

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

**Oklahoma Survey Responses**



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

**February 18, 2005**



## 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		

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The following survey data represents responses from Oklahoma respondents only.

2. Your bank has a:

	National charter	State charter	Valid obs.	No response
Number	27	44	71	1
Percent of valid observations	38.0	62.0		

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

	Number	Percent of obs.
Less than \$150 million	57	79.2
\$150 to \$300 million	11	15.3
\$300 million to \$1 billion	4	5.6
Valid observations	72	
No response	0	

4. Your offices are located within:

	Number	Percent of obs.
a single county	48	68.6
in more than one county within a state	20	28.6
in more than one state	2	2.9
Valid observations	70	
No response	2	

5. Bank structure:

	Number	Percent of obs.
Independent bank (not in a bank holding company)	11	15.5
Member of a one-bank holding company	48	67.6
Member of multi-bank holding company	12	16.9
Valid observations	71	
No response	1	

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	50	71.4
\$150 to \$300 million	17	24.3
\$300 million to \$1 billion	2	2.9
Over \$1 billion	1	1.4
Valid observations	70	
No response	2	

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)	1.24	59
2001 (YE)	1.25	61
2002 (YE)	1.39	60
2003 (9/30)	1.48	61

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

	Yes	No	Valid obs.	No response
Number	37	33	70	2
Percent of valid observations	52.9	47.1		

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	6	6	3	5	1	5	5	31	6
Percent of valid observations	19.35	19.35	9.68	16.13	3.23	16.13	16.13		

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	26	36.6
2,500 to 9,999	21	29.6
10,000 to 19,999	8	11.3
20,000 to 99,999	8	11.3
100,000 to 249,999	1	1.4
Over 250,000	7	9.9
Valid observations	71	
No response	1	

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	17	25.4
Between 0% - 2% growth	26	38.8
Between 2% - 5% growth	10	14.9
Between 5% - 10% growth	8	11.9
Between 10% - 15% growth	0	0.0
Between 15% - 20% growth	3	4.5
Over 20% growth	3	4.5
Valid observations	67	
No response	5	

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

	Yes	No	Valid obs.	No response
Number	0	71	71	1
Percent of valid observations	0.0	100.0		

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	58	13	71	1
Percent of valid observations	81.7	18.3		

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

	Yes	No	Valid obs.	No response
Number	50	21	71	1
Percent of valid observations	70.4	29.6		

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
38.9	12.0	1	313	69	3

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
2.9	3.0	0	7	68	4

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	22	49	71	1
Percent of valid observations	31.0	69.0		

16. The primary economic support for your community is:

	Number	Percent of obs.
Agriculture	32	45.1
Manufacturing	12	16.9
Service	11	15.5
Government	8	11.3
Mining/Energy	2	2.8
Tourism	2	2.8
Other	4	5.6
Valid observations	71	
No response	1	

## 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	6	65	71	1
Percent of valid observations	8.5	91.5		

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

	Yes	No	Valid obs.	No response
Number	24	47	71	1
Percent of valid observations	33.8	66.2		

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

	Yes	No	Valid obs.	No response
Number	16	55	71	1
Percent of valid observations	22.5	77.5		

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

	Yes	No	Valid obs.	No response
Number	26	43	69	3
Percent of valid observations	37.7	62.3		

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	17.3	16.5	11.5	13.2
	Median	14.0	13.5	10.0	10.0
	Minimum	1	1	1	1
	Maximum	60	45	45	45
	Valid obs.	67	42	51	59
	No response	5	30	21	13
Age	Average	54.0	49.9	50.7	47.9
	Median	54.0	49.0	50.0	46.0
	Valid obs.	67	43	49	59
	No response	5	29	23	13
Is the individual a family member or part of the ownership group that controls the bank (Y/N)	Percent Yes	61.8	35.6	21.6	8.2
	Valid obs.	68	45	51	61
	No response	4	27	21	11
Does the individual plan to retire within the next five years? (Y/N)	Percent Yes	17.9	11.4	12.7	11.5
	Valid obs.	67	44	55	61
	No response	5	28	17	11
If yes, will a family member or member of the ownership group likely fill the position? (Y/N)	Percent Yes	25.0	23.1	15.4	0.0
	Valid obs.	28	13	13	17
	No response	44	59	59	55

