

**Comptroller of the Currency
Administrator of National Banks**

Grand Island Duty Station
P.O. Box 129
Grand Island, Nebraska 68802

PUBLIC DISCLOSURE

June 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Holdrege
Charter Number 3208
401 East Avenue
Holdrege, Nebraska 68949**

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.
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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 Community Reinvestment Act (CRA) performance of **The First National Bank of Holdrege** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Holdrege (Bank) is actively addressing the credit needs of its assessment area. The bank's loan-to-deposit ratio is reasonable, with the majority of loans being made to customers within its assessment area. The bank's lending efforts reasonably penetrate all segments of the assessment area, with a strong penetration to small farms and small businesses.

The following table indicates the performance level of *The First National Bank of Holdrege* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Holdrege Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	x		
Lending in Assessment Area		x	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans	ANALYSIS NOT MEANINGFUL		
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE PRIOR EXAMINATION		

DESCRIPTION OF INSTITUTION

The First National Bank of Holdrege is a \$196 million institution located in south central Nebraska. The bank is a wholly-owned subsidiary of First Holdrege BancShares, Inc., a one bank holding company with consolidated assets of \$201 million. The bank provides the majority of its services at their main office in downtown Holdrege. Deposit services are also offered at a branch facility located in the northwest section of the community. In addition, the bank maintains a 24 hour ATM in one of the local grocery stores and a cash dispensing machine in a convenience store. Loans represent 72% of total bank assets. Agricultural credit represents 72% of the bank's loan portfolio. Commercial, consumer and residential real estate loans represent 10%, 7% and 3% of the remaining portfolio respectively. Stiff loan and deposit competition comes from several institutions located in the community and surrounding area.

There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to comply with the Community Reinvestment Act. The bank received a "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, May 11, 1994.

DESCRIPTION OF ASSESSMENT AREA

Management designated all of Phelps County as their assessment area (AA). This area contains three adjoining block numbering areas (BNAs). Two of the BNAs are designated as middle income and one is upper income. None of the BNAs are located in a Metropolitan Statistical Area. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

Phelps County is a rural area with several small communities. According to 1990 census information, 9,715 people reside in the AA. Holdrege is the largest community with a population of 5,671 and serves as a regional trade center. The remaining population is spread among four other small towns and the surrounding countryside. The local economy is becoming fairly diversified. Agricultural operations and related businesses continue to contribute significantly to the local economy. However, several light industries are also present in Holdrege. As a result of this diverse economy, unemployment remains very low at 1.5% of the labor force.

Two members of the community, contacted by examiners, stated the primary identified credit needs for the area are agricultural, small business and affordable housing. One contact was a representative from an organization which assists with business development in the county. The other contact was a representative from an organization that provides affordable housing to low-income residents in Holdrege.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. The bank's ratio was 82% at March 31, 1997, and averaged 85% since June 30, 1994. The bank's loan to deposit ratio compares favorably to similar sized banks in Nebraska. We found the bank's average loan to deposit ratio in 1996 ranks second among fourteen banks in Nebraska with assets between \$150MM and \$250MM. In addition, the bank's December 31, 1996 loan to deposit ratio ranked fourth among thirty four banks in Phelps county and the surrounding counties.

Lending In Assessment Area

The bank extends the majority of its credit to individuals residing within its assessment area. Based on a zip code analysis of the bank's April 29, 1997 loan customers, 71% of the total number of loans were made to customers who reside within the assessment area. The dollar volume of these loans is slightly higher at 80% and also supports the above conclusion.

Lending to Borrowers of Different Incomes / Businesses and Farms of Different Sizes

The bank's distribution of credit reflects good penetration to borrowers across all levels of income, including the area's small businesses and farms and individuals with low- or moderate-incomes. Our review of farm and business loans for income information revealed 40 of 48 borrowers had gross revenues of less than \$1 million. The following chart shows the bank is making small business/farm loans to operations of all sizes.

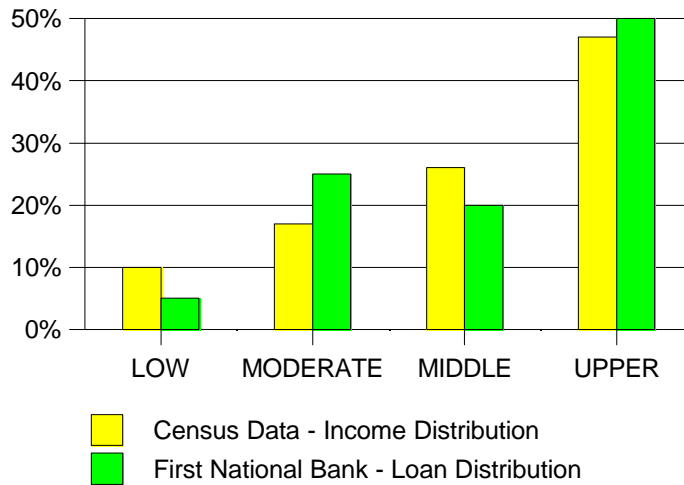
AGRICULTURAL & COMMERCIAL LOANS

ANNUAL SALES	# of Loans	Percent	\$ of Loans	Percent
< \$100,000	0	0	0M	0
\$100,001 - \$250,000	8	17	2,279M	5
\$250,001 - \$500,000	13	27	5,984M	14
\$500,001 - \$1,000M	19	39	18,664M	42
> \$1,000M	8	17	17,384M	39
Total	48	100	44,311M	100

The bank lends to individuals of all income levels and its performance compares favorably to the assessment area's demographics. We selected a sample of twenty 1-4 Family Real Estate loans originated to borrowers in the AA in 1996 and 1997 and found a good level of penetration to

borrowers with low- or moderate-incomes. As the graph below indicates, the bank's percentage of 1-4 Family Real Estate loans originated to borrowers with low- or moderate-incomes is comparable to the proportion of low- or moderate-income individuals residing in the AA. Our sample disclosed borrowers with gross annual incomes ranging from \$14,367 to \$69,600.

Lending to Families of Different Incomes



The following two tables represent the data found

in the above graph:

RESIDENTIAL REAL ESTATE LOANS

Income Classification	# of Loans	%	\$ of Loans	%
Low-income	1	5%	\$ 18,000	2%
Moderate-income	5	25%	208,004	22%
Middle-income	4	20%	185,726	19%
High-income	10	50%	543,225	57%
Total	20	100%	\$954,955	100%

The following chart summarizes family income information for the AA. It is based on 1990 census data:

	Total Families	Low Income (%)	Moderate Income (%)	Middle Income (%)	Upper Income (%)	Median Family Income	State Median Income
AA	2,739	10.4%	17.1%	25.6%	46.8%	\$31,290	\$27,623

Geographic Distribution of Loans

We did not assess the reasonableness of loans distributed within the bank's AA because the entire area is fully designated as middle income. Through discussions with management and a review of the bank's April 29, 1997 loan trial balance, it is readily apparent a majority of the bank's loan customers reside throughout the AA.

The bank is in compliance with anti-discrimination laws and regulations. Our fair lending review did not disclose any substantive violations of the Fair Lending laws. We did not note any practices intended to discourage applications for the types of credit the bank offers.