

# EXAMINER'S BANKING PRACTICES SURVEY

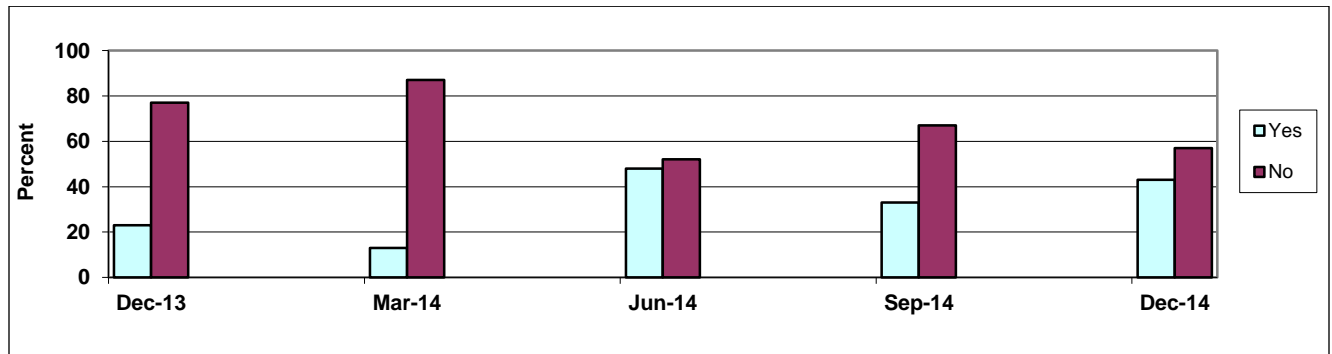
Fourth Quarter 2014

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Fourth Quarter 2014** results are compiled from **28** 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	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
RE/Const/Land Devel	0%	20%	16%	23%	22%
RE/Agricultural	13%	0%	5%	23%	10%
RE/Commercial/Indust	24%	0%	16%	15%	10%
RE/Residential	13%	0%	5%	15%	3%
Agricultural	37%	60%	16%	8%	16%
Commercial/Industrial	13%	20%	37%	8%	26%
Consumer	0%	0%	5%	8%	13%

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

Of Yes Responses-Loan type	Mar-14		Jun-14		Sep-14		Dec-14	
	Yes 4%	No 96%	Yes 10%	No 90%	Yes 7%	No 93%	Yes 7%	No 93%
Sub-prime/Predatory lending	100%		50%		0%		0%	
Dealer paper	0%		50%		100%		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?

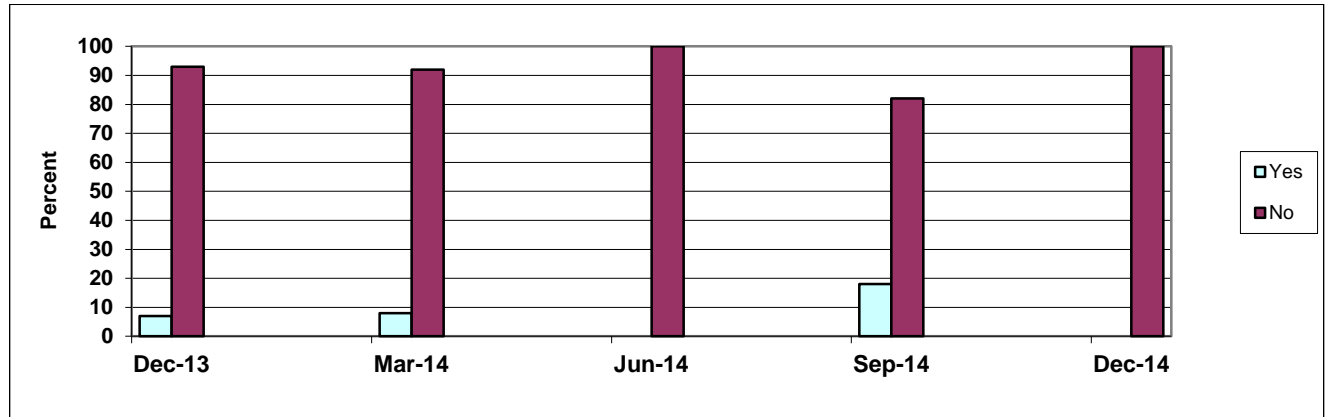
	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Yes	3%	8%	0%	0%	7%
No	97%	92%	100%	100%	93%

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

	Mar-14		Jun-14		Sep-14		Dec-14	
	Yes 17%	No 83%	Yes 24%	No 76%	Yes 15%	No 85%	Yes 14%	No 86%
Of Yes Responses - Loan type								
Credit card	0%		30%		0%		11%	
Consumer	36%		40%		40%		33%	
Residential mortgage	36%		30%		40%		45%	
Small business	28%		0%		20%		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:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Making collateral based loans?	20%	0%	0%	38%	0%
Reduced collateral margins?	0%	33%	0%	12%	0%
Not requiring cash flow projections?	40%	0%	0%	12%	0%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	20%	33%	0%	38%	0%
Waiving guarantees or other documentation?	20%	0%	0%	0%	0%
Other	0%	33%	0%	0%	0%

