

**Survey of Community Banks
in the Tenth Federal Reserve District**

Tenth District Survey Responses



**Division of Supervision and Risk Management
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, MO 64198**

November 2004

Instructions

This survey takes about one hour to complete and requires detailed knowledge of your bank. We therefore recommend that a senior manager complete the survey. We realize this is a serious time commitment and request that you complete as many sections as possible.

The survey contains 86 questions. The questions are organized into seven sections:

1. General information about the bank 3
2. Governance and staffing practices 5
3. Vendor management practices 10
4. Competitive environment and future prospects 12
5. Interest rate risk practices 16
6. Internet banking services 17
7. Payments system issues 18

The answer to most questions is a simple “x” placed in a response box. A few answers will require brief written comments. **Please answer questions as accurately as possible. If the question refers to a subject that has not been considered by bank management, leave the answer box blank.**

Confidentiality

All responses will be strictly confidential and are to be used solely for internal planning, summary articles and presentations.

Identifying information is optional. If you provide this information, please skip to question 8.

Name of institution _____
Name of survey respondent _____
Position with bank _____
Phone number _____
City and state of bank _____

If you are willing to be contacted please check this box:

Help

If you have any questions or need clarification, please call Forest Myers at 800-333-1010, extension 2879 (816-881-2879 locally) or Eric Robbins at extension 2884.

I. General information about your bank

1. The location of your bank's home office is:

	CO	KS	MO	NE	NM	OK	WY	Valid obs.	No response
Number	32	100	33	74	2	72	14	327	14
Percent of valid observations	9.8	30.6	10.1	22.6	0.6	22.0	4.3		

2. Your bank has a:

	National charter	State charter	Valid obs.	No response
Number	102	221	323	18
Percent of valid observations	31.6	68.4		

3. Asset size of your bank at year-end 2003:

	Number	Percent of obs.
Less than \$150 million	268	82.2
\$150 to \$300 million	34	10.4
\$300 million to \$1 billion	24	7.4
Valid observations	326	
No response	15	

4. Your offices are located within:

	Number	Percent of obs.
a single county	185	59.5
in more than one county within a state	110	35.4
in more than one state	16	5.1
Valid observations	311	
No response	30	

5. Bank structure:

	Number	Percent of obs.
Independent bank (not in a bank holding company)	45	21.1
Member of a one-bank holding company	110	51.7
Member of multi-bank holding company	58	27.2
Valid observations	213	
No response	128	

If your bank is owned by a bank holding company, what is the consolidated asset size of the holding company at year-end 2003?

	Number	Percent of obs.
Less than \$150 million	243	75.9
\$150 to \$300 million	45	14.1
\$300 million to \$1 billion	22	6.9
Over \$1 billion	10	3.1
Valid observations	320	
No response	21	

6. From your bank's September 2003 Uniform Bank Performance Report (UBPR) provide information for the following items:

Year	Return on Assets (Page 1 of UBPR)	Number of Respondents
2000 (YE)	1.25%	275
2001 (YE)	1.17%	282
2002 (YE)	1.50%	283
2003 (9/30)	1.60%	286

7. Does your bank file its federal income taxes as a Subchapter S corporation?

	Yes	No	Valid obs.	No response
Number	138	185	323	18
Percent of valid observations	42.7	57.3		

If yes, the first tax year that your bank filed as a Subchapter S corporation was:

	1997	1998	1999	2000	2001	2002	2003	Valid obs.	No response
Number	30	25	17	12	6	14	11	115	226
Percent of valid observations	26.1	21.7	14.8	10.4	5.2	12.2	9.6		

8. The population of the town or metropolitan area where your bank's home office is located is:

	Number	Percent of obs.
Less than 2,500	154	46.8
2,500 to 9,999	82	24.9
10,000 to 19,999	27	8.2
20,000 to 99,999	29	8.8
100,000 to 249,999	7	2.1
Over 250,000	30	9.1
Valid observations	329	
No response	12	

9. What was the percentage change in the population of the community where your bank's home office is located between the 1990 and 2000 census?

	Number	Percent of obs.
Lost population	99	31.4
Between 0% - 2% growth	90	28.6
Between 2% - 5% growth	50	15.9
Between 5% - 10% growth	26	8.3
Between 10% - 15% growth	14	4.4
Between 15% - 20% growth	11	3.5
Over 20% growth	25	7.9
Valid observations	315	
No response	26	

10. Is your bank or parent bank holding company publicly traded?

	Yes	No	Valid obs.	No response
Number	3	331	334	7
Percent of valid observations	.9	99.1		

11. Is your bank family-owned (is more than 50% of the bank or its parent bank holding company owned by an individual or one or more families)?

