PUBLIC DISCLOSURE

June 3, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southern Commercial Bank
RSSD# 420457

4435 Meramec Bottom Road
Saint Louis, Missouri 63129

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 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 the 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 OUTSTANDING.
The Lending Test is rated: Outstanding
The Community Development Test is rated: Outstanding

Southern Commercial Bank meets the criteria for an Outstanding rating based on the performance evaluation of the bank's lending and community development activities. The major factors supporting the institution's rating include:

Lending Test

- The geographic distribution of loans reflects an excellent dispersion of lending throughout the bank's assessment area.

- The borrower profile analysis reveals excellent penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different revenue sizes.

- A substantial majority of loans and other lending-related activities are originated within the bank's delineated assessment area.

- The bank's loan-to-deposit (LTD) ratio is reasonable, given the bank's size, business activities, financial condition, and assessment area credit needs.

- No CRA-related complaints were filed against the bank for this review period.

Community Development Test

- The institution's community development performance demonstrates excellent responsiveness to community development needs of its assessment area, considering the institution's capacity, the need for community development activities, and the availability of community development opportunities within the institution's assessment area. The bank has addressed these needs through various undertakings, including community development loans, investments and grants, and services, as appropriate. Investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were also considered.

SCOPE OF EXAMINATION[1]

Southern Commercial Bank's CRA performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) *Interagency Examination Procedures for Intermediate Small Institutions.* The evaluation included a full-scope review of the bank's performance within its only assessment area, which is contained in the Missouri portion of the

[1] Information presented in this section (e.g., review period dates and loan sample details) pertains throughout the rest of this evaluation unless specifically noted otherwise.

St. Louis, Missouri-Illinois Metropolitan Statistical Area (St. Louis MSA), which includes St. Louis County, St. Louis City, and Jefferson County, in their entireties. The FFIEC intermediate small institution examination procedures require a separate evaluation of the bank's lending and community development activities. The review period used to evaluate the bank's performance under the Lending Test was from January 1, 2012 through December 31, 2012. The Lending Test evaluation included loans reported on the bank's 2012 Home Mortgage Disclosure Act (HMDA) loan/application register, which included home purchase, refinance, home improvement, and multifamily loans. In addition, the Lending Test included a sample of the bank's small business and consumer loans originated in the same timeframe. These loan products were selected because they are the bank's primary lines of business, based on lending volume by number and dollar amounts.

The bank's primary lending focus is home mortgage loans, as well as commercial lending; therefore, equal weight was placed on these two products under the Lending Test. For overall conclusions of HMDA mortgage loans in the geographic and borrowers' distribution criterion, emphasis was placed on home purchase and refinance loans.

Under the Community Development Test, the number and amount of the bank's qualified community development loans, investments, grants, and services, as well as the responsiveness of the bank's activities in meeting the needs of its assessment area were considered. Conclusions for this test were based on a review of the bank's activities from the previous examination (July 19, 2010) to the date of this examination.

As part of this review, the bank's performance was evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $441.7 million to $893.6 million as of March 31, 2013.

To augment this evaluation, interviews were conducted with members of the local community (community contact interviews) in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. All contacts were with people who work for organizations with a community service mission targeted toward LMI individuals and communities, small businesses, or city government. In addition, community contacts recently conducted by this Reserve Bank were also referenced. Key details from these community contact interviews are included in the *Description of Assessment Area* section of this report.

DESCRIPTION OF INSTITUTION

Southern Commercial Bank is a full-service retail bank offering consumer and commercial loan and deposit products. The bank is a subsidiary of Southern Bancshares Corp., a one-bank holding company based in St. Louis, Missouri. The bank has a network of ten locations, including its main office; each offers drive-up accessibility. Four banking facilities are located in the southern portion of St. Louis City, three in the southern portion of St. Louis County, and three banking facilities located in Jefferson County. The bank did not open or close any offices during this review period. In addition to its traditional banking locations, the bank also maintains a network of ten automated teller machines (ATMs). Seven of the banking facilities are equipped with cash-dispensing-only ATMs, and the remaining three locations, including the main office, are equipped with full-service ATMs. Based on this network and in addition to its full-service online banking capabilities, the bank is well-positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the assessment area credit needs based on its available resources and financial products. As of March 31, 2013, the bank reported total assets of $522.0 million. As of the same date, outstanding loans and leases were $286.3 million (54.8 percent of total assets), and deposits totaled $448.7 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of March 31, 2013

