



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 14, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 15471

1009 North Douglas and Highway 25 North
Malden, MO 63863

Office of the Comptroller of the Currency

LITTLE ROCK (MEMPHIS)
10201 West Markham, Suite 105 Ozark National Life Bld.
Little Rock, AR 72205-2180

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.

- ◆ The average loan-to-deposit ratio at 96% is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A substantial majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

SCOPE OF EXAMINATION

An onsite examination of First National Bank, Malden, Missouri was performed to determine its performance under the Community Reinvestment Act (CRA). The bank was evaluated using Small Bank CRA criteria. Loan information used for this evaluation included 2007 residential, consumer, agriculture, and small business loans. The bank is not located in a Metropolitan Statistical Area (MSA), therefore the bank was not required to complete the Home Mortgage Disclosure Act (HMDA) reporting log.

DESCRIPTION OF INSTITUTION

First National Bank is located in Malden, Missouri, in Dunklin County. The bank has its main office in Malden and a full service branch in Kennett (Dunklin County), MO and in Dexter (Stoddard County), MO, and a paying and receiving branch in Clarkton (Dunklin County), MO. The bank has automated teller machines (ATMs) located in all of the branches. As of September 30, 2007, the bank reported total assets of \$133 million with \$108 million in deposits and \$102 million in loans (77% of total assets).

The bank's primary business focuses are residential real estate loans, agricultural loans, and commercial & commercial real estate loans. The loan portfolio composition as of September 30, 2007, was as follows:

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$35,290	35%
Agriculture Related Loans	\$33,245	33%
Commercial & Commercial Real Estate Loans	\$27,114	26%
Consumer Loans	\$6,473	6%
Total	\$102,122	100%

Source: 2007 Call Report

First National Bank offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area (AA).

The bank is 97% owned by First Malden Bancshares, Inc., a one-bank holding company headquartered in Malden, Missouri. First Malden Bancshares, Inc. and its subsidiary have total assets of \$133 million as of September 30, 2007. The bank is affiliated (through common ownership) with First Missouri State Bank of Cape County in Cape Girardeau, MO; First Missouri State Bank in Poplar Bluff, MO; Farmers Bank & Trust in Blytheville, AR; and Piggott State Bank in Piggott, AR. The bank's last CRA examination was performed by the OCC as of June 12, 2002, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA

First National Bank AA is three contiguous counties (Dunklin, New Madrid, and Stoddard) located in the southeastern part of the state commonly known as the "Missouri boot heel". The AA meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. There are 24 Block Numbering Areas (BNAs) in the AA, six of which are moderate-income and 18 that are middle-income. The Median Family Income (MFI) for non-Metropolitan Statistical Areas (MSA) in Missouri was \$32,134 in 2000. This income figure is used to determine the income level of individual BNAs. The 2007 Housing and Urban Development (HUD) estimated MFI for non-MSA in Missouri was \$44,800. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follows: Low-Income = below \$22,400; Moderate-Income = \$22,400 - \$35,839; Middle-Income = \$35,840 - \$53,759; and, Upper-Income = above \$53,759.

The AA has a population of about 82,620 according to the 2000 census data. The principal cities are Malden with a population of 4,782, Kennett with a population of 11,260 and Dexter with a population of 7,356.

The economy of the area is considered to be in a somewhat stagnant mode due to high unemployment and a high poverty rate. In 2007, a family of two adults and two children with total income below \$20,650 was considered below the poverty level. The unemployment rate for Dunklin County as of October 2007 was 7.9%, non-seasonally

adjusted (NSA), 7.2% for New Madrid County, and 6.0% for Stoddard County. The unemployment rates in the AA were above the Missouri average of 5.9% and the U.S. average of 4.4% as of October 2007. Based on the 2000 census, 22% of the population was below the poverty level.

The bank's AA is primarily agricultural, manufacturing, retail trade, and services related. Major employers within the AA consist of Noranda Aluminum Company located in New Madrid, MO, with about 1,100 employees, and Tyson Foods, Inc., located in Dexter, MO with about 800 employees.

The following table shows the demographic and economic characteristics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	23,244
Number of Households	33,292
Geographies	
Number of Census Tracts/BNA	24
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	25%
% Middle-Income Census Tracts/BNA	75%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$32,134
2007 HUD-Adjusted MFI	\$44,800
Economic Indicators	
Unemployment Rate, October 2007	
Dunklin County	7.9%
New Madrid County	7.2%
Stoddard County	6.0%
State of Missouri	5.9%
U.S.A	4.4%
Median Housing Value as of 2000	\$49,852
Median Housing Year Built as of 2000	1968
% of Households Below Poverty Level	22%

Source: 2000 Census Data

The bank's AA is characterized by a high percentage of families classified as low-income at 26%, followed by moderate-income at 19%, middle-income at 21%, and upper-income at 34%. The Federal Financial Institutions Examination Council has designated Dunklin County to be a distressed county due to a high level of poverty and unemployment level, and New Madrid County due to a high level of poverty. The poverty level for the AA is 22%.

A community contact was conducted with the executive director of a local chamber of commerce. According to this contact, local banks are meeting the credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National Bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. There are seven banks with main offices located within the three county assessment area, and three banks with main offices located in adjacent counties that have branches in at least two of the three AA counties. First National Bank has approximately 8% of the market share in the AA.

The following table shows total assets as of September 30, 2007, and the average loan-to-deposit (LTD) ratio from June 30, 2002 through September 30, 2007 (22 quarters) for these ten banks.

