

# FDIC State Profile

Fall 2004

## Connecticut

Connecticut's economy continued to improve as measured by the unemployment rate.

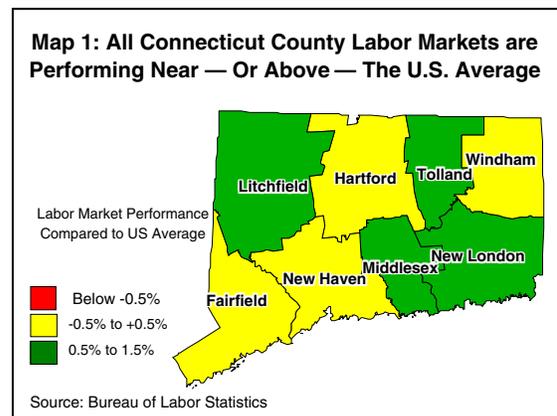
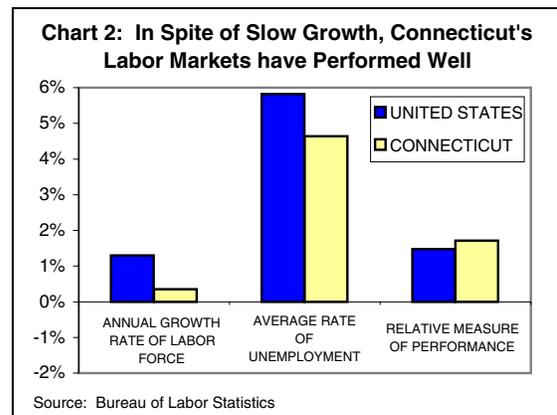
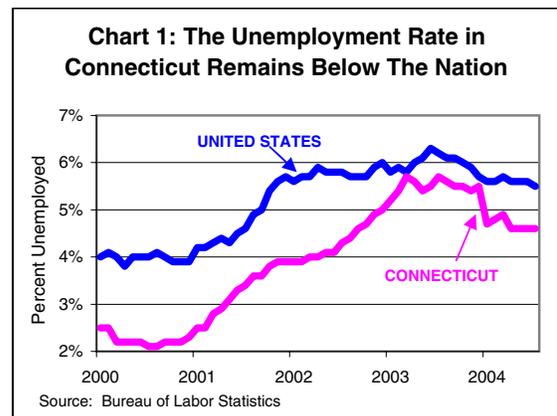
- The unemployment rate in Connecticut has declined sharply this year and as of July stood at 4.6 percent seasonally adjusted (See Chart 1), its lowest level since September 2002.
- By comparison, the unemployment rate had been as high as 5.7 percent in July a year ago and as low as 2.1 percent in July of 2000.
- Since 2000, the unemployment rate in Connecticut has been well below the national average.

Connecticut had much slower growth in its labor force than the United States as a whole and lower unemployment.

- Connecticut's 0.35 percent average annual rate of growth in the labor force over the past 20 years was significantly below the nation's average of 1.30 percent (See Chart 2). In contrast, the state's 4.64 percent average unemployment rate for the same period was considerably better than the national average of 5.83 percent.
- When the average labor force growth rate and unemployment rate are combined into a labor market performance measure,<sup>1</sup> they tend to indicate that Connecticut's economy has performed somewhat better than the nation for the past 20 years.
- The mapping of this labor market performance measure for individual Connecticut counties indicates that the state had acceptable performance relative to the nation. (See Map 1). **Hartford** and **Windham** were the weakest performers from 1984 to 2004, while **Middlesex** and **Tolland** were the strongest.

Profitability continues, but earnings showed pressure from low interest rates.

- Connecticut's insured institutions remain profitable, but the median return on assets (ROA) continued a slight decline in the second quarter of 2004 to its lowest level since 1995 (See Chart 3). Earnings have been affected by



<sup>1</sup>The labor market performance measure is the sum of the average annual growth in the labor force and the difference between the average unemployment rate and 6.00 percent.

