# PUBLIC DISCLOSURE

**May 21, 2012**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eagle Bank and Trust Company of Missouri**
**FDIC Certificate Number: 17691**

**10596 Highway 21**
**Hillsboro, Missouri 63050**

**Federal Deposit Insurance Corporation**
**1100 Walnut Street, Suite 2100**
**Kansas City, Missouri 64106**

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

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# GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of* ***Eagle Bank and Trust Company of Missouri,*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***May 21, 2012****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

# INSTITUTION'S CRA RATING

**<u>INSTITUTION'S CRA RATING:</u>** This institution is rated <u>Needs to Improve</u>.

An overall rating of "Needs to Improve" is assigned. An institution in this group needs to improve its overall records of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantive violations of the Regulation B – Equal Credit Opportunity and FDIC's Part 338 – Fair Housing were identified during a fair lending review of the bank. Due to the widespread nature of these substantive violations, the bank's overall CRA rating was lowered from "Satisfactory" to "Needs to Improve."

**The Lending Test is rated: "Satisfactory."**

- The average net loan-to-deposit (NLTD) ratio is reasonable given the asset size and financial condition of the bank and the credit needs of the assessment area (AA). The NLTD ratio has averaged 89 percent since the previous Performance Evaluation dated January 26, 2009. This ratio is also considered reasonable when compared to the average NLTD ratios for similarly situated institutions.

- A substantial majority of the loans reviewed were originated within the expanded AAs. A review of a sample of small business loans and the bank's reported Home Mortgage Disclosure (HMDA) data revealed that 93 percent of the number and 97 percent of the dollar volume of the small business loans, and 89 percent of both the number and dollar of the HMDA loans reviewed, were originated within the expanded AAs.

- The geographic distribution of the loans reviewed reflects poor dispersion in the expanded AA, particularly in low- and moderate-income (LMI) census tracts (CTs), considering pertinent demographic information and other relevant factors.

- Overall, the loan distribution by borrower income characteristics reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels, considering relevant demographic data, the bank's business strategy, and other pertinent factors.

- The institution received one complaint regarding its CRA performance since the previous evaluation. Concerns raised in this complaint were considered in the evaluation of the bank's performance. Overall, management has adequately responded to the complaint.

**The Community Development Test is rated: "Satisfactory."**

- The performance of the bank under the community development test demonstrates adequate responsiveness to the community development needs of the evaluated AA through qualified community development lending, investments, and services, considering the bank's capacity and the need and availability of such opportunities in the expanded AA.

# SCOPE OF EVALUATION

This CRA evaluation was conducted using Intermediate Small Bank CRA Evaluation Procedures, which include a lending test and a community development test. This evaluation addresses the bank's CRA performance since the previous evaluation on January 26, 2009, through May 21, 2012, the date of this evaluation.

Particular focus was given to commercial and residential real estate lending as these loan products represented a majority (53 percent and 25 percent, respectively), of the loan portfolio based on dollar volume, as of December 31, 2011. In addition, an analysis of these loan products will provide the most meaningful insight into the bank's CRA performance in comparison to pertinent demographic and other data available. Examples of this data include: the stratification of businesses in the AA based on gross annual revenues and CT category, the percentage of owner-occupied housing units in the AA by CT category, the stratification of AA families by income level, and HMDA aggregate lending data. The analysis of these loan products was completed considering the context of the AA's economy, credit needs, and competition among financial institutions.

Examination personnel evaluated the lending performance based on a sample of small business loans[1] that were originated between January 26, 2009, and December 31, 2011, and a review of home mortgage loans[2] that were included on the bank's HMDA registers in 2010 and 2011. The small business loan sample consisted of 40 loans totaling $6,443,000 selected from a universe of 262 loans totaling $49,254,000 that were outstanding as of the date of this evaluation. The HMDA data review consisted of 623 loans totaling $106,121,000 in 2010 and 630 loans totaling $117,548,000 in 2011; this represents all of the HMDA loans reported by the bank during this timeframe.

An analysis was performed of the assessment areas to ensure that each met the requirements under the CRA and to select the area(s) for a full-scope review. The bank had designated four assessment areas described as follows: *MSA AA* – includes Jefferson County and the southern portions of St. Louis County and St. Louis City in the St. Louis Missouri-Illinois Metropolitan Statistical Area (MSA); *Non-MSA AA* – includes the entirety of Perry County in non-MSA Missouri; *Florissant AA* – includes one middle-income CT in northern St. Louis County in the St. Louis MSA; and, *St. Charles AA* – includes one upper-income CT located in south central St. Charles County in the St. Louis MSA.

The delineated MSA AA excluded a majority of the low- and moderate-income CTs in St. Louis County and St. Louis City. Therefore, the MSA AA was expanded by regulatory personnel to include the entireties of St. Louis County and St. Louis City. The institution can reasonably be expected to serve the expanded AA; therefore, this evaluation is based on the bank's performance

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[1] *Small business loan* means a loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. All small business loans had original balances of $1 million or less.

[2] *Home Mortgage loans* are loans that are reportable under the Home Mortgage Disclosure Act and include home improvement loans, home purchase loans, and refinancing loans (as defined by HMDA) involving 1-4 family properties, manufactured housing units, and multi-family properties.

within the expanded MSA AA. For evaluation purposes, the MSA AA now includes the entireties of St. Louis County, St. Louis City, and Jefferson County, all within Missouri portions of the St. Louis MSA, and will be referred to as the "expanded AA" for the purposes of this document. This expanded AA now includes the Florissant AA previously discussed.

Since a substantial majority (97 percent) of the lending occurs from bank locations in the expanded AA, a full-scope review of this area was performed and conclusions regarding the bank's performance will be based on the evaluation of this AA. The St. Charles and Non-MSA AAs were not reviewed in this evaluation.

