



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**March 5, 2007**

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

**Montgomery Bank, National Association  
Charter Number 15302**

**One Montgomery Bank Plaza  
Sikeston, MO 63801**

**Comptroller of the Currency  
St. Louis Field Office  
2350 Market Street, Suite 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: Satisfactory.

- The distribution of loans to individuals of different income levels and to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration within the census tracts in the assessment areas (AAs).
- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- Community development activities demonstrate adequate responsiveness to the needs of the bank's AAs through loans, qualified investments, and services.
- A majority of the loans originated during this evaluation period are to customers from within the AAs.

## **SCOPE OF EXAMINATION**

This Performance Evaluation 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 include 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 test evaluates a bank's community development lending, qualified investment, and community development services activities.

- The evaluation period covers small business and mortgage loans originated or purchased from January 1, 2005 through December 31, 2006, and community development activities from February 28, 2004 to March 5, 2007.
- We performed a full-scope review in each of Montgomery Bank's AAs.

## **DESCRIPTION OF INSTITUTION**

Montgomery Bank is a \$910 million intrastate bank headquartered in Sikeston, Missouri. The bank is owned by Montgomery Bancorporation, a one-bank holding company. The bank has twelve offices within the State of Missouri. The bank has designated two AAs: One is in Southeast Missouri, and the other is a portion of the St. Louis Metropolitan Statistical Area (MSA); see the descriptions below. The bank provides its customers with a full range of banking products and services.

The bank's lending focus is on small businesses and residential lending. As of December 31, 2006, the bank's loan-to-deposit ratio was 93% and Tier 1 capital totaled \$70 million. Loans as a percent of assets were 73%. The loan portfolio is comprised of commercial (51%), 1-4 family residential (27%), agricultural (5%), multifamily (4%), individual (3%), and other (10%) 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 February 27, 2004.

## **DESCRIPTION OF SOUTHEAST MISSOURI AA**

The Southeast Missouri AA includes all of Cape Girardeau, Mississippi, New Madrid, Scott, and Stoddard Counties, which are all located in the Southeast corner of Missouri. This area is commonly referred to as part of Missouri's "Bootheel" region. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. As of June 30, 2006, Montgomery Bank's deposits in the AA totaled \$434 million.

The median family income according to 2000 Census data is \$36,175. Based on this figure, the AA has six moderate-income (14%), twenty-seven middle-income (61%), and eleven upper-income (25%) census tracts (CTs). There are no low-income CTs in the AA. Based on 2000 Census data, 16% of the households in this AA live below the poverty level.

The majority of the housing within the AA is owner-occupied (63%), and the median housing value is \$69,439. One-to-four family homes account for 94% of the local housing stock, with multifamily homes accounting for the remaining 6%. Eleven percent of the units are mobile homes. Owner-occupied housing data shows that 11% of the units are in the moderate-income CTs, 54% are in the middle-income CTs, and 35% are in the upper-income CTs.

Based on the 2006 HUD Updated Median Family Income of \$44,800, 18.69% of families are low-income, 16.70% are moderate-income, 21.07% are middle-income, and 43.54% are upper-income.

Small businesses are a large segment of the local economy. There are 12,437 businesses in this AA. Businesses with less than \$1 million in annual revenue (6,806) account for 55% of the total businesses in the AA. Businesses that report revenue greater than \$1 million (654) account for 5% of the total, and the remaining 40% have unknown revenues. Of the businesses in this AA,

1,922 (15.45%) are located in the moderate-income CTs, 6,467 (52.0%) are located in the middle-income CTs, and 4,048 (32.55%) are located in the upper-income CTs.

Major competitors in this AA include a mix of large regional banks and smaller community banks. Specifically, other financial institutions in this AA include Regions Bank, US Bank, N.A., Bank of America, and Bank of Missouri.

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 November 2006, the unemployment rate for the AA ranged from 4.1% in Cape Girardeau County to 7.4% in New Madrid County, compared to 4.8% for the State of Missouri and 4.3% for the nation. According to the Cape Girardeau Chamber of Commerce, however, 65 new businesses open in the county every year and the region continues to grow stronger every quarter. Major employers of the Southeast Missouri counties include: Proctor and Gamble Paper Products in Cape Girardeau, public school districts in Cape Girardeau and Jackson County, Southeast Missouri Hospital, Saint Francis Healthcare Systems, and Southeast Missouri State University.

We conducted three community contacts with local organizations to better understand the AA's credit, investment, and financial service needs. The organizations provide a wide variety of services to low- and moderate-income residents. Funding for job training programs, food banks, and housing targeted for low- and moderate-income families were listed as primary needs. Opportunities for investments include community-sponsored economic development and job creation projects, nonprofit community organizations, and state-sponsored training programs.

