PUBLIC DISCLOSURE

April 13, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bay-Hermann-Berger Bank
RSSD # 1007145

501 Market Street
Hermann, MO 65041

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, MO 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Bay-Hermann-Berger Bank meets the criteria for a satisfactory rating based upon an evaluation of the bank's overall lending performance. This conclusion is based on the satisfactory distribution of loans to borrowers of different income levels, especially among low- and moderate-income (LMI) individuals, and to businesses of varying revenues. A majority of the bank's loans were made within its assessment area. The loan-to-deposit ratio is considered reasonable, given the institution's size, financial condition, performance of its competitors, and the credit needs of the assessment area. The geographic distribution of loans is adequate. Lastly, no Community Reinvestment Act (CRA) related complaints were filed against the bank for this review period.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the small bank examination procedures. This review period covered the date of the bank's previous CRA evaluation on April 4, 2005, to April 13, 2009. The bank's lending performance in residential real estate was evaluated using information from Home Mortgage Disclosure Act (HMDA) data for the period from January 1, 2007, through December 31, 2008. The evaluation of consumer motor vehicle and small business loans was based on a statistical sample of loans for the period from January 1, 2007, through December 31, 2008.[1] These three loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amount, and are indicative of the overall lending by the bank. The loan data evaluation involved an analysis of the bank's distribution of loans by borrower income and business revenues, lending within the bank's assessment area, lending volume relative to bank deposits, and the distribution of loans among different geographical categories.

One community contact was conducted in order to establish a performance context for the communities in which the bank operates and to better understand the credit needs of those communities. Information was solicited on the overall economic condition of the bank's assessment area and how financial institutions meet any credit needs identified. Specific comments from the community contact are addressed in the applicable section relating to the assessment area.

DESCRIPTION OF INSTITUTION[2]

Bay-Hermann-Berger Bank is a small community bank located in Hermann, Missouri, with assets of $42.8 million as of December 31, 2008. The bank is a wholly-owned subsidiary of Warren County Bancshares, Inc., a three-bank holding company headquartered in Warrenton, Missouri. The bank has no subsidiaries. Bay-Hermann-Berger Bank operates its main office in Hermann and full-service branch offices in both Bay and Berger. All three banking facilities have automated teller machines (ATMs) located on-site.

[1] In the narrative and applicable tables that follow in this document, the reference to HMDA loans, consumer motor vehicle loans, and small business loans will use the loans originated in the time periods shown here.
[2] Any percentage row or column "Total" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to overall performance conclusions.

For this evaluation, the bank's assessment area is comprised of portions of four contiguous counties. Although the counties are contiguous, Gasconade and Montgomery counties are part of the non-metropolitan areas in Missouri (non-MSA MO) and Franklin and Warren counties are part of the St. Louis Metropolitan Statistical Area (St. Louis MSA). The cities of Bay and Herman are located in Gasconade County (non-MSA MO) and the city of Berger is located in Franklin County, a portion of the St. Louis MSA.

As of December 31, 2008, the bank had total assets of $42.8 million, with total loans and leases of $28.1 million, representing 65.7 percent of total assets. The composition of the bank's loan portfolio is shown below.[3]

Distribution of Total Loans (as of December 31, 2008)		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
1-4 Family Residential Real Estate Construction Loans	$ 577	2.1%
Other Construction, Land Development, & Other Loans	$ 428	1.5%
Loans Secured by Owner Occupied Non-Farm Non-Residential Real Estate	$ 5,263	18.7%
Loans Secured by Other Non-Farm Non-Residential Real Estate	$ 64	0.2%
Multifamily Residential	$ 751	2.7%
1-4 Family Residential - Revolving	$ 0	0.0%
1-4 Family Residential - First Liens	$ 7,101	25.2%
1-4 Family Residential - Junior Liens	$ 51	0.2%
Farmland	$ 4,847	17.2%
Agricultural	$ 1,041	3.7%
Commercial and Industrial	$ 5,825	20.7%
Loans to Individuals	$ 1,126	4.0%
Total Other Loans	$ 1,069	3.8%
Gross Loans	**$ 28,143**	**100%**

As indicated in the preceding table, a significant portion (25.2 percent) of the bank's lending resources is directed to 1-4 family residential first lien loans. By dollar volume, the other

[3] For purposes of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Reports of Condition and Income as of December 31, 2008.

products with a high concentration of loans are commercial and industrial (20.7 percent) and non-farm, non-residential real estate loans (18.7 percent).

