



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

October 26, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Cambridge
Charter Number 6506**

**707 Patterson
Cambridge, Nebraska 69022**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
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 **The First National Bank of Cambridge** prepared by The Office of the Comptroller of the Currency, as of October 26, 1998. 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.

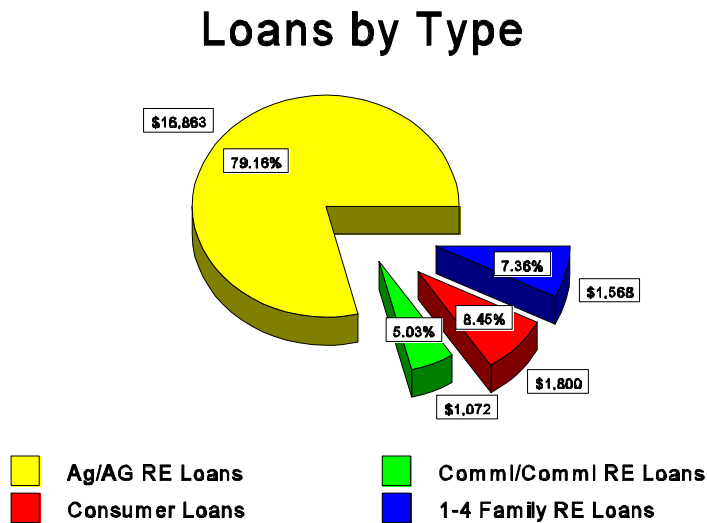
Institution's CRA Rating: This institution is rated "**Satisfactory.**"

The First National Bank of Cambridge is actively meeting the credit needs of its community. The bank has a satisfactory penetration of loans to small farms. The bank's lending efforts reasonably penetrate all portions of its assessment area, with a good volume of agricultural loans to borrowers located within a large moderate-income block numbering area in Furnas County. The bank's loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Cambridge (FNB) is a \$34 million bank headquartered in Cambridge, Nebraska. It is the fifth largest of the nineteen financial institution offices or branches located in its assessment area. We determined this ranking as of June 30, 1997 by reviewing deposits reported by the Federal Deposit Insurance Corporation. The bank operates from its headquarters in Cambridge and from a Loan Production Office (LPO) in Arapahoe, Nebraska. The bank maintains one Automated Teller Machine (ATM) for cash dispensing at a convenience store in Cambridge and a second ATM in the Arapahoe LPO. FNB Financial Services, Inc., a \$36 million bank holding company headquartered in Cambridge, Nebraska, is controlling owner of the bank. The OCC assigned a CRA rating of "Satisfactory" during the last CRA evaluation ending September 28, 1995.

FNB has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers to impede its efforts. The bank offers credit products including agricultural, real estate, commercial, and consumer loans. Loans comprised 59 percent of the bank's assets as of June 30, 1998. FNB is primarily an agricultural lender, serving the credit needs of the area's largest industry. The bank's loan portfolio consists of 79 percent agricultural and agricultural real estate loans; 9 percent consumer loans; 7 percent 1-4 family residential real estate loans; and 5 percent commercial and commercial real estate loans. We concentrated our analysis on agricultural loans as residential real estate and commercial loans were only a small portion of the portfolio. While the bank writes numerous consumer loans, the staff does not usually collect income information on applicants for these loans. This prevents our assessment of lending across income lines for this type of credit. The graph below illustrates the composition of the bank's loan portfolio as of June 30, 1998.



DESCRIPTION OF FNB'S ASSESSMENT AREA

FNB's assessment area includes all of Frontier, Furnas, Gosper and Red Willow Counties in Nebraska. FNB is located in northwest Furnas County, where the corners of all four counties of the assessment area meet. The 1990 U.S. Census divides these counties into eight block numbering areas (BNAs). The Census designated six of these BNAs as middle-income and a BNA encompassing the southern two-thirds of Furnas County as moderate-income. In a moderate-income area, the average income level of families is at least 50% and less than 80% of the median income for rural (nonMSA) Nebraska. An eighth BNA, also in Furnas County, did not have available census information. According to the 1990 Census, the bank's assessment area had a population of 22,287. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Population trends are stable with moderate growth in the McCook, Nebraska area, in Red Willow County. The demographics of the families in the assessment area by income level were 19 percent low-, 21 percent moderate-, 26 percent middle- and 34 percent upper-income. In addition, 20 percent of the population was over age 65 and 10 percent of families were below the poverty level. The 1990 HUD nonMSA statewide median family income for Nebraska was \$25,471. In 1998, the updated HUD nonMSA statewide median family income was \$39,300. The 1990 Census determined the median housing value within the assessment area was \$31,237 and 59 percent of the housing units were owner occupied.

