



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust Company
Charter Number 1467**

**801 E. Broadway - Post Office Box 1867
Columbia, Missouri 65205**

**Office of the Comptroller of the Currency
Kansas City North - Kansas City Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank & Trust Company, Columbia, Missouri** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of December 11, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Outstanding**”.

First National Bank & Trust Company's CRA rating is based on the following factors:

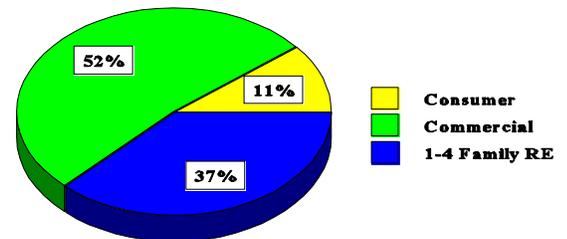
- The bank's record of lending to businesses of different revenue sizes is excellent. The lending activity significantly exceeds the Columbia market and surpasses the demographic information of the assessment area. The bank's lending to borrowers of different income levels is good.
- First National Bank & Trust Company has a good record of lending in census tracts of all income levels throughout its assessment area.
- The bank's loan to deposit ratio exceeds both its national and local peer groups. And, a substantial majority of all loans are extended to borrowers within the bank's assessment area.
- The bank has established an excellent and innovative program designed to help small businesses obtain credit. Branch facilities and ATM delivery systems enhance the availability of retail services within the assessment area. Other services are also provided to meet the credit needs of low- and moderate-income census tracts.
- The bank's investment in programs for low- and moderate-income housing is good.

Description of Institution

First National Bank and Trust Company (First National), a subsidiary of First Missouri Bancorporation, Inc., is a \$261 million institution that operates its main bank and six branch facilities in Columbia, Missouri. The bank received a rating of “*Outstanding Record of Meeting Community Credit Needs*” at its last CRA examination on August 4, 1994. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to fulfill its CRA obligation.

First National offers deposit, trust, mortgage banking, discount brokerage, and merchant processing services. The bank also offers a full range of lending products. Primary lending activity is commercial loans to small- and medium-sized businesses. As of September 30, 1997, the bank’s loan portfolio totaled \$200 million with the following mix: →

Loan Mix by Dollar
September 30, 1997



First National is the only locally-owned financial institution of the two banks headquartered in Columbia. Strong competition is also provided by six branches of regional banks, three savings and loans, two credit unions, and other mortgage companies. First National’s deposits total \$211 million as of June 30, 1996 and ranks second among the 12 institutions in the assessment area that accept deposits.

Description of Assessment Area

First National’s assessment area (AA) meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA includes all of Boone County which represents the entire Columbia, Missouri Metropolitan Statistical Area (MSA). The U.S. Census Bureau shows the 1990 population of Columbia and Boone County are 75,700 and 124,500, respectively. Per the 1990 U.S. Census, the Columbia MSA has 29 census tracts with designations of 17% low-income, 17% moderate-income, 52% middle-income, and 14% upper-income. By income level, family designations included 19% low, 18% moderate, 23% middle, and 39% upper. The 1997 Housing and Urban Development (HUD) MSA median family income for the Columbia MSA is \$46,400. Credit needs of the AA are small business and affordable housing loans. We verified the needs from three community contacts performed by regulatory agencies in the last year.

1990 U.S. Census data shows the average housing cost in the MSA is \$66,805 with 51% of the housing units owner occupied. Columbia is constantly growing, maintains a low unemployment rate, and has a strong economy based on the education, health, and insurance industries. Large companies that employ more than 1,000 individuals in the Columbia MSA include the University of Missouri, University of Missouri Health Sciences Center, Boone Hospital Center, Columbia Board of Education, A.B. Chance (manufacturing), and Truman Veterans Hospital.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

Commercial Loans First National’s record of lending to businesses of different revenue sizes is excellent. The bank’s lending activity significantly exceeds the Columbia market and surpasses the demographic information for the AA.

We placed the greatest emphasis of our review on the bank’s business loan performance since this is its primary lending product. We used the results of the bank’s commercial loan analysis to arrive at our conclusion. We verified the accuracy of the information during our joint compliance examination. The bank originated 1,800 loans totaling \$219 million between January 1995 through November 1997. The sample included 442 loan originations (25%) to 118 different commercial borrowers (15%). The table below shows that 81% of the bank’s business borrowers had revenues with \$500,000 or less and 89% were under \$1 million.

