

Public Disclosure

October 12, 1999

Community Reinvestment Act Performance Evaluation

**City National Bank and Trust Company, Hastings, Nebraska
Charter Number: 13953
800 West 3rd Street
Hastings, Nebraska 68901**

Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not 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.

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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 **City National Bank and Trust Company, Hastings, Nebraska** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 12, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

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

The following table indicates the performance level of **City National Bank and Trust Company, Hastings, Nebraska** with respect to the Lending, Investment, and Service Tests:

Performance Levels	City National Bank and Trust Company Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The main factors contributing to this rating include:

- City National Bank and Trust Company’s (CNB) lending levels reflect good responsiveness to the assessment area's (AA) credit needs. CNB had the largest market share for both small business and small farm loans of all lenders who are required to report aggregate CRA information in the AA.
- The bank achieved a strong distribution of small business lending in the AA’s moderate-income BNA, exceeding AA demographics.
- CNB had a good record of lending to businesses of different revenue sizes. Performance was good for loans to businesses with revenues of \$1 million or less.

- The bank had a good distribution of home purchase loans to moderate-income borrowers in the AA. For example, 16% of the bank's home purchase loans were to moderate-income borrowers, while demographics show that 17% of families in the AA are moderate-income.
- CNB made an excellent level of community development loans during the evaluation period.
- The level of qualified investments was adequate at \$146 thousand.
- Retail delivery systems and community development services were reasonably accessible to geographies and individuals of different income levels in the bank's AA.
- CNB provides a reasonable level of community development services.

Description of Institution

CNB is a full-service financial institution headquartered in Hastings, Nebraska. First Commerce Bancshares, Inc. (FCBI), a \$2.4 billion multibank holding company, located in Lincoln, Nebraska, owns 99% of outstanding shares of the bank. CNB is an intrastate bank. Seven affiliated national banks are located throughout Nebraska and an eighth bank is located in Colorado. The management of CNB does not request our consideration of any activities of these affiliates for its own CRA performance during this evaluation. CNB does not have any subsidiaries. The bank has not conducted any merger or acquisition activity during the evaluation period.

There are no known legal or financial impediments which hinder CNB's ability to help meet the credit needs of its AA. CNB offers a full range of credit products including agricultural, real estate, business, and consumer loans. As of December 31, 1998, CNB had \$199 million in total assets, \$13.1 million in Tier 1 Capital and \$2.3 million net income. The bank's loan-to-deposit ratio on that date was 63% and gross loans represented 45% of total assets. By dollar amount, the loan portfolio consisted of the following types of credit: 35% commercial and commercial real estate; 22% agricultural and agricultural real estate; 22% consumer; and 21% one- to four-family residential real estate. CNB sells the majority of its home purchase and refinancing mortgage loans on the secondary market. The loan-to-deposit ratio and loan portfolio mix does not reflect these loans. From January 1, 1997 through December 31, 1998, the bank originated and sold 143 residential mortgage loans totaling \$18 million.

CNB's main office and branch office are located in Hastings, in south central Nebraska. None of the bank's offices are located in a Metropolitan Statistical Area (MSA). The bank has 10 automated teller machines (ATMs) disbursed throughout its AA.

CNB received an "Outstanding" rating during the May 23, 1996 CRA evaluation. The rating assigned at this examination does not reflect negative CRA performance. Rather, the bank was evaluated under revised CRA guidelines.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated CNB using the Lending, Investment, and Service Tests for large banks pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit needs, making community development investments, and providing services throughout the AA. For the Lending Test, we focused on small business, small farm, and residential real estate loans, as these were the primary loan products extended within the AA during the evaluation period. The current evaluation covers small business, small farm, and residential real estate lending activity for 1997 and 1998. It also covers community development lending, qualified investments, and service activities since the last evaluation dated May 23, 1996.

