FDIC State Profile

SPRING 2003

Missouri

The Missouri economy lost jobs more rapidly than the nation during the recession.

- The Missouri economy began losing jobs in the first quarter of 2001, four months before the nation. Employment contraction also has been more severe than experienced nationally (see **Chart 1**).
- More than 12,000 jobs were lost in layoffs during 2001, with manufacturing accounting for 62 percent of the total. The retail sector also lost a significant number of jobs.
- While seasonally-adjusted unemployment peaked at 5.4 percent in June 2002 and declined to 4.9 percent by year end, counties with significant concentrations of manufacturing employment continue to report unemployment that exceeds 6 percent. In addition, in fourth quarter 2002, statewide employment continued to decline at a rate of nearly 1.5 percent compared to the previous year.

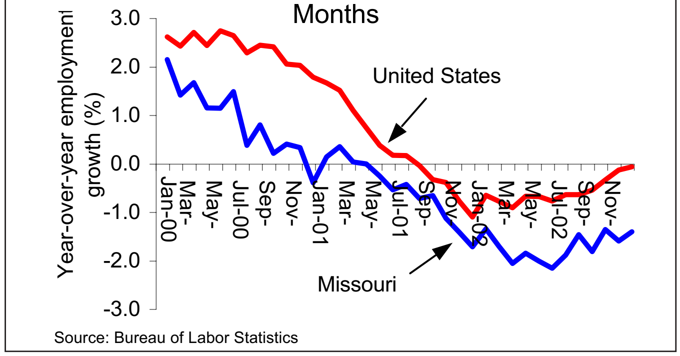


Chart 1: The Missouri Economy Has Lost a Significant Number of Jobs Over the Past 18 Months

The St. Louis and Kansas City office markets have softened significantly.

- Office vacancy rates increased from 12.8 percent in 2001 to 17.7 percent in 2002 in the St. Louis metropolitan area (see **Chart 2**). Significant continuing completions and negative net absorption caused by office staff reductions have contributed to the increase in vacancy rates.
- The Kansas City metro area office market continued to weaken in 2002 with vacancy rates of 18.6 percent at year end 2002, considerably higher than the 11.1 percent vacancy rate for 2000.

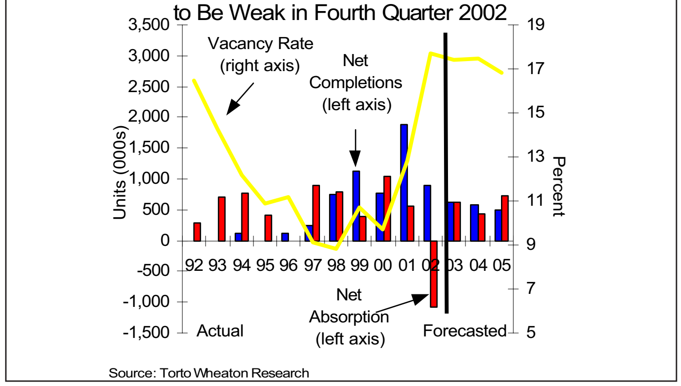
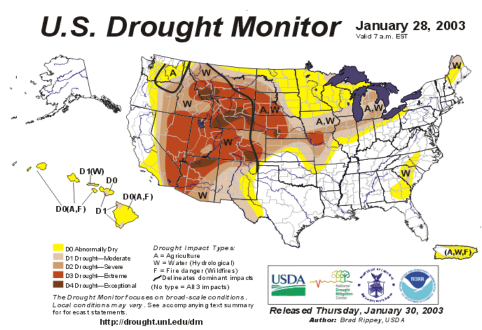


Chart 2: The St. Louis Office Market Continued to Be Weak in Fourth Quarter 2002

Missouri's agricultural sector has been moderately stressed by the drought of 2002.

