



PUBLIC DISCLOSURE

December 5, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Clinton
Charter Number 14532
107 S. 2nd Street
Clinton, MO 64735

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 the institution's rating:

- First National Bank of Clinton's (FNB) record of lending to 1-4 family residential borrowers and consumers is reasonable.
- FNB's loan-to-deposit ratio is reasonable.
- FNB originates a majority of loans within its combined assessment areas (AA).
- The geographic distribution of loans to consumer and small businesses of different sizes is excellent.

SCOPE OF EXAMINATION

Examiners used the small bank examination procedures to evaluate the FNB's record of meeting the credit needs of its community through its lending activities. The lending test review period is January 1, 2014 through November 22, 2016. The bank's primary loan products in the Clinton AA are 1-4 family residential and consumer loans. The bank's primary loan products in the Springfield AA are commercial and consumer loans. Conclusions were based on the bank's primary products originated: 1-4 family residential, consumer, and commercial loan products originated or purchased during the review period in each AA and compared to the 2010 census demographics. We sampled 25 1-4 family residential, 50 consumer, and 25 commercial loans for the review period with 25 1-4 family residential and 25 consumer loans in the Clinton AA and 25 each of consumer and commercial loans in the Springfield AA.

DESCRIPTION OF INSTITUTION

FNB is a \$70 million community bank headquartered in Clinton, Missouri. FNB is a wholly owned subsidiary of Financial Enterprises, a one-bank holding company also headquartered in Clinton, Missouri. FNB operates three branches, two branch locations in Clinton and one branch in Springfield, Missouri. FNB owns and operates two ATMs, one in Clinton and one in Springfield. FNB also offers free ATM transactions at Transfund ATMs located at all Kum N Go convenience stores in Springfield, Missouri.

FNB offers a full range of deposit and loan products and services. The loan portfolio primarily consists of 1-4 family residential loans, aircraft loans, and commercial real estate loans. Aircraft loans continue to be a niche market for FNB Clinton, and many of these loans are originated outside the bank's trade area; however, these loans are declining as the bank focuses more on its residential and other consumer lending. FNB has the financial capacity to assist in meeting the credit needs of its AAs. As of September 30, 2016, FNB reported net income of \$301 thousand, resulting in an ROAA of 0.58 percent. Tier 1 leverage and total risk-based capital ratios total 12.83 and 23.23 percent, respectively.

The Clinton AA holds 80.1 percent of deposits, while the Springfield AA holds 19.9 percent (by dollar). The Clinton AA holds 65.16 percent of bank loans and the Springfield AA holds 34.84 percent (by dollar). The Clinton AA holds 75.31 percent of bank loans and the Springfield AA holds 24.69 percent (by number). The Clinton AA received the greatest weight in the bank's ratings based on aforementioned percentages of deposit and loans.

FNB's lending strategy is shifting from airplane loans to concentrate on residential and consumer lending, particularly in the Clinton AA. This shift began in 2014 and is reflected in the bank's lending activity for the analysis period.

The bank was rated Outstanding at its last CRA examination, dated March 1, 2010.

DESCRIPTION OF ASSESSMENT AREAS

FNB has two AAs. The Clinton AA encompasses all of Henry County, Missouri. Henry County comprises six census tracts, including five middle-income and one upper-income tracts. The Springfield AA includes all of Greene, Christian, and Webster counties, which are part of the Springfield, Missouri MSA. This AA comprises 84 income tracts including three low-, 21 moderate-, 44 middle-, and 16 upper-income tracts.

Within the Clinton AA, business primarily consists of agriculture, manufacturing, healthcare, and education. Major employers, not considering agriculture, include Golden Valley Memorial Healthcare, Tracker Marine, Transcontinental, and the Clinton School District. The unemployment rate in September 2016 was 4.9 percent, consistent with the national average of 5.0 percent. Schreiber Foods, a larger employer in the area laid off a large part of its workforce in July 2015, approximately 100 people. The per capital personal income in Clinton is \$38,313, which is 91 percent of the state average.

