

FDIC State Profile

Summer 2004

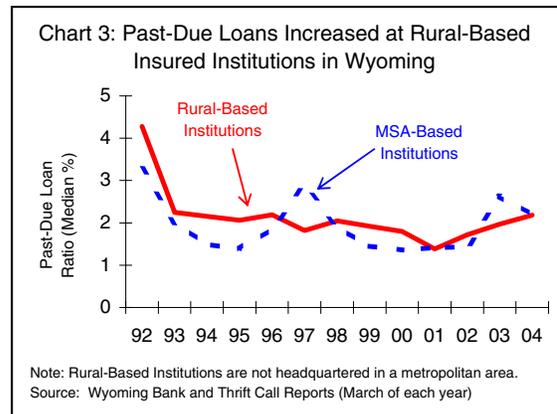
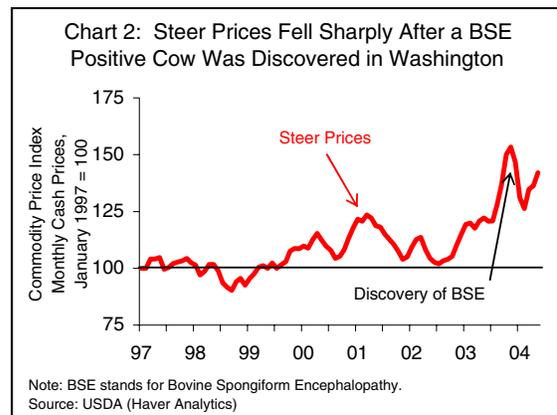
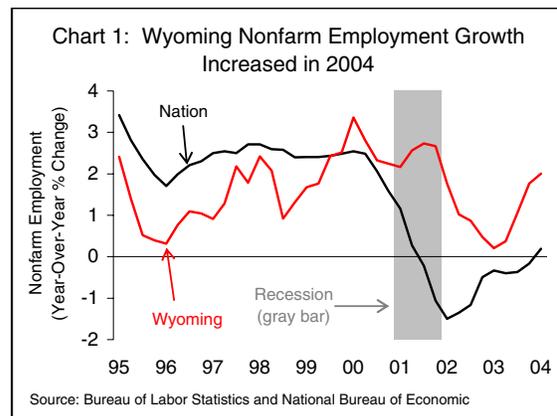
Wyoming

Wyoming posted substantial employment gains in 2003 and first quarter 2004, while the national economy continues to report job losses.

- Nonfarm payroll employment in Wyoming expanded 2.01 percent on a year-over-year basis as of first quarter 2004 (See Chart 1). Gains occurred in the majority of employment sectors. The FIRE, educational and health services, and wholesale trade sectors added the greatest number of jobs. These three sectors accounted for 15.9 percent of Wyoming's employment. The largest job losses occurred in the information, leisure and hospitality, and other service industries, which accounted for 16.7 percent of the states' nonfarm employment.
- Wyoming's economy continued to remain dependent upon natural resource industries; as a result, state revenues are sensitive to swings in related commodity prices. While the natural resources and mining sector represented only 7.73 percent of nonfarm payroll employment, mining, including oil and gas extraction and coal mining, provided 23 percent of Wyoming's Gross State Product (GSP) for 2001, the latest data available. State and local governments are performing well. They represented almost ten percent of the GSP during 2001, and rely heavily on mineral-related taxes as a source of revenue. Although this source of revenue is volatile and somewhat cyclical, Wyoming is quite successful in utilizing this revenue source. For instance, of the \$1-billion in royalties paid to the federal government by private firms nationwide to develop coal, oil or gas resources on public lands in 2003, half was for projects in Wyoming. In addition, rising natural gas prices contributed to an estimated state budget surplus of \$1.2 billion for fiscal year 2005-2006.

Brucellosis, diagnosed in a Wyoming cattle herd, will increase costs for Wyoming ranchers.

- Wyoming's important cattle industry exhibited signs of strength despite the discovery of two significant diseases in late 2003. Cattle accounted for approximately 78.4 percent of Wyoming's agricultural receipts in 2002. Cattle and calf inventory were up nine percent year-over-year as of year-end 2003, the first increase in four years. However, cash receipts for cattle were down 6 percent from 2002 in Wyoming, despite higher prices.



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- In December 2003, 31 cattle in a Wyoming herd were diagnosed with brucellosis, a disease which causes pregnant cows to abort. Several states have required additional testing for Wyoming cattle; estimates indicate the additional testing could cost Wyoming ranchers more than \$1.5 million a year; however, there is proposed state legislation to provide up to \$1.65 million to the State Livestock Board to defray the additional testing requirements. In addition, Governor Dave Freudenthal established a brucellosis task force to assist Wyoming in regaining its federal brucellosis-free status.
- Additionally, after the December 2003 diagnosis of a cow with bovine spongiform encephalopathy (BSE), January 2004 steer prices dropped approximately 15 percent from their recent November 2003 highs (See Chart 2). As a result of sustained consumer demand for beef, steer prices rebounded rapidly. By May 2004, prices had risen 13 percent above year-earlier levels, despite the precipitous drop in January 2004. As of June 1, 2004, the Agriculture Department expanded the national testing for BSE and anticipated testing 220,000 animals over the next 12 to 18 months.
- Improved weather conditions helped crop production. Production for all crops improved in 2003, a result of more favorable moisture conditions and irrigated water supplies. However, a majority of the state continues to face an exceptional drought watch and all counties in Wyoming are classified as either “drought warning” or “drought disaster” areas as of May 2004.

