



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 1, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**801 East Broadway
Columbia, Missouri 65205**

**Office of the Comptroller of the Currency
Kansas City North
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210-2077**

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.

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 Community Reinvestment Act (CRA) performance of **First National Bank & Trust Company (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 1, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding."

The major factors that support this rating are as follows:

FNB's record of lending to business of different sizes and to borrowers of different income levels is excellent. The bank's primary lending products consist of commercial/commercial real estate (commercial) and residential real estate loans by number and dollar of loans originated during the evaluation period.

FNB's geographic distribution of loans is excellent. For commercial loans, the bank's penetration of loans in moderate-income census tracts compares favorably to area demographic data. For residential real estate purchase loans, the bank's performance significantly exceeds area demographic data in the moderate-income tracts.

A significant majority of the bank's loans by number and dollar are in the assessment area (AA).

The bank's loan-to-deposit ratio is more than reasonable considering the level of competition in the bank's AA. The bank's quarterly average loan-to-deposit ratio calculated since the last CRA evaluation to June 2006 is 91 percent.

The bank's performance under the Community Development Test is excellent. FNB is responsive to community development needs throughout its AA. The bank's community development activities primarily help to address affordable housing and targeted social services for low- and moderate-income individuals in the AA.

Scope of the Evaluation

Conclusions regarding the bank's lending performance are based on residential mortgage and small business loans for the years 2004, 2005 and year-to-date 2006. For the community development test, the evaluation period runs from October 15, 2002 through July 31, 2006. This test includes a review of the investments, services and loans provided in the bank's assessment area (AA) that meet the definition of community development. FNB does have qualified Community Development (CD) loans.

The bank's primary AA includes all of Boone County in Missouri. The AA is in the Columbia, Missouri metropolitan statistical area (MSA).

Our review also included contacting local community groups in the AA. Community contacts in the AA stated the primary need in the AA is for **residential loans** and noted that most new **commercial businesses** were part of national companies and did not borrow locally. Each community contact also stated the local financial institutions offer products that help meet all the credit needs of the community.

Description of Institution

First National Bank & Trust Company (FNB) is a \$393 million intrastate bank headquartered in Columbia, Missouri. The Landrum Company, a multi-bank holding company also headquartered in Columbia, Missouri, owns 82.80 percent of FNB and has total assets of \$1.152 billion. The Landrum Company owns two other banks, Landmark Bank, N.A., Ada, Oklahoma and First National Bank, Mountain View, Missouri.

Net loans as a percentage of total assets are 79 percent as of June 30, 2006. The representation of the loan distribution by dollar volume follows: commercial real estate loans – 44 percent, commercial/industrial loans – 17 percent, residential real estate loans – 34%, consumer loans – 4%, and agricultural loans – 1% of reported loans.

Real estate, commercial, and consumer loans represent 79 percent, 17 percent, and 3 percent, respectively, of the total dollar amount of loans outstanding. The remaining 1 percent consists of other miscellaneous loans. Tier 1 capital is \$38 million, which is 11 percent of total assets.

FNB has no legal, financial, or other factors that impede its ability to help meet the credit needs of its assessment area. FNB's performance was rated "Satisfactory" at its last CRA evaluation dated October 15, 2002.

Description of Assessment Area

FNB’s AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. FNB has nine branches and eight stand-alone ATMs in Boone County, Missouri. Of the nine branches, 2 are located in low and 3 are located in moderate income census tracts. 2 of the 8 stand-alone ATMs are located in low income census tracts.

Since February 2001, FNB opened two branches at Cherry Hill and Rangeline, and they opened three stand-alone ATM facilities at the Motor Bank Downtown, Clark Lane and at the MU Campus. One branch closed at the Columbia Mall during the evaluation period. FNB is a full service institution offering various loan and deposit products. FNB’s primary business focus is commercial lending to small- and medium-sized businesses. Residential real estate lending is also a significant product for the bank. The assessment area (AA) consists solely of Boone County, Missouri. The AA comprises the entire Columbia, Missouri metropolitan area.

For additional information on the AA refer to the chart below:

Demographic Information for 2006 CRA Examination						
Demographic Characteristics	#	Low %of#	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	29	17.24	20.69	44.83	17.24	0.00
Population by Geography	135,454	7.49	17.95	50.57	23.99	0.00
Owner-Occupied Housing by Geography	30,529	1.83	10.60	59.18	28.39	0.00
Business by Geography	9,803	19.64	14.74	44.89	20.73	0.00
Farms by Geography	418	5.50	6.46	76.08	11.96	0.00
Family Distribution by Income Level	31,665	19.11	17.92	22.87	40.10	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,725	9.14	18.92	56.69	15.25	0.00
Median Family Income	50,099	Median Housing Value				100,971
HUD Adjusted Median Family Income for 2006	62,000	Unemployment Rate (2000 US Census)				3.04%
Households Below Poverty Level	15%					

The bank’s CRA Public File is contains all required documentation making it complete.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet needs in the AA during this 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.