Income Distribution of Sampled Business Loans Originated in 1995 - October 1997

Gross Revenue Level	Business Sales Volume *		First National’s Business Borrowers		
	Number	Percent	# Businesses	Percent	
less than \$100,000	2,201	78%	48	40%	81%
\$100,000 - \$500,000			48	41%	
\$500,001 - \$1,000,000	253	9%	9	8%	
greater than \$1,000,000	352	13%	13	11%	
Total	2,806	100%	118	100%	

* Business sales volume data for MSA obtained from 1996 information provided by Dun & Bradstreet.
 * Demographic information shows the income levels of 2,806 businesses that reported gross revenue information. About 685 (20%) of the 3,491 businesses in the AA did not report sales volume data.

The bank’s lending level also significantly exceeds the Columbia market. The sample showed First National originated 89% of the total number of commercial loan originations to businesses with revenues under \$1 million. Banks that collect and report business data show that 78% of the loans made in the Columbia area are to businesses with revenues of \$1 million or less. First National is not required to report business data until 1998.

Additionally, 75% of the total number of loans originated within the sampled time frame were for amounts less than \$100,000 and 96% were for amounts less than \$500,000. The bank also provides financing to qualified commercial borrowers under the Small Business Administration loan guaranty program. As of December 2, 1997, First National had 37 loans totaling \$4 million through this program.

Residential Real Estate The bank’s record of lending to borrowers of different income levels is good. We used the results of the bank’s real estate lending analysis to arrive at our conclusion. The analysis used the bank’s Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) and consisted of all mortgage loan originations (home purchase, home improvement, and refinance loans). We verified the accuracy of the data during our joint compliance examination. The bank’s lending activity to low- and moderate-income individuals is lower than the demographic data due to the following: 1) Rental properties comprise 44% of the available housing stock. 2) Six of the ten low- and moderate-income census tracts consist of retail establishments that limit home loan opportunities. For example: census tract one consists of the downtown area; census tracts four and five include the University of Missouri campus/hospital, and census tract nine is primarily all retail businesses.

Income Distribution of Borrowers with Residential RE Originated in 1995 - August 1997

Borrower Income Level	% of Families in AA at each Income Level	% of loans First National orig. in AA			3 yr Avg. %
		1995	1996	1997	
Low-income	* 10%	4%	7%	9%	7%
Moderate-income	19%	14%	14%	12%	13%
Middle-income	23%	24%	20%	23%	22%
Upper-income	39%	58%	59%	56%	58%
Total		100%	100%	100%	100%

* 1990 Census data shows approximately 2,421 families in the Columbia MSA below the poverty level. We adjusted the percentage of families who are low-income (19%) by excluding families who are below the poverty level (9%) because it is unlikely they could afford to borrow for a home loan.

Our 1996 residential real estate analysis of all lender activity shows First National leading the market in home improvement loan originations. The bank originated 61 loans totaling \$1.5 million, obtaining 20.1% and 19.2% of the market share by number and dollar volume, respectively. First National ranked third in the market for originating home purchase loans. The bank originated 221 loans totaling \$18 million, obtaining 7% and 7.7% of the market share by number and dollar volume, respectively. Market share data was not available for 1995 and 1997.

First National’s record of approving home loan applications to all borrowers, especially low- and moderate-income individuals is excellent and exceeds the market (all lenders within Columbia MSA). HMDA-LAR data shows the bank approved 91% and 87% of all home loan applications for 1995 and 1996, respectively. This exceeds the market data for 1995 (73%) and 1996 (66%). The data also shows the bank approved 85% and 83% of all home loan applications received from low- and moderate-income individuals for 1995 and 1996, respectively. This significantly exceeds the market data for 1995 (57%) and 1996 (50%).

First National participates in two housing programs to assist low- and moderate-income individuals in obtaining home loans.

