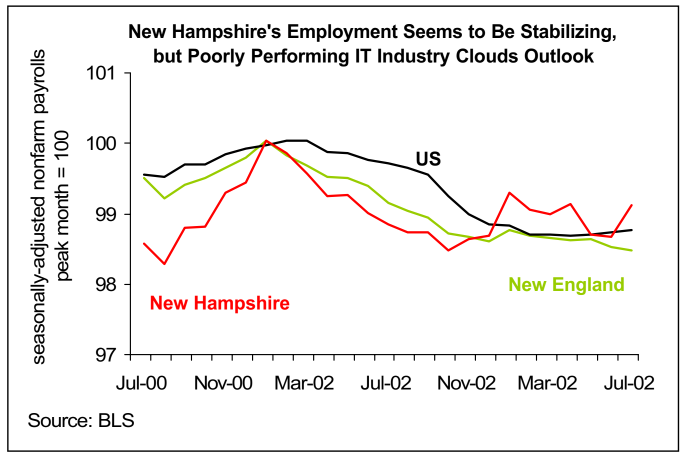
FDIC State Profile

WINTER 2002

New Hampshire

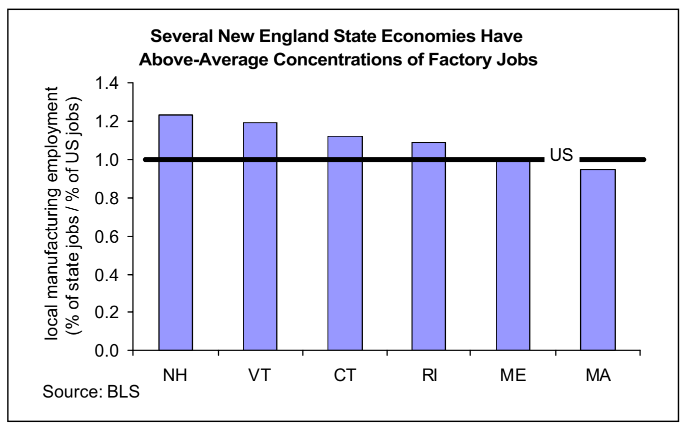
New Hampshire's economy has been hit by weakness in manufacturing and technology (IT). Still, the state's dynamic economy should remain sound if the US economy avoids a return to recession.

- The state's labor market appeared to have stabilized as of July (see top chart).
- Of all the New England states, New Hampshire's economy is the most reliant on factory sector payrolls (see middle chart).
- The state's rural counties have suffered from job losses in non-IT manufacturing industries, such as pulp and paper mills, since late 2000.
- However, the 2002 national upturn in factory orders and output should also benefit the state's non-IT manufacturers.
- New Hampshire's housing market boomed during the latter half of the 1990s, posting the strongest sales gains of any state in New England.
- After peaking in 2000, home sales have eased modestly in the past few years, but remain near their highs.
- The state's housing market benefited much in the past several years from its proximity to *Boston's* higher-cost housing markets, strong IT-related job growth, and demand for second/vacation homes.
- Statewide housing prices mostly reflect trends in the populous southern areas closest to greater Boston.
- The current economic weakness has led to a somewhat slower rate of home price appreciation, but significant price declines are unlikely unless the IT slump and/or national economic weakness are protracted.
- New Hampshire's reliance on IT-related jobs and income in recent years has resulted in a wide swing in per capita income growth as the IT-led investment boom faltered.
- However, the state traditionally has shown strong population growth and other favorable demographic factors relative to neighboring states in New England. It also tends to respond more to cyclical effects, implying that it should recover well once the national economy picks up steam.



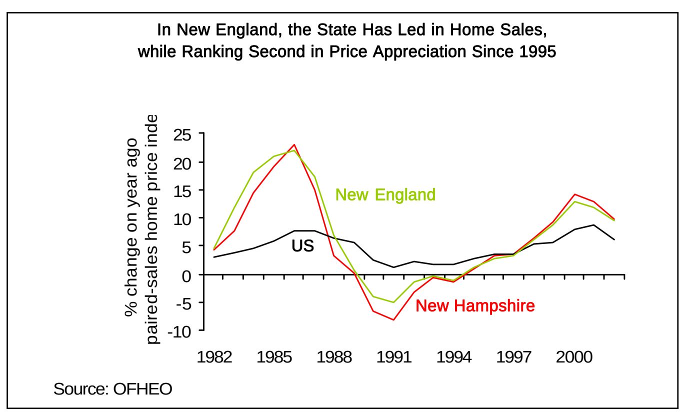
New Hampshire's Employment Seems to Be Stabilizing, but Poorly Performing IT Industry Clouds Outlook

Source: BLS



Several New England State Economies Have Above-Average Concentrations of Factory Jobs

Source: BLS



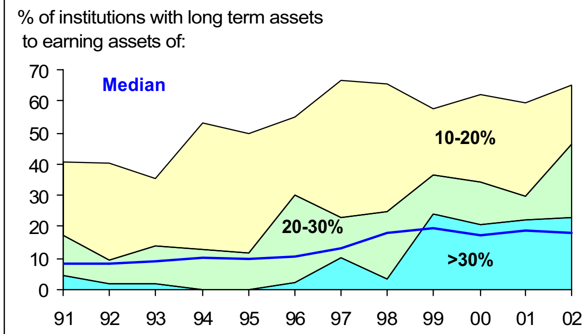
In New England, the State Has Led in Home Sales, while Ranking Second in Price Appreciation Since 1995

Source: OFHEO

Interest Rate Risk remains a concern for institutions that increased concentrations of fixed, long-term assets during the recent refinancing waves.

