



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

December 10, 2007

### 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 South Field Office  
1710 East 32nd Street, Suite H  
Joplin, Missouri 64804-4100

**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: Outstanding.**

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

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

- Lending to businesses of different revenue levels and to borrowers of different income levels is excellent.
- A significant majority of the bank's lending activity is within its assessment area and is excellent when compared to similarly situated institutions.
- The loan-to-deposit ratio is reasonable and reflects satisfactory performance.
- Community development performance demonstrates adequate responsiveness to the development needs of its assessment area. Community development activities primarily help to address education and residential real estate in targeted areas.

## Scope of Examination

Our objectives were to assess the bank's ability to serve and meet the community's needs within their assessment area (AA). We used loan originations and community development activities ranging from July 1, 2002 to September 30, 2007, in our evaluation. Primary loan types by dollar volume consist of commercial loans and 1-4 family residential loans. We randomly sampled 23 residential real estate and 28 commercial real estate loans. The community development test considered community development lending, qualified investments, and community development services. There is no affiliate activity to consider in this review.

## Description of Institution

FNB is a \$265 million intrastate financial institution headquartered in Camdenton, Missouri. The bank is a wholly owned subsidiary of First National Bancshares, Inc., a \$273 million one-bank holding company also headquartered in Camdenton, Missouri. In addition to the main banking facility, the bank has three branch locations and seven ATMs within its AA. Competition from 11 other financial institutions is strong. This includes branches of larger banks headquartered outside the AA.

FNB is a full-service banking institution. The bank offers a full range of loans along with a variety of deposit products at all of its locations. As of September 30, 2007, the bank's loan portfolio consisted of 30% commercial real estate loans, 18% construction and land development loans, 11% commercial loans, 31% residential real estate loans (including multi-family), 9% consumer loans, and less than 2% agriculture loans. Net loans represent 45% of total assets and the net loan-to-deposit ratio is 85%. The bank has not closed or opened any locations 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 August 12, 2002. This is the bank's first evaluation using the Intermediate Small Bank procedures.

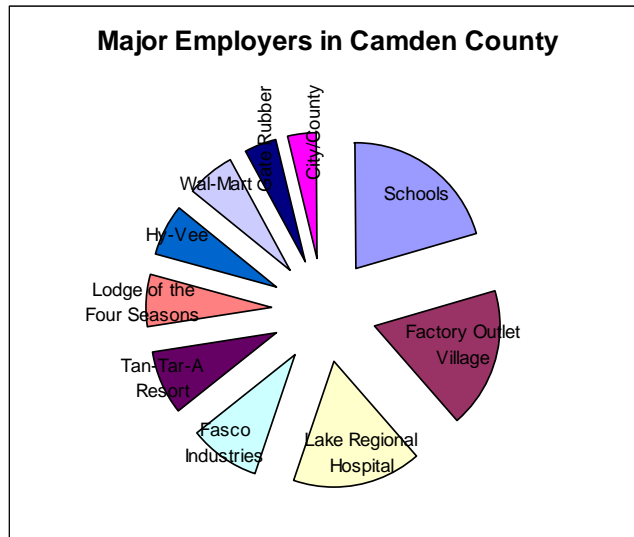
## Description of Assessment Area

FNB's AA consists of Camden County, Missouri in its entirety. The AA is not located in a Metropolitan Statistical Area, and using the 2000 U.S. Census Bureau data, consists of no low or moderate-income tracts, 8 middle-income (73%), and 3 upper-income tracts (27%). FNB's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The AA has a population over 37,000 persons. Demographic data shows 14% of families as low-income, 17% of families as moderate-income, 23% of families as middle-income, and 46% of families as upper-income. The 2007 median family income for Camden County is \$44,800.

The median housing value is \$114,425, and 39% of the housing units are owner-occupied. Vacant housing units represent 53% of total housing units. The high housing vacancy rate is due 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%.

The AA's economic base is diverse and stable. The Lake of the Ozarks, a major recreational area, is a key attraction to the area. This has generated numerous construction projects, which include vacation and retirement homes, condominiums, and rental units. Also in the AA are retail, service-oriented, and light industrial businesses.



Overall, economic conditions are good, and unemployment is low. As of October 2007, the unemployment rate for the State of Missouri was 5.2%. The unemployment rate for Camden County, for the same period, was slightly lower at 4.7%.