CONCLUSION ABOUT PERFORMANCE CRITERIA

Our analysis focused on the bank's primary product lines, consisting of commercial and residential real estate (home purchase and refinance) loans. We reviewed a sample of 63 commercial loans of which 57 were in the bank's AA. For the residential real estate loans, we were able to analyze the bank's loan portfolio for years 2003, 2004, and 2005 based on bank generated reports and available Home Mortgage Disclosure Data (HMDA). Our analysis also included a review of flexible home ownership community partnership programs offered by the bank.

Lending Test

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

FNB's lending to businesses of different sizes and to borrowers of different income levels is excellent and compares favorably to area demographic data. Considering the high level of competition for commercial loans and the bank's financial capacity, FNB's lending to businesses of different sizes is excellent. Based on the sample, the table below illustrates the bank's distribution of commercial loans under and over \$1 million in revenue. The sample is compared to reported revenue information for businesses in the AA. The bank's performance compares favorably to area demographics considering that 31 percent of the businesses did not report revenue information. In addition, a further review of the bank's loan distribution shows that 33 percent by number and 24 percent by dollar were originated to businesses with revenues of \$250 thousand or less.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	< 1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.01%	5.27%	30.72%	100%
% of Bank Loans in AA by #	58.33%	26.67%	15.00%	100%
% of Bank Loans in AA by \$	51.39%	24.27%	24.34%	100%

Source: 2006 Business Geo-demographic data; bank and examiner generated reports

The bank's lending to borrowers of different income levels is excellent. Management responded favorably to the credit needs of its AA by originating home loans to borrowers at all income levels including low- and moderate-income borrowers. The bank's lending performance significantly exceeds area demographic data for both home purchase and refinance mortgages originated to borrowers at the moderate-income level. In addition, a review of market share data for home purchase loans indicates that FNB ranks 3rd in originations to moderate-income borrowers and 7th in originations to low-income borrowers. For refinance mortgages, FNB ranked 7th in originations to low-income borrowers and 8th in originations to moderate-income borrowers. A review of demographic data indicates that area poverty rate is at 15 percent which makes it difficult to qualify for home mortgages at this income level.

The table below illustrates the bank's distribution of residential real estate loans based on the income level of the borrower.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Residential Real Estate:	% 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
Home Purchase	19.11%	12.18%	17.92%	25.29%	22.87%	20.00%	40.10%	42.53%
Refinance		8.03%		18.87%		23.86%		49.24%

Data Source: 2000 US Census; bank and examiner generated reports

Geographic Distribution of Loans

FNB's distribution of loans among the various geographies in its AA is excellent. The bank's percentages compare favorably to area demographic data. According to the 2000 US Census data, the AA consists of 5 low-income, 6 moderate-income, 13 middle-income and 5 upper-income census tracts. The bank's geographic distribution of commercial loans is good. Based on the sample of commercial loans in the AA, the table below illustrates the bank's geographic distribution of loans compared to area demographic data.

Geographic Distribution of Loans to Businesses in 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
Commercial	19.64%	12.28%	14.74%	14.04%	44.89%	50.88%	20.73%	22.80%

Data Source: 2000 US Census; bank and examiner generated reports

The bank's geographic distribution of residential real estate loans is excellent and significantly exceeds area demographic data based on the percentage of purchase loans in moderate-income census tracts. Based on the sample of residential real estate loans in the AA, the table below illustrates the bank's geographic distribution of loans compared to area demographic data.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Residential Real Estate	% 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
Purchase	1.83%	1.57%	10.60%	14.32%	59.18%	53.01%	28.39%	31.10%
Refinance		1.46%		9.58%		56.46%		32.50%

Data Source: 2000 US Census; bank and examiner generated reports

Product Innovation and Flexibility

FNB's level of responsiveness to area credit needs is excellent. The bank is an active participant in a variety of flexible loan programs. For example, FNB participates in the City of Columbia's "Home Ownership Assistance Program." During this evaluation period, the bank originated 13 loans totaling \$823 thousand. This is a flexible program that helps low- and moderate-income (LMI) individuals purchase a home. Program participants must meet the Department of Housing and Urban Development (HUD) area LMI guidelines. The City of Columbia, Missouri provides a grant for up to \$3,500 to be used towards their down payment or closing costs. The program is administered by Enterprise Development Corporation and restrictions include income limitations on first-time home buyers and qualifying property locations.

