

# **PUBLIC DISCLOSURE**

**January 7, 2019**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Bank of Advance  
RSSD #879644**

**105 East Gabriel  
Advance, Missouri 63730**

**Federal Reserve Bank of St. Louis**

**P.O. Box 442  
St. Louis, Missouri 63166-0442**

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

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

The Bank of Advance meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending 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 reasonable penetration among individuals of different income levels (including low- and moderate-income (LMI)) and farms of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

## **SCOPE OF EXAMINATION**

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) small bank procedures, which evaluate the bank under the Lending Test. Bank performance under this test is rated at the institution level, as well as by state levels. The bank maintains operations in two delineated assessment areas within two states, Missouri and Illinois. The bank's primary assessment area is located in Southeastern Missouri, which is in a nonmetropolitan statistical area (nonMSA) portion of the state. The assessment area is comprised of Stoddard County in its entirety, five of ten tracts in Scott County, and a single tract in Cape Girardeau County.<sup>1</sup> The Illinois portion of the bank's assessment area is located in nonMSA Illinois and is comprised of Hancock County in its entirety. Both of the assessment areas were analyzed using full-scope review procedures, and the bank received three sets of ratings: overall institution ratings and ratings for the states of Missouri and Illinois.

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

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<sup>1</sup> Inclusion of a single Cape Girardeau MSA tract as part of the assessment area is not considered substantially beyond an MSA boundary.

State	Offices		Deposits as of 6/30/18		Assessment Area Reviews		
	#	%	\$ (000s)	%	Full Scope	Limited Scope	TOTAL
Missouri	5	83.3%	\$236,553	86.7%	1	0	1
Illinois	1	16.7%	\$36,288	13.3%	1	0	1
<b>OVERALL</b>	<b>6</b>	<b>100%</b>	<b>\$272,841</b>	<b>100%</b>	<b>2</b>	<b>0</b>	<b>2</b>

In light of branch structure and loan and deposit activity, CRA performance in the state of Missouri was given primary consideration, as it contains the majority of the bank's loan and deposit activity.

Furthermore, 1–4 family residential real estate, small farm, and consumer motor vehicle 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.<sup>2</sup> Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on home mortgage lending, performance in this loan category carried the most significance toward the bank's overall performance conclusions. Based on dollar volume, secondary consideration was given to small farm loans with the least emphasis being placed on consumer motor vehicle lending.

The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	December 31, 2014 – September 30, 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	October 20, 2014 – January 6, 2019

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on the Home Mortgage Disclosure Act and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; however, certain business demographics are based on 2017 Dun & Bradstreet data. Additionally, 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.

<sup>2</sup> 1–4 family residential real estate and small business loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

When analyzing the LTD ratio, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$236.7 million to \$367.4 million as of September 30, 2018.

To augment this evaluation, four community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. 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**

The Bank of Advance is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Miles Bancshares, Inc., a one-bank holding company; the bank and its holding company are both headquartered in Advance, Missouri. The bank's branch network consists of six offices (including the main office), four of which have cash-dispensing only automated teller machines on site. In addition to being a full-service facility, the main office and four branches also have drive-up accessibility. The bank closed its Lerna, Illinois, branch in December 2015, but maintains a branch in Bowen, Illinois. Given this branch network, the bank is well positioned to deliver financial services to the entirety of its assessment areas.

As previously mentioned, the bank currently operates in two CRA assessment areas. In Missouri, the Southeastern Missouri Assessment Area consists of Stoddard County in its entirety, the northern half of Scott County (census tracts 7801.00, 7802.00, 7803.00, 7810.00, and 7811.00), and the adjoining census tract (8803.00) of contiguous Cape Girardeau County. In Illinois, the nonMSA Illinois Assessment Area consists of Hancock County in its entirety.

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 September 30, 2018, the bank reported total assets of \$328.9 million. As of the same date, loans and leases outstanding were \$255.0 million (77.5 percent of total assets), and deposits totaled \$272.8 million. The bank's loan portfolio composition by credit category is displayed in the following table:

<b>Distribution of Total Loans as of September 30, 2018</b>		
<b>Credit Category</b>	<b>Amount (\$000s)</b>	<b>Percentage of Total Loans</b>
Construction and Development	\$10,043	3.9%
Commercial Real Estate	\$24,441	9.6%
Multifamily Residential	\$1,376	0.5%
1–4 Family Residential	\$96,602	37.9%
Farmland	\$56,845	22.3%
Farm Loans	\$26,044	10.2%
Commercial and Industrial	\$19,721	7.7%
Loans to Individuals	\$18,608	7.3%
Total Other Loans	\$1,288	0.5%
<b>TOTAL</b>	<b>\$254,968</b>	<b>100%</b>