As part of this evaluation under the CRA, the bank's performance was evaluated in relation to local competitors. Four financial institutions were identified as regional competitors with asset sizes ranging from $57.1 million to $423.8 million as of December 31, 2008.

There are no apparent legal or financial impediments that would prevent the bank from meeting assessment area credit needs. The bank received a satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on April 4, 2005.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Bay-Hermann-Berger Bank meets the criteria for a satisfactory rating based upon its lending performance as measured by the CRA small bank performance standards. This lending performance was based upon HMDA, consumer motor vehicle, and small business loans originated during the period of January 1, 2007, through December 31, 2008. These loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amounts. Therefore, loan activity represented by these credit products is deemed indicative of the overall lending performance of the bank. The CRA small bank performance standards evaluate the following five criteria as applicable:

- The bank's level of lending within the assessment area.
- The bank's average loan-to-deposit ratio.
- The bank's distribution of loans by borrower income and business revenue.
- The bank's geographic distribution of loans.
- A review of written complaints received concerning the bank's CRA performance.

The remaining sections of this evaluation are based upon analyses of the bank's lending performance under these five performance criteria.

Lending in the Assessment Area

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans extended inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
2007 & 2008 HMDA	40 74.1%	14 25.9%	**54** **100%**
	$ 2,365 63.4%	$ 1,367 36.6%	**$ 3,732** **100%**
2007 & 2008 Motor Vehicle	58 85.3%	10 14.7%	**68** **100%**
	$ 458 81.6%	$ 103 18.4%	**$ 561** **100%**
2007 & 2008 Small Business	42 68.9%	19 31.1%	**61** **100%**
	$ 2,921 48.8%	$ 3,070 51.2%	**$ 5,991** **100%**
TOTAL	**140** **76.5%**	**43** **23.5%**	**183** **100%**
	$ 5,744 **55.9%**	**$ 4,540** **44.1%**	**$ 10,284** **100%**

The analysis of the loan sample revealed that the bank originated a majority of its loans within its assessment area. As shown in the table above, 140 (76.5 percent) of the 183 loans sampled were originated within the bank's assessment area. By dollar volume, 55.9 percent of the loans were originated inside the assessment areas. Therefore, the bank's lending practices under this criterion meets the standard for satisfactory performance.

Loan-to-Deposit (LTD) Ratio

Another indication of the bank's overall lending activity is its LTD ratio. The following table displays the bank's quarterly average LTD ratio in comparison to that of regional competitors.[4] These financial institutions were determined to be similarly situated to Bay-Hermann-Berger Bank in terms of proximity, asset size, and structure.

[4] The average net LTD ratio represents a 15-quarter average dating back to the first quarter (June 30, 2005) after the bank's last CRA examination, to December 31, 2008.

Loan-to-Deposit Ratio Analysis[5]			
Name	**Asset Size (in $000s)**	**Headquarters**	**Average LTD Ratio**
Bay-Hermann-Berger Bank	$42,803	Hermann, MO	70.4%
Regional Bank Competitors	$57,072	Silex, MO	64.1%
	$113,258	Wellsville, MO	90.0%
	$182,665	Old Monroe, MO	67.7%
	$423,787	Troy, MO	77.9%

Based on the data from the above table, the bank's level of lending indicates reasonable responsiveness to the credit needs of its assessment areas. For the last 15 quarters, the bank's LTD ratio ranged from a low of 63.0 to a high of 75.5 percent. The bank's quarterly average LTD ratio was 70.4 percent for this current evaluation period. In comparison, the bank's regional competitors' average LTD ratios ranged from 64.1 to 90.0 percent.

Though lower than two of the regional competitors, the bank's quarterly average LTD ratio meets the standard for satisfactory performance for this criterion.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of loans by borrower income and revenue size of businesses is satisfactory. In the non-MSA assessment area of Gasconade and Montgomery counties, the bank's record of originating residential mortgage loans to borrowers of various income levels is satisfactory: the record of making consumer loans is good, and the record of originating small business loans to businesses of different sizes for varying amounts is excellent. This assessment area makes up a substantial portion of the bank's lending and deposit activity and was therefore afforded more weight in this analysis.

In the MSA assessment area, consisting of portions of Warren and Franklin counties, the bank's record of originating residential mortgage, consumer loans, and small businesses of various income levels and sizes is excellent. However, given the low levels of lending in this assessment area, this performance is given less weight in arriving at the overall rating.

There is a detailed discussion of the borrower and business distribution in the Conclusions with Respect to Performance Tests section of each assessment area.