FNB is also an approved FHLMC seller/servicer. During the evaluation period, the bank participated in the Freddie Mac "Home Possible Mortgage Program" and originated 7 loans totaling \$614 thousand. The program offers a variety fixed and adjustable rate products with various loan terms, and flexible underwriting guidelines for LMI individuals and for the purchase of homes in targeted areas.

Lending in Assessment Area

FNB's record of lending within its AA is excellent. Both by number and dollar, a substantial majority of the bank's loans are extended to businesses and individuals in the AA. By number, the bank originated 83 percent of its loans in the AA. By dollar, the bank originated 85 percent of its loans in the AA. We used the sample of commercial loans and an analysis of the bank's 2003, 2004, and 2005 residential real estate loan portfolios to conduct this review.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable considering the level of competition in the bank's AA. The bank's quarterly average loan-to-deposit ratio calculated since the last CRA evaluation to June 2006 is 91.28 percent. For informational purposes, we reviewed the loan-to-deposit ratio of three financial institutions similar in size and product offering located in the AA. The average for these institutions ranged from 80.21 to 101.62 percent with an overall average of 91.42 percent. The asset size of the institutions including that of FNB ranged from \$422 million to \$1,029 billion. Of the four institutions for this comparison, FNB is the smallest in asset size.

Response to Complaints

FNB has not received any complaints during this evaluation period in regards to its CRA performance.

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.

Community Development Test

The bank's performance under the Community Development Test is excellent. FNB is responsive to community development needs throughout its AA. The bank's community development activities primarily help to address affordable housing and targeted social services for low- and moderate-income individuals in the AA. In addition, the bank's distribution of branches by geographic designation exceeds area demographics.

During the evaluation period, the bank provided monetary contributions to 19 nonprofit organizations with a combined total of \$1.5 million. The largest investment consists of a \$1.3 million contribution in the CRA Fund, which supports community development activities for low-income housing, affordable healthcare, and job training. The combined total also includes a continuing investment of \$28 thousand and a new contribution of \$18 thousand in a local community development corporation that builds affordable housing in the AA. The remaining balance of \$204 thousand consists of donations to 17 organizations that provide social services primarily benefiting low- and moderate-income individuals and services for startup businesses.

Community development loans originated during the evaluation period consist of three loans totaling \$484 thousand that meet the size and purpose test requirements for this area of the review. The focus of these loans is affordable housing for low- and moderate-income individuals.

For community development services, bank officers and employees continue to provide financial expertise to several nonprofit organizations throughout the AA. Bank officers and employees provide their financial expertise by serving in various capacities with organizations that assist in meeting the social services, affordable housing, and/or economic development needs of the community. An example of the bank's efforts consists of its partnership with one of the local Title 1 targeted elementary schools. In 2005, 66 percent of the students at the school participated in the free/reduced lunch program. This percentage is higher than the state average of 42 percent for the same time period.

Community development services at the school include bank personnel participation in the National Teach the Child to Save Day in which 30 employees volunteered to go into the classrooms to promote learning and to provide instruction to the children on the importance of saving money, as well as providing suggestions for methods of earning and saving. To assist with this effort, the bank established a special savings account for students at the school. The account pays a higher than average rate of interest (currently 10%) while the child attends the targeted school. During the evaluation period, the bank opened 44 accounts totaling \$10,680.

The bank also offers a low-cost personal and a low-cost business account. The personal checking account the bank began offering is a no fee checking account (Better Free Checking). The account includes free checks and a maximum of five waived ATM fees per month. A minimum balance of \$50 is required to open the account.

In addition, FNB continues to demonstrate its responsiveness to community needs by offering a network of services geographically accessible throughout the AA. The percentage of bank branches in low- and moderate-income geographies significantly exceed area demographics and the bank's percentage of ATMs in low-income significantly exceeds area demographics. The table below illustrates the bank's distribution of branches and ATMs throughout the AA.

Distribution of Branches and ATMs in the AA					
	Number	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population by Geography	135,454	7.49%	17.95%	50.57%	23.99%
Branches	9	22.22%	33.34%	22.22%	22.22%
ATMs	16	23.53%	17.65%	35.29%	23.53%

Source: 2006 Demographic data and bank information

Hours of operation are flexible and based on customer needs. There are no significant differences in services or hours of operations in branches located in low- and moderate-income geographies. During the evaluation period the bank opened two branches and added four ATMs and closed one branch and two ATM locations.

The bank offers Internet banking, bank by phone, and asset management services in addition to traditional products and services. Through its affiliates, the bank offers investment and insurance. The bank's affiliate activities were not reviewed for CRA considerations.