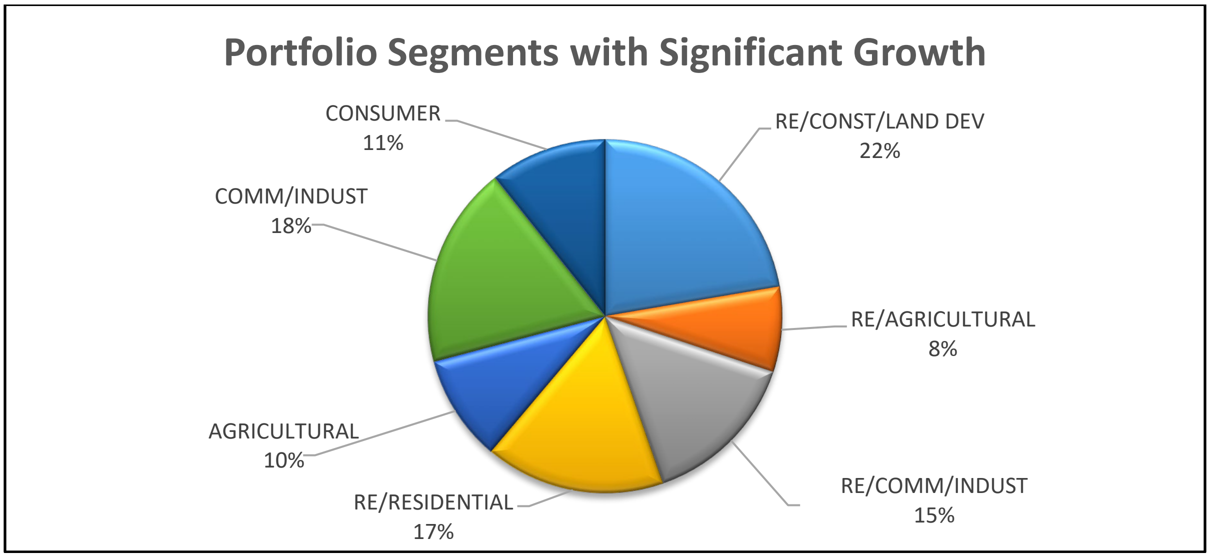
This survey is completed by bank examiners at the conclusion of each examination. Results are compiled from all banks examined each quarter. This report compiles information from all 4 quarters in 2023 to provide a full picture of the banks that were examined during the year.

Date: **FULL YEAR 2023** Number of Banks Examined: **71**

LENDING

1. Since their last examinations, **61%** of the banks had significant growth in at least one segment of the portfolio. Significant is defined as an increase of 20% or more. The following graph illustrates the portfolio segmentation in the **43** banks for the identified growth. Growth was diversified among all segments.



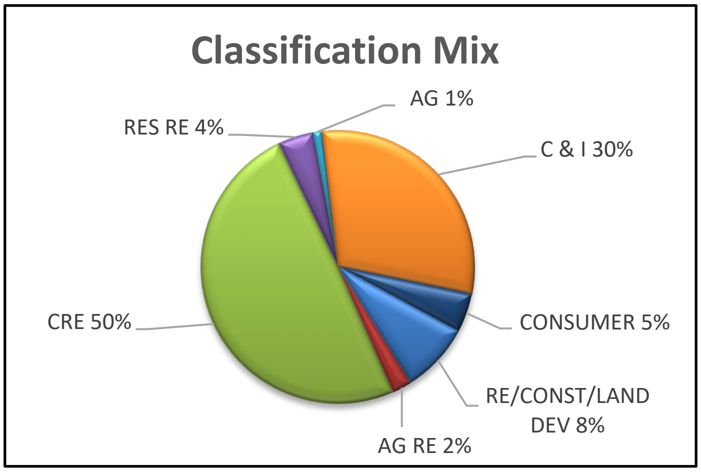
2. While increased slightly from 2022, banks examined during the year are generally not incurring "more than normal" risk when booking new loans or modifying existing credits as risk indicators were only noted in a total of **9** banks. Risks were mostly concentrated in a lack of cash flow analysis. Other risks identified included high LTV lending, collateral dependency, liberal repayment terms, unsecured lending, and low or no doc business lending.

