



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

July 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Gordon
Charter Number 8521**

**134 North Main
Gordon, Nebraska 69343**

**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 **The First National Bank of Gordon, Gordon, Nebraska**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 27, 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 “**Outstanding.**”

The First National bank of Gordon’s lending performance reflects exemplary responsiveness to the credit needs of the community. The loan-to-deposit ratio is reasonable compared to other banks in the assessment area. A substantial majority of loans and related lending activities originate in the bank’s assessment area. In addition, the distribution of loans reflects excellent penetration to individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION:

The First National Bank of Gordon is a \$78 million community bank located in Gordon, Nebraska. The bank has one office and one off-premises ATM at a local convenience store. Gordon has a population of approximately 1,800 and is within 15 miles of the South Dakota border. The border is also the southern boundary of the Pine Ridge Indian Reservation.

The bank’s primary business focus is commercial, agricultural, and consumer lending. As of March 31, 1998, agricultural loans represent 71% of total loans. The remainder of the portfolio is comprised of commercial loans (11%), loans to individuals (7%), and other loans (11%). Loans and letters of credit represent 63% of the bank’s total assets.

The bank is owned by Islam Management Company, a one-bank holding company. There are no financial or legal impediments that affect the bank’s ability to meet the credit needs of the assessment area.

We performed the prior CRA Examination as of December 6, 1996. The bank received a “Satisfactory Record of Meeting Community Credit Needs.”

DESCRIPTION OF ASSESSMENT AREAS:

The bank has designated two assessment areas. One is in Nebraska and the other is in South Dakota. The assessment areas are contiguous but divided by the state border. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

The assessment areas are dependent upon agriculture. Crops grown in the area are corn, wheat, beans, and hay. The cattle market is also a significant contributor to the local economy. However, the low cattle prices have negatively impacted the economy. Tourism and the Pine Ridge Indian Reservation are also important to the local economies. Major employers include local, city, and county governments; local school systems; and the Oglala Sioux Tribe.

The First National Bank of Gordon is one of two banks in the town of Gordon. Three other financial institutions compete for business in the bank’s assessment areas and have offices in the towns of Rushville, Hay Springs, Merriman, and Valentine in Nebraska and Martin in South Dakota.

Description of the Nebraska Assessment Area

The Nebraska assessment area has four block numbering areas (BNAs). As shown in the following table, one is moderate income and three are middle income. Based on the 1990 census, the population was 13,057. The updated median family income for this area is \$39,300.

ASSESSMENT AREA PROFILE SHERIDAN AND CHERRY COUNTIES IN NEBRASKA						
Demographic Characteristics	#	\$	Low % of	Moderate % of #	Middle % of #	Upper % of #
Median Income (\$)		39,300 (1997)				
Block Numbering Areas	4		0%	25%	75%	0%
Unemployment Rate April 1998	1.5%					
Owner-Occupied Housing (#)	6,234		0%	10%	90%	0%
Median Housing Value (\$)		28,621 (1990)				

The demographic makeup of the families in the assessment area is detailed in the following table.

FAMILIES IN THE NEBRASKA ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and Percent of Median Family Income	Number	Percent
Low Income (0 - 50%)	844	23
Moderate Income (50 - 80%)	850	24
Middle Income (80 - 120%)	796	22
Upper Income (> 120%)	1,113	31
Total	3,603	100

> = Greater than.

Description of the South Dakota Assessment Area

The South Dakota assessment area has five BNAs. As shown in the following table, two are low income, two are moderate income, and one is middle income. This assessment area includes all of the Pine Ridge Indian Reservation. Based on the 1990 census, the population of the assessment area was 15,919. The updated median family income for this area is \$36,800.

ASSESSMENT AREA PROFILE BENNET, JACKSON, AND SHANNON COUNTIES IN SOUTH DAKOTA						
Demographic Characteristics	#	\$	Low % of	Moderate % of #	Middle % of #	Upper % of #
Median Income (\$)		36,800 (1997)				
Block Numbering Areas	5		40%	40%	20%	0%
Unemployment Rate April 1998	6.6%					
Owner-Occupied Housing (#)	5,138		44%	38%	18%	0%
Median Housing Value (\$)		19,745 (1990)				

The demographic makeup of the families in the assessment area is detailed in the following table.

