



SMALL BANK

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

PUBLIC DISCLOSURE

November 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Cainsville
Charter Number 8407**

Cainsville, MO 64632

**Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road Suite 450
Merriam, KS 66204**

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 "Outstanding."

- The First National Bank of Cainsville, MO (FNB) has an excellent record of lending to individuals and businesses at different income and revenue levels.
- During the evaluation period, FNB originated a significant number of its loans to borrowers with properties in the bank's assessment area.
- The bank's loan-to-deposit ratio is reasonable given local economic conditions and the bank's limited funding resources due to its asset size.
- A geographic analysis of the bank's assessment area would not be meaningful.
- The bank has not received any complaints in regards to its CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The First National Bank of Cainsville, MO (FNB) has an excellent record of lending to individuals and businesses at different income and revenue levels. Based upon a review of loans outstanding as of September 30, 2003, the bank's primary product by dollar was agricultural related loans and by number installment loans. During this examination, we reviewed a sample of 25 agricultural related and 30 installment loans. The revenue/income assessment is as follows:

Agricultural Related

The bank's revenue distribution of agriculture loans is excellent. Of the 25 agriculture loans in the sample, 24 were originated in the bank's assessment area. Approximately 83 percent were to businesses with revenues of \$100 thousand or less. In addition, 21 percent had revenues of \$25 thousand or less. This compares favorably to area business demographic data. According to the 1997 Census of Agriculture - County Data, prepared by the USDA National Agricultural Statistics Service, 70 percent of the farms in Harrison and Mercer Counties reported revenues of \$100 thousand or less. Community contacts stated that farmers with revenues of \$25 thousand or less are informally considered "hobby farmers" and primarily depend on outside income for profitability.

Installment

The bank's income distribution of installment loans is also excellent. Of the 30 loans in the sample, 26 were originated to borrowers in the bank's assessment area with only 21 having income information available in the file. Approximately 57 percent were originated to borrowers at the low-income level and 19 percent to borrowers at the moderate-income level. Both percentages exceed area demographic data with 30 percent of the area households at the low-income level and 17 percent at the moderate-income level. In addition, according to the 1990 Census, 21 percent live below the poverty level with a median family income of \$21,673. The 2002 updated HUD median family income used for this analysis was \$40,600. Note: The loan origination amount of the installment loans in the sample ranged from \$2 thousand to \$22 thousand, which is reflective of the bank's willingness to help meet the credit needs of the local

community. The average loan origination amount was \$9 thousand.

During the evaluation period, FNB originated a significant number of its loans to borrowers with properties in the bank's assessment area. Our consolidated review consisted of 25 agricultural related and 30 installment loans totaling \$1.4 million with 91 percent by number and 88 percent by dollar originated within the bank's assessment area.

The bank's loan-to-deposit ratio is reasonable given local economic conditions and the bank's limited funding resources due to its asset size. With only \$12 million in assets, the bank's quarterly average loan-to-deposit ratio for March 1998 through September 2003 was 68 percent. This is only slightly less than its closest competitor by asset size, which has total assets of \$24 million. Its quarterly average loan-to-deposit ratio for the same time period was 72 percent.

A geographic analysis of the bank's assessment area would not be meaningful. All five block-numbering areas in the two-county assessment area are in middle-income tracts.

The bank has not received any complaints in regards to its CRA performance in helping to meet the credit needs of the assessment area. An analysis of public comments and consumer compliant information was performed according to the OCC's risk-based Fair Lending approach. Based on an analysis of the information, the OCC determined that a comprehensive Fair Lending examination would not be performed in connection with this CRA evaluation.

DESCRIPTION OF INSTITUTION

The First National Bank of Cainsville is a \$12 million financial institution headquartered in the small rural town of Cainsville, Missouri. FNB is the smallest and the only financial institution with an office in the city limits of Cainsville. It is primarily a family-owned bank and does not operate under the structure of a holding company. There are no legal or financial impediments, which hinders the bank's ability to help meet the credit needs of its community. Competition is strong with financial services offered by several other entities with offices in the bank's two-county assessment area. During January 2003, the bank opened its first branch office in the nearby city of Bethany. Community contacts stated that each financial institution has its own niche and are making efforts to meet the primary credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income areas/tracts. The bank's assessment area includes the two-county area of Harrison and Mercer Counties located in the northwestern area of Missouri. Based upon the 1990 Census, all five block-numbering areas (BNA) are in middle-income tracts. Harrison County consists of BNA(s) 9501, 9502, and 9503 and Mercer County consists of BNA(s) 9701 and 9702.

Refer to the bank's CRA Public File for additional information about the bank and its' assessment area.