

FDIC State Profile

WINTER 2003

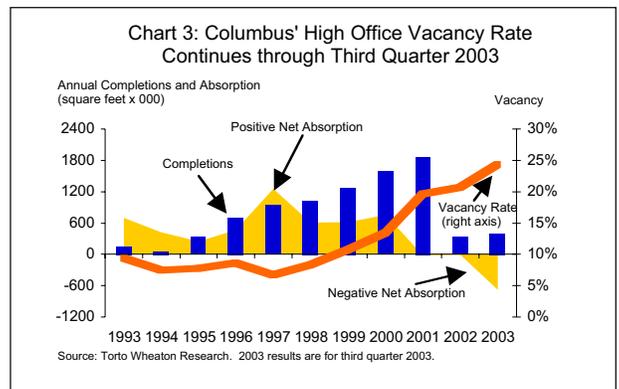
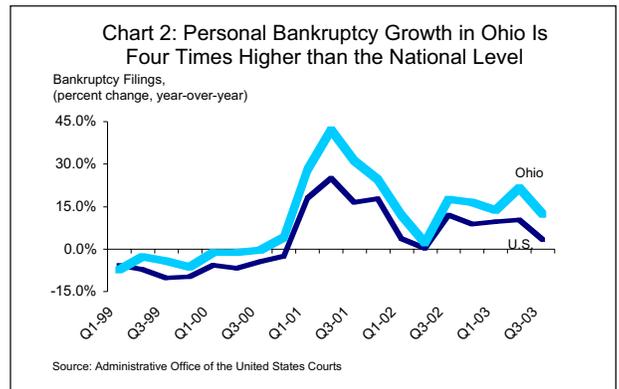
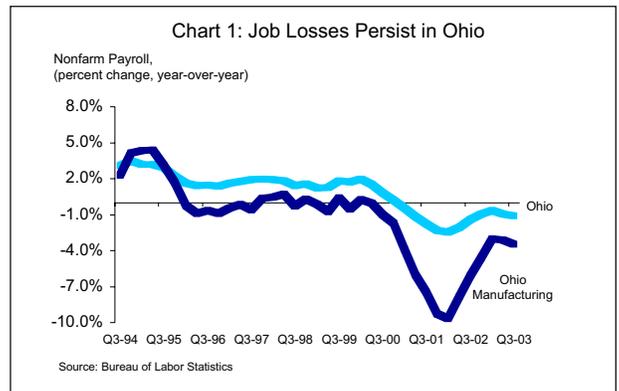
Ohio

Employment conditions remain weak as Ohio continues to lose jobs.

- While the pace of job losses eased, Ohio continued to shed jobs as total nonfarm payroll levels fell 1.1 percent in third quarter 2003, compared with one year earlier (see Chart 1).
- Job losses continued to be most serious in the manufacturing sector, which accounted for 16 percent of Ohio's workforce. Employment declined in all other sectors except education and health services and financial activities.
- Under the new United Auto Workers (UAW) contract, Ford may close an assembly plant in **Lorain**, where 1,600 workers are employed. Some future job losses may be permanent, as labor union contracts no longer require that retirees' spots be refilled.
- Ohio's path to economic recovery will be slow and gradual because of its large exposure to manufacturing, particularly steel and motor vehicles, which face significant financial strains.
- Personal bankruptcy filings rose 12 percent in the third quarter on a year-over-year basis, compared with 3 percent nationally (see Chart 2). The increased number of filings resulted from a weak job market, which negatively impacted income and spending growth.
- Conventional loan foreclosures in Ohio remained above national levels, although lower than levels one year ago, as a result of weak economic conditions.
- Existing home sales in Ohio remained strong in a low interest rate environment. Home price appreciation held steady at 3 percent in second quarter 2003, compared with one year earlier.

Commercial real estate (CRE) markets in major Ohio metropolitan statistical areas (MSAs) continued to experience high vacancy rates and negative absorption levels.