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties and agriculture. While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on October 20, 2014.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Rated Area	Lending Test Rating
Missouri	Satisfactory
Illinois	Satisfactory
<b>OVERALL</b>	<b>Satisfactory</b>

The Bank of Advance meets the standards for a Satisfactory Lending Test rating under the 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 compared to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of September 30, 2018	Average LTD Ratio
The Bank of Advance	Advance, Missouri	\$328,947	87.8%
Regional Banks	Cape Girardeau, Missouri	\$236,741	96.7%
	Dexter, Missouri	\$334,379	92.3%
	Caruthersville, Missouri	\$367,414	82.6%

Based on data from the previous table, the bank's level of lending is in line with those of other banks in the Missouri assessment area. During the review period, the bank's quarterly LTD ratio was generally stable with a 16-quarter average of 87.8 percent. The peers located in Cape Girardeau and Dexter both experienced moderate, steady increases in LTD, while the peer located in Caruthersville had a volatile trend with spikes in LTD ratios from 72.9 percent to 93.5 percent. Therefore, compared to data from regional banks and trends as previously noted, 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
1–4 Family Residential Real Estate	84	71.2%	34	28.8%	<b>118</b> <b>100%</b>
	6,399	66.7%	3,188	33.3%	<b>\$9,587</b> <b>100%</b>
Small Farm	60	59.4%	41	40.6%	<b>101</b> <b>100%</b>
	5,187	51.6%	4,858	48.4%	<b>\$10,045</b> <b>100%</b>
Consumer	136	75.1%	45	24.9%	<b>181</b> <b>100%</b>
	1,163	78.5%	318	21.5%	<b>\$1,481</b> <b>100%</b>
<b>TOTAL LOANS</b>	<b>280</b>	<b>70.0%</b>	<b>120</b>	<b>30.0%</b>	<b>400</b> <b>100%</b>
	<b>12,749</b>	<b>60.4%</b>	<b>8,364</b>	<b>39.6%</b>	<b>\$21,113</b> <b>100%</b>

A majority of loans and other lending-related activities were originated in the bank's assessment areas. As shown above, 70.0 percent of the total loans were made inside the assessment areas, accounting for 60.4 percent of the dollar volume of total loans. Of note, the bank's concentration is lower with regard to small farm lending by number (59.4 percent) and dollar (51.6 percent). This difference is the result of several current small farm customers purchasing farmland outside of the bank's assessment area.

### **Borrower and Geographic Distribution**

As the bank's Illinois assessment area contains no LMI census tracts and its Missouri assessment area contains only one moderate-income census tract, bank performance in borrower distribution carried more weight than geographic distribution in the Lending Test analyses. Overall, performance by borrower's income/revenue profile is reasonable based on the analyses of lending in both states.

Rated Area	Loan Distribution by Borrower's Profile
Missouri	Reasonable
Illinois	Reasonable
<b>OVERALL</b>	<b>REASONABLE</b>

As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects reasonable penetration throughout the bank's Missouri assessment area. As mentioned previously, the Illinois assessment area contains no LMI census tracts; however, lending is dispersed adequately throughout the assessment area.

Rated Area	Geographic Distribution of Loans
Missouri	Reasonable
Illinois	Reasonable
<b>OVERALL</b>	<b>REASONABLE</b>

### **Responses to Complaints**

No CRA-related complaints were filed against the bank during this review period (October 20, 2014 through January 6, 2019).

### **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.

## **CRA RATING FOR MISSOURI: Satisfactory**

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

- The distribution of loans in the Missouri assessment area reflects reasonable penetration among individuals of different income levels (including LMI levels) and farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the Missouri assessment areas.

## **SCOPE OF EXAMINATION**

Scoping considerations applicable to the review of the Missouri assessment areas are consistent with the overall CRA examination scope, as presented in the *Institution, Scope of Examination* section. The bank has one Missouri assessment area made up of Stoddard County, the northern half of Scott County (five census tracts), and the southwestern portion of Cape Girardeau County (one census tract) in nonMSA Missouri. The bank's CRA performance in its Missouri assessment area was evaluated using full-scope procedures.

To augment the evaluation of the Missouri assessment area, 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 rural development representative, and the other was involved with farm service. Details from these interviews are included in the *Description of Institution's Operations* section.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSOURI**

### **Bank Structure**

The bank operates five of its six offices (83.3 percent) in this assessment area. Of the five offices, one is located in a moderate-income census tract and four are located in middle-income census tracts. 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 all of the assessment area.

