



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 23, 2013

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

First Community National Bank  
Charter Number 17694

407 N. Franklin  
Cuba, MO 65453

Office of the Comptroller of the Currency

2350 Market Street, Room 100  
St. Louis, MO 63103

**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.**

First Community National Bank's (FCNB) lending performance reflects a satisfactory response to community credit needs. The conclusion is based on the following:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of loans inside its AAs.
- Lending activities represent a reasonable penetration among businesses of different sizes in the non-Metropolitan Statistical Area (non-MSA) AA.
- The geographic distribution of loans represents an excellent dispersion in the AA.

**SCOPE OF EXAMINATION**

The Performance Evaluation is an assessment of the record of FCNB in meeting the credit needs of the communities in which it operates. FCNB was evaluated under the Small Bank performance criteria, which includes a lending test. The lending test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The scope of the CRA evaluation period is January 4, 2006 through April 23, 2013. The lending test analysis includes loans originated and purchased from January 1, 2011 through December 31, 2012.

We reviewed the bank's loan originations in 2011 and 2012 to determine the primary products for each of the AAs. Based on the following table, the primary product is commercial lending for the non-MSA AA.

<b>Non-MSA Loan Originations by Loan Type from January 1, 2011 through December 31, 2012</b>				
<b>Loan Category</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>
Residential Loans	\$24,628	29%	281	22%
Commercial Loans	\$54,241	63%	315	25%
Consumer Loans	\$ 6,857	8%	658	53%
<b>Total Originations</b>	<b>\$85,726</b>	<b>100%</b>	<b>1,254</b>	<b>100%</b>

*Source: Loan originations from January 1, 2011 through December 31, 2012*

For the MSA AA, the primary products are commercial lending and residential lending.

<b>MSA AA Loan Originations by Loan Type from January 1, 2011 through December 31, 2012</b>				
<b>Loan Category</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>
Residential Loans	\$ 9,188	51%	97	30%
Commercial Loans	\$ 6,570	36%	54	17%
Consumer Loans	\$ 2,252	13%	171	53%
<b>Total Originations</b>	<b>\$18,010</b>	<b>100%</b>	<b>322</b>	<b>100%</b>

*Source: Loan originations from January 1, 2011 through December 31, 2012*

The lending test analysis included a loan sample. Loans originated and purchased in 2011 were compared to the 2000 census information. Loans originated and purchased in 2012 were compared to the 2010 census information.

The bank's non-MSA AA lending test analysis carried the most weight in our conclusion because 85% of FCNB's deposit market share and 83% of its lending volume originated in that AA.

## DESCRIPTION OF INSTITUTION

FCNB is an intrastate bank headquartered in Cuba, Missouri. As of December 31, 2012, FCNB had total assets of \$222 million and Tier one capital of \$19 million. FCNB is wholly owned by Steelville Community Banc-Shares, Inc., a one-bank holding company located in Steelville, Missouri. In addition to the main office in Cuba, the bank operates six full-service branches, five of which have deposit-taking ATMs. Since the last CRA examination, the bank opened one new branch, Rolla South, in 2007. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination.

The bank offers a full-range of loan and deposit services. FCNB's primary business focus is residential real estate and commercial loans.

As of December 31, 2012, the bank reported \$146 million in outstanding loans and had a net loans and leases to total assets ratio of 64%. The loan portfolio consists of the following:

<b>Loan Portfolio Summary by Loan Product December 31, 2012</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Business Loans	\$ 64,265	44%
Residential Loans	\$ 67,607	46%
Agricultural Loans	\$ 6,937	5%
Consumer Loans	\$ 6,794	5%
<b>Total Loans</b>	<b>\$145,603</b>	<b>100%</b>

*Source: Call Report December 31, 2012*

There are no legal or financial impediments to FCNB's ability to meet the credit needs in its AAs. The bank was rated Satisfactory at its prior CRA examination as of January 3, 2006.

