PUBLIC DISCLOSURE

March 25, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Providence Bank
RSSD #704755

3855 Forum Boulevard
Columbia, Missouri 65203

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.**

TABLE OF CONTENTS

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

The Lending Test is rated:	**Outstanding**
The Community Development Test is rated:	**Satisfactory**

Providence Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.

- A majority of loans and other lending-related activities are in the assessment areas.

- Distribution of loans to borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses of different revenue sizes.

- Geographic distribution of loans reflects an excellent dispersion throughout the assessment areas.

- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

- The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Bank performance under these tests is rated at the institution level, as well as by multistate metropolitan statistical areas (MSAs) and state levels. The bank maintains operations in five delineated assessment areas within three states: Missouri, Illinois, and Texas. The Illinois portion of the bank's assessment area is contained entirely within the St. Louis Missouri-Illinois multistate MSA (St. Louis MSA). In light of these characteristics, the bank received four sets of ratings: overall institution ratings, ratings for the St. Louis MSA, state of Missouri, and state of Texas.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each rated area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2018.

State/Multistate MSA	Offices		Deposits as of June 30, 2018		Assessment Area Reviews		
	#	%	$ (000s)	%	Full Scope	Limited Scope	TOTAL
St. Louis MSA	6	46.2%	$351,352	45.4%	1	0	**1**
Missouri	6	46.2%	$397,435	51.4%	2	1	**3**
Texas	1	7.7%	$24,911	3.2%	1	0	**1**
OVERALL	**13**	**100%**	**$773,698**	**100%**	**4**	**1**	**5**

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the state of Missouri and in the St. Louis MSA were given equal weight, while performance in Texas was given significantly lower weight.

Furthermore, residential real estate and small business loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy.[1] Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	December 31, 2015 – December 31, 2018
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Loan Distribution by Borrower's Profile	January 1, 2017 – December 31, 2017
Geographic Distribution of Loans	January 1, 2017 – December 31, 2017
Response to Written CRA Complaints	November 30, 2015 – March 24, 2019
Community Development Activities	November 30, 2015 – March 24, 2019

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2017 FFIEC Census data; certain business demographics are based on 2017 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of

[1] Small business loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $702.7 million to $1.2 billion as of December 31, 2018.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were also considered.

To augment this evaluation, eight community contact interviews were conducted with members of the local community in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment areas. In addition, one community contact interview previously completed within the bank's assessment areas was referenced. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section, applicable to the assessment area for which they were conducted.

DESCRIPTION OF INSTITUTION

Providence Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Linco Bancshares, Inc., a one-bank holding company; the bank and its holding company are both headquartered in Columbia, Missouri. The bank currently has four active subsidiaries conducting real estate-related activities, including PBGD&N Holdings, LLC, located in Clayton, Missouri and PBEI Holdings, LLC, PBDIL Holdings, LLC, and PBSP Holdings, LLC, all located in Jefferson City, Missouri.

The bank's branch network consists of 14 offices (including the main location), which are located in Missouri, Illinois, and Texas. Of the 14 offices, 2 are located in a low-income census tract, 1 is located in a moderate-income census tract, 7 are located in a middle-income census tract, and 4 are located in an upper-income census tract. None of the locations are located in distressed or underserved areas. Since its previous CRA evaluation, Providence Bank has made a number of changes to its branch network. In January 2016, the bank's Lake Saint Louis Banking Center was relocated to less than one half of a mile from its previous location in a middle-income census tract. In addition, the bank closed its Chesterfield Banking Center, which was located in an upper-income census tract, in April 2016. Lastly, in October 2018, the bank opened its Jefferson Ave Banking Center in a middle-income census tract. All of these changes occurred within the bank's St. Louis MSA assessment area.

In addition to its branch network, the bank operates 15 automatic teller machines (ATMs) of which 12 are deposit taking and 3 are cash-dispensing only. Of these 15 ATMs, 12 are located at the bank's offices; the remaining three are stand-alone ATMs. The bank also operates two loan production offices (LPOs) – a mortgage LPO in Columbia, Missouri, and a mortgage LPO in Grapevine, Texas. Based on this branch network and other service delivery systems, such as online banking capabilities, the bank is well positioned to deliver financial services to most of its five assessment areas. However, as the bank's delivery systems are not in close proximity to portions of the St. Louis MSA and the Dallas-Fort Worth-Arlington MSA, the bank may have difficulties serving the entire MSAs. The bank's five assessment areas are detailed below.

St. Louis, Missouri-Illinois Multistate MSA

- St. Louis MSA assessment area – All of Lincoln, Warren, Franklin, Jefferson, St. Charles, and St. Louis Counties, and St. Louis City in Missouri and Monroe, Bond, Clinton, Madison, Macoupin, Jersey, Calhoun, and St. Clair Counties in Illinois (all 15 counties in the multistate MSA).

Missouri

- Columbia MSA assessment area – All of Boone County (the only county comprising the Columbia, Missouri MSA).
- Jefferson City MSA assessment area – All of Callaway and Cole Counties (two of four counties comprising the Jefferson City, Missouri MSA).
- NonMSA Missouri assessment area – All of Camden County.

Texas

- Dallas-Fort Worth-Arlington MSA assessment area – All of Wise, Denton, Collin, Hunt, Parker, Tarrant, Dallas, Rockwall, Hood, Somervell, Johnson, Ellis, and Kaufman Counties (all 13 counties in the MSA).

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 credit needs of its assessment areas based on its available resources and financial products. As of December 31, 2018, the bank reported total assets of $1.0 billion. As of the same date, loans and leases outstanding were $766.6 million (76.7 percent of total assets), and deposits totaled $808.4 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of December 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$92,284	12.0%
Commercial Real Estate	$246,466	32.2%
Multifamily Residential	$59,366	7.7%
1–4 Family Residential	$99,652	13.0%
Farmland	$10,420	1.4%
Farm Loans	$387	0.0%
Commercial and Industrial	$207,692	27.1%
Loans to Individuals	$27,179	3.5%
Total Other Loans	$23,149	3.0%
TOTAL	**$766,595**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to commercial real estate loans, commercial and industrial loans, and loans secured by 1–4 family residential properties. In addition to 1–4 family residential real estate loans held in portfolio, the bank originates and subsequently sells a significant volume of residential real estate loans in the secondary market. As these loans are typically sold shortly after origination, the majority of this activity would not be captured in the table. In 2018, Providence Bank sold 148 loans totaling $25.5 million in the secondary market.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on November 30, 2015.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The following table summarizes conclusions for each rated area. In reaching overall conclusions, Texas was given the least weight because of the bank's limited presence in that state.

Rated Area	Lending Test Rating
St. Louis MSA	Outstanding
Missouri	Outstanding
Texas	Satisfactory
OVERALL	**Outstanding**

Providence Bank meets the standards for an outstanding Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria as applicable.

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 average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 13-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2018**	**Average LTD Ratio**
Providence Bank	Columbia, Missouri	$1,021,040	90.1%
Regional Banks	Poplar Bluff, Missouri	$1,243,764	88.3%
	Waxahachie, Texas	$1,117,758	89.3%
	University City, Missouri	$702,655	98.3%

Based on data from the previous table, the bank's level of lending is generally in line with those of other banks in the region. During the review period, the bank's quarterly LTD ratio has fluctuated, ranging from a high of 93.7 percent (December 2018) to a low of 85.1 percent (March 2016). In comparison, the average LTD ratios for the regional peers ranged from 103.1 percent to 75.7 percent. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas January 1, 2017 through December 31, 2017						
Loan Type	**Inside Assessment Areas**		**Outside Assessment Areas**		**TOTAL**	
HMDA	241	89.9%	27	10.1%	**268**	**100%**
	37,359	88.5%	4,851	11.5%	**$42,210**	**100%**
Small Business	69	56.1%	54	43.9%	**123**	**100%**
	11,942	55.1%	9,746	44.9%	**$21,688**	**100%**
TOTAL LOANS	**310**	**79.3%**	**81**	**20.7%**	**391**	**100%**
	49,301	**77.2%**	**14,597**	**22.8%**	**$63,898**	**100%**

A majority of loans analyzed were extended to borrowers or businesses that reside or operate in the bank's assessment areas. As shown above, 79.3 percent of the total loans were made inside the assessment areas, accounting for 77.2 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

Overall, performance by borrower's income/revenue profile is excellent, based on the analyses of lending in the St. Louis MSA, Missouri, and Texas, as displayed in the following table. Greater emphasis was placed on performance in the St. Louis MSA and Missouri, with much less significance assigned to lending levels in Texas.

Rated Area	Loan Distribution by Borrower's Profile
St. Louis MSA	Excellent
Missouri	Excellent
Texas	Reasonable
OVERALL	**EXCELLENT**

As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects excellent penetration. Again, as above, more weight was given to performance in the St. Louis MSA and Missouri than in Texas in determining the overall rating.

Rated Area	Geographic Distribution of Loans
St. Louis MSA	Excellent
Missouri	Excellent
Texas	Reasonable
OVERALL	**EXCELLENT**

<u>Responses to Complaints</u>

No CRA-related complaints were filed against the bank during this review period (November 30, 2015 through March 24, 2019).

COMMUNITY DEVELOPMENT TEST

Providence Bank's performance under the Community Development Test is rated satisfactory. The bank participates in an adequate level of community development activities, including community development loans, investments, and services that exhibit reasonable responsiveness to the needs within its assessment areas.

Rated Area	Community Development Test Rating
St. Louis MSA	Satisfactory
Missouri	Satisfactory
Texas	Satisfactory
OVERALL	**Satisfactory**

During the review period, the bank made 44 qualifying community development loans in its assessment areas totaling approximately $41.9 million. This total included four community development loans totaling $176,582 that were made to an organization providing communications infrastructure improvements as part of revitalization/stabilization efforts within a broader regional area that includes the bank's St. Louis MSA assessment area.

The bank made community development investments and donations in its assessment areas totaling $11.5 million. This amount included 42 new qualified investments totaling $8.6 million, 7 investments made in a prior review period still outstanding totaling $2.8 million, and 43 donations totaling $65,378. The majority of investments were mortgage-backed securities providing affordable housing to LMI people.

During the review period, bank personnel used financial expertise to log 658 service hours to 17 different community development organizations within the bank's assessment areas. Service activities included delivering financial education in schools that primarily serve LMI families, providing financial expertise to community service organizations as board members, and instructing financial literacy courses for local nonprofits.

In addition to adequately meeting the community development needs of its own assessment areas, the bank made two community development loans outside its assessment areas totaling $8.5 million, one of which was to purchase and rehab an existing apartment complex located in a moderate-income census tract, revitalizing and stabilizing the area.

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.

ST. LOUIS, MISSOURI-ILLINOIS MULTISTATE MSA[2]

CRA RATING FOR ST. LOUIS MSA: **<u>SATISFACTORY</u>**
The Lending Test is rated: **Outstanding**
The Community Development Test is rated: **Satisfactory**

Major factors supporting the institution's St. Louis MSA assessment area rating include the following:

- Overall, the distribution of loans reflects excellent penetration among individuals of different income levels (including LMI levels) and businesses of different sizes.

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

- The bank's community development performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability for such opportunities for community development in the bank's St. Louis MSA assessment area.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the St. Louis MSA assessment area are consistent with the overall CRA examination scope, as presented in the *Institution/Scope of Examination* section. To augment this evaluation, two community contact interviews were conducted and one was referenced to ascertain specific community credit needs, community development opportunities, and local economic conditions. The interviews were with representatives specializing in economic development, affordable housing, and small business assistance. Details from these interviews are included in the *Description of Institution's Operations* section that follows.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ST. LOUIS MSA ASSESSMENT AREA

<u>Bank Structure</u>

In this assessment area, the bank operates seven branches, which all have deposit-taking ATMs on site or within close proximity, representing 50.0 percent of the bank's total branches. One branch is on the Illinois side of the MSA and is located in a middle-income census tract in the north central portion of St. Clair County. The remaining six branches in Missouri are located in the central/north central portion of the assessment area within Lincoln, St. Charles, and St. Louis

[2] This rating reflects performance within the multistate MSA. The Missouri statewide evaluation is adjusted and does not reflect performance in the multistate MSA.

