



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 27, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Carson National Bank of Auburn
Charter Number 3628

2301 Dahlke Avenue
Auburn, NE 68305-0000

Office of the Comptroller of the Currency

Omaha Field Office
13710 FNB Parkway #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 Carson Nation Bank of Auburn (CNB) meets the credit needs of its assessment area (AA).

- A majority of the bank's loans are within the AA.
- CNB's performance in lending to farms of different sizes and consumers of different income levels is satisfactory.
- The bank's average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AA.

SCOPE OF EXAMINATION

Small bank procedures were used to evaluate the bank's performance under the Community Reinvestment Act (CRA). A full scope review was completed of the bank's CRA activities in the AA since January 27, 2003. The primary products for the AA are agricultural and consumer loans. A sample of 40 loans of the bank's primary lending products was used to assess the bank's lending performance. The evaluation period for the lending test was January 1, 2006 to May 23, 2008.

DESCRIPTION OF INSTITUTION

CNB is a \$48 million institution located in Auburn, Nebraska. The main bank facility is headquartered in Auburn, Nebraska. The bank operates with one automated teller machine (ATM) also located in Auburn, Nebraska. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. CNB received a "Satisfactory" rating at the prior examination dated January 27, 2003.

CNB offers traditional loan and deposit products. As of March 31, 2008, the bank's loan portfolio consisted of agricultural (41%), commercial (26%), residential real estate (26%), and consumer (7%) loans based on outstanding dollars. The following table shows the breakdown of loans originated and purchased since January 1, 2006, with the bank's primary products in bold.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Agricultural Loans	45%	37%
Consumer Loans	6%	42%
Commercial Loans	30%	9%
Residential RE Loans	19%	11%
Total	100%	100%

Source: Bank reports

Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF ASSESSMENT AREA(S)

CNB's AA encompasses all of Nemaha County. The AA is contiguous and reasonable for the bank. The two census tracts comprising Nemaha County are designated as underserved and distressed by the Federal Financial Institutions Examination Council (FFIEC). The two census tracts, 9981 and 9982, are designated as middle-income census tracts. The AA does not arbitrarily exclude any low- or moderate-income areas. There are three other similarly situated financial institutions within the AA.

According to the 2000 U.S. Census, the total population of the AA is 7,576. Approximately 18% of families in the AA are low-income, 19% moderate-income, 21% middle-income, and 42% upper-income. Fourteen percent of the AA households are below the poverty level. The local economy is stable. Unemployment remains low at 3.22%. The power plant, local schools, hospitals, and industrial businesses are the largest employers.

We conducted one community contact with a local organization. The community contact indicated local banks were meeting the agricultural and housing needs of the community and always willing to support new endeavors to further improve the local communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's average LTD ratio over the past twenty quarters is reasonable to meet the credit needs of the AA. The bank's average LTD ratio was 62% compared to the 63% average LTD of other similarly situated financial institutions. There are three other similarly situated financial institutions headquartered in the AA. The LTD ratios of the other similarly situated financial institutions ranged from 25% to 88%.

Lending in Assessment Area

Loans made inside the AA meet the standards for satisfactory performance. CNB makes a majority of its loans in the AA. The loan sample consisted of 20 agricultural loans and 20 consumer loans originated from January 1, 2006 to May 23, 2008. The bank originated 80% by number, and 70% by dollar volume within its AA for agricultural and consumer loans.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	17	85%	3	15%	20	\$1,364,247	70%	\$586,645	30%	\$1,950,892
Consumer	15	75%	5	25%	20	\$115,280	75%	\$37,508	25%	\$152,788
Totals	32	80%	8	20%	40	\$1,479,527	70%	\$624,153	30%	\$2,103,680

Source: Bank Reports

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

CNB's performance for lending to small farms of different sizes and consumers of different incomes is satisfactory. The bank originated 100% of agricultural loans to farm operations in the AA with gross revenues of less than \$1 million. This compares with the demographic comparator which indicates 99% of AA farms have gross revenues less than \$1 million.

Borrower Distribution of Loans to Farms in Assessment Area		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	99%	1%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Bank Reports; Dun and Bradstreet 2007 Information

Loans originated to low- and moderate-income households within the AA are excellent. CNB originated 15% of consumer loans to low-income borrowers and 35% of consumer loans to moderate-income borrowers. This compares favorably with demographic comparators which indicate 23% of households in the AA have low-incomes and 19% of households in the AA have moderate-incomes.

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23%	15%	19%	35%	17%	20%	41%	30%

Source: Bank Reports; Dun and Bradstreet 2007 Information

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not meaningful as the AA did not have any low- or moderate-income geographies.

Responses to Complaints

CNB has not received any CRA related complaints since the last performance evaluation.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.