

FDIC State Profile

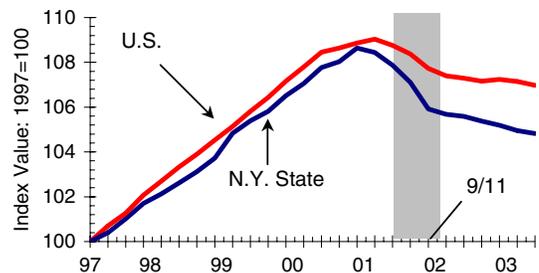
FALL 2003

New York

An anemic financial services sector contributed to economic weakness in the state; however, the securities industry appears poised to improve during the second half of 2003, which would facilitate New York's economic recovery.

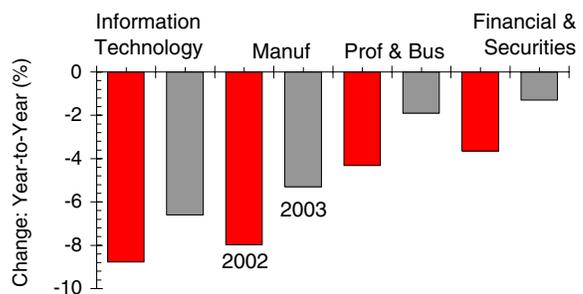
- Between 2000 and mid-year 2003, employment declined more sharply in the state than the nation. (see Chart 1). Job losses occurred earlier in New York, because of its greater concentration of financial and business services jobs, which were hard hit by the end of the speculative bubble in equity prices in early 2000.
- During the past two years, layoffs and reduced compensation in the financial services industry have undermined New York City's economy. A July 2003 SIA report, however, forecasts improved Wall Street profits, increased compensation, and employment gains by year-end 2003.¹ A stronger securities industry would have favorable multiplier effects across the area's economy.
- The rate of employment losses in the state's manufacturing, information technology, and professional and business service sectors has eased (see Chart 2). Combined, these industries represent about one-third of the state's total employment. Approximately one-half of total job losses in the information technology and professional and business services sectors were in *New York City*. Most of the manufacturing job losses have occurred in upstate New York (*Albany, Buffalo, Rochester, and Syracuse*), economies that have a greater concentration of manufacturing jobs.
- *Long Island's* economy has been cushioned by a strong single-family housing market, which has contributed to job creation in both mortgage banking and retailing.
- Office vacancy rates in the Midtown *Manhattan* market remain among the lowest of the nation's 49 largest downtown office markets. However, gross asking rents in Midtown Manhattan are down over 25 percent from peak levels reached in 2000, which could pressure cash flows as leases expire (see Chart 3). Vacancy rates in lower Manhattan also have declined and are below national vacancy rates, but gross asking rents are down 24 percent.
- Home price appreciation on state and national levels moderated in second quarter 2003; however, certain areas such as *Nassau, Suffolk, Westchester, and Dutchess Counties* continued to report significant rises in housing prices. In upstate

Chart 1: Employment Growth in New York State Began to Decline Prior to 9/11. Since then the Gap Has Widened with the Nation



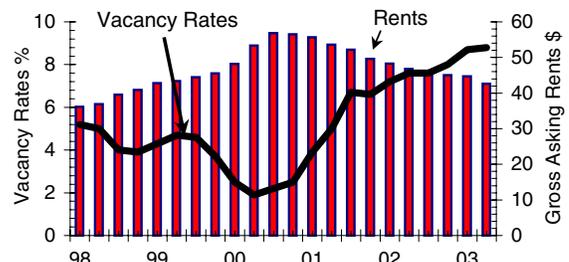
Source: Bureau of Labor Statistics. Shaded bar denotes recession.

Chart 2: Although Easing in 2003, Employment Still Fell Sharply in Key Industries



Source: Bureau of Labor Statistics. 2003 is the 6 month average over the prior comparable period.

Chart 3: As Midtown Vacancy Rates Have Risen, Asking Rents Have Declined



Source: Torto Wheaton Research.

¹ Fernandez, Frank. Securities Industry Update: Turning the Corner. *Securities Industry Association*. July 24, 2003.

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New York, including Buffalo, Rochester, and *Elmira*, housing appreciation has been significantly less.

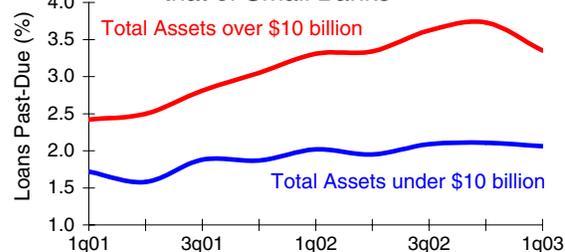
Credit quality among New York's insured institutions weakened during the recent economic downturn. The state's large institutions continued to report a higher average delinquent loan rate than community banks, but credit quality improved moderately in first quarter 2003.

- The average past due-loan ratio reported by the state's large insured institutions, those with total assets of at least \$10 billion, declined in first quarter 2003, but remains higher than that of community banks (see Chart 4). Large banks reported a moderate reduction in the average commercial and industrial loan delinquency rate.
- Reports by rating agencies suggest that improvement in corporate credit quality ratios, such as the ratio of downgrades-to-upgrades and corporate default rates, may be nearing the 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.

The median net interest margin (NIM) reported by New York's insured institutions has declined for the third consecutive quarter, as flattening in the Treasury yield curve in the second half of 2002 has pressured asset yields, while funding costs have approached effective floors.

