



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 15, 2011

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Montgomery Bank, National Association  
Charter Number: 15302

One Montgomery Bank Plaza  
Sikeston, MO 63801

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Room 100  
St. Louis, MO 63103

**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 distribution of loans to individuals of different income levels and to businesses of different sizes shows reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion within the census tracts (CTs) in the assessment areas (AAs).
- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and AA credit needs.
- Community development activities demonstrate excellent responsiveness to the needs of the bank's AAs through loans, qualified investments, and services.

## Scope of Examination

This Performance Evaluation (PE) assesses Montgomery Bank, N.A.'s (Montgomery Bank) record of meeting the credit needs of the communities in which it operates. We evaluated Montgomery Bank under the Intermediate Small Bank performance criteria, which included a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its AAs through its lending activities. The community development (CD) test evaluates a bank's community development lending, qualified investment, and community development services activities. The bank's primary loan products are residential mortgage lending in all three AAs, consumer lending in the Southeast Missouri Non-Metropolitan Statistical Area (Non-MSA) AA, and commercial loans in the St. Louis Metropolitan Statistical Area (MSA) and Cape Girardeau MSA AAs. We conducted a review of the mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) and found the data was accurate. We also tested the bank-generated reports used for the lending inside the AA analysis and found this information was accurate.

We performed a full-scope review in each of Montgomery Bank's AAs. The largest portion of the bank's deposits (39%) is from the Southeast Missouri Non-MSA AA, so we gave the greatest weight to the bank's performance in this AA. The St. Louis MSA AA is the next largest provider of deposits (37%) and was given more weight than the performance in the Cape Girardeau MSA AA (24% of deposits). The distribution of loans shows 42% in the Cape Girardeau MSA AA, 38% in the Southeast Missouri Non-MSA AA, and 20% in the St. Louis MSA AA. The bank has historically been a commercial lender, and the largest portion of its business remains business loans. Therefore, we gave greater weight to the bank's performance in small business lending. Montgomery Bank made very few home improvement loans in the St. Louis MSA AA (40 loans or 10% of mortgage loans in this AA) and in the Cape Girardeau MSA AA (48 loans or 13% of mortgage loans in this AA) during this evaluation period. Therefore, we gave little weight to this loan product in these AAs during our analysis. However,

because home improvement loans accounted for 30% of the mortgage loans in the Southeast Missouri Non-MSA AA, they were given comparable weight to the home purchase loans (25% of mortgage loans in this AA) in this AA.

The evaluation period covers small business, mortgage, and consumer loans originated or purchased from January 1, 2009 through June 30, 2011, and community development activities from March 5, 2007 to August 15, 2011.

## Description of Institution

Montgomery Bank is an \$898 million intrastate bank headquartered in Sikeston, Missouri. The bank is owned by Montgomery Bancorporation, a one-bank holding company. The bank has twelve offices and sixteen ATMs within the State of Missouri. The bank has designated three AAs: four non-MSA counties in Southeast Missouri, Cape Girardeau County in the Cape Girardeau MSA, and portions of four counties in the St. Louis MSA (see the descriptions below). The bank provides its customers with a full range of banking products and services. The bank has no offices in low- or moderate-income CTs. Three offices are located in upper-income and nine offices in middle-income CTs. Based on the bank's CRA Public File, three branches and five ATMs are located in the Cape Girardeau MSA AA, five branches each with an ATM are located in the St. Louis MSA AA, and four branches and six ATMs are located in the Southeast Missouri Non-MSA AA.

The bank's lending focus is on small businesses and residential lending. As of June 30, 2011, the bank's loan-to-deposit ratio was 97% and Tier 1 capital totaled \$74 million. Loans as a percent of assets were 80%. The loan portfolio is comprised of commercial (64%), 1-4 family residential (23%), agricultural (8%), multifamily (3%), and individual (2%) loans. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves. Montgomery Bank was rated "Satisfactory" at its most recent CRA examination, dated March 5, 2007.

## Description of Assessment Areas

Montgomery Bank has identified three AAs within the State of Missouri: Portions of 4 counties in the St. Louis MSA, one county in the Cape Girardeau MSA, and 4 non-MSA counties in the southeast corner of the State of Missouri. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

In April 2011, the bank's Board expanded its St. Louis MSA AA to include the entire counties of Jefferson, St. Charles, St. Louis City and St. Louis County. As a result, this AA includes 130 additional CTs comprised of 32 low-, 41 moderate-, 51 middle-, and 4 upper-income CTs, and 2 that are not rated by income level. The bank's expanded AA includes significantly more low- and moderate-income CTs. This expansion of the AA increased the number of CTs by 53% and the number of low- or moderate-income tracts by 56%. Of the 73 low- or moderate-income CTs added earlier this year, 56 (77%) are located within the City of St. Louis. Although the percentage of families that are low- (18%) or moderate-income (17%) did not change noticeably,

the number of families increased. The number of low-income families in the bank's AA is now 88,461 (another 38,740 families or a 78% increase). The number of moderate-income families also increased by 29,757 (54%) to 84,416. Since its recent entrance into these markets, the bank has taken several actions to improve its penetration in these areas. The bank implemented an advertising program, has employed a full-time community development officer, and is implementing a new line of products targeted to low- and moderate-income people. Since the AA was recently expanded to include these areas, we did not assess the bank's performance in these CTs as part of this evaluation.

