

# **PUBLIC DISCLOSURE**

February 23, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Alliance Bank  
Certificate Number: 34566

217 North Kingshighway  
Cape Girardeau, Missouri 63701

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Alliance Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment areas' credit needs.
- A substantial majority of the home mortgage, small business, and small farm loans were originated in the assessment areas.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation. Therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

Alliance Bank is headquartered in Cape Girardeau, Missouri. Alliance Bancshares, Inc. of Cape Girardeau, Missouri, a one-bank holding company, owns 100 percent of the bank. The institution received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated February 17, 2015, based on Interagency Small Institution Examination Procedures.

In addition to its main office in Cape Girardeau, Alliance Bank operates four full-service branches located in the cities of Jackson, Oran, Sikeston, and New Madrid, all in Missouri. The Jackson and New Madrid branches are new since the prior CRA evaluation, opening February 27, 2017, and December 2, 2019, respectively. No branches have been closed, and no merger or acquisitions have occurred since the last CRA evaluation.

The bank offers traditional loan products, including home mortgage, agricultural, commercial, and consumer loans. The bank's primary business focus is commercial, home mortgage, and agricultural lending. The institution provides a variety of deposit products, including checking, savings, money market deposit accounts, health savings accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include online and mobile banking, electronic bill pay, mobile deposit, and five automated teller machines (ATMs) located at each office location.

According to the December 31, 2020, Reports of Condition and Income, the institution reported total assets of \$288.3 million; total loans of \$248.4 million; and total deposits of \$237 million. As illustrated in the following table, which details the loan portfolio, the primary loan products by dollar volume are commercial, home mortgage, and agricultural loans, which represented 35.8 percent, 28.4 percent, and 27.5 percent, respectively. These are the loan products emphasized in the bank's business strategy.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	14,712	5.9
Secured by Farmland	44,206	17.8
Secured by 1-4 Family Residential Properties	62,095	25.0
Secured by Multifamily (5 or more) Residential Properties	8,527	3.4
Secured by Nonfarm Nonresidential Properties	57,029	23.0
<b>Total Real Estate Loans</b>	<b>186,569</b>	<b>75.1</b>
Commercial and Industrial Loans	31,708	12.8
Agricultural Production and Other Loans to Farmers	24,020	9.7
Consumer Loans	5,757	2.3
Obligations of State and Political Subdivisions in the U.S.	143	0.1
Other Loans	217	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>248,414</b>	<b>100.0%</b>

*Source: Reports of Condition and Income, Due to rounding, totals may not equal 100.0%.*

Examiners did not identify any legal, financial, or other impediments that affect the institution's ability to meet the credit needs of its assessment areas.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank has designated two assessment areas: the MSA Assessment Area and the Non MSA Assessment Area. The MSA Assessment Area consists of Bollinger and Cape Girardeau counties, located in the Missouri portion of the Cape Girardeau, Missouri-Illinois MSA. The Non MSA Assessment Area consists of New Madrid and Scott counties, located within the non-metropolitan area of Missouri. New Madrid County is an addition to the Non MSA Assessment Area since the prior evaluation. Refer to later sections for more details regarding each assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated February 17, 2015, to the current evaluation dated February 23, 2021. Examiners used the FFIEC Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. Please refer to the Small Bank Performance Criteria section in the Appendices for a summary of the Lending Test. Examiners performed a full-scope review of the institution's performance in both assessment areas. Given management's assertions regarding the institution's lending focus and lending efforts, equal weight was given to the results of the evaluation in the both assessment areas.

### **Activities Reviewed**

The bank's major product lines are home mortgage, small business, and small farm loans. This conclusion considered the bank's business strategy, bank records containing the number and dollar volume of loans originated since the prior evaluation, and the loan portfolio distribution. These three products received equal weight in the evaluation as they all represent a primary business focus of the institution. Construction and land development and consumer lending do not constitute a significant portion of the overall lending efforts, so these loan products were not reviewed.