Credit Category	Amount ($000s)	Percentage of Total Loans
Construction and Development	$23,567	8.2%
Commercial Real Estate	$128,215	44.8%
Multifamily Residential	$22,498	7.9%
1-4 Family Residential	$73,066	25.5%
Farmland	$0	0.0%
Farm Loans	$0	0.0%
Commercial and Industrial	$35,745	12.5%
Loans to Individuals	$2,028	0.7%
Total Other Loans	$2,228	0.4%
TOTAL LOANS	**$286,304**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources, by dollar amount, is directed to commercial real estate loans and 1-4 family residential real estate-secured loans. The bank originates and subsequently sells a significant volume of 1-4 family residential real estate loans on the secondary market. Since these loans are sold shortly after origination, this lending activity would not be reflected in the above data. It is also worth noting that by number of loans originated loans to individuals also represents a significant credit category for the bank.[2]

The bank received an Outstanding rating at its previous CRA evaluation conducted on July 19, 2010, by this Reserve Bank.

[2] As consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products, consumer loans may oftentimes represent a significant product line by number of loans made, even if not reflected as such by dollar amount outstanding.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

Southern Commercial Bank has delineated one assessment area comprised of all of St. Louis City (106 census tracts), all of St. Louis County (199 census tracts), and all of Jefferson County (42 census tracts). Of these 347 census tracts, 56 are low-income, 80 are moderate-income, 116 are middle-income, 94 are upper-income, and 1 census tract has no designated income category. The bank's entire assessment area lies within the boundaries of the state of Missouri in the St. Louis MSA. Based on 2010 census data, the total population of the assessment area is 1,536,981.

The bank faces competition in the St. Louis MSA from national and regional institutions in the area. According to the June 30, 2012 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank had a deposit market share of 0.73 percent and ranked 21st out of 142 FDIC-insured financial institutions within the assessment area.

Information obtained from community contacts revealed a need for financial education, in addition to flexible and innovative home repair and home remodel loan programs that will provide financial assistance to residents whose properties have decreased in value due to the recession, and therefore are no longer able to go the traditional cash-out refinance route.

Income and Wealth Demographics

As previously noted, the bank's assessment area consists of the 347 census tracts comprising St. Louis City, St. Louis County, and Jefferson County, in their entireties. The following table reflects the number and family population of the census tracts within the assessment area in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	56 16.1%	80 23.1%	116 33.4%	94 27.1%	1 0.3%	**347** **100%**
Family Population	35,745 9.1%	83,883 21.4%	142,965 36.5%	128,655 32.9%	5 0.0%	**391,253** **100%**

As noted in the table above, the largest portion of the assessment area population resides in middle-income census tracts. Only one unknown census tract exists in the assessment area and is located in St. Louis City.

The table reveals that the bank's assessment area contains 56 low- and 80 moderate-income census tracts, accounting for 39.2 percent of total geographies in the assessment area; however, only 30.5 percent of the families reside in the LMI geographies of the assessment area. Based on the 2010 census data, the median family income for the assessment area was $66,125. At the same time, the St. Louis MSA median family income was $67,013. More recently the FFIEC estimates the 2012 St. Louis MSA median family income to be $70,400.

The following table displays the population percentages of assessment area families by income level, compared to the entire St. Louis MSA population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	87,283 22.3%	66,423 17.0%	78,810 20.1%	158,737 40.6%	**391,253** **100%**
St. Louis MSA	154,272 21.2%	125,573 17.2%	154,601 21.2%	293,987 40.4%	**728,433** **100%**

The table shows that the assessment area is similarly situated in terms of income characteristics when compared to the St. Louis MSA as a whole. Although there was a decline in the assessment area population and an increase in the St. Louis MSA population since the prior examination, the percentage of LMI families in the assessment area (39.3 percent) is nearly equal to the percentage of LMI families in the St. Louis MSA (38.4 percent). Lastly, the level of assessment area families living below the poverty level (9.4 percent) is similar to the number of families living below the poverty level in the St. Louis MSA (8.6 percent).

