



Public Disclosure

June 21, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Holdrege
Charter Number 3208**

**401 East Avenue
Holdrege, Nebraska 68949**

**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 Holdrege prepared by The Office of the Comptroller of the Currency, as of June 21, 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 Satisfactory.

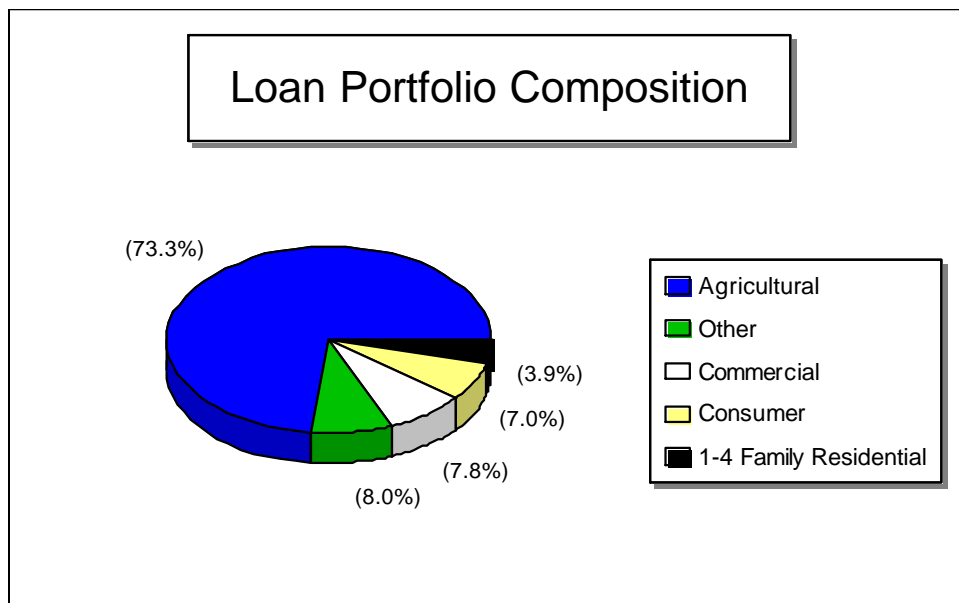
The First National Bank of Holdrege (FNB) adequately meets the credit needs of its assessment area. The bank's primary lending activity is centered around agriculture.

- # FNB has a good record of lending to agricultural borrowers of different sizes.
- # FNB's average loan-to-deposit ratio since the last CRA examination is reasonable.
- # FNB originates the majority of its loans in the assessment area.

Description of Institution

FNB is a \$177 million financial institution located in south-central Nebraska. The bank is the largest financial institution in its assessment area. First Holdrege Bancshares, Inc., a one bank holding company with total assets of \$181 million as of December 31, 1998, is located in Holdrege, Nebraska and owns 100% of the outstanding shares of the bank. FNB has one full service facility, one deposit service facility, and three cash dispensing automated teller machines. All facilities are located in the assessment area. FNB's net loans and leases totaled 60.64% of total assets as of March 31, 1999. FNB primarily focuses on agricultural lending.

The following chart displays FNB's loan portfolio composition as of March 31, 1999.



FNB received a "Satisfactory" rating during the June 5, 1997 CRA examination. There are no legal or financial factors which impede the bank's ability to help meet the credit needs of the assessment area.

Description of Phelps County

FNB has designated three block numbering areas (BNAs) in Phelps County, Nebraska as its assessment area. Two of the BNAs are middle-income and one BNA is upper-income. The county is not within a Metropolitan Statistical Area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to 1996 estimates based upon data compiled by the Holdrege Area Chamber of Commerce and Nebraska Public Power District, 9,982 people reside in the assessment area with 5,842 located in the community of Holdrege. The inflation adjusted 1999 median family income is \$39,800 for non-metropolitan statistical areas in Nebraska. The distribution of families by income level for the assessment area is as follows: low-income 10%, moderate-income 17%, middle-income 26%, and upper-income 47%. Eight percent of families in the assessment area are below the poverty level. According to 1990 census data, the median housing value in the assessment area is \$39,199 and 66% of housing is owner-occupied.

