FDIC State Profile

Summer 2004

Delaware

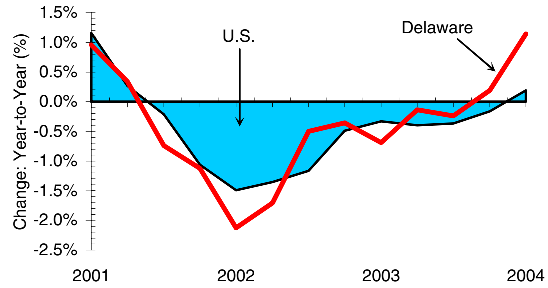
Delaware's employment picture strongly outpaced the U.S. in first quarter 2004.

- After lagging the nation in 2001-2002, Delaware's employment growth strongly surpassed the U.S. average in first quarter 2004 (See Chart 1).
- Strong demand for new housing, as indicated by a sharp rise in permits for single-family homes, contributed to increased construction employment (See Chart 2).
- The state's health and education sectors continued to expand and have benefited from favorable demographic trends including longer life spans and a surge in school-aged children.
- Led by Wilmington's credit card banks, the finance industry is a central component of Delaware's economy, representing over 40 percent of the state's gross product. After posting strong year-to-year gains in 2003 due to additional hiring in the credit card industry, job gains eased somewhat in first quarter 2004.
- After contracting at a greater rate than the nation during the past four years, Delaware's manufacturing sector posted modest job growth in the first quarter 2004. However, restructuring announcements by DuPont and Kraft may hinder the state's manufacturing job outlook.

Wilmington's office vacancy rates remained at high levels, although rental rates have been stable.

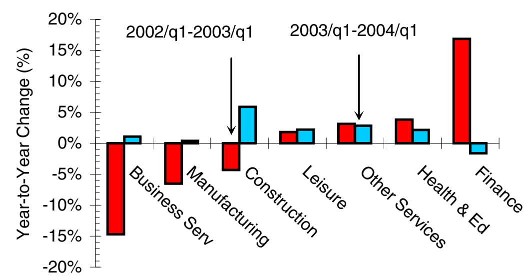
- Office market conditions in Wilmington softened in first quarter 2004, as the office vacancy rate slightly increased to 19.4 percent (See Chart 3). Stronger employment growth has not yet translated into increased demand for office space.
- Unlike larger east coast cities that have experienced declining rental rates, office rents in Wilmington have been stable, a positive sign. In addition, there is very limited new office supply in the pipeline in Wilmington, indicating less potential for overbuilding.

Chart 1: Delaware's Job Growth Strongly Outpaced U.S. in First Quarter 2004



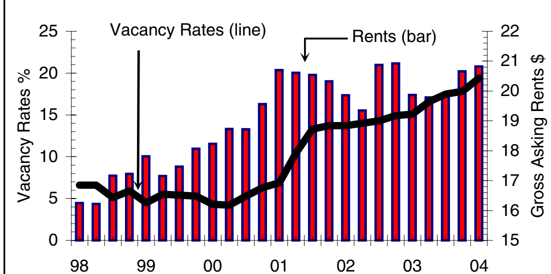
Source Bureau of Labor Statistics.

Chart 2: Many of Delaware's Sectors Reported Modest Gains in First Quarter 2004



Source: Bureau of Labor Statistics. Other services include not-for-profits and repair and maintenance.

Chart 3: Wilmington's Office Vacancy Rates Have Improved, While Rents Are Stable



Source: Torto Wheaton Research.

Bank net interest margins may rise with a steeper yield curve.

- FDIC-insured institutions headquartered in Delaware have reported higher net interest margins (NIM) in recent quarters.[1] The median NIM, at 3.91 percent, is higher than one year ago. Reduction in funding costs has outpaced the decline in asset yields.

- Bank margins may continue to widen following significant steepening in the yield curve that occurred in mid-2004. However, when short-term interest rates rise, funding costs likely will also increase. The magnitude of the increase in funding costs will depend upon sensitivity of depositors to higher market interest rates.

Delaware's insured institutions report favorable credit quality across loan categories.

- The loan delinquency rate reported by Delaware's insured institutions declined throughout 2003 and first quarter 2004, and remained lower than the national average (See Chart 4).

- Median delinquency rates for FDIC-insured institutions headquartered in Delaware are lower than the national ratios across loan categories, reflective of the state's overall positive economic performance.

- Despite the highest office vacancy rate in a decade, commercial real estate (CRE) loan quality has been favorable in recent years. Borrowers have been able to refinance at advantageous interest rates. However, some CRE borrowers could face stress because interest rates have risen.

- Nonetheless, the level of investment in CRE loans among Delaware's insured institutions has been relatively stable, and at 139 percent of capital, is well below the national level of 209 percent.