Geographic Distribution of Loans

The analysis of the geographic distribution of loans evaluates the bank's distribution of loans within its assessment area. The review focuses on loans in LMI census tracts. Though there are

[5] Assets reflected in this table reflect data as of December 31, 2008.

no low- or moderate-income census tracts in either assessment area, the loan dispersion among the other census tracts is considered adequate.

A detailed discussion of the geographic distribution is contained in the non-MSA and the MSA sections that follow.

Complaints

No CRA-related complaints were received for this institution during the time frame used for this evaluation, April 4, 2005, through April 13, 2009.

NON-METROPOLITAN STATISTICAL AREA (NON-MSA)

DESCRIPTION OF THE PORTIONS OF GASCONADE AND MONTGOMERY COUNTIES COMPRISING THE NON-MSA

Gasconade and Montgomery counties are part of non-MSA Missouri. Appendix A contains a listing of the four census tracts within this assessment area. Three of the four census tracts are designated as middle-income and one as upper-income.

The following table reflects the number of census tracts within the non-MSA Missouri assessment area by each income category and the corresponding family populations within those census tracts.[6]

Assessment Area Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Geographies	0 0.0%	0 0.0%	3 75.0%	1 25.0%	0 0.0%	**4** **100%**
Family Population	0 0.0%	0 0.0%	2,368 74.7%	800 25.3%	0 0.0%	**3,168** **100%**

As shown in the table above, the assessment area contains no low-or moderate-income census tracts, three middle-income census tracts, and one upper-income census tract. Approximately 74.7 percent of all families reside in the middle-income census tracts. According to 2000 census data, the total population of this assessment area was 11,107.

According to Federal Deposit Insurance Corporation (FDIC) market share information as of June 30, 2008, the bank had a deposit market share of 7.4 percent and is one of 11 FDIC-insured institutions operating in the Gasconade and Montgomery counties assessment area. The bank is ranked fourth in terms of deposits in the assessment area.

The following table displays the distribution of assessment area families by income level, compared to the individual counties, non-MSA Missouri, and the entire state.[7]

[6] See the glossary in Appendix B for the definitions of the low-, moderate-, middle-, and upper-income categories.
[7] Statistical/demographic information cited in this evaluation, unless stated otherwise, is taken from 2000 United States Census Bureau data.

Assessment Area Family Population by Income Level						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	389 12.3%	478 15.1%	767 24.2%	1,534 48.4%	0 0.0%	**3,168** **100%**
Gasconade County	541 12.5%	691 16.0%	1,052 24.3%	2,042 47.2%	0 0.0%	**4,326** **100%**
Montgomery County	544 16.2%	588 17.5%	819 24.4%	1,408 41.9%	0 0.0%	**3,359** **100%**
State of Missouri	283,057 19.0%	278,617 18.7%	344,928 23.2%	579,944 39.0%	0 0.0%	**1,486,546** **100%**
Non MSA MO	79,635 19.0%	77,615 18.5%	96,926 23.2%	164,446 39.3%	0 0.0%	**418,622** **100%**

Although the assessment area's census tracts are middle- and upper-income, LMI families make up 27.4 percent of the assessment area's family population, as shown in the table above. The LMI families are dispersed throughout the assessment area, including the upper-income census tract. In comparison to the state as a whole and non-MSA Missouri, the bank's assessment area has a lower percentage of LMI families. The percentage of LMI families is 27.4 percent in the assessment area, compared to 37.7 percent for the state of Missouri and 37.5 percent for non-MSA Missouri.

Based on 2000 census data, the median family income of the Gasconade and Montgomery counties assessment area is $42,266, compared to $36,175 for non-MSA Missouri and $46,044 for the state of Missouri. For 2007, the Department of Housing and Urban Development (HUD) estimates the median family income for non-MSA Missouri to be $42,800; the 2008 figure is $43,800.

Housing costs in the assessment area are similar to non-MSA Missouri and the state of Missouri, as shown by median gross rent value and by affordability ratio.[8] The 2000 median gross rent for the assessment area was $382 per month, compared to $378 for non-MSA Missouri and $484 for the state of Missouri. Further, the assessment area affordability ratio was 43.0 percent, compared to the non-MSA Missouri figure of 45.0 percent and the state of Missouri figure of 43.0 percent.

