FDIC **State Profile**

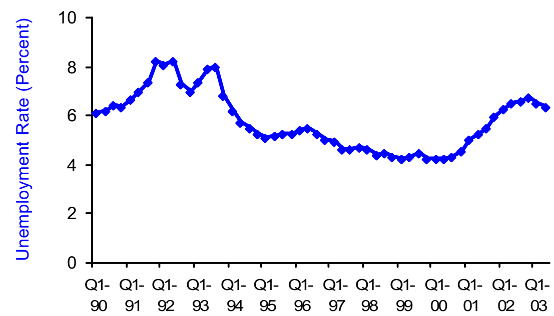
FALL 2003

Illinois

Economic conditions in Illinois are mixed.

- The state's unemployment rate eased to 6.3 percent in the second quarter of 2003 (see Chart 1) from 6.5 percent in the first quarter, while neighboring states and the nation posted increases. The drop in the Illinois unemployment rate reflects a decline in the size of the labor force rather than net hiring gains or the end of layoffs.
- In addition to traditional recession-related manufacturing layoffs, the airline, pharmaceutical, fast-food, retail, accounting, and information technology sectors also have cut payrolls in Illinois.
- The state lost 223,500 jobs (or 3.7 percent) between fourth quarter 2000 and mid-year 2003, and the degree of employment change is uneven among sectors (see Chart 2). Only four sectors, accounting for 36 percent of state employment, exceeded pre-recession job levels in second quarter 2003. In contrast, manufacturing employment was 15 percent below the late 2000 level.
- A slower rate of job loss, a modest increase in personal income growth, and debt refinancing likely contributed to slower growth in the number of personal bankruptcy filings and conventional mortgage delinquencies (see Chart 3).
- Home price appreciation in Illinois slowed to 3.8 percent in second quarter 2003 after increasing by at least 6 percent in 2000 through 2002. The slowdown may reflect rising mortgage rates, excess inventory in several sub-markets, and high home values relative to income in some areas.

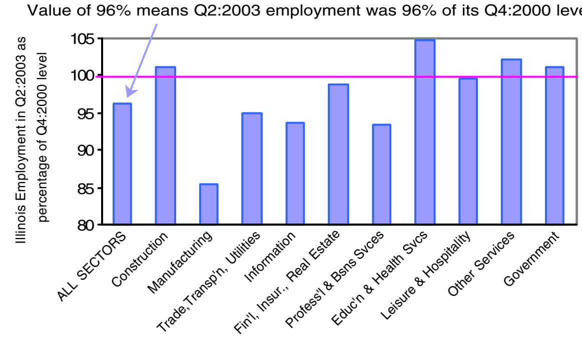
Chart 1: Unemployment Rate in Illinois Eased for Second Consecutive Quarter



Source: Bureau of Labor Statistics

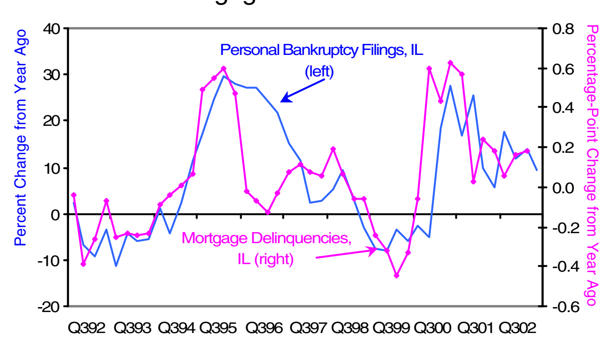
Chart 2: Sectors' Employment at Midyear 2003 Varies Relative to Pre-Recession Levels

Value of 96% means Q2:2003 employment was 96% of its Q4:2000 level



Source: Bureau of Labor Statistics

Chart 3. Growth in Bankruptcies and Delinquent Mortgages Slows in Illinois

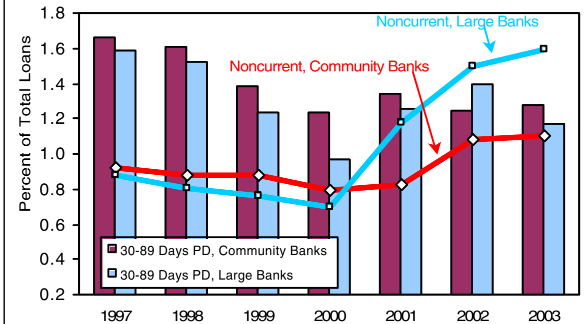


Sources: Mortgage Bankers Ass'n; Administrative Office of the US Courts

Illinois institutions weather asset quality challenges.

