

# EXAMINER'S BANKING PRACTICES SURVEY

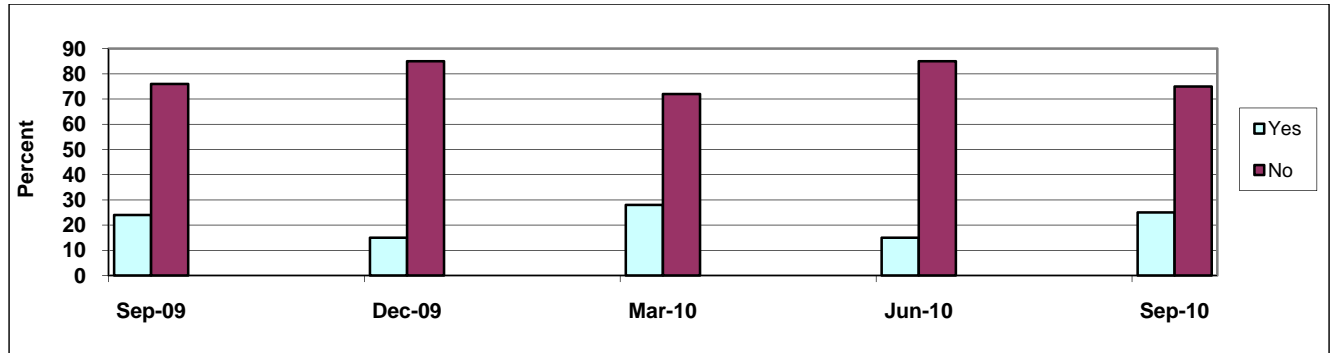
Third Quarter 2010

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2010** results are compiled from **32** 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-09	Dec-09	Mar-10	Jun-10	Sep-10
RE/Const/Land Devel	22%	25%	19%	13%	18%
RE/Agricultural	17%	25%	12%	12%	10%
RE/Commercial/Indust	22%	25%	25%	25%	18%
RE/Residential	11%	0%	0%	13%	18%
Agricultural	6%	0%	6%	12%	18%
Commercial/Industrial	22%	17%	25%	13%	18%
Consumer	0%	8%	13%	12%	0%

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

Of Yes Responses-Loan type	Dec-09		Mar-10		Jun-10		Sep-10	
	Yes 0%	No 100%	Yes 10%	No 90%	Yes 3%	No 97%	Yes 6%	No 94%
Sub-prime/Predatory lending	0%		33%		0%		33%	
Dealer paper	0%		67%		100%		67%	
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?

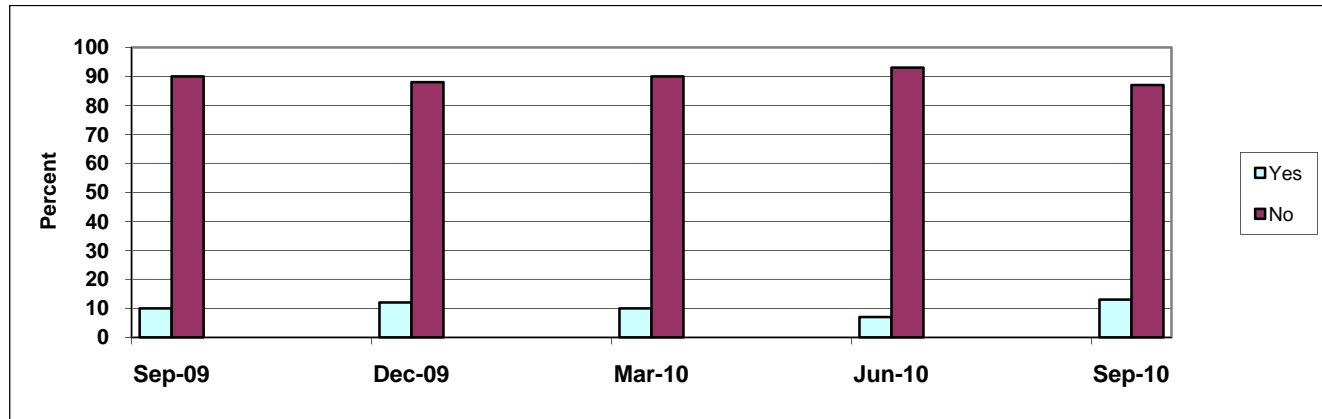
	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Yes	0%	3%	0%	0%	6%
No	100%	97%	100%	100%	94%

**Examiner's Banking Practices Survey**

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

	Dec-09		Mar-10		Jun-10		Sep-10	
	Yes 12%	No 88%	Yes 14%	No 86%	Yes 15%	No 85%	Yes 16%	No 84%
Of Yes Responses - Loan type								
Credit card	0%		0%		7%		16%	
Consumer	44%		43%		43%		26%	
Residential mortgage	44%		43%		36%		21%	
Small business	12%		14%		7%		21%	
Other	0%		0%		7%		16%	

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



Of yes responses:

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Making collateral based loans?	12%	22%	0%	38%	29%
Reduced collateral margins?	25%	11%	0%	12%	0%
Not requiring cash flow projections?	25%	34%	50%	25%	29%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	13%	22%	25%	25%	29%
Waiving guarantees or other documentation?	12%	11%	0%	0%	13%
Other	13%	0%	25%	0%	0%