Because the bank is outside an MSA, it is not required to collect and report home lending activity for Home Mortgage Disclosure Act (HMDA) purposes. In order to evaluate the bank's performance for this type of lending, we used the bank's data base of all purchase and refinance loans originated between January 1, 1997 and December 31, 1998. For these loans, we analyzed data on the borrower's income, as well as the geographic location of the loan. We did not review home improvement loans, as the bank has only a very small volume of these loans, and data on these loans would be difficult to retrieve.

Data Integrity

Based on the results of our review we concluded that the accuracy of the bank's data was satisfactory. Examiners verified the integrity of data used in this evaluation of the bank's performance by comparing original credit file information which describes the type of loan, date, location, amount, whether purchased from another source or directly originated, and borrower revenue. We applied this review to a sample of 30 small business and farm loans, which the bank originated. We also conducted a review of the bank's one- to four-family real estate loan register using similar procedures, except we verified the record of applicant personal income.

Selection of Area for Full-Scope Review

The bank has only one AA. We completed a full-scope review on this AA, assigning the bank's CRA rating based on its lending, investment and service performance within the AA.

Please refer to the table in Appendix A for more information regarding the evaluation's scope.

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Ratings

The bank's overall rating is based on the full-scope review of the Adams County, Nebraska AA.

Other

Examiners made one community contact during this examination and reviewed one previous contact conducted within the assessment period by financial institution regulators. The contacts in the bank's AA cited small business loans and residential real estate loans as the most significant credit needs. Both of the contacts stated that local financial institutions were meeting these needs. A contact familiar with the housing needs of LMI individuals and families stated that CNB does a good job of working with LMI applicants for home loans. These contacts were primarily familiar with housing needs in the AA.

Fair Lending Review

We did not identify any violations of substantive provisions of anti-discrimination laws. Our fair lending review consisted of analyzing rates and terms granted to all approved individual female and all approved individual male borrowers for refinanced residential real estate loans from October 21, 1998 to September 15, 1999. Our review included six loans to females and nine loans to males. We found no evidence of discrimination based on gender in the rates and terms given for the loans reviewed.

Conclusions with Respect to Performance Tests

CNB's lending levels reflected a good responsiveness to community credit needs. The bank's small business lending received the most weight in our analysis, as this is the bank's primary product. The bank had a good record of making small business loans in the AA's moderate-income geography. For home purchase and small business loans, the bank had a good record of lending to borrowers of different income levels and businesses of different sizes. For geographic distribution, the bank's performance approximated or exceeded comparable demographic information in the AA. For borrower distribution, the bank's performance approximated comparable demographic information in the AA. CNB's record of extending refinancing mortgage loans to borrowers of different income levels was notably weaker; however, this did not diminish from the bank's overall performance due to compensating factors described below. The bank made a good level of community development loans during the evaluation period.

CNB provided an adequate level of qualified investments which benefit the AA. CNB's banking offices and ATMs are reasonably accessible to all segments of the AA, including the moderate-income geography.

LENDING TEST

Conclusions for Area Receiving Full-Scope Review

CNB's performance under the Lending Test is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the Adams County AA is good.

Lending Activity

Please refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity. Table 1 details the number and dollar volume of residential mortgage, small business, and small farm loans reported by CNB during 1997 and 1998.

CNB's lending levels reflected a good responsiveness to the AA's small business and small farm credit needs. We base this conclusion on loan data submitted by the bank to the Federal Financial Institutions Examination Council (FFIEC), which shows a strong number of loan originations for farm and business purposes. We were able to compare CNB's lending performance for these two products with other similarly situated lenders within the AA who submitted aggregate loan data for 1998 to the FFIEC. This data showed CNB originated the largest number of small business and small farm loans within the county, while ranking second in deposits. FFIEC data includes small farm and small business loan data for financial institutions with total assets of \$250 million or more or financial institutions of any size that

are affiliates of bank holding companies with \$1 billion or more in total assets. The other banks used for comparison purposes are similarly situated through their locations in small communities and their offering of similar lending products.

CNB also supported the AA's demand for residential real estate loans by originating an adequate number of home purchase and refinance loans. Comparisons with other local lenders could not be made for residential real estate loans as market share data is not readily available in nonmetropolitan areas in a standard format.

