FDIC State Profile

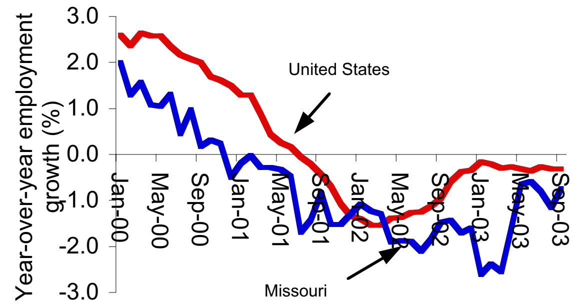
WINTER 2003

Missouri

Missouri's employment situation remains weak throughout 2003.

- Missouri's economy continued to lose jobs in the third quarter 2003, but the rate of loss was less severe than in the first half of the year (see Chart 1).
- The manufacturing and transportation sectors continued to experience the most severe job losses in the third quarter of 2003, while construction, wholesale trade, and government sectors began to reclaim jobs.
- Unemployment increased to 5.5 percent in the third quarter, compared to 5.3 percent in the previous quarter, and 4.4 percent from one year ago.

Chart 1: Missouri Economy Continues to Lose Jobs in the Third Quarter 2003

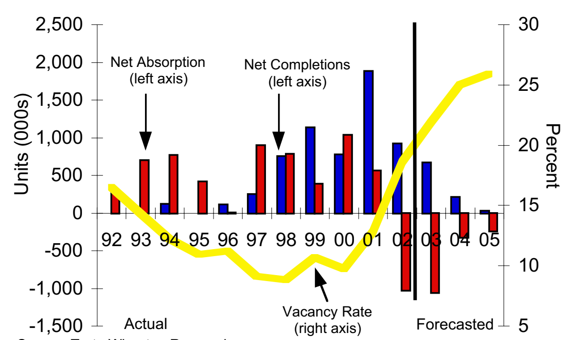


Source: Bureau of Labor Statistics; Haver Analytics

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

- Office vacancy rates decreased from 17.7 percent at third quarter 2002 to 17.5 percent at third 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 as vacancy rates increase.
- The ***Kansas City*** metropolitan area office market continues to weaken in 2003 with vacancy rates of 19.1 percent at the second quarter 2003, considerably higher than the 17.2 percent vacancy rate reported one year ago.

Chart 2: Weakness Forecasted for the Long Term in the St. Louis Office Market

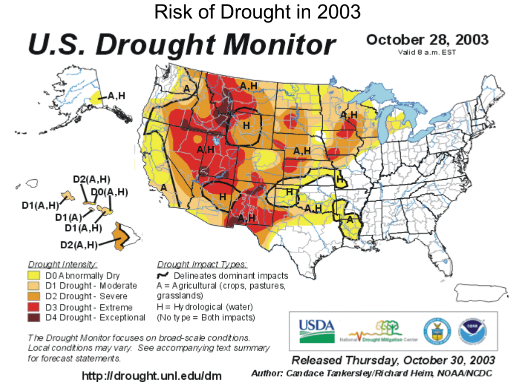


Source: Torto Wheaton Research

Area of abnormal dryness increasing substantially compared to the previous year.

- According to the October 28 Drought Monitor, pictured as Map 1 at right, the area of abnormal dryness has grown to encompass 26 counties in Northwest Missouri.
- A November 4 survey by the United States Department of Agriculture rates 21 percent of the state's pasture and rangeland as "Poor" or "Very Poor" suggesting continuing risks to cattle ranchers.
- Subsoil moisture remains inadequate in much of the affected area, threatening crop yields in the upcoming growing season.

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 during the past two years. Office vacancy rates have risen to the highest levels in nearly a decade.
- Some weakness in CRE markets is evident in total past-due figures. Although the relatively low March 2003 median loan delinquency ratio of 1.5 percent is less than the 2.0 percent reported two years ago, the proportion of insured institutions reporting delinquency ratios exceeding 5 percent remains elevated at 11.5 percent, up from 11.0 percent two-years earlier.

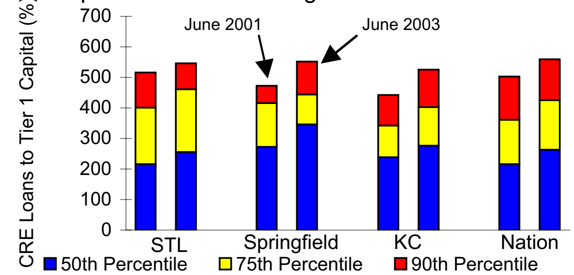
Community banks headquartered in Missouri continue to experience sound asset quality, despite the economic slowdown.

