



Public Disclosure

August 10, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Belden
Charter Number 10025**

**P.O. Box 38
Belden, Nebraska 68717**

**Office of the Comptroller of the Currency
Sioux City Field Office
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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 CRA performance of **The First National Bank of Belden**, Belden, Nebraska prepared by The Office of the Comptroller of the Currency, as of August 10, 1998. 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.

The bank's lending level is more than reasonable, given the institution's size, financial condition, and assessment area credit needs. A majority of the bank's loans are within their assessment area. The bank does an effective job of lending to farms of different sizes. The bank's lending by geographies is reasonable. Examiners did not detect illegal discrimination or disparate treatment of applicants on the basis of gender. The bank has no written complaints related to their CRA performance.

Description of Institution

The First National Bank of Belden (FNBB), Belden, Nebraska is a \$24 million bank in Cedar County in Northeastern Nebraska. The main office with a drive-up facility is readily assessable to all Belden residents. The bank also operates an automated teller machine (ATM) in Laurel, Nebraska, five miles east, and a Loan Production Office(LPO) in Elgin, Nebraska, seventy miles southwest. Citizens National Corporation, a multi-bank holding company, owns 100% of the bank stock, less director's qualifying shares. There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the assessment area.

On June 30, 1998, the bank's loan portfolio was 79% of total assets. The bank's primary credit product is agricultural-related loans. The table below details the percentages of the portfolio by dollar volume and number of loans.

	% of Loans By Dollar	% of Loans By Number
Agricultural Loans	77%	56%
Commercial Loans	10%	8%
Consumer Loans	7%	31%
Residential Real Estate Loans	6%	5%

The First National Bank of Belden was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated July 20, 1995.

Description of The First National Bank of Belden's Assessment Area

FNBB's Assessment Area (AA) meets all the requirements of the Community Reinvestment Act (CRA). The AA consists of two BNA tracts in Nebraska. The total population of the AA is 8,067. One BNA tract is a middle income tract in the south half of Cedar County and has a population of 4,798, or 59%. The other BNA tract is a moderate income tract in the south half of Antelope County and has a population of 3,269, or 41%.

The community of Belden is in the middle income tract and has a population of 149, representing only 2% of the AA's total population. Laurel is also in this middle income tract and has a population of 981, representing 12% of the AA. The town of Elgin is in the moderate income tract of Antelope County and has a population of 731, representing 9% of the AA. The remaining 77% of the AA lives in surrounding communities and rural areas.

(Continuation: Description of The First National Bank of Belden's Assessment Area)

Due to the similarities of the two BNA tracts, we considered them as one AA even though they are not contiguous, and one tract is a middle income tract while the other is a moderate income tract. The two tracts have similar economies, both being primarily agricultural areas, and the community contacts indicated that the primary credit need, for both BNAs, is agricultural credit. The median family income of the two tracts varies by less than \$3M. The median family income to the census median of all non MSA ratio for the Cedar County and Antelope County tracts are 84% and 74%, respectively.

The AA's median family income is \$22,086 which is 56% of the 1998 Nebraska state wide median family income of \$39,300. Family incomes in the AA are 26% low-income, 25% moderate-income, 25% middle-income, and 24% upper-income. The main sources of employment are provided by agriculture and agricultural-related businesses.

The banking environment in the AA is competitive. Six banks provide competition for loans and deposits in the AA. The primary credit need of the AA is agricultural, while secondary credit needs are small business, and consumer loans. We determined the credit needs of the AA by contacting the director of a local Farm Services Agency and an area member of the Core Rural Development Taskforce.

Conclusions with Respect to Performance Criteria

The bank's lending levels are more than reasonable.

FNBB's net loan-to-deposit ratio is more than reasonable, given the institution's size, financial condition, and assessment area credit needs. FNBB's loan-to-deposit ratio averaged 74.14% over the past twelve quarters and was 85.90% on June 30, 1998. The quarterly average of sixteen community banks in and around the AA had loan-to-deposit ratios which ranged from 50.43% to 86.17%. The bank's quarterly average of 74.14% is 12% above the average ratio for all the banks we reviewed.

The bank is lending in the Assessment Area.

FNBB originates a majority of its loans within the assessment area. The table below summarizes the degree of the bank's lending within its assessment area.

ASSESSMENT AREA CONCENTRATION

(Agricultural loans sampled)

	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	19	61%	\$2,991M	75%
Outside AA	12	39%	\$1,010M	25%
Totals	31	100%	\$4,001M	100%

FNBB originates a majority of its agriculture loans inside the assessment area. Of the agricultural loans we sampled, 61% of the number of loans, and 75% of the dollar volume were inside of the assessment area.

The bank does an effective job of lending to farms of different sizes.

The table below demonstrates the bank's willingness to make loans to farms of all sizes. The bank's lending performance was compared to the 1992 Agricultural Census data prepared by the U.S. Bureau of the Census. The census data showed 90% of farms in Cedar County Nebraska had sales less than \$250,000.

LOANS TO FARMS OF DIFFERENT SIZES

(A sample of 31 agricultural customers as of June 30, 1998)

Gross Revenue of Farms	# of customers	% of customers	\$ of loans	% of total \$
\$0 - \$100,000	8	26%	\$ 325M	8%
\$100,001 - \$250,000	7	23%	\$ 782M	20%
\$250,001-\$1,000,000	7	23%	\$2,646M	66%
over \$1,000,000	0	0%	\$ 0	0%
Totals	*31	*100%	*\$4,001M	*100%

*Nine files did not contain current revenue information. Revenue information was obtained from farm records or tax returns in each credit file.

The bank's ratio for lending to small and moderate-sized farms is below the agricultural census data. However, the majority, 60% by number, of loans with data are to small and moderate-sized farms. Also, three of the seven middle sized farms we sampled had less than \$350M in sales.

Geographic Distribution of Loans

The bank does a reasonable job of lending in all Block Numbering Areas (BNA) in the AA regardless if the BNA is a low or moderate-income area. We commend the bank for the recent expansion of their services into a new BNA which is a moderate-income tract. The moderate-income tract contains 41% of the population in the bank's AA.

Our sample indicated a lower penetration in the moderate-income tract around Elgin. We found four of the thirty-one loans sampled, or 13%, were in the moderate-income tract. However, we deemed the bank's activity in this tract as adequate because:

- ▶ The bank just started the Elgin LPO on November 1, 1996.
- ▶ The bank has increased loans in the Elgin area, and now total 21% of total loan volume.
- ▶ The loan volume in the Elgin area has increased by 142% since March of 1997.
- ▶ The community contacts indicated that FNBB is an active lender in the area.

Response to Complaints

The bank received no written complaints related to its CRA performance during the evaluation period.

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of any single female applicants for residential real estate loans during our fair lending examination. The bank has satisfactory fair lending policies, procedures, and training programs in place. We did not detect Equal Credit Opportunity Act violations during the examination.