### **General Demographics**

The assessment area is comprised of Stoddard County in its entirety, the northern half of Scott County (five census tracts), and the southwestern portion of Cape Girardeau County (one census tract) in nonMSA Missouri. As of the 2010 U.S. Census, the assessment area population was 51,160. Of the 16 FDIC-insured depository institutions with a branch presence in the counties

making up this assessment area,<sup>3</sup> the bank ranked second in deposit market share, encompassing 15.6 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. No particular unmet credit needs were noted by community contacts, and one contact noted that there are not any known barriers to credit due to a healthy amount of banking competition.

## **Income and Wealth Demographics**

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	1	12	1	0	<b>14</b>
	0.0%	7.1%	85.7%	7.1%	0.0%	<b>100%</b>
Family Population	0	1,569	17,585	1,185	0	<b>20,339</b>
	0.0%	7.7%	86.5%	5.8%	0.0%	<b>100%</b>

As shown above, 7.1 percent of the census tracts in the assessment area are LMI geographies and only 7.7 percent of the family population resides in this tract. This LMI area is concentrated in and around the city of Dexter, Missouri.

Based on U.S. Census data, the median family income for the assessment area was \$50,326. At the same time, the median family income for all of nonMSA Missouri was \$48,553. More recently, the FFIEC estimates the 2017 median family income for nonMSA Missouri to be \$50,800. The following table displays population percentages of assessment area families by income level compared to the nonMSA Missouri family population.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Missouri Assessment Area	2,581	2,399	3,025	5,672	<b>13,677</b>
	18.9%	17.5%	22.1%	41.5%	<b>100%</b>
NonMSA Missouri	81,501	72,180	84,266	159,541	<b>1,530,006</b>
	20.5%	18.2%	21.2%	40.1%	<b>100%</b>

As shown in the table above, 36.4 percent of families in the assessment area are considered LMI, which is slightly below the LMI family percentage of 38.7 percent in all of nonMSA Missouri. In addition, the percentage of families living below the poverty level in the assessment area (11.9

<sup>3</sup> Since the inclusion of the single census tract of Cape Girardeau County does not substantially extend beyond an MSA boundary and because the bank does not maintain a branch there, a more accurate deposit share analysis includes only Scott and Stoddard Counties.

percent) is less than the 14.2 percent level in nonMSA Missouri. Considering these factors, the assessment area appears slightly more affluent than all of nonMSA Missouri.

### **Housing Demographics**

As displayed in the following table, homeownership in the assessment area is more affordable compared to nonMSA Missouri in its entirety.

<b>Housing Demographics</b>			
<b>Dataset</b>	<b>Median Housing Value</b>	<b>Affordability Ratio</b>	<b>Median Gross Rent (Monthly)</b>
Assessment Area	\$95,619	41.8%	\$560
NonMSA Missouri	\$100,700	38.0%	\$612

The median housing value for the assessment area is slightly below that of nonMSA Missouri as a whole. Additionally, the affordability ratio for the assessment area (41.8 percent) is higher than the nonMSA Missouri figure (38.0 percent). Further, based on median gross rent data, it is more affordable to rent in the assessment area compared to nonMSA Missouri.

### **Industry and Employment Demographics**

Based on county business patterns data from 2016, there are 61,118 paid employees in the assessment area. By percentage of employees, healthcare and social assistance (25.9 percent), retail trade (14.8 percent), and manufacturing (14.5 percent) make up the largest employment sectors. The table below details the unemployment rates in the assessment area.

<b>Dataset</b>	<b>Unemployment Levels</b>				
	<b>Time Period (Annual Average)</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>YTD 2018</b>
Missouri Assessment Area	6.2%	5.0%	5.1%	4.0%	3.4%
NonMSA Missouri	7.0%	5.9%	5.5%	4.5%	3.9%

As shown in the table, unemployment levels in the assessment area and the nonMSA as a whole have decreased steadily across the time period. In addition, the Missouri assessment area has consistently maintained slightly lower levels of unemployment compared to nonMSA Missouri over this period.

### **Community Contact Information**

For the Missouri assessment area, two community contact interviews were completed with rural servicing agencies.

Both contacts stated that the assessment area's economy is faring better than the majority of southeastern Missouri due to larger municipalities and more diverse industries. The contacts also mentioned that while several major manufacturers have either left the area or had layoffs, the

local unemployment rate remains low. However, the poverty rate remains high due to many workers being employed in low wage jobs in retail and manufacturing.

