Royal Bank

Tracking ID	Date	Organization Name	CUSIP	Type of Activity	Purpose	Principal Amount	Unfunded Commitment	Prior Period Amount	Prior Investment	Assessment Area
2431657	6/5/2013	UMB CDC		Investment	Affordable Housing			145,190	Yes	St Louis
2431670	10/30/1998	St. Louis Boys Hope IRB	16434 9001	Investment	Small Business Financing			30,000	Yes	St Louis
2431672	11/1/2006	Youth in Need Project IRB	0002573-9001	Investment	Affordable Housing			1,282,599	Yes	St Louis
2431674	6/29/2010	Consolidated school district of Riverview Gardens St. Louis County, MO	769416MB1	Investment	Services to LMI			400,000	Yes	St Louis
2431675	6/29/2010	Consolidated school district of Riverview Gardens St. Louis County, MO	769416MA3	Investment	Services to LMI			580,000	Yes	St Louis
2431676	1/6/2005	St. Louis Equity Fund 2005 LLC		Investment	Affordable Housing	10,000	2	989,998	Yes	St Louis
2431677	10/17/2006	St. Louis Equity Fund 2006 LLC		Investment	Affordable Housing	31,951	7	248,042	Yes	St Louis
2431678	7/10/2007	St. Louis Equity Fund 2007 LLC		Investment	Affordable Housing	145,567	178,951	675,482	Yes	St Louis
2431680	8/29/2008	St. Louis Equity Fund 2008 LLC		Investment	Affordable Housing	149,993	310,028	539,979	Yes	St Louis
2431681	8/3/2009	St. Louis Equity Fund 2009 LLC		Investment	Affordable Housing	149,977	544,563	305,460	Yes	St Louis
2431682	9/17/2012	St Louis Equity Fund 2012 L.L.C.		Investment	Affordable Housing	24,177	240,424		No	St Louis
2431733	2/21/2011	GNMA Pool # GN 616270	36290ST35	Investment	Affordable Housing			535,006	Yes	St Louis
2459624	8/20/2013	GNMA Pool # AE7659	36181BQL7	Investment	Affordable Housing	872,987			No	St Louis
2534026	9/26/2013	GNMA Pool # AE7728	36181BSR2	Investment	Affordable Housing	241,885			No	St Louis
2534048	9/26/2013	GNMA Pool# AE7729	36181BSS0	Investment	Affordable Housing	444,727			No	St Louis
2548507	12/19/2013	GNMA Pool AE8013	36181B3W8	Investment	Affordable Housing	555,082			No	St Louis
2550444	12/31/2013	St Louis Equity Fund 2013		Investment	Affordable Housing	1,000,000	1,000,000		No	St Louis
2551280	1/21/2014	GNMA Pool # AG8833	36182DY66	Investment	Affordable Housing	2,656,458			No	St Louis
						6,282,804	2273975	5,731,756		

Royal Banks of Missouri Products and Services

<u>Deposit Products</u>

Personal Checking Accounts
Business Checking Accounts
Interest Checking Accounts
Organization Checking
Money Market Accounts
Commercial Money Market Accounts
Personal Savings Accounts
Commercial Savings Accounts
Certificates of Deposit
IRA Accounts
Royal Court (Senior Program)
Commercial Cash Management
- Bill Payment
- ACH Initiation
- Lock Box Services
- Sweep Accounts
- Positive Pay

Check Extra Plus
Overdraft Privilege
Online / Internet Banking
ATM Cards
Debit Cards
Bank-by-Mail
Drive Up Facilities

(October 2013)

<u>Other Services</u>

Safe Deposit Boxes
Night Depository
Official Checks
Travelers Checks
Money Orders
Gift Checks
Merchant Card Services
Cash Advances
T T & L Payments (Cash Mgmt Serv Only)
Wire Transfers
Telephone Transfers
Collection Processing
Notary Services

<u>Loan Products:</u>

<u>Commercial Loans</u>

Lines of Credit
Commercial Real Estate Loans
Investment Real Estate Loans
Land and Development Loans
Construction Loans
SBA Loans for Small Business
Letters of Credit
Term Loans

<u>Mortgage Loans</u>

Adjustable Rate Mortgage Loans
15 & 30 year Fixed Mortgages
Construction Loans
Bridge Loans

<u>Consumer Loans</u>

Auto Loans (New & Used)
Boat Loans (New & Used)
Recreational Vehicle Loans
Home Equity Lines of Credit
Home Improvement Loans
Personal Loans

PUBLIC DISCLOSURE

April 9, 2012

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Royal Banks of Missouri
FDIC Certificate Number: 19512

8021 Olive Boulevard
University City, Missouri 63130

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 ***Royal Banks of Missouri, University City, Missouri,*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***April 9, 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

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

The overall performance of the bank is reasonable in relation to the intermediate small bank performance criteria, as discussed below.

