FDIC State Profile

Spring 2004

Maryland and Washington, D.C.

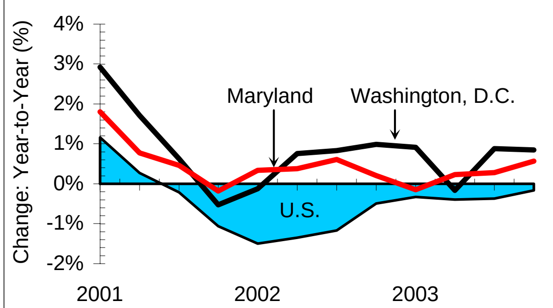
Washington, D.C. and Maryland economies have outperformed the nation since 2001 and continue to benefit from increased federal government spending.

- Employment growth in the Washington, D.C. metropolitan area and Maryland exceeded the nation in 2003 (See Chart 1). Gains in government, health care, leisure industries, and education offset job contraction in the areas' manufacturing and information industries.
- Suburban areas surrounding the Baltimore and Washington, D.C. benefited from increased government spending, which has contributed to lower unemployment rates (See Map 1).
- Persistent job weakness in manufacturing, construction, and retail trade sectors contributed to higher unemployment rates in Baltimore central city.
- Western Maryland, including Hagerstown and Cumberland, benefited from gains in health care, financial, and business services jobs and a moderation of manufacturing job losses.
- Improved demand for office space contributed to a decline in the Washington, D.C. office vacancy rate in second half 2003. Rents slightly improved, but were 10 percent lower than their cyclical peak (See Chart 2).[1] In Baltimore, the office vacancy rate reached its lowest level in 18 months, 14.5 percent, reflective of strengthening office employment. Rents were relatively stable in Baltimore's downtown and suburban office markets.
- During 2003, the rate of home price appreciation eased in Maryland's hottest housing markets; however, price appreciation in Washington, D.C. and the Baltimore metro area was among the nation's top 50 highest over the past year.

The net interest margin (NIM) declined throughout much of 2003, although some relief came toward year end.

- The median NIM among the state's insured institutions contracted in the first three quarters of 2003. Near 50-year lows in long-term interest rates reached in June 2003

Chart 1: Employment Growth Remains Stronger in Maryland and Washington, D.C than the Nation



Source: Bureau of Labor Statistics

Map 1: Areas Surrounding Baltimore and Washington, D.C. Have Benefited From Increased Federal Spending, Which Have Helped Lower Unemployment Rates

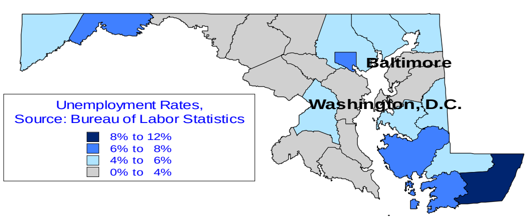
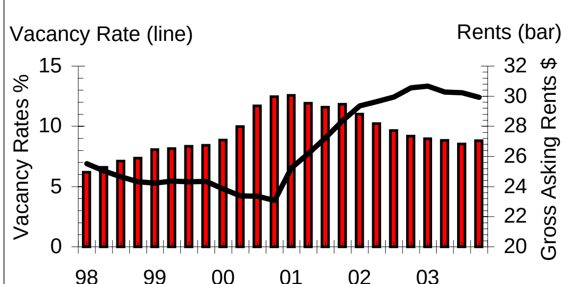


Chart 2: Vacancy Rates May be Leveling -Off, While Declining Rents May Have Stabilized



Source: Torto Wheaton Research.

[1]The Washington, D.C. metropolitan area includes parts of Maryland and Northern Virginia.

contributed to a significant decline in asset yields, outpacing the reduction in funding costs.

- Long-term interest rates subsequently increased in the second half of 2003, causing a steepening in the yield curve and an increase in the median yield on assets in fourth quarter 2003, following eleven straight quarters of decline. The median cost of funds dropped for a twelfth consecutive quarter, as funding costs responded to decline in short-term interest rates on a lagged basis. Consequently, margin compression for the state's insured institutions abated in fourth quarter 2003 (See Chart 3).

Exposure to commercial real estate loans has increased in recent years.

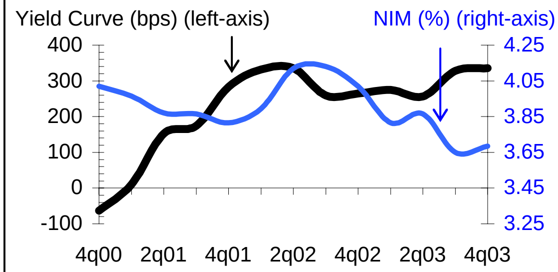
- The percent of insured institutions in Maryland and Washington D.C. reporting concentrations in commercial real estate (CRE) loans increased in recent years, and as of year-end 2003, approximated the national level. Exposure to construction and development (C&D) loans increased significantly in 2003, outpacing the increase reported nationwide (See Chart 4). Increased C&D loan exposure is reflective of robust housing markets in Maryland and the Washington, D.C. area.

- Commercial real estate market conditions in the MSAs of Baltimore, Maryland and Washington, D.C. generally are more favorable than in the nation; however, should conditions in these areas' commercial or residential real estate markets soften, C&D loan performance at some institutions may weaken.

