

# EXAMINER'S BANKING PRACTICES SURVEY

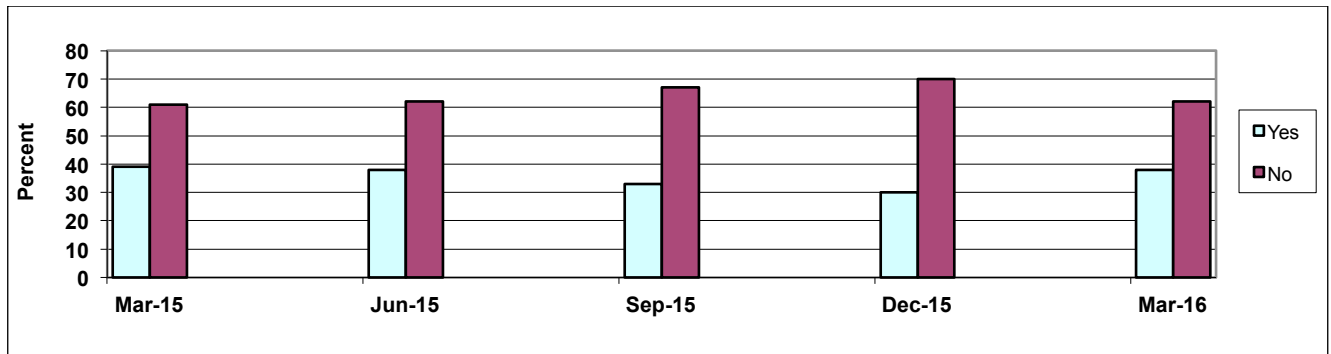
First Quarter 2016

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **First 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             | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|-----------------------|--------|--------|--------|--------|--------|
| RE/Const/Land Devel   | 27%    | 22%    | 15%    | 0%     | 16%    |
| RE/Agricultural       | 18%    | 11%    | 18%    | 25%    | 11%    |
| RE/Commercial/Indust  | 9%     | 11%    | 7%     | 6%     | 5%     |
| RE/Residential        | 9%     | 6%     | 14%    | 25%    | 10%    |
| Agricultural          | 14%    | 17%    | 25%    | 13%    | 21%    |
| Commercial/Industrial | 14%    | 33%    | 14%    | 31%    | 16%    |
| Consumer              | 9%     | 0%     | 7%     | 0%     | 21%    |

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

| Of Yes Responses-Loan type  | Jun-15  |        | Sep-15 |        | Dec-15 |         | Mar-16 |         |
|-----------------------------|---------|--------|--------|--------|--------|---------|--------|---------|
|                             | Yes 10% | No 90% | Yes 8% | No 92% | No 11% | Yes 89% | Yes 0% | No 100% |
| Sub-prime/Predatory lending | 33%     |        | 33%    |        | 33%    |         | 0%     |         |
| Dealer paper                | 67%     |        | 67%    |        | 67%    |         | 0%     |         |
| 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?

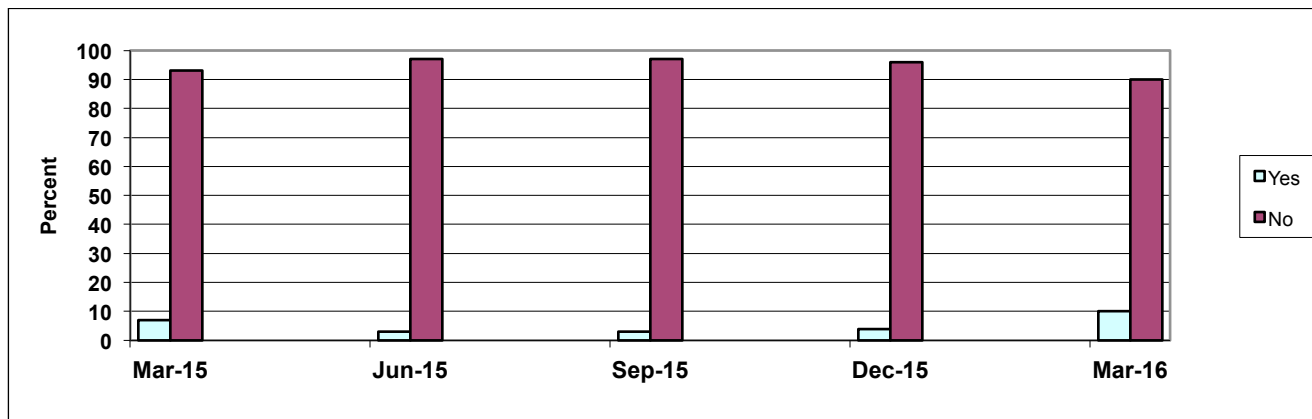
|     | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|-----|--------|--------|--------|--------|--------|
| Yes | 7%     | 0%     | 0%     | 0%     | 0%     |
| No  | 93%    | 100%   | 100%   | 100%   | 100%   |