The Lending Test is rated: "Satisfactory."

- The average net loan-to-deposit (NLTD) ratio, which is a key measure of the overall level of lending, is reasonable given the asset size of the bank and the credit needs of the assessment area (AA). The NLTD ratio has averaged 85 percent since the previous Performance Evaluation dated March 2, 2009. This ratio is also considered reasonable when compared to the average NLTD ratios for similarly situated institutions.

- A majority of the loans reviewed were originated within the AA, illustrating a commitment to meeting the credit needs of the AA. Examiners reviewed small business and home mortgage loans since these loan categories represent a majority of the outstanding loan portfolio. This analysis revealed that 85 percent of the number and 87 percent of the dollar volume of the loans reviewed were originated within the AA.

- The geographic distribution of the loans reflects a reasonable dispersion throughout the AA, including low- and moderate-income census tracts (CTs).

- Overall, 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 the business strategy of the bank.

- In addition, the institution received a complaint regarding its' CRA performance since the previous evaluation. Concerns raised in this complaint were considered in the performance context of this institution's assessment area and in the evaluation of the performance of the bank. 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 AA through qualified community development lending, investments, and services, considering the capacity of the bank and the need and availability of such opportunities for community development in the AA.

In addition to the factors discussed above, examination personnel identified no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs during this evaluation.

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 CRA performance of the bank since the previous CRA evaluation on March 2, 2009, through April 9, 2012, the date of this evaluation.

Particular focus was given to commercial and home mortgage lending as these loan products represented a substantial majority (90 percent) of the loan portfolio based on dollar volume as of December 31, 2011. Specifically, commercial and industrial loans (including commercial real estate) represent 63 percent and home mortgage loans (including residential real estate and multifamily loans) represent 27 percent of the loan portfolio. In addition, an analysis of these loan products will provide the most meaningful insight into the bank's CRA performance in comparison to the pertinent demographic and other data available. Examples of this data include: the stratification of businesses in the AA based on gross annual revenues and census tract (CT) income classification, the percentage of owner-occupied housing units in the AA by CT category, the stratification of AA families by income level, and Home Mortgage Disclosure Act (HMDA) aggregate lending data. For analysis purposes, more weight is placed on the comparison of the bank's lending data to aggregate lending data. The analysis of these loans was completed considering the context of the AA's economy, credit needs, competition among financial institutions, and other relevant factors.

Specifically, examiners evaluated the lending performance based on a sample of small business loans[1] that were originated between March 3, 2009, and December 31, 2011, and a review of home mortgage loans[2] that were included on the HMDA registers in 2010 and 2011. The small business loan sample consisted of 36 loans totaling $10,129,000 selected from a universe of 95 loans totaling $25,098,000 that were on the loan trial balance and were originated between March 3, 2009, and December 31, 2011. The HMDA data review consisted of 20 loans totaling $5,210,000 in 2010 and 30 loans totaling $16,176,000 in 2011. This represents all of the HMDA loans reported by the bank during this timeframe.

For the Geographic Distribution Analysis, particular focus was given to the dispersion of lending by CT income category in the AA. For the Borrower Profile Analysis, particular focus was given to lending to small businesses (gross annual revenues of $1 million or less) and to lending to individuals of different income levels in the 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 6 of this evaluation.

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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 (HMDA) 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.

In drawing conclusions, lending activity based on the number of loans, rather than on the dollar volume, is emphasized for analysis of Geographic Distribution and Borrower Profile. This is because the number of loans more clearly represents the distribution of the bank's lending efforts, and the dollar volume results do not materially alter conclusions. Generally, loans to smaller businesses are for smaller dollar amounts than loans to larger businesses. Therefore, an analysis using the dollar volume of loans would not provide a representative assessment of the lending efforts of the bank. Small business lending was given more weight in this evaluation since it represents a substantial majority of the loan portfolio.

Construction and land development, agricultural, and consumer loans were not reviewed during this evaluation since these loan products represent a small portion of the loan portfolio and are not emphasized in the business strategy of the bank.

DESCRIPTION OF INSTITUTION

Royal Banks of Missouri is a financial institution with $414,514,000 in total assets, as of December 31, 2011. The total assets have decreased 4 percent from $433,580,000 at the previous evaluation. The bank is wholly owned by Royal Bancshares, Inc., St. Louis, Missouri, a one-bank holding company. The bank does not have any lending affiliates.