	Yes	No	Valid obs.	No response
Number	257	76	333	8
Percent of valid observations	77.2	22.8		

12. Do the majority of your shareholders reside in the bank's home office community?

	Yes	No	Valid obs.	No response
Number	214	119	333	8
Percent of valid observations	64.3	35.7		

13. At year-end 2003 how many individuals owned stock in your bank or its parent bank holding company?

Average	Median	Minimum	Maximum	Valid obs.	No response
36	13	0	1000	315	26

14. How many of these individuals owned 10 percent or more of your bank or its parent bank holding company?

Average	Median	Minimum	Maximum	Valid obs.	No response
3.1	2	0	7	313	28

15. Is your community located within 30 miles of a city with a population of 100,000 or more?

	Yes	No	Valid obs.	No response
Number	98	235	333	8
Percent of valid observations	29.4	70.6		

16. The primary economic support for your community is:

	Number	Percent of obs.
Agriculture	205	61.6
Manufacturing	29	8.7
Service	52	15.6
Government	19	5.7
Mining/Energy	5	1.5
Tourism	9	2.7
Other	14	4.2
Valid observations	333	
No response	8	

II. Governance and Staffing Practices

17. In general, do you foresee problems in filling non-official staff positions over the next five years?

	Yes	No	Valid obs.	No response
Number	32	301	333	8
Percent of valid observations	9.6	90.4		

18. In general, do you foresee problems in filling official positions over the next five years?

	Yes	No	Valid obs.	No response
Number	88	243	331	10
Percent of valid observations	26.6	73.4		

19. Do you foresee difficulty in filling outside director vacancies during the next five years?

	Yes	No	Valid obs.	No response
Number	83	245	328	13
Percent of valid observations	25.3	74.7		

20. Does your bank have a written management succession plan?

	Yes	No	Valid obs.	No response
Number	120	206	326	15
Percent of valid observations	36.8	63.2		

21. Basic information about your bank's senior management team:

		CEO/ President	Chief Financial Officer	Chief Lending Officer	Cashier/ Operations Officer
Years in the position	Average	16.5	14.4	11.7	15.1
	Median	14	12	10	13
	Minimum	0	0	0	0
	Maximum	55	65	55	45
	Valid obs.	324	182	261	288
	No response	18	160	81	54
Age	Average	54	49	50	49
	Median	54	49	50	49
	Valid obs.	321	178	251	282
	No response	20	163	90	59
Is the individual a family member or part of the ownership group that controls the bank (Y/N)	Percent Yes	58.1	33.9	21.6	15.0
	Valid obs.	327	186	259	294
	No response	14	155	82	47
Does the individual plan to retire within the next five years? (Y/N)	Percent Yes	18.7	10.6	10.6	15.9
	Valid obs.	326	188	264	295
	No response	15	153	77	46
If yes, will a family member or member of the ownership group likely fill the position? (Y/N)	Percent Yes	30.5	22.6	12.2	9.3
	Valid obs.	131	62	82	107
	No response	210	279	259	234

22. Are the directors of your bank appointed by the parent bank holding company?

	Yes	No	N/A	Valid obs.	No response
Number	174	105	50	329	12
Percent of valid observations	52.9	31.9	15.2		

23. Are the majority of the directors of your bank the same individuals as those that serve on the parent bank holding company board?

	Yes	No	N/A	Valid obs.	No response
Number	193	97	38	328	13
Percent of valid observations	58.8	29.6	11.6		

24. Compared to five years ago, the number of directors on your bank's board at year-end 2003 has?

	Yes	No	Remained the same	Valid obs.	No response
Number	56	73	202	331	10
Percent of valid observations	16.9	22.1	61.0		

25. How many outside directors were on your bank's board at year-end 2003 (e.g., those that are not related to inside directors and hold no official position with the bank and whose ownership is less than 10 percent of any voting class of the bank's stock)?

Average	Median	Minimum	Maximum	Valid obs.	No response
3.3	3.0	0	16	321	20

Compared to five years ago, the number of outside directors has:

	Increased	Decreased	Same	Valid obs.	No response
Number	44	67	212	323	18
Percent of valid observations	13.6	20.7	65.6		

26. How many regularly scheduled meetings did your board have in 2003?

Average	Median	Minimum	Maximum	Valid obs.	No response
11.4	12.0	4	52	333	8

27. On an annual basis, the outside directors at your bank are paid what amount for their board service?

Average	Median	Minimum	Maximum	Valid obs.	No response
\$4,364	\$3,600	0	\$22,000	309	32

Is this payment made regardless of meeting attendance?