Housing Demographics

Based on the 2010 housing values, income levels, and rental costs, housing in the assessment area appears to be less affordable than in the St. Louis MSA. The assessment area housing affordability ratio of 31.2 percent is only slightly below the St. Louis MSA figure of 33.3 percent, and the median housing value for the assessment area is $165,183, which is comparable to the $159,800 value in the St. Louis MSA. Additionally, the median gross rent for the assessment area of $734 per month is comparable to $730 per month for the St. Louis MSA. The data reveals that there is only a negligible difference in median housing values and gross rents in the assessment area compared to the St. Louis MSA. Nonetheless, the economic downturn, coupled with continued high unemployment, has made homeownership less affordable within the bank’s assessment area over the years.

Industry and Employment Demographics

The assessment area has a broad, diverse employment base. According to the U.S. Census Bureau 2011 County Business Patterns data, 42,399 businesses are located in the assessment area. Of those, 88.3 percent are classified as small businesses, according to 2012 Dun & Bradstreet data. By number of employees, the top three industries are health care and social assistance (124,381), retail (85,130), and accommodation and food services (75,760). According to the U.S. Department of Labor, Bureau of Labor Statistics, the 2012 average unemployment rate for the three county assessment area was 7.7 percent, which is equivalent to the St. Louis MSA figure for the same period.

Community Contact Information

Information from four community contacts was utilized to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, two were with individuals specializing in affordable housing, one was with an agency working with the small business community, and one was with an individual working in city government. The interviewees categorized the local economy as weak but showing some signs of growth. The interviewees stated that financial education and more banking services in the LMI neighborhoods are still greatly needed. In addition, the interviewees stated that there is an ongoing need for affordable housing within the assessment area and high unemployment, declining property values, and tighter underwriting guidelines have contributed to the difficulty of obtaining home loans for many LMI families. Additionally, one contact noted that the foreclosure crisis, coupled with the voluntary surrender of property due to various financial reasons, has led many financial institutions to have other real estate owned (OREO) properties in their portfolios. These OREO properties could prove beneficial by potentially meeting the affordable housing needs of the community by way of purchase or rental property. Lastly, one contact stated that many of the financial institutions in the area are now part of the newly formed Metropolitan St. Louis CRA Association. The purpose of the association is to work to identify the credit needs of the community and actively promote efforts to meet those needs, which will result in job creation and promotion of economic development. Southern Commercial Bank is a member of this association.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Overall, Southern Commercial Bank meets the criteria for an Outstanding Lending Test rating. As previously discussed, the bank's lending performance was based on the analyses of 2012 HMDA, small business, and consumer loan categories. The analyses of the loan samples were conducted within the bank's performance context, which includes, among other factors, local economic conditions, credit needs, and market competition. The performance standards under the Lending Test evaluate the following five criteria as applicable:

- The geographic distribution of loans.
- Loan distribution by borrower's profile (applicant income or business revenue).
- The concentration of lending within the assessment area.
- The bank's average LTD ratio.
- A review of the bank's response to written CRA complaints.

Geographic Distribution of Loans

Under this performance criterion, the bank's loan distribution is evaluated by income level of census tract (based on borrower location). Under the CRA, specific emphasis is placed on the bank's geographic distribution performance in LMI census tracts. The bank's assessment area contains 56 low-income and 80 moderate-income census tracts.

The following table displays 2012 HMDA loans according to the income level of the census tract compared to the owner-occupied housing statistics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography

Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	7 10.4%	12 17.9%	31 46.3%	17 25.4%	0 0.0%	**67** **100%**
Refinance	11 8.5%	24 18.6%	60 46.5%	34 26.4%	0 0.0%	**129** **100%**
Home Improvement	0 0.0%	5 38.5%	7 53.8%	1 7.7%	0 0.0%	**13** **100%**
Multifamily	1 20.0%	2 40.0%	1 20.0%	1 20.0%	0 0.0%	**5** **100%**
2012 HMDA TOTAL	**19** **8.9%**	**43** **20.1%**	**99** **46.3%**	**53** **24.8%**	**0** **0.0%**	**214** **100%**
Owner-Occupied Housing	5.7%	19.9%	39.1%	35.2%	0.0%	**100%**

The bank's overall geographic distribution of HMDA loans compares favorably to the owner-occupied housing data. As illustrated in the table above, the proportion of HMDA loans in low-income census tracts (8.9 percent) and moderate-income census tracts (20.1 percent) reflects an excellent dispersion of loans within both the low-income tracts and the moderate-income tracts as compared to the proportion of owner-occupied housing in those corresponding tracts (5.7 percent and 19.9 percent, respectively). Therefore, based on overall comparisons to demographic data, the bank's geographic distribution of HMDA loans in LMI census tracts is considered excellent.