Royal Banks of Missouri operates a total of seven offices in Missouri, with its main office located in University City. In addition, a total of six branch offices are located in Creve Coeur, Glendale, St. Louis (2 offices), St. Louis Hills, and University City. The main office and Creve Coeur, Glendale, St. Louis Hills, and University City branches are full-service and offer a full range of lending and deposit services. The two St. Louis offices are deposit-only facilities and offer limited hours of operation. The bank has not opened or closed any branches since the previous evaluation.

The main office and Creve Coeur, Glendale, University City, and both St. Louis branches are located in St. Louis County. The St. Louis Hills branch is located in St. Louis City. All of the locations are in the St. Louis Missouri-Illinois Metropolitan Statistical Area (MSA) in the eastern portion of Missouri. Of the bank's locations, the main office is located in a moderate-income CT, the St. Louis Hills branch and one of the St. Louis limited-service branches are located in middle-income CTs, with the remaining offices located in upper-income CTs.

Royal Banks of Missouri operates a total of six automated teller machines (ATMs) located throughout its AA. Of these six ATMs, five deposit-taking units are located at each full-service office and one cash-dispensing unit is located at City Hall in St. Louis City. There have been no changes in the ATM structure since the previous evaluation.

The bank offers a variety of consumer and business loan and deposit products. As of December 31, 2011, the bank had net loans of $315,633,000 and total deposits of $363,251,000, resulting in a net loan-to-deposit ratio of 87 percent. Table 1, on the following page, depicts the loan portfolio mix, which reflects a commercial lending focus. Commercial and industrial loans (including commercial real estate) represent 63 percent of the loan portfolio. Home mortgage loans (including residential real estate and multifamily loans) represent 27 percent, construction and land development, consumer, and other loans represent 7 percent, 2 percent, and 1 percent, respectively, of the dollar volume of the outstanding loan portfolio. Overall, the distribution of the loan portfolio has not changed appreciably since the previous evaluation. Refer to Table 1 for additional details concerning the loan portfolio distribution of the bank.

Table 1 – Loan Distribution		
Loan Type	**Dollar Amount (000s)**	**Percent of Total Loans (%)**
Construction and Land Development	$21,454	7%
Secured by Farmland	$405	*
1-4 Family Residential	$45,176	14%
Multi-Family (5 or more) Residential	$40,515	13%
Commercial	$171,711	53%
Total Real Estate Loans	**$279,261**	**87%**
Agricultural	$0	0%
Commercial and Industrial	$30,155	10%
Consumer	$9,130	2%
Other	$2,852	1%
Total Loans	**$321,398**	**100%**

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

Royal Banks of Missouri has no legal or financial impediments that would prevent it from meeting the credit needs of its AA. It operates in a competitive environment, with a wide array of products available from competing institutions operating in and around the AA. The bank received a CRA rating of "Satisfactory" at the previous evaluation dated March 2, 2009, which utilized Intermediate Small Bank CRA Evaluation Procedures.

DESCRIPTION OF ASSESSMENT AREA

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. 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 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.

The physical boundaries of Royal Banks of Missouri's AA have not changed since the previous evaluation. The AA is contiguous and includes the entireties of St. Louis City and St. Louis County, which are located in the Missouri portion of the St. Louis Missouri-Illinois MSA. The AA consists of 286 CTs, with 42 designated as low-income, 78 designated as moderate-income, 89 designated as middle-income, 74 CTs designated as upper-income, and 3 CTs with no income designation. These three CTs consist primarily of industrial areas with very limited population. The AA does not arbitrarily exclude any low- or moderate-income CTs and is in compliance with the CRA regulation.

According to the Missouri Economic Research and Information Center, the unemployment rate for Missouri, as of February 2012, was 8.4 percent. During the same period, the unemployment rates for St. Louis County and the City of St. Louis were 7.5 percent and 10.2, respectively. Further, as of February 2011 the unemployment rates for St. Louis County and the City of St. Louis were 8.5 percent and 11.9 percent, respectively. The largest employers in the AA include: Barnes-Jewish Hospital, ABM Industries, AG Edwards, Inbev/Anheuser-Busch, Beaumont Insurance, St. Anthony's Hospital, Christian Hospital, AT&T, Golden Products Corporation, Maritz, and Missouri Baptist Hospital. Further, data from the Bureau of Labor Statistics (BLS) indicates that the largest employment sectors in the St. Louis MSA in 2011 include Educational and Health Services (18 percent), Professional and Business Services (15 percent), and Government (13 percent). Further, BLS data on quarterly employment growth by industry indicates the following sectors had the largest growth in the fourth quarter of 2011: Manufacturing (3 percent), Other Services (3 percent), and Wholesale Trade (3 percent). In addition, during the same period, the largest employment contraction occurred in the Information sector (8 percent). Regulatory personnel also reviewed summary comments from the year-end 2009, 2010, and 2011 Federal Reserve Beige Book reports to gain an understanding of economic trends since the previous evaluation. Of these three reports, the 2009 and 2011 year-end reports noted that the economy in the St. Louis district has declined.

