



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 8, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**2nd and Main Street
Chadron, NE 69337**

**Comptroller of the Currency
Denver Field Office
1099 18th Street Suite 2650
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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	1
<u>DESCRIPTION OF INSTITUTION</u>	1
<u>DESCRIPTION OF THE ASSESSMENT AREA</u>	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	3

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

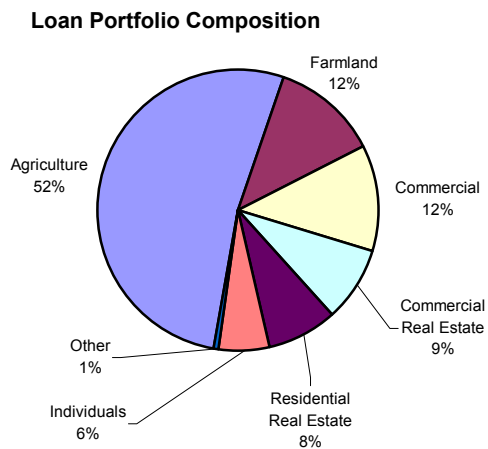
A satisfactory rating is appropriate given the bank's demonstrated ability to meet the credit needs of the communities in the assessment area including loans to small farms. Specifically:

- The majority of loans by number and dollar amount are originated within the bank's assessment area.
- The distribution of loans among farms of different revenue sizes is good.
- The bank's loan-to-deposit ratio is satisfactory given area competition and credit needs of the communities it serves.

First National Bank of Chadron (FNBC) is committed to serving the communities in its assessment area and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

FNBC is a \$45 million bank located in the northwest corner of Nebraska. The main office is located in downtown Chadron. FNBC has one drive-up facility and an automated teller machine in close proximity to the bank. FNBC is 100% owned by C.S.B. Company, a multi-bank holding company located in Cozad, Nebraska. C.S.B. Company also owns Cozad State Bank and Trust with assets of \$95 million. FNBC offers insurance, annuity, and retail non-deposit investment products through its financial subsidiary, First Financial Services, Inc.



The chart to the left reflects the composition of the bank's loan portfolio. The portfolio is heavily concentrated in agricultural related loans. Of the \$29 million in total loans, \$19 million are related to agriculture. The remainder of the portfolio consists of loans to small businesses, real estate loans, and other consumer loans. FNBC participates in the SBA and Nebraska Energy loan programs and is active in promoting government programs for its farm customers.

Net loans represent 66% of total assets.

This Performance Evaluation is an assessment of the bank's CRA performance from October 7, 1997, through May 20, 2002. FNBC received a "Satisfactory" rating at its October 7, 1997, CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The board and management designated Dawes County as the bank's assessment area (AA). The AA consists of two middle-income Block Numbering Areas (BNAs). Neither of the BNAs are located in a Metropolitan Statistical Area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNBC has 30% of the deposits in the AA. Competition comes from branches of two national banks and a state bank.

The AA has a population of approximately 9,000 people, the majority of which live in the city of Chadron. The rest of the AA consists of small towns dependent on agriculture. The Department of Housing and Urban Development (HUD) 2002 estimated median family income for the non-MSA portion of Nebraska is \$45,800. Based on 1990 U.S. Census data, there are 2,208 families residing in the AA of which 25% are low income, 19% are moderate income, 21% are middle income, and 35% are upper income. Fifteen percent of the families are below the poverty level. The population in the AA is stable. The weighted average value of median housing is \$30,904, with 54% owner occupied, 31% rental, and 15% vacant. Unemployment in the AA is above the State of Nebraska average and slightly below the national average. Agriculture is the mainstay of the area. Major employers include Chadron State College and the United States Department of Agriculture.

We made one community contact during this review. We interviewed the area farm loan manager of the U.S. Department of Agriculture, Farm Service Agency. The contact indicated the economy in the area is stable and is tied to the cycle of cattle prices. The contact stated that many area farmers would not survive without government programs. Jobs in the area are scarce and the only new jobs are low paying. The availability of low- to moderate-income housing is good; however, affordable rentals are scarce due to the college population. New construction in the area is slow. Small retail businesses are declining due to the opening of a WalMart in Chadron. The contact said the financial institutions respond well to the credit needs of the population. She does not know of any segment of the population that is being underserved.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNBC does a good job of meeting the credit needs of its AA, including lending to farms of all revenue size.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is satisfactory given area competition and lending opportunities. The bank's average quarterly LTD ratio since the previous CRA evaluation is 65%. Since all other banks in Dawes County are branches of large banks and are not of a comparable asset size, we compared FNBC's LTD ratio with similarly situated community banks in the Nebraska panhandle area. The average LTD for these banks is 70%, ranging from 52% to 86%.

Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. The percent of sampled agricultural loans in the assessment area was 56% by number and 54% by amount. Although this is low for a rural community, all but one of the loans outside of the AA were to farms in sparsely populated areas of contiguous counties.

Lending to Borrowers of Different Sizes

The distribution of loans among farms of different revenue size is good. Farms with annual gross income of less than \$1 million are designated as "small farms." The AA demographic data indicate 99% of all farms have gross annual revenues of less than \$1 million.

We sampled 20 agricultural loans originated within the bank's AA originated since the previous CRA evaluation. One hundred percent of the loans sampled are to small farms. We did not sample any other types of loans due to their small percentage of total loans. Additional sampling would not contribute to the results of this evaluation. The following table shows the bank originates loans to small farms of all sizes.

Distribution of Agricultural Loans By Annual Revenue

Gross Annual Revenue \$(000's)	Number of Loans	Percentage of Loans Based on Number	Dollar Amount of Loans \$(000's)	Percentage of Loans Based on Dollar Amount	Percentage of Farms in AA with Revenues <= \$1 Million
\$0 - \$50	7	35%	89	7%	99%
\$50 - \$100	5	25%	252	19%	
\$100 - \$250	5	25%	383	29%	
\$250 - <\$1,000	3	15%	590	45%	
Total	20	100%	1,314	100%	

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of loans. The assessment area does not have sufficient income variation in its geographies for a meaningful analysis. The AA is comprised of two middle-income BNAs.

Responses to Complaints

There have been no CRA-related complaints since the previous examination.

Fair Lending Review

An analysis of 1997-2002 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. The latest comprehensive fair lending examination was performed in 1997.