Counties and St. Louis City. Of the six branches, one is located in a low-income census tract and five are located in middle-income census tracts. During this review period, the bank opened one branch in St. Louis City in a middle-income census tract, closed one branch in St. Louis County in an upper-income census tract, and relocated a branch in St. Charles County from a middle-income census tract to an upper income tract. Based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to most portions of the St. Louis MSA. Nonetheless, the bank's delivery systems are a significant distance to the south/southwestern and northeastern/eastern portions of the St. Louis MSA. As such, the bank may have difficulties delivering financial services to these areas.

General Demographics

The multistate MSA is comprised of 15 counties in Missouri and Illinois, including the independent city of St. Louis. The bank has designated all 15 counties in the St. Louis MSA and the city of St. Louis as its assessment area. This is a change from the previous CRA examination in November 2015, in which the bank's assessment area included just five of the counties in the St. Louis MSA: Lincoln, St. Charles, St. Louis, St. Clair, and St. Louis City. The following table describes the counties in the bank's assessment area along with their respective populations as of the 2010 U.S. Census.

State	County	Population
Missouri	Franklin	101,828
	Jefferson	221,577
	Lincoln	53,850
	St. Charles	374,805
	St. Louis	1,001,327
	Warren	33,043
	St. Louis City	317,850
Illinois	Bond	17,313
	Calhoun	4,999
	Clinton	37,929
	Jersey	22,625
	Macoupin	46,844
	Madison	267,356
	Monroe	33,539
	St. Clair	267,029
Total Assessment Area Population		**2,801,914**

This assessment area is a highly competitive banking market, with 125 total financial institutions operating within the assessment area. The bank is ranked 40th among these financial institutions, encompassing only 0.4 percent of the assessment area's deposit market share.

This assessment area covers a wide metropolitan area and the population and demographics are diverse. As a result, credit needs in the area vary and include a blend of consumer and business credit products. Other particular credit needs in the assessment area, as noted primarily by community contacts, include financial education, refinancing or home repair loans for the elderly, small business micro loans, and down payment assistance programs for 1–4 family home purchases. Furthermore, community contacts indicated financial institutions have many community development opportunities available in the assessment area.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	79	131	229	172	4	**615**
	12.8%	21.3%	37.2%	28.0%	0.7%	**100%**
Family Population	52,106	137,792	293,427	234,562	1,439	**719,326**
	7.2%	19.2%	40.8%	32.6%	0.2%	**100%**

As shown above, 34.1 percent of the census tracts in the assessment area are LMI geographies, but only 26.4 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around the city of St. Louis in Missouri and the city of East St. Louis in Illinois, which is located in St. Clair County. Furthermore, a review of LMI census tract information by county indicates a majority of assessment area LMI census tracts are in or adjacent to the city of St. Louis—31.9 percent of LMI census tracts are in St. Louis City, 28.1 percent are in St. Louis County, and 12.9 percent are in St. Clair County.

Based on 2010 U.S. Census data, the median family income for the assessment area was $70,284. At the same time, median family incomes for Missouri and Illinois were $50,800 and $60,400, respectively. More recently, the FFIEC estimates the 2017 median family income for the St. Louis MSA to be $74,300. The following table displays population percentages of assessment area families by income level compared to the Missouri and Illinois family populations.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	155,627	125,318	144,204	294,177	**719,326**
	21.6%	17.4%	20.1%	40.9%	**100%**
State of Missouri	327,815	275,076	319,230	607,885	**1,530,006**
	21.4%	18.0%	20.9%	39.7%	**100%**
State of Illinois	707,341	526,904	608,252	1,282,186	**3,124,683**
	22.6%	16.9%	19.5%	41.0%	**100%**

As shown in the table above, 39.0 percent of families within the assessment area were considered LMI, which is similar to the LMI family percentages of 39.4 percent in Missouri and 39.5 percent in Illinois. For all datasets, the largest category of families falls into the upper-income category. Furthermore, the percentage of families living below the poverty level in the assessment area (9.6 percent) is similar to the state of Missouri (11.1 percent) and the state of Illinois (10.5 percent). These LMI percentages indicate that the assessment area is similar in affluence to the state of Missouri and state of Illinois. However, the following table indicates that the level of affluence differs among the assessment area's 15 counties when considering percentages of LMI families and those living below the poverty line.

Dataset	Family Population	% Families that are Low-Income	% Families that are Moderate-Income	% Families Below Poverty
Bond County	4,057	24.7%	20.2%	10.6%
Calhoun County	1,500	21.1%	20.3%	9.7%
Clinton County	9,542	14.4%	15.7%	6.2%
Jersey County	6,424	20.9%	21.2%	5.5%
Macoupin County	12,923	22.7%	22.0%	9.5%
Madison County	70,309	22.0%	18.3%	9.6%
Monroe County	9,661	11.5%	16.1%	3.5%
St. Clair County	67,282	27.3%	16.9%	14.7%
Franklin County	28,098	23.8%	22.4%	8.9%
Jefferson County	59,813	20.8%	21.2%	8.2%
Lincoln County	13,730	25.2%	20.9%	11.8%
St. Charles County	100,729	12.4%	14.8%	4.6%
St. Louis County	261,710	19.4%	16.2%	7.9%
Warren County	8,793	22.1%	22.1%	8.6%
St. Louis City	64,755	40.1%	18.2%	21.7%
Assessment Area	719,326	21.6%	17.4%	9.6%
State of Missouri	1,530,006	21.4%	18.0%	11.1%
State of Illinois	3,124,683	22.6%	16.9%	10.5%

As indicated in the preceding table, St. Louis City has the highest level of LMI families and families living below the poverty level. Specifically, St. Louis City's LMI family population is 58.3 percent, and 21.7 percent live below the federal poverty line. Conversely, St. Charles and Monroe Counties have the lowest levels of LMI families (27.2 percent and 27.6 percent, respectively) and fewest families living below the poverty level (4.6 percent and 3.5 percent, respectively).

Housing Demographics

The following table displays housing demographics in the assessment area, as well as for the state of Missouri and the state of Illinois.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	$157,101	35.1%	$816
State of Missouri	$138,400	34.8%	$746
State of Illinois	$173,800	33.1%	$907

Although the affordability ratio in the assessment area appears similar to the state of Missouri and the state of Illinois, despite differences in median housing values and median gross rents, affordability ratios in the assessment area varied significantly by county. Affordability ratios ranged from a high of 54.3 percent in Macoupin County to a low of 29.6 percent in St. Louis City. Based on the affordability ratio comparisons, homeownership may be out of reach of many LMI families, especially in St. Louis City (29.6), Franklin County (32.5), Warren County (33.5), and St. Louis County (34.5).

While the median housing value in the assessment area is below the state of Illinois, the median housing value for Illinois is largely influenced by the Chicago area, where housing is more expensive when compared to the rest of the state. Similar to affordability, median gross rents varied significantly by county in the assessment area, ranging from a low of $590 in Calhoun County to a high of $931 in St. Charles County. One community contact noted that homeownership in the assessment area is out of reach for many LMI residents, attributing this to limited affordable housing options and rising home values.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, with five industries employing more than half of all employees in the assessment area. County business patterns indicate that there are 1,237,942 paid employees in the assessment area. By percentage of employees, the five largest job categories in the assessment area are healthcare and social assistance (16.0 percent), followed by retail trade (12.0 percent), accommodation and food services (10.5 percent), manufacturing (8.6 percent), and professional, scientific, and technical services (6.7 percent).

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, the state of Missouri, and the state of Illinois.

Unemployment Levels for the Assessment Area		
Dataset	Time Period (Annual Average)	
	2016	2017
Bond County	5.1%	4.3%
Calhoun County	6.1%	5.3%
Clinton County	4.4%	3.5%
Jersey County	5.8%	4.7%
Macoupin County	5.9%	4.8%
Madison County	5.8%	4.6%
Monroe County	4.0%	3.3%
St. Clair County	6.0%	4.9%
Franklin County	4.4%	3.6%
Jefferson County	4.3%	3.6%
Lincoln County	4.5%	3.6%
St. Charles County	3.5%	2.9%
St. Louis City	5.5%	4.4%
St. Louis County	4.2%	3.4%
Warren County	4.2%	3.2%
Assessment Area Average	**4.6%**	**3.7%**
State of Missouri	4.6%	3.8%
State of Illinois	5.8%	5.0%

Overall unemployment rates for the assessment area, the state of Missouri, and the state of Illinois were similar throughout the review period and exhibited a declining trend. The unemployment rate for the assessment area decreased from 4.6 percent in 2016 to 3.7 percent in 2017. Similarly, the state of Missouri and the state of Illinois trended downward from 4.6 percent in 2016 to 3.8 percent in 2017 and 5.8 percent in 2016 to 5.0 percent in 2017, respectively. During the review period, Calhoun County and St. Clair County consistently maintained the highest unemployment rates, while Monroe and St. Charles Counties maintained the lowest unemployment rates.

Community Contact Information

For the St. Louis MSA assessment area, two community contact interviews were completed and one from another examination was referenced as part of this evaluation. One interview was from an economic development office working primarily in St. Charles County but also throughout the St. Louis MSA. The second interview was from an affordable housing agency centered in the Lemay Area of St. Louis, serving the entire MSA. The community contact interview that was referenced from another examination was from a small business assistance organization serving the St. Louis MSA including portions of Missouri and Illinois. The community contacts categorized the local economy as growing, attributing growth to rising homeownership and increased commercial development.

Two community contacts highlighted St. Charles County as exhibiting the most profound growth due to continued housing development in the cities of Lake St. Louis and Wentzville, as well as the relocation of several large companies to the county. Contacts also indicated that St. Charles County is attractive due to its relatively low cost of living, good schools, and proximity to business hubs in St. Louis County, as many residents commute outside of St. Charles County for work. However, one contact noted that with this growth home prices have increased, leaving many LMI residents unable to afford housing in the area. Another contact also noted that despite St. Charles's growth, there is a lack of available workforce due to low unemployment. The contact noted that additional workforce is needed to attract new businesses to the area in order for the county to experience continued growth. Furthermore, the contact highlighted a lack of business ready infrastructure as another hindrance to continued growth.

In contrast, community contacts indicated that St. Louis City and northern parts of St. Louis County have shown the least growth in the assessment area, as many residents and businesses have relocated to the suburbs surrounding the city. One of the contacts indicated that these areas lack higher education among its residents and have less access to living wage jobs.

The contacts indicated that the banking environment in the area was good and that most individuals rely on banks to meet their financials needs; however, the contact specializing in economic development mentioned a need for small dollar lending programs for small businesses.

The contact working in affordable housing highlighted several credit barriers to homeownership for LMI individuals, including poor credit scores, financial illiteracy, and lack of ability to pay a down payment. The contact stressed the need for down payment assistance programs, refinancing or home repair loans for elderly individuals, and homeownership counseling. Furthermore, the contact went on to say there is a need for affordable housing given rising home values.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ST. LOUIS MSA ASSESSMENT AREA

LENDING TEST

The bank's Lending Test rating in the St. Louis MSA assessment area is outstanding. The distribution of loans reflects excellent penetration among borrowers of different income levels and businesses of different sizes. Similarly, the geographic distribution of loans reflects excellent penetration throughout the assessment area.

Loan Distribution by Borrower's Profile[3]

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from both loan categories reviewed. The bank's strong HMDA performance, coupled with small business lending that exceeded that of peer banks, supports an overall rating of excellent.

