State Profile

Summer 2004

Illinois

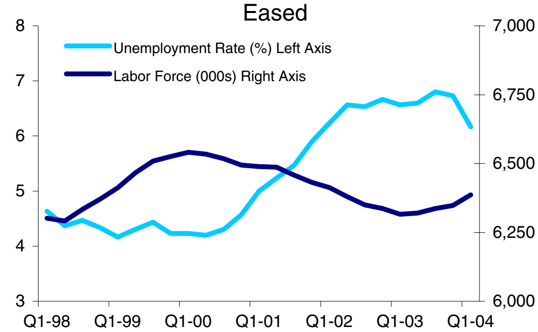
The Illinois labor market shows signs of improvement.

- The unemployment rate for Illinois fell to 6.2 percent in the first quarter of 2004, down from 6.6 percent in the first quarter of 2003. New hiring grew faster than the increase in labor force driving down the unemployment rate (See Chart 1).
- Service sectors such as leisure and hospitality, and educational and health services recorded positive year-over-year job growth in the first quarter 2004. However, increased manufacturing orders and shipments have yet to translate into job creation, as Illinois manufacturing jobs continued to slowly contract. Strong productivity gains are impeding an upturn in factory employment.
- Conditions in the agricultural sector improved as overall prices moved higher for products such as corn and soybeans (See Chart 2). Strong demand and reduced inventories, the result of adverse weather last year, caused a noticeable increase in corn and soybean prices.

Residential construction activity was robust, while the commercial real estate (CRE) market remained soft.

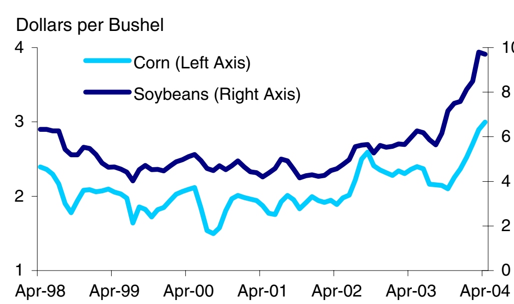
- Single-family housing permits increased year-over-year by 16 percent in the first quarter 2004. Despite the swift pace of existing home sales, home appreciation slowed modestly to 5.2 percent, reflecting cooling demand for housing.
- The office vacancy rate for ***Chicago*** edged down slightly according to Torto Wheaton Research in the first quarter 2004. Chicago's improved vacancy rate reflects improved net absorption trends within its suburban office market (See Chart 3). However, office rents remained low from lack of job creation and high supply of office space.
- Despite weak CRE fundamentals, Chicago CRE past-due rates remained relatively low. The median CRE past-due for insured institutions headquartered in Chicago was 0.75 percent as of first quarter 2004, down 14-basis points from first quarter 2003.

Chart 1: The Unemployment Rate in Illinois Eased



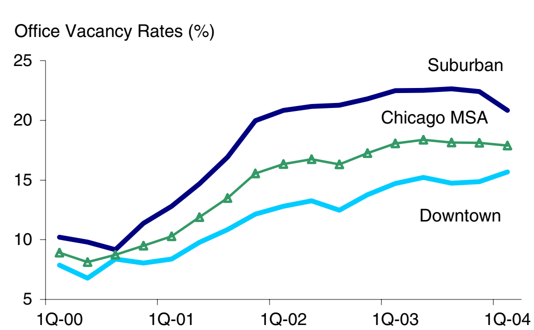
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Improved Corn and Soybean Prices Help Boost Farm Income



Source: Wall Street Journal/Haver Analytics

Chart 3: Chicago Office Vacancy Remains High



Source: Torto Wheaton Research

Illinois insured institutions posted mixed profitability results.

- Illinois institutions continued to experience net interest margin compression, as asset yields fell more rapidly than funding costs during a sustained low interest rate environment.

- Large institutions[1] reported higher earnings in the first quarter 2004, compared with the year-ago quarter, driven primarily by lower provision expense.

- Profitability for community institutions[2] in the first quarter 2004 declined from the first quarter 2003, as lower net interest income and noninterest income outpaced reductions in noninterest and provision expenses (See Table 1).

- Illinois' agricultural banks and thrifts also experienced lower profitability since first quarter 2003, largely a result of higher noninterest expense and lower noninterest income.

Credit quality continued to improve.

- Asset quality among Illinois community institutions improved across all loan categories (See Chart 4). The median past-due ratio for Illinois community institutions declined to 1.88 percent in the first quarter 2004, 34-basis points lower than first quarter 2003.

- Agricultural banks and thrifts have also participated in the improvements in asset quality seen among the state's institutions. Median past-due ratio improved to 2.24 percent in the first quarter 2004, a 30-basis point decline from first quarter 2003. Median farm-related loan concentrations among agricultural institutions in the first quarter 2004 stood at 198 percent of Tier 1 capital, a slight decrease from the same period in 2003.

- Illinois community institutions continued to post steady loan growth. During the 12 months ending March 31, 2004, loans for construction and development, commercial real estate, commercial and industrial, and home equity loans grew, while consumer loans, mortgage-backed securities, and 1-4 family loans declined (See Chart 5).

- Rising interest rates may increase debt service requirements for some borrowers. Growth in home equity loans, which typically carry adjustable rates, has been strong in recent years, and interest rates on adjustable rate loans likely would reprice upward if interest rates rise.

