

# EXAMINER'S BANKING PRACTICES SURVEY

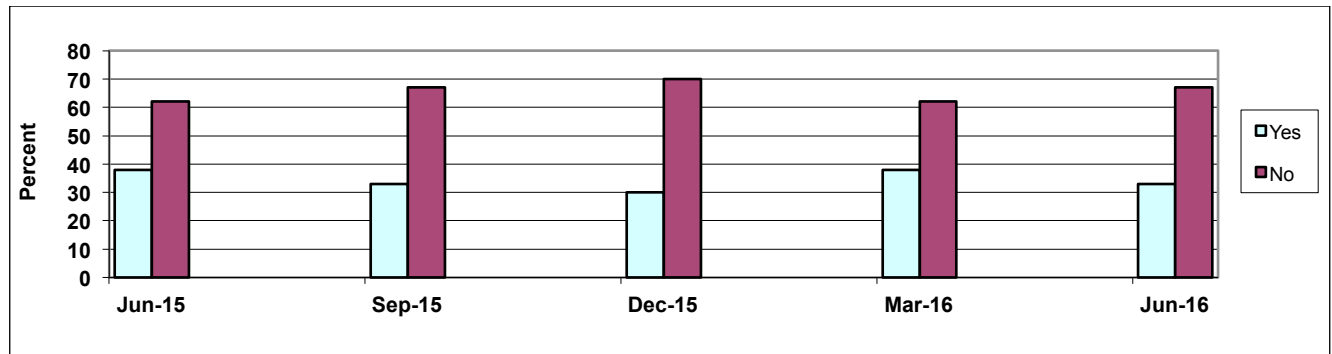
Second Quarter 2016

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Second Quarter 2016** results are compiled from **21** 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	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
RE/Const/Land Devel	22%	15%	0%	16%	13%
RE/Agricultural	11%	18%	25%	11%	7%
RE/Commercial/Indust	11%	7%	6%	5%	13%
RE/Residential	6%	14%	25%	10%	7%
Agricultural	17%	25%	13%	21%	13%
Commercial/Industrial	33%	14%	31%	16%	34%
Consumer	0%	7%	0%	21%	13%

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

Of Yes Responses-Loan type	Sep-15		Dec-15		Mar-16		Jun-16	
	Yes 8%	No 92%	No 11%	Yes 89%	Yes 0%	No 100%	Yes 10%	No 90%
Sub-prime/Predatory lending	33%		33%		0%		0%	
Dealer paper	67%		67%		0%		100%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	0%		0%		0%		0%	

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

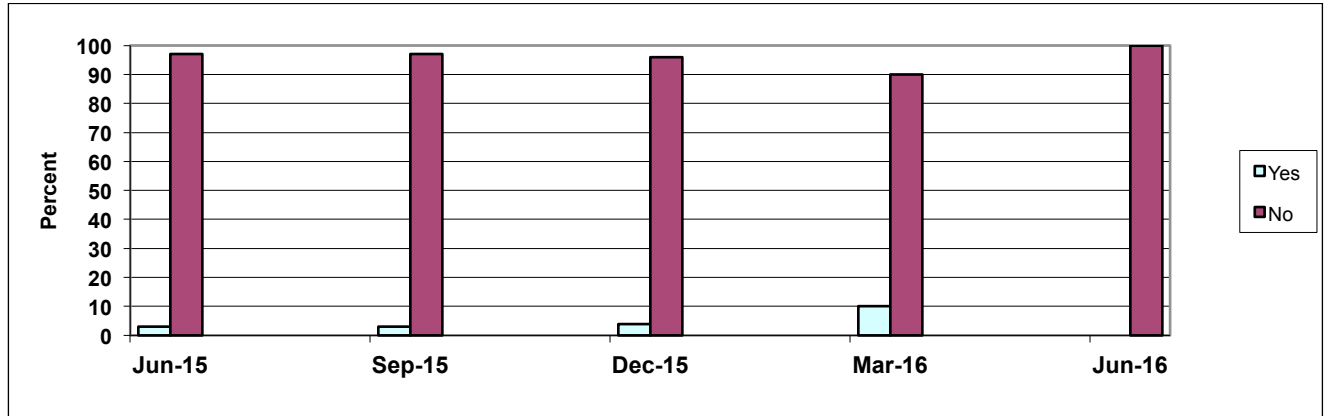
	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Yes	0%	0%	0%	0%	0%
No	100%	100%	100%	100%	100%

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

Of Yes Responses - Loan type	Sep-15		Dec-15		Mar-16		Jun-16	
	Yes 8%	No 92%	Yes 15%	No 85%	Yes 24%	No 76%	Yes 5%	No 95%
Credit card	20%		38%		0%		33%	
Consumer	60%		25%		50%		33%	
Residential mortgage	20%		25%		40%		33%	
Small business	0%		12%		10%		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:

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Making collateral based loans?	0%	0%	100%	20%	0%
Reduced collateral margins?	0%	0%	0%	20%	0%
Not requiring cash flow projections?	50%	0%	0%	40%	0%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	50%	100%	0%	20%	0%
Waiving guarantees or other documentation?	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%

