

FDIC State Profile

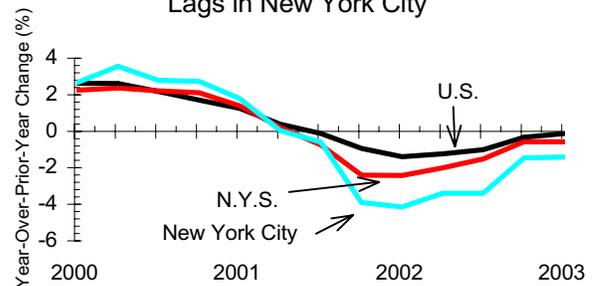
SUMMER 2003

New York

After lagging the nation since late 2001, employment growth in New York has closely tracked the nation recently. Some of the improvement can be attributed to an easing in New York City's job contraction.

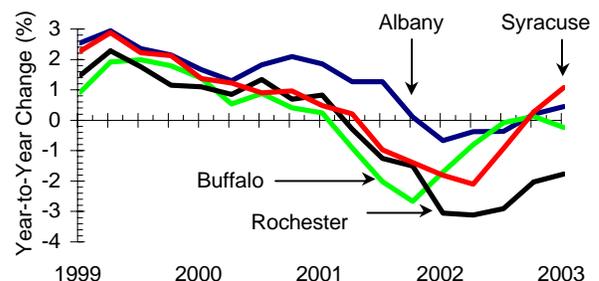
- After falling more sharply than the nation between 2001 and 2002, the rate of job loss in the state eased and slightly trailed the nation by first quarter 2003 (chart 1). While moderating, the rate of job losses in the state's securities, manufacturing and business services industries exceeded the national average.
- Despite improvement, the rate of New York City's job losses still exceeded the state and national average. Layoffs and reduced compensation in the City's key economic driver, the securities industry, has impaired the area's economy. According to the Securities Industries Association, Wall Street salaries declined by 12 percent over the past two years. Since peaking in December 2000, New York City has lost over 37,000 securities industry jobs, 18.7 percent of total industry employment.
- Job losses in manufacturing, which are primarily in upstate New York, have been an acceleration of longer-term trends of factories leaving the state for lower-cost destinations as well as lower demand from a weak national economy. In recent quarters, job losses have begun to ease in some of the upstate cities (chart 2).
- The state's large budget deficit primarily a consequence of economic weakness manifested in the form of lower tax collections has resulted in increased taxes, reduced services and some layoffs of local government employees.
- Office vacancy rates in Midtown Manhattan edged up during first quarter 2003, but remained in single digits. The rate is still one of the lowest vacancy rates among the nation's 54 largest office markets. The office vacancy rate in Downtown Manhattan increased slightly to 12.3 percent in first quarter 2003. Sublet space in New York City represents about one-third of total office space. Net asking rents are down over 20 percent between 2000 and first quarter 2003, which could pressure cash flows as leases expire.
- Home price appreciation on the state and national levels moderated during first quarter 2003, however, certain areas such as Nassau, Suffolk, and Dutchess Counties continued to report significant rises in housing prices (chart 3). These areas may be more vulnerable to softening home prices, particularly if interest rates rise or localized job losses

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



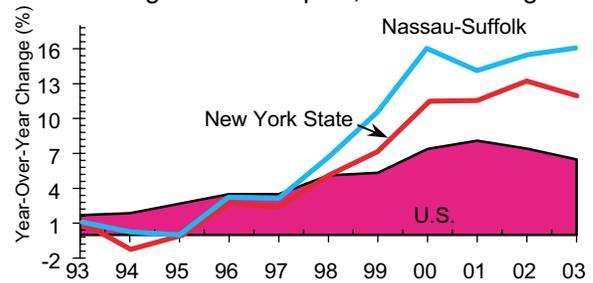
Source: Bureau of Labor Statistics.

Chart 2: Although Hurt By the Economic Downturn, Job Losses Have Eased Upstate



Source: Bureau of Labor Statistics.

Chart 3: Housing Price Appreciation in the Nation and New York State May be Easing, Although in Some Spots, It is Still Rising



Source: Office of Federal Housing Enterprise Oversight.

State Profile

increase. In upstate New York, including Buffalo, Rochester, and Elmira, housing appreciation has been significantly less.

