

FEDERAL RESERVE SYSTEM

Midwest Regional Bancorp, Inc.  
Festus, Missouri

Order Approving the Formation of a Bank Holding Company

Midwest Regional Bancorp, Inc. (“Midwest”) has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)<sup>1</sup> to become a bank holding company and to acquire all the voting shares of Federated Bancshares, Inc. (“Federated”), Stilwell, Kansas, and thereby acquire control of its subsidiary bank, The Bank of Otterville (“Bank”), Otterville, Missouri.<sup>2</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (72 Federal Register 19,705 (2007)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Midwest is a newly organized corporation formed for the purpose of acquiring control of Federated and Bank. Bank, with total assets of approximately \$20 million, is the 298<sup>th</sup> largest insured depository institution in Missouri, controlling deposits of approximately \$18.7 million, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.<sup>3</sup>

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> Federated owns approximately 93 percent of the voting shares of Bank.

<sup>3</sup> Asset data, deposit data, and state rankings are as of June 30, 2007. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or that would be in furtherance of an attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>4</sup>

Midwest does not currently control a depository institution. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

### Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including confidential reports of examination and other confidential supervisory information from the Division of Finance of the State of Missouri and the Federal Deposit Insurance Corporation (“FDIC”), the primary state and federal supervisors of Bank, and information provided by Midwest.

In evaluating financial factors in bank holding company proposals, the Board reviews the financial condition of the applicant and the target

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<sup>4</sup> See 12 U.S.C. § 1842(c)(1).

subsidiary depository institutions, particularly with respect to capital adequacy, asset quality, and earnings performance. In addition, for proposals involving small bank holding companies, the Board evaluates the institutions' compliance with the Board's Small Bank Holding Company Policy Statement ("Policy Statement"), including compliance with those measures that are used to assess capital adequacy and overall financial strength.<sup>5</sup> In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered carefully the financial factors of the proposal. Bank currently is well capitalized and would remain so on consummation of the proposal, and Federated is in compliance with relevant capital standards. Based on its review of the record, the Board also finds that Midwest would have sufficient financial resources to effect the proposal and to comply with the Board's Policy Statement. The proposed transaction is structured as a cash purchase funded from the proceeds of an issuance of new holding company stock.

The Board also has considered the managerial resources of Midwest, Federated, and Bank. The Board has reviewed the examination records of Federated and Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking laws and with anti-money laundering laws. The Board

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<sup>5</sup> 12 CFR 225, Appendix C.

also has considered Midwest's plans to implement the proposal, including the proposed management after consummation, and has consulted the other relevant supervisory agencies concerning those plans.<sup>6</sup>

Based on all the facts of record, including comments and information received from regulators and interested parties, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the institutions involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act.

#### Convenience and Needs Considerations

In acting on proposals under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").<sup>7</sup> Bank received a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of August 1, 2004. After consummation of the proposal, Midwest does not plan to alter Bank's current CRA policies. Midwest has represented that the proposal would provide greater convenience to Bank's customers by offering Internet access for their accounts and electronic balance transfers, automatic bill paying, and other services not currently offered by Bank.

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<sup>6</sup> The Board received a comment regarding a member of Midwest's proposed management from a former employer. The Board has considered carefully the management record in banking of the individual identified by the commenter and has consulted with the primary federal and state supervisors of the banks where that individual was previously employed.

<sup>7</sup> 12 U.S.C. § 2901 et seq.

Based on all the facts of record, the Board has concluded that considerations relating to the convenience and needs factor and the CRA performance record of the relevant depository institution are consistent with approval.

Conclusion

Based on the foregoing and all facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. The Board's approval is specifically conditioned on compliance by Midwest with the conditions in this order and all the commitments made to the Board in connection with the proposal. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>8</sup> effective November 8, 2007.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>8</sup> Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.