



## **PUBLIC DISCLOSURE**

September 15, 2014

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

The Malvern National Bank  
Charter Number: 23202

1 Money Place  
Malvern, AR 72104-3839

Office of the Comptroller of the Currency

Little Rock Field Office  
1401 W. Capitol Ave., Suite 350  
Little Rock, AR 72201-2915

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding**

- The Malvern National Bank's (MNB) loan-to-deposit (LTD) ratio is reasonable at 59.55 percent considering the strong competition in the market, depressed economic conditions, and secondary market sales.
- A majority of loan originations and purchases are within MNB's assessment area, meeting the standard for satisfactory performance. During the evaluation period, MNB originated or purchased 86.11 percent of the bank's loans by number and 65.24 percent by dollar within the assessment area (AA).
- The distribution of loans to borrowers of different income levels for residential mortgage lending exhibits a reasonable penetration, and the businesses of different sizes exhibits excellent penetration, yielding performance that meets the standard for satisfactory performance.
- The overall level and responsiveness of community development lending, investments, and services is excellent.

## **Scope of Examination**

This Performance Evaluation (PE) assesses MNB's record of meeting the credit needs of the communities in which it operates. Based on total assets of \$453 million on December 31, 2013, and \$474 million on December 31, 2012, we evaluated the bank as an Intermediate Small Bank (ISB) using Interagency Community Reinvestment Act (CRA) examination procedures. The ISB examination includes a lending test and a community development test. The lending test covers the bank's performance from January 1, 2012, through June 30, 2014, excluding community development loans. The evaluation period for community development loans, services, and qualified investments is August 17, 2011, through September 15, 2014.

MNB offers a variety of loan products. Based on discussions with bank management and an evaluation of originations during the evaluation period, we determined MNB's primary loan products are loans to businesses and residential real estate loans. We based our evaluation of lending performance on residential mortgage loans and loans to businesses reportable under the Home Mortgage Disclosure Act (HMDA) during the evaluation period. A data integrity examination of the bank's HMDA and CRA loan data was performed July 14, 2014. The data was determined to be accurate and reliable for use during the CRA examination.

All AAs were reviewed as full scope areas based on their significance to the bank in terms of Summary of Deposits, as of June 30, 2013, and the volume of loans originated during the evaluation period. Refer to the Description of Assessment Areas for further details.

Demographic data is based on the 2010 U.S. Census with area median family incomes updated as of 2013. Business demographic data is from Dun & Bradstreet as of 2013. The Office of Management and Budget (OMB) revised Metropolitan Area (MA) and census tract (CT) geographic definitions and boundaries in February 2013. Those revisions became effective for CRA purposes on January 1, 2014. Based on 2014 OMB MA changes, MNB's borrowers and geographic distributions were all evaluated using 2013 demographics. No changes were reflected within MNB's AAs between the historical delineation of December 2009 to current delineation of February 2013.

## **Description of Institution**

MNB is wholly owned by MNB Bancshares, Inc., a one-bank holding company headquartered in Malvern, Arkansas. MNB operates 10 full-service branches. The main office is located in Malvern with additional branches in Benton, Bryant, Little Rock, Hot Springs, and Sheridan. Automated teller machines (ATMs) and drive-thru facilities are available at each branch location. In addition, MNB operates two cash only ATMs. Both ATMs are located in the city of Malvern. MNB did not close any branch offices or participate in an acquisition/merger during the evaluation period.

As of June 30, 2014, MNB held total assets of \$461 million with net loans and leases accounting for 44.8 percent of total assets. Of total loans outstanding, 58 percent were commercial real estate loans, 22.5 percent were 1-4 family residential loans, 16.7 percent were commercial and industrial loans, and 2.8 percent were consumer loans, according to the June 30, 2014 Report of Condition and Income.

Business lending is MNB's primary business strategy. Residential lending opportunities were limited given a weak residential market during the evaluation period. Despite economic conditions, there were opportunities for the MNB to make community development loans and qualifying investments, as well as provide community development services in the MNB's assessment area. There are a good number of local organizations that have a primary mission to improve the living conditions of the low- and moderate-income segment of the community by providing affordable rental housing or community services, health care, family assistance, and youth programs.

There are no financial, legal, or regulatory impediments that would prevent the bank from meeting the credit needs of the community.

MNB received a "Satisfactory" rating at their prior CRA examination dated August 16, 2011.

