

PUBLIC DISCLOSURE

September 21, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Founders Bank
34216**

**15500 Olive Boulevard
Chesterfield, Missouri 63017**

Federal Deposit Insurance Corporation

**2345 Grand Avenue, Suite 1500
Kansas City, Missouri 64108**

NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Founders Bank, Chesterfield, Missouri**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **September 21, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The bank's performance is reasonable in relation to the small institution assessment criteria. Since September 30, 1996, the bank's net loan-to-deposit ratio has averaged 54 percent. The bank's level of lending is reasonable. A review of a sample of commercial loans indicated that the bank's record of lending to businesses of different revenue sizes is reasonable given the demographics of the assessment area. Further analysis of this commercial loan sample revealed that less than a majority of these loans were located within the bank's assessment area.

DESCRIPTION OF INSTITUTION

Founders Bank is a subsidiary of Founders Bancshares Inc., a one-bank holding company, located in Chesterfield, Missouri. Founders Bank opened for business in August of 1996 and its sole office is located in Chesterfield, Missouri, which is located in St. Louis County, Missouri. This office is located in the St. Louis Metropolitan Statistical Area (MSA). Founders Bank offers a full range of loan and deposit services, with an emphasis on commercial products.

Founders Bank has a deposit-taking automated teller machine (ATM) located at its main office. This bank location also has a night depository.

The bank's June 30, 1998, Report of Condition reflects total assets of \$43,312,000, net loans of \$21,187,000, and total deposits of \$36,966,000. The primary focus of the lending program revolves around commercial lending. The June 1998 Report of Condition reflected a loan portfolio consisting of 59 percent commercial loans, 21 percent residential real estate loans (1-4 family), 12 percent real estate loans (construction and land development), 3 percent consumer, and 5 percent other loans.

Aside from statutory lending limits, the institution is not subject to any financial or legal impediments which would restrict its ability to meet the credit needs of its assessment area. Founders Bank offers credit and deposit services which are consistent with its size and resources.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act of 1977, as amended, requires banks to identify one or more assessment areas within which its regulatory agency will evaluate the bank's performance. The area(s) defined by the bank must include its main office, branches, and other deposit taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The assessment area always consists of one or more whole geographies normally identified as census tracts (CTs) in metropolitan areas or block numbering areas (BNAs) in non-metropolitan areas. These CTs or BNAs represent statistical subdivisions of a county.

Founders Bank's assessment area consists of 22 census tracts in the western portion of St. Louis County, Missouri, in the St. Louis MSA. Two of these tracts are designated as middle income, with the remaining 20 tracts classified as upper income. The bank's main office is located in tract 2152.03, which is classified as an upper-income tract.

For a metropolitan assessment area, designation of a CT geography as low, moderate, middle, or upper income is determined by comparing the 1990 median family income for the CT with the 1990 median family income for the MSA in which the CT is located. The 1990 median family income figure for the St. Louis, Missouri, MSA is \$37,995. Table 1 identifies each of the income

categories of the St. Louis MSA and defines each of these categories.

Table 1

1990 Census Figures - Median Family Income (For Analysis by Geography)				
	Low Income	Moderate Income	Middle Income	Upper Income
St. Louis MSA	<\$18,998	<\$30,396	<\$45,594	≥\$45,594

Low Income = Less than 50% of the Median Family Income level for the MSA.

Moderate Income = 50% to less than 80% of the Median Family Income level for the MSA.

Middle Income = 80% to less than 120% of the Median Family Income level for the MSA.

Upper Income = 120% and greater of the Median Family Income level for the MSA.

Management categorized the bank’s assessment area as having a strong economy with many businesses that are “cash heavy” and not in need of commercial lending services. Management stated that tremendous commercial growth occurring in the Chesterfield Valley area of St. Louis County should increase the demand for commercial lending in the assessment area. Management stated that the assessment area includes businesses of all revenue sizes, with an average gross annual revenue size estimated to exceed \$1,000,000.

According to 1990 Census data, the population of Founders Bank’s assessment area is 154,686. Housing units in the assessment area total 60,808, with 43,927 (72 percent) owner-occupied, 13,507 (22 percent) rental, and 3,374 (6 percent) vacant. These housing units consist of approximately 46,991 (77 percent) 1-4 units, 13,412 (22 percent) 5 or more units, 151 (.5 percent) mobile homes, and 254 (.5 percent) other units. The median age of housing stock in the assessment area is 22 years, with a median housing value of \$145,117, and a median gross rent of \$591. The unemployment rate for St. Louis County, as of April 1998, is 3 percent.