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

	Yes	No	N/A	Valid obs.	No response
Number	40	17	14	71	1
Percent of valid observations	56.3	23.9	19.7		

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	47	13	10	70	2
Percent of valid observations	67.1	18.6	14.3		

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	14	24	33	71	1
Percent of valid observations	19.7	33.8	46.5		

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
3.56	3.0	0	10	67	5

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

	Increased	Decreased	Same	Valid obs.	No response
Number	11	18	41	70	2
Percent of valid observations	15.7	25.7	58.6		

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

Average	Median	Minimum	Maximum	Valid obs.	No response
12.8	12.0	4	50	71	1

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
\$5,912	\$4,800	\$300	\$22,000	66	6

Is this payment made regardless of meeting attendance?

	Yes	No	Valid obs.	No response
Number	33	34	67	5
Percent of valid observations	49.3	50.7		

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	14	56	70	2
Percent of valid observations	20.0	80.0		

If yes, this compensation consists of:

	Common stock	Cash	Other	Valid obs.	No response
Number	0	12	2	14	0
Percent of valid observations	0.0	85.7	14.3		

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

Committee Exists		Committee	President and/or CEO		Other bank officers		Outside Directors					
			Yes	%	Yes	%	Serve on Committee		Are a Majority of the Committee		Chair the Committee	
Yes	No		Yes	%	Yes	%	Yes	%	Yes	%	Yes	%
56	0	Loan	56	100.0	55	98.2	33	58.9	13	23.2	6	10.7
50	0	Asset/Liability Management	50	100.0	49	98.0	50	100.0	9	18.0	6	12.0
41	3	Investment	40	97.6	40	97.6	17	41.5	5	12.2	5	12.2
44	1	Audit	18	40.9	24	54.5	35	79.5	27	61.4	29	65.9
11	8	Nominating	8	72.7	5	45.5	8	72.7	6	54.5	6	54.5
23	5	Compensation	19	82.6	8	34.8	18	78.3	17	73.9	14	60.9
13	6	Operations Risk	11	84.6	13	100.0	6	46.2	2	15.4	3	23.1

%=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	17	24.3
CEO	22	31.4
Directors	26	37.1
Other (specify)	5	7.1
Valid observations	70	
No response	2	

31. In general, are committee assignments periodically rotated?

	Yes	No	Valid obs.	No response
Number	20	46	66	6
Percent of valid observations	30.3	69.7		

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
19.6	7.0	0	100	66	6

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

Average	Median	Minimum	Maximum	Valid obs.	No response
13.8	13.0	1	38	70	2

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

	Checked Boxes	
	Number	Percent of obs.
Retirement	8	66.7
Illness	0	0.0
Death	1	8.3
Accept a position at another bank	1	8.3
Seek career outside banking	0	0.0
To buy his or her own bank	0	0.0
Asked to step down by a banking supervisor	0	0.0
Asked to step down by board of directors	1	8.3
Change of bank's ownership	1	8.3
Other	0	0.0
Valid observations	12	

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

	Yes	No	Valid obs.	No response
Number	6	64	70	2
Percent of valid observations	8.6	91.4		

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	1	61	62	10
Percent of valid observations	1.6	98.4		

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

	Yes	No	Valid obs.	No response
Number	17	52	69	3
Percent of valid observations	24.6	75.4		

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

	Yes	No	Valid obs.	No response
Number	7	58	65	7
Percent of valid observations	10.8	89.2		

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

	Yes	No	Valid obs.	No response
Number	48	21	69	3
Percent of valid observations	69.6	30.4		

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

	Yes	No	Valid obs.	No response
Number	7	64	71	1
Percent of valid observations	9.9	90.1		

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

	Yes	No	Valid obs.	No response
Number	24	47	71	1
Percent of valid observations	33.8	66.2		