Small business loans were also reviewed for the geographic distribution aspect of the Lending Test. The following table shows the bank's performance in this category compared with the estimated percentages of small businesses located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2012 Small Business Loans	10 10.8%	19 20.4%	46 49.5%	18 19.4%	0 0.0%	**93** **100%**
Business Institutions	7.4%	18.9%	32.0%	41.5%	0.1%	**100%**

Based on the review of small business loan activity detailed in the previous table, the bank is doing a favorable amount of lending in LMI census tracts. The bank's business lending in the low-income census tracts (10.8 percent) is excellent compared to the business geodemographic estimates of small businesses within the low-income census tracts (7.4 percent). In addition, the dispersion of loans in the moderate-income tracts (20.4 percent) is excellent compared to reported small business geodemographics (18.9 percent) in the corresponding moderate-income tracts. Therefore, based on this review of small business loans, the bank's performance by geography distribution is considered excellent.

Finally, the bank's geographic distribution of consumer loans was reviewed to assess the bank's lending penetration within LMI census tracts. The bank's performance was compared to the household population statistics as displayed in the following table:

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2012 Consumer Loans	7 8.4%	34 41.0%	41 49.4%	1 1.2%	0 0.0%	**83** **100%**
Household Population	9.9%	22.9%	36.7%	30.4%	0.1%	**100.0%**

This analysis revealed excellent penetration to LMI borrowers. By number of loans, the bank's lending in low-income census tracts (8.4 percent) was reasonable as it was slightly below the percent of households in the low-income tracts (9.9 percent). Conversely, lending to borrowers by number in moderate-income census tracts (41.0 percent) was excellent, given that lending was almost double the moderate-income household population (22.9 percent). Based on this data, the geographic distribution of the bank's consumer loans reflects excellent penetration among LMI census tracts.

In conclusion, the overall geographic distribution of the three loan products reflects excellent dispersion through the designated assessment area, including LMI geographies.

Loan Distribution by Borrower's Profile

The intermediate small bank performance standards evaluate the bank's lending to borrowers of various income levels and businesses of varying revenue sizes. Special emphasis is placed on loans originated to LMI borrowers and small businesses. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by HUD ($70,400 for the St. Louis MSA as of 2012).

The bank's HMDA loans were analyzed by the income level of the borrower in order to evaluate the bank's lending to LMI individuals. The following table shows the distribution of the bank's HMDA loans by borrower income level, compared to family population income characteristics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	16 23.9%	20 29.9%	6 9.0%	17 25.4%	8 11.9%	**67** **100%**
Refinance	11 8.5%	26 20.2%	33 25.6%	40 31.0%	19 14.7%	**129** **100%**
Home Improvement	6 46.2%	1 7.7%	1 7.7%	1 7.7%	4 30.8%	**13** **100%**
Multifamily	0 0.0%	0 0.0%	0 0.0%	0 0.0%	5 100.0%	**5** **100%**
2012 HMDA TOTAL	**33** **15.4%**	**47** **22.0%**	**40** **18.7%**	**58** **27.1%**	**36** **16.8%**	**214** **100%**
Family Population	22.3%	17.0%	20.1%	40.6%	-	**100%**

The review of the bank's HMDA loan activity compares favorably to demographic data. While the bank's total percentage of HMDA loans to low-income borrowers (15.4 percent) was lower the low-income family population percentage (22.3 percent), it reflects a reasonable penetration, especially in light of the information discussed below. The bank's total percentage of HMDA loans to moderate-income borrowers (22.0 percent) was excellent in relation to the moderate-income family population percentage (17.0 percent). The bank's HMDA lending performance is above the family population percentage for LMI borrowers in each loan type, with the exception of refinance loans to low-income borrowers and home improvement loans to moderate-income borrowers. With the rise of unemployment, lower wages, and a poverty rate of 9.4 percent, homeownership has become less affordable within the bank's assessment area. Based on 2010 census data, the affordability ratio for the assessment area is 31.2 percent, indicating that 68.8 of the assessment area's family population would have difficulty affording homes in the assessment area. Although multifamily loans were taken into consideration for this analysis, all loans made in this category were to borrowers with unknown incomes. Additionally, there is no percentage data for family population in this income category, so a meaningful conclusion could not be determined. Overall, the bank's HMDA lending performance by borrower's profile is considered excellent.

