

FDIC State Profile

Summer 2004

Mississippi

Mississippi employment grew slowly in first quarter 2004, as manufacturing job losses eased.

- Mississippi had positive job growth during fourth quarter 2003 and first quarter 2004, indicating a possible end to the quarterly declines that began in third quarter 2000¹.
- The sectors posting year-over-year job gains included education and healthcare, leisure and hospitality, professional and business services, and state government. In contrast, job losses continued in construction, manufacturing, and telecommunications.
- Manufacturing job losses eased in first quarter 2004, compared to a year ago. The state lost 2,700 manufacturing jobs, which is well below the quarterly average losses of 13,000 registered since first quarter 2000.
- Defense-related ship and boat building, and transportation equipment were the only manufacturing sub-sectors with job gains. (See Chart 1.)
- A recent national monthly survey of manufacturing conditions suggests overall improvement is underway. However, employment conditions typically lag production trends; as such it may take more time for recent job gains occurring at the national level to spread.

Gaming revenues continue improvement.

- Gaming revenues rose 6.2 percent on a year-over-year basis in first quarter 2004, the third consecutive quarterly increase. (See Chart 2.)
- In contrast to the revenue trends, casino employment declined for thirteen consecutive quarters, falling to 28,000 in first quarter 2004.² However, a new casino is under construction and is scheduled to open in Biloxi in summer 2005; other projects include a-300 room hotel being built in Philadelphia

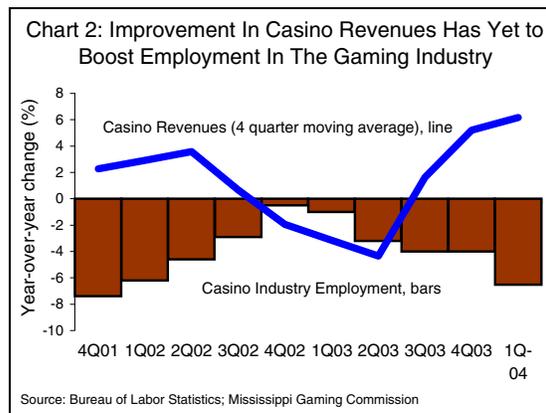
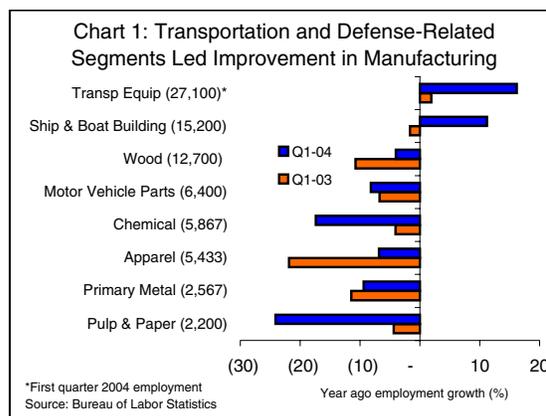


Table 1: Consumer Credit Quality Improved, But Past-dues Remain Relatively High Among Banks in Mississippi

| State | Total consumer past-due loans to total consumer loans (median, %) | | | 1Q04 National Rank |
|-------------|-------------------------------------------------------------------|------|------|--------------------|
| | 1Q03 | 4Q03 | 1Q04 | |
| Arkansas | 3.18 | 3.21 | 2.73 | 2 |
| Mississippi | 3.81 | 3.64 | 2.93 | 1 |
| Tennessee | 3.29 | 3.31 | 2.62 | 3 |
| Nation | 2.10 | 2.05 | 1.76 | |

Source: Bank and Thrift Call Reports

¹Since third quarter 2000, the state has been losing an average of over 10,800 jobs each quarter.
²By the end of 1999, the 29 casinos, excluding those of the Choctaw Indians, reached a peak employment of over 34,000 employees, and generated nearly \$2 billion in annual revenue.

State Profile

Farm income could improve in 2004.