- The **Columbus** MSA's office vacancy rate of 24.3 percent in third quarter 2003 was the highest among Ohio's office markets. Columbus' office vacancy rates have risen by 2.1 percent from a year ago.
- Columbus' poor commercial office fundamentals reflected weak demand (negative net absorption of office space) and an oversupply of completions after the recession in 2001 (see Chart 3).
- CRE exposure and past-due ratios reported by Columbus' banks increased, but remain below national averages. As of June 30, 2003, median CRE loans-to-tier 1 capital increased from 162 per-



State Profile

cent to 219 percent, compared with one year ago. During this same period the median CRE past-due rate increased from 0.57 percent to 0.72 percent.

Ohio insured institutions face intensified pressure on profitability.

- Profitability, as measured by aggregate return on assets (ROA), declined to 1.58 percent in second quarter 2003, down 7 basis points from one year earlier.
- Lower net interest income and fee income reduced Ohio bank earnings in second quarter 2003 (see Table 1). Net interest margin (NIM) contracted as low long-term interest rates reduced asset yields and accelerated mortgage prepayments levels.
- While large institutions¹ reported lower profits, Ohio community banks² reported increased earnings from higher security gains and reduced provision expenses.
- Commercial-focused lenders experienced a significant drop of 13 basis points in median NIM, yet mortgage banks reported margin gains of 3 basis points at mid-year 2003, compared with one year earlier. Loan and securities yields declined faster than cost of funding for commercial-focused lenders.

Credit quality among Ohio insured institutions remained mixed, as overall commercial and industrial (C&I) loan performance deteriorated.

- Past-due rates continued to increase for the largest loan categories among Ohio community banks (see Chart 4).
- Aggregate past-due rates for large banks declined by 24 basis points to 2.36 percent in second quarter 2003 from a year ago; however, past-due rates for community banks increased by 13 basis points to 2.43 percent, largely a result of higher delinquencies in commercial and industrial loans (C&I).
- C&I loan performance for all Ohio banks worsened as both aggregate past-due and net charge-off ratios continued to increase (see Chart 5). The deterioration in C&I loans reflected continued weakness in Ohio's economy and manufacturing sector.
- Median reserves to total loans for all Ohio banks increased slightly to 1.04 percent from 1.02 percent at mid-year 2003, yet median reserves to noncurrent loans fell to 114 percent from 123 percent one year ago.

¹ Large banks are defined as insured institutions with more than \$1 billion in assets and exclude de novo (less than 3 years old) and specialty banks.

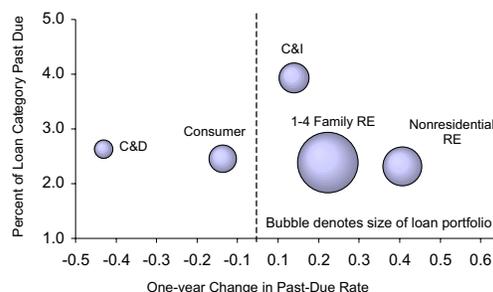
² Community banks are defined as insured institutions with less than \$1 billion in assets and exclude de novo (less than 3 years old) and specialty banks.

Table 1: Lower Net Interest Income and Noninterest Income Reduced Profitability

	3 months ended June 30		Basis Point Change
	2002	2003	
Net Interest Income	3.75	3.53	-0.22
Total Noninterest Income	2.39	2.29	-0.10
Noninterest Expense	-3.28	-3.13	0.15
Provision Expense	-0.67	-0.63	0.04
Security Gains & Losses	0.28	0.31	0.03
Income Taxes	-0.81	-0.78	0.03
Net Income (ROA)	1.65	1.58	-0.07

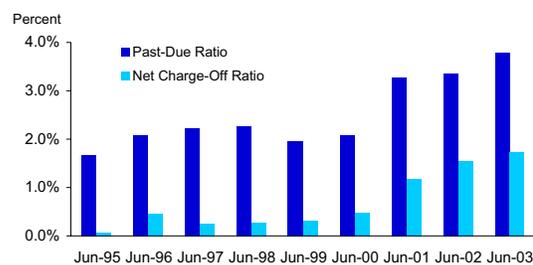
Source: Bank and Thrift Call Reports; aggregate data for all Ohio institutions.

