



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

March 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Ogallala
Charter Number 14374**

**201 East 2nd
Ogallala, Nebraska 69153**

**Comptroller of the Currency
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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 **First National Bank in Ogallala** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 6, 1998. 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 "**Satisfactory**".

First National Bank in Ogallala is serving the credit needs of its community through agricultural, small business, mortgage, and other consumer lending. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, business focus, and similarly situated banks. A majority of the bank's loans are made within the assessment area. Lending activity reflects reasonable penetration to borrowers of different income levels and businesses of different sizes given the demographics of the assessment area.

DESCRIPTION OF INSTITUTION:

First National Bank in Ogallala (FNB Ogallala) is a rural community bank with its main office located in Ogallala, Nebraska. As of December 31, 1997, the bank reported total assets of \$127 million. The bank also operates a full service branch in Grant, Nebraska, located approximately twenty miles south of the main office. Ogallala is the county seat of Keith County and Grant is the county seat of Perkins County. The bank also operates and maintains five automated teller machines (ATM's). Two deposit taking ATM's are located at each bank location. The fifth is a non-deposit taking ATM located at a local convenience store in Ogallala. In addition, the bank operates a drive-up facility at each location.

The bank is wholly-owned by Pinnacle Bancorp, Inc., a multi-bank holding company headquartered in Central City, Nebraska. As of December 31, 1997, the holding company's total asset size is slightly over \$2.0 billion.

The bank provides a full array of credit products. The bank offers a wide array of consumer type lending including mortgage loans, home improvement loans, credit cards, and residential refinancing. However, the lending focus of the First National Bank in Ogallala is agricultural. At December 31, 1997, the bank's loan portfolio totals \$71 million, representing 56% of the bank's total assets. The loan portfolio composition is 53% agricultural operating and agricultural real estate secured loans, 16% residential loans, 22% commercial or commercial real estate secured, and 9% consumer purpose loans.

The bank has not opened or closed any offices or branches since the last examination dated August 30, 1995.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area. At the August 30, 1995 examination, the bank's CRA performance was rated "Outstanding".

DESCRIPTION OF KEITH AND PERKINS COUNTIES:

- **The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.**

The bank has designated a two county area, which includes Keith County and contiguous Perkins County to the south, as its assessment area. The two counties are located in south central Nebraska. The assessment area is not located in a Metropolitan Statistical Area. The two counties contain five block numbering areas (BNAs). Four BNAs are located in Keith County and one BNA is located in Perkins County. All five BNAs are designated middle-income based upon the 1990 U.S. Census statewide non-MSA median-family income of \$27,623. The table on the next page provides a breakdown of income characteristics of the assessment area within the two counties based on the 1990 U.S. Census statewide non-MSA median family income.

| <i>PERCENTAGE OF FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL</i> | | |
|---|---------------|-------------------|
| <i>Census Tract Type and Income Range</i> | <i>Number</i> | <i>Percentage</i> |
| Low-Income (Less than \$13,784) | 519 | 15.0 |
| Moderate-Income (At least \$13,784 but less than \$22,071) | 746 | 21.6 |
| Middle-Income (At least \$22,071 but less than \$32,871) | 1,009 | 29.2 |
| Upper-Income (\$32,871 and above) | 1,180 | 34.2 |
| Total | 3,454 | 100.0 |

The assessment area economy is stable. Unemployment in the assessment area is low at one percent. Over the past few years, the assessment area has seen minimal economic and population growth. The regional economies of Ogallala and Grant are based on agriculture. This includes farming, ranching, and cattle feeding. Farming includes wheat, edible beans, corn, alfalfa, sugar beets, and popcorn. The Ogallala economy is also highly dependent on tourism and recreation created by Lake McConaughy and surrounding recreational areas. Lake McConaughy is a large man-made reservoir and a major summer time attraction drawing people from the surrounding states of Wyoming, Colorado, South Dakota, and Kansas. Major employers in Ogallala and Keith County include the City of Ogallala, Keith County, Community Hospital, Union 76, American Shizuki, and Ogallala Electronics. Major employers of Grant and Perkins County include the City of Grant, Grant and Perkins County Schools, Grant Community Hospital, and Grant Coop.

The demand for housing, both single-family residences and rental units, is low due to the lack of industry and population growth. Vacancy rates are also low. Median monthly gross rent is \$289. New housing construction is slow and as a result existing housing is older represented by a median year built of 1960. Median housing value is low at \$43,428 according to 1990 U.S. Census Data information.

Overall competition in the assessment area is high. There are two additional financial institutions in both Ogallala and Grant. Competition in the surrounding communities and counties is also high with several banks and branches of banks.

During our review, we initiated two community contacts. This included two contacts with non-profit financial intermediaries in the City of Ogallala. The purpose of the organizations in Ogallala is to assist in subsidizing low- and moderate-income individuals with housing needs. Both groups indicated demand for this type of housing is low, as these groups have limited needs and no waiting lists exist. These contacts indicated no specific credit need for the community and stated local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

- **The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, business focus, and similarly situated banks.**

The bank's average loan-to-deposit ratio for the eight quarters beginning March 31, 1996 through December 31, 1997 is 71%. This is comparable to five other similarly situated banks. The banks were selected based on asset size, location, and similar business focus. For the same time period, the eight-quarter average loan-to-deposit ratios for similar banks ranges from 70% to 84%.

