

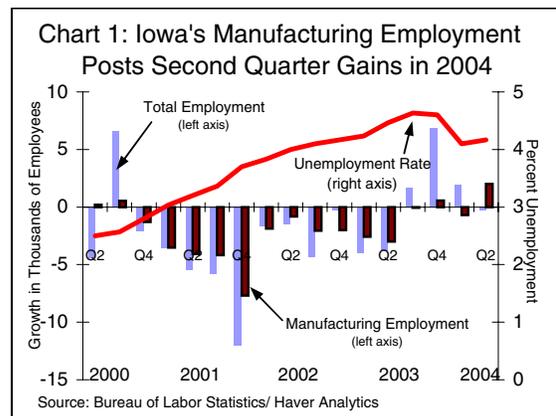
# FDIC State Profile

Fall 2004

## Iowa

Employment performance remained mixed in the second quarter of 2004.

- Iowa's manufacturing employment improved as the sector added an additional 2,000 jobs in the second quarter of 2004, posting the largest gains since the third quarter of 1998 (See Chart 1).
- However, the state lost 300 jobs in the second quarter, following a gain over the past three quarters of 10,400 jobs.
- After a brief decline in the first quarter, the unemployment rate rose slightly to 4.2 percent in the second quarter 2004.



Prices improved for most major commodities in the second quarter of 2004.

- Despite a record crop in 2003, corn prices have declined only slightly because of strong demand for animal feed (See Chart 2). Soybean prices are forecasted to increase substantially, reflecting a smaller-than-expected 2003 harvest and strong export demand.
- Hog prices continued to improve in the second quarter and are forecasted to remain higher through 2004 because of strong domestic and export demand.

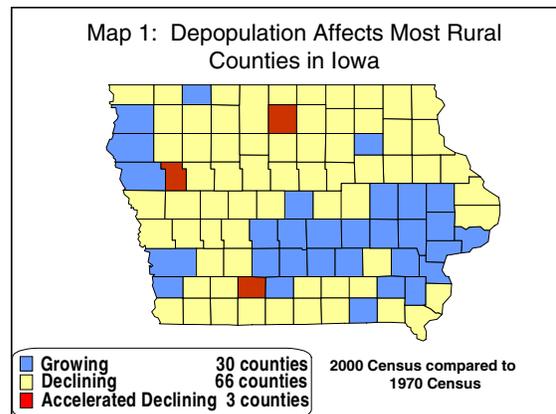
**Chart 2: Commodity Prices Are Improved in 2004**

	2001	2002	Est 2003	Proj 2004	Proportion of State's Ag Revenue
Corn	1.85	1.97	2.32	2.25	29%
Soybeans	4.54	4.25	5.53	5.90	21%
Wheat	2.62	2.78	3.56	3.30	0%
Cattle	72.71	67.50	84.69	86.00	19%
Hogs	45.81	34.92	39.45	49.50	21%
Milk	14.97	12.10	12.45	15.75	4%

Note: Grain prices are for marketing year of each crop.  
Crop quantities are per bushel; livestock and milk are per hundredweight  
Source: USDA/WASDE August 12, 2004

Depopulation in rural areas is a continuing challenge.

- Over two-thirds of Iowa's 99 counties have lost population since 1970, and in three of those counties, the pace of loss increased during the 1990s (See Map 1).
- Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor, and farmers have become less dependent on nearby small towns for input purchases and professional services.
- As a result, people have migrated from rural to metropolitan areas seeking better employment opportunities.
- Counties that are losing population more rapidly may be in danger of losing economic viability, as shrinking tax rolls may make essential infrastructure, such as utilities and school systems, difficult to maintain.



## State Profile

Securities portfolios experienced net depreciation in the second quarter.

- Commercial bank available-for-sale securities (AFS) portfolios registered their first quarter of net depreciation in 15 quarters as the Federal Reserve began tightening monetary policy for the first time since June 2000. (See Chart 3). Current unrealized depreciation represents 0.31 percent of capital versus 4.52 percent in June 2000.
- The value of securities portfolios may be more volatile than recent history since commercial banks invested heavily in mortgage-backed securities (MBS) over the past few years. MBS typically carry greater market sensitivity than U.S. Treasury and agency securities.
- MBS have represented between 6.8 percent and 11.76 percent of AFS over the past two years, well above the 4.3 to 6.2 percent range in the 24 months immediately preceding second quarter 1999, the beginning of a six-quarter net depreciation period.

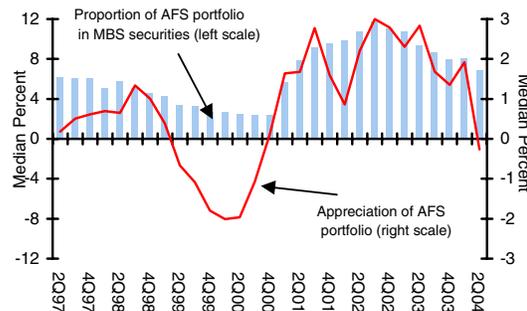
Commercial banks continue to experience growth in business lending.

- Unlike the nation's largest institutions, Iowa commercial banks continued to experience growth in their commercial lending portfolios over the past several years (See Chart 4).
- However, the growth rate has been much lower than that experienced a few years ago because of the downturn in the state's business sector, especially in manufacturing.
- As Iowa's economy continues to improve, growth in commercial and industrial lending has increased recently, similar to the trend in the nation's largest commercial banks.

