



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 03, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 16579

341 Military Street South
Hamilton, AL 35570-0000

Office of the Comptroller of the Currency

BIRMINGHAM FIELD OFFICE
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 and trend of the bank's loan-to-deposit (LTD) ratio is reasonable.
- The substantial majority of loans are made within the bank's assessment area (AA.)
- The distribution of loans to borrowers of different income levels and businesses of different sizes is excellent.
- The geographic distribution of loans across different income census tracts is reasonable.
- There have been no complaints related to the Community Reinvestment Act (CRA) during the evaluation period.

SCOPE OF EXAMINATION

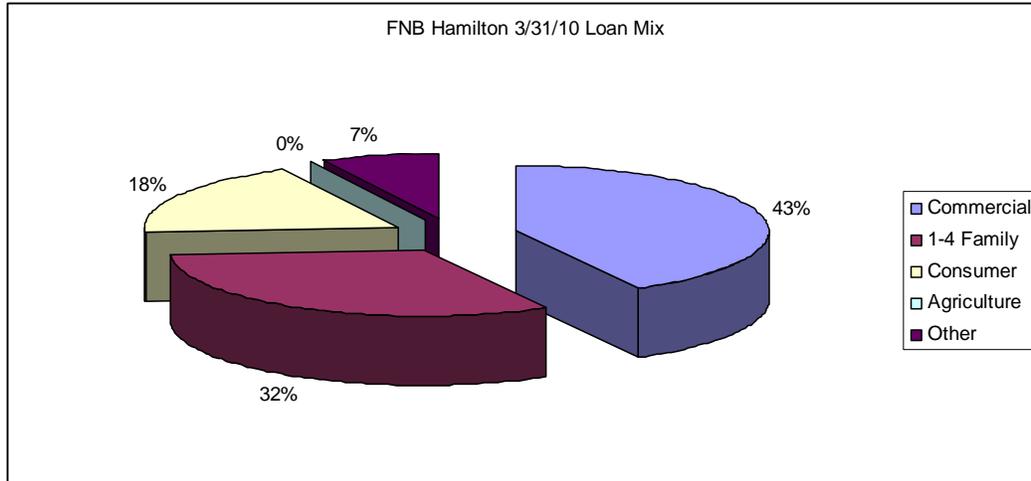
First National Bank (FNB) was evaluated under the Small Bank examination procedures, which is comprised of a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The bank's previous CRA rating was "Satisfactory" as of August 2, 2004. The evaluation period for this performance report is August 3, 2004 through May 3, 2010.

FNB's primary loan products are home and business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data for years 2008 and 2009 was evaluated and is representative of the bank's lending strategy since the last CRA examination. The HMDA data was tested and found to be reliable. To evaluate the bank's business lending performance, we selected a sample of business loans made from January 1, 2008 through December 31, 2009.

DESCRIPTION OF INSTITUTION

FNB is a \$276 million intrastate bank headquartered in Hamilton, AL, with branch locations in Marion, Winston, Fayette, Lamar, and Walker Counties, AL. In addition to the main office, one other branch is located in Marion County, AL. The bank has two branches in Lamar County, three in Winston County, one in Fayette County, and two in Walker County. Since the last CRA examination, the bank has opened a full service branch in Double Springs, AL (Winston County) and installed an ATM in Parrish, AL (Walker County). The majority of the full-service branches have deposit-taking ATMs. All branches in Winston and Lamar Counties are located in Distressed or Underserved Non-metropolitan Middle-Income Geographies. There have not been any significant changes to FNB's corporate structure, including merger or acquisition activities, since the last CRA examination. FNB is wholly owned by Marion City Bancshares, Inc., a one-bank holding company. FNB provides many types of banking services, including business, agricultural, residential, and personal lending, as well as deposit, funds transfer, and safe deposit services. No legal or financial factors impede FNB's ability to meet the credit needs within the assessment area.

FNB originated 5,536 loans with original balances of approximately \$120 million between January 1, 2008 and December 31, 2009. The bank's loan mix based on the March 31, 2010 Call Report is as follows:



DESCRIPTION OF ASSESSMENT AREA(S)

FNB has two assessment areas located in Alabama: Marion-Winston-Fayette-Lamar Counties and Walker County. Walker County is located within the Birmingham-Hoover MSA. Both AAs meet regulatory requirements and consist of complete political subdivisions that do not arbitrarily exclude low- and moderate- income geographies. Each AA is described below.

Marion-Winston-Fayette-Lamar Counties Assessment Area

The Marion-Winston-Fayette-Lamar (MWFL) Counties, AL AA consists of 21 census tracts (CTs) with a total population of 90,456. Eight branches are located in this AA.

The average median family income for the MWFL Counties AA is \$33,833 with a HUD adjusted median family income for 2009 of \$46,800. Table 1A below shows the demographic makeup of the AA by census tract (CT) and income level.

