



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 22, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Belden
Charter Number 10025**

**114 Nebraska
P.O. Box 38
Belden, Nebraska 68717**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #110
Omaha, Nebraska 68154**

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.

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INSTITUTIONS CRA RATING

This institution is rated Satisfactory.

The First National Bank of Belden (FNBB) meets the credit needs of its assessment area. The bank's primary lending activities are to agricultural and consumer borrowers.

- FNBB's lending level is excellent, given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of the bank's loans are within the assessment area.
- Lending to borrowers of different income and revenue levels is satisfactory.
- The Office of the Comptroller of Currency and the bank have not received any complaints regarding the bank's Community Reinvestment Act performance.

DESCRIPTION OF INSTITUTION

FNBB is a \$26 million bank located in Cedar County in northeastern Nebraska. The bank is 100% owned by Citizens National Corporation, a \$115 million, four-bank holding company located in Wisner, Nebraska. FNBB's main office is located in Belden, Nebraska. The bank has one deposit-taking automated teller machine located in Laurel, Nebraska. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

FNBB offers traditional loan and deposit products. As of June 30, 2002, the bank's loan portfolio totaled 86% of total assets. The bank's primary credit products are agricultural and consumer loans based on the number of originations and origination amounts. The loan portfolio consisted of 83% agricultural loans, 10% commercial loans, 4% consumer loans, and 3% residential real estate loans based on outstanding dollars.

FNBB has no legal or financial impediments, which prevents them from fulfilling its obligation under the CRA. FNBB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated August 10, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNBB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income geographies. The bank's AA consists of one block-numbering area (BNA). This BNA is number 9772 in Cedar County, Nebraska, and it is a middle-income geography. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AA.

According to the 1990 U.S. Census, the total population of the AA is 4,798. The 1990 U.S. Census estimated 24% of families in the AA were low-income, 23% moderate-income, 28% middle-income, and 25% upper-income. The weighted average updated median family income is \$45,000 for non-metropolitan statistical areas in Nebraska. Thirteen percent of the AA families are below the poverty level. The median housing value in the AA is \$26,100, and 67% of housing is owner-occupied.

The local economy is highly dependent upon agriculture, which is the major employment source in the area. The drought this year has impacted local farmers. The local economy is on a declining trend as a result of the agriculture economy. There are six other financial institutions with branches within the AA. These institutions provide the primary competition to FNBB. These institutions range in size from approximately \$21 million to \$88 million in total assets.

Examiners made one community contact with a city official during the CRA examination and reviewed one other contact conducted previously in the AA. Community contacts revealed that agricultural and residential real estate loans are the primary credit needs in the area. FNBB offers and originates these types of loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBB's average lending level is excellent. This is based on the bank's loan-to-deposit (LTD) ratio and the bank's size, financial condition, and the AA credit needs. FNBB's June 30, 2002 net LTD ratio was 97%. FNBB's quarterly average LTD ratio for the 16 quarters ending June 30, 2002 was 90%. The bank's average LTD ratio compares favorably to the six similarly situated banks in the AA. The six similarly situated banks have a 16-quarter average LTD ratio of 67%, and a range of 54% to 81%. All banks with locations in Cedar County were used as similarly situated banks for comparison. The similarly situated banks range in size from \$21 million to \$88 million in total assets.

Lending in Assessment Area

FNBB originates a majority of its loans within the AA. We selected a sample of 20 agricultural and consumer loans originated between January 1, 2000 and November 23, 2002. The sample was reviewed to determine if loans being originated to farms and individuals were within the bank's AA.

We found that 14 loans, or 70% of agricultural and consumer loans, were made within the AA. Also, \$513,650, or 62% of loan volume, was within the AA.

| LENDING WITHIN THE ASSESSMENT AREA | | | | |
|---|------------|--------------|------------------|---------------|
| | # of loans | % of total # | \$ of loans | % of total \$ |
| Inside AA | 14 | 70% | \$513,650 | 62% |
| Outside AA | 6 | 30% | \$312,000 | 38% |
| Totals | 20 | 100% | \$825,650 | 100% |

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

FNBB's record of lending to agricultural borrowers of different sizes is satisfactory. We reviewed a sample of 20 agricultural loans totaling \$1,546,540 in loan volume to determine if the bank is lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and November 23, 2002.

A majority of the bank's lending was to borrowers with small to moderate-sized operations, those with less than \$250,000 in gross annual revenue. Loans to small and moderate-sized operations were 80% by number and 68% by dollar volume. The bank's lending reasonably compares to the 1997 Census of Agricultural data, which shows that 83% of AA farms had annual revenues less than \$250,000.

The following table shows the breakdown of loans to farms compared to the AA demographics.

| LOANS TO FARMS OF DIFFERENT SIZES | | | | | |
|--|------------|--------------|--------------------|---------------|------------------|
| Gross Revenue of Farms | # of loans | % of total # | \$ of loans | % of total \$ | % of Farms in AA |
| < \$99,999 | 10 | 50% | \$467,744 | 30% | 59% |
| \$100,000 - \$249,999 | 6 | 30% | \$588,000 | 38% | 24% |
| \$250,000 - \$499,999 | 3 | 15% | \$468,396 | 31% | 12% |
| > \$500,000 | 1 | 5% | \$22,400 | 1% | 5% |
| Total | 20 | 100% | \$1,546,540 | 100% | 100% |

FNBB has a good record of lending to individuals of different income levels. We reviewed a sample of 20 consumer loans totaling \$140,578 in loan volume to determine the bank's lending to individuals of different incomes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and November 23, 2002. FNBB originated 70% of its loans by number, and 68% by volume, to low and moderate-income borrowers. This compares favorably to 49% of the AA households with low or moderate-incomes.

The following table shows the breakdown of loans to individuals as compared to the AA demographics.

| LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS | | | | | |
|--|------------|--------------|------------------|---------------|-----------------------|
| Income Level | # of loans | % of total # | \$ of loans | % of total \$ | % of Households in AA |
| Low | 8 | 40% | \$46,578 | 33% | 30% |
| Moderate | 6 | 30% | \$49,400 | 35% | 19% |
| Middle | 6 | 30% | \$44,600 | 32% | 22% |
| Upper | 0 | 0% | \$0 | 0% | 29% |
| Total | 20 | 100% | \$140,578 | 100% | 100% |

Geographic Distribution of Loans

FNBB's AA consists of only one BNA, which is designated as middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

Responses to Complaints

The Office of the Comptroller of Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated August 10, 1998.

Fair Lending Review

An analysis of 1998 through 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.