FDIC State Profile

Spring 2004

Oklahoma

Based on employment and industrial production measures, Oklahoma remains in recession.

- For the second year in a row, Oklahoma lost jobs and ranked last in job growth rate in the nation for 2003 (See Chart 1).
- Benchmark revisions worsened the Oklahoma jobs picture with sharp declines (200 basis points or more) in manufacturing, construction, government and professional and business services.
- The weak employment situation nationally, coupled with certain locally troubled industries such as manufacturing and construction, has contributed to the state's inability to shake off its current recession.

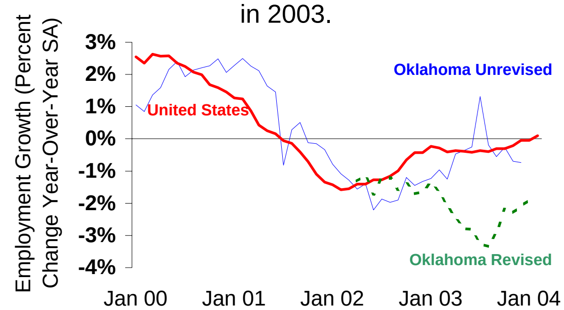
Job growth in Oklahoma has been uneven with respect to the state's major industry sectors.

- Employment losses were also 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 in Oklahoma. Agency appropriations have been reduced by an average of 6.5 percent for 2003.
- 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 low mortgage interest rates (See Chart 2).

The 2004 outlook for the Oklahoma economy is mixed.

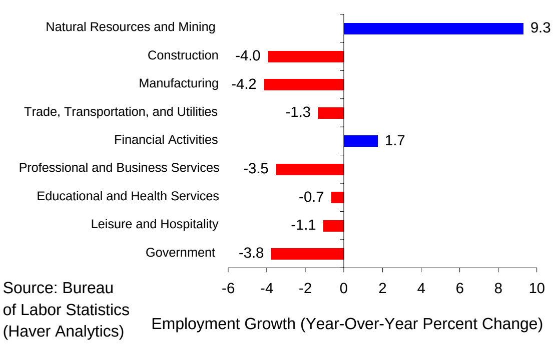
- The Coincident Index of Economic Activity[1] does not suggest an imminent end to the state's recession (See Chart 3).
- The **Oklahoma City** MSA may begin to see an early turnaround in 2004, because of improvements in the technology, trade and finance industries.

Chart 1. A Substantial Employment Revision Revealed Significant Job Losses for Oklahoma in 2003.



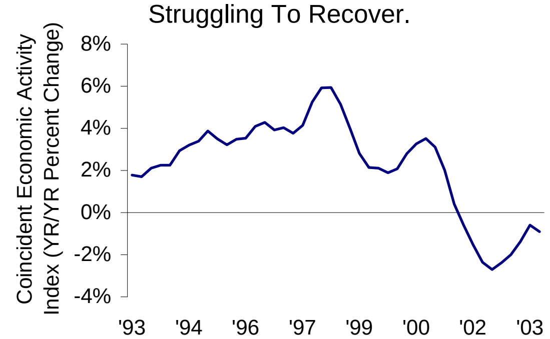
Source: BLS/Haver Analytics

Chart 2: Most Industry Sectors in Oklahoma Continued to Shed Jobs at Year-end 2003



Source: Bureau of Labor Statistics (Haver Analytics)

Chart 3: Oklahoma's Economy Is Still Struggling To Recover.



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 trend for the state's index is set to match that of gross state product.

- Growth will likely come from a rebound in technology-related spending aimed at replacing aging capital equipment and boosting productivity.

- However, the state as a whole is not expected to return to pre-recession employment levels until 2005.

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).

- Despite stress in the residential real estate sector, insured institutions headquartered in Oklahoma reported an average residential loan past-due rate of 1.65 percent, significantly less than the national average.

- Oklahoma per capita bankruptcy rates continue to increase, climbing to the highest level in a decade (See Chart 5). While consumer past-due and charge-off rates among Oklahoma banks and thrifts have fallen over the past several years, the upward trend in consumer debt service burdens and bankruptcy filings suggests that credit quality could weaken going forward.

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

- The Oklahoma City MSA reported the fifth highest office vacancy rate in the country (21.7 percent) as of year-end 2003. While new office construction has been nominal during the past decade, absorption has been negative, reflecting corporate relocations out of the state.

- Likewise, lackluster economic fundamentals have dampened demand for hotel rooms, preventing occupancy levels from rising above 60 percent.

