



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 10, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank & Trust Co. of Iron Mountain
Charter Number 3806
233 South Stephenson Avenue
Iron Mountain, MI 49801

Office of the Comptroller of the Currency
Iron Mountain Field Office
1302 1/2 South Carpenter Avenue
P.O. Box 666
Iron Mountain, MI 49801

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 Satisfactory.

Major factors supporting this rating include:

- The bank originates a substantial majority of its loans inside the AA.
- The bank's loan-to-deposit ratio is reasonable.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

We evaluated The First National Bank and Trust Company of Iron Mountain's (FNB Iron Mountain) Community Reinvestment Act (CRA) performance under the Small Bank Lending Test. Data from the bank's primary loan products, home mortgage loans and business loans were used to evaluate the bank's lending performance.

The evaluation covered the period since the previous CRA examination; December 17, 2002 through August 3, 2009. The Lending Tests evaluated home mortgage loans and business loans originated or purchased between January 1, 2007 and June 30, 2009. A random sample of loans within the bank's assessment area (AA) for each primary loan product was used in our analysis. The most recent demographic data available was also obtained.

DESCRIPTION OF INSTITUTION

FNB Iron Mountain is a \$239 million bank with its main office located in Iron Mountain, MI, a middle-income census tract (CT). The bank is wholly owned by FNB Bancshares, Inc., a one-bank holding company with \$252 million in assets. The bank operates four full-service branches, which are located in the following areas: north Iron Mountain (middle-income CT), south Iron Mountain (middle-income CT), Econo Foods grocery store in Iron Mountain (middle-income CT), and Kingsford, MI (middle-income CT). The bank also operates three depository ATMs at the following locations: main office, north office and south office. Additional ATMs are located at the Kingsford office, Econo Foods, Dickinson County Memorial Hospital, The Drug Store in Iron Mountain and Ford Airport in Kingsford. The Drug Store and Ford Airport ATMs are accessible during normal business hours; the remainder are accessible 24 hours. No branches have been opened or closed since the previous performance evaluation. All financial information is as of June 30, 2009.

The bank offers a variety of traditional products and services including commercial, real

estate and consumer loans and various deposit and financial products. As of June 30, 2009, the loan portfolio represented 63% of total assets. FNB Iron Mountain's primary loan products are home mortgage loans and business (commercial) loans. By dollar volume, the loan portfolio consists of residential real estate loans (38%), commercial loans (55%), consumer loans (6%), and other loans (1%).

There are no legal or financial impediments limiting the bank's ability to meet the credit needs of the AA. FNB Iron Mountain's last CRA evaluation was dated December 17, 2002, using Small Bank procedures. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes 13 census tracts (CTs) located in both Michigan and Wisconsin. The AA does not lie within a Metropolitan Statistical Area (MSA). The Michigan area includes all of Dickinson County and the eastern portion of Iron County. The Wisconsin area includes all of Florence County and the northern portion of Marinette County. The AA is comprised of one moderate- (8%) and 12 middle-income (92%) CTs. Two of the CTs within the AA are considered distressed and underserved tracts. The AA is considered legal and appropriate. It consists of only whole CTs and does not arbitrarily exclude any low- or moderate-income geographies.

According to 2000 census data, the total population of the bank's AA is 46,190, which is comprised of 12,726 families. Income levels for these families are as follows: 2,479 low-income families (20%), 2,703 moderate-income families (21%), 3,194 middle-income families (25%) and 4,350 upper-income families (34%). The 2000 U.S. Census estimated median family income (MFI) is \$35,350 for Michigan and \$38,373 for Wisconsin. The 2009, 2008 and 2007 updated Department of Housing and Urban Development (HUD) estimated MFIs for Michigan are \$52,700, \$50,200, and \$49,900, respectively; for Wisconsin they are \$58,500, \$56,200 and \$54,700, respectively. In addition, 10% of AA households have incomes that fall below the poverty level. This area also has a high percentage (24%) of households that are retired.

