

# EXAMINER'S BANKING PRACTICES SURVEY

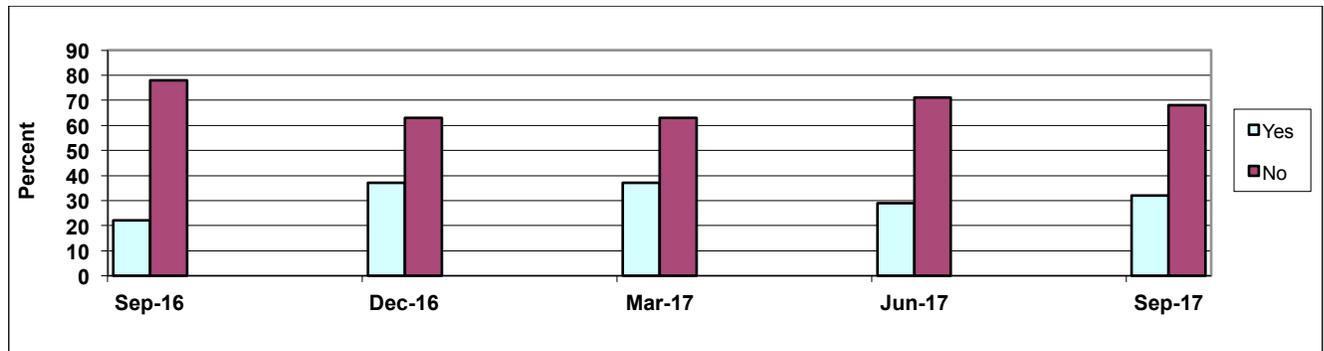
Third Quarter 2017

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2017** results are compiled from **25** 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-16	Dec-16	Mar-17	Jun-17	Sep-17
RE/Const/Land Devel	25%	10%	7%	22%	22%
RE/Agricultural	13%	10%	15%	29%	7%
RE/Commercial/Indust	12%	9%	15%	14%	21%
RE/Residential	0%	9%	7%	7%	7%
Agricultural	12%	24%	7%	7%	7%
Commercial/Industrial	38%	19%	22%	14%	29%
Consumer	0%	19%	27%	7%	7%

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

Of Yes Responses-Loan type	Dec-16		Mar-17		Jun-17		Sep-17	
	Yes 0%	No 100%	Yes 18%	No 82%	Yes 8%	No 92%	Yes 4%	No 96%
Sub-prime/Predatory lending	0%		50%		0%		0%	
Dealer paper	0%		25%		0%		100%	
Low or No-doc bus. lending	0%		13%		50%		0%	
High LTV home eq. lending	0%		12%		50%		0%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

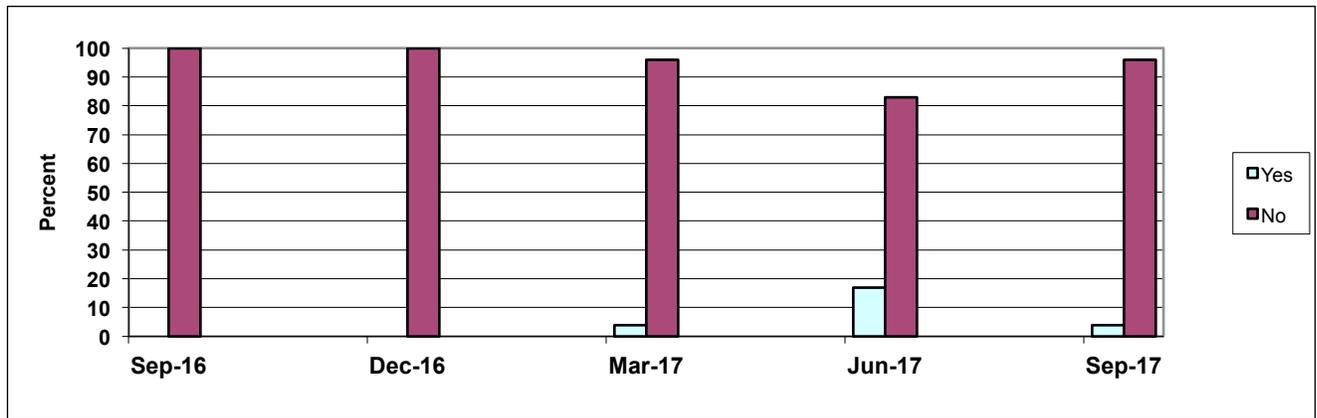
	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Yes	4%	0%	0%	0%	4%
No	96%	100%	100%	100%	96%

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

Of Yes Responses - Loan type	Dec-16		Mar-17		Jun-17		Sep-17	
	Yes 13%	No 87%	Yes 19%	Yes 13%	No 87%	Yes 19%	Yes 4%	No 96%
Credit card	0%		17%		17%		50%	
Consumer	67%		33%		42%		50%	
Residential mortgage	33%		33%		33%		0%	
Small business	0%		17%		8%		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-16	Dec-16	Mar-17	Jun-17	Sep-17
Making collateral based loans?	0%	0%	50%	30%	50%
Reduced collateral margins?	0%	0%	0%	10%	0%
Not requiring cash flow projections?	0%	0%	0%	30%	50%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	0%	0%	50%	20%	0%
Waiving guarantees or other documentation?	0%	0%	0%	0%	0%
Other	0%	0%	0%	10%	0%