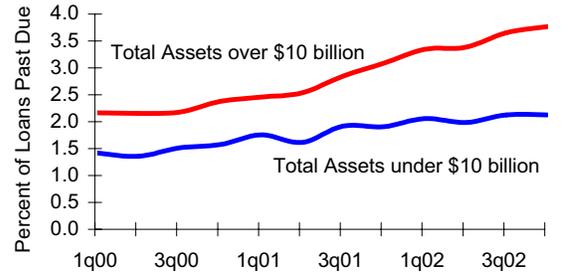
Credit quality among New York's insured institutions has weakened during this economic downturn. The state's large institutions continued to report weakness to a greater extent than community banks, due primarily to deterioration in the corporate lending sector.

- The average past due-loan ratio reported by the state's large insured institutions, those with total assets of at least \$10 billion, continued its upward trend increasing slightly in the fourth quarter 2002 (chart 4). Large banks reported credit quality weakness to the telecommunications and airline industries. The average past-due ratio for smaller banks stabilized and was comparatively lower than larger institutions.
- Reports by ratings agencies suggest that corporate credit quality ratios, such as the ratio of downgrades to upgrades and corporate default rates, may be nearing a peak. Moreover, an April 2003 survey of banks by the Federal Reserve Board indicates that corporate borrowers have lowered debt servicing costs by refinancing loans and restructuring balance sheets.

After increasing during much of last year, net interest margins (NIMs) improvement began to wane in fourth quarter 2002 as the steepness of the Treasury yield curve declined from its 2002 peak level.

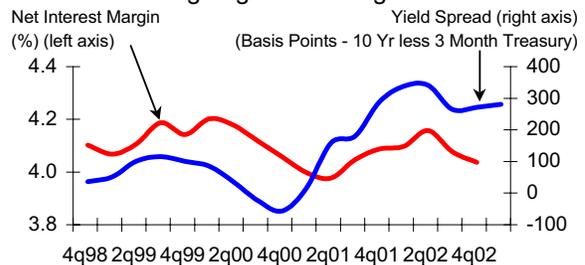
- Following four consecutive quarters of improvement, the median NIM declined in the second half 2002, reflecting partially a slight flattening of the yield curve and perhaps, in part, the competitive local environment for loans and deposits (chart 5).
- Record low short-term rates suggest that bank deposit costs are near floors. As a result, further cuts in short-term rates may not benefit bank net interest margins as much as prior interest rate cuts.
- 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

Chart 4: Past-due Ratio for State's Large Banks Rises, While Ratio for Smaller Banks Stabilizes



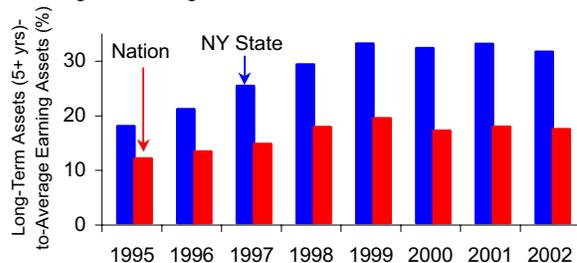
Note: Excludes banks in operation less than three years. Past due loans are at least 30 days past due or in nonaccrual status. Source: Bank and Thrift Call Reports.

Chart 5: NIM Moderately Declined at Year-End 2002 Following Slight Flattening in Yield Curve



Note: Excludes institutions less than three years old. Median data displayed. NIM figures are through 4q02. Yield Spread data are through 1q03. Source: Bank and Thrift Call Reports, Federal Reserve Board.

Chart 6: Long-Term Asset Concentrations Traditionally are Higher Among Banks in New York than the Nation



Note: Excludes credit card and agricultural banks, thrifts, and banks less than three years old. Median data displayed. Data are as of December 31st. Source: Bank Call Reports.

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 or as existing mortgages are refinanced into lower market rates, thereby heightening the importance of proper interest rate risk management practices.