For Geographic Distribution Analysis, particular focus was given to the dispersion of lending by CT category in the expanded AA. For Borrower Profile Analysis, particular focus was given to lending to small businesses (gross annual revenues of $1 million or less) and lending to individuals of different income levels in the expanded AA. For an explanation of how the income designation of CTs is determined, refer to the discussions titled *How Median Family Income is Used Throughout This Analysis* and *Definition of Income Groups* on page 7 of this evaluation.

In drawing conclusions regarding Criterion 2 (Assessment Area Concentration), lending activity based upon both the number and dollar volume of loans will be emphasized. In drawing conclusions regarding Criteria 3 and 4 (Geographic Distribution and Borrower Profile Analyses), lending activity based on the number of loans, rather than on the dollar volume, is emphasized. This is because the number of loans more clearly represents the distribution of the bank's lending efforts since the dollar volume data could be materially altered by just a few high dollar loans. For example, loans to smaller businesses and to lower-income individuals are generally for smaller dollar amounts than loans to larger businesses and higher-income individuals. Therefore, an analysis using the dollar volume of loans for Criteria 3 and 4 would not provide a representative assessment of the lending efforts of the institution and, as such, the dollar volume information is not presented in these analyses.

With respect to Criterion 3 (Geographic Distribution Analysis), all small business originations and renewals that occurred during the review period, from January 31, 2009 to December 31, 2011, that were outstanding in the bank's loan portfolio as of the date of this evaluation, were reviewed to further evaluate the dispersion of lending in low- and moderate-income geographies.

Regarding HMDA lending, aggregate lending will be given more weight as a comparison than demographic information since it reflects the lending activity of all HMDA lenders with reportable loans in the expanded AA. Construction and land development and consumer loans were not reviewed during this evaluation since these loan products represent a relatively small portion of the loan portfolio and are not emphasized in the bank's business strategy.

# DESCRIPTION OF INSTITUTION

Eagle Bank and Trust Company of Missouri (Eagle Bank) is a financial institution with $836,854,000 in total assets, as of December 31, 2011. Total assets have increased from $663,250,000 at the previous evaluation, which represents an increase of 26 percent. The bank is wholly owned by Jefferson County Bancshares, Inc., Festus, Missouri, a one-bank holding company. The institution does not have any lending affiliates.

Eagle Bank's main office is located in Hillsboro, Missouri, and the bank has 16 branch offices located in the following Missouri communities: Arnold, Brentwood, Cedar Hill, Chesterfield (2), De Soto, Festus, Florissant, House Springs, Kirkwood, Manchester, O'Fallon, Perryville, St. Louis City, and unincorporated portions of St. Louis County (2). Twelve offices are full-service locations and five are limited-service facilities. The five limited-service facilities are located in retirement communities where they operate for limited hours and only accept deposits. These five branches are new since the previous evaluation. The 12 full-service facilities were opened prior to the previous evaluation. The institution has not closed any offices since the previous evaluation.

All of the offices, except the Perryville branch, are located in the St. Louis Missouri-Illinois MSA. The Perryville branch is located in an upper-income census tract in the non-MSA portion of Missouri. Of the 16 MSA offices, 8 are located in St. Louis County; 6 offices are located in Jefferson County; and 1 office located in each St. Charles County and St. Louis City. Of these 16 offices, 2 offices (De Soto and Festus) are in moderate-income CTs, 8 offices are in middle-income CTs, and 6 offices are in upper-income CTs. For definitions of low-, moderate-, middle-, and upper-income CTs, refer to the discussions titled *How Median Family Income is Used Throughout This Analysis* and *Definition of Income Groups* on page 7 of this evaluation.

Eagle Bank has a total of 19 automated teller machines (ATMs), with 13 of these being deposit-taking ATMs and 6 being cash-dispensing machines. Each of the 12 full-service locations has a deposit-taking ATM and the other deposit-taking ATM is not located at a bank office. Since the last evaluation, two cash-dispensing ATMs have been added to the institution's ATM network.

The bank offers a wide variety of consumer and business loan and deposit products. As of December 31, 2011, the bank had net loans of $547,442,000 and total deposits of $681,212,000, resulting in a net loan-to-deposit ratio of 80 percent. Table 1, on the following page, depicts the loan portfolio mix, which illustrates a commercial and residential real estate lending focus. Commercial loans, including commercial real estate and commercial and industrial loans, represent 53 percent; residential real estate loans, including 1-4 family residential and multi-family (5 or more) residential loans, represent 25 percent; construction and land development loans represent 18 percent; consumer loans represent 2 percent; obligations of state and political subdivisions represent 2 percent; and, other loans represent less than 1 percent of the dollar volume of the outstanding loan portfolio. Agricultural loans also represent less than 1 percent of the loan portfolio.

Although residential real estate loans represent only 25 percent of the bank's loan portfolio, it is important to note that the bank originates and sells residential real estate loans on the secondary market that are not reflected in the bank's loan portfolio. For this institution, secondary market loans are a large majority of its residential real estate lending. Secondary market lending increases the availability of credit a bank can offer because the bank can re-lend and continue to re-lend dollars as it replenishes its availability of funds from loan sales rather than growing its deposit base to support loan growth.

| Table 1 – Loan Distribution | | |
|---|---|---|
| **Loan Type** | **Dollar Amount (000s)** | **Percent of Total Loans (%)** |
| Construction and Land Development | $98,897 | 18% |
| Secured by Farmland | $1,175 | * |
| 1-4 Family Residential | $115,461 | 21% |
| Multi-Family (5 or more) Residential | $22,861 | 4% |
| Commercial | $257,784 | 46% |
| **Total Real Estate Loans** | **$496,178** | **89%** |
| Agricultural | $0 | 0% |
| Commercial and Industrial | $38,567 | 7% |
| Consumer | $9,214 | 2% |
| Obligations of States and Political Subdivisions | $9,200 | 2% |
| Other | $1,912 | * |
| **Total Loans** | **$555,071** | **100%** |

Source: Report of Condition (December 31, 2011), * Less than 1 percent.