## DESCRIPTION OF ASSESSMENT AREA(S)

FCNB has two AAs. Each AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

### Non-Metropolitan Statistical Area Assessment Area

Using the 2010 census information, management designated all of Crawford, Maries and Phelps Counties in Missouri as one of the bank's AAs. This non-MSA AA contains 19 Census Tracts (CTs): 4501.01, 4501.02, 4502, 4503.01, 4503.02, 4504, 8801, 8802.98, 8803, 8901, 8902, 8903, 8904, 8905, 8906, 8907, 8908, 8909, and 8910. Here is a summary of some key information for this AA:

Demographic Information for Full Scope Area: FCNB Cuba –non-MSA AA for Census 2010					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	19	0.00	15.79	68.42	15.79
Population by Geography	79,028	0.00	16.91	66.84	16.25
Owner-Occupied Housing by Geography	21,011	0.00	9.37	71.45	19.19
Business by Geography	6,404	0.00	25.87	59.84	14.29
Farms by Geography	363	0.00	7.99	77.41	14.60
Family Distribution by Income Level	19,587	17.80	16.98	23.04	42.19
Distribution of Low and Moderate Income Families throughout AA Geographies	7,205	0.00	10.81	71.62	17.57
Median Family Income		45,840	Median Housing Value		110,189
FFIEC Adjusted Median Family Income for 2012		47,800	Unemployment Rate (2010 US Census)		4.27%
Households Below Poverty Level		17%			

Source: 2010 US Census and 2012 FFIEC updated MFI

The same AA had some variations based on the 2000 census information. Here is a summary of some key information for this AA:

Demographic Information for Full Scope Area: FCNB Cuba –non-MSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	17	0.00	5.88	82.35	11.76
Population by Geography	71,532	0.00	6.72	81.46	11.82
Owner-Occupied Housing by Geography	19,947	0.00	2.37	84.06	13.57
Business by Geography	6,861	0.00	5.61	84.46	9.93
Farms by Geography	365	0.00	1.37	88.22	10.41
Family Distribution by Income Level	19,239	23.07	20.91	21.24	34.78
Distribution of Low and Moderate Income Families throughout AA Geographies	8,461	0.00	4.63	88.38	6.98
Median Family Income		35,821	Median Housing Value		71,579
HUD Adjusted Median Family Income for 2011		47,200	Unemployment Rate (2000 US Census)		2.79%
Households Below Poverty Level		17%			

Source: 2000 US Census and 2011 HUD updated MFI

**Non-MSA Economic Conditions**

Economic conditions in the non-MSA AA have steadily improved since the recession in 2008. As of December 31, 2012, the unemployment rates for Crawford, Maries and Phelps Counties were 7.8%, 5.4% and 5.6%, respectively. The national and Missouri unemployment rates for the same time were comparable at 7.6% and 6.5%, respectively.

The local economy is primarily supported by non-farm businesses operating at one location and employing 1-4 persons. Major employers in the area include the various local school districts, the University of Missouri—Rolla, the Phelps County Regional Medical Center, Doe Run, Kingsford Manufacturing Company, G-P Gypsum, Olin Corporation, and Rockwell Industries. Corporate farms and cattle and hog operations are also growing as employers in the area.

Competitive pressures are present in this AA. There are 13 other institutions competing for business within the area. The bank has 9.68% of the deposit market share in this AA. We contacted an economic development official during the examination. The official indicated the primary credit needs in the non-MSA AA are commercial loans for small businesses and loans for affordable housing.

**Metropolitan Statistical Area Assessment Area**

The bank also has a portion of the St. Louis MSA as an AA. Using 2010 census information, management has designated 2 CTs in St. Louis County and 4 CTs in Franklin County as an AA. These CTs include FCNB’s branch locations and the surrounding area.

Here is a summary of some key information for this AA:

Demographic Information for Full Scope Area: FCNB Cuba - MSA AA for Census 2010					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	6	0.00	33.33	33.33	33.33
Population by Geography	33,284	0.00	24.71	33.91	41.38
Owner-Occupied Housing by Geography	9,450	0.00	26.59	38.35	35.06
Business by Geography	2,923	0.00	27.33	27.27	45.40
Farms by Geography	163	0.00	19.63	53.99	26.38
Family Distribution by Income Level	8,403	19.83	15.84	21.39	42.95
Distribution of Low and Moderate Income Families throughout AA Geographies	2,959	0.00	26.70	37.51	35.79
Median Family Income		67,013	Median Housing Value		168,860
FFIEC Adjusted Median Family Income for 2012		70,400	Unemployment Rate (2010 US Census)		3.23%
Households Below Poverty Level		11%			

