



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 16, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Malvern National Bank
Charter Number: 23202

1 Money Place
Malvern, AR 72104-0000

Office of the Comptroller of the Currency

ADC-LITTLE ROCK Field Office
Victory Building 1401 West Capitol Avenue
Little Rock, AR. 72201

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: Satisfactory.

The following performance factors were used in determining the bank's overall CRA rating:

- The average loan-to-deposit ratio at 60% is reasonable given the bank's size, financial condition, and assessment area's credit needs.
- A substantial majority of the bank's loans are located within its assessment areas.
- The borrower distribution of loans is excellent among businesses of different sizes and good among individuals of different income levels.
- The geographic distribution of mortgage loans and small business loans reflects excellent dispersion throughout the bank's assessment area.
- The level of community development activities is good.

Scope of Examination

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank elected to be evaluated using Intermediate Small Bank CRA criteria. Loan information used for this evaluation included 2008-2010 Home Mortgage Disclosure Act (HMDA) loan data, 2008-2010 CRA loan data for small businesses and small farms, and other internal loan information. A data integrity examination of the bank's HMDA and CRA loan data was performed June 13, 2011 to determine the accuracy of the bank's data. No deficiencies were noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers the period from May 5, 2008 to August 16, 2011. The bank was rated "**Outstanding**" at the previous examination. A community contact was made with a local community organization with knowledge of the overall needs within the bank's assessment area and used in the evaluation process. This contact indicated the bank is meeting the credit needs of the community, particularly in loans for small businesses and affordable housing.

Description of Institution

The Malvern National Bank (MNB) is a \$465 million intrastate financial institution. MNB is headquartered in Malvern, Arkansas. MNB is a wholly owned subsidiary of MNB Bancshares, a one-bank holding company. There are no subsidiaries or affiliates.

MNB operates ten full-service branches. The main office is located in Malvern with

additional branches in Benton, Bryant, Little Rock, Hot Springs, and Sheridan. Each location has a full service automated teller machine (ATM). In addition, MNB operates two cash only ATMs. Both ATMs are located in Malvern.

As of June 30, 2011, MNB reported approximately \$192 million in outstanding loans and had a net loans and leases to assets ratio of 40 percent. Tier 1 capital was reported at \$47 million. MNB is primarily a commercial lender. The table below shows the composition of the loan portfolio:

Loan Category	\$(000)	Percent
Agricultural Loans	\$ 2,974	1.55%
Commercial Loans	\$ 135,623	70.69%
Residential Loans	\$ 45,086	23.50%
Individual Loans	\$ 7,981	4.16%
Other	\$ 192	.1%
Total	\$191,856	100%

There are no financial circumstances, legal constraints, or other factors that would hinder MNB's ability to meet the credit needs of the assessment area.

Description of Assessment Area(S)

MNB's assessment area is reasonable and consists of all census tracts (CTs) in Hot Spring, Garland, Grant, and Saline Counties of Arkansas. These counties are located in the central part of the state. This assessment area consists of whole geographies and is in compliance with requirements of the CRA regulation. Based on 2000 census data, the population of MNB's assessment area was 218,414.

There are two metropolitan statistical areas (MSA) in MNB's assessment area. The CTs in Garland County comprise the Hot Springs MSA and the CTs of Grant and Saline County are part of the Little Rock/North Little Rock MSA.

There are no (0) low-income CTs located in MNB's assessment area and only Garland County/Hot Springs MSA has any moderate-income CTs.

The Garland County/Hot Springs MSA has no (0) low-income CTs, six (6) moderate-income CTs, eleven (11) middle-income CTs, and two (2) upper-income CTs.

Grant and Saline Counties, comprising part of the Little Rock/North Little Rock MSA, have no (0) low-income CTs, no (0) moderate-income CTs, nineteen (19) middle-income CTs, and six (6) upper-income CTs.

Hot Spring County has no (0) low-income CTs, no (0) moderate-income CTs, seven (7) middle-income CTs, and no (0) upper-income CTs.

Below is a description for Hot Spring County, Garland County/Hot Springs MSA and Grant and Saline Counties comprising part of the Little Rock/North Little Rock MSA.

