



PUBLIC DISCLOSURE

June 13, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank, National Association
Charter Number 23603

312 West Central
Carthage, Missouri 64836

Office of the Comptroller of the Currency

1027 South Main Street, Suite 405
Joplin, Missouri 64801

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: Satisfactory

The Lending Test rating is Satisfactory.

The major factors supporting this rating for Hometown Bank, N.A. (HBNA) are:

- HBNA originated a majority of its loans within its assessment area (AA).
- HBNA's average loan-to-deposit (LTD) ratio is excellent and reflects more than reasonable responsiveness to the credit needs of the community.
- HBNA's distribution of loans to borrowers of different income levels is satisfactory.
- HBNA's geographic distribution of loans among low- and moderate-income census tracts is satisfactory.
- The bank received no consumer complaints concerning its performance in meeting the community's credit needs.

SCOPE OF EXAMINATION

The scope of the examination included evaluating HBNA based on the small bank CRA examination procedures and focused primarily on the lending test. Our objective was to assess the bank's ability to serve and meet the community's needs within its AA. HBNA's primary loan products for the Joplin metropolitan statistical area (MSA) AA are commercial real estate (CRE) loans (28 percent by dollar amount), consumer loans (52 percent by number of loans), and 1-4 family residential real estate (RRE) loans (18 percent by number of loans). Primary loan products for the McDonald County AA are farmland (49 percent by dollar and 23 percent by number of loans) and 1-4 family RRE (30 percent by dollar and 32 percent by number of loans).

To assess the bank's performance, we selected a random sample of 20 loans from the CRE and 1-4 family RRE loan products and a random sample of 15 loans from the farmland portfolio originated from the bank's McDonald County branch. Our loan sample included originations from January 1, 2010 through December 31, 2011. We used HBNA's 2010 and 2011 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) to include all 1-4 family RRE loans originated during this period. We used information from these primary product types to determine the bank's lending record to individuals of different income levels and business/farms of different sizes, the bank's lending record within low- and moderate-income geographical census tracts, and the percent of loan originations within the AAs.

DESCRIPTION OF INSTITUTION

HBNA is a \$170 million national bank headquartered in Carthage, Missouri. Hometown Bancshares, a one-bank holding company, owns 100 percent of HBNA. The bank operates six full service facilities, including ATMs, in the Missouri counties of Jasper and Newton, and one full service facility, including an ATM, located in southern McDonald County, Missouri.

HBNA offers customers a full range of loan and deposit products. As of March 31, 2013, net loans represented 58 percent of the bank's average total assets. The composition of the bank's \$96 million loan portfolio included 75 percent real estate, 14 percent commercial and industrial, 4 percent agriculture, 4 percent consumer, and 3 percent other loans.

DESCRIPTION OF ASSESSMENT AREA

HBNA has two AAs consisting of three contiguous counties in Missouri. Both AAs meet the regulatory requirements, and neither arbitrarily excludes low-income or moderate-income geographies.

The first AA incorporates the Joplin MSA and includes all of Jasper and Newton Counties, Missouri. The AA includes 4 moderate-income, 26 middle-income, and 2 upper-income census tracts. No census tracts in the AA are designated as low-income. Demographic data for the Joplin MSA shows the 2011 median family income (MFI) is \$39,165. The AA has 61,634 households, of which 29 percent receive social security, 4 percent receive public assistance, and 13 percent are below the poverty level. A significant majority of the bank's loans and deposits are comprised from the Joplin MSA AA. This is due to greater population volumes and a more extensive branch network in this AA.

The second AA includes all of McDonald County, Missouri, which is part of the Fayetteville, Arkansas MSA. The AA includes three moderate-income and one middle-income census tract. There are no census tracts designated in the AA as low-income or upper-income. Demographic data for the McDonald County AA shows the 2011 MFI is \$31,478. The AA has 8,133 households, of which 27 percent receive social security, 5 percent receive public assistance, and 21 percent are below the poverty level.

We made one community contact with a local community business organization during this examination. Our community contact identified the primary financial needs of the community as small business lending. The community contact commented that HBNA had a reputation for being an active small farm and small business lender, and that HBNA management has been very involved in the Joplin community for many years.

