



PUBLIC DISCLOSURE

August 11, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank
Charter Number 24347

901 Highway 60
Monett, MO 65708

Office of the Comptroller of the Currency
Kansas City Field Office
1027 South Main Street, Suite 405
Joplin, MO 64801

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 "Outstanding."

- Community National Bank (CNB)'s distribution of commercial and consumer loans to low- and moderate-income borrowers shows excellent penetration.
- CNB's loan-to-deposit ratio is reasonable at 76 percent.
- CNB's community development activities demonstrate excellent responsiveness.

SCOPE OF EXAMINATION

The scope of the examination included evaluating CNB using small bank CRA examination procedures. Our objective was to assess CNB's ability to serve and meet the community's needs within its assessment area (AA). We performed a full scope evaluation of CNB's AA.

To evaluate bank performance under the lending test, we used lending data from January 1, 2012 through December 31, 2013. We selected a sample of loans from CNB's loan trial for our evaluation. This included 25 commercial and 25 consumer loans. We also reviewed information regarding community development loans, investments, and bank services during the evaluation period.

Based on the number of loans originated or purchased during the evaluation period, commercial and consumer loans are CNB's primary loan products, representing 50 percent of the lending portfolio. We selected a sample of 25 loans each from CNB's commercial and consumer portfolios for our analysis.

DESCRIPTION OF INSTITUTION

CNB is a \$92 million intrastate community bank with its main office headquartered in Monett, Missouri. CNB has two locations in southwest Missouri.

As of June 30, 2014, total loans represented 68 percent of total assets. The loan portfolio by dollar volume consists of 32 percent home mortgage loans, 31 percent commercial real estate loans, 22 percent agricultural loans, 8 percent commercial and industrial loans, 4 percent consumer loans, 2 percent construction and land development loans, and 1 percent other loans. CNB's business focus is serving the credit needs of the community with a diversified lending platform. CNB's strategy includes providing agricultural, commercial, residential real estate, and consumer loans for the consumers and businesses in the AA.

During the assessment period, there were significant disasters in CNB's AA. These included severe storms, tornados, and flooding, and resulted in the federal government designating CNB's AA as a natural disaster area in 2011 and 2013. CNB received a "Satisfactory" rating during its last Small Bank CRA examination dated January 19, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

The CNB AA includes the entire county of Lawrence and three census tracts in the county of Barry. The AA has a population of about 58,000, over 25,000 housing units, over 22,000 households, and over 3,300 businesses. The AA has no low-income, one moderate-income, nine middle-income, and no upper-income census tracts.

Approximately 17 percent of households and 13 percent of families in the AA live below the poverty level. The updated 2013 median family income for the AA is \$48,200, which is an increase from the updated 2012 median family income of \$47,800. The median housing value is \$99,322, and 65 percent of the housing units are owner-occupied.

Retail, health care and social assistance, professional, scientific, technical services, and other services make up the majority of the area economic base. Major employers include Jack Henry and Associates, Tyson Foods, Hydro Aluminum, BRI, Miracle, Architectural Systems Inc., EFCO Corporation, and WinTech. As of June 2014, the unemployment rate for the AA was 5.7 percent. The state of Missouri unemployment rate was 6.5 percent, and the national unemployment rate was 6.1 percent.

CNB has two branches in the AA. The Aurora branch is located in a moderate-income tract, and the headquarters in Monett is located in a middle-income tract. There are three ATMs located in this AA, with one in a moderate-income tract and two in middle-income tracts.

Deposit competition from other financial institutions is strong. There are 15 financial institutions with 35 offices within the AA, holding deposits ranging from \$14 million to \$168 million. Additional competition comes from credit unions, financial advisors, and Internet banking organizations that are not included in the FDIC Market Share report. CNB holds 7.55 percent of the deposit market share.

