



Public Disclosure

October 12, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Unadilla
Charter Number 12225
379 Main
Unadilla, Nebraska 68454**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
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 **The First National Bank of Unadilla, Unadilla, Nebraska** prepared by The Office of the Comptroller of the Currency, as of October 12, 1999. 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 Outstanding.

- C The bank has an excellent record of lending to borrowers of different income levels and to businesses and farms of different sizes.
- C A substantial majority of the bank's loans are within its assessment area.
- C The bank's lending level is excellent, given the institution's size, financial condition, and assessment area credit needs.

Description of Institution

The First National Bank of Unadilla (FNB) is a \$35 million bank located in Otoe County in southeastern Nebraska. The main bank is located in Unadilla, and there is a branch in neighboring Syracuse. The bank also maintains a loan and deposit production office in Tecumseh, Nebraska. The bank operates two automated teller machines (ATMs) within its assessment area. FNB is owned by UB Incorporated, a one bank holding company. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

As of June 30, 1999, FNB's loan portfolio comprised 74% of total assets. The bank's primary credit products are agricultural and residential real estate lending. The portfolio breakdown as of June 30, 1999 was 16% loans to finance agricultural operations, 58% real estate loans, 10% commercial loans, and 16% individual loans. Individuals can refer to the bank's Community Reinvestment Act (CRA) Public File for a list of the specific credit and deposit products available at the bank.

The First National Bank of Unadilla was rated "Outstanding Record of Meeting Community Credit Needs" at the last CRA examination dated August 28, 1996.

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

The assessment area (AA), complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies or block numbering areas (BNAs). The AA consists of all BNAs in Johnson and Otoe Counties. Individuals can refer to the CRA Public File for a map outlining the bank's AA.

The population of the AA is 18,925. The 1998 Nebraska state-wide median family income was \$39,800. The income from the 1990 U.S. Census is used to determine the income level of each BNA (low, moderate, middle, and upper). All three BNAs in the AA are considered middle-income tracts. The family income distribution in the AA is 16% low-income, 20% moderate-income, 27% middle-income, and 37% upper-income. The local economy is stable, but poor agricultural prices could negatively impact the area. The main sources of employment are provided by manufacturing, health care, and construction.

The banking environment in the AA is competitive. Primary competition is provided by six other banks with offices located in the AA. The primary credit needs of the AA are agricultural, while secondary credit needs are residential home loans, and small business loans. We determined the credit needs of the AA by contacting a local elected government official and through previous contacts made during CRA reviews of other area financial institutions.

Conclusions with Respect to Performance Criteria

The bank's lending levels are excellent.

FNB's loan-to-deposit ratio is excellent, given the institution's size, financial condition, and AA credit needs. FNB's ratio averaged 85% over the prior twelve quarters and was 90% on June 30, 1999. FNB ranked second highest among banks operating within the AA for the same period. The twelve quarter average loan-to-deposit ratio of other banks in the AA ranged from 38% to 87%, with an average of 66%.

The bank is lending in the assessment area.

FNB originates a substantial majority of its loans within the AA. We sampled 20 of 530 agricultural loans and 20 of 197 real estate loans originated since the last CRA examination dated August 28, 1996. The following table shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION

(A sample of 20 agricultural and 20 residential real estate loans sampled)

	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	33	83%	\$1,211,999	83%
Outside AA	7	17%	\$257,176	17%
Totals	40	100%	\$1,469,175	100%

Lending to borrowers of different incomes and to farms/businesses of different sizes

FNB has an excellent record of lending to farmers of different sizes and borrowers of different income levels.

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

LOANS TO FARMS OF DIFFERENT SIZES
(A sample of 20 out of 530 originated agricultural loans)

Gross Revenue of Farms	# of customers	% of customers	\$ of loans	% of total \$
\$0 - \$100,000	10	50%	\$133,174	26%
\$100,001 - \$250,000	7	35%	\$301,009	59%
\$250,001-\$500,000	3	15%	\$73,950	15%
over \$500,000	0	0%	\$0	0%
Totals	20	100%	\$508,133	100%

A substantial majority of loans (85% by dollar and number) are to small- and moderate-sized farms. This compares very favorably to the 1992 agricultural census data, which shows 67% and 73% of farms in Johnson and Otoe counties were small- and moderate-sized farms.

The bank participates in government sponsored or guaranteed loan programs such as the Farm Services Agency (FSA) and the Small Business Administration (SBA). The bank also collaborates with the U.S. Department of Agriculture (USDA) in a rural development project for first-time home buyers. The program provides 100% financing for applicants with qualifying income levels. In addition, the bank provided financing of \$680,000 for a Nebraska Investment Finance Authority (NIFA) sponsored low-income housing project in Syracuse, Nebraska.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS

(A sample of 20 out of 197 residential real estate loan originations)

Income Level	# of loans	% of total #	\$ of loans	% of total \$	AA
Low	3	15%	\$51,525	5%	16%
Moderate	7	35%	\$219,067	23%	20%
Middle	4	20%	\$167,000	17%	27%
Upper	6	30%	\$523,450	55%	37%
Totals	20	100%	\$961,042	100%	100%

FNB actively lends to individuals of all income levels within the AA. The sample of loans indicate that 15% by number and 5% by dollar of loans originated were to low-income borrowers, while 35% by number and 23% by dollar were to moderate-income borrowers. The combined total lending to low- and moderate-income borrowers of 50% exceeds the demographics for low- and moderate-income individuals in the AA.

Geographic Distribution of Loans

We did not complete an analysis of the geographic distribution of loans among the block numbering areas in the AA. There are no low- or moderate-income block numbering areas in the bank's AA. The block numbering areas are all middle-income.

Response to Complaints

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

Record of Compliance with Antidiscrimination Laws

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of any individual female applicants for auto loans during our fair lending examination. We sampled 14 individual female and 20 individual male applicants for loans originated between April 4, 1999 and October 12, 1999. 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.