Institution	Assets (as of 9/30/2007)	Avg LTD Ratio	Market Share
Southern Missouri Bank, Poplar Bluff, MO	\$383 million	115%	10.1%
First Commercial Bank, Malden, MO (Dunklin Co)	\$175 million	98%	6.9%
Senath State Bank, Senath, MO (Dunklin Co)	\$47 million	98%	3.1%
First National Bank, Malden, MO (Dunklin Co)	\$133 million	96%	7.9%
First State Bank, Caruthersville, MO	\$315 million	93%	6.6%
First Midwest Bank, Dexter, MO (Stoddard Co)	\$210 million	91%	6.8%
Bank of Advance, Advance, MO (Stoddard Co)	\$205 million	81%	10.9%
Bank of New Madrid, New Madrid, MO (New Madrid Co)	\$81 million	77%	5.9%
First Community Bank MO, Poplar Bluff, MO	\$222 million	75%	9.8%
Kennett National Bank, Kennett, MO (Dunklin Co)	\$104 million	61%	6.6%

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A substantial majority of First National Bank's loans are within the bank's AA, and lending in the AA is considered to excellent. A sample of 30 residential real estate loans, 30 agriculture loans, 30 commercial loans and 30 consumer loans made during 2007 was taken to determine lending within the AA. Lending within the AA is detailed in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	29	97	1,456	98	1	3	31	2
Agriculture	24	80	3,651	64	6	20	2,092	36
Commercial	27	90	2,040	90	3	10	237	10
Consumer	29	97	253	99	1	3	2	1
Total	109	91	7,400	76	11	9	2,362	24

Source: 2007 Bank Data

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

Given the demographics of the AA, the distribution of borrowers reflects excellent penetration among individuals of different income levels (including low-and moderate-income) and farms of different sizes. The distribution of residential and consumer loans to low-and moderate-income is excellent, and the distribution of agriculture loans to agricultural borrowers with revenues under \$1 million is also excellent. The distribution of loans to business borrowers with revenues under \$1 million is considered to be good. The same sample of 30 residential real estate loans, 30 agriculture loans, 30 commercial loans and 30 consumer loans made during 2007 to determine lending within the AA was used to determine lending within the various income levels.

The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26%		19%		21%		34%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	3%	0%	34%	36%	17%	12%	45%	52%

Source: 2000 Census Data and 2007 Bank Data

Based on the sample, most of the residential real estate loans were made to upper-income borrowers. Residential real estate loans made to low-income borrowers were lower than the population of low-income borrowers within the AA, but are considered to be adequate, since the poverty level in the AA is 22%. Low-income borrowers normally do have the down-payment for residential real estate loans. However, the number and dollar amount of residential real estate loans made to moderate-income borrowers exceed the population of moderate-income borrowers within the AA and is considered to be excellent.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	30%		17%		18%		35%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	28%	17%	34%	39%	24%	25%	14%	18%

Source: 2000 Census Data and 2007 Bank Data

Based on the sample, the bank is doing an excellent job of making consumer loans to low- and moderate-income borrowers. The number of consumer loans made to low-income borrowers is nearly equal to the percentage of low-income population within the assessment area and is considered to be good. Consumer loans by number and dollar volume made to moderate-income borrowers exceeds the moderate-income population within the assessment area and are considered to be excellent.

The sample of 30 agriculture loans and 30 commercial loans made during 2007 was reviewed to determine lending to agriculture and commercial borrowers.

BORROWER DISTRIBUTION OF SMALL AGRICULTURE LOANS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97%	3%
% of Bank Loans in AA #	96%	4%
% of Bank Loans in AA \$	86%	14%

Source: 2000 Census Data and 2007 Bank Data

Based on the sample, the bank is doing an excellent job of making loans to small agricultural borrowers. Agriculture loans by number and dollar volume are nearly equal to the percentage of agricultural borrowers with revenues under \$1 million and are considered to be excellent.

BORROWER DISTRIBUTION OF SMALL BUSINESS LOANS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93%	7%
% of Bank Loans in AA #	87%	13%
% of Bank Loans in AA \$	86%	14%

Source: 2000 Census Data and 2007 Bank Data

Based on the sample, the bank is doing a satisfactory job of making loans to commercial borrowers with revenues of less than \$1 million. Commercial loans by number and dollar volume are near to the percentage of commercial borrowers with revenues under \$1 million and are considered to be good.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area for residential, consumer, and commercial loans. The geographic distribution of agriculture loans reflects satisfactory dispersion throughout the assessment area.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	0%		23%		77%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0%	0%	34%	32%	66%	68%	0%	0%

Source: 2000 Census Data and 2007 Bank Data

The above table shows that residential loans by number and by dollar volume in moderate-income areas exceed the percentage of owner-occupied homes in moderate-income areas and are considered to be excellent.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	0%		25%		75%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0%	0%	45%	42%	55%	58%	0%	0%

Source: 2000 Census Data and 2007 Bank Data

The above table shows that consumer loans by number and by dollar volume in moderate-income areas exceed the percentage of households residing in moderate-income areas and are considered to be excellent.

AGRICULTURE LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0%		34%		66%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0%	0%	14%	3%	86%	97%	0%	0%

Source: 2000 Census Data and 2007 Bank Data

Agriculture loans, by number and dollar volume, made to farms residing in moderate-income geographies are somewhat below the percentage of farms located in moderate-income areas but are considered to be satisfactory.

COMMERCIAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		30%		70%		0%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0%	0%	38%	44%	63%	56%	0%	0%

Source: 2000 Census Data and 2007 Bank Data

Commercial loans, by number and dollar volume, made to businesses residing in moderate-income geographies exceed to the percentage of small businesses located in moderate-income areas and are considered to be excellent.

Responses to Complaints

First National Bank has not received a formal CRA complaint since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

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