## **Description of Assessment Area(S)**

MNB has three AAs consisting of two Metropolitan Statistical Areas (MSA): Hot Spring County (Non-MSA), Grant and Saline Counties of the Little Rock/ North Little Rock/Conway MSA, and Garland County of the Hot Springs MSA. All AAs are located within the State of Arkansas. MNB's AAs consist of whole geographies and do not arbitrarily exclude low- and moderate-

income (LMI) CTs. Of the 52 CTs, six are LMI CTs. The AAs are consistent with the legal requirements of 12 CFR 25.41.

Overall competition is strong within the AAs. Twenty banks, ranging from community to national banks, operate 108 branches within the AAs. The top four banks account for 54.7 percent of the market share: Regions Bank (17.38 percent), Summit Bank (15.79 percent)<sup>1</sup>, MNB (10.87 percent), and Arvest Bank (10.68 percent).

Community credit needs in the AAs were determined by reviewing CRA PE's of other banks operating in the same AAs and by conducting one community contact with a nonprofit community service organization. We determined that the most pressing credit needs in the AAs are community and economic development and small business lending.

The narratives below include information on economic, demographic and competitive factors that may have influenced the bank's performance as well as comments on community credit needs.

### **Hot Spring County AA**

The AA is not located within an MSA. The county's principal city is Malvern, which houses MNB's main office. Additionally, MNB has three full-service branches and one cash only ATM located within Hot Spring County. None are located within LMI CTs. As of June 30, 2013, MNB's total deposits were \$382 million, according to Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Report (SOD). Of these deposits, 49.3 percent derived from branches within the Hot Spring County AA. Banking competition in the AA is moderate with community banks, regional banks, and large national banks operating in the market. Data from the FDIC Market Share Report during the same period shows that there are five financial institutions operating 14 offices in Hot Spring County. Four of the five banks are headquartered in Arkansas. MNB ranked first with a deposit market share of 43.07 percent. Other banks in the AA are Summit Bank, Farmers Bank & Trust Company, U.S. Bank National Association, and Southern Bancorp Bank.

The AA contains seven CTs. None are LMI CTs. Six CTs were identified as 'Distressed Middle-Income Nonmetropolitan Tracts' for 2013 only, when the unemployment rate peaked at 8.1 percent in January 2013, according to the Bureau of Labor Statistics (BLS). As of June 2014, the unemployment rate had fallen to 5.9 percent. The AA has a total population of 32,923 persons. Of this population, there are 8,199 families and 11,942 households residing in the AA. The 2010 Census Bureau Median Family Income (MFI) of \$42,249 was used to determine the tract income level for each CT in the AA. The 2013 MFI, as estimated by the Department of Housing and Urban Development (HUD), is \$44,000. The HUD estimated MFI is used to designate the income category of each MNB borrower. The U.S. Census Bureau Small Area Income and Poverty Estimates for 2010 show 14.2 percent of families have incomes below the poverty level, a decrease of one percent since the prior CRA examination. LMI families represent 34.1 percent of total families in the AA.

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<sup>1</sup> Summit Bank merged with Bank of Ozarks effective May 16, 2014.

Census Tract Category	# of Census Tracts	% of Total
Low Income	0	0.00%
Moderate Income	0	0.00%
Middle Income	6	85.71%
Upper Income	1	14.29%
<b>Total</b>	<b>7</b>	<b>100.00%</b>

Income Category	Families in the AA
Low Income Families	14.56%
Moderate Income Families	19.54%
Middle Income Families	20.31%
Upper Income Families	45.59%
<b>Total</b>	<b>100.00%</b>

Tract Category	Families residing in tracts
Low Income Tracts	0.00%
Moderate Income Tracts	0.00%
Middle Income Tracts	76.98%
Upper Income Tracts	23.02%
<b>Total</b>	<b>100.00%</b>

Major industries consist of durable goods, manufacturing, and services. The largest employers of the AA include Acme Brick Company, Anthony Timberlands, Inc., Arbor Oaks Healthcare & Rehab, Arkansas Midland Railroad, and Bulk Sak.

**Grant and Saline Counties AA**

The AA is located within the Little Rock/North Little Rock/Conway MSA. While the MSA is comprised of six counties, only Grant and Saline are included within MNB’s AA. Faulkner, Lonoke, Perry, and Pulaski counties are excluded. The AA is comprised of 25 CTs, of which one is LMI.

