PUBLIC DISCLOSURE

November 6, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jefferson Bank of Missouri
RSSD #854454

700 Southwest Boulevard
Jefferson City, Missouri 65109

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: Satisfactory
The Community Development Test is rated: Satisfactory

Overall, Jefferson Bank of Missouri 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 assessment area credit needs.
- A majority of the bank's lending occurred inside its designated assessment area.
- The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels, and businesses of different revenue sizes.
- The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area.
- 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 area, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area. The bank has responded to these needs through qualified community development loans, investments, and services.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency CRA Procedures for Intermediate Small Institutions*. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test.

Home Mortgage Disclosure Act (HMDA), consumer motor vehicle, and small business loans were used to evaluate the bank's lending performance, as these loan categories are significant based on lending volume and are considered the bank's core business lines. 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	September 30, 2014 – September 30, 2017
Assessment Area Concentration	January 1, 2016 – December 31, 2016
Loan Distribution by Borrower's Profile	January 1, 2016 – December 31, 2016
Geographic Distribution of Loans	January 1, 2016 – December 31, 2016
Response to Written CRA Complaints	August 25, 2014 – November 5, 2017
Community Development Activities	August 25, 2014 – November 5, 2017

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 2010 U.S. Census data; certain business demographics are based on 2016 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 in an assessment area. Aggregate lending data sets 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 comparable financial institutions operating in the same general region. Three banks were identified as similarly situated peers, with asset sizes ranging from $344.1 million to $1.4 billion as of September 30, 2017.

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 area.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and donations.
- 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, two interviews were conducted with knowledgeable individuals residing or conducting business in the bank's assessment area. These interviews were conducted to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment area. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and development opportunities. Key details from these interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Jefferson Bank of Missouri is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Central Bancompany, Inc., a thirteen-bank holding company also headquartered in Jefferson City, Missouri. The bank operates four full-service offices (including the main office), all of which have cash-dispensing ATMs on site and drive-up accessibility. The banking offices are located inside Jefferson City, the county seat of Cole County, Missouri; therefore, the majority of the bank's lending occurs in Cole County. However, the bank sends targeted mail and advertising to the more rural census tracts located at the outer edges of its assessment area in an attempt to reach those customers residing at a greater distance from Jefferson City. The bank did not open or close any branch offices during this review period. Based on its branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is adequately positioned to deliver financial services to most of its assessment area. However, despite the bank's efforts to reach customers located outside Jefferson City, the bank may still experience difficulty reaching the outer edges of its assessment area, including some moderate-income geographies, due primarily to the physical distance between these geographies and the bank's branches. Many tracts in the assessment area but outside Cole County are more than 20 miles from the bank's branches but very close to branches of many of the bank's competitors.

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 area based on its available resources and financial products. On September 30, 2017, the bank reported total assets of $576.2 million. On the same date, loans and leases outstanding measured $432.4 million (75.1 percent of total assets), and deposits totaled $499.3 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$23,086	5.3%
Commercial Real Estate	$78,975	18.3%
Multifamily Residential	$8,688	2.0%
1–4 Family Residential	$107,739	24.9%
Farmland	$8,589	2.0%
Farm Loans	$4,171	1.0%
Commercial and Industrial	$46,376	10.7%
Loans to Individuals	$150,009	34.7%
Total Other Loans	$4,993	1.2%
Less: Unearned Income	($217)	(0.1%)
TOTAL	**$432,409**	**100%**

As indicated in the preceding table, a significant portion of the bank's lending resources are directed to loans to individuals (such as consumer motor vehicle loans), loans secured by 1–4 family residential properties, and commercial real estate loans. In addition to being a significant product of the bank by dollar amount of loans originated, consumer motor vehicle loans are also substantial by number of loans originated. Therefore, a sample of consumer motor vehicle loans was selected for this review according to CA Letter 01-08, “CRA Sampling Procedures.”

The bank received a Satisfactory rating at its previous CRA evaluation conducted on August 25, 2014, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is comprised of Cole, Callaway, Osage, and Moniteau Counties in their entireties. The four counties make up the Jefferson City, Missouri Metropolitan Statistical Area (Jefferson City MSA). As of the 2010 U.S. Census, the assessment area population was 149,807, with a majority of the population (50.7 percent) residing in Cole County. Cole County has a larger urban/suburban population (associated with its county seat, Jefferson City), while Callaway, Osage, and Moniteau Counties are rural in nature. The assessment area also has a competitive banking market, with 22 Federal Deposit Insurance Corporation-insured depository institutions operating 61 offices. Of the 22 institutions, the bank ranked third in terms of deposit market share, encompassing 10.9 percent of the total assessment area deposit dollars.

