

**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**February 16, 2010**

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

**First National Bank of Central Alabama  
Charter Number 15535**

**25 Third Avenue, N. E.  
Aliceville, AL 35442**

**Comptroller of the Currency  
Birmingham  
100 Concourse Parkway Suite 240  
Birmingham, AL 35244**

**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 level and trend of the bank's loan-to-deposit (LTD) ratio is reasonable.
- The majority of loans are made within the bank's assessment area (AA).
- The bank's loan portfolio is heavily weighted toward residential real estate and business loans. Business loans were identified as a primary lending need in the Pickens County AA, while home loans were identified as a primary need in the Tuscaloosa County AA.
- Loan analysis indicates that the bank had reasonable penetration for lending to borrowers of different incomes and businesses of different sizes in the Pickens County AA. However, lending performance to low and moderate-income borrowers in the Tuscaloosa County AA is poor.
- The geographic distribution of loans across different income census tracts is reasonable.
- The bank did not receive any consumer complaints regarding Community Reinvestment Act (CRA) performance.

## **SCOPE OF THE EXAMINATION**

First National Bank of Central Alabama (FNBCA) was evaluated under the Small Bank examination procedures, which is comprised of a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The bank's previous CRA rating was "Satisfactory" as of July 27, 2004. The evaluation period for this performance report is July 28, 2004 through February 16, 2010

The lending test for FNBCA covers its performance from January 1, 2007 through December 31, 2009, as this is representative of its lending strategy since the last CRA examination.

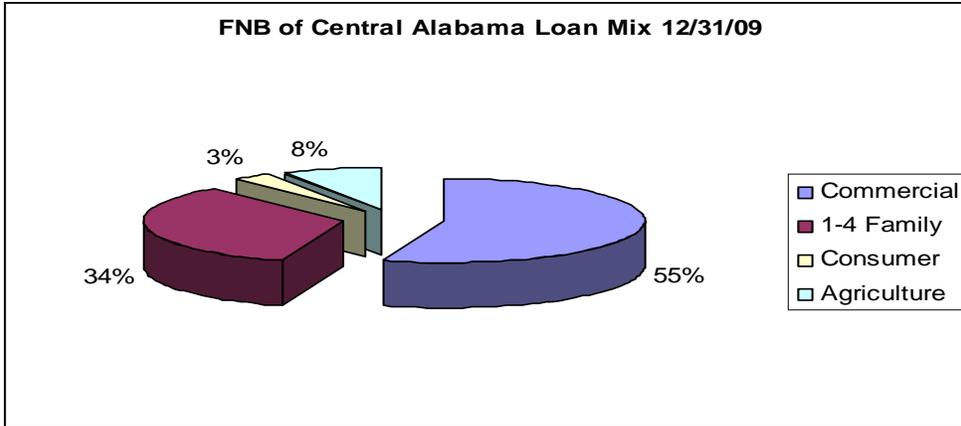
FNBCA's primary loan products are home and business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data for 2007, 2008, and 2009 was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's home loan performance. To evaluate the bank's business lending performance, we selected a sample of business loans made from January 1, 2007 through December 31, 2009.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Central Alabama (FNBCA) is a \$253 million intrastate bank headquartered in Aliceville, AL (Pickens County). In addition to the main office, the bank has five other branches: Carrollton, Gordo, and Reform, AL (Pickens County); and Tuscaloosa and Northport, AL (Tuscaloosa County). The bank opened the Tuscaloosa Corporate Office in February 2006. All six full-service branches have non-deposit taking ATMs. The main office in Aliceville and one of the six branches (Reform) are located in Distressed Non-metropolitan Middle-Income Geographies. There have not been any significant changes to FNBCA's corporate structure, including merger or

acquisition activities, since the last CRA examination. FNBCA is wholly owned by First National Bancshares, a one-bank holding company. FNBCA provides many types of banking services, including business, agricultural, residential, and personal lending, as well as deposit, funds transfer, and safe deposit services. No legal or financial factors impede FNBCA's ability to meet the credit needs within the assessment area.

FNBCA originated 3,481 loans with original balances of \$331 million between January 1, 2007 and December 21, 2009. The bank's loan mix based on the December 31, 2009 Call Report is as follows:



## DESCRIPTION OF ASSESSMENT AREAS

FNBCA has two Assessment Areas located in Central Alabama. Both AAs meet regulatory requirements and consist of complete political subdivisions. Each AA is described below.