The bank operates in a competitive environment, with a wide array of products available from competing institutions operating throughout the expanded AA and the larger St. Louis MSA. The bank received a CRA rating of "Satisfactory" at the previous evaluation dated January 26, 2009, which utilized Intermediate Small Bank CRA Evaluation Procedures.

# DESCRIPTION OF ASSESSMENT AREA(S)

*The Community Reinvestment Act of 1977, as amended, requires banks to identify one or more AAs within which its regulatory agency will evaluate the performance of the bank. The area(s) defined by the bank must include its main office, branches, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The AA must always consist of one or more whole geographies normally identified as census tracts (CTs). These CTs represent statistical subdivisions of a county.*

Median family income (MFI) figures for metropolitan and non-metropolitan areas of Missouri were adjusted in 2004 and 2009 when the Office of Management and Budget modified the metropolitan statistical area (MSA) boundaries in Missouri.

**How Median Family Income Is Used Throughout This Analysis for the St. Louis Missouri-Illinois MSA (St. Louis MSA):**

The adjusted MFI for the St. Louis Missouri-Illinois (MO-IL) MSA using the adjusted MSA boundaries is $53,435. This figure will be used to determine the income level of the CTs in the AA in conjunction with Criterion 3 (Geographic Distribution Analysis). Based on estimates by the Department of Housing and Urban Development (HUD), the adjusted MFI for the St. Louis MO-IL MSA was $68,300 in 2010 and $69,500 in 2011. These adjusted figures will be used to determine the income level of the borrowers from the St. Louis MO-IL MSA in conjunction with Criterion 4 (Borrower Profile Analysis).

**Definition of Income Groups:**

| | |
|---|---|
| *Low-income -* | Less than 50 percent of the MFI for the St. Louis MO-IL MSA. |
| *Moderate-income -* | 50 percent to less than 80 percent of the St. Louis MO-IL MSA. |
| *Middle-income -* | 80 percent to less than 120 percent of the St. Louis MO-IL MSA. |
| *Upper-income -* | 120 percent or higher of the St. Louis MO-IL MSA. |

Regulatory personnel modified the MSA AA to include the entireties of St. Louis County and St. Louis City. The expanded AA now consists of the entirety of Jefferson County, St. Louis County, and St. Louis City. This AA is contiguous and it is located in the Missouri portions of the St. Louis MSA. The expanded AA consists of 318 CTs, with 42 CTs designated as low-income, 82 CTs designated as moderate-income, 117 CTs designated as middle-income, and 74 CTs designated as upper-income. In addition, three CTs do not have an income designation.

According to the Bureau of Labor Statistics, the unemployment rate for Missouri, as of March 2012, was 7.9 percent. During the same period, the unemployment rates for Jefferson County, St. Louis County, and St. Louis City were 8.0 percent, 7.4 percent, and 9.8 percent, respectively. The 2011 annual unemployment rates for Jefferson County, St. Louis County, and St. Louis City were 8.9 percent, 8.2 percent, and 11.7 percent, respectively.

The largest employers in the entire St. Louis MSA include: BJC Healthcare; Boeing Defense, Space & Security; Scott Air Force Base; SSM Healthcare; Schnucks; Wal-Mart Stores, Inc.; and, Washington University. According to the D&B data, the four largest employment sectors include Services (42 percent); Non-Classifiable Establishments (22 percent); Retail Trade (10 percent); and, Finance, Insurance and Real Estate (8 percent).

According to 2000 Census data, the housing stock in the expanded AA totals 675,689 units, with owner-occupied units comprising 63 percent, occupied rental units comprising 29 percent, and vacant units comprising 8 percent of the available stock. In the expanded AA, 8 percent of the housing units are located in low-income CTs, 23 percent are located in moderate-income CTs, 43 percent are located in middle-income CTs, and 26 percent are located in upper-income CTs. Approximately 8 percent of the families in the AA fall below the poverty level. "Poverty level" is an established dollar threshold rather than a percentage based calculation of the MFI. In 2011 the U.S. Census Bureau listed the poverty level threshold for a family of four as $22,811. This figure is determined on a national basis and is not adjusted regionally.

Table 2 below provides selected housing information relative to CT income levels within the expanded AA. The median home value in the expanded AA in 2000 was $123,099, and the median age of a home was 36 years. Further, the median gross rent level was $536 per month. The information in Table 2 will be used to evaluate residential real estate lending in the expanded AA under Criterion 3 (Geographic Distribution Analysis).

**Table 2 – Selected Housing Characteristics by Census Tract Income Category**

| Census Tract Income Category | Number (percentage) | | | | | | Median | | |
|---|---|---|---|---|---|---|---|---|---|
| | Census Tracts | House-holds | Housing Units | Owner-Occupied | Single-Family 1-4 Units | 5 or More Units | Age * | Home Value* | Gross Rent** |
| **Low** | 13% | 7% | 8% | 4% | 8% | 11% | 55 | $43,464 | $399 |
| **Moderate** | 26% | 22% | 23% | 18% | 24% | 21% | 49 | $60,036 | $472 |
| **Middle** | 37% | 44% | 43% | 46% | 41% | 45% | 35 | $95,462 | $555 |
| **Upper** | 23% | 27% | 26% | 32% | 27% | 23% | 28 | $204,103 | $753 |
| **N/A** | 1% | *** | *** | *** | *** | *** | 61 | $162,500 | $287 |
| **Total or Median** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **36** | **$123,099** | **$536** |

Source: U.S. Census (2000), *Owner-Occupied Units, **Renter-Occupied Units, *** Less than 1 percent.