As of 1990, the population of the assessment area consisted of 57,487 households, of which 43,284 were considered families. A household includes all the persons who occupy a housing unit, and one person in each household is designated as the householder. In most cases, the householder is the person, or one of the persons, in whose name the house is owned or rented. A family consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. A household can contain only one family for purposes of census tabulations. The income level of a family is determined by comparing its income for a Census year to the Department of Housing and Urban Development (HUD) median family income for that year for the St. Louis MSA. Based on 1990 Census data, a family with a median income of less than \$18,998 would be considered low income in the St. Louis MSA. Refer to Table 2 for a stratification of the families in the bank’s assessment area by income level based on 1990 Census data. This information is used for comparison purposes when the bank’s level of lending to individuals of different income levels is evaluated.

Table 2

1990 Census Figures - Median Family Income (For Analysis of Borrower Income Level)		
Income Level	Assessment Area	
	Percentage of Families	Number of Families
Low	5%	2,167
Moderate	8%	3,229
Middle	14%	6,193
Upper	73%	31,695
Total	100%	43,284

Low Income = Less than 50% of the Median Family Income level for the MSA.

Moderate Income = 50% to less than 80% of the Median Family Income level for the MSA.

Middle Income = 80% to less than 120% of the Median Family Income level for the MSA.

Upper Income = 120% and greater of the Median Family Income level for the MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Following is a discussion of the five criteria used to evaluate the bank's performance under the CRA.

Criteria 1: LOAN-TO-DEPOSIT RATIO

Founders Bank's net loan-to-deposit ratio compares reasonably to that of other "similarly-situated lenders." Similarly-situated lenders are defined as financial institutions that are located in or near the assessment area and are the most comparable to the subject bank based on size, market served, and loan portfolio composition. Since September 30, 1996, Founders Bank's net loan-to-deposit ratio has averaged 54 percent, which compares reasonably to the ratios for similarly-situated lenders. Therefore, the bank's net loan-to-deposit ratio is considered reasonable given the bank's size, location, resources, local economic conditions, and the credit needs of the assessment area.

Since September 30, 1996, Founders Bank's net loan-to-deposit ratio has shown a substantial increase, from 13 percent in September of 1996 (the bank's first reporting period) to 57 percent as of June 1998. The ratio was as high as 71 percent in September of 1997. Management stated that the loan demand in the bank's assessment area has not been as strong as the demand for deposits. Therefore, management has had difficulty in increasing the loan portfolio in conjunction with managing the institution's deposit growth. Management stated that the bank has a significant percentage of unfunded commitments on commercial and personal lines of credit that, when added to the bank's currently outstanding loan portfolio, result in a significantly higher adjusted net loan-to-deposit ratio. Management also stated that fluctuations in the ratio occur due to the presence of a significant percentage of volatile deposits with fluctuating balances. Since September of 1996, the bank's loan portfolio has increased from \$1,122,000 to

\$21,397,000, while deposits have grown from \$8,355,000 to \$36,966,000. The level of loan participations purchased and sold has a minimal impact on the bank's net loan-to-deposit ratio. The impact of loan participations purchased and sold on the net loan-to-deposit ratios of the similarly-situated lenders included in Table 3 is unknown.

Table 3 shows average quarterly net loan-to-deposit ratios for this bank and other similarly-situated lenders, which are listed alphabetically after Founders Bank in the following table. These average ratios were calculated based on Reports of Condition and Income for the period from September 30, 1996, through June 30, 1998.

Table 3

Financial Institution	Total Assets-6/30/98	Loan Mix-6/30/98	Net LTD Ratio
Founders Bank Chesterfield, Missouri	\$43,312,000	Commercial - 59% Residential Real Estate - 21% Real Estate - Construction-12% Consumer - 3% Other - 5%	54%
Commercial Bank of Westport Maryland Heights, Missouri	\$99,279,000	Commercial - 46% Residential Real Estate - 39% Real Estate - Construction- 5% Consumer - 9% Other - 1%	75%
Concord Bank St. Louis, Missouri	\$54,083,000	Commercial - 48% Residential Real Estate - 26% Real Estate - Construction-14% Consumer -11% Other - 1%	81%
Meramec Valley Bank Valley Park, Missouri	\$99,444,000	Commercial - 50% Residential Real Estate - 27% Real Estate - Construction- 8% Consumer -11% Other - 4%	79%
Normandy Bank Northwoods, Missouri	\$53,739,000	Commercial - 37% Residential Real Estate - 49% Real Estate - Construction- 0% Consumer - 8% Other - 6%	54%
The Bank of St. Charles County St. Charles, Missouri	\$55,403,000	Commercial - 62% Residential Real Estate - 23% Real Estate - Construction-10% Consumer - 3% Other - 2%	76%