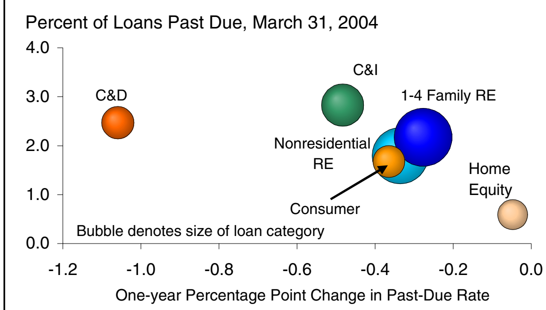
Table 1: Earnings Performance Drops at Illinois Community Banks and Thrifts

Income statement contribution (as a percentage of average assets)

	3 months ended March 31		Basis Point Change
	2003	2004	
Net Interest Income	3.42	3.37	-0.05
Noninterest Income	0.93	0.71	-0.22
Noninterest Expense	-2.69	-2.57	0.12
Provision Expense	-0.17	-0.14	0.03
Security Gains & Losses	0.07	0.06	-0.01
Income Taxes	-0.37	-0.35	0.02
Net Income (ROA)	1.19	1.08	-0.11

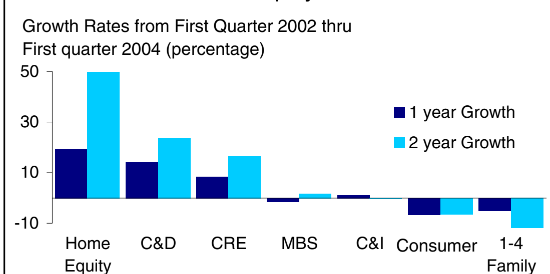
Source: Aggregate Bank and Thrift Call Reports for Community Institutions

Chart 4: Past-Due Rates are Lower Across All Lending Categories



Source: Aggregate Bank and Thrift Call Reports for Community Institutions

Chart 5: Community Institutions Posted Strong Growth in Home Equity and CRE Loans



Notes: MBSs are Mortgage-Backed Securities.
Source: Bank and Thrift Call Reports for Community Institutions.

---

[1] Large institutions are insured institutions with more than $1 billion in assets, excluding new (less than three years old) and specialty banks.
[2] Community institutions are insured institutions with less than $1 billion in assets, excluding new (less than three years old) and specialty banks.

Illinois at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	760	784	804	825	846
Total Assets (in thousands)	580,732,585	529,499,496	470,125,833	442,884,275	394,249,386
New Institutions (# < 3 years)	6	14	36	45	41
New Institutions (# < 9 years)	73	77	82	83	82

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.06	8.96	9.04	9.13	9.26

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.83%	2.20%	2.10%	2.08%	1.84%
Past-Due and Nonaccrual >= 5%	92	108	106	100	87
ALLL/Total Loans (median %)	1.17%	1.16%	1.12%	1.07%	1.08%
ALLL/Noncurrent Loans (median multiple)	1.60	1.53	1.45	1.57	1.60
Net Loan Losses/Loans (aggregate)	0.22%	0.61%	0.87%	0.70%	0.33%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	35	34	43	65	61
Percent Unprofitable	4.61%	4.34%	5.35%	7.88%	7.21%
Return on Assets (median %)	0.98	1.01	1.01	0.88	0.97
25th Percentile	0.64	0.66	0.66	0.57	0.63
Net Interest Margin (median %)	3.67%	3.67%	3.77%	3.58%	3.87%
Yield on Earning Assets (median)	5.29%	5.82%	6.57%	7.73%	7.62%
Cost of Funding Earning Assets (median)	1.63%	2.12%	2.83%	4.19%	3.80%
Provisions to Avg. Assets (median)	0.07%	0.09%	0.10%	0.08%	0.09%
Noninterest Income to Avg. Assets (median)	0.50%	0.54%	0.49%	0.49%	0.46%
Overhead to Avg. Assets (median)	2.58%	2.57%	2.60%	2.62%	2.66%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	71.19%	70.70%	71.46%	71.59%	70.55%
Loans to Assets (median %)	59.61%	59.92%	60.96%	60.94%	60.41%
Brokered Deposits (# of Institutions)	191	162	142	122	101
Bro. Deps./Assets (median for above inst.)	4.03%	3.92%	3.75%	3.00%	2.86%
Noncore Funding to Assets (median)	16.09%	15.59%	15.34%	15.56%	13.99%
Core Funding to Assets (median)	72.82%	72.93%	73.12%	72.94%	74.96%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	418	429	435	448	461
National	165	173	179	191	203
State Member	72	74	76	69	64
S&L	27	27	28	30	31
Savings Bank	30	33	35	37	36
Stock and Mutual SB	48	48	51	50	51

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	342	31,936,359	45.00%	5.50%
Chicago IL PMSA	271	509,999,067	35.66%	87.82%
St Louis MO-IL	30	5,069,211	3.95%	0.87%
Peoria-Pekin IL	24	4,415,780	3.16%	0.76%
Springfield IL	16	3,394,409	2.11%	0.58%
Rockford IL	16	6,691,196	2.11%	1.15%
Davenport-Moline-Rock Island IA-IL	16	2,129,903	2.11%	0.37%
Champaign-Urbana IL	16	3,890,575	2.11%	0.67%
Decatur IL	11	1,824,587	1.45%	0.31%
Kankakee IL PMSA	9	1,797,734	1.18%	0.31%
Bloomington-Normal IL	9	9,583,764	1.18%	1.65%