Demographic and Economic Characteristics Hot Spring County	
Population 30,353	
Number of Families	8,880
Number of Households	11,992
Geographies	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
2000 MFI for AA	\$34,263
2010 HUD-Adjusted MFI	\$43,400
Economic Indicators	
Unemployment Rate – Arkansas	8.2%
Unemployment Rate – AA	7.7%
Unemployment Rate – US	9.1%
2000 Median Housing Value	\$56,811
% of Households Below Poverty Level	15.14%

Source: 2000 Census Data

The county's economy is stable. The county's three largest industries are durable goods, manufacturing, state and local government, and services. Major employers include Hot Spring County Medical Center, Anthony Timberlands (timber), and Arkansas Department of Corrections, Reynolds, Inc, and Acme Brick Company. The bank's main office is located in the county's principal city of Malvern, which has a population of 9,021 per the 2000 census.

Demographic and Economic Characteristics Garland County/Hot Springs MSA	
Population 88,068	
Number of Families	25,396
Number of Households	37,796
Geographies	
Number of Census Tracts	19
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	31.58%
% Middle-Income Census Tracts	57.89%
% Upper-Income Census Tracts	10.53%
Median Family Income (MFI)	
2000 MFI for AA	\$38,002
2010 HUD-Adjusted MFI	\$47,200
Economic Indicators	
Unemployment Rate – Arkansas	8.2%
Unemployment Rate – AA	8.1%
Unemployment Rate – US	9.1%
2000 Median Housing Value	\$76,803
% of Households Below Poverty Level	13.98%

Source: 2000 Census Data

The county's economy is stable. Primary industries are tourism, health services, and forestry/timber. Tourism accounts for about 30 percent of Garland County's economy. Hot Springs National Park is located in Hot Springs. There are also numerous lakes for boating, camping, and fishing. Live horse racing is held at Oaklawn Park from February through April and simulcast racing year-round. Major employers include Saint Joseph's Regional Health Center of Hot Springs, National Park Medical Center - Lake Catherine, Oaklawn Park (horse racing track), and the City of Hot Springs.

Demographic and Economic Characteristics Grant and Saline Counties / Little Rock - North Little Rock MSA	
Population 99,993	
Number of Families	29,296
Number of Households	38,026
Geographies	
Number of Census Tracts	25
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	76.00%
% Middle-Income Census Tracts	24.00%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
2000 MFI for AA	\$46,412
2010 HUD-Adjusted MFI	\$59,100
Economic Indicators	
Unemployment Rate – Arkansas	8.2%
Unemployment Rate – AA	6.6%
Unemployment Rate – US	9.1%
2000 Median Housing Value	\$81,404
% of Households Below Poverty Level	7.95%

Source: 2000 Census Data

The economy is growing in this geography. The county's three largest industries are services, state and local government, and retail trade. Major employers include Alcoa, Inc. – Industrial Chemicals Division, Wal-Mart Stores, Inc., and several other national retailers.

Conclusions with Respect to Performance Tests

Discuss the institution's CRA performance. The facts and data that support your conclusions must be included in the PE. The PE should clearly demonstrate how the lending and the community development tests, and their performance criteria, as well as relevant information from the performance context, were considered in order to rate the institution.

LENDING TEST

Loan-to-Deposit Ratio

MNB's average loan-to-deposit ratio (LTD ratio) of 60% is reasonable given its size, financial condition, funding sources, and assessment area's credit needs. The bank's LTD ratio is the second lowest amongst the institutions in the bank's assessment areas. The average loan-to-deposit ratio was calculated since last examination through June 30, 2011.

The bank's LTD ratio was then compared to other financial institutions which have branches located within the bank's assessment area.

Loan-to-Deposit Ratio		
Institution	Assets (as of 06/30/2011) \$(000)	Average LTD Ratio %
Chambers Bank	715,604	98.74
Farmers Bank and Trust	699,423	91.95
First National Bank (Hot Springs)	665,967	79.44
The Malvern National Bank	465,023	60.49
Diamond Bank	445,168	73.60
Simmons First Bank of Hot Springs	169,861	62.00
Heartland Community Bank	168,834	106.29
Peoples Bank	115,340	59.16
Hot Springs Bank and Trust Company	95,880	90.66

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A substantial majority of MNB's loans are located within its assessment area. The chart below reflects total loans made during the assessment period in the following categories. As indicated, 90% of the number of loans made and 82% of the dollar volume was to borrowers located within the bank's assessment area.

