

PUBLIC DISCLOSURE

February 12, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Ste. Genevieve
RSSD# 458357**

**Second and Market
Ste. Genevieve, Missouri 63670-0408**

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 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.

Bank of Ste. Genevieve meets the criteria for a satisfactory rating. An institution in this category has a satisfactory performance record in activities undertaken to help meet the credit needs of its entire assessment area, particularly to borrowers of different income levels and small businesses. This performance is in a manner consistent with institutional capacity and constraints, assessment area credit needs and opportunities, relevant demographic and economic factors and safe and sound banking practices.

DESCRIPTION OF INSTITUTION

Bank of Ste. Genevieve is a full-service retail bank owned by Southside Bancshares Corp., a multi-bank holding company located in St. Louis, Missouri. Bank of Ste. Genevieve offers a broad range of consumer, commercial loan and deposit products. The bank's primary lending by dollar volume of assets include adjustable rate real estate mortgage loans, commercial loans, and consumer loans. The bank has two full-service facilities, which are located in Ste. Genevieve. In addition to the products offered, the bank also provides drive-up availability and an automated teller machine (ATM) facility at each location.

As of September 30, 2000, the bank reported total assets of \$91.9 million with net loans and leases representing 62.3 percent of total assets. The loan portfolio consists primarily of 1-4 family residential loans as well as commercial loans. The following table reflects the bank's loan mix as of September 30, 2000.

Distribution of Total Loans¹		
Credit Product Type	Amount in \$000s	Percentage of Total Loans
Construction and Development	\$1,508	2.6%
Commercial Real Estate	\$15,338	26.4%
1-4 Family Residential	\$21,984	37.9%
Farmland	\$1,728	3.0%
Commercial and Industrial	\$9,641	16.6%
Loans to Individuals	\$5,541	9.6%
Farm Loans	\$2,275	3.9%
Total Other Loans	\$10	0.0%
Totals Loans	\$58,025	100%

As part of the Community Reinvestment Act (CRA) assessment, the bank's performance was evaluated in relation to the performance of its competitors. The bank

¹ For purposes of this chart, total loan information is derived from gross loans and leases data as of September 30, 2000, on the Consolidated Report of Condition and Income.

identified two financial institutions, with asset sizes from \$109.5 million to \$393.7 million, as local competitors.

The bank was rated satisfactory at the last CRA examination conducted by this Reserve Bank on February 3, 1997. No branches have been closed or opened since the previous examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of all four block-numbering areas (BNAs) within Ste. Genevieve County (see Appendix A), all of which are located in non-metropolitan statistical areas (MSAs) in Missouri. Based on 1990 census bureau statistics, the total population for Ste. Genevieve County is 16,037. Current estimates note a slight increase in the assessment area population to 17,812.² The following table reflects the number and population of geographies within the assessment area in each income category.³

Assessment Area Geographical Information by Income Level					
1990 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Number of BNAs	0 0.0%	0 0.0%	1 25.0%	3 75.0%	4 100%
Population Residing in Each Income Category	0 0.0%	0 0.0%	5,265 32.8%	10,772 67.2%	16,037 100%

Although, no assessment area geographies are designated as low- and moderate-income (LMI), LMI families comprise 25.3 percent of the assessment area families and are dispersed throughout the assessment area.

As of the 1990 census data, the median family income for the assessment area was \$30,558, compared to the Missouri non-MSA median family income of \$24,325. Updated year 2000 income figures from the Department of Housing and Urban Development (HUD) indicate that the non-MSA Missouri median family income is now \$37,400. The following table displays population percentages of the assessment area families by income level, compared to the non-MSA areas of the state.

² Source: U.S. Census Bureau estimates 1999.

³ Low-income is defined as individual income or, in the case of a geography, a median family income that is less than 50 percent of the statewide non-MSA median family income.

Moderate-income is defined as individual income or, in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the statewide non-MSA median family income.

Middle-income is defined as individual income or, in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the statewide non-MSA median family income.

Upper-income is defined as individual income or, in the case of a geography, a median family income that is 120 percent or more of the statewide non-MSA median family income.

