PUBLIC DISCLOSURE

July 8, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Palmyra State Bank
FDIC Certificate Number: 14492

400 South Main Street
Palmyra, Missouri 63461

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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.**

TABLE OF CONTENTS

I. General Information.....1

II. Institution's CRA Rating.....2

III. Scope of Examination.....3

IV. Description of Institution.....4

V. Description of Assessment Area.....5

VI. Conclusions with Respect to Performance Tests..... 8

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 ***Palmyra State Bank, Palmyra, Missouri,*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***July 8, 2013****. 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 CRA performance of the bank is reasonable in relation to the small institution performance criteria as discussed below.

- The net loan-to-deposit (NLTD) ratio has averaged 90 percent since the previous evaluation on July 31, 2008. This ratio is reasonable given the institution's asset size, financial condition, the credit needs of the assessment area (AA), and in consideration of similarly situated institutions.

- A majority of the loans reviewed were originated in the AA; illustrating the bank's commitment to meeting the credit needs of these areas.

- Overall, the geographic distribution of lending reflects a reasonable dispersion throughout the AA.

- Overall, the loan distribution by borrower income characteristics reflects reasonable penetration among farms and businesses of different revenue sizes and among individuals of different income levels.

Examination personnel did not identify any illegal credit practices or substantive fair lending concerns inconsistent with helping to meet community credit needs during this evaluation.

SCOPE OF EXAMINATION

This CRA evaluation was conducted using Small Bank Evaluation Procedures and addressed the CRA performance of the bank since the previous CRA evaluation on July 31, 2008, through July 8, 2013, the date of this evaluation. Examiners reviewed small farm[1], small business[2], and home mortgage lending as these categories represent 38 percent, 37 percent, and 15 percent of the outstanding loan portfolio, respectively, based on dollar volume, as of March 31, 2013. Examiners focused on a review of these loan types as they represent a majority of the outstanding loan portfolio and are emphasized by the business strategy of the bank.

Conclusions for Criterion 2 (Assessment Area Concentration), Criterion 3 (Geographic Distribution Analysis), and Criterion 4 (Borrower Profile Analysis) are based on samples of small farm, small business, and home mortgage loans originated between January 1, 2012, and December 31, 2012. These samples were selected from the small farm loan universe of 96 loans totaling $4,413,000, the small business loan universe of 138 loans totaling $9,736,000, and the home mortgage loan universe of 216 loans totaling $23,949,000, originated during the review period. Specifically, the small farm loan sample consists of 35 loans totaling $2,003,000, the small business sample consists of 36 loans totaling $1,386,000, and the home mortgage loan sample consists of 42 loans totaling $4,347,000. Construction and Land Development, Multi-family, and Consumer loans were not considered in this evaluation since these products represent a small portion of the total loan portfolio and are not the lending focus for this institution.

For Geographic Distribution Analysis, particular focus was given to the dispersion of lending by census tract (CT) income category. For Borrower Profile Analysis, particular focus was given to lending to small farms and small businesses (gross annual revenues of $1 million or less) and lending to individuals of different income levels. For an explanation of how the income designation of CTs and individuals is determined, refer to the discussions titled *How Median Family Income is Used Throughout This Analysis* and *Definition of Income Groups* on page 5 of this evaluation.

Lending activity based upon both the number and dollar volume of loans is included in Criteria 2, 3, and 4. However, more emphasis is placed on the conclusions based on the number of loans, rather than dollar volume, as the number of loans more clearly represents the distribution of management's lending efforts. Generally, loans to smaller farms, smaller businesses, and to lower-income families are for smaller dollar amounts than loans to larger farms, businesses, or upper-income individuals. In drawing conclusions, none of the loan groups were given preference.

---

[1] *Small farm loans* are loans included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. All small farm loans had original balances of $500,000 or less and secured by farm land or classified as loans to finance agricultural production or other loans to farmers.