According to 2000 Census data, the housing stock in the AA totals 600,103 units, with owner-occupied units comprising 62 percent, occupied rental units comprising 30 percent, and vacant units comprising 8 percent of the available stock. In the AA, 7 percent of the households that are families are located in low-income CTs, 23 percent are located in moderate-income CTs, 36 percent are located in middle-income CTs, and 34 percent are located in upper-income CTs. Approximately 9 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 has trended slowly upwards in recent years, further it 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 AA. The median home value in the AA in 2000 was $126,830, and the median age of a home was 38 years. The median gross rent level was $538 per month. The information in Table 2 will be used to evaluate residential real estate lending in the AA under Criterion 3 (Geographic Distribution Analysis).

Table 2 – Selected Housing Characteristics by Income Category of the Geography									
Geography Income Category	Number (percentage)						Median		
	Geog-raphies	House-holds	Housing Units	Owner-Occupied	Single-Family 1-4 Units	5 or More Units	Age*	Home Value*	Gross Rent**
Low	15%	8%	9%	4%	9%	12%	55	$43,464	$399
Moderate	27%	24%	25%	20%	26%	21%	50	$59,117	$474
Middle	31%	38%	37%	39%	35%	43%	39	$94,905	$561
Upper	26%	30%	29%	37%	30%	24%	28	$204,103	$753
N/A	1%	***	***	***	***	***	61	$162,500	$287
Total or Median	100%	100%	100%	100%	100%	100%	38	$126,830	$538

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

The population of the AA based on 2000 Census data was 1,364,504, which consists of 551,893 households. Of these households, 350,303 are 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 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 AA under Criterion 4 (Borrower Profile Analysis).

Table 3 – Stratification of Families by Income Level

Income Level	Number of Families	Percent-age of Families	2010 St. Louis MO-IL MSA Income Ranges	2011 St. Louis MO-IL MSA Income Ranges
Low	71,619	20%	Below $34,150	Below $34,750
Moderate	61,172	18%	$34,150 - $54,639	$34,750 - $55,599
Middle	71,397	20%	$54,640 - $81,959	$55,600 - $83,399
Upper	146,115	42%	$81,960 & above	$83,400 & above
Total	**350,303**	**100%**		

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

In 2011, 132,839 businesses within the AA reported information to D&B. Of these businesses, 83,899 (63 percent) reported gross annual revenues of $1 million or less. Table 4 summarizes the businesses in the AA according to gross annual revenues and by CT income category. This information will be used to evaluate small business lending in the AA under Criterion 3 (Geographic Distribution Analysis) and Criterion 4 (Borrower Profile Analysis).

Table 4 – Stratification of Businesses by Gross Annual Revenues				
Gross Annual Revenues → Geography Income Category ↓	≤ $1 million Number	> $1 million Number	Not Reported Number	Total Number
Low-Income CTs	4,901	397	2,480	7,778
Moderate-Income CTs	14,600	920	7,568	23,088
Middle-Income CTs	26,847	1,952	14,016	42,815
Upper-Income CTs	37,223	2,172	19,094	58,489
N/A Income CTs	328	83	258	669
Total	83,899	5,524	43,416	132,839

Source: D&B (2011).

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

One contact focused on the City of St. Louis and St. Louis County. This contact indicated the current economic conditions are doing better in comparison to the national economy, particularly 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, the individual noted that the banking environment in the St. Louis market is highly competitive.

A second contact focused on the entire St. Louis MO-IL MSA. This contact indicated that although the local economy is slightly depressed, it is doing better than the national economy. According to this individual, 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. Further, there are a number of community development projects underway in St. Louis. This individual categorized the level of bank involvement as very good.

The third contact focused on the City of St. Louis. This individual indicated that the local economy is weak. The contact indicated that even employed individuals experience difficulty finding affordable housing. According to the contact, local individuals have some difficulty qualifying for affordable housing programs due to tighter underwriting standards, appraisal issues, and creditworthiness concerns. This individual noted a need for first time homebuyer programs, downpayment assistance, and financial literacy programs to aid with credit repair and re-establishment.