Examiners reviewed home mortgage loan data collected under the Home Mortgage Disclosure Act (HMDA) for 2018 and 2019 to evaluate the bank's residential real estate lending efforts. Specifically, examiners reviewed 219 loans totaling \$32,302,000 in 2018, and 253 loans totaling \$42,708,000 in 2019. For the Geographic Distribution and Borrower Profile criteria analyses, the home mortgage lending performance was compared to 2015 American Community Survey (ACS) data, as well as 2018 and 2019 HMDA aggregate lending data. Examiners primarily focused on comparisons to aggregate lending data, which is lending data for all HMDA reporters in the assessment area, since this data is a better indicator of market conditions and loan demand than demographic data. Only 2019 HMDA data is presented in this evaluation, with the exception of the Assessment Area Concentration criterion, as the 2018 HMDA data did not materially affect the conclusions presented.

The Assessment Area Concentration and Geographic Distribution criteria were evaluated based on a review of the universe of small business and small farm loans originated and/or renewed in calendar years 2019 and 2020. Management indicated that a review of 2019 and 2020 lending activity would be representative of the bank's small business and small farm lending performance since the previous evaluation. Examiners used 2019 and 2020 D&B data as a standard of comparison in evaluating the bank's small business and small farm lending performance.

For 2019, examiners reviewed 79 small business loans totaling \$7,648,000 to evaluate performance under Assessment Area Concentration and Geographic Distribution. Examiners then reviewed a sample of 30 small business loans totaling \$3,845,000 from the MSA Assessment Area, and a sample of 32 small business loans totaling \$2,031,000 from the Non MSA Assessment Area, to evaluate the bank's performance under the Borrower Profile criterion.

For 2020, examiners reviewed 334 small business loans totaling \$39,289,000 to evaluate performance under Assessment Area Concentration and Geographic Distribution. Examiners then reviewed a sample of 50 small business loans totaling \$7,949,000 from the MSA Assessment Area, and a sample of 55 small business loans totaling \$3,528,000 from the Non MSA Assessment Area, to evaluate the bank's performance under the Borrower Profile criterion.

For 2019, examiners reviewed 58 small farm loans totaling \$4,873,000 to evaluate Assessment Area Concentration and Geographic Distribution performance. Examiners then reviewed the universe of 16 small farm loans totaling \$1,371,000 from the MSA Assessment Area, and a sample of 32 small farm loans totaling \$2,837,000 from the Non MSA Assessment Area, to evaluate the bank's performance under the Borrower Profile criterion.

For 2020, examiners reviewed 172 small farm loans totaling \$19,986,000 to evaluate Assessment

Area Concentration and Geographic Distribution performance. Examiners then reviewed a sample of 33 small farm loans totaling \$2,769,000 from the MSA Assessment Area, and a sample of 45 small farm loans totaling \$4,532,000 from the Non MSA Assessment Area, to evaluate the bank's performance under the Borrower Profile criterion.

Examiners analyzed lending performance by both number and dollar volume of loans. However, the performance by number of loans is emphasized in the Geographic Distribution and Borrower Profile analyses, as it is generally a better indicator of the efforts to serve low- and moderate-income individuals, small businesses, and small farms.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Alliance Bank demonstrated overall reasonable performance under the Lending Test. Reasonable Loan-to-Deposit Ratio, Geographic Distribution, and Borrower Profile performance primarily supports this conclusion.

#### Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of its assessment areas. The bank's loan-to-deposit ratio averaged 98.8 percent over the past 24 calendar quarters from March 31, 2015, to December 31, 2020. The ratio ranged from a low of 83.9 percent in March 2015, to a high of 106.1 percent as of September 2020. The net loan-to-deposit ratio has reflected an overall increase of 19.3 percent during the evaluation period, from 83.9 percent as of March 31, 2015, to 103.2 percent as of December 31, 2020.

