

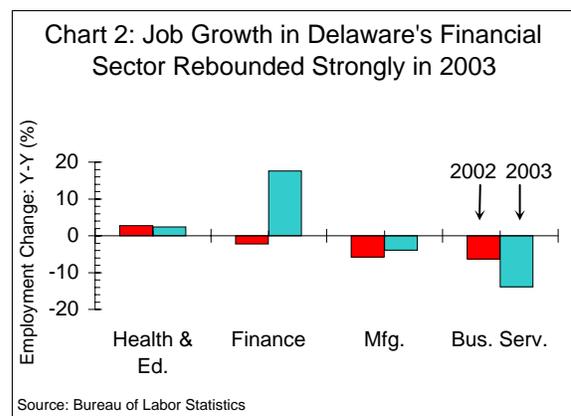
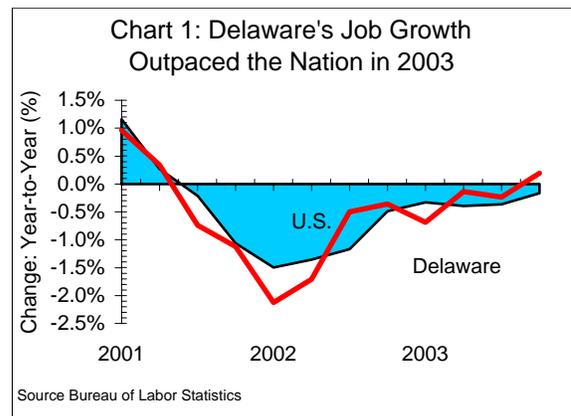
FDIC State Profile

Spring 2004

Delaware

Delaware achieved positive job growth in the fourth quarter 2003 as prospects for some of the state's key industries improved.

- After lagging the nation in 2002, Delaware's employment growth surpassed the nation by year-end 2003 (See Chart 1).
- The finance industry, led by Wilmington's credit card banks, is a central component of Delaware's economy, representing over 40 percent of the state's gross product. After contracting in 2002, Delaware's financial sector posted strong job gains in 2003 (See Chart 2).
- Delaware's manufacturing industry has contracted at a greater rate than the nation over the past four years. Job losses predominantly have been in the state's chemical and auto manufacturing sectors, reflective of industry-wide weakness. Recent announcements by auto companies to increase production at local plants could help the 2004 job outlook.
- Job growth in Delaware's health and education services during 2003 reflected favorable demographic trends including a large percentage of the population living longer and a surge in school-aged children.
- Dover Air Force Base, which is Dover's largest employer, may benefit from increased military appropriations. According to Economy.com, the base is slated to receive additional appropriations to support military efforts overseas.
- Office market conditions in Wilmington softened in 2003 as the office vacancy rate reached 17.8 percent at year-end, the area's highest level since the mid-1990s (See Chart 3). Weak employment trends resulted in sluggish demand for space. Office rents, which had been rising prior to the recession, have been stable.
- Wilmington's industrial vacancy rate has almost tripled since 1999, reaching 13.5 percent at year-end 2003. Job losses in the state's processing and distribution industries have contributed to the higher vacancy rates.



State Profile

Net interest margins (NIM) declined during much of 2003, but rebounded at year-end.

- After declining during the first three quarters 2003, NIMs reported by the state's insured institutions slightly increased in the fourth quarter.¹ The steepening in the yield curve in the second half of last year as long- and intermediate-term interest rates increased, helped industry NIMs.
- While a steeper yield curve is traditionally positive for bank NIMs, insured institutions with high levels of long-term assets may not immediately benefit from higher long-term interest rates, thereby heightening the importance of proper interest rate risk management.

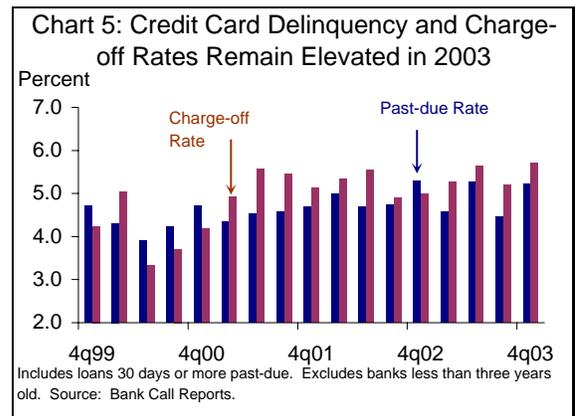
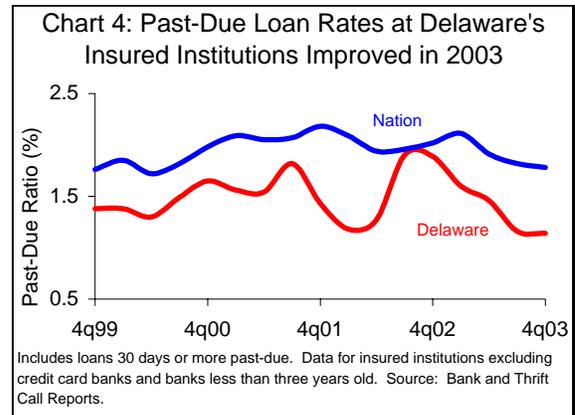
Delaware's insured institutions reported favorable credit quality in 2003.