Lending in Assessment Area								
Loan Type	Loans In Assessment Area				Loans Out of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase	139	86.34	14,581	89.41	22	13.66	1,727	10.59
Home Improvement	122	96.83	7,565	98.31	4	3.17	130	1.69
Home Refinance	81	97.59	6,787	96.76	2	2.41	227	3.24
Small Business	832	87.86	80,250	78.54	115	12.14	21,921	21.46
Small Farm	118	97.52	3,397	86.02	3	2.48	552	13.98
TOTAL	1,292	89.85	112,580	82.09	146	10.15	24,557	17.91

Source: 2008 – 2010 bank loan data

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

The bank's distribution of home purchase, home improvement, and home refinance loans to low- and moderate-income borrowers in the bank's assessment areas is good. The percentage of bank loans to low-income borrowers is lower than the percentage of low-income families in the assessment areas. The opportunity to lend to low-income borrowers is limited in all counties in the assessment area due to the percentage of low income families whose income is below the poverty level. The percentage of bank loans to moderate-income families is either near to or exceeds the percentage of moderate-income families in the assessment areas.

MNB has an excellent record of originating small business and small farm loans to businesses and farms with revenues of \$1 million or less. In addition, a substantial majority of small business and small farm loans originated in amounts of \$100,000 or less. The following charts reflect the distribution of home mortgage loans and small business/small farm loans made by the bank in 2008 through 2010 by borrower income levels.

Borrower Distribution – Home Loans Hot Spring County								
Borrower Income Level	Low Income (less than \$21,700)		Moderate Income (\$21,700 to \$34,719)		Middle Income (\$34,719 to \$52,079)		Upper Income (over \$52,079)	
% of AA Families	15.46%		16.61%		25.09%		42.84%	
Home Purchase Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	6.67	4.84	13.33	8.57	30.00	24.15	50.00	62.44
Home Improvement Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15.00	1.20	21.67	3.79	25.00	12.43	38.33	82.58
Refinance Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	10.53	5.68	21.05	12.46	42.11	36.28	26.32	45.48

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution – Home Loans Garland County/Hot Springs MSA								
Borrower Income Level	Low Income (less than \$23,599)		Moderate Income (\$23,599 to \$37,759)		Middle Income (\$35,759 to \$53,639)		Upper Income (over \$53,639)	
% of AA Families	19.07%		18.11%		23.06%		39.75%	
Home Purchase Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	35.00	8.87	20.00	17.87	45.00	73.26
Home Improvement Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	25.00	1.86	0.00	0.00	25.00	21.74	50.00	76.40
Refinance Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	7.69	4.85	15.38	3.43	76.92	91.72

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution – Home Loans Grant and Saline Counties/Little Rock - North Little Rock MSA								
Borrower Income Level	Low Income (less than \$29,549)		Moderate Income (\$29,549 to \$47,279)		Middle Income (\$47,279 to \$70,920)		Upper Income (over \$70,920)	
% of AA Families	15.81%		18.60%		26.34%		39.24%	
MNB Home Purchase Loans 2005 - 2007	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3.85	1.17	15.38	7.65	23.08	20.77	57.69	70.41
MNB Home Improvement Loans 2005 - 2007	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	22.00	2.30	28.00	12.89	20	25.44	30.00	59.37
MNB Home Refinance Loans 2005 - 2007	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	9.52	3.88	23.81	13.08	23.81	26.53	42.86	56.51

Source: 2008 - 2010 Bank Data and 2000 Census Data

Data for loans to businesses originated during the assessment period was reviewed to determine the level of loans made to businesses of different revenues as compared to business revenue data from the 2000 census. MNB’s lending to small businesses with revenues less than \$1 million exceeds the assessment area’s distribution of small businesses with revenues less than \$1 million.

Borrower Distribution of Small Loans to Businesses Hot Spring County			
Business Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Businesses	82.44%	2.27%	15.28%
% of Bank Loans in AA #	100%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution of Small Loans to Businesses Garland County/Hot Springs MSA			
Business Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Businesses	80.38%	3.54%	16.08%
% of Bank Loans in AA #	100%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution of Small Loans to Businesses Grant and Saline Counties/Little Rock - North Little Rock MSA			
Business Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Businesses	84.92%	2.64%	12.45%
% of Bank Loans in AA #	100%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Data for loans to small farms originated during the assessment period was reviewed to determine the level of loans made to farms of different revenues as compared to business revenue data from the 2000 census. MNB's lending to small farms with revenues less than \$1 million exceeds the assessment area's distribution of small businesses with revenues less than \$1 million.