Source: 2010 US Census and 2012 FFIEC updated MFI

The CTs in 2011 differ using the 2000 census information. Here is a summary of some key information for this AA:

Demographic Information for Full Scope Area: FCNB Cuba - STL MSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	5	0.00	20.00	40.00	40.00
Population by Geography	29,378	0.00	25.92	36.13	37.95
Owner-Occupied Housing by Geography	8,501	0.00	24.64	39.67	35.69
Business by Geography	3,032	0.00	28.53	26.81	44.66
Farms by Geography	165	0.00	10.30	63.64	26.06
Family Distribution by Income Level	7,876	16.35	19.35	21.57	42.72
Distribution of Low and Moderate Income Families throughout AA Geographies	2,812	0.00	40.97	44.99	14.05
Median Family Income		53,435	Median Housing Value		107,109
HUD Adjusted Median Family Income for 2011		69,500	Unemployment Rate (2000 US Census)		1.86%
Households Below Poverty Level		6%			

Source: 2000 US Census and 2011 HUD updated MFI

**MSA Economic Conditions**

Economic conditions in the MSA AA improved since the recession. The unemployment rate for Franklin and St. Louis County are 7.4% and 6.1%, respectively. The national and Missouri unemployment rates for the same time were comparable at 7.6% and 6.5%, respectively.

The local economy is primarily supported by service-related businesses. Major employers in the area are Boeing Defense Space & Security, SSM Healthcare, Washington University and Washington School District, Schnucks Markets, Inc., and GDX Automotive. A significant number of area residents commute to nearby St. Louis County for employment.

Competitive pressure is strong. There are 65 federal and state institutions in the bank’s market area in Franklin and St. Louis County. The bank only owns 0.06% of the market share.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FCNB does a reasonable job of meeting the credit needs of its AAs, including those of low- and moderate-income people and small businesses, given the demographics, economic factors, and competitive pressures faced by the bank.

**Loan-to-Deposit Ratio**

FCNB’s average quarterly loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s LTD ratio averaged 89% over the 28 quarters since the last CRA examination, with a low of 79% and a high of 103%.

The bank’s average quarterly LTD ratio compares favorably with other community banks of similar size, location, and product offerings. FCNB ranks sixth among twelve similarly situated banks serving its AAs. The other eleven banks had quarterly LTD ratios averaging 88%, ranging from 72% to 104% over the same 28 quarters.

**Lending in Assessment Area**

A majority of the primary loan products originated by FCNB are to borrowers within its two AAs. The following table details the bank’s lending within the AAs by number and dollar amount of loans originated during the evaluation period.

<b>Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Total	84	70%	36	30%	120	16,866	78%	4,858	22%	21,725

Source: Loan sample

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, given the bank’s product offerings and local economic conditions.

**Non-Metropolitan Statistical Area**

*Commercial Lending*

In 2012, the distribution of loans reflects reasonable penetration among businesses of different sizes in the non-MSA AA. Small businesses are businesses with gross annual revenues of one million dollars or less.

The following table shows the distribution of commercial loans among businesses of different sizes within the non-MSA AA:

<b>2012 - Borrower Distribution of Loans to Businesses in non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75%	3%	22%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	47%	53%	0%	100%

Source: Loan sample; 2012 Business Geodemographic Data

In 2011, the distribution of loans reflects reasonable penetration among businesses of different sizes in the non-MSA AA.

The following table shows the distribution of commercial loans among businesses of different sizes within the non-MSA AA:

<b>2011 - Borrower Distribution of Loans to Businesses in non-MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70%	3%	27%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	88%	12%	0%	100%

Source: Loan sample; 2011 Business Geodemographic Data

### **Metropolitan Statistical Area**

#### *Residential Mortgage Loans*

In 2012, the distribution of home loans reflects excellent penetration among borrowers of different income levels, with excellent responsiveness to low- and moderate-income borrowers.

<b>2012 - Borrower Distribution of Residential Real Estate Loans in MSA</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 Loans	19.83%	43.75%	15.84%	31.25%	21.39%	12.50%	42.95%	12.50%
Total								

Source: Loan sample; 2010 U.S. Census data

In 2011, the distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels, with excellent responsiveness to low- and moderate-income borrowers.