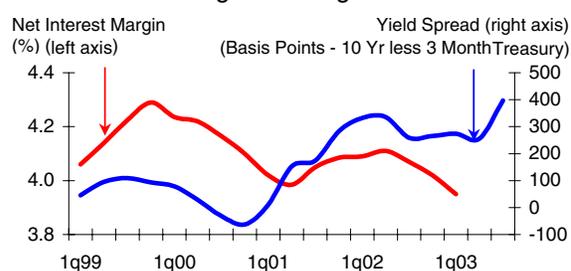
- The median NIM declined for the third consecutive quarter, reflecting flattening of the yield curve and, perhaps, the competitive environment for loans and deposits (see Chart 5). Historically low long-term interest rates allowed borrowers to refinance debt at lower rates. Deposit costs declined more modestly, as short-term rates neared record lows, suggesting that bank deposit costs are near effective floors.
- A sharp increase in long-term rates contributed to dramatic steepening in the Treasury yield curve in the third quarter of 2003. While a steep yield curve is traditionally positive for NIMs, insured institutions with high levels of long-term assets may not be able to immediately benefit from rising interest rates.
- 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 the nation's (Chart 6). A large number of residential mortgage

Chart 4: Past-Due Ratio for State's Large Banks Improves, but Remains Higher than that of Small Banks



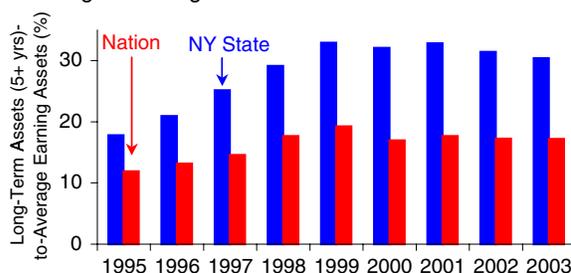
Note: Excludes banks in operation less than three years. Past-due loans are at least 30 days past-due or in nonaccrual status.
Source: Bank and Thrift Call Reports.

Chart 5: NIM Declined Further in First Quarter 2003 Following Flattening in Yield Curve



Note: Data for institutions with total assets less than \$10 billion excluding banks less than three years old. Median data displayed. NIM figures are through 1q03. Yield spread data are through July 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.

lenders and the popularity of long-term mortgage products in metropolitan areas of the 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 interest rates continue to rise following the refinancing wave of 2002-2003, thereby heightening the importance of proper interest rate risk management practices.

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New York at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	210	216	225	235	242
Total Assets (in thousands)	1,641,944,084	1,471,195,012	1,503,406,045	1,306,706,736	1,275,361,439
New Institutions (# < 3 years)	9	14	13	14	5
New Institutions (# < 9 years)	26	23	20	19	14
Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	8.63	8.90	8.95	9.26	9.31
Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.60%	1.78%	1.71%	1.57%	2.02%
Past-Due and Nonaccrual >= 5%	23	19	19	20	28
ALLL/Total Loans (median %)	1.14%	1.12%	1.06%	1.12%	1.17%
ALLL/Noncurrent Loans (median multiple)	1.56	1.82	1.64	1.60	1.48
Net Loan Losses/Loans (aggregate)	1.14%	1.21%	0.45%	0.40%	0.47%
Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	11	19	19	15	7
Percent Unprofitable	5.24%	8.80%	8.44%	6.38%	2.89%
Return on Assets (median %)	0.95	0.95	0.92	0.94	0.95
25th Percentile	0.60	0.59	0.54	0.64	0.59
Net Interest Margin (median %)	3.88%	4.03%	3.97%	4.18%	4.06%
Yield on Earning Assets (median)	5.72%	6.59%	7.74%	7.63%	7.35%
Cost of Funding Earning Assets (median)	1.77%	2.36%	3.86%	3.55%	3.32%
Provisions to Avg. Assets (median)	0.09%	0.11%	0.10%	0.09%	0.09%
Noninterest Income to Avg. Assets (median)	0.64%	0.60%	0.59%	0.55%	0.55%
Overhead to Avg. Assets (median)	2.85%	2.93%	2.85%	2.87%	2.90%
Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	67.21%	70.97%	73.32%	72.46%	70.01%
Loans to Assets (median %)	54.85%	58.82%	60.43%	59.86%	58.79%
Brokered Deposits (# of institutions)	54	53	55	47	45
Bro. Deps./Assets (median for above inst.)	2.75%	2.57%	2.03%	2.55%	3.27%
Noncore Funding to Assets (median)	16.57%	18.16%	19.52%	19.13%	16.52%
Core Funding to Assets (median)	69.80%	70.20%	67.81%	68.47%	70.23%
Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	57	58	59	60	63
National	57	58	61	63	64
State Member	23	23	25	27	27
S&L	21	23	23	25	29
Savings Bank	23	22	22	25	24
Mutually Insured	29	32	35	35	35
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
New York NY PMSA	88	1,405,020,799	41.90%	85.57%	
No MSA	45	18,451,693	21.43%	1.12%	
Syracuse NY	12	3,202,537	5.71%	0.20%	
Nassau-Suffolk NY PMSA	11	49,522,056	5.24%	3.02%	
Albany-Schenectady-Troy NY	11	6,011,060	5.24%	0.37%	
Rochester NY	10	26,159,646	4.76%	1.59%	
Newburgh NY-PA PMSA	8	1,693,560	3.81%	0.10%	
Buffalo-Niagara Falls NY	8	123,390,075	3.81%	7.51%	
Utica-Rome NY	5	2,642,139	2.38%	0.16%	
Dutchess County NY PMSA	4	570,668	1.90%	0.03%	
Elmira NY	3	1,251,380	1.43%	0.08%	
Jamestown NY	2	569,208	0.95%	0.03%	
Binghamton NY	2	2,295,433	0.95%	0.14%	
Glens Falls NY	1	1,163,830	0.48%	0.07%	