FDIC State Profile

Summer 2004

Missouri

Missouri's employment situation improved in the first quarter of 2004.

- Missouri's economy added 1,400 jobs in the first quarter 2004, the second straight quarterly gain, following several quarters of often very large losses. The government, finance, and insurance and real estate sectors experienced the most significant job growth for the quarter.
- The manufacturing sector experienced modest job growth in the first quarter of 2004 (See Chart 1). This was the third straight quarterly gain.
- Unemployment declined to 4.9 percent in the fourth quarter, compared to 5.4 percent in the previous quarter, and 5.6 percent from one year ago. Despite employment weakness, the state's unemployment now is well below the national rate of 5.6 percent.

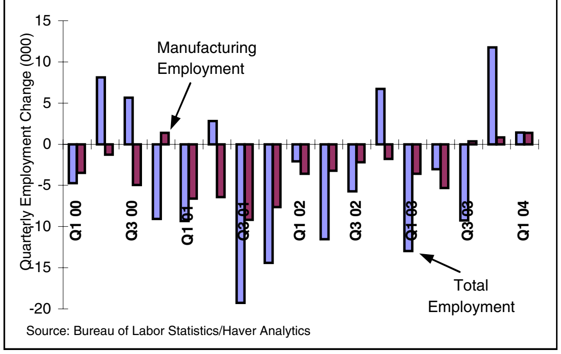
The St. Louis and Kansas City office markets have softened significantly.

- In the St. Louis MSA, office vacancy rates increased to 19.3 percent in the first quarter 2004, a level not seen since 1989.
- Office vacancy rates are expected to move even higher in 2004 and 2005 as a net outflow of office workers continues. On the positive side, office completions are forecasted to decline substantially over the next three years (See Chart 2).
- 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 remained weak in the first quarter of 2004 with vacancy rates of 19.6 percent, slightly higher than the 19.2 percent vacancy rate reported one year ago.

Bankruptcy filings increased in the first quarter 2004.

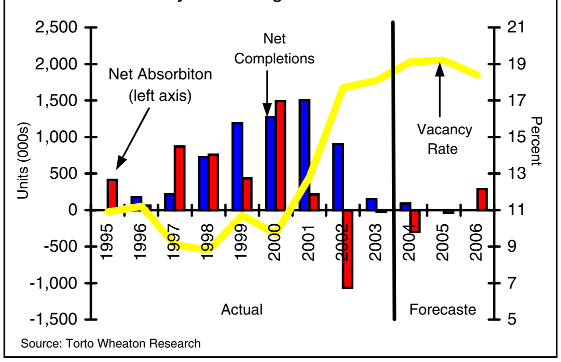
- The weak employment market in previous quarters has caused stress in household finances as per capita bankruptcy filings in Missouri increased 4 percent from the fourth quarter of 2003 (See Chart 3).

Chart 1: Manufacturing Employment Growth in Missouri Rebounded in the First Quarter of 2004



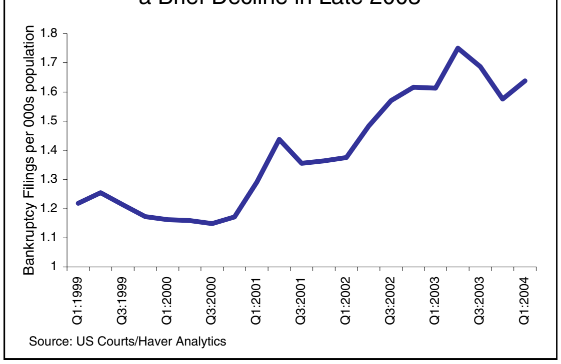
Source: Bureau of Labor Statistics/Haver Analytics

Chart 2: Continued Negative Absorption Is Expected to Push Vacancy Rates Higher in the St. Louis MSA



Source: Torto Wheaton Research

Chart 3: Per Capita Bankruptcy Filings Rose After a Brief Decline in Late 2003



Source: US Courts/Haver Analytics

- After two quarters of declines in the number of new filings, the state recorded 9,371 new filings in the first quarter of 2004.

Missouri's metropolitan institutions have increased their commercial real estate exposure.

- Exposure to commercial real estate (CRE) has increased substantially over the past few years despite weakening CRE market fundamentals in St. Louis, Kansas City, and other metropolitan areas (See Chart 4).

- Most of the growth is in nonresidential, nonfarm properties, including owner-occupied business properties and construction and development properties, the latter of which is historically a higher risk CRE segment.

- Despite weakened market fundamentals and increased CRE loan volume, CRE delinquencies and net charge-offs remain low.

Missouri's insured institutions report satisfactory consumer loan quality.

- Despite the worst unemployment situation for states within the Region[1], consumer loan quality among Missouri's insured institutions remains satisfactory, mirroring Regional asset quality conditions.

- Delinquency ratios have been relatively stable the past few years, with all but the top quartile of institutions reporting past due ratios of 3.27 percent or less at March 2004 (See Chart 5).

- Net charge offs remain negligible as well, and loan loss reserve coverage remains strong.

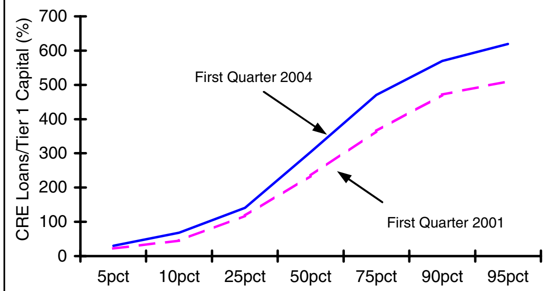
Commercial banks in Missouri continue to experience declining net interest margins.