[8] This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

According to the U. S. Department of Labor, Bureau of Labor Statistics, the 2008 annualized unemployment rates (not seasonally adjusted) for the counties comprising this assessment area were: Gasconade (7.7 percent) and Montgomery (7.2 percent). In comparison, the figure for statewide Missouri was 6.1 percent. These figures have spiked upward dramatically. The unemployment rates as of March 2009 were as follows: Gasconade (12.7 percent), Montgomery (12.6 percent), and statewide Missouri (9.1 percent).

Information obtained from the community contact was used in evaluating the bank's CRA performance. The community contact was a risk management officer of a bank in a nearby county, but as a resident and financial industry professional, was able to comment on the overall economic situation of the region.

According to the community contact, this area of rural Missouri has recently been experiencing great financial stress in certain core industries, especially trucking and construction. This observation is evidenced by the noted spike in unemployment in both counties comprising the bank's assessment area, as well as the statewide total.

<u>Lending to Borrowers of Different Incomes and to Businesses of Different Sizes</u>

The borrower distribution performance criterion evaluates the bank's loan originations to borrowers of different income levels and businesses of varying revenue sizes. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by HUD. For 2007, HUD estimated the median family income for statewide non-MSA Missouri to be $42,800. For the 2008, the figure was $43,800.

The following table shows the distribution of HMDA residential mortgage loans[9] by income level of the borrower.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower

Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 & 2008 HMDA	2 5.6%	5 13.9%	8 22.2%	19 52.8%	2 5.6%	**36** **100%**
	$ 21 0.9%	$ 212 9.6%	$ 464 20.9%	$ 1,268 57.1%	$ 254 11.4%	**$ 2,219** **100%**
Family Population	12.3%	15.1%	24.2%	48.4%	0.0%	**100%**

[9] HMDA loans are those made for the purchase, refinance, or home improvement of a dwelling.

As the table above shows, the bank extended 7 of 36 (19.5 percent) residential mortgage loans to LMI borrowers. The bank's percentage of lending is below the LMI family population of 27.4 percent. When the "unknown" income borrowers[10] are eliminated from the sample, the bank's lending percentage to low-income borrowers increases to 5.9 percent and to moderate-income borrowers to 14.7 percent, for total lending to LMI borrowers of 20.6 percent. Based on this revised calculation, the bank's lending approaches the LMI family population. Considering this information, the bank's mortgage lending is considered satisfactory.

The following table shows the distribution of consumer loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 & 2008 Motor Vehicle	14 28.6%	7 14.3%	14 28.6%	14 28.6%	0 0.0%	**49** **100%**
	$ 61 15.4%	$ 51 12.9%	$ 119 30.1%	$ 165 41.7%	$ 0 0.0%	**$ 396** **100%**
Household Population	16.3%	14.4%	18.5%	50.7%	0.0%	**100%**

The bank's lending to low-income borrowers was high: 28.6 percent compared to 16.3 percent of households. The bank exhibited satisfactory performance, however, in extending credit to moderate-income borrowers, where 14.3 percent of the loans sampled were made to moderate-income borrowers which account for 14.4 percent of the population. Combined, the bank originated 21 of 49 (42.9 percent) of consumer motor vehicle loans to LMI borrowers. This is significantly above the household population of LMI borrowers of 30.7 percent, reflecting excellent performance.

A sample of business loans was reviewed to determine the bank's level of lending to small businesses.[11] The loans were analyzed by revenue size of the business and by the loan amount. The bank's performance for small business lending was compared to Dun & Bradstreet statistics.[12] The following table illustrates the distribution of business loans by revenue level and loan origination amount.

[10] Loans with borrowers labeled as "unknown" are those loans reported in the HMDA loan application register for which income was not relied upon in making the credit decision.
[11] Under the CRA, a small business is considered to be one in which gross annual revenues for the preceding calendar year are $1 million or less.
[12] These statistics are derived from business geodemographic data for the assessment area for the year 2008.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	24 72.7%	5 15.2%	0 0.0%	**29** **87.9%**
Greater Than $1 Million	2 6.1%	2 6.1%	0 0.0%	**4** **12.1%**
TOTAL	**26** **78.8%**	**7** **21.2%**	**0** **0.0%**	**33** **100%**

The analysis of small business loans revealed that 29 of 33 (87.9 percent) small business loans were made to businesses with gross revenues of $1 million or less. In comparison, 2008 Dun & Bradstreet data indicate that 88.0 percent of the businesses within the assessment area are small businesses. Therefore, the bank's distribution of loans to businesses of various revenue sizes is good.

Overall, for all three loan categories analyzed, the distribution of the bank's loans is satisfactory and reflects good penetration among individuals of different income levels, including LMI individuals and businesses of different revenue sizes.