The population of the expanded AA from the 2000 Census is 1,562,603, and according to the 2010 Census, the population of the expanded AA is 1,536,981, which represents a decline of 1.6 percent from the 2000 Census. The percentage change in population from the 2000 Census to the 2010 Census for Jefferson County, St. Louis County, and St. Louis City are 10.4 percent, (1.7) percent, and (8.3) percent, respectively.

The expanded AA consists of 623,460 households, with 405,192 considered families. A "household" consists of all persons that occupy a housing unit, including one person designated as the "householder." In most cases, the "householder" is the person, or one of the persons, in whose name the house is owned or rented. A "family" consists of a householder and one or more persons living in the same household who are related to the householder by birth, marriage, or adoption. A household can contain only one family for purposes of Census tabulations. Table 3 includes a stratification of the families in the expanded AA by income level. This table also includes the HUD adjusted MFI ranges for the St. Louis MO-IL MSA for 2010 and 2011. The information in Table 3 will be used to evaluate the level of lending to individuals of different income levels in the expanded AA under Criterion 4 (Borrower Profile Analysis).

| **Table 3 – Stratification of Families by Income Level** | | | |
|---|---|---|---|
| **Census Tract Income Level** | **Percentage of Families** | **2010 St. Louis MO-IL MSA Income Ranges MFI=$68,300** | **2011 St. Louis MO-IL MSA Income Ranges MFI=$69,500** |
| **Low** | 20% | Below $34,150 | Below $34,750 |
| **Moderate** | 18% | $34,150 - $54,639 | $34,750 - $55,599 |
| **Middle** | 21% | $54,640 - $81,959 | $55,600 - $83,399 |
| **Upper** | 41% | $81,960 & above | $83,400 & above |
| **Total** | **100%** | | |

Source: U.S. Census (2000), 2010 and 2011 HUD adjusted median family income information.

In 2011, 148,115 businesses within the expanded AA reported information to D&B. Of these businesses, 94,827 (64 percent) reported gross annual revenues of $1 million or less. Table 4 below summarizes the businesses in the expanded AA according to gross annual revenues and by CT income category. This information will be used to evaluate small business lending in the expanded AA under Criterion 3 (Geographic Distribution Analysis) and Criterion 4 (Borrower Profile Analysis).

| **Table 4 – Stratification of Businesses by Gross Annual Revenues and Census Tract Category** | | | | |
|---|---|---|---|---|
| **Gross Annual Revenues →**<br>**Census Tract Income Category ↓** | **≤ $1 million** | **> $1 million** | **Revenues Not Reported** | **Total** |
| **Low** | 4,901 | 397 | 2,480 | 7,778 (5%) |
| **Moderate** | 15,711 | 968 | 8,059 | 24,738 (17%) |
| **Middle** | 36,664 | 2,273 | 17,504 | 56,441 (38%) |
| **Upper-Income** | 37,223 | 2,172 | 19,094 | 58,489 (40%) |
| **N/A Income** | 328 | 83 | 258 | 669 (*) |
| **Total** | 94,827 (64%) | 5,893 (4%) | 47,395 (32%) | 148,115 |

Source: D&B (2011), * Less than 1 percent.

During this evaluation, examiners reviewed five community contacts made by regulatory personnel in the previous 12 months that focused on the geographical area that makes up the expanded AA. These contacts were reviewed to obtain a profile of the local communities, identify community development opportunities and general credit needs in the expanded AA, and assess opportunities for participation by local financial institutions. These community contacts, which are summarized below, provided general information relating to the expanded AA, information regarding economic conditions and general credit needs in the expanded AA, and comments regarding the performance of financial institutions operating in the expanded AA. The information provided by these community contacts was considered in analyzing the CRA performance of the bank.

One contact focused on the City of St. Louis and St. Louis County. This contact indicated that current local economic conditions are better than the national economy, particularly in the commercial and residential real estate markets. The contact noted that commercial credit is the primary credit need of the area. According to this individual, many businesses are being conservative and waiting to see what happens next with the local and national economies. The contact stated that financial institutions are responding well to the community needs of the area. Lastly, this individual noted that the banking environment in the St. Louis market is highly competitive.

Two contacts focused on the entire St. Louis MSA. These contacts indicated that although the local economy is slightly depressed, it is doing better than the national economy; and, the St. Louis area has had a relatively stable population and it has not undergone a population loss as have other parts of the country.

Another contact focused on the northern portions of St. Louis City and St. Louis County. This contact indicated that the economic conditions of the area are not particularly good. Crime is a significant concern in the area, and foreclosures have had a negative impact on home values. In addition, this individual stated that job opportunities are scarce and there is little demand for unskilled labor. The contact stated that many residents in this area are tenants and would require education on how to maintain a home prior to purchasing one. This individual stated that financial institutions could assist residents with understanding and using credit, maintaining a savings account, and planning for home maintenance expenses. The contact stated that, overall, the quality of housing stock in north St. Louis City is poor, but homes in north St. Louis County are better maintained. This individual stated that local banks are making a limited effort to meet the area's community development needs, but overall, banks are not meeting the general banking and credit needs of the area.

