



SMALL BANK

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

PUBLIC DISCLOSURE

July 27, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Central Alabama
Charter Number 15535**

**25 Third Avenue, N. E.
Aliceville, AL 35442**

**Comptroller of the Currency
Birmingham
100 Concourse Parkway Suite 240
Birmingham, AL 35244**

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.

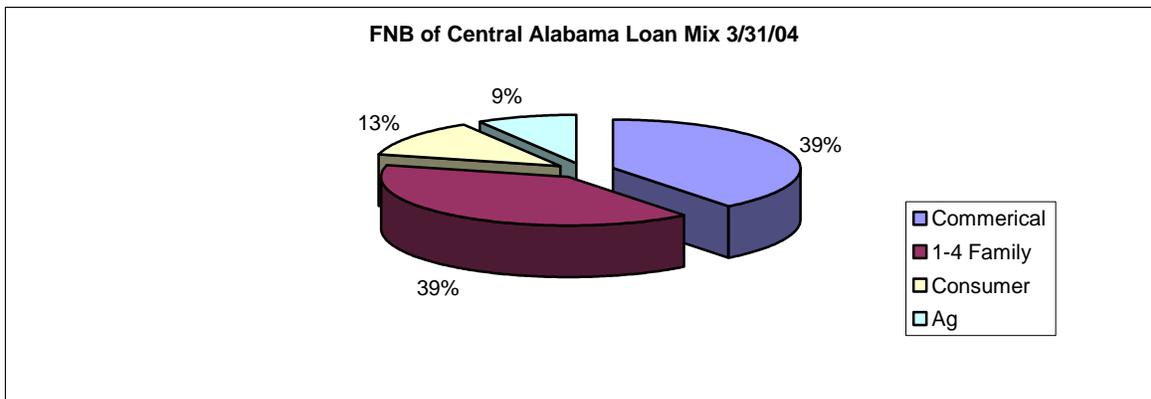
INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The level of and trend in the bank's loan-to-deposit (LTD) ratio is satisfactory.
- A substantial majority of loans are made within the bank's assessment area (AA.)
- The bank's loan portfolio is heavily weighted toward residential real estate and small business loans, which have been identified as primary lending needs in the AA.
- Loan analysis indicates the bank lends to borrowers of all income levels and to businesses of different sizes.
- The geographic distribution of loans within the AA is reasonable.

DESCRIPTION OF INSTITUTION

First National Bank of Central Alabama (FNBCA) is a \$153 million bank headquartered in Aliceville, AL (Pickens County.). In addition to the main office, the bank has four branches: Carrollton, Gordo, and Reform, AL (Pickens County); and Northport, AL (Tuscaloosa County.). ATMs are located at each branch office. FNBCA is wholly owned by First National Bancshares, a one-bank holding company. FNBCA provides many types of banking services: business and agricultural lending, residential and personal loans, deposit accounts, funds transfer, and safe deposit services. The bank's loan mix based on the March 31, 2004 Call Report is as follows:



FNBCA is in sound financial condition with no legal impediments, which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" as of January 18, 1999. The evaluation period for this performance report is January 19, 1999 through July 26, 2004 and includes small business and home mortgage loans. Conclusions for this public evaluation are based on a random sample of 30 business and 30 residential loans originated between January 1, 2000 and December 31, 2002, and on Home Mortgage Disclosure Act (HMDA) data for 2000, 2001 and 2002.

DESCRIPTION OF ASSESSMENT AREA

The bank's primary assessment area is Pickens County, Alabama. The AA consists of five census tracts (CTs) with a total population of 20,699¹. The Northport Branch is located in the Tuscaloosa MSA; a much larger and more competitive market. FNBCA does not currently have strategic intentions or the resources necessary to serve the entire Tuscaloosa MSA. This branch was opened with the intent of maintaining loan volume within the bank's traditional lending lines (small business, residential.) As of June 30, 2004, FNBCA held approximately \$5 million in loans and \$23 million in deposits from the Northport office. This represents a negligible share of Tuscaloosa MSA market. Therefore, our lending analysis was performed on loans in the Pickens County AA. The inside/outside analysis included loans in both the Pickens County AA and the Tuscaloosa AA.

The median family income for the Pickens County AA is \$22,326 with a HUD adjusted median family income for 2002 of \$39,300. Table 1 below shows the demographic makeup of the AA by census tract (CT) and family income.

Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	0	0	1,682	29.05%
Moderate	2	33%	897	15.49%
Middle	4	67%	1,007	17.39%
Upper	0	0	2,205	38.07%
Total	6	100.00%	5,791	100.00%

This rural AA is characterized by a slow economy and high unemployment. Approximately fifty percent of the population receives income from social security or some form of public assistance. As of June 30, 2004, unemployment for Pickens County was 10.3% versus Alabama statewide of 5.3% and US unemployment rate of 5.6%. Local employment is centered in the lumber and poultry industries. Major employers are Peco Hatchery, Foods and Farms, Inc. (poultry), Buchanan Lumber, McGee Lumber, and Lewis Lumber. The combined Peco companies employ approximately 560 while combined lumber companies employ approximately 450.

We discussed community-lending needs with a county revenue official who identified housing (purchase, home improvement, and rental property) and small business as the most prominent lending needs. Our contact further stated that FNBCA has worked closely with the county and municipalities, providing deposit services and meeting short-term financing needs when they occur. This official was also a long-time owner of a small business in Aliceville. He expressed a high level of satisfaction with the way FNBCA service met the needs of a small business owner.