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 the FFIEC ($74,300 for the St. Louis MSA as of 2017). The following table shows the distribution of HMDA-reported loans by borrower income level in comparison to family population income demographics for the assessment area. In addition, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2017 through December 31, 2017

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	7	14.6%	23	47.9%	5	10.4%	11	22.9%	2	4.2%	**48**	**100%**
Refinance	4	13.8%	3	10.3%	0	0.0%	16	55.2%	6	20.7%	**29**	**100%**
Home Improvement	2	33.3%	2	33.3%	1	16.7%	1	16.7%	0	0.0%	**6**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	**1**	**100%**
TOTAL HMDA	**13**	**15.5%**	**28**	**33.3%**	**6**	**7.1%**	**28**	**33.3%**	**9**	**10.7%**	**84**	**100%**
Family Population	21.6%		17.4%		20.0%		40.9%		0.0%		**100%**	
2017 HMDA Aggregate	8.6%		17.9%		20.4%		32.5%		20.6%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (15.5 percent) is below the low-income family population figure (21.6 percent), but above the 2017 aggregate lending level to low-income borrowers (8.6 percent). As noted by community contacts, there is a lack of affordable housing in the assessment area, and many low-income individuals do not possess sufficient credit, financial literacy, or down payment funds to be able

[3] Small business loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

to purchase homes. Thus, many barriers are present that inhibit the bank from accommodating low-income borrowers. Given the bank is significantly outperforming peers in the market, the bank's lending to low-income borrowers is considered excellent. Moreover, the bank's level of lending to moderate-income borrowers (33.3 percent) is significantly above both the moderate-income family population percentage (17.4 percent) and the aggregate lending levels of 17.9 percent, reflecting excellent performance. Overall, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is excellent.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2017 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	17	45.9%	4	10.8%	5	13.5%	**26**	**70.3%**
Greater than $1 Million/Unknown	8	21.6%	0	0.0%	3	8.1%	**11**	**29.7%**
TOTAL	**25**	**67.6%**	**4**	**10.8%**	**8**	**21.6%**	**37**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**87.3%**	
2017 CRA Aggregate Data							**48.8%**	

The bank's level of lending to small businesses is reasonable. Of the small business loans made by the bank in 2017, 70.3 percent were to business with revenues of $1 million or less. While this performance was below the demographics estimate of businesses in the assessment area with annual revenues of $1 million or less (87.3 percent), it was above the percentage of small business loans originated by aggregate lenders (48.8 percent). In addition, 45.9 percent of the bank's small business loans were for amounts less than or equal to $100,000, which further demonstrates the bank's willingness to lend to small businesses.

Geographic Distribution of Loans

As noted previously, the St. Louis MSA assessment area includes 79 low- and 131 moderate-income census tracts, representing 34.1 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts, based on the HMDA and small business loan categories. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	5	10.4%	13	27.1%	25	52.1%	5	10.4%	0	0.0%	**48**	**100%**
Refinance	0	0.0%	11	37.9%	11	37.9%	7	24.1%	0	0.0%	**29**	**100%**
Home Improvement	0	0.0%	1	16.7%	3	50.0%	2	33.3%	0	0.0%	**6**	**100%**
Multifamily	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**5**	**6.0%**	**25**	**29.8%**	**40**	**47.6%**	**14**	**16.7%**	**0**	**0.0%**	**84**	**100%**
Owner-Occupied Housing	4.9%		17.9%		42.7%		34.4%		0.1%		**100%**	
2017 HMDA Aggregate	1.8%		15.1%		43.4%		39.5%		0.1%		**100%**	

The analysis of HMDA loans revealed excellent lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (6.0 percent) is above the percentage of owner-occupied housing units in low-income census tracts (4.9 percent). Furthermore, the bank's performance in low-income census tracts is well above aggregate lending performance, which indicate that 1.8 percent of HMDA loans inside this assessment area were made to borrowers residing in low-income geographies.

Bank performance in moderate-income census tracts was significantly above comparison data, representing excellent performance. The bank's total penetration of moderate-income census tracts by number of loans (29.8 percent) is substantially above the percentage of owner-occupied housing units in moderate-income census tracts (17.9 percent). The bank's performance in moderate-income census tracts is also significantly above aggregate lending performance, which indicate that 15.1 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies (35.8 percent) exceeds both demographic and aggregate lending benchmarks, representing excellent performance.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	4	10.8%	9	24.3%	16	43.2%	8	21.6%	0	0.0%	**37**	**100%**
Business Institutions	5.6%		18.9%		37.3%		37.4%		0.8%		**100%**	
2017 Small Business Aggregate	5.2%		17.7%		35.2%		40.3%		1.5%		**100%**	

The bank's level of lending in low-income census tracts (10.8 percent) is above the estimated percentage of businesses operating inside these census tracts (5.6 percent) and 2017 aggregate lending in low-income census tracts (5.2 percent). As a result, the bank's performance in low-income areas is excellent. The bank's percentage of loans in moderate-income census tracts (24.3 percent) exceeds both 2017 aggregate lending in moderate-income census tracts (17.7 percent) and the percentage of small businesses in moderate-income census tracts (18.9 percent), representing excellent performance. Therefore, the bank's overall geographic distribution of small business loans is excellent.

Lastly, based on loans originated in both loan categories, an analysis of lending dispersion throughout the assessment area was conducted. The bank originated loans in 15.7 percent of all LMI census tracts in the assessment area. In comparison, the bank originated loans in 13.2 percent of all middle- and upper-income census tracts. As previously noted, the bank may encounter difficulties delivering financial services to the entire St. Louis MSA, specifically in areas that are a considerable distance from bank branches. Concentrations of tracts with no lending are located in the south/southwestern and northeastern/eastern portions of the assessment area, which are not located in close proximity to the bank's locations. While the south/southwestern portion of the assessment area contains a number of LMI census tracts, the vast majority of the LMI census tracts in the St. Louis MSA are located near the center of the assessment area. Furthermore, the bank did originate a variety of loans in the urban core of the St. Louis MSA, where the majority of LMI census tracts are located. Therefore, no conspicuous lending gaps were identified.

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of the assessment area, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank extended 16 community development loans totaling $13.7 million within this assessment area. These loans qualified for a variety of purposes, including affordable housing, the provision of community services, and the revitalization and stabilization of LMI areas. Noteworthy loan projects included:

- The bank made four loans to borrowers to purchase and renovate apartment complexes in LMI census tracts in order to provide affordable housing and revitalize/stabilize the area. Affordable housing was noted by community contacts as a significant need in the assessment area.

- The bank made two loans to borrowers involved in the low-income housing tax credit program, which ultimately provides affordable rental housing for LMI individuals.

- The bank made three loans to local churches to rehabilitate facilities that provide community services primarily for LMI individuals, as well as two loans to a church located in a low-income census tract for operating expenses.

- The bank made one loan to a financial intermediary that extends credit to small businesses in the St. Louis area.

- The bank made one loan of which proceeds will be used to make a loan to the investment fund in a new market tax credit transaction, which will ultimately be used to expand facilities for a local school.

- The bank made one loan for the purchase of a six-unit apartment complex in a middle-income census tract, providing affordable housing for LMI tenants.

At the time of the examination, the bank had a total of approximately $4.7 million in outstanding investments that qualified for community development credit. This amount included $3.8 million in new investments made since the previous examination and $894,103 in balances outstanding from prior period investments that remain in the bank's portfolio. The investments were primarily in the form of mortgage-backed securities that financed affordable housing within the assessment area. One other investment was made in a small business investment company. In addition to the investments previously noted, the bank donated a total of $17,050 to various organizations having a community development purpose. This total included 11 separate donations to organizations helping with assessment area needs such as affordable housing, education, and health services targeted to LMI individuals.

Several bank employees utilized their financial expertise to assist nine different organizations that are involved in providing community services and economic development in the assessment area. These activities account for 250 service hours, including serving on boards that provide community services primarily for LMI individuals and teaching financial literacy classes.

MISSOURI

CRA RATING FOR MISSOURI: **SATISFACTORY**
The Lending Test is rated: **Outstanding**
The Community Development Test is rated: **Satisfactory**

Major factors supporting the institution's Missouri rating include the following:

- Overall, the distribution of loans in the Missouri assessment areas reflects excellent penetration among individuals of different income levels (including LMI levels) and businesses of different sizes.

- The geographic distribution of loans reflects excellent dispersion throughout the Missouri assessment areas.

- The bank's community development performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability for such opportunities for community development in the bank's assessment areas.

SCOPE OF EXAMINATION

Scoping considerations applicable to the review of Missouri assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank's ratings in the state of Missouri reflect a composite of the bank's performance in all three of its assessment areas throughout the state. Of the bank's three Missouri assessment areas, one is located in the Columbia, Missouri MSA, one is located in the Jefferson City, Missouri MSA, and one is located in nonMSA Missouri. In light of branch structure, loan/deposit activity, and the bank's CRA evaluation history, CRA performance in the bank's two MSA assessment areas were evaluated using full-scope review procedures. Furthermore, unless stated otherwise, CRA performance in the Jefferson City MSA assessment area was given more weight when forming overall state conclusions, considering branch structure and deposit activity. The nonMSA assessment area received a limited-scope review and does not factor into the state rating. Performance conclusions in the limited-scope review assessment area are based on comparisons to conclusions reached in the full-scope review assessment areas.

To augment the evaluation, four community contact interviews were used to ascertain specific community credit needs, community development opportunities, and local economic conditions. Interviews took place with an individual representing an agency that provides community services to LMI individuals, an individual working in affordable housing, and two individuals working in economic development roles in the Columbia MSA and Jefferson City assessment areas. Details from these interviews are included in the *Description of Institution's Operations* sections, as applicable to the assessment areas for which the community contacts were made.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSOURI

Providence Bank operates six offices (42.9 percent of total branches) throughout the three CRA assessment areas in the state of Missouri. The following table detail's the bank's offices and deposit dollars within Missouri.

Assessment Area	Offices		Deposits As of June 30, 2018		Review Procedures
	#	%	$	%	
Columbia MSA	2	33.3%	$73,710	18.5%	Full Scope
Jefferson City	3	50.0%	$291,033	73.2%	Full Scope
NonMSA Missouri	1	16.7%	$32,692	8.2%	Limited Scope
TOTAL	**6**	**100%**	**$397,435**	**100%**	**2 – Full Scope**

In addition to the two deposit-accepting branches in the Columbia assessment area, the bank operates a mortgage LPO. The bank did not open or close any branches in the assessment area during the review period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

Providence Bank's Lending Test rating for the state of Missouri is outstanding. The bank's overall distribution of loans by borrower's income and revenue profile reflects excellent penetration among borrowers of different income levels and businesses of different sizes. Furthermore, the overall geographic distribution of loans reflects excellent penetration throughout Missouri assessment areas.

Borrower and Geographic Distribution

As displayed in the following tables, the bank's overall performance by borrower's income and revenue profile is excellent in Missouri.

Full-Scope Review Areas	Loan Distribution by Borrower's Profile
Columbia MSA	Excellent
Jefferson City	Excellent
OVERALL	**Excellent**

Limited-Scope Review Areas	Loan Distribution by Borrower's Profile
NonMSA Missouri	Below

Overall, the bank's geographic distribution of loans reflects excellent penetration throughout Missouri, as displayed in the following table. Although the Jefferson City assessment area generally received more weight when determining overall ratings, the Jefferson City MSA assessment area was only reviewed for HMDA due to limited small business volume. Therefore, in determining the overall rating for geographic distribution, more weight was given to performance in the Columbia MSA due to higher lending volumes than in the Jefferson City assessment area.

Full-Scope Review Areas	Geographic Distribution of Loans
Columbia MSA	Excellent
Jefferson City	Excellent
OVERALL	**Excellent**

Limited-Scope Review Areas	Geographic Distribution of Loans
NonMSA Missouri	Below

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of Missouri assessment areas, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Despite excellent performance in the Columbia MSA assessment area, Providence Bank's Community Development Test rating in the state of Missouri is satisfactory.

Full-Scope Review Areas	Community Development Performance
Columbia MSA	Excellent
Jefferson City	Adequate
OVERALL	**Satisfactory**

Limited-Scope Review Areas	Community Development Performance
NonMSA Missouri	Consistent

The bank extended 25 community development loans totaling $24.9 million within its Missouri assessment areas. The majority of these loans were for affordable housing, along with a mix of loans for community development, revitalization and stabilization, and community services. In addition, the bank made $2.9 million in community development investments primarily in mortgage-backed securities promoting affordable housing and 28 donations totaling $32,828 in support of organizations providing affordable housing opportunities and community services targeted to LMI individuals. Lastly, the bank logged 264 hours of providing financial expertise as board or committee members or as financial literacy teachers to six different community development organizations within Missouri assessment areas.