	Yes	No	Valid obs.	No response
Number	129	174	303	38
Percent of valid observations	42.6	57.4		

28. Do board members receive compensation in addition to that for board and committee meetings? (e.g., performance bonus, business development incentives)

	Yes	No	Valid obs.	No response
Number	53	280	333	8
Percent of valid observations	15.9	84.1		

If yes, this compensation consists of:

	Common stock	Cash	Other	Valid obs.	No response
Number	1	56	12	69	272
Percent of valid observations	1.4	81.2	17.4		

29. For the committees at your bank, individuals serving on these committees include:

Committee Exists		Committee	President and/or CEO		Other bank officers		Serve on Committee		Are a Majority of the Committee		Chair the Committee	
			Yes	%	Yes	%	Yes	%	Yes	%	Yes	%
281	5	Loan	323	100	307	96.2	171	62.4	51	19.7	22	8.7
254	80	Asset/Liability Management	302	98.7	285	96.0	101	40.6	34	14.5	25	10.9
207	20	Investment	242	95.3	224	91.4	87	80.6	31	16.0	24	12.5
198	19	Audit	133	59.4	152	68.2	155	74.2	103	51.8	101	51.0
43	53	Nominating	68	77.3	40	50.0	44	55.0	31	41.3	26	34.2
103	38	Compensation	132	86.8	70	49.3	90	66.2	69	53.1	50	38.2
79	40	Operations Risk	107	85.6	112	89.6	30	29.4	14	14.6	14	14.6

%=Percent of yes responses as a percent of valid observations

30. In general, who determines committee membership?

	Checked Boxes	
	Number	Percent of obs.
Board chairman	92	28.2
CEO	96	29.4
Directors	120	36.8
Other (specify)	18	5.5
Valid observations	326	
No response	15	

31. In general, are committee assignments periodically rotated?

	Yes	No	Valid obs.	No response
Number	80	242	322	19
Percent of valid observations	24.8	75.2		

32. What percentage of the bank's voting common stock does the president or CEO of your bank, individually, or in conjunction with his or her spouse control?

Average	Median	Minimum	Maximum	Valid obs.	No response
23.9	8.0	0	100	318	23

33. How many years has the president or CEO of your bank served in this position?

Average	Median	Minimum	Maximum	Valid obs.	No response
13.4	12.0	0	42	327	14

If less than 5 years, the previous president or CEO left his or her position because of:

	Checked Boxes	
	Number	Percent of obs.
Retirement	39	43.3
Illness	1	1.0
Death	8	8.9
Accept a position at another bank	6	6.7
Seek career outside banking	5	5.6
To buy his or her own bank	0	0
Asked to step down by a banking supervisor	3	3.3
Asked to step down by board of directors	7	7.8
Change of bank's ownership	7	7.8
Other	14	15.6
Valid observations	90	
No response	251	

34. Does the president of your bank serve on the board(s) of unaffiliated banks?

	Yes	No	Valid obs.	No response
Number	26	306	332	9
Percent of valid observations	7.8	92.2		

35. Do(es) the president(s) of the same unaffiliated bank(s) serve as directors at your bank?

	Yes	No	Valid obs.	No response
Number	9	283	292	79
Percent of valid observations	3.1	96.9		

36. Do directors of your bank serve on the board(s) of unaffiliated banks?

	Yes	No	Valid obs.	No response
Number	56	272	328	13
Percent of valid observations	17.1	82.9		

37. Do directors of the same unaffiliated banks serve as directors at your bank?

	Yes	No	Valid obs.	No response
Number	20	286	306	35
Percent of valid observations	6.5	93.5		

38. Has the board of directors at your bank adopted a code of ethics for the bank?

	Yes	No	Valid obs.	No response
Number	215	112	327	14
Percent of valid observations	65.7	34.3		

39. Has the board of directors at your bank adopted a mandatory retirement age for directors?

	Yes	No	Valid obs.	No response
Number	27	306	333	8
Percent of valid observations	8.1	91.9		

40. Did your directors participate in any training sessions in 2003?

	Yes	No	Valid obs.	No response
Number	161	168	329	12
Percent of valid observations	48.9	51.1		

If yes, who sponsored or presented the program? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Trade Association	82	24.0
Consultant	32	9.4
Academic Institution	8	2.3
Governmental Body	8	2.3
Banking Supervisor – State Banking Department, FDIC, OCC, Federal Reserve	86	25.2
Other (describe)	28	8.2
% = Percent of 341 survey responses		

41. The following describes individual members on the bank's board of directors:

	Average Number of Directors	Average Number of Years of Board Service	Average Age at Year-end 2003	Rank order of principal reason for being asked to join the board (see codes below)	Director's ownership in the bank is <u>25% or more of the director's personal assets?</u> (Y/N)
Inside	3.16	15.89	55.31	<ul style="list-style-type: none"> ▪ Business expertise related to occupation or business interests ▪ Ownership interest in the bank or bank holding company ▪ Community leader ▪ Family member ▪ Background as financial expert or accounting/audit experience ▪ Large loan/deposit customer 	51.16%
Outside	3.09	13.35	60.30		10.41%

42. Is the performance of board members at your bank periodically assessed?

	Yes	No	Valid obs.	No response
Number	91	237	328	13
Percent of valid observations	27.7	72.3		

If yes, this assessment is done by: (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Bank President	59	45.0
Board of Directors	26	19.8
Board Committee	5	3.8
Outside Party	10	7.6
Director Self Assessment	13	9.9
Other (describe)	18	13.7
Valid observations	131	
No response	211	

43. If your bank is publicly traded or subject to FDICIA 112, were there any changes in board committee membership in response to the Sarbanes-Oxley Act?

