



Public Disclosure

August 23, 1999

Community Reinvestment Act Performance Evaluation

**First National Bank & Trust Company in Aurora
Charter Number 14017**

**1101 12th Street
Aurora, Nebraska 68818**

**Office of the Comptroller of the Currency
Omaha Field South 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 & Trust Company in Aurora** prepared by The Office of the Comptroller of the Currency, as of **August 23, 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.

First National Bank & Trust Company in Aurora (FNB) maintains a satisfactory loan-to-deposit ratio. FNB does a reasonable job of lending to farms of different sizes and its lending volume is reasonably distributed throughout its assessment areas.

Description of Institution

FNB is a \$99MM institution located in south central Nebraska. The bank is a subsidiary of Heritage Group, Inc., a \$183MM multi-bank holding company. FNB's main office, drive-through, and a deposit-taking branch are located in Aurora. The bank also has a branch in Neligh, Nebraska (91 miles north of Aurora) and a Loan Production Office in Doniphan, Nebraska (26 miles southwest of Aurora). The bank maintains both a deposit-taking Automated Teller Machine (ATM) and a cash-dispensing ATM in Aurora, and a cash-dispensing ATM in Elgin, Nebraska. Customers of Heritage Group, Inc. banks may also use 12 other ATMs located throughout central Nebraska without incurring a foreign ATM transaction fee. Loans represent 54% of total bank assets. The bank is primarily an agricultural lender, with 65% of its loans for agricultural purposes. The remainder of the portfolio is vested in commercial loans (16%), residential real estate loans (8%), and consumer and other loans (11%).

Loan and deposit competition comes from several other financial institutions operating in communities throughout the assessment areas. There are nine other community banks chartered in the assessment areas, as well as one branch of a non-local financial institution operating in the Hamilton/Hall County assessment area. Of the ten banks chartered in the assessment areas, FNB is the second largest based on total assets. FNB has the largest deposit market share in the Hamilton/Hall County assessment area, and has the third largest deposit market share in the Antelope County assessment 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 OCC previously rated the bank's CRA performance "Satisfactory" at our August 6, 1996 examination.

Description of Hamilton/Hall County and Antelope County Assessment Areas

FNB has designated two separate assessment areas: all of Hamilton County and the southeastern Block Numbering Area (BNA) of Hall County (two contiguous counties located in south central Nebraska), and all of Antelope County (located in northeast Nebraska). Neither of the assessment areas is within a Metropolitan Statistical Area. The assessment areas include all of the bank's locations and ATMs. The Hamilton/Hall County assessment area contains four BNAs all designated middle-income. The Antelope County assessment area contains three BNAs, two designated moderate-income and one designated middle-income. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- and moderate-income areas.

The bank's assessment areas are rural with several small communities. According to 1990 census information, 11,247 people reside in the Hamilton/Hall County assessment area with 3,810 individuals in Aurora and the remaining population split among eight other small towns and the surrounding countryside. The Antelope County assessment area contains 7,965 people with 1,742 people residing in Neligh and the remaining population split among six other small towns and the surrounding

countryside.

The 1990 census revealed that the median family income for the combined assessment areas is \$26,331 compared to the statewide nonmetropolitan median family income of \$27,623. Updated HUD statewide median family income for 1999 is \$39,800. The distribution of families by income level for the assessment areas are as follows:

Assessment Area	Low Income (%)	Moderate Income (%)	Middle Income (%)	Upper Income (%)	Below Poverty Level (%)
Hamilton/Hall	14	20	27	39	7
Antelope	25	26	25	24	15

According to the 1990 census, the median housing value in the combined assessment areas are \$34,117 and 64% of housing is owner-occupied.