Distribution of Loans by Income Level of the Geography

CNB extended loans to businesses, farms, and individuals located throughout its assessment area. There were no conspicuous gaps in the bank's lending during the evaluation period.

Assessment Area Concentration

CNB originated or purchased a reasonable percentage of reported loans within its AA. For all loans evaluated for CRA in 1997 and 1998, the bank originated or purchased 65% by number within its AA.

By loan product, the bank originated 97% of home mortgage loans, 84% of small loans to businesses, and 43% of small loans to farms within the AA.

The low percentage of farm loans within the bank's AA is not a concern. Farm credit needs within the AA are adequately served as evidenced by the large number of farm loans detailed in Table 1. The size of the bank's AA is small considering the extended effective trade territory the bank has developed for agricultural lending. In addition to the farm loans CNB makes in Adams County, the bank also makes a number of farm loans to operations located in surrounding counties. During the evaluation period, 95% of the out of AA farm loans were made to operations in counties immediately surrounding Adams County. If the bank's AA matched its effective trade territory, the percentage of farm loans within the AA would rise to 97%.

Home Mortgage Loans

Please refer to Tables 2 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.

CNB had a reasonable distribution of home mortgage loans to geographies of different income levels. Table 2 shows the bank's home purchase loan originations in the AA's moderate-, middle-, and upper-

income geographies compared to the percentage of owner-occupied housing in each of the geographies. There are no low-income geographies in the AA. The bank did not originate any home purchase loans in the moderate-income geography, but this is reasonable as demographic information reveals that only 3% of the AA's owner-occupied housing is located in this geography. There is little owner-occupied housing in the moderate-income geography because it consists largely of Good Samaritan Village, a retirement community of rental units, and an industrial tract.

CNB originated several loans for mobile home purchases to borrowers located in the moderate-income geography. During the evaluation period, 43% of the bank's mobile home purchase loans were to borrowers in this geography. These loans help meet housing needs in the moderate-income geography, and they are not reflected in Table 2.

Similarly, Table 4 shows the geographic distribution of the bank's home mortgage refinance loans. Again, the bank did not originate any home mortgage refinance loans in the moderate-income geography, but this is reasonable given the very small amount of owner-occupied housing located in this geography.

An analysis of market rank and market share is not applicable because CNB and other banks in the AA are outside an MSA, and are not required to collect and report home lending activity for Home Mortgage Disclosure Act (HMDA) purposes.

Small Business Loans

Please refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

CNB has a strong record of small business lending to geographies of different income levels. As seen in Table 5, 11% of the bank's small business loans were to businesses located in the AA's moderate-income geography. This compares favorably with AA demographics, which show that 9% of AA businesses are located in the moderate-income geography.

Table 5 also contains market share information by geography. CNB's small business lending performance in the moderate-income geography is stronger than that of any of the other lenders reporting loan data to the FFIEC. Aggregate loan data for 1998 reveals that CNB's overall market share for small business loans is 45%, but this improves to 50% in the moderate-income geography. CNB is ranked first in market share for small business loans in the moderate-income geography.

Small Farm Loans

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.

CNB has a reasonable record of small farm lending to geographies of different income levels. As seen in Table 6, 2% of the bank's small farm loans were to farms located in the AA's moderate-income geography. This compares reasonably with AA demographics, which show that 4% of AA farms are located in the moderate-income geography. There are few farms located in this geography because it is located in the southeast part of the city of Hastings and consists largely of retirement rental housing and an industrial tract.

Table 6 also contains market share information by geography. CNB's small farm lending performance in the moderate-income geography is reasonable in comparison to the other lenders reporting loan data to the FFIEC. Aggregate loan data for 1998 reveals that CNB's overall market share for small farm loans is 55%, but this falls to 38% in the moderate-income geography. CNB is ranked second in market share for small farm loans in the moderate-income geography.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Please refer to Tables 7 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

CNB had a reasonable distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income (LMI) borrowers. Performance was especially good for home purchase lending to moderate-income families.