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

	Checked Boxes	
	Number	Percent of obs.
Trade Association	10	13.9
Consultant	8	11.1
Academic Institution	0	0.0
Governmental Body	1	1.4
Banking Supervisor – State Banking Department, FDIC, OCC, Federal Reserve	10	13.9
Other (describe)	5	6.9
% = Percent of 72 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	3.13	15.12	55.15	<ul style="list-style-type: none"> <li>▪ Business expertise related to occupation or business interests</li> <li>▪ Ownership interest in the bank or bank holding company</li> <li>▪ Community leader</li> <li>▪ Family member</li> <li>▪ Background as financial expert or accounting/audit experience</li> <li>▪ Large loan/deposit customer</li> </ul>	47.35
Outside	3.60	15.03	60.37		12.83

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

	Yes	No	Valid obs.	No response
Number	15	55	70	2
Percent of valid observations	21.4	78.6		

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

	Checked Boxes	
	Number	Percent of obs.
Bank President	9	60.0
Board of Directors	4	26.7
Board Committee	0	0.0
Outside Party	2	13.3
Director Self Assessment	1	6.7
Other (describe)	2	13.3
Valid observations	15	
No response	0	

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	17	52	69	3
Percent of valid observations	0.0	24.6	75.4		

44. Rank the following laws and regulations according to the amount of time devoted to them in 2003: (1= most time spent, 11= least time spent)

1	USA Patriot Act and "Know Your Customer" requirements
2	Bank Secrecy Act and Currency Transactions Reports (CTRs)
3	Truth in lending
4	Privacy Notices
5	Expedited Funds Availability Act or Regulation CC
6	Home Mortgage Disclosure Act (HMDA) and Regulation C
7	Community Reinvestment Act (CRA)
8	Regulation D and limits on transfers/withdrawals from money markets
9	Extensions of credit to insiders and Regulation O
10	Appraisal regulations
11	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	39	54.2	Offsite	14	35.9	Onsite	25	64.1
Loan Processing	40	55.6	Offsite	12	30.0	Onsite	28	70.0
Securities Processing	42	58.3	Offsite	38	92.7	Onsite	3	7.3
General Ledger	38	52.8	Offsite	14	37.8	Onsite	23	62.2
Accounts Payable	23	31.9	Offsite	7	31.8	Onsite	15	68.2
Financial Reporting	22	30.6	Offsite	7	31.8	Onsite	15	68.2
Internet Site	27	37.5	Offsite	21	77.8	Onsite	6	22.2
Asset Liability Model	34	47.2	Offsite	18	54.5	Onsite	15	45.5
Mortgage Origination	12	16.7	Offsite	2	16.7	Onsite	10	83.3
*%=Percent of 72 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	29	40.3
External Audit	64	88.9
Compliance Management	29	40.3
% = Percent of 72 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	28	44.4	21	33.3	14	22.2	63	9
Operational efficiency	17	26.2	40	61.5	8	12.3	65	7
Overall operating expenses	14	21.2	30	45.5	22	33.3	66	6
Complexity in back office processing ops.	14	21.9	39	60.9	11	17.2	64	8
Technology investment - imaging equipment	23	35.4	40	61.5	2	3.1	65	7
Customer confusion	10	19.2	41	78.8	1	1.9	52	20
Customer service/new products	31	50.0	26	41.9	5	8.1	62	10
Compliance costs, e.g., customer notifications	12	18.2	52	78.8	2	3.0	66	6
N=Number of responses; %=Percent of valid observations								

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	37	51.4
Review vendor's information security policy documents	43	59.7
Review physical security controls	27	37.5
Review vendor's business continuity plans	31	43.1
Research complaints, litigation or liens against the vendor	16	22.2
Check references from current and former clients	49	68.1
Other (specify)	2	2.8
<u>Financial Analysis or Review</u>		
Review of fiscal and quarterly audits	52	72.2
Review available SEC filings	14	19.4
Review available financial ratings (Standard&Poors, Dunn and Bradstreet, etc.)	27	37.5
Review credit reports	7	9.7
Other (specify)	5	6.9
<u>Independent Analysis</u>		
Review analyst reports and user-group information	27	37.5
Review Multi-Regional Data Processing Service Providers (MDPS) reports	6	8.3
% = Percent of 72 survey responses		