6. Describe potential risk in current underwriting practices for:

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Agricultural Loans</b>					
Minimal	94%	89%	78%	81%	86%
Moderate	3%	11%	22%	14%	14%
Substantial	3%	0%	0%	5%	0%
<b>Commercial Loans</b>					
Minimal	83%	86%	86%	71%	95%
Moderate	14%	11%	14%	19%	5%
Substantial	3%	3%	0%	10%	0%
<b>Consumer Loans</b>					
Minimal	90%	92%	89%	86%	95%
Moderate	7%	8%	11%	9%	5%
Substantial	3%	0%	0%	5%	0%
<b>Residential Loans</b>					
Minimal	86%	94%	89%	86%	100%
Moderate	10%	6%	11%	9%	0%
Substantial	4%	0%	0%	5%	0%

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Agricultural Loans</b>					
Minimal	94%	97%	89%	86%	90%
Moderate	3%	3%	11%	9%	10%
Substantial	3%	0%	0%	5%	0%
<b>Commercial Loans</b>					
Minimal	86%	92%	85%	81%	90%
Moderate	10%	5%	15%	9%	10%
Substantial	4%	3%	0%	10%	0%
<b>Consumer Loans</b>					
Minimal	94%	97%	93%	91%	95%
Moderate	3%	3%	7%	0%	5%
Substantial	3%	0%	0%	9%	0%
<b>Residential Loans</b>					
Minimal	90%	97%	93%	90%	100%
Moderate	7%	3%	7%	5%	0%
Substantial	3%	0%	0%	5%	0%

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Carryover Debt</b>					
Minimal	72%	81%	70%	67%	71%
Moderate	28%	14%	26%	33%	29%
Substantial	0%	5%	4%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	97%	92%	96%	86%	95%
Moderate	3%	8%	4%	14%	5%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	86%	83%	78%	71%	90%
Moderate	14%	17%	18%	29%	10%
Substantial	0%	0%	4%	0%	0%

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 (%)	Sep-15		Dec-15		Mar-16		Jun-16	
	+	-	+	-	+	-	+	-
Average Inc/(Dec) in Ratio	7.0	(7.7)	4.5	(10.4)	8.8	(12.8)	5.3	(5.0)
<b>Cause of Increase</b>								
Eased underwriting standards	6%		0%		13%		0%	
Deterioration in new loans	12%		0%		25%		0%	
Deterioration in older loans	71%		83%		44%		73%	
Participations or out-of-territory	0%		0%		0%		9%	
Economic conditions	6%		0%		6%		9%	
Changes in lending personnel	0%		0%		6%		0%	
New types of lending activity	5%		17%		0%		0%	
Other	0%		0%		6%		9%	

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

Loan Type	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
RE/Const/Land Development	15%	9%	7%	15%	9%
RE/Agriculture	1%	4%	13%	12%	4%
RE/Commercial/Industrial	51%	38%	32%	45%	43%
RE/Residential	18%	14%	20%	17%	11%
Agricultural	1%	2%	4%	3%	6%
Commercial/Industrial	10%	31%	19%	5%	20%
Consumer	4%	2%	5%	3%	7%

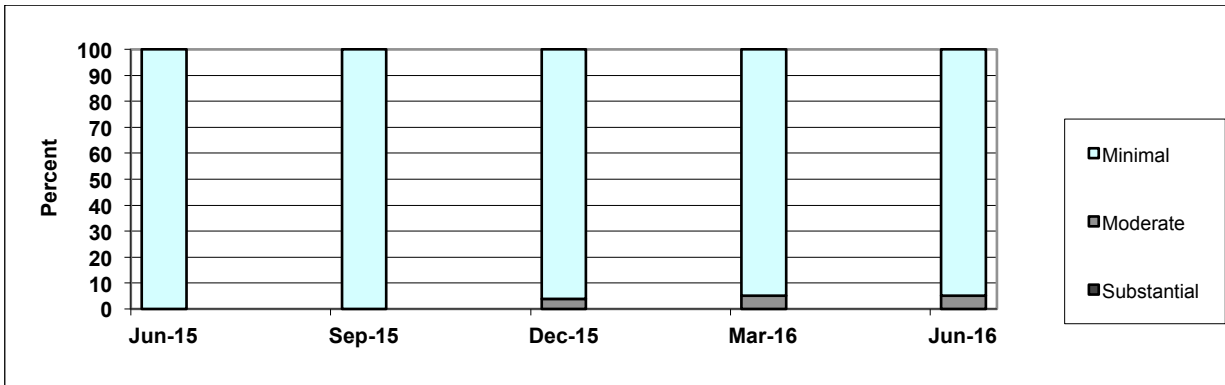
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**INVESTMENTS**

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Yes	0%	0%	0%	0%	0%
No	100%	100%	100%	100%	100%

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



**OTHER**

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Yes	93%	92%	89%	95%	95%
No	7%	8%	11%	5%	5%
If yes, does the bank actively borrow from the FHLB?					
Yes	67%	70%	60%	65%	70%
No	33%	30%	40%	35%	30%

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Yes	3%	28%	11%	0%	24%
No	97%	72%	89%	100%	76%

15. List nontraditional activity the institution is engaged in.

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Yes	97%	100%	88%	95%	100%
No	3%	0%	12%	5%	0%
Of those that do:					
Nondeposit Investment Sales	43%	36%	22%	35%	38%
Insurance Sales	29%	25%	4%	10%	29%
Real Estate Loan Secondary Market Sales	64%	67%	28%	65%	57%
Non-transactional Web Site	11%	8%	9%	15%	0%
Transactional Web Site	89%	86%	48%	90%	95%
Other	4%	2%	20%	5%	0%