Table 7 portrays the distribution of all of the bank's home purchase loans from 1997 and 1998 to borrowers of different income levels. Table 7 also shows the distribution of families within the AA by income level. This provides some perspective on potential lending opportunities to borrowers of different income levels. The table focuses on the number of residential real estate loans rather than the dollar volume as it more clearly depicts the number of borrowers who benefited from these loan types. As shown in Table 7, CNB had a strong penetration of home purchase loans to moderate-income borrowers. The bank's percentage of home purchase loans to moderate-income borrowers was very close to the percentage of moderate-income families in the AA.

For home purchase loans, the bank's percentage of loans to low-income borrowers was below

demographic comparisons. However, this is not considered unreasonable. Low-income families, and especially families living below the poverty level, would have a more difficult time qualifying for residential mortgage loans due to their more limited income. The average home price in Adams county is in the \$60 to \$70 thousand range, which a low-income individual or family could purchase if they had no other personal debts to service with their disposable income. However, additional vehicle or credit card debt servicing requirements, when added to the payments required to service home loans in this range, makes it more difficult for low-income borrowers to qualify under standard loan programs.

CNB also helps meet the housing needs of LMI individuals and families in the AA by making mobile home loans. During the evaluation period, 29% of CNB's loans for mobile home purchases were to low-income borrowers, and an additional 57% were to moderate-income borrowers. Mobile home lending is not captured in the loans reported in Table 7.

As Table 9 shows, the bank's performance in lending to LMI borrowers for refinance loans was considerably weaker than the demographics. However, this is not a significant concern. Most LMI borrowers receiving home purchase loans from CNB qualified for one of several first-time home buyer loan programs through the Nebraska Investment Finance Authority or the Federal Housing Administration. These programs include a variety of attractive features, such as no or low downpayment requirements, fewer fees, and lower interest rates. These loan programs are not available to borrowers wishing to refinance their home loans. Therefore, LMI borrowers wanting to refinance their loans would generally be subject to higher downpayment requirements, higher fees, and higher interest rates than they currently pay on their existing home loan.

In addition, a large majority of the mobile home refinance loans made by CNB during the evaluation period were to LMI borrowers (33% to low-income borrowers and 33% to moderate-income borrowers). These loans also help meet the housing needs of LMI individuals and families in the AA, and they are not reflected in Table 9.

An analysis of market rank and market share is not applicable because CNB and other banks in the AA are outside an MSA, and are not required to collect and report home lending activity for Home Mortgage Disclosure Act (HMDA) purposes.

Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations. This table shows the distribution of CNB's small loans to businesses both by loan size and by gross revenues of \$1 million or less.

CNB had a good record of lending to businesses of different revenue sizes. Performance was good for

loans to businesses with revenues of \$1 million or less. As seen in Table 10, 77% of the number of CNB's small loans to businesses within the AA were to businesses with gross annual revenues of \$1 million or less. This compares closely to demographic data which showed 80% of all businesses in the AA had revenues of \$1 million or less. The bank's performance also matched FFIEC aggregate loan data from all lenders for 1998, which revealed 77% of the number of all reported small loans to businesses were to commercial operations with revenues of \$1 million or less.

Table 10 also displays the overall distribution of CNB's small loans to businesses by loan size within the AA. CNB extended a significant proportion of its reported business loans in relatively small dollar amounts. During the evaluation period, CNB extended 86% of its total reported loans in amounts of \$100 thousand or less to businesses of all revenue sizes. CNB's average loan size was \$57 thousand, while the average loan size of CNB's strongest competitor for small business loans in the AA was \$80 thousand. Average loan size is a possible indicator of whether a bank's lending to businesses reflects support of smaller operations.

Market share information also reflects favorably on CNB's lending to small businesses. CNB had 45% of the overall market share of small business loans. When only considering loans to businesses with revenues of \$1 million or less, CNB's market share improved to 47%.

Small Farm Loans

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations. This table shows the distribution of CNB's small loans to farms both by loan size and by gross revenues of \$1 million or less.

