



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 1, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Clinton
Charter Number 14532

107 S. Second Street
Clinton, MO 64735

Office of the Comptroller of the Currency
Kansas City South Field Office
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: This institution is rated Outstanding.

The major factors supporting the institution's rating include:

- First National Bank of Clinton's (the bank) average loan-to-deposit ratio (LTD) is more than reasonable at 89 percent.
- The bank's record of lending in its assessment areas (AAs) during the evaluation period is satisfactory at 77 percent by number and 75 percent by dollar volume.
- The overall distribution of lending to borrowers of different income levels and businesses of different sizes is more than reasonable.
- The geographic distribution of commercial real estate (CRE) loans in low- and moderate-income tracts in the Springfield AA is more than reasonable.
- Community development activities had a positive impact on the bank's CRA rating.

SCOPE OF EXAMINATION

We performed a full-scope review covering the time period from January 1, 2007 to December 31, 2009. We evaluated the bank's CRA performance in making Home Mortgage Disclosure Act (HMDA) loans in the Henry County AA, where home loans are a primary product. The other primary products in this AA include commercial and consumer loans. The primary product in the Springfield AA is CRE loans. We analyzed 2007, 2008, and 2009 HMDA data for the Henry County AA. We selected a sample of 20 loans each of the primary products to complete our analysis. We also reviewed information provided by the bank regarding community development activities during the evaluation period.

DESCRIPTION OF INSTITUTION

The bank had \$83 million in total assets as of December 31, 2009. Net loans comprised \$47 million, representing 57 percent of total assets. The bank and its parent company, Financial Enterprises, Inc., are both headquartered in Clinton, Missouri. The bank has two AAs. One consists of all of Henry County and the other encompasses three counties which make up a portion of the Springfield Metropolitan Statistical Area (MSA). There are two branches and one ATM in the Henry County AA and one branch and one ATM in the Springfield AA. The bank offers a full range of personal and commercial lending products. The bank received an "Outstanding" rating at its last CRA examination dated October 7, 2003. There are no legal or financial constraints that impede the bank's CRA efforts. The bank's business strategy is commercial real estate lending in the Springfield AA and commercial and consumer loans in the Henry County AA.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two AAs. The Henry County AA encompasses all of Henry County, Missouri, which is comprised of six census tracts, including five middle-income tracts and one upper-income tract. The Springfield AA includes all of Greene, Christian, and Webster counties, which are part of the Springfield, Missouri MSA. This AA is comprised of 2 low-, 15 moderate-, 40 middle-, and 21 upper-income tracts. These AAs meet the requirements of the CRA regulation and do not arbitrarily exclude any low- or moderate-income geographies. According to the 2000 U.S. Census, the total population of the Henry County AA is 21,997, and the Springfield AA is 325,721. The Census data show that, in the Henry County AA, 19 percent of the families are designated as low-income, 18 percent are moderate-income, 24 percent are middle-income, and 39 percent are upper-income. The 2009 nonmetropolitan median family income figure was \$45,400. According to the Census data for the Springfield AA, 17 percent of the families are designated as low-income, 19 percent are moderate-income, 24 percent are middle-income, and 40 percent are upper-income. The 2009 MSA median family income figure was \$53,100.

Based on community contact information, primary credit needs in the Henry County AA are affordable housing and small business loans. In the Springfield AA, affordable housing is the primary credit need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable. The quarterly average LTD ratio from June 30, 2003 to December 31, 2009 was 89 percent. We compared the bank to seven other similarly-situated banks in the AAs. The average LTD ratio of the other institutions was 87 percent. The high and low averages range from 43 percent to 105 percent.

Lending in Assessment Area

The bank originates a majority of its loans, both by number and dollar amount, within its AAs. According to our loan sample, 77 percent by number, and 75 percent by dollar, were originated within the AAs.

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

The bank's overall record of lending to borrowers of different income levels and businesses of different sizes is excellent.

Henry County AA

- Small business lending: Based on our sample, the borrower distribution of small business loans in this AA is excellent. All of the loans in our sample were made to businesses with revenues of less than \$1 million. In addition, all these loans were for dollar amounts less than \$250 thousand.

- **HMDA lending:** Based on HMDA data, the borrower distribution of the bank's HMDA loans in the Henry County AA is more than reasonable. The bank originated 11 percent of its loans to low-income borrowers compared to demographics of 19 percent. Given that 11 percent of families are below the poverty level, performance to low-income borrowers is more than reasonable. The distribution of loans to moderate-income borrowers is excellent, exceeding demographics.
- **Consumer Lending:** According to our sample, the distribution of consumer lending to low- and moderate-income borrowers in the Henry County AA is reasonable overall. Based on our sample, the bank originated 20 percent of loans to low-income borrowers compared to demographics of 23 percent. However, considering that 15 percent of households are below poverty levels, performance is more than reasonable. Performance to moderate-income borrowers needs improvement. The bank originated 10 percent of loans to these borrowers compared to demographics of 16 percent. A significant percentage of consumer loans were for amounts less than \$10 thousand.

Springfield AA

- The distribution of the bank's CRE loans to small businesses in the Springfield AA is excellent. According to our sample, the bank made 85 percent of its CRE loans to businesses with gross annual revenues of \$1 million or less compared to demographics of 77 percent. Seventeen of the twenty loans were to businesses with loan amounts less than \$250 thousand.

Geographic Distribution of Loans

An analysis of geographic distribution was not performed for the Henry County AA. An analysis by geographic distribution is not meaningful since the AA does not have any low- or moderate-income geographies.

In the Springfield AA, the distribution of CRE loans is more than reasonable and exceeds the area demographics for both low- and moderate-income geographies. The bank originated 8 percent of total CRE loans in low-income tracts and 59 percent in moderate-income tracts. The percent of businesses in low-income tracts is 3 percent and moderate-income tracts is 14 percent.

Qualified Investments and CD Services

Bank management provided information regarding qualified investments and CD services during the evaluation period. These activities positively impacted CRA performance. Bank management and the Board are responsive to community development needs throughout the bank's AAs. The community development activities primarily help to revitalize/stabilize moderate-income geographies and finance small businesses.

The bank is participating with the Springfield Finance and Development Corporation, which assists in the revitalization of Springfield's Center City. The bank's participation during the evaluation period included an \$11 thousand donation and participation by an employee that serves as a Board member. The development company is stimulating small business growth by providing creative financing. In addition, the program helps to stabilize a moderate-income geography by targeting small business opportunities in that area.

The bank continues to participate in the Henry County Community Development Corporation, and has a current qualified investment of \$15,622. The investment primarily benefits low- and moderate-income individuals and areas targeted for redevelopment by local, state, or federal government. The purpose of the investment is to attract industrial businesses that provide jobs to low- and moderate-income individuals in Henry County, Missouri, and the surrounding counties.

The bank also participates in two Small Business Administration programs: 1) the American Recovery Capital Loan Program, which is designed to get funding for small businesses in financial difficulty to prevent business failures or bankruptcies, and 2) the Small/Rural Lender Advantage program, which assists borrowers in consolidating loans to lower their monthly debt requirements and improve overall repayment capacity.

Hours of operation are flexible and based on customer needs. There are no significant differences in services or hours of operations in branches. During the evaluation period, the bank closed one branch in the Springfield AA. The branch was in a middle-income tract. It was in close proximity to the remaining branch and did not negatively impact access to banking services to low- and moderate-income customers. The bank offers Internet banking and banking by phone in addition to traditional services.

Responses to Complaints

The bank has not received any consumer complaints regarding performance in helping to meet the credit needs of the AAs during the evaluation period.

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.