FDIC State Profile

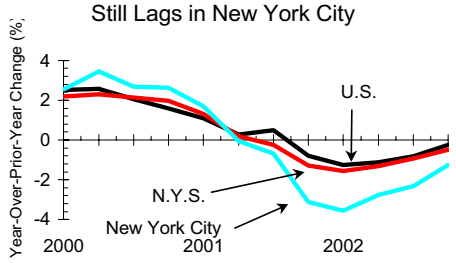
SPRING 2003

New York

Employment growth in New York lagged the nation during the past two years, but closely tracked the national average by year-end 2002. Job contraction in New York City eased during 2002; however, it continued to exceed the state and nation.

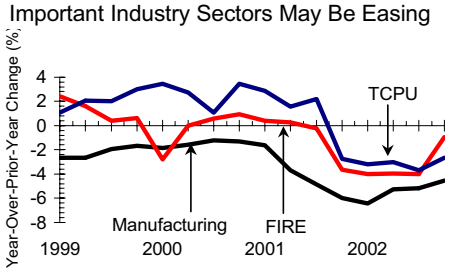
- After slightly trailing the nation, the rate of job losses in the state matched improvement in the national economy (**chart 1**).
- ***New York City's*** rate of job losses, while easing, still exceeded the state and nation. Significant layoffs and reduced compensation in the securities industry, which generally pays higher average salaries than other sectors ($252,000 in 2001, compared with $46,600 for non-securities industries) has impaired the city's economy. According to the New York State Comptroller's Office, Wall Street bonuses are estimated to have declined by 37 percent in 2002, following a 35 percent drop in 2001.
- The state's manufacturing sector has been contracting for decades as firms have relocated to lower cost areas outside the state. Manufacturing job losses increased sharply as the nation's recession intensified. The economies of Western and Central New York, particularly ***Buffalo, Rochester,*** and ***Syracuse,*** depend more on manufacturing industries and have had a higher percentage of job losses.
- Losses in the state's transportation, communication and public utilities (TCPU) sector primarily reflect continued softness in the airline and tourism industries (**chart 2**). Revenue per available room (RevPar) in New York City has been significantly down since the fourth quarter 2000 peak. RevPar declines in New York City have exceeded the national average, because of greater exposure to business travel, more adversely affected by the recession.
- Office vacancy rates in Midtown Manhattan edged up slightly during the fourth quarter 2002, due to reduced demand for office space. The Midtown market reported an 8 percent office vacancy rate in fourth quarter 2002, well below the 16.5 percent national average and one of the lowest vacancy rates among the nation's 54 largest office markets. The Downtown Manhattan market suffers from uncertainties following 9/11; however, the office vacancy rate improved slightly to 12 percent in fourth quarter 2002, down from 12.8 percent in the third quarter.
- Single-family home prices have appreciated at double-digit rates for the past two years in Nassau, Suffolk, and Dutchess Counties (**chart 3**). Although a "housing bubble" similar to the late- 1980s is not likely, current home price levels may be vulnerable, if interest rates rise or if the economy weakens.

Chart 1: Employment Growth in New York Is Approaching the Nation, Although Growth Still Lags in New York City



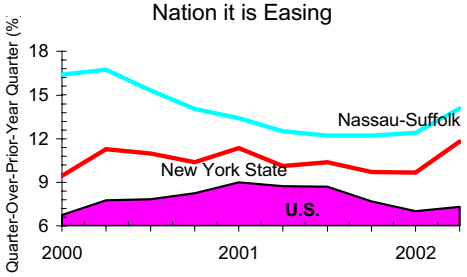
Source: Bureau of Labor Statistics.

Chart 2: Employment Declines in New York's Important Industry Sectors May Be Easing



Source: Bureau of Labor Statistics. FIRE refers to finance, insurance, and real estate. TCPU represents transportation, communication, and public utilities.

