

FDIC State Profile

Spring 2004

West Virginia

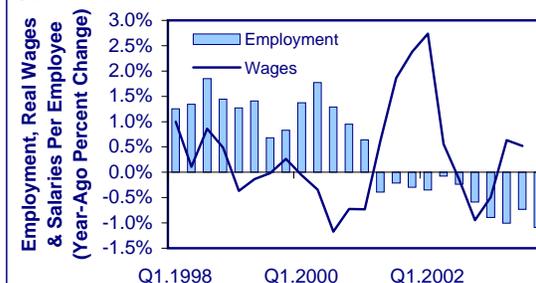
Economic conditions in West Virginia remained weak through the end of 2003.

- The West Virginia economy continued to shed jobs through the end of 2003 with employment falling 0.9 percent for the year (See Chart 1). Reflecting continued economic weakness jobless rates and initial unemployment claims filings, though down from their peaks, have remained persistently high. The state's rate of unemployment actually may have increased were it not for declines in the size of the state's labor force.
- Despite continued losses statewide, job growth varied widely at the county level. In early 2004, payrolls in Charleston and several southern counties continued to shrink (See Map 1). In contrast, some of the fastest growing areas were rural counties outside of Parkersburg.
- Population outflows, which have constrained more rapid economic growth in West Virginia, may be moderating. In 2002 and 2003, the U.S. Census Bureau estimated that the state's population increased marginally. While substantially less than the national average, the increases were a substantial improvement over the six prior years during which the state's population base shrank. Anecdotal evidence suggests that the improvement is the result of fewer retirees relocating to states such as Florida. Between 2000 and 2003, the 55+ age cohort was the only major segment experiencing population gains.

Despite healthy conditions among community banks headquartered in West Virginia, earnings growth weakened in 2003.

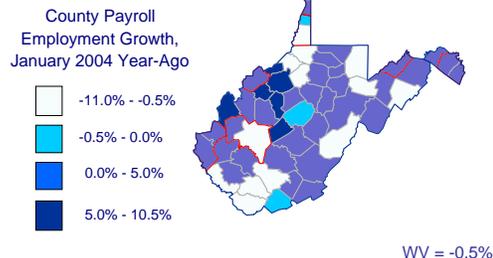
- Net income at West Virginia community banks reached a record high \$208 million for the year ending December 31, 2003.¹ Despite this, median profitability measures were mixed as the return-on-assets (ROA) ratio edged slightly higher on a year-over-year basis, climbing to 0.95 percent, while net interest margins (NIM) declined. Nevertheless, both remained mostly in line with the national medians at 1.1 percent and 4 percent, respectively. Lower provision expenses and stable

Chart 1: West Virginia Job Losses Continue



Source: Bureau of Labor Statistics, Bureau of Economic Analysis (Haver Analytics)

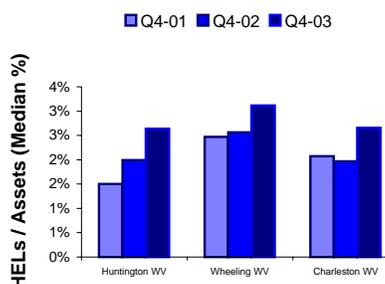
Map 1: Payroll Employment Growth Varied Widely Across the State



Note: Outlined areas represent metropolitan counties based on 1999 definitions.

Source: West Virginia Bureau of Employment Programs

Chart 2: Growth in Home Equity Loans is picking up in Several MSAs



Source: Bank Call Reports, December 31st.

¹Community banks have assets less than \$1billion.

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noninterest revenues were unable to offset the decline in net interest income for the year.