When available and relevant, the performance of similarly-situated lenders serves as an additional method of assessing the adequacy of an institution's average loan-to-deposit ratio. Similarly-situated lenders are defined as financial institutions located in or near the bank's assessment areas and are comparable to the subject institution based on asset size, branching structure, markets served, product offerings, and/or loan portfolio composition. Examiners were able to identify two banks that were relatively similar for this comparison. As shown in the following table, Alliance Bank's average net loan-to-deposit ratio compares higher than one identified similarly-situated institution and compares reasonably to the other.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net Loan-to- Deposit Ratio (%)</b>
<b>Alliance Bank, Cape Girardeau, Missouri</b>	<b>288,339</b>	<b>98.8</b>
First Missouri Bank of SEMO, Kennett, Missouri	227,762	97.4
Bank of Grandin, Grandin, Missouri	186,703	67.3

*Source: Reports of Condition and Income 03/31/2015 through 12/31/2020*

**Assessment Area Concentration**

Overall, the bank made a substantial majority of home mortgage, small business, and small farm loans inside its assessment areas. The following table presents a breakdown of lending inside and outside the combined assessment areas.

Lending Inside and Outside of the Combined Assessment Areas										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2018	201	91.8	18	8.2	219	26,930	83.4	5,372	16.6	32,302
2019	232	91.7	21	8.3	253	38,513	90.2	4,195	9.8	42,708
<b>Subtotal</b>	<b>433</b>	<b>91.7</b>	<b>39</b>	<b>8.3</b>	<b>472</b>	<b>65,443</b>	<b>87.2</b>	<b>9,567</b>	<b>12.8</b>	<b>75,010</b>
Small Business										
2019	69	87.3	10	12.7	79	6,311	82.5	1,337	17.5	7,648
2020	303	90.7	31	9.3	334	35,188	89.6	4,101	10.4	39,289
<b>Subtotal</b>	<b>372</b>	<b>90.1</b>	<b>41</b>	<b>9.9</b>	<b>413</b>	<b>41,499</b>	<b>88.4</b>	<b>5,438</b>	<b>11.6</b>	<b>46,937</b>
Small Farm										
2019	50	86.2	8	13.8	58	4,380	89.9	493	10.1	4,873
2020	150	87.2	22	12.8	172	16,281	81.5	3,705	18.5	19,986
<b>Subtotal</b>	<b>200</b>	<b>87.0</b>	<b>30</b>	<b>13.0</b>	<b>230</b>	<b>20,661</b>	<b>83.1</b>	<b>4,198</b>	<b>16.9</b>	<b>24,859</b>
<b>Total</b>	<b>1,005</b>	<b>90.1</b>	<b>110</b>	<b>9.9</b>	<b>1,115</b>	<b>127,602</b>	<b>86.9</b>	<b>19,203</b>	<b>13.1</b>	<b>146,805</b>
<i>Source: Bank Data</i>										

**Geographic Distribution**

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas. This conclusion is supported by the reasonable distribution of home mortgage, small business, and small farm lending in both assessment areas. Refer to comments under each separately analyzed assessment area for specific details.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. This conclusion is supported by reasonable lending performance in both assessment areas. Refer to comments under each separately analyzed assessment area for specific details.

**Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the institution’s CRA rating.



## DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs; therefore, this consideration did not affect the institution's CRA rating.

### MSA ASSESSMENT AREA – Full-Scope Review

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA ASSESSMENT AREA

The MSA Assessment Area includes 19 census tracts. Based on the 2015 ACS data, income tract designations include one low-, three moderate-, 12 middle-, and three upper-income census tracts. The main office in Cape Girardeau and the Jackson branch are both located in this assessment area.

#### Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	5.3	15.8	63.2	15.8	0.0
Population by Geography	89,962	2.8	8.8	71.6	16.8	0.0
Housing Units by Geography	38,744	3.5	9.7	69.3	17.5	0.0
Owner-Occupied Units by Geography	23,035	1.7	5.3	73.8	19.1	0.0
Occupied Rental Units by Geography	11,513	6.3	16.7	61.0	15.9	0.0
Vacant Units by Geography	4,196	5.3	14.4	67.6	12.8	0.0
Businesses by Geography	6,200	3.2	9.1	68.7	19.0	0.0
Farms by Geography	325	0.3	2.2	86.5	11.1	0.0
Family Distribution by Income Level	22,350	20.5	16.3	21.4	41.7	0.0
Household Distribution by Income Level	34,548	23.6	15.6	17.5	43.4	0.0
Median Family Income - Cape Girardeau, Missouri-Illinois MSA	\$56,012	Median Housing Value				\$132,116
		Median Gross Rent				\$690
		Families Below Poverty Level				12.1%
<i>Source: 2015 ACS and 2020 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.</i>						

Service industries represent the largest portion of businesses in the assessment area at 38.9 percent, followed by non-classifiable establishments at 14.3 percent, and retail trade at 14.0 percent. In addition, 60.7 percent of area businesses have four or fewer employees, and 86.0 percent operate from a single location.

Based on information gathered from the community contact, management, and a review of the Missouri Department of Economic Development website, some of the assessment area's largest employers include Saint Francis Medical Center, Southeast Health, Proctor & Gamble, Southeast Missouri State University, Century Casino, Mondri Jackson, Drury Company, and local governments.

Unemployment levels reached historically low levels in 2018 and 2019, revealing the area's favorable economic conditions. This trend was reversed in March of 2020 and unemployment levels rapidly increased across the assessment area, as well as for the rest of the State of Missouri as a result of the COVID-19 pandemic. According to the U.S. Bureau of Labor Statistics, the unemployment rates for Cape Girardeau and Bollinger counties peaked in April of 2020 at 9.5 and 9.6 percent, respectively. The unemployment rate for the State of Missouri was 9.8 percent as of the same date. Unemployment rates as of year-end 2020 for Bollinger and Cape Girardeau Counties were 5.8 and 5.2 percent, respectively, and 5.8 percent for the State of Missouri.

### **Competition**

Alliance Bank operates in a relatively high competitive environment. According to the FDIC Deposit Market Share data, for reporting year 2020, 16 financial institutions operated 42 offices throughout the bank's MSA Assessment Area. Of these institutions, Alliance Bank ranked 9<sup>th</sup> with 5.0 percent of the deposit market.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the MSA Assessment Area. According to HMDA aggregate data for 2019, 167 institutions reported 3,063 originations and purchases of home mortgage loans in the MSA Assessment Area. Alliance Bank ranked 4<sup>th</sup> among area lenders with a market share of 5.5 percent.

The bank is not required to collect and report information regarding its small business and small farm loans, and it has not elected to do so. However, the following data provides an indicator of loan demand and competition, and is considered in the institution's performance context. Small business aggregate lending data for 2019 shows 58 institutions reported 2,038 small business loans in the MSA Assessment Area. Small farm aggregate lending data for 2019 shows 15 institutions reported 305 small farm loans in the assessment area.

### **Community Contact(s)**

As part of the evaluation process, examiners contact third parties active in the assessment areas to assist in identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to these needs.

Examiners conducted a community contact with a representative of a non-profit economic development entity located in the assessment area. The contact stated that the regional economy has handled the recent pandemic fairly well, mostly due to commercial diversity. The individual stated that housing market has seen a steady increase in new homes, but availability of affordable housing has been tight due to record-low interest rates. In addition, affordable 1-4 family housing is considered the biggest concern, and land prices are a hindrance. The individual indicated that there was a decent amount of affordable 1-4 family rentals available, as well as multi-family units. The

contact stated that there has not been any direct signals to a specific credit need. Overall, the contact indicated that local institutions were meeting the area's lending needs. No adverse information was shared regarding the lending performance of any local financial institutions.

