

# EXAMINER'S BANKING PRACTICES SURVEY

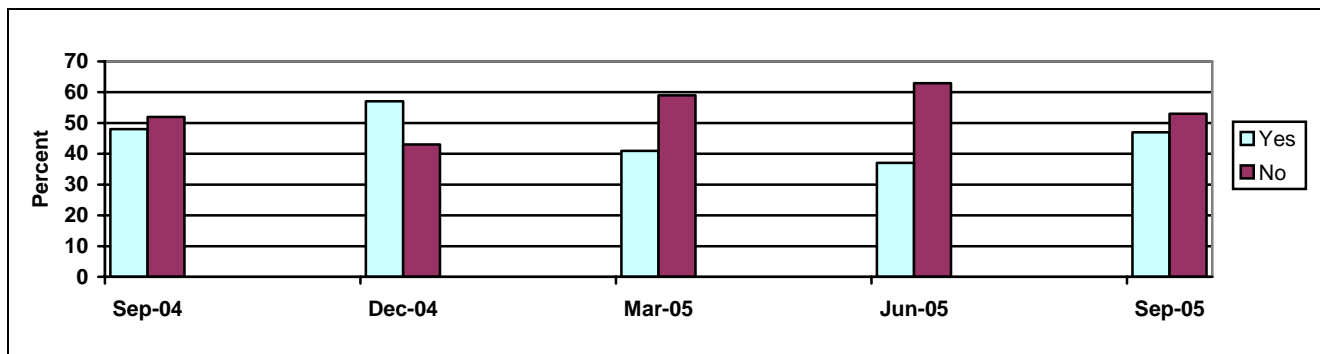
Third Quarter 2005

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Third Quarter 2005** results are compiled from **32** 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-04	Dec-04	Mar-05	Jun-05	Sep-05
RE/Const/Land Devel	20%	21%	31%	18%	32%
RE/Agricultural	16%	9%	13%	9%	5%
RE/Commercial/Indust	16%	26%	20%	18%	21%
RE/Residential	16%	10%	13%	12%	13%
Agricultural	16%	6%	8%	4%	11%
Commercial/Industrial	12%	19%	10%	30%	13%
Consumer	4%	9%	5%	9%	5%

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

Of Yes Responses-Loan type	Dec-04		Mar-05		Jun-05		Sep-05	
	Yes 23%	No 77%	Yes 9%	No 91%	Yes 17%	No 83%	Yes 6%	No 94%
Sub-prime/Predatory lending	50%		33%		17%		50%	
Dealer paper	38%		67%		33%		50%	
Low or No-doc bus. lending	0%		0%		0%		0%	
High LTV home eq. lending	12%		0%		50%		0%	

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

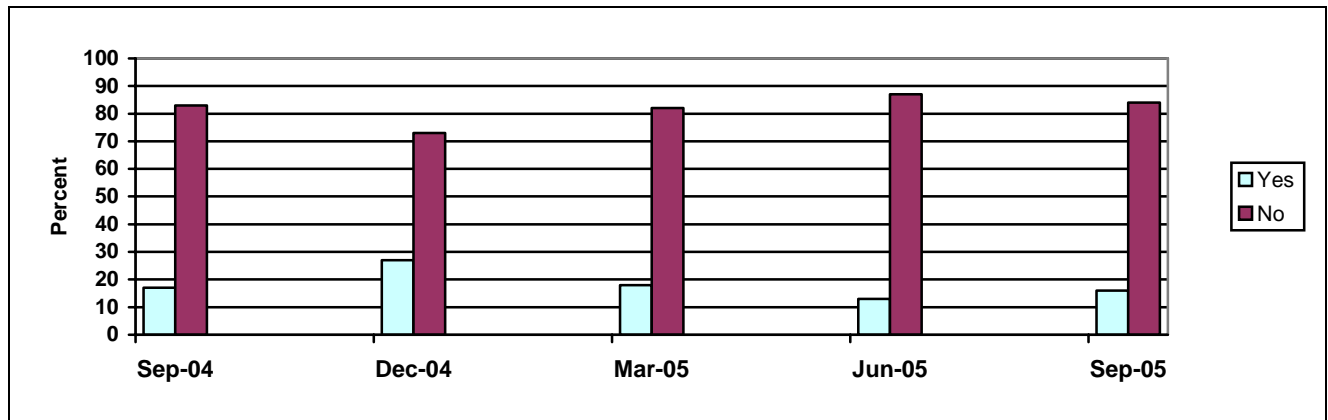
	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
Yes	0%	10%	6%	7%	3%
No	100%	90%	94%	93%	97%

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

	Dec-04		Mar-05		Jun-05		Sep-05	
	Yes 10%	No 90%	Yes 15%	No 85%	Yes 20%	No 80%	Yes 19%	No 81%
Of Yes Responses - Loan type								
Credit card	0%		7%		8%		8%	
Consumer	20%		29%		42%		17%	
Residential mortgage	40%		29%		33%		33%	
Small business	20%		21%		17%		25%	
Other	20%		14%		0%		17%	

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



Of yes responses:

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
Making collateral based loans?	10%	29%	20%	43%	37%
Reduced collateral margins?	20%	24%	20%	0%	18%
Not requiring cash flow projections?	30%	29%	13%	14%	9%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	30%	18%	27%	43%	27%
Waiving guarantees or other documentation?	0%	0%	7%	0%	0%
Other	10%	0%	13%	0%	9%