State Profile

New York State at a Glance

| General Information | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
|--|---------------|-------------------|---------------|----------------|-----------------|
| Institutions (#) | 211 | 220 | 230 | 238 | 244 |
| Total Assets (in thousands) | 1,620,012,105 | 1,497,851,650 | 1,436,642,955 | 1,301,081,465 | 1,265,231,893 |
| New Institutions (# < 3 years) | 11 | 15 | 14 | 12 | 4 |
| New Institutions (# < 9 years) | 26 | 23 | 20 | 18 | 14 |
| Capital | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
| Tier 1 Leverage (median) | 8.51 | 8.85 | 8.96 | 9.26 | 9.47 |
| Asset Quality | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
| Past-Due and Nonaccrual (median %) | 1.67% | 1.89% | 1.69% | 1.60% | 2.08% |
| Past-Due and Nonaccrual >= 5% | 20 | 21 | 17 | 17 | 30 |
| ALLL/Total Loans (median %) | 1.10% | 1.10% | 1.06% | 1.09% | 1.15% |
| ALLL/Noncurrent Loans (median multiple) | 1.63 | 1.59 | 1.88 | 1.66 | 1.41 |
| Net Loan Losses/Loans (aggregate) | 1.36% | 0.77% | 0.43% | 0.51% | 0.48% |
| Earnings | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
| Unprofitable Institutions (#) | 19 | 20 | 12 | 13 | 17 |
| Percent Unprofitable | 9.00% | 9.09% | 5.22% | 5.46% | 6.97% |
| Return on Assets (median %) | 0.89 | 0.89 | 0.93 | 0.96 | 0.92 |
| 25th Percentile | 0.56 | 0.52 | 0.62 | 0.63 | 0.57 |
| Net Interest Margin (median %) | 4.03% | 3.95% | 4.10% | 4.05% | 4.14% |
| Yield on Earning Assets (median) | 6.30% | 7.34% | 7.82% | 7.42% | 7.72% |
| Cost of Funding Earning Assets (median) | 2.13% | 3.33% | 3.78% | 3.33% | 3.61% |
| Provisions to Avg. Assets (median) | 0.13% | 0.13% | 0.12% | 0.11% | 0.11% |
| Noninterest Income to Avg. Assets (median) | 0.64% | 0.61% | 0.59% | 0.57% | 0.55% |
| Overhead to Avg. Assets (median) | 2.92% | 2.91% | 2.91% | 2.94% | 2.99% |
| Liquidity/Sensitivity | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
| Loans to Deposits (median %) | 68.90% | 72.74% | 74.15% | 71.80% | 70.38% |
| Loans to Assets (median %) | 56.19% | 60.03% | 61.38% | 58.95% | 58.86% |
| Brokered Deposits (# of Institutions) | 52 | 55 | 60 | 51 | 45 |
| Bro. Deps./Assets (median for above inst.) | 2.57% | 1.81% | 1.63% | 2.21% | 3.29% |
| Noncore Funding to Assets (median) | 17.51% | 18.89% | 19.76% | 19.71% | 15.36% |
| Core Funding to Assets (median) | 69.55% | 68.38% | 67.93% | 67.88% | 71.31% |
| Bank Class | Dec-02 | Dec-01 | Dec-00 | Dec-99 | Dec-98 |
| State Nonmember | 57 | 59 | 59 | 60 | 63 |
| National | 56 | 59 | 63 | 63 | 64 |
| State Member | 23 | 23 | 26 | 27 | 26 |
| S&L | 21 | 23 | 23 | 26 | 29 |
| Savings Bank | 24 | 23 | 24 | 26 | 26 |
| Mutually Insured | 30 | 33 | 35 | 36 | 36 |
| MSA Distribution | | # of Inst. | Assets | % Inst. | % Assets |
| New York NY PMSA | | 88 | 1,386,840,973 | 41.71% | 85.61% |
| No MSA | | 45 | 18,139,675 | 21.33% | 1.12% |
| Syracuse NY | | 12 | 3,142,023 | 5.69% | 0.19% |
| Rochester NY | | 11 | 25,236,610 | 5.21% | 1.56% |
| Nassau-Suffolk NY PMSA | | 11 | 47,972,092 | 5.21% | 2.96% |
| Albany-Schenectady-Troy NY | | 11 | 5,894,267 | 5.21% | 0.36% |
| Newburgh NY-PA PMSA | | 8 | 1,587,043 | 3.79% | 0.10% |
| Buffalo-Niagara Falls NY | | 8 | 122,889,991 | 3.79% | 7.59% |
| Utica-Rome NY | | 5 | 2,578,628 | 2.37% | 0.16% |
| Dutchess County NY PMSA | | 4 | 560,936 | 1.90% | 0.03% |
| Elmira NY | | 3 | 1,252,763 | 1.42% | 0.08% |
| Jamestown NY | | 2 | 541,876 | 0.95% | 0.03% |
| Binghamton NY | | 2 | 2,255,569 | 0.95% | 0.14% |
| Glens Falls NY | | 1 | 1,119,659 | 0.47% | 0.07% |