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

	Yes	No	Unsure	Valid obs.	No response
Number	14	22	31	67	5
Percent of valid observations	20.9	32.8	42.3		

#### 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	56	80.0	11	15.7	1	1.4	2	2.9	70	2
Operating under new ownership but with the same structure	0	0.0	1	1.6	6	9.5	56	88.9	63	9
Acquired by a community banking organization	0	0.0	0	0.0	5	8.2	56	91.8	61	11
Acquired by a larger or regional organization	0	0.0	2	3.2	6	9.5	55	87.3	63	9
Acquiring other banking offices	6	9.5	11	17.5	24	38.1	22	34.9	63	9
% = Percent of valid observations										

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

	Yes	No	Valid obs.	No response
Number	34	34	68	4
Percent of valid observations	50.0	50.0		

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	5	6.9
Within the same county	14	19.4
In immediately adjacent counties	19	26.4
More distant counties (same state)	7	9.7
More distant counties (other states)	3	4.2
% = Percent of 72 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	10	58	68	4
Percent of valid observations	14.7	85.3		

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	3	4.2
Within the same county	4	5.6
In immediately adjacent counties	5	6.9
More distant counties (same state)	1	1.4
More distant counties (other states)	3	4.2
% = Percent of 72 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	%		
42	95.5	Community banks	20	28.6	26	37.1	21	30.0	2	2.9	1	1.4	70	2
19	70.4	Larger banking organizations owned by out-of-state banking organizations	8	12.7	16	25.4	19	30.2	15	23.8	5	7.9	63	9
22	78.6	Larger banking organizations owned by in-state banking organizations	11	17.5	17	27.0	23	36.5	9	14.3	3	4.8	63	9
16	69.6	Thrifts	5	7.9	8	12.7	28	44.4	11	17.5	11	17.5	63	9
24	82.8	Credit unions	20	29.4	19	27.9	21	30.9	5	7.4	3	4.4	68	4
13	65.0	Financial institutions on the Internet	2	3.1	9	14.1	25	39.1	20	31.3	8	12.5	64	8
32	91.4	Insurance companies	5	7.5	8	11.9	33	49.3	17	25.4	4	6.0	67	5
17	70.8	Mutual funds	5	7.9	17	27.0	27	42.9	10	15.9	4	6.3	63	9
22	78.6	Securities firms	8	12.5	15	23.4	24	37.5	15	23.4	2	3.1	64	8
1	50.0	Other (describe)	1	25.0	2	50.0	0	0.0	1	25.0	0	0.0	4	68

n=Number of responses; %=Percent of valid observations

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	%		
42	95.5	Community banks	25	35.7	27	38.6	15	21.4	3	4.3	0	0.0	70	2
19	73.1	Larger banking organizations owned by out-of-state banking organizations	11	17.2	12	18.8	24	37.5	16	25.0	1	1.6	64	8
21	77.8	Larger banking organizations owned by in-state banking organizations	10	15.6	20	31.3	21	32.8	11	17.2	2	3.1	64	8
15	68.2	Thrifts	7	11.3	7	11.3	21	33.9	18	29.0	9	14.5	62	10
21	80.8	Credit unions	18	26.5	24	35.3	15	22.1	8	11.8	3	4.4	68	4
31	91.2	Insurance companies	3	4.5	12	18.2	29	43.9	19	28.8	3	4.5	66	6
20	83.3	Securities firms	2	3.2	8	12.9	19	30.6	23	37.1	10	16.1	62	10
21	77.8	Farm credit associations	15	23.4	12	18.8	21	32.8	14	21.9	2	3.1	64	8
26	86.7	Lending subsidiaries of machinery and auto dealers (e.g., John Deere Credit, GMAC)	18	26.9	21	31.3	23	34.3	4	6.0	1	1.5	67	5
28	93.3	Finance companies	7	10.6	14	21.2	27	40.9	16	24.2	2	3.0	66	6
12	75.0	Financial institutions on the Internet	0	0.0	6	10.2	23	39.0	23	39.0	7	11.9	59	13
19	79.2	Mortgage companies	12	18.8	19	29.7	25	39.1	6	9.4	2	3.1	64	8
7	53.8	National credit card marketers (VISA, MC, AMEX, Discover)	10	17.9	12	21.4	20	35.7	13	23.2	1	1.8	56	16
1	50.0	Other (describe)	1	50.0	0	0.0	0	0.0	0	0.0	1	50.0	2	70

