

FDIC State Profile

Summer 2004

Oklahoma

Based upon continued employment losses, Oklahoma remains in recession.

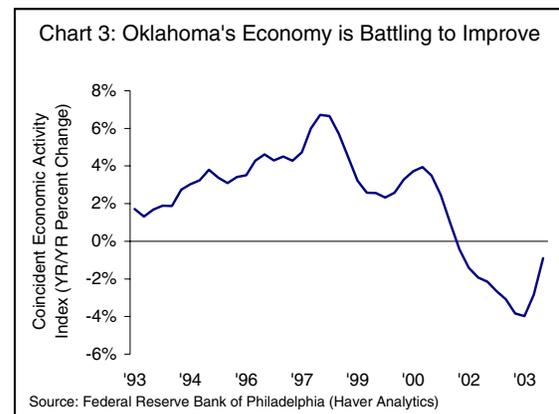
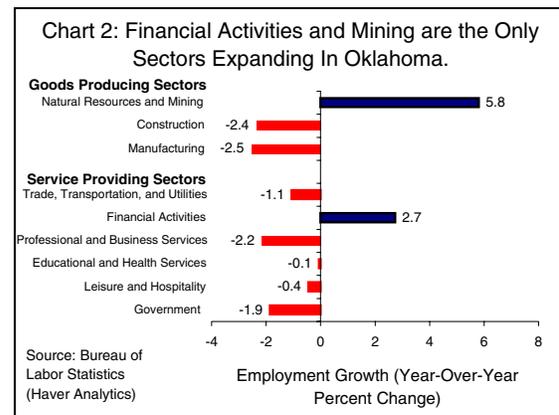
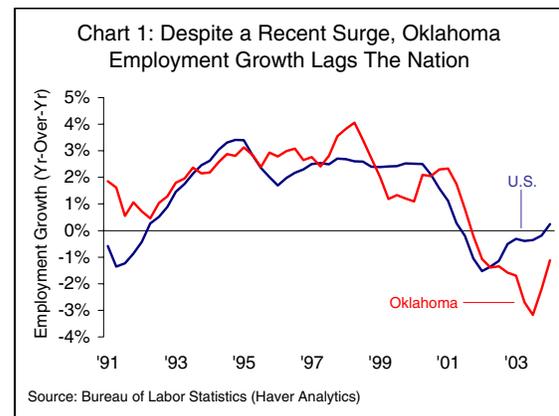
- Oklahoma employment growth has improved in the past two quarters, but still remains negative (See Chart 1).
- The state's lackluster job growth can be attributed, in part, to locally troubled industries such as manufacturing and construction.
- Despite declines in employment, per capita and personal income gains matched the nation, because of favorable growth in non-wage income (oil royalties and transfer payments to retirees) and solid net earnings growth in natural resources and mining and nondurable goods manufacturing.

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

- Natural resources/mining and financial activities are the only two sectors showing job growth, led by relatively strong crude oil and natural gas prices and historically low mortgage interest rates (See Chart 2).
- While many sectors lost jobs, the most significant employment losses were concentrated in the service-providing sectors of education/health services and government. These employment losses can be explained, in part, by the severe budget crises Oklahoma has faced for the past two years.
- The April general revenue collection report indicated an increase of 6.8 percent from the previous year pointing toward a much needed rebound in the state's economy as well as relief for the strained general budget.

The 2004 outlook for the Oklahoma economy is mixed.

- The Coincident Index of Economic Activity¹ suggests a recovery emerging in the second half of 2004. (See Chart 3).



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

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- The **Oklahoma City** MSA will likely begin to see a turnaround in 2004, because of improvements in the technology, trade and finance industries. Additionally, rebounds in agriculture, construction, and manufacturing will benefit the broader state economy.
- However, the state as a whole is not expected to return to pre-recession employment levels until 2005.

Adverse World Trade Organization (WTO) ruling could affect Oklahoma agriculture.

- An adverse WTO ruling against U.S. cotton subsidies was announced on June 18, 2004, which indicated that U.S. cotton subsidies were anti-competitive.
- Changes or reductions in cotton subsidies as a result of an adverse WTO finding against U.S. cotton subsidies may adversely impact U.S. cotton producers and lenders in highly concentrated cotton areas.
- Moreover, it is still unclear whether a decision to change or repeal cotton subsidies could affect subsidies for other agricultural commodities or future multi-lateral trade agreement.

Despite economic challenges, Oklahoma insured institutions report strong profitability.

- Oklahoma institutions reported the fifth best median return on assets for any state in the nation.
- The favorable performance is attributed to above average net interest margins, lower provisions and strong overhead control.
- Since over half of Oklahoma institutions operate as Subchapter S entities, lower income taxes are contributing to higher profits.

