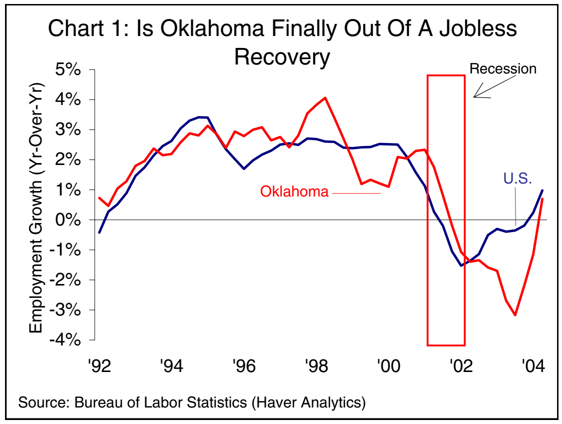
FDIC State Profile

Fall 2004

Oklahoma

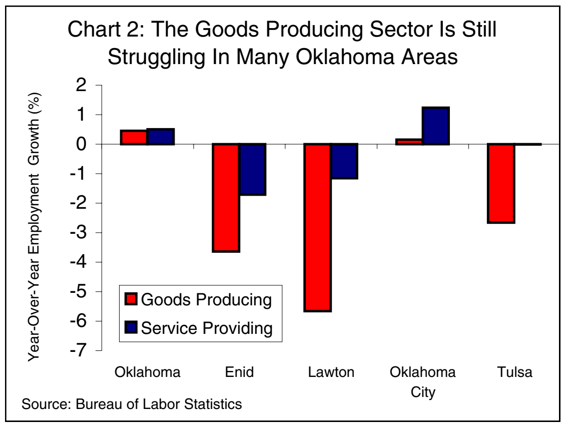
Is Oklahoma finally out of a jobless recovery?

- Oklahoma employment growth turned positive for the first time since late 2001 but still ranked in the bottom half of the nation (See Chart 1).
- Although the state experienced year-over-year employment gains in second quarter 2004, recent data indicate job losses in June and July, suggesting a still fragile recovery.
- Without the robust employment gains of the mining industry, the state's goods producing sector would have been negative. The mining sector is benefiting from the recent record oil prices.



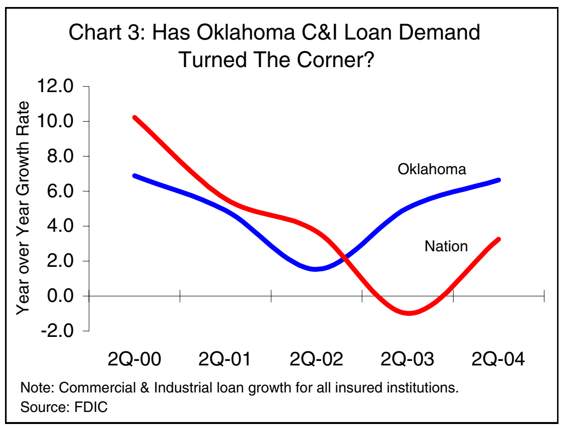
Oklahoma's smaller metropolitan statistical areas (MSAs) are still struggling.

- **Oklahoma City** is the only MSA in the state that posted positive job growth for the quarter. The remaining MSAs, **Enid**, **Lawton**, and **Tulsa,** were among the weakest performing metro areas in the nation, largely because of the struggling manufacturing and construction industries (See Chart 2).
- As workers leave in search of employment, Enid and Lawton demographics are shifting toward an older, less skilled workforce, and business formation and investment has declined. Military instillations in both areas are economic drivers. As a result, the next round of base closures, which may threaten Enid's Vance Air Force Base, would pose formidable challenges to the area.
- Weak consumer spending in Tulsa is hindering the otherwise well-positioned economy from participating in the U.S. recovery.



World Trade Organization (WTO) agreement could affect agriculture subsidies.

- After a prolonged stalemate, world trade talks held at the end of July 2004 produced a new framework that would eventually eliminate billions of dollars of farm subsidies by reducing or eliminating import barriers, export subsidies, and domestic support programs.



- Bankers at agricultural outreach sessions in Oklahoma repeatedly commented that credit quality, profitability, and overall performance would be severely affected without government payments. Additionally, the total volume of subsidy payments is meaningful for an entire community in addition to individual recipients.

Oklahoma insured institutions turn in impressive results.

- Despite a somewhat mediocre economic environment, Oklahoma financial institutions performed very well for the first six months of 2004, turning in the highest return on asset (average and median) values in a decade. Only 2.5 percent of the Oklahoma banks and thrifts were unprofitable for the six months ending June 30, 2004, almost one-half the U.S. rate.