- First National revitalized its Low-Down Payment Home Loan Program during the fourth quarter of 1996. The program allows a buyer whose income is less than the 80% median family income range to purchase a home with only a 2% down payment. The program uses standard closing costs with no points or private mortgage insurance required. From October 1996 through October 1997, the bank originated 12 loans in this program totaling \$672,081.
- The Freddie Mac program allows families to purchase a home with fixed-rate financing. The program requires a 5% down payment in which 2% can come from family members, employers, an unsecured loan, or grant funds. Per bank information, the city of Columbia has grant funds available from HUD for targeted areas in town. Qualified individual income must be lower than 100% of the median family income range and the borrower must attend a home buyer school prior to the closing date of the loan. Year-to-date September 30, 1997, the bank sold 113 loans totaling \$10,664,822 to Freddie Mac.

First National participates in the city's Home Ownership Assistance Program. Most of the bank's qualified customers use this program in conjunction with the programs discussed above. The city program offers qualified low- and moderate-income home buyers a \$2,000 grant to help with down payment and closing costs. The program requires the buyer to have a 2% down payment based on the price of the home. The home buyer must also attend a series of classes designed to help them understand their credit record and the process of buying and paying for a home. Bank information from 1996 through September 15, 1997 shows First National borrowers received 31 affordable program grants totaling \$55,796 with bank loans totaling \$1,223,469.

Distribution of Credit within the Assessment Area by Geography

First National has a good record of lending in census tracts of all income levels throughout its AA. The bank's distribution of residential real estate loans and business loans are comparable to the area demographics and market (all lenders within the AA).

The geographic distribution of First National's residential real estate loans originated within the AA reflects the demographics and market. Our review of the bank's home mortgage analysis showed the following geographic distribution. We compared demographic data for owner occupied housing units as 77% of the housing stock in the low-income census tract is rental. And with the retail activity in low-income census tracts, there are few home loan opportunities. The table on the following page shows the results of our analysis.

Geographic Distribution of Residential Real Estate Loans for 1995 & 1996; number of loans originated

Tract Income Level	Columbia MSA Demographics		All Lenders 2 Year Average	First National 2 Year Average	
	Percent of Families	Owner Occupied Housing Units		#	%
Low	6%	2%	3%	25	3%
Moderate	12%	10%	11%	98	12%
Middle	61%	64%	63%	332	41%
Upper	21%	24%	23%	354	44%
Total	100%	100%	100%	809	100%

The geographic distribution of First National’s business loans is balanced in relation to the AA demographics. The table below shows the results of our review and indicates 30% by number and 54% by dollar volume of the bank’s business loans in our sample are located within low- and moderate-income census tracts.

Geographic Distribution of Sampled Business Loans; Originated 1995 - October 1997

Tract Income	Number of Businesses Within Each Tract		First National Loans		First National Loans	
	Number	Percent	Number	Percent	Dollar	Percent
Low	892	26%	11	16%	\$4,391,042	14%
Moderate	666	19%	9	14%	\$12,340,658	40%
Middle	1,549	44%	43	64%	\$11,832,288	39%
Upper	384	11%	4	6%	\$2,094,154	7%
Total	3,491	100%	67	100%	\$30,658,142	100%

* Business demographic data obtained from 1996 information provided by Dun & Bradstreet.

Loan-to-Deposit Analysis

First National’s average loan-to-deposit ratio reflects a strong level of lending activity. For the period of September 30, 1994 to September 30, 1997, First National consistently ranked higher than both its national and local peer groups. The table below provides comparative information:

Time Period	First National	National Peer	Local Peer
Avg. since 8/94 exam	87.76%	69.55%	79.78%
8 Quarter average	85.87%	69.84%	81.13%

Comparison of Credit Extended Inside and Outside of the Assessment Area

First National originates a substantial number of its loans within its AA. To analyze residential real estate loans, we reviewed the bank's consolidated 1995 through August 1997 home mortgage application analysis. We also reviewed a report showing the zip code of commercial loans originated between January 1995 and November 1997 to determine their location. The bank originated an average of 91% of its loans by number and 92% by dollar volume within its AA. The tables on the next page summarize our analysis.

Commercial loan originations by number and dollar volume; Originated 1995 - October 1997

Location	Number	Percent	Dollar	Percent
In Assessment Area	1627	90%	\$190,939,710	88%
Outside AA	176	10%	\$27,008,591	12%
Total	1803	100%	\$217,947,301	100%

Residential real estate loan originations by number and dollar volume

Location	1995		1996		YTD August 1997	
	#	\$	#	\$	#	\$
In Assessment Area	377	\$30,436	445	\$35,129	279	\$21,452
Outside AA	44	\$2,669	25	\$1,323	32	\$2,135
Totals	421	\$33,105	470	\$36,452	311	\$23,587
% in AA	90%	92%	95%	96%	90%	91%

Services

First National has established an excellent and innovative program designed to help small businesses obtain credit. The bank's branch facilities and ATM delivery systems enhance the availability of retail services throughout the AA, especially low- and moderate-income areas.