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

| Of Yes Responses - Loan type | Jun-15  |        | Sep-15 |        | Dec-15  |        | Mar-16  |        |
|------------------------------|---------|--------|--------|--------|---------|--------|---------|--------|
|                              | Yes 20% | No 80% | Yes 8% | No 92% | Yes 15% | No 85% | Yes 24% | No 76% |
| Credit card                  | 16%     |        | 20%    |        | 38%     |        | 0%      |        |
| Consumer                     | 42%     |        | 60%    |        | 25%     |        | 50%     |        |
| Residential mortgage         | 42%     |        | 20%    |        | 25%     |        | 40%     |        |
| Small business               | 0%      |        | 0%     |        | 12%     |        | 10%     |        |
| Other                        | 0%      |        | 0%     |        | 0%      |        | 0%      |        |

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



Of yes responses:

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

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

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

|                           | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|---------------------------|--------|--------|--------|--------|--------|
| <b>Agricultural Loans</b> |        |        |        |        |        |
| Minimal                   | 94%    | 94%    | 97%    | 89%    | 86%    |
| Moderate                  | 6%     | 3%     | 3%     | 11%    | 9%     |
| Substantial               | 0%     | 3%     | 0%     | 0%     | 5%     |
| <b>Commercial Loans</b>   |        |        |        |        |        |
| Minimal                   | 94%    | 86%    | 92%    | 85%    | 81%    |
| Moderate                  | 3%     | 10%    | 5%     | 15%    | 9%     |
| Substantial               | 3%     | 4%     | 3%     | 0%     | 10%    |
| <b>Consumer Loans</b>     |        |        |        |        |        |
| Minimal                   | 90%    | 94%    | 97%    | 93%    | 91%    |
| Moderate                  | 7%     | 3%     | 3%     | 7%     | 0%     |
| Substantial               | 3%     | 3%     | 0%     | 0%     | 9%     |
| <b>Residential Loans</b>  |        |        |        |        |        |
| Minimal                   | 93%    | 90%    | 97%    | 93%    | 90%    |
| Moderate                  | 7%     | 7%     | 3%     | 7%     | 5%     |
| Substantial               | 0%     | 3%     | 0%     | 0%     | 5%     |

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

|                                    | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|------------------------------------|--------|--------|--------|--------|--------|
| <b>Carryover Debt</b>              |        |        |        |        |        |
| Minimal                            | 90%    | 72%    | 81%    | 70%    | 67%    |
| Moderate                           | 7%     | 28%    | 14%    | 26%    | 33%    |
| Substantial                        | 3%     | 0%     | 5%     | 4%     | 0%     |
| <b>Phase-out of Farm Subsidies</b> |        |        |        |        |        |
| Minimal                            | 97%    | 97%    | 92%    | 96%    | 86%    |
| Moderate                           | 3%     | 3%     | 8%     | 4%     | 14%    |
| Substantial                        | 0%     | 0%     | 0%     | 0%     | 0%     |
| <b>Drop in Land Values</b>         |        |        |        |        |        |
| Minimal                            | 84%    | 86%    | 83%    | 78%    | 71%    |
| Moderate                           | 13%    | 14%    | 17%    | 18%    | 29%    |
| Substantial                        | 3%     | 0%     | 0%     | 4%     | 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 (%) | Jun-15 |       | Sep-15 |       | Dec-15 |        | Mar-16 |        |
|---------------------------------------|--------|-------|--------|-------|--------|--------|--------|--------|
|                                       | + 14%  | - 86% | + 36%  | - 64% | + 22%  | - 78%  | + 45%  | - 55%  |
| <b>Average Inc/(Dec) in Ratio</b>     | 11.4   | (7.6) | 7.0    | (7.7) | 4.5    | (10.4) | 8.8    | (12.8) |
| <b>Cause of Increase</b>              |        |       |        |       |        |        |        |        |
| Eased underwriting standards          | 20%    |       | 6%     |       | 0%     |        | 13%    |        |
| Deterioration in new loans            | 0%     |       | 12%    |       | 0%     |        | 25%    |        |
| Deterioration in older loans          | 60%    |       | 71%    |       | 83%    |        | 44%    |        |
| Participations or out-of-territory    | 0%     |       | 0%     |       | 0%     |        | 0%     |        |
| Economic conditions                   | 20%    |       | 6%     |       | 0%     |        | 6%     |        |
| Changes in lending personnel          | 0%     |       | 0%     |       | 0%     |        | 6%     |        |
| New types of lending activity         | 0%     |       | 5%     |       | 17%    |        | 0%     |        |
| Other                                 | 0%     |       | 0%     |       | 0%     |        | 6%     |        |

