March 31, 2004, among the highest levels reported in a decade, but in line with national averages.

Despite weakness in commercial real estate (CRE) markets, lenders have not experienced deterioration in their CRE portfolios.[3]

- The Denver MSA office vacancy rate remained little changed at 20.1 percent for the first quarter ending March 31, 2004. According to *PPR Fundamentals*, most leases involve only relocations within the metro area. As the local economy improves, net absorption is expected to strengthen. At the same time, slowing construction activity suggests rents and occupancy should improve going forward.

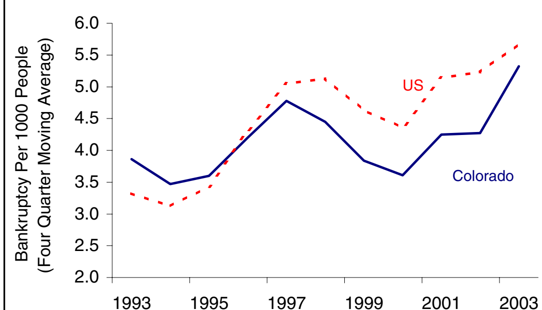
- Although apartment vacancy rates are still rising due to weak demand, the rate of increase is slowing as new construction cools.

- Hotel occupancy remains lackluster at 58.3 percent in the first quarter of 2004 as tourism traffic in the state remains weak.

- Despite general weakness in the commercial real estate sector, Colorado insured institutions have increased CRE exposure to the highest level in a decade.

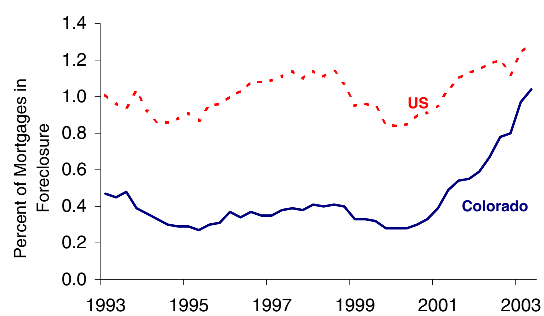
- **Almost 40 percent of Colorado insured institutions report CRE-to-tier 1 capital ratios in excess of 300 percent, the 14th highest level in the nation. Even with this heightened exposure, CRE loan past-due and charge-off rates have remained stable over the past five-years..**

Chart 4: Colorado Per Capita Bankruptcy Rates Have Climbed Suggesting Consumer Loans May Weaken



Source: Administrative Office of the US Courts (Haver Analytics)

Chart 5: Colorado Mortgage Foreclosure Rates Rise Dramatically, But Remain Below US Averages



Source: Mortgage Bankers Association/Haver Analytics

2 "The U.S. Regional/Industry Outlook," Economy.com, February 19, 2004.
3 Commercial real estate loans are defined as non-residential real estate, multi-family, and construction and development loans.

Colorado at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	179	179	185	191	199
Total Assets (in thousands)	36,910,465	49,888,604	51,353,918	47,793,872	44,222,451
New Institutions (# < 3 years)	12	9	10	9	12
New Institutions (# < 9 years)	31	26	26	25	26

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	8.49	8.31	8.25	8.56	8.53

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.60%	2.06%	1.56%	1.69%	1.50%
Past-Due and Nonaccrual >= 5%	22	28	16	14	15
ALLL/Total Loans (median %)	1.21%	1.28%	1.28%	1.12%	1.12%
ALLL/Noncurrent Loans (median multiple)	2.03	1.76	2.04	2.18	2.94
Net Loan Losses/Loans (aggregate)	0.31%	0.22%	0.28%	0.27%	0.30%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	17	12	15	14	14
Percent Unprofitable	9.50%	6.70%	8.11%	7.33%	7.04%
Return on Assets (median %)	1.14	1.17	1.19	1.26	1.26
25th Percentile	0.66	0.78	0.84	0.81	0.90
Net Interest Margin (median %)	4.27%	4.39%	4.67%	4.84%	5.03%
Yield on Earning Assets (median)	5.65%	6.09%	6.87%	8.49%	8.38%
Cost of Funding Earning Assets (median)	1.22%	1.55%	2.03%	3.62%	3.37%
Provisions to Avg. Assets (median)	0.08%	0.12%	0.11%	0.11%	0.10%
Noninterest Income to Avg. Assets (median)	0.79%	0.83%	0.79%	0.79%	0.79%
Overhead to Avg. Assets (median)	3.30%	3.24%	3.38%	3.37%	3.42%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	71.82%	72.08%	72.33%	75.33%	72.77%
Loans to Assets (median %)	61.13%	61.25%	62.96%	63.81%	63.36%
Brokered Deposits (# of Institutions)	34	28	24	25	22
Bro. Deps./Assets (median for above inst.)	3.82%	3.85%	4.11%	4.09%	2.26%
Noncore Funding to Assets (median)	15.87%	15.29%	13.96%	15.49%	13.03%
Core Funding to Assets (median)	72.28%	74.31%	74.37%	73.64%	76.05%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	92	92	95	97	102
National	47	49	52	56	59
State Member	29	28	28	28	27
S&L	9	9	9	9	9
Savings Bank	2	1	1	1	2
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	79	8,979,606	44.13%	24.33%
Denver CO PMSA	53	18,082,773	29.61%	48.99%
Colorado Springs CO	16	1,527,921	8.94%	4.14%
Boulder-Longmont CO PMSA	8	2,465,674	4.47%	6.68%
Greeley CO PMSA	7	1,341,986	3.91%	3.64%
Ft Collins-Loveland CO	7	3,644,094	3.91%	9.87%
Grand Junction CO	6	472,208	3.35%	1.28%
Pueblo CO	3	396,203	1.68%	1.07%