



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Flowers National Bank
Charter Number 8407

Main Street
Cainsville, MO 64632

Office of the Comptroller of the Currency
MidSize Banks – Red Team
1 South Wacker Drive, Suite 200
Chicago, IL 60606

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.

Lending performance for the Flowers National Bank (FNB) is outstanding. Major factors that support this rating are:

- Lending activities reflect excellent penetration among businesses and farms of different sizes.
- The loan-to-deposit (LTD) ratio reflects reasonable responsiveness to the credit needs of the community.
- A substantial majority of the bank's lending is within its assessment area (AA).
- Investment activities enhance credit availability in the AA.

SCOPE OF EXAMINATION

We evaluated FNB under the small bank examination procedures. By number, the bank's primary loan product is agricultural loans. By dollar volume, agriculture and commercial loans are the primary loan products. Our sample included 27 agriculture loans and 20 commercial loans originated or purchased between January 1, 2009 and June 30, 2011 (review period). All financial information and ratios referenced herein are as June 30, 2011 or the review period, unless otherwise stated.

DESCRIPTION OF INSTITUTION

FNB is a \$31 million institution headquartered in Cainsville, Missouri with one additional full service facility in Bethany, Missouri. The bank has no ATMs. The bank offers a variety of loan and deposit products. As of June 30, 2011, the loan portfolio consists of the following by dollar volume: commercial/commercial real estate (40 percent), 1-4 family RRE (17 percent), agriculture/farmland (35 percent), and consumer (4 percent). Commercial leases account for the remaining 4 percent.

The bank's business strategy is to increase the size of the bank with commercial loans from several different sources. FNB grew in the last year, increasing in size from \$26 million to \$31 million.

FNB received an "Outstanding" CRA rating at the last examination dated November 17, 2003. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB has one AA that consists of five census tracts located in Harrison and Mercer counties in Missouri. The AA meets the requirements of the regulation, as the census tracts are contiguous and include geographies where the bank's branches and a substantial majority of loans are located. All census tracts within the bank's AA are middle-income tracts. The bank does not arbitrarily exclude any low-or moderate-income areas.

The bank is located in North-Central Missouri with a strong agricultural base. The local economy has remained strong despite the economic downturn. Primary employers in the area are primarily construction, retail trade and manufacturing.

Competition is strong and includes local banks and institutions that serve larger regional and national markets. The 2011 HUD non-metropolitan statistical area median family income is \$45,700. Unemployment increases seasonally due to the higher percentage of agricultural jobs, but the average rates are lower than the overall rate of 8.5 percent for the state of Missouri. As of October 2011, the unemployment rate in Harrison and Mercer counties is 7.3 percent and 5.6 percent, respectively.

We made two community contacts during this examination with two community service organizations. These contacts stated business opportunities for financial institutions include: assisting with business expansion efforts, providing home loans, and providing grants to support local organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

FNB's LTD ratio reflects reasonable responsiveness to the credit needs of its AA. FNB's quarterly average net LTD ratio since its last CRA examination is 79 percent. Much of the local competition consists of branches of much larger institutions. The LTD ratios for all the financial institutions with branches in the AA range from 73 to 90 percent.

Lending in Assessment Area

A substantial majority of bank loans originated are located within the AA. For agriculture and commercial loan categories sampled, the bank originated 91 percent by number and dollar amount within the AA.

| Table 1 - Lending in Harrison and Mercer Counties | | | | | | | | | | |
|---|-----------------|---------|---------|--------|-------|-------------------------|---------|---------|--------|---------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Agricultural Loans | 27 | 100.00% | 0 | 0.00% | 27 | \$2,103 | 100.00% | \$0 | 0.00% | \$2,103 |
| Commercial Loans | 16 | 80.00% | 4 | 20.00% | 20 | \$412 | 60.95% | \$264 | 39.05% | \$676 |
| Totals | 43 | 91.49% | 4 | 8.51% | 47 | \$2,515 | 90.50% | \$264 | 9.50% | \$2,779 |

Source: Loan sample.

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

The distribution of loans reflects excellent penetration among farms and commercial loans of different sizes. Lending performance for agricultural loans to small farms is reasonable. Ninety-eight percent of farm operations in the AA report less than or equal to \$1 million in revenues and FNB originated 85 percent of its loans by number and 81 percent by dollar to farm operations with revenues less than \$1 million.

The distribution of loans to small businesses is excellent. Bank loans to businesses with revenues of less than or equal to \$1 million exceed demographics which show 75.58 percent of businesses in the AA have revenues less than \$1 million. The bank made 100 percent of its commercial loans to businesses with revenues less than \$1 million.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. There are no low- or moderate-income census tracts in the AA.

Responses to Complaints

Neither the bank nor the OCC received written complaints about performance in helping to meet the credit needs of its AA.

Qualified Investments and CD Services

FNB provided a high level of qualified investments, which enhanced credit availability in the AA. FNB's AA is designated as a distressed and underserved non-metropolitan, middle-income geography. During our review period, FNB invested in two community loans which totaled \$60 thousand. In addition, one local bond remains outstanding from the prior review period totaling \$23 thousand. These bond issuances benefit the AA and provide for the construction, expansion, improvement, maintenance, and operation of essential infrastructure.

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.