



**Public Disclosure**

December 26, 2007

**Community Reinvestment Act  
Performance Evaluation**

**First National Bank of Chadron  
Charter# 14637**

**2<sup>nd</sup> and Main Street  
Chadron, NE 69337**

**Office of the Comptroller of the Currency  
Denver Field Office  
1225 17<sup>th</sup> Street, Suite 450  
Denver, CO 80202**

**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, 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

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

A satisfactory rating is appropriate in each of the bank's designated assessment areas (AA) given the bank's demonstrated ability to meet the credit needs of the community. Specifically:

- The bank's loan-to-deposit ratio is adequate given area competition and credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's AA.
- The bank's pattern of lending to low- and moderate-income individuals is excellent and to small businesses is satisfactory in comparison to area demographics.

First National Bank of Chadron is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

## **Description of Institution**

First National Bank of Chadron (FNBC) is a \$99 million bank whose headquarters is located in the northwest corner of Nebraska. The main office is located in downtown Chadron. FNBC recently acquired FNB of Ainsworth, which is located approximately 185 miles east of Chadron. This entity now operates as a full-service branch of FNBC.

FNBC is 100% owned by C.S.B Company, a multi-bank holding company located in Cozad, Nebraska. C.S.B. Company also owns Cozad State Bank and Trust. FNBC offers insurance, annuity, and retail non-deposit investment products through its financial subsidiary, First National Financial Services.

The bank operates two full-service facilities with the main branch in Chadron, and one branch office located in Ainsworth, both in Nebraska. FNBC also has two deposit-taking ATM machines; one is located in Chadron, the other in Ainsworth.

First National Bank of Chadron offers a variety of credit products. The primary loan products by dollar volume are agricultural loans at 53.72 percent of average gross loans & leases and farmland real estate loans at 20.08 percent. Our rating of the bank's CRA performance is based on an analysis of these two products. Other loans offered include commercial and industrial (9.20 percent), non-farm non-residential (7.64 percent), other consumer (4.92 percent), and 1-4 family residential (3.59 percent). Net loans represent 60.25 percent of total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

First NB of Chadron received a "Satisfactory" rating at the last CRA examination dated May 8, 2002.

Refer to the bank's CRA Public File for more information.

## Description of Assessment Area

Management has designated 2 assessment areas (AA). The AA includes the following counties: Dawes County, NE & Brown County, NE. For analysis purposes, we combined the two AAs since they are both non-MSA rural areas. Although the counties are not geographically contiguous, they have similar performance contexts.

Based on 2000 census data, the AA is comprised of 3 census tracts, all of which (100 percent) are designated as middle-income. The Department of Housing and Urban Development (HUD) 2007 updated MSA median-family income for this AA is \$51,400. Based on 2000 US Census data, there are 3,117 families residing within the AAs, of which 42 percent are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income. Fifty-six percent of the housing units are owner-occupied within the AA.

The AA consists largely of small businesses. The AA reported 54 percent of local businesses have 1-4 employees. Ninety-eight percent of the farms in the AA reported revenues of less than \$1 million. The demographic data also states that 56 percent of the farm and non-farm businesses reported having revenues of less than \$0.5 million.

The area's largest employers are Chadron State College, Wal-Mart, and Chadron Community Hospital.

We made one community contact in the AA with a representative of the Nebraska Northwest Development Corp.

The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Refer to the bank's CRA Public File for more information.

## Conclusions about Performance Criteria

The bank's loan-to-deposit ratio is adequate given area competition and credit needs of the community.

The bank's quarterly loan-to-deposit ratio since the previous CRA exam is 68.28 percent. The loan-to-deposit ratio of similarly situated banks over the same time period ranged between 52.70 percent and 95.42 percent. Similarly situated banks are those banks of similar business lines operating within the same geography.

## Lending in Assessment Area

The bank's lending in the assessment area is satisfactory. The majority of loans by number volume were originated within the bank's AA. We sampled 30 agriculture operating loans and 35 real estate farmland loans originated either in the current cycle or the previous two years. Of the 65 loans reviewed, 62 percent by number were originated within the AA.

The dollar amount by percentage in the total sample indicates that only 43 percent of the \$6,031M loans in the sample were made within the AA. The analysis by dollar distribution does not consider that the average size of the loans secured by farmland originated within the AA is \$101M, while the average size of the farmland secured loans originated outside the AA is \$200M. This skews the dollar distribution towards the loans made outside the AA.

With more weight given to the number of loans made within the bank's AA, we consider the lending pattern within the AA to be satisfactory.

<b>Table 1 - Lending in Chadron Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture Operating	20	67%	10	33%	30	590	59%	415	41%	1006
RE/Farmland	20	57%	15	43%	35	2,017	40%	3,007	60%	5,025
Totals	40	62%	25	38%	65	2,607	43%	3,423	57%	6,031

Source: Loan Sample

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

The bank's pattern of lending to low- and moderate-income individuals and small businesses reasonably reflects area demographics.

Agricultural operating loans:

The distribution of agricultural operating loans to borrowers of different income levels is excellent. An analysis of 20 loans originated in the Chadron AA during 2004 through 2007 shows 70 percent by number and dollar volume were originated to low- and moderate-income individuals, which exceeds AA demographics.

<b>Table 2 - Borrower Distribution of Agricultural Operating Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
AG Operating	21%	60%	21%	10%	24%	20%	34%	10%

*Source: Loan Sample*

Loans secured by farmland:

The distribution of loans secured by farmland originated throughout the AA indicates good performance in lending to businesses of different sizes. Of the 20 farmland loans sampled, 70 percent by number and 46 percent by dollar volume were originated to small businesses. Of these, 60 percent by number and 29 percent by dollar volume were originated to very small businesses with revenues less than \$250,000.

<b>Table 2A - Borrower Distribution of Loans Secured by Farmland</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown Revenues	Total
% of AA Farm and Non-Farm Businesses	59%	3%	38%	100%
% of Loans in AA by # from Sample	70%	30%	0%	100%
% of Loans in AA by \$ from Sample	46%	64%	0%	100%

*Source: Loan Sample*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not performed. All geographies within the AA are designated as middle- and upper-income. Therefore, an analysis would not be beneficial.

### **Responses to Complaints**

First National Bank of Chadron has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.