6. Describe potential risk in current underwriting practices for:

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
<b>Agricultural Loans</b>					
Minimal	84%	88%	79%	92%	75%
Moderate	16%	12%	21%	8%	25%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	47%	53%	55%	54%	47%
Moderate	44%	41%	31%	33%	47%
Substantial	9%	6%	14%	13%	6%
<b>Consumer Loans</b>					
Minimal	68%	79%	72%	77%	66%
Moderate	32%	18%	24%	23%	34%
Substantial	0%	3%	4%	0%	0%
<b>Residential Loans</b>					
Minimal	79%	76%	79%	77%	66%
Moderate	21%	21%	21%	23%	34%
Substantial	0%	3%	0%	0%	0%

**Examiner's Banking Practices Survey**

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
<b>Agricultural Loans</b>					
Minimal	95%	97%	83%	97%	91%
Moderate	5%	3%	17%	3%	9%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	74%	74%	72%	77%	62%
Moderate	21%	24%	24%	18%	38%
Substantial	5%	3%	4%	5%	0%
<b>Consumer Loans</b>					
Minimal	92%	94%	86%	97%	91%
Moderate	8%	6%	14%	0%	9%
Substantial	0%	0%	0%	3%	0%
<b>Residential Loans</b>					
Minimal	92%	82%	83%	97%	91%
Moderate	8%	18%	17%	0%	9%
Substantial	0%	0%	0%	3%	0%

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
<b>Carryover Debt</b>					
Minimal	84%	91%	86%	85%	78%
Moderate	16%	9%	14%	15%	22%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	79%	91%	90%	92%	84%
Moderate	21%	9%	10%	8%	16%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	74%	97%	90%	80%	81%
Moderate	26%	3%	10%	20%	19%
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?

	Dec-09		Mar-10		Jun-10		Sep-10	
	+	-	+	-	+	-	+	-
No. Banks with Inc/(Dec) in ratio (%)	71%	29%	76%	24%	64%	36%	69%	31%
Average Inc/(Dec) in Ratio	23.3	(16.0)	21.0	(13.2)	28.2	(12.3)	19.8	(8.6)
<b>Cause of Increase</b>								
Eased underwriting standards	2%		2%		0%		6%	
Deterioration in new loans	4%		2%		2%		4%	
Deterioration in older loans	43%		43%		45%		45%	
Participations or out-of-territory	8%		17%		9%		8%	
Economic conditions	39%		32%		36%		33%	
Changes in lending personnel	2%		0%		2%		0%	
New types of lending activity	0%		2%		0%		0%	
Other	2%		2%		6%		4%	

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

Loan Type	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
RE/Const/Land Development	48%	53%	27%	26%	35%
RE/Agriculture	1%	1%	1%	2%	3%
RE/Commercial/Industrial	29%	29%	51%	44%	38%
RE/Residential	9%	6%	9%	11%	9%
Agricultural	0%	0%	1%	1%	0%
Commercial/Industrial	10%	9%	8%	13%	13%
Consumer	3%	2%	3%	3%	2%

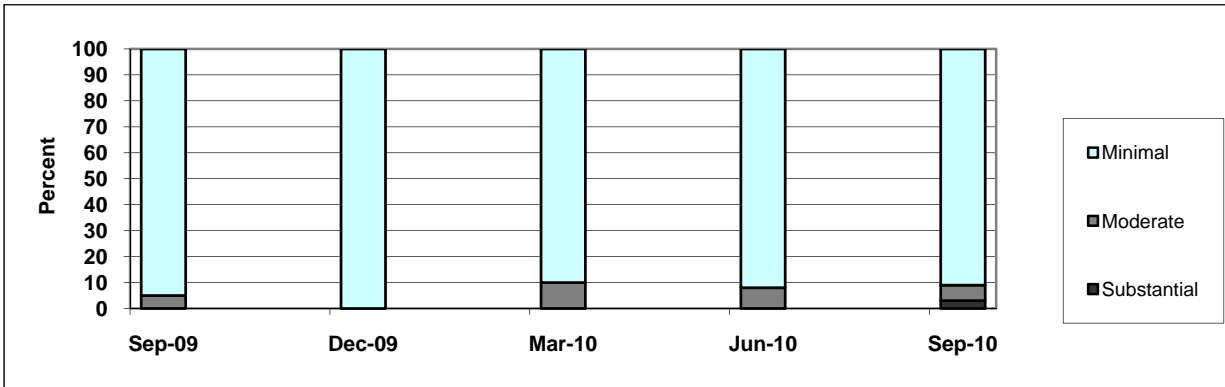
Examiner's Banking Practices Survey

**INVESTMENTS**

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Yes	0%	0%	0%	3%	3%
No	100%	100%	100%	97%	97%

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



**OTHER**

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Yes	95%	94%	86%	87%	81%
No	5%	6%	14%	13%	19%
If yes, does the bank actively borrow from the FHLB?					
Yes	75%	84%	80%	82%	89%
No	25%	16%	20%	18%	11%

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Yes	5%	9%	3%	15%	12%
No	95%	91%	97%	85%	88%

15. List nontraditional activity the institution is engaged in.

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Yes	82%	85%	90%	85%	75%
No	18%	15%	10%	15%	25%
Of those that do:					
Nondeposit Investment Sales	18%	18%	13%	13%	15%
Insurance Sales	8%	7%	11%	10%	9%
Real Estate Loan Secondary Market Sales	31%	31%	34%	29%	25%
Non-transactional Web Site	6%	7%	8%	7%	7%
Transactional Web Site	37%	35%	34%	40%	40%
Other	0%	2%	0%	1%	4%