

# FDIC State Profile

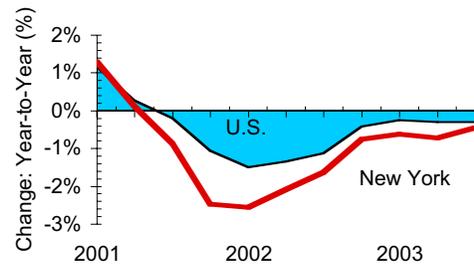
WINTER 2003

## New York

New York State's employment conditions improved through the first nine months of 2003. Conditions in the state's financial services and manufacturing sectors will be key factors in the economic recovery.

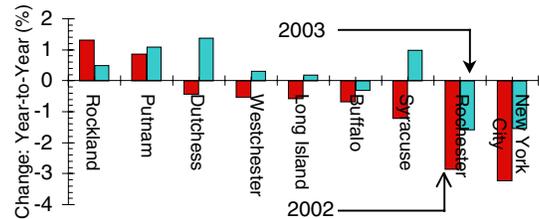
- The rate of job losses in New York State eased through September 2003 and closely approximated national trends (see Chart 1).
- *New York City's* job market continued to contract through September 2003. Although the rate of loss has eased, the City's job losses equal about 85 percent of total jobs lost in the state since the beginning of the recession (see Chart 2). Layoffs and reduced compensation in the securities industry have had a negative ripple effect across the area. However, according to the Securities Industries Association, Wall Street is poised for a turnaround with forecasts of increased compensation and hiring in 2004.<sup>1</sup>
- *Rochester's* greater relative concentration of jobs in the troubled manufacturing sector contributed to its weaker employment performance since the start of the recession. In *Syracuse*, which is somewhat less reliant on manufacturing jobs than Rochester, manufacturing cuts were offset by gains in the retail, trade, professional, business, education, and health services sectors.
- The Hudson Valley, including *Rockland*, *Putnam*, and *Dutchess counties*, has recorded job gains. These areas have added business and professional service jobs.
- The office vacancy rate in Midtown Manhattan was among the lowest rates of the nation's largest office markets. Rents, however, have decreased by 26 percent from peak levels (see Chart 3). The Downtown Manhattan office vacancy rate increased slightly to 10.9 percent in third quarter 2003, though it remains below the national average of 16.9 percent. Local government tax incentives have been used to attract tenants downtown and some office space is being converted for residential use, which could alleviate downward pressure on commercial rents.
- Appreciation in home prices moderated across the state in third quarter 2003. Appreciation also slowed from double-digit gains in *Nassau*, *Suffolk*, and *Dutchess counties*. Affordability has weakened as income levels have failed to keep pace with rising property values and slightly higher mortgage rates.

Chart 1: The Employment Gap between New York State and the Nation Has Narrowed



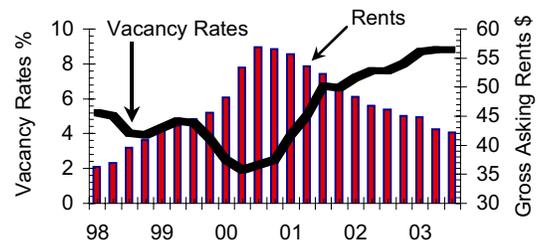
Source: Bureau of Labor Statistics

Chart 2: Job Losses Have Eased in New York City and Rochester, while Employment Gains Have Occurred in the Lower Hudson Valley



Source: Bureau of Labor Statistics. 2003 represents the first nine months of 2003 compared with the first nine months of 2002.

Chart 3: Midtown Vacancy Rates Stabilized in Third Quarter 2003, though Rents Continued to Drop



Source: Torto Wheaton Research. 2003 data is through the third quarter.

<sup>1</sup> Frank Fernandez. Economic and Securities Industry Outlook. SIA Research Reports. Volume 1v, No. 9. October 6, 2003.