[2] S*mall business loan* is defined as a loan included in "loans to small businesses" as set forth in the Call Report Instructions. Small business loans have original amounts of $1 million or less and are secured by non-farm, non-residential properties, or are classified as commercial and industrial loans.

DESCRIPTION OF INSTITUTION

Palmyra State Bank is a financial institution with $162,657,000 in total assets, as of March 31, 2013. The bank is a subsidiary of Byron B. Webb, Inc., a bank holding company based in Palmyra, Missouri. The bank is affiliated with Bank of Quincy, Quincy, Illinois, and Home Bank of California, San Diego, California, through common ownership. The affiliates' lending was not considered in this evaluation.

Palmyra State Bank has a main office in Palmyra, Missouri, and full-service branches in Hannibal, Missouri, and West Quincy, Missouri. All three offices are in Marion County which is located in the non-metropolitan portion of Missouri. The bank has not closed any offices since the previous CRA evaluation.

The main office is located in middle-income CT 9603, the Hannibal branch is located in upper-income CT 9604, and the West Quincy branch is located in upper-income CT 9601. The bank has one cash-dispensing automated teller machine (ATM) located at each bank office and two off premise ATMs. The two off premise ATMs are new since the previous evaluation and both are located in Marion County. For definitions of low-, moderate-, middle-, and upper-income CTs, see "Description of Assessment Area" on page 5.

The bank offers a variety of consumer, business, and agricultural loan and deposit products. Table 1 depicts the loan portfolio distribution and reflects an agricultural, commercial, and home mortgage lending focus. Refer to Table 1 for additional details concerning the loan portfolio distribution of the bank.

Table 1 - Loan Portfolio Distribution as of March 31, 2013

Loan Category	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	$3,353	3%
Secured by Farmland	$30,535	27%
Secured by 1-4 Family Residential Properties	$17,646	15%
Secured by Multi-Family (5 or more) Residential Properties	$3,038	3%
Secured by Non-farm Non-residential Properties	$27,083	24%
Agricultural Production and Loans to Farmers	$12,923	11%
Commercial and Industrial Loans	$15,183	13%
Consumer	$4,211	4%
Obligations of States and Political Subdivisions in the United States	$0	0%
Other Loans	$353	<1%
Lease Financing Receivables (net of unearned income)	$0	0%
Gross Loans	$114,325	100%
Less: Unearned Income	$0	0%
Total Loans and Leases	**$114,325**	100%

Source: Report of Condition

Aside from statutory lending limits, Palmyra State Bank has no legal or financial impediments that would prevent it from meeting the credit needs of its AA. The bank is operating in a competitive environment, with a wide array of products available from numerous competing institutions, including small community banks and branches of larger regional and national institutions. According to June 30, 2012 deposit market share report; Palmyra State Bank ranks number 2 out of the 14 institutions in the AA with 16 percent of all deposits.

The bank received a CRA rating of "Satisfactory" at the previous evaluation dated July 31, 2008, which utilized Small Bank 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 CTs (census tracts). These CTs represent statistical subdivisions of a county.

How Median Family Income Is Used Throughout This Analysis: The median family income (MFI) for the non-metropolitan portions of Missouri was $45,840 based on 2010 Census data. These figures are used to determine the income levels for each CT.

Based on 2012 estimates by the Federal Financial Institutions Examination Council (FFIEC), the adjusted MFI figure is $47,800 for the non-metropolitan portions of Missouri. This adjusted figure is used to determine the income level of home mortgage borrowers under Criterion 4.

Definition of Income Groups:

Low income -	Less than 50 percent of the MFI for the non- MSA portion of Missouri.
Moderate income -	50 percent to less than 80 percent of the MFI for the non-MSA portion of Missouri.
Middle income -	80 percent to less than 120 percent of the MFI for the non-MSA portion of Missouri.
Upper income -	120 percent or greater of the MFI for the MSA or non-MSA portion of Missouri.