Both contacts also indicated that there is an adequate number of banks in the area, leaving no particular unmet credit needs. One contact stated that affordable housing for LMI individuals is widely available but finding potential homeowners with adequate financial history is challenging. Additionally, new farmers face barriers regarding a lack of collateral and access to affordable land. While financial institutions were noted as being active in the community, the contacts noted that there are many opportunities available for further involvement. These opportunities include teaching financial literacy to students and partnering with the Farm Service Agency to support farmers in the area.

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

The overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and farms of different revenue sizes. Furthermore, the bank's 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 based on the performance from all loan categories reviewed. Based on the volume of loans originated and the bank's strategic focus, greater emphasis was placed on real estate lending in assessing the bank's overall performance.

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. The following table shows the distribution of 1–4 family residential real estate reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 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							
1 – 4 Family Residential Real Estate	11	13.6%	14	17.3%	20	24.7%	29	35.8%	7	8.6%	<b>81</b>	<b>100%</b>
Family Population	18.9%		17.5%		22.1%		41.5%		0.0%		<b>100%</b>	
2017 1–4 Family Residential Real Estate Aggregate	7.0%		17.4%		18.7%		33.1%		23.8%		<b>100%</b>	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (13.6 percent) is below the low-income family population figure of 18.9 percent but nearly double the 2017 aggregate lending level to low-income borrowers (7.0 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (17.3 percent) is in line with both the moderate-income family population figure of 17.5 percent and the 2017 aggregate lending level of 17.4 percent, reflecting reasonable performance. Overall, considering performance to both income categories, the bank's distribution of 1–4 family residential real estate loans by borrower's profile is reasonable.

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

Distribution of Loans Inside Assessment Area by Farm Revenue							
January 1, 2017 through December 31, 2017							
Gross Revenue	Loan Amounts in \$000s					TOTAL	
	≤\$100	>\$100 and ≤\$250	>\$250 and ≤\$500				
\$1 Million or Less	28	62.2%	6	13.3%	5	11.1%	<b>39</b> <b>86.7%</b>
Greater than \$1 Million/Unknown	4	8.9%	1	2.2%	1	2.2%	<b>6</b> <b>13.3%</b>
<b>TOTAL</b>	<b>32</b>	<b>71.1%</b>	<b>7</b>	<b>15.6%</b>	<b>6</b>	<b>13.3%</b>	<b>45</b> <b>100%</b>
Dun & Bradstreet Businesses ≤ \$1MM							<b>97.9%</b>
2017 Small Farm Aggregate ≤ \$1MM							<b>53.8%</b>

The bank originated the majority of its small farm loans (86.7 percent) to farms with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 97.9 percent of farms in the assessment area had annual revenues of \$1 million or less, and the 2017 aggregate lending level to small farms is 53.8 percent. Lastly, the bank originated a majority of its small farm loans (62.2 percent) in amounts less than \$100,000, further indicating the bank's willingness to accommodate the needs of small farms. Therefore, based on the data provided, overall performance is reasonable, especially in light of the stated credit need for farmland lending.

Finally, the bank's loan distribution by borrower's profile for consumer motor vehicle loans was analyzed and considered excellent. The following table shows the distribution of consumer loans compared to household population income demographics 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						
Consumer Motor Vehicle Loans	46	37.7%	32	26.2%	25	20.5%	17	13.9%	2	1.6%	<b>122</b> <b>100%</b>
Household Population	22.2%	16.8%	19.0%	42.0%	0.0%		<b>100%</b>				

As displayed in the preceding table, the bank's percent of lending to low-income borrowers (37.7 percent) is well above the low-income household population figure of 22.2 percent, reflecting excellent performance. In addition, the bank's lending to moderate-income borrowers (26.2 percent) is significantly above the moderate-income household population figure of 16.8 percent, also reflecting excellent performance. Overall, considering performance to both income categories, the bank's distribution of consumer loans by borrower's profile is excellent.

## Geographic Distribution of Loans

As noted previously, the Missouri assessment area contains no low- and one moderate-income census tract, representing 7.1 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout this LMI census tract, based on the 1–4 family residential real estate, small farm, and consumer loan categories. The following table displays the geographic distribution of 2017 1–4 family residential real estate 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				
1–4 Family Residential Real Estate	0   0.0%	4   4.9%	66   81.5%	11   13.6%	0   0.0%		81	100%	
Owner-Occupied Housing	0.0%	4.7%	88.4%	6.9%	0.0%			100%	
2017 1–4 Family Residential Real Estate Aggregate	0.0%	4.3%	86.9%	8.7%	0.1%			100%	

The analysis of 1–4 family residential real estate loans revealed reasonable lending performance to borrowers residing in the assessment area's single moderate-income geography. The bank's lending in the moderate-income census tract by number of loans (4.9 percent) is in line with both the percentage of owner-occupied housing units in the moderate-income census tract (4.7 percent) and lending by other lenders in the assessment area based on 2017 aggregate data (4.3 percent).