Lending in the Assessment Area

- **The bank originated a majority of the number and dollar volume of its loans within the bank's assessment areas.**

The bank's record of lending within its assessment area meets the standard for satisfactory performance. FNB Ogallala makes a majority of its loans in its assessment area. We reviewed all loans originated at both the main office and branch. This analysis shows that 77% of the loans originated by number and 69% of the loans originated by dollar were within the assessment area. The analysis also showed that the bank, especially the main office, draws a high portion of its loan customers from surrounding communities and counties. Management confirmed this analysis.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

- **Lending activity to borrowers of different income levels and businesses of different sizes is satisfactory.**

The bank's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. The bank's loan portfolio reflects good penetration among individuals of various income levels and to businesses and farms of different revenue sizes. We focused our review on the types of loans the bank specializes in, agricultural and consumer loans. Our sample of consumer loans included forty auto-secured loans originated from July 1, 1997, to December 1, 1997. In addition, we sampled thirty mortgage loans for purchase or refinance originated in 1997 as detailed on the bank's Home Loan Activity Log.

The sample of consumer auto-secured loans shows the bank has an excellent penetration of loans to low- and moderate-income individuals. Of the forty loans sampled, 80% of loans by number were to low- and moderate-income individuals. This compares very favorably to assessment area demographics. The results of our sample are summarized in Table A, below. We also noted the bank originates a large number of loans to consumers in the amounts of \$1,000 or less. The bank provided a report showing 57% of total loans by number were in amounts of \$1,000 or less.

TABLE A

| <i>Distribution of Consumer Loans by Income Level of Borrower</i> | | | |
|---|--------------------|----------------|---|
| <i>Income Category*</i> | <i>Loan Sample</i> | | <i>% of Families in the assessment area**</i> |
| | <i>Number</i> | <i>Percent</i> | |
| Low | 16 | 40.0 | 15.0 |
| Moderate | 16 | 40.0 | 21.6 |
| Middle | 8 | 20.0 | 29.2 |
| Upper | 0 | 0 | 34.2 |
| Total | 40 | 100.0 | 100.0 |

* Income Category is based on the 1997 Department of Housing and Urban Development (HUD) Median Family Income for non-MSA areas of Nebraska is \$37,100.

** % of Families in the assessment area is based on the 1990 U.S. Census Median Family Income for non-MSA areas of Nebraska of \$27,623.

The mortgage loan sample of 30 loans showed that 30% of the mortgages made were to low- and moderate-income individuals. The sample reflects reasonable penetration to all income categories. However, the amount of mortgage lending to low- and moderate-income families is less than the representation of those families within the community. Also, real estate mortgage lending is smaller in volume by number than consumer related lending for other purposes. Table B below shows the breakdown of our analysis.

TABLE B

| <i>Distribution of Real Estate Secured Consumer Loans by Income Level of Borrower</i> | | | |
|---|--------------------|----------------|---|
| <i>Income Category*</i> | <i>Loan Sample</i> | | <i>% of Families in the assessment area**</i> |
| | <i>Number</i> | <i>Percent</i> | |
| Low | 2 | 6.7 | 15.0 |
| Moderate | 7 | 23.3 | 21.6 |
| Middle | 5 | 16.7 | 29.2 |
| Upper | 16 | 53.3 | 34.2 |
| Total | 30 | 100.0 | 100.0 |

Most of the bank's commercial and agricultural loans are to small businesses and small farms. We sampled 25 commercial and farm loans made in 1997. As shown in the table below, approximately 76% of the loans were to businesses and farms with gross revenues of less than \$1 million. This compares favorably to assessment area demographics. According to current business demographics provided by Dunn & Bradstreet, 94% of farms and 75% of non-farm businesses in the assessment area had gross revenues of less than \$1 million. Table C below summarizes our analysis.

TABLE C

| <i>Loan Distribution to Farms and Businesses of Different Sizes</i> | | | | |
|--|----------------------------------|----------------------------------|--|------------------------------------|
| <i>Annual Gross Revenues</i> | <i># of Loans Sampled</i> | <i>% of Loans Sampled</i> | <i>\$ Amount of Loans Sampled</i> | <i>% of Dollars Sampled</i> |
| Less than \$250,000 | 8 | 32.0 | \$3,484M | 23.4 |
| \$250,000 to \$500,000 | 8 | 32.0 | \$5,476M | 36.8 |
| \$500,000 to \$1 million | 3 | 12.0 | \$1,171M | 7.9 |
| Greater than \$1 million | 6 | 24.0 | \$4,743M | 31.9 |
| Total | 25 | 100.0 | \$14,874M | 100.0 |

Geographic Distribution of Loans

We did not perform an analysis of this area due to the composition of census tracts and BNA's in the bank's assessment area. As previously stated, the bank's assessment area consists solely of middle-income BNA's. As a result, an analysis of this performance criteria is not meaningful as all loans will naturally fall in middle-income BNA's. The analysis of lending to borrowers of different incomes is a more significant and meaningful analysis.

Response to Substantiated Complaints

The bank has not received any written complaints regarding its CRA performance since the prior CRA examination.

Fair Lending Analysis

The bank is in substantial compliance with Fair Lending laws and regulations. Our concurrent fair lending examination did not find any evidence of discrimination or practices intended to discourage applicants from applying for credit.