



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 31, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Missouri National Bank
Charter Number 22706

300 West Lockling
Brookfield, MO 64628

Office of the Comptroller of the Currency
Kansas City South Field Office
7101 College Blvd., Suite 1600
Overland Park, KS 66210

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 major factors supporting this rating for First Missouri National Bank (FMNB) are:

- A majority of the bank's loans are within its assessment areas (AAs).
- The bank's average loan-to-deposit (LTD) ratio since the last examination is more than reasonable.
- FMNB distribution of loans to borrowers within the AAs shows good penetration for all income levels.
- The bank received no consumer complaints concerning its performance in meeting the communities' credit needs.

SCOPE OF EXAMINATION

Examiners evaluated FMNB using the small bank CRA examination procedures which focus primarily on the lending test. The evaluation period for the lending test was April 1, 2003 through September 30, 2008. We assessed the bank's performance in meeting the communities' credit needs within both AAs. To assess the bank's performance, examiners selected a random sample of 25 agricultural loans and 17 commercial loans. The bank is a Home Mortgage Disclosure Act (HMDA) reporter. We evaluated 2007 and 2008 HMDA data. This included an analysis of 55 1-4 family home purchase and refinance loans.

DESCRIPTION OF INSTITUTION

FMNB is an intrastate bank headquartered in Brookfield, Missouri. As of September 30, 2008, FMNB had total assets of \$101 million and tier one capital of \$8.1 million. Net loans were \$83 million, which represented 82 percent of total assets. FMNB is wholly-owned by First Missouri Bancshares, a one-bank holding company. The bank's main office is in Brookfield and there is one branch located in Kearney, Missouri. The bank opened this branch in February 2006. Both locations have deposit-taking automated teller machines.

FMNB is a full-service institution that offers various loan and deposit products and services. The bank's primary loan products are small farm, small business, 1-4 family home purchase, and 1-4 family home refinance loans in the Linn County AA and 1-4 family home purchase loans in the Kearney AA. The volume of small farm, small business, and 1-4 family refinance loans were not material in the Kearney AA.

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs of its AAs. The bank received a Satisfactory rating at the last CRA Performance Evaluation dated May 13, 2003.

DESCRIPTION OF ASSESSMENT AREAS

FMNB has two AAs. The Linn County AA is located in a non-Metropolitan Statistical Area (MSA) and includes all of Linn County, Missouri. All census tracts in the Linn County AA are middle-income geographies. The Kearney AA consists of two census tracts in Clay County, Missouri, which is part of the Kansas City Missouri-Kansas MSA. One of the census tracts is a middle-income geography and the other is upper-income. Both AAs meet the requirements of the regulation and neither arbitrarily excludes any low-or moderate-income areas.

The Linn County AA has a population of 13,754 persons with 5,741 households and 3,827 families. The demographic data shows 20 percent of families are low-income, 18 percent are moderate-income, 24 percent are middle-income and 38 percent are upper-income.

The median housing value is \$46,330, and 67 percent of the housing units are owner-occupied. The updated Department of Housing and Urban Development (HUD) non-MSA median family income is \$43,800. The Linn County AA is stable. Manufacturing and services are the main source of employment, with Walsworth Publishing being the largest employer. The poverty rate in Linn County is high at 15 percent.

The Kearney AA has a population of 17,742 persons with 6,113 households and 5,191 families. The demographic data shows 8 percent of families are low-income, 13 percent are moderate-income, 27 percent are middle-income, and 52 percent are upper-income. The median housing value is \$137,567, and 84 percent of the housing units are owner-occupied. The updated HUD MSA median family income is \$67,800. The Kearney AA is growing along with the MSA. The poverty level in the Kearney AA is 3 percent. There is strong competition among financial institutions in Kearney due to the proximity to Kansas City. The bank has less than one percent market share in the Kearney AA.

We conducted one community contact during the evaluation with a community-based development organization that services Linn County. The organization is working with a plan to stabilize the population and employment opportunities in Linn County. Although the banks in the area are meeting basic credit needs for housing, and small business and small farm lending, the plan identifies some additional opportunities for participation (financial and time commitments) in projects that will further their goal to stabilize the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FMNB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the AAs. The bank's LTD ratio averaged 96 percent over 22 quarters from April 1, 2003 to September 30, 2008, with a quarterly low of 83 percent and a quarterly high of 104 percent. This compares favorably to four similarly situated banks with average LTD ratios ranging from 41 percent to 80 percent.

Lending in Assessment Areas

FMNB's record of lending within the combined AAs is reasonable. The bank originates a majority of its loans, both by number and dollar amount, within its AAs. We randomly sampled 40 residential real estate, 20 agricultural, and 17 commercial loans originated from January 1, 2006 through December 31, 2008. The sample of all loans shows the bank originated 69 percent of primary loan products by number within the AAs, and 61 percent by dollar amount.

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

FMNB's overall record of lending to borrowers of different income levels and businesses and farms of different sizes is satisfactory.

Linn County AA

We consider the bank's record of lending to low- and moderate-income borrowers in the Linn County AA to be reasonable. All of the bank's small farm loans in the AA were made to borrowers with less than \$1 million of annual revenue. The entire volume of small farm loans were made for amounts less than \$500 thousand, with 38 percent of those loans made in amounts less than \$100 thousand. Our sample of commercial loans indicated the bank made 92 percent of its small business loans to businesses with less than \$1 million in annual revenue. In addition, the bank made 75 percent of the small business loans in amounts of less than \$100 thousand. The 1-4 family home purchase lending distribution reflects the bank made 20 percent of its loans to low-income borrowers, compared to 20 percent of the families in the AA being low-income. The bank made 16 percent of its 1-4 family home purchase loans to moderate-income borrowers, compared to 18 percent of the families in the AA being moderate-income. The bank's distribution of 1-4 family home refinance loans is slightly lower, with bank loans to low-income borrowers at 4 percent and to moderate-income borrowers at 15 percent. Although significantly lower than the percentage of low- and moderate-income families in the AA, the level of non-owner-occupied housing at 33 percent impacts lending in Linn County.

Kearney AA

The Kearney AA record of lending to low- and moderate-income borrowers is reasonable. The 1-4 family home purchase lending distribution shows that, although the bank did not make any loans to moderate-income borrowers, it made 22 percent of its loans to low-income borrowers, compared to a combined percentage of 21 of the AA's families with low- and moderate-income.

Geographic Distribution of Loans

We did not perform an analysis of geographic distribution of the bank's loans. An analysis would not be meaningful since the AAs do not have low- or moderate-income geographies.

RESPONSES TO COMPLAINTS

FMNB did not receive any written complaints about its CRA performance in the AAs during the evaluation period. No further follow up or response is necessary.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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