



## **PUBLIC DISCLOSURE**

September 08, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 15471

1009 North Douglass  
Malden, MO 63863

Office of the Comptroller of the Currency

500 N. Broadway  
Suite 1700  
St. Louis, MO 63102

**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.

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

The major factors that support this rating are:

- The bank's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The bank's geographic distribution of loans reflects reasonable dispersion.
- The bank's quarterly average loan-to-deposit (LTD) ratio is more than reasonable.
- The bank originated or purchased a substantial majority of loans within its assessment area (AA).

**SCOPE OF EXAMINATION**

This Performance Evaluation of First National Bank (FNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria. The Missouri AA received a full-scope review. We did not include the new Arkansas AA in the scope for this evaluation as it was only established in October 2013.

The evaluation period is from January 14, 2008 through September 08, 2014. Conclusions regarding FNB's lending performance are based on their primary loan products consisting of farm and residential real estate (RRE) loans. FNB originated and purchased near equal amounts of RRE and farm loans, by number and dollar, during the evaluation period. Therefore, we placed equal weight on farm loans and RRE loans for the borrower and geographic distribution analyses. We based our review on a sample of twenty farm loans and twenty RRE loans that FNB originated or purchased from January 1, 2012 through December 31, 2013.

**DESCRIPTION OF INSTITUTION**

FNB is a nationally chartered, interstate bank located in Malden, MO. First Malden Bancshares, Inc., a one-bank holding company, wholly owns FNB. FNB has four offices in Missouri, located in Dexter, Clarkton, Kennett, and Malden. FNB opened a new branch in Leachville, Arkansas on October 2, 2013. All offices are in middle-income geographies with the exception of the Kennett branch, located in a moderate-income geography. The bank has cash-withdrawal-only automated teller machines (ATMs) located at the Dexter and Clarkton branches, and deposit-taking ATMs at their Malden, Leachville, and Kennett offices. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AAs it serves.

As of June 30, 2014, FNB reported total assets of \$173 million and Net Tier One Capital of \$15 million. FNB's business strategy focuses on the origination and purchase of farm and RRE loans. As of June 30, 2014, net loans and leases represented 83% of total

assets and consisted of RRE loans (33%), farm loans (32%), commercial and commercial real estate loans (29%), consumer loans (3%), and other loans (3%).

FNB received an "Outstanding" rating at its last CRA evaluation dated January 14, 2008.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB has two rural AAs. The Missouri AA is long-established; see below for details. With the October 2013 opening of the Leachville office, FNB added a new AA in northeast Arkansas. The Arkansas AA consists of all of Mississippi County, which has four moderate-income, six middle-income, and two upper-income census tracts (CTs). However, the limited activity to-date in the Arkansas AA precludes a meaningful analysis of FNB's ability to meet the credit needs of this AA.

Both AAs conform to regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies.

### **Missouri AA**

FNB's Missouri AA is made up of three whole counties (Dunklin, New Madrid, and Stoddard) in southeast Missouri. The AA consists of six moderate-income, seventeen middle-income, and one upper-income CT. The 2013 Federal Financial Institutions Examination Council (FFIEC) estimated statewide non-metropolitan area median family income for the AA is \$48,200. Based on 2010 Census data, 24% of families are low-income and 20% are moderate-income. The same data indicates 15% of families live below the poverty level. The median housing value for the AA in 2010 was \$73,027.

In the AA, the unemployment rate was 7.57% as of January 2008. Unemployment during the recent recession hit a high of 9.69% (December 2009) but returned to pre-recession levels and is now 7.28% (June 2014). The state of Missouri unemployment rate was 7% as of June 2014. Major industries include agriculture, followed by healthcare and manufacturing. Major employers include Faurecia Emissions Control Technologies, Tyson Foods Inc., Noranda Aluminum, Inc., Twin Rivers Regional Medical Center, and Kennett Consolidated School District.

