



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Valentine
Charter Number 6378**

**253 North Main
Valentine, NE 69201**

**Office of the Comptroller of the Currency
Omaha South Field Office
13710 FNB Parkway, Suite 110
Omaha, NE 68154-5298**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The First National Bank of Valentine (FNB) has a good record of lending to farms and businesses of different sizes and individuals of different income levels.

The distribution of agricultural borrowers reflects good penetration among farms of different sizes. Based on 20 borrowers sampled, the bank's distribution of loans to farms with different revenues exceeded demographic information of the assessment area (AA). Information was obtained from the U.S. Census Bureau's 1997 Census of Agriculture.

The distribution of commercial borrowers reflects reasonable penetration of businesses of different sizes. Based on 20 borrowers sampled, the bank's distribution of loans reasonably compared to demographic information.

The distribution to consumer borrowers of different income levels is good. Based on 20 borrowers sampled, the bank's distribution of loans to consumers compared favorably to the breakdown of the percentage of households at each income level.

- FNB has a satisfactory geographic distribution of loans throughout the AA, including the one moderate-income tract.

The geographic distribution of agricultural borrowers reflects reasonable distribution within the moderate-income tract. Based on the 20 borrowers sampled, the bank's distribution of loans reasonably compared to demographic information.

Although no commercial loans in the sample were originated in the bank's one moderate-income tract, the bank's performance is satisfactory. This tract is predominantly agricultural in nature resulting in few commercial lending opportunities. The bank's geographic distribution of agriculture loans in this area was found to be satisfactory. In addition, other lending institutions in surrounding counties are closer to the southern portion of this tract resulting in these institutions servicing the area.

The geographic distribution of consumer borrowers reflects adequate distribution within the moderate-income tract. Based on the 20 borrowers sampled, the bank's distribution of loans reasonably compared to census data.

- The bank originated a majority of its loans in the assessment area.

FNB originated 72% by number and 94% by dollar amount within its assessment area for the agricultural, commercial, and consumer loans sampled.

- FNB's average loan-to-deposit ratio over the past eighteen quarters is reasonable given its size, financial condition, and assessment area needs.

The bank's average loan-to-deposit ratio of 52% satisfactorily compares to the average ratios of similarly situated banks, which range from 59% to 86%.

FNB has increased its average loan-to-deposit ratio from 46% as reported in the last evaluation, to the current 52%.

FNB operates with a higher concentration of public funds than similarly situated banks. This contributes to FNB's lower loan-to-deposit ratio. As the only local bank in its AA, FNB attracts a large volume of public funds. Nearly 11.5% of FNB's deposits originate from public funds, versus an average of only 7.2% for similarly situated banks. FNB's availability of public monies to fund loans is restrained due to wide variances in public fund account balances caused by governmental entity's seasonal cash needs.

FNB's assessment area has a relatively large number of low- to moderate-income borrowers. The credit needs of these individuals are large in number but small in dollar volume and do not significantly increase the loan-to-deposit ratio. We found the bank exceeded standards for lending to consumers of low- and moderate-income levels. Based on 20 borrowers sampled, 55% of FNB's consumer borrowers had low- or moderate-income levels. This compares favorably to 1990 U.S. Census data that shows 48% of households have low- or moderate-income levels.

- FNB has not received any consumer complaints regarding its CRA performance during the evaluation period.
- An analysis of the 2000 and 2001 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 with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

DESCRIPTION OF INSTITUTION

FNB is a \$114 million institution located in North Central Nebraska. FNB received a "Satisfactory" rating at the last CRA examination, dated January 23, 1998. The bank's primary loan products are agricultural, commercial, and consumer loans. FNB has one full service facility and one automated teller machine. All facilities are located in the assessment area. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area.

Refer to FNB's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area encompasses all of Cherry County. This assessment area is comprised of one moderate-income and one middle-income block numbering area. The assessment area does not arbitrarily exclude any low- or moderate-income areas.

Refer to FNB's CRA Public File for more information.