Chart 3: Housing Price Appreciation in New York is Rising, Mainly Downstate, While in the Nation it is Easing

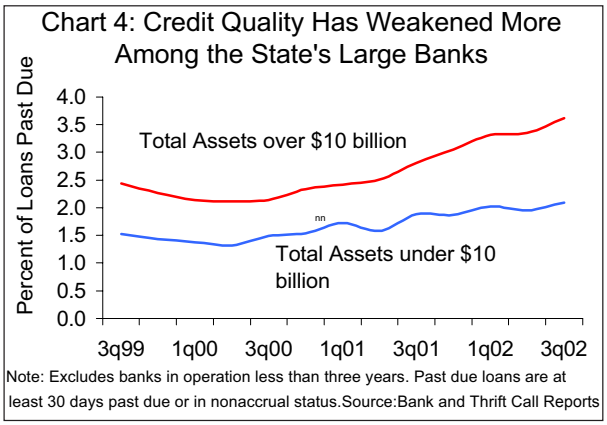


Source: Office of Federal Housing Enterprise Oversight.

[1] reference one if called on first page.

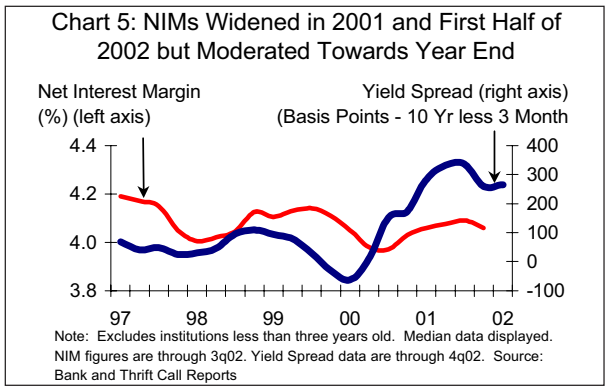
Credit quality among New York's insured institutions has weakened moderately during this economic downturn. The state's large institutions continued to report weakness to a greater extent than community banks, due primarily to deterioration in the corporate lending sector.

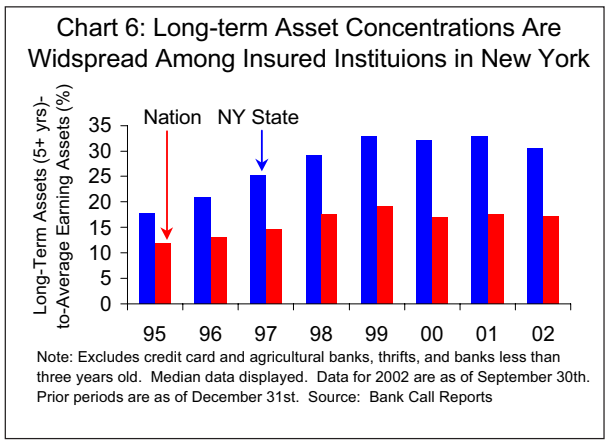
- The state's large insured institutions, those with total assets of at least $10 billion, reported an increase in the average past due-loan ratio through third quarter 2002 (**chart 4**). Additionally, according to earnings reports, large banks reported continued credit quality weakness in the fourth quarter, most notably those with exposure to the telecommunications and airline industries. Smaller banks also reported credit quality weakness, although the average delinquency rate remained comparatively lower.
- As credit quality generally lags the business cycle, loan performance likely will require bank management's close attention in coming quarters, even if the economic recovery strengthens.



Net interest margins (NIMs) increased for most of New York's insured institutions over the past year, but margin improvement began to wane in third quarter 2002.

- Following four consecutive quarters of improvement, the median NIM declined slightly in third quarter 2002 (**chart 5**). The yield curve flattened in third quarter 2002, as long-term interest rates neared historic lows, contributing to a decline in asset yields. Short-term interest rates declined to a lesser extent, contributing to a more modest decline in banks' cost of funds.
- While short-term rates subsequently declined in the fourth quarter, banks' funding costs are already near historic lows and may not have room to decline much further. Therefore, margin improvement may be limited in coming quarters.
- Historically low long-term interest rates have contributed to record refinancing levels nationally, as consumers have locked in long-term, fixed-rate residential mortgage loans. Long-term asset concentration levels have been relatively stable on average in recent years, but remain higher than in the mid-1990s. Liability maturities are comparatively shorter, as most liabilities mature or reprice within three years.
- New York's median ratio of long-term assets-to-average earning assets remains above that of the nation (**chart 6**). A large number of residential mortgage lenders and more widespread popularity of long-term mortgage products in metropolitan areas of the Northeast, compared with the rest of the nation, contributed to the higher ratio. Insured institutions with high concentrations of long-term assets may face margin compression should interest rates rise, thereby heightening the importance of proper interest rate risk management practices.