The last contact focused on north St. Louis County. This individual categorized the local economy as "not good, but stabilizing." 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 was 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. While the contact noted that the overall business climate for small businesses was excellent, they also indicated 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 that the local economy is weak. Management members commented that local small businesses have remained cautious about the future. Management indicated that overall loan demand has been weak; and specifically, commercial, residential, and consumer loan demand have also been weak. Further, there has been no demand for construction and land development lending. The weakness in residential real estate loan demand was attributed to the excess housing inventory in the local market. In addition, the weakness in commercial lending was attributed to the cautious nature of small business owners noted above. Management indicated that the primary credit needs of the area include commercial and residential lending. Management noted that the bank's primary competitors overall are Eagle Bank and Trust, Jefferson Bank and Trust, and Triad Bank. In addition, management noted that Reliance Bank is a competitor for retail banking and Pulaski Bank is a competitor for mortgage lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Criterion 1: Loan-to-Deposit Ratio

Royal Banks of Missouri's average net loan-to-deposit (NLTD) ratio, which is a key measure of the overall level of lending, is reasonable given the asset size of the bank and the credit needs of the AA. Additionally, this NLTD ratio compares reasonably to the average NLTD ratios of similarly situated lenders as outlined in Table 5. 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 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 Royal Banks of Missouri has averaged 85 percent. The NLTD ratio ranged from a low of 79 percent, as of March 31, 2011, to a high of 95 percent, as of September 30, 2009. During this time period, net loans ranged from a low of $304,403,000 on September 30, 2011, to a high of $352,224,000 on June 30, 2009. The decline in lending is primarily attributed to the weakening of the local economy and the resulting contraction in construction/land development, residential, and commercial loan activity.

Table 5 shows the average quarterly NLTD ratios for this bank and four 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***
Royal Banks of Missouri University City, Missouri	**$414,514**	**85%**
Frontenac Bank Earth City, Missouri	$316,690	89%
Jefferson Bank and Trust Eureka, Missouri	$555,586	106%
Citizens National Bank of Greater St. Louis Maplewood, Missouri	$455,035	92%
St. Johns Bank and Trust St. Louis, Missouri	$303,775	81%

*Report of Condition (December 31, 2011).

Criterion 2: Assessment Area Concentration

Royal Banks of Missouri's performance regarding AA concentration is considered reasonable. A majority of the small business and home mortgage lending reviewed (85 percent of the number and 87 percent of the dollar volume) was originated within the AA. Table 6 summarizes the bank's record of lending within its AA by number and dollar volume.

Table 6 – Assessment Area Concentration										
Loan Type	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		(000s)	%	(000s)	%	
Small Business	30	83%	6	17%	36	$8,423	83%	$1,706	17%	$10,129
2010 Home Mortgage	19	95%	1	5%	20	$4,994	96%	$216	4%	$5,210
2011 Home Mortgage	24	80%	6	20%	30	$14,147	87%	$2,029	13%	$16,176
Total	73	85%	13	15%	86	$27,564	87%	$3,951	13%	$31,515

Source: Bank records (2010 and 2011 HMDA data), * Less than 1 percent.

Criterion 3: Geographic Distribution Analysis

The geographic distribution of lending reflects reasonable dispersion throughout the AA, considering demographic information, the location of the bank's offices within the AA, and other pertinent factors.

Small Business Lending

Royal Banks of Missouri's small business lending reflects reasonable dispersion throughout the AA. Table 7 illustrates the geographic distribution of the small business loans sampled by CT income category. This table also includes 2011 D&B data relative to the percentages of businesses in the AA by census tract income category.

Table 7 – Distribution of Small Business Loans by Income Category of the Geography			
Geography Income Category	D&B Data (% of #)	Bank Lending Data	
		#	%
Low	6%	2	7%
Moderate	17%	7	23%
Middle	32%	9	30%
Upper	44%	12	40%
N/A	*	0	0%
Total	100%	30	100%

Source: Bank records and D&B 2011 data (using 2000 Census boundaries and income designations), * Less than 1 percent.

As reflected in Table 7, the lending percentage to businesses located in low-income CTs in the AA (7 percent) approximates the percentage of businesses in low-income CTs in the AA (6 percent), according to 2011 D&B data. Regarding lending to businesses located in moderate-income CTs in the AA, the bank's lending percentage (23 percent) exceeds the percentage of businesses in moderate-income CTs (17 percent). Overall, based on the data presented in Table 7, the bank has demonstrated an adequate responsiveness to the lending needs of businesses located in the AA.

HMDA Lending

The geographic distribution of the HMDA lending reflects reasonable dispersion throughout the AA considering pertinent demographic information. Table 8 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 AA, based on 2000 Census data. In addition, Table 8 includes 2010 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 a particular area. For this evaluation, the HMDA aggregate lending data included in Table 8 is specific to those CTs that comprise the bank's AA.

