

# EXAMINER'S BANKING PRACTICES SURVEY

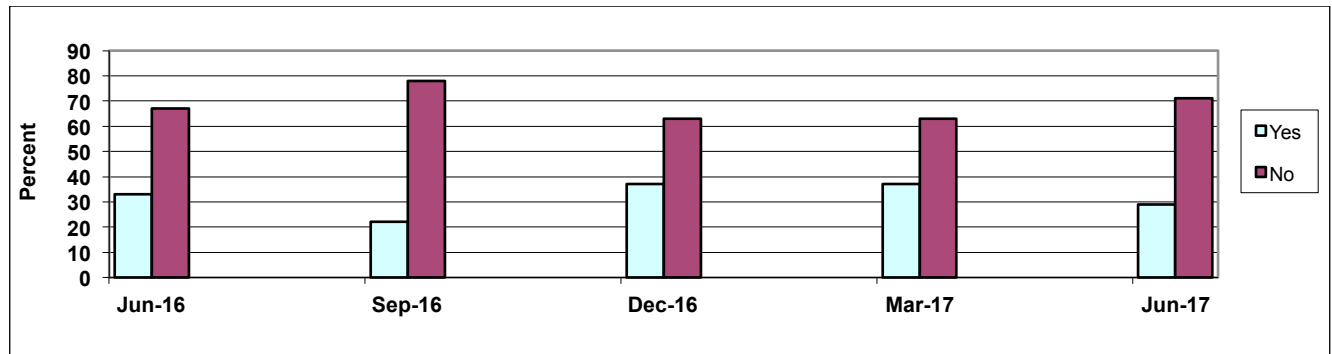
Second Quarter 2017

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Second Quarter 2017** results are compiled from **24** 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-16	Sep-16	Dec-16	Mar-17	Jun-17
RE/Const/Land Devel	13%	25%	10%	7%	22%
RE/Agricultural	7%	13%	10%	15%	29%
RE/Commercial/Indust	13%	12%	9%	15%	14%
RE/Residential	7%	0%	9%	7%	7%
Agricultural	13%	12%	24%	7%	7%
Commercial/Industrial	34%	38%	19%	22%	14%
Consumer	13%	0%	19%	27%	7%

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

Of Yes Responses-Loan type	Sep-16		Dec-16		Mar-17		Jun-17	
	Yes 9%	No 91%	Yes 0%	No 100%	Yes 18%	No 82%	Yes 8%	No 92%
Sub-prime/Predatory lending	33%		0%		50%		0%	
Dealer paper	67%		0%		25%		0%	
Low or No-doc bus. lending	0%		0%		13%		50%	
High LTV home eq. lending	0%		0%		12%		50%	

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

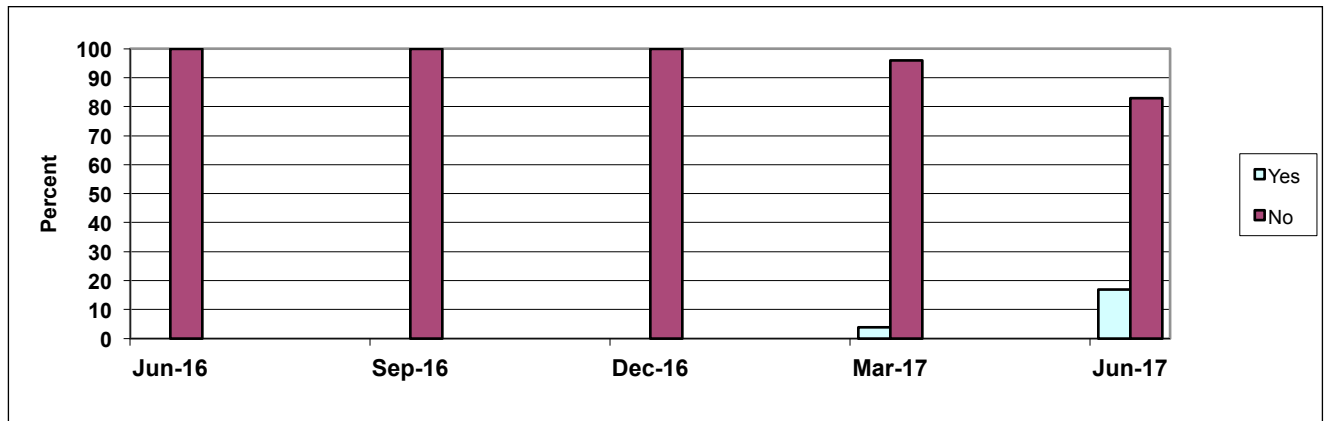
	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Yes	0%	4%	0%	0%	0%
No	100%	96%	100%	100%	100%

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

Of Yes Responses - Loan type	Sep-16		Dec-16		Mar-17		Jun-17	
	Yes 9%	No 91%	Yes 13%	No 87%	Yes 19%	No 81%	Yes 17%	No 83%
Credit card	0%		17%		17%		22%	
Consumer	67%		33%		42%		34%	
Residential mortgage	33%		33%		33%		33%	
Small business	0%		17%		8%		11%	
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-16	Sep-16	Dec-16	Mar-17	Jun-17
Making collateral based loans?	0%	0%	0%	50%	30%
Reduced collateral margins?	0%	0%	0%	0%	10%
Not requiring cash flow projections?	0%	0%	0%	0%	30%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	0%	0%	0%	50%	20%
Waiving guarantees or other documentation?	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	10%