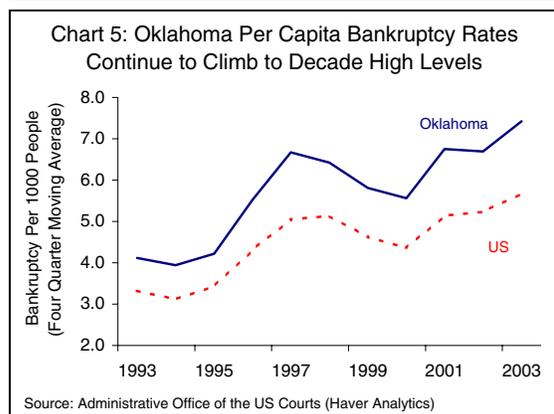
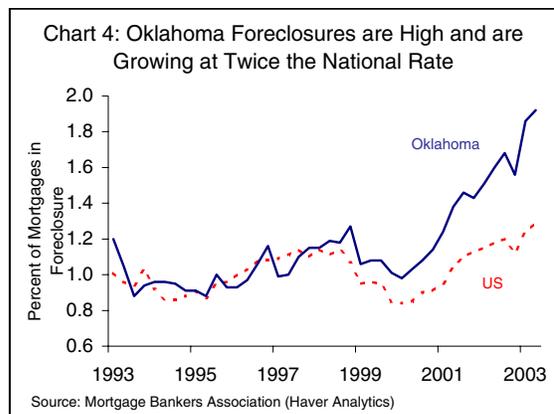
Consumer fundamentals continue to exhibit some signs of weakness, but insured institution credit quality has not been affected.

- Oklahoma residential real estate continues to show signs of stress as single-family mortgage foreclosures remain among the highest levels in a decade (See Chart 4).
- Oklahoma insured institutions report stable residential loan past-due rates, similar to national levels. However, rising mortgage foreclosure rates could be an area to watch, especially if long-term interest rates rise.
- Oklahoma per capita bankruptcy rates continue to increase, climbing to the highest level in a decade (See Chart 5). Moreover, lackluster employment growth does not suggest a quick recovery. If short-term interest rates move higher, consumer cash flow will most likely be negatively affected.

- Despite these trends, Oklahoma consumer past-due and charge-off rates have fallen over the past several years. However, the upward trend in consumer debt service burdens and bankruptcy filings suggests that consumer credit quality is an area to watch going forward.

Despite weakness in commercial real estate (CRE) markets, lenders have not experienced significant deterioration in portfolios.²

- The Oklahoma City MSA reported the fifth highest office vacancy rate among the nation's major metropolitan areas (23.1 percent) as of March 31, 2004. While new office construction has been nominal during the past five years, absorption has been weak, reflecting corporate relocations out of the state.
- Despite general weakness in the commercial real estate sector, Oklahoma insured institutions have increased CRE exposure to the highest level in a decade. Even with this heightened exposure, CRE loan past-due and charge-off rates have remained stable over the past five years.



²Commercial real estate is defined as non-residential real estate, multifamily, and construction and development loans.

Oklahoma at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	275	279	289	293	307
Total Assets (in thousands)	57,895,018	58,004,518	53,295,338	50,899,277	46,810,401
New Institutions (# < 3 years)	4	3	4	4	6
New Institutions (# < 9 years)	13	13	13	11	13
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.48	9.52	9.33	9.34	9.13
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	2.39%	2.87%	2.76%	2.82%	2.27%
Past-Due and Nonaccrual >= 5%	45	62	52	57	59
ALLL/Total Loans (median %)	1.25%	1.26%	1.28%	1.27%	1.28%
ALLL/Noncurrent Loans (median multiple)	1.37	1.24	1.34	1.31	1.50
Net Loan Losses/Loans (aggregate)	0.18%	0.27%	0.30%	0.27%	0.30%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	4	9	20	17	24
Percent Unprofitable	1.45%	3.23%	6.92%	5.80%	7.82%
Return on Assets (median %)	1.30	1.32	1.28	1.20	1.18
25th Percentile	0.90	0.86	0.85	0.80	0.82
Net Interest Margin (median %)	4.45%	4.43%	4.58%	4.45%	4.69%
Yield on Earning Assets (median)	5.73%	6.25%	6.93%	8.43%	8.22%
Cost of Funding Earning Assets (median)	1.29%	1.71%	2.39%	3.96%	3.58%
Provisions to Avg. Assets (median)	0.13%	0.15%	0.15%	0.12%	0.15%
Noninterest Income to Avg. Assets (median)	0.88%	0.89%	0.88%	0.90%	0.83%
Overhead to Avg. Assets (median)	3.26%	3.31%	3.28%	3.27%	3.32%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	69.84%	68.94%	67.74%	68.73%	66.66%
Loans to Assets (median %)	58.49%	58.67%	58.55%	59.11%	58.33%
Brokered Deposits (# of Institutions)	39	30	25	24	18
Bro. Deps./Assets (median for above inst.)	3.22%	3.03%	3.27%	2.98%	2.82%
Noncore Funding to Assets (median)	17.81%	17.54%	16.40%	16.82%	15.26%
Core Funding to Assets (median)	70.47%	70.98%	72.14%	71.74%	74.14%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	130	126	123	124	130
National	85	91	96	101	112
State Member	55	56	64	60	55
S&L	2	2	2	2	3
Savings Bank	3	4	4	6	7
Stock and Mutual SB	0	0	0	0	0
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		181	18,151,175	65.82%	31.35%
Tulsa OK		41	17,296,525	14.91%	29.88%
Oklahoma City OK		41	20,769,199	14.91%	35.87%
Lawton OK		5	598,742	1.82%	1.03%
Enid OK		5	819,208	1.82%	1.41%
Ft Smith AR-OK		2	260,169	0.73%	0.45%