- Farm income could improve in 2004, as a result of beneficial trends in commodity prices and the value of the dollar.
- Catfish producers, who have suffered from prices falling short of breakeven levels for much of the past two-and-a-half years, should benefit from a positive price trend. March 2004 prices averaged \$0.72. per pound³.

Potential World Trade Organization (WTO) ruling could affect cotton industry.

- A June 18, 2004 WTO ruling indicated that U.S. cotton subsidies were anti-competitive. Changes or reductions to cotton subsidies as a result of the ruling may adversely impact local cotton producers and lenders and have far reaching implications for other agricultural commodities and future trade agreements.

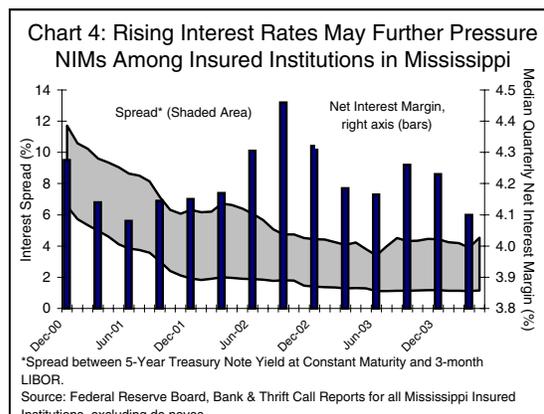
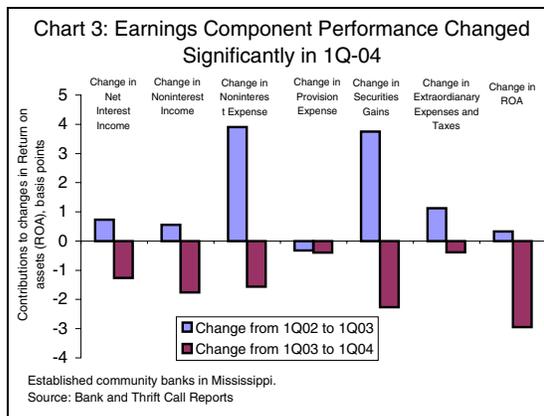
Consumer credit quality improves, but remains an area of concern.

- Financial stress among Mississippi consumers was evidenced by a personal bankruptcy filing rate 191 basis points above the national average in first quarter 2004. The state ranked tenth nationally in terms of personal bankruptcy filings, while the median past-due consumer loan ratio was the highest in the nation. (See Table 1.)

Earnings performance significantly decreased in first quarter 2004.

- The annualized return on assets was 1.08 percent in first quarter 2004, 12 basis points and 11 basis points below levels one- and two-years ago, respectively. (See Chart 3.) Declines in noninterest expenses and loan-loss provisioning were unable to offset reduced levels of net interest income and non-interest income.
- A 36-basis point decline in net interest margins (NIM) between the first quarter 2004 and the most recent peak in third quarter 2003 occurred despite favorable market interest rate spreads. The decline was attributable in part to increased competition and a general decline in loan yields, which typically offer higher returns than investments.
- As the national economy gains momentum, interest rates are expected to rise which may pose interest-rate risk concerns for insured institutions in Mississippi⁴. An increase in interest rates, particularly if accompanied by a shrinking of currently high spreads between short- and

long-term rates, could place significant downward pressure on NIMs. (See Chart 4.) Improved economic growth should bolster the financial condition of many borrowers, but may pressure the finances of companies with rate sensitive costs and sales revenues.



³While below the 10-year average of \$0.74 per pound, the current price is \$0.14 above levels one-year earlier.

⁴Thirty seven percent of bankers recently surveyed by the American Banker cited rising interest rates as one of the biggest concerns facing their institutions.