<b>2011 - Borrower Distribution of Residential Real Estate Loans in MSA</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 Loans	16.35%	31.25%	19.35%	31.25%	21.57%	31.25%	42.72%	6.25%
Total								

Source: Loan sample; 2000 U.S. Census data

#### *Commercial Lending*

In 2012, the distribution of loans reflects excellent penetration among businesses of different sizes in the MSA AA. Small businesses are businesses with gross annual revenues of one million dollars or less.

The following table shows the distribution of commercial loans among businesses of different sizes within the MSA AA:

2012 - Borrower Distribution of Loans to Businesses in MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74%	4%	22%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; 2012 Business Geodemographic Data

In 2011, the distribution of loans reflects reasonable penetration among businesses of different sizes in the MSA AA.

The following table shows the distribution of commercial loans among businesses of different sizes within the MSA AA:

2011 - Borrower Distribution of Loans to Businesses in MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70%	3%	27%	100%
% of Bank Loans in AA by #	89%	11%	0%	100%
% of Bank Loans in AA by \$	73%	27%	0%	100%

Source: Loan sample; 2011 Business Geodemographic Data

### Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the bank’s AAs. There are no low-income CTs in the AAs; thus, our analysis focused on lending in the moderate-income CTs.

### Non-Metropolitan Statistical Area

In 2012, the geographic distribution of FCNB’s business loans originated in the bank’s non-MSA AA reflects a reasonable dispersion in CTs of different income levels. Lending in moderate-income CTs is reasonable, with lending near the percentage of businesses there.

2012 - Geographic Distribution of Loans to Businesses in Non-MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Commercial	NA	NA	26%	25%	60%	70%	14%	5%

Source: Loan sample; 2012 Business Geodemographic Data

In 2011, the geographic distribution of FCNB’s business loans originated in the bank’s non-MSA AA reflects excellent dispersion in CTs of different income levels. Lending in moderate-income CTs is excellent, with lending exceeding the percentage of businesses there.

2011 - Geographic Distribution of Loans to Businesses in Non-MSA								
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
Commercial	NA	NA	6%	10%	84%	90%	10%	0%

Source: Loan sample; 2011 Business Geodemographic Data

**Metropolitan Statistical Area**

*Residential Mortgage Loans*

In 2012, the geographic distribution of home loans reflects excellent dispersion throughout the CTs of different income levels. Lending in moderate-income CTs is excellent, with lending exceeding the percentage of owner-occupied housing within those CTs.

2012 - Geographic Distribution of Residential Real Estate Loans in MSA								
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 Loans	NA	NA	26.59%	43.75%	38.35%	31.25%	35%	25%

Source: Loan sample and 2010 Census data.

In 2011, the geographic distribution of home loans reflects excellent dispersion throughout the CTs of different income levels. Lending in moderate-income CTs is excellent, with lending significantly exceeding the percentage of owner-occupied housing in the area.

2011 - Geographic Distribution of Residential Real Estate Loans in MSA								
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 Loans	NA	NA	24.64%	75.00%	39.67%	6.25%	35.69%	18.75%

Source: Loan sample and 2000 Census data.

**Commercial Lending**

In 2012, the geographic distribution of FCNB’s business loans originated in the bank’s MSA AA reflects a reasonable dispersion in CTs of different income levels. Lending in moderate-income CTs is reasonable, with lending near the percentage of businesses there.

2012 - Geographic Distribution of Loans to Businesses in MSA								
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
Commercial	NA	NA	27%	25%	27%	62.5%	46%	12.5%

*Source: Loan sample; 2012 Business Geodemographic Data*

In 2011, the geographic distribution of FCNB’s business loans originated in the bank’s MSA AA reflects excellent dispersion in CTs of different income levels. Lending in moderate-income CTs is excellent, with lending exceeding the percentage of businesses there.

2011 - Geographic Distribution of Loans to Businesses in MSA								
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
Commercial	NA	NA	29%	34%	27%	33%	44%	33%

*Source: Loan sample; 2011 Business Geodemographic Data*

**Responses to Complaints**

FCNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA evaluation.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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