	Yes	No	Not publicly traded	Valid obs.	No response
Number	0	80	235	315	26
Percent of valid observations	0	25.4	74.6		

44. Rank the following laws and regulations according to the amount of time devoted to them in 2003: (1= most time spent, 12= least time spent)

1	USA Patriot Act and "Know Your Customer" requirements
2	Bank Secrecy Act and Currency Transactions Reports (CTRs)
3	Other (describe – e.g., RESPA, Information Security, Check 21)
4	Truth in lending
5	Home Mortgage Disclosure Act (HMDA) and Regulation C
6	Privacy Notices
7	Expedited Funds Availability Act or Regulation CC
8	Community Reinvestment Act (CRA)
9	Regulation D and limits on transfers/withdrawals from money markets
10	Extensions of credit to insiders and Regulation O
11	Appraisal regulations
12	Deposit Insurance Coverage

III. Vendor Management Practices

45. Your bank relies on outside vendors for which of the following processes? (Check all that apply.)

Application	Checked Boxes		Processing is Offsite or Onsite?					
	Number	%*		#	%**		#	%**
Deposit Processing	207	60.7	Offsite	125	46.8	Onsite	142	53.2
Loan Processing	204	59.8	Offsite	101	39.0	Onsite	158	61.0
Securities Processing	211	61.9	Offsite	206	80.5	Onsite	50	19.5
General Ledger	200	58.7	Offsite	116	46.6	Onsite	133	53.4
Accounts Payable	83	24.3	Offsite	27	17.4	Onsite	128	82.6
Financial Reporting	111	32.6	Offsite	45	25.7	Onsite	130	74.3
Internet Site	131	38.4	Offsite	120	71.0	Onsite	49	29.0
Asset Liability Model	153	44.9	Offsite	97	46.6	Onsite	111	53.4
Mortgage Origination	95	27.9	Offsite	30	19.9	Onsite	121	80.1
*%=Percent of 341 survey responses			**%=Percent of valid observations					

46. Your bank relies on outside vendors for which of the following functions? (check all that apply)

Application	Checked Boxes	
	Number	Percent of obs.
Internal Audit	81	23.8
External Audit	273	80.1
Compliance Management	84	24.6
% = Percent of 341 survey responses		

47. What do you expect to be the impact on your bank from the Check 21 Act?

	No Impact		Increase		Decrease		Valid obs.	No response
	n	%	n	%	n	%		
Collection costs	129	42	106	35	69	23	304	37
Operational efficiency	65	23	172	62	40	15	277	64
Overall operating expenses	60	23	139	50	78	27	277	64
Complexity in back office processing ops.	69	25	167	61	38	14	274	67
Technology investment - imaging equipment	72	26	199	72	4	2	275	66
Customer confusion	33	16	166	83	2	1	201	140
Customer service/new products	128	47	128	47	15	6	271	70
Compliance costs, e.g., customer notifications	40	14	233	84	5	2	278	63
N=Number of responses; %=Percent of 341 survey responses								

48. What analysis does your bank perform on outside vendors? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
<u>Management Review or Assessment</u>		
Review of management background/experience, turnover rates, staffing levels	159	46.6
Review vendor's information security policy documents	200	58.7
Review physical security controls	118	34.6
Review vendor's business continuity plans	141	41.3
Research complaints, litigation or liens against the vendor	69	20.2
Check references from current and former clients	232	68.0
Other (specify)	20	5.9
<u>Financial Analysis or Review</u>		
Review of fiscal and quarterly audits	227	66.6
Review available SEC filings	56	16.4
Review available financial ratings (Standard&Poors, Dunn and Bradstreet, etc.)	103	30.2
Review credit reports	35	10.3
Other (specify)	20	5.9
<u>Independent Analysis</u>		
Review analyst reports and user-group information	104	30.5
Review Multi-Regional Data Processing Service Providers (MDPS) reports	24	7.0
% = Percent of 341 survey responses		

49. Do your bank's vendors rely on third-party providers?

	Yes	No	Unsure	Valid obs.	No response
Number	71	78	163	312	29
Percent of valid observations	22.8	25.0	52.2		

IV. Competitive Environment and Prospects

50. During the next five years, your bank is likely to be

	Very likely		Likely		Somewhat unlikely		Unlikely		Valid obs.	No response
	n	%	n	%	n	%	n	%		
Operating under the same ownership and structure	252	76.8	57	17.4	11	3.4	8	2.4	328	13
Operating under new ownership but with the same structure	6	2.0	11	3.6	39	12.9	246	81.5	302	39
Acquired by a community banking organization	2	.7	6	2.0	44	14.6	250	82.8	302	39
Acquired by a larger or regional organization	3	1.0	6	2.0	38	12.6	254	84.4	301	40
Acquiring other banking offices	33	10.8	66	21.6	106	34.8	100	32.8	305	36
% = Percent of 341 survey responses										

