

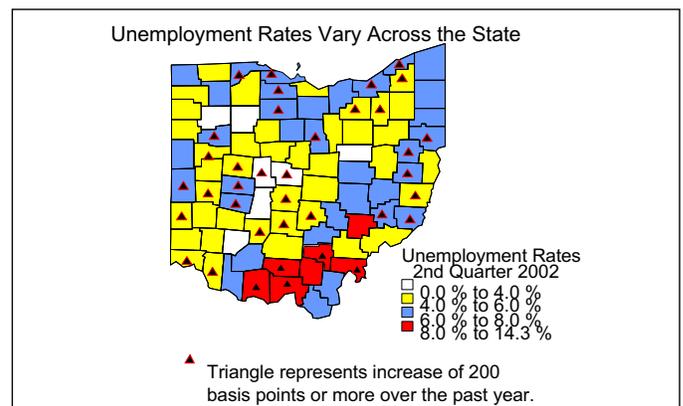
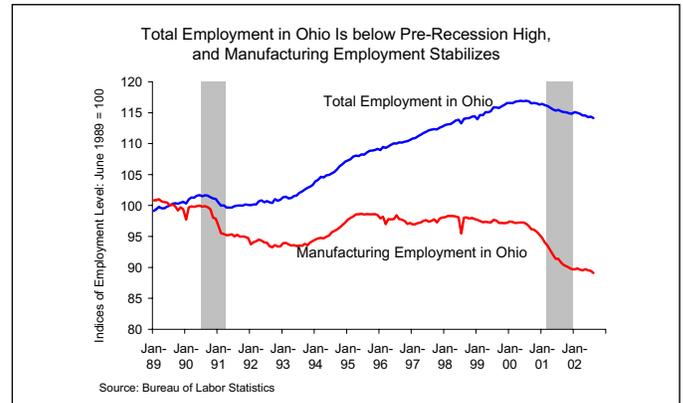
# FDIC State Profile

WINTER 2002

## Ohio

### Ohio participates in the nation's economic recovery

- Total employment in Ohio during third quarter 2002 was less than 1 percent below its year-earlier level, close to the decline nationally. In the manufacturing sector, Ohio had 1.8 percent fewer employees than one year earlier, a relative improvement given that manufacturing payrolls in the second half of 2001 were running 6 percent below year-earlier levels (see top chart).
- Although Ohio reduced its dependence on manufacturing in the past decade, the sector still accounts for about 18.5 percent of jobs in the state, in contrast with 13.4 percent nationwide. This lower concentration, the absence of a severe slump in motor vehicle production in recent quarters, and limited exposure to the technology sector helped mitigate Ohio's job losses in the past two years.
- Looking ahead, modest strengthening of manufacturers' orders for durable goods in the past year suggests that manufacturing employment in the state may stabilize as firms respond to rising orders.
- Ohio's unemployment rate of 5.6 percent in third quarter 2002 was below its 5.8 percent rate in second quarter, which may have been its recession-related peak. Behind the state's average is a range of conditions, as the map to the right illustrates. While the state's rate rose 140 basis points between second quarters 2001 and 2002, some counties (indicated by triangles on the map) experienced greater deterioration.
- Although current economic conditions suggest that a moderate recovery is under way, commercial real estate markets often lag the overall macro economy and concerns remain. Vacancy rates for industrial and commercial properties in **Cincinnati**, **Cleveland**, and **Columbus** were high and still rising in second quarter of 2002 (see table, next page). It may take some time for existing space to be absorbed, potentially dampening property owners' cash flows in the meanwhile.



- Strains from various cyclical and longer-term developments—such as the sustained weakness in the steel industry—will continue affecting Ohio's economy in coming quarters. Even so, the state and national economies in early October appeared to be on track for continuing expansion, but the recovery is vulnerable to shocks that could arise at home or abroad.

Vacancy Rates Within Ohio's Major Markets Are High

	Suburban Offices		Downtown Offices		Industrial Space	
	Q2:2001	Q2:2002	Q2:2001	Q2:2002	Q2:2001	Q2:2002
Cincinnati	14.1%	18.5%	8.6%	10.7%	7.2%	10.5%
Cleveland	16.5%	19.5%	10.2%	14.5%	7.6%	10.9%
Columbus	15.6%	22.0%	20.0%	22.0%	11.7%	15.1%
U.S. average	11.5%	15.9%	8.3%	12.1%	8.8%	11.2%

Source: CB Richard Ellis via Haver Analytics, Inc.

Overall banking conditions among insured institutions in Ohio are generally sound, although asset quality trends may still pose a challenge for banks as the state recovers from the economic downturn.

- Capital and reserve levels are generally satisfactory among insured institutions in Ohio. Profitability appears to be holding up well, with a median annualized return on assets of 0.96 percent through the

second quarter of 2002, up from 0.80 percent one year ago. Recent profitability gains were driven by net interest margin improvement (see table below).

Earnings and Capital are Generally Sound Among Institutions in Ohio

Median Ratio	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Net Interest Margin	4.14	4.07	4.01	4.07	3.80	3.88
Return on Assets	1.14	1.13	1.01	1.02	0.89	0.96
Tier 1 Capital	9.90	9.60	9.52	9.41	9.42	9.44

Source: Bank and Thrift Call Reports

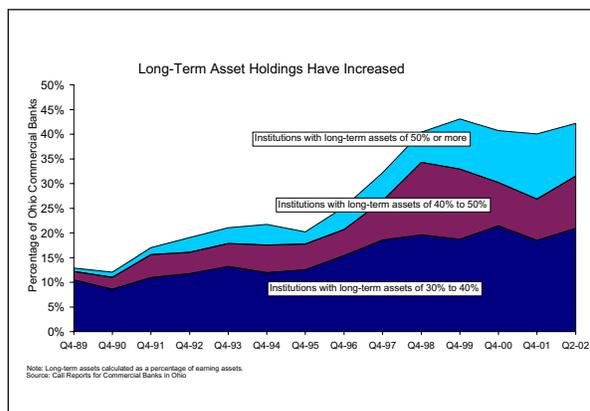
- Asset quality is generally better in Ohio than in other states in the Chicago Region. Although median past-due levels are comparable to those from one

year ago, net loan losses rose to 0.32 percent of total loans in the second quarter of 2002, up from 0.18 percent one year ago.<sup>1</sup>

Interest rate risk poses an increasing concern as insured institutions in Ohio extended asset maturities during the past decade.