In assessing CNB's performance, we contacted one community outreach organization. The contact identified primary credit needs as predevelopment and construction loans at below market rates or long-term low interest rates. The contact also identified grant and investment needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's quarterly average loan-to-deposit (LTD) ratio is reasonable at 76.09 percent. We calculated CNB's quarterly average LTD ratio from December 31, 2009 to March 31, 2014. During this period, CNB's lowest average LTD was 68.04 percent and highest average LTD was 83.07 percent. The quarterly average LTD ratio of similarly situated financial institutions is lower than CNB at 70.43 percent, with an average low of 55.01 percent and an average high of 86.17 percent.

Lending in Assessment Area

A majority of CNB's loans are inside CNB's designated AAs. Approximately 86 percent by number and 73 percent by dollar are inside the AAs. Commercial loans by dollar and consumer loans by number are CNB's primary products, based on our review of loans originated and purchased during the evaluation period.

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

CNB's distribution of commercial and consumer loans to low- and moderate-income borrowers shows excellent penetration.

CNB's performance in lending to businesses with revenues less than \$1 million, at 75 percent, slightly exceeds the percentage of businesses in the AA of 73 percent by both dollar and number. Eighty-five percent of the loans to small businesses are less than \$100,000.

CNB's percentage of consumer loans to low-income borrowers, at nine percent, is significantly below the percentage of low-income households of 23 percent; however, this is satisfactory given the percentage of families below the poverty level.

CNB's performance in consumer lending to moderate-income borrowers, at 22 percent, significantly exceeds the percentage of moderate-income households of 17 percent.

Geographic Distribution of Loans

CNB's consumer and commercial lending in moderate-income census tracts shows excellent dispersion. There are no low-income census tracts in CNB's AA.

CNB's performance in consumer lending in moderate-income geographies, at 21.74 percent, significantly exceeds the percentage of moderate-income households of 4.81 percent. CNB's performance in commercial lending in moderate-income census tracts, at 20.00 percent, significantly exceeds the percentage of businesses at 5.75 percent.

Qualified Investments and CD Services (Optional)

We evaluated information provided by CNB for community development loans, investments, and services. The period considered for the CD activity performed was from January 19, 2010 to August 2, 2014. CNB's community development activities demonstrate excellent responsiveness to community development needs in its AA and had a significantly positive impact on CNB's overall rating.

CNB originated three CD loans during the prior period that are outstanding. The total balance is \$859,000, representing 9.73 percent of tier 1 capital during the evaluation period. The loans were used to buy or build facilities in the AA; one facility is a community center that has helped revitalize/stabilize the community. The other two loans provided community services. The loans were used to purchase buildings that provide health care services to the community.

CNB's qualified investments totaled \$2.4 million, representing 26.81 percent of CNB's tier 1 capital. The volume of community development investments is excellent. In the AA, CNB made 18 investments totaling \$1.9 million that provided economic development, and three investments that revitalized/stabilized the community. The AA has 14 donations for \$74,000 to provide affordable housing, community services, and economic development. CNB's qualified investments are responsive to community credit needs of affordable housing, economic development, and community services in the AA.

CNB's community development services show excellent responsiveness to the needs of the AA. CNB provided 23 community development services that provided affordable housing, economic development, community revitalization/stabilization, and community services. CNB has formed the Monett Community Development Corporation to assist businesses in the downtown area to provide low-dollar loans to new or existing small businesses. CNB has partnered with Habitat for Humanity to provide escrow services to the organization, which provides individual counseling for home owners to ensure they get payments in on time. CNB also works with the community to provide services that help to maintain the community's infrastructure to include roads and tax increment financing organizations.

CNB's branch distribution is excellent. The branches are accessible to individuals of different income levels. In the AA, 50 percent of branches and 33 percent of ATMs are in a moderate-income census tract, providing an excellent level of CD services through CNB's branch delivery systems.

Responses to Complaints

CNB has had no complaints related to its CRA performance since its last 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 CNB or FSA, or in any assessment area by an affiliate whose loans have been considered as part of CNB'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.