COLUMBIA MSA ASSESSMENT AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE COLUMBIA MSA ASSESSMENT AREA

Bank Structure

The bank operates 2 of its 14 offices (14.3 percent) in this assessment area, including its headquarters. Both locations have cash-dispensing ATMs on site. As previously mentioned, the bank also operates a mortgage LPO in this assessment area. While the main office is located in an upper-income census tract, the branch and LPO are located in low-income census tracts near the center of the city of Columbia. Since the last examination, the bank did not open or close any branches in this assessment area. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of Boone County, Missouri, which is the entirety of the Columbia, Missouri MSA. This assessment area is located near the center of Missouri, and as of the 2010 U.S. Census, the population was 170,770. This assessment area is home to the University of Missouri, which had a total enrollment of almost 30,000 students in 2018, as well as Columbia College and Stephens College. As such, 40.9 percent of housing units in the assessment area are renter-occupied, and the significant student population has caused an increased demand for housing. This high demand for housing has increased housing expenses, which, as noted primarily from community contacts, has led to a significant need for affordable housing. Other credit needs noted by community contacts include micro loans for small businesses, down payment assistance programs, and home repair assistance programs.

Of the 31 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 9th in deposit market share, encompassing 1.8 percent of total deposit dollars.

Income and Wealth Demographics

This assessment area consists of 29 census tracts encompassing Boone County. The table below displays the number and family population of these census tracts by income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	3	6	10	7	3	**29**
	10.3%	20.7%	34.5%	24.1%	10.3%	**100%**
Family Population	1,048	7,110	17,586	12,194	297	**38,235**
	2.7%	18.6%	46.0%	31.9%	0.8%	**100%**

Of the 29 census tracts in the assessment area, 10.3 percent are considered low-income, and 20.7 percent are considered moderate-income. All of the LMI census tracts are located in the center of the county surrounding the city of Columbia.

According to 2010 U.S. Census data, the median family income for the assessment area was $72,210, which is above the state of Missouri's $60,809. More recently, the FFIEC estimates the 2017 Columbia, Missouri MSA median family income at $75,200. The following table displays assessment area families by income level compared to all families in Missouri.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Columbia MSA Assessment Area	8,048	6,536	8,414	15,237	**38,235**
	21.0%	17.1%	22.0%	39.9%	**100%**
State of Missouri	327,815	275,076	319,230	607,885	**1,530,006**
	21.4%	18.0%	20.9%	39.7%	**100%**

As displayed in the table, family income levels in the assessment area are similar to the state of Missouri overall, with 38.1 percent of the population classified as LMI in the Columbia MSA compared to 39.4 percent in the entire state of Missouri. However, there are fewer families living below the poverty line in Columbia (9.1 percent) than in the state of Missouri overall (11.1 percent). Thus, the assessment area appears to be slightly more affluent than the state of Missouri as a whole.

Housing Demographics

The following table displays housing demographics in the assessment area, as well as for the state of Missouri. Based on housing values, income levels, and rental costs, housing in the assessment area appears less affordable than the state of Missouri.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$169,417	29.5%	$795
State of Missouri	$138,400	34.8%	$746

The median housing value for the assessment area is $169,417, which is above the state of Missouri ($138,400). The median home is less affordable in the assessment area when considering income, as reflected in the assessment area's housing affordability ratio of 29.5 percent, which is lower than Missouri's ratio of 34.8 percent.

Community contacts indicated that with the city of Columbia being a college town, there is upward pressure on housing prices, which decreases overall housing affordability in the area. In addition, community contacts indicated a need for funds to construct new, affordable housing for LMI individuals attributing the median age of housing stock in low-income census tracts (60 years) as a major factor. They also mentioned a need for home repair assistance programs for LMI residents to continue to reside in their homes.

Moreover, rents in the assessment area appear less affordable than in Missouri overall. The median monthly rent in the assessment area is $795, but just $746 in the state of Missouri. In addition, renters in the assessment area are more likely to pay more than 30 percent of their income on rent than renters across the state. In the assessment area, 50.9 percent of renters had rent costs in excess of 30 percent of their incomes, while the figure for the entire state was only 44.4 percent. However, figures in the assessment area are influenced by the student population, much of which is likely to pay monthly rent but not likely to earn much annual income.

Industry and Employment Demographics

The assessment area supports a large business community, including a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 90.0 percent of businesses in the assessment area have revenues less than or equal to $1 million. County business patterns indicate that there are 77,527 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (22.6 percent), followed by retail trade (16.6 percent), and accommodation and food services (13.6 percent).

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Missouri.

Unemployment Levels for the Assessment Area		
Dataset	**Time Period (Annual Average)**	
	2016	**2017**
Assessment Area	3.3%	2.6%
State of Missouri	4.6%	3.8%

As shown in the preceding table, unemployment levels in the assessment area are lower than Missouri overall. Both unemployment rates for the assessment area and Missouri trended downward, decreasing from 2016 to 2017.

Community Contact Information

For this assessment area, two community contact interviews were completed as part of this evaluation. One interview was with an individual from an economic development office and the other interview was with an individual representing an agency that provides community services to LMI individuals. The community contacts categorized the local economy as robust, particularly in the cities of Columbia and Ashland. Specifically, Columbia’s strong economy is attributed to its roots in education, research, healthcare, life sciences, and high-tech industries. Ashland’s growth is attributed to it serving as a bedroom community for commuters working in Columbia and Jefferson City in nearby Cole County. The contacts also noted that the surrounding, more rural parts of the assessment area have seen less growth and have a stable economy. While the area economy is thriving and unemployment is low, both contacts highlighted that Columbia's poverty level was high and indicated it was due to low skilled workers, including retail employees who are often paid substandard wages. As such, a need exists for further job skills training.

Furthermore, both community contacts mentioned that with Columbia being a college town, housing prices are particularly high due to demand. As a result, both contacts expressed a significant need for quality, affordable housing. The contact providing community services for LMI individuals further stressed specific needs relating to affordable housing; specifically, down payment assistance programs are needed to assist LMI individuals with the initial purchase of homes. In addition, home repair assistance programs are needed for LMI residents to continue to reside in their homes. The median age of housing stock in low-income census tracts is 60 years, compared to 35 years for the entire assessment area. In addition, both contacts stated a need for funds to construct new, affordable housing projects, as well.

Both contacts indicated the banking environment in the area was good and that banks are actively involved in the community, with both contacts noting Providence Bank as being particularly involved. However, both contacts noted a need for more micro funding for small businesses within the county. In addition, contacts noted that the city of Columbia has prepared a strategic plan that targets community development in LMI areas. The strategic plan provides many opportunities for bank participation, including workforce development, small business mentoring and coaching, and financial literacy training.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLUMBIA MSA ASSESSMENT AREA

LENDING TEST

The overall distribution of loans by borrower's income/revenue profile, including to borrowers of different income levels and businesses of different revenue sizes, is excellent. Similarly, the bank's overall geographic distribution of loans throughout the assessment area, including in LMI geographies, is excellent.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from both loan categories reviewed. The bank's strong HMDA performance, coupled with small business lending that far outpaces aggregate lenders, supports the overall rating of excellent.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2017 through December 31, 2017

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	15	24.6%	15	24.6%	9	14.8%	17	27.9%	5	8.2%	**61**	**100%**
Refinance	1	25.0%	1	25.0%	1	25.0%	1	25.0%	0	0.0%	**4**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**16**	**24.2%**	**16**	**24.2%**	**10**	**15.2%**	**19**	**28.8%**	**5**	**7.6%**	**66**	**100%**
Family Population	21.0%		17.1%		22.0%		39.9%		0.0%		**100%**	
2017 HMDA Aggregate	9.5%		20.2%		20.4%		29.9%		20.0%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (24.2 percent) is above the low-income family population figure (21.0 percent) and substantially higher than the 2017 HMDA aggregate lending level to low-income borrowers (9.5 percent), reflecting excellent performance. The bank's level of lending to moderate-income borrowers (24.2 percent) is also above both the moderate-income family population percentage (17.1 percent) and the aggregate lending levels of 20.2 percent, reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is excellent.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2017 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	2	25.0%	4	50.0%	1	12.5%	**7**	**87.5%**
Greater than $1 Million/Unknown	1	12.5%	0	0.0%	0	0.0%	**1**	**12.5%**
TOTAL	**3**	**37.5%**	**4**	**50.0%**	**1**	**12.5%**	**8**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.0%**	
2017 CRA Aggregate Data							**55.8%**	

The bank's level of lending to small businesses is 87.5 percent, which is slightly below the demographic (90.0 percent) but well above the aggregate lending data (55.8 percent), reflecting reasonable performance.

Geographic Distribution of Loans

As noted previously, the Columbia MSA assessment area includes three low- and six moderate-income census tracts, representing 31.0 percent of all assessment area census tracts. Overall, the geographic distribution of the bank's loans reflects excellent penetration throughout the assessment area, including these LMI census tracts. This conclusion is based on strong HMDA lending in LMI tracts, combined with lending to small businesses in LMI tracts that exceeds both aggregate lending levels and demographic data. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing demographics and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	4	6.6%	16	26.2%	27	44.3%	14	23.0%	0	0.0%	**61**	**100%**
Refinance	0	0.0%	0	0.0%	2	50.0%	2	50.0%	0	0.0%	**4**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**4**	**6.1%**	**16**	**24.2%**	**29**	**43.9%**	**17**	**25.8%**	**0**	**0.0%**	**66**	**100%**
Owner-Occupied Housing	1.6%		15.5%		48.9%		33.5%		0.4%		**100%**	
2017 HMDA Aggregate	2.1%		16.8%		49.9%		30.4%		0.8%		**100%**	

The bank's total penetration of low-income census tracts (6.1 percent) is significantly above both the percentage of owner-occupied housing units (1.6 percent) and aggregate lending performance (2.1 percent) in low-income census tracts, reflecting excellent performance. Similarly, the bank's total penetration of moderate-income census tracts (24.2 percent) is substantially above both the percentage of owner-occupied housing units (15.5 percent) and aggregate lending performance (16.8 percent) in moderate-income census tracts, also representing excellent performance. Combined, the bank's geographic distribution of HMDA loans in LMI geographies (30.3 percent) is excellent.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2017 through December 31, 2017

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	2	25.0%	1	12.5%	4	50.0%	1	12.5%	0	0.0%	**8**	**100%**
Business Institutions	12.3%		17.6%		35.1%		28.2%		6.8%		**100%**	
2017 Small Business Aggregate	11.6%		17.1%		36.5%		28.6%		6.2%		**100%**	

The bank's level of lending in low-income census tracts (25.0 percent) is significantly above both the estimated percentage of businesses operating inside these census tracts (12.3 percent) and aggregate performance (11.6 percent), representing excellent performance. Conversely, the bank's percentage of loans in moderate-income census tracts (12.5 percent) is in line with both the 2017 aggregate performance (17.1 percent) and the percentage of small businesses in moderate-income census tracts (17.6 percent), representing reasonable performance. Considering combined bank performance (37.5 percent) compared to the total percentage of aggregate lending and business institutions in LMI census tracts (28.7 percent and 29.9 percent, respectively), the bank's overall geographic distribution of small business loans is excellent.

Lastly, based on reviews from both loan categories, Providence Bank had loan activity in 23 out of 29 (79.3 percent) census tracts in the assessment area. Of the six census tracts without any loans originated in them, one was a low-income census tract. This low-income census tract is located near the University of Missouri campus and primarily consists of student housing, which likely makes the demand for loans low. As such, considering competition, it may be difficult for the bank to originate loans within this census tract. Overall, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the Columbia MSA assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. Furthermore, both community contacts emphasized that Providence Bank was particularly involved in the community.

During the review period, the bank extended 17 community development loans totaling $22.8 million in this assessment area. The following is a brief description of some of the highlights of these community development loan-related projects:

- The bank made ten loans to borrowers to provide affordable housing for LMI individuals, including a $9.2 million loan to rehabilitate 284 units in a low-income census tract. These housing units are targeted to LMI and special needs residents.

- The bank made two loans to small businesses located in a low-income census tract in order to retain jobs, revitalizing and stabilizing the area.

In addition to its lending, the bank had a total of $2.1 million in qualified community development investments. This includes $1.7 million new investments completed since the previous examination and $385,572 in outstanding investments made prior to the review period. The majority of investments were in mortgage-backed securities that supported the financing of affordable housing. Furthermore, the bank made 17 donations totaling $24,183 to agencies providing community services and affordable housing in the assessment area. Finally, bank personnel provided financial expertise to four different community development organizations in this assessment area. These activities account for 204 service hours, including serving on committees and boards tasked with providing affordable housing and community services and teaching financial literacy courses.