The local economy is characterized as declining. Recently, a large employer in Niagara, WI, a nearby community, closed its paper mill and the area lost over 300 jobs. Other employers in the area have been reducing shifts and laying off workers. The unemployment rate in 2008 for Michigan was 8.4% and 4.7% for the state of Wisconsin. The unemployment rates for Dickinson County and Iron County were high at 7.1% and 8.6%. Unemployment rates in Florence County and Marinette County were more moderate at 5.7% and 5.9%, respectively. Unemployment levels have been increasing in 2009.

In assessing the bank's CRA performance, we contacted the President of the Dickinson Area Partnership to determine the community's profile and the performance of local financial institutions. The contact stated that local financial institutions are meeting the credit needs of the community.

Competition in the area is relatively strong. The bank's competitors include branches of multi-state banks and other community banks as well as several credit unions and mortgage companies. In total deposits, FNB Iron Mountain, with a market share of 12%, ranks highest out of all FDIC-insured institutions. This is using FDIC market share data as of June 30, 2008. The balance of the market share is divided among 19 institutions with market shares ranging from 9% down to 0.50%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB Iron Mountain's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The average quarterly loan to deposit ratio for the bank since the last examination was 82%, which ranks second in a peer group of four similarly situated banks. FNB Iron Mountain has the 2nd highest level of total assets of these banks at \$239 million. The other banks' average assets ranged from \$119 million to \$263 million and the average loan to deposit ranged from 68% to 88%, over the same period.

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers within its AA. A random sample of the bank's primary loan products shows 98% of loans by dollar amount and 99% of loans by number were originated within the AA.

Lending in FNB Iron Mountain AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate Mortgages	32	97%	1	3%	33	\$1,947	99%	\$21	1%	\$1,968
Commercial Loans	31	100%	0	0%	31	\$2,290	100%	\$0	0%	\$2,290
Totals	63	98%	1	2%	64	\$4,237	99%	\$21	1%	\$4,258

Source: Bank records (verified by examiners)

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The borrower distribution of home mortgage loans within the AA is good. The bank's lending to low-income borrowers matches the AA demographic data. The bank's lending to moderate-income borrowers exceeds demographic data.

Borrower Distribution of Residential Real Estate Mortgage Loans								
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
% of Total	20%	22%	21%	37%	25%	22%	34%	19%

Source: Sample of 32 bank records (verified by examiners) and U.S Census Demographic Data.

The borrower distribution for business loans within the AA is adequate. As the following table shows, the number of loans originated to businesses with revenues under \$1 million exceeds the demographic data.

Borrower Distribution to Businesses				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	59%	5%	36%	100.00%
% of Bank Loans in AA by #	94%	6%	0%	100.00%
% of Bank Loans in AA by \$	95%	5%	0%	100.00%

Source: Sample of 31 bank records (verified by examiners) and U.S Census Demographic Data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA.

According to census data, 11% of the AA's total owner occupied housing units are located in the moderate-income census tract in the AA. The bank originated 16% of its home mortgage loans to borrowers in this census tract.

Geographic Distribution of Residential Real Estate Mortgage Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0%	0%	11%	16%	89%	84%	0%	0%

Source: Sample of 32 bank records (verified by examiners) and U.S Census Demographic Data

According to census data, 7% of the AA's businesses are located in the moderate-income census tract. While the bank did not originate any loans to businesses in this census tract during the evaluation period, the CT is in a rural area that is not in close proximity to a branch. Additionally, a branch of another community bank is located in the CT, which helps to ensure the credit needs of the community are met.

Geographic Distribution of Business Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0%	0%	7%	0%	93%	100%	0%	0%

Source: Sample of 31 bank records (verified by examiners) and U.S Census Demographic Data

Responses to Complaints

The bank has not received any CRA related complaints since the last CRA examination.

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.