First National opened its Entrepreneur Resource Center (Center) in October 1996 to invest in the education of small business owners (defined by the Center as companies with 100 or fewer employees). The Center is the only one of its kind in the Columbia area and is a free service for small business owners. The Center's president developed it to address the daily needs of owners with small and growing businesses. The Center offers a business resource library, individual business consulting, and Internet access training. Management conducts seminars, prepares a quarterly newsletter, and writes a monthly column in the Columbia Business Times newspaper.

- During the first year of operation more than 350 items were checked out of the Center to more than 150 different business owners.
- Consulting services provided by the Center during the past year included: 1) Assisted 55 businesses with detailed business or marketing plan development. 2) Worked with 11 business owners regarding personnel issues. 4) Met with seven prospective business owners to discuss possible start-up companies and business trends. 3) Discussed sales planning and training with 10 business owners. 5) Provided Internet training for 14 business owners.

First National's branches are readily accessible within the city of Columbia with a significant majority of its facilities located in low- or moderate-income census tracts. The main bank and all six branch facilities, including the motor bank and mall branch, are located in Columbia. All branch locations offer Saturday and extended banking hours. Full banking services are offered at the main bank and four branches. The following table shows that five of seven bank facilities (including the main bank) and eight of twelve ATM's are located in low- and moderate-income census tracts.

Bank facility and ATM locations by census tract geographies

Census Tract	Main Office	Branches	% of Total	ATMs	% of Total
Low	1	1	29%	3	25%
Moderate	-	3	43%	5	42%
Middle	-	1	14%	2	16.5%
Upper	-	1	14%	2	16.5%
Total	1	6	100%	12	100%

Deposit services only are provided at the motor bank and mall branches. All banking facilities have 24 hour ATM's and First National has five other standalone 24 hour ATM locations. Telephone banking and an Internet Web site are also available. Management monitors the appropriateness of bank hours and services through customer satisfaction surveys.

Other services:

- First National helps small start-up companies to obtain loans with flexible underwriting criteria. A number of potential business borrowers require small loan amounts for longer terms. The bank helps these borrowers prepare a formal business plan and assists them in obtaining financing with a local business venture capital company who specializes in this type of financing.

- To provide fixed rate home loans to customers, First National does sell loans into the secondary market. This practice has become customary in financial institutions. However, First National retains the servicing rights on loans it sells into the secondary market. This ensures customers will maintain local service with the bank that originated their loan.
- The bank's CRA Officer serves on the family selection committee of the Habitat for Humanity organization and has served in this position for the past three years. She lends her financial expertise to the organization as First National facilitates the generation of credit reports and analysis of potential homeowners.
- Bank officers periodically conduct home buyer seminars for the Consumer Credit Counseling organization.
- First National participates in the Partner in Education community program. This program establishes a business partnership with a local school to mentor, tutor, and read with the students. The bank's partner, Blue Ridge Elementary School, is located in a moderate-income census tract. A bank employee spends one hour per week with the students.
 - ▶ The bank helped the school establish the First Mustang Bank in 1990. Students run the bank every other Friday and can make deposits and withdrawals. Currently, First National has 45 active accounts totaling \$1,469 through this program. Students earn above market interest rates on deposits, are taught how a bank is operated, and learn how to manage their money. In conjunction with this program, First National teaches a "dollars and cents" curriculum sponsored by the State of Missouri Treasury Office.

Investments

The bank's investment in low- and moderate-income housing programs is adequate. First National continues to participate in a local multi-bank Community Development Corporation (CDC). The CDC's purpose is to buy, renovate, build, and sell homes in low- and moderate-income areas of Columbia. The CDC's goal is to provide a remedy to high rental rates and deteriorating housing stock in low- and moderate-income areas of the city. The bank's initial stock subscription was \$37,800. The bank has purchased additional stock totaling \$28,035.

Compliance with Antidiscrimination Laws and Regulations

First National complies with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.

Response to Complaints

First National has not received any complaints relating to its CRA performance.