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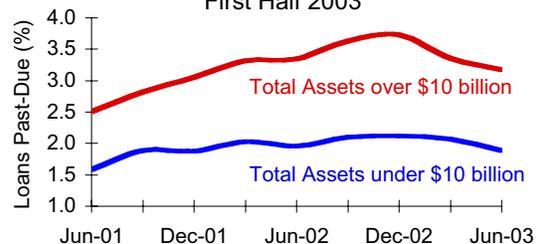
Credit quality among New York's insured institutions improved during the first half 2003 compared with the prior year.

- The average delinquency ratio reported by the state's large insured institutions, those with total assets over \$10 billion, declined through the second quarter 2003 (see Chart 4). After peaking in the fourth quarter 2002, delinquency ratios have improved across most loan categories. The large bank C&I delinquency ratio has declined, but at 5.11 percent was almost double the rate in mid-2001.
- Conditions for large bank C&I loans may be improving. The September 2003 Shared National Credit Review, jointly released by the federal banking agencies, indicated that credit quality of large syndicated loans has stabilized. Moreover, the Federal Reserve's October 2003 Senior Loan Officer Survey suggested that demand for C&I loans may be stabilizing as, for the second consecutive quarter, fewer large banks reported weaker C&I demand.
- The state's insured institutions with assets less than \$10 billion also reported improved credit quality trends. Smaller institutions generally did not experience material credit quality weakening during this economic downturn, which was primarily centered within large bank C&I lending portfolios.

The net interest margin (NIM) reported by New York's insured institutions contracted through the first half 2003. Steepening in the yield curve in the third quarter 2003 could aid bank margins on a lagged basis; however, some institutions may have exposure to rising interest rates.

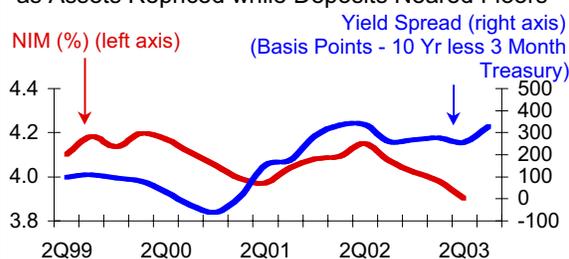
- NIMs among the state's insured institutions with less than \$10 billion in assets contracted during the first half 2003 (see Chart 5). These institutions tend to be more reliant on net interest income than larger banks. A 45-year low in long-term interest rates reached in June 2003 contributed to a decline in asset yields, while deposit costs neared floors.
- During the third quarter 2003, the yield curve steepened as long- and intermediate-term interest rates increased. While a steeper yield curve is traditionally positive for bank NIMs, the benefits tend to lag yield curve changes.
- New York's median ratio of long-term assets-to-average earning assets remains above the nation's (see Chart 6). A significant number of residential mortgage lenders and the popularity of long-term mortgage products in metropolitan areas of the

Chart 4: Past-Due Ratio for Insured Institutions Headquartered in New York Improved during First Half 2003



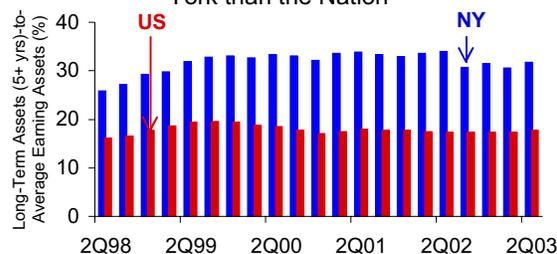
Note: Excludes banks in operation less than three years. Past-due loans are at least 30 days past-due or in nonaccrual status. Source: Bank and Thrift Call Reports.

Chart 5: NIMs Contracted during First Half 2003 as Assets Repriced while Deposits Neared Floors



Note: Data for institutions with total assets less than \$10 billion excluding banks less than three years old. Median data displayed. NIM figures through 2q03, Yield Spread data through September 03. 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. Source: Bank Call Reports.