Assessment Area Population by family income Level ⁴					
Income Level	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	600	533	959	2,371	4,463
Ste. Genevieve County	13.4%	11.9%	21.5%	53.2%	100%
Non-MSA Missouri	91,244	80,167	99,518	178,055	448,984
	20.3%	17.9%	22.1%	39.7%	100%

The city of Ste. Genevieve is located in Ste. Genevieve County and is the seat of the county government. Ste. Genevieve is a relatively rural community approximately 60 miles outside the St. Louis city limits. Ste. Genevieve was established by the French as a shipping center for lead mined in the Lead Belt area. The city served as the state's predominant trade center until the mid 1800s, when it became overshadowed by St. Louis's designation as the eastern terminal point for the state's railway system. Ste. Genevieve, Missouri still has some of the most important historical French Colonial structures in North America, as well as, the first brick building west of the Mississippi and oldest cemetery in Missouri. Thousands of visitors travel to Ste. Genevieve each year to explore the city's historic French district and participate in planned festivals. Consequently, tourism is an important component of the city's economy.

Ste. Genevieve County's economy has historically been stable and very diversified. The unemployment rate remains relatively low with an annual average of 3.4 percent in 1999, and at 3.5 percent⁵ for December 2000. Several manufacturing companies in the area provide employment opportunities for Ste. Genevieve residents. The manufacturing companies include Mississippi Lime Company, Eric Scott Leather, Ltd., Biltbest Windows, and National Business Products. Other major employers include the Ste. Genevieve County School District, and the Ste. Genevieve County Memorial Hospital.

According to a community contact, the Ste. Genevieve County economy is stagnant, with limited prospects for growth. This was attributed to residents commuting to neighboring communities for employment and to manufacturing companies' experiencing layoffs. In addition, the contact stated that the area is in need of retail growth. In an effort to resolve the retail concerns and attract new business to the community, the city has developed a new business industrial park consisting of 19 sites on 94 acres of land.

There is a continued need for affordable housing within the Ste. Genevieve assessment area. Overall, the community is still recovering from the Mississippi River floods of 1993 and 1995. Man-made levies still comprise large areas near the river, replacing what used to be LMI housing. As a result, many of the LMI individuals have relocated to neighboring communities, mobile home parks and rental properties. The city is in the process of developing sand, core and earthen levies around the river to deter future flooding.

⁴ Population income levels were determined using the 1990 census median family income.

⁵ Preliminary data from the Department of Labor Bureau of Labor Statistics.

The community contact also attributed the decreased number of owner-occupied housing for LMI borrowers to limited housing availability. The river surrounds the city on one side and Mississippi Lime on the other. The contact also stated that, based on a failed subsidized housing project, the community is very resistant to further development of subsidized housing. At this time, the community does not have any BNAs designated as LMI. As a result, community developers have had problems attaining government incentives and specialized programs such as tax credits, empowerment zones, etc. designed to assist LMI individuals in the area.

Housing statistics from 1990 indicate that of the 6,766 housing units in the assessment area, 69.7 percent (4,719) are owner occupied, 14.6 percent (988) are rental units, and 15.7 percent (1,059) are vacant.⁶ The affordability ratio of 51.0 percent is the same as the affordability ratio⁷ for the non-MSA state of Missouri.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS

The bank's performance was evaluated using the CRA small bank performance standards. Loan information was taken from statistical samples of residential real estate loans,⁸ automobile loans and commercial and industrial loans originated between July 1, 2000 and December 31, 2000. The performance standards evaluate:

- The bank's lending to borrowers of different income levels and businesses of different sizes.
- The bank's average loan-to-deposit ratio.
- The overall level of lending within the assessment area.
- The geographic distribution of loans.
- Any written complaints since the last examination.

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

An indicator of the institution's lending efforts is reflected in an analysis of the incomes and revenues of borrowers used in granting credit, when income or revenue is provided. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing borrower income levels to the 2000 median family income estimate as determined by HUD.⁹

As one measure of performance, lending levels to each classification of borrowers were compared to the percentage of families within the income classification. Comparisons of the bank's borrower distribution to population and aggregate distributions

⁶ Source: 1990 U.S. Census Data.