- Net interest margins (NIMs) generally have been declining since 1995, excepting some recent volatility coinciding with interest rate movements over the past few years (See Chart 6).

- This NIM compression has occurred despite consistent growth in loan-to-assets ratios (LTAs). LTAs are now well above levels not seen since 1979, preceding the 1980s agricultural crisis. The high LTAs at that time largely resulted from excessive lending to farm borrowers during a period of speculative farmland investing.

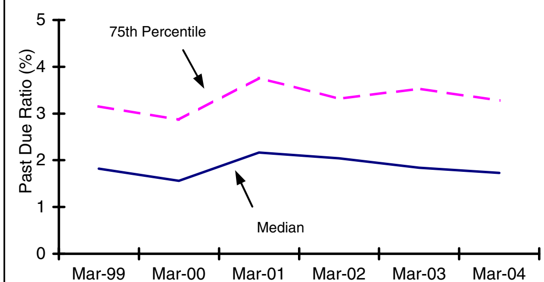
- Missouri's commercial banks are currently generating the lowest profit per dollar of credit exposure than at any time during the past 25 years. Regardless, asset quality remains favorable and capital protection remains strong.

Chart 4: Insured Institutions Continue to Increase Commercial Real Estate Exposure



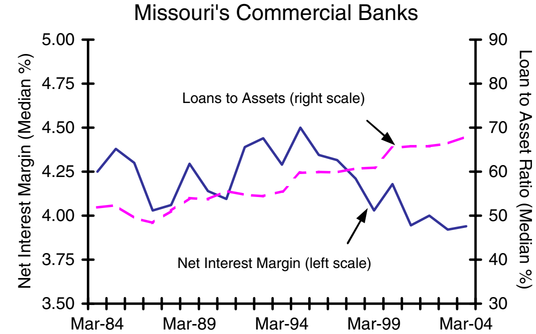
CRE is construction, multifamily, and other nonresidential, nonfarm RE loans.
Source: MO Bank and thrift call reports, institutions headquartered in MSAs

Chart 5: Consumer Loan Delinquency Remains Stable and Moderate Among Missouri's Institutions



Consumer loans are loans to individuals and loans secured by 1-4 family residential property
Source: Bank and Thrift Call Reports, all insured institutions headquartered in Missouri

Chart 6: Net Interest Margins Continue to Decline in Missouri's Commercial Banks



Source: Bank call reports, all commercial banks headquartered in Missouri

[1]The Kansas City Region is comprised of these seven states: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

Missouri at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	376	378	385	398	406
Total Assets (in thousands)	87,752,267	83,433,013	75,800,899	71,775,003	87,834,806
New Institutions (# < 3 years)	6	9	11	17	20
New Institutions (# < 9 years)	37	36	34	34	31

Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.12	8.91	8.80	8.75	8.86

Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.60%	1.85%	2.25%	2.23%	1.84%
Past-Due and Nonaccrual >= 5%	33	47	47	56	40
ALLL/Total Loans (median %)	1.20%	1.25%	1.21%	1.19%	1.19%
ALLL/Noncurrent Loans (median multiple)	2.14	1.95	1.93	1.70	2.10
Net Loan Losses/Loans (aggregate)	0.21%	0.21%	0.18%	0.24%	0.19%

Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	13	14	15	23	22
Percent Unprofitable	3.46%	3.70%	3.90%	5.78%	5.42%
Return on Assets (median %)	1.02	1.06	1.01	0.95	1.04
25th Percentile	0.70	0.72	0.64	0.64	0.72
Net Interest Margin (median %)	3.90%	3.88%	3.95%	3.89%	4.14%
Yield on Earning Assets (median)	5.47%	5.99%	6.72%	8.19%	7.98%
Cost of Funding Earning Assets (median)	1.55%	2.09%	2.83%	4.32%	3.91%
Provisions to Avg. Assets (median)	0.10%	0.11%	0.11%	0.10%	0.10%
Noninterest Income to Avg. Assets (median)	0.60%	0.60%	0.56%	0.53%	0.50%
Overhead to Avg. Assets (median)	2.72%	2.69%	2.65%	2.68%	2.74%

Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	81.19%	78.81%	78.24%	78.48%	77.44%
Loans to Assets (median %)	68.40%	66.72%	66.01%	66.69%	66.11%
Brokered Deposits (# of Institutions)	67	57	50	42	34
Bro. Deps./Assets (median for above inst.)	2.23%	1.95%	1.24%	0.68%	1.35%
Noncore Funding to Assets (median)	15.98%	15.92%	15.40%	15.89%	14.33%
Core Funding to Assets (median)	73.20%	72.73%	73.35%	73.20%	74.97%

Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	257	258	261	271	277
National	45	46	46	47	49
State Member	42	41	43	42	39
S&L	16	16	18	19	21
Savings Bank	15	16	16	18	18
Stock and Mutual SB	1	1	1	1	2

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	228	26,575,449	60.64%	30.28%
Kansas City MO-KS	56	28,725,394	14.89%	32.73%
St Louis MO-IL	51	25,133,181	13.56%	28.64%
Springfield MO	24	4,278,234	6.38%	4.88%
Joplin MO	8	1,323,860	2.13%	1.51%
Columbia MO	5	1,563,931	1.33%	1.78%
St Joseph MO	4	152,218	1.06%	0.17%