

# EXAMINER'S BANKING PRACTICES SURVEY

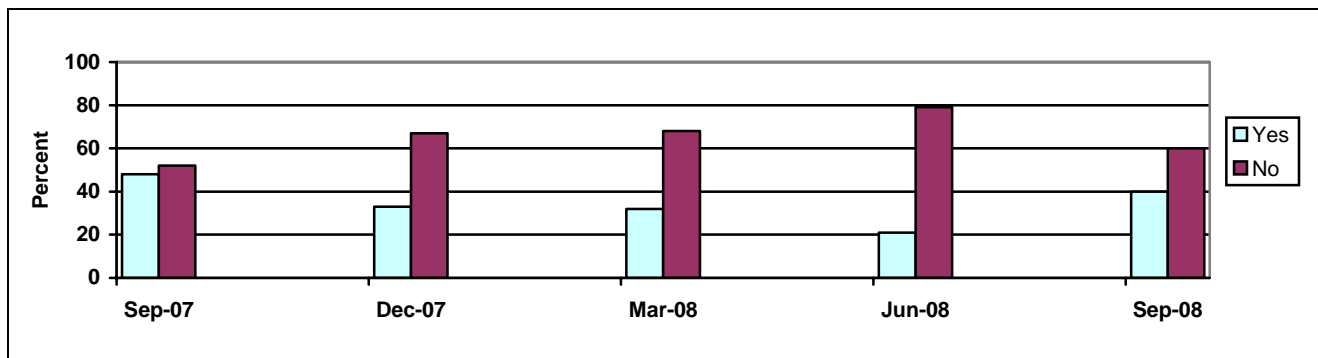
Third Quarter 2008

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2008** results are compiled from **30** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
RE/Const/Land Devel	17%	7%	23%	17%	12%
RE/Agricultural	8%	14%	14%	22%	16%
RE/Commercial/Indust	25%	24%	9%	11%	24%
RE/Residential	14%	7%	14%	17%	12%
Agricultural	11%	14%	17%	11%	12%
Commercial/Industrial	22%	20%	23%	5%	20%
Consumer	3%	14%	0%	17%	4%

2. Is the institution active in making the following types of loans?

	Dec-07		Mar-08		Jun-08		Sep-08	
	Yes 12%	No 88%	Yes 11%	No 89%	Yes 9%	No 91%	Yes 0%	No 100%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	25%		33%		0%		0%	
Dealer paper	25%		33%		100%		0%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	50%		33%		0%		0%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

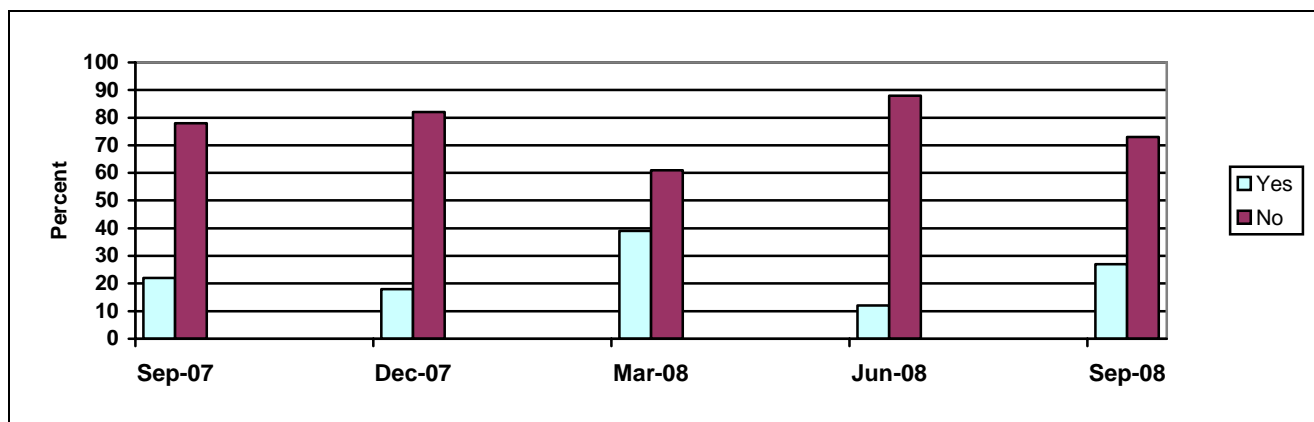
	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Yes	7%	12%	11%	6%	7%
No	93%	88%	89%	94%	93%

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4. Does the institution use credit scoring models for loan decisions?

	Dec-07		Mar-08		Jun-08		Sep-08	
	Yes 9%	No 91%	Yes 11%	No 89%	Yes 9%	No 91%	Yes 3%	No 97%
Of Yes Responses - Loan type								
Credit card	0%		0%		0%		0%	
Consumer	29%		38%		50%		50%	
Residential mortgage	42%		38%		33%		50%	
Small business	29%		24%		17%		0%	
Other	0%		0%		0%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Making collateral based loans?	31%	31%	24%	27%	38%
Reduced collateral margins?	19%	13%	16%	19%	5%
Not requiring cash flow projections?	25%	25%	16%	27%	26%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	19%	25%	32%	27%	21%
Waiving guarantees or other documentation?	6%	0%	8%	0%	5%
Other	0%	6%	4%	0%	5%