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historically low interest rates and increases in noninterest expenses.

- Connecticut has experienced strong de novo bank activity in the past several years, and six of the seven institutions reporting losses were established since the beginning of 2001.
- In the first half of 2004, 53 percent of insured institutions reported an increase in ROA compared to 56 percent in the first half of 2003. The number of institutions reporting ROA between 0.5 percent and 1.0 percent remained fairly stable, while the number of institutions with ROA below 0.5 percent increased from 9 percent to 17 percent of institutions in the past year. The number of institutions reporting ROA above 1.0 percent declined from 33 percent to 27 percent in the past year.

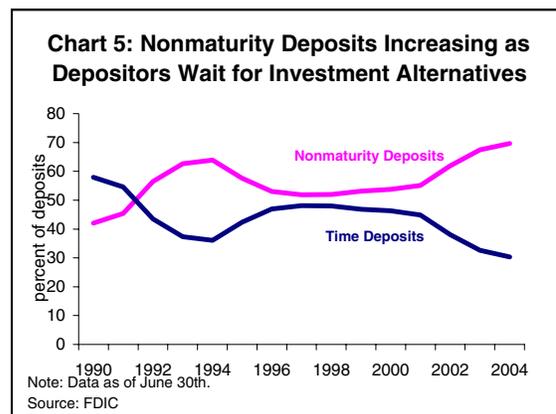
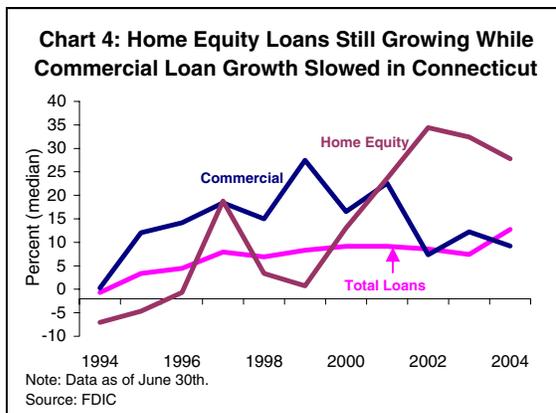
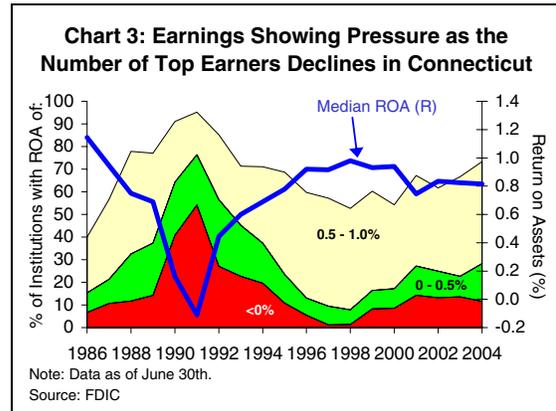
**Loan growth was strong in Connecticut as home equity loan growth continues to be robust.**

- The median growth rate for total loans in Connecticut was almost 13 percent as of June 30, 2004, the largest growth rate posted in the past several years. After posting growth rates near 20 percent in recent years, commercial loan growth slowed in the first half of 2004 to a median growth rate of 9 percent. Consistent with the strong housing market, home equity loans posted robust growth for the fifth year in a row (See Chart 4).
- In addition to the strong growth of home equity loans outstanding, unfunded commitments have also increased as rapidly. As of June 30, 2004, the median growth rate of unfunded commitments on home equity loans was 31 percent, and the median growth rate has been near 30 percent in each of the past three years. Unfunded commercial loan commitments declined sharply in the past year as commercial loan growth began to slow.