Second, the bank's geographic distribution of small farm loans was reviewed. The following table displays 2017 small farm activity by geographic income level compared to the location of small farms throughout this assessment area and 2017 small farm 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 Farm Loans	0   0.0%	0   0.0%	39   86.7%	6   13.3%	0   0.0%		45	100%	
Agricultural Institutions	0.0%	0.7%	88.3%	11.0%	0.0%			100%	
2017 Small Farm Aggregate	0.0%	0.0%	94.8%	4.8%	0.4%			100%	

While the bank did not originate any agricultural loans in the assessment area's sole LMI tract, this performance is in line with the peer and aggregate data. The assessment area's moderate-income census tract fully encompasses the city of Dexter and its surrounding area, including the Dexter Municipal Airport, explaining the lack of agricultural lending in this tract. Thus, the bank's agricultural lending penetration reflects reasonable performance.

Finally, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2017 consumer loan activity by geography income level compared to the household population throughout its assessment area.

<b>Distribution of Loans Inside Assessment Area by Income Level of Geography</b>												
<b>January 1, 2017 through December 31, 2017</b>												
	<b>Geography Income Level</b>						<b>TOTAL</b>					
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>							
Consumer Loans	0	0.0%	12	9.8%	100	82.0%	10	8.2%	0	0.0%	<b>122</b>	<b>100%</b>
Household Population	0.0%		7.7%		86.5%		5.8%		0.0%		<b>100%</b>	

The level of lending in the moderate-income census tract (9.8 percent) is slightly above the overall level of the household population (9.8 percent), representing overall reasonable performance for consumer loans in LMI census tracts.

## **CRA RATING FOR ILLINOIS: Satisfactory**

Major factors supporting the institution's Illinois rating include the following.

- The distribution of loans in the Illinois assessment areas reflects reasonable penetration among individuals of different income levels (including LMI levels) and farms of different sizes.
- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Illinois assessment area.

## **SCOPE OF EXAMINATION**

Scoping considerations applicable to the review of the Illinois assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank has one Illinois assessment area made up of Hancock County in its entirety. The bank's CRA performance in its Illinois assessment area was evaluated using full-scope procedures.

To augment the evaluation of the assessment area in Illinois, 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 farm services organization, and the other was involved with housing services. Details from these interviews are included in the *Description of Institution's Operations* section.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSOURI**

### **Bank Structure**

The Bank of Advance operates one office (16.7 percent of total branches) in its Illinois assessment area, which is a full-service branch located in the city of Bowen in a middle-income census tract. Since the previous evaluation, the bank closed its branch in Lerna, Illinois. Given the bank's branch presence in the far southeastern portion of Hancock County, it can reasonably serve portions of the assessment area but faces difficulty reaching the county seat of Carthage due to competition, as well as the far northwestern portions of the county.

### **General Demographics**

The assessment area is comprised of Hancock County (nonMSA Illinois) in its entirety. This is a secondary assessment area for the bank and is located in west central Illinois, near the Iowa and Missouri state borders. As of the 2010 U.S. Census, the assessment area population was 18,738. Of the eight FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked fourth in deposit market share, encompassing 6.7 percent of total deposit dollars.

Credit needs in the assessment area includes a mix of consumer and business loan products. Specifically, needs for consumer motor vehicle and home improvement loans were noted by community contacts.

### **Income and Wealth Demographics**

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	0	7	0	0	<b>7</b>
	0.0%	0.0%	100.0%	0.0%	0.0%	<b>100%</b>
Family Population	0	0	5,404	0	0	<b>18,738</b>
	0.0%	0.0%	100.0%	0.0%	0.0%	<b>100%</b>

As shown above, the assessment area is made up of no low- or moderate-income census tracts and seven middle-income census tracts.

Based on U.S. Census data, the median family income for the assessment area was \$57,504. At the same time, the median family income for nonMSA Illinois as a whole was \$59,121. More recently, the FFIEC estimates the 2017 median family income for nonMSA Illinois to be \$60,400. The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Illinois Assessment Area	908	1,121	1,295	2,080	<b>5,404</b>
	16.8%	20.7%	24.0%	38.5%	<b>100%</b>
NonMSA Illinois	79,055	71,275	84,204	155,344	<b>389,878</b>
	20.3%	18.3%	21.6%	39.8%	<b>100%</b>

As shown in the table above, 37.5 percent of families in the assessment area are considered LMI, which is in line with the LMI family percentage of 38.6 percent in nonMSA Illinois. In addition, the percentage of families living below the poverty level in the assessment area (7.5 percent) is below that of nonMSA Illinois (10.4 percent). Considering these factors, the assessment area appears slightly more affluent than nonMSA Illinois as a whole.