⁷ This figure is calculated by dividing the median household income by the median housing value and 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.

⁸ Residential real estate lending includes home purchase, refinancing, and home improvement loans.

⁹ The 2000 HUD median family income used to classify borrowers was \$37,400 for Non-MSA Missouri.

demonstrate an adequate representation among retail customers of different income levels. The following table shows the distribution of the residential real estate lending and motor vehicle installment lending, by income level of the borrower, across the assessment area.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Borrower					
Loan Type	Borrower Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Motor Vehicle	6 9.2%	10 15.4%	23 35.4%	26 40.0%	65 100%
	\$25 4.4%	\$110 19.2%	\$179 31.3%	\$258 45.1%	\$572 100%
1-4 Family	1 2.2%	4 8.7%	7 15.2	34 73.9%	46 100%
	\$20 0.8%	\$125 5.2%	\$279 11.5%	\$2,000 82.5%	\$2,424 100%
TOTAL	7 6.3%	14 12.6%	30 27.0%	60 54.1%	111 100%
	\$45 1.5%	\$235 7.8%	\$458 15.3%	\$2,258 75.4%	\$2,996 100%
Assessment Area Family Population	13.4%	11.9%	21.5%	53.1%	100%

As the table indicates, the bank originated 18.9 percent of all motor vehicle and real estate loans sampled (or 9.3 percent by dollar volume) to LMI borrowers. Motor vehicle loans comprise the largest portion of this total, with 24.6 percent originated to LMI borrowers, while 10.9 percent of real estate loans were originated to LMI borrowers. In comparison, 25.3 percent of the assessment area family population is designated as LMI. The percentage of motor vehicle lending is satisfactory when compared to the LMI family population.

The percentage of real estate loans originated to LMI borrowers is low. However, this is mitigated by the lack of affordable housing in the area, and the fact that some LMI families relocated outside of the county following the flooding of 1993 and 1995, as indicated by the community contact. The 1990 census data reflects that 10.4 percent of the assessment area families are below the poverty level. Also, the median housing value is higher for the assessment area at \$52,684 compared to the non-MSA area of the state at \$38,803. A projected demographic trend analysis for 1999 indicates a 21.0 percent decrease in low-income families from 1990, a 15.4 percent increase in moderate-income families, with a net decrease of 4.6 percent in LMI families.¹⁰

¹⁰ Source: U.S. Census Bureau estimates 1999.

Based upon the above information, the distribution of loans sampled reflects an adequate penetration to borrowers of different income levels.

Similarly, the number and dollar amount of small business loans originated by the bank were evaluated as well as the distribution to businesses of various revenue sizes. The bank's record of lending to small business exceeds the standards for satisfactory performance. The following table reflects the distribution of small business loans by gross annual business revenue and loan amount. These percentages are compared to the same characteristics for aggregate small business lending activity reported in the assessment area in 1999. This data includes lending activity in the assessment area for all institutions required by the CRA to report small business lending activity data.

Distribution of Small Business Loans¹¹ Inside Assessment Area				
Gross Revenue	Loan Origination Amount (\$000s)			TOTAL
	=\$100	>\$100=\$250	>\$250=\$1,000	
\$1 million or Less	40 75.5%	2 3.8%	2 3.8%	44 83.0%
Greater Than \$1 million	2 3.8%	1 1.9%	6 11.3%	9 17.0%
TOTAL	42 79.2%	3 5.7%	8 15.1%	53 100%

The bank originated 83.0 percent of its commercial loans to small businesses.¹² This is substantially higher than the comparable aggregate CRA loan data figure of 69.0 percent. Furthermore, of the bank's loans to small businesses, 75.5 percent were for loan amounts of \$100,000 or less. This reflects both the relative size of businesses in the area and the bank's willingness to meet the credit needs of small businesses. The bank's performance also compares favorably to data available through Dun and Bradstreet, which indicates that 90.4 percent of assessment area business establishments have gross annual revenues of less than \$1 million. The following table reflects the distribution of small farm loans by gross annual revenue and loan amount.