The last contact focused on north St. Louis County. This individual categorized the local economy as "not good, but stabilizing." The contact noted that the overall business climate for small businesses was excellent. The contact indicated that some larger manufacturers have left the area, and the greatest number of employment opportunities are with small businesses. The individual noted that the reputation of local school systems and the area's image have made it difficult to attract new businesses to the area. This individual commented that the primary credit needs of the area include commercial, mortgage, and consumer lending. The contact opined that the biggest challenges facing low- and moderate-income individuals are a lack of job opportunities and access to affordable healthcare. In addition, the contact noted that the largest impediment to credit for individuals and businesses were poor credit history and tighter underwriting standards. This individual noted that there are opportunities for banks to participate in economic development. Further, the contact noted that financial institutions are not doing a good job of investing in the area and local financial institutions are not meeting the area's community development needs. The contact noted that the primary challenges facing small businesses include high unemployment, local economic conditions, and the price of oil. Further, the contact stated that small businesses have been negatively impacted by declining demand for both products and services. The contact also identified a need for financing to support business expansion. Regarding housing, the contact stated that there is an adequate supply of affordable housing available, but local residents may not qualify or have the required downpayment. Lastly, the contact noted that low- and moderate-income families have difficulty affording a home in the area and are better able to rent housing.

Bank management indicated the local economy north of Highway M (located in northern Jefferson County) is good, while south of the highway is slow. Jefferson County is less stable due to its reliance on the construction and related industries. Recovery has been uneven depending on the sector. Manufacturing is doing well, but restaurants are slow with some doing fine. Management indicated that small business owners are conservative with their decisions and they are de-leveraging by paying down debt. According to management, the residential market is stabilizing. Management indicated loan demand is weak, but residential lending has been up due to the current low interest rate environment. Management stated that the primary credit needs of the area are commercial and residential lending. Lastly, management noted the bank's primary competitors are Reliance Bank, specific to retail banking, and Pulaski Bank, specific to mortgage banking.

# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

## LENDING TEST

### Criterion 1: Loan-to-Deposit Ratio

Eagle Bank's average NLTD (net loan-to-deposit) ratio is reasonable given the asset size and financial condition of the bank, and the credit needs of the expanded AA. Additionally, this NLTD ratio compares reasonably to the average NLTD ratios of similarly situated lenders, as outlined in Table 5 on the following page. The lending performance of similarly situated lenders serves as an additional method of assessing the adequacy of a NLTD ratio. Similarly situated lenders are defined as financial institutions that are located in or near the expanded AA and are the most comparable to the bank based on asset size, market served, product offerings, loan portfolio composition, and branching structure.

For the 12 quarters from March 31, 2009, through December 31, 2011, the NLTD ratio for Eagle Bank has averaged 89 percent. The NLTD ratio ranged from a low of 80 percent, as of September 30, 2011, to a high of 96 percent, as of June 30, 2009. During this time period, net loans ranged from a low of $518,547,000 on March 31, 2009, to a high of $555,707,000 on December 31, 2010.

Table 5 shows the average quarterly NLTD ratios for this bank and three similarly situated lenders. The average ratios in Table 5 were calculated based on Reports of Condition and Income for the quarters ending March 31, 2009, to December 31, 2011. The similarly situated lenders listed in Table 5 are in alphabetical order based on the name of the city in which the bank is chartered.

| Table 5 – Data on Similarly Situated Institutions | | |
|---|---|---|
| **Institution** | **Total Assets (000s)*** | **Average Net LTD Ratio*** |
| **Eagle Bank and Trust Company of Missouri<br>Hillsboro, Missouri** | **$836,854** | **89%** |
| Reliance Bank<br>Des Peres, Missouri | $978,608 | 88% |
| Midwest BankCentre<br>Lemay, Missouri | $1,070,032 | 85% |
| Southern Commercial Bank<br>St. Louis, Missouri | $527,985 | 74% |

*Report of Condition (December 31, 2011).

## Criterion 2: Assessment Area Concentration

Eagle Bank's performance regarding AA concentration is considered more than reasonable. A substantial majority of HMDA (89 percent of both the number and dollar volume) and small business lending (93 percent of the number and 97 percent of the dollar volume) were originated within the expanded AA. Table 6 below summarizes the institution's record of lending within the expanded AA by number and dollar volume.

| Table 6 - Assessment Area Concentration | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Loan Category or Type** | **Number of Loans** | | | | | **Dollar Volume of Loans (000s)** | | | | |
| | **Inside** | | **Outside** | | **Total** | **Inside** | | **Outside** | | **Total** |
| | **#** | **%** | **#** | **%** | | **$** | **%** | **$** | **%** | |
| **2010 HMDA** | 557 | 89% | 66 | 11% | 623 | $95,484 | 90% | $10,637 | 10% | $106,121 |
| **2011 HMDA** | 552 | 88% | 78 | 12% | 630 | $104,371 | 89% | $13,177 | 11% | $117,548 |
| ***Total HMDA*** | 1,109 | 89% | 144 | 11% | 1,253 | $199,855 | 89% | $23,814 | 11% | $223,669 |
| **Small Business** | 37 | 93% | 3 | 7% | 40 | $6,280 | 97% | $163 | 3% | $6,443 |

Source: Bank records, 2010 and 2011 HMDA data.

### Criterion 3:  Geographic Distribution Analysis

The geographic distribution of lending reflects poor dispersion throughout the expanded AA, considering pertinent demographic information and other relevant information.  The bank's small business lending data reveals that none of the sampled loans were originated in low-income geographies within the expanded AA.  Further, the bank's lending data lags relevant demographic data in both low- and moderate-income areas when evaluating all small business originations and renewals that occurred during the review period and were outstanding as of the date of this evaluation.  Additionally, although the bank's HMDA lending compares favorably to demographic and aggregate data within the expanded AA, there are conspicuous gaps in lending throughout the low- and moderate-income areas of the expanded AA.  While the bank is not required to lend in every geography within the expanded AA, there was no evidence the bank made an effort to meet the credit needs of certain low- and moderate-income areas.

Small Business Lending

Eagle Bank's small business lending reflects poor dispersion throughout the low- and moderate-income portions of the expanded AA based on the sampled loan data and based on all small business loans outstanding as of the date of evaluation that were originated or renewed between January 26, 2009, and December 31, 2011.  Table 7 below illustrates the geographic distribution of the sampled small business loans by CT income category.  This table also includes 2011 D&B data relative to the percentages of businesses in the expanded AA by CT income category.