### Southeast Missouri Non-MSA AA

The Southeast Missouri Non-MSA AA includes all of Mississippi, New Madrid, Scott, and Stoddard Counties, which are all located in the Southeast corner of the State of Missouri. This area is commonly referred to as part of Missouri's "Bootheel" region. As of June 30, 2010, Montgomery Bank's deposits in the AA totaled \$291 million.

The median family income according to 2000 Census data is \$35,821. Based on this figure, the AA has three (11%) moderate-income, twenty-four (86%) middle-income, and one (3%) upper-income CTs. There are no low-income CTs in the AA. Based on 2000 Census data, 19% of the households in this AA live below the poverty level.

The majority of the housing within the AA is owner-occupied (63%). The median housing value, based on the 2000 Census, is \$56,143. One-to-four family homes account for 84% of the local housing stock, multifamily homes account for 3%, and mobile homes or trailers make up the remaining 13%. Owner-occupied housing data shows that 10% of the units are in the moderate-income CTs, 87% are in the middle-income CTs, and 3% are in the upper-income CTs. The average age of homes in the Southeast Missouri Non-MSA AA is 42 years.

The 2011 HUD updated median family income for this AA is \$47,200. Based on the 2000 census median family income, 6,588 (23%) families are low-income, 5,397 (18%) are moderate-income, 6,116 (21%) are middle-income, and 10,987 (38%) are upper-income.

There are 40,946 households in the AA. Thirteen percent (5,127) of the households are located in moderate-income tracts, 84% (34,478) of the households are in middle-income tracts, and the remaining 3% (1,341) of the households are in upper-income tracts. There are no low-income tracts in this AA. Of the households in the AA, 28% are low-income, 16% are moderate-income, 18% are middle-income and 38% are upper-income.

Major competitors in this AA include a mix of large regional banks and smaller community banks. The area has 20 banks with 60 offices. Other financial institutions in this AA include Focus Bank, First Commercial Bank, First Midwest Bank of Dexter, Bank of Advance, Regions Bank, and US Bank, N.A. Montgomery Bank has the largest share of deposits in this market (16%) with four branches inside this area.

Historically, the local economy has been poor. According to statistics compiled by the Missouri Department of Economic Development, the area's economy continues to lag well below the state's economy as a whole. As of June 2011, the unemployment rate for the AA ranged from

10.5% in Mississippi, 9.4% in Scott, 9.3% in New Madrid, to 9.1% in Stoddard County, compared to 9.0% for the State of Missouri and 9.3% for the nation.

The Southeast Missouri Non-MSA AA is heavy in agricultural business. In addition several manufacturing companies have large operations located within the region. Major employers of the Southeast Missouri counties include: Monsanto, Orgil, Alan Wire, Dewitt Auction, and Pullen Bros.

We conducted one community contact during this examination to better understand the AA's credit, investment, and financial services needs. The organization is a partnership that draws together families in need with community volunteers and community resources to build simple, affordable homes. Opportunities for investment include homeownership counseling, basic home repair workshops, and home financing education. The contact did not identify any unmet credit needs and felt the local banks are involved in the community and are meeting the credit needs in the area.

### St. Louis MSA AA

The St. Louis MSA AA includes portions of the counties of Jefferson, St. Charles, St. Louis City and St. Louis County. The AA is comprised of 245 CTs, with 47 CTs in the City of St. Louis, 135 CTs in St. Louis County, 48 CTs in St. Charles County, and 15 CTs in Jefferson County. As of June 30, 2010, Montgomery Bank's deposits in the AA totaled \$275 million.

The median family income according to 2000 Census data is \$53,435. Based on this figure, the AA has 10 low-income (4%), 43 moderate-income (18%), 94 middle-income (38%), and 96 upper-income CTs (39%). Two (1%) of the CTs are designated income not applicable. Based on 2000 Census data, 7% of the households in this AA live below the poverty level.

The majority of the housing within the AA is owner-occupied (69%). As of the 2000 Census, the median housing value is \$131,394. One-to-four family homes account for 84% of the local housing stock, multifamily homes account for 14%, and mobile homes/trailers make up the remaining 2%. Owner-occupied housing data shows that only 2% of the units are in the low-income CTs, 11% are in the moderate-income CTs, 41% are in the middle-income CTs, and 46% are in the upper-income CTs. The average age of homes in this AA is 46 years old.

The 2011 HUD updated median family income for this AA is \$69,500. Based on the 2000 census median family income, there are 49,721 (15%) low-income, 54,659 (16%) moderate-income, 73,584 (21%) middle-income, and 163,219 (48%) upper-income families in the AA.

Small businesses are a large segment of the local economy. Based on 2010 data, there are 81,073 businesses in this AA. Businesses with less than \$1 million in annual revenue (60,528) account for 75% of the total businesses in the AA. Businesses that report revenue greater than \$1 million (4,970) account for 6% of the total, and the remaining 19% have unknown revenues. Of the businesses in this AA, 1,315 (2%) are located in the low-income CTs, 9,062 (11%) are located in the moderate-income CTs, 30,004 (37%) are located in the middle-income CTs, and 40,562 (50%) are located in the upper-income CTs.

