



PUBLIC DISCLOSURE

March 07, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 16579

341 Military Street South
Hamilton, AL 35570

Office of the Comptroller of the Currency
Nashville/Birmingham Field Office
3595 Grandview Parkway
Suite 655
Birmingham, AL 35243

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, and should not 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.

Table of Contents

Overall CRA Rating..... 1
Description of Institution..... 2
Scope of the Evaluation..... 3
Discriminatory or Other Illegal Credit Practices Review..... 3
Lending Test 5
State Rating..... 5
 State of Alabama..... 5
Appendix A: Scope of Examination..... A-1
Appendix B: Summary of MMSA and State Ratings..... B-1
Appendix C: Definitions and Common Abbreviations..... C-1
Appendix D: Tables of Performance Data..... D-1

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on performance in the bank's single assessment area (AA) in the State of Alabama.
- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of home mortgage loans are inside the bank's AA.
- The geographic distribution of home mortgage loans in the AA is excellent.
- The borrower income distribution for home mortgage loans is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, its LTD ratio is reasonable. The LTD ratio is calculated on a bank-wide basis. The bank's LTD ratio averaged 43.7 percent over the 13 quarters since the prior Community Reinvestment Act (CRA) evaluation, with a quarterly high of 50.8 percent and a quarterly low of 33.5 percent. We compared the bank's LTD ratio to three similarly situated banks in the AA. The quarterly average LTD ratio for banks in this peer group was 42.3 percent with a high average ratio of 48.9 percent and a low average ratio of 35.2 percent. The low LTD ratio is attributable to the low loan demand, influx and retention of pandemic-related deposits, and competition in the local market area.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated 96.4 percent of its total loans inside its AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgages	427	96.4	16	3.6	443	30,636	94.3	1,853	5.7	32,488
Total	427	96.4	16	3.6	443	30,636	94.3	1,853	5.7	32,488

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Description of Institution

First National Bank (FNB or bank) is a single-state institution established in 1976 and headquartered in Hamilton, Alabama. FNB is wholly owned by Marion County Bancshares, Inc., a single bank holding company, and has two wholly owned subsidiaries, FNB Mortgage Services, Inc. and FNB Financial Services, Inc. FNB's community reinvestment performance is not impacted by the holding company or either subsidiary. There were no merger or acquisition activities during the CRA evaluation period. FNB received an "Outstanding" rating on its prior CRA performance evaluation (PE) dated December 10, 2018. There are no legal, financial, or other factors impeding the FNB's ability to help meet the credit needs in its AA during the evaluation period.

FNB has one AA comprised of the entirety of Marion, Lamar, Fayette, Winston, and Walker Counties and two census tracts (CTs) in Franklin County, all located in the State of Alabama. The AA includes 43 CTs, including five moderate-, 35 middle-, and three upper-income CTs. There are no low-income CTs in the AA. The AA meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income areas.

FNB had a change in its AA since the prior CRA PE. During the prior performance evaluation period, FNB had two AAs, one metropolitan statistical area (MSA) AA that included Walker County and one non-MSA AA that included the entirety of Marion, Lamar, Fayette, and Winston Counties and two CT in Franklin County. As part of an Office of Management and Budget change in 2018, Walker County was removed from the MSA. As a result of this change, the bank's lending in Walker County is now reviewed as part of the non-MSA AA.

FNB offers non-complex loan and deposit products, including real estate loans, consumer loans, commercial loans, demand, checking, and savings accounts. FNB has seven full-service branches and eight automated teller machines (ATMs). There have been no branch openings or closings during the CRA evaluation period.

At December 31, 2021, FNB reported total assets of \$388 million, and net loans and leases of \$112 million, or 29 percent of total assets. Tier 1 capital totaled \$52.1 million, and the tier 1 leverage ratio was 13.7 percent. The bank's primary loan product is one- to four-family mortgage loans. The following table provides details of the bank's loan composition as of December 31, 2021.

Loan Portfolio Composition as of December 31, 2021		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Real Estate Loans	66,912	58.7
Individual Loans	20,186	17.7
Commercial Loans	15,327	13.5
Other Loans	11,339	10.0
Agricultural Loans	182	0.2
Total	113,946	100.0

Source: December 31, 2021 UBPR

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for this examination is January 1, 2019, through December 31, 2021. We completed a review of the bank's CRA performance in its AA using the Small Bank evaluation procedures, which focus on the lending test. In evaluating the bank's lending performance, we reviewed one- to four- family mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA) as the bank's primary lending product.

