FDIC State Profile

Fall 2004

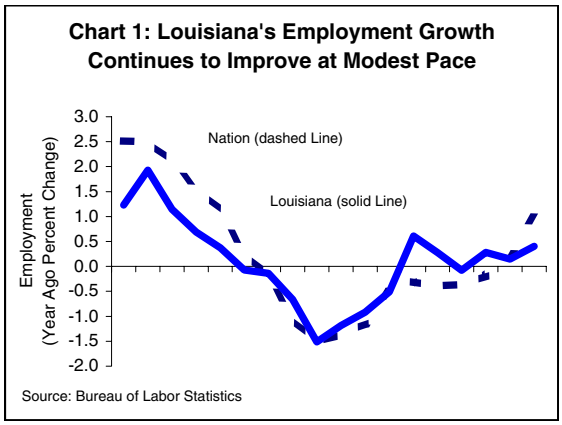
Louisiana

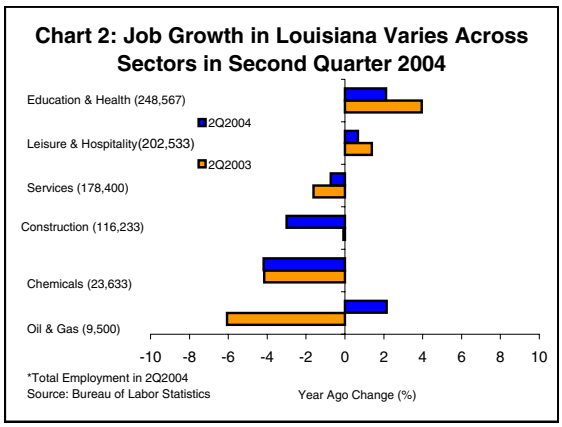
Labor market conditions in Louisiana improve slowly.

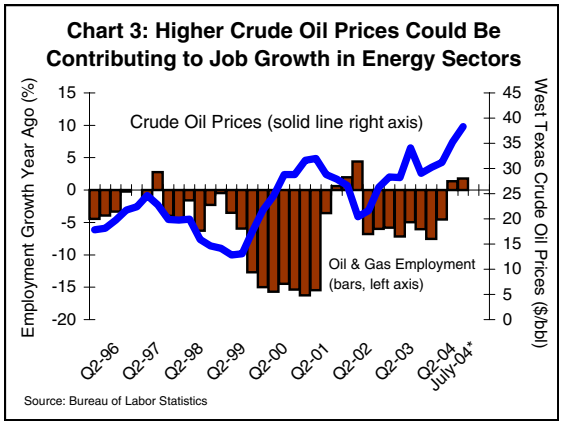
- Louisiana employment grew slowly in second quarter 2004, the third straight quarterly improvement (See Chart 1).
- Although employment levels have improved, job growth has varied widely among the state's metropolitan areas (See Chart 2). **Houma**, **Lafayette**, **Monroe** and **New Orleans** experienced declining employment in second quarter 2004, ranking them among the worst performing of the nation's metro job markets. The primary cause for the poor performance was job losses in services, construction, and chemicals. In contrast, **Lake Charles** and **Shreveport** experienced modest job growth led by education and health services, and leisure and hospitality, respectively.
- Hurricane Ivan's physical presence was barely felt in New Orleans. However, uncertainty over the storm's path led to evacuations, business closings, and event cancellations, all of which are likely to have a short-term dampening affect on the area's economy.

High energy costs hurt the chemical industry.

- The chemical industry, especially fertilizer producers, has struggled with high natural gas prices. Natural gas is an essential product ingredient and a source of power.[1] As a result, 3,000 jobs have been cut in the chemical industry in the past two years. Since 1998, chemical facilities such as Borden Chemicals & Plastics, Cytec Industries, Farmland Industries, IMC-Agrico, Koch Nitrogen and Monsanto have ceased operations. In recent months other firms, including BASF, ExxonMobile, and Dow Chemical, have warned of possible job cuts.
- Employment in the chemical industry has traditionally been among the state's most attractive job options, with starting salaries ranging between $35,000 and $40,000. However, employment prospects seem poor, with one local economist predicting that a continuation of high







[1] As of second quarter 2004, the chemical industry accounts for 15.2 percent of all manufacturing jobs in Louisiana.

energy costs could lead companies to further reduce domestic production and cut an additional 1,800 jobs by the end of 2005.

