

# EXAMINER'S BANKING PRACTICES SURVEY

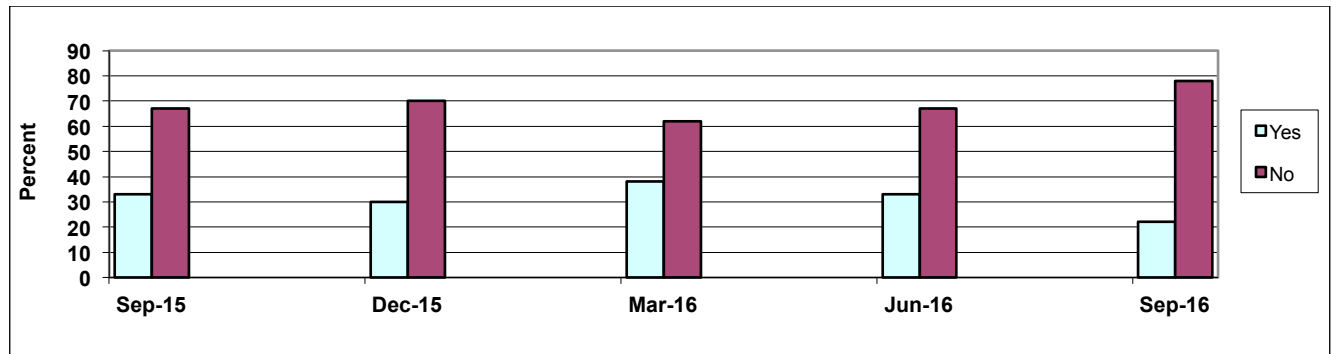
Third Quarter 2016

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2016** results are compiled from **23** 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-15	Dec-15	Mar-16	Jun-16	Sep-16
RE/Const/Land Devel	15%	0%	16%	13%	25%
RE/Agricultural	18%	25%	11%	7%	13%
RE/Commercial/Indust	7%	6%	5%	13%	12%
RE/Residential	14%	25%	10%	7%	0%
Agricultural	25%	13%	21%	13%	12%
Commercial/Industrial	14%	31%	16%	34%	38%
Consumer	7%	0%	21%	13%	0%

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

Of Yes Responses-Loan type	Dec-15		Mar-16		Jun-16		Sep-16	
	No 11%	Yes 89%	Yes 0%	No 100%	Yes 10%	No 90%	Yes 9%	No 91%
Sub-prime/Predatory lending	33%		0%		0%		33%	
Dealer paper	67%		0%		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?

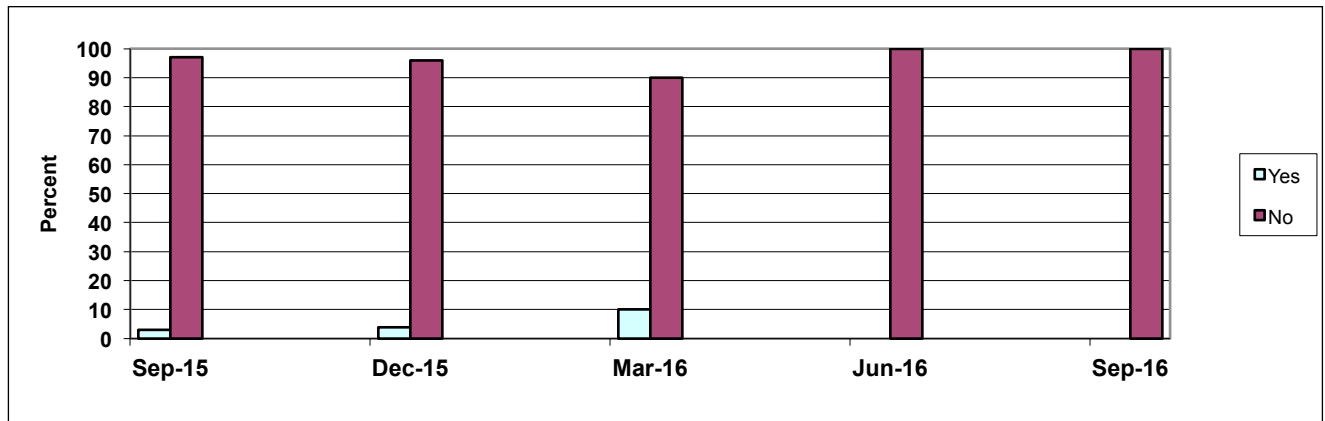
	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Yes	0%	0%	0%	0%	4%
No	100%	100%	100%	100%	96%

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

Of Yes Responses - Loan type	Dec-15		Mar-16		Jun-16		Sep-16	
	Yes 15%	No 85%	Yes 24%	No 76%	Yes 5%	No 95%	Yes 9%	No 91%
Credit card	38%		0%		33%		0%	
Consumer	25%		50%		33%		67%	
Residential mortgage	25%		40%		33%		33%	
Small business	12%		10%		0%		0%	
Other	0%		0%		0%		0%	

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



Of yes responses:

