



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 28, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Unadilla
Charter Number 12225

Office of the Comptroller of the Currency
Omaha Duty Station
11606 Nicholas Street
Omaha, Nebraska

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 Unadilla prepared by The Office of the Comptroller of the Currency, as of August 28, 1996. 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 Unadilla (FNBU) exceeds the satisfactory standard for meeting the credit needs of its assessment area. The bank has a good loan-to-deposit (LTD) ratio. The majority of loans originated during a sample period from January 1996 to July 1996 were within the bank's assessment area. A sample of agriculture, residential real estate, and automobile loans revealed that the bank does a good job lending to borrowers of different income levels and business sizes.

The following table indicates the performance level of The First National Bank of Unadilla with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Unadilla PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	AN ANALYSIS OF THIS CRITERION WOULD NOT BE MEANINGFUL TO THE EXAMINATION CONCLUSION.		
Response to Complaints	NO COMPLAINTS RECEIVED SINCE THE LAST EXAMINATION.		

DESCRIPTION OF INSTITUTION

The First National Bank of Unadilla is a \$20 million financial institution located in Southeast Nebraska in Otoe County. The bank's main office is in Unadilla. It has a Loan Production Office in neighboring Tecumseh and automated teller machines in Unadilla and Syracuse. The bank has a branch location currently under construction in Syracuse. UB Incorporated, a one-bank holding company, owns 100% of the bank.

The bank offers a number of agricultural, commercial, real estate, and consumer loan products. FNBU participates in the Farm Services Administration and Small Business Administration guarantee programs. The loan portfolio consists of 41% agricultural real estate and operating, 23% residential real estate (1-4 family), 13% commercial, 15% consumer, and 8% other real estate. The bank also originates home mortgages for sale on the secondary market.

FNBU is the third smallest of nine financial institutions in its assessment area. The asset size of the nine institutions range from \$3.5 million to \$135 million. The bank has no legal or financial impediment which precludes it from fulfilling its obligation under the CRA. The bank received an "outstanding" rating for the CRA examination dated January 11, 1994.

DESCRIPTION OF ASSESSMENT AREAS

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies or block numbering areas (BNA). The assessment area consists of all BNAs in Johnson and Otoe Counties. The seven BNAs in the assessment area are all middle income.

The 1996 statewide non-metropolitan statistical area median family income is \$35,100. The 1990 Census reveals that the family income distribution is 16% low-, 20% moderate-, 27% middle-, and 37% upper-income. The total population of the assessment area is 18,925 according to the 1990 Census.

Agriculture and agriculture-related businesses are the dominate industries in the assessment area. Services and manufacturing jobs contribute to the economic viability of the area. Many community residents commute to Lincoln and Nebraska City for employment. The bank and members of the community identified the primary credit needs of the community as agriculture and small business loans. FNBU and eight other financial institutions operate in a very competitive lending and deposit environment within the assessment area.

The community also has a need to increase low-to-moderate housing stock. The community has very few affordable homes available for sale to low-to-moderate income people. According to bank management and a local realtor, the cost of existing homes has virtually doubled in the past 5 years due to the attractiveness of the area to larger city residents. Annual sales of existing homes for the two counties normally fall somewhere between 25 and 50. There is very little 1-4 family residential real estate development in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNBU's average quarterly LTD ratio since the last examination is good. The bank's average quarterly LTD ratio for ten quarters is 73% and the second highest of 8 banks in the assessment area. The highest LTD ratio for the two counties is 77% and the lowest is 35%, with an average of 61%. The bank's quarterly LTD ratio has been consistently above 78% for the last four quarters.

Lending in the Assessment Area

Lending within the bank's assessment area meets the standard. Between January 1996 and July 1996, the bank made 77% of the total dollar amount and 74% of the total number of all loans originated to customers within its assessment area, \$3.6 million and 284 loans, respectively.

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

Lending to borrowers of different income levels and business sizes exceeds the standard for satisfactory. A sample of agriculture-related loans shows that the bank does a good job lending to small businesses. The gross revenue sizes for a sample of agriculture borrowers ranged from \$247 thousand to \$2 thousand. The dollar amount of the loans ranged from \$95 thousand to \$1 thousand. The majority of the number and dollar amount of agriculture loans were to businesses with gross revenues less than \$100 thousand. The following table summarizes the results of this analysis:

AGRICULTURE LOANS ORIGINATED BETWEEN 1/96 AND 7/96				
GROSS REVENUES (000)	#	%	\$ (000)	%
>100	9	19 %	308	42%
51-100	11	23 %	209	28%
26-50	10	21 %	98	13%
< 26	18	37 %	128	17

A sample of loans revealed that the bank provided credit to all segments of the community, particularly low- and moderate-income borrowers. The sample consisted of residential real estate and automobile loans originated within the assessment area between January 1994 and July 1996. The sample showed that 27% of the total dollar amount and 28% of the total number of residential real estate loans were to low- and moderate-income customers. Also, 60% of the dollar amount and 63% of the total number of automobile loans were to low- and moderate-income borrowers. The following tables summarize the results of our analysis:

RESIDENTIAL REAL ESTATE LOANS ORIGINATED BETWEEN 1/94 AND 7/96				
INCOME LEVEL	#	%	\$	%
LOW	1	3%	6,000	1%
MODERATE	8	25%	246,000	26%
MIDDLE	14	44%	409,000	43%
UPPER	9	28%	280,000	30%

AUTOMOBILE LOANS ORIGINATED BETWEEN 1/94 AND 7/96				
INCOME LEVEL	#	%	\$	%
LOW	6	16%	52,089	17%
MODERATE	18	47%	133,922	43%
MIDDLE	10	26%	107,559	34%
UPPER	4	11%	19,736	6%

Geographic Distribution of Loans

The BNAs in the assessment area are all middle-income. An analysis of the geographic distribution of loans would not be meaningful to the examination conclusion.

Record of Compliance with Anti-discrimination Laws

FNBU complies with the substantive provisions of antidiscriminatory laws and regulations. There have been no consumer complaints filed with the bank or the Comptroller of the Currency.