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

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## **PUBLIC DISCLOSURE**

**October 7, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Chadron  
Charter Number 14637**

**2nd & Main Street  
Chadron, Nebraska 69337**

<p><b>NOTE:</b> 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.</p>
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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 **First National Bank of Chadron** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 7, 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.”**

First National Bank of Chadron (FNB) is meeting the credit needs of its community. The bank's lending efforts reflect reasonable penetration to farms and businesses of various sizes. FNB's loan-to-deposit ratio is reasonable in comparison to other area banks, although the majority of its loans are made outside the bank's assessment area.

## **DESCRIPTION OF INSTITUTION:**

First National Bank of Chadron is a \$41 million bank located in the panhandle of Nebraska. The bank is 98% owned by C.S.B. Company, a multi-bank holding company. C.S.B. Company also owns an \$86 million state bank in central Nebraska. FNB's office is located in downtown Chadron. The bank sold its only branch, located in Hay Springs, Nebraska in October 1996. FNB's only automated teller machine (ATM) is located in the bank's parking lot, and it accepts deposits and dispenses cash. FNB is primarily an agricultural lender with 69% of its loans for agricultural purposes. The remainder of the bank's \$23 million loan portfolio is vested in commercial loans (14%), 1-4 family real estate loans (7%), consumer loans (7%), and other loans (3%).

There are no factors, including the bank's financial condition, which restrict the bank's ability to comply with the Community Reinvestment Act. Previously, examiners assigned the rating "Satisfactory Record of Meeting Community Credit Needs" in a Public Performance Evaluation report dated August 1, 1994.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA:**

FNB has designated Dawes County, Nebraska as its assessment area. The county's population was 9,021 as of the 1990 census. The county is divided into two block numbering areas (BNAs), both of which were designated middle-income in the 1990 census. The statewide nonmetropolitan median family income is \$37,100. The 1990 census information indicated 32% of the households in the assessment area are low-income, 19% moderate-income, 14% middle-income, and 35% upper-income. Twenty-one percent of the households are below the poverty level and six percent receive public assistance. The average housing value is \$29,150 and 53% of the homes are owner-occupied. Agriculture is the primary industry in the area.

The primary needs identified by the bank are small farm loans and housing loans. Our community contacts confirmed these as the community's main credit needs. We conducted one community contact during our examination, and reviewed several other contacts that we had on file. Competition in the assessment area consist of four other banks and one credit union.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Lending to Borrowers of Different Incomes

The bank has a reasonable penetration of loans to farms and businesses of different sizes. All of the agricultural loans in our sample were to borrowers with annual gross revenues under \$1,000,000, and they were reasonably distributed beneath that level. In Dawes County, 77% of farms have annual gross income under \$1,000,000. Our commercial loan sample revealed 71% of the loans by number and 58% by dollar reviewed were to businesses with annual gross income under \$1,000,000. Seventy-eight percent of the nonfarm businesses in the county have gross sales of less than \$1,000,000.

We sampled agricultural and commercial loans to determine the bank's level of lending to farms and businesses of different sizes. We reviewed 20% of the agricultural loans originated between September 1, 1996 and August 31, 1997 and 40% of the commercial loans originated between May 1, 1997 and August 31, 1997. We sampled agricultural loans from a longer time period since these loans comprise the largest portion of the bank's loan portfolio and the timeframe reflects an entire agricultural operating cycle. The tables below summarize our findings.

<b>Agricultural Loans</b>				
Gross Revenues	Number	Percent By Number	\$ Volume (000's)	Percent By \$ Volume
\$0 - \$100,000	87	85%	\$1,607	35%
\$100,001-\$250,000	10	10%	\$598	13%
\$250,001-\$500,000	2	2%	\$650	14%
\$500,001-\$1,000,000	3	3%	\$1,750	38%
\$1,000,001+	0	0%	\$0	0%
Total	102	100%	\$4,605	100%

<b>Commercial Loans</b>				
<b>Gross Revenues</b>	<b>Number</b>	<b>Percent By Number</b>	<b>\$ Volume (000's)</b>	<b>Percent By \$ Volume</b>
\$0 - \$100,000	5	36%	\$71	13%
\$100,001-\$250,000	1	7%	\$5	1%
\$250,001-\$500,000	3	21%	\$141	26%
\$500,001-\$1,000,000	1	7%	\$100	18%
\$1,000,001+	4	29%	\$226	42%
<b>Total</b>	<b>14</b>	<b>100%</b>	<b>\$543</b>	<b>100%</b>

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit ratio is reasonable in comparison to ratios of other area community banks. As of June 30, 1997, the bank's six quarter average loan-to-deposit ratio was 64%. Since there are no other banks chartered in Dawes County, we compared FNB's loan-to-deposit ratio to the ratios of community banks chartered in the five surrounding counties. The ratio is the lowest of the four banks in the six counties. Other bank ratios ranged from 74% to 84%.

### **Assessment Area Concentration**

A majority of the bank's loans are made to borrowers who live outside the assessment area. We used the agricultural and commercial loan samples described above to determine the bank's level of lending inside and outside its assessment area. Since the Nebraska panhandle is geographically vast but sparsely populated, and comprised mainly of large ranching operations, FNB extends credit to many borrowers living outside the bank's assessment area to obtain additional loan volume. This practice is reasonable since FNB has only one bank location in this large area. The tables below summarize our findings.

<b>Agricultural Loans</b>				
Location	Number	Percent By Number	\$ Volume (000's)	Percent By \$ Volume
Inside assessment area	50	49%	\$958	21%
Outside assessment area	52	51%	\$3,647	79%
Total	102	100%	\$4,605	100%

<b>Commercial Loans</b>				
Location	Number	Percent By Number	\$ Volume (000's)	Percent By \$ Volume
Inside assessment area	12	86%	\$392	72%
Outside assessment area	2	14%	\$151	28%
Total	14	100%	\$543	100%

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans within the bank's assessment area was not meaningful. Both block numbering areas in Dawes County are designated middle-income.

### **Compliance with Antidiscrimination Laws and Regulations**

FNB is in compliance with antidiscrimination laws and regulations. Our review did not disclose any evidence of discrimination or other illegal credit practices.

### **Response to Substantiated Complaints**

There were no consumer complaints against the bank since the last examination.