



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 1, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 4029**

**1001 Avenue E
Wisner, Nebraska 68787**

**Supervisory Agency: Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154-4410**

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.

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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Census Tract (CT) and Block Numbering Area (BNA) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT or BNA has defined boundaries per ten year census and an average population of 4,000.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended, and 12 C.F.R. 25, as amended.)

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. (*This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.*)

Income Levels - These relate to individuals, families or the BNAs or CTs in a bank's assessment area.

Low = An income level that is less than 50 percent of the median income.

Moderate = An income level that is at least 50 percent and less than 80 percent of the median income.

LMI = An income level that is less than 80 percent of the median income.

Middle = An income level that is at least 80 percent and less than 120 percent of the median income.

Upper = An income level that is 120 percent or more of the median income.

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

First National Bank, Wisner, Nebraska = FNB.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Small Business or Small Farm - A business or farm that has \$1 million or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1 million or less to a business of any size or a loan of \$500 thousand or less to a farm of any size.

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, Wisner, Nebraska (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 1, 1997**. 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 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 C.F.R. Part 25.

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

We rated **FNB** "Satisfactory" because:

- The distribution of lending among farm borrowers and businesses of different revenue levels shows good penetration in view of the area's demographic makeup.
- FNB's lending levels reflect good responsiveness to the area's credit needs.
- FNB has originated a substantial majority of its loans within its assessment area.
- FNB has an adequate level of qualified investments and grants given the limited opportunities available within the assessment area.
- FNB's branches and delivery systems are accessible to essentially all customers in its assessment area.
- FNB provides a reasonable level of community development services.

The following table indicates the performance level of **FNB** with respect to the lending, investment and service tests.

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

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

This evaluation covers the bank's CRA performance from December 21, 1994, the date of the last CRA evaluation, to October 29, 1997, the last date of available bank prepared data. This institution is subject to the small business and small farm data collection requirements under 12 C.F.R. Part 25 since it is an affiliate of a bank holding company with total assets of over \$1 billion. Our evaluation of small business and small farm lending begins with calendar year 1996, since it was the first year such data was required to be collected and reported under the revised CRA regulation.

DESCRIPTION OF INSTITUTION

FNB is a \$42 million full-service bank headquartered in Wisner, Nebraska. It is the fourth largest of the eight financial institutions headquartered in Cuming County. The bank has branches in Madison and Creston, Nebraska, both approximately 40 miles southwest of Wisner. FNB offers complete loan and deposit products and services at all locations. FNB has installed automated teller machines (ATM) at the banking facilities in Wisner and Madison, or in two of the three Block Numbering Areas (BNAs) which comprise the bank's assessment area. Refer to the Assessment Area section for a detailed description of the bank's assessment area.

FNB has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers which impede its efforts. The OCC assigned a CRA rating of "Satisfactory" during the last CRA evaluation ending December 21, 1994. FNB offers a full-range of credit products including agricultural, commercial, real estate, and consumer loans. As of September 30, 1997, FNB's loan portfolio consisted of 52 percent agricultural and agricultural real estate; 26 percent commercial and commercial real estate; 14 percent

1-4 family residential; and 8 percent consumer loans.

FNB is affiliated with Pinnacle Bancorporation, Inc., a \$1,830,000 billion multi-bank holding company, headquartered in Central City, Nebraska, and with 26 other community banks in Nebraska, Iowa, Kansas, Colorado, and Wyoming. All the bank's are small with an average asset size of \$84 million. The largest bank in the chain has average assets of \$319 million.

ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation. The assessment area does not exclude any low- or moderate-income areas. FNB's assessment area includes three Block Numbering Areas (BNAs) located in western Cuming County, southern Madison County, and northern Platte County, in Nebraska. The BNAs surround the communities of Wisner, Madison, and Creston, respectively, where the bank has branches. The bank is not large enough to service the full counties in which it has branches. The Wisner BNA is divided from the Madison and Creston BNAs by Stanton County. Stanton County is serviced by several banks in Norfolk, Pilger, and Stanton. We completed our analysis based on the bank having one assessment area, because all BNA areas contain small rural communities with primarily agricultural and small business applicants. The 1990 census survey designated all three BNAs as middle-income.