Definition of "distressed non-metropolitan middle-income geographies" and "underserved non-metropolitan middle-income geographies": Distressed non-metropolitan middle-income geographies" and "underserved non-metropolitan middle-income geographies" are designated as such by the federal bank and thrift regulatory agencies, to reflect local economic conditions. A particular geography could be designated as both distressed and underserved. A non-metropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) An unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census. A non-metropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Palmyra State Bank has one AA and the physical boundaries have not changed since the previous evaluation. The AA is contiguous and encompasses the entirety of Marion County and CTs 9703 and 9704 in Lewis County, which is located in northeast Missouri. Based on the 2010 Census boundaries, seven of the CTs are designated as middle-income and three CTs are designated as upper-income CTs. None of the middle-income CTs have been designated as distressed or underserved since the previous evaluation.

According to 2000 and 2010 Census data, the population of the AA is 32,846 and 33,276, respectively, representing an increase of 1.31 percent. According to the Bureau of Labor Statistics, the unemployment rates for Marion and Lewis Counties, as of April 2013, were 5.9 percent and 5.6 percent, respectively, while the unemployment rate for the State of Missouri is 6.3 percent during the same period. According to the Missouri Partnership organization, the major employers in the area include BASF, Buckhorn Rubber, Continental Cement, General Mills, and Watlow Industries.

According to 2010 Census data, the housing stock in the AA totals 14,871 units, with owner-occupied units comprising 61 percent, occupied rental units comprising 27 percent, and vacant units comprising 12 percent of the available stock. Table 2 provides selected housing information for the AA.

Table 2 – Selected Housing Characteristics by Census Tract Income Category

Census Tract Income Category	**Number (percentage)**						**Median**		
	Census Tract (#)	**House-holds**	**Housing Units**	**Owner-Occupied**	**Single-Family 1-4 Units**	**5 or More Units**	**Age***	**Home Value***	**Gross Rent****
Middle	7	67%	67%	64%	67%	72%	39	$81,377	$487
Upper	3	33%	33%	36%	33%	28%	41	$124,707	$538
Total or Median	**10**	**100%**	**100%**	**100%**	**100%**	**100%**	**40**	**$97,264**	**$500**

*Source: 2010 U.S. Census data, *Owner-Occupied Units, **Renter-Occupied Units.*

According to the 2010 Census the AA includes 13,047 households. Of these households, 8,778 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 FFIEC-adjusted MFI figures for the non-metropolitan portion of Missouri for 2012.

Table 3 – Assessment Area Stratification of Families by Income Category			
Income Category	**Number of Families**	**Percentage of Families**	**2012 Income Range Non-Metropolitan Missouri (MFI = $47,800)**
Low	1,449	17%	<$23,900
Moderate	1,336	15%	$23,900 to <$38,240
Middle	1,882	21%	$38,240 to <$57,360
Upper	4,111	47%	≥ $57,360
Total	**8,778**	**100%**	

Source: U.S. Census (2010) and FFIEC-adjusted median family income information (2012)

Approximately 11 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. The U.S. Census Bureau lists the poverty level threshold in 2012, for a family of four, as $23,283. This figure is determined on a national basis and is not adjusted regionally. 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).

In 2012, 282 farm businesses from the AA reported information to D&B. Of the 280 farm businesses that reported gross annual revenue information, 99 percent reported gross annual revenues of $1 million or less. Further, 49 percent and 51 percent of these non-farm businesses are located in middle-income and upper-income CTs, respectively. Table 4 below summarizes the AA's farm businesses according to gross annual revenues and CT income category. This information will be used to evaluate the bank's small farm lending under Criterion 3 (Geographic Distribution Analysis) and Criterion 4 (Borrower Profile Analysis).