Business is more diversified within the Springfield AA. The Mercy and Cox Hospital systems are the largest employers within the MSA, followed by Walmart, Springfield Schools, and Bass Pro Shops/Tracker Marine. Unemployment in Greene and Christian Counties in September 2016 was 4.0 percent. Unemployment in Webster County was 5.0 percent. The per capital personal income in Springfield is \$36,824, which is 74 percent of the state average.

Competition in both AAs is strong. FNB's primary competitors within Clinton are Hawthorn Bank, Equity Bank, Montrose Savings Bank, and UMB. Within Springfield, primary competitors are Great Southern Bank, Commerce Bank, and Central Bank of the Ozarks. In Clinton, FNB ranks third out of seven financial institutions, with 9.67 percent of the market share. In Springfield, FNB ranks 35th out of 37 financial institutions, with 0.14 percent of the market share.

During the examination, we performed one community contact in the Clinton AA with a non-profit agency that focuses on planning, economic development, and community development block grant administration. Our contact stated that they see a need for

small business loans and small dollar loans to help develop businesses and increase the local economy. We reviewed two community contacts performed in the Springfield AA with non-profit agencies. One indicated a need for low-income housing and another identified a need for continued agricultural lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's overall CRA performance is satisfactory based on its loan-to-deposit ratio, lending in its AA, the bank's residential lending to borrowers of different incomes, and its geographic distribution of loans.

Loan-to-Deposit Ratio

FNB's quarterly average loan-to-deposit (LTD) ratio is reasonable at 61.38 percent. We calculated the bank's quarterly average LTD ratio using information from the Consolidated Reports of Condition from June 30, 2010 to September 30, 2016. FNB's highest rate peaked at 79.68 percent and the lowest was 49.52 percent. The quarterly average LTD ratio for similarly situated financial institutions for the same period is 69.09 percent. The highest peer ratio is 81.91 percent, and the lowest is 51.63 percent. By asset size, FNB ranked second out of six similarly situated financial institutions within and surrounding the bank's AAs. These financial institutions ranged from \$43.8 million to \$80.1 million in asset size, with an average asset size of \$62.2 million.

Lending in Assessment Area

This ratio is a bank-wide calculation and is not calculated by individual AA. Analysis is limited to bank originations and purchases and does not include any affiliate data. For the evaluation period, FNB made a majority of all loans combined by number (58 percent), and by dollar (59 percent), inside the bank's AAs. The percentages based on the number of loans made inside the AAs by loan type are as follows: consumer loans (54 percent), small loans to businesses (48 percent), and residential loans (76 percent). The percentages based on the dollar amount of loans made inside the AAs by loan type are as follows: consumer loans (30 percent), small loans to businesses (64 percent), and residential loans (70 percent).

Lending to Borrowers of Different Incomes for Residential and Consumer Loans

FNB's performance in lending to consumer and residential borrowers of different incomes demonstrates reasonable penetration. The analysis includes a review of commercial loans also in the Springfield AA. The bank's consumer and residential lending activity received the most weight due to these products being the bank's primary products for the Clinton AA. The Clinton AA received the most weight with over 80 percent of the bank's deposits and the majority of its lending by dollar and by number. In the Springfield AA, consumer loans and commercial loans were the primary loan products.

Clinton AA

Overall, distribution of loans to low- and moderate-income borrowers demonstrates reasonable penetration. FNB’s 1-4 family residential lending carries the most weight in this analysis because of the dollar amount lent and it is the bank’s strategic focus for lending in the AA.

Residential Loans

The overall distribution of residential lending to borrowers of different incomes shows reasonable penetration. The percentage of loans to low-income borrowers is lower than demographics, but is considered excellent given the percentage of families below poverty is 11.4 percent. Performance with respect to moderate-income borrowers is very poor.