51. Do you plan to open/acquire additional branches in the next five years?

	Yes	No	Valid obs.	No response
Number	151	140	291	50
Percent of valid observations	51.9	48.1		

If so, where will the new branches be located in relation to your bank's main office? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Within the same city, town, village	26	7.6
Within the same county	68	19.9
In immediately adjacent counties	98	28.7
More distant counties (same state)	49	14.4
More distant counties (other states)	16	4.7
% = Percent of 341 survey responses		

52. Do you plan to open additional loan production offices (LPOs) or deposit production offices (DPOs)?

	Yes	No	Valid obs.	No response
Number	44	249	293	48
Percent of valid observations	15.0	85.0		

If so, where will the new LPOs/DPOs be located in relation to your bank's main office? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Within the same city, town, village	5	1.5
Within the same county	15	4.4
In immediately adjacent counties	25	7.3
More distant counties (same state)	13	3.8
More distant counties (other states)	7	2.1
% = Percent of 341 survey responses		

53. What level of competition do you expect from these sources for deposits during the next five years?

Check if competitor has an office in your community		Competitor	Level of competition:										Valid obs.	No response
			Very intense		Intense		Moderate		Weak		None or very weak			
Yes	%		n	%	n	%	n	%	n	%	n	%		
195	91.5	Community banks	88	27.5	123	38.4	102	31.9	3	0.9	4	1.3	320	21
110	72.4	Larger banking organizations owned by out-of-state banking organizations	33	11.1	76	25.5	111	37.2	60	20.1	18	6.0	298	43
118	75.6	Larger banking organizations owned by in-state banking organizations	48	16.1	84	28.1	113	37.8	41	13.7	13	4.3	299	42
94	69.1	Thrifts	28	9.8	51	17.8	123	42.9	58	20.2	27	9.4	287	54
125	81.7	Credit unions	74	24.2	77	25.2	105	34.3	42	13.7	8	2.6	306	35
77	67.5	Financial institutions on the Internet	11	3.7	35	11.9	115	39.1	101	34.4	32	10.9	294	47
144	87.8	Insurance companies	21	6.9	47	15.5	140	46.1	79	26.0	17	5.6	304	37
105	76.6	Mutual funds	28	9.4	84	28.3	136	45.8	36	12.1	13	4.4	297	44
116	80.0	Securities firms	37	12.5	77	26.0	120	40.5	50	16.9	12	4.1	296	45
11	61.1	Other (describe)	8	25.0	7	21.9	7	21.9	4	12.5	6	18.8	32	309

n=Number of responses; %=Percent of 341 survey responses

54. What level of competition do you expect from these sources for loans during the next five years?

Check if competitor has an office in your community		Competitor	Level of competition:										Valid obs.	No response
			Very intense		Intense		Moderate		Weak		None or very weak			
n	%		n	%	n	%	n	%	n	%	n	%		
192	92.8	Community banks	108	33.8	123	38.4	82	25.6	6	1.9	1	0.3	320	21
110	74.8	Larger banking organizations owned by out-of-state banking organizations	39	13.0	80	26.6	115	38.2	59	19.6	8	2.7	301	40
119	76.8	Larger banking organizations owned by in-state banking organizations	47	15.7	103	34.4	104	34.8	37	12.4	8	2.7	299	42
93	68.4	Thrifts	21	7.3	44	15.3	119	41.5	80	27.9	23	8.0	287	54
122	80.3	Credit unions	51	16.4	93	29.9	102	32.8	52	16.7	13	4.2	311	30
131	85.1	Insurance companies	14	4.7	43	14.3	138	45.8	80	26.6	26	8.6	301	40
95	73.6	Securities firms	8	2.9	23	8.3	72	26.0	125	45.1	49	17.7	277	64
110	75.9	Farm credit associations	102	34.2	90	30.2	63	21.1	29	9.7	14	4.7	298	43
131	85.1	Lending subsidiaries of machinery and auto dealers (e.g., John Deere Credit, GMAC)	88	28.6	118	38.3	81	26.3	10	3.2	11	3.6	308	33
103	75.7	Finance companies	17	5.7	53	17.7	126	42.1	83	27.8	20	6.7	299	42
75	68.2	Financial institutions on the Internet	7	2.5	32	11.3	104	36.9	100	35.5	39	13.8	282	59
104	75.4	Mortgage companies	56	18.7	93	31.1	110	36.8	31	10.4	9	3.0	299	42
53	73.6	National credit card marketers (VISA, MC, AMEX, Discover)	28	11.2	63	25.2	95	38.0	44	17.6	20	8.0	250	91
8	57.1	Other (describe)	7	25.0	2	7.1	6	21.4	4	14.3	9	32.1	28	313