Major competitors in this AA include a mix of large regional banks and smaller community banks. There are 75 banks in this AA with 575 offices. The largest financial institutions in this AA include US Bank, N.A., Bank of America, Scottrade, Commerce Bank, and Southwest Bank (an M&I Bank). Montgomery Bank has five offices in this assessment area and ranks 33<sup>rd</sup> with 0.48% market share.

As of June 2011, the unemployment rate for the AA ranged from 11.5% in St. Louis City, 9% in Jefferson County, 8.8% in St. Louis County, to 7.9% in St. Charles County, compared to 9% for the State of Missouri and 9.3% for the nation. The economy of the AA is concentrated in retail, healthcare, education, telecommunications, and manufacturing. The three major employers of St. Louis County include: Boeing Company, Washington University, and SSM Healthcare. The three major employers of St. Louis City include: BJC Healthcare, United States Postal Service, and AT&T. The major employers for Jefferson County are the Fox School District, Jefferson Memorial Hospital, and the Northwest School District. The major employers for St. Charles County include: CitiMortgage, the Wentzville School District, the Francis Howell School District, and MasterCard International Inc.

We conducted one community contact with a local housing organization to better understand the AA's credit, investment, and financial service needs. In addition, we relied on four past community contacts in this AA that were completed in 2009 and 2010. These included contacts with economic development, community service and housing organizations. The organizations provide a wide variety of services to low- and moderate-income residents. Funding for job training programs, services to immigrants, and housing targeted for low- and moderate-income families were listed as primary needs. Opportunities for investment include community-sponsored economic development and job creation projects, nonprofit community organizations, and state-sponsored training programs. Our contacts did not identify any unmet credit needs and felt that the local banks are involved in the community and are meeting its credit needs.

### Cape Girardeau MSA AA

The Cape Girardeau MSA AA includes the entire county of Cape Girardeau. The AA is comprised of 16 CTs. The median family income for this county according to 2000 Census data is \$42,099. Based on this figure, the AA has no low-income, three (18.75%) moderate-income, eleven (68.75%) middle-income, and two (12.5%) upper-income CTs. The 2000 Census data indicates that 12% of the households in this AA live below the poverty level. As of June 30, 2010, Montgomery Bank's deposits in the AA totaled \$178 million.

The majority of the housing within the AA is owner-occupied (63%). As of the 2000 Census, the median housing value is \$89,592. One-to-four family homes account for 79% of the local housing stock, multifamily homes account for 12%, and mobile homes account for the remaining 9%. Owner-occupied housing data shows 8% of the units are located in the moderate-income CTs, 75% are in the middle-income CTs, and 17% are in the upper-income CTs. The average age of homes in this area is 40 years old.

The 2011 HUD updated median family income for this AA is \$53,900. Based on the 2000 census median family income, there are 2,227 (12%) low-income, 2,480 (14%) moderate-income, 3,818 (21%) middle-income, and 9,544 (53%) upper-income families in the AA.

Small businesses are a large segment of the local economy. There are 5,217 businesses in this AA. Businesses with less than \$1 million in annual revenue (3,733) account for 71% of the total businesses in the AA. Businesses that report revenue greater than \$1 million (291) account for 6% of the total, and the remaining (1,193) 23% have unknown revenues. Of the businesses in this AA, 523 (10%) are located in the moderate-income CTs, 4,118 (79%) are located in the middle-income CTs, and 576 (11%) are located in the upper-income CTs.

Major competitors in this AA include a mix of large regional banks and smaller community banks. There are 16 banks in this AA with 37 offices. Other financial institutions in this AA include Bank of Missouri, Regions Bank, Bank of America, and US Bank, N.A. Montgomery Bank is ranked 3<sup>rd</sup>, with \$178 million in deposits and 12% share of the deposits in this market. Montgomery Bank has three offices with ATMs and two remote ATMs within this AA.

As of June 2011, the unemployment rate for the AA was 7.6%, compared to 9% for the State of Missouri and 9.3% for the nation. The economy of the AA is concentrated in services, retail trade, finance/insurance/real estate, and construction. The three major employers of Cape Girardeau include: P&G Paper Products, St. Francis Healthcare Systems, and Southeast Health.

We conducted one community contact with a local organization to better understand the AA's credit, investment, and financial service needs. The organization provides a wide variety of services to low- and moderate-income residents. The organization focuses on the redevelopment of economically underserved areas in and around the Cape Girardeau area, support for the creation of jobs, and "Gap Financing" for new and expanding enterprises. The contact did not identify any unmet credit needs and felt that the local banks are involved in the community and are meeting its credit needs.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

Montgomery Bank meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels and to businesses of different sizes shows reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion within the CTs in the AAs.
- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and AA credit needs.
- A substantial majority of the loans originated during this evaluation period are to customers from within the bank's three AAs.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. The average LTD ratio for the 18 quarters ending June 2011 was 100.92%. Similarly-situated banks within the AA ranged from a low of 90.05% to a high of 118.26%. Montgomery Bank's ratio is the second highest average LTD ratio for the six banks in the AA with total assets between \$750 million and \$1.3 billion.