**Nonmaturity deposits increase in Connecticut as long-term assets continue to rise.**

- Nonmaturity deposits<sup>2</sup> represented almost 70 percent of total domestic deposits in Connecticut's insured institutions<sup>3</sup> as of June 30, 2004. The ratio has risen during the low interest rate environment because depositors are maintaining liquidity in nonmaturity deposits while waiting for better investment alternatives. (See Chart 5).
- As of June 30, 2004, strong long-term asset growth continued with a median growth rate of 13.5 percent. The median ratio of long term assets to total assets now stands at 39 percent. Some insured institutions may be faced

with a mismatch of asset and liability repricing as interest rates rise.



<sup>2</sup>Nonmaturity deposits include transaction accounts, savings and money market deposit accounts.  
<sup>3</sup>Call filers only.

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### Connecticut at a Glance

<b>General Information</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Institutions (#)	60	66	68	70	70
Total Assets (in thousands)	60,329,749	54,365,166	52,657,913	49,538,780	47,872,621
New Institutions (# < 3 years)	4	7	9	10	8
New Institutions (# < 9 years)	12	16	16	14	11
<b>Capital</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Tier 1 Leverage (median)	9.89	9.46	9.20	9.78	9.57
<b>Asset Quality</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Past-Due and Nonaccrual (median %)	0.71%	0.97%	0.89%	1.08%	1.08%
Past-Due and Nonaccrual >= 5%	1	1	0	3	3
ALLL/Total Loans (median %)	1.15%	1.18%	1.13%	1.16%	1.21%
ALLL/Noncurrent Loans (median multiple)	2.70	2.70	2.70	2.44	2.44
Net Loan Losses/Loans (aggregate)	0.07%	0.24%	0.35%	0.36%	0.25%
<b>Earnings</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Unprofitable Institutions (#)	7	8	9	10	6
Percent Unprofitable	11.67%	12.12%	13.24%	14.29%	8.57%
Return on Assets (median %)	0.82	0.83	0.84	0.75	0.94
25th Percentile	0.48	0.53	0.51	0.45	0.63
Net Interest Margin (median %)	3.67%	3.63%	3.86%	3.79%	3.93%
Yield on Earning Assets (median)	5.10%	5.56%	6.34%	7.38%	7.43%
Cost of Funding Earning Assets (median)	1.43%	1.78%	2.40%	3.65%	3.60%
Provisions to Avg. Assets (median)	0.02%	0.07%	0.08%	0.06%	0.07%
Noninterest Income to Avg. Assets (median)	0.53%	0.54%	0.52%	0.49%	0.44%
Overhead to Avg. Assets (median)	2.92%	2.87%	2.88%	2.81%	2.90%
<b>Liquidity/Sensitivity</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Loans to Deposits (median %)	75.51%	71.29%	74.24%	79.59%	76.77%
Loans to Assets (median %)	59.79%	57.44%	59.36%	61.75%	62.49%
Brokered Deposits (# of Institutions)	11	7	5	5	5
Bro. Deps./Assets (median for above inst.)	0.91%	0.23%	0.10%	1.48%	2.97%
Noncore Funding to Assets (median)	17.38%	15.08%	14.77%	13.57%	14.55%
Core Funding to Assets (median)	72.05%	72.93%	72.44%	73.68%	74.05%
<b>Bank Class</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
State Nonmember	13	15	15	15	13
National	10	9	8	8	7
State Member	2	2	2	2	2
S&L	1	3	4	7	8
Savings Bank	6	6	7	5	4
Stock and Mutual SB	28	31	32	33	36
<b>MSA Distribution</b>		<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>
Hartford CT		16	3,193,341	26.67%	5.29%
No MSA		14	5,919,392	23.33%	9.81%
Stamford-Norwalk CT PMSA		7	5,031,471	11.67%	8.34%
New Haven-Meriden CT PMSA		7	7,430,319	11.67%	12.32%
Danbury CT PMSA		5	4,370,789	8.33%	7.24%
Waterbury CT PMSA		4	18,276,906	6.67%	30.30%
New London-Norwich CT-RI		4	5,049,613	6.67%	8.37%
Bridgeport CT PMSA		3	11,057,918	5.00%	18.33%