- The conventional 30-year mortgage rate has been below 7.25 percent for the past 18 months, resulting in strong refinancing activity as borrowers seek to lock in long-term, fixed-rate loans at lower rates.
- The number of commercial banks in Ohio with significant long-term asset<sup>2</sup> holdings has increased substantially during the past decade. Over 11 percent of all commercial banks in Ohio hold at least half of their earning assets in long-term assets (see chart).
- Although the current yield curve is very steep, higher short-term rates could cause a flattening of the yield curve and pressure margins at liability sensitive institutions. The potential for continuing

interest rate volatility suggests that sound asset/liability management policies and practices will be particularly critical to future earning performance among insured institutions in Ohio.



<sup>1</sup> This aggregated net loan losses to total loans ratio excludes institutions with assets of \$1 billion or more.

<sup>2</sup> Long-term assets are generally those that have earliest repricing after five years. For those assets that do not reprice sooner, they are considered long-term if their maturity date is after five years.

## Ohio at a Glance

General Information	Jun-02	Jun-01	Jun-00	Jun-99	Jun-98	Jun-97
Institutions (#)	319	331	348	353	368	400
Total Assets (in thousands)	563,920,212	447,415,155	399,941,346	336,210,426	303,814,136	276,608,746
New Institutions (# < 3 years)	13	18	15	8	4	7
New Institutions (# < 9 years)	27	25	22	18	16	24

### Capital

Tier 1 Leverage (median)	9.44	9.42	9.41	9.52	9.60	9.90
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### Asset Quality

Past-Due and Nonaccrual (median %)	2.02%	2.14%	1.62%	1.77%	1.82%	1.95%
Past-Due and Nonaccrual ≥ 5%	30	21	28	29	34	35
ALLL/Total Loans (median %)	1.02%	0.96%	0.96%	0.99%	0.99%	0.99%
ALLL/Noncurrent Loans (median multiple)	1.23	1.21	1.44	1.69	1.46	1.42
Net Loan Losses/Loans (aggregate)	0.94%	0.65%	0.44%	0.48%	0.54%	0.65%

### Earnings

Unprofitable Institutions (#)	25	20	18	13	7	6
Percent Unprofitable	7.84%	6.04%	5.17%	3.68%	1.90%	1.50%
Return on Assets (median %)	0.96	0.89	1.02	1.01	1.13	1.14
25th Percentile	0.62	0.55	0.69	0.69	0.81	0.87
Net Interest Margin (median %)	3.88%	3.80%	4.07%	4.01%	4.07%	4.14%
Yield on Earning Assets (median)	6.80%	7.93%	7.94%	7.62%	8.02%	8.12%
Cost of Funding Earning Assets (median)	2.93%	4.22%	4.05%	3.75%	4.09%	4.03%
Provisions to Avg. Assets (median)	0.12%	0.11%	0.09%	0.07%	0.08%	0.08%
Noninterest Income to Avg. Assets (median)	0.48%	0.48%	0.42%	0.43%	0.44%	0.43%
Overhead to Avg. Assets (median)	2.67%	2.62%	2.64%	2.62%	2.62%	2.62%

### Liquidity/Sensitivity

Loans to Deposits (median %)	84.36%	86.29%	89.39%	84.29%	81.99%	84.06%
Loans to Assets (median %)	69.94%	72.22%	72.93%	69.51%	68.73%	70.57%
Brokered Deposits (# of Institutions)	58	68	70	67	71	67
Bro. Deps./Assets (median for above inst.)	5.04%	4.24%	3.51%	2.05%	2.12%	2.51%
Noncore Funding to Assets (median)	16.47%	16.92%	16.74%	14.40%	13.19%	12.52%
Core Funding to Assets (median)	71.48%	70.43%	70.87%	73.10%	74.62%	75.00%

### Bank Class

State Nonmember	72	71	73	74	75	79
National	87	88	93	93	98	109
State Member	42	47	52	49	50	55
S&L	63	68	74	82	88	92
Savings Bank	31	32	29	29	31	35
Mutually Insured	24	25	27	26	26	30

### MSA Distribution

	# of Inst.	Assets	% Inst.	% Assets
No MSA	135	23,187,879	42.32%	4.11%
Cincinnati OH-KY-IN PMSA	48	231,896,624	15.05%	41.12%
Cleveland-Lorain-Elyria OH PMSA	30	184,026,482	9.40%	32.63%
Columbus OH	28	84,363,302	8.78%	14.96%
Dayton-Springfield OH	12	2,112,775	3.76%	0.37%
Youngstown-Warren OH	11	16,051,485	3.45%	2.85%
Mansfield OH	10	1,978,759	3.13%	0.35%
Akron OH	8	11,120,855	2.51%	1.97%
Toledo OH	7	1,106,447	2.19%	0.20%
Parkersburg-Marietta WV-OH	7	1,618,715	2.19%	0.29%
Lima OH	6	1,051,710	1.88%	0.19%