JEFFERSON CITY MSA ASSESSMENT AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JEFFERSON CITY ASSESSMENT AREA

Bank Structure

The bank operates 3 of its 14 offices (21.4 percent) in this assessment area, all of which have full-service ATMs on site. All three of these offices are located in upper-income census tracts. In addition, the bank operates one deposit-taking ATM at Lincoln University, which is located in a moderate-income census tract. Since the last examination, the bank did not open or close any branches in this assessment area. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is located in central Missouri and is comprised of Callaway and Cole Counties, two of the four counties that make up the Jefferson City, Missouri MSA. Cole County contains the city of Jefferson City, the state's capital. The assessment area's population as of the 2010 U.S. Census is displayed in the table below.

County	Population
Callaway	44,566
Cole	76,533
Total Assessment Area Population	**121,099**

Moreover, the assessment area has 4,623 businesses, 4,022 of which are small businesses (87.0 percent). As a result, the assessment area has a mix of credit needs, including consumer and business loan products for residents and businesses of different income/revenue levels. Specifically, community contacts noted the need for both affordable housing and small business loans.

The assessment area is a competitive banking market with 15 FDIC-insured depository institutions operating 42 offices. Providence Bank ranks fourth with a deposit market share of 7.7 percent.

Income and Wealth Demographics

This assessment area consists of 23 census tract encompassing Callaway and Cole Counties. The table below displays the number and family population of these census tracts by income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	1	3	14	5	0	**23**
	4.4%	13.0%	60.9%	21.7%	0.0%	**100%**
Family Population	461	3,255	18,036	7,833	0	**29,585**
	1.6%	11.0%	61.0%	26.5%	0.0%	**100%**

As shown in the table above, the majority of census tracts in the assessment area are middle-income (60.9 percent), with only 17.4 percent being LMI. Furthermore, of the total families in the assessment area, only 12.6 percent live in LMI census tracts. These LMI areas are primarily concentrated in the city of Jefferson City (75 percent), which is located in Cole County, with one moderate-income census tract located in the rural portion of Callaway County.

According to 2010 U.S. Census data, the median family income for the assessment area was $62,772, which is above the state of Missouri's $60,809. In a more recent estimate, the FFIEC puts the 2017 Jefferson City, Missouri MSA median family income at $64,400. The following table displays assessment area families by income level compared to all families in Missouri.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Jefferson City Assessment Area	5,513	4,924	7,455	11,693	**29,585**
	18.6%	16.6%	25.2%	39.5%	**100%**
State of Missouri	327,815	275,076	319,230	607,885	**1,530,006**
	21.4%	18.0%	20.9%	39.7%	**100%**

As shown in the preceding table, 35.2 percent of families in the assessment area are LMI. This LMI family percentage is less than the 39.4 percent of LMI families in the state of Missouri. In addition, while not shown in the preceding data, the percentage of families living below the poverty level in the assessment area, 9.3 percent, is less than the 11.1 percent in the state of Missouri. By counties in the assessment area, Callaway has a higher percentage of families below poverty (11.1 percent) when compared to Cole (8.4 percent). While this data indicates that the assessment area is more affluent than the state of Missouri, community contacts noted the LMI population in the assessment area struggles to obtain affordable housing.

Housing Demographics

The following table displays housing demographics in the assessment area, as well as for the state of Missouri.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$140,920	36.5%	$621
State of Missouri	$138,400	34.8%	$746

Based on the affordability ratio, housing is slightly more affordable in the assessment area when compared to the state of Missouri as a whole, despite having similar housing values. The assessment area benefits from having a higher median family income, combined with a significantly lower median gross rent than Missouri. Community contacts, however, noted that LMI residents struggle to obtain affordable housing due to a limited supply of quality housing, and financial barriers such as poor credit history or lack of down payment funds when applying for home purchase loans. Community contacts indicated a need for additional housing-related programs, such as down payment assistance and homeownership counseling.

Industry and Employment Demographics

The assessment area supports a large business community, including a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 87.0 percent of businesses in the assessment area have revenues less than or equal to $1 million. County business patterns indicate that there are 47,124 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (19.7 percent), followed by retail trade (14.7 percent) and accommodation and food services (9.2 percent).

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Missouri.

Unemployment Levels for the Assessment Area		
Dataset	**Time Period (Annual Average)**	
	2016	**2017**
Assessment Area	3.8%	3.1%
State of Missouri	4.6%	3.8%

As shown in the preceding table, unemployment levels in the assessment area are lower than Missouri overall. For both the assessment area and Missouri, unemployment rates experienced a downward trend from 2016 to 2017.

Community Contact Information

For this assessment area, two community contact interviews were completed as part of this evaluation. One interview was with an individual from an economic development office, and the other interview was with an individual representing an agency that provides community services to LMI individuals.

The community contact specializing in economic development in Callaway County characterized the assessment area economy as being stable, largely due to its strategic location along Interstate 70 and 54. The contact indicated that there are three new housing developments in process, and that many residents choose to live in Callaway County due to its rural nature, but commute to nearby Jefferson City or Columbia for work. While the unemployment rate in the assessment area is low, the contact went on to highlight that the poverty rate in Callaway County is approximately 13 percent. The contact indicated the discrepancy between unemployment and poverty rates is due to larger employers in the area offering lower wages to residents. The contact noted that there are also barriers for many new and existing small businesses in the assessment area, including lack of a business plan, scarcity of personal funds or collateral, and high rents for the best locations. As far as credit needs in the community, the contact noted a need for small-dollar loans for small businesses, gap financing for affordable housing projects, workforce development programs, and financial literacy training.

The contact providing community services for LMI individuals also described the economy as being stable with low unemployment and high poverty rates. Furthermore, the contact indicated LMI homeownership seemed to be on the decline, as LMI individuals are renting more frequently. The main reasons for the decline in homeownership was attributed to a lack of affordable housing, insufficient down payment funds, and past credit issues. In addition, many LMI residents are reticent to buy properties that may ultimately require unplanned repairs. As such, the contact indicated credit needs in the community include down payment assistance programs, homeownership counseling, financial literacy programs, and home improvement loans. The contact specifically noted home improvement loans are needed for multifamily property owners in order to encourage them to make needed repairs to rental properties.

Both contacts indicated that there are a fair number of banks and ATMs in the area, but they mentioned that the banks compete with local credit unions for business. One of the contacts indicated that while most banks offer an array of deposit and credit services at all locations, the contact felt the products are not always accessible to LMI individuals due to credit issues. The contact also noted that while there has been a decrease in payday lenders, many LMI residents remain unbanked and rely on area check cashing, payday and title lenders because LMI individuals can get access to funds faster when they emergencies occur and do not have to worry about being turned away for poor credit history.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JEFFERSON CITY ASSESSMENT AREA

LENDING TEST

Based on analyses of HMDA lending in the assessment area, borrower distribution is excellent and geographic distribution is reasonable. The number of small business loans originated in the assessment area in 2017 are too few to provide a meaningful analysis; therefore, small business lending was not considered in reaching the overall conclusion for this assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the median family income figures as estimated by the FFIEC ($64,400 for the Jefferson City MSA as of 2017). The following table shows the distribution of HMDA loans by borrower income level compared to family population income demographics and 2017 aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	8	25.8%	10	32.3%	5	16.1%	6	19.4%	2	6.5%	**31**	**100%**
Refinance	1	9.1%	4	36.4%	0	0.0%	5	45.5%	1	9.1%	**11**	**100%**
Home Improvement	0	0.0%	1	25.0%	0	0.0%	2	50.0%	1	25.0%	**4**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4	100.0%	**4**	**100%**
TOTAL HMDA	**9**	**18.0%**	**15**	**30.0%**	**5**	**10.0%**	**13**	**26.0%**	**8**	**16.0%**	**50**	**100%**
Family Population	18.6%		16.6%		25.2%		39.5%		0.0%		**100%**	
2017 HMDA Aggregate	9.7%		20.9%		22.6%		29.7%		17.1%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (18.0 percent) is similar to the low-income family population figure (18.6 percent) and substantially higher than the 2017 HMDA aggregate lending level to low-income borrowers (9.7 percent). As noted by one of the community contacts, there is a lack of affordable housing in the assessment area, and many low-income residents have insufficient credit histories or do not have available funds for down payment to be able to purchase homes. Therefore, considering these constraints, the bank's lending to low-income borrowers is considered excellent. The bank's level of lending to moderate-income borrowers (30.0 percent) is substantially above both the moderate-income family population percentage (16.6 percent) and the aggregate lending levels of 20.9 percent, reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is excellent.

Geographic Distribution of Loans

As noted previously, the Jefferson City assessment area includes one low- and three moderate-income census tracts, representing 17.4 percent of all assessment area census tracts. Overall, the bank's geographic distribution of HMDA loans is considered excellent. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing and aggregate HMDA lending inside the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2017 through December 31, 2017

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	1	3.2%	1	3.2%	18	58.1%	11	35.5%	0	0.0%	**31**	**100%**
Refinance	1	9.1%	0	0.0%	2	18.2%	8	72.7%	0	0.0%	**11**	**100%**
Home Improvement	0	0.0%	0	0.0%	3	75.0%	1	25.0%	0	0.0%	**4**	**100%**
Multifamily	0	0.0%	4	100.0%	0	0.0%	0	0.0%	0	0.0%	**4**	**100%**
TOTAL HMDA	**2**	**4.0%**	**5**	**10.0%**	**23**	**46.0%**	**20**	**40.0%**	**0**	**0.0%**	**50**	**100%**
Owner-Occupied Housing	0.5%		8.7%		63.8%		27.0%		0.0%		**100%**	
2017 HMDA Aggregate	0.8%		7.8%		64.2%		27.2%		0.0%		**100%**	

The analysis of HMDA loans revealed excellent lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (4.0 percent) is significantly above both the percentage of owner-occupied housing units in low-income census tracts (0.5 percent) and the percentage of other lenders in the assessment area based on 2017 HMDA aggregate data (0.8 percent). These low-income areas are concentrated in Jefferson City.

The bank's total penetration of moderate-income census tracts by number of loans (10.0 percent) is above both the percentage of owner-occupied housing units in moderate-income census tracts (8.7 percent) and that of other lenders based on aggregate lending data. This data shows that 7.8 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Therefore, bank performance in moderate-income census tracts is excellent. When combined, the bank's overall geographic distribution of HMDA loans in LMI geographies is excellent.

Lastly, based on a review of the HMDA product, Providence Bank had loan activity in 19 out of 23 (82.6 percent) census tracts in the assessment area. There were four census tracts without any loans originated in them, one of which was a moderate-income census tract. This moderate-income census tract is located approximately 20 miles from the closest branch, which is located in Columbia, Missouri. Because there are 31 financial institutions operating in Boone County, it is a competitive market. As such, the distance coupled with competition, make it difficult for the bank to penetrate the moderate-income census tract. Overall, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the Jefferson City assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

During the review period, the bank extended eight community development loans totaling $2.1 million in this assessment area. Two of these loans were made to purchase apartment complexes with a total of 53 units of affordable housing for LMI individuals, revitalizing/stabilizing a low-income census tract by retaining existing residents. Four loans were made to acquire and renovate a 61-unit apartment complex in a moderate-income census tract in order to provide affordable housing and revitalize/stabilize the area. One loan was to fund working capital and repairs for a small business located in a low-income census tract and one loan was a participation to finance a multi-purpose building that will serve as the location of an organization that will provide assistance to LMI children.

The bank made $442,465 in new mortgage-backed security investments, all of which financed affordable housing in Jefferson City. In addition, the bank had an $189,530 outstanding investment from a prior review period that was to a SBIC for the purposes of economic development and revitalization/stabilization within the assessment area. The bank also made 11 donations totaling $8,645 to organizations providing community services and affordable housing to the assessment area. Finally, bank personnel provided financial expertise to 2 different community development organizations in this assessment area logging 60 service hours. One employee served on a small business loan committee for a local community development corporation, and another employee taught personal finance classes to prospective homeowners for a local affordable housing nonprofit organization.