Loan Sampling

Conclusions for the remaining performance criteria are primarily based on an examiner review of a

sample of commercial loans. The analysis focused on this loan product as the bank’s commercial lending program represents a majority of the bank’s overall lending efforts (59 percent of the outstanding loan portfolio as of June 30, 1998). The analysis of this loan sample was conducted within the context of the assessment area’s economy, credit needs, and competition among financial institutions.

The commercial loans reviewed included a sample consisting of 27 loans selected from a universe of 59 outstanding loans originated in the 12 months preceding this evaluation.

Criteria 2: ASSESSMENT AREA CONCENTRATION

An analysis of Founders Bank’s record of lending within its designated assessment area was performed during this evaluation through an examiner review of the commercial loan sample previously discussed. This analysis revealed that Founders Bank has originated less than a majority of loans, both by number and dollar volume, within its designated assessment area. Therefore, the bank’s performance regarding assessment area concentration is considered less than reasonable.

An internal analysis performed by management, as of June 1998, revealed that 35 percent of all outstanding loans, by number, and 48 percent, by dollar volume, were located within the bank’s assessment area. Management stated that the bank’s low level of lending within the assessment area can be partially attributed to the bank’s use of referrals from bank directors to establish lending relationships upon the opening of the bank. Many of the customers referred were located outside of the bank’s assessment area. In addition, the limited demand for commercial lending in the assessment area, due to the presence of many “cash heavy” businesses, has forced management to pursue available lending opportunities outside of the bank’s assessment area.

Table 4 reports Founders Bank’s record of lending within its assessment area, by both number and dollar volume, for the commercial loan sample reviewed during this evaluation.

Table 4

Commercial Lending Within the Assessment Area (AA)						
	Total Loans	Loans in AA (Number)	Percentage by Number	Total Dollar Volume	Loans in AA (Dollar Volume)	Percentage by Dollar Volume
Commercial	27	12	44%	\$5,365,415	\$2,614,915	49%

Criteria 3: BORROWER PROFILE

Lending to Businesses of Different Revenue Sizes

This evaluation included an analysis of the distribution of the bank's lending efforts to businesses of different revenue sizes within its assessment area, considering the demographics of the assessment area. This analysis was conducted to determine the degree to which the bank's commercial lending efforts are penetrating businesses of different revenue sizes within the assessment area. The analysis was performed through further review of those loans from the commercial loan sample previously discussed, which were extended within the assessment area.

This commercial borrower profile analysis reveals that the bank's commercial lending efforts have achieved a reasonable penetration among businesses of different revenue sizes. This penetration includes 17 percent of lending, based on the number of loans, to businesses with gross annual revenues of less than \$100,000, and a significant percentage of lending (75 percent), based on the number of loans, to businesses with gross annual revenues of less than \$1,000,000.

Table 5 shows the distribution of commercial borrowers by gross annual revenues, using both number and dollar amount, for sampled loans extended within the assessment area. In performing this analysis of commercial lending, gross annual revenues reported on borrower tax returns or operating statements were used.

Table 5

Commercial Lending Within the Assessment Area				
Gross Revenue	Number	Percentage	Dollar Volume	Percentage
\$0-\$99,999	2	17%	\$180,000	7%
\$100,000-\$249,999	1	8%	\$40,000	1%
\$250,000-\$499,999	2	17%	\$130,915	5%
\$500,000-\$749,999	1	8%	\$75,000	3%
\$750,000-\$999,999	3	25%	\$1,068,000	41%
\$1,000,000-\$10,000,000	2	17%	\$121,000	5%
\$10,000,000+	1	8%	\$1,000,000	38%
Total Sampled	12	100%	\$2,614,915	100%

Criteria 4: GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the geographic distribution of the bank's lending efforts was not performed during this evaluation as all of the CTs in the bank's assessment area are classified as middle and upper income, as previously defined in Table 1.

Criteria 5: RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints.

COMPLIANCE WITH FAIR LENDING LAWS

No violations of the substantive provisions of anti-discriminatory laws or regulations were identified.