**Credit Needs**

According to bank management commercial, residential real estate, and agricultural lending are equally in demand in this assessment area. Management indicated that there have been a number of housing developments throughout the assessment area, which has increased demand for residential real estate lending. Considering management's comments, and demographic and economic data, examiners determined that home mortgage, small business, and small farm loans represent the primary credit needs of this assessment area.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN MSA ASSESSMENT AREA**

**LENDING TEST**

Alliance Bank demonstrated reasonable performance under the Lending Test in the MSA Assessment Area. This conclusion is based on reasonable Geographic Distribution and Borrower Profile performance.

**Geographic Distribution**

The geographic distribution of home mortgage, small business, and small farm loans reflects a reasonable dispersion throughout the MSA Assessment Area. This conclusion was reached through further review of the loans originated in this assessment area, with particular focus given to the dispersion of these loan products, by number of loans, in relation to the one low- and three moderate-income census tracts.

***Home Mortgage Lending***

The distribution of home mortgage loans reflects a reasonable penetration among low- and moderate-income census tracts. As shown in the following table, the home mortgage lending percentages in low- and moderate-income census tracts are reasonable in comparison to aggregate lending data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	1.7	0.6	3	1.8	90	0.3
Moderate	5.3	4.9	15	8.9	2,016	6.8
Middle	73.8	74.6	115	68.5	21,420	72.1
Upper	19.1	19.9	35	20.8	6,194	20.8
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>29,720</b>	<b>100.0</b>

Source: 2015 ACS Data; Bank Data; 2019 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%.

### ***Small Business Lending***

The distribution of small business loans in 2019 and 2020 reflect overall reasonable penetration among businesses located in low- and moderate-income census tracts. As shown in the following table, the small business lending percentages in low- and moderate-income census tracts are reasonable in comparison to D&B data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2019	3.4	1	3.3	300	7.8
2020	3.2	7	4.9	1,354	5.8
<b>Moderate</b>					
2019	9.1	4	13.3	230	6.0
2020	9.1	6	4.2	686	2.9
<b>Middle</b>					
2019	68.7	18	60.0	2,715	70.6
2020	68.7	107	74.3	18,884	80.7
<b>Upper</b>					
2019	18.9	7	23.3	600	15.6
2020	19.0	24	16.7	2,478	10.6
<b>Totals</b>					
2019	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>3,845</b>	<b>100.0</b>
2020	<b>100.0</b>	<b>144</b>	<b>100.0</b>	<b>23,402</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

### ***Small Farm Lending***

Overall, the geographic distribution of small farm loans reflects a reasonable dispersion throughout the MSA Assessment Area.

No loans were made to farms located in the low- or moderate-income census tracts in 2019 or 2020. Based on demographic data, less than 1.0 percent and 2.2 percent of farms are located in these tracts, respectively. In addition, the one low-income census tract in the assessment area is a heavy manufacturing and industrial zone. Of the three moderate-income census tracts, one is a light manufacturing and industrial zone, one is the central business zone, and the third is comprised of single-family urban, multi-family units, and light manufacturing/industrial. Based on this pertinent information, the bank's lack of small farm lending in these census tracts is not unexpected, and considered reasonable performance.

### **Borrower Profile**

The overall borrower profile performance is reasonable. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different revenue sizes. Particular focus was given to the dispersion of these loans in the assessment

area, by number, to low- and moderate-income individuals and businesses and farm operations with gross annual revenues of \$1 million or less.