According to the 1990 U.S. Census, the bank's assessment area had a population of 12,739. The demographics of the families in the assessment area by income level were 15 percent low-, 26 percent moderate-, 24 percent middle- and 35 percent upper-income. In addition, 17 percent of the population was over age 65 and 11 percent of households were below poverty level. The median family income of the assessment area is \$25,672 compared to the 1990 HUD nonMSA statewide median family income for Nebraska of \$27,623. In 1997, the updated HUD nonMSA statewide median family income was \$37,100.

We focussed our evaluation on the bank's primary product lines of farms and businesses. Farm and business loans comprise 78% of the bank's loans. See the lending test for more detail. We did not evaluate residential and consumer loans as they are only 14% and 8% of total loans, respectively. The bank's branches are located in Wisner, Madison, and Creston with populations of only 1,250, 2,000, and 400, respectively. Communities of this size have a limited number of residential and consumer loan applicants. The bank makes residential real estate and consumer loans to qualified applicants presented to the bank. The bank makes numerous consumer loans below \$1,000 as evidenced by a review of the bank's loan trial balance.

The majority of FNB's business originates from its main office in Wisner. Wisner is a noncounty seat town in Cuming County. It is located approximately 90 miles north of Lincoln, Nebraska, the state capital. Wisner's economy is highly dependent on agriculture and related support businesses. Twelve other banks are within, or border FNB's assessment area. The banks and three savings institutions provide robust competition for loans.

Three community contacts indicate the area's primary credit needs are agricultural and small business. However, the Madison City Administrator indicates Madison has a shortage of housing and a need for instalment lending. The two community contacts from Wisner, a local realtor and credit specialist from the

Farms Services Agency, stated agricultural lending, especially to feedlots, and residential real estate loans are needed in the community. Two contacts felt the bank's opportunities to finance affordable housing projects are limited due to the communities' sizes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

We evaluated FNB's lending performance using the following product lines: small business loans, and small farm loans. We reviewed small business and small farm data which the bank collected in 1996 through October 29, 1997. We analyzed FNB's small business and small farm lending considering the location, the revenues of the businesses and farms, and the size of the loans.

LENDING RESPONSIVENESS:

The FNB's net loan-to-deposit ratio averaged 80 percent over the last eleven quarters since the last CRA examination. This information is based on FNB's Consolidated Reports of Condition. During this same period FNB's loan-to-deposit ratio averaged fourth out of thirteen banks headquartered within and bordering the bank's assessment area. The thirteen banks' loan-to-deposit ratios ranged from 62 percent to 81 percent. On September 30, 1997 the bank had over \$32 million (nearly 75% of total bank assets) in loans outstanding without including loan participations the bank has sold to affiliate banks.

DISTRIBUTION BY TYPE OF BORROWERS' PROFILE:

Following is a discussion of FNB's lending to businesses and farms of different revenue sizes and to borrowers of different income levels.

Distribution by Business and Farm Borrower's Income:

FNB's distribution of loans to businesses and farms in 1996 through October 29, 1997 reflected good representation of lending to enterprises of different sizes. The revised CRA regulation assumes gross annual revenues correlate with the size of the business. Gross annual revenues of \$1 million or less are considered representative of small businesses and small farms. A significant majority of FNB's lending is to small businesses and farms as shown by the following two tables. Small business lending and small farm lending was 97% and 77% by number, respectively in 1996. Year-to-date lending shows 97% and 79% are small businesses or farms, by number, respectively. This closely correlates with the demographic make up of businesses and farms as indicated in a 1995 Dun and Bradstreet Report.