High prices seem to boost oil and gas employment.

- After two years of decline, employment levels in the important oil and gas industry expanded for the second straight quarter (See Chart 3).[2] Predictions by the International Energy Agency suggest demand will remain strong in the future, while other reports suggest excess capacity is falling. These supply and demand trends, coupled with prices already well above long-term averages, seem to have motivated a number of energy firms to actively bid on the right to explore for oil and gas on federal lands and in the Gulf of Mexico. Likewise, these trends suggest employment prospects for the sector, where compensation levels are high, will remain positive.

Trade agreement could adversely affect agriculture.

- During its July 2004 meeting, the World Trade Organization produced a framework for future negotiations, which could lead to agreements that would eventually eliminate billions of dollars of farm subsidies for developed nations. The implementation of such agreements may disproportionately impact cotton producers concentrated in the northern third of the state. A recent Federal Reserve survey of bankers suggested the elimination of subsides could adversely affect land values.[3]

Earnings performance remains stable.

- A drop in funding costs relative to earning asset yields pushed the median net interest margin (NIM) to a very strong 4.42 percent as of June 30, 2004.[4] However, the growth in NIM was offset by slightly lower noninterest income and higher overhead expense. As a result, the median return on assets (ROA) dipped slightly to 1.07 percent in second quarter 2004. Still, this remains above the national figure of 1.03 percent.

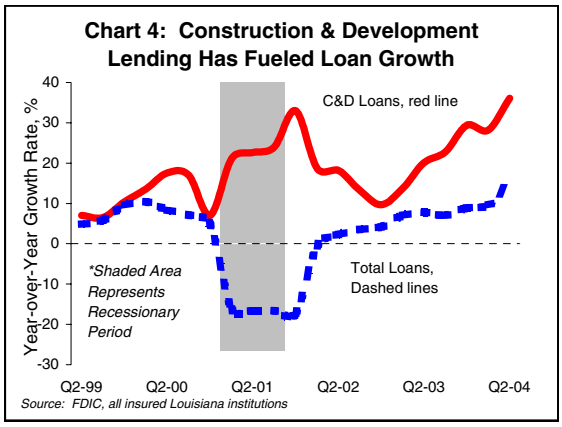
- Loan growth of 15 percent over the past year has been fueled, in part, by strong increases in the construction and development segment, which has grown $842 million or 36 percent year over year (See Chart 4).

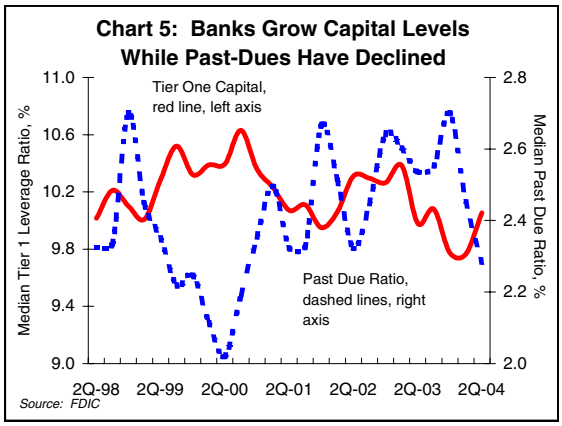
- Loan growth is also being fueled by commercial and industrial (C&I) lending. Louisiana experienced a 12.3 percent year-over-year increase in total domestic C&I lending (13th highest in the nation) in the second quarter. Much of this growth came from loans greater than $1 million. However, for C&I loans less than $1 million, typically referred to as small loans to businesses, 39 parishes in Louisiana experienced year-over-year growth.[5] Leading the way are institutions headquartered in Washington, Red River, and Franklin parishes.

