



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

February 20, 1998

Community Reinvestment Act Performance Evaluation

*First National Bank and Trust Company
Charter Number 2746*

*1701 Stone Street
Falls City, Nebraska 68355*

**Office of the Comptroller of the Currency
Omaha Field Office
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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 CRA performance of **First National Bank and Trust Company** prepared by The Office of the Comptroller of the Currency, as of February 20, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "Satisfactory."

First National Bank and Trust Company (FNBTC) satisfactorily meets the credit needs of its assessment area. The bank's lending efforts result in reasonable penetration of borrowers of different income levels and businesses and farms of different sizes. FNBTC makes a majority of its loans to borrowers located within its assessment area.

Description of Institution

First National Bank and Trust Company (FNBTC) is a \$66 million financial institution located in southeast Nebraska. The bank's main office is a full-service facility located in downtown Falls City, Nebraska. The bank also operates a drive-up/walk-in facility in downtown Falls City. The bank owns one automated teller machine (ATM) in Falls City located inside a local gas station/convenience store. First Financial Services, Inc., a one-bank holding company, owns 99 percent of FNBTC's bank stock.

Agricultural, residential real estate, and commercial loans represent a majority of the bank's loans. As of December 31, 1997, the bank's loan portfolio totaled \$25 million. The portfolio consisted of agricultural (33%), residential real estate (28%), commercial (22%), and consumer (17%) loans.

FNBTC received a "Satisfactory" rating for the prior CRA examination. There are no legal or financial impediments which preclude the bank from its obligation under the CRA.

Description of Assessment Area

Examiners assisted management in determining the bank's assessment area (AA), as it previously did not include whole geographies. The newly-identified AA includes all of Richardson County. The AA contains four middle-income Block Numbering Areas (BNAs). The AA does not arbitrarily exclude any low- or moderate-income areas.

The AA is primarily rural, but includes the communities of Falls City, Rulo, Shubert, Stella, Verdon, Salem, and Humboldt. The population of the AA is 9,937 according to the 1990 Census. Falls City is the largest community with a population of 4,769 and serves as the county seat. Agricultural operations and related businesses contribute significantly to the local economy. Retail trade, health services and manufacturing also contribute to the economic viability of the AA.

The 1997 statewide non-metropolitan median family income for Nebraska is \$37,100. The 1990 Census categorizes the distribution of families by income level within the AA as 22% low-, 22% moderate-, 26% middle-, and 30% upper-income. The 1990 Census reports 2,741 families within the AA.

The AA's primary credit needs are loans for agricultural, small business and housing purposes. Two community members, contacted by bank examiners, stated that all local financial institutions actively participate in lending programs designed to help meet the AA credit needs.

Conclusions with Respect to Performance Criteria

FNBTC's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition and AA credit needs. The bank's LTD ratio was 44 percent as of September 30, 1997. Since March 31, 1995, the LTD ratio has averaged 44 percent. The bank's average LTD ratio compares favorably to its only similarly-situated competitor at 42 percent.

FNBTC originates a majority of its loans within its AA. Based on a zip code analysis, 91 percent of the total number of loans originated from January 1, 1995 through December 31, 1997 were to customers within the bank's AA.

The bank originates a reasonable level of loans to borrowers of different income levels. We reviewed a sample of 63 loans secured by a borrower's primary residence to determine this. The following table summarizes the results of our review. The table also compares borrower income levels to the AA's demographics.

Distribution of Borrower Income Levels			
Income Level	# of Loans	Percent	AA %
Low	8	13%	22%
Moderate	20	32%	22%
Middle	20	32%	26%
Upper	15	23%	30%
Total	63	100%	100%

FNBTC lends to farms and businesses of different sizes with special emphasis on small farms and small businesses. The bank lends primarily to small farms and businesses due to the AA's demographics. The 1990 Census discloses that 92 percent of the farms and businesses within the AA report revenues less than \$1 million. The following tables summarize the bank's lending to business and farms of different sizes using its Call Report information as of June 30, 1997. We used loan size as a proxy for farm and business revenue.

Business Loans Distribution By Size				
Original Amount (000's)	Number	Percent	\$ Outstanding (000's)	Percent
≤\$100	125	92%	\$2,180	39%
>\$100 to \$250	6	4%	\$895	16%
>250 to \$1,000	5	4%	\$2,563	45%
Total	136	100%	\$5,638	100%

Farm Loans Distribution By Size				
Original Amount (000's)	Number	Percent	\$ Outstanding (000's)	Percent
≤\$100	300	95%	\$5,577	72%
>\$100 to \$250	12	4%	\$1,283	17%
>250 to \$1,000	5	1%	\$898	11%
Total	317	100%	\$7,758	100%

We did not assess the reasonableness of loans distributed within the bank's AA because the entire area is designated as middle-income.

The bank has not received any complaints regarding its performance under the CRA since the last examination.

The bank complies with anti-discrimination laws and regulations. We did not identify any evidence of discrimination or other illegal credit practices.