FDIC State Profile

WINTER 2003

Illinois

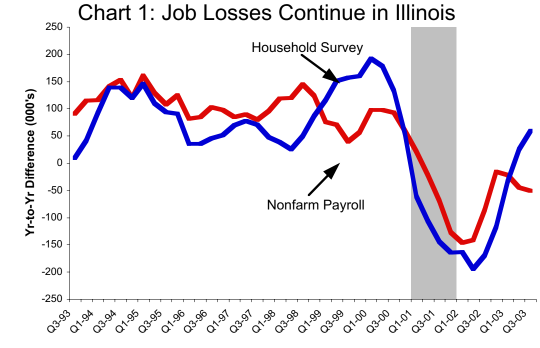
Economic conditions are improving, but labor markets remain weak in most parts of Illinois

- The ***Chicago***, ***Decatur***, and ***Rockford*** MSAs reported accelerating year-over-year job losses as of August 2003.
- The ***Moline***, ***Kankakee***, ***Peoria***, and ***Springfield*** MSAs continued to lose jobs, albeit at a slower rate.
- Only the ***Bloomington*** and ***Champaign*** MSAs reported relatively healthy job markets with payroll employment unchanged from last year.
- The payroll employment survey for Illinois reflected continued job losses in August from one year earlier, while the household survey showed a substantial increase in employment. If the rise in household employment repeats its leading pattern, as it has at times in the past, improvement in payroll employment may lie ahead[1] (see Chart 1).
- Despite continued job losses, Illinois' labor force increased 1.2 percent during the third quarter of 2003, suggesting that more people are optimistic about the chances of finding employment and are reentering the labor force.
- State and local fiscal problems likely will reduce the role of government employment in job growth.
- Illinois' total personal income growth continued to show year-over-year improvement and remained above U.S. averages.

Illinois leads Region in housing appreciation, yet lags national averages.

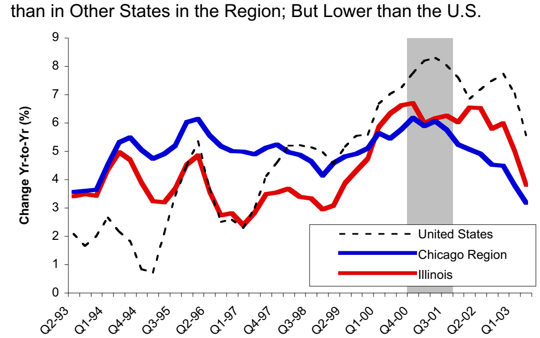
- Home prices continued to rise more quickly in Illinois than in most other states in the Chicago Region; however, year-over-year appreciation rates in the state trailed national averages since prior to the recession (see Chart 2).
- Slow job growth and reduced abilities to tap home equity may limit the role of the Illinois consumers to contribute to the state's economic recovery.
- Single-family housing permits for September were up 11 percent from one year ago, and unchanged from August levels. Rising mortgage interest rates likely will result in further slowing in housing starts.
- The Chicago Purchasing Managers Association Index improved sharply in October and continued to show economic growth (see Chart 3).

Chart 1: Job Losses Continue in Illinois



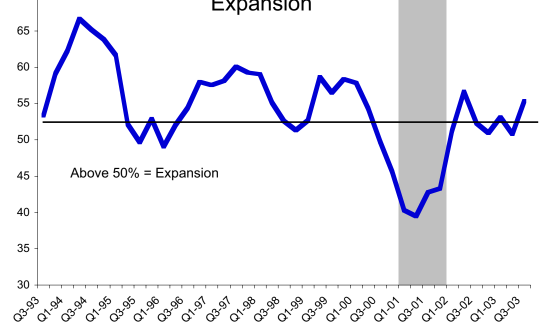
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Home Price Appreciation Remains Higher for Illinois than in Other States in the Region; But Lower than the U.S.



Source: Office of Federal Housing Enterprise Oversight

Chart 3: Chicago Purchasing Managers Index Shows Continued Signs of Expansion



[1] The household survey is based upon a sample of 60,000 persons, 16 years of age or older, who worked for pay during the survey week; worked in their own business, on their farm, or worked at least 15 hours without pay in a family business or farm. The establishment survey, consisting of 160,000 responses, measures nonfarm payrolls of business such as factories, offices, stores, federal, and state local governments.

Overall profitability remained favorable for institutions of all sizes in Illinois; however, credit concerns exist.

- Net income for all insured institutions in Illinois totaled $1.2 billion for the second quarter of 2003, resulting in a quarterly annualized return on average assets of 0.90 percent, compared to 1.38 percent for the nation and 1.35 percent for the Chicago region[2] (see Table 1).
- Narrower margins (caused by asset yields falling more rapidly than funding costs) and increasing operating expenses resulted in second quarter net income declining approximately 5 percent from first quarter results.
- Net income for the first half of 2003 totaled $2.50 billion, or 4.6 percent less than the $2.62 billion recorded in the first half of 2002.
- The median return on average assets for smaller community institutions[3] held up relatively well despite ongoing margin compression (see Chart 4).
- Thus far, Illinois institutions successfully offset margin declines with increased noninterest income.
- The median past-due rate for Illinois' smaller community institutions was 2.36 percent at mid-year 2003, compared to 2.26 percent one year earlier. The higher past-due rate largely resulted from an increase in delinquencies in 1-4 family residential real estate loans.
- One of the most significant loan categories for institutions with total assets between $100 million and $1 billion, loans secured by real estate, experienced higher past-due rates compared to two years earlier (see Chart 5).
- Median past-due rates remained relatively low and stable in the Chicago market.

Illinois' largest institutions realized the greatest share of asset growth during the quarter.