MNB has four full-service branches located within the Grant/Saline County AA, which account for 34 percent of deposits derived from branches within MNB’s AA. None of the branches are located within an LMI CT. Banking competition in the AA is strong with community banks, regional banks, and large national banks operating in the market. Data from the FDIC Market Share Report for June 30, 2014 shows that there are 15 financial institutions operating 41 offices in Grant and Saline counties. All of the banks, except three, are headquartered in Arkansas. MNB ranked within the top five banks holding 9.45 percent of the deposit market share. Other banks in the AA include First Security Bank (18.47 percent), Regions Bank (14.32 percent), Bank of the Ozarks (9.31percent), and Arvest Bank (9.23 percent).

The AA has a total population of 124,971 persons. Of this population, there are 33,651 families residing in the AA. LMI families represent 35.1 percent of total families. The 2010 Census Bureau MFI of \$58,911 was used to determine the tract income level for each census tract in the AA. The 2013 MFI, as estimated by the HUD, is \$62,100. The HUD estimated MFI is used to designate the income category of each MNB borrower. Households residing in the AA total 45,864. The U.S. Census Bureau Small Area Income and Poverty Estimates for 2010 show 9.39 percent of households have incomes below the poverty level and 1.40 percent is on public assistance.

Census Tract Category	# of Census Tracts	% of Total
Low Income	0	0.00%
Moderate Income	1	4.00%
Middle Income	19	76.00%
Upper Income	5	20.00%
<b>Total</b>	<b>25</b>	<b>100.00%</b>

Income Category	Families in the AA
Low Income Families	16.72%
Moderate Income Families	18.41%
Middle Income Families	23.69%
Upper Income Families	41.18%
<b>Total</b>	<b>100.00%</b>

Tract Category	Families residing in tracts
Low Income Tracts	0.00%
Moderate Income Tracts	4.61%
Middle Income Tracts	77.58%
Upper Income Tracts	17.81%
<b>Total</b>	<b>100.00%</b>

**Garland County AA**

The AA is the only county of the Hot Springs MSA. The AA contains 20 CTs. Five are LMI CTs. Total population is 96,024 persons. Of this population, there are 25,731 families and 40,146 households residing in the AA. The 2010 Census Bureau MFI for the Hot Springs MSA was \$45,745. The 2013 MFI for the Hot Springs MSA, as estimated by HUD, was \$46,700. Households below poverty level are 16.46 percent, an increase from 13.98 percent during the 2000 Census. While 38 percent of families are LMI, only 15.9 percent live within LMI tracts.

Census Tract Category	# of Census Tracts	% of Total
Low Income	1	5.00%
Moderate Income	4	20.00%
Middle Income	10	50.00%
Upper Income	5	25.00%
<b>Total</b>	<b>20</b>	<b>100.00%</b>

Income Category	Families in the AA
Low Income Families	20.75%
Moderate Income Families	17.25%
Middle Income Families	21.13%
Upper Income Families	40.87%
<b>Total</b>	<b>100.00%</b>

Tract Category	Families residing in tracts
Low Income Tracts	1.58%
Moderate Income Tracts	14.33%
Middle Income Tracts	53.94%
Upper Income Tracts	30.15%
<b>Total</b>	<b>100.00%</b>

The AA has 49,822 housing units. Of those, 76.83 percent are 1-4 family units. Only 13.71 percent of the total units are mobile homes and trailers. Owner-occupied units comprise 56.52 percent of units in the AA. According to BLS, the June 2014 unemployment rate for the Hot Springs MSA was 6.5 percent compared to 8.5 percent in June 2011. The June 2014 rate is slightly higher than the state average of 6.2 percent and national average of 6.1 percent. The

Garland County Government reports the major contributors to the economy are tourism, livestock production, and forestry. However, the Arkansas Economic Development Commission reports the largest employers as Saint Joseph's Mercy Health Center, Wal-Mart Stores, Inc., National Park Medical Center, and First Step, Inc.

MNB has three full-service branches located within the Garland County AA, which account for 16.7 percent of deposits derived from branches within MNB's AA. Banking competition in the AA is strong with community banks, regional banks, and large national banks operating in the market. Data from the FDIC Market Share Report, as of June 30, 2013, shows that there are 13 financial institutions operating 53 offices in the Hot Springs MSA. Ten of the banks are headquartered in Arkansas. MNB holds 3.75 percent of the deposit market share. The top three banks account for 60.2 percent of the market share: Regions Bank, Summit Bank, and Arvest Bank.