### **Housing Demographics**

While income levels in the assessment area are in line with nonMSA Illinois, housing costs in the assessment area are more affordable than nonMSA comparisons. Housing demographics are shown in the following table:

<b>Housing Demographics</b>			
<b>Dataset</b>	<b>Median Housing Value</b>	<b>Affordability Ratio</b>	<b>Median Gross Rent (monthly)</b>
Assessment Area	\$83,393	57.4%	\$565
NonMSA Illinois	\$92,863	49.0%	\$604

The median housing value for the assessment area is substantially below that of nonMSA Illinois as a whole. Additionally the affordability ration for the assessment area (57.4 percent) is higher than the nonMSA Illinois figure (49.0 percent). Finally, it is more affordable to rent in the assessment area compared to nonMSA Illinois.

### **Industry and Employment Demographics**

Based on county business patterns data from 2016, there are 2,767 paid employees in the assessment area. By percentage of employees, healthcare and social assistance (18.1 percent), retail trade (15.4 percent), and manufacturing (11.1 percent) make up the largest employment sectors. The table below details the unemployment rates in the assessment area.

<b>Dataset</b>	<b>Unemployment Levels</b>				
	<b>Time Period (Annual Average)</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>YTD 2018</b>
Illinois Assessment Area	6.5%	6.2%	6.5%	5.1%	4.4%
NonMSA Illinois	7.0%	6.2%	6.0%	4.9%	4.5%

As shown in the table above, unemployment levels have decreased steadily over the past few years. In addition, the Illinois assessment area has maintained relatively similar levels of unemployment compared to nonMSA Illinois over this period.

### **Community Contact Information**

For the Illinois assessment area, two community contacts interviews were completed, one with a housing agency and another with a rural servicing agency.

Both contacts referenced declining population due to an aging populace and a lack of jobs, as there has been no major industry or employer development for several years. The largest employers in the area include a local hospital, as well as farming operations, including agricultural processing centers.

Both contacts indicated there is an adequate number of banks in the area, fulfilling a majority of the banking needs. One contact noted that while there is little construction of new homes and little need for mortgage financing, there is a need for motor vehicle and home improvement loans in the assessment area due to its rural nature. The other contact noted that a barrier facing new farmers is experience and building financial security during years of lower yield. While financial institutions were noted as being active in the community, the contacts noted that there are many opportunities available for further involvement. Specific opportunities cited were to provide

seminars on financial literacy and partner with local agriculture-friendly institutions, such as the Farm Service Agency, through its guaranteed loan program.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

The overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and farms of different revenue sizes. Similarly, the 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 based on the performance for small farms and consumer motor vehicle lending. An analysis of the bank's 1-4 family residential real estate lending based on borrower's profile was not conducted due to the small number of originated loans in the generated sample. Due to dollar volume originated, greater emphasis was placed on small farm lending in determining overall performance.

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

Distribution of Loans Inside Assessment Area by Farm Revenue							
January 1, 2017 through December 31, 2017							
Gross Revenue	Loan Amounts in \$000s					TOTAL	
	≤\$100	>\$100 and <\$250	>\$250 and <\$500				
\$1 Million or Less	11	73.3%	2	13.3%	0	0.0%	13 <b>86.7%</b>
Greater than \$1 Million/Unknown	2	13.3%	0	0.0%	0	0.0%	2 <b>13.3%</b>
<b>TOTAL</b>	<b>13</b>	<b>86.7%</b>	<b>2</b>	<b>13.3%</b>	<b>0</b>	<b>0.0%</b>	<b>15</b> <b>100%</b>
Dun & Bradstreet Businesses ≤ \$1MM							<b>99.5%</b>
2017 Small Farm Aggregate ≤ \$1MM							<b>80.4%</b>

As shown above, the bank originated a majority of its small farm loans (86.7 percent) to farms with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 99.5 percent of farms in the assessment area had annual revenues of \$1 million or less, and the 2017 aggregate lending level to small farms is 80.4 percent. Lastly, the bank originated a majority of its small farm loans (73.3 percent) in amounts less than \$100,000, further indicating the bank's willingness to accommodate the needs of small farms. Therefore, comparing the bank's lending to demographic and aggregate data, overall performance is reasonable.