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

| Loan Type                 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|---------------------------|--------|--------|--------|--------|--------|
| RE/Const/Land Development | 21%    | 15%    | 9%     | 7%     | 15%    |
| RE/Agriculture            | 3%     | 1%     | 4%     | 13%    | 12%    |
| RE/Commercial/Industrial  | 46%    | 51%    | 38%    | 32%    | 45%    |
| RE/Residential            | 14%    | 18%    | 14%    | 20%    | 17%    |
| Agricultural              | 1%     | 1%     | 2%     | 4%     | 3%     |
| Commercial/Industrial     | 7%     | 10%    | 31%    | 19%    | 5%     |
| Consumer                  | 8%     | 4%     | 2%     | 5%     | 3%     |

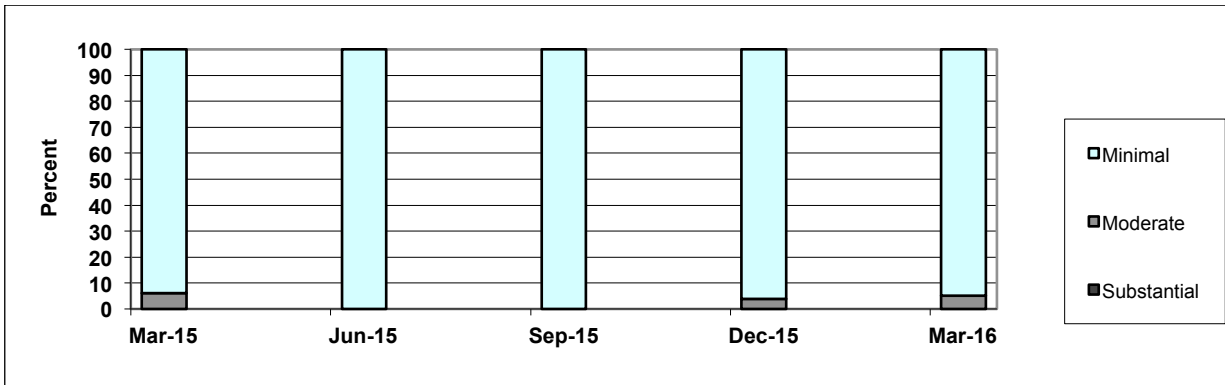
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**INVESTMENTS**

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

|     | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-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?

|  | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|--|--------|--------|--------|--------|--------|
| Yes  | 97%    | 93%    | 92%    | 89%    | 95%    |
| No   | 3%     | 7%     | 8%     | 11%    | 5%     |
| If yes, does the bank actively borrow from the FHLB? |        |        |        |        |        |
| Yes  | 47%    | 67%    | 70%    | 60%    | 65%    |
| No   | 53%    | 33%    | 30%    | 40%    | 35%    |

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

|     | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|-----|--------|--------|--------|--------|--------|
| Yes | 13%    | 3%     | 28%    | 11%    | 0%     |
| No  | 87%    | 97%    | 72%    | 89%    | 100%   |

15. List nontraditional activity the institution is engaged in.

|   | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 |
|---|--------|--------|--------|--------|--------|
| Yes                                     | 94%    | 97%    | 100%   | 88%    | 95%    |
| No                                      | 6%     | 3%     | 0%     | 12%    | 5%     |
| Of those that do:                       |        |        |        |        |        |
| Nondeposit Investment Sales             | 35%    | 43%    | 36%    | 22%    | 35%    |
| Insurance Sales                         | 24%    | 29%    | 25%    | 4%     | 10%    |
| Real Estate Loan Secondary Market Sales | 69%    | 64%    | 67%    | 28%    | 65%    |
| Non-transactional Web Site              | 3%     | 11%    | 8%     | 9%     | 15%    |
| Transactional Web Site                  | 93%    | 89%    | 86%    | 48%    | 90%    |
| Other                                   | 0%     | 4%     | 2%     | 20%    | 5%     |