The local economy is heavily dependent on agriculture and its related industries. Local retail sales are ultimately dependent on the condition of the agricultural economy. The local economy contains limited economic diversification: major non-farm employers include the hospital, school system, phone company, a prefabricated housing manufacturer, and a pet food manufacturer. Unemployment remains low. Nebraska Department of Labor statistics for June 1999 indicate that the unemployment rate is 2% and 3.5% for Hamilton and Antelope Counties, respectively. Members of the community contacted by examiners were concerned about the downturn in the agricultural economy and its overall effect on the local economy. Contacts indicated that small business loans, both for business start-up and for expansion of main street businesses, are an important credit need in the community. FNB makes these types of loans, but focuses on agricultural credit. We contacted a local trade association member during this examination and reviewed four contacts conducted by other regulatory agencies with local government officials and trade association members.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Sizes

FNB does a reasonable job of lending to farms of different sizes. Because the bank is primarily an agricultural lender, we reviewed a sample of 28 agricultural loans totaling \$2,734M to determine the bank's lending to farms of different sizes. Our sample included loans from both the Aurora and Neligh locations. All of the loans in our sample were originated since the bank's last CRA examination and were made to farms located within the bank's assessment areas. Demographic data from the 1992

Agricultural Census reveals that most of the farms in the bank’s assessment areas are small, with revenues less than \$250M. Our sample revealed that FNB lends to farm operations of all sizes, with gross revenues of borrowers in our sample ranging from \$6M to \$2.5MM.

Lending to Businesses of Different Sizes (continued)

The majority of the bank’s lending is to farms with gross revenues of less than \$250M. Data collected in our sample is displayed in the following table.

Lending to Agricultural Borrowers					
Gross Revenues (000s)	% of farms in AA	# of loans	%	\$ volume of loans (000s)	%
Less than \$100	57%	9	32%	\$284	10%
\$100 to \$249	29%	8	28%	\$495	18%
\$250 to \$499	10%	5	18%	\$955	35%
\$500 or greater	4%	3	11%	\$825	30%
Unknown	0%	3	11%	\$175	7%
TOTALS	100%	28	100%	\$2,734	100%

Geographic Distribution of Loans

The bank’s lending volume is reasonably disbursed throughout the assessment areas. Because the Hamilton/Hall County assessment area is fully designated middle-income, we focused our analysis of the bank’s geographic distribution of loans on the Antelope County assessment area. The Neligh BNA, containing the town of Neligh and the surrounding countryside, is designated middle-income. The two BNAs comprising the outlying areas of Antelope County are designated moderate-income. Of the loans in our agricultural sample located in the Antelope County assessment area, 80% by number and 78% by dollar volume were located in the middle-income Neligh BNA. This is reasonable as the bank’s branch is located in Neligh and most of its customers live in Neligh or the surrounding countryside. In addition, all five of the other banks chartered in the Antelope County assessment area have a main office or a branch in the outlying moderate-income areas of Antelope County to serve these borrowers.

Loan-to-Deposit Ratio

The bank maintains a satisfactory loan-to-deposit ratio. Over the last 11 quarters, the bank's loan-to-deposit ratio averaged 63%. The bank's ratio compares reasonably to the other nine community banks chartered in the assessment areas. The ratios of the banks in the assessment areas range from 29% to 75% and average 63%. FNB's ratio ranks seventh during this timeframe. In addition, the bank sold 175 residential real estate loans totaling \$11,405M on the secondary market since the last CRA examination.

Lending in Assessment Area

The bank extends the majority of its agricultural loans to borrowers within the assessment areas. We sampled loans to 33 agricultural borrowers totaling \$3,875M. We found that 71% of the loans by dollar volume and 85% of the loans by number were to borrowers located within the assessment areas.

Response to Complaints

The bank has not received any complaints regarding its CRA performance.

Record of Compliance with Anti-discrimination Laws

The bank is in compliance with anti-discrimination laws and regulations. Our review of the loan terms on direct automobile loans to individual males and individual females did not disclose any substantive violations of the Fair Lending laws. We did not note any practices intended to discourage applicants for the types of credit the bank offers.