## **DESCRIPTION OF ST. LOUIS AA**

The St. Louis AA includes 245 CTs located in the St. Louis, Missouri MSA. The AA generally includes all CTs south of Interstate 44 in St. Louis City, all CTs south of Interstate 70 in St. Louis and St. Charles Counties, and the 14 CTs in the northeast corner of Jefferson County. As of June 30, 2006, Montgomery Bank's deposits in the AA totaled \$214 million.

The median family income according to 2000 Census data is \$53,435. Based on this figure, the AA has ten low-income (4%), forty-three moderate-income (18%), ninety-four middle-income (38%), and ninety-six upper-income CTs (39%). Two CTs (1%) 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%), and the median housing value is \$131,394. One-to-four family homes account for 86% of the local housing stock, with multifamily homes accounting for the remaining 14%. Only 2% of the units are mobile homes. Owner-occupied housing data shows that only 1.5% 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.

Based on the 2006 HUD Updated Median Family Income of \$65,800, there are almost 50,000

(14.57%) low-income, 55,000 (16.02%) moderate-income, 74,000 (21.57%) middle-income, and 163,000 (47.84%) upper-income families in the AA.

Small businesses are a large segment of the local economy. There are 84,332 businesses in this AA. Businesses with less than \$1 million in annual revenue (54,713) account for 65% of the total businesses in the AA. Businesses that report revenue greater than \$1 million (6,151) account for 7% of the total, and the remaining 28% have unknown revenues. Of the businesses in this AA, 1,508 (2%) are located in the low-income CTs, 9,965 (12%) are located in the moderate-income CTs, 31,466 (37%) are located in the middle-income CTs, and 41,269 (49%) are located in the upper-income CTs.

Major competitors in this AA include a mix of large regional banks and smaller community banks. Specifically, other financial institutions in this AA include US Bank, N.A., Bank of America, and Commerce Bank.

As of November 2006, the unemployment rate for the AA ranged from 4.6% in St. Louis County to 7.0% in the City of St. Louis, compared to 4.8% for the State of Missouri and 4.3% 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.

We conducted three community contacts with local organizations to better understand the AA's credit, investment, and financial service needs. 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 investments 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 bank and other local banks are involved in the community and are adequately meeting its credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **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 is reasonable.
- The geographic distribution of loans reflects reasonable penetration of the CTs in the AAs.
- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of the loans originated during this evaluation period are to customers from within the AAs.

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

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The average LTD ratio for the eleven quarters ending September 2006 was 99.37%. Similarly-situated banks within the AA ranged from a low of 70.63% to a high of 106.63%. Montgomery Bank's ratio is the sixth highest average LTD ratio for the ten banks in the AA with total assets between \$400 million and \$900 million.

### **Lending in the Assessment Area**

A majority of the loans are originated within the bank's AAs. Based on 1,843 home purchase, home refinance, and small business loans originated by the bank during 2005 and 2006, 69% of the number of loans is to borrowers located in the AAs.

### **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.

### **Mortgage Lending**

Given the demographics of the AA, the distribution of borrowers reflects reasonable penetration among individuals of different income levels. Montgomery Bank's home purchase lending to moderate-income borrowers in the Southeast Missouri AA is slightly below the percentage of moderate-income families in this AA. Montgomery Bank's home refinance lending to moderate-income borrowers in the Southeast Missouri AA is also below the percentage of moderate-income families in this AA. Although the lending to low-income borrowers for home purchase and home refinance loans is below the percentage of low-income families in the Southeast Missouri AA, this is considered reasonable given that 16% of the families in this AA are living below the poverty level.

<b>Borrower Distribution of Residential Real Estate Loans in the Southeast Missouri 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	18.69	2.14	16.70	15.00	21.07	19.29	43.54	35.71
Home Refinance	18.69	5.23	16.70	13.37	21.07	13.37	43.54	55.81

Source: HMDA data for 2005 and 2006, and 2000 U.S. Census data.

Montgomery Bank's home purchase and home refinance lending to moderate-income borrowers in the St. Louis AA is significantly below the percentage of moderate-income families in the St. Louis AA. Although the lending to low-income borrowers for home purchase and home refinance loans is below the percentage of low-income families in the St. Louis AA, this is considered reasonable given that 7% of families in the St. Louis AA are living below the poverty level. This performance is considered reasonable since the majority of Montgomery Bank's home mortgage lending in this AA is to corporations, so income information is not applicable. Over 92% of the home purchase and 95% of the home refinance loans did not have income information available.

