



Comptroller of the Currency
Midwestern District

SMALL BANK

PUBLIC DISCLOSURE

June 1, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Nevada, Missouri
Charter Number 3959**

**100 West Walnut
Nevada, Missouri 64772**

**Comptroller of the Currency
Midwestern District
Joplin Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The First National Bank of Nevada, Missouri, (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of June 1, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated: "Satisfactory."

- ▶ Loans are reasonably distributed to borrowers of various income levels.
- ▶ A substantial majority of the bank's loans are made within its assessment area.
- ▶ The bank's loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

FNB is a 109-year-old bank located in Nevada, Missouri. 1889 Bancshares, Inc., controls the bank and is locally owned. The bank has one main location with an automatic teller machine (ATM) located onsite. In addition, the bank has three offsite ATMs. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on agricultural, commercial, and 1-4 family residential real estate loans. The loan portfolio represents 40% of total assets, and is distributed as follows: agricultural (34%), commercial (22%), and 1-4 family residential (28%).

DESCRIPTION OF THE FIRST NATIONAL BANK OF NEVADA, MISSOURI'S ASSESSMENT AREA

FNB's assessment area consists of Vernon County, Missouri. Vernon County includes six block numbering areas, all designated middle-income by the 1990 U. S. Census. The bank and all four ATMs are located in the assessment area. FNB is one of four banks in the assessment area. There are also numerous branch banks in the assessment area.

The approximate population of Nevada is 12,000 with approximately 19,000 people in the assessment area. The local economy is diversified with agriculture, manufacturing, health care, retail trade, and education.

The updated U.S. Census 1990 median family income for the assessment area is \$34,000. The bank's assessment area contains 18% low-income families, 19% moderate-income families, 24% middle-income families, and 39% upper-income families.

Examiners spoke with two community contacts in Nevada during our examination. The contacts included a real estate broker and representative of a local public/private coalition. The contacts indicated they were not aware of any unmet community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Various Income Levels and Businesses and Farms of Different Sizes

FNB has reasonable lending penetration among borrowers of different income levels. In part, we based our conclusion on a review of residential real estate loans made from March 31, 1996 to May 31, 1998. Our sample included twenty-seven loans representing 15% of the residential real estate loans made during that time period.

Residential real estate loans comprise 28% of the total dollar volume and 14% of the total number of loans in the bank's portfolio. The following table illustrates our findings:

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper-Income
% of Families	18%	19%	24%	39%
% of Residential Real Estate Loans	8%	33%	37%	22%

FNB makes loans to businesses of different sizes. We based our conclusion on a review of fifteen commercial loan files, excluding commercial real estate, representing 14% of those borrowers. These loans are 17% of the total dollar volume and 9% of the total number of loans in the bank's loan portfolio. The following table illustrates our findings:

Non-Real Estate Commercial Loans				
Gross Revenue of Business	Less than \$100M	\$100M to \$499M	\$500M to \$1MM	Over \$1MM
% of Loans	33%	40%	7%	2%

FNB makes loans to farms of different sizes. We based our conclusion on a review of twenty-two loan files of agricultural borrowers whose notes were not secured by farmland. Our sample represented 11% of those borrowers.

Agriculture loans represent 34% of the bank's total loans by dollar volume, while non land agriculture loans are 20% by both dollar volume and number of total loans. The following table illustrates our findings:

Non-Land Agriculture Loans by Gross Revenue				
Gross Revenue of Borrowers	\$100M or Less	\$100M to \$499M	\$500M to \$1MM	Over \$1MM
% of Borrowers	32%	55%	9%	4%

Lending in Assessment Area

FNB originates a majority of its loans within the assessment area. We based this conclusion on examiner review of all borrower notes filed as A through F in the bank's note case. Our review showed that 90% of the bank's loans were made within its assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. FNB had an average loan-to-deposit ratio of 49% since the last CRA examination dated May 14, 1996. The loan-to-deposit ratio has ranged from a low of 44% at March 31, 1998 to a high of 54% at June 30, 1996. The bank's loan-to-deposit ratio declined when deposit growth exceeded loan growth in 1997. The bank's deposit growth was attained when the bank gained new customers after mergers of large regional banks that had branches in Nevada. The loan-to-deposit ratio of four other similarly situated banks ranged from 44% to 80% during the same time period.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans in its assessment area would not be meaningful. All six block numbering areas in the bank's assessment area are middle-income tracts.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with both substantive and technical provisions of antidiscrimination laws and regulations.