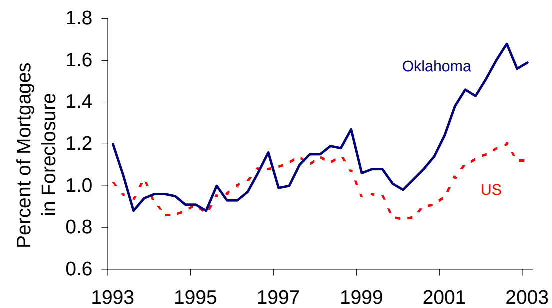
- Despite general weakness in the commercial real estate sector, Oklahoma insured institutions have increased CRE exposure to the highest level in a decade. Even with this heightened exposure, CRE loan past-due and charge-off rates have remained stable over the past five years.

Oklahoma agricultural banks report positive results, largely due to government payments and the resilience of cattle prices.

- Although cattle prices have fallen from cyclical highs after the discovery of mad cow disease, most cattle producers are still operating at profitable levels. U.S. domestic consumers continue to trust the nation's supply of beef; however, if additional cases of mad cow disease are detected, this trust could waver and push the longer term pricing trend downward.

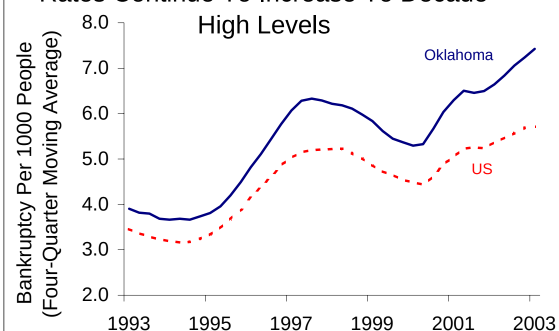
- Oklahoma agriculture banks report past-due and charge-off rates within their five-year trends, although they are consistently above U.S. agriculture bank averages. Increased dependence on subsidies, currently accounting for 41 percent of net farm income, could pose problems for agricultural lenders if payment levels decline in conjunction with low cattle and commodity prices.

Chart 4: Oklahoma Mortgage Foreclosure Rates Remain At High Levels



Source: Mortgage Bankers Association (Haver Analytics)

Chart 5: Oklahoma Per Capita Bankruptcy Rates Continue To Increase To Decade High Levels



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

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

Oklahoma at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	278	280	289	294	310
Total Assets (in thousands)	56,783,008	56,267,497	52,982,745	49,756,523	46,381,725
New Institutions (# < 3 years)	4	4	3	4	6
New Institutions (# < 9 years)	13	13	12	11	12

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.57	9.35	9.24	9.46	9.10

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	2.37%	2.63%	2.80%	2.69%	2.35%
Past-Due and Nonaccrual >= 5%	47	56	55	58	65
ALLL/Total Loans (median %)	1.25%	1.25%	1.25%	1.23%	1.26%
ALLL/Noncurrent Loans (median multiple)	1.28	1.25	1.33	1.53	1.42
Net Loan Losses/Loans (aggregate)	0.31%	0.34%	0.45%	0.32%	0.32%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	9	16	13	16	21
Percent Unprofitable	3.24%	5.71%	4.50%	5.44%	6.77%
Return on Assets (median %)	1.15	1.24	1.10	1.18	1.10
25th Percentile	0.76	0.81	0.73	0.71	0.72
Net Interest Margin (median %)	4.45%	4.61%	4.49%	4.68%	4.60%
Yield on Earning Assets (median)	6.02%	6.72%	7.91%	8.48%	7.96%
Cost of Funding Earning Assets (median)	1.52%	2.16%	3.44%	3.80%	3.39%
Provisions to Avg. Assets (median)	0.19%	0.22%	0.20%	0.19%	0.19%
Noninterest Income to Avg. Assets (median)	0.94%	0.92%	0.90%	0.87%	0.84%
Overhead to Avg. Assets (median)	3.41%	3.42%	3.38%	3.35%	3.32%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	70.95%	70.56%	68.23%	69.75%	67.58%
Loans to Assets (median %)	59.95%	60.33%	58.85%	60.22%	57.81%
Brokered Deposits (# of Institutions)	38	31	25	21	20
Bro. Deps./Assets (median for above inst.)	2.75%	2.11%	3.13%	2.38%	1.57%
Noncore Funding to Assets (median)	17.43%	17.22%	16.90%	16.37%	15.30%
Core Funding to Assets (median)	70.59%	71.08%	72.10%	71.99%	73.84%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	130	125	123	125	134
National	88	92	97	102	114
State Member	55	57	63	59	52
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	182	17,736,175	65.47%	31.24%
Oklahoma City OK	43	20,407,414	15.47%	35.94%
Tulsa OK	41	17,015,670	14.75%	29.97%
Lawton OK	5	586,183	1.80%	1.03%
Enid OK	5	788,011	1.80%	1.39%
Ft Smith AR-OK	2	249,555	0.72%	0.44%