Marion-Winston-Fayette-Lamar Counties AA Demographics				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	0	0	0	0
Moderate	0	0	0	0
Middle	21	100%	26,524	100%
Upper	0	0	0	0
Total	21	100%	26,524	100.00%

Employers in this AA are centered in industrial fields. 3M is the largest employer, with over 250 employees. Other major employers include NTN Bower and Continental Conveyor. At one time, Gateway Homes, a mobile home manufacturer, was a major employer in the area. The business shut down several years ago, putting hundreds of residents out of a job. As of February 2010, the average unemployment rate for all four counties was 16.7%, compared to 10.9% for Alabama statewide and 10.2% for the U.S. Approximately 35% of the AA population receives income from social security or some form of public assistance.

We discussed community-lending needs with the administrative director of a local economic development agency who identified small business loans as the most prominent lending need in the AA. Our contact stated that there are no specific community development projects for local financial institutions to get involved with. She stated that perceptions of smaller, local financial institutions are similar, but that FNB was most proactive in winning bids for city funding projects.

Walker County Assessment Area

The Walker County, AL AA consists of 7 census tracts (CTs) with a total population of 28,681. Three branches are located in this AA, a part of the Birmingham-Hoover MSA.

The average median family income for the Walker County AA is \$32,172 with a HUD adjusted median family income for 2009 of \$60,900. Table 1B below shows the demographic makeup of the AA by census tract (CT) and income level.

Walker County AA Demographics				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	0	0	0	0
Moderate	6	85.71%	7,427	87.68%
Middle	1	14.29%	1,044	12.32%
Upper	0	0	0	0
Total	7	100.00%	8,471	100.00%

The economy of Walker County is driven by the service industry. Employers in the area are mostly centered in education and healthcare. Major employers in the area include Walker Baptist Medical Center, which employs nearly 700 residents. Additionally, Beville State Community College employs over 600 residents. Along with the rest of the country, Walker County has experienced severe declines in economic conditions in the past year or two. The county has recently seen an increase in economic interest, due to the expansion of Highway 22 (Corridor X). Several industrial businesses are considering the area for expansion. This would create new jobs for Walker County residents. As of February 2010, unemployment for Walker County was 13.3%. This is above both Alabama statewide and U.S. unemployment rates of 10.9% and 10.2%, respectively.

We discussed community-lending needs with the executive director of a local economic development authority who identified small business and home loans as the most prominent lending needs in the AA. Our contact stated there are limited community development opportunities for local financial institutions. Our contact stated that perceptions of local financial institutions are similar, with no one institution viewed more favorably than the other.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 63.52% over the 22 quarters since the last CRA examination, with a quarterly low of 56.48% and a quarterly high of 69.61%. The bank's LTD ratio compares favorably with other community banks of similar size, location, and product offerings. FNB ranks third among six banks serving its assessment areas.

Institution	Assets as of 2Q10 (in thousands)	Average LTD Ratio
The Bank of Vernon	\$ 180,556.00	99.50%
The Citizens Bank of Fayette	\$ 197,661.00	64.62%
First National Bank	\$ 277,980.00	63.52%
Pinnacle Bank	\$ 220,103.00	59.90%
State Bank & Trust	\$ 184,879.00	43.79%
The Citizens Bank of Winfield	\$ 213,212.00	39.57%

Lending in Assessment Area

FNB originates a substantial majority of its loans inside the AA. Over 90% of both the number and dollar volume of loans originated from January 1, 2008 to December 31, 2009 were to borrowers located within the AA. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	55	88.71	7	11.29	62	3,025	77.84	861	22.16	3,886
Home Improvement	55	94.83	3	5.17	58	1,363	96.26	53	3.74	1,416
Refinance	121	93.08	9	6.92	130	6,983	94.93	373	5.07	7,356
Business	27	90.00	3	10.00	30	1,957	94.68	110	5.32	2,067
Totals	258	92.14	22	7.86	280	13,328	90.51	1,397	9.49	14,725

Source: Sample, Data reported under HMDA.

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

Lending performance to borrowers of different incomes and businesses of different sizes is excellent for both AAs.

Performance in the Marion-Winston-Fayette-Lamar Counties AA

The borrower distribution of loans in the Marion-Winston-Fayette-Lamar Counties AA is excellent. More weight was given to the distribution of business loans, as this was identified as a primary need in the AA.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels after considering the rate of poverty and high unemployment in this AA. Low-income families represent 21.83% of the AA. Although the bank achieved a significantly lower penetration of home loans to low-income borrowers, the level of poverty is 19% of the population in the AA. This high rate of poverty impedes the bank's ability to originate home loans to low income borrowers. The distribution of loans to moderate-income borrowers exceeds the demographic comparator for home purchase and home improvement loans, and is considered excellent overall. Table 2 illustrates the distribution of home mortgage loans in relation to the percentage of families in the AA by income level.

