



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 3, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 18339**

**841 Illinois Street
Sidney, NE 69162**

**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

INSTITUTION'S CRA RATING..... 1
DESCRIPTION OF INSTITUTION 2
DESCRIPTION OF CHEYENNE, MORRILL, AND KIMBALL COUNTIES..... 2

INSTITUTION'S CRA RATING

First National Bank of Sidney (FNB) is rated “Satisfactory.”

- The bank has a satisfactory record of lending to farms and businesses of different revenue sizes.

The distribution of loans to agricultural borrowers reflects good penetration among farms of different revenue size. Based on the 20 loans sampled, the bank’s distribution of loans to farms with different revenues meets the demographic percentage of farms located in the assessment area (AA). The distribution of commercial borrowers reflects adequate penetration among businesses of different revenue size. Based on the 20 loans sampled, the bank’s distribution of loans to businesses with different revenues is below the demographic percentage of businesses located in the AA. This is attributed to a combination of factors, including an economic slowdown due to area drought conditions and competition from other financial institutions.

- The bank originates a majority of its loans in the AA.

FNB originated 80% by number and 94% by dollar volume of agricultural-related loans within its AA. For commercial-related loans, the bank originated 80% by number and 80% by dollar volume in its AA.

- The average loan-to-deposit ratio calculated since the last CRA examination is reasonable.

FNB’s average loan-to-deposit ratio over the past 21 quarters is satisfactory. The ratio of 66 percent satisfactorily compares to ratios of two similarly situated banks in size and product mix. The average loan-to-deposit ratio for these institutions is 49 percent and 74 percent, respectively.

- An analysis of the geographic distribution of loans was not applicable since the AA does not have any low- or moderate-income geographies.
- FNB has not received any consumer complaints regarding its CRA performance during the evaluation period.
- An analysis of the 2000, 2001, and 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 with the Community Reinvestment Act (CRA) evaluation this year. The latest comprehensive fair lending examination was performed in 1997.

DESCRIPTION OF INSTITUTION

FNB is a \$90 million bank located in the rural community of Sidney, Nebraska. The bank also has two branches located in Dalton and Kimball, Nebraska. Sidney and Dalton are located in Cheyenne County and Kimball is located in Kimball County. The bank has four cash dispensing automated teller machines (ATMs), located at the bank in Sidney, a convenience store in Kimball, and two convenience stores in Sidney. FNB is currently adding an ATM at the Dalton branch. FNB is under the umbrella of the First Nebraska Bancs, Inc., holding company, with total assets of \$262 million as of December 31, 2002. The holding company has two affiliated banks in Nebraska and Colorado. In September 2002, affiliated American National Bank of Kimball merged with FNB and became a branch. This effectively doubled FNB's assets.

FNB's net loans to total assets are 66 percent as of December 31, 2002. The bank's primary loan product is agricultural loans, comprising 42 percent of the dollar volume of loans, and commercial loans, representing 36 percent of the dollar volume of loans as of December 31, 2002. The bank also offers real estate, construction, and consumer loans.

FNB received a "Satisfactory" rating at its last CRA examination, dated September 24, 1997. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the designated AA. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF CHEYENNE, MORRILL, AND KIMBALL COUNTIES

The bank's AA encompasses three counties in the southwestern panhandle of Nebraska. The counties are contiguous and do not arbitrarily exclude low- and moderate-income areas. The community is rural and is not in a designated Metropolitan Statistical Area (MSA). The AA consists of six census tracts, all of which are middle income. Cheyenne and Kimball Counties border Colorado on the south. Morrill County is north of Cheyenne County. Towns in the area include Sidney, Kimball, Gurley, Bridgeport, Bayard, Dix, and Potter. Sidney has the highest population, with approximately 6,000 residents. The total population for the AA is approximately 20,000. The 2002 Department of Housing and Urban Development (HUD) updated median family income for the AA is \$45,800. Area unemployment is low due to the lack of a large work force. Approximately 40 percent of the work force for Sidney jobs commutes from neighboring communities in a 60-mile radius, according to 2002 Sidney Chamber of Commerce statistics.

The economy of the AA is good overall. The Cheyenne County economy is stronger and more diversified than the other two counties in the AA, where a continued drought is having a negative impact on businesses and farmers. The economy in this rural AA is tied to agriculture, both cattle and crops, but Cheyenne County has attracted a more varied employment base that includes light manufacturing and retail services. The largest employer in Sidney is Cabelas, a major sporting good retailer/outfitter.

Located on the high traffic Interstate 80 corridor, this business also attracted other retail companies to the area, such as hotels and restaurants. This has brought more economic stability to the area. Other major employers include Master Trading, U.S. Aprons, Krone-Prestolite Wire, and Memorial Health Center.

Kimball and Morrill Counties continue to be driven by the agricultural base and economically are experiencing little or no growth in their business sector. Several businesses have closed in the town of Kimball in the past year. However, the City of Kimball and Chamber of Commerce recently cooperatively formed a business incubator that has attracted some new businesses to the area. Housing sales have slowed in these communities but remain strong in Cheyenne County.

We contacted a government official regarding credit needs in the AA. The official indicated the primary credit needs of the AA include financing for small businesses and small farms. FNB offers all of these types of loans, with a primary emphasis on agriculture lending. Refer to the bank's CRA Public File for more information.