



## **PUBLIC DISCLOSURE**

February 11, 2019

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

First National Bank in Ord  
Charter #13557

1411 M Street, Ord, NE 68862

Office of the Comptroller of the Currency  
13710 FNB Parkway, Suite 110  
Omaha, NE 68154

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, 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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## Overall CRA Rating

### The Lending Test is rated: **Satisfactory**

Frist National Bank in Ord's (FNB) lending performance reflects a satisfactory response to the needs of its assessment area (AA). This conclusion is based on the following:

- The loan-to-deposit (LTD) ratio is reasonable;
- A majority of FNB's loans originated within its AAs;
- FNB's distribution of loans reflects reasonable penetration among borrowers of different income levels;
- There were no complaints regarding FNB's performance in meeting the credit needs of its AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder’ and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited 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, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNB is a \$137 million dollar institution headquartered in Ord, Nebraska, that is 100 percent owned by BBJ Incorporated, a one-bank holding company also located in Ord, Nebraska. FNB operates three branch locations in Ord, Sargent, and Greeley, Nebraska, all within the AA, as well as four automated teller machines (ATMs) with one capable of taking deposits.

FNB offers a full range of loan and deposit products and services to customers. As of December 31, 2018, the loan portfolio totaled \$67.6 million or approximately 50 percent of total assets. The loan portfolio included agricultural loans of \$39.1 million, residential real estate loans of \$15.8 million, commercial loans of \$9.2 million, and consumer loans of \$2.7 million.

Competition is moderate with a competitive lending environment from Farm Credit Services of America and other financial institutions. As of the June 30, 2018, FDIC Deposit Market Share Report, FNB ranks second of 17 financial institutions in terms of total deposits held within the AA at 13 percent of total deposits.

There are no legal or financial impediments to FNB's ability to meet the credit needs of their AA. FNB received a satisfactory rating at the prior CRA examination dated November 4, 2013.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated FNB using small bank examination procedures, which includes a lending test that evaluates the bank's record of meeting the credit needs of its AA through lending activities. The evaluation period was from January 1, 2016, to December 31, 2018. FNB's primary products are agricultural loans and consumer loans. The following tables show the percentage of loans originations by dollar volume and number of loans by loan types during the evaluation period.

<b>Table 1: Loan Originations</b>		
<b>Loan Type</b>	<b>% by Dollar</b>	<b>% by Number</b>
Home Mortgage	13.05	5.49
Consumer	9.12	41.57
Agricultural	62.86	39.73
Commercial	14.98	13.21

*Source: Bank-provided loan origination report (January 1, 2016 – December 31, 2018)*

To evaluate FNB's lending performance, we obtained a loan report and selected loan samples. The 2016 loan data was compared to the 2010 US Census data and the 2017 and 2018 loan data was compared to the 2015 American Community Survey (ACS) US Census data.

## **Data Integrity**

We did not complete a data integrity review, as the bank is not a required HMDA reporter.

## **Selection of Areas for Full-Scope Review**

We completed a full scope review of the contiguous AA that includes Valley County, Garfield County, Greeley County, and the northeast portion of Custer County in the state of Nebraska. This AA consists of five census tracts (CT); two in Valley County, one in Garfield County, one in Greeley County, and one in Custer County. FNB's AA does not include all of Custer County, as Custer is one of the largest counties in Nebraska. The Sargent branch is located in the CT included in their AA.

## **Ratings**

FNB's overall rating is based on the areas that received full-scope reviews.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

FNB’s performance under the Lending Test is satisfactory. The loan-to-deposit (LTD) ratio is reasonable. A majority of FNB’s loans are originated to borrowers located inside the AA. The distribution of loans to borrowers of different income levels is satisfactory and reflects reasonable penetration.

### Loan-to-Deposit Ratio

FNB’s lending level is reasonable given the institution’s size, financial condition, area competition, and credit needs of the community. FNB’s LTD ratio averaged 54.70 percent over the last 20 quarters, with a quarterly low of 46.25 percent and a quarterly high of 60.51 percent. FNB’s LTD ratio was compared to four other community financial institutions of similar size, location, and product offerings. The other institutions had an average LTD ratio of 63.77 percent and ranged from 47.62 percent to 73.13 percent during the same period.

### Lending in Assessment Area

FNB demonstrated satisfactory performance when originating loans within its AA. A majority of loans were originated to borrowers located inside the AA during the evaluation period. Eighty-five percent of loans by number and 86 percent of loans by dollar volume were originated within the AA.

Table 1 - Lending in Valley/Garfield/Greeley/Custer AA										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	18	90	2	10	20	1,885	87	288	13	2,173
Consumer	16	80	4	20	20	96	72	37	28	133
Totals	34	85	6	15	40	1,980	86	325	14	2,305

Source: Loan sample

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

The distribution of agricultural loans to borrowers of different income levels is satisfactory and reflects reasonable penetration of the AA demographics. We did not complete a borrower income analysis for consumer loans due to lack of income data.

