



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 7, 2007**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Valentine  
Charter Number 6378**

**253 North Main Street  
Valentine, Nebraska 68201**

**Comptroller of the Currency  
Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, Nebraska 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.**

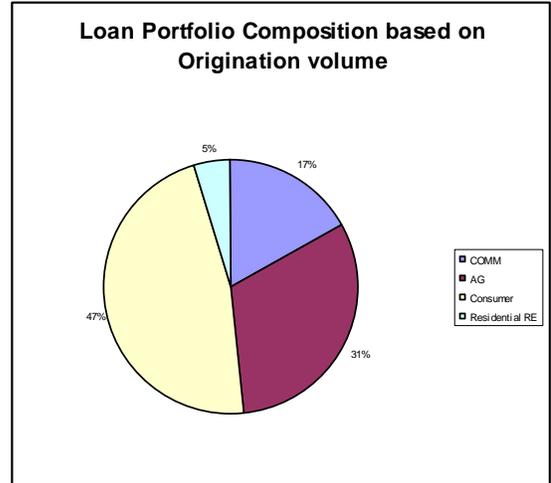
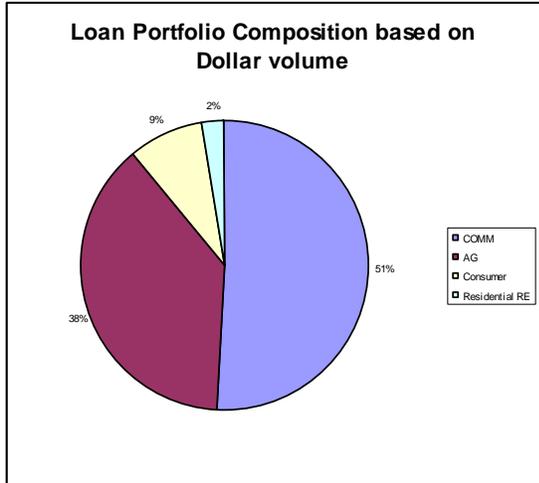
- The First National Bank of Valentine (FNBV) has a satisfactory record of lending to agricultural and commercial borrowers of different sizes and individuals of different income levels.
- The majority of the loans made by FNBV are within the assessment area (AA).
- FNBV has a satisfactory record of lending to geographies of different incomes.
- The bank's average loan-to-deposit ratio since the last examination was reasonable.
- The bank did not receive any complaints about its performance in helping to meet AA credit needs during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.
- FNBV is meeting the limited needs of the community.

## **DESCRIPTION OF INSTITUTION**

FNBV is a \$133 million institution located in North Central Nebraska. The bank is owned by Valentine Bancorporation, Inc., a one-bank holding company. FNBV received a "Satisfactory" rating at the last CRA examination, dated October 16, 2002. The city of Valentine is in the northeast part of Cherry County in Nebraska. The bank's primary loan products are agricultural, commercial, and consumer loans. FNBV has one full service facility and one automated teller machine. All facilities are located in the AA.

The bank's strategy is to be the bank of choice in Valentine, Nebraska. FNBV is the only locally owned bank in town, and this is recognized in the community. The primary competition within the AA includes branches of several large regional banks.

Please refer to the graphs on the following page for a breakdown of the loan portfolio based on dollar volume and origination volume from January 1, 2005 to May 3, 2007.



*Refer to FNBV's CRA Public File for more information.*

## **DESCRIPTION OF CHERRY COUNTY**

The bank's AA encompasses all of Cherry County, which is predominately ranchland. This AA is comprised of one moderate-income and one middle-income block numbering area. The AA does not arbitrarily exclude any low- or moderate-income areas.

The 2000 United States Census indicated the population of Cherry County was 6,148. Valentine is the largest city in the county, with a population of 2,820. Population estimates for 2006 from the Census indicate a 3.5% decline in population in Cherry County. Cherry County includes eight towns; seven of the towns have populations below 150 people. Only 25% of the population of Cherry County live in the moderate-income tract; however, 80% of the land is in the moderate-income tract.

Agricultural credit and small business credit remain the primary credit needs in Cherry County according to a community contact. The community contact stated economic development in Cherry County is very minimal and the population continues to decline. The community contact stated the financial institutions in Cherry County are meeting the credit needs of the communities and are offering sufficient products and services.