- Credit quality has also improved as evidenced by ten-year low past-due and charge-off rates.

Rebounding commercial and industrial (C&I) lending signals a brighter economic outlook.

- C&I lending for Oklahoma institutions appears to be turning around. The growth in C&I small business lending was 6.6 percent for the four quarter period ending June 30, 2004, the highest growth rate in four years and the 16th highest growth rate nationwide (See Chart 3).

- The number of new Oklahoma firms increased 11.7 percent between 2002 and 2003, which can explain, in part, the increased demand for C&I loans.

- Nationwide, senior lending officers reported that demand for small firm C&I loans was at its highest level in ten years.[1]

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

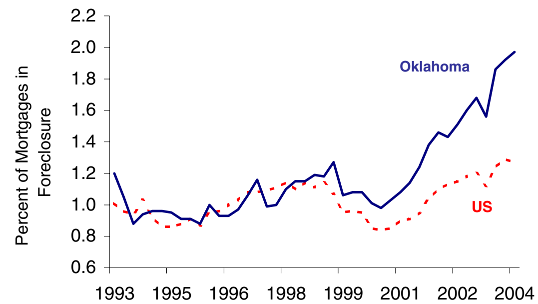
- Oklahoma residential real estate continued to show signs of stress as single-family mortgage foreclosures remained among the highest levels in a decade (See Chart 4).

- Oklahoma insured institutions reported stable residential loan past-due rates that were below 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 continued to increase, climbing to the highest level in a decade and ranking ninth nationally. 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 and remain below the national averages. However, the upward trend in consumer debt service burdens and bankruptcy filings suggests that consumer credit quality is an area to watch going forward.

Chart 4: Oklahoma Foreclosures Are High and Are Growing at Twice the National Rate



Source: Mortgage Bankers Association

[1] Source: Federal Reserve Senior Lending Survey/Haver Analytics.

Oklahoma at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	273	278	283	292	305
Total Assets (in thousands)	54,721,720	56,593,686	52,929,556	50,965,281	47,720,548
New Institutions (# < 3 years)	4	3	4	3	6
New Institutions (# < 9 years)	13	13	13	11	12

Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	9.49	9.48	9.39	9.16	9.16

Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	2.32%	2.66%	2.47%	2.62%	2.23%
Past-Due and Nonaccrual >= 5%	34	57	47	46	53
ALLL/Total Loans (median %)	1.29%	1.28%	1.28%	1.26%	1.30%
ALLL/Noncurrent Loans (median multiple)	1.35	1.23	1.56	1.33	1.60
Net Loan Losses/Loans (aggregate)	0.18%	0.26%	0.23%	0.30%	0.32%

Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	7	7	15	14	20
Percent Unprofitable	2.56%	2.52%	5.30%	4.79%	6.56%
Return on Assets (median %)	1.31	1.26	1.28	1.21	1.23
25th Percentile	0.90	0.88	0.89	0.78	0.80
Net Interest Margin (median %)	4.46%	4.43%	4.62%	4.45%	4.69%
Yield on Earning Assets (median)	5.73%	6.16%	6.86%	8.29%	8.35%
Cost of Funding Earning Assets (median)	1.26%	1.66%	2.30%	3.80%	3.64%
Provisions to Avg. Assets (median)	0.13%	0.16%	0.19%	0.15%	0.16%
Noninterest Income to Avg. Assets (median)	0.92%	0.93%	0.89%	0.93%	0.85%
Overhead to Avg. Assets (median)	3.26%	3.33%	3.32%	3.30%	3.33%

Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	70.30%	68.80%	68.00%	68.43%	67.44%
Loans to Assets (median %)	58.94%	58.26%	57.45%	58.98%	58.67%
Brokered Deposits (# of Institutions)	40	32	26	22	17
Bro. Deps./Assets (median for above inst.)	2.88%	2.03%	3.47%	2.91%	2.80%
Noncore Funding to Assets (median)	18.32%	17.48%	16.64%	16.68%	15.73%
Core Funding to Assets (median)	70.78%	71.24%	71.47%	71.98%	73.48%

Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	130	127	124	126	130
National	85	89	94	96	107
State Member	53	57	59	62	58
S&L	2	2	2	2	3
Savings Bank	3	3	4	6	7
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	180	17,291,941	65.93%	31.60%
Tulsa OK	41	17,702,050	15.02%	32.35%
Oklahoma City OK	40	18,048,900	14.65%	32.98%
Lawton OK	5	617,512	1.83%	1.13%
Enid OK	5	798,853	1.83%	1.46%
Ft Smith AR-OK	2	262,464	0.73%	0.48%