FDIC State Profile

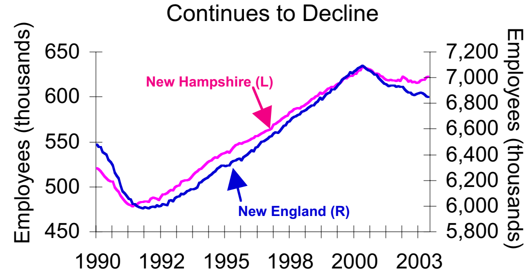
WINTER 2003

New Hampshire

Employment declines were less severe in New Hampshire than for all of New England.

- New Hampshire's employment losses stood at 1.8 percent as of October 2003, matching the nation and approximately one-half of the 3.3 percent drop registered in New England (see Chart 1).
- As elsewhere in the region, much of the weakness within the state's economy occurred in manufacturing, where employment fell by over 20 percent from December 2000 to October 2003. The declines in the sector were broadly based, including closures as well as downsizings. The state's manufacturing job losses occurred in "new economy" industries centered in electronics as well as traditional manufacturing industries, such as paper production.

Chart 1: New Hampshire's Nonagricultural Employment Begins to Improve as New England's Continues to Decline

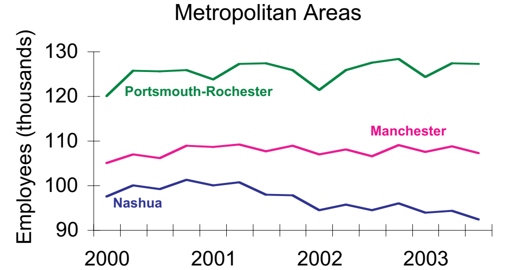


Source: U.S. Bureau of Labor Statistics. Seasonally adjusted data through October 2003.

Regional performance within New Hampshire varies.

- There are preliminary signs that employment conditions have begun to stabilize in New Hampshire. Official data on payroll employment rose over recent months, and employment in the manufacturing sector has ceased to decline. Consistent with these indications, initial unemployment insurance claims dropped noticeably.
- Geographically, signs of improvement are most notable in ***Manchester*** and, to a lesser extent, in the ***Portsmouth-Rochester*** metropolitan areas. Conditions in ***Nashua*** have failed to improve, however. The situation in Nashua may be a result of its closer association with the larger Boston market, which continues to show considerable weakness (see Chart 2).
- According to the University of New Hampshire's poll of consumer confidence, residents of New Hampshire have become progressively more positive about the outlook for the state's economy. Early this year, positive to negative views on the outlook were virtually identical in number. Over the course of the year, respondents became progressively more positive, though, to the point that as of early October positive assessments were almost twice as frequent as negative assessments.

Chart 2: Southern New Hampshire's Nonagricultural Employment Lags Other Metropolitan Areas

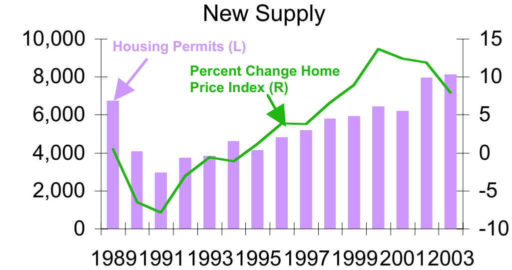


Source: U.S. Bureau of Labor Statistics. Metropolitan employment data not seasonally adjusted through 3rd quarter 2003.

Housing remains strong with additional new supply.

- Price appreciation in New Hampshire, as in other New England states, continued to be strong this year, despite unusually large increases in supply (see Chart 3).

Chart 3: New Hampshire Home Prices Continue to Show Strong Growth in Spite of Increases in New Supply



Source: U.S. Census Bureau and Federal Home Loan Mortgage Corporation. 2003 data as of 2nd quarter.

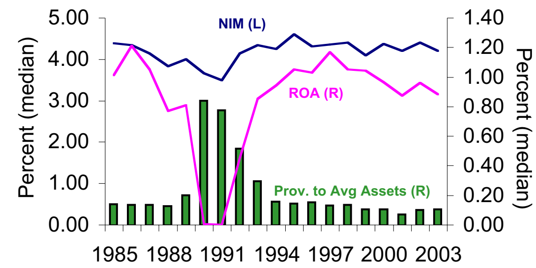
New Hampshire's banks and thrifts continued to be profitable, despite a modest decline in earnings.

- New Hampshire's commercial banks (excluding credit card specialists) reported a median return on assets (ROA) of 0.79 percent as of the second quarter 2003, down from 0.89 percent one year earlier. The state's savings institutions posted a median ROA of 1.00 percent as of second quarter 2003, a 5 basis point drop since the same period in 2002. Profitability in the state's insured institutions was undermined primarily by low and declining levels of noninterest income.
- The median net interest margin (NIM) in the state's commercial institutions declined 17 basis points to 4.42 percent as of June 30, 2003. Savings institutions experienced a 15 basis point decrease to 4.11 percent (see Chart 4). NIMs in New Hampshire's insured institutions held up relatively well as funding costs declined more rapidly than asset yields.
- Insured institutions continued to utilize gains on the sale of securities to boost earnings. As of June 30, 2003, securities gains represented 19 percent of net income in the state's commercial banks and 17 percent in savings institutions. There are still gains to be taken, at least in the short term, as total unrealized gains amounted to $70 million as of June 30, 2003, representing about 0.66 percent of total securities available for sale in commercial institutions and 1.56 percent in savings institutions.
- Loan-loss provisions remained extremely low and helped maintain profitability. Should the economy suffer another downturn, causing a deterioration in credit quality, profitability may be affected as insured institutions increase provisions.