3. A majority of the banks examined remain conservative in underwriting practices across all loan types reviewed. Moderate practices were noted in an average of **20%** of the banks across all loan types, with only **one** bank exhibiting liberal underwriting practices.

4. Agriculture loans represented more than 20% of total loans in **28** banks examined. The potential exposure to Ag risks in these banks is mostly minimal, with the majority noting low risk. However, moderate or substantial risks were noted in carryover debt in **4** banks, subsidy phase-outs in **3** banks, and drop in land values in **8** banks.

5. The Adversely Classified Items Coverage ratio decreased or remained unchanged in **55%** of the banks examined. Increases in the classification ratio in the other banks were mostly limited, and primarily attributed to deterioration in existing credits.

6. The mix of total loan classifications for all **71** banks is illustrated in the adjacent pie chart. Total commercial loans made up **80%** of total classifications.



OPERATIONAL

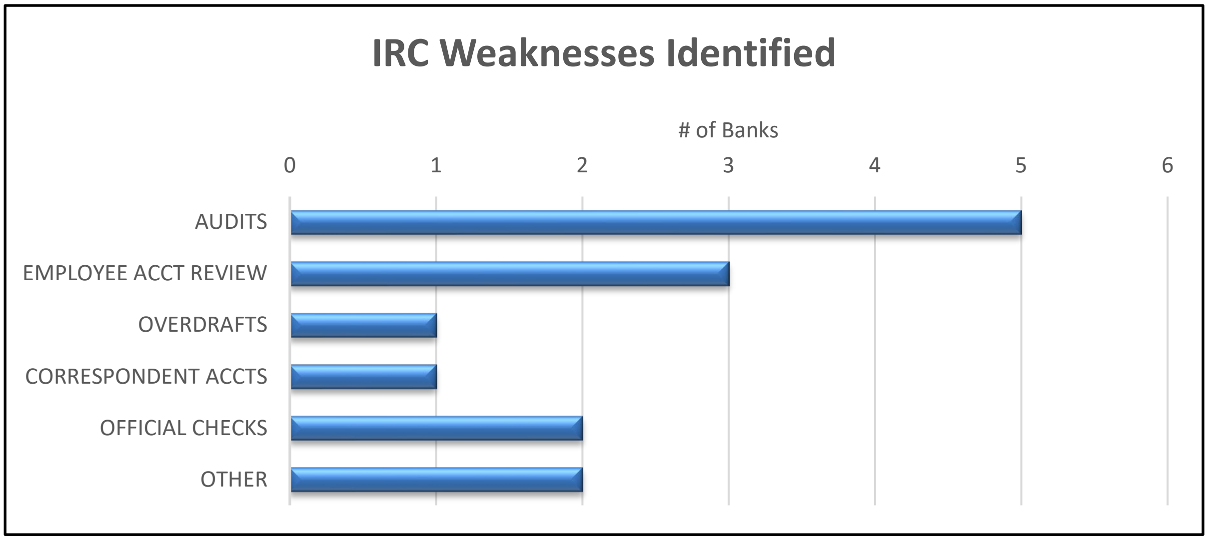
7. Banks examined primarily exhibit conservative policies and practices in relation to investments. Moderate risk was noted in **9** banks, with **2** in the liberal category.

8. Banks examined mostly exhibited conservative policies and practices in relation to funds management. Increased risk is noted in some banks, with **16** banks identified as moderate risk and **2** reflecting liberal practices. While concerning, the increase in risk is the result of overall liquidity tightening in the industry.

9. Examinations identified funding concentrations in **16** of the banks examined. The increased volume is the result of noncore funding sources needed for liquidity purposes as pandemic-related funds have left the banks.

10. Examinations identified **1** bank that holds a significant position in off-balance sheet derivatives. Significant is considered 10% of total assets.

11. The overall level of banks with Internal Routine and Control weaknesses is limited with no weaknesses noted in **61** banks. The chart below represents the frequency that the following types of IRC weaknesses were observed. The other category weaknesses involved reconcilement procedures.



12. The majority of the banks examined engage in nontraditional activities, with the most significant being **32%** participating in secondary market lending. The following chart shows the types of activity observed. Other nontraditional activities consisted of solar-related loans and leasing, healthcare group loans, marijuana-related businesses, and FinTech activities.