



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 07, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Nebraska National Bank  
Charter Number 22849

3110 N. Second Street  
Kearney, NE 68848

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 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.**

Nebraska National Bank (NNB) meets the credit needs of its assessment area (AA).

- NNB's lending level is reasonable given the financial institution's size, financial condition, and the AA's credit needs.
- A majority of the bank's loans are within its AA.
- Lending to businesses of different sizes is satisfactory.
- The bank has a reasonable record of lending to residential real estate borrowers of different income levels.

**SCOPE OF EXAMINATION**

The scope of the CRA examination included the time period of November 4, 2003 to April 7, 2008. 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. We determined business and residential real estate (RE) loans were the bank's primary products. Business loans comprise 31 percent of the loan portfolio by dollar amount and 21 percent by number. Residential RE loans are also a primary product because they comprise 35 percent of the portfolio by dollar amount and 20 percent by number. We reviewed a sample of 40 loans, 20 business loans, and 20 residential RE loans, to assess the bank's lending performance. The review covered loans originated between January 1, 2006 and March 31, 2008.

**DESCRIPTION OF INSTITUTION**

NNB is a \$116 million bank headquartered in Kearney, Nebraska. Exchange Co. owns 100% of the institution. The bank includes one location in Kearney, Nebraska and 5 automated teller machines located throughout the AA. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. NNB received a "Satisfactory" rating at the last CRA examination, dated November 3, 2003.

NNB offers traditional loan and deposit products. According to the December 31, 2007 Call Report, the loan portfolio totaled 58 percent of total assets. The portfolio is comprised of 24 percent agricultural loans, 44 percent business loans, 24 percent residential loans, and 8 percent consumer loans. These products are representative of the bank's business strategy.

The following table shows the breakdown of loans originated and purchased between January 1, 2006 and March 31, 2008.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Agricultural	28%	12%
Consumer	6%	47%
<b>Business</b>	<b>31%</b>	<b>21%</b>
<b>Residential RE</b>	<b>35%</b>	<b>20%</b>
Total	100%	100%

*Source: Bank Reports.*

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

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. NNB has one AA consisting of Buffalo County. Buffalo County is a non-metropolitan county located in central Nebraska. The AA consists of 10 contiguous census tracts (CTs), all of which are middle- or upper-income CTs.

According to the 2000 U.S. Census, the county's population has slightly declined to 42,259. Approximately 13 percent of families in the AA are low-income, 17 percent moderate-income, 25 percent middle-income, and 45 percent upper-income. Twelve percent of the AA households are below the poverty level. The weighted average median family income is \$48,049 for non-metropolitan statistical areas in Nebraska. The median weighted average of house values in the AA is \$87,026, and 60 percent of housing is owner-occupied.

The local economy is stable. The unemployment rate in Buffalo County remains low at 1.5 percent. The major employers in Kearney are The University of Nebraska at Kearney, Good Samaritan Health Systems, Baldwin Filters, and Kearney Public Schools. Competition from other financial institutions is strong. NNB has 10.5 percent deposit market share of the FDIC insured deposits in the AA. This ranks the bank third out of the 15 banks in the AA.

Examiners interviewed a community contact located in the city of Kearney. The community contact described the economic conditions of the area as good. The community contact also indicated institutions in Kearney effectively respond to the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

NNB's average loan-to-deposit (LTD) ratio is satisfactory given the bank's size, financial condition, and the AA credit needs. The LTD ratio averaged 75% over the past eighteen quarters and was 73% as of December 31, 2007. The bank's average is comparable to the 18-quarter average of the three similarly situated banks.

### Lending in Assessment Area

Lending in the AA is satisfactory. We reviewed a sample of 20 business loans and 20 residential RE loans, originated between January 1, 2006 and March 31, 2008, to determine the bank's lending performance with the AA. Seventy percent of the business and residential RE loans sampled were within the bank's AA. The following table reflects the bank's commitment to meet the credit needs of the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	12	60%	8	40%	20	\$294,842	14%	\$1,887,725	86%	\$4,191,111
Residential RE	16	80%	4	20%	20	\$1,916,273	83%	\$387,800	17%	\$2,304,073
Total	28	70%	12	30%	40	\$2,211,115	49%	\$2,275,525	51%	\$4,486,640

Source: Bank Reports.

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

NNB meets the standards for lending to businesses of different sizes and borrowers of different income levels. We reviewed a sample of 20 business loans and 20 residential RE loans from the AA. All loans in the sample were originated between January 1, 2006 and March 31, 2008.

### Business Loans

The bank's lending to businesses of different sizes in the AA is satisfactory. NNB originated 85 percent by number and 34 percent by dollar volume to businesses with revenues of less than \$1,000,000. This reasonably compares to demographic comparative information, which shows 57 percent of AA businesses with gross revenues less than \$1,000,000. The following table shows the breakdown of loans to businesses as compared to AA demographics.

<b>Borrower Distribution of Loans to Businesses in Assessment Area</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	57%	5%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	34%	66%

Source: Loan Sample; Dun and Bradstreet 2007 Information  
 \*38% of AA businesses did not report income.

### **Residential Real Estate Loans**

The bank’s lending to borrowers of different income levels in the AA is satisfactory. The residential RE loan sample noted the bank’s lending to families of different income levels is comparable to the demographics. The following table shows the breakdown of loans to families of different income levels.

<b>Borrower Distribution of Residential Real Estate Loans in Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	13%	10%	17%	35%	25%	25%	45%	30%

Source: Bank Reports; U.S. Census data.

### **Geographic Distribution of Loans**

Geographic distribution analysis is not applicable as the Buffalo County AA does not consist of any moderate or low-income CTs.

### **Responses to Complaints**

The Office of the Comptroller of the Currency and the bank did not receive any complaints about its CRA performance during the evaluation period.

### **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.