### **Lending in Assessment Area**

A substantial majority of the bank's loans are made within its three AAs. Of the 6,663 total loans made during this time period, 88% (5,853 loans) were made within the bank's three AAs. By dollar volume, 83% (\$1.5 million of the \$1.8 million in loans) were extended within the AAs. We utilized bank-generated reports that took into account all loans originated or renewed in and out of the AAs between January 1, 2009 and June 30, 2011.

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

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Since our last examination, the bank has changed its lending philosophy regarding its mortgage loans. The bank had previously relied mostly on brokers to originate mortgage loans in the St. Louis MSA. During this evaluation period, the bank has added a mortgage lender at each of its branch locations in the St. Louis MSA. While this has caused the bank's overall number of mortgage loans to decline in the short term, bank management feels this strategy will prove beneficial in the long run.

## Southeast Missouri Non-MSA AA

### HMDA Loans

Montgomery Bank's distribution of mortgage lending reflects a reasonable level of lending to borrowers of different income levels and businesses of different sizes. The percentage of home purchase, home improvement, and home refinance loans made to low-income borrowers is significantly below the percentage of low-income families in the AA; however, 14% of the families in this AA live below the poverty level. The percentage of home purchase and home improvement loans made to moderate-income borrowers is below the percentage of moderate-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers is significantly below the percentage of moderate-income families in the AA.

HMDA market share data from 2010 shows the bank's performance to low- and moderate-income borrowers is below its overall performance in this market. Montgomery Bank is ranked 6th (5% of the market) of 110 lenders overall in home mortgage loans originated or purchased in the Southeast Missouri Non-MSA AA. The bank has a stronger market share (15%) for home improvement loans made, which ranks them 2<sup>nd</sup> of 20 lenders. The bank has a lower market share (13%) for home improvement loans made to low-income borrowers, which still ranks them 2<sup>nd</sup>. The market share (15%) for home improvement loans to moderate-income borrowers is the same as the overall home improvement market share and also ranks them 2<sup>nd</sup>. The bank is ranked 7<sup>th</sup> for home purchase loans made, with a similar market share (4.5%) as the home mortgage market share. The bank has a much lower market share (2%) for home purchase loans made to low-income borrowers, which ranks them 13<sup>th</sup>. The market share (3%) for home purchase loans to moderate-income borrowers is also lower and ranks them 7<sup>th</sup>. The bank has a similar market share (4%) for home refinance loans made, which ranks them 8<sup>th</sup>. The bank has a much lower market share (2.5%) for home refinance loans made to low-income borrowers, which ranks them 13<sup>th</sup>. The market share (1.5%) for home refinance loans to moderate-income borrowers is also significantly lower and ranks them 16<sup>th</sup>.

<b>Borrower Distribution of Residential Real Estate Loans in Southeast Missouri Non-MSA AA</b>								
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
Home Purchase	23%	2%	18%	15%	21%	17%	38%	66%
Home Improvement	23%	9%	18%	14%	21%	33%	38%	44%
Home Refinance	23%	1%	18%	4%	21%	17%	38%	78%

*Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.*

Consumer Loans

Montgomery Bank's distribution of consumer lending reflects a reasonable level of lending to borrowers of different income levels within the Southeast Missouri Non-MSA AA. Based on a sample of consumer loans originated in the evaluation period, the percentage of loans made to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households in the AA.

<b>Borrower Distribution of Consumer Loans in Southeast Missouri Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	28%	30%	16%	25%	18%	10%	38%	35%

*Source: Sample of 20 consumer loans made within the Southeast Missouri Non-MSA AA; 2000 U.S. Census data.*

St. Louis MSA AA

HMDA Loans

Montgomery Bank's distribution of mortgage loans reflects a reasonable level of lending to borrowers of different income levels and businesses of different sizes. The percentage of home purchase and home refinance loans made to low-income borrowers is below the percentage of low-income families in the AA; however, 5% of the families in this AA live below the poverty level. The percentage of home purchase loans made to moderate-income borrowers is significantly above the percentage of moderate-income families in the AA. The percentage of home refinance loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA.

HMDA market share data from 2010 shows the bank's market share to moderate-income borrowers is similar to the bank's overall market share while its share of the low-income borrower market is lower than its overall market share. The bank is ranked 64th (0.18% of the market) of 452 lenders overall in home mortgage loans originated or purchased in the St. Louis MSA AA. The bank has a similar market share for total home purchase loans and home purchase loans to moderate-income borrowers (0.14% in both instances), which ranks them 66<sup>th</sup> and 62<sup>nd</sup>, respectively. Home purchase loans to low-income borrowers (0.04%, rank 93<sup>rd</sup> of 130 lenders) are significantly below the overall market share. The bank has a slightly higher market share for total home refinance loans and home refinance loans to moderate-income borrowers (0.19% and 0.21%, respectively), which ranks them 60<sup>th</sup> in both instances. Home refinance loans to low-income borrowers (0.13%, rank 78th of 169 lenders) is similar to the overall market share.

