



PUBLIC DISCLOSURE

April 23, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Malvern National Bank
Charter Number 23202

1 Money Place
Malvern, AR 72104-3839

Office of the Comptroller of the Currency

Little Rock Field Office
1401 W. Capitol Ave., Suite 350
Little Rock, AR 72201-2915

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, and should not 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.

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Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The Bank's average quarterly loan-to-deposit (LTD) ratio is reasonable;
- A substantial majority of loan originations and purchases are inside the Bank's assessment area (AA);
- The distribution of loans among businesses of different sizes exhibits reasonable penetration;
- The geographic distribution of loans within the AA exhibits reasonable dispersion throughout the AA, and
- The Bank demonstrates appropriate responsiveness to community development (CD) needs of the AA through CD lending, investments, and services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the community development needs of its AA(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Malvern National Bank (MNB) is a single intrastate community bank headquartered in Malvern, Arkansas (AR). MNB had total assets of approximately \$531 million as of December 31, 2017. MNB had deposits of \$435 million. Gross loans totaled \$309 million and represent 58 percent of total assets. Tier one capital totaled \$51 million. MNB is a subsidiary and wholly owned by MNB Bancshares, Inc. that is also headquartered in Malvern, AR. MNB Bancshares, Inc. is a one bank holding company with total consolidated assets of approximately \$535 million as of December 31, 2017.

MNB offers a variety of loan products as described in the CRA Public File. Discussions with Bank management and an evaluation of loan originations during the evaluation period indicate that loans to businesses and residential real estate loans are the primary loan products. The loan portfolio composition consisted of 64.82 percent commercial real estate loans, 12.36 percent commercial loans, 20.61 percent residential mortgage loans, 0.40 percent agricultural loans, and 1.81 percent consumer loans.

The Bank has three AAs:

- Hot Spring County, a Non-MSA;
- Hot Springs AR MSA 26300 that is comprised solely of Garland County; and
- Part of the Little Rock-North Little Rock-Conway, AR MSA 30780 that includes contiguous whole geographies that the bank can reasonably serve of Faulkner County as listed in Appendix A, as well as the whole counties of Grant, Pulaski, and Saline Counties.

MNB operates 12 full-service branches and one limited service branch. The main office is located in Malvern with additional branches in the Cities of Benton, Bryant, Conway, Little Rock, Hot Springs, and Sheridan, AR. Automated teller machines (ATMs) and drive-thru facilities are available at each branch location with the exception of one office in Garland County. MNB operates one cash only ATM in Malvern. MNB opened three branches during the evaluation period with one in Conway (Faulkner County) and two in Little Rock (Pulaski County). There were no branch office closures during the evaluation period.

There are no financial impediments that would limit the Bank's ability to help meet the credit needs in its AA. The Bank's deposit market share was 44.08 percent and ranked first out of six banks in Hot Spring County. In the prior CRA performance evaluation for MNB, dated September 15, 2014, the Bank received a rating of "Satisfactory."

Scope of the Evaluation

Evaluation Period/Products Evaluated

Loan products used for this evaluation include business loans and home mortgage loans including home purchase, home improvement, and home refinance loans from January 1, 2016, through December 31, 2017. CD activities include loans, qualified investments and grants/donations, and services. The evaluation period for CD activities is September 15, 2014, through December 31, 2017. For the Lending Test, separate analyses were conducted for the years 2016 and 2017 due to the 2015 American Community Survey (ACS) US Census that applies to 2017. The 2010 US Census applies to 2016. Comparative data was different for each year due to the Census change and the income level of some census tracts (CTs) changing.

Data Integrity

A data integrity examination was conducted March 7, 2018. The data used in this evaluation is accurate for use in the analysis of performance. CD activities were reviewed during the CRA performance evaluation. Any activities that did not qualify were not included in analyses.

