

## **PUBLIC DISCLOSURE**

February 8, 1999

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

**The First National Bank of Julesburg  
Charter Number 8205**

**Third & Cedar Streets  
Julesburg, Colorado 80737**

**Comptroller of the Currency  
1099 18th Street, Suite 2650  
Denver, Colorado 80202**

**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 Julesburg** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 8, 1999. 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 **ASatisfactory.**®

The First National Bank of Julesburg is committed to serving the community in which it operates and demonstrates satisfactory lending performance. The bank's loan-to-deposit ratio is reasonable given the its size, financial condition, and assessment area credit needs. The bank originates a majority of loans within its assessment area. Overall lending activity shows the bank lends to individuals in all income levels. Agricultural loans are made predominantly to farms with annual revenues of less than \$500,000.

## DESCRIPTION OF INSTITUTION:

The First National Bank of Julesburg (FNBJ) is a community bank headquartered in Julesburg, Colorado. FNBJ operates from its main office in Julesburg and services the town and surrounding Sedgwick County. The main office provides one drive-up teller window and a 24-hour full service automated teller machine. The bank has no branch offices and has not closed any branch offices.

As of December 31, 1998, FNBJ reported total assets of \$29 million. First Nebraska Bancs, Inc., (FNBI), a three-bank holding company headquartered in Sidney, Nebraska, owns 100% of FNBJ's stock. Further, the bank is part of the Thomas H. Olson Family ownership group which includes investments in three banks in Nebraska, two in Colorado, and one in Wyoming. There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area. The bank received a "Satisfactory Record of Meeting Community Credit Needs" rating at its April 19, 1996, CRA examination.

FNBJ focuses its lending activities on agricultural loans, while providing a full range of depository services. The table below shows the composition of the bank's loan portfolio by loan type.

<b>LOAN PORTFOLIO COMPOSITION</b> <b>December 31, 1998</b>		
<b>Loan Type</b>	<b>Dollar Amount (in Millions)</b>	<b>Percentage of Total Loans</b>
Agricultural & Farmland	13.1	70
Commercial	2.9	15
Consumer	2.8	15
Total	18.8	100

## DESCRIPTION OF ASSESSMENT AREA:

The bank has designated Sedgwick County as its assessment area. Sedgwick County, located in the extreme northeast corner of Colorado, contains two Block Numbering Areas (BNA). One BNA is in the moderate-income category and the other is in the middle-income category based on 1990 U.S. Census state-wide non-MSA income. There are no low-income or high-income BNAs in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The following table provides a breakdown of the income characteristics for the assessment area, based on updated

1998 Department of Housing and Urban Development (HUD) median family income for non-MSA areas of Colorado which is \$39,000.

<b>PERCENTAGE OF FAMILIES IN SEDGWICK COUNTY BY INCOME LEVEL</b>		
<b>Income Level</b>	<b>Number</b>	<b>Percent</b>
Low Income (Less than \$19,500)	144	18
Moderate Income (\$19,500 - \$31,208)	232	29
Middle Income (\$31,208 - \$46,800)	184	23
Upper Income (Greater than \$46,800)	239	30
<b>Total</b>	<b>799</b>	<b>100</b>

Agriculture is the backbone of the economy, as most industries and businesses are focused on providing support for the area's diverse farming and ranching operations. The area is home to large native grass cattle ranches and hog production facilities. Corn is a major crop. Wheat, sugar beets, and alfalfa are also prominent crops. Center pivot and flood irrigation helps furnish the necessary water to grow irrigated crops. Low commodity prices are adversely affecting the area's economy and slowing expansion; however, agriculture real estate values are stable. Major non-agricultural employers include medical services, local governments, and school districts.

Sedgwick County's population has declined in recent years as many of the smallest farms have been purchased by farmers whose larger operation supports a viable economic unit. The county's current estimated population is 2,700 people.

Overall competition within the assessment area is strong. Although FNB is the only bank with its main office in the county, two out-of-area financial institutions each operate a branch in Julesburg. Also, a credit union has its main office in Julesburg. Principal competitors include the Federal Land Bank, the Production Credit Association, and dealer finance companies. These lending companies compete for essentially the same business.