FNB's deposits total \$148 million as of June 30, 2013. FNB is the third largest deposit-taking institution in the AA with a 10% market share based upon FDIC deposit data. Competition for financial services is moderate with seventeen other financial institutions located in the bank's AA. The three largest financial institutions are Southern Bank, The Bank of Advance, and First National Bank.

We contacted a representative from the Kennett Chamber of Commerce to identify credit needs in the AA. The representative stated low- and moderate-income individuals in the AA could benefit from flexible underwriting on RRE and agricultural loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB does a reasonable job of meeting the credit needs of the AA, including those of low- and moderate-income people, given the demographics, economic factors, and competitive pressures faced by the bank.

### Loan-to-Deposit Ratio

FNB's LTD ratio is more than reasonable given the institution's size, current competition, its financial condition, AA credit needs, and its business strategy.

As of June 30, 2014, FNB's LTD ratio was 93.39%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 88.79%. This ratio is higher than six comparable institutions. The average LTD ratios of these financial institutions, which are comparable in size and location, range from 60% to 89% for the same period.

### Lending in Assessment Area

FNB originated a substantial majority of loans inside its AA. Based on our sample of farm and RRE loans, FNB originated 93% of loans by number and 92% by dollar volume within its AA.

Lending In AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
RRE	17	85%	3	15%	20	\$1,186	76%	\$370	24%	\$1,556
Farm	20	100%	0	0%	20	\$3,087	100%	0	0%	\$3,087
Totals	37	93%	3	7%	40	\$4,273	92%	\$370	8%	\$4,643

Source: Sample of 20 farm and 20 RRE loans originated or purchased in 2012-2013

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB's lending distribution of RRE and farm loans to borrowers of different income levels and farms of different sizes reflects reasonable penetration.

#### Residential Real Estate Loans

The borrower distribution of RRE loans is reasonable. The percentage of loans to low-income borrowers (15%) is lower than the percentage of AA low-income families (24%). When assessing the percentage of loans to low-income borrowers, we took into consideration the percentage of families living below the poverty line in the AA (15%). The percentage of loans to moderate-income borrowers (20%) meets the percentage of AA moderate-income families (20%).

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families*	% of Number of Loans**	% of AA Families*	% of Number of Loans**	% of AA Families*	% of Number of Loans**	% of AA Families*	% of Number of Loans**
RRE	24%	15%	20%	20%	20%	25%	36%	40%

\* Percentage of Families is based on 2010 U.S. Census data.

\*\*Source: Sample of 20 RRE loans from 2012-2013.

**Farm Loans**

The borrower distribution of farm loans is reasonable. The percentage of loans to businesses with revenues of \$1 million or less (85%) is lower than the percentage of AA businesses with revenues of \$1 million or less (98%).

Borrower Distribution of Farm Loans in AA			
Farm Revenues	≤\$1,000,000	>\$1,000,000	Total
% of AA Farms	98%	2%	100%
% of Bank Loans in AA by #	85%	15%	100%
% of Bank Loans in AA by \$	86%	14%	100%

Source: Sample of 20 farm loans originated or purchased in 2012-2013, and 2013 farm data

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion. FNB lends in most geographies within this AA. There are no low-income geographies in the AA.

**Residential Real Estate Loans**

The geographic distribution of RRE loans is reasonable. The percentage of loans in moderate-income geographies (20%) is somewhat lower than the percentage of owner-occupied housing in those same geographies (23%).

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing*	% of Number of Loans**	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
RRE	NA	NA	23%	20%	72%	80%	5%	0%

\* The percentage of Owner Occupied Housing units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 U.S. Census data.

\*\* Source: Sample of 20 RRE loans originated or purchased in 2012-2013.

**Farm Loans**

The geographic distribution of farm loans is more than reasonable. The percentage of loans in moderate-income geographies (25%) exceeds the percentage of AA farms in those same geographies (24%).

Geographic Distribution of Farm Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	NA	NA	24%	25%	70%	75%	6%	0%

*Source: Sample of 20 farm loans originated or purchased in 2012-2013, and 2013 farm data.*

**Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.