Selection of Areas for Full-Scope Review

Hot Spring County Non-MSA AA was reviewed for a full scope review and the Little Rock-North Little Rock-Conway MSA 30780 AA and Hot Springs MSA 26300 AA were reviewed as limited scope. Please refer to the table in Appendix A for more information.

Ratings

The Bank's overall rating is based primarily on those areas that received full-scope reviews. Business lending received the most weight considering the Bank's strategic focus. The lending test received the most weight when arriving at an overall rating. We based our evaluation of lending performance on residential mortgage loans and loans to businesses reportable under the HMDA during the evaluation period.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The Bank's performance under the Lending Test is rated **Satisfactory**. The LTD ratio is reasonable, a substantial majority of loans are inside its AA, and the geographic and borrower loan distribution are reasonable.

Loan-to-Deposit Ratio

- MNB's LTD ratio is reasonable and meets the standard for satisfactory performance.

MNB maintained an average quarterly LTD ratio of 62.98 percent. Four similarly situated banks were selected based on similar asset size and branches in common markets. The banks included were First National Bank- Fort Smith, Diamond Bank, Citizens Bank, and Relyance National Bank. The similarly situated bank's average LTD was 73.57 percent. Compared to these institutions, MNB fell within the LTD average range from 42.10 percent to 93.37 percent.

Lending in Assessment Area

- A substantial majority of the Bank's lending activity is located inside its AA and exceeds the standard for satisfactory performance.

As illustrated in Table 1, MNB originated or purchased 92.44 percent of the Bank's loans by number and 80.28 percent by dollar within the AA during the evaluation period. This analysis performed at the bank level as opposed to the AA level.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	149	87.13	22	12.87	171	14,303	69.31	6,334	30.69	20,637
Small Business	120	100.00	0.00	0.00	120	11,483	100.00	0.00	0.00	11,483
Totals	269	92.44	22	7.56	291	25,786	80.28	6,334	19.72	32,120

Source: HMDA Data and sample of the Bank's business loans from January 1, 2016 through December 31, 2017.

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

- The distribution of loans to borrowers of different income levels for residential mortgage lending and businesses of different sizes exhibits a reasonable penetration and performance that meets the standard for satisfactory performance.

Home Mortgage Loans

For 2016, the Bank's percentage of mortgage loans to low-income borrowers was significantly lower than the percentage of low-income families in the Hot Spring County AA. The percentage of mortgage loans to moderate-income borrowers was near to the percentage of moderate income families in the AA. Though the performance would normally be considered poor for low-income borrowers, it is mitigated considering the high poverty level and the difficulty that low-income people have purchasing a home in the AA without a subsidized loan (i.e. lower interest rate, down payment assistance, etc.). To add perspective, based on the updated Non-MSA AA median family income (MFI) of \$44,700 for 2016, low-income is defined as less than 50 percent of MFI or income less than \$22,350. According to realtor.com, the median price of a home in 2016 ranged from \$159,000 to \$199,900 in Hot Spring County. Another factor to consider is that the Bank's in house mortgage product is limited to a five-year balloon with up to a 25 year amortization with a 15 percent down payment. The Bank sells mortgage loans on the secondary market to investors that have more flexible terms through Rural Development, the Federal Housing Association, and the Veterans Administration; however, these loans are underwritten by the investors and are not HMDA reportable for MNB.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hot Spring County-Non-MSA								
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 Mortgage	14.53	2.63	19.50	18.42	20.26	15.79	45.71	47.37

Source: Data reported under HMDA 2016 ; U.S. Census data 2010. 15.79 percent of the loans reported no income.

For 2017, the Bank's percentage of mortgage loans to low-income borrowers was significantly lower than the percentage of low-income families in the AA. The percentage of mortgage loans to moderate-income borrowers exceeded the percentage of moderate-income families. Similar to 2016, the performance would normally be considered poor for low-income borrowers but is mitigated considering the factors discussed for 2016. Based on the updated Non-MSA AA median family income (MFI) of \$46,500 for 2017, low-income is defined as less than 50 percent of MFI or income less than \$23,250. The median price of a home in 2017, according to realtor.com ranged from \$162,000 to \$189,900 in Hot Spring County.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hot Spring County-Non-MSA								
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 Mortgage	20.29	5.00	16.65	30.00	19.88	20.00	43.18	45.00

Source: Data reported under HMDA 2017; 2015 ACS US Census data.

