FDIC State Profile

SUMMER 2003

Missouri

The Missouri economy continued to shed jobs in early 2003.

- The Missouri economy began losing jobs in the first quarter of 2001, four months before the nation. During 2002, Missouri's percentage job losses were among the worst in the country. In 2003, employment contraction continued to be significantly more severe than that 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. During 2002, Missouri lost jobs at the faster rate than the nation, evidence of weakness across job categories. As of early 2003, job losses continue to be significant in the manufacturing, finance, and government sectors.

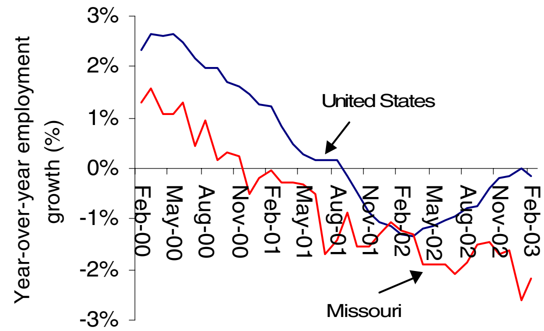
The St. Louis and Kansas City office markets have softened significantly.

- Office vacancy rates increased from 16.4 percent in first quarter 2002 to 18.1 percent at first quarter 2003 in the St. Louis metropolitan area (see Chart 2). New buildings slated for completion in 2003 and negative net absorption caused by office staff reductions have contributed to the forecasted increase in vacancy rates.
- Rental rates for office space in the St. Louis metropolitan area peaked in 1998 and are forecasted to continue to decline through 2005.
- The Kansas City metropolitan area office market continues to weaken in 2003 with vacancy rates of 19.2 percent at the end of the first quarter 2003, considerably higher than the 15.9 percent vacancy statistic reported one year ago.

Missouri's agricultural sector continues to be stressed by drought.

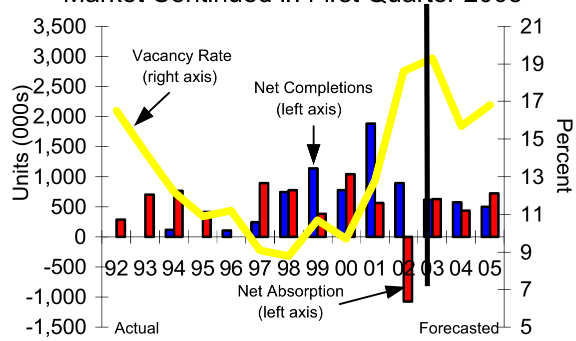
- Below-average precipitation in 2002 has left much of Missouri in a state of drought (see Map 1).
- Dry conditions contributed to a 22 percent decline in corn production from the previous year, while soybean production was down 17 percent. Cattle production was also disrupted, as shortages of hay and pasture forced ranchers to sell cattle at low prices and liquidate breeding stock.
- The northwestern half of the state faces continued risk of poor crop yields and inadequate feed for cattle in 2003.

Chart 1: Significant Job Losses Continue in Missouri



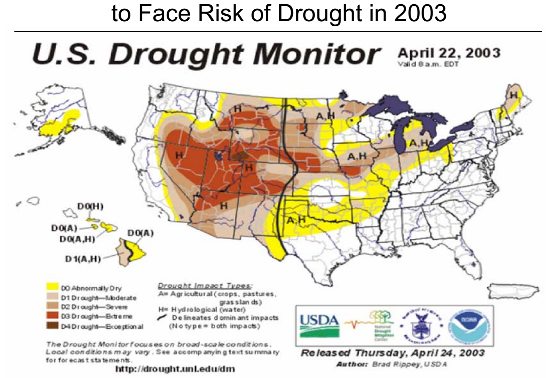
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Weakness in the St. Louis Office Market Continued in First Quarter 2003



Source: Torto Wheaton Research

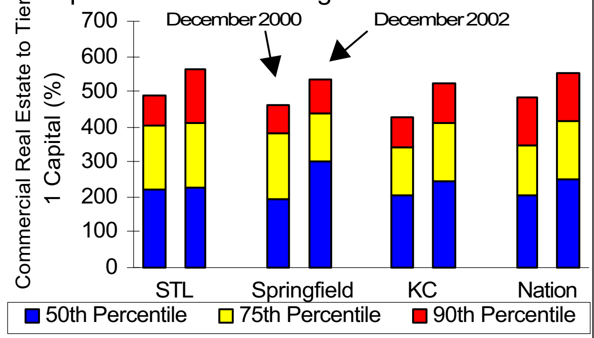
Map 1: Missouri Agriculture Sector Continues to Face Risk of Drought in 2003



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 December 2002 median loan delinquency ratio remains relatively low at 1.5 percent, unchanged from two years ago before CRE markets weakened. Moreover, the proportion of insured institutions reporting delinquency ratios exceeding 5 percent is a relatively moderate 6.0 percent