Credit needs in the assessment area include a blend of consumer, business, and agricultural products. Particular credit needs, noted primarily from community contacts, include affordable housing, working capital and small dollar loans for small businesses, and loans for the construction, renovation, and revitalization of the East Capital Avenue area of Jefferson City. In addition, one contact cited a need for financial education training for small businesses.

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-**	**TOTAL**
Census Tracts	1	5	21	4	**31**
	3.2%	16.1%	67.7%	12.9%	**100%**
Family Population	486	4,501	26,929	6,635	**38,551**
	1.3%	11.7%	69.9%	17.2%	**100%**

As shown in the preceding table, 19.4 percent of the census tracts in the assessment area are LMI geographies, with 13.0 percent of the family population residing in those tracts. In addition, while only 12.9 percent of the census tracts are upper-income, 17.2 percent of the assessment area families reside in those upper-income tracts. These figures indicate that middle- and upper-income tracts are more heavily populated than LMI tracts.

As previously noted, Cole County contains the majority of the assessment area population. Of the six LMI census tracts located in the assessment area, three are in Cole County, including the assessment area's single low-income census tract. These three LMI geographies are situated in Jefferson City near the downtown area. The remaining three moderate-income geographies are located on the outer edges of the bank's assessment area, in Callaway and Osage Counties.

Based on 2010 U.S. Census data, the median family income for the assessment area was $62,453, which was above the median family income for the state of Missouri of $57,661. More recently, FFIEC estimates the 2016 median family income for the Jefferson City MSA to be $60,200. The following table displays population percentages of assessment area families by income level compared to the state of Missouri family population.

Family Population by Income Level

Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	7,139	7,168	9,687	14,557	**38,551**
	18.5%	18.6%	25.1%	37.8%	**100%**
State of Missouri	318,048	279,308	335,189	613,964	**1,546,509**
	20.6%	18.1%	21.7%	39.7%	**100%**

As shown in the preceding table, 37.1 percent of families in the assessment area are LMI, which is slightly below the statewide LMI family percentage of 38.7 percent. The percentage of families living below the poverty level in the assessment area, 7.8 percent, is also below the statewide figure of 10.0 percent. Considering these factors, the assessment area appears to be slightly more affluent than the state of Missouri overall.

Housing Demographics

Based on the housing demographics displayed in the following table, housing in the assessment area is more affordable compared to the state of Missouri.

Housing Affordability

Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Assessment Area	$128,991	39.5%	$564
State of Missouri	$137,700	33.6%	$667

Assessment area housing is more affordable than the state of Missouri as a whole, considering median housing value, median gross rent, and the affordability ratio. However, in spite of assessment area housing's greater affordability, one community contact indicated a continuing need for quality affordable rental housing. The contact noted that the area's aging housing stock requires expensive maintenance and upkeep, and in Jefferson City, zoning restrictions have prevented construction of new multifamily housing units. Furthermore, in 2010, LMI census tracts contained a disproportionate share of the assessment area's older housing units. The median age of housing units was 33 years across the entire assessment area but 56 years in low-income tracts and 38 years in moderate-income tracts. Similarly, 10.2 percent of housing units in the assessment area were vacant, but there was a 28.3 percent vacancy rate in low-income tracts and a 14.8 percent vacancy rate in moderate-income tracts.

Industry and Employment Demographics

The assessment area economy is supported by a mixture of service-oriented sectors and manufacturing. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 52,435 paid employees in the assessment area. By number of paid employees, the largest job categories in the assessment area are healthcare and social assistance (9,420), retail trade (7,697), manufacturing (5,859), and accommodation and food services (4,941). These figures are driven primarily by business patterns from Cole County, as 66.1 percent of all employees in the assessment area work in Cole County. Manufacturing is the largest industry in Moniteau and Osage Counties; in Callaway County, manufacturing jobs are exceeded only by healthcare and social assistance.

The following table 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 Missouri.