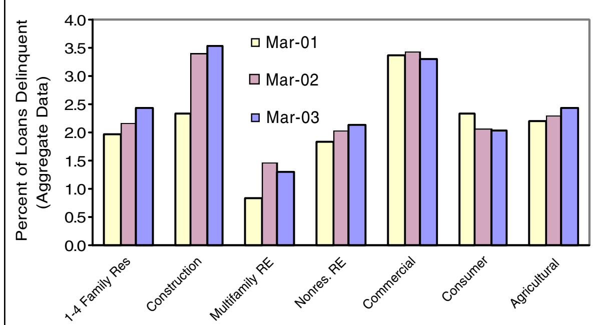
- Profitability of all insured institutions in Illinois remained unchanged from March 31, 2002 to March 31, 2003, with median returns on assets (ROA) reported at 1.01 percent and 1.00 percent, respectively.
- While ROA held steady, the median net interest margin (NIM) for all institutions in Illinois fell by 10 basis points. NIM declined because the median yield on earning assets fell faster than the median cost of funding earning assets between first quarter 2002 and first quarter 2003. This development partly reflects changing interest rates and a flattening yield curve, as the fed funds rate fell by 48 basis points, while the yield on 3-year Treasury notes fell by 168 basis points during this period.
- The 621 institutions in Illinois with assets under $250 million experienced roughly equal changes in the median cost of funds (COF) and median yield on earning assets (YEA), which fell by 72 basis points and 74 basis points, respectively. In contrast, institutions with assets greater than $250 million saw the median COF fall only by about 58 basis points. Institutions ranging from $250 million to $1 billion in assets realized a decline in YEA of 72 basis points, while institutions with assets over $1 billion saw their YEA fall by 84 basis points, reflecting that loan pricing at larger institutions is typically more sensitive to changes in market interest rates.
- In first quarter 2003, large and community institutions[1] reported increases in noncurrent loans[2] relative to two years earlier (see Chart 4). In contrast, the percentage of loans 30-89 days past due eased slightly, which may indicate fewer loans will become noncurrent in coming quarters.
- Nearly 15 percent of community banks reported 5.0 percent or more of total loans past due or on nonaccrual status on March 31, 2003, compared with 14 percent a year earlier. Delinquencies are highest among the construction and commercial loan portfolios. Over the past two years, commercial and consumer loan portfolios recorded declines in the percentage of past-due loans, while all other loan types experienced higher delinquency rates. (see Chart 5).
- Reserve coverage of delinquent loans at all community banks rose slightly to 108 percent in first quarter 2003 from 105 percent a year earlier. However, first quarter coverage was down from 137 percent in March 2000, before the recession led to deterioration in loan quality.

Chart 4: While Noncurrent Loans Rose since March 2001, Loans 30-89 Days Past Due Stabilized



Source: Bank and Thrift Call Reports; first-quarter data each year for Illinois

Chart 5: Illinois Community Banks' Loan Delinquencies Vary among Loan Types



Source: Bank and Thrift Call Reports; RE = real estate

[1] Assets less than $1 billion, excluding new institutions less than 3 years old and specialty banks.

[2] Loans past due 90 days or more, or on nonaccrual status

Illinois at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	785	804	825	846	860
Total Assets (in thousands)	529,665,754	470,123,723	442,884,275	394,249,386	341,559,602
New Institutions (# < 3 years)	14	36	45	41	25
New Institutions (# < 9 years)	77	82	83	82	64

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	8.96	9.04	9.13	9.26	9.23

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	2.18%	2.10%	2.08%	1.84%	2.14%
Past-Due and Nonaccrual > = 5%	108	106	100	87	109
ALLL/Total Loans (median %)	1.16%	1.12%	1.07%	1.08%	1.10%
ALLL/Noncurrent Loans (median multiple)	1.55	1.45	1.57	1.60	1.51
Net Loan Losses/Loans (aggregate)	0.61%	0.87%	0.70%	0.33%	0.36%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	37	43	65	61	40
Percent Unprofitable	4.71%	5.35%	7.88%	7.21%	4.65%
Return on Assets (median %)	1.00	1.01	0.88	0.97	0.93
25th Percentile	0.65	0.66	0.57	0.63	0.63
Net Interest Margin (median %)	3.67%	3.77%	3.58%	3.87%	3.73%
Yield on Earning Assets (median)	5.82%	6.57%	7.73%	7.62%	7.31%
Cost of Funding Earning Assets (median)	2.12%	2.83%	4.19%	3.80%	3.65%
Provisions to Avg. Assets (median)	0.09%	0.10%	0.08%	0.09%	0.08%
Noninterest Income to Avg. Assets (median)	0.54%	0.49%	0.49%	0.46%	0.46%
Overhead to Avg. Assets (median)	2.57%	2.60%	2.62%	2.66%	2.59%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	70.77%	71.46%	71.59%	70.55%	67.56%
Loans to Assets (median %)	59.92%	60.96%	60.94%	60.41%	58.09%
Brokered Deposits (# of institutions)	162	142	122	101	93
Bro. Deps./Assets (median for above inst.)	3.92%	3.75%	3.00%	2.86%	2.40%
Noncore Funding to Assets (median)	15.60%	15.34%	15.56%	13.99%	12.66%
Core Funding to Assets (median)	72.88%	73.12%	72.94%	74.96%	76.02%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	429	435	448	461	451
National	173	179	191	203	218
State Member	74	76	69	64	69
S&L	28	28	30	31	33
Savings Bank	33	35	37	36	37
Mutually Insured	48	51	50	51	52

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	351	31,546,762	44.71%	5.96%
Chicago IL PMSA	280	460,672,421	35.67%	86.97%
St Louis MO-IL	32	4,927,869	4.08%	0.93%
Peoria-Pekin IL	25	4,194,342	3.18%	0.79%
Rockford IL	18	9,145,574	2.29%	1.73%
Springfield IL	16	3,279,740	2.04%	0.62%
Davenport-Moline-Rock Island IA-IL	16	2,011,603	2.04%	0.38%
Champaign-Urbana IL	16	3,921,968	2.04%	0.74%
Decatur IL	11	1,834,662	1.40%	0.35%
Kankakee IL PMSA	10	1,632,658	1.27%	0.31%
Bloomington-Normal IL	10	6,498,155	1.27%	1.23%