The contact also noted that ten local financial institutions, including HBNA, were instrumental in the formation and administration of a multi-bank community development corporation called Joplin Capital Corporation (JCC). JCC extends loans to small businesses having difficulty in obtaining conventional financing. JCC used proceeds from a stock subscription and a federal grant to create the loan fund. Loans of \$5,000 to \$50,000 are extended to small businesses primarily located in the moderate-income census tracts in the Joplin MSA. HBNA Senior Credit Officer Robert Reaves currently serves on the JCC Board of Directors and loan committee.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HBNA’s average LTD ratio is excellent and reflects more than reasonable responsiveness to the AAs’ credit needs. The bank’s quarterly average LTD ratio over the 29-quarter evaluation period is 94 percent. HBNA’s average LTD is higher than similarly situated institutions’ average LTD ratios, which ranged between 57 percent and 80 percent, with an average of 74 percent.

Lending in Assessment Area

The bank’s record of lending to borrowers within its AA is excellent. A majority of all loans originated are located within the AA. For loans sampled, the bank originated 89 percent of loans by number and 87 percent of loans by dollar amount inside its AA.

Table 1 - Concentration of Loans Originated Inside and Outside the Assessment Area								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$ (000)	%	\$ (000)	%
Residential Real Estate Loans	816	88%	108	12%	\$86,448	87%	\$13,097	13%
Consumer Loans	18	90%	2	10%	\$283	88%	\$38	12%
Commercial Real Estate Loans	19	95%	1	5%	\$5,445	90%	\$620	10%
Farmland Loans	15	100%	0	0%	\$2,128	100%	\$0	0%
Totals	868	89%	111	11%	\$94,304	87%	\$13,755	13%

Source: Loan Sample and 2010 & 2011 HMDA LAR

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

HBNA’s lending to borrowers of different income levels and businesses and farms of different sizes is satisfactory. In our assessment of borrower distribution, we placed more weight on the bank’s performance in the Joplin MSA.

Joplin MSA

CRE Loans

HBNA has an excellent record of lending to businesses of different sizes. The bank’s performance far exceeds business demographics by both number and dollar of loans to businesses with revenues less than \$1 million.

Table 2A - Borrower Distribution of Loans to Businesses in the Joplin MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68%	3%	29%	100%
% of Bank Loans in AA by #	80%	5%	15%	100%
% of Bank Loans in AA by \$	91%	3%	6%	100%

Source: CRE loan data sampled from 2010-2011; 2000 U.S. Census data

Consumer Loans

The distribution of consumer loans reflects reasonable penetration among borrowers of different income levels. HBNA’s consumer lending to low-income individuals is below census tract data and reflects poor penetration. However, we considered this reasonable as 13 percent of the households are below the poverty level, which could significantly limit management’s ability to make consumer loans to qualified low-income borrowers. The bank’s consumer lending to moderate-income individuals is satisfactory and comparable to demographics.

Table 2B - Borrower Distribution of Consumer Loans in the Joplin MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	22%	6%	17%	17%	21%	11%	40%	61%

*Source: Consumer loan data sampled from 2010-2012; 2000 U.S. Census data
Income was unavailable in 5% of our loan sample.*

1-4 Family RRE Loans

The bank’s distribution of 1-4 family RRE loans reflects reasonable penetration among borrowers of different income levels. Distribution of loans to low-income borrowers is below the demographic data. However, 10 percent of families in the bank’s AA are below the poverty level, which could limit management’s ability to make 1-4 family RRE loans to qualified low-income borrowers. HBNA demonstrates a satisfactory record of extending 1-4 family RRE loans to moderate-income borrowers, as the bank’s performance is comparable to demographics.

Table 2C - Borrower Distribution of Residential Real Estate Loans in the Joplin MSA								
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
RRE Loans	18%	7%	19%	18%	25%	29%	38%	46%

Source: 2010 & 2011 HMDA LAR; 2000 U.S. Census data

McDonald County

Farmland Loans

HBNA has a very good record of lending to farms of different sizes. Based upon our sample of farmland loans, all loans in the McDonald County AA were originated to farms with less than \$1 million in total revenues. The bank’s performance is comparable to demographics.