Table 8—Distribution of HMDA Loans by Geography Income Category							
Geography Income Category	% of Owner Occupied Housing Units	2010			2011	
		Bank Lending Data		Aggregate Lending Data (% of #)	Bank Lending Data	
		#	%		#	%
Low	4%	0	0%	1%	0	0%
Moderate	20%	3	16%	10%	3	12%
Middle	39%	5	26%	32%	10	42%
Upper	37%	11	58%	57%	11	46%
N/A	*	0	0%	*	0	0%
Total	100%	19	100%	100%	24	100%

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

Regarding HMDA lending in the low-income CTs in the AA for 2010 and 2011, no loans were originated in the bank's AA. However, this performance is considered reasonable given the following pertinent factors. First, only 1 percent of the aggregate lending in the AA occurred in low-income CTs. Another factor that was considered is that most of the bank's branches are not located in close proximity to the low-income tracts in the AA. In addition, the above HMDA data includes few entries, which given a small change in the bank's lending data would have a disproportionate impact on the lending percentages listed in Table 8.

Regarding lending in the moderate-income CTs in the AA, the lending percentage for 2010 (16 percent) exceeds the comparable aggregate lending data (10 percent) but is less than the percentage of owner-occupied housing units in the moderate-income CTs (20 percent). The lending performance in 2011 (12 percent) is also less than comparable demographic data for moderate-income tracts. Overall, based on the data presented in Table 8, the bank has demonstrated an adequate responsiveness to home mortgage credit needs in low- and moderate-income CTs in the AA when all relevant factors are considered.

Criterion 4: Borrower Profile Analysis

Overall, 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, the business strategy of the bank, and other relevant factors.

<u>Small Business Lending</u>

Table 9 details the distribution of the small business lending in the 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	63%	23	77%
> $1 million	4%	7	23%
Not Reported	33%		
Total	100%	30	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 (77 percent) is greater than the percentage of businesses that reported gross annual revenues of $1 million or less (63 percent). Overall, the percentage of lending to businesses of different revenue sizes reflects a reasonable penetration when considering relevant demographic data.

<u>Residential Real Estate Lending</u>

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

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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						
		2010			2011	
Borrower Income Level	Families by Income (% of #)	Bank Lending Data #	Bank Lending Data %	Aggregate Lending Data (% of #)	Bank Lending Data #	Bank Lending Data %
Low	20%	1	5%	7%	1	4%
Moderate	18%	3	16%	15%	4	17%
Middle	20%	3	16%	17%	5	21%
Upper	42%	8	42%	44%	7	29%
N/A	0%	4	21%	17%	7	29%
Total	100%	19	100%	100%	24	100%

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

Regarding lending to low-income borrowers, the 2010 lending percentage (5 percent) is less than both the percentage of low-income families in the AA (20 percent), based on 2000 Census data and pertinent aggregate data (7 percent). In addition, the 2011 lending percentage to low-income borrowers (4 percent) is less than the comparable demographic data.

Regarding lending to moderate-income borrowers, the 2010 lending percentage (16 percent) is less than the percentage of moderate-income families in the AA (18 percent); however, it is greater than the 2010 HMDA aggregate lending data (15 percent). The 2011 lending percentage to moderate-income borrowers (17 percent) approximates the percentage of moderate-income families in the AA.

The above performance is considered reasonable in light of the following pertinent factors. One community contact noted that local individuals have some difficulty qualifying for affordable housing programs due to tighter underwriting standards, appraisal issues, and creditworthiness concerns. Another contact noted that low- and moderate-income families have difficulty affording a home and are better able to rent housing. This contact also indicated that while there is an adequate supply of affordable housing available, local residents may not qualify for a loan or have the required down payment. In addition, conclusions regarding the analysis of the above HMDA lending data are based on a small number of entries, which given a small change in the bank's lending data would have a disproportionate impact on the lending percentages listed in the table above. Overall, the HMDA lending to borrowers in the AA is considered reasonable.

Criterion 5: Response to Complaints

Royal Banks of Missouri received a CRA-related complaint since the prior Performance Evaluation. This complaint was received via a letter from the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) dated February 24, 2012. This letter included comments about the performance of the bank under the CRA, specifically expressing concerns regarding unsatisfactory market penetration to LMI borrowers and communities; and fair lending concerns based on lending levels to African-American individuals. Management subsequently responded to SLEHCRA regarding this matter in a letter dated March 7, 2012, and the FDIC considers the response adequate. The concerns and comments raised in this complaint were considered in the performance context of the bank and in the evaluation of the CRA performance of the institution.

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.

As noted previously, one community contact indicated that local financial institutions are not meeting the community development needs of north St. Louis County (north of Interstate 70); however, Royal Banks of Missouri's performance under the community development test demonstrates adequate responsiveness to the community development needs of its AA through community development lending, qualified investments, and community development services, considering economic conditions in the AA since the previous evaluation. Regulatory personnel noted that the level of community development lending declined since the prior evaluation. Although the current level of qualified investments is relatively modest, regulatory personnel noted an increase in the level of qualified community development services since the previous evaluation.