Business Loans

As illustrated in Table 2A for 2016, the percentage of loans by number to small businesses approximately equals the percentage of small businesses in the Hot Spring County AA. A small business is defined as a business with revenues of \$1 million or less. The percentage by dollar was near to the percentage of businesses in the AA. Most weight is placed on the number of loans originated or purchased to arrive at a rating, as well as considering performance context.

Table 2A - Borrower Distribution of Loans to Businesses in Hot Spring County- Non-MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	80.02	4.48	15.50	100.00
% of Bank Loans in AA by #	80.00	20.00	0.00	100.00
% of Bank Loans in AA by \$	64.00	36.00	0.00	100.00

Source: Business Loan Sample 2016; Dun and Bradstreet data 2016

For 2017, the number of the Bank's loans to small businesses in 2017 is near to the percentage of businesses in the Hot Spring County AA. The dollar volume of loans to small businesses is somewhat lower than the percentage of AA businesses.

Table 2A - Borrower Distribution of Loans to Businesses in Hot Spring County- Non-MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	79.44	4.71	15.84	100.00
% of Bank Loans in AA by #	75.00	20.00	5.00	100.00
% of Bank Loans in AA by \$	63.00	35.00	2.00	100.00

Source: Business Loan Sample 2017; Dun and Bradstreet data 2017.

Conclusion for limited-scope AAs

Based on a limited-scope review, the Bank's performance in the Hot Springs and the Little Rock MSAs is not inconsistent with performance in the full-scope area considering performance context. The following comments and tables record the Bank's lending activities compared to the respective demographic percentages for the limited scope AAs.

Home Mortgage Loans

For 2016, the Bank originated or purchased five loans in the Hot Springs MSA and analysis of the data is not meaningful.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hot Springs MSA 26300								
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 Mortgage	20.75	0.00	17.25	0.00	21.13	40.00	40.87	40.00

Source: Data reported under HMDA; U.S. Census data 2010. 20.00 percent reported no income information.

For 2017, the Bank originated or purchased three loans in the Hot Springs MSA and analysis of the data is not meaningful.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hot Springs MSA 26300								
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 Mortgage	21.33	0.00	17.56	0.00	19.94	0.00	41.17	66.67

Source: Data reported under HMDA 2017; 2015 ACS US Census data. 33.33 percent reported no income information.

For 2016, the Bank's percentage of mortgage loans to low-income borrowers was significantly lower than the percentage of low-income families in the Little Rock MSA AA with no loans originated or purchased. The percentage of mortgage loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in the Little Rock MSA 30780								
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 Mortgage	21.38	0.00	17.91	12.50	20.49	23.44	40.22	35.94

Source: Data reported under HMDA; U.S. Census data 2010. 28.13 percent reported no income information.

For 2017, the Bank originated or purchased 19 loans in the Little Rock MSA and analysis of the data is not meaningful. However, the Bank had two loans to low-income borrowers and three loans to moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in the Little Rock MSA 30780								
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 Mortgage	21.33	10.53	17.56	15.79	19.94	15.79	41.17	47.37

Source: Data reported under HMDA 2017; 2015 ACS US Census data. 10.53 percent reported no income information.

Business Loans

The number and dollar volume of the Bank's loans to small businesses in 2016 for the Hot Springs MSA are near to the percentage of small businesses in the AA, as depicted in the following Table 2A.

Table 2A - Borrower Distribution of Loans to Businesses in Hot Springs MSA 26300				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	83.40	5.30	11.30	100.00
% of Bank Loans in AA by #	80.00	20.00	0.00	100.00
% of Bank Loans in AA by \$	80.00	20.00	0.00	100.00

Source: Business Loan Sample 2016; Dun and Bradstreet data 2016.

