



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 31, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 15623

1123 B Street  
Schuyler, NE 68661-0508

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, NE 68154-5298

**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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

First National Bank (FNB) meets the needs of its assessment area (AA).

- FNB's record of lending to agricultural and commercial borrowers of different sizes is satisfactory.
- The majority of the loans made by FNB are within the AA.
- FNB's average loan-to-deposit ratio since the last examination is reasonable.

**SCOPE OF EXAMINATION**

Small bank procedures were used to evaluate the bank's performance under the Community Reinvestment Act (CRA). A full scope review was completed of the bank's CRA activities in the AA since January 21, 2003. The primary products for the AA are agricultural and commercial loans. A sample of 40 loans of the bank's primary lending product was used to assess the bank's lending performance. The evaluation period for the lending test was January 1, 2006 to December 31, 2007.

**DESCRIPTION OF INSTITUTION**

FNB is a \$99 million institution located in east central Nebraska. The bank's primary products are agricultural and commercial loans. FNB's main office and drive-thru are located in Schuyler. Additionally, the bank has full service branches located in Albion, Nebraska (59 miles northwest of Schuyler) and Howells, Nebraska (21 miles north of Schuyler). The bank also maintains three cash dispensing machines in Schuyler, one in Albion, and one in Howells, Nebraska. The bank does not have any Automated Teller Machines that accept deposits. FNB received a "Satisfactory" rating at the last CRA examination dated January 21, 2003. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. Refer to the bank's *CRA Public File* for more information.

**DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income geographies. The bank's AA encompasses all of Colfax and Boone Counties, which are comprised of five middle income census tracts. Although the bank's designated AA is not contiguous, we were able to combine the two counties into one AA for analysis purposes because they are geographically proximate and have similar performance contexts. There are four other similarly situated financial institutions within the AA.

According to the 2000 U.S. Census, the total population of the AA is 16,700. Approximately 16% of families in the AA are low-income, 22% moderate-income, 29% middle-income, and 33% upper-income. The local economy is stable. Unemployment

remains low at 1.42%. A large meat packing plant, local schools, two health care centers, two hospitals, and industrial businesses continue to be the largest employers. We conducted one community contact with a local organization. The community contact revealed that agricultural loans remain the primary lending need within the community. The contact stated the Schuyler community needs additional housing for all income levels. His organization, along with the local banks, is working to improve the housing shortage. The contact indicated the economy is good and the lending needs of the community are met.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's average loan-to-deposit (LTD) ratio is satisfactory. The LTD ratio averaged 80% over the past twenty quarters and reasonably compares to the quarterly average of four competing, similarly situated banks. These four banks had an average LTD ratio of 82%, with a range of 65% to 99%.

### Lending in Assessment Area

Loans made inside the AA meet the standards for financial institutions. FNB makes a majority of its loans in its AA. The loan sample consisted of 20 randomly selected agricultural loans and 20 randomly selected commercial loans originated from January 1, 2006 to December 31, 2007. FNB originated 85% by number, and 92% by dollar amount within its AA for agricultural and commercial loans.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural and Commercial	34	85%	6	15%	40	\$2,279	92%	\$197	8%	\$2,476

Source: Bank Reports.

### Lending to Farms and Commercial Businesses of Different Sizes

FNB's record of lending to farms and commercial businesses of different sizes is satisfactory. The vast majority of the loans in the agricultural sample were made to small farms, which is defined as farms with gross revenues of less than \$1 million. The demographic data supports this type of lending.

Table 2A – Borrower Distribution of Loans to Farms in AA

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	92%	4%	4%	100%
% of Bank Loans in AA by #	90%	5%	5%	100%
% of Bank Loans in AA by \$	95%	4%	1%	100%

Source: Bank Reports and 2000 US Census Data

A majority of the commercial loans were made to businesses with gross revenue of less than \$1 million, which are considered small businesses. The demographic data supports this type of lending; however, over 30% of borrowers did not report revenue.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61%	6%	33%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

Source: Bank Reports and 2000 US Census Data

### Geographic Distribution of Loans

Geographic distribution analysis is not applicable as the AA consists of five middle-income census tracts.

### Responses to Complaints

FNB has not received any CRA related complaints since the last performance evaluation.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.