FDIC State Profile

Summer 2004

Ohio

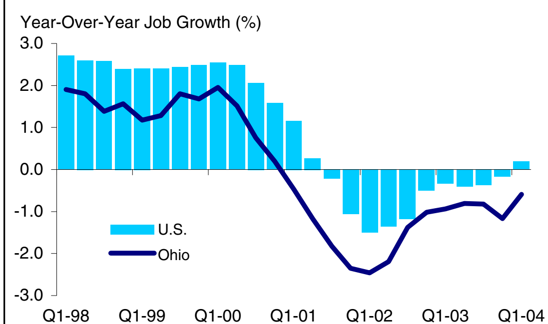
Ohio's employment trends are slowly stabilizing.

- Ohio continued to shed jobs faster than the nation, although the pace of nonfarm job loss has slowed (See Chart 1). A larger decline in Ohio's labor force than in employment resulted in a drop in the unemployment rate to 5.9 percent in the first quarter 2004, down from 6.2 percent in the first quarter 2003.
- Unemployment rates varied across Ohio counties (See Map 1). Counties located around ***Dayton-Springfield*** and ***Lima*** metropolitan statistical areas (MSAs) experienced lower unemployment rates due to broad-based economic expansion. Unemployment rose noticeably in southeast Ohio areas, where job losses in the steel and mining sectors continue.
- Strong productivity gains in manufacturing have impeded an upturn in factory employment. Ohio manufacturing jobs continued to contract, despite rising manufacturing orders and shipments nationwide. Ohio lost 4 percent of its manufacturing jobs in the past year, a rate of loss essentially unchanged from the previous year.
- On a positive note, financial activities, leisure and hospitality, and educational and health services sectors posted positive year-over-year job growth in the first quarter 2004.
- Credit conditions remained weak among some households as personal bankruptcy filings and mortgage foreclosures in Ohio reached a high in 2003.

Residential real estate remained active, while commercial real estate (CRE) markets continued to exhibit weakness.

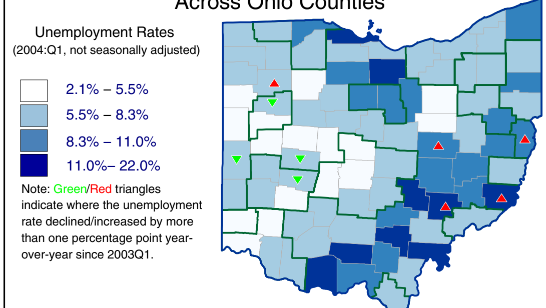
- Overall, residential building activity remained robust as single-family housing permits increased 9.4 percent year-over-year in the first quarter 2004. Home resales posted a larger gain, as home appreciation remained around 3.5 percent.
- In light of weak demand for office space, office vacancy rates for ***Cleveland*** and ***Cincinnati*** MSAs remained high and continued to increase, according to ***Torto Wheaton Research***. While vacancy rates for **Columbus** remained

Chart 1: Ohio's Rate of Job Loss Has Eased



Source: Bureau of Labor Statistics/Haver Analytics

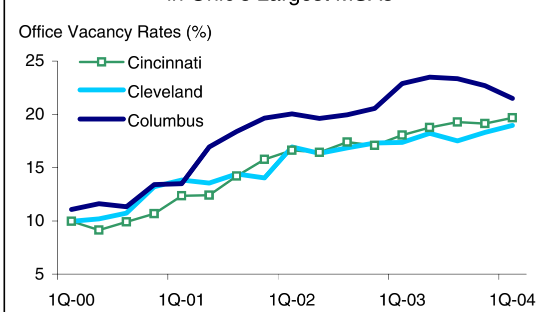
Map 1: Unemployment Rates Vary Across Ohio Counties



Note: Dark outlined counties are metropolitan areas (1999 definitions).

Source: Bureau of Labor Statistics

Chart 2: Office Vacancy Rates Remain Elevated in Ohio's Largest MSAs



Source: Torto Wheaton Research

relatively high, rates declined slightly for the third consecutive quarter as net absorption turned positive after a year of negative office demand (See Chart 2).

Overall profitability trends in Ohio held steady.

- Profitability levels for Ohio's community banks[1] in the first quarter 2004 moved down slightly on a year-over-year basis. Lower net interest income and reduced security gains were offset by lower loan provisions and declining noninterest expense (See Table 1).

- The net interest margin continued to be pressured from a sustained low interest rate environment, as asset yields have fallen more rapidly than funding costs.

- Security gains and portfolio appreciation have been diminishing in recent quarters. Should interest rates rise, security portfolios would be less available as a source of noninterest income.

Asset quality continued to improve among Ohio community institutions.

- In spite of weak economic conditions, credit quality among Ohio community institutions continued to improve across most loan categories with the exception of home equity loans (See Chart 3). The aggregate past-due ratio for Ohio's community institutions declined to 2.09 percent in the first quarter 2004, 37 basis points lower than one year earlier.

- While delinquencies for home equity loans increased 62 basis points in the first quarter 2004 from one year earlier, however, home equity loans remain relatively small part of overall loan portfolio at 5.7 percent.

- Ohio community institutions continued to post steady loan growth. In the 12 months ended in March 31, 2004, loans for construction and development, commercial real estate, home equity loans, and mortgage-backed securities grew, while commercial and industrial, consumer loans, and residential mortgages declined (See Chart 4).

Rising interest rates could pose significant challenges for Ohio's community institutions.

- Given the trend of higher long-term concentration of assets in Ohio and the prospect of higher rates, insured institutions that moved toward longer-term assets and shorter-term funding sources may face additional margin compression, asset depreciation, and extension in asset duration in a rising rate environment. Additionally, rising interest rates may also increase debt service requirements for some borrowers holding adjustable-rate debt.

