



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 8205**

**3rd & Cedar Streets
Julesburg, CO 80737**

**Comptroller of the Currency
Denver Field Office
1225 17th 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.

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 including loans to low- and moderate-income individuals and small businesses. Specifically:

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

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

DESCRIPTION OF INSTITUTION

First National Bank, Julesburg (FNB) is a \$62 million institution located in northeastern Colorado. The bank is wholly owned by First NE Bancs, a three-bank holding company headquartered in Sidney, Nebraska. The holding company also owns a national bank in Sidney, Nebraska and a national bank in Torrington, Wyoming.

The bank operates four full-service facilities. The main office is located in Julesburg, CO, in Sedgwick County. One branch is located in Haxton, CO in Phillips County. The second branch is located in Windsor, CO in Weld County. The third branch is located in Wellington, CO in Larimer County. All four locations are full-service facilities with deposit-taking ATMs.

FNB offers a variety of credit products. The primary loan products by dollar volume are agriculture production loans and construction/development loans representing 24% and 16% of the total loan portfolio, respectively. The primary consumer loan product is residential real estate representing 18% of total loans. Other loans offered by the bank include loans secured by farmland (14%), commercial real estate loans (13%), commercial and industrial loans (8%) and other consumer loans (7%). Net loans represent 71% of the bank's total assets. The bank faces strong competition in the Ft. Collins MSA and Greeley MSA from numerous community and large banks. There are no legal or financial impediments to the bank's ability to meet the credit needs of the AAs.

We made one community contact with this examination. Information from the Windsor Chamber of Commerce indicates that the primary credit needs of the community include small business and consumer loans.

FNB received a "Satisfactory" rating at the last CRA examination dated February 8, 1999.

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

DESCRIPTION OF SEDGWICK, PHILLIPS, LOGAN, WELD, AND LARIMER COUNTIES

Management has designated three assessment areas (AA). The first AA is defined as all of Sedgwick, Phillips, and Logan Counties, here within referred to as the Julesburg AA. Based on 1990 census data, this AA is comprised of 11 geographies of which one (9%) is designated as moderate-income and ten (91%) are designated as middle-income. The Department of Housing and Urban Development (HUD) 2002 updated non-MSA median-family income for this AA is \$46,000. Based on 1990 US Census data, there are 6,923 families residing within the AA of which 40% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

The second AA includes a portion of the Greeley MSA, comprised of four geographies located in northwestern Weld County. Based on 1990 census data, all four geographies are designated as middle-income. The HUD 2002 updated MSA median-family income for this AA is \$47,900. Based on 1990 US Census data, there are 3,118 families residing within the AA of which 36% are deemed low- and moderate-income.

The third AA includes a portion of the Ft. Collins MSA, comprised of 27 geographies located in northeastern Larimer County. Based on 1990 census data, this AA is comprised of two (7%) low-income geographies, four (15%) moderate-income geographies, thirteen (48%) middle-income geographies, and eight (30%) upper-income geographies. The HUD 2002 updated MSA median-family income for this AA is \$60,800. Based on 1990 US Census data, there are 27,419 families residing within the AA of which 38% are deemed low- and moderate-income.

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.

CONCLUSION ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

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

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 81%. The average quarterly loan-to-deposit ratio of similarly situated banks over the same time period ranged between 65% and 98%. Similarly situated banks are those banks of similar business lines operating within the same geography.

Lending in the Assessment Areas

The majority of loans by number and dollar volume are originated within the bank's AA.

We sampled all owner-occupied home refinance loans reported under the Home Mortgage Disclosure Act (HMDA) in 2001 and 2002, and 20 each of agricultural loans and commercial real estate construction loans. Of 53 loans reviewed, 91% by number and 92% by dollar volume were originated within the AA.

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 is good.

The distribution of owner-occupied refinance loans to borrowers of different income levels is good. We sampled all HMDA reportable loans originated in 2001 and 2002. Within the Julesburg AA, 50% by number and 41% by dollar volume were originated to low- and moderate-income borrowers. This compares favorably to area demographics that indicate 40% of the individuals residing within the AA are designated as low- and moderate-income. The bank did not report any owner-occupied refinance loans in the Greeley or Ft. Collins AAs during the review period. This is not of significant concern as the bank did not have a strong presence in these areas in 2001 and 2002 and the bank's business focus was on commercial lending.

The distribution of farm loans originated in the Julesburg AA indicates good performance in lending to farms of different sizes. Of the 20 loans sampled, 95% by number and 88% by dollar volume were originated to farms with annual revenues of \$1MM or less. This compares favorably to area demographics in which 95% of the farms for which revenue information was available are small farms.

The distribution of commercial loans originated in the Weld County AA indicates good performance in lending to businesses of different sizes. Of the 20 loans sampled, 85% by number and 83% by dollar volume were originated to small businesses. This reasonably reflects area demographics that indicate 95% of the businesses for which revenue information was

available are small businesses.

We did not perform an analysis of the bank's performance within the Ft. Collins MSA given the low volume of loans eligible for sampling. The Wellington branch office did not open until late 2002. The Windsor branch of the bank previously serviced this geography, as it is located only 10 miles from the Larimer County line. As such, loans within the sample originated out of the Ft. Collins AA were included in the analysis of the bank's performance in the Weld County AA. The inability to perform a separate analysis of the Ft. Collins AA did not adversely impact the bank's overall rating.

Geographic Distribution of Loans

A geographic distribution analysis would not have provided meaningful information. There are no low- or moderate-income geographies within the Weld County AA and only one of eleven geographies within the Julesburg AA is designated as moderate-income. The remaining ten geographies are designated as middle-income.

Although there exists low- and moderate-income geographies within the Larimer County AA, the low volume of loans originated out of the Wellington branch was not sufficient to provide a valid sample.

The decision to omit a geographic distribution analysis from the overall performance analysis did not adversely impact the final rating.

Response to Complaints

The bank has not received any CRA related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

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