Table 4 – Stratification of Farms by Gross Annual Revenues and Census Tract Income Category				
Census Tract Income Category (1)	**≤ $1 million Number**	**> $1 million Number**	**Not Reported Number**	**Total Number**
Middle	139	0	0	139
Upper	141	1	1	143
Total	**280**	**1**	**1**	**282**

Source: D&B data (2012); (1) The assessment area does not include low- or moderate-income CTs

In 2012, 3,159 non-farm businesses from the AA reported information to D&B. Of the 2,308 non-farm businesses that reported gross annual revenue information, 96 percent reported gross annual revenues of $1 million or less. Further, 60 percent and 40 percent of these non-farm businesses are located in middle-income and upper-income CTs, respectively. Table 5 summarizes the AA's non-farm businesses according to gross annual revenues and CT income category. This information will be used to evaluate the bank's small business lending under Criterion 3 (Geographic Distribution Analysis) and Criterion 4 (Borrower Profile Analysis).

Table 5 – Stratification of Businesses by Gross Annual Revenues and Census Tract Income Category				
Census Tract Income Category (1)	**≤ $1 million Number**	**> $1 million Number**	**Not Reported Number**	**Total Number**
Middle	1,372	57	476	1,905
Upper	835	44	375	1,254
Total	**2,207**	**101**	**851**	**3,159**

Source: D&B data (2012); (1) The assessment area does not include low- or moderate income CTs

During this evaluation, regulatory personnel conducted a community contact to obtain a profile of the area, identify general credit needs of the AA, and assess opportunities for participation by local financial institutions. This contact characterized the area economy as stable, with the agricultural sector experiencing economic growth over the previous two years. According to the contact, the general housing market has been slow but prices have been stable. This individual indicated that agricultural, commercial, and residential loans are the primary credit needs in the area. The individual stated that local financial institutions are actively involved in the community and they are meeting the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Criterion 1: Loan-to-Deposit Ratio

Palmyra State Bank's average NLTD (net loan-to-deposit) ratio is reasonable when considering its asset size, financial condition, 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 6. 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 19 quarters from September 30, 2008 through March 31, 2103, the NLTD ratio for the bank has averaged 90 percent. The NLTD ratio ranged from a low of 81 percent as of December 31, 2011, to a high of 99 percent as of September 30, 2008. During this time period, net loans ranged from a low of $91,544, 000 on September 30, 2008 to a high of $114,701,000 on December 31, 2012. There has been a declining trend in the NLTD ratio during the evaluation period. This declining trend is primarily attributed to lower loan demand and the inflow of deposit funds resulting from the downturn in the economy during the evaluation period.

Table 6 shows the current and average quarterly NLTD ratios for this bank and two similarly situated lenders. The average ratios in Table 6 were calculated based on Reports of Condition and Income for the quarters ending September 30, 2008, to March 31, 2013. The similarly situated lenders are listed in alphabetical order based on the name of the city in which the institution is chartered.

Table 6 - Loan-to-Deposit Ratio Comparison				
Bank	**City, State**	**Total Assets $(000s)**	**Net LTD Ratio March 31, 2013**	**Avg. Net LTD Ratio 19 Quarters**
Palmyra State Bank (1)	**Palmyra, Missouri**	**$162,657**	**84%**	**90%**
F&M Bank and Trust Company (2)	Hannibal, Missouri	$139.126	93%	95%
United State Bank (1)	Lewistown, Missouri	$121,654	79%	77%

Source: (1) Reports of Condition quarters ending September 30, 2008 through March 31, 2013
(2) Reports of Condition for quarters ending March 31, 2012 through March 31, 2013

Criterion 2: Assessment Area Concentration

Palmyra State Bank's performance regarding AA concentration is considered reasonable. The performance of the bank was evaluated through regulatory review of the small farm, small business, and home mortgage loans, as previously noted. Based on this review, overall a majority of the lending (82 percent of the number and 76 percent by dollar volume) was originated within the AA. By dollar volume, less than a majority of the small business loans reviewed was originated in the AA due to one large dollar loan originated to a business located outside the AA. Table 7 summarizes the record of lending within the AA by number and dollar volume.