Mississippi at a Glance

| General Information | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
|--------------------------------------------|---------------|-------------------|---------------|----------------|-----------------|
| Institutions (#) | 102 | 105 | 107 | 109 | 108 |
| Total Assets (in thousands) | 41,314,558 | 39,343,615 | 37,002,744 | 36,071,968 | 30,998,871 |
| New Institutions (# < 3 years) | 1 | 5 | 8 | 13 | 9 |
| New Institutions (# < 9 years) | 15 | 16 | 17 | 16 | 12 |
| Capital | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
| Tier 1 Leverage (median) | 9.84 | 9.81 | 9.98 | 9.57 | 10.08 |
| Asset Quality | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
| Past-Due and Nonaccrual (median %) | 2.73% | 3.26% | 3.20% | 3.44% | 3.48% |
| Past-Due and Nonaccrual >= 5% | 20 | 32 | 27 | 33 | 26 |
| ALLL/Total Loans (median %) | 1.51% | 1.52% | 1.44% | 1.39% | 1.43% |
| ALLL/Noncurrent Loans (median multiple) | 1.98 | 1.78 | 1.95 | 1.66 | 1.90 |
| Net Loan Losses/Loans (aggregate) | 0.27% | 0.28% | 0.36% | 0.28% | 0.26% |
| Earnings | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
| Unprofitable Institutions (#) | 4 | 5 | 5 | 12 | 8 |
| Percent Unprofitable | 3.92% | 4.76% | 4.67% | 11.01% | 7.41% |
| Return on Assets (median %) | 1.07 | 1.09 | 1.04 | 1.00 | 1.17 |
| 25th Percentile | 0.77 | 0.80 | 0.69 | 0.64 | 0.79 |
| Net Interest Margin (median %) | 4.10% | 4.14% | 4.11% | 4.05% | 4.41% |
| Yield on Earning Assets (median) | 5.63% | 6.15% | 6.77% | 8.22% | 8.07% |
| Cost of Funding Earning Assets (median) | 1.56% | 2.01% | 2.72% | 4.30% | 3.87% |
| Provisions to Avg. Assets (median) | 0.13% | 0.13% | 0.16% | 0.15% | 0.15% |
| Noninterest Income to Avg. Assets (median) | 0.94% | 0.92% | 0.85% | 0.82% | 0.83% |
| Overhead to Avg. Assets (median) | 3.11% | 3.09% | 3.08% | 3.07% | 2.96% |
| Liquidity/Sensitivity | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
| Loans to Deposits (median %) | 70.70% | 70.69% | 68.43% | 69.38% | 71.18% |
| Loans to Assets (median %) | 58.27% | 59.85% | 58.50% | 59.82% | 60.57% |
| Brokered Deposits (# of Institutions) | 13 | 10 | 13 | 12 | 9 |
| Bro. Deps./Assets (median for above inst.) | 2.42% | 4.07% | 3.47% | 3.47% | 3.98% |
| Noncore Funding to Assets (median) | 20.95% | 20.86% | 20.77% | 20.38% | 19.37% |
| Core Funding to Assets (median) | 67.43% | 67.91% | 68.48% | 67.12% | 69.84% |
| Bank Class | Mar-04 | Mar-03 | Mar-02 | Mar-01 | Mar-00 |
| State Nonmember | 74 | 76 | 78 | 80 | 79 |
| National | 19 | 20 | 20 | 20 | 20 |
| State Member | 1 | 1 | 1 | 1 | 1 |
| S&L | 4 | 4 | 4 | 4 | 4 |
| Savings Bank | 3 | 3 | 3 | 3 | 3 |
| Stock and Mutual SB | 1 | 1 | 1 | 1 | 1 |
| MSA Distribution | | # of Inst. | Assets | % Inst. | % Assets |
| No MSA | | 88 | 28,726,808 | 86.27% | 69.53% |
| Jackson MS | | 6 | 8,257,761 | 5.88% | 19.99% |
| Biloxi-Gulfport-Pascagoula MS | | 5 | 3,944,374 | 4.90% | 9.55% |
| Hattiesburg MS | | 2 | 223,110 | 1.96% | 0.54% |
| Memphis TN-AR-MS | | 1 | 162,505 | 0.98% | 0.39% |