The bank's distribution of small business loans to businesses of various sizes was also reviewed. The following table reflects the bank's distribution of small business loans by gross annual revenue and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	<$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	59 63.4%	9 9.7%	4 4.3%	**72** **77.4%**
Greater than $1 Million/Unknown	14 15.1%	3 3.2%	4 4.3%	**21** **22.6%**
TOTAL	**73** **78.5%**	**12** **12.9%**	**8** **8.6%**	**93** **100%**

Based on this analysis of small business loans, the bank is doing a reasonable job of meeting the credit needs of small businesses. The table above demonstrates that 72 of 93 loans reviewed (77.4 percent) were made to businesses with gross annual revenues of $1 million or less. In comparison, 2012 business geodemographic data from Dun & Bradstreet indicates that 88.3 percent of businesses inside the assessment area are small businesses. In addition, the fact that 63.4 percent of loans to small businesses reviewed were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses. Subsequently, the bank's borrower's profile performance for the small business loan category is reasonable.

The bank's borrower distribution of consumer loans was also analyzed by borrower's income profile. The following table shows the distribution of consumer loans by income level of the borrower compared to household population income characteristics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2012 Consumer Loans	38	22	9	11	3	**83**
	45.8%	26.5%	10.8%	13.3%	3.6%	**100.0%**
Household Population	25.7%	16.3%	17.4%	40.6%	0.0%	**100%**

This analysis revealed excellent penetration to LMI borrowers. By number, 72.3 percent of the consumer loans reviewed were made to LMI borrowers, which significantly exceeds the LMI household population of 42.0 percent. If the bank's performance by number of consumer loans made to low- and moderate-income borrowers (45.8 percent and 26.5 percent, respectively) is reviewed separately, each significantly exceeds the household population comparisons (25.7 percent for low-income and 16.3 percent for moderate-income) and are both considered excellent. Based on this data, the distribution of the bank's consumer motor vehicle loans reflects excellent penetration among individuals of different income levels.

Therefore, the bank's overall borrower's profile performance, based on analyses of all three loan categories, is excellent.

Assessment Area Concetration

This performance criterion evaluates the number and dollar volume of loans originated by the bank inside and outside its designated assessment area. The table below depicts statistics for the bank's lending inside its assessment area for the samples of loans used in this evaluation.

Lending Inside and Outside of Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
2012 HMDA Loans	214 90.3%	23 9.7%	**237** **100.0%**
	$24,080 87.7%	$3,379 12.3%	**$27,459** **100.0%**
2012 Small Business Loans	93 97.9%	2 2.1%	**95** **100.0%**
	$8,906 99.2%	$73 0.8%	**$8,979** **100.0%**
2012 Consumer Loans	83 98.8%	1 1.2%	**84** **100.0%**
	$314 92.6%	$25 7.4%	**$339** **100.0%**
TOTAL LOANS	**390** **93.8%**	**26** **6.3%**	**416** **100.0%**
	$33,301 **90.5%**	**$3,477** **9.5%**	**$36,778** **100.0%**

By number of total loans reviewed, 93.8 percent were made to borrower's within the bank's assessment area. Furthermore, data in the previous table demonstrate that a substantial majority of loans (by both number and dollar amount of loans) were extended to borrowers residing or operating inside the bank's assessment area for all three loan categories.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's quarterly average LTD ratio[3] compared to those of regional peers.