6. Describe potential risk in current underwriting practices for:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
<b>Agricultural Loans</b>					
Minimal	90%	92%	95%	89%	100%
Moderate	10%	8%	5%	11%	0%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	83%	83%	76%	70%	86%
Moderate	17%	17%	19%	22%	14%
Substantial	0%	0%	5%	8%	0%
<b>Consumer Loans</b>					
Minimal	90%	88%	86%	82%	93%
Moderate	10%	12%	14%	15%	7%
Substantial	0%	0%	0%	3%	0%
<b>Residential Loans</b>					
Minimal	90%	83%	86%	82%	93%
Moderate	7%	17%	14%	15%	7%
Substantial	3%	0%	0%	3%	0%

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
<b>Agricultural Loans</b>					
Minimal	93%	96%	100%	93%	100%
Moderate	7%	4%	0%	7%	0%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	93%	92%	95%	85%	93%
Moderate	7%	8%	5%	15%	7%
Substantial	0%	0%	0%	0%	0%
<b>Consumer Loans</b>					
Minimal	97%	92%	100%	93%	96%
Moderate	3%	8%	0%	7%	4%
Substantial	0%	0%	0%	0%	0%
<b>Residential Loans</b>					
Minimal	93%	92%	95%	89%	93%
Moderate	7%	8%	5%	11%	7%
Substantial	0%	0%	0%	0%	0%

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
<b>Carryover Debt</b>					
Minimal	90%	100%	100%	93%	89%
Moderate	7%	0%	0%	7%	11%
Substantial	3%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	100%	96%	100%	100%	93%
Moderate	0%	4%	0%	0%	7%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	90%	88%	90%	93%	89%
Moderate	10%	12%	10%	7%	11%
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 (%)	Mar-14		Jun-14		Sep-14		Dec-14	
	+	-	+	-	+	-	+	-
Average Inc/(Dec) in Ratio	8.1	(13.2)	7.1	(11.1)	10.4	(10.5)	4.3	(17.2)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		0%		5%		11%	
Deterioration in new loans	0%		0%		17%		11%	
Deterioration in older loans	78%		64%		67%		45%	
Participations or out-of-territory	0%		0%		0%		0%	
Economic conditions	22%		18%		11%		11%	
Changes in lending personnel	0%		0%		0%		0%	
New types of lending activity	0%		0%		0%		0%	
Other	0%		18%		0%		22%	

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

Loan Type	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
RE/Const/Land Development	21%	28%	23%	42%	10%
RE/Agriculture	5%	2%	4%	1%	4%
RE/Commercial/Industrial	42%	31%	42%	22%	55%
RE/Residential	17%	20%	14%	20%	19%
Agricultural	1%	0%	1%	1%	0%
Commercial/Industrial	11%	14%	14%	11%	10%
Consumer	3%	5%	2%	3%	2%

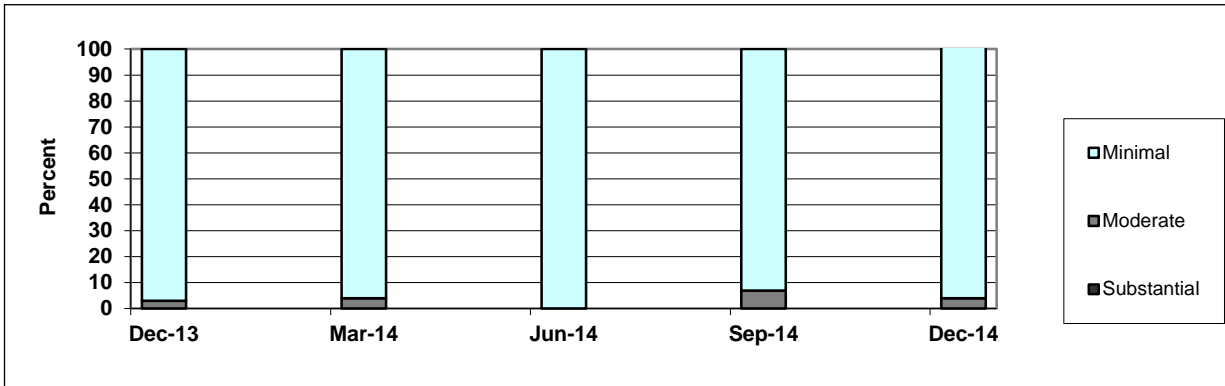
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**INVESTMENTS**

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Yes	7%	4%	0%	0%	0%
No	93%	96%	100%	100%	100%

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



**OTHER**

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Yes	87%	92%	95%	93%	86%
No	13%	8%	5%	7%	14%
If yes, does the bank actively borrow from the FHLB?					
Yes	62%	64%	65%	68%	58%
No	38%	36%	35%	32%	42%

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Yes	10%	8%	10%	15%	18%
No	90%	92%	90%	85%	82%

15. List nontraditional activity the institution is engaged in.

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Yes	83%	100%	100%	96%	100%
No	17%	0%	0%	4%	0%
Of those that do:					
Nondeposit Investment Sales	14%	8%	38%	27%	43%
Insurance Sales	12%	13%	19%	23%	11%
Real Estate Loan Secondary Market Sales	24%	50%	62%	62%	61%
Non-transactional Web Site	0%	4%	0%	4%	18%
Transactional Web Site	50%	88%	100%	89%	89%
Other	0%	9%	0%	0%	11%