



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

January 23, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Valentine
Charter Number 6378**

*253 North Main
Valentine, Nebraska 69201*

**Office of the Comptroller of the Currency
Omaha Field Office
11606 Nicholas Street, Suite 201
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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 Valentine prepared by The Office of the Comptroller of the Currency, as of January 23, 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.

- A substantial majority of the bank's loans are made within its assessment area.
- The bank's lending efforts reflect good penetration to individuals of different income levels and farms of various sizes.
- The geographic distribution of loans within the assessment area is reasonable.

Description of Institution

The First National Bank of Valentine (FNBV) is a \$92 million bank located in North Central Nebraska. The bank is 100% owned by Valentine Bancorporation, a one-bank holding company. FNBV's office is located in downtown Valentine. The bank also operates an automated teller machine (ATM) at the visitor center located near the intersection of Highway 20 and Main Street in Valentine.

FNBV offers a full range of loan and deposit products, but is primarily agriculture-oriented. As of September 30, 1997, agriculture production and real estate loans represented 45% of the bank's loan portfolio, while commercial loans accounted for 27% of the portfolio. The bank also offers residential one-to-four family real estate loans (14%) and consumer loans (10%). The remaining 4% of the portfolio was comprised of real estate construction loans and credits extended to municipalities.

FNBV received a "Satisfactory" rating at its January 27, 1995 CRA examination. There are no legal impediments or other factors, including the financial condition of the bank, which limit its ability to perform in accordance with CRA regulations.

Description of the Bank's Assessment Area

FNBV has designated all of Cherry County in Nebraska and Todd County in South Dakota as its assessment area. The assessment area consists of four block numbering areas (BNA), one of which is designated low income, two moderate income and one middle income. Based on 1990 census information the population of the assessment area is 14,659. Most of the population is centered in two of the BNAs. Thirty-four percent of the population is in BNA 9558 located in North Cherry County. The area contains several small towns including the largest town in the assessment area, Valentine, where the bank is located. This BNA is designated middle income. BNA 9927, located in Eastern Todd County, contains 31% of the assessment area population and is designated low income. The remaining two BNAs (9559, 9926), located in Eastern Todd County and Southern Cherry County, largely consist of ranch land and are sparsely populated. These are both designated moderate income BNAs. The state of Nebraska and South Dakota non metro median family income is \$37,100 and \$34,500 respectively according to 1997 Housing and Urban Development data.

Ranching is the principal economic activity in the area and agricultural lending is a primary credit need. Common agricultural credit needs include operating lines and loans to purchase equipment and real estate. The Rosebud Indian Reservation occupies much of Todd County. Todd County is designated low income with 47% of the families in the county below the poverty level. We performed two community contacts in Todd County during our review to help us assess the areas credit needs. Contacts within the assessment area indicated a need for loan and education programs for small business development and consumer loans.

Competition for deposit and loan customers within the assessment area comes from six branches

of larger banks headquartered outside the area. Three of these branches are located in Valentine, Nebraska; and one each in Cody, Nebraska; Merriman, Nebraska; and Mission, South Dakota. There are also several banks located in surrounding counties which draw customers from the assessment area.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

The First National Bank of Valentine's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area needs. The average loan to deposit ratio from 3/31/95 through 9/30/97 was 46%. The average loan to deposit ratio has increased each year from 41% in 1995 to 49% for the first nine months of 1997. There are no other bank's chartered in the assessment area. Loan to deposit ratios for bank's in surrounding counties ranged from 55% to 84%.

The reason for the lower loan-to-deposit ratio appears to be linked to the demographics of the assessment area. The bank attracts a large volume of public funds because it is the only local bank. In addition, the population of the area is characterized by a large number of low and moderate income residents and a small population of wealthy individuals. As of 6/30/97 the largest twenty depositors in the bank represented 20% of the bank's deposit base. The credit needs of these public entities and individuals are often small relative to their deposits. The credit needs of the low and moderate income residents are large in number but small in dollar volume and do not contribute significantly to the loan-to-deposit ratio. This is evidenced by the large volume of very small consumer loans. During 1997 the bank made eighty-eight consumer loans for less than \$1,000.