NONMSA MISSOURI ASSESSMENT AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMSA MISSOURI ASSESSMENT AREA

The nonMSA Missouri assessment area includes the entirety of Camden County. The bank operates only one office in this assessment area and has minimal lending activity due to its limited presence. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	2,051	2,118	2,518	5,240	**11,927**
	17.2%	17.8%	21.1%	43.9%	**100%**
Household Population	3,092	2,615	2,951	8,090	**16,748**
	18.5%	15.6%	17.6%	48.3%	**100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	0	0	7	4	0	**11**
	0.0%	0.0%	63.6%	36.4%	0.0%	**100%**
Family Population	0	0	8,086	3,841	0	**11,927**
	0.0%	0.0%	67.8%	32.2%	0.0%	**100%**
Household Population	0	0	11,589	5,159	0	**16,748**
	0.0%	0.0%	69.2%	30.8%	0.0%	**100%**
Business Institutions	0	0	1,460	607	0	**2,067**
	0.0%	0.0%	70.6%	29.4%	0.0%	**100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NONMSA MISSOURI ASSESSMENT AREA

LENDING TEST

The bank's Lending Test performance in this assessment area is below the bank's Lending Test performance in the state of Missouri (which is rated Excellent), as detailed in the following table. For a breakdown of the bank's lending activity by credit category, refer to the summary of lending activity table in *Appendix C*.

Lending Test Criteria	Performance
Distribution of Loans by Borrower's Profile	Below
Geographic Distribution of Loans	Below
OVERALL	**Below**

COMMUNITY DEVELOPMENT TEST

In light of the bank's previously discussed limited presence within this assessment area, the bank's Community Development Test performance in the nonMSA assessment area is consistent with the bank's Community Development Test performance in the state of Missouri. In this assessment area, the bank had one community development investment outstanding from a prior review period totaling $189,530. This investment was made in a small business investment company, which provides access to capital for small businesses. There were no community development loans, donations, or services provided by the bank during the review period.

TEXAS

CRA RATING FOR TEXAS: **<u>SATISFACTORY</u>**
The Lending Test is rated: **Satisfactory**
The Community Development Test is rated: **Satisfactory**

Major factors supporting the institution's Texas rating include the following:

- The borrower's distribution of loans in its Texas assessment area reflects reasonable penetration among individuals of different income levels, including LMI levels, and businesses of different sizes.

- The geographic distribution of loans reflects reasonable dispersion throughout the Texas assessment area.

- The bank's community development performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability for such opportunities for community development in the bank's Texas assessment area.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the Texas assessment area are consistent with the overall CRA examination scope presented in the *Institution, Scope of Examination* section. The bank operates in one Texas assessment area.

To augment the evaluation of the full-scope review in Texas, two community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. One of the interviews was with a representative of an organization that supports entrepreneurs and the other was with a local affordable housing developer. Details from these interviews are included in the *Description of Institution's Operations* section that follows.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DALLAS-FORT WORTH-ARLINGTON MSA ASSESSMENT AREA

<u>Bank Structure</u>

In this assessment area, the bank operates one branch, which has a cash-dispensing only ATM on site, representing 7.1 percent of total branches. The branch, which is located in a moderate-income census tract, is situated in the northeastern corner of Tarrant County in Grapevine, Texas. In addition to the branch, the bank operates a mortgage LPO, located in Grapevine within an upper-income census tract. During this review period, the bank did not open or close any branches within this assessment area. Based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to most portions of the Dallas-Fort Worth-Arlington MSA. However, as the bank's delivery systems are located in Grapevine, there are many surrounding areas in the assessment area that are a significant distance from these locations. As such, the bank may have difficulties delivering financial services to these areas.

General Demographics

The bank's assessment area is comprised of all 13 counties of the Dallas-Fort Worth-Arlington, Texas MSA. This MSA is comprised of the Dallas-Plano-Irving, Texas metropolitan division (MD) and the Fort Worth-Arlington, Texas MD. The following table describes the counties in the bank's assessment area along with their respective populations as of the 2010 U.S. Census.

County	Population
Collin	862,215
Dallas	2,485,003
Denton	731,851
Ellis	157,058
Hood	53,171
Hunt	88,052
Johnson	155,450
Kaufman	109,289
Parker	121,418
Rockwall	85,536
Somervell	8,608
Tarrant	1,914,526
Wise	61,243
Total Assessment Area Population	**6,833,420**

This assessment area is a highly competitive banking market, with 164 total financial institutions operating within the assessment area, and the bank is ranked 143rd among these financial institutions, encompassing only 0.01 percent of the assessment area's deposit market share. This market share further displays the bank's challenges in serving the entire Dallas-Fort Worth-Arlington, Texas MSA.

This assessment area covers a wide metropolitan area and the population and demographics are diverse. As a result, the assessment area has a mix of credit needs, including consumer and business loan products for residents and businesses of different income/revenue levels. Credit needs noted by community contacts indicated that affordable housing, increased access to capital for small businesses, home improvement loans, and financial education were needed within the assessment area.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	172	335	392	418	7	**1,324**
	13.0%	25.3%	29.6%	31.6%	0.5%	**100%**
Family Population	156,076	375,705	534,807	603,416	1,488	**1,671,492**
	9.3%	22.5%	32.0%	36.1%	0.1%	**100%**

As shown above, 38.3 percent of the census tracts in the assessment area are LMI geographies, but only 31.8 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in Tarrant and Dallas counties specifically in the cities of Dallas and Fort Worth.

Based on 2010 U.S. Census data, the median family income for the assessment area was \$70,193. At the same time, median family incomes for Texas was \$62,717. More recently, the FFIEC estimates the 2017 median family income for the Dallas-Plano-Irving, Texas MD and the Fort Worth-Arlington, Texas MD to be \$73,400 and \$70,900, respectively. The following table displays population percentages of assessment area families by income level compared to the Texas family population.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	390,017	277,076	305,260	699,139	**1,671,492**
	23.3%	16.6%	18.3%	41.8%	**100%**
State of Texas	1,475,936	1,068,608	1,163,141	2,656,419	**6,364,104**
	23.2%	16.8%	18.3%	41.7%	**100%**

Based on the data in the table above, family income levels in the assessment area are almost identical to those in the state of Texas. However, the following table indicates that the level of affluence differs among the assessment area's 13 counties when considering percentages of LMI families and those living below the poverty line.

Dataset	Family Population	% Families that are Low-Income	% Families that are Moderate-Income	% Families Below Poverty
Collin County	226,540	12.7%	12.2%	5.7%
Dallas County	576,726	31.5%	19.0%	15.9%
Denton County	182,667	14.5%	13.6%	5.8%
Ellis County	41,290	21.0%	17.2%	9.4%
Hood County	14,328	21.3%	18.2%	7.9%
Hunt County	21,018	29.9%	19.2%	14.6%
Johnson County	41,093	19.9%	21.1%	9.3%
Kaufman County	27,447	22.6%	18.3%	10.7%
Parker County	32,561	17.4%	15.9%	6.8%
Rockwall County	23,192	11.6%	14.0%	5.3%
Somervell County	2,571	24.5%	23.8%	12.7%
Tarrant County	466,070	23.2%	16.3%	11.6%
Wise County	15,989	23.3%	18.6%	8.7%
Assessment Area	1,671,492	23.3%	16.6%	11.3%
State of Texas	6,364,104	23.2%	16.8%	13.5%

As indicated in the preceding table, Dallas County has the highest level of LMI families and families living below the poverty level. Specifically, Dallas County's LMI family population is 50.5 percent, and 15.9 percent live below the federal poverty line. Conversely, Collin and Rockwall Counties have the lowest levels of LMI families (24.9 percent and 25.6 percent, respectively) and fewest families living below the poverty level (5.7 percent and 5.3 percent, respectively).

Housing Demographics

The following table displays housing demographics in the assessment area, as well as for the state of Texas. Based on housing values, affordability ratios, and housing rental costs, the assessment area appears less affordable than the state of Texas.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$156,478	38.3%	$938
State of Texas	$136,000	39.1%	$882

Despite higher median home values and gross rent, affordability ratios indicate housing appears slightly less affordable in the assessment area when compared to the state of Texas. Affordability ratios in the assessment area varied largely by county, ranging from a high of 48.8 percent in Johnson County to a low of 36.7 percent in Hood County. Notably, housing appears less affordable than the state in many counties containing larger percentages of LMI families, including Dallas County. Moreover, community contacts noted several barriers to homeownership for LMI residents including lack of down payment funds, poor or no credit history, and lack of financial literacy. Furthermore, community contacts stressed a lack of affordable housing.

Median gross rents also varied significantly by county in the assessment area from a low of $755 in Hunt County to a high of $1,231 in Rockwall County. Of the 959,112 renter-occupied housing units in the assessment area, 45.0 percent of the residents pay more than 30.0 percent of their income on rent costs, which is similar to the state (44.7 percent).

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service- and manufacturing-oriented sectors. The largest shares of the assessment area's employees are in the health care and social assistance (12.7 percent), retail trade (11.5 percent), and accommodation and food services (10.8 percent) industries. Manufacturing ranks fourth, with 8.2 percent of employees. Business demographic estimates indicate that 90.5 percent of assessment area businesses have gross annual revenues of $1 million or less.

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, and the state of Texas.

Unemployment Levels for the Assessment Area		
Dataset	**Time Period (Annual Average)**	
	2016	**2017**
Collin County	3.5%	3.4%
Dallas County	4.0%	3.8%
Denton County	3.4%	3.3%
Ellis County	3.7%	3.4%
Hood County	4.7%	4.2%
Hunt County	4.3%	3.9%
Johnson County	4.4%	3.8%
Kaufman County	3.8%	3.5%
Parker County	4.1%	3.5%
Rockwall County	3.5%	3.3%
Somervell County	4.8%	4.5%
Tarrant County	4.0%	3.7%
Wise County	4.7%	4.0%
Assessment Area Average	**3.9%**	**3.6%**
State of Texas	4.6%	4.3%

Unemployment rates for the assessment area were slightly lower than the state of Texas throughout the review period and both exhibited a declining trend. While the unemployment rate for the assessment area decreased from 3.9 percent in 2016 to 3.6 percent in 2017, the state of Texas tracked a similar course moving downward from 4.6 percent in 2016 to 4.3 percent in 2017. During the review period, Somervell County consistently maintained the highest unemployment rate, while Denton and Rockwall Counties maintained the lowest unemployment rates.

Community Contact Information

For the Dallas-Fort Worth-Arlington MSA assessment area, two community contact interviews were completed as part of this evaluation. One interview was from an organization that supports entrepreneurs and the other interview was from an affordable housing organization. Both were with organizations in Tarrant County, one of which serves the entirety of Tarrant County and one of which serves the entire MSA.

The community contacts categorized the local economy as robust and attributed it to a low cost of living, a business friendly environment, an educated workforce, and numerous investments in the area. Small businesses benefit from the availability of co-working spaces, development districts, tax credit programs, and microloan funds. Both contacts also indicated that the area is saturated with banks with a healthy amount of competition. Contacts indicated that banks are accessible and engage with LMI populations, but that there are also a number of predatory lenders in the area that target LMI individuals. The contact working with entrepreneurs indicated the most significant barriers for those looking to start a small business was not having access to capital, high rents for prime locations, finding qualified partners, and population growth not meeting the demand for skilled workers. The contact specializing in housing stressed a significant need for affordable housing as most new developments are asking market rates. Moreover, this contact noted that barriers to homeownership for many LMI residents include lack of down payment funds, poor or no credit history, and lack of financial literacy, and that the most prevalent credit-related need in the community is small to midsized loans for the elderly seeking to repair homes or make upgrades to accommodate a physically impaired lifestyle.

Both contacts indicated that there are numerous ways in which banks can be involved in the assessment area. This includes working with business development organizations, sponsoring local entrepreneurs, teaching financial education and homeownership classes, supporting municipal business districts, providing low interest loans to develop affordable housing, and participating in municipal strategic planning.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DALLAS-FORT WORTH-ARLINGTON MSA ASSESSMENT AREA

LENDING TEST

The bank's overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Furthermore, the overall geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable. This conclusion is based on a reasonable distribution of the number of HMDA and small business loans originated in 2017.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2017 through December 31, 2017

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	4	19.0%	5	23.8%	11	52.4%	1	4.8%	**21**	**100%**
Refinance	1	14.3%	1	14.3%	3	42.9%	1	14.3%	1	14.3%	**7**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**1**	**3.4%**	**5**	**17.2%**	**8**	**27.6%**	**13**	**44.8%**	**2**	**6.9%**	**29**	**100%**
Family Population	23.3%		16.6%		18.3%		41.8%		0.0%		**100%**	
2017 HMDA Aggregate	3.4%		12.0%		19.6%		48.6%		16.5%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (3.4 percent) is significantly below the low-income family population figure (23.3 percent); however, the bank's performance is in line with the 2017 aggregate lending level to low-income borrowers (3.4 percent). As such, the bank's lending to low-income borrowers is considered reasonable.