We reviewed or interviewed community contacts to determine the credit and banking needs in the AA. During the evaluation, we made a community contact with a local governmental office official. According to our contact, the local financial institutions are meeting the banking needs of the community. The contact indicated the area economic conditions are good. We did not identify any derogatory information about the bank's CRA performance.

## Conclusions with Respect to Performance Tests

We used a combination of bank and examiner generated loan/demographic reports to evaluate the bank's performance. Primary loan types by number and dollar volume consist of commercial real estate and residential real estate loans. This is consistent with the bank's business strategy.

## LENDING TEST

### *Loan-to-Deposit Ratio (LTD)*

FNB's LTD ratio is satisfactory relative to their financial condition and competition within the AA. The LTD ratio for the bank as of September 30, 2007 is 54.28%. The LTD ratio since the last CRA evaluation is 60.21% based on a 22-quarter average. The average quarterly LTD ratio for the same period for similarly situated financial institutions in the AA is 86.69%.

### *Lending in Assessment Area*

FNB's lending in the AA is excellent. The bank originates the substantial majority of its loans, both by number and dollar amount, within its AA. From the random sample of loans in the evaluation period, management originated 86% by number and 93% by dollar within the AA.

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

FNB's lending to borrowers of different income levels is excellent and generally exceeds the area's demographic data. The bank is extending credit to borrowers of all income levels. FNB is an active originator of small loans to businesses of different revenue levels. A review by loan size shows 96% of the bank's small business loans are originated for amounts starting at \$250,000 or less. FNB is a Preferred Small Business Administration (SBA) lender, and works with companies to obtain SBA financing.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Camden County</b>				
Loan Size (000's)	Number of loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$50,000	18	78.26%	\$271,732	27.50%
\$50,001 - \$100,000	3	13.04%	\$235,793	23.86%
\$100,001 - \$250,000	1	4.35%	\$130,000	13.16%
\$250,001 - \$500,000	1	4.35%	\$350,600	35.48%

### *Geographic Distribution of Loans*

Since there are no low- or moderate-income census tracts in the AA, a geographic analysis would not be meaningful.

## COMMUNITY DEVELOPMENT TEST

FNB's community development (CD) performance is adequately responsive to community needs. There are a limited number of opportunities for investment in already established community development projects. However, the bank took the initiative to work with builders to develop housing targeted to low- and moderate-income people and created some opportunities with local builders. The bank actively supported credit education programs for individuals and small businesses and has participated in a number of financial education and assistance initiatives.

### *Community Development Loans*

FNB granted four loans that benefited moderate-income individuals. Management worked in conjunction with a developer on a mixed income housing project to offer "affordable" housing. The bank and the developers agreed that moderate-income borrowers were to purchase these homes. The prices for these homes ranged between \$90,000 and \$100,000. Management originated these loans, totaling \$263,800, as individual borrowers were located.

### *Qualified Investments*

FNB purchased one investment for \$135,000 during the evaluation period. The bond raised funds to improve schools in Hickory County, which is an underserved middle-income county adjacent to the bank's AA. This investment provided revitalization or stabilization activities to the surrounding area.

During the assessment period, the bank donated \$13,545 to organizations within its AA. Four different community organizations that primarily serve low- and moderate-income individuals received these donations.

### *Community Development Services*

The distribution of FNB's offices and service delivery systems are adequate and accessible to individuals of different income levels in the AA. The bank has four branch locations with 24-hour ATM access. In all, the bank offers seven ATM locations throughout the AA. Bank personnel provide a satisfactory level of services at branch locations. Banking hours do not vary in a way that inconveniences individuals in its AA, and drive up facilities offer extended hours on Monday - Friday and are open on Saturday.

FNB offers Internet banking, low cost electronic transfer accounts, 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. Management has not closed any branches since the last evaluation.

Bank employees provide their financial expertise and time to support organizations that offer services targeted to low- and moderate-income individuals. Their efforts include providing technical assistance on financial matters to Central Ozarks Development Company (a loan review committee for SBA loans), Habitat for Humanity, and sponsorship of the Lake Area Business Conference to educate small business owners and people interested in starting a business.

### **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.

### **Responses to Complaints**

Neither FNB nor the OCC has received any complaints during this evaluation period in regards to the bank's CRA performance.