Quantitative performance measurements of a financial institution's community development lending and investments, compared to net loans and average assets, serves as an additional method of assessing the financial capacity of the bank to meet the community development needs of its AA. As of December 31, 2011, Royal Banks of Missouri's ratio of community development loans to net loans was 13.00 percent. The ratios for other financial institutions operating in the AA ranged from 11.00 percent to 13.00 percent. The ratio of community development investments to total assets was 0.096 percent. The ratios for other financial institutions operating in the AA ranged from 0.013 percent to 0.014 percent. Overall, Royal Banks of Missouri's ratios appear reasonable in comparison to the ratios of other financial institutions operating in the AA.

COMMUNITY DEVELOPMENT LENDING

Royal Banks of Missouri has originated 42 community development loans totaling $41,048,000. This represents a decrease in community development lending activity from the previous evaluation, where community development loans totaled 59 loans and $65,803,000. In evaluating the current level of community development lending performance, regulatory personnel considered the following pertinent factors. First, bank management directly attributed the decline in overall community development lending to a decline in loan demand. Further, an individual contacted from the local community indicated that businesses have adopted a conservative financial stance and have been hesitant to pursue additional financing as a result of weakness in the local and national economy. In addition, management indicated that local economic conditions have triggered a decline in the local commercial real estate market, which has in turn negatively impacted commercial borrowers.

Specifically, the community development loans originated by the bank during the rating period consist of 13 loans to revitalize and stabilize low- or moderate-income CTs totaling $28,444,000; 6 loans totaling $1,927,000 to provide affordable housing for low- and moderate-income individuals; 17 loans totaling $7,075,000 that represent economic development as defined under the CRA; and 6 loans totaling $3,602,000 that serve to provide community services to low- and moderate-income individuals. Further, renewals of existing community development loans accounted for 13 of the above loans totaling $34,897,000. All of the community development loans provided benefits to the AA as required for consideration under the CRA. Table 11 reflects the distribution of qualified community development loans by year and loan category.

The following are examples of the qualified community development loans:

- A $10,640,000 loan renewal in 2010 to a business with a mixed commercial and residential development project located in the St. Louis Empowerment Zone. This loan was also renewed in 2011 for $7,323,000. These loan renewals served to revitalize and stabilize a CT with no income designation in the above Empowerment Zone.

- A $1,000,000 loan to a municipality located in the AA to improve an industrial park located in a moderate-income census tract. The municipality authorized the improvements to be made in the industrial park via a newly formed Neighborhood Improvement District.

- A $1,302,000 loan to a local business to expand its operations by purchasing two convenience stores located in a moderate-income census tract. The business employs low- and moderate-income individuals.

Table 11 - Qualified Community Development Lending Activity by Origination Year										
Loan Category	2009		2010		2011		YTD 2012		Total	
	#	$ (000)	#	$ (000)	#	$ (000)	#	$ (000)	#	$ (000)
Affordable Housing	2	100	1	85	3	1,742	-	-	6	1,927
Revitalize or Stabilize LMI Geographies	-	-	4	14,997	7	11,017	2	2,430	13	28,444
Economic Development	2	1,708	7	685	5	4,605	3	77	17	7,075
Community Services Targeted to LMI	4	1,936	1	150	-	-	1	1,516	6	3,602
NSP Activities	-	-	-	-	-	-	-	-	-	-
Total	**8**	**3,744**	**13**	**15,917**	**15**	**17,364**	**6**	**4,023**	**42**	**41,048**

Source: Bank records.

QUALIFIED INVESTMENTS

Table 12 reflects the distribution of qualified community development investments by activity year and qualifying category. Royal Banks of Missouri has made a total of 13 qualified community development investments totaling $425,000 since the previous evaluation. The qualified investments included in the table on the following page consist of four investments totaling $80,000 that promoted affordable housing in the AA, one investment totaling $25,000 that served to promote economic development in the St. Louis MSA, and eight investments totaling $320,000 that served to provide community services targeted to LMI individuals.

The following is an example of a qualified community development investment:

- A $300,000 continuing investment in a program that provides for safe and crime free senior housing. The 230 unit facility houses low- and moderate-income individuals and is located in the assessment area.

Table 12 - Qualified Investments by Year												
Activity Year →	Prior Period		2009		2010		2011		YTD 2012		Totals	
Community Development Category ↓	#	$ (000)	#	$ (000)	#	$ (000)	#	$ (000)	#	$ (000)	#	$ (000)
Affordable Housing	-	-	1	10	2	60	1	10	-	-	4	80
Revitalize or Stabilize	-	-	-	-	-	-	-	-	-	-	-	-
Economic Development	1	25	-	-	-	-	-	-	-	-	1	25
Community Development Services	1	300	1	2	1	5	2	6	3	7	8	320
Neighborhood Stabilization	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2**	**325**	**2**	**12**	**3**	**65**	**3**	**16**	**3**	**7**	**13**	**425**

Source: Bank records.

