



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 8, 2013

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

First National Bank of Chadron  
Charter Number 14637

2nd and Main Street  
Chadron, NE 69337

Office of the Comptroller of the Currency

1225 17th Street, Suite 450  
Denver, CO 80202-5534

**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**

Summarize the major factors supporting the institution's rating.

- The bank's loan-to-deposit ratio is satisfactory given area competition and credit needs of the community. The bank's quarterly average loan-to-deposit ratio was 73 percent since the prior CRA examination as of December 26, 2007.
- The majority of loans, 54 percent by number and 59 percent by dollar, were extended to customers who live or operate within the assessment areas.
- The bank's pattern of lending to small farms reasonably reflects the area demographics.
- The bank has a satisfactory record of lending to geographies of different incomes.

## **SCOPE OF EXAMINATION**

We completed a full scope small bank CRA review of First National Bank of Chadron. We reviewed the average loan-to-deposit ratio since the previous CRA examination and tested the bank's lending inside its designated assessment areas. We reviewed agricultural loans (operating and real estate) as the bank's primary product type. The time period reviewed for this exam was January 1, 2011 through March 31, 2013.

First National Bank of Chadron has identified three counties as its assessment area (AA) – Dawes, Brown, and Keya Paha Counties. All the AAs are rural counties in Nebraska and were combined as one assessment area for our analysis. These counties represent four census tracts; three of which are middle income with the last designated as moderate income.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Chadron (FNBC) is a \$118 million community bank headquartered in Chadron, Nebraska. Chadron is located in the northwest corner of Nebraska approximately 100 miles south of Rapid City, South Dakota. The main office is located in downtown Chadron. The bank operates one additional branch, which is located approximately 185 miles east of Chadron in Ainsworth, Nebraska. Additionally, FNBC has two deposit-taking ATM machines; one located in Chadron, the other in Ainsworth.

FNBC is 100 percent owned by C.S.B. Company, a two-bank holding company located in Cozad, Nebraska. FNBC offers insurance, annuity, and retail non-deposit investment products through its financial subsidiary, First National Financial Services.

First National Bank of Chadron offers a variety of credit products. The primary product by dollar volume is agricultural loans, which includes farmland real estate loans, at

75.21 percent of average gross loans and leases. Our rating of the bank's CRA performance is based on an analysis of this loan product. Other loans offered include commercial and industrial (10.14 percent), non-farm non-residential (6.55 percent), other consumer (4.65), and 1-4 family residential (1.98). Net loans represent 50.78 percent of total assets.

There are no legal or financial impediments to meeting the credit needs of the assessment area. The bank is financially capable of meeting the credit needs of their community.

FNB Chadron received a "Satisfactory" rating at the last CRA examination dated December 26, 2007.

Refer to the bank's CRA Public File for more information.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Management has designated three assessment areas (AA). The AAs include the following counties: Dawes County, Brown County, and Keya Paha County, Nebraska. For analysis purposes, we combined the AAs since they are all non-MSA rural areas. Although all counties are not geographically contiguous, they have similar performance contexts.

Based on 2010 census data, the AAs are comprised of four census tracts. Three are designated as middle-income and one is designated as moderate-income. The Department of Housing and Urban Development (HUD) 2012 updated MSA median family income for this AA is \$57,000. Based on 2010 US Census data, there are 2,961 families residing within the AAs, of which 35 percent are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median family income.

The AAs consist largely of small businesses. The AA reported 73 percent of local businesses have 1-4 employees. One hundred percent of the farms in the AA reported revenues of less than one million. The demographic data also states that 74 percent of the farm and non-farm businesses reported having revenues of less than \$0.5 million.

The area's largest employers are Chadron State College, Wal-Mart, and Chadron Community Hospital.

The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Refer to the bank's CRA Public File for more information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is satisfactory given area competition and credit needs of the community.

The bank’s quarterly loan-to-deposit ratio since the previous CRA exam is 73 percent. The loan-to-deposit ratio of similarly situated banks over the same time period ranged between 57 percent and 82 percent. Similarly situated banks are those banks of similar business lines operating within the same geography.

### Lending in Assessment Area

The bank’s lending in the assessment area is satisfactory. The majority of loans by number and dollar volume originated within the bank’s AA. We sampled 37 agriculture loans originated either in the current cycle or in the previous two years. Of the 37 loans reviewed, 54 percent by number originated within the AA. The dollar amount by percentage in the total sample indicates that 59 percent of the \$6,229M loans in the sample were made within the AA. This appears reasonable given the economic demographics and credit needs of the AA.

<b>Table 1 - Lending in Chadron Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm Products	20	54%	17	46%	37	3,689	59%	2,450	41%	6,229

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

The bank’s pattern of lending to low- and moderate-income individuals and small businesses reasonably reflects area demographics.

The distribution of loans secured by farm products originated throughout the AA indicates good performance in lending to farms of different sizes. Of the 20 loans sampled, 90 percent by number and 76 percent by dollar volume originated to small businesses.

<b>Table 2 - Borrower Distribution of Loans to Farms</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown Revenues	Total
% of AA Farm and Non-Farm Businesses	100%	0%	100%	100%
% of Loans in AA by # from Sample	90%	10%	0%	100%
% of Loans in AA by \$ from Sample	76%	24%	0%	100%

### **Geographic Distribution of Loans**

The geographic distribution of agricultural borrowers reflects a reasonable distribution within the middle-income tract. Although lending to farms in moderate-income census tracts is lower than the demographic comparator, the dispersion of loans is reasonable. The majority of the bank’s customers operate in one of three middle-income census tracts. The fourth, a moderate-income tract, was recently added to the bank’s assessment area. This tract lies in the county adjacent to one of FNB Chadron’s branch offices but has other institutions in its immediate area.

<b>Table 3 - Geographic Distribution of Loans to Businesses/Farms in [Name of AA]</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Products	0%	0%	15%	5%	85%	95%	0%	0%

### **Responses to Complaints**

There were no CRA-related complaints filed since the previous exam.

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

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