n=Number of responses; %=Percent of valid observations

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	8	11.8	20	29.4	26	38.2	14	20.6	68	4
Maintaining credit quality	19	27.9	38	55.9	10	14.7	1	1.5	68	4
Maintaining and attracting retail deposits	29	42.6	30	44.1	9	13.2	0	0.0	68	4
Developing new sources of noninterest income	16	42.1	21	55.3	0	0.0	1	2.6	38	34
Achieving satisfactory growth of loans	27	39.7	33	48.5	7	10.3	1	1.5	68	4
Meeting community credit needs	1	1.5	26	38.2	28	41.2	13	19.1	68	4
Achieving a satisfactory net interest margin and ROAA	23	33.8	37	54.4	6	8.8	2	2.9	68	4
Promoting community development	2	2.9	39	57.4	24	35.3	3	4.4	68	4
Meeting the needs of ethnic groups	3	4.5	23	34.3	32	47.8	9	13.4	67	5
Competition:	Significant		Moderate		Slight		None			
Competing with nonbank financial service providers	23	33.8	31	45.6	13	19.1	1	1.5	68	4
Meeting competition from community banks	36	52.9	20	29.4	11	16.2	1	1.5	68	4
Meeting competition from larger banking organizations	12	17.6	36	52.9	19	27.9	1	1.5	68	4
Meeting competition from credit unions	27	39.7	26	38.2	12	17.6	3	4.4	68	4
Organization:	Significant		Moderate		Slight		None			
Maintaining an active and knowledgeable management/ownership group	8	11.8	30	44.1	21	30.9	9	13.2	68	4
Meeting regulatory compliance requirements	22	32.4	34	50.0	9	13.2	3	4.4	68	4
Maintaining a secure electronic environment	21	30.9	34	50.0	10	14.7	3	4.4	68	4
Implementing increased powers (merchant banking, securities and insurance brokerage and underwriting)	6	9.0	32	47.8	19	28.4	10	14.9	67	5
Dealing with technological change	24	35.3	38	55.9	5	7.4	1	1.5	68	4
Effectively utilizing new technological devices	23	33.8	35	51.5	9	13.2	1	1.5	68	4
Managing third party vendor relationships	2	3.0	34	50.7	24	35.8	7	10.4	67	5
Economic:	Significant		Moderate		Slight		None			
Long term population loss	15	22.1	21	30.9	20	29.4	12	17.6	68	4
Slow growth in your community	34	50.0	15	22.1	12	17.6	7	10.3	68	4
Lack of opportunities for diversification	31	45.6	20	29.4	12	17.6	5	7.4	68	4
n=Number of responses; %=Percent of valid observations										

## 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	47	65.3	Net interest income at risk	55	76.4
Dynamic GAP report	23	31.9	Economic value of equity	30	41.7
Interest rate risk	50	69.4	Fair value equity at risk	32	44.4
Income simulation	35	48.6	Duration	35	48.6
% = Percent of 72 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	49	21	70	2
Percent of valid observations	70.0	30.0		

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	28	38.9
Net interest income	50	69.4
Net income	36	50.0
Rate sensitive assets to rate sensitive liabilities	48	66.7
% = Percent of 72 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	33	52.4
Fall	20	31.7
Not Change	10	15.9
Valid observations	63	
No response	9	

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

	Checked Boxes	
	Number	Percent of obs.
Rise	14	21.9
Fall	33	51.6
Not change	17	26.6
Valid observations	64	
No response	8	

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Rise	18	31.0
Fall	26	44.8
Not change	14	24.1
Valid observations	58	
No response	14	

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Rise	20	35.1
Fall	18	31.6
Not change	19	33.3
Valid observations	57	
No response	15	

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?