Wyoming’s rural-based institutions reported improved earnings performance, but higher delinquencies than institutions headquartered in Metropolitan Statistical Areas (MSAs) in Wyoming.

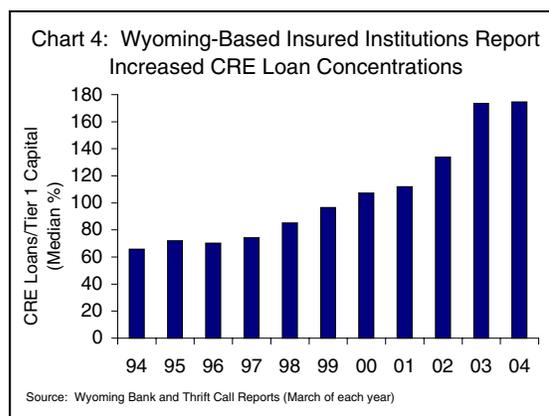
- Despite improved economic conditions, asset quality among insured institutions headquartered in Wyoming, deteriorated year-over-year as of March 2004 (See Chart 3). Rural institutions saw the most deterioration, reporting higher past-due ratios in the commercial real estate, commercial and industrial, consumer and single-family mortgage loan categories. Net charge-offs, while minimal, also increased.
- In comparison, institutions located in MSAs reflected modest improvement in the level of past dues from 2.62 percent at March 31, 2003 to 2.19 percent as of March 31, 2004.
- The median pre-tax return on assets (ROA) for all Wyoming insured institutions was 1.50 percent, slightly

less the national median of 1.54 percent.¹ Since approximately half of Wyoming’s insured institutions have elected Subchapter S status, the pre-tax ROA is used for easier comparability. Earnings performance declined from the previous year as a result of narrower net interest margins (NIMs).

- However, metro institutions saw a pronounced drop in performance. Their median *pre-tax* ROA fell from 1.34 percent to 0.65 percent on a year-over-year basis as of March 31, 2004. Rural-based institutions pre-tax ROA declined from 1.68 percent to 1.51 percent during the same period.

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 loan²-to-Tier 1 capital ratio among Wyoming’s insured institutions nearly tripled (See Chart 4). As of first quarter 2004, 25 percent of Wyoming-based insured institutions reported CRE loan-to-Tier 1 capital ratios over 300 percent, up from less than 7 percent in first quarter 1999.
- 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 approximately 12 percent to 29 percent during the past 5 years.



¹Pretax ROA is used to allow better comparability between regular banking corporations and institutions electing Subchapter S Corporation status. Twenty of Wyoming’s 44 insured institutions elected Subchapter S status, which eliminates income tax at the bank level.

²Commercial real estate loans include construction, multifamily, and nonfarm-nonresidential mortgages.

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Wyoming at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	44	50	49	50	54
Total Assets (in thousands)	5,228,352	7,536,558	7,152,479	7,903,203	8,450,653
New Institutions (# < 3 years)	1	1	1	1	2
New Institutions (# < 9 years)	4	4	3	3	3
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.02	8.72	8.28	8.54	8.99
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	2.18%	1.98%	1.61%	1.40%	1.73%
Past-Due and Nonaccrual >= 5%	6	8	7	9	6
ALLL/Total Loans (median %)	1.23%	1.30%	1.40%	1.41%	1.40%
ALLL/Noncurrent Loans (median multiple)	1.11	1.56	2.21	2.62	2.47
Net Loan Losses/Loans (aggregate)	0.08%	0.07%	0.65%	0.54%	0.13%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	2	1	3	3	2
Percent Unprofitable	4.55%	2.00%	6.12%	6.00%	3.70%
Return on Assets (median %)	1.22	1.46	1.37	1.21	1.31
25th Percentile	0.64	0.94	0.78	0.87	0.97
Net Interest Margin (median %)	4.21%	4.26%	4.49%	4.43%	4.67%
Yield on Earning Assets (median)	5.65%	5.97%	6.71%	8.22%	8.11%
Cost of Funding Earning Assets (median)	1.31%	1.72%	2.36%	3.86%	3.47%
Provisions to Avg. Assets (median)	0.12%	0.06%	0.07%	0.10%	0.10%
Noninterest Income to Avg. Assets (median)	0.54%	0.54%	0.55%	0.57%	0.58%
Overhead to Avg. Assets (median)	2.73%	2.87%	2.85%	2.84%	2.96%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	71.65%	68.24%	67.75%	72.20%	67.65%
Loans to Assets (median %)	61.49%	60.19%	58.36%	62.80%	59.40%
Brokered Deposits (# of Institutions)	13	7	5	4	4
Bro. Deps./Assets (median for above inst.)	1.48%	2.59%	0.89%	0.89%	1.98%
Noncore Funding to Assets (median)	17.15%	16.49%	16.14%	18.21%	16.92%
Core Funding to Assets (median)	72.48%	72.77%	74.49%	71.60%	72.09%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	9	9	9	10	11
National	15	21	20	20	21
State Member	17	17	16	16	18
S&L	1	1	1	1	1
Savings Bank	2	2	3	3	3
Stock and Mutual SB	0	0	0	0	0
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		37	4,640,127	84.09%	88.75%
Cheyenne WY		6	255,422	13.64%	4.89%
Casper WY		1	332,803	2.27%	6.37%