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

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 June 1993 and June 2003.
- 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 June 1998 and June 2003, the proportion of community institutions with borrowings making up at least 10 percent of total funds increased from 9.6 percent to 19.4 percent.

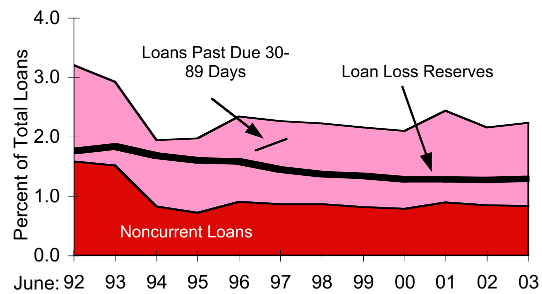
Chart 3: Institutions in Missouri Have Increased Exposure to CRE During the Past Two Years



CRE loans are loans made for construction or development, multifamily housing or nonresidential real estate.

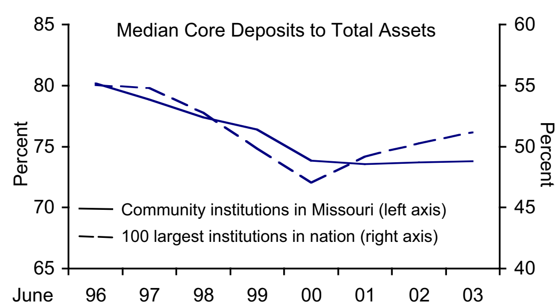
Source: Bank and Thrift Call Reports, excluding new and specialty banks

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: 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.

- 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 5, 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.

Missouri at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	375	385	391	403	422
Total Assets (in thousands)	84,696,724	75,416,127	71,144,808	88,053,549	86,796,381
New Institutions (# < 3 years)	7	11	16	20	20
New Institutions (# < 9 years)	35	36	35	32	28

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.89	8.87	8.91	8.93	8.92

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.79%	1.87%	2.11%	1.77%	1.73%
Past-Due and Nonaccrual > = 5%	35	38	47	29	44
ALLL/Total Loans (median %)	1.23%	1.19%	1.19%	1.20%	1.23%
ALLL/Noncurrent Loans (median multiple)	2.02	1.77	1.62	2.07	2.45
Net Loan Losses/Loans (aggregate)	0.27%	0.23%	0.25%	0.19%	0.17%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	8	15	25	17	18
Percent Unprofitable	2.13%	3.90%	6.39%	4.22%	4.27%
Return on Assets (median %)	1.10	1.06	1.00	1.05	1.05
25th Percentile	0.75	0.69	0.65	0.74	0.70
Net Interest Margin (median %)	3.88%	4.02%	3.88%	4.15%	4.02%
Yield on Earning Assets (median)	5.94%	6.66%	8.05%	8.08%	7.69%
Cost of Funding Earning Assets (median)	2.01%	2.71%	4.21%	3.97%	3.76%
Provisions to Avg. Assets (median)	0.12%	0.13%	0.12%	0.12%	0.09%
Noninterest Income to Avg. Assets (median)	0.62%	0.55%	0.53%	0.52%	0.52%
Overhead to Avg. Assets (median)	2.69%	2.66%	2.66%	2.73%	2.67%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	80.21%	80.20%	79.65%	80.87%	74.56%
Loans to Assets (median %)	67.05%	67.60%	67.50%	67.77%	63.76%
Brokered Deposits (# of institutions)	58	51	46	34	32
Bro. Deps./Assets (median for above inst.)	1.76%	1.56%	1.06%	0.97%	1.38%
Noncore Funding to Assets (median)	16.01%	15.23%	15.52%	15.67%	12.96%
Core Funding to Assets (median)	72.72%	73.02%	73.19%	73.37%	76.14%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	255	261	266	275	289
National	46	46	46	49	50
State Member	42	43	42	39	39
S&L	16	18	18	20	23
Savings Bank	15	16	18	18	20
Mutually Insured	1	1	1	2	1

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	230	25,516,104	61.33%	30.13%
Kansas City MO-KS	53	28,226,887	14.13%	33.33%
St Louis MO-IL	52	23,961,653	13.87%	28.29%
Springfield MO	24	4,089,901	6.40%	4.83%
Joplin MO	8	1,277,940	2.13%	1.51%
St Joseph MO	4	145,441	1.07%	0.17%
Columbia MO	4	1,478,798	1.07%	1.75%