For 2017, the number of loans is near to the percentage of small businesses in the AA and the dollar volume exceeds the percentage of small businesses, as depicted in the following Table 2A.

Table 2A - Borrower Distribution of Loans to Businesses in Hot Springs MSA 26300				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	83.23	5.25	11.52	100.00
% of Bank Loans in AA by #	70.00	20.00	10.00	100.00
% of Bank Loans in AA by \$	88.00	9.00	3.00	100.00

Source: Business Loan Sample 2017; Dun and Bradstreet data 2017.

For 2016, the number of loans is lower than the percentage of small businesses in the Little Rock MSA and the dollar volume is somewhat lower than the percentage of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Little Rock MSA 30780				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	81.47	6.33	12.21	100
% of Bank Loans in AA by #	35.00	65.00	0.00	100
% of Bank Loans in AA by \$	49.00	51.00	0.00	100

Source: Business Loan Sample 2016; Dun and Bradstreet data 2016.

For 2017, the number of loans is somewhat lower than the percentage of small businesses in the Little Rock MSA and the dollar volume is near the percentage of small businesses, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in in Little Rock MSA 30780				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	81.48	6.40	12.12	100
% of Bank Loans in AA by #	45	55	0.00	100
% of Bank Loans in AA by \$	71	49	0.00	100

Source: Business Loan Sample 2017; Dun and Bradstreet data 2017.

Geographic Distribution of Loans

- The geographic distribution of loans within the AA exhibits reasonable dispersion and meets the standard for satisfactory performance.

Home Mortgage Loans

For 2016, geographic analysis is not meaningful for the Hot Spring County AA considering there were no low-or moderate-income geographies and none of the middle-income geographies were distressed or under served.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hot Spring County-Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	0.00	0.00	0.00	0.00	77.09	78.95	22.91	21.05

Source: Data reported under HMDA 2016; U.S. Census data 2010.

For 2017, the Hot Spring County Non-MSA AA had no low-income geographies and one moderate-income geography due to the census update. Therefore, geographic analysis is not meaningful. However, the four middle-income geographies were distressed due to poverty in 2017. The Bank had no loans in moderate-income geographies. Eight or 40 percent of the home mortgage loans were distressed middle-income geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hot Spring County-Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	0.00	0.00	23.24	0.00	53.30	100.00	23.46	00.00

Source: Data reported under HMDA 2017; 2015 ACS US Census data.

Business Loans

For 2016, geographic analysis is not meaningful for the Hot Spring County Non-MSA AA considering there were no low-or moderate-income geographies and none of the middle-income geographies were distressed or under served.

Table 3A - Geographic Distribution of Loans to Businesses in Hot Spring County- Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	0.00	0.00	0.00	0	82.60	75,00	17.40	25

Source: Data reported under HMDA 2016. U.S. Census data 2010.

For 2017, the Hot Spring County Non-MSA AA had no low-income geographies and one moderate-income geography due to the census update. Therefore, geographic analysis is not meaningful. However, the four middle-income geographies were distressed due to poverty in 2017 and the Bank’s originated or purchased loans exceeded the percentage of businesses in the distressed geographies.

Table 3A - Geographic Distribution of Loans to Businesses in Hot Spring County-Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	0.00	0.00	34.08	15.55	48.07	55.00	17.85	30.00

Source: Data reported under HMDA 2017; 2015 ACS US Census data.

There are no unexplained conspicuous gaps in the Bank’s lending patterns. Geographies in the Hot Spring County Non-MSA AA without loan penetration are due to MNB’s limited number of offices and the large area served. These limitations prevent the Bank from penetrating all areas in the AA.

Conclusion for limited-scope AA(s)

Based on a limited-scope review, the Bank's overall performance in the in the Hot Springs and Little Rock MSAs is not inconsistent with performance in the full-scope area. The following comments and tables record the Bank’s lending activities compared to the respective demographic percentages for the limited scope AAs.