6. Describe potential risk in current underwriting practices for:

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
<b>Agricultural Loans</b>					
Minimal	91%	87%	78%	75%	92%
Moderate	9%	13%	22%	25%	4%
Substantial	0%	0%	0%	0%	4%
<b>Commercial Loans</b>					
Minimal	87%	87%	78%	79%	80%
Moderate	13%	13%	19%	21%	20%
Substantial	0%	0%	3%	0%	0%
<b>Consumer Loans</b>					
Minimal	87%	92%	89%	83%	88%
Moderate	13%	8%	7%	17%	12%
Substantial	0%	0%	4%	0%	0%
<b>Residential Loans</b>					
Minimal	91%	100%	93%	87%	88%
Moderate	9%	0%	7%	13%	12%
Substantial	0%	0%	0%	0%	0%

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

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
<b>Agricultural Loans</b>					
Minimal	96%	87%	85%	88%	92%
Moderate	4%	13%	11%	12%	4%
Substantial	0%	0%	4%	0%	4%
<b>Commercial Loans</b>					
Minimal	87%	96%	89%	88%	84%
Moderate	13%	4%	7%	12%	12%
Substantial	0%	0%	4%	0%	4%
<b>Consumer Loans</b>					
Minimal	87%	96%	89%	88%	96%
Moderate	13%	4%	11%	12%	0%
Substantial	0%	0%	0%	0%	4%
<b>Residential Loans</b>					
Minimal	87%	92%	100%	88%	96%
Moderate	13%	8%	0%	12%	0%
Substantial	0%	0%	0%	0%	4%

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

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
<b>Carryover Debt</b>					
Minimal	83%	83%	85%	79%	84%
Moderate	17%	17%	15%	21%	16%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	87%	100%	85%	96%	92%
Moderate	13%	0%	15%	4%	8%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	87%	83%	78%	88%	88%
Moderate	13%	17%	22%	12%	12%
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 (%)	Dec-16		Mar-17		Jun-17		Sep-17	
	+	-	+	-	+	-	+	-
Average Inc/(Dec) in Ratio	4.2	(6.0)	9.9	(10.0)	7.4	(5.4)	4.8	(6.7)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		0%		13%		0%	
Deterioration in new loans	0%		9%		13%		0%	
Deterioration in older loans	75%		72%		60%		78%	
Participations or out-of-territory	0%		0%		0%		0%	
Economic conditions	13%		0%		0%		11%	
Changes in lending personnel	0%		0%		7%		0%	
New types of lending activity	0%		0%		0%		0%	
Other	12%		19%		7%		11%	

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

Loan Type	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
RE/Const/Land Development	26%	14%	9%	3%	8%
RE/Agriculture	4%	3%	3%	9%	5%
RE/Commercial/Industrial	31%	14%	40%	38%	25%
RE/Residential	19%	9%	18%	19%	13%
Agricultural	1%	1%	2%	12%	1%
Commercial/Industrial	13%	57%	23%	17%	46%
Consumer	6%	2%	5%	2%	2%

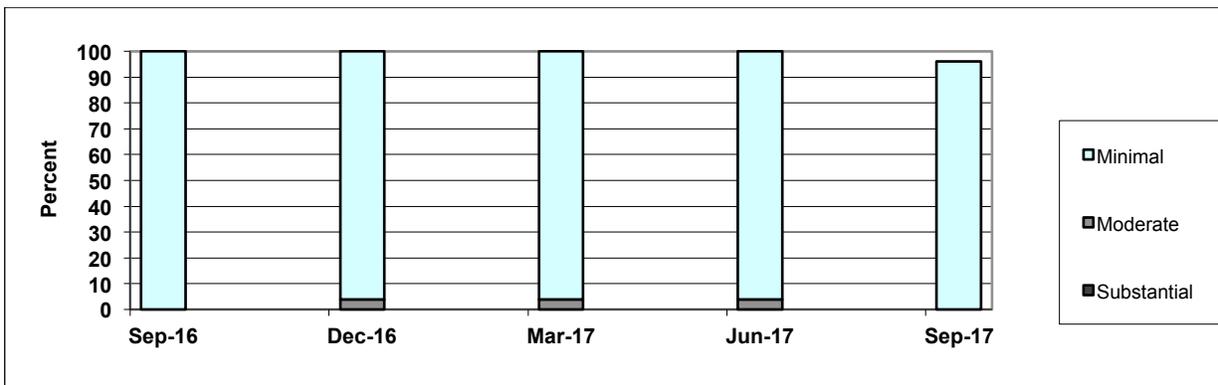
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**INVESTMENTS**

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

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
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-16	Dec-16	Mar-17	Jun-17	Sep-17
Yes	87%	96%	93%	92%	92%
No	13%	4%	7%	8%	8%
If yes, does the bank actively borrow from the FHLB?					
Yes	60%	52%	67%	58%	57%
No	40%	48%	33%	42%	43%

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

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Yes	26%	12%	26%	8%	21%
No	74%	88%	74%	92%	79%

15. List nontraditional activity the institution is engaged in.

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Yes	88%	88%	100%	92%	88%
No	12%	12%	0%	8%	12%
Of those that do:					
Nondeposit Investment Sales	37%	19%	27%	18%	41%
Insurance Sales	26%	10%	8%	23%	23%
Real Estate Loan Secondary Market Sales	63%	48%	54%	64%	64%
Non-transactional Web Site	11%	5%	8%	0%	5%
Transactional Web Site	95%	91%	81%	96%	91%
Other	11%	5%	4%	0%	14%