<b>Borrower Distribution of Residential Real Estate Loans in the St. Louis MSA AA</b>								
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
Home Purchase	15%	7%	16%	30%	21%	24%	48%	39%
Home Improvement	15%	0%	16%	0%	21%	33%	48%	67%
Home Refinance	15%	3%	16%	15%	21%	21%	48%	61%

Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.

### Small Business Loans

Montgomery Bank's distribution of small business lending reflects a poor level of lending to businesses of different sizes. Based on a sample of the small business loans originated in the evaluation period, the percentage of loans made to businesses with revenue of less than \$1 million is significantly lower than the level of businesses in the AA with revenue less than \$1 million.

The bank's business strategy drives their performance relative to loans to small businesses. Montgomery Bank's current business strategy is to target businesses with revenue less than \$5 million. As a result, 61% of the business loans reviewed that had revenue greater than \$1 million were to businesses with revenue between \$1 and \$5 million. Of the sample of 60 loans, 20 (33%) had revenues between \$1 and \$5 million. In total, 45 (75%) in our sample had revenues below \$5 million. The high level of loans to businesses with revenue greater than \$1 million is also attributable to the bank's previous strategy to target businesses with revenue greater than \$10 million.

<b>Borrower Distribution of Loans to Businesses in the St. Louis MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75%	6%	19%	100%
% of Bank Loans in AA by #	42%	55%	3%	100%
% of Bank Loans in AA by \$	31%	67%	2%	100%

Source: Sample of 60 small loans to businesses within the St. Louis MSA AA; 2010 Dunn and Bradstreet data.

### Cape Girardeau MSA AA

#### HMDA Loans

Montgomery Bank's distribution of mortgage lending reflects a reasonable level of lending to borrowers of different income levels and businesses of different sizes. The percentage of home purchase and home refinance loans made to low-income borrowers is significantly below the percentage of low-income families in the AA; however, 7% of the families in this AA live below the poverty level. The percentage of home purchase loans made to moderate-income borrowers is equal to the percentage of moderate-income families in the AA. The percentage of home

refinance loans made to moderate-income borrowers is significantly below the percentage of moderate-income families in the AA.

HMDA market share data from 2010 shows the bank’s share of the market for loans to low-income borrowers is lower and its market share for loans to moderate-income borrowers is similar to its overall market share. Montgomery Bank is ranked 5th (5% of the market) of 130 lenders overall in home mortgage loans originated or purchased in the Cape Girardeau MSA AA. The bank has a similar market share (5.5%) for home purchase loans made, which ranks them 6<sup>th</sup> of 74 lenders. The bank has a lower market share (4%) for home purchase loans made to low-income borrowers, which ranks them 8<sup>th</sup> of 26 lenders. The bank has a similar market share (5%) for home purchase loans made to moderate-income borrowers, which ranks them 10<sup>th</sup> of 43 lenders. The bank has a similar market share (5%) for home refinance loans made, which ranks them 5<sup>th</sup> of 110 lenders. The bank also has a lower market share (2%) for home refinance loans made to low-income borrowers, which ranks them 14<sup>th</sup> of 21 lenders. The bank has a similar market share (2%) for home refinance loans made to moderate-income borrowers, which ranks them 14<sup>th</sup> of 44 lenders.

<b>Borrower Distribution of Residential Real Estate Loans in Cape Girardeau MSA AA</b>								
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
Home Purchase	12%	6%	14%	14%	21%	19%	53%	61%
Home Improvement	12%	6%	14%	13%	21%	37%	53%	44%
Home Refinance	12%	1%	14%	7%	21%	20%	53%	72%

*Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.*

**Small Business Loans**

Montgomery Bank's distribution of small business lending reflects a reasonable level of lending to businesses of different sizes. Based on a sample of small business loans originated during the evaluation period, the percentage of loans made to businesses with revenue of less than \$1 million is lower than the level of businesses in the AA with revenue less than \$1 million. The high level of loans to businesses with revenue greater than \$1 million is attributable to the bank’s current business strategy to target businesses with revenue less than \$5 million and its previous strategy to target businesses with revenue greater than \$10 million.

<b>Borrower Distribution of Loans to Businesses in Cape Girardeau MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71%	6%	23%	100%
% of Bank Loans in AA by #	55%	40%	5%	100%
% of Bank Loans in AA by \$	34%	52%	14%	100%

*Source: Sample of 20 small loans to businesses in the Cape Girardeau MSA AA; 2010 Dunn and Bradstreet data.*

## Geographic Distribution of Loans

The geographic distribution of home mortgage, consumer, and small business loans reflects reasonable dispersion within the CTs in the bank's three AAs. Our analysis found the bank was lending in most CTs within its three AAs. In the Southeast Missouri Non-MSA AA and Cape Girardeau MSA AA, the bank made loans in all CTs. There were only a few CTs in the St. Louis MSA AA in which the bank did not make any loans.

