



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 18339**

**841 Illinois Street
Sidney, Nebraska 69162**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 **First National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 24, 1997. 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.**”

First National Bank's lending performance reflects satisfactory responsiveness to its community credit needs. The loan-to-deposit ratio is reasonable and comparable to that of other local institutions. The bank makes most of its loans within its assessment area. In addition, the distribution of loans reflects good penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION:

First National Bank is a \$27 million community bank located in western Nebraska. The bank serves Cheyenne County and Morrill County. The bank’s main office is located in Sidney, Nebraska. In addition, the bank has one branch located in Dalton, Nebraska. First National Bank has one automated teller machine which is located at the main office. The bank’s holding company, First Nebraska Bancs Inc., owns 100% of the bank. The holding company owns six other community banks in Nebraska, Colorado, and Wyoming.

The bank’s primary business focus is agricultural lending. As of June 30, 1997, agricultural loans represented 46% of total loans. The remainder of the portfolio was comprised of commercial loans (27%), loans to individuals (12%), and 1-4 family residential real estate loans (15%). Loans represent 52% of the bank’s total assets. There are no financial or legal impediments that affect the bank’s ability to meet the credit needs of the assessment area.

The last Community Reinvestment Act examination was performed September 15, 1994. The bank received a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area consists of Cheyenne and Morrill Counties. The community is rural, and neither county is part of a Metropolitan Statistical Areas (MSAs). According to 1990 Census data, only 14,917 people live in the assessment area. This area consists of four block numbering areas (BNAs). As shown in the following table, all of the BNAs have a middle-income census designation.

ASSESSMENT AREA BNA CHARACTERISTICS				
BNA	BNA Income as a % of Statewide Non-MSA Income (\$27,663)	U.S. Census Income Designation	County	Towns Included
9548	94%	Middle	Cheyenne	Dalton, Potter, Gurley
9549	115%	Middle	Cheyenne	Sidney, Lodgepole
9550	98%	Middle	Cheyenne	Sidney
9525	89%	Middle	Morrill	Bridgeport, Bayard, Broadwater

The local economy is tied to agriculture, both crops and cattle. Major crops in the area include wheat, beans, alfalfa, millet, and corn. The largest employer in Sidney is Cabelas, a sporting goods retailer/outfitter. Cabelas was the largest tourist attraction in Nebraska during 1996. Other major employers include city, county, and state governments and various service industries located throughout the community. Area unemployment is low at 0.4%.

First National Bank is one of six financial institutions in Sidney. However, the bank faces competition throughout Cheyenne and Morrill Counties. There are nine competing financial institutions in the assessment area including community banks and savings and loan associations.

We reviewed the results of eight community contacts in the assessment area performed by the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of the Comptroller of the Currency (OCC) from September 1994 through February 1997. The contacts included two local businesses, two local government entities, and one economic development organization. Credit needs identified through the contacts were related mainly to small business and residential housing lending. The contacts stated that financial institutions are sufficiently meeting the credit needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First National Bank's loan-to-deposit ratio is reasonable. From September 30, 1995, through June 30, 1997, the bank's quarterly loan-to-deposit ratio averaged 60.5%. The ratio is comparable to four other similarly situated community banks within the assessment area. Their average loan-to-deposit ratios for eight quarters ending June 30, 1997, ranged from 30.2% to 70.9%. In addition, the loan-to-deposit ratio for all community banks located in Nebraska averaged 69.4% over the same period.

Lending in Assessment Area

Most of the bank's loans are within its assessment area. We reviewed 197 loans made from January 1997 through August 1997 and found that only two were located outside of the assessment area. This sample represents approximately 53% by number of total loans made during the same period. In addition, the bank's internal reports show that a majority of loans made during 1996 were within the assessment area. The reports show that 80% by number, and 63% by dollar of 1996 loan originations were made to customers residing in the towns of Sidney, Dalton, Gurley, and Broadwater. These figures do not include loans made outside of these four towns but within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

First National Bank's lending patterns show a good distribution of loans among farms, businesses, and individuals of different income levels. Loan originations are well distributed among the four income levels and compare favorably to assessment area demographics. We sampled 70 consumer loans made by the bank from January 1997 through August 1997 and compared each borrower's income to the Nebraska median-family income. The 1997 Department of Housing and Urban Development (HUD) median-family income for non-MSA areas of Nebraska is \$37,100. The results of our sample are summarized in the following table:

LOAN DISTRIBUTION TO BORROWERS OF DIFFERENT INCOME LEVELS			
Income Designation of the Borrower	% of Families in the Assessment Area	# of Loans Based on Sample	% of Loans Based on Sample
Low	18%	18	26%
Moderate	20%	15	21%
Middle	24%	17	24%
Upper	38%	20	29%
Total	100%	70	100%

Most of the bank's commercial and agricultural loans are to small farms and small businesses. We sampled 89 business and farm loans made from January through August 1997. Only two loans within this sample (2%) were to entities with gross annual revenues exceeding \$1 million. This information also compares favorably to assessment area demographics. According to current business demographic data provided by Dunn & Bradstreet, 45 of the 52 farms in the assessment area (87%) have gross annual revenues of less than \$1 million. In addition, 452 of the 612 non-farm businesses in the assessment area (71%) have gross annual revenues less than \$1 million.

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. The assessment area does not have sufficient income variation in its geographies for a meaningful analysis. All four BNAs within the assessment area are middle-income geographies based on the state non-MSA median family income.

Response to Complaints

There have been no complaints regarding the bank's CRA activities since the last CRA Performance Evaluation dated September 15, 1994.

Record of Compliance with Antidiscrimination Laws

Our fair lending examination did not find any evidence of discrimination or practices intended to discourage applicants from applying for credit.