- Drought conditions have persisted during the winter 2002-2003, increasing the likelihood of continuing difficulties for farmers in the western half of the state (see **Map 1**).
- Diminished rainfall in 2002 contributed to a 22 percent decline in corn production from the previous year, while soybean production was down 17 percent.
- Cattle production was also disrupted, as shortage of hay and pasture forced ranchers to sell cattle at low prices and liquidate breeding stock.

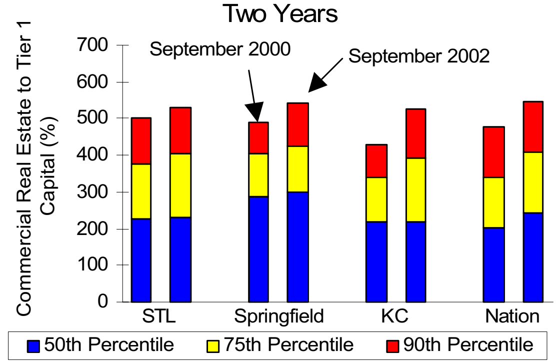


Map 1: Missouri Agriculture Sector Continues to Face Risk of Drought in 2003

Softening commercial real estate markets are a concern to metropolitan commercial lenders headquartered in Missouri.

- Many insured institutions in Missouri's largest metropolitan markets have increased reliance on commercial real estate (CRE) loans during the past two years (see **Chart 3**).
- This increased exposure has come as metropolitan CRE markets, most notably office and industrial, softened considerably.
- Weakness in CRE markets is not evident in total past- due figures. The September 2002 median loan delinquency ratio remains unchanged from 2 years ago, at a relatively low 1.7 percent. Moreover, although somewhat high, the proportion of insured institutions reporting delinquency ratios exceeding 5 percent also held steady at 9.5 percent.

Chart 3: Insured Institutions in Missouri Have Increased Exposure To CRE During the Past Two Years



Source: Bank and Thrift Call Reports, institutions headquartered in metropolitan statistical areas (MSAs), excluding new and specialty

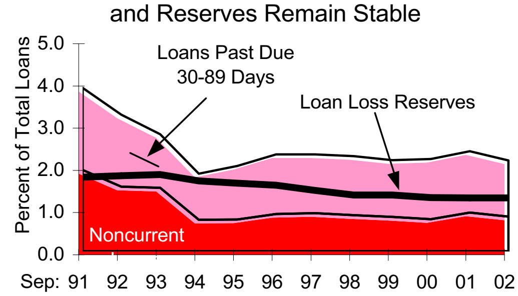
Community banks headquartered in Missouri report little deterioration in asset quality despite the economic slowdown.

- Noncurrent and past-due loan levels remain moderate and have not risen notably among most insured institutions (see **Chart 4**).
- Loan loss reserve levels have declined in proportion to total loans, but are stable relative to the level of problem loans.

Community banks continue to face challenges in maintaining net interest margins.

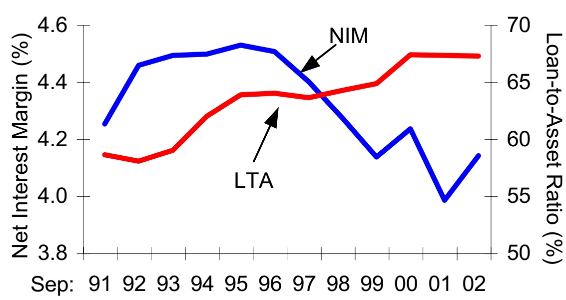
- Net interest margins (NIMs) declined steadily in the 1990s because of strong and increasing loan and funding competition, as well as depopulation trends in rural areas (see **Chart 5**).
- Recent NIM fluctuations, both positive and negative, are attributable to Federal Reserve interest rate actions, and do not signal an end to the NIM erosion.
- Generally, banks that accept greater credit risk by making more loans are rewarded with higher NIMs. However, this did not hold true in the 1990s, as community bank NIMs declined despite the dramatic increases in loan-to-asset (LTA) levels.
- Economic slowdowns typically result in declining LTA ratios, and community bank NIMs could be pressured downward should LTA levels return to historically normal levels.