The bank's level of lending to moderate-income borrowers (17.2 percent) is in line with the moderate-income family population percentage (16.6 percent) and above the aggregate lending levels of 12.0 percent, reflecting reasonable performance. Overall, considering performance to both income categories, the bank's distribution of HMDA loans by borrower's profile is reasonable.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2017 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	7	43.8%	3	18.8%	2	12.5%	**12**	**75.0%**
Greater than $1 Million/Unknown	3	18.8%	0	0.0%	1	6.3%	**4**	**25.0%**
TOTAL	**10**	**62.5%**	**3**	**18.8%**	**3**	**18.8%**	**16**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.5%**	
2017 CRA Aggregate Data							**46.5%**	

The bank's level of lending to small businesses is reasonable. Of the small business loans made by the bank in 2017, 75.0 percent were to business with revenues of $1 million or less. While this performance was below the Dun & Bradstreet estimate of small business in the assessment area (90.5 percent), it was above the 46.5 percent of small business loans made by aggregate lenders.

Geographic Distribution of Loans

As noted previously, the Dallas-Fort Worth-Arlington MSA assessment area includes 172 low- and 335 moderate-income census tracts, representing 38.3 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the HMDA and small business loan categories. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	4.8%	4	19.0%	16	76.2%	0	0.0%	**21**	**100%**
Refinance	0	0.0%	4	57.1%	2	28.6%	1	14.3%	0	0.0%	**7**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**0**	**0.0%**	**5**	**17.2%**	**6**	**20.7%**	**18**	**62.1%**	**0**	**0.0%**	**29**	**100%**
Owner-Occupied Housing	5.2%		19.0%		33.4%		42.4%		0.1%		**100%**	
2017 HMDA Aggregate	2.7%		12.4%		34.6%		50.2%		0.1%		**100%**	

The analysis of HMDA loans revealed poor lending performance to borrowers residing in low-income geographies. As the table above shows, the bank did not originate any loans in a low-income census tract, despite 5.2 percent of owner-occupied housing units and 2.7 percent of aggregate loans originated were in these tracts.

The bank's total penetration of moderate-income census tracts (17.2 percent) is slightly below the percentage of owner-occupied housing units (19.0 percent); however, the bank's performance is above aggregate lending data, which indicates that 12.4 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies (17.2 percent) is reasonable.

The bank's geographic distribution of small business loans is reasonable. The table below shows the distribution of the bank's loans by census tract income level compared to the shares of business institutions and aggregate small business loans in the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2017 through December 31, 2017

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	2	12.5%	1	6.3%	4	25.0%	9	56.3%	0	0.0%	**16**	**100%**
Business Institutions	7.2%		19.7%		29.2%		43.4%		0.5%		**100%**	
2017 Small Business Aggregate	7.2%		19.0%		27.8%		44.1%		1.9%		**100%**	

As displayed in the table above, 12.5 percent of small business loans were originated in a low-income census tract. This performance is in line with the estimated percentage of businesses operating inside these census tracts (7.2 percent) and the 2017 aggregate lending levels in low-income census tracts (7.2 percent). As a result, the bank's performance in low-income areas is reasonable. At the same time, the bank's percentage of loans in moderate-income census tracts (6.3 percent) is below the percentage of small businesses in moderate-income census tracts (19.7 percent) and the 2017 aggregate lending percentage in moderate-income census tracts (19.0 percent), representing poor performance. However, combined lending in LMI census tracts (18.8 percent) is in line with LMI aggregate and demographic data. Therefore, despite the bank's poor performance in moderate-income census tracts, the geographic distribution of small business loans is considered reasonable.

Lastly, based on reviews from both loan categories, a review of lending dispersion throughout the assessment area was conducted. The bank penetrated 1.4 percent of all LMI census tracts in the assessment area. In comparison, the bank originated loans in 4.2 percent of all middle- and upper-income census tracts. As previously mentioned, community contacts indicated the area is heavily saturated with financial institutions, and based on the bank's small geographic footprint, the bank may encounter difficulties delivering financial services to the entire Dallas-Fort Worth-Arlington MSA. As such, concentrations of tracts with no lending are not located in close proximity to the bank's locations. Moreover, the areas near the bank's locations encompass concentrations of LMI areas and a variety of loans have been originated in those LMI census tracts. Therefore, no conspicuous lending gaps were identified.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the Dallas-Fort Worth-Arlington MSA assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

During the review period, the bank extended three community development loans totaling $3.2 million in this assessment area, one of which was to revitalize/stabilize a moderate-income census tract. The remaining two loans were made through the Small Business Administration's 504 program and promoted economic development. The bank also made $2.7 million in new investments and had one prior period investment still outstanding totaling $1.2 million. All of these investments were in mortgage-backed securities to promote affordable housing. In addition, the bank made four donations totaling $15,500 in this assessment area to organizations provided community services to LMI individuals or groups. Finally, bank personnel logged 144 hours of providing financial expertise to two different community development organizations in this assessment area.

SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	January 1, 2017 – December 31, 2017 for HMDA and small business lending. November 30, 2015 – March 24, 2019 for community development loan, investment, and service activities	
FINANCIAL INSTITUTION Providence Bank Columbia, Missouri	**PRODUCTS REVIEWED** HMDA Small Business	
AFFILLIATE(S) N/A	**AFFILIATE RELATIONSHIP** N/A	**PRODUCTS REVIEWED** N/A

ASSESSMENT AREA – EXAMINATION SCOPE DETAILS					
Assessment Area	**Rated Area**	**# of Offices**	**Deposits ($000s) (as of June 30, 2018)**	**Branches Visited**	**CRA Review Procedures**
St. Louis MSA	St. Louis, Missouri-Illinois	7	$351,352	1	Full Scope
Columbia MSA	Missouri	2	$73,710	0	Full Scope
Jefferson City	Missouri	3	$291,033	0	Full Scope
NonMSA	Missouri	1	$32,692	0	Limited Scope
Dallas MSA	Texas	1	$24,911	0	Full Scope
OVERALL		**14**	**$773,698**	**1**	**4 Full Scope**

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State or Multistate MSA	Lending Test Rating	Community Development Test Rating	Overall Rating
St. Louis Multistate MSA	Outstanding	Satisfactory	**Satisfactory**
State of Missouri	Outstanding	Satisfactory	**Satisfactory**
State of Texas	Satisfactory	Satisfactory	**Satisfactory**

LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW ASSESSMENT AREAS

MISSOURI

NonMSA Missouri Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	1	16.7%	1	16.7%	0	0.0%	4	66.7%	0	0.0%	**6**	**100%**
Refinance	1	16.7%	0	0.0%	0	0.0%	3	50.0%	2	33.3%	**6**	**100%**
TOTAL HMDA	**2**	**16.7%**	**1**	**8.3%**	**0**	**0.0%**	**7**	**58.3%**	**2**	**16.7%**	**12**	**100%**
Family Population	17.2%		17.8%		21.1%		43.9%		0.0%		**100%**	
2017 HMDA Aggregate	1.8%		6.4%		11.9%		66.3%		13.6%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	1	16.7%	1	16.7%	2	33.3%	**4**	**66.7%**
Greater than $1 Million/Unknown	1	16.7%	0	0.0%	1	16.7%	**2**	**33.3%**
TOTAL	**2**	**33.3%**	**1**	**16.7%**	**3**	**50.0%**	**6**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**91.9%**	
2017 CRA Aggregate Data							**52.2%**	

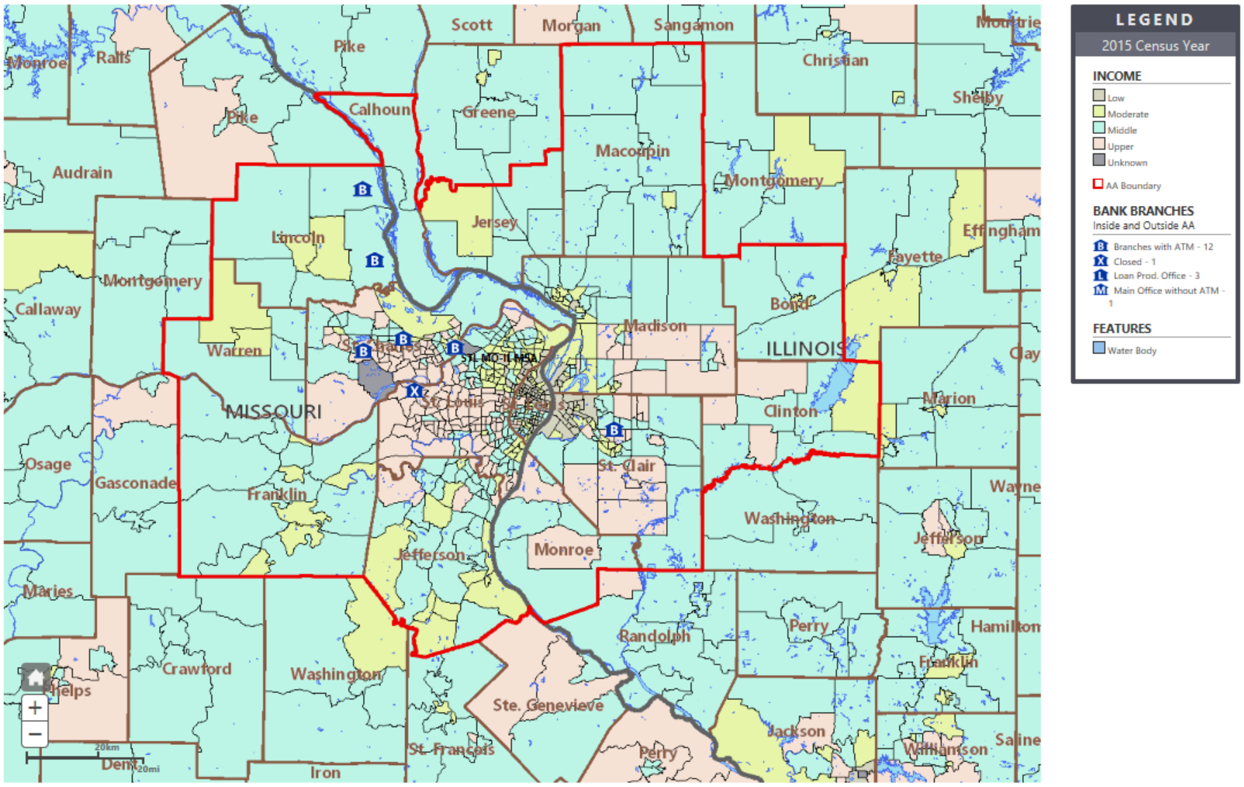
Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	6	100.0%	0	0.0%	0	0.0%	**6**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	6	100.0%	0	0.0%	**6**	**100%**
TOTAL HMDA	**0**	**0.0%**	**0**	**0.0%**	**6**	**50.0%**	**6**	**50.0%**	**0**	**0.0%**	**12**	**100%**
Owner-Occupied Housing	0.0%		0.0%		67.1%		32.9%		0.0%		**100%**	
2017 HMDA Aggregate	0.0%		0.0%		54.5%		45.5%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	3	50.0%	3	50.0%	0	0.0%	**6**	**100%**
Business Institutions	0.0%		0.0%		70.6%		29.4%		0.0%		**100%**	
2017 Small Business Aggregate	0.0%		0.0%		67.1%		29.5%		3.5%		**100%**	