The local population consists of a large number of elderly residents who tend to have lower credit needs and higher demand for deposit services. Thirty-two percent of the total population in the assessment area is over 65. And fifty-four percent of the population in the BNA in which the bank is located is over 65.

Lending in Assessment Area

We reviewed a sample of agricultural and consumer loans to determine the level of lending within the assessment area. Agricultural loans represent the largest percentage of the bank's portfolio by dollar volume while consumer loans are the largest percentage by number. The sample indicates a substantial majority of the bank's loans are made to borrowers who live within the assessment area. The following tables summarize our findings.

Agricultural Loans				
	Number	Percent By Number	\$ Volume	Percent By \$ Volume
Inside assessment area	29	91%	\$1,888,342	92%
Outside assessment area	3	9%	\$170,000	8%
Total	32	100%	\$2,058,342	100%

Consumer Loans				
	Number	Percent By Number	\$ Volume	Percent By \$ Volume
Inside assessment area	37	84%	\$234,060	88%
Outside assessment area	7	16%	\$31,347	12%
Total	44	100%	\$265,407	100%

Lending to Borrowers of Different Incomes and Farms of Different Sizes

The distribution of borrowers reflects excellent dispersion among individuals of different income levels and farms of different sizes. Examiners sampled consumer loans and agricultural loans made within the assessment area from 1995 to 1997. Of note is the large number of loans made to low and moderate income borrowers. The bank has no minimum dollar limit on loans it will originate. Many of the bank's consumer loans are very small which meet the needs of lower income borrowers. The table below summarizes our findings.

Consumer Loans					
Income Levels	Number	Percent By Number	\$ Volume	Percent By \$ Volume	Total Families in Assessment Area (%)
Low	18	49%	\$58,338	25%	35%
Moderate	11	29%	\$86,902	37%	21%
Middle	5	14%	\$47,510	20%	20%
Upper	3	8%	\$41,310	18%	24%
Total	37	100%	\$234,060	100%	100%

Agricultural Loans Reporting Gross Revenue Information				
Annual Gross Revenues	Number of Borrowers	Percent By Number	\$ Volume	Percent By \$ Volume
\$0 - \$50,000	4	31%	\$117,000	11%
\$50,001 - \$100,000	4	31%	\$239,500	22%
\$100,001 - \$250,000	4	31%	\$385,000	35%
\$250,001 - \$500,000	1	7%	\$350,000	32%
> \$500,001	0	0%	\$0	0%
Total	13	100%	\$1,091,500	100%

In addition to the agricultural borrowers included in the table above, sixteen credit files on borrowers in our agriculture sample did not contain current revenue information. Of these, eight were for loans of \$25,000 or less. The small size of these loans is an indication that these were for small farm or ranch operations.

Geographic Distribution of Loans:

Our loan samples reflected reasonable geographic distribution. As noted in the description of the assessment area, most of the population in the assessment area is in Northern Cherry County (BNA 9558) and Western Todd County (BNA 9927). Eastern Todd County (BNA 9926), and Southern Cherry County (9559) are sparsely populated. The demographics of the area are reflected in the distribution of the agriculture and consumer portfolios. The tables that follow reflect that most consumer loans are made in the more populous areas while agricultural loans are common in the less populated areas.

Consumer Loans						
Income Levels	BNA #	Number Loans	Percent	Dollar Volume	Percent	Population Percent
Low	9927	13	35%	\$35,595	15%	34%
Moderate	9926	3	8%	\$16,135	7%	20%
Moderate	9559	0	0%	0	0%	15%
Middle	9558	21	57%	\$182,330	78%	31%
Total		37	100%	\$234,060	100%	100%

Agricultural Loans						
Income Levels	BNA #	Number Loans	Percent	Dollar Volume	Percent	Population Percent
Low	9927	1	4%	\$150,000	8%	34%
Moderate	9926	5	17%	\$101,800	6%	20%
Moderate	9559	7	24%	\$400,131	21%	15%
Middle	9558	16	55%	\$1,236,411	65%	31%
Total		29	100%	\$1,888,342	100%	100%

Response to Complaints

The bank has not received any CRA-related complaints since the last CRA examination. No violations of substantive provisions of antidiscrimination laws and regulations were identified during our review.