



# SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

**November 5, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Nevada, Missouri  
Charter Number 3959

100 West Walnut  
Nevada, Missouri 64772

Office of the Comptroller of the Currency

Kansas City South Field Office  
1710 East 32nd Street, Suite H  
Joplin, Missouri 64804-4100

**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.**

Lending performance of The First National Bank of Nevada, Missouri (FNB) helps meet the credit needs of its assessment area. We reached this conclusion based on the following:

- FNB originated a substantial majority of loans inside its assessment area.
- Lending activities represent a reasonable penetration among individuals of different income levels and farms of different sizes.
- FNB's loan-to-deposit ratio remains low in comparison to other banks in the trade area, but reflects acceptable performance given credit needs in the assessment area are being met.
- The bank received no consumer complaints concerning its performance in meeting the community's credit needs.

## **SCOPE OF EXAMINATION**

Examiners evaluated FNB using small bank examination procedures, which focuses primarily on lending performance. Our objectives were to assess the bank's ability and record to serve and meet the community's credit needs within their assessment area (AA). We based our analyses and conclusions on data the bank provided, which we verified during our review. We identified the bank's primary products as 1-4 family residential real estate and farm loans by the dollar amount of loans originated. The lending test covers loan performance from January 1, 2006 through October 31, 2008, as this is representative of FNB's lending strategy since the last CRA examination. We selected a random sample of 27 home and 22 farm loans made from January 1, 2006 through October 31, 2008.

## **DESCRIPTION OF INSTITUTION**

FNB is an intrastate bank headquartered in Nevada, Missouri. As of December 31, 2007, FNB had total assets of \$65 million and tier one capital of \$8.7 million. FNB is 99.63 percent owned by 1889 Bancshares, a one-bank holding company, and 0.37 percent by Sue Ann Hunter. In addition to the main office, FNB operates one deposit-taking ATM located at the bank and two non-deposit taking ATMs offsite. Management has opened no branches since the last CRA examination. The bank is located in a middle-income nonmetropolitan geography. There has not been any significant change to FNB's corporate structure, including merger or acquisition activities.

The bank offers a full range of deposit and loan products and services. Residential mortgage and agricultural lending are the bank's primary business focus. Deposit products and services include basic banking accounts.

As of December 31, 2007, FNB reported net loans of \$30 million, which represents 46 percent of total assets. The loan portfolio composition is as follows:

<b>Loan Portfolio Summary by Loan Product December 31, 2007</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	38.46%
Farm Loans	34.67%
Business Loans	20.99%
Consumer Loans	5.88%

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at its last CRA examination dated September 2, 2003. The bank is not required to file Home Mortgage Disclosure information. Please refer to the bank's Public File for more details.

## DESCRIPTION OF ASSESSMENT AREA

FNB has one AA, which is comprised completely of Vernon County. Vernon County is located in southwest Missouri and is adjacent to the Kansas City MSA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Demographic Information for FNB's AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	6	0%	0%	100%	0%
Population by Geography	20,454	0%	0%	100%	0%
Owner-Occupied Housing by Geography	5,759	0%	0%	100%	0%
Businesses by Geography	1,971	0%	0%	100%	0%
Farms by Geography	149	0%	0%	100%	0%
Family Distribution by Income Level	5,491	18.45%	17.9%	21.6%	42.05%
Household Distribution by Income Level	8,018	23.72%	17.62%	18.12%	40.53%
Census Median Family Income (MFI)	\$36,175	Median Housing Value		\$59,844	
HUD-Adjusted MFI: 2008	\$43,800	Families Below the Poverty Level		15.1%	
HUD- Adjusted MFI: 2007	\$42,800	Unemployment Rate		2.06%	
HUD – Adjusted MFI: 2006	\$44,800				

Source: 2000 U.S. Census Data

Management characterizes the current local economy as stable. Economic activity in the area is relatively diverse, with agriculture, manufacturing, health care, retail trade, and education being the primary economic activities. Average unemployment for the area is low. Competition from other financial institutions is average. The bank's competitors include several local community banks and branches of two larger national banks.

In conducting our assessment of the bank's performance, we contacted a local community development organization representative. The community contact indicated the community's biggest need is high quality jobs to attract new citizens and help retain current citizens. The contact indicated the financial institutions in the area were meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is satisfactory given the bank's size, financial condition, and credit needs of the AA. The bank's net LTD ratio averaged 50 percent over 20 quarters from September 30, 2003 to June 30, 2008, with a quarterly low of 42 percent and a quarterly high of 55 percent.

FNB has historically reflected a low loan-to-deposit ratio due primarily to management's conservative control of loan growth. The bank's net LTD ratio is lower than other community banks of similar size, location, and product offerings. FNB ranks last among four similarly situated banks serving the AA. These three banks had an average LTD ratio of 85 percent, with a range from 74 percent to 99 percent over the 20 quarters. There are also branches of several significantly larger, multi-state banks in the AA.

### **Lending in Assessment Area**

FNB's lending to customers within the AA for residential and farm loans is more than reasonable. Management originated a substantial majority of the bank's primary loan products by dollar amount and number to borrowers within its AA. The following table details the bank's lending within the AA by loans originated during the sampling period.

FNB's Lending in the AA										
	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		\$	%	\$	%	
Home	25	92.59%	2	7.41%	27	\$1,438	87.54%	\$205	12.46%	\$1,643
Agriculture	21	95.45%	1	4.55%	22	\$1,645	96.54%	\$59	3.46%	\$1,704
Totals	46	93.88%	3	6.12%	49	\$3,083	92.12%	\$264	7.88%	\$3,347

*Source: Loan sample.*

### **Lending to Borrowers of Different Incomes and to Farms of Different Sizes**

FNB has a good record of lending to borrowers of different income levels within its AA. The distribution of loans reflects a reasonable penetration among individuals of different income levels and farms of different sizes given the bank's product offerings and local economic conditions.

#### *Home Loans*

The distribution of home loans reflects excellent penetration among borrowers of different income levels. FNB's home lending to low- and moderate-income borrowers is excellent. Our review indicates the bank's home lending to low- and moderate-income customers exceeds the AA's demographics. Even when taking into account the AA's poverty rate of 15.10 percent, the bank's level of lending to low- and moderate-income borrowers compares favorably to the demographic comparator.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2006 through October 31, 2008 as compared to the percentage of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in FNB's AA</b>								
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 Loans	18.45	24.00	17.90	24.00	21.60	24.00	42.05	28.00

### *Farm Loans*

The distribution of farm loans reflects reasonable penetration among farms of different sizes. During the sampling period, 95 percent of the bank's originated or purchased loans to farms were made to small farms with gross annual revenues of \$1 million or less. This is considered reasonable compared to demographic data that show 96 percent of the area's farms are considered small farms.

The following table shows the distribution of loans by farm size in the AA.

<b>Borrower Distribution of Farm Loans in FNB's AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	95.97%	0%	4.03%	100%
% of Bank Loans in AA by #	95.24%	4.76%	0%	100%
% of Bank Loans in AA by \$	90.88%	9.12%	0%	100%

### **Geographic Distribution of Loans**

An analysis of FNB's geographic distribution of credit is not meaningful. There are no low- or moderate-income geographies in the bank's AA.

### **Responses to Complaints**

FNB did not receive any written complaints about its performance in helping to meet the credit needs in the AA during the evaluation period. No further follow up or response is necessary.

### **Fair Lending or Other Illegal Credit Practices Review**

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