Table 7 - Distribution of Loans Inside and Outside the AA										
Loan Category	**Number of Loans**					**Dollars Volume of Loans**				
	Inside		**Outside**		**Total #**	**Inside**		**Outside**		**Total $ (000s)**
	#	**%**	**#**	**%**		**$ (000s)**	**%**	**$ (000s)**	**%**	
Small Farm	32	91%	3	9%	35	$1,927	96%	$76	4%	$2,003
Small Business	27	75%	9	25%	36	$663	48%	$723	52%	$1,386
Home Mortgage	34	81%	8	19%	42	$3,322	76%	$1,025	24%	$4,347
Total	**93**	**82%**	**20**	**18%**	**113**	**$5,912**	**76%**	**$1,824**	**24%**	**$7,736**

Source: Loan files

Criterion 3: Geographic Distribution Analysis

Overall, the geographic distribution of lending reflects a reasonable dispersion throughout the AA. This conclusion was reached through a further review of the small farm, small business, and home mortgage loans originated within the AA.

<u>Small Farm Lending</u>

The small farm lending reflects an adequate dispersion within the AA. Table 8 illustrates the geographic distribution of the sampled small farm loans by CT income category. This table also includes 2012 D&B data relative to the percentages of farms in the AA by CT income category.

Table 8 - Distribution of Small Farm Loans by Geographic Income Level					
Census Tract Income Level (1)	**AA Farms**	**Distribution of Small Farm Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
Middle	49%	13	41%	$795	41%
Upper	51%	19	59%	$1,132	59%
Total	**100%**	**32**	**100%**	**$1,927**	**100%**

Source: 2012 D&B data & loan files; (1) The assessment area does not include low- or moderate-income CTs

The small farm loans reviewed were primarily located in upper-income CT 9601 and middle-income CT 9602. A further review of the D&B data reveals that a majority of the farms are located in these CTs.

Small Business Lending

The small business lending reflects an adequate dispersion within the AA. Table 9 illustrates the geographic distribution of the sampled small business loans by CT income category. This table also includes 2012 D&B data relative to the percentages of businesses in the AA by CT income category.

Table 9 - Distribution of Small Business Loans by Geographic Income Level					
Census Tract Income Level (1)	**AA Businesses**	**Distribution of Small Business Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
Middle	60%	13	48%	$268	40%
Upper	40%	14	52%	$395	60%
Total	**100%**	**27**	**100%**	**$663**	**100%**

Source: 2012 D&B data & loan file; (1) The assessment area does not include low- or moderate-income CTs

The sample of small business loans were primarily located in upper-income CT 9601 and middle-income CT 9603. The main office is located in CT 9603 and one branch is located in CT 9601, which contributed to the concentration of small business lending in these CTs.

Home Mortgage Lending

Table 10 reflects the dispersion of the home mortgage loans reviewed by CT income category, which mirrors the demographic information. The comparative demographic data is the percentages of owner-occupied housing units in middle- and upper-income CTs in the AA.

Table 10 - Distribution of Home Mortgage Loans by Geographic Income Level					
Census Tract Income Level (1)	**AA Owner Occupied Housing Units**	**Distribution of Home Mortgage Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
Middle	64%	21	62%	$1,872	56%
Upper	36%	13	38%	$1,450	44%
Total	**100%**	**34**	**100%**	**$3,322**	**100%**

Source: 2010 U.S. Census data & loan files; (1) The assessment area does not include low- or moderate-income CTs

Criterion 4: Borrower Profile Analysis

Overall, the loan distribution by borrower income characteristics reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels, considering pertinent demographic data. Particular focus was given to small farm and small business lending in relation to farms and businesses with gross annual revenues of $1 million or less and home mortgage lending to low- or moderate-income individuals.