Borrower Distribution of Small Loans to Farms Hot Spring County			
Farm Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Farms	98.36%	0.00%	1.64%
% of Bank Loans in AA #	100%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution of Small Loans to Farms Garland County/Hot Springs MSA			
Farm Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Farms	96.02%	2.27%	1.70%
% of Bank Loans in AA #	0.00%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Borrower Distribution of Small Loans to Farms Grant and Saline Counties/Little Rock - North Little Rock MSA			
Farm Revenues	≤\$1,000,000	>\$1,000,000	Revenue Not Reported
% of AA Farms	98.82%	0%	1.18%
% of Bank Loans in AA #	100%	0%	0%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Geographic Distribution of Loans

The following charts compare the geographic distribution of home loans and loans to small businesses and farms made by the bank in 2008 – 2010. The geographic distribution for Hot Spring, Grant, and Saline Counties would not be meaningful because these counties do not have low- and moderate-income census tracts.

The percentage of bank loans in moderate-income census tracts exceeds the percentage of owner-occupied housing units in moderate-income census tracts in the Hot Springs MSA assessment area.

Geographic Distribution – Home Loans Garland County/Hot Springs MSA								
Census Tracts Income Level	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
% of AA Owner Occupied	0.00		15.07%		71.45%		13.48%	
Home Purchase Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	23.81	31.36	61.90	60.76	14.29	7.89
Home Improvement Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	20.00	95.55	20.00	0.08	60.00	4.37
Refinance Loans 2008 - 2010	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0.00	0.00	26.67	41.60	46.67	37.06	26.67	21.34

Source: 2008 - 2010 Bank Data and 2000 Census Data

The distribution of loans to businesses in moderate-income CTs exceeds the percentage of businesses located in moderate-income census tracts in the Hot Springs MSA assessment area.

Geographic Distribution – Business Loans Garland County/Hot Springs MSA				
Census Tracts Income Level	Low Income Tracts	Moderate Income Tracts	Middle Income Tracts	Upper Income Tracts
% of Businesses located in AA	0.00%	27.94%	59.59%	12.47%
% of Bank Loans in AA	0.00%	28.82%	54.71%	16.47%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Farm loans were not evaluated because MNB did not originate any farm loans in the Hot Springs MSA assessment area during the evaluation period. The Hot Springs MSA is not an agricultural community; therefore, there are no lending opportunities for farm loans.

Geographic Distribution – Farm Loans Garland County/Hot Springs MSA				
Census Tracts Income Level	Low Income Tracts	Moderate Income Tracts	Middle Income Tracts	Upper Income Tracts
% of Farms located in AA	0.00%	7.95%	77.84%	14.20%
% of Bank Loans in AA	0.00%	0.00%	0.00%	0.00%

Source: 2008 - 2010 Bank Data and 2000 Census Data

Responses to Complaints

No formal CRA complaints have been received since the prior examination. The bank has a formal process of receiving and responding to customer complaints.

COMMUNITY DEVELOPMENT TEST

Performance under the community development test is satisfactory. MNB has invested in or donated to entities and organizations whose services primarily benefit low- and moderate-income families. Bank staff was involved with organizations that provide affordable housing for low- and moderate-income families, promote economic development, revitalize/stabilize low- and moderate-income areas, and provide social services primarily to low- and moderate-income families.

Number and Amount of Community Development Loans

The definition of community development includes the following: affordable housing for low- and moderate-income individuals, community services targeted toward low- and moderate-income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low- and moderate-income geographies. In 2005, the following activities were added to the definition: activities that revitalize or stabilize low- or moderate-income areas, designated disaster areas, and distressed or underserved non-metropolitan middle-income geographies that have been designated by the Federal Reserve, the OTS, the FDIC, and the OCC. Effective July 21, 2011, the OTS merged into the OCC.

Malvern NB has met the Community Development (CD) lending needs of its assessment area. During the evaluation period, MNB originated one (1) loan to a real estate developer who constructs affordable housing that is leased to low- and moderate-income individuals and families. The loan originated at \$200,150.

Number and Amount of Qualified Investments

Qualified investments are investments, deposits, grants, donations, or in-kind contributions of property that have as their primary purpose “Community Development” as defined in the CRA regulation.

The number and amount of MNB’s qualified investments is excellent. During the evaluation period MNB purchased investments totaling \$11.6 million. The bank’s investments are centered in Arkansas school district bonds, in which all the schools are Title I schools. Additionally, MNB’s qualified grants/donations during the assessment period totaled \$25 thousand.

MNB has donated funds to seven (7) Title I schools in its assessment area based on the balance in the school’s deposit account with the bank. These funds are called Academic Prime Donations and are considered a bonus to the school districts. During the evaluation period, MNB donated \$221,849 to the various school districts.

During the evaluation period, MNB has made an in-kind contribution which consist of donating office furniture from the bank to the Malvern School District. The total value of the office furniture is \$10,000.