Interest-Rate Risk remains a concern for New Hampshire's institutions with increased concentrations of fixed-rate, long-term assets, resulting from the recent refinancing waves.

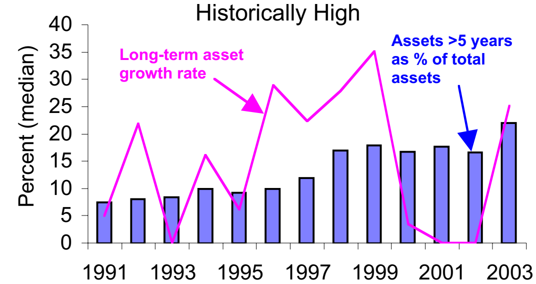
- The conventional 30-year mortgage rate declined significantly over the past several years, falling to historic lows. Refinancing activity remained strong during the first half of 2003, but started to slow in the second half of the year as mortgage interest rates began to rise. According to the Mortgage Bankers Association, on a national basis, the level of adjustable rate mortgages has increased from only about 13 percent of originations in July 2003 to almost 24 percent in November 2003. While the shift to adjustable rate mortgages ultimately may allow greater asset repricing, insured institutions still held large volumes of long-term assets at low fixed rates.
- Since the late 1990s, asset maturities began to lengthen at many institutions, but began to moderate in the last year. The median ratio of long-term assets to total assets was historically high at 22 percent as of June 30, 2003 (see Chart 5). If the recent rise in mortgage rates is sustained, the average life of mortgage portfolios will extend further and may result in a mismatch of asset and liability repricing for some institutions. Net interest margin compression may occur, when short-term interest rates increase as liabilities reprice at a faster rate than assets.
- The extension of asset maturities was pronounced in the state, as well as New England, reflecting the large percentage of thrifts and residential lenders. Savings institutions represent 55 percent of insured institutions in New Hampshire, and residential real estate loans comprised almost 48 percent of their average loan portfolio as of June 30, 2003.

Chart 4: Earnings Pressured but NIM Relatively Stable



Source: Bank and Thrift Call Reports. Data as of 2nd quarter.

Chart 5: Long-Term Asset Concentrations Lower than the Rest of New England but Are Still Historically High



Source: Bank and Thrift Call Reports. Data as of 2nd quarter.

New Hampshire at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	32	32	34	36	40
Total Assets (in thousands)	29,607,725	29,526,875	34,441,517	30,626,587	27,376,924
New Institutions (# < 3 years)	0	0	2	2	3
New Institutions (# < 9 years)	3	3	4	5	6

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.71	9.30	8.81	8.54	9.24

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.24%	1.31%	1.23%	1.42%	1.61%
Past-Due and Nonaccrual > = 5%	1	1	2	1	2
ALLL/Total Loans (median %)	1.13%	1.16%	1.18%	1.22%	1.35%
ALLL/Noncurrent Loans (median multiple)	2.79	3.18	2.32	2.50	3.20
Net Loan Losses/Loans (aggregate)	6.24%	18.35%	5.97%	4.41%	2.60%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	0	1	3	2	
Percent Unprofitable	0.00%	0.00%	2.94%	8.33%	5.00%
Return on Assets (median %)	0.88	0.96	0.88	0.97	1.04
25th Percentile	0.66	0.76	0.68	0.68	0.83
Net Interest Margin (median %)	4.20%	4.40%	4.19%	4.36%	4.09%
Yield on Earning Assets (median)	5.82%	6.72%	7.83%	7.83%	7.59%
Cost of Funding Earning Assets (median)	1.69%	2.37%	3.77%	3.57%	3.41%
Provisions to Avg. Assets (median)	0.10%	0.10%	0.07%	0.10%	0.10%
Noninterest Income to Avg. Assets (median)	0.64%	0.56%	0.53%	0.46%	0.53%
Overhead to Avg. Assets (median)	3.00%	3.04%	3.09%	3.16%	3.06%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	75.21%	77.33%	80.51%	84.70%	77.89%
Loans to Assets (median %)	63.32%	64.77%	68.24%	69.24%	69.68%
Brokered Deposits (# of institutions)	4	1	2	3	6
Bro. Deps./Assets (median for above inst.)	1.94%	48.66%	24.62%	1.01%	1.24%
Noncore Funding to Assets (median)	16.87%	16.23%	16.28%	13.17%	12.30%
Core Funding to Assets (median)	70.92%	71.40%	70.63%	73.71%	76.46%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	9	9	9	11	13
National	5	5	6	6	6
State Member	1	0	0	0	1
S&L	1	1	1	1	1
Savings Bank	5	5	6	6	6
Mutually Insured	11	12	12	12	13

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	22	20,838,949	68.75%	70.38%
Portsmouth-Rochester NH-ME PMSA	4	615,099	12.50%	2.08%
Manchester NH PMSA	2	7,338,899	6.25%	24.79%
Lawrence MA-NH PMSA	2	529,864	6.25%	1.79%
Nashua NH PMSA	1	11,325	3.13%	0.04%
Boston MA-NH PMSA	1	273,589	3.13%	0.92%