## Conclusions with Respect to Performance Tests

### LENDING TEST

MNB's performance under the Lending Test is rated **Satisfactory**. MNB's performance in the AA is good. An analysis of the geographic distribution of business and residential loans is not meaningful for the Hot Spring County and Grant and Saline Counties AAs considering that there are no LMI geographies in Hot Spring County AA and only one moderate-income geography in the Grant and Saline Counties AA.

### Loan-to-Deposit Ratio

MNB's quarterly average LTD ratio since the last CRA examination is **reasonable**.

MNB maintained an average quarterly LTD ratio of 59.55 percent. Three similarly situated banks were selected based on similar asset size and branches in common markets. The banks included in our analysis were First National Bank, Diamond Bank, and Heartland Bank. Compared to these institutions, MNB fell outside of average LTD range of a low of 70.96 percent and a high of 100.69 percent. The other institutions average LTD was 80.96 percent. MNB originated 116 loans totaling \$23.6 million that were sold in the secondary market over the evaluation period. While the sales are not a compensating factor, it supplements MNB's lending performance within its AA. Secondary market sales enabled MNB the ability to compete with larger institutions within its AA. Core deposits have remained stable over the evaluation period ranging from \$344.9 million on December 31, 2012 to \$354.5 million on June 30, 2014. In addition, MNB consistently holds a large amount of public funds due to its Academic Prime Program offered. Public funds, through the program, average five to ten percent of core deposits annually. As of December 31, 2013, the funds totaled approximately \$16.3 million. MNB's LTD ratio is considered reasonable considering contextual factors in the Bank's AA related to strong competition, weak economic conditions during the evaluation period that negatively affected real estate values, increased unemployment, and tightened underwriting standards in the AA coupled with the large amount of public funds held.

**Lending in Assessment Area**

Lending in the AA **meets the standard** for satisfactory performance.

MNB originated or purchased a majority of loans in the AA. As illustrated in Table 1, MNB originated or purchased 86.11 percent of the bank’s loans by number and 65.24 percent by dollar within the AA during the evaluation period.

<b>Table 1 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	78	76.47	24	23.53	102	8,487	46.27	9,855	53.73	18,342
Home Improvement	69	93.24	5	6.76	74	1,196	85.31	206	14.69	1,402
Refinancing	49	87.50	7	12.50	56	6,034	35.17	11,122	64.83	17,156
Small Business	507	86.37	80	13.63	587	49,272	79.35	12,823	20.65	62,095
Small Farms	78	88.64	10	11.36	88	2,459	56.08	1,926	43.92	4,385
<b>Totals</b>	<b>781</b>	<b>86.11</b>	<b>126</b>	<b>13.89</b>	<b>907</b>	<b>67,448</b>	<b>65.24</b>	<b>35,932</b>	<b>34.76</b>	<b>103,380</b>

*Source: HMDA Data and bank business loan origination reports from January 1, 2012 through June 30, 2014.*

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

The distribution of loans to borrowers of different income levels for residential mortgage lending exhibits a **reasonable penetration**, and the businesses of different sizes exhibits **excellent penetration**, yielding performance that meets the standard for satisfactory performance. Overall, residential lending was hindered by strong competition, high poverty and unemployment rates, and secondary market sales. Refer to the Description of Assessment Area and Loan-To-Deposit sections.

**Hot Spring County AA**

Loan penetration of low- and moderate-income families is reasonable and meets the standard for satisfactory performance within the Hot Spring County AA. The bank’s level of lending to low-income borrowers is lower than the percentage of low-income families in the AA for home purchases. Lending to moderate-income borrowers is lower by comparison to the percentage of moderate-income families in the AA for refinances and somewhat lower for home purchases. MNB was near to or exceeded lending efforts in all other borrower income levels.



Table 2 - Borrower Distribution of Home Loans in Hot Spring County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	14.56	6.25	19.54	12.50	20.31	18.75	45.59	56.25
Home Improvement	14.56	12.50	19.54	28.13	20.31	18.75	45.59	34.38
Refinancing	14.56	12.50	19.54	8.33	20.31	29.17	45.59	16.67

Source: 2010 US Census HMDA data

In the Hot Springs County AA, the number and dollar of the Bank’s loans to small businesses (businesses with revenues of \$1 million or less) exceeds the percentage of small businesses in the AA, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in Hot Spring County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	75.22	2.48	22.30	100
% of Bank Loans in AA by #	100	0.00	0.00	100
% of Bank Loans in AA by \$	100	0.00	0.00	100

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2013.

