



PUBLIC DISCLOSURE

May 24, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Ely
Charter Number 8561**

**595 Aultman Street
Ely, Nevada 89301**

**Office of the Comptroller of the Currency
Salt Lake Field Office
2855 Cottonwood Parkway, Suite 370
Salt Lake City, Utah 84121-7035**

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 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 Ely**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 24, 1999. 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.”**

We assign this rating based on the following factors:

- C A substantial majority of the bank’s loans are made in the assessment area.
- C Loan distribution reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- C The bank’s loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

First National Bank of Ely (FNB) is a full service community bank located in rural east-central Nevada. FNB has one office located in the town of Ely. On March 31, 1999, the bank had total assets of \$34 million. FNB has no subsidiaries or banking affiliates.

FNB provides a variety of credit and deposit services to support small businesses, consumers, and ranchers in the area. On March 31, 1999, the bank's outstanding loans totaled \$16.5 million or 49% of total assets. Residential real estate loans comprised 27% of the loan portfolio, other real estate loans 23%, commercial loans 30%, agricultural loans 8%, and consumer loans 7%. The bank's loan portfolio has grown approximately 42% over the last three years.

The bank received a "Satisfactory" rating in the previous CRA Performance Evaluation dated March 14, 1996. There are no financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area covers White Pine County and consists of three contiguous block numbering areas (BNAs). The estimated population of White Pine County as of July, 1997, was 10,600. Ely is the largest town in the assessment area with a population of 5,190. Other towns in the assessment area include McGill, Lund, and Baker. We concluded that the bank's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 1998 Nevada non-MSA statewide median family income (MFI) was estimated at \$49,500. This figure was published by the U.S. Department of Housing and Urban Development. The following table summarizes the income levels of individual BNA's and families located within the bank's assessment area:

1990 U.S. Census Income	# of BNAs	% of Families
Low Income (<50% MFI)	0	20%
Moderate Income (50-79% MFI)	1	21%
Middle Income (80-119% MFI)	2	25%
Upper Income (120+% MFI)	0	34%

DESCRIPTION OF ASSESSMENT AREA (continued)

The economy of White Pine County is based on mining and tourist related businesses. The largest employer is the BHP Copper Nevada Mining Company, followed by the Ely State Prison. Other sources of employment include cattle ranching and various government jobs. The area economy has suffered some fluctuations due to heavy dependence on mining. The unemployment rate was 7.7% in 1997, and has fluctuated between 5-8% in 1988 and 1999. In recent years, the re-opening of the BHP copper mine and an increase in tourist visits has resulted in new growth for the area. However, parts of the economy are still somewhat depressed. The long term outlook for the area is slow growth, with periodic setbacks expected depending on the mining industry.

FNB's competition in the assessment area comes from branches of two regional banks and a local credit union.

We contacted a community development official in the assessment area to discuss economic conditions and credit needs. This individual stated that the local economy is relatively stable. However, the economic dominance and instability of the mining industry is a major concern. County officials have had some success diversifying the economy with tourism and associated small businesses. The official stated that the local financial institutions are effectively meeting the credit needs of the community. These needs include capital for new small businesses and rehabilitation loans for the older housing stock. FNB Ely has actively participated in White Pine County's revolving loan fund. This fund provides start up capital for new businesses in the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB exhibits a reasonable loan-to-deposit ratio given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the twelve quarters ending December 31, 1998 was 60%. In comparison, the average statewide loan-to-deposit ratio was 65% over the same period. FNB's independent ownership and rural market is unique in Nevada. As a result, no data from similarly situated banks is available for comparative purposes. Nonetheless, FNB's loan-to-deposit ratio has increased substantially over the last several years. The loan-to-deposit ratio at the end of February 1996 was 43%, up from 31% in June 1993.

Lending in Assessment Area

The bank makes a substantial majority of its loans to borrowers located within its assessment area. FNB made 288 loans since our last CRA examination, which are still booked. Of these, 267 (93%) were made within the assessment area. We used bank prepared reports that tracked all loans in the portfolio. We verified the bank's data by comparing customer addresses to zip codes within the assessment area.

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

FNB's lending patterns reflect a reasonable distribution among businesses and individuals of different income levels. The bank originated 67% of business and farm loans to entities with gross revenues less than \$250,000. In addition, the bank made 40% of consumer loans to low- and moderate-income families. This record compares favorably to the group's 41% representation in the assessment area.

We analyzed the distribution of thirty-one business and agricultural loans made from June 30, 1996 to May 31, 1999. The following chart reflects the distribution of business loan originations to businesses of various sizes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Business and Agricultural Loan Sample Analysis

Gross Business Revenues	# of Loans	% of Loans
Less than \$100,000	15	48%
\$100,000 to \$250,000	6	19%
\$250,000 to \$500,000	4	13%
\$500,000 to \$1,000,000	3	10%
Greater than \$1,000,000	3	10%

We also reviewed the distribution of twenty residential real estate loans made from June 30, 1996 to May 31, 1999. The income information was obtained from individual loan files. The following chart compares the bank's distribution of residential real estate loan originations (number of loans) to families of different income levels:

Residential Real Estate Sample Analysis

Family Income	% of residential RE loans	% of Families in Assessment Area
Low (<\$24,750)	10%	20%
Moderate (\$24,751-\$39,600)	30%	21%
Middle (39,601-\$59,400)	45%	25%
Upper (>\$59,401)	15%	34%

Geographic Distribution of Loans

FNB's assessment area contains insufficient diversity to make a geographic distribution analysis meaningful. The assessment area consists of three BNA's, two are middle-income and one is moderate-income.

Record of Complaints and Compliance with Anti-discrimination Laws

There were no complaints about the bank's CRA performance from the public since the last CRA examination.

We reviewed the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. We did not find any violations of the substantive provisions of anti-discrimination laws and regulations