Unemployment Levels for the Assessment Area				
Dataset	**Time Period (Annual Average)**			
	2014	**2015**	**2016**	**2017 YTD**
Cole County	5.0%	4.0%	3.6%	3.2%
Osage County	4.7%	3.7%	3.4%	3.3%
Moniteau County	6.0%	4.9%	4.3%	4.2%
Callaway County	5.7%	4.7%	4.1%	3.9%
Assessment Area Average	**5.3%**	**4.3%**	**3.8%**	**3.5%**
State of Missouri	6.2%	5.0%	4.5%	4.3%

As shown in the preceding table, unemployment levels varied between individual counties in the assessment area but consistently remained below the state of Missouri’s average unemployment rate. Within the assessment area, unemployment levels were highest in Moniteau County, followed by Callaway, Cole, and Osage Counties. Similar to the state of Missouri, the assessment area’s annual average unemployment rate followed a declining trend during the review period.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank’s activities in this assessment area were evaluated. One of the interviews was conducted with an individual specializing in affordable housing, and the other was with a person working in small business development.

The interviewees categorized the assessment area economy as growing slowly, with a low unemployment rate. As previously noted, the contacts indicated a need for affordable housing in the area, as well as small dollar and working capital loans for small businesses. In addition, the contact working in housing cited a need for small dollar loans for consumers as an alternative to payday loans.

Both contacts stated that the area has strong banking competition; financial institutions compete for mortgage and small business loans, and several banks and payday lenders are located in downtown Jefferson City. In addition, both contacts mentioned there is an ongoing effort to revitalize the East Capitol Avenue area of Jefferson City. As supported by the demographic figures, the contact working in affordable housing mentioned that the area has an aging housing stock in need of repair and maintenance, as well as many vacant buildings. The contacts described revitalization efforts in this area that present opportunities for financial partners to provide loans for construction and renovation of properties located in the neighborhood. In addition, one contact stated that Jefferson Bank of Missouri has assisted first-time homebuyers in the area with mortgage loans.

Moreover, both contacts noted a need for financial education programs. The housing contact stated that many LMI families that rent would prefer to purchase a home, but are not ready for the financial responsibility associated with home maintenance. Pre- and post-homeownership counseling and financial literacy training could begin to address this problem. Similarly, the contact working in small business development stated there is a need for financial institutions to provide training and technical assistance to small business owners.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart 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 September 30, 2017**	**Average LTD Ratio**
Jefferson Bank of Missouri	Jefferson City, Missouri	$576,158	88.1%
Regional Banks	Jefferson City, Missouri	$1,379,848	90.0%
	Jefferson City, Missouri	$381,540	85.9%
	Linn, Missouri	$344,090	88.1%

Based on data from the previous table, the bank's level of lending is similar to that of other banks in the region. During the review period, the LTD ratio remained relatively stable with a 13-quarter average of 88.1 percent. In comparison, the average LTD ratios for the regional peers ranged from 85.9 percent to 90.0 percent. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

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 area.

Lending Inside and Outside of Assessment Area January 1, 2016 through December 31, 2016						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
HMDA	567	82.9%	117	17.1%	684	**100%**
	76,475	80.9%	18,090	19.1%	$94,565	**100%**
Consumer Motor Vehicle	84	42.6%	113	57.4%	197	**100%**
	1,488	38.2%	2,405	61.8%	$3,893	**100%**
Small Business	687	74.3%	238	25.7%	925	**100%**
	60,029	73.9%	21,204	26.1%	$81,233	**100%**
TOTAL LOANS	**1,338**	**74.1%**	**468**	**25.9%**	**1,806**	**100%**
	137,992	**76.8%**	**41,699**	**23.2%**	**$179,691**	**100%**

A majority of loans were extended to borrowers in the bank's assessment area. In total, 74.1 percent of the total loans were made inside the assessment area, accounting for 76.8 percent of the dollar volume of total loans. As displayed above, a smaller share of motor vehicle loans were originated inside the assessment area; this is due to the fact that the majority of the bank's motor vehicle loans are originated through dealerships whose clients may live outside the assessment area, rather than through the bank's branch network.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all three loan categories reviewed.