### ***Home Mortgage Lending***

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the percentages of loans to low- and moderate-income borrowers is slightly below aggregate lending data, but still comparable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	20.5	7.2	10	6.0	913	3.1
Moderate	16.3	15.8	21	12.5	2,656	8.9
Middle	21.4	21.1	30	17.9	4,570	15.4
Upper	41.7	37.9	65	38.7	13,917	46.8
Not Available	0.0	18.0	42	25.0	7,664	25.8
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>29,720</b>	<b>100.0</b>

*Source: 2015 ACS Data; 2019 Bank Data; 2019 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%.*

### ***Small Business Lending***

The distribution of small business loans represents a reasonable penetration among businesses of different revenue sizes in the MSA Assessment Area. As illustrated in the following table, the percentages of small business loans originated in 2019 and 2020 to businesses with gross annual revenues of \$1 million or less compares reasonably to the demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2019	80.2	23	76.7	2,373	61.7
2020	80.3	38	76.0	4,107	51.7
<b>&gt;1,000,000</b>					
2019	6.7	7	23.3	1,472	38.3
2020	6.4	12	24.0	3,842	48.3
<b>Revenue Not Available</b>					
2019	13.1	0	0.0	0	0.0
2020	13.3	0	0.0	0	0.0
<b>Totals</b>					
2019	100.0	30	100.0	3,845	100.0
2020	100.0	50	100.0	7,949	100.0

*Source: 2019 & 2020 D&B Data; Bank Data.*

### ***Small Farm Lending***

The distribution of small farm loans represents a reasonable penetration among farm operations of different revenue sizes in the MSA Assessment Area. As illustrated in the following table, the percentages of small farm loans originated in 2019 and 2020 to farms with gross annual revenues of \$1 million or less compares reasonably to the demographic data.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2019	98.5	15	93.7	1,349	98.4
2020	98.2	31	93.9	2,534	91.5
<b>&gt;1,000,000</b>					
2019	0.3	1	6.3	22	1.6
2020	0.6	2	6.1	235	8.5
<b>Revenue Not Available</b>					
2019	1.2	0	0.0	0	0.0
2020	1.2	0	0.0	0	0.0
<b>Totals</b>					
2019	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>1,371</b>	<b>100.0</b>
2020	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>2,769</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data.*

## **NON MSA ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON MSA ASSESSMENT AREA**

The Non MSA Assessment Area includes 16 census tracts. Based on the 2015 ACS data, income tract designations include three moderate-, 12 middle-, and one upper-income census tracts. The Oran, Sikeston, and New Madrid branches are all located in this assessment area. The Sikeston branch is the only office located in a moderate-income census tract, with the remaining offices located in middle-income census tracts.

#### **Economic and Demographic Data**

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.0	18.8	75.0	6.3	0.0
Population by Geography	57,472	0.0	18.3	76.5	5.1	0.0
Housing Units by Geography	25,528	0.0	19.2	75.0	5.8	0.0
Owner-Occupied Units by Geography	14,827	0.0	15.1	79.5	5.4	0.0
Occupied Rental Units by Geography	7,667	0.0	24.1	69.4	6.6	0.0
Vacant Units by Geography	3,034	0.0	26.5	67.4	6.0	0.0
Businesses by Geography	3,091	0.0	20.8	68.7	10.5	0.0
Farms by Geography	336	0.0	21.1	69.9	8.9	0.0
Family Distribution by Income Level	15,475	23.1	18.7	19.6	38.6	0.0
Household Distribution by Income Level	22,494	25.8	15.9	17.8	40.5	0.0
Median Family Income – Nonmetropolitan Missouri		\$48,341	Median Housing Value			\$91,075
			Median Gross Rent			\$584
			Families Below Poverty Level			16.3%
<i>Source: 2015 ACS and 2020 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.</i>						

Service industries represent the largest portion of businesses in the assessment area at 34.2 percent, followed by retail trade at 13.9 percent, and non-classifiable establishments at 12.8 percent. In addition, 59.9 percent of area businesses have four or fewer employees, and 82.4 percent operate from a single location.

Based on information gathered from the community contact, management, and a review of the Missouri Department of Economic Development website, some of the assessment area's largest employers include Saint Francis Medical Center, Select Plastics, Associated Electric Cooperative, Magnitude 7 Metals, and local governments.

