

# EXAMINER'S BANKING PRACTICES SURVEY

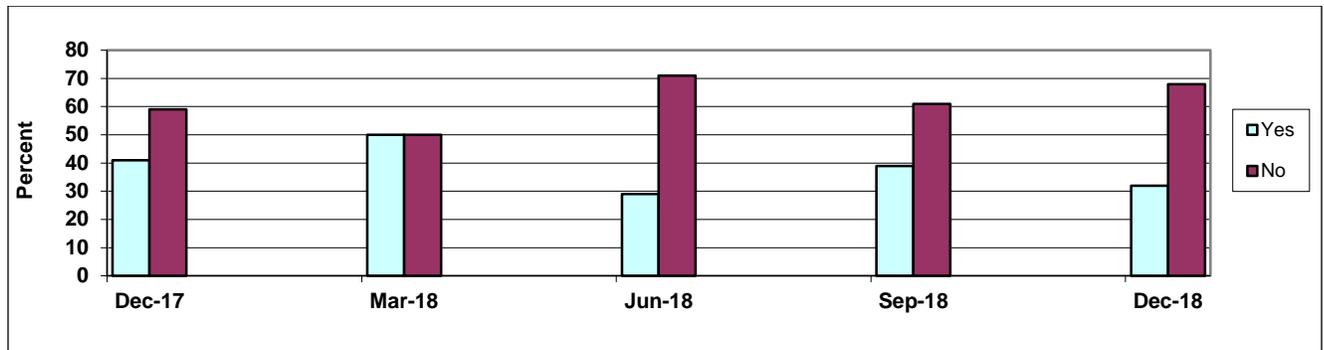
Fourth Quarter 2018

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Fourth Quarter 2018** results are compiled from **22** 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-17	Mar-18	Jun-18	Sep-18	Dec-18
RE/Const/Land Devel	15%	24%	22%	21%	27%
RE/Agricultural	12%	12%	22%	16%	20%
RE/Commercial/Indust	12%	12%	14%	16%	20%
RE/Residential	19%	16%	0%	21%	13%
Agricultural	15%	16%	21%	5%	7%
Commercial/Industrial	12%	8%	7%	5%	13%
Consumer	15%	12%	14%	16%	0%

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

	Mar-18		Jun-18		Sep-18		Dec-18	
	Yes 0%	No 100%	Yes 12%	No 88%	Yes 0%	No 100%	Yes 9%	No 91%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	0%		33%		0%		50%	
Dealer paper	0%		67%		0%		25%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	0%		0%		0%		25%	

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

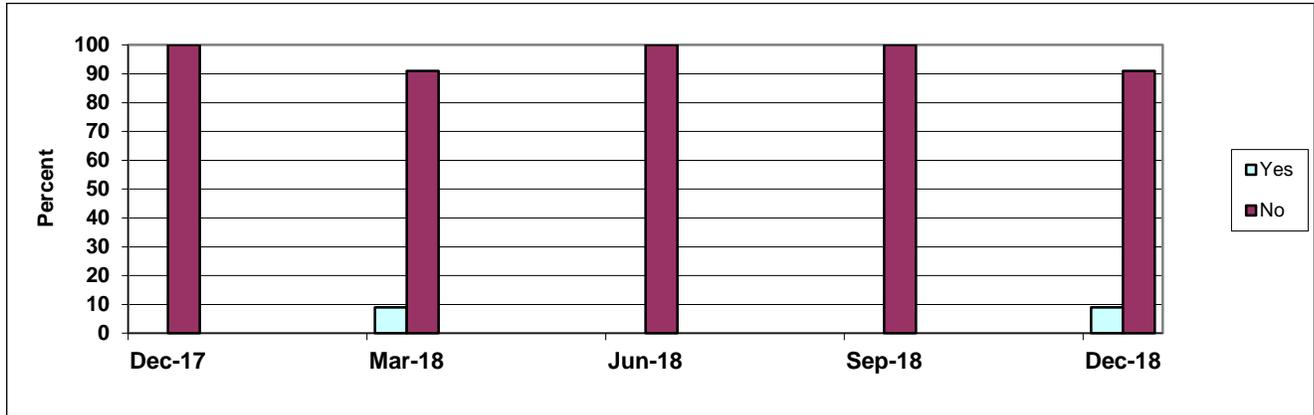
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Yes	3%	0%	4%	0%	0%
No	97%	100%	96%	100%	100%

**Examiner's Banking Practices Survey**

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

	Mar-18		Jun-18		Sep-18		Dec-18	
	Yes 23%	No 77%	Yes 8%	No 92%	Yes 9%	No 91%	Yes 23%	No 77%
Of Yes Responses - Loan type								
Credit card	10%		25%		20%		14%	
Consumer	40%		50%		40%		14%	
Residential mortgage	40%		25%		40%		43%	
Small business	10%		0%		0%		14%	
Other	0%		0%		0%		15%	

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



Of yes responses:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Making collateral based loans?	0%	0%	0%	0%	0%
Reduced collateral margins?	0%	0%	0%	0%	50%
Not requiring cash flow projections?	0%	0%	0%	0%	0%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	0%	0%	0%	0%	0%
Waiving guarantees or other documentation?	0%	0%	0%	0%	0%
Other	0%	100%	0%	0%	50%