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 ($60,200 for the Jefferson City MSA as of 2016). The following table shows the distribution of HMDA loans by borrower income level compared to family population income characteristics for the assessment area. Additionally, 2016 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2016 through December 31, 2016												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	28	8.6%	72	22.1%	75	23.0%	128	39.3%	23	7.1%	**326**	**100%**
Refinance	9	4.9%	22	11.9%	39	21.1%	90	48.6%	25	13.5%	**185**	**100%**
Home Improvement	5	9.1%	13	23.6%	6	10.9%	28	50.9%	3	5.5%	**55**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	**1**	**100%**
TOTAL HMDA	**42**	**7.4%**	**107**	**18.9%**	**120**	**21.2%**	**246**	**43.4%**	**52**	**9.2%**	**567**	**100%**
Family Population	18.5%		18.6%		25.1%		37.8%		0.0%		**100%**	
2016 HMDA Aggregate	7.9%		20.2%		21.8%		34.3%		15.8%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (7.4 percent) is significantly below the low-income family population figure (18.5 percent); however, it is similar to the 2016 aggregate lending level to low-income borrowers (7.9 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (18.9 percent) is also reasonable, as it is in line with the moderate-income family population percentage (18.6 percent) and only slightly below the 2016 aggregate lending level to moderate-income borrowers (20.2 percent). When considering performance in lending to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

As with the previous category, the borrower distribution of consumer motor vehicle loans was analyzed by borrower's income profile. The table below displays the distribution of consumer motor vehicle loans by income level of borrower compared to household population income characteristics.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2016 through December 31, 2016												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	20	23.8%	17	20.2%	15	17.9%	32	38.1%	0	0.0%	**84**	**100%**
Household Population	23.0%		16.4%		19.6%		40.9%		0.0%		**100%**	

The analysis of the bank's performance by number of consumer motor vehicle loans made to LMI borrowers revealed reasonable performance. The bank originated 23.8 percent of its consumer motor vehicle loans to low-income borrowers, which reflects reasonable performance when compared to the household population of 23.0 percent. Furthermore, the bank made 20.2 percent of its consumer motor vehicle loans to moderate-income borrowers, which is similar to the moderate-income household population level of 16.4 percent and also reflects reasonable performance.

Finally, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2016 small business loans by loan amount and revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2016 through December 31, 2016								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	376	54.7%	111	16.2%	21	3.1%	**508**	**73.9%**
Greater than $1 Million/Unknown	134	19.5%	24	3.5%	21	3.1%	**179**	**26.1%**
TOTAL	**510**	**74.2%**	**135**	**19.7%**	**42**	**6.1%**	**687**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**88.6%**	
2016 CRA Aggregate Data							**49.6%**	

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (73.9 percent) to businesses with revenues of $1 million or less. While this is below the assessment area demographics, which estimate that 88.6 percent of businesses in the assessment area had annual revenues of $1 million or less, it far exceeds the 2016 aggregate lending level of 49.6 percent. In addition, 74.0 percent of the bank's loans to small businesses were originated in amounts of $100,000 or less; this further demonstrates the bank's willingness to meet the credit needs of small businesses.

Geographic Distribution of Loans

Overall, the bank's geographic distribution of loans in the assessment area reflects reasonable penetration throughout its LMI census tracts, based on activity from the HMDA, consumer motor vehicle, and small business loan categories.

As previously stated, the assessment area includes one low-income and five moderate-income census tracts, representing 19.4 percent of all assessment area census tracts. The low-income census tract and two moderate-income census tracts are located in Cole County and are concentrated in Jefferson City. The remaining three moderate-income census tracts are located on the rural edges of the assessment area, at a greater distance from the bank's Jefferson City banking offices. Additionally, banking competition is high near the LMI census tracts of Jefferson City, with five competitor banks operating offices in the low-income tract. These factors make it difficult for the bank to compete for loans in many of the assessment area's LMI geographies.

The following table displays the geographic distribution of 2016 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Geography Income Level

January 1, 2016 through December 31, 2016

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	3	0.9%	29	8.9%	204	62.6%	90	27.6%	0	0.0%	**326**	**100%**
Refinance	1	0.5%	8	4.3%	111	60.0%	65	35.1%	0	0.0%	**185**	**100%**
Home Improvement	2	3.6%	5	9.1%	36	65.5%	12	21.8%	0	0.0%	**55**	**100%**
Multifamily	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**6**	**1.1%**	**42**	**7.4%**	**352**	**62.1%**	**167**	**29.5%**	**0**	**0.0%**	**567**	**100%**
Owner-Occupied Housing	0.5%		11.2%		70.3%		18.0%		0.0%		**100%**	
2016 HMDA Aggregate	0.7%		9.2%		69.2%		20.8%		0.0%		**100%**	

The bank's total penetration of HMDA lending to the low-income census tract by number of loans (1.1 percent) exceeds both the percentage of owner-occupied housing units in the low-income census tract (0.5 percent) and the performance of other lenders in the assessment area based on 2016 HMDA aggregate data (0.7 percent). In addition, the bank originated 3.6 percent of its home improvement loans in the assessment area's low-income census tract, while just 1.2 percent of aggregate home improvement loans were in the tract. The tract contains the East Capitol Avenue neighborhood, which, according to both community contacts, is in need of revitalization. Therefore, the bank's lending in the assessment area's low-income census tract is considered excellent.