Similar to the MSA Assessment Area, unemployment levels reached historically low levels in 2018 and 2019, revealing the area's favorable economic conditions. This trend was reversed in March of 2020 due to COVID-19 pandemic. According to the U.S. Bureau of Labor Statistics, the unemployment rates for Scott and New Madrid counties peaked in April and May of 2020 at 7.7 and 7.9 percent, respectively. The unemployment rate for the State of Missouri was 9.8 percent as of the same date. Unemployment rates as of year-end 2020 for Scott and New Madrid counties were 5.8 and 6.3 percent, respectively, and 5.8 percent for the State of Missouri.

### **Competition**

Alliance Bank operates in a relatively high competitive environment. According to the FDIC Deposit Market Share data, for reporting year 2020, 12 financial institutions operated 26 offices throughout the bank's Non MSA Assessment Area. Of these institutions, Alliance Bank ranked 4<sup>th</sup> with 7.7 percent of the deposit market.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the Non MSA Assessment Area. According to 2019 HMDA aggregate data, 113 institutions reported 1,262 home mortgage loan originations in the Non MSA Assessment Area. Alliance Bank ranked 7<sup>th</sup> among area lenders with a market share of 5.1 percent.

The bank is not required to collect and report information regarding its small business and small farm loans, and it has not elected to do so. However, the following data provides an indicator of loan demand and competition, and is considered in the institution's performance context. Small business aggregate lending data for 2019 shows 46 institutions reported 893 small business loans in the Non MSA Assessment Area. Small farm aggregate lending data for 2019 shows 14 institutions reported 200 small farm loans in the assessment area.

#### **Credit Needs**

According to bank management, commercial, residential real estate, and agricultural lending are equally in demand in this assessment area. Management indicated that growth in this assessment has been steadily improving. Considering management's comments, and demographic and economic data, examiners determined that home mortgage, small business, and small farm loans represent the primary credit needs of this assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NON MSA ASSESSMENT AREA**

### **LENDING TEST**

Alliance Bank demonstrated reasonable performance under the Lending Test in the Non MSA Assessment Area. This conclusion is based on reasonable Geographic Distribution and Borrower Profile performance.

#### **Geographic Distribution**

The geographic distribution of home mortgage, small business, and small farm loans reflects a reasonable dispersion throughout the Non MSA Assessment Area. This conclusion was reached through further review of the loans originated in this assessment area, with particular focus given to the dispersion of these loan products, by number of loans, in relation to the three moderate-income census tracts.

#### ***Home Mortgage Lending***

The distribution of home mortgage loans reflects a reasonable penetration among the moderate-income census tracts. As shown in the following table, the home mortgage lending percentage in moderate-income census tracts is slightly below aggregate lending data, but still comparable.



Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	15.1	10.1	4	6.3	326	3.7
Middle	79.5	81.4	57	89.1	8,174	93.0
Upper	5.4	8.6	3	4.7	293	3.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>8,793</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; 2019 Bank Data; 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

### ***Small Business Lending***

The distribution of small business loans in 2019 and 2020 reflects overall reasonable penetration among businesses located in moderate-income census tracts. As shown in the following table, the 2019 small business lending percentage, by number of loans, in moderate-income census tracts is somewhat below demographics, but still comparable. In 2020, the small business lending percentage in moderate-income census tracts is well below D&B data. However, it should be noted a total of 17 loans were originated in 2020 to two borrowers in a middle-income census tract, which skews the percentages. When considering this factor, the bank's distribution of small business loans is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2019	21.0	6	15.4	157	6.4
2020	20.8	15	9.4	1,087	9.2
Middle					
2019	68.7	30	76.9	1,989	80.7
2020	68.7	126	79.2	9,863	83.7
Upper					
2019	10.3	3	7.7	320	13.0
2020	10.5	18	11.3	836	7.1
<b>Totals</b>					
2019	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>2,466</b>	<b>100.0</b>
2020	<b>100.0</b>	<b>159</b>	<b>100.0</b>	<b>11,786</b>	<b>100.0</b>
<i>Source: 2019 &amp; 2020 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