Chart 4: Past-Due Loans Remain Relatively Low and Reserves Remain Stable



Source: Bank Call Reports, commercial banks with assets less than $250 million headquartered in Missouri, excluding de novos and specialty banks

Chart 5: Net Interest Margins Have Eroded Despite Increasing Loan-to-Asset Ratios



Source: Bank Call Reports, commercial banks with assets less than $250 million headquartered in Missouri, excluding de novos and specialty banks

Missouri at a Glance

General Information	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Institutions (#)	385	388	401	413	439
Total Assets (in thousands)	77,519,036	72,805,433	69,042,166	85,275,398	87,882,320
New Institutions (# < 3 years)	11	13	20	19	19
New Institutions (# < 9 years)	37	35	33	29	26

Capital	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Tier 1 Leverage (median)	8.91	8.86	9.03	9.10	9.20

Asset Quality	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Past-Due and Nonaccrual (median %)	1.84%	2.04%	1.84%	1.74%	1.80%
Past-Due and Nonaccrual ≥ 5%	41	45	38	32	46
ALLL/Total Loans (median %)	1.19%	1.18%	1.18%	1.22%	1.21%
ALLL/Noncurrent Loans (median multiple)	1.83	1.73	2.17	2.21	2.12
Net Loan Losses/Loans (aggregate)	0.25%	0.28%	0.17%	0.19%	0.21%

Earnings	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Unprofitable Institutions (#)	10	25	19	19	15
Percent Unprofitable	2.60%	6.44%	4.74%	4.60%	3.42%
Return on Assets (median %)	1.08	0.98	1.06	1.06	1.11
25th Percentile	0.67	0.63	0.73	0.75	0.83
Net Interest Margin (median %)	4.04%	3.88%	4.12%	4.07%	4.14%
Yield on Earning Assets (median)	6.62%	7.95%	8.16%	7.77%	8.07%
Cost of Funding Earning Assets (median)	2.64%	4.09%	4.10%	3.77%	4.00%
Provisions to Avg. Assets (median)	0.14%	0.13%	0.13%	0.10%	0.09%
Noninterest Income to Avg. Assets (median)	0.58%	0.54%	0.51%	0.53%	0.52%
Overhead to Avg. Assets (median)	2.68%	2.67%	2.73%	2.67%	2.71%

Liquidity/Sensitivity	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
Loans to Deposits (median %)	81.17%	80.01%	81.56%	76.37%	74.44%
Loans to Assets (median %)	67.85%	67.94%	68.64%	65.44%	63.11%
Brokered Deposits (# of Institutions)	58	48	38	32	37
Bro. Deps./Assets (median for above inst.)	1.97%	1.16%	1.01%	1.32%	0.97%
Noncore Funding to Assets (median)	16.08%	15.36%	15.95%	13.27%	11.90%
Core Funding to Assets (median)	72.42%	72.67%	72.90%	75.25%	76.41%

Bank Class	Sep-02	Sep-01	Sep-00	Sep-99	Sep-98
State Nonmember	261	264	271	281	307
National	47	46	48	50	51
State Member	42	42	42	38	39
S&L	18	18	20	23	24
Savings Bank	16	17	18	20	17
Mutually Insured	1	1	2	1	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	235	24,331,808	61.04%	31.39%
St Louis MO-IL	55	19,687,751	14.29%	25.40%
Kansas City MO-KS	54	26,707,021	14.03%	34.45%
Springfield MO	24	3,851,585	6.23%	4.97%
Joplin MO	8	1,222,498	2.08%	1.58%
St Joseph MO	5	280,613	1.30%	0.36%
Columbia MO	4	1,437,760	1.04%	1.85%