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Agricultural Loans</b>					
Minimal	89%	78%	81%	86%	91%
Moderate	11%	22%	14%	14%	9%
Substantial	0%	0%	5%	0%	0%
<b>Commercial Loans</b>					
Minimal	86%	86%	71%	95%	87%
Moderate	11%	14%	19%	5%	13%
Substantial	3%	0%	10%	0%	0%
<b>Consumer Loans</b>					
Minimal	92%	89%	86%	95%	87%
Moderate	8%	11%	9%	5%	13%
Substantial	0%	0%	5%	0%	0%
<b>Residential Loans</b>					
Minimal	94%	89%	86%	100%	91%
Moderate	6%	11%	9%	0%	9%
Substantial	0%	0%	5%	0%	0%

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Agricultural Loans</b>					
Minimal	97%	89%	86%	90%	96%
Moderate	3%	11%	9%	10%	4%
Substantial	0%	0%	5%	0%	0%
<b>Commercial Loans</b>					
Minimal	92%	85%	81%	90%	87%
Moderate	5%	15%	9%	10%	13%
Substantial	3%	0%	10%	0%	0%
<b>Consumer Loans</b>					
Minimal	97%	93%	91%	95%	87%
Moderate	3%	7%	0%	5%	13%
Substantial	0%	0%	9%	0%	0%
<b>Residential Loans</b>					
Minimal	97%	93%	90%	100%	87%
Moderate	3%	7%	5%	0%	13%
Substantial	0%	0%	5%	0%	0%

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Carryover Debt</b>					
Minimal	81%	70%	67%	71%	83%
Moderate	14%	26%	33%	29%	17%
Substantial	5%	4%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	92%	96%	86%	95%	87%
Moderate	8%	4%	14%	5%	13%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	83%	78%	71%	90%	87%
Moderate	17%	18%	29%	10%	13%
Substantial	0%	4%	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 (%)	Dec-15		Mar-16		Jun-16		Sep-16	
	+	-	+	-	+	-	+	-
Average Inc/(Dec) in Ratio	4.5	(10.4)	8.8	(12.8)	5.3	(5.0)	12.2	(7.5)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		13%		0%		17%	
Deterioration in new loans	0%		25%		0%		33%	
Deterioration in older loans	83%		44%		73%		50%	
Participations or out-of-territory	0%		0%		9%		0%	
Economic conditions	0%		6%		9%		0%	
Changes in lending personnel	0%		6%		0%		0%	
New types of lending activity	17%		0%		0%		0%	
Other	0%		6%		9%		0%	

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

Loan Type	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
RE/Const/Land Development	9%	7%	15%	9%	26%
RE/Agriculture	4%	13%	12%	4%	4%
RE/Commercial/Industrial	38%	32%	45%	43%	31%
RE/Residential	14%	20%	17%	11%	19%
Agricultural	2%	4%	3%	6%	1%
Commercial/Industrial	31%	19%	5%	20%	13%
Consumer	2%	5%	3%	7%	6%

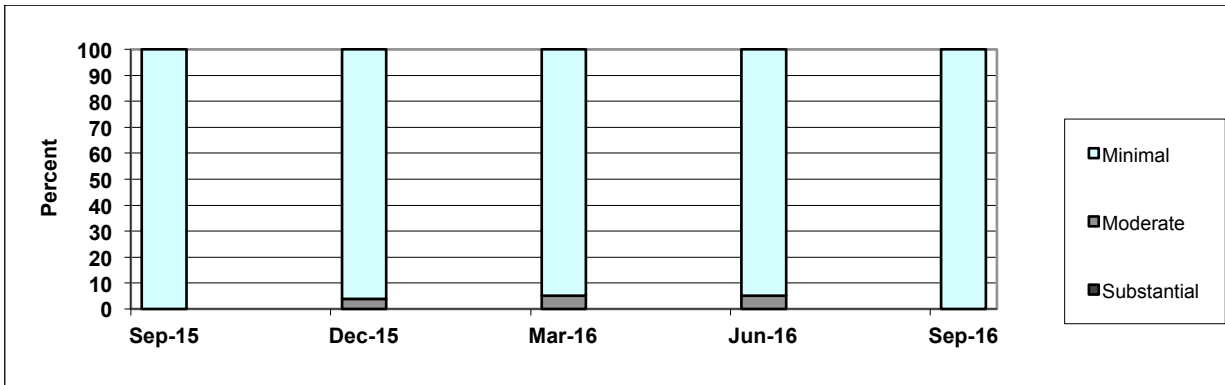
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**INVESTMENTS**

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-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?

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Yes	92%	89%	95%	95%	87%
No	8%	11%	5%	5%	13%
If yes, does the bank actively borrow from the FHLB?					
Yes	70%	60%	65%	70%	60%
No	30%	40%	35%	30%	40%

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

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Yes	28%	11%	0%	24%	26%
No	72%	89%	100%	76%	74%

15. List nontraditional activity the institution is engaged in.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Yes	100%	88%	95%	100%	83%
No	0%	12%	5%	0%	17%
Of those that do:					
Nondeposit Investment Sales	36%	22%	35%	38%	37%
Insurance Sales	25%	4%	10%	29%	26%
Real Estate Loan Secondary Market Sales	67%	28%	65%	57%	63%
Non-transactional Web Site	8%	9%	15%	0%	11%
Transactional Web Site	86%	48%	90%	95%	95%
Other	2%	20%	5%	0%	11%