CNB had a reasonable record of lending to farms of different revenue sizes, including farms with gross annual revenues of \$1 million or less. Also, the bank extended a high percentage of its reported farm loans in relatively small dollar amounts.

Bank data showed 55% of CNB's reported small loans to farms within the AA were to farms with gross annual revenues of \$1 million or less. (We note that revenue information was not available for 32% of the bank's small farm loans.) CNB's performance is below demographic data which shows 96% of all farms in the AA reported revenues of \$1 million or less. However, CNB's lending compares reasonably well with 1998 FFIEC aggregate data for all lenders in the AA, which showed 71% of the number of all reported small loans to farms were to agricultural operations with revenues of \$1 million or less.

Table 11 shows CNB extended a high percentage of its reported farm loans in relatively small dollar amounts. This is another indication of the bank's efforts to meet the needs of smaller farms as loan size

generally correlates to the size of the farm. During the evaluation period, CNB extended 87% of its total reported loans in amounts of \$100 thousand or less to farms of all revenue sizes. CNB's average loan size was \$50 thousand, while the average loan size of CNB's strongest competitor for small farm loans in the AA was \$60 thousand.

CNB had a reasonable market share for small farm lending. CNB's overall market share for small farm loans was strong at 55%. When only considering loans to farms with revenues of \$1 million or less, CNB's market share declined somewhat to 38%, but remained reasonable.

Community Development Lending

Table 1 in Appendix C provides the facts and data used to evaluate the bank's level of community development lending.

CNB originated an excellent level of community development loans in its AA considering the limited opportunities in the rural communities it serves. All of the loans benefited Adams County. The loans included:

- Two loans totaling \$1.2 million to refinance two HUD-subsidized multifamily housing projects in Hastings. These housing projects provide a total of 96 apartments for LMI individuals and families.
- A \$49 thousand loan to a local builder to construct a house for the Hastings/Adams County Housing Development Corporation. The Housing Development Corporation contracted with various local builders to construct new housing in south Hastings, which was then sold to LMI individuals and families.
- Two loans totaling \$1.1 million to promote revitalization in an area designated by the City of Hastings as blighted and targeted for redevelopment. \$54 thousand of the loan funds went to a local nonprofit development corporation which used the funds to help redevelop the site so a new business could locate there. The remainder of the loan funds went to a small business to construct a food court and carwash in the blighted area, which will add low- and moderate-income jobs to the area. CNB also provided the permanent financing for this project, a portion of which was financed through the Small Business Administration 504 loan program.

Product Innovation and Flexibility

CNB used loan products with flexible lending terms to assist in meeting various credit needs in its AA.

The bank originated loans under programs targeted to first-time home buyers which benefit LMI individuals. Following is an example of a flexible lending program used by the bank. Loans originated under this program were included in the tables and analyses of residential real estate lending.

During 1997 and 1998, CNB originated 13 loans totaling \$629 thousand under the Nebraska Investment Finance Authority (NIFA) loan program for first-time home buyers. The loan program includes reduced interest rates and lower downpayment requirements (generally 3% to 5%). Qualified applicants must have annual incomes of \$46,600 or less. The majority of applicants receiving NIFA loans are LMI.

INVESTMENT TEST

Conclusions for Area Receiving Full-Scope Review

CNB's performance under the Investment Test is rated "Low Satisfactory". Based on our full-scope review, the bank's performance in the Adams County AA is adequate. Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

CNB made a reasonable level of qualified community development investments that positively impacted the bank's AA. Community contacts and examiners' experience in the AA indicated that opportunities for community development investments are limited. Community contacts and examiners were not aware of any bonds covering the bank's AA that would qualify under the community development definitions issued during the evaluation period. During the evaluation period, CNB made \$146 thousand in qualified investments and donations. CNB's investments are responsive to the AA's needs, but are not particularly innovative or complex. Comparable aggregate information was not available for other competing financial institutions in the Adams County AA. The bank's investments included:

- An investment of \$100 thousand as a limited partner in the Equity Fund of Nebraska VI, L.P (Fund). The Fund invests in low-income residential rental properties located in Nebraska, which qualify for tax credits. These projects are distributed throughout Nebraska, which includes CNB's AA.
- A donation of a lot valued at \$6,345 to Habitat for Humanity. The lot was used for building a house for a LMI family.
- Donations totaling \$15 thousand to a local economic development corporation. This group works to provide economic development to the AA, and has been successful in recruiting several new businesses, including small businesses, to the Hastings area. This organization also works with local small businesses to help them expand their workforces.