<u>Small Farm Lending</u>

The small farm lending reflects a reasonable penetration among farms of different revenue sizes. Table 11, reflects the distribution of the small farm loans reviewed based on the gross annual revenue sizes of the farms. This table also includes 2012 D&B data relative to the percentage of farms that reported gross annual revenues of $1 million or less, gross annual revenues greater than $1 million, and those farms that did not report revenue information.

Table 11 - Distribution of Small Farm Loans by Gross Annual Revenues					
Gross Annual Revenues	**AA Farms with Reported Revenues**	**Distribution of Small Farm Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
≤ $1 million	99%	27	84%	$1,179	61%
>$1 million	<1	5	16%	$748	39%
Sub-Total	**99%**	**32**	**100%**	**$1,927**	**100%**
Revenues Not Reported	<1	0	0%	0	0%
Total	**100%**	**32**	**100%**	**$1,927**	**100%**

Source: 2012 D&B data & loan files

The percentage of small farm loans reviewed originated to farms with $1 million or less in gross annual revenues (84 percent) is less than the percentage of farms in the AA that reported gross annual revenues of $1 million or less (99 percent), but still within a reasonable range. Furthermore, two of the loans to larger farms are to the same borrower, which somewhat skews the percentages.

Small Business Lending

Table 12 reflects the distribution of the small business loans reviewed based on the gross annual revenue sizes of the businesses. This table also includes 2012 D&B data relative to the percentage of businesses that reported gross annual revenues of $1 million or less, gross annual revenues greater than $1 million, and those businesses that did not report revenue information.

Table 12 - Distribution of Small Business Loans by Gross Annual Revenues					
Gross Annual Revenues	**AA Businesses with Reported Revenues**	**Distribution of Small Business Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
≤ $1 million	70%	20	74%	$482	73%
> $1 million	3%	7	26%	$181	27%
Sub-Total	**73%**	**27**	**100%**	**$663**	**100%**
Revenues Not Reported	27%	0	0%	0	0%
Total	**100%**	**100%**	**100%**	**$663**	**100%**

Source: 2012 D&B data & loan files

The percentage of small business loans reviewed originated to businesses with $1 million or less in gross annual revenues (74 percent) exceeds the percentage of businesses in the AA that reported gross annual revenues of $1 million or less (70 percent), therefore the bank's performance is considered reasonable.

Home Mortgage Lending

Home mortgage lending reflects an adequate penetration among individuals of different income levels[3] within the AA. Table 13 below reflects the distribution of home mortgage lending by borrower income level compared to the distribution of families within the AA by income level.

Table 13 - Distribution of Home Mortgage Loans by Borrower Income Level					
Income Classification	**AA Families**	**Distribution of Home Mortgage Loans Reviewed**			
	% of #	**#**	**%**	**$ (000s)**	**%**
Low	17%	4	12%	$200	6%
Moderate	15%	6	18%	$607	18%
Middle	21%	6	18%	$444	14%
Upper	47%	18	52%	$2,071	62%
Total	**100%**	**34**	**100%**	**$3,322**	**100%**

Source: 2010 U.S. Census data & loan files

The home mortgage lending percentage to low-income borrowers (12 percent) is below the percentage of low-income families in the AA (17 percent). Considering the poverty level of 11 percent, the lending to low-income borrowers is considered reasonable. The home mortgage

[3] The loan distribution is determined by comparing the borrower's income for a given year to FFIEC's adjusted MFI for the non-MSA for that same year. See Table 3 on page 7 for a breakdown of income levels that constitute low-, moderate-, middle-, and upper-income in the AA. As an example, in 2012, a borrower in the non-MSA area of Missouri with an income of less than $23,900 would be considered low-income.

lending to moderate-income borrowers (18 percent) is above the percentage of moderate-income families in the AA (15 percent), therefore it is considered reasonable.

Criterion 5: Responses to Substantiated Complaints

Palmyra State Bank has not received any CRA-related complaints since the previous CRA evaluation dated July 31, 2008.

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.