Home Mortgage Loans

For 2016, the Bank originated or purchased five loans in the Hot Springs MSA and analysis of the data is not meaningful. One of the five loans was in a moderate-income geography.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hot Springs MSA 26300								
CensusTract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	1.21	0.00	11.65	20.00	55.43	40.00	31.71	40.00

Source: Data reported under HMDA; U.S. Census data 2010. U.S. Census data.

For 2017, the Bank originated or purchased three loans in the Hot Springs MSA and analysis of the data is not meaningful. One of the three loans was in a moderate-income geography.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Hot Springs MSA 26300								
CensusTract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	3.42	0.00	11.83	33.33	49.12	66.67	35.63	0.00

Source: Data reported under HMDA 2017; 2015 ACS US Census data.

For 2016, the Little Rock MSA had no loans in low-income geographies and was near the percentage of owner occupied housing for moderate-income geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Little Rock MSA 30780								
CensusTract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Mortgage	2.75	0.00	17.46	15.63	50.77	67.19	29.07	17.19

Source: Data reported under HMDA 2016; U.S. Census data 2010.

For 2017, the Bank originated or purchased 19 loans in the Little Rock MSA and analysis of the data is not meaningful. However, the Bank had one loan in a low-income geography and two loans in moderate-income geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Little Rock MSA 30780								
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 Mortgage	2.44	5.26	17.08	10.53	43.85	78.95	36.37	5.26

Source: Data reported under HMDA 2017; 2015 ACS US Census data. 0.26 percent reported Not Applicable for Owner Occupied Housing.

Business Loans

For 2016, the Bank had no loans in low-income geographies in the Hot Springs MSA. The Bank’s lending in moderate-income geographies exceeded the percentage of businesses in the moderate-income geographies. .

Table 3A - Geographic Distribution of Loans to Businesses in Hot Springs MSA 26300								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	1.55	0.00	19.22	20.00	48.19	40.00	31.04	40.00

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2016; 2010 US Census

For 2017, the Bank had no loans in low-income geographies in the Hot Springs MSA. The Bank’s lending in moderate-income geographies was somewhat lower than the percentage of businesses in the moderate-income geographies.

Table 3A - Geographic Distribution of Loans to Businesses in Hot Springs MSA 26300								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	6.52	0.00	19.91	10.00	45.01	55	28.56	35.00

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2017; 2015 ACS US Census

For 2016, the Bank had no loans in low-income geographies in the Little Rock MSA. The lending in moderate-income geographies is lower than the percentage of businesses in the moderate-income geographies.

Table 3A - Geographic Distribution of Loans to Businesses in Little Rock- MSA 30780								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	4.64	0.00	24.96	5.00	40.82	10.00	29.56	85.00

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2016; 2010 US Census

For 2017, the Bank had no loans in low-income geographies in the Little Rock MSA. The lending in the moderate-income geographies was somewhat lower than the percentage of businesses in moderate-income geographies.

Table 3A - Geographic Distribution of Loans to Businesses in Little Rock-MSA 30780								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Small Businesses	4.88	0.00	21.00	15.00	33.25	70.00	40.71	15

Source: Loans originated and purchased from Bank reports; Dun and Bradstreet data 2017; 2015 ACS US Census

Responses to Complaints

The Bank did not receive any CRA performance related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank’s performance under the Community Development Test is rated “Satisfactory”. The Bank’s CD performance demonstrates an adequate responsiveness to CD needs in its AAs through a combination of CD loans, investments, and services.

Number and Amount of Community Development Loans

- During the evaluation period, the Bank exhibited an adequate level of CD loans.

In the full-scope Hot Spring County Non-MSA AA, MNB originated one \$5.7 million affordable housing loan located in a distressed census tract where the majority of the tenants are on Medicaid.