The bank's penetration of moderate-income census tracts (7.4 percent) is below the percentage of owner-occupied housing units in moderate-income tracts (11.2 percent), and the 2016 aggregate performance (9.2 percent). However, as previously mentioned, three of the five moderate-income census tracts are located at the rural outer edges of the bank's assessment area at least 20 miles from the bank's branches but close to many competitors' branches. Given the distance between the bank's branches and the assessment area's moderate-income tracts, the bank's penetration of moderate-income geographies is considered reasonable. Therefore, the overall geographic distribution of HMDA loans in the assessment area is reasonable.

Second, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays the results of this review, along with the percentage of household population located in each geographical income category for comparison purposes.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	8	9.5%	59	70.2%	17	20.2%	0	0.0%	**84**	**100%**
Household Population	2.0%		14.0%		67.4%		16.6%		0.0%		**100%**	

Of the sample of consumer motor vehicle loans reviewed, none were originated in the assessment area’s low-income census tract; however, only 2.0 percent of the household population resides in that tract. Furthermore, considering the availability of financial institutions inside the census tract for consumers seeking car loans, the bank’s performance is reasonable.

In addition, the bank’s performance in moderate-income census tracts (9.5 percent) was below the household population in moderate-income tracts (14.0 percent). However, a majority of the assessment area’s moderate-income census tracts are located along its outer, rural edges. While the bank targets those census tracts with advertising and mailers, the majority of its consumer motor vehicle loans are originated through indirect relationships and would not be included in the outreach campaign to the tracts’ residents.

More specifically, of the eight loans the bank made in moderate-income census tracts, only one was originated to borrowers residing in the outer moderate-income census tracts of the assessment area. The remaining seven loans, 8.3 percent, were made inside the two moderate-income census tracts within Jefferson City. This figure exceeds the household population within these two moderate-income geographies, 6.7 percent. As discussed above, the moderate-income tracts outside Jefferson City are at least 20 miles from the bank’s branches but in close proximity to many competitors’ branches. Therefore, the bank’s penetration of LMI tracts, while below demographic comparison figures, is considered reasonable, both by individual geography income level and overall.

As with the previous two loan categories, the geographic distribution of the bank’s small business loans was analyzed. The following table displays 2016 small business loan activity by geography income level compared to the location of businesses throughout the bank’s assessment area and 2016 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	32	4.7%	98	14.3%	335	48.8%	222	32.3%	0	0.0%	**687**	**100%**
Business Institutions	8.6%		14.9%		59.4%		17.1%		0.0%		**100%**	
2016 Small Business Aggregate	6.7%		12.6%		62.1%		16.9%		1.7%		**100%**	

The bank's level of lending in the assessment area's low-income census tract (4.7 percent) is below the estimated percentage of businesses operating inside that tract (8.6 percent) and 2016 aggregate lending levels in the low-income tract (6.7 percent). However, banking competition inside the assessment area's only low-income census tract is high; the top two small business lenders in the assessment area, which originated a combined 41.3 percent of all small business loans, have branch offices inside the census tract while Jefferson Bank does not. Therefore, the bank's performance in the low-income tract is considered reasonable. The bank's performance in the assessment area's moderate-income geographies (14.3 percent) was similar to the percentage of small businesses in moderate-income census tracts (14.9 percent) and exceeded 2016 aggregate lending levels in the moderate-income census tracts (12.6 percent). This also reflects reasonable performance. Overall, geographic distribution of small business loans in the assessment area is reasonable.

Lastly, based on reviews from both loan categories, the bank had loan activity in 100.0 percent of all assessment area census tracts. Additionally, there were no conspicuous lending gaps noted in LMI areas. This information supports the conclusion that the bank's the overall geographic distribution of loans is reasonable.