n=Number of responses; %=Percent of 341 survey responses

55. What challenges, if any, do you anticipate in the following areas **during the next five years?**

Performance:	Level of challenge:								Valid obs.	No response
	Significant		Moderate		Slight		None			
	n	%	n	%	n	%	n	%		
Maintaining or increasing capital	30	9.5	124	39.1	111	35.0	52	16.4	317	24
Maintaining credit quality	74	23.2	185	58.0	52	16.3	8	2.5	319	22
Maintaining and attracting retail deposits	152	47.6	128	40.1	38	11.9	1	0.3	319	22
Developing new sources of noninterest income	198	62.1	103	32.3	17	5.3	1	0.3	319	22
Achieving satisfactory growth of loans	145	45.6	144	45.3	26	8.2	3	0.9	318	23
Meeting community credit needs	11	3.5	101	31.8	154	48.4	52	16.4	318	23
Achieving a satisfactory net interest margin and ROAA	144	45.1	142	44.5	30	9.4	3	0.9	319	22
Promoting community development	40	12.6	157	49.5	102	32.2	18	5.7	317	24
Meeting the needs of ethnic groups	10	3.2	87	27.7	147	46.8	70	22.3	314	27
Competition:	Significant		Moderate		Slight		None			
Competing with nonbank financial service providers	119	37.5	147	46.4	48	15.1	3	0.9	317	24
Meeting competition from community banks	141	44.2	134	42.0	40	12.5	4	1.3	319	22
Meeting competition from larger banking organizations	78	24.6	159	50.2	72	22.7	8	2.5	317	24
Meeting competition from credit unions	97	30.6	119	37.5	87	27.4	14	4.4	317	24
Organization:	Significant		Moderate		Slight		None			
Maintaining an active and knowledgeable management/ownership group	39	12.3	129	40.7	108	34.1	41	12.9	317	24
Meeting regulatory compliance requirements	131	41.5	128	40.5	46	14.6	11	3.5	316	25
Maintaining a secure electronic environment	126	39.9	144	45.6	38	12.0	8	2.5	316	25
Implementing increased powers (merchant banking, securities and insurance brokerage and underwriting)	30	9.5	125	39.6	118	37.3	43	13.6	316	25
Dealing with technological change	131	41.5	148	46.8	34	10.8	3	0.9	316	25
Effectively utilizing new technological devices	125	39.4	142	44.8	47	14.8	3	0.9	317	24
Managing third party vendor relationships	38	12.1	139	44.3	116	36.9	21	6.7	314	27
Economic:	Significant		Moderate		Slight		None			
Long term population loss	90	28.6	84	26.7	80	25.4	61	19.4	315	26
Slow growth in your community	128	40.5	84	26.6	68	21.5	36	11.4	316	25
Lack of opportunities for diversification	119	37.8	112	35.6	61	19.4	23	7.3	315	26

n=Number of responses; %=Percent of 341 survey responses

V. Interest Rate Risk Practices

56. Which of the following interest rate risk measurement tools/ measures does your bank primarily use to monitor your interest rate risk position? (check all that apply)

Type of tools used:	Checked Boxes		Type of risk measures	Checked Boxes	
	Number	Percent of obs.		Number	Percent of obs.
Static GAP report	213	62.5	Net interest income at risk	285	83.6
Dynamic GAP report	116	34.0	Economic value of equity	136	39.9
Interest rate risk	232	68.0	Fair value equity at risk	122	35.8
Income simulation	143	41.9	Duration	136	39.9
% = Percent of 341 survey responses					

57. Does your bank obtain interest rate risk reports from an outside vendor, broker or correspondent bank on a regular basis?

	Yes	No	Valid obs.	No response
Number	209	117	326	15
Percent of valid observations	64.1	35.9		

58. Please indicate all of the types of limits that are included in your bank's Asset Liability Management Policy:

Types of limits included in ALM policy:	Checked Boxes	
	Number	Percent of obs.
Economic value of equity limit	115	33.7
Net interest income	248	72.7
Net income	180	52.8
Rate sensitive assets to rate sensitive liabilities	221	64.8
% = Percent of 341 survey responses		

59. At year-end 2003, the interest rate risk model(s) your bank uses in its decision making indicates:

If market rates rise by 200 basis points, bank's net interest income will...

	Checked Boxes	
	Number	Percent of obs.
Rise	164	56.0
Fall	95	32.4
Not Change	34	11.6
Valid observations	293	
No response	48	

If market rates rise by 200 basis points, bank's economic value of equity will...

	Checked Boxes	
	Number	Percent of obs.
Rise	79	27.4
Fall	159	55.2
Not change	50	17.4
Valid observations	288	
No response	53	

If market rates fall by 200 basis points, bank's net interest income will...