Community Development Loans – Statewide

In addition to qualified CD loans made within the Bank's AAs, MNB originated one loan totaling \$500 thousand in the statewide area with a purpose/mandate/function benefiting other areas within the state of Arkansas, but outside the Bank's delineated AA. The CD loan originated in the broader statewide area was an affordable housing apartment complex where majority of the rents were below median rents.

Overall, the Bank's CD lending performance in the limited-scope AAs is not inconsistent with its performance in the full-scope AA. The Bank's performance in the limited scope area of Little Rock MSA is stronger than its performance in the full-scope Hot Spring County Non-MSA AA, and its performance in the limited scope area of Hot Springs MSA is weaker than its performance in the full-scope Hot Spring County Non-MSA AA. CD lending performance in the Little Rock MSA consists of two revitalization loans that were part of a city plan and one affordable housing loan located in an underserved or distressed tract where majority of the rents were below median rents. In the Hot Springs MSA, MNB originated one economic development loan by lending to a borrower that will employ a majority of low-and moderate-income people.

Number and Amount of Qualified Investments

- The Bank has an adequate level of qualified CD investments and grants.

In the full-scope Hot Spring County Non-MSA AA, CD investments consist of 87 current period investments, grants, and donations totaling approximately \$813 thousand. During the review period, MNB granted three investments totaling \$440 thousand in the form of municipal bonds. A majority of the bonds were school district and college bonds where the majority of the school students were on free or reduced lunch programs and colleges where the majority of the students received Pell grants. There were eight grants totaling \$183 thousand that were part of the Federal Home Loan Bank Economic Development program that awards grants to small businesses. There were also 77 donations totaling \$190 thousand where the majority of donations benefited students at schools with a majority of students receiving free or reduced lunch programs. Additionally, the Bank had three prior period municipal bond investments totaling \$180 thousand.

Community Development Investments – Statewide

In addition to qualified CD investments made within the Bank's AAs, MNB had 26 current period municipal bond investments totaling \$8.5 million and 24 prior period municipal bonds totaling approximately \$5 million. These bonds were to schools and universities where a majority of the school students were on free or reduced lunch programs and colleges where majority of the college students received Pell grants. Current period municipal bonds consisted of affordable housing tax credits with commitment amounts totaling \$3.9 million, of which \$3.7

million had been funded. Prior period municipal bonds consisted of affordable housing tax credits with outstanding balances totaling \$2.6 million.

Overall, the Bank's CD investment performance in the limited-scope AAs is not inconsistent with the performance in the full-scope AAs. In the Little Rock MSA, there were 58 current period grants and donations totaling approximately \$136 thousand and one prior period municipal bond totaling \$850 thousand. In the Hot Springs MSA, there were 28 current period grants and donations totaling approximately \$95 thousand and four prior period municipal bonds totaling \$705 thousand.

Extent to Which the Bank Provided Community Development Services

- The Bank provided an adequate level of CD services through its branches, products, services, and activities with local organizations that support CD actions.

There was no opening or closing of branches in the full scope AA during the evaluation period.

In the full-scope AA, MNB has a Student Advisory Board of Directors program that supports community services for students who attend schools where the majority of the students are on free or reduced lunch programs. Bank Officers participated in the program.

The Bank offers a variety of consumer and commercial bank products and services as described in the CRA Public File. During the evaluation period, Bank officers and employees provided 34 services to organizations that support community development and the majority of the services were community services. Officers and employees served as Board Members on many of the organization boards.

Overall, the Bank's CD services performances in the limited scope AAs were weaker than the performance in the full-scope AAs. In the Hot Springs MSA, a majority of the services were from four services performed by an officer that served as a Board member of an organization that provides a path for under-resourced youth. MNB also has a Student Advisory Board of Directors program that supports community services for students who attend schools where the majority of the students are on free or reduced lunch programs. Bank officers participated in the program. In the Little Rock MSA, the Bank performed ten services to organizations that support CD with a majority of the services performed by Bank Officers. During the evaluation period, three branches were opened in the Little Rock MSA, and no branches were closed. When the branches opened in 2015, two were in moderate-income geographies and one was in an upper-income geography. For 2017, one of the moderate-income geographies changed to a low-income geography due to the 2015 Census.