Geographic Distribution of Loans

The analysis of the geographic distribution criterion evaluates the bank's distribution of loans among the census tracts within the assessment area by the income level of each census tract.

Under the CRA, specific emphasis is placed on the bank's performance in LMI census tracts. However, as previously noted, the bank's assessment area does not include any LMI census tracts and is comprised of three middle- and one upper-income census tracts. Therefore, a detailed analysis of the distribution of the bank's lending in the assessment area by geographic income level is not as meaningful for evaluating the bank's performance under this criterion.

Nevertheless, the three loan products were reviewed to determine the dispersion throughout the assessment area. The analysis indicated that loans of each product type were reasonably dispersed within these census tracts. The bank meets the standard for satisfactory performance under this criterion.

METROPOLITAN STATISTICAL AREA (MSA)

DESCRIPTION OF THE MSA ASSESSMENT AREA (PORTIONS OF FRANKLIN AND WARREN COUNTIES)

The MSA assessment area consists of portions of Warren and Franklin counties, which are on the western end of the St. Louis MO-IL multistate MSA. The bank has one branch in the MSA, in the city of Berger, in Franklin County. However, the Berger branch is quite small and is generally only staffed by one person. Very little lending activity is attributable to this branch, so the bank's performance in this portion of its assessment area is not heavily weighted in the overall CRA assessment.

According to the FDIC market share information as of June 30, 2008, the bank has a deposit market share of 0.2 percent and is one of 23 FDIC-insured institutions operating in Franklin and Warren counties. The bank is ranked last in terms of deposits in the assessment area.

At the entire MSA level, the bank's market share of the St. Louis MSA is quite low. It is one of 145 FDIC-insured institutions operating in the MSA, and holds less than 0.1 percent of all deposits and is rated 139th in terms of market share.

The following table reflects the number of census tracts within this assessment area by each income category and the corresponding family populations within those census tracts.

Assessment Area Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Geographies	0 0.0%	0 0.0%	3 100%	0 0.0%	0 0.0%	**3** **100%**
Family Population	0 0.0%	0 0.0%	5,846 100%	0 0.0%	0 0.0%	**5,846** **100%**

As shown in the table above, the assessment area contains three middle-income census tracts. There are no low-, moderate-, or upper-income census tracts within this assessment area. Therefore, the entire population resides in middle-income census tracts. Nevertheless, LMI families are dispersed throughout the assessment area census tracts.

The following table displays the distribution of assessment area families by income level, compared to the MSA, the two counties in the assessment area, as well as the entire state.

Assessment Area Family Population by Income Level						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	891 15.2%	1,173 20.1%	1,598 27.3%	2,184 37.4%	0 0.0%	**5,846** **100%**
Franklin County	4,742 18.3%	5,469 21.1%	7,129 27.5%	8,587 33.1%	0 0.0%	**25,927** **100%**
Warren County	1,423 20.6%	1,598 23.2%	1,601 23.2%	2,276 33.0%	0 0.0%	**6,898** **100%**
State of Missouri	283,057 19.0%	278,617 18.7%	344,928 23.2%	579,944 39.0%	0 0.0%	**1,486,546** **100%**
MSA 41180 St. Louis MO-IL	137,988 19.4%	131,220 18.4%	161,155 22.6%	282,274 39.6%	0 0.0%	**712,637** **100%**

Although all of the assessment area's census tracts are middle-income, LMI families make up 35.3 percent of the assessment area's family population, as shown in the table above. In comparison to the state as a whole, the bank's assessment area has a slightly lower percentage of LMI families. The percentage of LMI families is 35.3 percent in the assessment area, compared to 37.7 percent for the state of Missouri.

Based on 2000 census data, the median family income of the assessment area was $52,993, compared to $46,044 for the state of Missouri and $53,435 for the entire St. Louis MSA. For 2007, HUD estimated the St. Louis MSA median family income to be $63,300; the figure was $65,000 for 2008.

Housing in the assessment area is less affordable relative to the state of Missouri and the entire MSA, as shown by a lower affordability ratio and higher median housing values. The assessment area affordability ratio was 41.0 percent, compared to the state of Missouri figure of 43.0 percent and the St. Louis MSA figure of 46.0 percent. The median housing value for the assessment area is $112,683, the state of Missouri, $86,900, and for the St. Louis MSA at $94,895.