COMMUNITY DEVELOPMENT SERVICES

Royal Banks of Missouri has provided a number of qualified community development services to local organizations and entities. Table 13 reflects the distribution of these community development services by year and activity.

The following are examples of qualified community development services:

- The bank continues to offer a check cashing service at the main office (which is located in a moderate-income census tract). This service is targeted to individuals that are using nearby cash checking entities that charge higher prices. The focus of the program is to encourage unbanked individuals to establish deposit account relationships with the bank.

- In 2009, 2010, 2011, and 2012 a bank officer served as a board member for a regional business development entity. The entity provides financing to businesses in the St. Louis area.

Table 13 – Qualified Community Development Services By Year					
Activity Year → Community Development Category ↓	2009	2010	2011	YTD 2012	Total
Affordable Housing	1	-	-	-	1
Revitalize or Stabilize LMI Geographies	-	-	-	-	-
Economic Development	5	5	5	5	20
Community Services Targeted to LMI	3	3	3	3	12
Qualified NSP Activities	-	-	-	-	-
Total	9	8	8	8	33

Source: Bank Records.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified during this evaluation.

Royal Banks of Missouri

314-212-1500

List of Full Service Offices

October 2013

UNIVERSITY CITY	**8021 Olive Blvd., University City, MO 63130** **Direct telephone number: 314-212-1500** **Full Service Location** **Bank Charter Registered at this location** **In addition, Operations Center located at this location** **Census tract 2157.00**
	7701 Delmar Blvd., University City, MO 63130 **Direct telephone number: 314-212-1660** **Full Service Location** **Census tract 2158.00**
	Special Drive-up Hours at above offices - Open at 8 a.m. Monday - Friday
GLENDALE	**9990 Manchester Rd., (Glendale) St. Louis, MO 63122** **Direct telephone number: 314-212-1620** **Full Service Location** **Census tract 2188.00**
ST. LOUIS HILLS	**3534 Watson Rd., St. Louis, MO 63139** **Direct telephone number: 314-212-1640** **Full Service Location with exception of Safe Deposit Boxes.** **Customers offered discount on Safe Deposit Box Rental at any other Royal Banks locations.** **Census tract 1142.00**
CREVE COEUR	**13171 Olive Blvd., (Creve Coeur) St. Louis, MO 63141** **Direct telephone number: 314-212-1650** **Full Service Location** **In addition, Loan Servicing Department located here.** **Census tract 2151.41**
BANKING HOURS	**Lobbies:** 9:00 a.m. to 4:30 p.m. Monday – Thursday 9:00 a.m. to 6:00 p.m. Friday 9:00 a.m. to 12 noon on Saturday
	Drive-Ups: 8:30 a.m. to 6:00 p.m. Monday – Friday 9:00 a.m. to 12 noon on Saturday – All locations

Royal Banks of Missouri

314-212-1500

LIMITED SERVICE LOCATIONS

COVENENT HOUSE	**8 Millstone Campus, University Ciy, MO 63146** **Direct Telephone Number: 314-212-1658** **Days: Tuesdays** **Hours: 2:30 PM to 4:30 PM** **Census tract – 2150.02**
CROWN CENTER	**8350 Delcrest Drive, St. Louis, MO 63124** **Days: Wednesdays** **Hours: 11:00 AM to 1:00 PM** **Census tract – 2158.00**

ATM ONLY LOCATION

License Collector Office	**City of St. Louis City Hall** **1200 Market St. RM 102** **Days: Monday to Friday** **Hours: 8:30 AM to 4:30 PM**

Royal Banks of Missouri
QuarterlyRatios - Per Call Reports
Loan to Deposits Ratio
(000's omitted)

Date	Loans	Deposits	Ratio
31-Mar-10	328,630	407,939	80.56%
30-Jun-10	330,011	400,093	82.48%
30-Sep-10	341,775	375,235	91.08%
31-Dec-10	334,469	410,228	81.53%
31-Mar-11	311,490	384,324	81.05%
30-Jun-11	312,113	367,065	85.03%
30-Sep-11	309,877	362,359	85.52%
31-Dec-11	321,398	363,251	88.48%
31-Mar-12	311,718	366,340	85.09%
30-Jun-12	304,917	348,395	87.52%
30-Sep-12	317,238	340,377	93.20%
31-Dec-12	324,259	368608	87.97%
31-Mar-13	322,315	368,325	87.51%
30-Jun-13	314,792	378,192	83.24%
30-Sep-13	331,005	365,678	90.52%
31-Dec-13	340,986	373174	91.37%