### Pickens County Assessment Area

The Pickens County, AL AA consists of five census tracts (CTs) with a total population of 20,949. The main office in Aliceville and the four additional branches in Pickens County generated 65% of the number of loans originated between January 31, 2007 and December 31, 2009. However, the dollar volume of loans generated in the Pickens County AA in the same timeframe was only 28% of total loan originations. FNBCA's primary competitor in the Pickens County market is West Alabama Bank and Trust (WABT), a much larger state bank headquartered in Reform, AL. WABT holds a greater market share for deposits in Pickens County than FNBCA.

The average median family income for the Pickens County AA is \$32,985 with a HUD adjusted median family income for 2009 of \$46,800. Table 1A below shows the demographic makeup of the AA by census tract (CT) and income level. Although there are no CT's designated as low-income, nearly 27% of families living in moderate and middle income tracts are considered to be low-income.

<b>Table 1A – Pickens County AA Demographics</b>				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	0	0	0	0.00%
Moderate	2	40%	2,290	39.05%
Middle	3	60%	3,574	60.95%
Upper	0	0	0	0.00%
Total	5	100.00%	5,864	100.00%

This rural AA is characterized by a slow economy and high unemployment. As of December 31, 2009, unemployment for Pickens County was 12.9%, compared to 10.6% for both the state of Alabama and the United States (US). Approximately 37% of the population receives income from social security or some form of public assistance. Local employment is centered in farm, poultry, and lumber industries. Major employers in the area are: Peco Hatchery, Foods and Farms, Inc, Buchanon Lumber, Magee Lumber, Louis Lumber, and McShan Lumber. Pate Lumber, who employed about 30 people, recently closed down.

We discussed community lending needs with a county revenue official who identified consumer and small businesses as the most prominent lending needs. Our contact stated that FNBCA has worked closely with the county and municipalities, providing deposit services and meeting short-term financing needs when they occur. This official was also a long-time owner of a small business in Aliceville. He expressed a high level of satisfaction with the way FNBCA service met the needs of a small business owner.

### **Tuscaloosa County Assessment Area**

The Tuscaloosa County, AL AA consists of forty-five census tracts (CTs) with a total population of 164,685. The Tuscaloosa Corporate Office and Northport Branch are both located in the Tuscaloosa MSA, a much larger and more competitive market than Pickens County. Offices in the Tuscaloosa County AA generated 35% of the number of loans originated between January 31, 2007 and December 31, 2009. However, the dollar volume of loans generated in the Tuscaloosa County AA in the same timeframe amounted to 72% of total loan originations. As of June 30, 2009, FNBCA held approximately \$102 million in deposits from the Northport and Tuscaloosa offices. This represents a negligible share of the Tuscaloosa MSA market, at 3.47% of deposits. Market leaders in the Tuscaloosa MSA are Regions Bank and Bank of Tuscaloosa, with 24% and 16% market share, respectively.

The average median family income for the Tuscaloosa County AA is \$46,332 with a HUD adjusted median family income for 2009 of \$55,000. Table 1A below shows the demographic makeup of the AA by census tract (CT) and income level.

<b>Table 1A – Tuscaloosa County AA Demographics</b>				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	1	2.22%	139	0.33%
Moderate	12	26.67%	10,189	24.20%
Middle	21	46.67%	21,682	51.49%
Upper	11	24.44%	10,097	23.98%
Total	45	100.00%	42,107	100.00%

This mostly urban AA is characterized by a steady economy and below-average unemployment. As of December 31, 2009, unemployment for Tuscaloosa County was 8.8%. This is below both the state of Alabama and US unemployment rates of 10.6%. Local employment is centered in education and manufacturing industries. The top five major employers in Tuscaloosa County are: The University of Alabama, DCH Regional Medical Center, Mercedes-Benz US International, County Board of Education, and BF Goodrich Tire Manufacturing. Combined, these entities employ around 18,000.

We discussed community-lending needs with the City of Tuscaloosa’s Economic Development Coordinator, who identified low-to-moderate housing to be the AA’s most prominent lending need. Our contact further stated that local banks have opportunities to get involved in city-wide programs to promote low-to-moderate housing and mortgage counseling.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNBCA’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio averaged 84.35% over the 21 quarters since the last CRA examination, with a quarterly low of 79.17% and a quarterly high of 95.60%. The bank’s LTD ratio compares favorably with other community banks of similar location and product offerings. FNBCA ranks third among a total of five banks serving its assessment areas.