- With the conventional 30-year mortgage rate below 7.25% for the past 18 months, refinancing activity has been strong as borrowers seek to lock in long-term, fixed-rate loans at lower rates.
- During this time, asset maturities have lengthened at some institutions without matching liability extension. Median long-term assets increased during 2001, as one quarter of New Hampshire's institutions have long-term asset concentrations greater than 30 percent of earning assets.
- This trend is especially pronounced in the state, as is true for the rest of New England, due to the large percentage of thrifts and residential lenders. Savings institutions represent over half of insured institutions in New Hampshire, and residential real estate loans comprise 53 percent of the average loan portfolio in the state.

Long Term Asset Concentrations Have Risen In Some Institutions in New Hampshire, Suggesting Increased Exposure

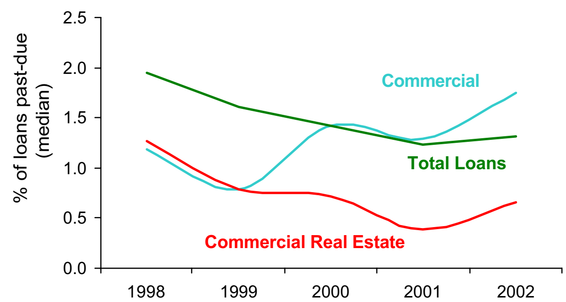


Source: Bank and Thrift Call Reports, Data Through 2nd Quarter

Although overall credit quality improved in the remaining New England states, delinquencies increased slightly in New Hampshire and could become more pronounced with the weak economy.

- The median past-due ratio increased slightly during the year ending June 30, 2002, led by increases in commercial, commercial real estate and residential real estate delinquency rates over the past year. Credit quality deterioration occurred throughout many institutions in the state.
- Over forty-five percent of New Hampshire's banks and thrifts report high-risk loan concentrations of at least 300 percent of capital as of second quarter 2002. The median high-risk[1] loan to capital ratio for the state is the second highest in the Region (277 percent), and continues to increase. The *Manchester* MSA had the highest high-risk concentration ratio out of all MSAs in New England as of second quarter 2002 (484 percent), and exposure levels continue to rise.
- Portfolios in the state have been shifting towards traditionally higher-risk loans due to strong commercial, construction, and commercial real estate loan growth over past few years, which could contribute to further deterioration in asset quality.

Credit Quality Has Deteriorated in Certain High-Risk Loan Categories in New Hampshire (All Institutions)



Source: Bank and Thrift Call Reports, Data as of 2nd Quarter

[1]High risk is defined as Commercial, Construction, Commercial Real Estate and Multifamily loans.

New Hampshire at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98
Institutions (#)	32	34	36	40	39
Total Assets (in thousands)	29,526,875	34,441,517	30,626,587	27,376,924	22,425,771
New Institutions (# <3 years)	0	2	2	3	4
New Institutions (# <9 years)	3	4	5	6	5
Capital					
Tier 1 Leverage (median)	9.30	8.81	8.54	9.24	9.10
Asset Quality					
Past-Due and Nonaccrual (median %)	1.31%	1.23%	1.42%	1.61%	1.95%
Past-Due and Nonaccrual ≥ 5%	2	2	1	2	3
ALLL/Total Loans (median %)	1.16%	1.18%	1.22%	1.35%	1.35%
ALLL/Noncurrent Loans (median multiple)	3.18	2.32	2.50	3.20	1.92
Net Loan Losses/Loans (aggregate)	18.35%	5.97%	4.41%	2.60%	2.33%
Earnings					
Unprofitable Institutions (#)		1	3	2	2
Percent Unprofitable	0.00%	2.94%	8.33%	5.00%	5.13%
Return on Assets (median %)	0.96	0.88	0.97	1.04	1.05
25th Percentile	0.76	0.68	0.68	0.83	0.85
Net Interest Margin (median %)	4.40%	4.19%	4.36%	4.09%	4.40%
Yield on Earning Assets (median)	6.72%	7.83%	7.83%	7.59%	8.12%
Cost of Funding Earning Assets (median)	2.37%	3.77%	3.57%	3.41%	3.86%
Provisions to Avg. Assets (median)	0.10%	0.07%	0.10%	0.10%	0.13%
Noninterest Income to Avg. Assets (median)	0.56%	0.53%	0.46%	0.53%	0.55%
Overhead to Avg. Assets (median)	3.04%	3.09%	3.16%	3.06%	3.05%
Liquidity/Sensitivity					
Loans to Deposits (median %)	77.33%	80.51%	84.70%	77.89%	78.43%
Loans to Assets (median %)	64.77%	68.24%	69.24%	69.68%	68.76%
Brokered Deposits (# of Institutions)	1	2	3	6	8
Bro. Deps./Assets (median for above inst.)	48.66%	24.62%	1.01%	1.24%	1.52%
Noncore Funding to Assets (median)	16.23%	16.28%	13.17%	12.30%	11.28%
Core Funding to Assets (median)	71.40%	70.63%	73.71%	76.46%	77.64%
Bank Class					
State Nonmember	9	9	11	13	12
National	5	6	6	6	6
State Member	0	0	0	1	1
S&L	1	1	1	1	1
Savings Bank	5	6	6	6	6
Mutually Insured	12	12	12	13	13

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	22	21,804,439	68.75%	73.85%
Portsmouth-Rochester NH-ME PMSA	4	587,381	12.50%	1.99%
Manchester NH PMSA	2	6,457,336	6.25%	21.87%
Lawrence MA-NH PMSA	2	423,832	6.25%	1.44%
Nashua NH PMSA	1	11,241	3.13%	0.04%
Boston MA-NH PMSA	1	242,646	3.13%	0.82%