



## **PUBLIC DISCLOSURE**

November 4, 2013

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

First National Bank in Ord  
Charter Number 13557  
1411 M Street  
Ord, Nebraska 68862

Office of the Comptroller of the Currency  
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.**

First National Bank in Ord (FNB Ord) satisfactorily meets the credit needs of its assessment area (AA). We base this conclusion on the following:

- The bank’s loan-to-deposit ratio is reasonable.
- A substantial majority of FNB Ord’s loans are made inside its AA.
- Loan distribution shows reasonable penetration to farms of different revenue sizes within the AA.
- The geographic dispersion of loans within the AA is excellent.

**SCOPE OF EXAMINATION**

We evaluated FNB Ord with small bank Community Reinvestment Act (CRA) examination procedures. The rating is based on a lending test, which evaluates a bank’s record of meeting the credit needs of its AA through its lending activities. The evaluation period for FNB Ord covers its performance from May 21, 2007 through November 4, 2013.

FNB Ord’s primary credit product is agricultural loans. To evaluate the bank’s lending performance, we selected samples of agricultural loans originated between January 1, 2010 and December 31, 2011, due to changes in the comparative U.S. Census data. This period is representative of the bank’s lending strategy since the previous CRA examination. We selected two samples of 20 agricultural loans.

**DESCRIPTION OF INSTITUTION**

FNB Ord is a \$117 million bank located in Valley County in central Nebraska. The bank is 100 percent owned by BBJ, Incorporated; a one-bank holding company located in Ord, Nebraska. FNB Ord’s main office is located in Ord, Nebraska. The bank also operates two full-service branches in Sargent and Greeley, Nebraska. The bank operates one deposit-taking automated teller machine (ATM), located in Ord, Nebraska and three additional cash-dispensing ATMs in other locations within the AA.

We rated FNB Ord “Outstanding” at its last CRA examination dated May 21, 2007. The following chart provides a breakdown of FNB Ord’s credit products originated during the evaluation period.

<b>Loan Portfolio Originations</b>				
	Originated Loans by Number		Originated Loans by Dollar	
	Number	Percentage	\$(000)	Percentage
Agricultural Loans	798	38	58,892	70
Consumer Loans	765	36	4,293	5
Commercial Loans	432	20	12,912	15
Residential RE Loans	126	6	8,019	10

Source: Bank Reports

FNB Ord continues to offer traditional loan and deposit products. As of September 30, 2013, the bank's loan portfolio totaled 48 percent of total assets. The loan portfolio consists of 55 percent farm, 13 percent business, 6 percent consumer, and 26 percent home loans based on call report information. President Russ Blaha stated the bank's primary business strategy continues to be the origination of agricultural loans.

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. The bank holding company purchased City National Bancshares, Inc. in Greeley, Nebraska as of the close of business December 5, 2012. The acquisition included CNB Community Bank and McQuillan Insurance Agency. Other than the acquisition, there have not been any other significant changes to the bank's corporate structure since the previous CRA examination.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies, or cross a state line. Due to the locations of FNB Ord's three branches and deposit taking ATM, management has designated the following AA: all of Valley, Garfield, and Greeley Counties and a portion of Custer County. The portion of Custer County is an entire census tract (CT), and the area is contiguous to Valley County. The Board added Greeley County to the AA in December 2012 after the acquisition of City National Bancshares, Inc.

Prior to the addition of Greeley County and according to 2000 U.S. Census data, the AA included three middle-income CTs and one moderate-income CT. The moderate-income CT consisted of most of Valley County, other than the area around Ord. The moderate-income CT was changed to a middle-income CT with the 2010 U.S. Census. The AA's population was 9,737, and the 2000 weighted average median family income was \$34,765. Family income in the AA includes 23 percent low-income families, 25 percent moderate-income, 27 percent middle-income, and 27 percent upper-income. Business demographics consist of 78.8 percent non-farm entities and 21.2 percent farm. The local economy is stable, and unemployment remains low at 1.62 percent.

We conducted two community contacts during the examination with an economic development organization. The first community contact spoke favorably of Ord banks noting they are proactively involved in local business lending and local bankers are engaged in the community. The second community contact said housing is an important credit need, and the contact had good experiences working with Ord banks.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB Ord's performance under the lending test is satisfactory.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable as compared to one other similarly situated bank. While only one other financial institution is headquartered within the AA, there are three banks headquartered just outside the AA in Custer County. FNB Ord's quarterly average loan-to-deposit ratio has declined from 70 percent at the prior CRA examination to 65 percent over the last twenty quarters. The quarterly average loan-to-deposit ratio is 84 percent for all four institutions, but only 54 percent for the other similarly situated institution headquartered in the AA.

Management explained the decline by noting a very competitive lending environment from Farm Credit and numerous branches of other banks serving the AA. In addition, farmers are borrowing less than in prior years due to plentiful liquidity resulting from high crop prices. President Blaha expects the Greeley branch to be a source of new lending. FNB Ord has a 14 percent deposit market share in the AA and ranks third.

### Lending in Assessment Area

The bank originated a substantial majority of its loans inside the AA. A random sample of 40 agricultural loans showed 93 percent by number and 93 percent by dollar amount were located within FNB Ord's AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	37	93	3	7	40	2,056	93	146	7	2,202

Source: Bank Reports

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

FNB Ord has a reasonable penetration of lending to farms of different sizes in its AA. FNB Ord originated 88 percent of the loans by number and 65 percent of the loans by dollar to farms with gross annual revenues less than \$1 million. The percent of loans to small farms by number compares reasonably to the demographic comparator in the AA. By dollar volume, the bank's performance of lending to small farms is lower than the demographic comparator of 98 percent but meets the standard for satisfactory performance.

<b>Borrower Distribution of Loans to Farms in the Assessment Area</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98	1	1	100
% of Bank Loans in AA by #	88	7	5	100
% of Bank Loans in AA by \$	65	28	7	100

*Data Source: 2011 Business Geodemographic Data and farm loan data sampled from 2010-2011*

### **Geographic Distribution of Loans**

The geographic distribution of business loans reflects excellent dispersion throughout the AA. We reviewed 40 agricultural loans to determine if the bank is lending to customers within different income census tracts. The AA contained one moderate-income CT and three middle-income CTs. FNB Ord exceeded the demographic comparator of 31 percent by originating 50 percent of its loans to farms located within the moderate-income CT. The following table shows the breakdown of loans as compared to the AA demographics.

<b>Geographic Distribution of Loans to Farms in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0	0	31	50	69	50	0	0

*Data Source: 2011 Business Geodemographic Data and farm loan data sampled from 2010-2011*

### **Responses to Complaints**

The bank has not received any complaints regarding their CRA performance since the last performance evaluation.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance.

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