



Public Disclosure

May 17, 1999

Community Reinvestment Act Performance Evaluation

**Pinnacle Bank, National Association
Charter Number 13148**

**320 G Street
Central City, Nebraska 68826**

**Office of the Comptroller of the Currency
Omaha South Field Office
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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 **Pinnacle Bank, National Association** prepared by The Office of the Comptroller of the Currency, as of **May 17, 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.

Pinnacle Bank maintains a good loan to deposit ratio. The bank does a reasonable job of lending to farms of different sizes and to borrowers of different income levels. The majority of the bank's lending is to borrowers located within the assessment area.

Description of Institution

Pinnacle Bank, National Association (PBNA) is a \$35MM institution located in east central Nebraska. The bank is a subsidiary of Central Grain, Inc., a one-bank holding company. PBNA's main office is located in Central City. The bank does not have any branches, but maintains a cash-dispensing Automated Teller Machine (ATM) in Central City. Loans represent 60% of total bank assets. The bank is primarily focused on agricultural lending, with 41% of its loans for agricultural purposes. The remainder of the portfolio is vested in commercial loans (25%), residential real estate loans (22%), and consumer and other loans (12%).

Loan and deposit competition comes from several other financial institutions operating in communities throughout the assessment area. There are five other banks chartered in the assessment area. There are also two branches of a larger bank that is headquartered in a county adjacent to the bank's assessment area operating within the assessment area. Average total assets of the banks chartered in the assessment area were \$21MM as of December 31, 1998. PBNA is the largest bank chartered in the assessment area and has the largest portion of the assessment area's deposit market share. 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 bank was previously rated "Satisfactory" at its December 19, 1995 CRA examination.

Description of Assessment Area

PBNA's assessment area consists of all of Merrick County and the eastern portion of Hamilton County, two contiguous counties located in east central Nebraska. Central City is the county seat of Merrick County. The assessment area is not located within a Metropolitan Statistical Area, and it includes the bank's office and ATM. The assessment area contains four whole Block Numbering Areas (BNAs), all designated middle income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

Central City is located in rural Nebraska. According to 1990 census information, 10,238 people reside in the assessment area with 2,868 individuals in Central City and the remaining population split among nine other small towns and the surrounding countryside. The 1990 census revealed that the median family income for the assessment area is \$26,694 compared to the statewide nonmetropolitan median family income of \$27,623. Updated HUD statewide median family income for 1998 is \$39,300. The distribution of families by income level for the assessment area is as follows: low income 15%, moderate income 22%, middle income 32%, and upper income 31%. Eight percent of families in the assessment area are below the poverty level. According to the 1990 census, the median housing value in the assessment area is \$33,289 and 62% of housing is owner-occupied.

Agriculture dominates the local economy, with corn, soybeans, and cattle the primary products. Central City contains some retail diversification, but the strength of the retail sector ultimately depends

on the strength of the local agricultural economy. Major non-agricultural employers include a manufactured home factory and the local hospital. Members of the community contacted by examiners stated that the local economy has been strong, but there is concern about the future direction of the economy, given the current weakness of the agricultural sector. Contacts indicated that small business loans, residential real estate loans, and agricultural loans are important credit needs in the community. PBNA makes all of these types of loans. We contacted a local trade association during this examination.

Conclusions with Respect to Performance Criteria

Lending to Farms of Different Sizes and Borrowers of Different Income Levels

PBNA does a reasonable job of lending to farms of different sizes. Because the bank is primarily an agricultural lender, we reviewed a sample of 21 agricultural loans totaling \$2,632M to determine the bank’s lending to farms of different sizes. 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 area. Demographic data reveals that most of the farms in the bank’s assessment area are small, with revenues less than \$250MM. PBNA’s agricultural lending reasonably compares to assessment area demographics, with nearly half of the loans in our sample made to these small farms. Our sample revealed that PBNA lends to farms of all sizes, with gross revenues of borrowers in our sample ranging from \$30M to \$607M. Data collected in our sample is displayed in the following table.

Agricultural Lending					
Gross Revenues (000s)	% of farms in AA	# of loans	%	\$ volume of loans (000s)	%
Less than \$100	57%	2	10%	114	4%
\$100 to \$249	29%	8	38%	780	30%
\$250 to \$499	10%	8	38%	1,528	58%
\$500 or more	4%	2	10%	140	5%
Unknown	0%	1	4%	70	3%
TOTALS	100%	21	100%	2,632	100%

Because residential real estate lending is also a significant portion of the bank’s loan portfolio by number and dollar volume of loans, we reviewed a residential real estate loan sample to assess the bank’s lending to borrowers of different income levels. Our sample included 16 loans totaling \$668M.

The sample consisted of loans originated since the bank’s last CRA examination to borrowers located within the assessment area. The bank does a good job of making residential real estate loans to moderate-income borrowers, exceeding assessment area demographics. None of the loans in our sample were made to low-income borrowers. However, PBNA officers assist borrowers with applications for Federal Housing Authority (FHA) guaranteed loans, which are targeted to low- and moderate-income borrowers. The FHA loans are ultimately funded by another lender, but this service helps meet the housing needs of low-income residents of the assessment area. Additionally, PBNA is participating in Central City’s Block Grant housing program. Under this program, 24 lots are available to low- and moderate-income residents for construction of a home. The homes can be financed using block grant and Nebraska Investment Finance Authority (NIFA) money to provide a lower interest rate and downpayment assistance for the borrowers. This relatively new program has only been available for six months, and PBNA has committed to provide financing for one house that is currently under construction. Results of our residential real estate sample are displayed in the following table.

Residential Real Estate Lending					
Income Level	% of families in AA	# of loans	%	\$ volume of loans (000s)	%
Low	15%	0	0%	\$0	0%
Moderate	22%	5	31%	\$204	31%
Middle	32%	4	25%	\$157	23%
Upper	31%	7	44%	\$307	46%
TOTALS	100%	16	100%	\$668	100%

Loan to Deposit Ratio

The bank maintains a good loan to deposit ratio which compares favorably to the other banks chartered in the assessment area. Over the last 13 quarters, the bank’s loan to deposit ratio averaged 70%. The ratios of the other banks chartered in the assessment area range from 51% to 78% and average 64%. PBNA’s ratio ranks second of the six banks during this timeframe. In addition, PBNA has sold \$3,584M in residential real estate loans on the secondary market since 1998.

Lending in Assessment Area

The bank extends the majority of its agricultural and residential real estate loans to borrowers within the assessment area. We sampled loans to 24 agricultural borrowers totaling \$3,088M. We found that 85% of the loans by dollar volume and 88% of the loans by number were to borrowers located within the assessment area. We also sampled 22 residential real estate loans totaling \$865M. We found that

77% of the loans by dollar volume and 73% of the loans by number were to borrowers located within the bank's assessment area.

Geographic Distribution of Loans

A geographic analysis of the bank's lending is not meaningful, as the entire assessment area is designated middle income.

Response to Complaints

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

The bank is in compliance with anti-discrimination laws and regulations. Our review of the bank's lending policies and practices 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.