Table 2 - Borrower Distribution of Residential Real Estate Loans in First National Bank - Marion-Winston-Fayette-Lamar 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
Home Purchase	21.83	7.14	19.82	28.57	23.62	21.43	34.73	42.86
Home Improvement	21.83	11.11	19.82	25.00	23.62	44.44	34.73	19.44
Refinance	21.83	17.54	19.82	19.30	23.62	21.93	34.73	40.35

Source: data reported under HMDA; U.S. Census data.

Business Loans

The distribution of loans to businesses reflects an excellent penetration among businesses of different sizes. In the MWFL Counties AA, 71.49% of businesses are small, generating gross revenues of less than \$1 million. FNB lending to small businesses correlates positively, with 95% of the number of loans, and 96% of the dollar volume of loans being made to businesses with revenues less than \$1 million. Table 2A illustrates the distribution of commercial loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in First National Bank - Marion-Winston-Fayette-Lamar AA

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.49	3.47	25.04	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	96.04	3.96	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Performance in Walker County AA

The borrower distribution of loans in the Walker County AA is excellent. While both home and business loans were identified as primary needs in the Walker County AA, more weight was given to the distribution of business loans as there were more opportunities for the bank to serve this sector.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. Low-income families represent 32.77% of the AA. While the bank achieved reasonable penetration for home purchase and refinance loans to low-income borrowers, there is a lower penetration of home improvement loans to low-income borrowers. However, the high level of poverty at 19% and the high rate of unemployment at 13.3% impede the bank's ability to originate home loans to low income borrowers. After considering these factors, performance to low-income borrowers is considered reasonable. The distribution of loans to moderate-income borrowers is poor for home refinance loans; but is considered excellent for home improvement loans and reasonable for home purchase loans. Table 2 below illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level.

Table 2 - Borrower Distribution of Residential Real Estate Loans in First National Bank - Walker County 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
Home Purchase	32.77	30.77	23.85	23.08	18.82	23.08	24.57	23.08
Home Improvement	32.77	15.79	23.85	36.83	18.82	31.58	24.57	15.79
Refinance	32.77	28.57	23.85	0.00	18.82	14.29	24.57	57.14

Source: Data reported under HMDA; U.S. Census data..

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Table 2A shows that in the Walker County AA, 80.39% of businesses have gross revenues of less than \$1 million. FNB lending to small businesses reflects that 100% of both the number and dollar volume of loans are made to businesses with revenues less than \$1 million.

Table 2A - Borrower Distribution of Loans to Businesses in First National Bank - Walker County AA

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.39	1.73	17.89	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans in the Walker County AA reflects a reasonable dispersion throughout census tracts of different income levels. The Marion-Winston-Fayette-Lamar Counties AA was not considered in assessing the geographic distribution of loans, as there were no opportunities in this AA to serve low or moderate income census tracts.

Performance in Marion-Winston-Fayette-Lamar Counties AA

The bank's geographic distribution of loans in this AA has a neutral impact on the CRA rating, as there are no opportunities for the bank to provide home or small business loans to low or moderate income census tracts.

Home Loans

The AA contains no low or moderate income census tracts. Therefore, there are no opportunities for real estate lending in low and moderate census tracts in this AA. This has a neutral impact on the CRA rating. Table 3 below shows that 100% of borrowers are located in middle income census tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in First National Bank - Marion-Winston-Fayette-Lamar AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00
Home Improvement	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00
Refinance	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00

Source: data reported under HMDA; U.S. Census data.

Business Loans

The AA contains no businesses in low or moderate income census tracts. Therefore, there are no opportunities for small business lending in low and moderate census tracts in this AA. This has a neutral impact on the CRA rating. Table 3A below shows that 100% of businesses are located in middle income census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in First National Bank - Marion-Winston-Fayette-Lamar AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Businesses	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00

Source: Loan sample; Dunn and Bradstreet data.

Performance in Walker County AA

The geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels. The geographic distribution of both home and business loans is considered reasonable. Home and business loans were both identified as primary needs in the AA. Therefore, equal weight was given to both when evaluating performance.

Home Loans

The geographic distribution of home loans in this AA reflects a reasonable dispersion throughout the census tracts of different income levels. While there is no owner-occupied housing in low-income census tracts, 87.26% of owner-occupied housing is located in moderate-income census tracts. The geographic distribution of loans to moderate-income tracts is considered excellent for home improvement loans and reasonable for home purchase and home refinance loans. Table 3 below details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in First National Bank - Walker County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.00	0.00	87.26	76.92	12.74	23.08	0.00	0.00
Home Improvement	0.00	0.00	87.26	94.74	12.74	5.26	0.00	0.00
Refinance	0.00	0.00	87.26	71.43	12.74	28.57	0.00	0.00

Source: Data reported under HMDA; U.S. Census data.

Business Loans

The geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. Table 3A below shows that of the 90.03% of businesses located in the moderate income census tracts, the bank originated 76.47% of business loans to this group. There are no businesses located in low-income census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in First National Bank - Walker County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Businesses	0.00	0.00	90.03	76.47	9.97	23.53	0.00	0.00

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

No complaints related to CRA lending performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.