**Grant and Saline Counties AA**

Loan penetration of low- and moderate-income families is reasonable and meets the standard for satisfactory performance within the Grant and Saline Counties AA. The bank’s level of lending to low-income borrowers is lower than the percentage of low-income families in the AA for home purchases and refinancing. Lending to moderate-income borrowers is near to the percentage of moderate-income families in the AA for refinances. MNB was near to or exceeded lending efforts in all other borrower income levels.

Table 2- Borrower Distribution of Home Loans in Grant and Saline Counties AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	16.72	5.56	18.41	20.37	23.69	14.81	41.18	35.19
Home Improvement	16.72	20.59	18.41	26.47	23.69	20.59	41.18	29.41
Refinancing	16.72	5.88	18.41	17.65	23.69	29.41	41.18	35.29

Source: 2010 US Census HMDA data

In the Garland and Saline Counties AA, the number and dollar of the Bank’s loans to small businesses (businesses with revenues of \$1 million or less) exceeds the percentage of small businesses in the AA, as depicted in the following table.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Grant and Saline Counties AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	76.61	2.65	20.74	100
% of Bank Loans in AA by #	100	0.00	0.00	100
% of Bank Loans in AA by \$	100	0.00	0.00	100

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2013.

**Garland County AA**

Loan penetration of low- and moderate-income families is reasonable and meets the standard for satisfactory performance within the Garland County AA. High poverty levels directly affect the lending capabilities within this AA as depicted by the chart below. MNB’s level of lending to low-income borrowers was significantly lower than the percentage of low-income families in the AA for home improvements and refinances. Lending to moderate-income borrowers is significantly lower by comparison to the percentage of moderate-income families in the AA for home purchases and refinances. The percentage of the number of loans to low-income borrowers was somewhat lower than the percentage of low-income families for home purchases. MNB exceeded expectations for the level of loans to moderate- and middle- income borrowers compared to the percentage of families for home improvements.

<b>Table 2 - Borrower Distribution of Home Loans in Garland County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.75	12.50	17.25	0.00	21.13	0.00	40.87	62.50
Home Improvement	20.75	0.00	17.25	33.33	21.13	66.67	40.87	0.00
Refinancing	20.75	0.00	17.25	0.00	21.13	0.00	40.87	75.00

Source: 2010 US Census HMDA data

In the Garland County AA, the number and dollar of the Bank’s loans to small businesses (businesses with revenues of \$1 million or less) exceeds the percentage of small businesses in the AA, as depicted in the following table.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Garland County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.63	3.60	22.78	100
% of Bank Loans in AA by #	100	0.00	0.00	100
% of Bank Loans in AA by \$	100	0.00	0.00	100

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2013.

**Geographic Distribution of Loans**

The geographic distribution of loans indicates a **reasonable dispersion** among tracts of different income levels, meeting the standards for satisfactory performance. The following charts compare the geographic distribution of residential loans and loans to small businesses made by MNB during the evaluation period for the Garland County AA, which contains one low-income geography and four moderate-income geographies.

The percentage of bank loans in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income CTs in the Garland County AA. There were no unexplained conspicuous gaps in lending. MNB originated no loans within low-income CTs due the limited number housing units. Additionally, MNB has no branches located within LMI CTs for the Garland County AA. This limitation prevents the Bank from penetrating all areas in the AA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Garland County AA</b>								
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
Home Purchasing	1.21	0.00	11.65	0.00	55.43	62.50	31.71	0.00
Home Improvement	1.21	0.00	11.65	33.33	55.43	33.33	31.71	33.33
Refinancing	1.21	0.00	11.65	25.00	55.43	25.00	31.71	50.00

Source: 2010 US Census HMDA data

The distribution of loans to businesses and farms in low- and moderate-income CTs is more than reasonable in the Garland County AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses and Farms in Garland County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	1.51	1.70	18.54	18.76	48.58	48.84	31.37	30.69
Farms	0.41	0.40	11.07	10.84	50.41	50.60	38.11	38.15

**Responses to Complaints**

The Bank did not receive any complaints regarding its CRA performance during the evaluation period. The bank has a formal process of receiving and responding to customer complaints.