Table 2D - Borrower Distribution of Loans to Farms in the McDonald County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	99%	0%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Farmland loan data sampled from 2010-2011; 2000 U.S. Census data

1-4 Family RRE Loans

The bank’s distribution of 1-4 family RRE loans among borrowers of different income levels in this AA is satisfactory. While penetration of loans to low-income borrowers is below demographics, 16 percent of families in the AA are below the poverty level. HBNA performance of extending 1-4 family RRE loans to moderate-income borrowers is very good and exceeds demographic data.

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
RRE Loans	30%	15%	25%	29%	23%	41%	22%	15%

Source: 2010 & 2011 HMDA LAR; 2000 U.S. Census data

Geographic Distribution of Loans

The bank’s distribution of loans reflects a reasonable distribution throughout census tracts of different income levels, including the moderate-income census tract. There are no low-income census tracts in either of the AAs. There were no conspicuous gaps identified within the AAs. The devastation experienced from the May 22, 2011 tornado in Joplin, Missouri displaced a large number of households and businesses located in the moderate-income census tracts of the Joplin MSA. This adversely affected the bank’s opportunity to lend in these census tracts and serves as a significant mitigating factor in the bank’s geographic distribution analysis.

Joplin MSA

CRE Loans

HBNA’s geographic distribution of CRE loans in the AA reflects a reasonable dispersion within the moderate-income census tracts. The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

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
CRE	N/A	N/A	12%	5%	80%	95%	8%	0%

Source: CRE loan data sampled from 2010-2011; 2000 U.S. Census data

Consumer Loans

The bank’s geographic distribution of consumer loans in the AA reflects poor dispersion in the moderate-income census tracts. Our sample of consumer loans did not identify any consumer loans originated in moderate–income census tracts in the Joplin MSA. The lack of penetration of consumer lending is mitigated by the fact that 22 percent of

households in moderate-income census tracts are below the poverty level, which limits management’s ability to make consumer loans to qualified low-income borrowers.

Table 3B - Geographic Distribution of Consumer Loans in the Joplin MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	N/A	N/A	13%	0%	80%	100%	7%	0%

Source: consumer loan data sampled from 2010-2011; 2000 U.S. Census data

1-4 Family RRE Loans

HBNA’s geographic distribution of 1-4 family RRE loans in the AA reflects a reasonable dispersion throughout census tracts of different income levels. While penetration of 1-4 family RRE lending in moderate-income census tracts in the Joplin MSA is below demographic data, only 39% of homes in moderate-income census tracts are owner-occupied.

Table 3C - Geographic Distribution of Residential Real Estate Loans in the Joplin 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
1-4 family RRE	N/A	N/A	8%	3%	84%	94%	8%	3%

Source: 2010 & 2011 HMDA LAR; 2000 U.S. Census data

McDonald County

Farmland Loans

The bank’s extension of loans for farmland in the McDonald County AA reflects satisfactory penetration in moderate-income census tracts. The following table details the bank’s performance as compared to the percentage of farms in each census tract income level.

Table 3D - Geographic Distribution of Loans to Farms in the McDonald County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farmland	N/A	N/A	66%	67%	34%	33%	N/A	N/A

Source: Farmland loan data sampled from 2010-2011; 2000 U.S. Census data

1-4 Family RRE Loans

Penetration of 1-4 family RRE lending in moderate-income census tracts in the McDonald County AA is excellent. HBNA’s performance to lending in moderate-income census tracts exceeds demographics.

Table 3E - Geographic Distribution of Residential Real Estate Loans in the McDonald County AA								
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
1-4 Family RRE	N/A	N/A	71%	85%	29%	15%	N/A	N/A

Source: 2010 & 2011 HMDA LAR; 2000 U.S. Census data

Responses to Complaints

HBNA did not receive any written complaints regarding its CRA performance during the evaluation period.

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 the CRA rating of a national bank the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.