Loan-to-Deposit Ratio Analysis			
Name	**Asset Size as of March 31, 2013 (in $000s)**	**Headquarters**	**Average Quarterly LTD Ratio**
Southern Commercial Bank	$522,048	St. Louis, MO	70.0%
Regional Banks	$441,738	St. Louis, MO	87.0%
	$893,641	Hillsboro, MO	80.7%
	$486,294	St. Louis, MO	55.7%

Based on data from the previous table, the bank's level of lending is comparable to that of other banks in the region. For the last 11 quarters, the bank's LTD ratio has ranged from a low of 61.4 percent to a high of 76.9 percent. The highest LTD ratio occurred in the quarter ending September 31, 2010, immediately following the last examination, with a decreasing trend that led to the lowest average ratio in the quarter ending March 31, 2013. In comparison, the quarterly LTD ratios for the bank's regional competitors ranged from 53.3 percent to 96.2 percent during the same period. Therefore, compared to data from regional banks as displayed in the table above, the bank's average LTD ratio appears to be reasonable given the bank's size, financial condition, and assessment area credit needs.

Review of Complaints

No CRA-related complaints were filed against the bank during this review period (July 19, 2010 through June 3, 2013).

[3] The average LTD ratio represents an 11-quarter average, dating back to the bank's last CRA evaluation.

COMMUNITY DEVELOPMENT TEST

The Community Development Test analyzes the bank's level of community development activity, including qualified loans, investments, and services. The bank's level of community development activity was considered in light of the availability of such opportunities, as well as the community development performance of other local financial institutions.

Southern Commercial Bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area considering the institution's capacity and the need and availability of such opportunities for community development in the assessment area. In addition, the bank's community development activities were compared with similarly situated peers in the St. Louis MSA. Overall, the number and dollar amount of the bank's community development activities were above those by similarly situated peers. Therefore, the bank's performance under the Community Development Test is rated Outstanding.

Community Development Loans

The bank has made an excellent level of qualified community development loans. During this review period, the bank made 38 qualifying community development loans totaling $9.6 million, all within the bank's assessment area. The loans were made in four of the five areas of community development: affordable housing, economic development, revitalization and stabilization, and community service. The breakdown of loans by each community development category is as follows:

- Affordable Housing: 14 loans totaling $6.0 million.
- Revitalization and Stabilization: 15 loans totaling $1.6 million.
- Economic Development: 7 loans totaling $ 1.9 million.
- Community Service: 2 loans totaling $107,293.

Community contacts noted that affordable housing is a need within the assessment area, and the bank's $6.0 million in affordable housing-related loans demonstrate that the bank is meeting that need. One of the affordable housing loans was made utilizing low income housing tax credits, which are considered an innovative source of capital for the development of affordable rental housing. The bank made an economic development loan specifically targeting refugee/immigrant-owned small businesses that cannot receive funding through traditional banking channels. In addition to making loans that revitalize or stabilize LMI neighborhoods within the assessment area, the bank also made community service loans to nonprofit agencies that provide social services to LMI individuals and families.

Community Development Investments

Southern Commercial Bank's level of qualified community development investments and grants is considered excellent. During the review period, the bank participated in 15 community development investments that qualified for Missouri tax credits; these investments assist families dealing with domestic violence, homelessness, and education. In addition, the bank invested in

Brownfield Remediation Tax Credits, which provides job creation. In total, the bank made nine investments within the assessment area totaling $2.8 million and six investments outside the assessment area that benefit the institution's assessment area or a broader statewide or regional area, totaling approximately $500,000.

The bank also made significant donations to organizations with a community development purpose. During the evaluation period, the bank made 101 qualified donations to 44 different organizations throughout the assessment area, for a total of $69,792. The breakdown by each year is as follows:

- 2010 – 27 in the amount of $23,998.
- 2011 – 24 in the amount of $14,310.
- 2012 – 32 in the amount of $20,465.
- YTD 2013 – 18 in the amount of $11,019.