Institution	Assets as of 3Q09 (in thousands)	Average LTD Ratio
Bank of Tuscaloosa, The	\$ 525,733.00	99.71%
Bryant Bank	\$ 750,310.00	94.10%
<b><i>First National Bank of Central Alabama</i></b>	<b><i>\$ 245,332.00</i></b>	<b><i>84.35%</i></b>
West Alabama Bank & Trust	\$ 544,136.00	77.98%
Capstone Bank	\$ 280,493.00	47.64%

### Lending in Assessment Area

FNBCA originates a majority of its loans inside the AA. Nearly 83% of the number and almost 73% of the dollar volume of loans originated from January 1, 2007 through December 31, 2009 were to borrowers located within the AA. This meets the standards for satisfactory performance. The following table details the bank’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

<b>Table 1 - Lending in Pickens County and Tuscaloosa County AAs</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	109	83.21	22	16.79	131	\$14,203	71.41	\$5,686	28.59	\$19,889
Home Improvement	31	93.94	2	6.06	33	\$787	95.63	\$36	4.37	\$823
Refinance	446	83.05	91	16.95	537	\$61,492	75.37	\$20,096	24.63	\$81,588
Business	45	75.00	15	25.00	60	\$4,667	50.32	\$4,607	49.68	\$9,274
Totals	631	82.92%	130	17.08%	761	\$81,149	72.73%	\$30,425	27.27%	\$111,574

Source: Loan Sample, Data reported under HMDA.

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

Lending performance to borrowers of different incomes and businesses of different sizes is reasonable. Lending to borrowers of different incomes in both AAs is reasonable, with a proportionate percentage of home loans to low-and-moderate income borrowers.

Lending to small businesses is reasonable for both AAs. The percentage of loans to businesses with annual revenues under \$1 million is reasonably commensurate with the number and percentage of businesses in each AA.

### Performance in the Pickens County AA

The borrower distribution of loans in the Pickens County AA is reasonable.

#### *Home Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. Low-income families represent 26.72% of the AA. Although the bank achieved a significantly lower penetration of home loans to low-income borrowers, the level of poverty is nearly 25% of the population in the AA. This high rate of poverty impedes the bank's ability to originate home loans to low income borrowers. The bank's distribution of loans to moderate-income borrowers is excellent for home improvement and home refinance loans, at 36% and 20.74%, respectively. The distribution of home purchase loans to moderate-income borrowers is reasonable with the percentage of originated loans being near to the demographic comparator. Table 2 illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Pickens Co 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	26.72	10.71	18.18	17.86	17.50	25.00	37.60	46.43
Home Improvement	26.72	12.00	18.18	36.00	17.50	16.00	37.60	36.00
Refinance	26.72	4.61	18.18	20.74	17.50	22.58	37.60	51.61

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

*Business Loans*

The distribution of loans to businesses reflects a reasonable penetration among businesses of different sizes. In the Pickens County AA, 73.44% of businesses are small, generating gross revenues of less than \$1 million. FNBCA lending to small businesses correlates positively, with 85.71% of the number of loans being made to businesses with revenues less than \$1 million. The dollar volume of commercial loans made to businesses with revenues under \$1 million appears low at 21.48%. However, the average loan size to borrowers with revenues less than \$1 million is much lower than the average loan size to borrowers with revenues greater than \$1 million. This performance is not viewed negatively since the bank is meeting the credit needs of small businesses by making smaller loans available. Approximately 96% of business loans in our sample were loans under \$200 thousand, with an average loan amount of approximately \$36 thousand. Additionally, the dollar volume of loans to larger businesses is skewed by a \$1.5 million loan to one borrower in our sample. Table 2A illustrates the distribution of commercial loans among different sized businesses in the AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Pickens Co AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.44%	2.48%	24.08%	100%
% of Bank Loans in AA by #	85.71%	14.29%	N/A	100%
% of Bank Loans in AA by \$	21.48%	78.52%	N/A	100%

*Source: Loan sample; Dunn and Bradstreet data*

Performance in Tuscaloosa County AA

The borrower distribution of loans in the Tuscaloosa County AA is poor.

*Home Loans*

The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels. Low-income families represent 20.02% of the AA. The bank’s level of lending to low-income borrowers is significantly below the demographic comparator for home purchase and refinance loans. Performance is weak even after considering the 19% poverty rate. The bank’s distribution of loans to moderate-income borrowers is also poor and is significantly below the demographic comparator for home purchase and refinance loans. Performance for home improvement loans is considered reasonable for both low- and moderate-income borrowers. Table 2 below illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level.