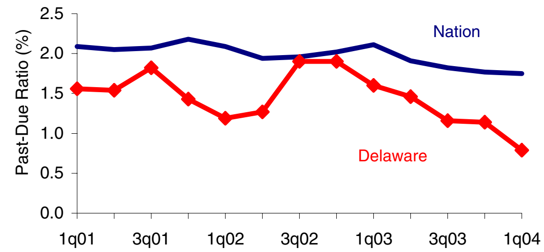
Credit card loan delinquency and charge-off rates improved in first quarter 2004, but remain at elevated levels.

- Delaware is home to four of the nation's ten largest credit card lenders.[2]

- Nationwide, credit card delinquency and charge-off ratios reported by FDIC-insured credit card lenders improved in first quarter 2004 (See Chart 5). Favorable performance is consistent with strengthening job growth nationwide.

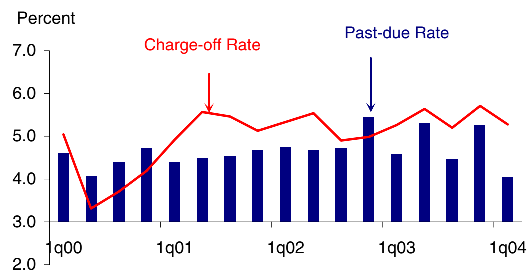
- Nonetheless, personal bankruptcy levels remain elevated. High consumer debt burdens could challenge marginal borrowers and credit card loan quality. Additionally, since credit card loans typically carry floating rates, rising market interest rates could increase debt service requirements, potentially reducing consumer repayment capacity.

Chart 4: Credit Quality at Delaware's Insured Institutions Improved in '03 and First Quarter '04



Includes loans 30 days or more past-due. Data for insured institutions excluding credit card banks and banks less than three years old.
Source: Bank and Thrift Call Reports.

Chart 5: Credit Card Delinquency and Charge-offs Improve in First Quarter '04, but Remain Elevated



Includes loans 30 days or more past-due. Excludes banks less than three years old. Source: Bank Call Reports.

[1] Analysis excludes credit card and agricultural banks and banks less than three years old, unless otherwise noted.
[2] "Credit card lenders" is defined as insured institutions that hold at least 50 percent of assets in credit card loans and managed receivables.

Delaware at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	34	35	39	39	38
Total Assets (in thousands)	227,575,310	197,528,823	172,908,455	168,828,740	144,220,313
New Institutions (# < 3 years)	4	6	8	7	5
New Institutions (# < 9 years)	11	11	14	12	11

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	10.46	10.17	11.97	11.05	12.02

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.00%	2.06%	1.39%	1.88%	1.63%
Past-Due and Nonaccrual >= 5%	3	5	5	4	3
ALLL/Total Loans (median %)	1.45%	1.46%	1.54%	1.22%	1.34%
ALLL/Noncurrent Loans (median multiple)	2.59	2.23	2.29	1.39	1.93
Net Loan Losses/Loans (aggregate)	2.85%	3.50%	3.58%	2.89%	2.75%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	1	1	5	7	5
Percent Unprofitable	2.94%	2.86%	12.82%	17.95%	13.16%
Return on Assets (median %)	1.70	1.98	1.66	1.69	1.34
25th Percentile	0.93	0.54	0.37	0.54	0.39
Net Interest Margin (median %)	3.97%	3.96%	3.91%	4.06%	4.46%
Yield on Earning Assets (median)	5.13%	5.83%	6.37%	8.00%	8.02%
Cost of Funding Earning Assets (median)	1.34%	1.76%	2.41%	4.24%	3.88%
Provisions to Avg. Assets (median)	0.19%	0.17%	0.15%	0.36%	0.17%
Noninterest Income to Avg. Assets (median)	1.41%	2.14%	1.06%	1.55%	2.04%
Overhead to Avg. Assets (median)	3.48%	3.39%	3.55%	4.02%	3.83%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	86.25%	85.33%	79.89%	84.10%	85.52%
Loans to Assets (median %)	62.56%	60.30%	54.61%	60.89%	63.76%
Brokered Deposits (# of Institutions)	19	18	20	17	18
Bro. Deps./Assets (median for above inst.)	7.22%	10.93%	8.69%	6.74%	6.70%
Noncore Funding to Assets (median)	35.07%	37.81%	29.03%	23.46%	24.33%
Core Funding to Assets (median)	30.66%	36.59%	44.68%	42.38%	38.66%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	18	15	16	15	17
National	9	12	15	17	16
State Member	0	1	1	1	1
S&L	0	0	0	0	0
Savings Bank	6	6	6	5	3
Stock and Mutual SB	1	1	1	1	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Wilmington-Newark DE-MD PMSA	27	210,213,861	79.41%	92.37%
No MSA	5	17,100,879	14.71%	7.51%
Dover DE	2	260,570	5.88%	0.11%