Chart 4: Past-Due Rates Are Higher Across the Largest Loan Categories



Source: Aggregate Bank and Thrift Call Reports for Ohio's Community Institutions

Chart 5: Commercial and Industrial Loan Performance Continues to Deteriorate



Source: Aggregate data from Bank and Thrift Call Reports

Ohio at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	310	319	331	348	353
Total Assets (in thousands)	645,618,995	564,818,560	448,478,865	401,152,022	336,210,426
New Institutions (# < 3 years)	5	13	18	15	8
New Institutions (# < 9 years)	25	27	25	22	18
Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.33	9.44	9.42	9.41	9.52
Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	2.09%	2.02%	2.14%	1.62%	1.77%
Past-Due and Nonaccrual > = 5%	33	30	21	28	29
ALLL/Total Loans (median %)	1.04%	1.02%	0.96%	0.96%	0.99%
ALLL/Noncurrent Loans (median multiple)	1.14	1.23	1.21	1.44	1.69
Net Loan Losses/Loans (aggregate)	0.88%	0.95%	0.65%	0.44%	0.48%
Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	16	25	20	18	13
Percent Unprofitable	5.2%	7.8%	6.0%	5.2%	3.7%
Return on Assets (median %)	0.98	0.96	0.88	1.02	1.01
25th Percentile	0.67	0.59	0.55	0.69	0.69
Net Interest Margin (median %)	3.82%	3.88%	3.80%	4.06%	4.01%
Yield on Earning Assets (median)	5.94%	6.80%	7.93%	7.94%	7.62%
Cost of Funding Earning Assets (median)	2.18%	2.93%	4.22%	4.05%	3.75%
Provisions to Avg. Assets (median)	0.12%	0.12%	0.11%	0.09%	0.07%
Noninterest Income to Avg. Assets (median)	0.55%	0.48%	0.48%	0.42%	0.43%
Overhead to Avg. Assets (median)	2.72%	2.67%	2.62%	2.64%	2.62%
Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	81.39%	84.36%	86.29%	89.39%	84.29%
Loans to Assets (median %)	67.69%	69.95%	72.22%	72.93%	69.51%
Brokered Deposits (# of institutions)	60	58	68	70	67
Bro. Deps./Assets (median for above inst.)	4.18%	5.04%	4.24%	3.51%	2.05%
Noncore Funding to Assets (median)	16.61%	16.47%	16.92%	16.74%	14.40%
Core Funding to Assets (median)	69.93%	71.48%	70.43%	70.87%	73.10%
Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	69	72	71	73	74
National	86	87	88	93	93
State Member	41	42	47	52	49
S&L	59	63	68	74	82
Savings Bank	30	31	32	29	29
Mutually Insured	25	24	25	27	26
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		133	24,571,192	42.9%	3.8%
Cincinnati OH-KY-IN PMSA		45	273,888,647	14.5%	42.4%
Cleveland-Lorain-Elyria OH PMSA		29	202,208,749	9.4%	31.3%
Columbus OH		28	99,908,684	9.0%	15.5%
Dayton-Springfield OH		12	2,125,378	3.9%	0.3%
Mansfield OH		10	2,113,240	3.2%	0.3%
Youngstown-Warren OH		10	18,810,781	3.2%	2.9%
Akron OH		8	11,328,062	2.6%	1.8%
Toledo OH		7	1,241,635	2.3%	0.2%
Parkersburg-Marietta WV-OH		7	2,142,718	2.3%	0.3%
Lima OH		5	947,554	1.6%	0.1%
Canton-Massillon OH		4	3,046,243	1.29%	0.47%
Hamilton-Middletown OH PMSA		4	2,395,960	1.29%	0.37%
Wheeling WV-OH		3	531,731	0.97%	0.08%
Huntington-Ashland WV-KY-OH		3	257,579	0.97%	0.04%
Steubenville-Weirton OH-WV		2	100,842	0.65%	0.02%