According to the U. S. Department of Labor, Bureau of Labor Statistics, the 2008 annualized unemployment rates for Franklin and Warren counties were both 7.5 percent, while the entire St. Louis MSA was 6.6 percent and the statewide figure was 6.1 percent. As of March 2009, unemployment rates for Franklin and Warren counties are still above statewide Missouri and the entire St. Louis MSA: Franklin (12.5 percent), Warren (12.4 percent), statewide (9.1 percent), St. Louis MSA (9.4 percent). Similar to the Gasconade/Montgomery County assessment area, a spike in unemployment rates is noted in the first quarter of 2009.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The borrower distribution performance criterion evaluates the bank's loan originations to borrowers of different income levels and businesses of varying revenue sizes. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by HUD. For 2007, HUD estimated the median family income for the St. Louis MSA to be $63,300. In 2008, the figure was $65,000.

The following table shows the distribution of HMDA loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 & 2008 HMDA	1 25.0%	2 50.0%	1 25.0%	0 0.0%	0 0.0%	**4** **100%**
	$ 12 8.2%	$ 66 45.2%	$ 68 46.6%	$ 0 0.0%	$ 0 0.0%	**$ 146** **100%**
Family Population	15.2%	20.1%	27.3%	37.4%	0.0%	**100%**

As shown in the table above, the bank originated only 4 residential loans to borrowers in the MSA assessment area. The bank extended three loans, which represents 75.0 percent of its lending, to LMI borrowers. This is substantially higher than the percentage of LMI families (35.3 percent). The distribution of HMDA loans reflects excellent penetration among LMI families.

The following table shows the distribution of consumer loans (motor vehicle) by income level of the borrower.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 & 2008 Motor Vehicle	3 33.3%	2 22.2%	3 33.3%	1 11.1%	0 0.0%	**9** **100%**
	$ 32 50.8%	$ 16 25.4%	$ 8 12.7%	$ 7 11.1%	$ 0 0.0%	**$ 63** **100%**
Household Population	18.1%	16.6%	21.8%	43.5%	0.0%	**100%**

As shown in the table above, the bank originated 5 of 9 motor vehicle loans to LMI households (55.5 percent). This is considerably above the LMI household population of 34.7 percent and reflects excellent performance.

A sample of business loans was reviewed to determine the bank's level of lending to small businesses. The loans were analyzed by revenue size of the business and by the loan amount. The bank's performance for small business lending was compared to Dun & Bradstreet statistics. The following table illustrates the distribution of business loans by revenue level and loan origination amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	3 75.0%	1 25.0%	0 0.0%	**4** **100%**
Greater Than $1 Million	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL	**3** **75.0%**	**1** **25.0%**	**0** **0.0%**	**4** **100%**

The analysis of small business loans revealed that all of the small business loans sampled were made to businesses with gross revenues of $1 million or less. In comparison, 2008 Dun & Bradstreet data indicate that 92.3 percent of the businesses within the assessment area are small businesses. Therefore, based upon the above information, the bank's distribution of loans to businesses of various revenue sizes is considered excellent.

Overall, for all three loan categories analyzed, the distribution of the bank's loans is outstanding. However, this performance is not heavily weighted in the overall rating given the low level of loan activity in this assessment area.

Geographic Distribution of Loans

The analysis of the geographic distribution criterion evaluates the bank's distribution of loans among the census tracts within the assessment area by the income level of each census tract.

Under the CRA, specific emphasis is placed on the bank's performance in LMI census tracts. However, as previously noted, the bank's assessment area does not include any LMI census tracts and is comprised of three middle- and one upper-income census tracts. Therefore, a detailed analysis of the distribution of the bank's lending in the assessment area by geographic income level is not as meaningful for evaluating the bank's performance under this criterion.

Nevertheless, the three loan products were reviewed to determine the dispersion throughout the assessment area. The analysis indicated that loans of each product type were reasonably dispersed within these census tracts. The bank meets the standard for satisfactory performance under this criterion.

Appendix A

Listing of Census Tracts in CRA Assessment Areas				
County	**Geography Number**	**Geography Income Category**	**MSA**	**Contains Bank Office**
Franklin	8202.00	Middle	41180	No
Gasconade	9602.00	Middle	Non-MSA	No
Gasconade	9603.00	Middle	Non-MSA	Yes
Montgomery	9703.00	Middle	Non-MSA	No
Warren	8004.01	Middle	41180	Yes
Warren	8004.02	Middle	41180	No
Gasconade	9601.00	Upper	Non-MSA	Yes

Appendix B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (ii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

    - a. Rates of poverty, unemployment, and population loss; or
    - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.