	Checked Boxes	
	Number	Percent of obs.
Rise	96	38.7
Fall	103	41.5
Not change	49	19.8
Valid observations	248	
No response	93	

If market rates fall by 200 basis points, bank's economic value of equity will...

	Checked Boxes	
	Number	Percent of obs.
Rise	99	40.1
Fall	76	30.8
Not change	72	29.1
Valid observations	247	
No response	94	

60. Has your bank taken any action in response to model forecasts, e.g., changed term structure of assets and liabilities, emphasized more fixed or variable rate loans, entered into interest rate swaps, used interest rate futures?

	Yes	No	Valid obs.	No response
Number	179	136	315	26
Percent of valid observations	56.8	43.2		

61. During 2003, your bank's interest rate risk models correctly predicted the direction of change in net interest income or net income in response to interest rate movements?

	Checked Boxes	
	Number	Percent of obs.
Every time	32	10.7
Most of the time	227	75.7
Seldom	35	11.7
Never	6	2.0
Valid observations	300	
No response	41	

VI. Internet Banking Services

62. Does your bank have broadband (T1 line, satellite, digital subscriber line, cable modem) Internet access?

	Yes	No	Valid obs.	No response
Number	242	72	314	27
Percent of valid observations	77.1	22.9		

If your bank does not currently have broadband access, are there plans to obtain such access within the next year?

	Yes	No	Valid obs.	No response
Number	12	58	70	271
Percent of valid observations	17.1	82.9		

63. Has your bank experienced material fraud losses through its Internet banking products?

	Yes	No	Valid obs.	No response
Number	1	291	292	49
Percent of valid observations	0.3	99.7		

64. Has fraud resulting from the use of another's identity and personal information to open an unauthorized account occurred at your institution?

	Yes	No	Valid obs.	No response
Number	29	261	290	51
Percent of valid observations	10.0	90.0		

65. Have any of your customers reported being victims of identity theft?

	Yes	No	Valid obs.	No response
Number	137	163	300	41
Percent of valid observations	45.7	54.3		

66. Does your institution have a procedure for assisting customers who report being victims of identity theft?

	Yes	No	Valid obs.	No response
Number	204	92	296	45
Percent of valid observations	68.9	31.1		

VII. Payments System Issues

ATM Card Issuers and Owners

67. Does your institution deploy ATMs?

	Yes	No	Valid obs.	No response
Number	274	50	324	17
Percent of valid observations	84.6	15.4		

If yes, how many?

	Checked Boxes	
	Number	Percent of obs.
1-2	128	46.9
3-5	87	31.9
6-10	31	11.4
11-15	18	6.6
15-20	5	1.7
21-30	2	0.7
31-50	1	0.4
More than 50	1	0.4
Valid observations	273	
No response	68	

68. Does your institution use any processors for any of the following ATM services?
(check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Terminal driving	174	51.0
Gateway	77	22.6
Single-point settlement	86	25.2
Does not use	65	19.1
% = Percent of 341 survey responses		

If so, do you utilize any of the following processors? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Concord	29	13.5
eFunds	15	7.0
Metavante	13	6.0
InterCept	16	7.4
Genpass	1	0.5
Lynk Systems	7	3.3
Shazam	42	19.5
Other (specify) _____	92	42.8
Valid observations	215	
No response	126	

69. To which ATM networks does your institution belong? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
PLUS	156	45.7
CIRRUS	206	60.4
NYCE	7	2.1
MoneyMaker	3	0.9
Star	39	11.4
Pulse	84	24.6
Accel/Exchange	68	19.9
Shazam	3	0.9
Other (specify) _____	50	14.7
% = Percent of 341 survey responses		

70. How many ATM cards has your institution issued?

	Checked Boxes	
	Number	Percent of obs.
None	17	5.7
1-100	18	6.1
101-300	42	14.2
301-500	54	18.2
501-1000	60	20.3
1001-2000	42	14.2
2001-5000	44	14.9
5001-10000	14	4.7
More than 10,000	5	1.7
Valid observations	296	
No response	45	

71. Does your institution charge a surcharge?

	Yes	No	Valid obs.	No response
Number	218	79	297	44
Percent of valid observations	73.4	26.6		

72. Does your institution belong to surcharge free alliance?

	Yes	No	Valid obs.	No response
Number	68	228	296	45
Percent of valid observations	23.0	77.0		

Debit Card Issuers

73. Does your institution issue offline (signature-based) debit cards?

	Yes	No	Valid obs.	No response
Number	203	111	314	27
Percent of valid observations	64.6	35.4		

If yes, is your institution sponsored by another institution?