Extent to Which the Bank Provides Community Development Services

The bank’s level of participation in community development services is good, based on its capacity, distribution of retail branches, needs of the assessment area, and number of community development opportunities available for MNB to participate in.

Responsiveness to Community Development Needs

The primary delivery system is the bank’s branch network. In total, MNB has twelve (12) branches, of which nine (9) are full service branches, one (1) is a deposit-only branch, and (1) one is a non-deposit branch (administration). No branches have been opened or closed during the evaluation period. The bank offers a wide variety of loan and deposit products. Products and services include low cost checking, competitive rate school district incentive accounts (Academic Prime), USDA Rural Housing, ADFA Home-to-Own program, and an in-house low- to moderate- income financing program. All programs are available at all full-service branches while paying and receiving services are available at all the deposit-only branches. Bookkeeping and data processing services are housed at the non-deposit branch. The bank changed its hours of operation for the deposit-only branch during the assessment period. The hours of operation on Monday through Thursday were reduced by three and a half hours and on Friday by two hours. These hours coincide with the operating hours of the other branches. Banking hours are reasonable throughout the bank’s assessment area, including moderate-income census tracts. All full service branches, except the main office, are open on Saturdays.

Alternative delivery systems include ATMs, telephone, and Internet banking services.

There is no way to determine the effectiveness or accessibility of the telephone and Internet banking services to low- and moderate-income individuals. The bank has nine (9) onsite ATMs and three offsite ATMs. Of the twelve (12) ATM locations, two (2) are located in moderate- income census tracts.

Retail Banking Services

Hot Spring County

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area. The Hot Spring County assessment area has three (3) full service branches, one (1) deposit-only branch, and one (1) non-deposit branch. All full service branches have onsite ATMs. There are three other ATMs located in the Hot Spring County assessment area. All locations are found in middle-income census tracts. Based on the 2000 census, all census tracts in Hot Spring County are middle-income tracts.

Hot Springs MSA – Garland County

The bank's service delivery systems are excellent and very accessible to geographies and individuals of different income levels in the assessment area. The Hot Springs MSA has three full service branches with onsite ATMs. Two of the branches are located in moderate-income census tracts. Based on the 2000 census, there are six moderate-income census tracts in the Hot Springs MSA.

Grant-Saline County

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the assessment area. The Grant-Saline County assessment area has four full service branches with onsite ATMs. All locations are found in middle- or upper-income census tracts. Based on the 2000 census, all census tracts are middle- or upper-income tracts in Grant and Saline Counties.

Qualified Community Development Services

MNB's level of qualified community development services is satisfactory. Bank employees participated with eighty-six (86) organizations that create affordable housing, promote economic development, revitalize/stabilize low- and moderate-income area, and offer services to low- and moderate-income individuals/families in the assessment area. Following is some of the CD service activities noted:

City of Malvern Revolving Loan Fund

This fund is used to make loans to small businesses that do not qualify for conventional lending. A condition for approval is that the borrower will create new jobs or protect existing jobs. One bank employee serves on the Board of Directors for this fund which provides financial counseling to borrowers and potential borrowers. The bank's loan department also prepares the loan documents for the fund.

Habitat for Humanity

Habitat for Humanity is an organization that provides affordable, quality housing for

individuals in need. A bank employee participates in this organization by being a mentor to a family building a home. During the year, the mentor is responsible for advising the family on various aspects of home ownership and finances.

Resource Organization of Service Excellence, Inc. (R.O.S.E.)

R.O.S.E. is a non-profit organization that provides basic needs to low- and moderate-income families. R.O.S.E. offers food, clothing, and basic medical services to low- and moderate-income families. A bank officer serves on the board of this organization.

Single Parent Scholarship Program

The Single Parent Scholarship Program is administered through the local division of the Central Arkansas Development Council. It emphasizes education and skill development of self sufficiency. The program works to help remove barriers between single parents and education by providing such things as transportation, child care, books, and tuition expenses. The scholarships are based on financial needs of the individuals. An employee of the bank serves on the Board of Directors to administer the scholarships and advise the recipients.

Hot Spring Economic Development Corporation (EDC)

The EDC's objectives are to recruit new industry and act to retain existing industry. It is also involved in a long-term project to provide affordable housing for the Malvern and Hot Spring County area to low- and moderate-income individuals. Two bank employees serve on the Board of the EDC. One employee recently completed one term as Chairman.

Jobs for America's Graduates, Inc. (JAG)

JAG's primary goal is to help low- and moderate-income students successfully graduate from high school and obtain meaningful employment or continue their education. MNB has offered intern jobs to students in the JAG program for the past three years.

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.