	<b>Yes</b>	<b>No</b>	<b>Valid obs.</b>	<b>No response</b>
Number	33	35	68	4
Percent of valid observations	48.5	51.5		

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?

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Every time	5	7.4
Most of the time	52	76.5
Seldom	9	13.2
Never	2	2.9
Valid observations	68	
No response	4	

## 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	54	14	68	4
Percent of valid observations	79.4	20.6		

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	0	10	10	62
Percent of valid observations	0.0	100.0		

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

	Yes	No	Valid obs.	No response
Number	0	64	64	8
Percent of valid observations	0.0	100.0		

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	6	58	64	8
Percent of valid observations	9.4	90.6		

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

	Yes	No	Valid obs.	No response
Number	33	31	64	8
Percent of valid observations	51.6	48.4		

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

	Yes	No	Valid obs.	No response
Number	46	18	64	8
Percent of valid observations	71.9	28.1		

## VII. Payments System Issues

### ATM Card Issuers and Owners

67. Does your institution deploy ATMs?

	Yes	No	Valid obs.	No response
Number	62	7	69	3
Percent of valid observations	89.9	10.1		

If yes, how many?

	Checked Boxes	
	Number	Percent of obs.
1-2	35	57.4
3-5	15	24.6
6-10	6	9.8
11-15	2	3.3
15-20	2	3.3
21-30	1	1.6
31-50	0	0.0
More than 50	0	0.0
Valid observations	61	
No response	11	

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	42	58.3
Gateway	15	20.8
Single-point settlement	19	26.4
Does not use	10	13.9
% = Percent of 72 survey responses		

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

	Checked Boxes	
	Number	Percent of obs.
Concord	5	11.4
eFunds	1	2.3
Metavante	0	0.0
InterCept	3	6.8
Genpass	1	2.3
Lynk Systems	0	0.0
Shazam	2	4.5
Other (specify) _____	32	72.7
Valid observations	44	
No response	28	

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

	Checked Boxes	
	Number	Percent of obs.
PLUS	33	45.8
CIRRUS	49	68.1
NYCE	1	1.4
MoneyMaker	1	1.4
Star	10	13.9
Pulse	6	8.3
Accel/Exchange	28	38.9
Shazam	2	2.8
Other (specify) _____	3	4.2
% = Percent of 72 survey responses		

70. How many ATM cards has your institution issued?

	Checked Boxes	
	Number	Percent of obs.
None	1	1.6
1-100	6	9.4
101-300	7	10.9
301-500	9	14.1
501-1000	13	20.3
1001-2000	11	17.2
2001-5000	11	17.2
5001-1000	3	4.7
More than 10,000	3	4.7
Valid observations	64	
No response	8	

71. Does your institution charge a surcharge?

	Yes	No	Valid obs.	No response
Number	54	11	65	7
Percent of valid observations	83.1	16.9		

72. Does your institution belong to surcharge free alliance?

	Yes	No	Valid obs.	No response
Number	16	47	63	9
Percent of valid observations	25.4	74.6		

Debit Card Issuers

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

	Yes	No	Valid obs.	No response
Number	41	25	66	6
Percent of valid observations	62.1	37.9		

If yes, is your institution sponsored by another institution?