### Southeast Missouri Non-MSA AA

#### HMDA Loans

Montgomery Bank's distribution of home mortgage loans reflects a reasonable level of lending in CTs of different income levels within the Southeast Missouri Non-MSA AA. The percentage of home purchase loans made in moderate-income tracts is below the percentage of owner-occupied units located in the moderate-income tracts. The percentage of home improvement and home refinance loans made in moderate-income tracts is significantly below the percentage of owner-occupied units located in the moderate-income tracts.

HMDA market share data from 2010 shows the bank's performance in moderate-income CTs is lower than its performance overall in this market. Montgomery Bank is ranked 6th of 110 lenders with a 5% share of the market overall in home mortgage loans originated or purchased in the Southeast Missouri Non-MSA AA. The bank has a similar market share (4.5%) for home purchase loans made in this AA, which ranks the bank 7<sup>th</sup> of 60 lenders. The market share in moderate-income tracts is lower at 2%, which ranks them 9<sup>th</sup> of 19 lenders. The bank has a similar market share (4%) for home refinance loans made in this AA, which ranks the bank 8<sup>th</sup> of 91 lenders. The market share in moderate-income tracts is lower at 1%, which ranks them 20<sup>th</sup> of 26 lenders. The bank did not make any home improvement loans in the moderate-income CTs in this AA in 2010; however, only 6 lenders made a total of 20 loans in these areas during this time period.

<b>Geographic Distribution of Residential Real Estate Loans in Southeast Missouri Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	N/A	N/A	10%	8%	87%	78%	3%	14%
Home Improvement	N/A	N/A	10%	4%	87%	85%	3%	11%
Home Refinance	N/A	N/A	10%	3%	87%	81%	3%	16%

*Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.*

Consumer Loans

Montgomery Bank's distribution of consumer loans reflects a poor level of lending in CTs of different income levels within the Southeast Missouri Non-MSA AA. Based on a sample of consumer loans originated in the evaluation period, the percentage of loans made in moderate-income tracts is below the percentage of households within those tracts. Although the bank's lending in the moderate-income tracts is very low, this performance is mitigated somewhat by the fact that 27% of the households in these tracts are living below the poverty level.

<b>Geographic Distribution of Consumer Loans in Southeast Missouri Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Household s	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	N/A	N/A	13%	5%	84%	65%	3 %	30%

*Source: Sample of 20 consumer loans within the Southeast Missouri Non-MSA AA; 2000 U.S. Census data.*

St. Louis MSA AA

HMDA Loans

Montgomery Bank's distribution of mortgage loans reflects a reasonable level of lending in CTs of different income levels within the St. Louis MSA AA. The percentage of home purchase and home refinance loans made in low-income tracts is below the percentage of owner-occupied units located in the low-income tracts. The percentage of home purchase loans made in moderate-income tracts is equal to the percentage of owner-occupied units located in the moderate-income tracts. The percentage of home refinance loans made in moderate-income tracts is below the percentage of owner-occupied units located in the moderate-income tracts.

HMDA market share data from 2010 shows the bank's dispersion of loans in the moderate-income tracts is very similar to their performance in this AA overall. The bank is ranked 64th of 452 lenders (0.18% of the market) overall in home mortgage loans originated or purchased in the St. Louis MSA AA. The bank has a similar market share (0.14%) for home purchase loans made, which ranks them 66th. The bank also has a similar market share (0.17%) for home purchase loans made in moderate-income tracts, which ranks them 61st. The bank has a similar market share (0.19%) for home refinance loans made, which ranks them 60th. The bank also has a similar market share (0.14%) for home refinance loans made in moderate-income tracts, which ranks them 76<sup>th</sup> of 183 lenders. The bank did not make any mortgage loans in the low-income tracts in this AA; however, there are only approximately 5,700 owner-occupied units in these low-income tracts. Of the 452 lenders in this AA, only 66 made home purchase and 69 made home refinance loans in the low-income tracts.

<b>Geographic Distribution of Residential Real Estate Loans in the St. Louis MSA 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 Purchase	2%	0%	11%	11%	41%	43%	46%	46%
Home Improvement	2%	0%	11%	20%	41%	50%	46%	30%
Home Refinance	2%	0%	11%	5%	41%	35%	46%	60%

Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.

### Small Business Loans

Montgomery Bank's distribution of small business loans reflects a reasonable level of lending in CTs of different income levels within the St. Louis MSA AA. Based on a sample of small business loans originated during the evaluation period, the percentage of loans made in low-income tracts is substantially greater than the percentage of businesses within those tracts. The percentage of loans originated in moderate-income CTs is near the level of businesses located in the moderate-income CTs within the St. Louis MSA AA.

<b>Geographic Distribution of Loans to Businesses in the St. Louis MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	2%	5%	11%	10%	37%	20%	50%	65%

Source: Sample of 20 small loans to businesses within the St. Louis MSA AA; 2010 Dunn and Bradstreet data.

### Cape Girardeau MSA AA

#### HMDA Loans

Montgomery Bank's distribution of home mortgage loans reflects a reasonable level of lending in CTs of different income levels within the Cape Girardeau MSA AA. The percentage of home purchase and home refinance loans made in moderate-income tracts is below the percentage of owner-occupied units located in the moderate-income tracts.