Past-due levels remain above the nation.

- For the second straight quarter, the past-due loan ratio declined; however, loan growth is at least partly responsible. Past-due loans to total loans declined to 2.28 percent, down from 2.45 and 2.70 percent in March 2004 and December 2003, respectively. However, Louisiana's past-due loan ratio still ranks 4th highest in the nation and is well above the national median of 1.49 percent.

- The median tier one leverage ratio for insured institutions headquartered in Louisiana increased to 10.06 percent as of June 30, 2004. This increase in capital levels helps to mitigate the somewhat elevated level of past due loans (See Chart 5).





[2]The energy sector accounted for 19 percent of gross state product as of year-end 2001(most recent data), down from 30 percent at year-end 1981.
[3]Quarterly Survey of Agricultural Credit Conditions in the Eleventh Federal Reserve District, Second quarter 2004
[4]This compares favorably to the national median of 3.98 percent for the same period.

[5]Includes all insured institutions with less than $1 billion in total assets headquartered in respective county.

Louisiana at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	168	171	174	177	186
Total Assets (in thousands)	57,428,635	51,657,366	47,476,679	45,609,598	54,861,163
New Institutions (# < 3 years)	0	0	4	12	15
New Institutions (# < 9 years)	14	17	17	17	19

Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	10.06	9.98	10.31	10.07	10.40

Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	2.28%	2.54%	2.32%	2.32%	2.02%
Past-Due and Nonaccrual >= 5%	29	32	28	26	23
ALLL/Total Loans (median %)	1.30%	1.31%	1.29%	1.25%	1.27%
ALLL/Noncurrent Loans (median multiple)	1.59	1.28	1.89	1.44	1.70
Net Loan Losses/Loans (aggregate)	0.23%	0.31%	0.35%	0.38%	0.34%

Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	3	3	1	7	12
Percent Unprofitable	1.79%	1.75%	0.57%	3.95%	6.45%
Return on Assets (median %)	1.07	1.12	1.10	0.98	1.10
25th Percentile	0.74	0.76	0.78	0.67	0.74
Net Interest Margin (median %)	4.42%	4.33%	4.55%	4.34%	4.67%
Yield on Earning Assets (median)	5.65%	6.06%	6.82%	8.08%	8.09%
Cost of Funding Earning Assets (median)	1.41%	1.78%	2.43%	3.82%	3.62%
Provisions to Avg. Assets (median)	0.10%	0.12%	0.13%	0.11%	0.11%
Noninterest Income to Avg. Assets (median)	0.91%	0.92%	0.84%	0.83%	0.80%
Overhead to Avg. Assets (median)	3.46%	3.42%	3.32%	3.38%	3.45%

Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	73.75%	70.87%	72.93%	71.12%	71.62%
Loans to Assets (median %)	62.16%	60.23%	60.83%	61.39%	60.85%
Brokered Deposits (# of Institutions)	15	14	13	10	10
Bro. Deps./Assets (median for above inst.)	1.53%	0.98%	1.35%	1.35%	2.13%
Noncore Funding to Assets (median)	20.45%	18.71%	18.36%	18.20%	17.66%
Core Funding to Assets (median)	68.16%	68.68%	68.85%	69.55%	69.68%

Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	120	122	124	126	132
National	14	15	16	16	19
State Member	3	3	2	2	2
S&L	20	20	21	21	21
Savings Bank	9	9	8	9	9
Stock and Mutual SB	2	2	3	3	3

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	90	10,776,359	53.57%	18.76%
New Orleans LA	29	35,236,160	17.26%	61.36%
Lafayette LA	22	5,267,421	13.10%	9.17%
Shreveport-Bossier City LA	8	738,041	4.76%	1.29%
Baton Rouge LA	8	2,845,778	4.76%	4.96%
Houma LA	6	759,700	3.57%	1.32%
Monroe LA	2	500,644	1.19%	0.87%
Lake Charles LA	2	932,090	1.19%	1.62%
Alexandria LA	1	372,442	0.60%	0.65%