

Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

July 27, 1998

Community Reinvestment Act Performance Evaluation

**Nebraska National Bank
Charter Number 22849**

**3110 Second Avenue
Kearney, Nebraska 68847**

**Office of the Comptroller of the Currency
Omaha South Field Office
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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 CRA performance of Nebraska National Bank, Kearney, Nebraska, prepared by The Office of the Comptroller of the Currency, as of July 27, 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."**

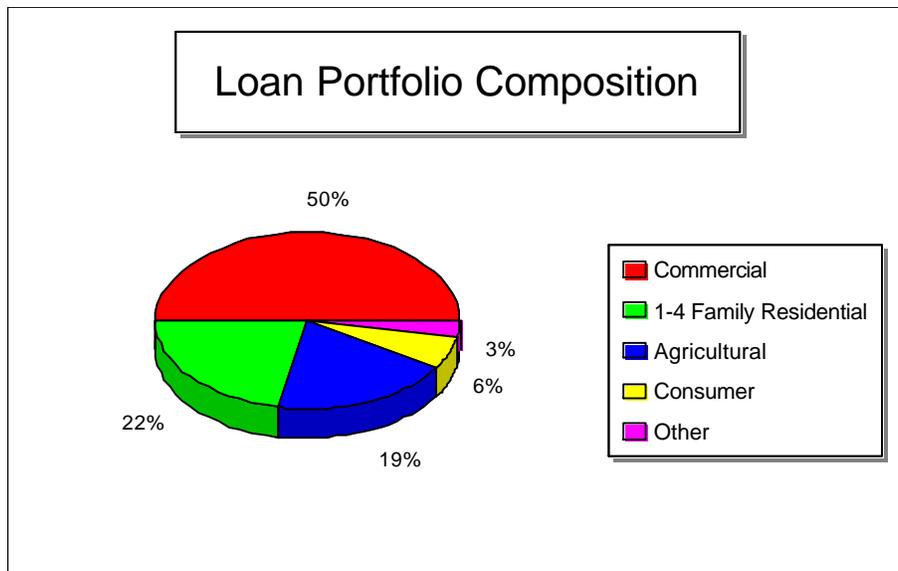
Nebraska National Bank (NNB) adequately meets the credit needs of its assessment area.

- NNB has a satisfactory record of lending to businesses of different sizes and to individuals of different income levels.
- NNB originates the majority of its loans in the assessment area.
- NNB's average loan-to-deposit ratio since the last CRA examination is reasonable.

DESCRIPTION OF INSTITUTION

NNB is a \$31 million financial institution located in south-central Nebraska. The bank is the smallest financial institution in its assessment area. Gibbon Exchange Company owns 100% of the outstanding shares of the bank. Gibbon Exchange Company also owns a \$38 million state bank in the same county. NNB operates from one facility and owns one full service automated teller machine and two cash dispensing automated teller machines. The bank's office and all automated teller machines are located in the assessment area. NNB's net loans and leases equaled 70% of total assets as of June 30, 1998. NNB primarily focuses on commercial and residential real estate lending.

The following table displays NNB's loan portfolio composition by dollar amount as of June 30, 1998.



NNB received a "Satisfactory" rating during the June 25, 1996 CRA examination. There are no legal or financial factors which impede the bank's ability to help meet the credit needs of the assessment area.

DESCRIPTION OF NNB'S ASSESSMENT AREA

NNB has designated six block numbering areas (BNAs) in Buffalo County, Nebraska as its assessment area. Five of the BNAs are middle income and one BNA is upper income. The inflation adjusted 1998 median family income is \$39,300 for non-metropolitan statistical areas in Nebraska. Based on 1990 census data, the population of the assessment area is 26,563 and the median housing value for the assessment area is \$52,919. In addition, 1990 census data reveals 8% of families in the assessment area live below the poverty level and only 54% of housing units are owner occupied. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The following table illustrates the number and percentage of families in each income category in the bank's assessment area. The data is based on the 1990 median family census income of \$27,623.

Families by Income Category		
Income Category	Number	Percentage
Low-Income	857	15%
Moderate-Income	853	14%
Middle-Income	1,452	24%
Upper-Income	2,836	47%
Totals	5,998	100%

Economic conditions in the area are stable and competition is strong. The economy is becoming less dependent on agriculture due to increasing manufacturing industries, a state university, and regional medical facilities. Major employers in the assessment area include Eaton Corporation, Baldwin Filters, Coleman PowerMate, Good Samaritan Hospital, and the University of Nebraska at Kearney. Competition for financial services is strong with three other financial institutions chartered in Kearney as well as branches of three other financial institutions chartered outside the assessment area.