HMDA market share data from 2010 shows the bank's dispersion of loans in the moderate-income tracts is very similar to their performance in this AA overall. The bank is ranked 5th of 130 lenders (5% of the market) overall in home mortgage loans originated or purchased in the Cape Girardeau MSA AA. The bank has a similar market share (5.5%) for home purchase loans made, which ranks them 6<sup>th</sup> of 74 lenders. The bank also has a similar market share (5%) for home purchase loans made in moderate-income tracts, which ranks them 10<sup>th</sup> of 22 lenders. The bank has a similar market share (5%) for home refinance loans made, which ranks them 5<sup>th</sup> of

110 lenders. The bank has a much higher market share (9%) for home refinance loans made in moderate-income tracts, which ranks them 2<sup>nd</sup> of 25 lenders.

<b>Geographic Distribution of Residential Real Estate Loans in Cape Girardeau MSA 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 Purchase	N/A	N/A	8%	5%	75%	68%	17%	27%
Home Improvement	N/A	N/A	8%	19%	75%	62%	17%	19%
Home Refinance	N/A	N/A	8%	6%	75%	73%	17%	21%

*Source: Data reported under HMDA for loans made from January 1, 2009 through June 30, 2011; 2000 U.S. Census data.*

### Small Business Loans

Montgomery Bank's distribution of small business loans reflects a more than reasonable level of lending in CTs of different income levels within the Cape Girardeau MSA AA. Based on a sample of small business loans originated during the evaluation period, the percentage of loans made in moderate-income tracts is substantially greater than the percentage of businesses within those tracts.

<b>Geographic Distribution of Loans to Businesses/Farms in Cape Girardeau MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	N/A	N/A	10%	35%	79%	65%	11%	0%

*Source: Sample of 20 small loans to businesses within the Cape Girardeau MSA AA; 2010 Dunn and Bradstreet data.*

### **Responses to Complaints**

We reviewed the complaints received by the OCC from 2007 through 2011. None of these complaints related to the bank's CRA performance. The bank did not receive any complaints related to its CRA performance during our evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

Montgomery Bank's community development (CD) performance demonstrates excellent responsiveness to the needs of its AAs through loans, qualified investments, and services. Bank management works with city and county government officials and other community representatives in their three AAs. Officers and employees of the bank are heavily involved in a large number of community service organizations. Since Montgomery Bank addressed the needs of its AA, we also considered CD activities within the larger regional area in evaluating the bank's performance.

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

During this evaluation period, Montgomery Bank originated seventeen CD loans totaling \$40 million. In the Southeast Missouri Non-MSA AA, the bank made two CD loans for a total of \$3.8 million; in the St. Louis MSA AA, the bank made seven CD loans totaling \$11.3 million; and in the Cape Girardeau MSA AA, the bank made two loans for \$3.6 million. The seven loans in the St. Louis MSA AA provided affordable housing. The loans in the Southeast Missouri Non-MSA AA and Cape Girardeau MSA AA provided job creation or retention at small businesses. Montgomery Bank also made six loans in the larger St. Louis MSA regional area for \$21 million. Three of these loans for \$18.4 million provided affordable housing. The other three loans for \$2.6 million provided for job creation, including a small business incubator. These loans address a need for affordable housing and small business financing in the St. Louis MSA identified by our community contacts. Some examples of the CD loans the bank made are included below.

The bank made seven loans for \$11.3 million in the St. Louis MSA AA to fund various apartment buildings. The majority of units in these buildings are targeted to low- or moderate-income individuals. In total, these loans funded 162 units of affordable housing.

Three loans for \$18.4 million were extended under the New Markets Community Revitalization program. These loans provided funding to rehabilitate and renovate three buildings into retail, commercial, and 36 residential units in a low-income CT. These loans were instrumental in the revitalization of this area within the St. Louis MSA but outside the bank's AA.

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

Montgomery Bank made 35 qualified investments (QI) for \$1.6 million during this evaluation period and has one prior period investment with a balance of \$1.7 million remaining on its books. The largest QI was the purchase of a \$1.3 million targeted Government National Mortgage Association (GNMA) mortgage-backed security. The pool of mortgages backing the investment consisted of smaller loans which provided for affordable housing within the St. Louis MSA. Other current period investments consist of donations to organizations with a community development purpose. While most of these organizations provide community services targeted to low- and moderate-income individuals, the bank has invested in 6 organizations that provide affordable housing to low- and moderate-income individuals.

In the Southeast Missouri Non-MSA AA, Montgomery Bank made eighteen QI for \$249,000. Fourteen of the QI (\$246,000) provided community services targeted to low- and moderate-income individuals, and the other 4 QI (\$3,000) provided affordable housing. In the St. Louis MSA AA, Montgomery Bank made 4 QI for \$1.3 million. Two of the QI (\$1.3 million) provided affordable housing and the other 2 QI (\$10,000) provided community services targeted to low- and moderate-income individuals. In the Cape Girardeau MSA AA, Montgomery Bank made 13 QI for \$18,000. Twelve of the QI (\$15,000) provided community services targeted to low- and moderate-income individuals, and the other QI (\$3,000) provided affordable housing.