	Yes	No	Valid obs.	No response
Number	25	19	44	28
Percent of valid observations	56.8	43.2		

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	2	2.8
Interlink	3	4.2
NYCE	1	1.4
Pulse	2	2.8
Maestro	27	37.5
Accel/Exchange	3	4.2
Shazam	3	4.2
Other (specify) _____	9	12.5
% = Percent of 72 survey responses		

75. How many debit cards has your institution issued?

Offline Only

	Checked Boxes	
	Number	Percent of obs.
None	14	29.2
1-100	1	2.1
101-300	10	20.8
301-500	5	10.4
501-1000	3	6.3
1001-2000	3	6.3
2001-5000	9	18.8
5001-1000	1	2.1
More than 10,000	2	4.2
Valid observations	48	
No response	24	

Online Only

	<b>Checked Boxes</b>	
	Number	Percent of obs.
None	15	44.1
1-100	1	2.9
101-300	2	5.9
301-500	4	11.8
501-1000	4	11.8
1001-2000	3	8.8
2001-5000	2	5.9
5001-1000	2	5.9
More than 10,000	1	2.9
Valid observations	34	
No response	38	

Combined both

	<b>Checked Boxes</b>	
	Number	Percent of obs.
None	4	11.1
1-100	1	2.8
101-300	2	5.6
301-500	4	11.1
501-1000	7	19.4
1001-2000	7	19.4
2001-5000	7	19.4
5001-1000	2	5.6
More than 10,000	2	5.6
Valid observations	36	
No response	36	

76. Does your institution charge a PIN fee?

	Yes	No	Valid obs.	No response
Number	5	61	66	6
Percent of valid observations	7.6	92.4		

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Offline only	0	0.0
Online only	1	1.6
Both	1	1.6
Neither	60	96.8
Valid observations	62	
No response	10	

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Core data processing	23	31.9
Single-point settlement	38	52.8
Transaction authorization	12	16.7
Gateway	22	30.6
Does not use	11	15.3
% = Percent of 72 survey responses		

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Concord	1	1.4
Fiserv	16	22.2
First Data	0	0.0
Metavante	0	0.0
Intercept	2	2.8
VisaDPS	3	4.2
NYCE	0	0.0
MPS	0	0.0
Certegy	2	2.8
Other (specify) _____	16	22.2
% = Percent of 72 survey responses		

Credit Card Issuers

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

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Principal	7	10.6
Agent bank	22	33.3
Does not issue	37	56.1
Valid observations	66	
No response	6	

80. Which credit cards does your institution issue?

	<b>Checked Boxes</b>	
	Number	Percent of obs.
Visa	26	60.5
Mastercard	16	37.2
Other (specify) _____	1	2.3
Valid observations	43	
No response	29	

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

	Yes	No	Valid obs.	No response
Number	0	50	50	22
Percent of valid observations	0.0	100.0		

82. How many credit cards has your institution issued?

	Checked Boxes	
	Number	Percent of obs.
100 or less	6	21.4
101-300	8	28.6
301-500	6	21.4
501-1000	4	14.3
1001-2000	3	10.7
2001-5000	0	0.0
5001-1000	0	0.0
More than 10,000	1	3.6
Valid observations	28	
No response	44	

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	15	20.8
Risk management	11	15.3
Transaction authorization	21	29.2
Does not use	15	20.8
% = Percent of 72 survey responses		

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

	Checked Boxes	
	Number	Percent of obs.
First Data	1	1.4
Concord	0	0.0
TSYS	1	1.4
MPS	0	0.0
Certegy	5	6.9
Other (specify) _____	6	8.3
% = Percent of 72 survey responses		

Merchant Acquirers

84. Does your institution acquire merchant transactions?

	Yes	No	Valid obs.	No response
Number	26	32	58	14
Percent of valid observations	44.8	55.2		

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	1	3.1
Transaction processing	16	50.0
Single-point settlement	7	21.9
Does not use	8	25.0
% = Percent of 74 survey responses		

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

	Checked Boxes	
	Number	Percent of obs.
First Data	2	2.8
Vital Processing	0	0.0
Paymentech	0	0.0
Concord	10	13.9
National City Processing	2	2.8
Certegy	0	0.0
Other (specify) _____	2	2.8
% = Percent of 72 survey responses		

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

	Yes	No	Valid obs.	No response
Number	15	21	36	36
Percent of valid observations	41.7	58.3		

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**