Examiners conducted one community contact during this CRA examination and reviewed three other community contacts conducted previously in NNB's assessment area. Discussions with community leaders and area business owners revealed a need for small business and housing loans. NNB offers products suited for these credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Businesses of Different Sizes and to Borrowers of Different Income Levels

NNB has a satisfactory record of lending to businesses of different sizes. Through this type of lending, NNB helps meet identified small business credit needs. Examiners sampled 40 business borrowers with loans originated from July 1, 1996 through July 27, 1998. This sample represents 33% of the number of business borrowers and 23% of the dollar volume of business loans originated during this period. The following table displays the bank's record of lending to businesses of different sizes based on this sample.

Sample of 40 Business Borrowers		
Annual Gross Revenue (\$000)	Percent of the Number of Loans Made in the Revenue Range	Percent of the Dollar Volume of Loans Made in the Revenue Range
< = 100	28%	11%
> 100 - 250	20%	25%
> 250 - 1000	40%	47%
> 1000	12%	17%
Totals	100%	100%

The above table indicates that NNB made 88% of the number of business loans originated from July 1, 1996 through July 27, 1998 to businesses with gross annual revenues of \$1 million or less. This compares reasonably to demographic information which reveals 91% of businesses reporting income in the bank's assessment area have gross annual revenues of \$1 million or less.

Lending to Businesses of Different Sizes and Borrowers of Different Income Levels
(Continued)

NNB has a satisfactory record of lending to individuals of different income levels. Examiners sampled 40 residential real estate borrowers with loans originated from July 1, 1996 through July 27, 1998. This sample represents 18% of the number and 16% of the dollar volume of residential real estate loans originated during this period. The following table displays the bank's record of lending to borrowers of different income levels based on the results of this sample.

Sample of 40 Residential Real Estate Borrowers			
Income Levels of the Assessment Area	Percent of Families	Percent of the Number of Loans made in the Income Range	Percent of the Dollar Volume of Loans made in the Income Range
Low	15%	0%	0%
Moderate	14%	13%	7%
Middle	24%	32%	29%
Upper	47%	55%	64%
Totals	100%	100%	100%

There are several mitigating factors which explain NNB's lack of penetration in the low-income category for residential real estate loans. The 1990 weighted average median housing value was \$52,919. Although no data is available for 1998 median housing values, it is reasonable to conclude that the value is significantly higher than it was in 1990. In order to be considered low-income, applicants would require annual incomes of less than \$19,650. This income level would make it difficult to qualify for even the lowest price houses in Kearney. In addition, 8% of low-income families in NNB's assessment area are living below the poverty level, leaving only 7% of low-income families above the poverty level. Finally, only 54% of Kearney's housing units are owner occupied. Low cost homes are scarce as investors frequently purchase these homes for student rental units which decreases the availability of housing for low- and moderate-income families.

Lending in the Assessment Area (AA)

The majority of the bank's loans are to borrowers who reside in the assessment area. Examiners sampled 40 business borrowers and 40 residential real estate borrowers with loans originated from July 1, 1996 through July 27, 1998. The following table displays the results of the bank's record of lending in the assessment area based on this sample.

Lending in the Assessment Area		
Loan Type	Percent of the Number of Loans Made in the Assessment Area	Percent of the Dollar Volume of Loans Made in the Assessment Area
Business Loan Sample	68%	77%
Residential Real Estate Loan Sample	90%	85%

Loan-to-Deposit Ratio

NNB's average loan-to-deposit ratio over the past eight quarters is reasonable at 66%. The eight quarter average of the three competing financial institutions chartered in the bank's assessment area is 75%, with a range of 58% to 85%. We generated this information from OCC reports derived from each bank's Consolidated Report of Condition.

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. NNB's assessment area contains six BNAs. Five of the BNAs are middle-income and one BNA is upper-income.

Response to Complaints

NNB has not received any consumer complaints regarding its CRA performance.

Record of Compliance with Anti-discrimination Laws

Examiners did not identify any violations of anti-discrimination laws or regulations, or disparate treatment of loan applicants.