## **COMMUNITY DEVELOPMENT TEST**

The Bank's responsiveness to the community development (CD) needs of the AA through CD lending, investments, and services is **excellent**. MNB demonstrated **excellent responsiveness** within the Hot Spring County AA, Grant and Saline Counties AA, and Garland County AA.

We reviewed information provided by MNB for community development activities within the each AA during the evaluation period. The information was reviewed to validate that the activities supported community development and were responsive to community needs.

Due to the existence of one low-income and four moderate-income geographies within the Garland County AA, one moderate-income geography within the Grant/Saline County AA, and competition from other financial institutions in the AA, CD lending and investment opportunities are limited in MNB's AA. In response, MNB has taken advantage of opportunities in LMI areas in other parts of the state of Arkansas that are not in MNB's AA that focus on affordable housing for low- and moderate-income residents, capital and infrastructure improvements of distressed and underserved areas, and improvements of Title I Schools. Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), as amended provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. These actions had a favorable impact on the CD Test rating considering MNB has met the needs of its defined AA.

### **Number and Amount of Community Development Loans**

Considering the needs and opportunities in the AA, performance context, and capacity, the MNB's performance is **excellent** relative to CD lending. Qualified CD loans totaled \$8.4 million.

During the evaluation period, MNB originated two loans to Malvern Nursing Home and Rehabilitation Center totaling \$6.5 million for renovations and expansion. Arkansas Elder Outreach, a non-profit organization, operates the center. The center specializes in providing a comfortable and place for the elderly to live. The center has been in business since 1960 and is occupied by 55 percent Medicaid recipients. One loan for \$460 thousand was originated for the purchase and renovation of an apartment complex. The complex was transitioned into affordable housing for Saline County. Rents are \$410 - \$420 per month, opposed to Saline's county's median rents of \$739.

### **CD Loans outside the Assessment Area**

MNB originated two loans totaling \$1.5 million both of which met the CD eligibility definition. Each loan financed affordable housing for low- and moderate-income individuals and qualified for the Low Income Tax Credit Housing Program. The Holly Grove Manor Tax Credit is located in Monroe County and has a remaining advance of \$600 thousand. The Hughes Manor Tax Credit, for St. Francis County, was fully advanced. We considered this CD lending activity because MNB has met the CD needs within its defined AA.

### **Number and Amount of Qualified Investments**

Considering the needs and opportunities in the AA, performance context, and capacity, MNB's performance is **excellent** for CD investments. Qualified CD investments totaled \$19.8 million.

During the evaluation period, MNB made seven debt investments totaling \$5 million to Title I school districts and municipalities for capital improvements, revitalization, and stabilization of communities of their AA. Monetary donations totaled \$394 thousand, with primary donations deriving from MNB's Academic Prime Program. The program offers local school districts additional returns for funds deposited at MNB. Prime donations totaled \$239 thousand over the evaluation period. In-kind donations totaled \$1,139 which included donations of a washer and dryer and paper to local Title I schools.

### **Qualified Investments outside the Assessment Area**

MNB made 62 debt investments totaling \$14.4 million to municipalities and universities of the broader region. The investments contributed to capital improvements, revitalization, and stabilization of the communities or schools. We considered these CD investment activities because MNB met the CD needs within its defined AA.

### **Extent to Which the Bank Provides Community Development Services**

MNB **meets the needs** for delivery of CD services, given its size and capacity to provide such services. Bank personnel have engaged in community development services that are responsive to community needs. MNB's managers, including members of the senior management team, provide financial expertise and services to organizations that provide affordable housing for LMI persons, scholarships to LMI students, short-term financial assistance for LMI persons, and free medical and dental services for LMI families. MNB provides financial support for workbook purchases for the 'How to do Banking for Students' initiative with seven local school districts. In addition, MNB has collaborated with several organizations to provide credit workshops and career fairs, including the FDIC and Student Advisory Board of Directors.

No branches are located within LMI CTs. Refer to the Assessment Area Section for more details.

### **Responsiveness to Community Development Needs**

The volume and responsiveness of MNB to the CD needs of the AA is **excellent**. The Board has identified affordable housing needs, financial literacy, credit rehabilitation, and basic community services such as child/youth care, community athletic programs and health care as its CD goals. It has allocated dollar and manpower resources to achieve those goals particularly through CD lending and investments, housing finance programs, active participation in providing financial management tools to low- and moderate-income youth and individuals to become successful with their finances, banking products to assist individuals rebuilding their credit, and cash donations and service hours to specific community service organizations.

## **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.