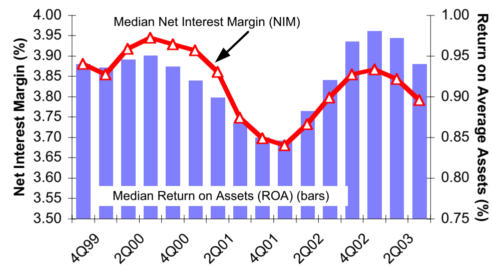
- Institutions with total assets greater than $1 billion reported asset growth of 4 percent for the quarter and 11.4 percent for the last 12 quarters.
- Institutions with total assets between $100 million and $1 billion experienced a decline in aggregate total assets of approximately 1 percent during the quarter; however, total assets for this group of institutions remained 1 percent above levels reported one year earlier.

Table 1: Lower Net Interest Income Causes ROA to Move Lower at Illinois Banks

Income statement contribution (as a percentage of average assets)	3 months ended June 30		Basis Point Change
	2002	2003	
Net Interest Income	2.85	2.51	-0.34
Total Noninterest Income	1.53	1.60	0.07
Noninterest Expense	-2.59	-2.61	-0.02
Provision Expense	-0.51	-0.37	0.14
Security Gains & Losses	0.23	0.13	-0.10
Income Taxes	-0.46	-0.36	0.10
Net Income (ROA)	1.05	0.90	-0.15

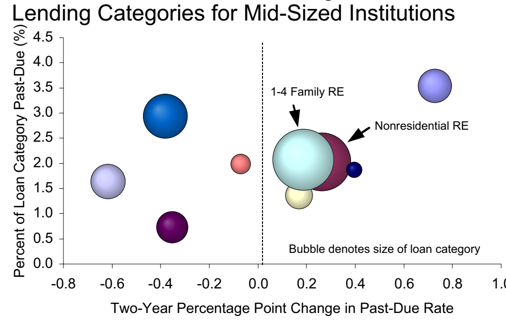
Source: Bank and Thrift Call Reports

Chart 4: Margin Declines Threaten Profitability Levels at Illinois' Smaller Community Institutions



ROA and NIM calculations are for the trailing 12 months.
Source: Bank and Thrift Call Reports for Illinois' Smaller Community Institutions

Chart 5: Past-Due Rates Are Higher Across Most Lending Categories for Mid-Sized Institutions



Source: Aggregate Bank & Thrift Call Reports for institutions between $100MM and $1B

- During the second quarter 2003, total assets declined among smaller community institutions, falling to a historic low.

[2] The Chicago region consists of Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin.

[3] Insured institutions with less than $100 million in assets, excluding new (<3 years old) and specialty banks.

Illinois at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	780	798	819	839	854
Total Assets (in thousands)	543,706,493	503,050,297	443,957,257	392,526,492	351,048,758
New Institutions (# < 3 years)	12	31	43	41	27
New Institutions (# < 9 years)	77	79	84	80	67

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.92	9.03	9.08	9.37	9.30

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.99%	1.96%	2.07%	1.75%	1.89%
Past-Due and Nonaccrual >= 5%	99	103	104	76	99
ALLL/Total Loans (median %)	1.17%	1.11%	1.09%	1.07%	1.10%
ALLL/Noncurrent Loans (median multiple)	1.41	1.41	1.46	1.49	1.49
Net Loan Losses/Loans (aggregate)	0.60%	0.84%	0.79%	0.34%	0.30%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	37	38	72	64	45
Percent Unprofitable	4.7%	4.8%	8.8%	7.6%	5.3%
Return on Assets (median %)	1.00	1.02	0.89	0.99	0.96
25th Percentile	0.66	0.67	0.55	0.65	0.64
Net Interest Margin (median %)	3.65%	3.82%	3.59%	3.85%	3.76%
Yield on Earning Assets (median)	5.72%	6.53%	7.64%	7.67%	7.34%
Cost of Funding Earning Assets (median)	2.06%	2.73%	4.07%	3.87%	3.64%
Provisions to Avg. Assets (median)	0.10%	0.12%	0.10%	0.09%	0.09%
Noninterest Income to Avg. Assets (median)	0.56%	0.50%	0.51%	0.46%	0.47%
Overhead to Avg. Assets (median)	2.58%	2.59%	2.63%	2.62%	2.60%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	71.22%	72.61%	72.36%	72.41%	69.07%
Loans to Assets (median %)	59.89%	61.61%	61.96%	61.35%	59.04%
Brokered Deposits (# of institutions)	171	148	125	102	98
Bro. Deps./Assets (median for above inst.)	3.71%	4.05%	3.76%	3.44%	2.63%
Noncore Funding to Assets (median)	15.67%	15.38%	15.52%	14.98%	13.00%
Core Funding to Assets (median)	72.83%	72.80%	72.92%	73.91%	75.79%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	425	433	446	457	451
National	172	177	187	200	213
State Member	75	76	70	64	68
S&L	27	28	29	31	32
Savings Bank	33	34	37	36	37
Mutually Insured	48	50	50	51	53

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	351	31,965,730	45.0%	5.9%
Chicago IL PMSA	276	472,903,669	35.4%	87.0%
St Louis MO-IL	32	5,060,701	4.1%	0.9%
Peoria-Pekin IL	25	4,236,685	3.2%	0.8%
Rockford IL	18	9,298,845	2.3%	1.7%
Springfield IL	16	3,303,180	2.1%	0.6%
Davenport-Moline-Rock Island IA-IL	16	2,079,972	2.1%	0.4%
Champaign-Urbana IL	16	3,996,853	2.1%	0.7%
Decatur IL	11	1,803,785	1.4%	0.3%
Kankakee IL PMSA	10	1,678,677	1.3%	0.3%
Bloomington-Normal IL	9	7,378,396	1.2%	1.4%