**Table 2 - Borrower Distribution of Residential Real Estate Loans in Tuscaloosa Co 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	20.02	2.47	16.79	4.94	20.05	18.52	43.14	30.86
Home Improvement	20.02	16.67	16.79	16.67	20.05	16.67	43.14	33.33
Refinance	20.02	3.49	16.79	5.24	20.05	9.17	43.14	43.67

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

### *Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Table 2A shows that in the Tuscaloosa County AA, 75.63% of businesses have gross revenues of less than \$1 million. FNBCA lending to small businesses reflects that 56% of the number of loans are made to businesses with revenues less than \$1 million. The dollar volume of commercial loans made to small businesses, at 65.88%, is also considered reasonable.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Tuscaloosa Co AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.63%	4.10%	20.27%	100%
% of Bank Loans in AA by #	56.00%	44.00%	N/A	100%
% of Bank Loans in AA by \$	65.88%	34.12%	N/A	100%

Source: Loan sample; Dunn and Bradstreet data

### **Geographic Distribution of Loans**

The geographic distribution of loans in both assessment areas reflects a reasonable dispersion throughout census tracts of different income levels. The Pickens County AA reflected reasonable dispersion of both home and business loans to low-and-moderate income tracts. The Tuscaloosa County AA reflected reasonable dispersion for home loans, but poor dispersion of business loans. More weight was given to home loan distribution, however, as this was cited as a primary need in the community.

### Performance in Pickens County AA

The bank's geographic distribution of loans in this AA reflects a reasonable dispersion throughout census tracts of different income levels. There are no opportunities for the bank to provide home or small business loans to the low-income census tracts in this AA.

### *Home Loans*

The distribution of home loans to borrowers reflects a reasonable penetration among borrowers of different income levels. Table 3 below shows that the percentage of loans made in moderate-income census tracts is near to the demographic comparator for home purchase, home improvement, and home refinance loans. This AA has no owner occupied housing in low-income census tracts. Table 3 shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2007 through December 31, 2009 as compared to the percent of families in each income category.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Pickens Co 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	0.00	0.00	39.48	28.57	60.52	71.43	0.00	0.00
Home Improvement	0.00	0.00	39.48	32.00	60.52	68.00	0.00	0.00
Refinance	0.00	0.00	39.48	29.95	60.52	70.05	0.00	0.00

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

### *Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Table 3a below shows that the percentage of loans made in moderate-income census tracts is near to the demographic comparator. The AA contains no businesses in low-income census tracts.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Pickens Co 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
Businesses	0.00	N/A	38.22	28.57%	61.78	71.43%	0.00	N/A

Source: Loan sample; Dunn and Bradstreet data.

### Performance in Tuscaloosa County AA

The geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels. Although the geographic distribution of loans to businesses is poor, more weight was placed on the bank's reasonable home loan distribution due to the greater need for low-to-moderate income housing in the AA.

### *Home Loans*

The bank's geographic distribution of home loans in this AA reflects a reasonable dispersion throughout the census tracts of different income levels. In particular, the percentage of home purchase and refinance loans originated in the moderate-income census tracts is excellent. While the level of home improvement loans originated in the moderate-income census tracts is poor, this performance received little weight as less than 5% of home loans originated during the sampling period were home improvement loans. The geographic distribution of home loans to low-income census tracts appears poor. However, opportunities to lend in these tracts is limited after considering that of the 71,429 owner-occupied units in the AA, only 666 of these units are located in low-income census tracts. Table 3 below details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in Tuscaloosa Co AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.06	0.00	19.03	35.80	54.09	38.27	26.81	25.93
Home Improvement	0.06	0.00	19.03	0.00	54.09	66.67	26.81	33.33
Refinance	0.06	0.00	19.03	22.27	54.09	45.85	26.81	31.88

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

### *Business Loans*

The geographic distribution of business loans reflects poor dispersion throughout the census tracts of different income levels. The geographic distribution of commercial loans located in low-income census tracts is excellent. However, there are few businesses located within the low-income census tracts. Table 3a below shows that of the 30.07% of businesses located in the moderate income census tracts, the bank originated only 16% of business loans to this group.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Tuscaloosa Co AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Businesses	2.35	4.00%	30.07	16.00%	44.42	40.00%	23.16	40.00%

Source: Loan sample; Dunn and Bradstreet data.

### **Responses to Complaints**

FNBCA has not received CRA-related complaints from the public since the prior CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.