6. Describe potential risk in current underwriting practices for:

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
<b>Agricultural Loans</b>					
Minimal	92%	83%	82%	90%	78%
Moderate	4%	17%	15%	10%	19%
Substantial	4%	0%	3%	0%	3%
<b>Commercial Loans</b>					
Minimal	65%	67%	68%	70%	56%
Moderate	30%	33%	29%	30%	41%
Substantial	5%	0%	3%	0%	3%
<b>Consumer Loans</b>					
Minimal	91%	87%	82%	77%	88%
Moderate	9%	13%	15%	23%	9%
Substantial	0%	0%	3%	0%	3%
<b>Residential Loans</b>					
Minimal	87%	77%	94%	73%	81%
Moderate	9%	20%	0%	27%	16%
Substantial	4%	3%	6%	0%	3%

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

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
<b>Agricultural Loans</b>					
Minimal	91%	87%	94%	97%	84%
Moderate	9%	10%	6%	3%	16%
Substantial	0%	3%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	87%	67%	74%	83%	75%
Moderate	13%	30%	26%	17%	22%
Substantial	0%	3%	0%	0%	3%
<b>Consumer Loans</b>					
Minimal	91%	90%	85%	93%	94%
Moderate	9%	7%	15%	7%	6%
Substantial	0%	3%	0%	0%	0%
<b>Residential Loans</b>					
Minimal	83%	83%	88%	97%	84%
Moderate	13%	10%	12%	3%	16%
Substantial	4%	7%	0%	0%	0%

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

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
<b>Carryover Debt</b>					
Minimal	78%	90%	88%	97%	84%
Moderate	17%	10%	12%	3%	16%
Substantial	5%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	78%	93%	88%	93%	97%
Moderate	17%	7%	12%	7%	3%
Substantial	5%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	87%	87%	82%	90%	81%
Moderate	9%	10%	18%	10%	16%
Substantial	4%	3%	0%	0%	3%

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-04		Mar-05		Jun-05		Sep-05	
	+ 60%	- 40%	+ 61%	- 39%	+ 48%	- 52%	+ 60%	- 40%
<b>Average Inc/(Dec) in Ratio</b>	11.6	(5.8)	8.1	(8.0)	10.5	(6.3)	9.4	(9.0)
<b>Cause of Increase</b>								
Eased underwriting standards	11%		8%		18%		4%	
Deterioration in new loans	15%		8%		27%		9%	
Deterioration in older loans	59%		65%		41%		61%	
Participations or out-of-territory	0%		4%		0%		0%	
Economic conditions	7%		11%		5%		4%	
Changes in lending personnel	0%		4%		0%		0%	
New types of lending activity	4%		0%		0%		4%	
Other	4%		0%		9%		18%	

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

Loan Type	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
RE/Const/Land Development	4%	8%	2%	7%	9%
RE/Agriculture	5%	5%	8%	3%	6%
RE/Commercial/Industrial	21%	27%	42%	36%	37%
RE/Residential	32%	30%	14%	26%	25%
Agricultural	4%	4%	4%	2%	3%
Commercial/Industrial	21%	22%	24%	22%	14%
Consumer	13%	4%	6%	4%	6%

Ratios from March 2005 and forward are weighted by dollar volume of classified loans for all respondents. Prior ratios are an average of percentages from each bank (not dollar weighted).

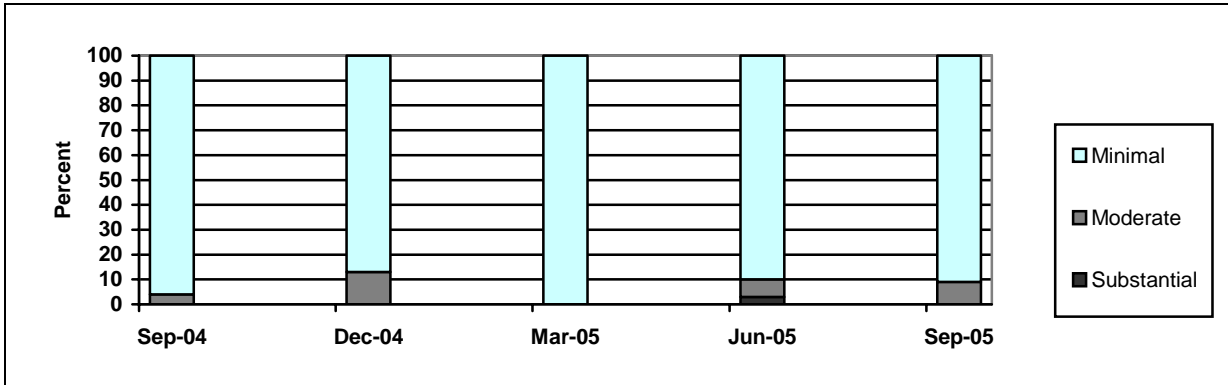
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**INVESTMENTS**

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

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
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-04	Dec-04	Mar-05	Jun-05	Sep-05
Yes	70%	90%	79%	87%	87%
No	30%	10%	21%	13%	13%
If yes, does the bank actively borrow from the FHLB?					
Yes	94%	89%	70%	77%	89%
No	6%	11%	30%	23%	11%

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

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
Yes	9%	0%	0%	3%	3%
No	91%	100%	100%	97%	97%

15. List nontraditional activity the institution is engaged in.

	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
Yes	65%	87%	71%	77%	75%
No	35%	13%	29%	23%	25%
Of those that do:					
Nondeposit Investment Sales	21%	24%	25%	26%	21%
Insurance Sales	15%	6%	14%	10%	11%
Real Estate Loan Secondary Market Sales	23%	24%	21%	26%	23%
Non-transactional Web Site	6%	14%	3%	2%	9%
Transactional Web Site	32%	32%	35%	36%	36%
Other	3%	0%	2%	0%	0%