

# EXAMINER'S BANKING PRACTICES SURVEY

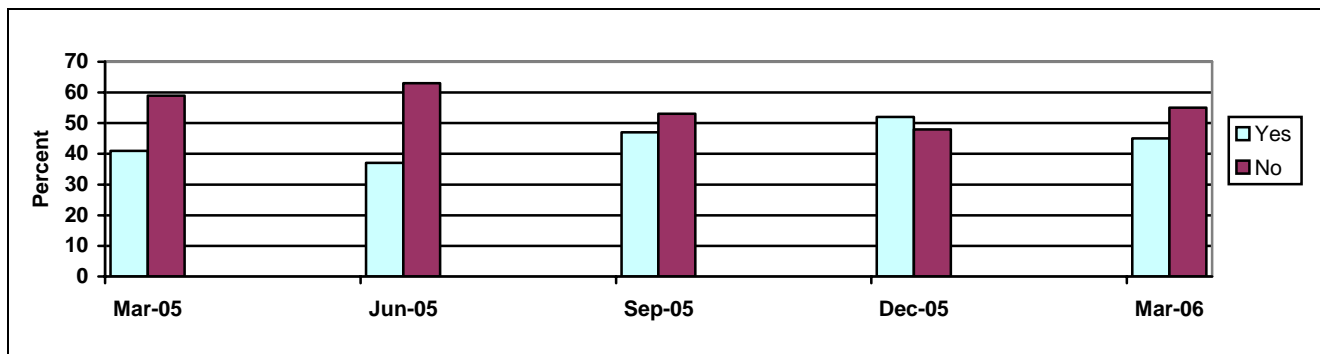
First Quarter 2006

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **First Quarter 2006** results are compiled from **31** 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	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
RE/Const/Land Devel	31%	18%	32%	31%	21%
RE/Agricultural	13%	9%	5%	15%	18%
RE/Commercial/Indust	20%	18%	21%	23%	18%
RE/Residential	13%	12%	13%	10%	14%
Agricultural	8%	4%	11%	8%	11%
Commercial/Industrial	10%	30%	13%	8%	18%
Consumer	5%	9%	5%	5%	0%

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

	Jun-05		Sep-05		Dec-05		Mar-06	
	Yes 17%	No 83%	Yes 6%	No 94%	Yes 0%	No 100%	Yes 0%	No 100%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	17%		50%		0%		0%	
Dealer paper	33%		50%		0%		0%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	50%		0%		0%		0%	

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

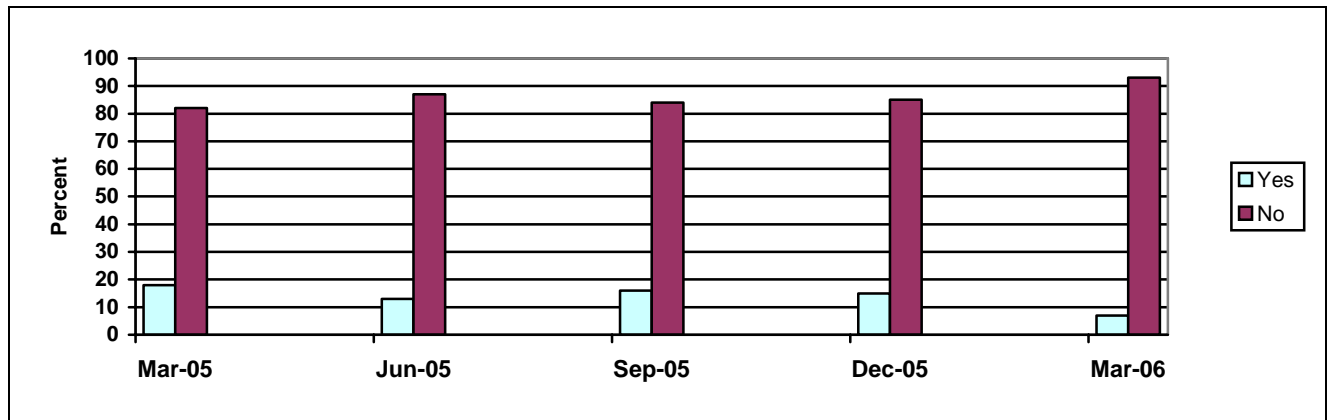
	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
Yes	6%	7%	3%	0%	0%
No	94%	93%	97%	100%	100%

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

Of Yes Responses - Loan type	Jun-05		Sep-05		Dec-05		Mar-06	
	Yes 20%	No 80%	Yes 19%	No 81%	Yes 15%	No 85%	Yes 3%	No 97%
Credit card	8%		8%		8%		20%	
Consumer	42%		17%		31%		20%	
Residential mortgage	33%		33%		31%		20%	
Small business	17%		25%		23%		20%	
Other	0%		17%		7%		20%	

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



Of yes responses:

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
Making collateral based loans?	20%	43%	37%	25%	33%
Reduced collateral margins?	20%	0%	18%	13%	0%
Not requiring cash flow projections?	13%	14%	9%	25%	34%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	27%	43%	27%	13%	0%
Waiving guarantees or other documentation?	7%	0%	0%	13%	33%
Other	13%	0%	9%	11%	0%