### **Borrower Distribution of Residential Real Estate Loans in the St. Louis AA**

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	14.57	0.42	16.02	0.83	21.57	2.08	47.84	3.95
Home Refinance	14.57	0.60	16.02	0.40	21.57	0.20	47.84	3.23

Source: HMDA data for 2005 and 2006, and 2000 U.S. Census data.

### Commercial Lending

Montgomery Bank's distribution of loans to businesses of different sizes is reasonable. From our sample of commercial loans, 50% of the loans in the Southeast Missouri AA and 40% of the loans in the St. Louis AA were made to small businesses. In the Southeast Missouri AA, this performance is slightly below the percentage of small businesses in this AA. In the St. Louis AA, this performance is below the percentage of small businesses in this AA. Small businesses are businesses with annual gross revenues of less than \$1 million.

<b>Borrower Distribution of Loans to Businesses in the Southeast Missouri AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55	5	40	100
% of Bank Loans in AA by #	50	30	20	100
% of Bank Loans in AA by \$	45	52	3	100

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 2005 and January 2007.

<b>Borrower Distribution of Loans to Businesses in the St. Louis AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65	7	28	100
% of Bank Loans in AA by #	40	30	30	100
% of Bank Loans in AA by \$	16	16	68	100

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 2005 and January 2007.

### Geographic Distribution of Loans

The geographic distribution of home mortgage loans and small loans to businesses reflects reasonable dispersion throughout the Southeast Missouri and St. Louis AAs.

### Mortgage Lending

The geographic distribution of residential lending reflects a reasonable level of penetration in CTs of different income levels. The percentage of home purchase loans originated in moderate-income CTs meets the percentage of owner-occupied housing located in the moderate-income CTs within the Southeast Missouri and St. Louis AAs. The percentage of refinance loans in the Southeast Missouri and St. Louis AAs is below the percentage of owner-occupied housing located in the moderate-income CTs within these AAs. Montgomery Bank had minimal lending

in low-income CTs in the St. Louis AA; however, only 2% of the owner-occupied units are in these CTs.

<b>Geographic Distribution of Residential Real Estate Loans in the Southeast Missouri 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	NA	NA	11	11	54	37	35	52
Refinance	NA	NA	11	6	54	54	35	40

Source: HMDA data for 2005 and 2006, and 2000 U.S. Census data.

<b>Geographic Distribution of Residential Real Estate Loans in the St. Louis 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	1	11	11	41	40	46	48
Refinance	2	1	11	7	41	32	46	60

Source: HMDA data for 2005 and 2006, and 2000 U.S. Census data.

### Commercial Lending

Montgomery Bank's distribution of commercial lending reflects a reasonable level of penetration in CTs of different income levels. Based on our sample, the percentage of commercial loans originated in moderate-income CTs is significantly above the level of commercial businesses located in the moderate-income CTs within the St. Louis AA. There were no commercial loans originated in the evaluation period within the moderate-income CTs in the Southeast Missouri AA or within the low-income CTs in the St. Louis AA. Only 2% of the businesses in the St. Louis AA are located in the low-income CTs. Management indicated they do not maintain data on business purpose loans secured by personal residences; however, they are aware of several of these types of loans made in moderate-income CTs in their Southeast Missouri AA.

<b>Geographic Distribution of Loans to Businesses in the Southeast Missouri 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
Small Business	NA	NA	15	0	52	20	33	80

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 2005 and January 2007.



<b>Geographic Distribution of Loans to Businesses in the St. Louis 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
Small Business	2	0	12	20	37	35	49	45

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 2005 and January 2007.

### **Response to Complaints**

Montgomery Bank has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

Montgomery Bank’s community development (CD) performance demonstrates adequate responsiveness to the needs of its AAs through loans, qualified investments, and services. Bank management works with city and county government officials in the communities where they have offices. They also partner with the Sikeston Department of Economic Development on loan projects. Officers and employees of the bank are heavily involved in a large number of community service organizations.

### **Community Development Loans**

During this evaluation period, Montgomery Bank originated sixteen CD loans totaling over \$26 million. In the Southeast Missouri AA, the bank made eight CD loans for a total of \$7,436,536; five of these loans provide funds for affordable housing. In the St. Louis AA, the bank made eight CD loans totaling \$18,962,519; seven of these loans provide funds for affordable housing. These loans address a need for affordable housing identified by our community contacts in each of the bank’s AAs. Examples of some of these loans are detailed below.

