



## **PUBLIC DISCLOSURE**

June 30, 2014

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

First National Bank  
Charter Number 7853

117 North Business Route 5  
Camdenton, MO 65020

Office of the Comptroller of the Currency

7101 College Boulevard  
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: 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 reflects reasonable performance.
- A majority of the bank's lending activity is within its assessment area (AA).
- The bank has received no consumer complaints concerning its performance in meeting the community's credit needs.

## **Scope of Examination**

Our objectives were to assess the bank's performance in meeting community credit needs within their AA. We evaluated FNB under the small bank examination procedures, which include only a lending test. This is a change from intermediate small bank procedures at the previous performance evaluation period. The lending test covers the bank's performance from January 1, 2012 to June 19, 2014 (review period). Based on loans originated during this time period, the bank's primary products are 1-4 family residential real estate (RRE) loans by dollar and consumer loans by number. We randomly selected 20 RRE loans and 20 consumer loans to evaluate performance. All financial information and ratios are as of March 31, 2014 or the review period, unless otherwise stated.

## **Description of Institution**

FNB is a \$229 million financial institution, owned by First National Bancshares, Inc., a single bank holding company headquartered in Camdenton, Missouri. The main office is also located in Camdenton, Missouri. The bank has four other branch locations in Missouri: one each in Osage Beach, Sunrise Beach, Lake Ozark, and Camdenton. The bank has not opened any new branches since the last CRA examination. The bank has eight automated teller machines (ATMs) with two at the main location, one at each branch location, and one at Lake Oasis Conoco in Camdenton, Missouri. All ATMs are non-deposit-taking with the exception of the ATM at the main location. Banking hours do not vary in a way that inconveniences individuals in its AA.

FNB is a full-service banking institution. The bank offers a variety of loan and deposit products at all of its locations. The bank offers small business lending and was recently approved to provide USDA rural development and FHA loans through the bank's secondary market source, Guaranty Trust. Additionally, bank management is exploring the development of offering VA loans to better serve customers in its AA. As of March 31, 2014, net loans represent 31 percent of total assets. The bank's loan portfolio by

dollar volume consisted of 31 percent commercial real estate loans, 51 percent RRE loans (including home equity loans), 9 percent construction and land development loans, 3 percent consumer loans, 3 percent commercial loans, and 3 percent agricultural loans. Competition is strong with several banks in the area. This includes branches of large banks headquartered outside the AA.

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 June 27, 2011.

## **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 44 thousand persons. The median family income for non-metropolitan areas in Missouri equals \$47,800 for 2012, and \$48,200 for 2013. The median housing value is \$208,662, and 37 percent of housing units are owner occupied. Approximately 54 percent of housing units in the AA are vacant. This is primarily attributed to housing available for visitors attached to the region as a recreation and vacation destination. The percentage of households below the poverty level is 11 percent.

The AA’s economic base is diverse. The area includes Lake of the Ozarks, a major recreational destination, including vacation and retirement homes, condominiums, and rental units. The AA also includes retail, service-oriented, and light industrial businesses. As of April 2014, the unemployment rate for the state of Missouri was 6.6 percent and for Camden county was 6.9 percent. The unemployment rate for the bank’s AA is slightly above the national unemployment rate of 6.3 percent.

We contacted a local community development organization to identify credit and banking needs in the AA. The contact disclosed that banks are meeting the needs in the community, and primary lending opportunities are in 1-4 family housing and small businesses.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable and reflects satisfactory performance relative to the bank’s size, financial condition, and competition within the AA. The bank’s net LTD ratio averaged 56 percent over 26 quarters from December 31, 2007 to March 31, 2014, with a quarterly low of 33 percent and a quarterly high of 78 percent.

The bank’s net LTD ratio is lower than other community banks of similar size, location, and product offerings. FNB ranks near the bottom among six similarly situated banks serving its AA. The six banks have an average net LTD ratio of 83 percent, with a range from 56 percent to 111 percent the 26 quarters.

### Lending in Assessment Area

A majority of FNB’s lending for residential and consumer loans is to customers within its AA. The following table details the bank’s lending activity within the AA by number and dollar amount of loans originated during the sampling period.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 family RRE	18	90%	2	10%	20	\$902,697	58%	\$647,000	42%	\$1,549,697
Consumer	17	85%	3	15%	20	\$140,638	89%	\$17,616	11%	\$158,254
<b>Totals</b>	<b>35</b>	<b>88%</b>	<b>5</b>	<b>12%</b>	<b>40</b>	<b>\$1,043,335</b>	<b>61%</b>	<b>\$664,616</b>	<b>39%</b>	<b>\$1,707,951</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 slightly below demographic data. 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 excellent and exceeds demographic data.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	14.99%	10%	17.82%	40%	23.13%	25%	44.06%	25%

Source: Loan sample

Borrower distribution of consumer loans is excellent to low-income borrowers and exceeds demographic data. Lending to customers is reasonable to moderate-income borrowers. The percentage of households below the poverty level is 10.41 percent, which further supports that the bank is meeting the lending needs to low-to-moderate income borrowers.

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	15.23%	26%	17.03%	16%	18.39%	21%	49.35%	37%

Source: Loan sample.

**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**

The bank has not received any written complaints about FNB’s performance in helping to meet the credit needs of its AA.

**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.