¹ These five CT's represent the same geographic area included in six BNA's per 1990 census data, therefore tables in this report refer to six CT's.

FNBCA is competitive but not the market leader, ranking second in deposits behind West Alabama Bank and Trust (WABT), a \$335 million state-charter, headquartered in Reform. WABT had 61% of Pickens County deposits as of June 30, 2003 compared to FNBCA's 39%. WABT is more than double FNBCA in assets, with offices in five contiguous counties. There are no other similarly situated institutions in the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- FNBCA's loan-to-deposit (LTD) ratio is satisfactory in light of the bank's size, competition, and market loan demand.

The quarterly average LTD ratio for the period since the last CRA examination is 78.71%. FNBCA's LTD ratio has slightly increased since the 78.13% LTD observed at the last CRA examination, to 79.84% at March 31, 2004. The average LTD for all Alabama banks for the same period was 82.17%.

Lending in Assessment Area

- FNBCA originates a substantial majority of its loans within the AA.

More than 82% of the number and almost 80% of the dollar volume of commercial loans originated from January 1, 2000 to December 31, 2003 were to businesses located within the AA. A high percentage of residential real estate loans were also made in the AA with 89% of the number and 87% of the dollar volume of loans being made to individuals within the AA. Table 2 shows the bank's lending to businesses and individuals in the AA.

Table 2 – Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	351	82%	77	18%	428	\$22,187	79%	\$6,039	21%	\$28,226
Residential RE	823	89%	105	11%	928	\$34,603	87%	\$5,291	13%	\$39,894
Totals	1,174	87%	182	13%	1,356	\$56,790	83%	\$11,330	13%	\$68,120

Source: Loan Trial Balance, Data reported under HMDA for 2000, 2001, and 2002.

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

- FNBCA’s lending to individuals and businesses across all income levels is satisfactory.

Table 3a shows that in the AA, 75.26% of businesses have gross revenues of less than \$1 million. FNBCA lending to small businesses correlates positively, with 82.01% of the number of loans being made to businesses with revenues less than \$1 million. The dollar volume of commercial loans made to businesses with revenues under \$1 million, at 78.60% is also reasonable and supports that a large percentage of loans are made to smaller size businesses.

Table 3a – Borrower Distribution of Loans to Businesses in Pickens County AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	75.26%	4.62%
% of Bank Loans in AA by #	82.01%	17.99%
% of Bank Loans in AA by \$	78.60%	21.40%

Source: Loan sample; US Census data. * 20% of AA businesses did not report revenue data

Table 3b illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level. While 29.05% of families in the AA are low-income, 10.94% of the banks residential real estate loans were made to low-income borrowers. This low penetration is understandable when considered in context: a low-income family earns on average \$11,163 while the median housing cost is \$38,705. A family at this income level would most likely have difficulty in qualifying for a mortgage. The bank’s percentage of loans to moderate-income borrowers is higher than the percentage of moderate-income families in the AA, at 18.85% compared to 15.49%, which is satisfactory.

Table 3b - Borrower Distribution of Residential Real Estate Loans in Pickens County AA								
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
Home Purchase	29.05%	9.68%	15.49%	20.43%	17.39%	23.66%	38.08%	45.16%
Home Refinance	29.05%	6.55%	15.49%	17.61%	17.39%	23.02%	38.08%	52.14%
Home Improvement	29.05%	23.90%	15.49%	21.38%	17.39%	23.90%	38.08%	28.30%
All Residential RE	29.05%	10.94%	15.49%	18.85%	17.39%	23.31%	38.08%	45.76%

Source: Data reported under HMDA for 2000, 2001 and 2002; U.S. Census data.

Note: For 1 loan representing 1.15% of the sample, income data was not available.

Geographic Distribution of Loans

- FNBCA makes a high proportion of its commercial and residential real estate loans in its moderate-income CTs, and there are no indications of exclusionary lending with regard to any specific areas in the AA.

Table 4a below shows that 51.85% of the number of commercial loans was originated to businesses located in the bank's moderate-income CTs. This is considered excellent when considering the fact that only 33.33% of businesses in the AA are situated in moderate-income tracts. The AA contains no low-income or high-income tracts.

Table 4A - Geographic Distribution of Loans to Businesses Pickens County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	Na	Na	33.33%	51.85%	66.66%	48.15%	na	Na

Source: Loan sample; US Census data.

Table 4b below illustrates that while approximately 43% of owner-occupied units in the AA are located in the moderate-income CTs, 60% of the bank's loans were originated in the moderate-income CTs. With both the main office and one branch located in the AA's two moderate-income CT's, FNBCA is well situated to meet the residential credit needs of the AA's moderate-income CT's. This table also illustrates that approximately 40% of FNBCA's mortgage originations are home improvement loans.

Table 4b – Geographic Distribution of Residential Real Estate Loans in Pickens County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	na	na		16.66%		50.00%	na	na
Home Refinance	na	na		20.00%		13.33%	na	na
Home Improvement	na	na		23.33%		16.67%	na	na
Total Residential RE	na	na	42.94%	60.00%	57.06%	40.00%	na	na

Source: Loan sample, U.S. Census data.

Responses to Complaints

FNBCA has received no CRA-related complaints from the public since the prior CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discrimination or other illegal credit practices.