In addition, the bank's loan distribution by borrower's profile for consumer motor vehicle loans was analyzed and considered excellent. The following table shows the distribution of consumer loans compared to household population income demographics 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	
Consumer Loans	12	42.9%	10	35.7%	0	0.0%	2	7.1%	4	14.3%
Household Population	20.7%		17.2%		20.0%		42.1%		0.0%	100%

As displayed in the preceding table, the bank's percent of lending to low-income borrowers (42.9 percent) is nearly double the low-income household population figure of 20.7 percent, reflecting excellent performance. In addition, the bank's lending to moderate-income borrowers (35.7 percent) is nearly double the moderate-income household population figure of 17.2 percent, also reflecting excellent performance. Overall, considering performance to both income categories, the bank's distribution of consumer loans by borrower's profile is excellent especially in light of the fact that this was a need expressed by community contacts.

### **Geographic Distribution of Loans**

The bank's Illinois assessment area contains no LMI census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, loan dispersion in the assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area, consistent with demographics and bank structure. Therefore, the bank's geographic distribution of loans is reasonable.

**SCOPE OF EXAMINATION TABLES**

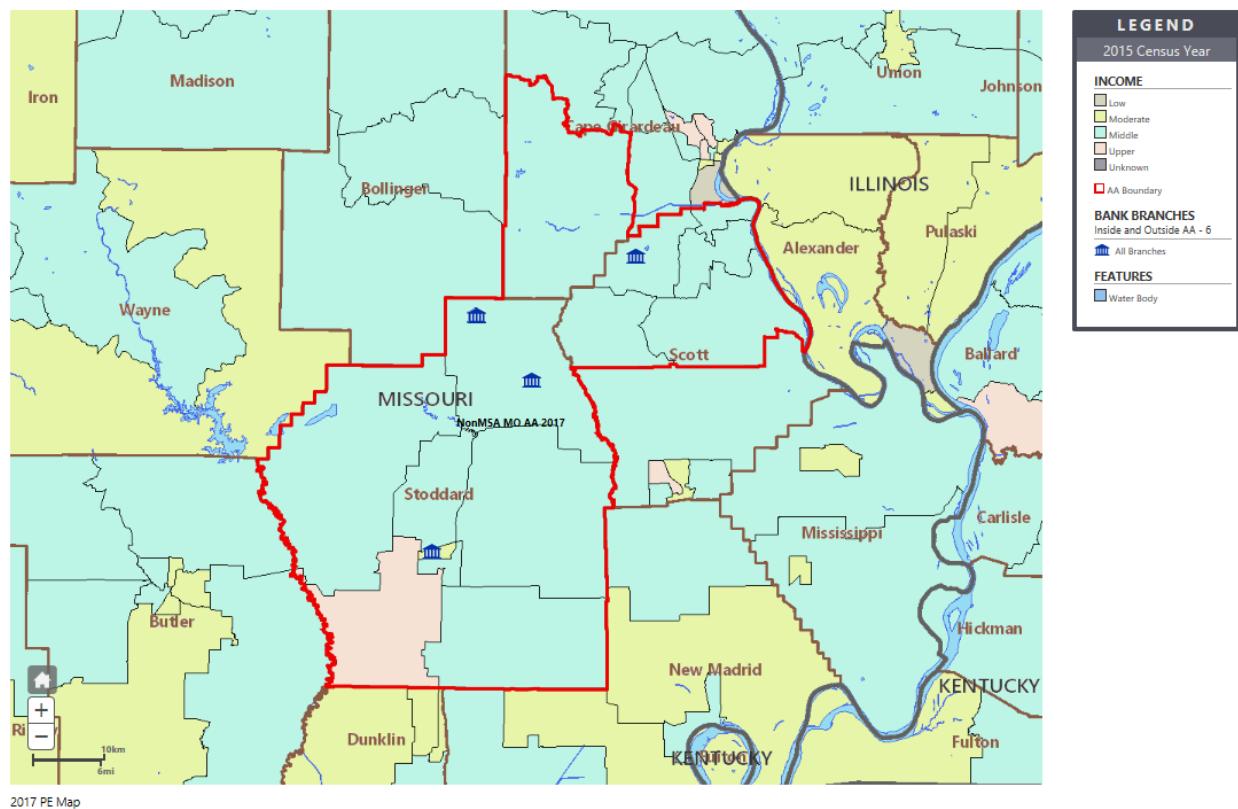
<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	January 1, 2017 through December 31, 2017 for 1–4 family residential real estate, small farm, and consumer lending.		
<b>FINANCIAL INSTITUTION</b>			
The Bank of Advance Advance, Missouri			<b>PRODUCTS REVIEWED</b> 1–4 Family Residential Real Estate Small Farm Consumer
<b>AFFILIATE(S)</b> N/A	<b>AFFILIATE RELATIONSHIP</b> N/A		<b>PRODUCTS REVIEWED</b> N/A