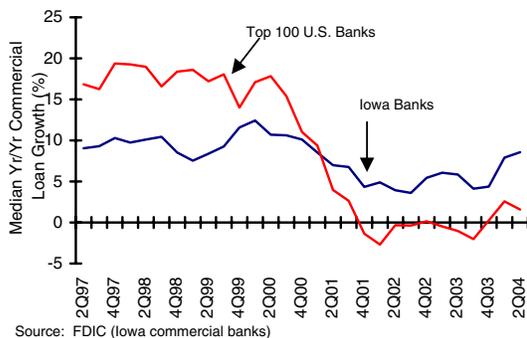
Consumer loan delinquencies remain moderate among Iowa's insured institutions.

- Diverging from the historical trend, the median consumer loan past-due ratio increased slightly in the second quarter from the previous quarter. (See Chart 5).
- Although the past due ratio is running higher since the 2001 recession, the level remains very low and continues a generally stable long-term trend. Barring unforeseen events, this favorable trend should continue as Iowa's economy picks up steam.
- Net charge-offs remain negligible as well, and loan-loss reserve coverage remains strong.

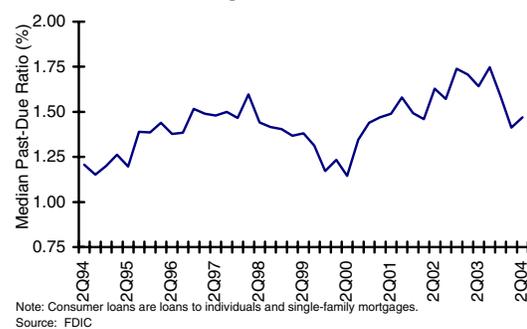
**Chart 3: Available-for-sale Securities Portfolios Showed Net Depreciation in the Second Quarter**



**Chart 4: Commercial Loan Growth Remains Stable Although Much Lower Than in the Recent Past**



**Chart 5: Consumer Loan Delinquency Is Stable and Moderate Among Iowa's Insured Institutions**



## State Profile

### Iowa at a Glance

<b>General Information</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Institutions (#)	417	428	436	450	467
Total Assets (in thousands)	50,450,238	56,811,960	51,444,908	49,977,728	47,148,260
New Institutions (# < 3 years)	4	6	13	20	25
New Institutions (# < 9 years)	35	38	40	42	42
<b>Capital</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Tier 1 Leverage (median)	9.19	8.93	8.96	9.14	9.13
<b>Asset Quality</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Past-Due and Nonaccrual (median %)	1.39%	1.69%	1.78%	1.66%	1.34%
Past-Due and Nonaccrual >= 5%	24	35	39	27	22
ALLL/Total Loans (median %)	1.26%	1.28%	1.24%	1.21%	1.22%
ALLL/Noncurrent Loans (median multiple)	2.22	1.77	1.64	1.97	2.51
Net Loan Losses/Loans (aggregate)	0.13%	0.18%	0.25%	0.24%	0.15%
<b>Earnings</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Unprofitable Institutions (#)	8	14	19	14	20
Percent Unprofitable	1.92%	3.27%	4.36%	3.11%	4.28%
Return on Assets (median %)	1.15	1.17	1.21	1.05	1.13
25th Percentile	0.87	0.84	0.82	0.73	0.82
Net Interest Margin (median %)	3.75%	3.77%	3.94%	3.66%	3.85%
Yield on Earning Assets (median)	5.51%	5.96%	6.78%	7.84%	7.86%
Cost of Funding Earning Assets (median)	1.70%	2.16%	2.83%	4.17%	3.97%
Provisions to Avg. Assets (median)	0.05%	0.07%	0.09%	0.07%	0.07%
Noninterest Income to Avg. Assets (median)	0.54%	0.56%	0.52%	0.52%	0.49%
Overhead to Avg. Assets (median)	2.56%	2.54%	2.52%	2.53%	2.49%
<b>Liquidity/Sensitivity</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Loans to Deposits (median %)	79.45%	76.11%	78.59%	80.80%	79.67%
Loans to Assets (median %)	63.55%	61.85%	64.74%	65.89%	65.62%
Brokered Deposits (# of Institutions)	86	75	64	52	54
Bro. Deps./Assets (median for above inst.)	1.95%	1.65%	2.23%	1.40%	1.19%
Noncore Funding to Assets (median)	15.53%	14.93%	14.95%	15.15%	15.27%
Core Funding to Assets (median)	72.86%	73.56%	73.75%	73.05%	73.40%
<b>Bank Class</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
State Nonmember	294	300	309	319	331
National	47	52	49	47	48
State Member	55	54	56	60	63
S&L	3	5	5	5	5
Savings Bank	16	17	17	19	20
Stock and Mutual SB	2	0	0	0	0
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	328	30,576,691	78.66%	60.61%	
Des Moines IA	24	8,317,751	5.76%	16.49%	
Cedar Rapids IA	19	1,858,027	4.56%	3.68%	
Davenport-Moline-Rock Island IA-IL	11	2,750,125	2.64%	5.45%	
Sioux City IA-NE	8	1,593,968	1.92%	3.16%	
Dubuque IA	8	1,912,993	1.92%	3.79%	
Iowa City IA	7	2,068,031	1.68%	4.10%	
Waterloo-Cedar Falls IA	6	876,395	1.44%	1.74%	
Omaha NE-IA	6	496,257	1.44%	0.98%	