- Growth in the loan portfolio continued to slow during 2003 as the loan-to-asset ratio fell for a fourth consecutive year. The loan-to-asset ratio was 61.9 percent at year-end 2003, down from 62.7 percent one-year earlier. The greatest activity occurred in the nonresidential component of the commercial real estate (CRE) loan segment, which also includes construction and multifamily loans. Although 1-to-4 family mortgages comprise the majority of the loan portfolio, the CRE segment now represents 16 percent of assets, up from 14.5 percent two-years ago. CRE loan concentrations increased among almost all community banks based in West Virginia, but remain lower than CRE concentration levels among banks in other areas of the Region. Among community banks headquartered in the state, credit quality appears solid, as noncurrent loans and charge-offs improved in 2003.
- At urban banks in the state, median home equity loans (HEL) increased to 2.6 percent of assets at December 31, 2003, up from 1.8 percent a year earlier. Growth in this loan category was driven primarily by banks located in the Huntington-Ashland WV-KY-OH MSA, where HELs as a percentage of assets has risen 1.1 percentage points since December 31, 2001 (See Chart 2). Generally poor economic conditions in the state may have forced borrowers to turn to the equity value in their homes to support further consumption. If this is the case, prolonged economic weakness and higher interest rates could hamper the debt service capacity of these borrowers.
- Median Tier 1 capital remained in good condition at 9.3 percent, just above the national median of 9.1 percent. In addition, improving reserve levels climbed to 1.7 times noncurrent loans, approaching parity with the national median of 1.9 times..

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West Virginia at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	74	76	79	77	89
Total Assets (in thousands)	18,978,896	20,292,872	19,069,556	18,338,726	23,923,816
New Institutions (# < 3 years)	3	3	5	5	4
New Institutions (# < 9 years)	11	10	10	8	8
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.45	9.60	9.76	10.12	9.72
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	2.41%	2.56%	3.16%	2.90%	2.56%
Past-Due and Nonaccrual >= 5%	15	16	18	15	20
ALLL/Total Loans (median %)	1.14%	1.22%	1.19%	1.13%	1.18%
ALLL/Noncurrent Loans (median multiple)	1.58	1.31	1.40	1.32	1.36
Net Loan Losses/Loans (aggregate)	0.27%	0.58%	0.58%	0.47%	0.44%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	3	2	10	4	5
Percent Unprofitable	4.05%	2.63%	12.66%	5.19%	5.62%
Return on Assets (median %)	0.92	0.92	0.81	0.91	0.96
25th Percentile	0.73	0.73	0.49	0.62	0.68
Net Interest Margin (median %)	4.12%	4.21%	4.15%	4.38%	4.30%
Yield on Earning Assets (median)	5.93%	6.77%	7.67%	8.17%	7.84%
Cost of Funding Earning Assets (median)	1.81%	2.50%	3.56%	3.83%	3.48%
Provisions to Avg. Assets (median)	0.17%	0.20%	0.19%	0.18%	0.15%
Noninterest Income to Avg. Assets (median)	0.51%	0.50%	0.48%	0.48%	0.49%
Overhead to Avg. Assets (median)	2.99%	2.90%	2.96%	3.03%	2.89%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	76.37%	73.33%	74.85%	75.46%	71.96%
Loans to Assets (median %)	63.65%	62.35%	63.39%	64.58%	61.48%
Brokered Deposits (# of Institutions)	10	8	4	4	5
Bro. Deps./Assets (median for above inst.)	0.82%	1.07%	0.68%	1.66%	1.08%
Noncore Funding to Assets (median)	13.96%	12.64%	12.31%	12.73%	12.34%
Core Funding to Assets (median)	74.59%	76.33%	76.45%	75.56%	76.23%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	36	34	34	33	41
National	17	21	23	23	26
State Member	14	14	15	14	15
S&L	1	1	1	1	1
Savings Bank	6	6	6	6	6
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	53	6,206,323	71.62%	32.70%	
Charleston WV	5	2,937,660	6.76%	15.48%	
Wheeling WV-OH	4	4,108,880	5.41%	21.65%	
Huntington-Ashland WV-KY-OH	4	811,501	5.41%	4.28%	
Steubenville-Weirton OH-WV	3	607,721	4.05%	3.20%	
Parkersburg-Marietta WV-OH	3	3,909,283	4.05%	20.60%	
Washington DC-MD-VA-WV PMSA	2	397,528	2.70%	2.09%	