6. Describe potential risk in current underwriting practices for:

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
<b>Agricultural Loans</b>					
Minimal	78%	76%	75%	88%	87%
Moderate	22%	21%	25%	12%	10%
Substantial	0%	3%	0%	0%	3%
<b>Commercial Loans</b>					
Minimal	52%	58%	43%	49%	57%
Moderate	37%	33%	46%	49%	30%
Substantial	11%	9%	11%	2%	13%
<b>Consumer Loans</b>					
Minimal	78%	76%	68%	79%	80%
Moderate	11%	21%	28%	21%	17%
Substantial	11%	3%	4%	0%	3%
<b>Residential Loans</b>					
Minimal	82%	76%	64%	70%	77%
Moderate	18%	21%	32%	27%	17%
Substantial	0%	3%	4%	3%	6%

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7. Differences between actual lending practices and written policies are:

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
<b>Agricultural Loans</b>					
Minimal	93%	85%	89%	91%	87%
Moderate	7%	15%	7%	9%	13%
Substantial	0%	0%	4%	0%	0%
<b>Commercial Loans</b>					
Minimal	74%	82%	54%	79%	73%
Moderate	22%	15%	39%	18%	24%
Substantial	4%	3%	7%	3%	3%
<b>Consumer Loans</b>					
Minimal	85%	88%	78%	94%	90%
Moderate	11%	12%	18%	6%	10%
Substantial	4%	0%	4%	0%	0%
<b>Residential Loans</b>					
Minimal	82%	85%	75%	85%	80%
Moderate	18%	15%	21%	15%	20%
Substantial	0%	0%	4%	0%	0%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
<b>Carryover Debt</b>					
Minimal	89%	79%	79%	88%	87%
Moderate	11%	21%	21%	12%	13%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	89%	79%	93%	94%	93%
Moderate	11%	21%	7%	6%	7%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	82%	70%	86%	73%	84%
Moderate	18%	27%	14%	24%	13%
Substantial	0%	3%	0%	3%	3%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

No. Banks with Inc/(Dec) in ratio (%)	Dec-07		Mar-08		Jun-08		Sep-08	
	+	-	+	-	+	-	+	-
<b>Average Inc/(Dec) in Ratio</b>	74%	26%	82%	18%	84%	16%	73%	27%
	18.4	(17.2)	21.2	(10.2)	17.1	(11.8)	20.5	(7.7)
<b>Cause of Increase</b>								
Eased underwriting standards	2%		8%		4%		6%	
Deterioration in new loans	14%		14%		6%		16%	
Deterioration in older loans	47%		38%		46%		33%	
Participations or out-of-territory	7%		4%		4%		8%	
Economic conditions	28%		30%		33%		27%	
Changes in lending personnel	0%		0%		2%		2%	
New types of lending activity	0%		4%		2%		4%	
Other	2%		2%		3%		4%	

10. Estimate loan classifications at this examination into the following types:

Loan Type	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
RE/Const/Land Development	33%	46%	43%	36%	36%
RE/Agriculture	2%	2%	3%	2%	4%
RE/Commercial/Industrial	24%	32%	31%	28%	33%
RE/Residential	15%	7%	10%	9%	12%
Agricultural	2%	1%	1%	1%	1%
Commercial/Industrial	18%	9%	7%	21%	11%
Consumer	6%	3%	5%	3%	3%

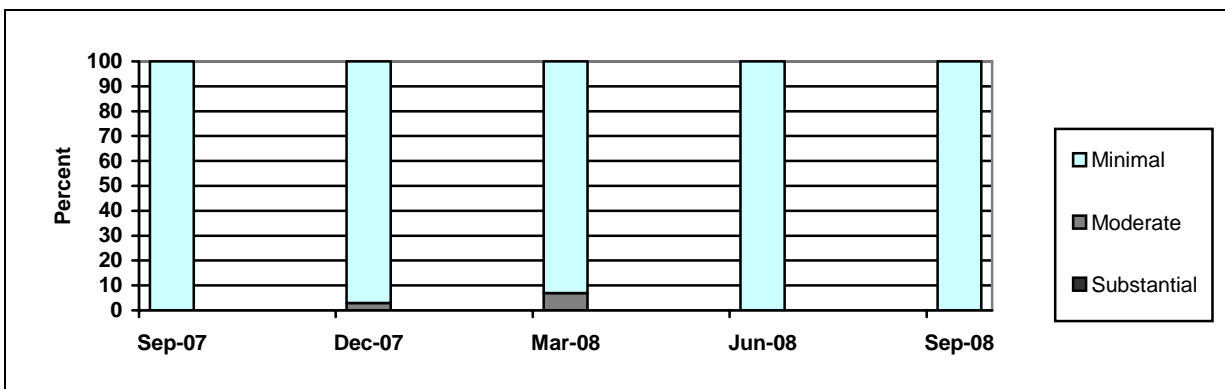
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**INVESTMENTS**

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Yes	0%	0%	4%	0%	0%
No	100%	100%	96%	100%	100%

12. Differences between actual investment practices and written policies are:



**OTHER**

13. Has the bank established a borrowing line with FHLB?

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Yes	89%	82%	86%	91%	90%
No	11%	18%	14%	9%	10%
If yes, does the bank actively borrow from the FHLB?					
Yes	71%	81%	67%	80%	82%
No	29%	19%	33%	20%	18%

14. Does the bank hold off-balance sheet derivatives?

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Yes	11%	0%	4%	9%	0%
No	89%	100%	96%	91%	100%

15. List nontraditional activity the institution is engaged in.

	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Yes	78%	88%	79%	88%	87%
No	22%	12%	21%	12%	13%
Of those that do:					
Nondeposit Investment Sales	16%	17%	19%	12%	16%
Insurance Sales	7%	11%	6%	9%	6%
Real Estate Loan Secondary Market Sales	28%	18%	24%	24%	23%
Non-transactional Web Site	5%	11%	6%	12%	12%
Transactional Web Site	44%	39%	43%	41%	39%
Other	0%	4%	2%	2%	4%