Distribution of Small Farm Loans Inside Assessment Area				
Gross Revenue	Loan Origination Amount (\$000s)			TOTAL
	=\$100	>\$100=\$250	>\$250=\$500	
Less than \$1 million	46 97.9%	1 2.1%	0 0.0%	47 100%
\$1 million or more	0 0.0%	0 0.0%	0 0.0%	0 0.0%
TOTAL	46 97.9%	1 2.1%	0 0.0%	47 100%

¹¹ A "Small Business Loan" for CRA purposes is defined as a loan in the amount of \$1 million or less to any business entity, regardless of annual revenue. A "loan to a small business" is a loan of any size to a business entity with a gross annual revenue of less than \$1 million.

¹² A small business or small farm is defined for CRA purposes as an entity whose gross annual revenues for the previous calendar year were \$1 million or less.

The above table demonstrates that 100 percent of the farm loans sampled were made to small farms. This percentage is the same as the reported CRA aggregate data in the assessment area of 100 percent. In addition, of the small farm loans originated, 97.9 percent were for loan amounts of \$100,000 or less. This indicates a willingness to meet the credit needs of small farm.

Based on the bank's satisfactory distribution of loans to LMI individuals and excellent distribution of lending to small businesses and farms of different sizes, the bank meets the standards of satisfactory performance.

Loan-to-Deposit Ratio

Bank of Ste. Genevieve's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance. The LTD ratio for Bank of Ste. Genevieve's regional competitors ranged from 65.0 percent to 82.4 percent, as shown in the following table. In comparison to local competitors, Bank of Ste. Genevieve's lending level is adequate.

Loan-to-Deposit Ratio Analysis		
	Asset Size¹³	Average LTD¹⁴
Bank of Ste. Genevieve	\$91,891	67.9%
Local Competitors	\$109,476 \$393,687	65.0% 82.4%

Lending in the Assessment Area

Bank of Ste. Genevieve's lending within the assessment area meets the standards for satisfactory performance. A statistical sample of consumer installment and real estate loans originated by the bank revealed a majority of the loans were originated to borrowers within the assessment area. The following table identifies by loan type, the number, dollar volume, and percentage of loans originated inside the assessment area.

Distribution of Loans In/Out of the Assessment Area (\$000s)					
Loan Type	Sample Size	Inside Assessment Area		Outside Assessment Area	
		Number	Dollar	Number	Dollar
Motor Vehicle	67 \$594	65 97.0%	\$572 96.3%	2 3.0%	\$22 3.7%
1-4 Family	51 \$2,762	46 90.2%	\$2,424 87.8%	5 9.8%	\$338 12.2%
Small Business Small Farm	103 \$8,303	100 97.1%	\$7,117 85.7%	3 2.9%	\$1,186 14.3%
TOTAL	221 \$11,659	211 95.5%	\$10,113 86.7%	10 4.5%	\$1,546 13.3%

¹³ The banks' total assets (in 000s) as of September 30, 2000 Consolidated Report of Condition.

¹⁴ This figure represents a 16-quarter average beginning with the quarter ending nearest the previous Consumer Affairs examination (December 31, 1996).

As illustrated in the table above, 211 (or 95.5 percent) of the 221 loans sampled were originated within the bank's assessment area. By dollar volume, 86.7 percent were located within the assessment area. All categories of loans sampled showed a very high percentage of loans made within the assessment area.

Geographic Distribution

The geographic distribution of loans shows a dispersion of sampled loans throughout the designated assessment area. Among other measures of performance, a bank's lending by loan category may be evaluated by comparing the bank's loan penetration in each geography to the population residing in each geography categorized by income levels.

A detailed geographic distribution analysis of the bank's loans by category of BNA was not performed because all geographies in the assessment area are middle- and upper-income; therefore, an analysis of the loan distribution would not provide any meaningful data.

Review of Complaints

No CRA-related complaints have been received since the prior examination.

Additional Information

A fair lending analysis focusing on Regulation B (Equal Credit Opportunity) and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

PUBLIC DISCLOSURE

Bank of Ste. Genevieve
Block Numbering Areas within Assessment Area

County	BNA Number	Income Classification
Ste. Genevieve County	9901.00	Upper
	9902.00	Middle
	9903.00	Upper
	9904.00	Upper