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

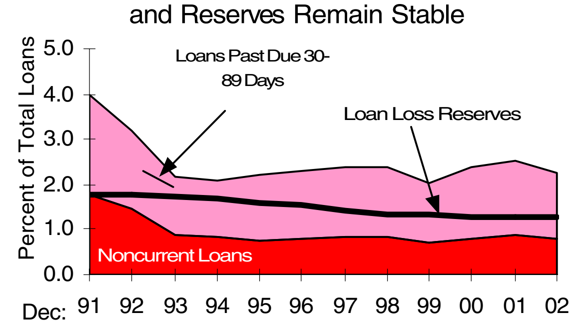


Source: Bank and Thrift Call Reports, excluding new and specialty banks

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

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

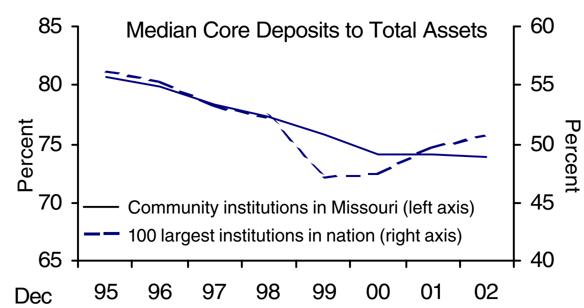


Source: Bank and Thrift Call Reports, commercial banks with assets less than $250 illion headquartered in Missouri, excluding de novos and specialty banks

Community institutions in Missouri continue to face funding challenges.

- Utilization of core funds to support assets declined steadily throughout the 1990s, because of negative population trends, competitive challenges from larger banks and nonbanks, and significant disintermediation of funds into the stock and bond markets. As a result, the median core deposits to total assets ratio for community institutions declined from 84 percent to 74 percent between year-end 1992 and year-end 2002.
- To counter declining deposits, community institutions headquartered in Missouri increased reliance on noncore funds, such as large time deposits and borrowings.
- The use of borrowings, primarily Federal Home Loan Bank advances, has increased dramatically. Between December 1997 and December 2002, the proportion of community institutions with borrowings making up at least 10 percent of total funds increased from 7.4 percent to 18.9 percent (see Chart 5).
- The weak economy and significant declines in the stock market have prompted a great shift of deposit funds into the banking system. However, as seen in Chart 4, most of the benefit has accrued to the nation's larger banks.
- See *"Kansas City Regional Perspectives - Despite Recent Deposit Growth, Community Banks Continue to Face Funding Challenge,"* FDIC Outlook, Spring 2003, for further discussion about funding.

Chart 5: Core Funding Has Increased at Larger Institutions More Than Smaller Institutions



Source: Bank and Thrift Call Reports. Community institutions are FDIC-insured institutions with total assets under $250 million headquartered in Missouri.

Missouri at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	382	387	401	407	424
Total Assets (in thousands)	80,327,006	76,708,916	71,586,180	87,476,161	86,204,852
New Institutions (# < 3 years)	10	13	17	19	18
New Institutions (# < 9 years)	36	35	34	30	26

Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	8.87	8.78	8.96	8.98	9.11

Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	1.86%	2.15%	2.07%	1.75%	1.93%
Past-Due and Nonaccrual >= 5%	36	47	39	30	46
ALLL/Total Loans (median %)	1.22%	1.20%	1.17%	1.19%	1.23%
ALLL/Noncurrent Loans (median multiple)	2.03	1.86	1.88	2.39	2.42
Net Loan Losses/Loans (aggregate)	0.33%	0.34%	0.21%	0.22%	0.18%

Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	9	23	19	14	15
Percent Unprofitable	2.36%	5.94%	4.74%	3.44%	3.54%
Return on Assets (median %)	1.04	0.93	0.97	1.01	1.07
25th Percentile	0.68	0.60	0.70	0.70	0.73
Net Interest Margin (median %)	4.05%	3.91%	4.08%	4.08%	4.13%
Yield on Earning Assets (median)	6.54%	7.74%	8.22%	7.77%	8.02%
Cost of Funding Earning Assets (median)	2.56%	3.88%	4.17%	3.77%	3.96%
Provisions to Avg. Assets (median)	0.15%	0.16%	0.14%	0.11%	0.11%
Noninterest Income to Avg. Assets (median)	0.59%	0.54%	0.52%	0.53%	0.52%
Overhead to Avg. Assets (median)	2.71%	2.72%	2.77%	2.75%	2.73%

Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	80.17%	78.39%	79.05%	76.82%	71.77%
Loans to Assets (median %)	67.79%	67.28%	67.28%	65.14%	61.73%
Brokered Deposits (# of Institutions)	56	50	39	34	34
Bro. Deps./Assets (median for above inst.)	2.11%	1.04%	0.87%	1.46%	1.18%
Noncore Funding to Assets (median)	15.96%	15.17%	15.53%	13.66%	11.79%
Core Funding to Assets (median)	73.06%	73.64%	73.93%	75.29%	77.04%

Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	261	263	272	277	293
National	46	45	48	50	50
State Member	42	43	42	38	39
S&L	17	18	20	21	24
Savings Bank	15	17	18	19	17
Mutually Insured	1	1	1	2	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	234	24,884,167	61.26%	30.98%
St Louis MO-IL	54	20,562,735	14.14%	25.60%
Kansas City MO-KS	53	27,936,929	13.87%	34.78%
Springfield MO	24	3,940,756	6.28%	4.91%
Joplin MO	8	1,257,305	2.09%	1.57%
St Joseph MO	5	294,812	1.31%	0.37%
Columbia MO	4	1,450,302	1.05%	1.81%