



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 19, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Walthill
Charter Number 8685
308 Main Street
Walthill, Nebraska 68067**

**Office of the Comptroller of the Currency
117 Pierce Street, Suite 100
Sioux City, Iowa 51101**

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 Community Reinvestment Act (CRA) performance of **The First National Bank of Walthill, Walthill, Nebraska**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of December 19, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's overall lending level is reasonable given the institution's size, financial condition, and assessment area credit needs. The majority of the bank's loan originations are within its assessment area. The lending distribution to agricultural and commercial borrowers reflects reasonable penetration among farms and businesses of different sizes. Management makes consumer loans of various sizes to consumers across all income levels. Examiners found no substantive violations of the anti-discrimination laws and regulations as a result of the fair lending review.

The following table indicates the performance level of The First National Bank of Walthill with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<p align="center"><u>The First National Bank of Walthill</u></p> <p align="center">PERFORMANCE LEVELS</p>		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		x	
Lending in Assessment Area		x	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		x	
Geographic Distribution of Loans	Analysis not meaningful since assessment area BNA's are both moderate income.		
Response to Complaints	The bank received no CRA complaints.		

DESCRIPTION OF INSTITUTION

The First National Bank of Walthill's (FNB's) financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. FNB is owned by First National Bank Insurance Agency, a one-bank holding company.

FNB is located in Walthill, NE, with no branches or automated teller machines (ATM's). The main bank houses a drive-up facility. As of November 29, 1996, FNB has \$19 million in total assets. Loans totaling \$10 million represent 53% of total assets on the same date. The bank's primary credit products are agriculture (47%), commercial (28%), real estate (13%), and consumer (12%).

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation. The assessment area consists of two Block Numbering Areas (BNA's), # 9781 and # 9782. Both are moderate-income areas and together they make up all of Thurston County Nebraska. FNB's assessment area includes a significant majority of both the Omaha Tribe of Nebraska and the Winnebago Tribe of Nebraska. Individuals can refer to the CRA Public File for a map outlining the assessment area.

The assessment area has a population of 6,936. The HUD 1996 Nebraska statewide non-metropolitan median family income is \$35,100. Household incomes within the assessment area are 33% low, 20% moderate, 22% middle, and 25% upper-income. The local economy focuses primarily on agriculture.

Examiners considered comments from six community contacts in the area. All six actively participate in the community through local organizations. Examiners directly interviewed four during our examination and also used two other local contacts performed by Federal Deposit Insurance Corporation (FDIC) examiners in July 1996. The FDIC contacts were interviewed during their examination of another area institution. These contacts identified agriculture, small business, and consumer loan products as the primary credit needs of the local area.

Two of six community contacts expressed positive comments about FNB's benefit to the local community. They stated the bank is very open to lending to all individuals within the local community. Four of six community contacts felt FNB should improve the quality of assistance to Native Americans. The four contacts felt the quality of assistance to Native Americans is inconsistent depending on FNB management's past experience or lack of experience with particular customers.

The bank's primary competition comes from three other community banks within the surrounding area. The other banks range in size from \$14 million to \$94 million in total assets. The three other banks offer services comparable to FNB. One of the three banks is in

FNB's assessment area and the other two are directly adjacent to the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

FNB's overall lending level is reasonable given the bank's size, financial condition, and assessment area credit needs. During the fifteen quarters since the last CRA examination, FNB's net loan to deposit ratios ranged from 42% to 60%, resulting in a 51% average. These lending levels demonstrate a willingness to lend for community credit needs.

Examiners reviewed the loan to deposit ratios of three other similarly-situated surrounding community banks. The net loan to deposit ratios for the three other banks ranged from 57% to 96% since FNB's last CRA examination, with an average of 75%. The primary reason for the higher average ratio is one of the other three banks aggressively seeks and maintains a high volume of agricultural real estate loans.

Lending In Assessment Area

A majority of FNB's loans are within its assessment area. Examiners sampled the bank's primary credit products. The sample consisted of twenty agriculture, sixteen business, and twenty consumer loans. The results show 79% of FNB's outstanding loans by number are inside FNB's assessment area and 74% by dollar volume are inside the assessment area.

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

The lending distribution to agricultural and commercial borrowers reflects reasonable penetration among farms and businesses of different sizes.

Examiners sampled twenty agricultural and sixteen commercial loans. The results of this sample reflect management's willingness to lend to farms and businesses of different sizes. The following table demonstrates the revenue levels and dollar volume of loan originations in the loan samples.

Gross Revenue Levels	\$ of loans	% of sample \$	# of loans	% of sample #
\$0 - \$100,000	407,793	18%	19	53%
\$100,001 - \$250,000	600,172	27%	10	28%
\$250,001-\$500,000	140,000	6%	2	6%
\$500,001 and over	1,108,980	49%	5	13%
TOTALS	2,256,945	100%	36	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Borrowers of Different of Incomes and Farms/Businesses of Different Sizes (contd.)

Management originates various sized loans to consumers across all income levels. Examiners sampled twenty consumer loan originations and determined the customer income levels from this sample. The sample lending distribution compares similarly to the assessment area income level distribution. Management provided verification of income when that information was not formally documented. The table below reflects a summary of the consumer loan sample.

Income Level of Sampled Loans	# of loans	% of sample #	\$ of loans	% of sample \$	% of AA population
Low	9	45%	20,161	32%	33%
Moderate	3	15%	6,565	10%	20%
Middle	5	25%	19,551	31%	22%
Upper	3	15%	16,676	27%	25%
TOTALS	20	100%	62,953	100%	100%

Geographic Distribution of Loans

Examiners did not conduct an analysis of the geographic loan distribution within the assessment area since both BNA's are moderate income.

Response to Complaints

The bank received no written complaints related to its performance under CRA.

Fair Lending Review

Examiners found no substantive violations of the anti-discrimination laws and regulations as a result of the fair lending review.

The comments from the six community contacts were considered in determining the bank's overall CRA rating. These comments were also used as a foundation for the fair lending review.