- A donation of \$19,206 to the area United Way, which primarily funds agencies that provide community services (such as transitional housing, supplemental food, and rent and utility assistance) to LMI individuals and families in Adams County.
- Three donations totaling \$1,250 to three agencies providing community services to LMI individuals and families. These agencies provide transitional housing, job training, and assistance with food, rent, and utilities.
- A donation of \$4 thousand for start-up funds for a local daycare that serves primarily LMI families.

SERVICE TEST

Conclusions for Area Receiving Full-Scope Review

CNB's performance under the Service Test is rated "Low Satisfactory". Based on our full-scope review, the bank's performance in the Adams County AA is adequate.

Retail Banking Services

Please refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system. CNB's two banking offices and services were reasonably accessible to geographies and individuals of different income levels in the AA. Office hours provide reasonable access and convenience. The bank's branch office and its main office with an attached drive-in both offer Saturday hours until noon. The staff conducts lending activities at both the main office and the branch office, and offers after-hours appointments to customers who cannot conduct banking business during the regular business day. The bank's main office is located in a middle-income geography, and the bank's branch is located in an upper-income geography.

The bank offers four ATMs in Hastings that are available 24 hours each day for demand and savings account deposits, withdrawals, and transfers. In addition, borrowers are able to make loan payments using these ATMs. The bank offers three other ATMs in Hastings that feature these services, but are located in retail store locations and are only accessible during the businesses' normal hours. In addition, two cash-dispensing ATMs are available 24 hours each day, and one cash-dispensing ATM is located in a local college student center and is available during the center's business hours. One of the bank's 24-hour cash dispensing ATMs is located in the AA's moderate-income geography. This is reasonable, as 8% of the AA's population resides in this geography.

The bank also offers 24-hour telephone banking services which allow customers access to select financial services including the ability to conduct account and loan inquiries and enact funds transfers. There have been no branch openings or closings during this evaluation period.

Community Development Services

CNB provides a reasonable level of community development services. Under the CRA, the primary purpose of these services must relate to the provision of financial services.

The bank's community development service activities include:

- A senior bank official serves on the Board of a local non-profit economic development corporation. The corporation is primarily involved with projects which promote small business in the area, including preparing financial incentive packages to assist in recruiting new businesses to the AA.
- A senior bank official and a member of the bank's Board of Directors are on the allocations committee of the local United Way chapter. They assist in distributing funding to the various United Way agencies which primarily provide community services to LMI families and individuals in the AA.
- A senior bank official is on the Board of the Hastings Literacy Council, which provides literacy and English as a second language services. This group primarily serves LMI residents of the AA. The Board has established a scholarship program to assist clients in obtaining General Equivalency Degrees.
- A bank officer is the Treasurer of the Board of a local homeless shelter, which provides transitional housing for individuals and families in the AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: May 24, 1996 to October 12, 1999 Service Test: May 24, 1996 to October 12, 1999	
Financial Institution		Products Reviewed
City National Bank and Trust Company (CNB) Hastings, Nebraska		Small Farm, Small Business, One- to Four-Family Real Estate Loans, Community Development Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Adams County, Nebraska	Full-Scope	

Appendix B: Market Profile for Area Receiving Full-Scope Review

Adams County, Nebraska

CNB defines its AA as all of Adams County. This AA consists of nine block numbering areas (BNAs); one moderate-income, six middle-income, and two upper-income. The City of Hastings designated several areas in Hastings, including a district in the north central part of town, as blighted and eligible for tax incremental financing to spur redevelopment.