- The loan delinquency rate reported by Delaware's insured institutions was favorable in 2003 and was lower than the national average (See Chart 4).
- Differences, however, existed between delinquency rates on the state's commercial and consumer loan segments. Past-due rates on commercial and industrial (C&I) and commercial real estate (CRE) loans declined in fourth quarter, while rates on residential and other consumer loans increased, likely reflective of weak employment conditions in the state.
- Despite rising office vacancy rates, commercial real estate (CRE) loan quality has been favorable in recent years. Lower interest rates have enabled borrowers to refinance at advantageous interest rates. However, some CRE borrowers could face stress as interest rates have risen. In addition, cash flow from office properties could decline as contracts for sublet space expire and new leases reflect lower rents. Nonetheless, levels of investment in CRE loans among Delaware's insured institutions are generally lower than the national level.

Credit card loan delinquency and charge-off rates remained at high levels in 2003.

- Delaware is home to four of the nation's seven largest credit card lenders.
- Nationwide, credit card delinquency and charge-off ratios reported by insured institutions remained at high levels in 2003 (See Chart 5). The continuation of stagnant job growth, high personal bankruptcy levels, and high consumer debt burdens could challenge some borrowers and credit card loan quality.

¹Unless stated, banking discussion excludes credit card banks and banks less than three years old.



State Profile

Delaware at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	34	35	41	39	38
Total Assets (in thousands)	216,182,164	193,611,825	188,537,486	164,429,701	142,479,025
New Institutions (# < 3 years)	4	6	8	8	5
New Institutions (# < 9 years)	11	12	14	13	12
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	10.34	11.73	10.59	12.15	12.21
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.35%	1.81%	1.69%	2.05%	1.87%
Past-Due and Nonaccrual >= 5%	3	6	4	4	6
ALLL/Total Loans (median %)	1.38%	1.51%	1.44%	1.23%	1.26%
ALLL/Noncurrent Loans (median multiple)	2.79	2.58	2.42	1.29	1.92
Net Loan Losses/Loans (aggregate)	3.27%	3.74%	3.10%	2.66%	2.85%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	1	2	9	10	6
Percent Unprofitable	2.94%	5.71%	21.95%	25.64%	15.79%
Return on Assets (median %)	2.05	1.94	1.26	1.11	1.78
25th Percentile	0.74	0.49	0.21	0.04	0.80
Net Interest Margin (median %)	3.97%	4.19%	3.98%	4.36%	4.61%
Yield on Earning Assets (median)	5.67%	6.27%	7.40%	8.25%	7.91%
Cost of Funding Earning Assets (median)	1.56%	2.29%	3.61%	4.04%	3.67%
Provisions to Avg. Assets (median)	0.15%	0.27%	0.27%	0.27%	0.24%
Noninterest Income to Avg. Assets (median)	2.18%	1.64%	1.33%	1.60%	1.91%
Overhead to Avg. Assets (median)	3.54%	3.50%	3.80%	4.32%	3.97%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	87.07%	84.07%	83.60%	85.53%	89.89%
Loans to Assets (median %)	65.34%	66.66%	55.62%	64.39%	64.18%
Brokered Deposits (# of Institutions)	17	19	20	17	18
Bro. Deps./Assets (median for above inst.)	7.53%	7.82%	7.64%	8.44%	6.93%
Noncore Funding to Assets (median)	37.55%	34.51%	27.23%	22.79%	25.90%
Core Funding to Assets (median)	31.96%	36.05%	38.57%	45.63%	31.77%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	18	15	17	15	17
National	9	12	16	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	195,600,686	79.41%	90.48%
No MSA		5	20,329,254	14.71%	9.40%
Dover DE		2	252,224	5.88%	0.12%