<u>Responses to Complaints</u>

No CRA-related complaints were filed against the bank during this review period (August 25, 2014 through November 5, 2017).

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 and availability of such opportunities for community development in the assessment area. 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 six community development loans totaling $5.2 million. Five of the loans were new originations, and one was a renewal. The loans were qualified for the purposes of revitalizing and stabilizing LMI geographies and promoting economic development through the creation of jobs in LMI geographies or Enterprise Zones.

The bank also made community development investments and donations in the assessment area totaling $489,543. This amount included three qualified investments totaling $350,383 and 35 donations totaling $139,160. The investments that benefited the assessment area were bonds issued for the purposes of funding infrastructure in LMI geographies and creating affordable housing. In addition, notable donations included three donations totaling $70,000 to organizations that provide activities and after school care for LMI children and one $15,540 donation to a school district in which the majority of students receive free or reduced lunch.

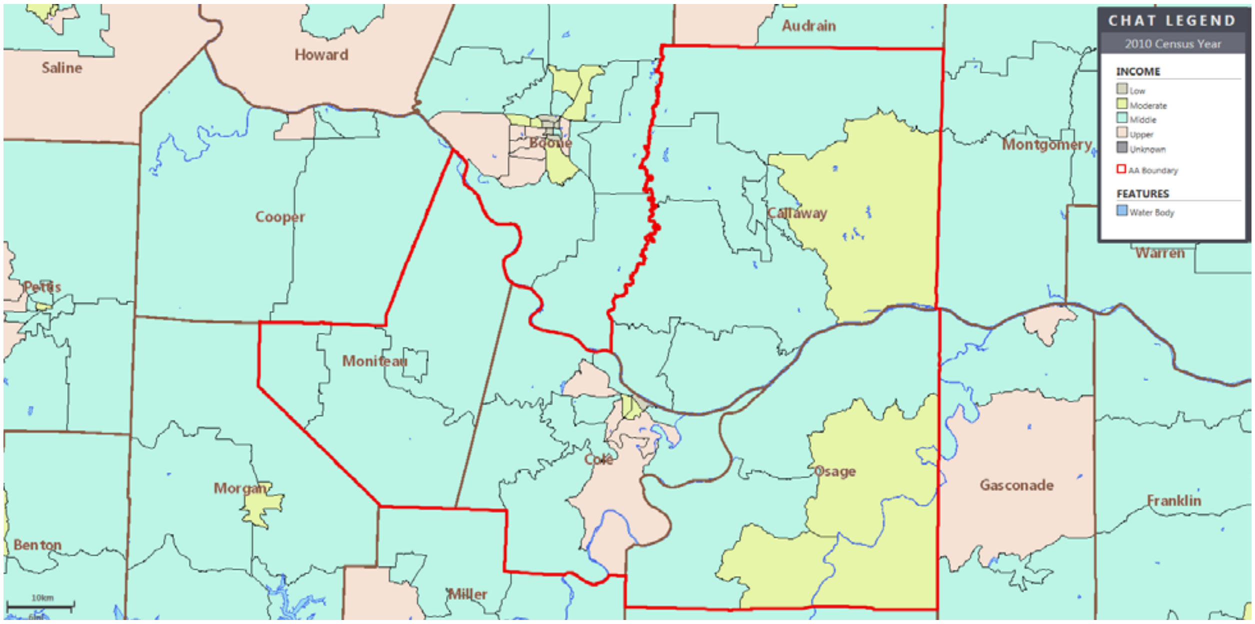
Finally, ten bank employees contributed more than 2,000 service hours to seven different organizations inside the assessment area.

In addition to adequately meeting the community development needs of its own assessment area, the bank made six new qualified investments outside its assessment area totaling $1.2 million. Furthermore, the bank made three qualified investments prior to this review period that were still outstanding, totaling $459,847. All qualified investments outside the bank's assessment area benefitted schools throughout the state of Missouri that serve primarily children from LMI families.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

ASSESSMENT AREA DETAIL



GLOSSARY

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

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

Census tract: A small subdivision of metropolitan and nonmetropolitan 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 on 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) affordable housing (including multifamily rental housing) for low- and moderate-income (LMI) individuals; (2) community services targeted to LMI individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives 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 who 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 an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of 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 multistate metropolitan area, the institution will receive a rating for the multistate 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 by either 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 nonmortgage, 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.