The following table illustrates the number and percentage of income designations of BNAs in the bank's assessment area.

Income Designations of BNAs		
Income Category	Number	Percentage
Low-Income	0	0%
Moderate-Income	0	0%
Middle-Income	2	67%
Upper-Income	1	33%

Economic conditions in Holdrege are stable, according to a community leader, and competition is strong. The local economy is heavily dependent on agriculture and its related industries which have been volatile due to the decline in farm commodity prices. Corn, soybeans, and livestock are the major agricultural products produced in the assessment area. Several light industries are also present in Holdrege with the Agri-Co-Op, Allmand Brothers, Inc., Artistic Woven Labels, Inc., and Beckon-Dickenson & Co. being the major employers. Unemployment in the assessment area is low at 1.11% based on estimated 1996 information from data compiled by the Holdrege Area Chamber of Commerce and Nebraska Public Power District. Competition for financial services is strong as two other financial institutions are chartered in the assessment area and there are six total financial institutions operating a total of eight branches in the assessment area.

Examiners conducted two community contacts during this CRA examination. Discussions with community leaders and an area business owner revealed agriculture and small business credit as the primary credit needs of the community. FNB offers and originates these types of loans.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Sizes

FNB has a good record of lending to agricultural borrowers of different sizes within the assessment area. Because the bank is primarily an agricultural lender, we reviewed a sample of 23 agricultural loans totaling \$11.3 million to determine the bank's lending to farms of different sizes. All of the loans in this sample were made to farms located within the bank's assessment area and were originated since the last CRA examination.

Sample of 23 Agricultural Borrowers				
Gross Annual Revenue (in 000s)	# of Loans	% of # of Loans	\$ Value of Loans (in 000s)	% of \$ Volume of Loans
less than \$100	3	13%	\$371	3%
\$100 - \$249	5	22%	\$1,590	14%
\$250 - \$499	7	30%	\$3,253	29%
\$500 - \$999	0	0%	\$0	0%
\$1,000 or greater	3	13%	\$5,440	48%
Unknown*	5	22%	\$710	6%

*Unknown: some small agricultural borrowers were not required to report current gross revenues. Those borrowers would most likely fit into the "less than \$100" Gross Annual Revenue category.

The table above indicates that FNB made 65% of the number of agricultural loans originated since the last CRA examination to businesses with gross annual revenues of \$500,000 or less. Demographic data from the 1992 Census of Agricultural reveals that 91% of the farms in the assessment area have gross annual revenues of less than \$500,000. The "Unknown" portion of the sample were small agricultural borrowers who were not required to report gross annual revenue. It is reasonable to conclude that the "Unknown" portion of the agricultural borrowers would have gross annual revenues less than \$500,000, which would be 87% of the number of agricultural loans. Since FNB is the largest institution in the assessment area by a considerable amount, it is reasonable to see the number and dollar amounts of loans to larger farm operations.

Loan-to-Deposit Ratio

The bank maintains a good loan-to-deposit ratio. Over the last eight quarters, the loan-to-deposit ratio averaged 80%. FNB's ratio falls between the 85% and 79% ratios reported by the other two financial institutions chartered in the assessment area.

Lending in Phelps County

FNB originates the majority of its agricultural loans to borrowers within the assessment area. We sampled loans to 29 agricultural borrowers totaling \$13.2 million. We found that 79% of the loans by number and 86% of the loans by dollar volume were to borrowers located within the assessment area.

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. FNB's assessment area contains three BNAs. Two of the BNAs are middle-income, one BNA is upper-income and there are not any low- or moderate-income BNAs in the assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination.

Record of Compliance with Anti-discrimination Laws

We did not identify any violations of anti-discrimination laws. Our fair lending review consisted of analyzing rates and terms granted to all individual female and all individual male borrowers for loans for miscellaneous expenses secured by one automobile from June 1, 1998 through June 1, 1999. Our review included eight loans to females and ten loans to males. We found no evidence of discrimination based on gender in the rates and terms given for the loans reviewed.