Responsiveness to Community Development Needs

- MNB exhibits adequate responsiveness to credit and community economic development needs in the AAs.

The Bank has extended loans, financial support, and expertise commensurate with its capacity to address the needs of affordable housing, small business, and services to low- and moderate-income people in the AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2016 to 12/31/2017) Investment and Service Tests and CD Loans: (09/15/2014-12/31/2017)	
Financial Institution	Products Reviewed	
The Malvern National Bank Malvern, AR	Residential Mortgage Loans Small Loans to Businesses Community Development Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Areas	Type of Exam	Other Information
Hot Spring County-Non-MSA - Hot Springs MSA 26300 Little Rock- MSA 30780 (partial)	Full Scope Limited Scope Limited Scope	Faulkner (only census tracts 305.01, 305.02, 306, 307.01, 307.02, 308, 309, 310.01, 310.02, 310.05, 310.06, 311.01, 311.02), Grant, Pulaski, and Saline Counties

Appendix B: Community Profiles for Full-Scope Areas

Hot Spring County-Non-MSA

The Bank includes all geographies of Hot Spring County. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The following table provides detailed demographic information about the AA.

Demographic Information for Full-Scope Area: Hot Spring County-Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	28.57	57.14	14.29	0.00
Population by Geography	33,316	0.00	26.90	52.55	20.55	0.00
Owner-Occupied Housing by Geography	14,293	0.00	23.24	53.30	23.46	0.00
Businesses by Geography	1,294	0.00	34.08	48.07	17.85	0.00
Farms by Geography	69	0.00	13.04	69.57	17.39	0.00
Family Distribution by Income Level	8,680	0.00	27.28	49.82	22.90	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,206	0.00	39.11	45.32	15.56	0.00
Median Family Income FFIEC Updated Non-MSA Median Family Income for 2017 Households Below the Poverty Level	= \$48,012 = \$46,500 = 19.34%	Median Housing Value Unemployment Rate		=\$82,47 = 3.50%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 U.S. Census, and 2017 FFIEC Updated MFI.

Hot Spring County is a Non-MSA with no low-income geographies, two moderate-income geographies, four middle-income geographies and one upper-income geography. The four middle-income geographies were designated distressed due to poverty in 2017. The poverty level is high at 19.34 percent. The unemployment rate was 3.50 percent as of December 2017 and December 2016. The total population of Hot Spring County is 33,316. The County has experienced weaker economic conditions during the evaluation period due to stronger growth in adjacent markets such as Little Rock.

Major industries consist of durable goods, education, manufacturing, and services. The largest employers of the AA include Sykes Enterprises, Baptist Health Medical Center, Rineco, and

Grapette International, Acme Brick Company, Wal-Mart Stores, Incorporated, and Anthony Timberlands, Inc. According to Dun and Bradstreet reports, there were 1,294 businesses in the Hot Spring County AA and 79.44 percent had revenues of \$1 million or less and considered small businesses.

The median price of a home in 2017, according to realtor.com ranged from \$162,000 to \$189,900 in Hot Spring County. The Federal Financial Institutions Examination Council (FFIEC) Updated MSA Median Family Income for 2017 was \$46,500.

Despite continued consolidation of financial institutions, competition for financial services remained strong in the Non-MSA. According to the Federal Depository Insurance Corporation (FDIC) there are six different financial institutions operating 14 branches in Hot Spring County as of June 30, 2017, including national, regional, and community banks as well as savings and loan associations. MNB has a deposit market share of 44.08 percent and is ranked first out of six financial institutions.

A community contact held with an official from the City of Malvern indicates community credit and service needs for Hot Spring County include loans for affordable housing, job creation, and financial literacy.