As reflected in Table 7, there were no sampled loans to businesses located in a low-income CT, which does not compare favorably to the percentage of businesses located in these geographies. The lending percentage to businesses located in moderate-income CTs slightly exceeds the percentage of businesses located in these geographies.

**Table 7 - Distribution of Small Business Loans by Census Tract Income Category**

| Census Tract Income Category | D&B Data (% of #) | Bank Lending Data | |
|---|---|---|---|
| | | # | % |
| **Low** | 5% | 0 | 0% |
| **Moderate** | 17% | 7 | 19% |
| **Middle** | 38% | 17 | 46% |
| **Upper** | 40% | 13 | 35% |
| **N/A** | * | 0 | 0% |
| **Total** | **100%** | **37** | **100%** |

Source:  Bank records and D&B (2011 data), * Less than 1 percent.

When reviewing all originations and renewals occurring during the review period that were outstanding as of the date of this evaluation, the bank's performance shows significantly less dispersion in low- and moderate-income geographies than that reflected by D&B data. Specifically, in both 2009 and 2010, the bank originated or renewed 1 percent of its loans in low-income geographies; in 2011, the bank originated or renewed 2 percent of small business loans in low-income geographies. During this time period D&B data reflected that 6 percent, 6 percent, and 5 percent of businesses, respectively, were located in low-income portions of the expanded AA.

In 2009, 11 percent of the bank's small business origination and renewal activity occurred in moderate-income geographies, compared to 19 percent of businesses being located in these areas. In 2010, 9 percent of the bank's lending occurred in moderate-income geographies compared to 18 percent of businesses; and, in 2011, 10 percent of the bank's small business origination and renewal activity occurred in moderate-income geographies when 17 percent of businesses in the expanded AA were located in these areas. These results illustrate deficiencies in the dispersion of small business lending relative to low- and moderate-income geographies.

HMDA Lending

The geographic distribution of HMDA lending in the expanded AA reflects poor dispersion considering pertinent demographic information. Table 8 on the following page details the geographic distribution of the HMDA lending for 2010 and 2011 by CT income category. This table also includes comparative demographic data regarding the percentages of owner-occupied housing units in low-, moderate-, middle-, and upper-income CTs in the expanded AA, based on 2000 Census data. In addition, Table 8 includes 2010 and 2011 HMDA aggregate lending data by CT income category. HMDA aggregate lending data for a particular year represents the lending activity of all institutions subject to HMDA reporting in the expanded AA.

Regarding HMDA lending in the low-income CTs, the bank's lending percentages for 2010 and 2011 (each less than 1 percent) do not compare favorably to the percentage of owner-occupied housing units in the low-income CTs, based on 2000 Census data (4 percent), but are comparable to the respective aggregate lending percentages. Regarding the HMDA lending in the moderate-income CTs, the lending percentages for 2010 and 2011 (9 percent and 8 percent, respectively) do not compare favorably to the percentage of owner-occupied housing units (18 percent); however, again, the 2010 and 2011 lending percentages in moderate-income CTs are only slightly lower than aggregate lending percentages (10 percent in both 2010 and 2011).

| Table 8 - Distribution of HMDA Loans by Census Tract Income Category | | | | | | | |
|---|---|---|---|---|---|---|---|
| Census Tract Income Category | % of Owner Occupied Housing Units | 2010 | | | 2011 | | |
| | | Bank Lending Data | | Aggregate Lending Data (% of #) | Bank Lending Data | | Aggregate Lending Data (% of #) |
| | | # | % | | # | % | |
| **Low** | 4% | 1 | * | 1% | 3 | * | 1% |
| **Moderate** | 18% | 45 | 9% | 10% | 41 | 8% | 10% |
| **Middle** | 46% | 342 | 64% | 41% | 263 | 53% | 41% |
| **Upper** | 32% | 141 | 27% | 48% | 195 | 39% | 48% |
| **N/A** | * | 0 | 0% | * | 0 | 0% | * |
| **Total** | **100%** | **529** | **100%** | **100%** | **502** | **100%** | **100%** |

Source: HMDA data (2010 and 2011), HMDA Aggregate Data (2010 and 2011), and U.S. Census (2000),
* Less than 1 percent.

Although the bank's overall lending percentages are comparable to aggregate lending data, a dispersion analysis of the bank's HMDA lending reveals conspicuous gaps throughout the low- and moderate-income geographies in the expanded AA. Specifically, of the 42 low-income geographies in the expanded AA, the bank originated HMDA lending in only 1 of these geographies (2 percent) in 2010, and 3 of these geographies (7 percent) in 2011. Of the 82 moderate-income geographies, the bank originated loans in 16 of these geographies (20 percent) in 2010, and 20 of these geographies (24 percent) in 2011. This analysis illustrates conspicuous gaps in lending that are not consistent with loan demand in the area, as aggregate lending data shows loans being made in these other geographies.

## Criterion 4: Borrower Profile Analysis

The loan distribution by borrower income characteristics reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels, considering pertinent demographic data, and other relevant factors, as noted in this section.

<u>Small Business Lending</u>

Table 9 on the following page details the distribution of the small business lending in the expanded AA by gross annual revenues of the businesses. This table also includes comparative demographic data regarding the percentage of businesses that reported gross annual revenues of $1 million or less, based on 2011 D&B data.

| Table 9 - Distribution of Small Business Loans Among Businesses of Different Revenue Sizes | | | |
|---|---|---|---|
| **Gross Annual Revenues** | **D&B Data (% of #)** | **Bank Lending Data** | |
| | | **#** | **%** |
| **≤ $1 million** | 64% | 27 | 73% |
| **> $1 million** | 4% | 10 | 27% |
| **Not Reported** | 32% | | |
| **Total** | **100%** | **37** | **100%** |

Source: Bank records and D&B data (2011).