6. Describe potential risk in current underwriting practices for:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Agricultural Loans</b>					
Minimal	93%	91%	79%	87%	91%
Moderate	7%	9%	21%	13%	9%
Substantial	0%	0%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	83%	82%	92%	78%	59%
Moderate	17%	18%	8%	22%	41%
Substantial	0%	0%	0%	0%	0%
<b>Consumer Loans</b>					
Minimal	97%	100%	96%	96%	86%
Moderate	3%	0%	0%	4%	14%
Substantial	0%	0%	4%	0%	0%
<b>Residential Loans</b>					
Minimal	93%	91%	96%	91%	82%
Moderate	7%	9%	0%	9%	18%
Substantial	0%	0%	4%	0%	0%

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

**Examiner's Banking Practices Survey**

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Agricultural Loans</b>					
Minimal	93%	96%	92%	87%	96%
Moderate	7%	4%	8%	13%	0%
Substantial	0%	0%	0%	0%	4%
<b>Commercial Loans</b>					
Minimal	97%	91%	88%	83%	82%
Moderate	3%	9%	8%	17%	14%
Substantial	0%	0%	4%	0%	4%
<b>Consumer Loans</b>					
Minimal	100%	100%	96%	96%	96%
Moderate	0%	0%	0%	4%	0%
Substantial	0%	0%	4%	0%	4%
<b>Residential Loans</b>					
Minimal	100%	96%	96%	100%	96%
Moderate	0%	4%	0%	0%	4%
Substantial	0%	0%	4%	0%	0%

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Carryover Debt</b>					
Minimal	90%	100%	79%	70%	86%
Moderate	10%	0%	21%	30%	14%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	97%	96%	96%	87%	86%
Moderate	3%	4%	4%	13%	14%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	86%	96%	79%	74%	86%
Moderate	14%	4%	21%	26%	14%
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?

	Mar-18		Jun-18		Sep-18		Dec-18	
	+	-	+	-	+	-	+	-
No. Banks with Inc/(Dec) in ratio (%)	59%	41%	33%	67%	39%	61%	41%	59%
Average Inc/(Dec) in Ratio	7.3	(18.1)	6.1	(7.4)	2.8	(6.4)	4.9	(4.8)
<b>Cause of Increase</b>								
Eased underwriting standards	6%		9%		7%		0%	
Deterioration in new loans	0%		9%		7%		17%	
Deterioration in older loans	70%		73%		50%		25%	
Participations or out-of-territory	0%		0%		0%		0%	
Economic conditions	0%		0%		7%		17%	
Changes in lending personnel	6%		0%		7%		0%	
New types of lending activity	6%		0%		0%		0%	
Other	12%		9%		22%		41%	

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

Loan Type	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
RE/Const/Land Development	14%	6%	27%	4%	4%
RE/Agriculture	8%	6%	9%	7%	13%
RE/Commercial/Industrial	42%	41%	28%	52%	23%
RE/Residential	19%	15%	18%	15%	13%
Agricultural	3%	9%	4%	3%	2%
Commercial/Industrial	5%	20%	9%	17%	41%
Consumer	9%	3%	5%	2%	4%

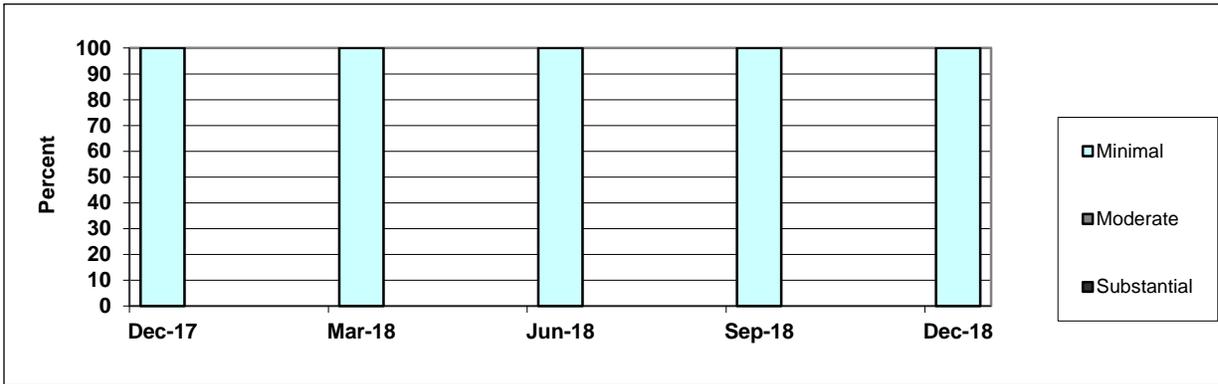
**INVESTMENTS**

**Examiner's Banking Practices Survey**

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
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?

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Yes	97%	96%	88%	83%	91%
No	3%	4%	12%	17%	9%
If yes, does the bank actively borrow from the FHLB?					
Yes	71%	48%	67%	58%	59%
No	29%	52%	33%	42%	41%

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Yes	14%	0%	21%	13%	18%
No	86%	100%	79%	87%	82%

15. List nontraditional activity the institution is engaged in.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Yes	97%	86%	100%	91%	91%
No	3%	14%	0%	9%	9%
Of those that do:					
Nondeposit Investment Sales	54%	26%	29%	24%	35%
Insurance Sales	25%	5%	29%	14%	15%
Real Estate Loan Secondary Market Sales	68%	63%	54%	71%	80%
Non-transactional Web Site	0%	0%	8%	0%	5%
Transactional Web Site	100%	84%	71%	86%	85%
Other	4%	5%	13%	0%	0%