The majority of the bank's business originates in the immediate Cambridge and Arapahoe areas where the bank's offices are located. Cambridge, with a population of approximately 1,100, is a non-county seat town in northwest Furnas County. It is located in south central Nebraska, 19 miles from the Kansas border and 200 miles from Lincoln, Nebraska, the state capital. Arapahoe is 15 miles east of Cambridge and has a population of approximately 1,000.

Agriculture and its related industries dominate the area with corn and wheat the main crops. Retail activity is good in nearby McCook, Nebraska and provides some diversification to the local economy. Local government and business leaders in Cambridge actively support new business through a loan development pool, which approximates \$44M. Currently two loans are outstanding from this pool to small businesses. Two members of the community, contacted by examiners during examinations within the past eighteen months, stated the primary credit needs for the area included affordable family housing or agricultural loans. At this examination we contacted a representative from an organization that provides affordable housing to low- and moderate-income residents in the area. The second contact, conducted by another regulatory agency, represented local government's involvement in community development.

Major area employers in the immediate area include the Cambridge Memorial Hospital, the public schools, Furnas County Government, and the Cambridge Co-op. Elder care facilities in Beaver City and Arapahoe also employ significant numbers. Overall unemployment remains low.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Farms and Businesses of different revenue sizes.

A sample of agricultural loans made within the assessment area revealed a reasonable penetration of loans to borrowers of different income levels. We sampled 36 loans totaling \$3,118M, or approximately 18% of the bank's agricultural loan volume. This bank meets the standards for satisfactory performance for this performance factor. Farm revenue information from the 1992 Census of Agriculture covering 1,585 farms in the four county assessment area details farm revenue demographics. We detail this data in the table below by listing the percentage of farms in each revenue category and comparing FNB's lending to agricultural borrowers in each of the revenue categories. We note fewer loans to farms with very low revenues of less than \$100,000. This is reasonable as farmers with less than \$100,000 in gross revenue are generally part-time or "hobby farmers" whose additional outside income supports the farm operation and eliminates the need to borrow money. In addition, the 1992 Census of Agriculture for the four county assessment area shows the average market value of agricultural products sold per farm to be \$149,399 which is a reasonable level to support a farm as an ongoing, self-supporting enterprise.

SMALL FARM LOANS	% Farms in AA*	Loans ^① to Farms			
		# of Loans	%	\$ (000's)	%
Revenues < \$50,000	46%	4	11%	122	4%
Revenues \$50,000 to \$99,999	18%	3	8%	123	4%
Revenues \$100,000 to \$249,999	24%	12	33%	931	30%
Revenues \$250,000 to \$499,999	9%	11	31%	803	26%
Revenues \$500,000 and greater	3%	6**	17%	1,139	36%
TOTAL	100%	36	100%	3,118	100%

* Data Source: 1992 Census of Agriculture - Frontier, Furnas, Gosper and Red Willow Counties (combined) .

** Includes 1 farm loan , original amount \$750,000, to an enterprise with gross revenues over \$1,000,000.

① A sample note to one farm may not be the total debt to that farm. There were no special promotional programs to agricultural borrowers during the period.

Comparison of Credit Extended Inside and Outside of the Assessment Area

A strong majority of FNB's loans are to borrowers within its assessment area. We sampled 36 agricultural loans and all were to borrowers based within the assessment area. This bank exceeds the standards for satisfactory performance for this performance factor.

Loan-to-deposit Ratio

The bank's net loan-to-deposit ratio averaged 66 percent over the last twelve quarters based on data the bank reported in Consolidated Reports of Condition. During this same period FNB's loan-to-deposit ratio remained relatively constant and ranked fifth out of the thirteen banks headquartered within the assessment area. The most recent data shows the thirteen banks' loan-to-deposit ratios ranging from 42 percent to 87 percent. This bank meets the standards for satisfactory performance for this performance factor. The thirteen other institutions headquartered in the assessment area as well as six branches of other banks or savings institutions headquartered outside of the assessment area provide strong competition for loans and deposits. These institutions are similarly situated in that they generally all serve the same assessment area, are located in small towns, and offer similar loan and deposit products.

Geographic Distribution of Loans

The geographical distribution of the bank's loans in our sample reveals the bank is doing a good job of providing credit to borrowers throughout the assessment area, including those located in the moderate-income BNA. The sample revealed that 31 percent of the bank's agricultural loans by number and 52 percent by dollar were extended to farm operations located in the moderate-income BNA. This bank exceeds the standards for satisfactory performance for this performance factor.

Response to Complaints

No complaints were received since the prior examination.

Compliance with Antidiscrimination Laws and Regulations

FNB is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.