For Geographic and Borrower Distribution analyses, we compared FNB's loan originations to 2015 American Community Survey (ACS) Census data and aggregate HMDA data.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AA within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

FNB has one AA, a non-MSA AA, in Alabama.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

FNB's overall rating is based solely on the State of Alabama rating as this is the only rating area. The bank's primary loan product is home mortgage loans. Home mortgage loans received more weight in the overall Lending Test analysis given the much larger volume of these types of loans originated or purchased for either the bank's loan portfolio or to be sold on the secondary market.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and

regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Alabama

CRA rating for the State of Alabama: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's LTD ratio is reasonable.
- A substantial majority of home mortgage loans are inside the bank's AA.
- The geographic distribution of home mortgage loans in the AA is excellent.
- The borrower income distribution for home mortgage loans is reasonable.

Description of Institution's Operations in Alabama

FNB's primary business focus is the origination of one- to four-family mortgage loans. FNB operates seven full-service branches and eight ATMs within its AA. There is no significant difference in the products and services offered at the bank's offices.

Competition from other financial institutions, including large regional banks and banks with a nationwide presence, is significant with 22 institutions, including FNB. Based on Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share data as of June 30, 2020, FNB holds \$265.9 million AA deposits or 9.5 percent of deposit market share. Based on deposit market share, FNB's ranks third of 22 institutions serving the AA.

We contacted one community contact in the assessment area, who advised that the primary credit needs of the community are small business loans and residential mortgage lending. The community contact also advised that local institutions are doing a strong job of meeting the community needs.

Non-MSA AA

The following table depicts the demographic information for FNB's AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	43	0.0	11.6	81.4	7.0	0.0
Population by Geography	159,102	0.0	12.2	79.9	7.9	0.0
Housing Units by Geography	78,032	0.0	12.3	80.0	7.7	0.0
Owner-Occupied Units by Geography	47,576	0.0	12.6	80.1	7.3	0.0
Occupied Rental Units by Geography	16,302	0.0	12.9	77.0	10.1	0.0
Vacant Units by Geography	14,154	0.0	10.4	83.1	6.4	0.0
Businesses by Geography	7,141	0.0	11.1	76.0	12.8	0.0
Farms by Geography	268	0.0	10.1	83.6	6.3	0.0
Family Distribution by Income Level	44,952	26.1	20.7	20.4	32.8	0.0
Household Distribution by Income Level	63,878	29.7	16.9	17.8	35.6	0.0
Median Family Income Non-MSAs - AL		\$45,454	Median Housing Value			\$82,667
			Median Gross Rent			\$524
			Families Below Poverty Level			16.4%
<i>Source: 2015 ACS and 2020 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Alabama

The rating for Alabama is based on a full-scope review of the bank's sole AA. FNB's branches and ATMs are located within the AA, and a significant portion of the bank's lending is centered there.

LENDING TEST

The bank's performance under the Lending Test in Alabama is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the non-MSA AA is good.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the State.

Home Mortgage Loans

Refer to Table O in the state of Alabama section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans to geographies of different income levels in the AA is excellent. The percentage of the bank's loans in moderate-income CT exceeded both the percentage of owner-occupied housing and aggregate lending. There are no low-income CT in this AA.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the state of Alabama section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans to individuals of different income levels in this AA is reasonable. The bank's mortgage lending to low-income borrowers was lower than the percent of families identified as low-income but exceeded aggregate lending to low-income borrowers. Similarly, the bank's mortgage lending to moderate-income borrowers was lower than the percent of families identified as moderate-income but exceeded aggregate lending to moderate-income borrowers. We placed greater reliance for this category on aggregate lending, which was exceeded by the bank. Opportunities to lend to these borrowers is limited given that 16.4 percent of families in this AA live below the poverty level.

Responses to Complaints

There were no CRA-related complaints filed during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2019 to 12/31/2021	
Bank Products Reviewed:	Home mortgage loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not applicable	Not applicable	Not applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
States		
Alabama		
Non-MSA AA	Full-scope	All CTs in Marion, Lamar, Fayette, Winston, and Walker Counties and two CTs in Franklin County

Appendix B: Summary of MMSA and State Ratings

RATINGS: First National Bank	
Overall Bank:	Lending Test Rating
First National Bank	Satisfactory
State:	
Alabama	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2019-2021	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Non-MSA AA	427	30,636	100.0	3,981	0.0	0.0	0.0	12.6	16.4	8.5	80.1	81.3	83.0	7.3	2.3	8.4	0.0	0.0	0.0	
Total	427	30,636	100.0	3,981	0.0	0.0	0.0	12.6	16.4	8.5	80.1	81.3	83.0	7.3	2.3	8.4	0.0	0.0	0.0	

Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-2021	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Non-MSA AA	427	30,636	100.0	3,981	26.1	8.4	3.6	20.7	19.9	13.5	20.4	23.4	19.1	32.8	45.0	45.9	0.0	3.3	17.9	
Total	427	30,636	100.0	3,981	26.1	8.4	3.6	20.7	19.9	13.5	20.4	23.4	19.1	32.8	45.0	45.9	0.0	3.3	17.9	

Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%