According to 1990 census data, the AA population was 29,625. Hastings, a county seat with a population of 22,837, is the only major city in the AA. The county has six other small towns, the largest having a population of 818. There were 7,846 families in the AA, with 13% designated low-income, 17% moderate-income, 27% middle-income, and 43% upper-income. Six percent of total families (481) were below the poverty level. The 1990 statewide nonmetropolitan median family income was \$27,623. The estimated statewide nonmetropolitan median family income for 1997 and 1998 was \$37,100 and \$39,300, respectively.

Hastings enjoys a reasonable level of economic diversity. Mary Lanning Memorial Hospital is the largest employer in the AA with 700 employees. Good Samaritan Village (retirement center) and Hastings Regional Center (psychiatric treatment center) are the next largest employers with 460 and 454 employees, respectively. Major manufacturing companies include Armour Food Company (284) and Thermo King Corporation (250). Several other manufacturing firms plus two colleges are also present. This employment diversification produced economic stability during the evaluation period. Even so, prospects for the agricultural sector are currently not favorable due to large swings in commodity prices. Despite the current downturn for agricultural markets, the area's unemployment rate in September 1999 was only 1.7%. This figure compares favorably to the national average, which approximates 4.2%.

Banking and financial services competition within in the AA market was strong. The AA was served by three locally headquartered full-service financial institutions, and five nonlocal financial institutions with branches in the AA. At June 30, 1998, CNB had the second largest deposit base of all financial institutions in the AA, with \$135 million in deposits or 26% of the total market. The seven other financial institutions' deposit size ranged from \$11 million to \$167 million. Additional competition comes from banks, brokerage houses and lenders headquartered outside the AA.

Examiners made one community contact during the examination and reviewed one previous contact conducted recently by financial institution regulators in CNB's AA. These contacts revealed that area credit needs are for small business loans and housing loans. Both of the contacts went on to say these needs were generally being met by area financial institutions.

The contact made at this examination also specifically stated that CNB does a good job of making loans to LMI individuals and families.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** -
See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (<\$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each

geography.

Table 1. Lending Volume

LENDING VOLUME State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998												
MSA /Assessment Area	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farms		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Scope:												
Adams County, Nebraska	100%	229	\$17,408	440	\$24,540	338	\$16,753	5	\$2,366	1012	\$61,067	100%
Limited Scope:												

Sources: FFIEC CRA Aggregate and Disclosure Data for 1997 and 1998 small loans to business and farms; and bank records for 1997 and 1998 real estate loans.

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank	Market Share by Geography					Total Home Purchase Loans	
	% Owner Occ Units	% CNB Loans	% Owner Occ Units	% CNB Loans	% Owner Occ Units	% CNB Loans	% Owner Occ Units	% CNB Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Adams County, Nebraska	N/A	N/A	3%	0%	63%	54%	34%	46%	ANALYSIS OF MARKET SHARE BY GEOGRAPHY NOT APPLICABLE					95	100%	
Limited Scope:																

Source: Bank records for loans originated in 1997 and 1998.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% CNB Loans	% of Businesses	% CNB Loans	% of Businesses	% CNB Loans	% of Businesses	% CNB Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Adams County, Nebraska	N/A	N/A	9%	11%	73%	61%	18%	28%	1	45%	N/A	50%	41%	51%	440	100%
Limited Scope:																

Sources: FFIEC CRA Aggregate and Disclosure Data for 1997 and 1998 small loans to business; Dun and Bradstreet business demographic data.

(*) Based on 1998 Aggregate small business data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Geographies		Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Overall Market Rank	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% CNB Loans	% of Farms	% CNB Loans	% of Farms	% CNB Loans	% of Farms	% CNB Loans		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Adams County, Nebraska	N/A	N/A	4%	2%	79%	88%	17%	10%	1	55%	N/A	38%	57%	49%	338	100%
Limited Scope:																

Sources: FFIEC CRA Aggregate and Disclosure Data for 1997 and 1998 small loans to farms; Dun and Bradstreet business demographic data.