	Yes	No	Valid obs.	No response
Number	98	121	219	122
Percent of valid observations	44.7	55.3		

74. Does your institution belong to any of the following online (PIN-based) debit networks? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Star	70	20.5
Interlink	43	12.6
NYCE	4	1.2
Pulse	69	20.2
Maestro	15	4.4
Accel/Exchange	6	1.8
Shazam	52	15.2
Other (specify) _____	28	8.2
% = Percent of 341 survey responses		

75. How many debit cards has your institution issued?

Offline Only

	Checked Boxes	
	Number	Percent of obs.
None	81	34.5
1-100	13	5.5
101-300	33	14.0
301-500	28	11.9
501-1000	30	12.8
1001-2000	21	8.9
2001-5000	19	8.1
5001-1000	6	2.6
More than 10,000	4	1.7
Valid observations	235	
No response	106	

Online Only

	Checked Boxes	
	Number	Percent of obs.
None	71	42.0
1-100	10	5.9
101-300	12	7.1
301-500	19	11.2
501-1000	17	10.1
1001-2000	14	8.3
2001-5000	17	10.1
5001-1000	7	4.1
More than 10,000	2	1.2
Valid observations	169	
No response	172	

Combined both

	Checked Boxes	
	Number	Percent of obs.
None	28	14.0
1-100	9	4.5
101-300	21	10.5
301-500	29	14.5
501-1000	36	18.0
1001-2000	33	16.5
2001-5000	26	13.0
5001-1000	14	7.0
More than 10,000	4	2.0
Valid observations	200	
No response	141	

76. Does your institution charge a PIN fee?

	Yes	No	Valid obs.	No response
Number	17	292	309	32
Percent of valid observations	5.5	94.5		

77. Does your institution offer a rewards program for offline debit, online debit or both?

	Checked Boxes	
	Number	Percent of obs.
Offline only	2	0.7
Online only	2	0.7
Both	5	1.7
Neither	288	97.0
Valid observations	297	
No response	44	

78. As a debit card issuer, does your institution use any processors for any of the following debit card services? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Core data processing	125	36.7
Single-point settlement	161	47.2
Transaction authorization	66	19.4
Gateway	82	24.0
Does not use	59	17.3
% = Percent of 341 survey responses		

If so, do you utilize any of the following processors? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Concord	18	5.3
Fiserv	45	13.2
First Data	8	2.3
Metavante	11	3.2
Intercept	14	4.1
VisaDPS	23	6.7
NYCE	2	5.9
MPS	5	1.5
Certegy	9	2.6
Other (specify) _____	63	18.5
% = Percent of 341 survey responses		

Credit Card Issuers

79. Does your institution issue credit cards as a principal member or an agent bank of a principal member?

	Checked Boxes	
	Number	Percent of obs.
Principal	39	12.3
Agent bank	126	40.0
Does not issue	151	47.8
Valid observations	316	
No response	25	

80. Which credit cards does your institution issue?

	Checked Boxes	
	Number	Percent of obs.
Visa	149	64.5
Mastercard	70	30.3
Other (specify) _____	12	5.2
Valid observations	231	
No response	110	

81. Are you interested in issuing credit cards other than Visa and MasterCard?

	Yes	No	Valid obs.	No response
Number	4	252	256	85
Percent of valid observations	1.6	98.4		

82. How many credit cards has your institution issued?

	Checked Boxes	
	Number	Percent of obs.
100 or less	47	27.6
101-300	37	21.8
301-500	27	15.9
501-1000	29	17.1
1001-2000	19	11.2
2001-5000	4	2.4
5001-1000	4	2.4
More than 10,000	3	1.8
Valid observations	170	
No response	171	

83. As a credit card issuer, does your institution use a processor for any of the following services? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Account maintenance	83	24.3
Risk management	63	18.5
Transaction authorization	92	27.0
Does not use	77	22.6
% = Percent of 341 survey responses		

If so, do you utilize any of the following processors? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
First Data	12	3.5
Concord	1	0.3
TSYS	1	0.3
MPS	0	0.0
Certegy	36	10.6
Other (specify) _____	27	7.9
% = Percent of 341 survey responses		

Merchant Acquirers

84. Does your institution acquire merchant transactions?

	Yes	No	Valid obs.	No response
Number	121	172	293	48
Percent of valid observations	41.3	58.7		

If yes, does your institution use a processor for any of the following services? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
Recruit merchants	16	4.7
Transaction processing	92	27.0
Single-point settlement	47	13.8
Does not use	25	7.3
% = Percent of 341 survey responses		

If so, do you utilize any of the following processors? (check all that apply)

	Checked Boxes	
	Number	Percent of obs.
First Data	17	5.0
Vital Processing	5	1.5
Paymentech	4	1.2
Concord	37	10.9
National City Processing	5	1.5
Certegy	0	0.0
Other (specify) _____	15	4.4
% = Percent of 341 survey responses		

85. If not, is your institution an agent bank of another merchant acquirer?

	Yes	No	Valid obs.	No response
Number	93	114	207	134
Percent of valid observations	44.9	55.1		

86. Do you have any general comments on the future of banking and/or more detailed responses to any of the previous questions? If so, please write them below or attach a separate sheet(s).

Thank you for completing this survey