#### **Southeast Missouri AA**

- Montgomery Bank originated five loans for a total of \$6,346,326 to fund affordable housing at various group homes. The loans were made to either purchase or renovate the homes which provide housing for low- and moderate-income individuals. Two of the loans funded the rehabilitation of two senior citizen residential facilities where over 85% of the residents are on public assistance. One of the loans was made to renovate a 46-bed Medicaid nursing facility. Another loan funded the improvements to a home for low-income individuals with mental disabilities.
- Montgomery Bank made three loans for a total of \$1,090,210 to community service organizations. Two of the loans were made to fund the only regional hospital in the Bootheel where over 50% of the clients served are low- or moderate-income individuals. The other loan is an annual operating line of credit to an area food bank. This organization provides counseling for the homeless and acquires and distributes donated

food in a 16-county area.

### St. Louis AA

- Montgomery Bank originated numerous multi-family loans to six corporations for a total of \$17,812,519. These corporations provide affordable housing for low- or moderate-income individuals. One project was a 112-unit multi-family rehabilitation project in Affton, Missouri, which is 90% restored. Rents for the one- and two-bedroom units start at \$425 a month. Another loan funded the rehabilitation of an 80-unit apartment building in the Maplewood-Manchester area. Thirty percent of the tenants receive rent subsidy and units start at \$395 per month.
- Montgomery Bank provides a community service organization an annual line of credit for \$150,000. The organization targets low- and moderate-income people with disabilities and has been advocating for these individuals for over 32 years. Some of the services offered include behavioral support, skills development, community integration, group homes, and assistance with employment and transportation. In partnership with the State of Missouri, they produce an outstanding return on investment for both taxpayers and people with disabilities.

### **Qualified Investments**

Montgomery Bank made one qualified investment for \$2,800,000 during this evaluation period and has one prior period investment remaining on its books. The bank's current period investment was made in the St. Louis AA. An apartment building was converted from an old manufacturing facility 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 \$2,800,000 in TIF bonds that supported the project's construction.

The bank has one prior period investment from the Southeast Missouri AA with a current balance of \$140,816 on its books. In December of 1984, Montgomery Bank purchased \$710,000 of an Industrial Revenue Bond to fund capital improvements to the Missouri Delta Medical Center in Sikeston. Over 50% of the clients served at this facility are low- or moderate-income individuals.

### **Community Development Services**

Delivery systems are reasonably accessible to geographies and individuals of different income levels. Montgomery Bank operates twelve full-service offices and fourteen ATMs in the AAs. There are six branches in each AA. Eight of the ATMs are in the Southeast Missouri AA, and the other six are in the St. Louis AA. Extended hours are available at all locations, most offices are open on Saturdays, and most 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.

No bank branches in the Southeast Missouri AA are located in moderate-income CTs; however, four of their branches are adjacent to several moderate-income CTs. Since the last examination, the bank closed a branch in a moderate-income CT and opened a new branch in Dexter, Missouri.

No bank branches in the St. Louis AA are located in low- or moderate-income CTs, but two of their branches are adjacent to several moderate-income CTs. Only 3% of the population in the AA lives in low-income CTs.

Montgomery Bank offers an adequate level of CD services based on the capacity of the bank and the need and availability of opportunities in the AAs. Bank employees are active with several organizations that provide affordable housing, community services, or financial education in the AAs. Examples of some of the CD services are detailed below.

#### Southeast Missouri AA

- Montgomery Bank offers three financial educational programs serving schools and educational facilities in low- or moderate-income areas. These programs target students in elementary, secondary, and adult educational settings. The purpose of these programs is to educate individuals on credit, savings, and financial management. Bank employees are responsible for presenting the information to the students at schools, colleges, and learning centers.
- The Food Bank/Sikeston Rescue Mission provides counseling for the homeless and acquires and distributes donated food in a 16-county area. The Food Bank provides food to after-school programs, emergency shelters, food pantries, and soup kitchens. Bank employees provide assistance in preparing the Food Bank's annual budget.
- Public housing in Sikeston, Missouri is governed by the Sikeston Housing Authority (SHA). This organization provides housing at an affordable cost to low-income families and individuals. A bank employee counsels on the placement of Section 8 housing candidates.
- Altrusa is a civic club that provides scholarships to low- and moderate-income families. A bank employee assists in the decisions to select eligible candidates.

#### St. Louis AA

- Catholic Charities Archdiocese of St. Louis assists low- and moderate-income families in obtaining affordable housing. It also assists homeless individuals and families with emergency shelter. This organization serves as a distribution center for home goods, food, and clothing for the St. Louis nonprofit community. A bank employee participates in the Finance and Fund Development Committees.
- The mission of the Affordable Housing Commission of the City of St. Louis is "To promote city living and neighborhood stabilization through the preservation of affordable, accessible housing and support services that enhance the quality of life for those in need." It provides grants and loans to nonprofit agencies and developers. These organizations then provide housing-related services or construction/rehab housing for city residents earning 80% or less of the area median income. A bank employee is the Vice Chairman and participates in board meetings and serves on the Finance Committee.

## **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.