



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 2, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank And Trust Company
Charter Number 2746**

**1701 Stone Street
Falls City, Nebraska 68355**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite 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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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank and Trust Company (FNB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are agricultural, consumer, and residential real estate loans.

- FNB adequately meets the credit needs of its assessment area.
- FNB originates a substantial majority of its loans within its assessment area.
- The bank's lending efforts result in satisfactory penetration of borrowers of different income levels and farms of different sizes.

DESCRIPTION OF INSTITUTION

FNB is a \$75 million bank located in Falls City, Nebraska. The bank's main office is located in downtown Falls City, with a drive-up/walk-in facility located one block away. The bank is primarily owned by First Financial Services, Inc., a \$75 million one-bank holding company headquartered in Falls City. The bank owns two non-depository automated teller machines (ATMs). One ATM is located in the main branch, and the other is located in a local Falls City convenience store. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

As of September 30, 2002, FNB's loan portfolio comprised 36% of total assets. The bank's primary credit products are agriculture, consumer, and residential real estate loans. The table below breaks down the portfolio by originated dollars and number of loans.

	% of originated dollars	% of originated # of loans
Agriculture/RE Loans	35%	22%
Residential RE Loans	42%	30%
Consumer Loans	10%	38%
Commercial/RE Loans	12%	9%
Other Loans	1%	1%

FNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated January 13, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of all of Richardson County. The AA includes four Block Numbering Areas (BNAs). Towns in the AA include Falls City, Humboldt, Rulo, Salem, Shubert, Stella, and Verdon. The AA does not have any low- or moderate-income census tracts, and it meets the requirements of CRA. Individuals can refer to the CRA public file for a map outlining the bank's AA.

According to the 1990 U.S. Census, the population of the AA is 9,937. The 2001 weighted average updated median family income is \$45,000 for non-metropolitan statistical areas in Nebraska. All four, or 100%, of the BNAs are middle-income. Family incomes in the area are 22% low-income, 22% moderate-income, 26% middle-income, and 30% upper-income. Sixteen percent of AA households are below the poverty level. The median housing value is \$22,286, and 63% of housing in the AA is owner-occupied. The area is stable with employment opportunities primarily related to agriculture and some limited manufacturing.

Examiners made one community contact during this examination and reviewed two other contacts conducted previously in the AA. The new contact represented the Falls City Economic Development Committee. The contact identified agriculture, affordable housing, and small business lending as the primary community credit needs. FNB offers and originates these types of loans. The contact indicated that all of the banks in Falls City commendably meet community credit needs.

The primary competition within the AA includes one \$70 million state bank located in Falls City and one \$22 million state bank located in an adjacent county. There are also two large regional banks with offices in Falls City. Additional lending competition comes from Farm Credit Services of America.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's ratio averaged 41% over the past nineteen quarters and was 42% as of June 30, 2002. The nineteen-quarter average for the only similarly situated bank in the AA was 52%. Although FNB's average is lower than the peer bank, this is mitigated by FNB's conservative credit culture and the low loan demand in the area. As previously stated, the community contacts indicated that the banks in the AA meet the credit needs of the community.

Lending in Assessment Area

FNB originates a substantial majority of its loans within the AA. We reviewed a sample of agricultural, residential, and consumer borrowers to determine the bank's lending to individuals in the AA. All loans were originated since the last CRA examination. The following table shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION				
	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	55	92%	\$1,664,108	87%
Outside AA	5	8%	\$243,297	13%
Totals	60	100%	\$1,907,405	100%

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

The bank has an adequate record of residential real estate lending to borrowers of different income levels. We reviewed 20 residential real estate loans totaling \$949,763 to determine the bank's performance in this area. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination. FNB originated only 30% of loans to low- and moderate-income borrowers, which represent 44% of families in the AA. However, this is mitigated by the fact that fewer of these individuals have the financial capacity to afford a home. The table below demonstrates the breakdown of the bank's residential loans to individuals as compared to the demographics of the AA.

RESIDENTIAL LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Families in the AA
Low	3	15%	\$49,299	5%	22%
Moderate	3	15%	\$57,000	6%	22%
Middle	8	40%	\$306,246	32%	26%
Upper	6	30%	\$537,218	57%	30%
Totals	20	100%	\$949,763	100%	100%

FNB has an excellent record of consumer lending to borrowers of different income levels. We reviewed 20 consumer loans totaling \$168,977 to determine the bank's performance in this area. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination. FNB originated 60% of its loans to low- and moderate-income borrowers, while only 47% of AA households are low- or moderate-income. The table below demonstrates the breakdown of loans to individuals as compared to the demographics of the AA.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Households in the AA
Low	7	35%	\$42,878	25%	28%
Moderate	5	25%	\$44,816	27%	19%
Middle	6	30%	\$64,242	38%	20%
Upper	2	10%	\$17,041	10%	33%

Totals	20	100%	\$168,977	100%	100%
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FNB has a good record of lending to farms of different sizes. We sampled 20 loans totaling \$690,400 to determine the bank's performance in this area. Ninety percent of the bank's lending was to smaller operations, those with less than \$250,000 in gross annual revenue. All of the loans in the sample were to farms located within the AA and originated since the last CRA examination. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	\$ of total #	\$ of loans	% of total \$	% of Farms in AA
\$0 - \$100,000	10	50%	\$229,900	33%	73%
\$100,001 - \$250,000	8	40%	\$280,500	41%	19%
\$250,000 - \$500,000	1	5%	\$85,000	12%	6%
Over \$500,000	1	5%	\$95,000	14%	2%
Totals	20	100%	\$690,400	100%	100%

Geographic Distribution of Loans

A geographic distribution of the bank's AA would not be meaningful as it does not contain any low- or moderate-income geographies.

Responses to Complaints

The bank has not received any complaints regarding CRA performance since the last CRA examination dated January 13, 1998.

Fair Lending Review

An analysis of 1999, 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 in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.