



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 01, 2009**

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

The First National Bank of Holdrege  
Charter Number 3208

401 East Avenue  
Holdrege, NE 68949-0800

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, NE 68154-5298

**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.**

The First National Bank of Holdrege (FNB) satisfactorily meets the credit needs of its assessment area.

- The bank maintains a reasonable loan-to-deposit ratio relative to area competition and the credit needs of the community.
- The bank's record of lending to borrowers within its assessment area is satisfactory.
- The bank's pattern of lending to farms and businesses of difference revenue sizes reasonably reflects area demographics.
- The bank's responsiveness to community development needs and opportunities in its assessment area is satisfactory in light of its capacity and area opportunities.

**SCOPE OF EXAMINATION**

The evaluation period for this Community Reinvestment Act (CRA) examination focuses on loan originations from January 2004 through May 2009. We reviewed both the dollar amount of loans and the number of loans originated during the evaluation period to determine the bank's primary lending products. We determined that FNB's primary loan products are agricultural loans and commercial loans. We randomly selected a loan sample of twenty agricultural loans and twenty commercial loans originated between January 1, 2007 and June 1, 2009. Our conclusions are based on this sample.

**DESCRIPTION OF INSTITUTION**

FNB is a \$92 million institution located in south-central Nebraska. The bank has a presence in Phelps County, Nebraska. FNB operates out of its main office and its drive-up branch location in Holdrege, Nebraska. The branch location does not offer loan products. FNB has two deposit-taking automatic teller machines (ATMs), both of which are located in Holdrege, Nebraska. There are no legal or financial barriers limiting the bank's ability to meet community credit needs.

First Holdrege Bancshares, a one-bank holding company located in Holdrege, Nebraska, owns 100% of FNB. As of March 31, 2009, the holding company had total assets of \$92 million.

FNB offers a range of credit products including agricultural, real estate, commercial, and consumer loans. As of March 31, 2009, FNB's loan portfolio accounted for 38% of total assets. FNB operates primarily as an agricultural and commercial lender. The following chart provides a breakdown of FNB's lending products during the evaluation period.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Agricultural Loans	65%	49%
Commercial Loans	24%	17%
Consumer Loans	6%	29%
Real Estate Loans	4%	3%
Other	1%	2%
Total	100%	100%

FNB competes for loan and deposit products primarily with three other financial institutions located in Holdrege, Nebraska.

FNB received a “Satisfactory” rating at the previous CRA examination dated January 12, 2004. Refer to the bank’s CRA Public File for more information.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated census tracts 9670, 9671, and 9672 in Phelps County as its assessment area (AA). This area includes Holdrege, Nebraska, which is the location of the bank’s two offices. All three of the census tracts in this AA are classified as middle-income. The designated AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. The AA is not located within a Metropolitan Statistical Area (MSA). Refer to the CRA Public File for a map specifically outlining the bank’s AA.

FNB’s AA is a rural area including five towns. According to the 2000 United States Census, the population of the AA is 9,747. The largest town in the AA is Holdrege, Nebraska, which is located in the central part of Phelps County. Holdrege is its respective county’s seat and has a population of 5,349.

The updated Housing and Urban Development (HUD) median family income for non-metropolitan statistical areas in Nebraska is \$53,700 for 2009. The 2008 weighted average of median family income for FNB’s AA is \$44,773. The weighted average median household income for the AA is \$37,486. Ten percent of the households in FNB’s AA are below the poverty level. Sixty-seven percent of the housing units in the AA are owner-occupied.

The AA’s economy has remained stable and is reliant on the agricultural industry. Eighteen percent of the businesses in FNB’s AA are farms. The drought monitor as of May 26, 2009 indicated an optimistic opinion about the weather conditions for the coming year. Light industry, local school systems, local government, and the health care industry provide some economic diversification in the AA.

Examiners conducted one community contact during this examination cycle. The contact was the Executive Director of a non-profit organization that supports economic development in the AA. The Executive Director indicated that the primary credit needs

of the community include commercial loans, residential loans, and consumer loans. FNB offers each of these loan types.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit (LTD) Ratio

**The bank's LTD Ratio is satisfactory given the institution's size, financial condition, area competition, and the credit needs of the community.**

FNB maintains a satisfactory LTD ratio that averaged 63% over the last twenty quarters. The average LTD ratio in similarly situated banks over the same time period was 84%. Individual LTD ratios ranged from 74% to 96% per bank. Similarly situated banks are those banks of similar size and/or business lines operating within the same geography.

### Lending in Assessment Area

**A reasonable majority of loans by number and dollar volume are originated within the bank's assessment area.**

FNB does a satisfactory job of lending to customers in its AA. We reviewed a random sample of twenty agricultural loans and twenty commercial loans to determine the bank's lending performance within their AA. Ninety percent of the loans by number and 63% of the loans by dollar were to borrowers in the bank's AA. The following table shows the findings of our sample:

Lending in FNB's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	18	90	2	10	20	3,732,200	98	\$ 90,000	2	\$3,822,200
Commercial	18	90	2	10	20	1,606,513	35	\$3,012,000	65	\$4,618,513
Total	36	90	4	10	40	5,338,713	63	\$3,102,000	37	\$8,440,713

*Source: Random loan sample*

### Lending to Farms and Businesses of Different Sizes

**The bank's pattern of lending to farms and businesses of different sizes in the AA is satisfactory.**

FNB meets the standards for lending to farms of different sizes. We reviewed a random sample of twenty agricultural borrowers in the bank's AA with loans originated between January 1, 2007 and June 1, 2009. Sixty-five percent of the loans by number, and 33% of loans by dollar, were to farms with total revenue of less than or equal to \$1 million. This reasonably meets the demographics of the bank's AA. The following table shows the findings of our sample:

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96%	3%	1%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	33%	61%	6%	100%

*Source: Random loan sample and 2008 geodemographic data.*

FNB also meets the standards for lending to businesses of different sizes. We reviewed a random sample of twenty commercial borrowers in the bank’s AA with loans originated between January 1, 2007 and June 1, 2009. Seventy percent of the loans by number and 39% of the loans by dollar were to businesses with total revenue of less than or equal to \$1 million. This is reasonable compared to the demographics of the bank’s AA. The following table shows the findings of our sample:

<b>Borrower Distribution of Loans to Business in AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	96%	3%	1%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	33%	61%	6%	100%

*Source: Random loan sample and 2008 geodemographic data*

**Geographic Distribution of Loans**

All of the census tracts in FNB’s AA are middle-income. Therefore, a specific analysis of geographic distribution is not meaningful.

**Responses to Complaints**

FNB has not received any CRA-related complaints since the last CRA examination.

**COMMUNITY DEVELOPMENT ACTIVITIES**

In addition to its normal operations, FNB supports the development needs of its AA. Supporting an AA’s community development (CD) needs is optional for a bank of FNB’s size. FNB provided its AA with \$159 thousand of CD loans and investments during the evaluation period. In addition, four bank officers provided financial expertise to four organizations supporting the CD needs of the AA.

**FAIR LENDING OR OTHER ILLEGAL PRACTICES REVIEW**

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