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Loans to Commercial Businesses Based on Revenue Size

Revenue Size	% of Businesses ①	1996				1997*			
		#	%	\$000s	%	#	%	\$000s	%
≤\$1 million	78%	203	97%	3,521	79%	88	97%	1,457	46%
> \$1 million	8%	6	3%	923	21%	3	3%	1,700	54%
Total	86% ②	209	100%	4,444	100%	91	100%	3,157	100%

* through October 29, 1997.

① This column presents Dun and Bradstreet's division of all businesses by revenues within the assessment area.

② 14% of total businesses not reporting revenue information.

Loans to Farms Based on Revenue Size

Revenue Size	% of Farms ①	1996				1997*			
		#	%	\$000s	%	#	%	\$000s	%
≤\$1 million	83%	352	77%	10,407	48%	247	79%	7,949	53%
> \$1 million	12%	108	23%	11,416	52%	67	21%	7,129	47%
Total	95% ②	460	100%	21,823	100%	314	100%	15,078	100%

* through October 29, 1997.

① This column presents Dun and Bradstreet's division of all farms by revenues within the assessment area.

② 5% of total farms not reporting revenue information.

Distribution by Revenue of Business/Farm:

A substantial majority of the bank's 1996 loans to small businesses (over 99%) and small farms (over 94%), by number, were made in amounts of \$100 thousand or less during the time period we reviewed. The 1997 results are very similar. The CRA associates smaller dollar loans with smaller businesses and farming operations. The following table shows the distribution of the bank's lending by loan size for the time period we evaluated.

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Distribution of Small Loans to Businesses and Farms by Loan Size

Loans Within Assessment Area Only 1996	Loans to Businesses				Loans to Farms			
	# of Loans	% of # Total	\$(000's) of Loans	% of \$ Volume	# of Loans	% of # Total	\$(000's) of Loans	% of \$ Volume
<=\$100,000	202	99%	3,381	96%	330	94%	5,839	56%
>\$100,000 and <=\$250,000	1	1%	140	4%	18	5%	3,218	31%
>\$250,000 & <\$1,000,000	0	0%	0	0%	4	1%	1,350	13%
Totals - 1996	203	100%	3,521	100%	352	100%	10,407	100%

Distribution of Small Loans to Businesses and Farms by Loan Size

Loans Within Assessment Area Only 1997*	Loans to Businesses				Loans to Farms			
	# of Loans	% of # Total	\$(000's) of Loans	% of \$ Volume	# of Loans	% of # Total	\$(000's) of Loans	% of \$ Volume
<=\$100,000	88	100%	1,457	100%	238	96%	5,914	74%
>\$100,000 and <=\$250,000	0	0%	0	0%	6	3%	935	12%
>\$250,000 & <\$1,000,000	0	0%	0	0%	3	1%	1,100	14%
Totals - 1997	88	100%	1,457	100%	247	100%	7,949	100%

* through October 29, 1997.

Community Development Lending:

FNB funded an adequate level of community development loans given the limited opportunity for this type of lending. We determined the bank's opportunity for community development lending is limited, based on discussions with community contacts, bank management, and the examiner's knowledge of the area. Community development loans must meet the definition in the revised CRA regulation which states that such loans must have

community development as their **primary** purpose. Community development loans specifically exclude loans which have been reported as HMDA or small business loans, except for multi-family rental housing loans which can be reported under both categories.

- The bank finances community development type loans. These loans are appropriately classified under small business loans. We have highlighted these loans below as examples of innovative and flexible financing.

Flexible Loan Programs:

FNB makes use of flexible lending terms to serve its assessment area's credit needs. Listed below are three examples of loans documenting management's philosophy and willingness to use innovative or flexible lending criteria to help them make safe and sound loans:

- FNB participated in the financing of a multi-unit rental complex, for construction of an 8-plex to provide elderly housing for low- and moderate-income individuals. The repayment of the loan was based on a break-even basis as this is a nonprofit corporation.
- FNB extended the normal length of repayment on a real estate loan to a mental health rehabilitation center to purchase a facility. The extended term reduced the center's debt service requirements. The center provides meals, residential living space, and job training to individuals who are predominately low- and moderate-income.
- FNB originated a home loan to a single elderly woman. The woman did not have the required down payment. The bank allowed the woman to pledge her auto to meet the down payment requirement.