### ***Small Farm Lending***

The distribution of small farm loans in 2019 and 2020 reflects overall reasonable penetration among farms located in moderate-income census tracts. As shown in the following table, the small farm lending percentage in 2019 in moderate-income census tracts is somewhat below D&B data, but still comparable. In 2020, the small farm lending percentage in moderate-income census tracts is

well below demographic data. The Non MSA Assessment Area is highly banked, with limited small farm lending opportunities around the one branch location in the moderate-income census tract. With the introduction of the Small Business Administration's Paycheck Protection Program in 2020 because of the pandemic, competition was high to originate the limited amount of small farm loans. In addition, because of the increase of small farm loans originated, the percentage of loans went down, while the number of loans originated to small farm borrowers increased. When considering these factors, the bank's distribution of small farm loans is reasonable.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2019	20.3	5	14.7	352	11.7
2020	21.1	10	10.4	1,691	14.1
Middle					
2019	70.7	29	85.3	2,657	88.3
2020	69.9	82	85.4	9,933	82.6
Upper					
2019	9.0	0	0.0	0	0.0
2020	8.9	4	4.2	400	3.3
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>3,009</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>12,024</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%.*

### **Borrower Profile**

The overall borrower performance is reasonable. The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Particular focus was given to the dispersion of these loans in the assessment area, by number, in relation to low- and moderate-income individuals and businesses and farms with gross annual revenues of \$1 million or less.

### **Home Mortgage Lending**

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The following table reflects the number of loans to low- and moderate-income borrowers is less than aggregate lending data, but comparable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.1	5.7	1	1.6	35	0.4
Moderate	18.7	15.6	8	12.5	501	5.7
Middle	19.6	21.0	11	17.2	1,276	14.5
Upper	38.6	36.4	31	48.4	5,530	62.9
Not Available	0.0	21.3	13	20.3	1,451	16.5
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>8,793</b>	<b>100.0</b>

*Source: 2015 ACS Data; 2019 Bank Data; 2019 HMDA Aggregate Data.*

### ***Small Business Lending***

The distribution of small business loans represents a reasonable penetration among businesses of different revenue sizes in the Non MSA Assessment Area. As illustrated in the table below, the percentages of small business loans originated in 2019 and 2020 to businesses with gross annual revenues of \$1 million or less exceeded the demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2019	75.1	27	84.4	1,655	81.5
2020	75.4	48	87.3	2,472	70.1
>1,000,000					
2019	7.0	5	15.6	376	18.5
2020	6.7	7	12.7	1,056	29.9
Revenue Not Available					
2019	17.9	0	0.0	0	0.0
2020	17.9	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>2,031</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>3,528</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data.*

### ***Small Farm Lending***

The distribution of small farm loans represents reasonable penetration among farm operations of different revenue sizes in the Non MSA Assessment Area. As illustrated in the table below, the percentages of small farm loans originated in 2019 to farms with gross annual revenues of \$1 million or less is well below D&B data. However, performance in this revenue category improved

in 2020, and is comparable to the demographic data. Given this, the distribution of small farm loans is considered reasonable among farm operations of different revenue sizes in the assessment area.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2019	95.2	25	78.1	2,055	72.4
2020	94.3	40	88.9	2,797	61.7
<b>&gt;1,000,000</b>					
2019	3.1	7	21.9	782	27.6
2020	3.3	5	11.1	1,735	38.3
<b>Revenue Not Available</b>					
2019	1.7	0	0.0	0	0.0
2020	2.4	0	0.0	0	0.0
<b>Totals</b>					
2019	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>2,837</b>	<b>100.0</b>
2020	<b>100.0</b>	<b>45</b>	<b>100.0</b>	<b>4,532</b>	<b>100.0</b>

*Source: 2019 & 2020 D&B Data; Bank Data.*

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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 Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



**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.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.