FNB’s performance in lending to farms of different sizes in 2016 demonstrates reasonable penetration. The distribution of loans to farms within the AA is at a reasonable level. The percentage of loan originations by number is lower than census data. This was due to several loans for which revenue information could not be found. These were small dollar loans, which did not require revenue to be documented. The percentage by dollar volume is also lower than census data. This was due to two borrowers who had farm revenue of over \$1 million having

21 percent by dollar of the total origination amount of the sample. We placed less reliance on the percentage by dollar volume given that one large loan can materially impact percentages.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in Valley/Garfield/Greeley/Custer AA in 2016</b>				
Farm Revenues (or Sales)	≤ \$1,000,000	> \$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98	1	1	100
% of Bank Loans in AA by #	80	10	10	100
% of Bank Loans in AA by \$	78	21	1	100

Source: 2016 D&B; 2010 Census

FNB’s performance in lending to farms of different sizes in 2017-2018 demonstrates reasonable penetration. The distribution of loans to farms within the AA is at a reasonable level. The percentage of loans originated by number are comparable to demographic data. The percentage by dollar volume is lower than the census data. Similar to 2016, this number is materially impacted by one borrower with farm revenue over \$1 million having 30 percent by dollar of the total origination amount of the sample.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in Valley/Garfield/Greeley/Custer AA in 2017-2018</b>				
Farm Revenues (or Sales)	≤ \$1,000,000	> \$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	1	2	100
% of Bank Loans in AA by #	95	5	0	100
% of Bank Loans in AA by \$	70	30	0	100

Source: 2018 D&B; 2015 ACS US Census

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful, as the AA did not have any low- or moderate-income geographies.

### **Responses to Complaints**

The bank has not received any CRA-related complaints since the previous CRA examination.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: 1/1/2016 to 12/31/2018 Investment and Service Tests and CD Loans: N/A	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank in Ord Ord, NE	Agricultural Loans, Consumer Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Valley/Garfield/Greeley/Custer	Full Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Valley/Garfield/Greeley/Custer – 2016

Demographic Information for Valley/Garfield/Greeley/Custer - 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	100.0	0.00	0.00
Population by Geography	11,568	0.00	0.00	100.0	0.00	0.00
Owner-Occupied Housing by Geography	3,850	0.00	0.00	100.0	0.00	0.00
Businesses by Geography	1,059	0.00	0.00	100.0	0.00	0.00
Farms by Geography	455	0.00	0.00	100.0	0.00	0.00
Family Distribution by Income Level	3,375	21.19	20.98	25.66	32.18	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,423	0.00	0.00	100.0	0.00	0.00
Median Family Income = \$54,221 FFIEC Adjusted Median Family Income for 2016 = \$60,500 Households Below the Poverty Level = 16%						Median Housing Value = \$66,456 Unemployment Rate = 1.53%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

## Valley/Garfield/Greeley/Custer – 2017-2018

Demographic Information Valley/Garfield/Greeley/Custer – 2017-2018						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	100.0	0.00	0.00
Population by Geography	11,441	0.00	0.00	100.0	0.00	0.00
Owner-Occupied Housing by Geography	3,766	0.00	0.00	100.0	0.00	0.00
Businesses by Geography	1,018	0.00	0.00	100.0	0.00	0.00
Farms by Geography	389	0.00	0.00	100.0	0.00	0.00
Family Distribution by Income Level	3,323	19.80	21.73	24.80	33.67	0.00
Distribution of Low- and Moderate- Income Families throughout AA Geographies	1,380	0.00	0.00	100.0	0.00	0.00
Median Family Income = \$61,382	Median Housing Value = \$80,198 Unemployment Rate = 1.41%					
FFIEC Adjusted Median Family Income for 2018 = \$68,000						
Households Below the Poverty Level = 12%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2015 ACS US data, and 2018 FFIEC updated MFI.

FNB has one AA comprising Valley, Greeley, and Garfield counties, as well as part of Custer County. All of the counties are contiguous. The AA covers five census tracts; two in Valley County (9713 and 9714), one in Greeley County (9709), one in Garfield County (9732), and one in Custer County (9717). There have been no changes to the AA since the prior CRA examination. The bank operates three branches, one in Ord, Sargent, and Greeley, and four ATMs, two in Ord, one in Greeley, and one in Sargent. The ATM at the branch in Ord has deposit-taking capabilities.

According to the 2015 ACS US Census data, the AA has a population of 11,441 with 4,986 households and 3,323 families. Approximately 12 percent of households are considered to be living below the poverty level. The weighted average median family income is \$61,382.

The economy within the AA is stable with low unemployment. Major employers within the AA based on industry sectors include agriculture, health care and social assistance, wholesale trade, and retail trade.

As part of this Performance Evaluation, we reviewed a recent community contact interview with a local economic development representative. He acknowledged the decline in population in most rural Nebraska communities but also indicated an increase

in school enrollment numbers and younger professionals for employment. General credit needs continue to be agricultural, commercial, and consumer lending. The housing market is a weaker point, as the rental market is weak with low rates, most housing is older, and new homes are not on the market for a long time. The contact stated that all banks in the area are involved in the community and are addressing the credit needs of the communities.