6. Describe potential risk in current underwriting practices for:

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Agricultural Loans</b>					
Minimal	86%	91%	87%	78%	75%
Moderate	14%	9%	13%	22%	25%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	95%	87%	87%	78%	79%
Moderate	5%	13%	13%	19%	21%
Substantial	0%	0%	0%	3%	0%
<b>Consumer Loans</b>					
Minimal	95%	87%	92%	89%	83%
Moderate	5%	13%	8%	7%	17%
Substantial	0%	0%	0%	4%	0%
<b>Residential Loans</b>					
Minimal	100%	91%	100%	93%	87%
Moderate	0%	9%	0%	7%	13%
Substantial	0%	0%	0%	0%	0%

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

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Agricultural Loans</b>					
Minimal	90%	96%	87%	85%	88%
Moderate	10%	4%	13%	11%	12%
Substantial	0%	0%	0%	4%	0%
<b>Commercial Loans</b>					
Minimal	90%	87%	96%	89%	88%
Moderate	10%	13%	4%	7%	12%
Substantial	0%	0%	0%	4%	0%
<b>Consumer Loans</b>					
Minimal	95%	87%	96%	89%	88%
Moderate	5%	13%	4%	11%	12%
Substantial	0%	0%	0%	0%	0%
<b>Residential Loans</b>					
Minimal	100%	87%	92%	100%	88%
Moderate	0%	13%	8%	0%	12%
Substantial	0%	0%	0%	0%	0%

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

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Carryover Debt</b>					
Minimal	71%	83%	83%	85%	79%
Moderate	29%	17%	17%	15%	21%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	95%	87%	100%	85%	96%
Moderate	5%	13%	0%	15%	4%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	90%	87%	83%	78%	88%
Moderate	10%	13%	17%	22%	12%
Substantial	0%	0%	0%	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-16		Dec-16		Mar-17		Jun-17	
	+ 14%	- 86%	+ 25%	- 75%	+ 33%	- 67%	+ 46%	- 54%
<b>Average Inc/(Dec) in Ratio</b>	12.2	(7.5)	4.2	(6.0)	9.9	(10.0)	7.4	(5.4)
<b>Cause of Increase</b>								
Eased underwriting standards	17%		0%		0%		13%	
Deterioration in new loans	33%		0%		9%		13%	
Deterioration in older loans	50%		75%		72%		60%	
Participations or out-of-territory	0%		0%		0%		0%	
Economic conditions	0%		13%		0%		0%	
Changes in lending personnel	0%		0%		0%		7%	
New types of lending activity	0%		0%		0%		0%	
Other	0%		12%		19%		7%	

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

Loan Type	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
RE/Const/Land Development	9%	26%	14%	9%	3%
RE/Agriculture	4%	4%	3%	3%	9%
RE/Commercial/Industrial	43%	31%	14%	40%	38%
RE/Residential	11%	19%	9%	18%	19%
Agricultural	6%	1%	1%	2%	12%
Commercial/Industrial	20%	13%	57%	23%	17%
Consumer	7%	6%	2%	5%	2%

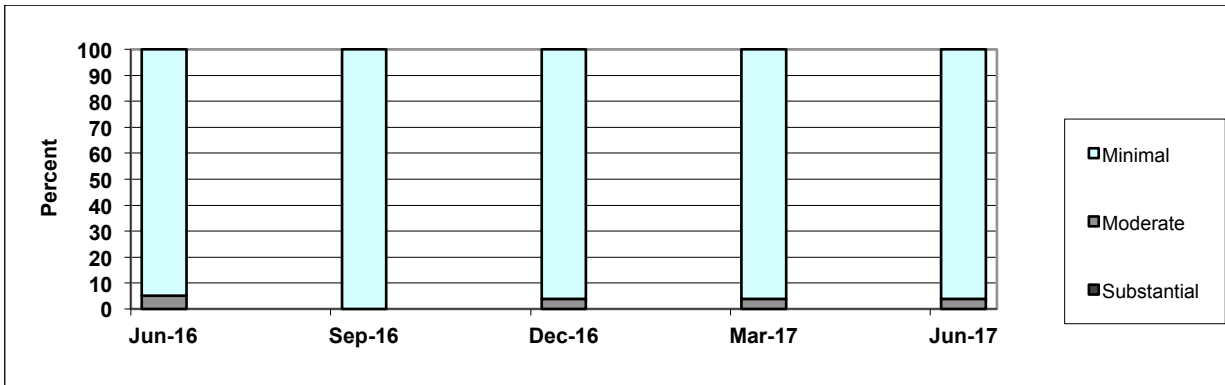
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**INVESTMENTS**

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

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
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-16	Sep-16	Dec-16	Mar-17	Jun-17
Yes	95%	87%	96%	93%	92%
No	5%	13%	4%	7%	8%
If yes, does the bank actively borrow from the FHLB?					
Yes	70%	60%	52%	67%	58%
No	30%	40%	48%	33%	42%

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

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Yes	24%	26%	12%	26%	8%
No	76%	74%	88%	74%	92%

15. List nontraditional activity the institution is engaged in.

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Yes	83%	88%	88%	100%	92%
No	17%	12%	12%	0%	8%
Of those that do:					
Nondeposit Investment Sales	38%	37%	19%	27%	18%
Insurance Sales	29%	26%	10%	8%	23%
Real Estate Loan Secondary Market Sales	57%	63%	48%	54%	64%
Non-transactional Web Site	0%	11%	5%	8%	0%
Transactional Web Site	95%	95%	91%	81%	96%
Other	0%	11%	5%	4%	0%