During our review, we contacted two individuals associated with the county government and a prominent community foundation. Based on the information from these sources, this community's credit needs are substantially met, and access to banking service is good.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The First National Bank of Julesburg's overall lending patterns reflect strong distribution among individuals of different income levels and farms of different sizes. Loan originations show the bank's focus on loans to small farms. Further, consumer loan originations compare favorably to assessment area demographics, especially for low-income borrowers.

#### *Loans to Agricultural Borrowers*

A substantial majority of the bank's loans are to small farms. We sampled 20 loans made in the assessment area during 1998, that financed operating and capital expenditures for agricultural borrowers. This sample represents 16 percent of the total number of loans originated. As shown in the table, 80 percent of the loans to agricultural borrowers were to entities with gross annual revenue under \$500,000. This performance indicates that FNBJ serves the credit needs of small agricultural operations.

<b>DISTRIBUTION OF AGRICULTURE LOANS BY ANNUAL REVENUE (Loans Originated - 1998)</b>		
<b>Gross Annual Revenue</b>	<b>Number of Loans Based on Sample</b>	<b>Percent of Loans Based on Sample</b>
\$0 - \$500,000	16	80
\$501,000 - \$1,000,000	3	15
Greater than \$1,000,000	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

This distribution matches assessment area demographics. According to current business demographic data provided by Dunn & Bradstreet, 95 percent of the farming businesses in the assessment area have gross annual revenues less than \$1 million.

#### *Loans to Consumers*

Consumer loan originations show heavy emphasis towards low- and moderate-income borrowers and are well above the percentage of low- and moderate-income families in the assessment area. We sampled 20 automobile secured consumer loans originated during 1998. This sample represented the bank's primary consumer loan product. We compared each borrower's income to the Colorado

median family income. The results of our sample are summarized in the following table and reflect excellent penetration of the low- and moderate-income families in the assessment area.

<b>DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME LEVEL</b>			
<b>Income Category</b>	<b>Loans Originated - 1998</b>		<b>Family Distribution Within Each Income Category</b>
	<b>Number</b>	<b>Percent</b>	<b>Percent</b>
Low Income (Less than \$19,500)	13	65	18
Moderate Income (\$19,500 - \$31,200)	4	20	29
Middle Income (\$31,200 - \$46,800)	2	10	23
Upper Income (Greater than \$46,800)	1	5	30
Total	20	100	100

Note: The 1998 HUD median family income for non-MSA areas of Colorado was \$39,000.

### **Lending in the Assessment Area**

FNBJ originates a majority of its loans in both number and dollar volume within its assessment area. We sampled its two primary loan products and found that 83 percent by number and 88 percent by dollar volume of the loans originated during 1998 were within the bank's assessment area.

### **Loan-to-Deposit Ratio**

FNBJ's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area credit needs. During the eight quarters ending September 30, 1998, FNBJ's loan-to-deposit ratio ranged from 65 percent to 82 percent, resulting in a 76 percent average. This is comparable to 18 similarly situated banks in the agricultural regions of the Colorado and Nebraska plains. These banks were selected based on asset size, location, and similar business focus. The group's loan-to-deposit ratios range from 23 percent to 89 percent. Their eight-quarter average for the same period resulted in a 65 percent average.

### **Geographic Distribution of Loans**

An analysis of geographic loan distribution is not meaningful. Sedgwick County contains only two BNAs, which are too few to analyze. One BNA, a middle-income geography, includes all three towns in the county where most of the population resides. The other BNA, a

moderate-income geography, includes the rural area outside of these towns. There are no groups of low- and high-income geographies.

### **Record of Compliance with Anti-discrimination Laws**

The bank is in substantial compliance with fair lending laws and regulations. Our fair lending review, conducted during the December 31, 1998, compliance examination, found no disparate treatment or discriminatory lending practices.

### **Response to Substantiated Complaints**

The bank has not received any written complaints regarding its CRA performance since the prior CRA examination.