The bank's prior period investment was made in the St. Louis MSA AA. An old manufacturing facility was converted to an apartment building in the City of St. Louis. The building is located in a tax increment financing (TIF) district. This represents an activity that revitalized and stabilized a distressed community. The bank invested \$2.8 million in TIF bonds during a prior period. The investment supported the project's construction and has a \$1,714,876 balance remaining.

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

Delivery systems are reasonably accessible to geographies and individuals of different income levels. Montgomery Bank operates twelve full-service offices and sixteen ATMs in the bank's three AAs. There are four branches in the Southeast Missouri Non-MSA AA, five branches in the St. Louis MSA AA, and three branches in the Cape Girardeau MSA AA. There is an ATM at each branch with two additional ATMs in each the Southeast Missouri Non-MSA AA and the Cape Girardeau MSA AA. Extended hours are available at all locations, most offices are open on Saturdays, and drive-up locations are open longer on weekdays and on Saturdays. All of the bank's loan and deposit products are available at all branch locations.

None of the bank's branches are located in low- or moderate-income CTs; however, several of the branches are adjacent to moderate-income CTs. Only 3% of the population in the St. Louis MSA AA lives in low-income CTs, and there are no low-income CTs in either the Cape Girardeau MSA AA or the Southeast Missouri Non-MSA AA. The bank has 2 branches in Scott County which serve the distressed non-MSA middle-income CTs in adjacent Mississippi and New Madrid Counties. Since the last examination, the bank has closed four branches and opened four branches. In the St. Louis MSA AA, the bank closed three branches and consolidated them into one location, opened another branch, and opened and closed a mobile branch. In the Cape Girardeau MSA AA, the bank has opened one branch. In the Southeast Missouri Non-MSA AA, the bank moved one branch and added two ATMs. None of these changes affected the availability and accessibility of the bank's products and services.

Montgomery Bank offers an excellent level of CD services based on the capacity of the bank and the need and availability of opportunities in the AAs. The bank has provided CD services to 66 organizations during this evaluation period. Bank employees are active with several organizations that provide affordable housing, community services, or financial education in the AAs.

### Southeast Missouri Non-MSA AA

Bank employees are involved with twenty-nine different community development organizations within this AA. Twenty-four of these organizations provide community services targeted to low- and moderate-income individuals. Three of the organizations promote economic development by financing small businesses. The other two organizations focus on affordable housing for low- and moderate-income individuals. The employees are involved in community development by participating on various economic development committees, providing financial assistance to homeless shelters and food banks, and delivering financial training through savings and credit presentations at schools. Some examples of the CD services provided in this AA are detailed below.

- One bank employee serves on the school district's Technology Advisory Board. As part of his duties, he oversees the district's budget and provides advice on the school's business plans. The majority of the students in the district are eligible for the free or reduced lunch programs.
- A bank employee participates on the board and oversaw the fundraising efforts of the local hospital. The hospital recently constructed a Community Care Center, which serves the moderate-income areas of the AA.
- One bank employee serves on the executive board of an economic development council. She is involved in their budgeting and funding decisions.
- One employee serves on the advisory committee for a local women's shelter. She was involved in fundraising for the organization.
- One employee is on the selection committee of an affordable housing organization. She uses her financial expertise in the evaluation of applicants for affordable housing.

### St. Louis MSA AA

Bank employees are involved with nineteen different community development organizations within this AA. Ten of these organizations provide community services targeted to low- and moderate-income individuals. Six of the organizations promote economic development by financing small businesses. Three of these organizations focus on affordable housing for low- and moderate-income individuals. The employees are involved in community development by participating in small business events, working with affordable housing organizations, and providing financial education presentations at local schools. Some examples of the CD services provided in this AA are detailed below.

- One employee is on the board of the organization that plans, finances and organizes the Small Business Week program for the local SBA.
- One employee is on the board of a local business district. He is involved in fundraising for the revitalization efforts in this area.
- One employee is a member of an organization that provides consulting and financial advice to small business owners. He is actively involved in meeting with the small business representatives and providing financial guidance.
- One employee is on the board of a local housing organization. This individual organized the fundraising efforts for the organization.

## Cape Girardeau MSA AA

Bank employees are involved with eighteen different community development organizations within this AA. Fourteen of these organizations provide community services targeted to low- and moderate-income individuals. Three of the organizations promote economic development by financing small businesses. The other organization focuses on the revitalization and stabilization of a low- to moderate-income area. The employees are involved in community development by participating on various economic development committees, providing financial assistance to homeless shelters and food banks, and delivering financial training through savings and credit presentations at schools. Some examples of the CD services provided in this AA are detailed below.

- One bank employee provides educational workshops to women in agriculture. The majority of the participants own or operate very small farms with revenues of less than \$500,000.
- Two employees work with the local community development corporation. One employee is on the investment committee and the other is a board member. These individuals are involved in decisions regarding the funding, loan requests and business plans of the organization.
- Financial education presentations are performed at local schools and to low-income individuals through programs that address credit, identity theft and eBanking. The majority of the students at these schools are eligible for the free or reduced lunch programs.

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

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