Community Development Services

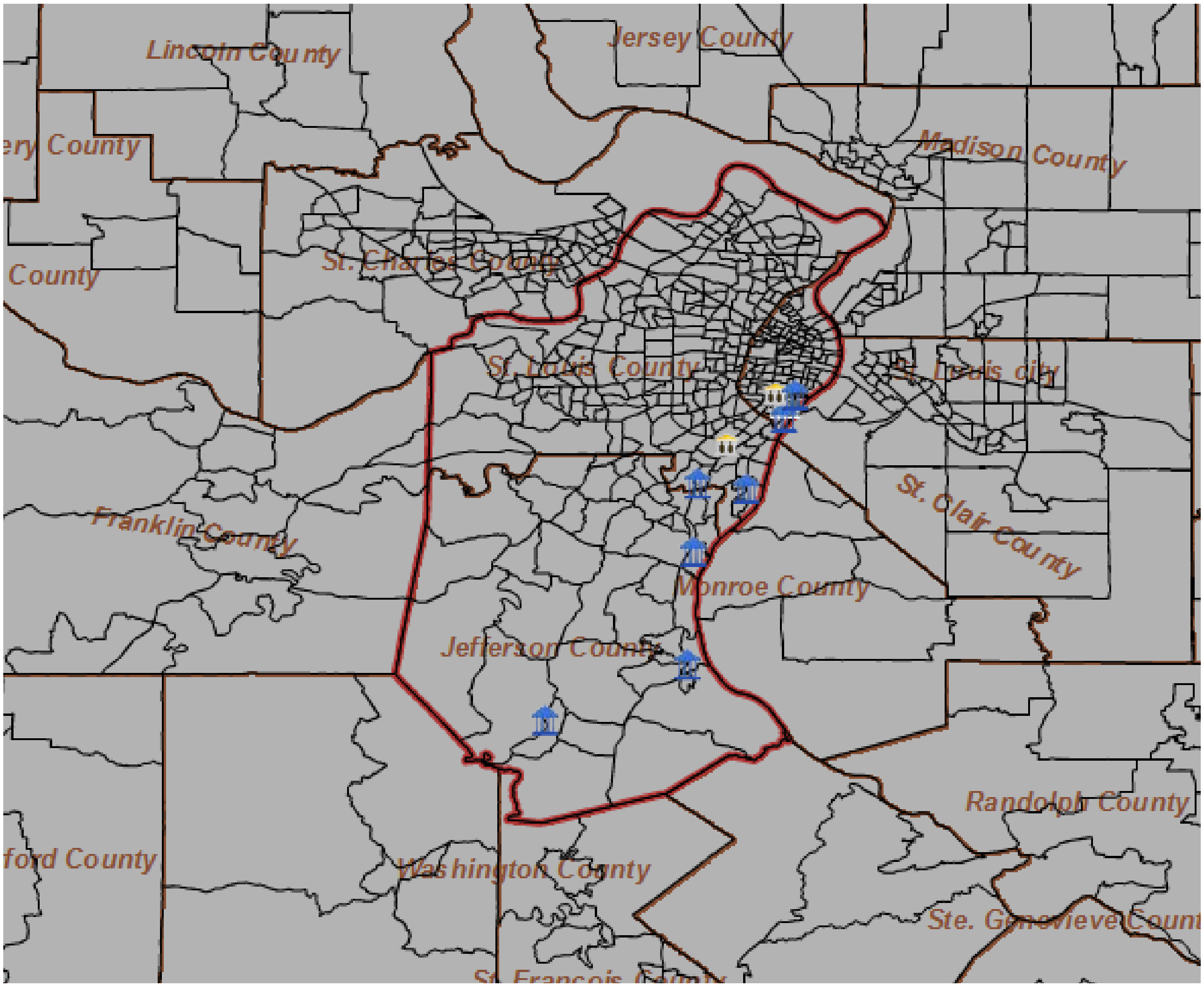
The bank provides an adequate level of community development services throughout its assessment area, as it performed 15 services providing financial expertise or financial education to various organizations during the review period. Many of the bank's employees, including senior management, are involved in nonprofit organizations that provide community services for LMI individuals or economic development for small businesses. The bank also collaborates with other financial institutions to offer programs aimed at attracting previously unbanked LMI customers.

In addition to the community development services noted above, the bank's branch network promotes revitalization and stabilization of LMI areas and provides LMI individuals increased access to financial services. Five of the bank's ten offices are located in LMI census tracts. An additional branch located in Jefferson County borders a moderate-income census tract.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination (including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL



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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and non-metropolitan 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 contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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; (4) activities that <u>revitalize or stabilize</u> low- or moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate- and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 (e.g., 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 applications, the amount of loan requested, and the disposition of the application (e.g., 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: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: 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 census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., 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.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

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 a 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 a 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.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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 businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in 'loans to small businesses' as defined in the Consolidated Reports 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): That is, "small farm loans" are included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Reports 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.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.