Banking industry consolidation has altered the landscape for deposit competition in Maryland and Washington, D.C.

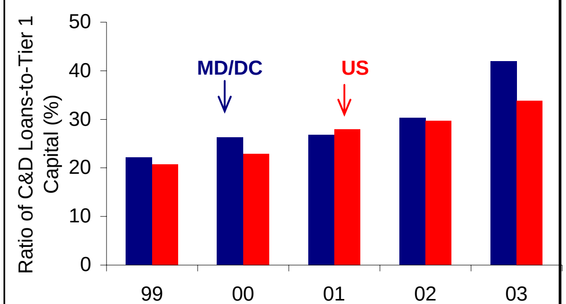
- The largest competitors for deposit market share in Maryland and Washington, D.C. have changed dramatically in recent years. Deposit market share has shifted to large, out-of-state banks, largely the result of banking industry consolidation (See Chart 5). The presence of large, diversified financial institutions likely will affect deposit growth strategies for insured institutions in the Maryland and Washington, D.C. markets.

Chart 3: Margins Stabilize in Fourth Quarter 2003 as Yield Curve Steepens



Notes: "Yield Curve" is the difference between the yield on ten-year and three-month U.S. Treasury securities. Median NIM displayed. Source: Federal Reserve Board and Bank and Thrift Call Reports.

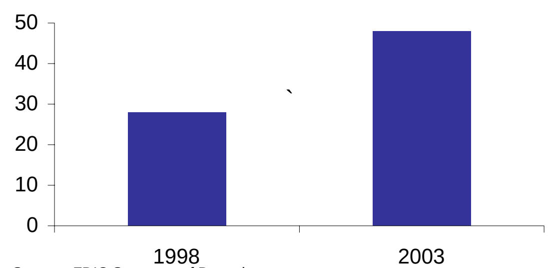
Chart 4: C&D Loan Exposure in Maryland and Washington, D.C. Increases Significantly in 2003



Note: Excludes credit card and agricultural banks. Median data displayed. Source: Bank and Thrift Call Reports.

Chart 5: Out-of-Area Banks Grow Market Share in Maryland and Washington, D.C.

Percent of Total Deposits Held by Banks Headquartered Outside MD or Washington, D.C. (%)



Source: FDIC Summary of Deposits.

Maryland at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	127	134	138	144	148
Total Assets (in thousands)	43,563,718	59,340,860	57,820,532	56,170,603	54,641,897
New Institutions (# < 3 years)	3	5	6	8	5
New Institutions (# < 9 years)	13	13	15	14	10

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.30	9.78	10.23	10.17	10.06

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.14%	1.51%	1.84%	1.60%	1.61%
Past-Due and Nonaccrual >= 5%	8	12	16	15	17
ALLL/Total Loans (median %)	0.99%	1.11%	1.12%	1.09%	1.10%
ALLL/Noncurrent Loans (median multiple)	1.96	1.85	1.70	1.85	1.70
Net Loan Losses/Loans (aggregate)	0.13%	0.33%	0.24%	0.28%	0.25%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	13	19	19	18	14
Percent Unprofitable	10.24%	14.18%	13.77%	12.50%	9.46%
Return on Assets (median %)	0.83	0.77	0.64	0.82	0.80
25th Percentile	0.38	0.49	0.33	0.39	0.45
Net Interest Margin (median %)	3.67%	3.94%	3.93%	4.14%	4.01%
Yield on Earning Assets (median)	5.54%	6.39%	7.39%	7.93%	7.59%
Cost of Funding Earning Assets (median)	1.93%	2.58%	3.58%	3.85%	3.68%
Provisions to Avg. Assets (median)	0.05%	0.07%	0.09%	0.09%	0.07%
Noninterest Income to Avg. Assets (median)	0.60%	0.58%	0.51%	0.52%	0.54%
Overhead to Avg. Assets (median)	2.68%	2.76%	2.79%	2.88%	2.77%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	81.05%	80.32%	81.34%	85.56%	84.21%
Loans to Assets (median %)	66.79%	66.35%	68.64%	70.24%	67.19%
Brokered Deposits (# of Institutions)	22	25	25	22	20
Bro. Deps./Assets (median for above inst.)	5.34%	3.86%	2.88%	3.12%	2.33%
Noncore Funding to Assets (median)	18.90%	18.33%	15.81%	15.72%	14.47%
Core Funding to Assets (median)	69.56%	70.78%	72.14%	72.09%	73.54%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	41	43	44	45	48
National	15	15	17	20	22
State Member	18	19	17	15	13
S&L	13	15	17	17	18
Savings Bank	38	40	41	45	45
Stock and Mutual SB	2	2	2	2	2

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Baltimore MD PMSA	69	24,479,856	54.33%	56.19%
Washington DC-MD-VA-WV PMSA	30	10,705,683	23.62%	24.57%
No MSA	20	5,851,419	15.75%	13.43%
Wilmington-Newark DE-MD PMSA	5	889,306	3.94%	2.04%
Hagerstown MD PMSA	2	1,354,865	1.57%	3.11%
Cumberland MD-WV	1	282,589	0.79%	0.65%