- As of March, 31, 2004, 1-4 family mortgage loans totaled 42 percent of total loans at Ohio's community institutions, compared to 29 percent and 32 percent for the nation's and Chicago Region's community institutions, respectively.

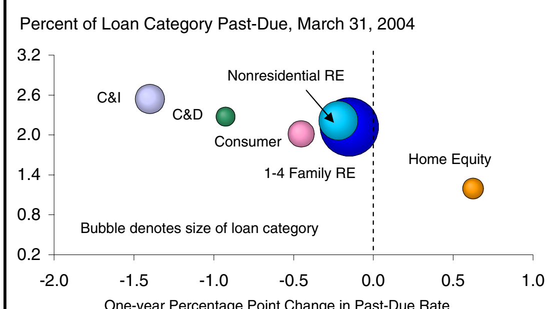
Table 1: Profitability Edged Down Slightly among Ohio Community Banks and Thrifts

Income statement contribution (as a percentage of average assets)

	3 months ended March 31		Basis Point Change
	2003	2004	
Net Interest Income	3.50	3.46	-0.04
Noninterest Income	0.70	0.71	0.01
Noninterest Expense	-2.70	-2.67	0.03
Provision Expense	-0.23	-0.15	0.08
Security Gains & Losses	0.29	0.20	-0.09
Income Taxes	-0.43	-0.43	0.00
Net Income (ROA)	1.13	1.12	-0.01

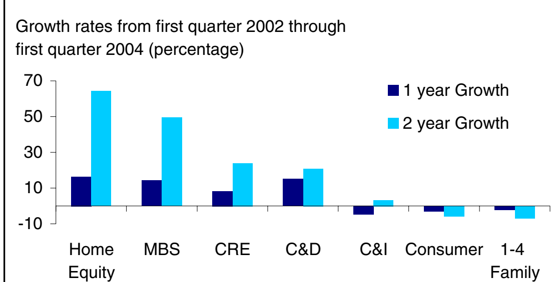
Source: Aggregate Bank and Thrift Call Reports for Community Institutions

Chart 3: Past-Due Rates are Lower Across Most Lending Categories



Source: Aggregate Bank and Thrift Call Reports for Community Institutions

Chart 4 : Commercial Real Estate and Mortgage-Related Assets Increased Since 2002



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

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

Ohio at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	301	312	321	336	352
Total Assets (in thousands)	650,764,786	615,697,523	542,177,998	436,323,171	391,084,938
New Institutions (# < 3 years)	4	5	12	17	15
New Institutions (# < 9 years)	24	25	25	24	24

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.38	9.40	9.40	9.50	9.48

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.91%	2.16%	2.12%	1.81%	1.57%
Past-Due and Nonaccrual >= 5%	24	37	31	23	27
ALLL/Total Loans (median %)	1.04%	1.04%	1.01%	0.97%	1.00%
ALLL/Noncurrent Loans (median multiple)	1.25	1.01	1.19	1.39	1.56
Net Loan Losses/Loans (aggregate)	0.71%	0.83%	0.96%	0.69%	0.49%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	13	19	22	21	23
Percent Unprofitable	4.32%	6.09%	6.85%	6.25%	6.53%
Return on Assets (median %)	0.90	0.93	0.92	0.89	0.98
25th Percentile	0.53	0.61	0.59	0.58	0.62
Net Interest Margin (median %)	3.75%	3.79%	3.81%	3.76%	4.04%
Yield on Earning Assets (median)	5.45%	6.03%	6.84%	7.98%	7.83%
Cost of Funding Earning Assets (median)	1.74%	2.26%	3.04%	4.38%	3.97%
Provisions to Avg. Assets (median)	0.09%	0.12%	0.11%	0.10%	0.08%
Noninterest Income to Avg. Assets (median)	0.50%	0.52%	0.48%	0.46%	0.42%
Overhead to Avg. Assets (median)	2.76%	2.74%	2.70%	2.61%	2.67%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	83.50%	81.77%	84.36%	86.88%	86.99%
Loans to Assets (median %)	68.56%	68.00%	69.54%	72.53%	71.76%
Brokered Deposits (# of Institutions)	66	60	62	72	72
Bro. Deps./Assets (median for above inst.)	4.65%	4.72%	4.63%	4.80%	2.13%
Noncore Funding to Assets (median)	17.96%	16.63%	16.77%	17.05%	15.51%
Core Funding to Assets (median)	67.86%	70.71%	71.54%	70.56%	71.67%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	66	68	70	70	73
National	84	86	86	90	95
State Member	39	41	42	48	52
S&L	57	60	64	68	74
Savings Bank	29	31	33	33	31
Stock and Mutual SB	26	26	26	27	27

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	128	24,442,187	42.52%	3.76%
Cincinnati OH-KY-IN PMSA	43	279,751,416	14.29%	42.99%
Cleveland-Lorain-Elyria OH PMSA	29	197,567,715	9.63%	30.36%
Columbus OH	28	103,446,419	9.30%	15.90%
Dayton-Springfield OH	12	2,222,743	3.99%	0.34%
Mansfield OH	10	2,126,557	3.32%	0.33%
Youngstown-Warren OH	10	19,269,460	3.32%	2.96%
Akron OH	8	11,164,396	2.66%	1.72%
Parkersburg-Marietta WV-OH	7	2,013,183	2.33%	0.31%
Toledo OH	6	1,232,949	1.99%	0.19%
Lima OH	5	956,101	1.66%	0.15%
Hamilton-Middletown OH PMSA	4	2,703,634	1.33%	0.42%
Canton-Massillon OH	3	3,003,935	1.00%	0.46%