<b>ASSESSMENT AREA – EXAMINATION SCOPE DETAILS</b>					
<b>Assessment Area</b>	<b>Rated Area</b>	<b># of Offices</b>	<b>Deposits (\$000s) (as of 6/30/18)</b>	<b>Branches Visited</b>	<b>CRA Review Procedures</b>
Missouri	Missouri	5	\$236,553	1	Full Scope
Hancock County	Illinois	1	\$36,288	0	Full Scope
<b>OVERALL</b>		<b>6</b>	<b>\$272,841</b>	<b>1</b>	<b>2 Full Scope</b>

## ASSESSMENT AREA DETAIL

### Bank of Advance - Advance, MO 2019

NonMSA MO AA

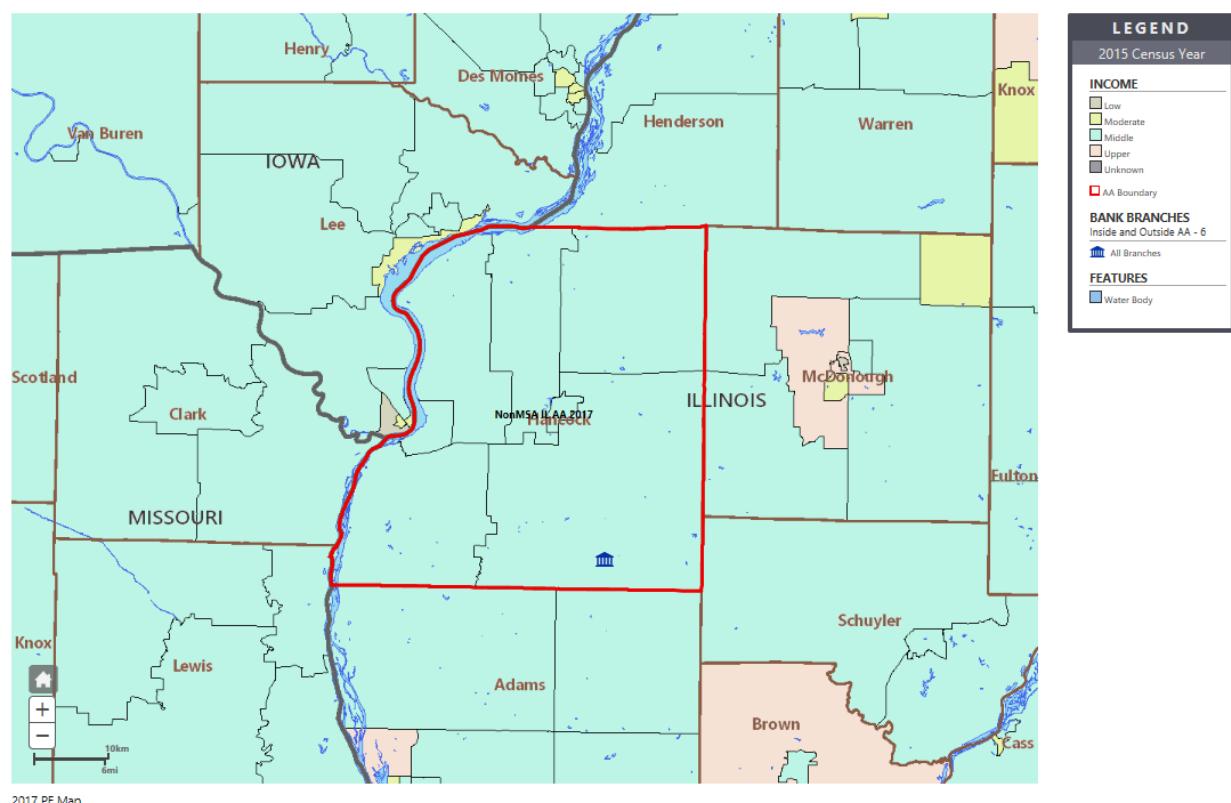


2017 PE Map

## Appendix B (continued)

### Bank of Advance - Advance, MO 2019

NonMSA IL AA



**SUMMARY OF STATE RATINGS**

<b>State or Multistate MSA</b>	<b>Lending Test Rating</b>	<b>Overall Rating</b>
State of Missouri	Satisfactory	<b>Satisfactory</b>
State of Illinois	Satisfactory	<b>Satisfactory</b>

## **GLOSSARY**

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

**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) affordable housing (including multifamily rental housing) for low- or 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 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 multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

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