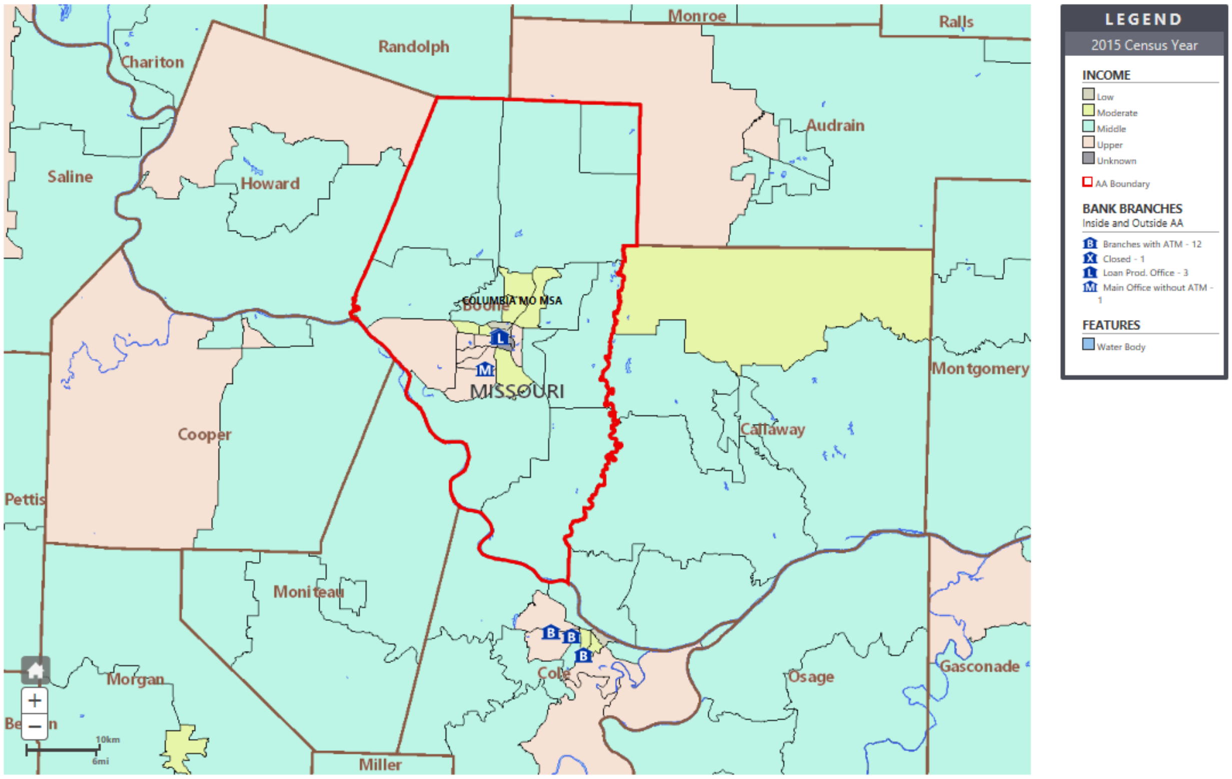
ASSESSMENT AREAS DETAIL

Providence Bank - Columbia, MO 2019

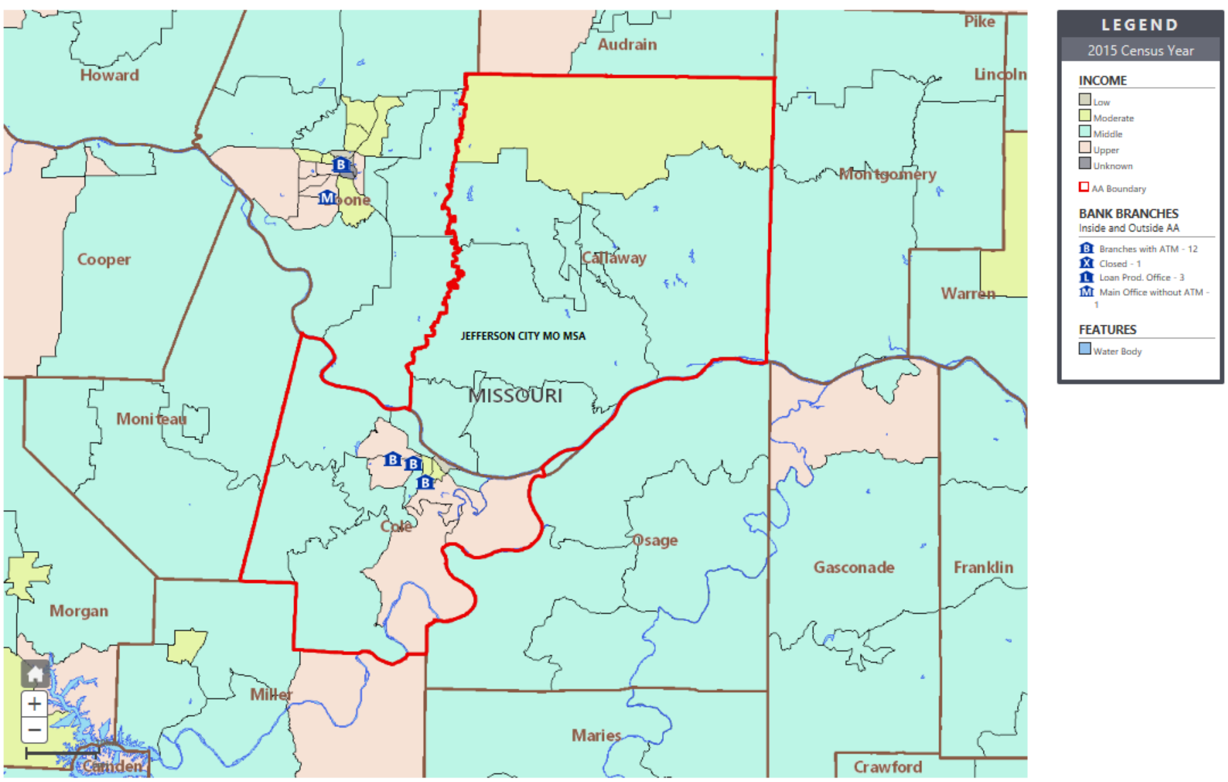
STL MO-IL MSA AA



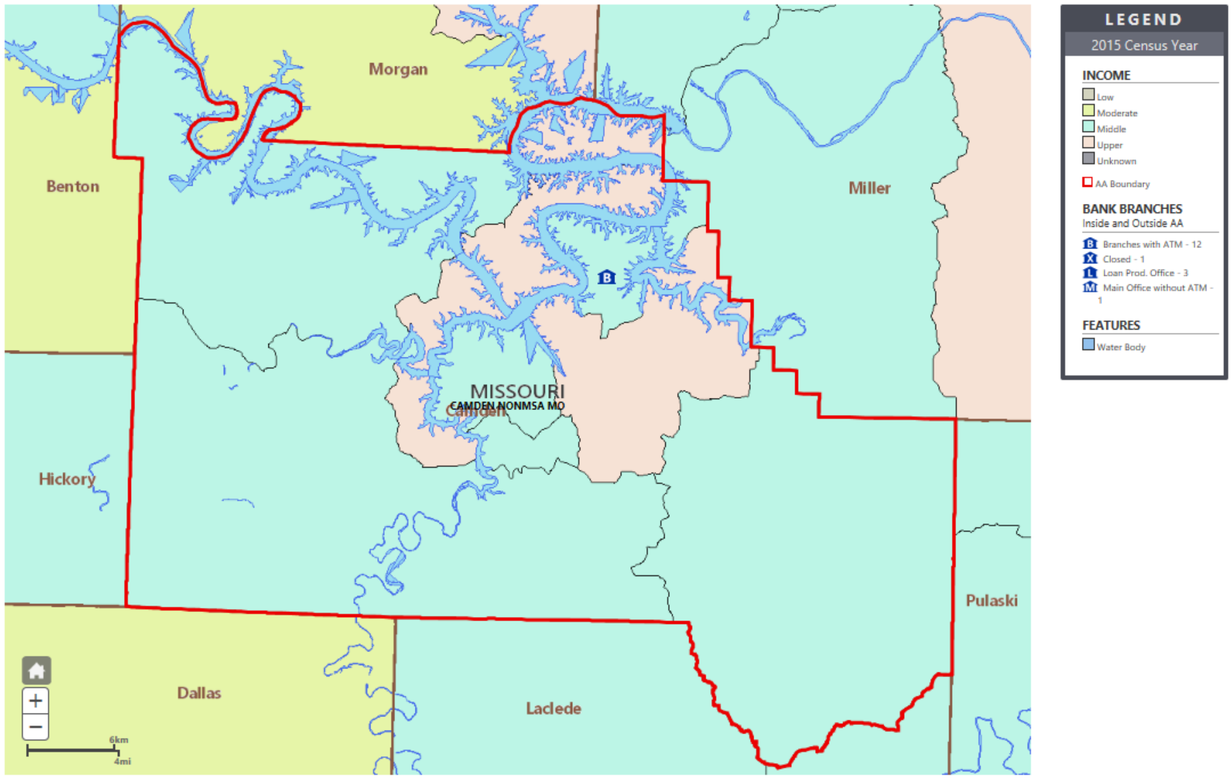
Providence Bank - Columbia, MO 2019
Columbia MO MSA AA



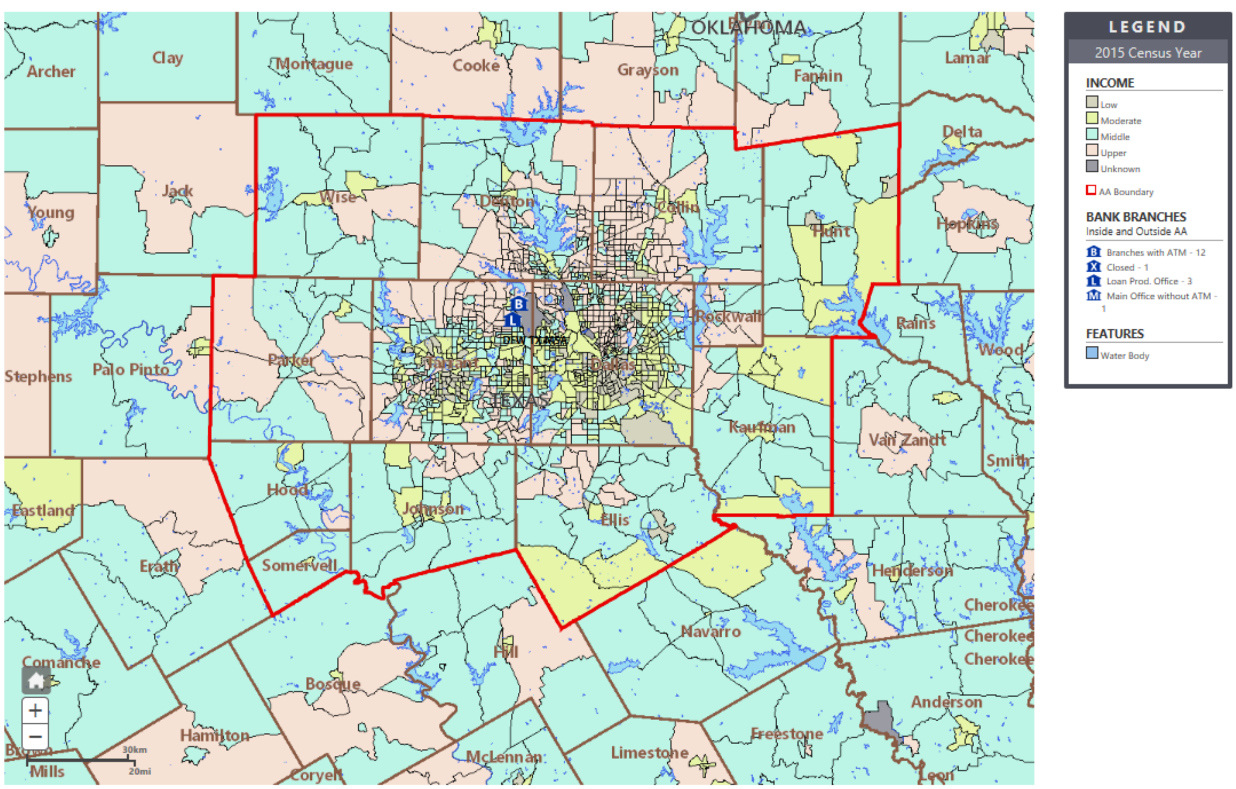
Providence Bank - Columbia, MO 2019
Jefferson City MO MSA AA



Providence Bank - Columbia, MO 2019
Camden NonMSA MO AA



Providence Bank - Columbia, MO 2019
DFW TX MSA AA



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 (LMI) individuals; (2) <u>community services</u> targeted to LMI 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> LMI 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 non-metropolitan 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 (e.g., 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 multistate 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.