FAMILIES IN THE SOUTH DAKOTA ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and Percent of Median Family Income	Number	Percent
Low Income (0 - 50%)	1,466	44
Moderate Income (50 - 80%)	635	19
Middle Income (80 - 120%)	566	17
Upper Income (> 120%)	658	20
Total	3,325	100

> = Greater than.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The First National Bank of Gordon's loan-to-deposit ratio is reasonable. From June 30, 1996, through March 31, 1998, the bank's quarterly loan-to-deposit ratio averaged 73%. The ratio is above the average of 23 similarly situated banks. The average loan-to-deposit ratios for eight quarters ending March 31, 1998, for the 23 comparable banks in Nebraska is 63%.

Lending in Assessment Area

The bank originates a substantial majority of loans within its assessment area. For loans originated in 1997 and through June 30, 1998, the bank originated 8,106 real estate, agriculture, commercial and consumer loans. The following table compares total number of loans by type originated by the bank compared to the total number of loans originated in the assessment area.

PERCENTAGE OF LOANS ORIGINATED WITHIN ASSESSMENT AREAS (AAs)			
Loan Type	By Number in AA	By Number Total Loans Originated	Percentage
Real Estate	66	74	89
Agriculture	1,832	2,122	86
Commercial	745	817	91
Consumer	4,876	5,093	96
Total % of Loans Within AA	7,519	8,106	93

Geographic Distribution of Loans within the Assessment Area

The bank's lending patterns show a good distribution among low- and moderate-income geographies. We reviewed the distribution of all 1997 loan originations and found that 64% of the loans were made to customers in low- or moderate-income BNAs. This distribution is also favorable to area demographics. Approximately 56% of the area population resides in low- or moderate- income BNAs and five of the nine BNAs comprising the assessment areas are low- or moderate- income BNAs. The geographic distribution of 1997 loans is summarized in the following table.

GEOGRAPHIC DISTRIBUTION OF 1997 LOAN ORIGINATIONS			
BNA Designation*	Percentage of Population Residing	Number of 1997 Loan Originations	Percent of 1997 Loan Originations
Low Income	34	2,825	55
Moderate Income	22	487	9
Middle Income	44	1,858	36
Upper Income	0	0	0
Totals	100	5,170	100

*Based on demographic data from the 1990 U.S. Census.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The First National Bank of Gordon'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 show a strong emphasis among low- and moderate-income borrowers.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS			
Income Designation of the Borrower	Number of Consumer Loans	Percent of Consumer Loans	Percent of Families in the Assessment Area
Low	36	60	33
Moderate	11	18	21
Middle	9	15	20
Upper	3	5	26
Income Not Available	1	2	NA
Total	60	35	100

Data based on our consumer loan sample of unsecured personal loans and auto loans.

Loans to Businesses and Farms of Different Sizes

The bank does a good job of meeting the small business and farm credit needs of its community. Ninety-nine percent of commercial and agricultural loans extended between January 1, 1998, and June 30, 1998, were made to businesses and farms meeting the definition of small business. The bank was recognized by the Small Business Administration (SBA) on July 10, 1998, as one of the banks most friendly to small businesses among Nebraska banks. The study examined each Nebraska bank's small business loan portfolio, not only those with SBA guarantees. It considered each bank's total assets, and its total small business loans. The First National Bank of Gordon has a portfolio of more than 340 small business loans.

BUSINESSES AND FARMS OF DIFFERENT SIZES		
Gross Revenues	Number of Customers*	Percentage of Customers
Large Business and Farm Customers (Over \$1 Million)	5	< 1
Small Business and Farm Customers (Under \$1 Million)	938	99
Total Business and Farm Customers	943	100

*Based on commercial and agricultural customers receiving credit between January 1, 1998, and June 30, 1998.
 < = Less than.

Community Development Lending

The bank has taken a leadership role in community development lending through involvement in loans that directly benefit low- and moderate-income individuals. The bank is one of the primary lenders on the Pine Ridge Indian Reservation which is located in the poorest county in the United States. The bank currently has eight community development loans to businesses on the Pine Ridge Indian Reservation totaling \$750,000. The loans to these businesses directly support the low income areas of the Pine Ridge Indian Reservation through home building, education, health, and communications.

The bank continues to work with the Department of Housing and Urban Development (HUD) department to originate loans to individuals on the reservation under a new guaranteed loan program called the 184 Loan Program. The bank will be the conduit to sell these loans in the secondary market which will be fully guaranteed by the Federal Government. HUD is working with the Oglala Sioux Housing Authority to make these loans possible. The bank has worked with both the Oglala Sioux Housing Authority and HUD to work out the details.

Record of Compliance with Anti-discrimination Laws

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

Response to Complaints

No complaints have been received regarding the bank’s CRA performance.