(*) Based on 1998 Aggregate small farm data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HOME PURCHASE State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank	Market Share by Borrower Income					Total Home Purchase Loans	
	% of Families	% CNB Loans*	% of Families	% CNB Loans*	% of Families	% CNB Loans*	% of Families	% CNB Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Adams County, Nebraska	13%	6%	17%	16%	27%	33%	43%	45%	ANALYSIS OF MARKET SHARE BY BORROWER INCOME NOT APPLICABLE					95	100%	
Limited Scope:																

Sources: Bank records for 1997 and 1998 real estate loans.

(*) As a percentage of loans with borrower income information available. Information was available for all loans originated by CNB.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998																
MSA /Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers		Overall Market Rank	Market Share by Borrower Income					Total Home Mortgage Refinance Loans	
	% of Families	% CNB Loans*	% of Families	% CNB Loans*	% of Families	% CNB Loans*	% of Families	% CNB Loans*		Overall	Low	Mod	Mid	Upper	#	% of Total
Full Scope:																
Adams County, Nebraska	13%	1%	17%	4%	27%	27%	43%	68%	ANAYLSIS OF MARKET SHARE BY BORROWER INCOME NOT APPLICABLE					134	100%	
Limited Scope:																

Sources: Bank records for 1997 and 1998 real estate loans.

(*) As a percentage of loans with borrower income information available. Information was available for all loans originated by CNB.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Businesses with Revenues of \$1 million or less			Loans by Original Amount regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% CNB Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
Adams County, Nebraska	80%	77%	77%	86%	10%	4%	45%	47%	440	100%	\$57,000
Limited Scope:											

Sources: FFIEC CRA Aggregate and Disclosure Data for 1997 and 1998 small loans to businesses; Dun and Bradstreet business demographic information.

- (*) As a percentage of all businesses in the AA. 13% of businesses in the AA did not report revenue information.
- (**) As a percentage of all loans, regardless of the revenue size of the business. No information was available for 11% of loans originated by CNB.
- (***) The market consists of all Small Business reporters in the assessment area and is based on 1998 Aggregate Small Business Data only.
- (****) Based on 1998 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: NEBRASKA Evaluation Period: January 1, 1997 to December 31, 1998											
MSA /Assessment Area	Farms with Revenues of \$1 million or less			Loans by Original Amount regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% CNB Loans**	% Market Loans***	\$100,000 or Less	>\$100,00 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full Scope:											
Adams County, Nebraska	96%	55%	71%	87%	12%	1%	55%	38%	338	100%	\$50,000
Limited Scope:											

Sources: FFIEC CRA Aggregate and Disclosure Data for 1997 and 1998 small loans to farms; 1997 U.S. Agriculture Census information.

- (*) As a percentage of all farms in the AA. Agriculture Census information did not include farms with unknown revenues.
- (**) As a percentage of all loans, regardless of the revenue size of the farm. No information was available for 32% of loans originated by CNB.
- (***) The market consists of all Small Farm reporters in the assessment area and is based on 1998 Aggregate Small Farm Data only.

(***) Based on 1998 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: NEBRASKA Evaluation Period: May 24, 1996 to October 12, 1999

MSA /Assessment Area	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full Scope:									
Adams County, Nebraska	0	0	0%	8	146	100%	8	146	100%
Limited Scope:									

Source: Bank records.

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM State: NEBRASKA Evaluation Period: May 24, 1996 to October 12, 1999																	
MSA /Assessment Area	Deposits	Branches						ATMs						Population			
	% of Total CNB Deposits	# of CNB Branches	% of Total CNB Branches	Location of Branches by Income of Geographies				# of CNB ATMs	% of Total CNB ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Scope:																	
Adams County, Nebraska	100%	2	100%	0%	0%	50%	50%	10	100%	0	10%	60%	30%	0%	8%	63%	29%
Limited Scope:																	

Source: Bank records.