The small business lending percentage to businesses with gross annual revenues of $1 million or less (73 percent) is greater than the percentage of businesses that reported gross annual revenues of $1 million or less (64 percent). Regulatory personnel also considered the various comments of individuals contacted from the local community in the analysis of this lending performance. Individuals contacted noted that commercial lending was a primary credit need of the local community, and indicated that local institutions are meeting commercial credit needs. Individuals also noted that local businesses are being cautious and have adopted a conservative financial stance in light of economic concerns. Other contacts noted that small businesses have difficulty obtaining financing and identified a need for additional financing to support business expansion.

Overall, the bank's percentage of lending to businesses of different sizes included in Table 9 reflects reasonable penetration when considering relevant demographic data and community contact comments.

HMDA Lending

The bank's HMDA lending reflects reasonable penetration among individuals of different income levels.[3] Table 10, on the following page, reflects the distribution of the 2010 and 2011 HMDA lending by borrower income level compared to the distribution of families within the expanded AA by income level, based on 2000 Census data. This table also includes 2010 and 2011 HMDA aggregate lending data regarding lending by borrower income level.

3 The loan distribution is determined by comparing the borrower's income for a given year to HUD's adjusted MFI for the St. Louis MO-IL MSA for that same year. Refer to Table 3 for a breakdown of income levels that constitute low-, moderate-, middle-, and upper-income in the AA. As an example, in 2011 a borrower with an income of less than $34,750 would be considered low-income. The distribution of families in the AA by income level is based on 2000 Census data.

| Table 10 - Distribution of HMDA Lending Among Borrowers of Different Income Levels | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Borrower Income Level** | **Families by Income (% of #)** | **2010** | | | **2011** | | |
| | | **Bank Lending Data** | | **Aggregate Lending Data (% of #)** | **Bank Lending Data** | | **Aggregate Lending Data (% of #)** |
| | | **#** | **%** | | **#** | **%** | |
| **Low** | 20% | 40 | 8% | 8% | 31 | 6% | 7% |
| **Moderate** | 18% | 86 | 16% | 16% | 85 | 17% | 16% |
| **Middle** | 21% | 140 | 26% | 18% | 115 | 23% | 17% |
| **Upper** | 41% | 216 | 41% | 41% | 229 | 46% | 39% |
| **N/A** | | 47 | 9% | 17% | 42 | 8% | 21% |
| **Total** | **100%** | **529** | **100%** | **100%** | **502** | **100%** | **100%** |

Source: HMDA data collection (2010 and 2011), HMDA Aggregate Data (2010 and 2011), and U.S. Census (2000).

Regarding lending to low-income borrowers, the 2010 lending percentage to low-income borrowers (8 percent) does not compare favorably to the percentage of low-income families in the expanded AA (20 percent), based on 2000 Census data, but is consistent with aggregate data (8 percent). The 2011 lending percentage made to low-income borrowers (6 percent) does not compare favorably to the percentage of low-income families (20 percent) and it is slightly below the 2011 HMDA aggregate data (7 percent).

The 2010 lending percentage to moderate-income borrowers (16 percent) is slightly below the percentage of moderate-income families in the expanded AA (18 percent), and it matches the 2010 HMDA aggregate lending data (16 percent). The 2011 lending percentage to moderate-income borrowers in the expanded AA (17 percent) approximates pertinent demographic data (18 percent) and it is slightly above the 2011 HMDA aggregate data (16 percent).

The above performance is considered reasonable in light of the following factors. One community contact indicated that while there is an adequate supply of affordable housing available, local residents may not qualify or have the required downpayment. Further, the contact noted that low- and moderate-income families have difficulty affording a home in the area and are better able to rent housing.

Overall, the institution’s HMDA lending activity is considered reasonable based on the above factors. In addition, more weight is given to how the lending compared to the 2010 and 2011 HMDA aggregate data in drawing conclusions.

**Criterion 5:  Response to Substantiated Complaints**

The institution has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.  Eagle Bank received one substantiated CRA-related complaint on March 30, 2012, from St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA).  This letter expressed concerns regarding the bank's HMDA-related lending in low- and moderate-income CTs and to low- and moderate-income borrowers, excluding portions of St. Louis County and St. Louis City that includes a majority of the low- and moderate-income CTs from the delineated assessment area, and SLEHCRA would like to see a firm, long-term commitment by the bank to provide meaningful support to low- and moderate-income communities.  The bank responded to SLEHCRA in a letter dated May 2012.  The bank committed to expanding its marketing efforts, implementing an annual review to assess the needs of the bank to expand its assessment area, developing products and services that can be delivered electronically, and continuing financial literacy and first-time home buyer education programs.

## COMMUNITY DEVELOPMENT TEST

*Under the Intermediate Small Bank Community Development Test, an institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacities, and take reasonable steps to apply its community development resources strategically to meet those needs.*

**Definition of Community Development:**  An activity is considered to be a qualified community development activity if it meets one of the following purposes:  1) affordable housing (including multifamily rental housing) for 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 Small Business Development Company or Small Business Investment Company programs or have gross annual revenues of $1million or less; 4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency; or 5) loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) activities in areas with HUD-approved NSP plans.

Eagle Bank's performance under the community development test demonstrates adequate responsiveness to the community development needs of the expanded AA through community development lending, qualified investments, and community development services, considering the capacity of the bank and the need and availability of such opportunities for community development in the expanded AA.  Although the current level of qualified lending, investments, and services is modest, regulatory personnel noted an increase in the level of qualified investments made during the review period and an increase in the community development lending since the previous evaluation.  When these activities are viewed collectively, the bank's commitment to serving the community development needs of its AAs is considered adequate.