New York State at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	212	223	234	238	246
Total Assets (in thousands)	1,584,405,689	1,603,830,900	1,370,667,059	1,228,952,174	1,287,383,024
New Institutions (# < 3 years)	11	16	15	9	6
New Institutions (# < 9 years)	24	23	20	17	14

Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	8.66	8.89	9.03	9.18	9.37

Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	1.51%	1.75%	1.59%	1.71%	2.29%
Past-Due and Nonaccrual ≥ 5%	20	16	18	16	32
ALLL/Total Loans (median %)	1.14%	1.08%	1.06%	1.11%	1.20%
ALLL/Noncurrent Loans (median multiple)	1.51	1.64	1.73	1.50	1.22
Net Loan Losses/Loans (aggregate)	1.34%	0.52%	0.39%	0.46%	0.48%

Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	18	21	15	11	13
Percent Unprofitable	8.49%	9.42%	6.41%	4.62%	5.28%
Return on Assets (median %)	0.92	0.87	0.93	0.98	0.92
25th Percentile	0.60	0.54	0.64	0.62	0.59
Net Interest Margin (median %)	4.04%	3.91%	4.10%	4.05%	4.13%
Yield on Earning Assets (median)	6.44%	7.50%	7.75%	7.39%	7.76%
Cost of Funding Earning Assets (median)	2.22%	3.56%	3.73%	3.32%	3.66%
Provisions to Avg. Assets (median)	0.11%	0.11%	0.10%	0.10%	0.11%
Noninterest Income to Avg. Assets (median)	0.64%	0.61%	0.58%	0.55%	0.53%
Overhead to Avg. Assets (median)	2.86%	2.87%	2.87%	2.87%	2.89%

Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	68.84%	73.71%	72.99%	70.77%	69.78%
Loans to Assets (median %)	56.95%	59.77%	60.50%	58.13%	58.84%
Brokered Deposits (# of Institutions)	54	54	57	47	45
Bro. Deps./Assets (median for above inst.)	2.73%	1.53%	2.02%	2.77%	2.89%
Noncore Funding to Assets (median)	17.49%	19.99%	19.83%	18.02%	14.61%
Core Funding to Assets (median)	69.16%	67.25%	68.31%	68.40%	72.87%

Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	57	60	60	61	61
National	56	60	63	64	64
State Member	23	24	27	27	27
S&L	22	23	25	27	29
Savings Bank	22	23	24	24	29
Mutually Insured	32	33	35	35	36

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
New York NY PMSA	89	1,352,855,262	41.98%	85.39%
No MSA	46	18,346,072	21.70%	1.16%
Syracuse NY	12	3,670,722	5.66%	0.23%
Rochester NY	11	24,853,760	5.19%	1.57%
Nassau-Suffolk NY PMSA	11	45,632,251	5.19%	2.88%
Albany-Schenectady-Troy NY	11	5,942,472	5.19%	0.38%
Buffalo-Niagara Falls NY	8	123,400,201	3.77%	7.79%
Newburgh NY-PA PMSA	7	1,534,793	3.30%	0.10%
Utica-Rome NY	5	2,464,148	2.36%	0.16%
Dutchess County NY PMSA	4	550,707	1.89%	0.03%
Elmira NY	3	1,254,926	1.42%	0.08%
Jamestown NY	2	515,772	0.94%	0.03%
Binghamton NY	2	2,266,382	0.94%	0.14%
Glens Falls NY	1	1,118,221	0.47%	0.07%