6. Describe potential risk in current underwriting practices for:

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
<b>Agricultural Loans</b>					
Minimal	82%	90%	78%	76%	90%
Moderate	15%	10%	19%	24%	10%
Substantial	3%	0%	3%	0%	0%
<b>Commercial Loans</b>					
Minimal	68%	70%	56%	67%	68%
Moderate	29%	30%	41%	33%	29%
Substantial	3%	0%	3%	0%	3%
<b>Consumer Loans</b>					
Minimal	82%	77%	88%	88%	87%
Moderate	15%	23%	9%	12%	13%
Substantial	3%	0%	3%	0%	0%
<b>Residential Loans</b>					
Minimal	94%	73%	81%	76%	84%
Moderate	0%	27%	16%	24%	16%
Substantial	6%	0%	3%	0%	0%

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

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
<b>Agricultural Loans</b>					
Minimal	94%	97%	84%	97%	87%
Moderate	6%	3%	16%	3%	13%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	74%	83%	75%	76%	84%
Moderate	26%	17%	22%	24%	13%
Substantial	0%	0%	3%	0%	3%
<b>Consumer Loans</b>					
Minimal	85%	93%	94%	94%	90%
Moderate	15%	7%	6%	6%	10%
Substantial	0%	0%	0%	0%	0%
<b>Residential Loans</b>					
Minimal	88%	97%	84%	85%	93%
Moderate	12%	3%	16%	15%	7%
Substantial	0%	0%	0%	0%	0%

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

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
<b>Carryover Debt</b>					
Minimal	88%	97%	84%	85%	90%
Moderate	12%	3%	16%	15%	10%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	88%	93%	97%	85%	84%
Moderate	12%	7%	3%	12%	10%
Substantial	0%	0%	0%	3%	6%
<b>Drop in Land Values</b>					
Minimal	82%	90%	81%	76%	74%
Moderate	18%	10%	16%	21%	19%
Substantial	0%	0%	3%	3%	7%

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 (%)	Jun-05		Sep-05		Dec-05		Mar-06	
	+	-	+	-	+	-	+	-
<b>Average Inc/(Dec) in Ratio</b>	48%	52%	60%	40%	58%	42%	57%	43%
	10.5	(6.3)	9.4	(9.0)	9.6	(6.9)	6.4	(8.3)
<b>Cause of Increase</b>								
Eased underwriting standards	18%		4%		4%		4%	
Deterioration in new loans	27%		9%		15%		24%	
Deterioration in older loans	41%		61%		42%		60%	
Participations or out-of-territory	0%		0%		8%		4%	
Economic conditions	5%		4%		15%		8%	
Changes in lending personnel	0%		0%		0%		0%	
New types of lending activity	0%		4%		4%		0%	
Other	9%		18%		12%		0%	

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

Loan Type	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
RE/Const/Land Development	2%	7%	9%	25%	15%
RE/Agriculture	8%	3%	6%	3%	7%
RE/Commercial/Industrial	42%	36%	37%	25%	30%
RE/Residential	14%	26%	25%	26%	14%
Agricultural	4%	2%	3%	3%	1%
Commercial/Industrial	24%	22%	14%	12%	27%
Consumer	6%	4%	6%	6%	6%

Ratios from March 2005 and forward are weighted by dollar volume of classified loans for all respondents. Prior ratios are an average of percentages from each bank (not dollar weighted).

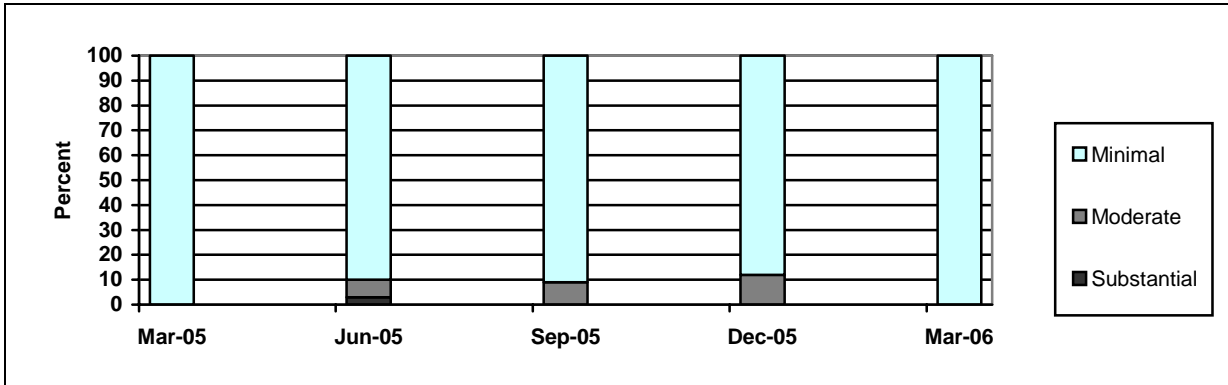
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**INVESTMENTS**

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

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
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?

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
Yes	79%	87%	87%	73%	81%
No	21%	13%	13%	27%	19%
If yes, does the bank actively borrow from the FHLB?					
Yes	70%	77%	89%	75%	76%
No	30%	23%	11%	25%	24%

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

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
Yes	0%	3%	3%	0%	0%
No	100%	97%	97%	100%	100%

15. List nontraditional activity the institution is engaged in.

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06
Yes	71%	77%	75%	70%	84%
No	29%	23%	25%	30%	16%
Of those that do:					
Nondeposit Investment Sales	25%	26%	21%	23%	28%
Insurance Sales	14%	10%	11%	17%	7%
Real Estate Loan Secondary Market Sales	21%	26%	23%	21%	26%
Non-transactional Web Site	3%	2%	9%	9%	4%
Transactional Web Site	35%	36%	36%	26%	33%
Other	2%	0%	0%	4%	2%