GEOGRAPHIC DISTRIBUTION:

Distribution by Income Levels of BNAs:

Analysis of FNB's lending by the income levels of BNAs is not meaningful since all three of the BNAs within the assessment area are designated middle-income.

Lending within the Assessment Area:

FNB makes a substantial majority of its small farm and business loans, 78 percent and 72 percent, respectively, within its assessment area. The following tables show the volume, by number and dollars, of small business loans and small farm loans that FNB made during 1996 and year-to-date 1997.

Product Type		1996		YTD 1997*		Total		% of Total	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Small Business	In	203	3,521	88	1,457	291	4,978	72%	49%
	Out	74	4,655	42	516	116	5,171	28%	51%
Total Small Business		277	8,176	130	1,973	407	10,149	100%	100%
Small Farm	In	352	10,407	247	7,949	599	18,356	78%	76%
	Out	78	2,880	90	2,871	168	5,751	22%	24%
Total Small Farm		430	13,287	337	10,820	767	24,107	100%	100%

* Through October 29, 1997

INVESTMENT TEST

FNB has made an adequate level of qualified community development investments and grants which benefit the assessment area. The bank has provided qualified investments and grants totaling \$49,566 during the assessment period. These investments and donations provided financial support of:

- \$37,316 to the Wisner Community Development Corporation to remodel a grocery store into usable space for small businesses within the Wisner community.
- \$12,250 in donations or grants over the past two years to qualified community development organizations, the University of Nebraska Foundation, and a local charity whose purposes are to promote educational, food and shelter, or other “safety net” services to low- and moderate-income individuals and households within the assessment area.

SERVICE TEST

Retail Banking Services:

FNB’s branches and services are accessible to essentially all portions of the bank’s assessment area. All of FNB’s locations provide deposit services. The main office in Wisner and the Madison branch provide lending services and offer after-hour appointments to customers who cannot conduct banking business during regular hours. The Creston branch is staffed with a loan officer two days a week or by appointment. All three locations are open for extended hours and on Saturday mornings. The bank offers drive-up facilities and Automated-Teller Machines (ATM) at Wisner and the Madison branch. In January 1997, the bank implemented 24 hour

telephone banking service which allows customers to select financial services, including personal account and loan information, funds transfer, and rate information. There have been no branch closings during the evaluation period. The new Madison branch, constructed in 1996, was upgraded to include a drive-up facility and an ATM.

Community Development Services:

The FNB provides a good level of community development services. The primary purpose of these services relates to the provision of financial services.

The bank's community development service activities include:

- Three bank officers serve as directors or officers on three area economic development organizations including the Wisner Community Development Corporation, Wisner Area Chamber of Commerce, and the Madison Area Chamber of Commerce. All these organizations assist in the development of jobs by providing or facilitating financial services to expanding small business or farms. One bank officer is the secretary/treasurer of the Wisner Community Development Corporation and President of the Wisner Area Chamber of Commerce. A second officer is a Director on the Madison Chamber of Commerce.
- One bank staff member provides educational training services to Wisner area students. The training included information on new deposit and banking services, such as use of ATM cards and telephone banking. These products allow several low- and moderate-income households extended hours for access to bank services.
- FNB offers free checking with no minimum to open the account. Also, FNB does not charge customers or noncustomers to cash government checks. These services benefit low- and moderate-income individuals and families.

FAIR LENDING REVIEW

We found no violations of the substantive provisions of anti-discrimination laws and regulations.

ADDITIONAL INFORMATION

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for supervision. If you have questions, concerns, or issues, contact the agency at the address below.

Office of the Comptroller of the Currency
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