



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

June 27, 2011

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank  
Charter Number: 7853

117 North Highway 5  
Camdenton, Missouri 65020

Office of the Comptroller of the Currency

Kansas City East Field Office  
7101 College Boulevard, Suite 1600  
Overland Park, Kansas 66210-2077

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors supporting this rating for First National Bank (FNB) are:

- Lending to borrowers with different income levels is reasonable.
- The loan-to-deposit (LTD) ratio is reasonable and reflects satisfactory performance.
- A majority of the bank's lending activity is within its assessment area (AA).
- Community development performance demonstrates adequate responsiveness to the development needs of its AA.

**Scope of Examination**

Our objectives were to assess the bank's performance in meeting community credit needs within their AA. Our evaluation of community development activities included a review of loans, qualified investments and donations, and services provided from October 1, 2007 to June 27, 2011 (review period). Based on loans originated from 2008 through 2010, primary loan products consist of 1-4 family residential real estate (RRE) and consumer loans by number and dollar volumes. We randomly selected 20 consumer loans and 20 RRE loans originated during this time frame to evaluate performance. Loan originations from 2011 are consistent with these findings. All financial information and ratios referenced herein are as of March 31, 2011 or for the review period, unless otherwise stated.

**Description of Institution**

FNB is a \$273 million intrastate financial institution headquartered in Camdenton, Missouri. The bank is a wholly owned subsidiary of First National Bancshares, Inc., a single bank holding company also headquartered in Camdenton, Missouri. In addition to the main bank facility, the bank operates four branch locations and eight ATMs within its AA. Competition from 11 other financial institutions is strong. This includes branches of large banks headquartered outside the AA.

FNB is a full-service banking institution. The bank offers a variety of loan and deposit products at all of its locations. As of March 31, 2011, net loans represent 49 percent of total assets. The bank's loan portfolio by dollar volume consisted of 39 percent commercial real estate loans, 34 percent RRE loans (including multi-family), 16 percent construction and land development loans, 7 percent consumer loans, 3 percent commercial loans, and 1 percent agricultural loans. The bank opened one branch and one ATM since the last CRA examination.

FNB has no legal, financial, or other constraints that impede its ability to help meet the credit needs in its AA. The bank received a “Satisfactory” rating at its last CRA evaluation dated December 10, 2007.

## **Description of Assessment Area**

FNB’s AA includes all of Camden County, Missouri. The AA is not located in a Metropolitan Statistical Area and consists of eight middle-income tracts (73 percent), and three upper-income tracts (27 percent). There are no low- or moderate-income tracts in the AA. FNB’s AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The AA has a population of over 37,000 persons. Demographic data shows 14 percent of families are low-income, 17 percent of families are moderate-income, 23 percent of families are middle-income, and 46 percent of families are upper-income. The 2010 median family income for non-metropolitan areas in Missouri equals \$45,700.

The median housing value is \$118,287, and 39 percent of housing units are owner occupied. Approximately 53 percent of housing units in the AA are vacant. This is primarily attributed to a surplus of housing available for visitors attracted to the region as a recreation and vacation destination. The percentage of households below the poverty level is 10 percent.

The AA’s economic base is diverse. The area includes The Lake of the Ozarks, a major recreational destination that helps generate numerous construction projects, including vacation and retirement homes, condominiums, and rental units. The AA also includes retail, service-oriented, and light industrial businesses.

The national economic recession has impacted the AA. As of April 2011, the unemployment rate for the State of Missouri was 8.9 percent. The unemployment rate for Camden County for the same period is 9.6 percent.

We contacted a local affordable housing agency to identify credit and banking needs in the AA. The contact indicated that opportunities exist to purchase mortgages and provide grant and technical support to local organizations.

## **Conclusions with Respect to Performance Tests**

We used a combination of bank and examiner generated loan and demographic reports to evaluate the bank’s performance. Primary loan types by number and dollar volume consist of RRE loans and consumer loans. This is consistent with the bank’s strategy.

## LENDING TEST

The Lending Test is rated Satisfactory.

### Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable and reflects satisfactory performance relative to the bank’s financial condition and competition within the AA. The bank’s quarterly average LTD ratio since the last CRA evaluation is 64.62 percent. During the same time period, the average quarterly LTD ratio for similarly situated financial institutions in the AA is 76.95 percent. The range of LTD ratios for these banks is from 63.63 percent to 88.94 percent.

### Lending in Assessment Area

A majority of FNB’s lending activity is within its AA, both by number and dollar amount. Based on our loan sample, the bank originated 75 percent by number and 82 percent by dollar volume within the AA.

Table 1 - Lending in Camden County, MO										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 family RRE	16	80%	4	20%	20	1,950,264	83%	397,640	17%	2,347,904
Consumer	14	70%	6	30%	20	65,134	67%	32,790	33%	97,924
<b>Totals</b>	<b>30</b>	<b>75%</b>	<b>10</b>	<b>25%</b>	<b>40</b>	<b>2,015,398</b>	<b>82%</b>	<b>430,430</b>	<b>18%</b>	<b>2,445,828</b>

Source: Loan sample.

### Lending to Borrowers of Different Incomes

FNB’s lending to borrowers of different income levels is reasonable. The percentage of RRE loans to low-income families is significantly below demographics. However, this performance is mitigated due to the fact that eight percent of families are below the poverty line in the AA. Performance relative to moderate-income borrowers is reasonable.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Camden County, MO								
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
1-4 family RRE	14.39%	5%	16.68%	15%	23.06%	20%	45.88%	60%

Source: Loan sample

Borrower distribution of consumer loans is excellent as performance to low- and moderate-income borrowers significantly exceeds demographic data.

Table 2B - Borrower Distribution of Consumer Loans in Camden County, MO								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	16.54%	31.58%	14.40%	21.05%	20.28%	10.53%	48.79%	36.84%

Source: Loan sample. Income information was available on 19 of the 20 loans in our sample.

**Geographic Distribution of Loans**

An analysis of the geographic distribution of loans is not applicable. There are no low- or moderate-income census tracts in the AA.

**Responses to Complaints**

This criterion is not applicable. Neither the bank nor the OCC has received written complaints about FNB’s performance in helping to meet the credit needs of its AA.

**COMMUNITY DEVELOPMENT TEST**

FNB’s performance under the community development (CD) test reflects adequate responsiveness to community needs and opportunities. CD opportunities within the AA are limited. Total qualifying CD loan and investment activities in the AA total \$336 thousand. The bank also provided CD services in the AA.

**Number and Amount of Community Development Loans**

Performance reflects adequate responsiveness given the limited opportunities in the AA. During the evaluation period, FNB originated three affordable housing loans totaling \$320 thousand. This was the result of collaboration with a local developer on a mixed income housing project to offer “affordable” housing in the AA. Housing loans were targeted to low- and moderate-income borrowers.

**Number and Amount of Qualified Investments**

Performance reflects adequate responsiveness given the limited opportunities in the AA. FNB donated \$16 thousand to five community development organizations during the evaluation period. The donations helped provide groceries to needy families, affordable housing, and health care services.

FNB adequately addressed CD needs in its AA. We also considered an investment made in the broader regional area with no potential benefit to the AA. FNB holds one investment for \$135 thousand that was purchased in the previous evaluation period. The bond raised funds to improve schools in Hickory County, a distressed and underserved area adjacent to the bank's AA.

### **Extent to Which the Bank Provides Community Development Services**

Performance reflects adequate responsiveness given the limited opportunities in the AA. FNB employees provide financial expertise to support local community development organizations in the AA. Examples include:

- Providing financial counseling for an affordable housing organization.
- Educating potential small business owners about how to start their own business.
- Assisting with budgets and fundraising for an organization that provides free dental care to low-income individuals.
- Helping evaluate applications for persons needing help with utility bills.

FNB offers internet banking and other alternative delivery services. However, management has not maintained any information to demonstrate the effectiveness or impact of these services to low- or moderate-income geographies or individuals.

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

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