Northeast contributed to the higher ratio. Insured institutions with high concentrations of long-term assets may face margin compression, asset depreciation, and extension in asset duration should long-term interest rates rise, thereby heightening the importance of proper interest rate risk management practices.

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### New York at a Glance

<b>General Information</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
Institutions (#)	209	213	224	234	241
Total Assets (in thousands)	1,739,565,436	1,554,525,525	1,511,210,163	1,328,668,765	1,252,737,310
New Institutions (# < 3 years)	9	11	15	14	9
New Institutions (# < 9 years)	26	24	22	19	18
<b>Capital</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
Tier 1 Leverage (median)	8.60	8.73	8.79	9.17	9.31
<b>Asset Quality</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
Past-Due and Nonaccrual (median %)	1.43%	1.58%	1.67%	1.56%	1.72%
Past-Due and Nonaccrual > = 5%	21	21	16	16	24
ALLL/Total Loans (median %)	1.15%	1.13%	1.06%	1.05%	1.15%
ALLL/Noncurrent Loans (median multiple)	1.64	1.67	1.68	1.79	1.39
Net Loan Losses/Loans (aggregate)	1.10%	1.19%	0.50%	0.39%	0.47%
<b>Earnings</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
Unprofitable Institutions (#)	7	16	19	16	16
Percent Unprofitable	3.35%	7.51%	8.48%	6.84%	6.64%
Return on Assets (median %)	0.92	0.95	0.87	0.93	0.96
25th Percentile	0.57	0.59	0.52	0.63	0.59
Net Interest Margin (median %)	3.80%	4.05%	3.92%	4.16%	4.02%
Yield on Earning Assets (median)	5.61%	6.54%	7.59%	7.70%	7.36%
Cost of Funding Earning Assets (median)	1.72%	2.28%	3.75%	3.63%	3.31%
Provisions to Avg. Assets (median)	0.10%	0.11%	0.10%	0.09%	0.09%
Noninterest Income to Avg. Assets (median)	0.66%	0.63%	0.61%	0.58%	0.55%
Overhead to Avg. Assets (median)	2.86%	2.87%	2.86%	2.89%	2.94%
<b>Liquidity/Sensitivity</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
Loans to Deposits (median %)	65.77%	70.77%	73.96%	73.91%	70.31%
Loans to Assets (median %)	54.72%	58.42%	59.90%	60.79%	58.23%
Brokered Deposits (# of institutions)	54	52	56	52	48
Bro. Deps./Assets (median for above inst.)	2.81%	2.58%	1.39%	1.86%	2.57%
Noncore Funding to Assets (median)	16.60%	17.36%	20.23%	18.65%	16.02%
Core Funding to Assets (median)	70.01%	69.81%	67.35%	68.71%	69.93%
<b>Bank Class</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>	<b>Jun-99</b>
State Nonmember	56	58	60	59	62
National	57	57	60	63	64
State Member	23	22	25	27	27
S&L	21	22	23	25	28
Savings Bank	23	22	22	25	24
Mutually Insured	29	32	34	35	36
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
New York NY PMSA	87	1,479,836,930	41.63%	85.07%	
No MSA	45	18,770,197	21.53%	1.08%	
Syracuse NY	12	3,244,894	5.74%	0.19%	
Nassau-Suffolk NY PMSA	11	50,367,836	5.26%	2.90%	
Albany-Schenectady-Troy NY	11	6,021,460	5.26%	0.35%	
Rochester NY	10	26,249,822	4.78%	1.51%	
Newburgh NY-PA PMSA	8	1,689,715	3.83%	0.10%	
Buffalo-Niagara Falls NY	8	144,710,388	3.83%	8.32%	
Utica-Rome NY	5	2,647,589	2.39%	0.15%	
Dutchess County NY PMSA	4	617,565	1.91%	0.04%	
Elmira NY	3	1,261,607	1.44%	0.07%	
Jamestown NY	2	599,402	0.96%	0.03%	
Binghamton NY	2	2,393,429	0.96%	0.14%	
Glens Falls NY	1	1,154,602	0.48%	0.07%	