Table 2 - Borrower Distribution of Residential Real Estate Loans in the Clinton AA								
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
Residential	17.69	10.53	19.56	5.26	22.36	10.53	40.39	73.68

Source: Loan Sample and 2015 Geodemographic Data and U.S. Census data.

Consumer Loans

The overall distribution of consumer loans to borrowers of different income levels in the AA reflects reasonable penetration. Lending to low-income borrowers is reasonable. Lending to moderate-income borrowers is considered poor due to being below demographics, however, it is only marginally so. Additionally, the percentage of households in the AA below poverty is 18.54 percent.

Table 2B - Borrower Distribution of Consumer Loans in the Clinton AA								
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 Loans	23.37	16.67	17.85	16.67	17.30	16.67	41.48	50.00

Source: Loan Sample and 2015 Geodemographic Data and U.S. Census data.

Springfield AA

Overall borrower distribution in the Springfield AA demonstrates poor penetration.

Consumer Loans

Borrower distribution of consumer loans in the Springfield AA reflects poor penetration. Lending to low-income borrowers is reasonable based on the percentage of households below the poverty level. Lending to moderate-income borrowers is very poor. The percentage of households below the poverty level is 14.8 percent. Competition for lending opportunities is very strong in the AA and FNB’s limited presence in the AA affects its ability to make these loans.

Table 2B - Borrower Distribution of Consumer Loans in the Springfield AA								
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 Loans	22.59	11.11	16.65	0.00	19.41	22.22	41.35	66.67

Source: Loan Sample and 2015 Geodemographic Data and U.S. Census data.

Small Loans to Businesses

The overall distribution of small loans to businesses of different sizes shows poor penetration. FNB’s percentage of loans to businesses with revenues of \$1 million or less is significantly below demographics. By proxy, 100 percent of small loans to businesses were in amounts of \$250 thousand or less with 71 percent of those loans being less than \$100 thousand. Refer to table 2A for additional details.

Table 2A - Borrower Distribution of Loans to Businesses in the Springfield AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.43	6.58	11.99	100%
% of Bank Loans in AA by #	25.00	75.00	0.00	100%
% of Bank Loans in AA by \$	11.94	88.06	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

The overall geographic distribution of loans to consumers and businesses of different revenue levels and sizes demonstrates excellent dispersion. This analysis is based solely on the Springfield AA as the Clinton AA contains no low- or moderate-income tracts, and therefore an analysis including the Clinton AA is not meaningful.

Clinton AA

Geographical analysis in the Clinton AA is not meaningful since no low- or moderate-income census tracts are in the AA.

Springfield AA

The geographic distribution of consumer loans and small loans to businesses in the AA shows excellent dispersion.

Consumer Loans

The geographic dispersion of consumer loans within the Springfield AA reflects excellent dispersion. There are no loans in low-income tracts; however, lending opportunities are limited since less than 3 percent of households are in these geographies. The percentage of loans made to moderate-income tracts significantly exceeds demographics. See the table below for additional information.

Table 3B - Geographic Distribution of Consumer Loans in the Springfield AA								
Census Tract 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 Loans	2.31	0.00	20.64	55.56	55.39	33.33	21.66	11.11

Source: Loan Sample and 2015 Geodemographic Data and U.S. Census data.

Small Loans to Businesses

The geographic distribution of small loans to businesses in the Springfield AA reflects excellent dispersion. The dispersion of small loans to businesses within moderate-income geographies of almost 42 percent significantly exceeds area demographics of 26 percent. There were no small loans to businesses in low-income tracts; however, businesses in low-income tracts represent less than 1 percent presenting little opportunity to loan in low-income tracts. See the table below for additional details.

Table 3A - Geographic Distribution of Loans to Businesses in the Springfield AA								
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
Small Loans to Businesses	.89	0.00	26.43	41.67	51.49	16.67	21.19	41.67

Source: Loan Sample and 2015 Geodemographic Data and U.S. Census data.

Responses to Complaints

FNB has not received any complaints during the evaluation period relating to its CRA performance.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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 AA 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.