*Refer to FNBV's CRA Public File for more information.*

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio meets the standards for financial institutions. FNBV's quarterly average loan-to-deposit ratio since the prior CRA examination is 49%, but is considered reasonable. Similarly situated banks in the area had average ratios of 65.49%. Competing banks range from 64% to 66%. FNBV's loan-to-deposit ratio is considered reasonable as it is within 75% of the similarly situated banks.

The FNBV ratio is considered skewed due to the large volume of non-local deposits the bank held for most of the rating period. Analysis indicates that without these deposits, which are no longer on the bank's books, the average loan-to-deposit ratio would be 57%.

### Lending in Assessment Area

Loans made inside the AA meet the standards for financial institutions. The loan sample consisted of 60 randomly selected agricultural, commercial, and consumer loans originated in 2005, 2006, and 2007.

Agricultural loans made inside the AA meet the standards for financial institutions. The majority of FNBV's agricultural loans are made in its AA. The loan sample consisted of 20 randomly selected agricultural loans. The following table summarizes the number and dollar volume of loans made inside and outside of the AA.

Lending in Cherry County										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	15	75	5	25	20	2,297M	82	508M	18	2,805M

Commercial loans made in the bank's AA are reasonable by number, but low by dollar. The lower dollar amount of commercial loans is due to the low commercial loan demand in the AA. The low demand for commercial loans in the AA lead the bank to purchase participations from banks outside the AA in an effort to grow the loan portfolio. Other driving factors were the declining population and few opportunities to attract new local commercial customers. The loan sample consisted of 20 randomly selected commercial loans. The following table summarizes the number and dollar volume of loans made inside and outside of the AA.

Lending in Cherry County										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	16	80	4	20	20	1,592M	28	4,013M	72	5,605M

Consumer loans made inside the AA meet the standards for financial institutions. A majority of

FNBV's consumer loans are made in its AA. The loan sample consisted of 20 randomly selected consumer loans. The following table summarizes the number and dollar volume of loans made inside and outside of the AA.

<b>Lending in Cherry County</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	11	55	9	45	20	121M	53	107M	47	228M

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

FNBV has a good record of lending to farms and businesses of different sizes and individuals of different income levels.

FNBV's distribution of agricultural borrowers of different sizes reflects the demographics of Cherry County. Based on 20 borrowers sampled, the bank's distribution of loans to farms with different revenues is reasonable. Information was obtained from the 2006 Business Geodemographic Data.

The distribution of commercial borrowers reflects reasonable penetration of businesses of different sizes. Based on 20 borrowers sampled, the bank's distribution of loans reasonably compared to demographic information. Information was obtained from the 2006 Business Geodemographic Data.

The distribution to consumer borrowers of different income levels is satisfactory. Based on 20 borrowers sampled, the bank's distribution of loans to consumers compared favorably to the breakdown of the percentage of households at each income level. Information was obtained from the 2000 U.S. Census Bureau.

### **Geographic Distribution of Loans**

FNBV has a satisfactory record of lending to the moderate-income tract in their AA when compared to demographic data from the 2000 U.S. Census Bureau information.

The geographic distribution of agricultural borrowers reflects reasonable distribution within the moderate-income tract. Based on the 20 borrowers sampled, the bank's distribution of loans reasonably compared to demographic information.

None of the commercial loans in the sample were originated in the bank's moderate-income tract; however, the bank's performance is considered satisfactory. This moderate-income tract is predominantly agricultural resulting in few commercial lending opportunities. Also, there are no communities located in the moderate-income tract, which would provide the bank a greater opportunity to lend to businesses in those communities. In addition, other lending institutions in surrounding counties are geographically closer to the portion of this tract containing commercial lending opportunities. This results in other institutions servicing the limited commercial lending needs of the moderate-income tract.

The geographic distribution of consumer borrowers reflects adequate distribution within the moderate-income tract. Based on the 20 borrowers sampled, the bank's distribution of loans reasonably compared to census data.

### **Responses to Complaints**

FNBV has not received any CRA related complaints since the last performance evaluation.

### **Fair Lending or Other Illegal Credit Practices Review**

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