Quantitative performance measurements of a financial institution's community development lending and investments serves as an additional method of assessing the financial capacity of the bank to meet the community development needs of the expanded AA.  As of December 31, 2011, Eagle Bank's ratio of community development loans to net loans is 1.44 percent.  This ratio has increased from 1.13 percent at the previous evaluation.  Regulatory personnel compared this community development lending ratio to the ratios of nine other institutions operating in the St. Louis MSA and the ratios for these banks ranged from 1.60 to 13.00 percent. The ratio of community development investments to total investments was 1.96 percent, which represents a decrease from 3.34 percent since the previous evaluation. Regulatory personnel also compared this ratio to the ratios of the same nine institutions operating in the St. Louis MSA and the ratios for these banks ranged from 0.10 percent to 5.59 percent. Overall, the ratios of the bank are generally reasonable in comparison to the ratios of other institutions operating in the St. Louis MSA.

## COMMUNITY DEVELOPMENT LENDING

Table 11 reflects the distribution of qualified community development loans by origination year and loan category. Eagle Bank has originated or renewed a total of 25 community development loans totaling $7,865,000 that received consideration during this evaluation. This represents a 40 percent increase in the dollar volume of community development lending activity since the previous evaluation.

All of the community development loans made by the bank provided benefits to the expanded AA, as required for consideration under the CRA. The following are examples of qualified community development loans:

- The institution is a participating lender in the SBA 504 Loan Program and two loans totaling $2,190,000 were originated under this program.

- Two loans totaling $1,592,000 were made to a non-profit organization that provides counseling services in locations in the area, including facilities in moderate-income areas. This organization also has a shelter for abused women and children.

| Table 11 - Qualified Community Development Lending Activity by Origination Year * | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Activity Year →** | **2009** | | **2010** | | **2011** | | **YTD 2012** | | **Total** | |
| **Loan Category ↓** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** |
| Affordable Housing | 2 | $103 | 2 | $103 | 5 | $429 | 1 | $294 | 10 | $929 |
| Revitalize or Stabilize LMI Geographies | - | - | - | - | - | - | - | - | - | - |
| Economic Development | 3 | $2,350 | 6 | $1,393 | 3 | $135 | - | - | 12 | $3,878 |
| Community Services Targeted to LMI | - | - | 1 | $519 | 2 | $2,539 | - | - | 3 | $3,058 |
| NSP Activities | - | - | - | - | - | - | - | - | - | - |
| **Total** | **5** | **$2,453** | **9** | **$2,015** | **10** | **$3,103** | **1** | **$294** | **25** | **$7,865** |

Source: Bank records, * Dashes indicate no activity.

## QUALIFIED INVESTMENTS

Table 12 reflects the distribution of qualified community development investments by activity year and qualifying category. Eagle Bank has made a total of 15 qualified community development investments totaling $2,800,000 since the previous evaluation. In addition, the bank received consideration for two outstanding qualified investments totaling $357,000 that were purchased prior to the previous evaluation. The qualified investments that received consideration during this review primarily consist of school bonds issued by area school districts.

The following are examples of qualified community development investments:

- Four investments totaling $3,036,000 to area school districts where more than 50 percent of the students quality for the free/reduced lunch program.

- Multiple donations totaling $105,000 to a non-profit organization that provides funds to organizations that provide community services such as shelter, clothing, and medical care for children at economic risk due to poverty or abuse.

**Table 12 - Qualified Investments by Year ***

| Activity Year → | Prior Period | | 2009 | | 2010 | | 2011 | | YTD 2012 | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment Category ↓** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** | **#** | **$ (000)** |
| Affordable Housing | - | - | - | - | - | - | - | - | - | - | - | - |
| Revitalize or Stabilize | - | - | - | - | - | - | - | - | - | - | - | - |
| Economic Development | - | - | - | - | - | - | - | - | - | - | - | - |
| Community Development Services | 2 | $357 | 4 | $319 | 5 | $503 | 5 | $1,472 | 1 | $506 | 17 | $3,157 |
| Neighborhood Stabilization | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **2** | **$357** | **4** | **$319** | **5** | **$503** | **5** | **$1,472** | **1** | **$506** | **17** | **$3,157** |

Source: Bank records, * Dashes indicate no activity.

## COMMUNITY DEVELOPMENT SERVICES

Eagle Bank has provided 17 qualified community development services to local organizations and entities. Table 13 reflects the distribution of these community development services by year and activity.

The institution's qualified community development services include:

- In years 2010 to 2012, a bank official serves on the Board for an organization that provides funds for community services targeted to low-and moderate-income residents in the greater St. Louis area.

- For years 2009 through 2011, a bank officer served in an organization that promotes economic development. This organization provides a variety of services including the development, attraction, expansion, and retention of businesses in Jefferson County.

**Table 13 - Qualified Community Development Services By Year ***

| Activity Year →<br>Service Category ↓ | 2009 | 2010 | 2011 | YTD 2012 | Total |
|---|---|---|---|---|---|
| Affordable Housing | - | - | - | - | - |
| Revitalize or Stabilize LMI Geographies | 1 | 1 | 1 | 1 | 4 |
| Economic Development | 1 | 1 | 1 | - | 3 |
| Community Services Targeted to LMI | 1 | 2 | 3 | 4 | 10 |
| Qualified NSP Activities | - | - | - | - | - |
| **Total** | **3** | **4** | **5** | **5** | **17** |

Source: Bank Records, * Dashes indicates no activity.

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Substantive violations of Regulation B – Equal Credit Opportunity and FDIC's Part 338 – Fair Housing were identified during a fair lending review of the bank. Given the widespread nature of these violations, the institution's CRA performance evaluation rating has been lowered to a "Needs to Improve." The institution did not have adequate policies, procedures, monitoring, training programs, or oversight to prevent discriminatory lending practices.