

**PUBLIC DISCLOSURE**

March 4, 1996

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**ADAMS BANK AND TRUST COMPANY  
10-31-2712  
463650**

**P.O. BOX 720  
315 NORTH SPRUCE STREET  
OGALLALA, NEBRASKA 69153-0720**

Federal Reserve Bank of Kansas City  
925 Grand Avenue  
Kansas City, Missouri 64198

**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 Adams Bank and Trust Company, Ogallala, Nebraska, prepared by the Federal Reserve Bank of Kansas City, Denver Branch, the institution's supervisory agency, as of March 4, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** *This institution is rated Outstanding.*

The bank is actively lending in its assessment area. The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the bank's assessment area. The distribution of loans reflects excellent dispersion among individuals of different income levels, businesses of different sizes, and assessment area geographies.

The following table indicates the performance level of Adams Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	ADAMS BANK AND TRUST COMPANY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints regarding the banks lending performance have been received.		

**DESCRIPTION OF INSTITUTION**

The main office of Adams Bank and Trust Company is located in Ogallala, Nebraska. The bank also has full-service branches located in Brule, Madrid, Imperial, and North Platte. The North Platte office was converted to a full-service branch during the examination. Prior to the conversion, the North Platte facility was a loan production office. The bank has only one remaining loan production facility. The loan production office in Grant is not a full-service facility and only accepts loan applications and makes loans. That facility does not accept deposits or dispense cash.

The bank's December 31, 1995 Report of Condition and Income (Call Report) reflected total assets of \$160,008,000. The following table reflects the distribution of the bank's loan portfolio.

<b>DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO</b>		
<i>Type of Loan</i>	<i>\$ Amount (Amounts in Thousands)</i>	<i>Percentag e of Total Loans</i>
Loans secured by real estate		
Secured by farmland	22,096	18.6%
Construction and land development	1,044	0.9%
Secured by 1- to 4-family residential properties	15,996	13.5%
Secured by multifamily (five or more) residential properties	554	0.5%
Secured by nonresidential properties	5,936	5.0%
Loans to finance agricultural production and other loans to farmers	51,322	43.3%
Commercial loans	12,562	10.6%
Consumer loans	8,081	6.8%
Other	974	0.8%
<b>TOTAL</b>	118,565	100.0%

**DESCRIPTION OF THE BANKS ASSESSMENT AREA:**

The assessment area includes all of Keith, Perkins, and Chase Counties. The bank assessment area also includes most of Lincoln County. Major towns in the assessment area are Ogallala, Brule, Grant, Madrid, Sutherland, and Imperial. The banks assessment area does not arbitrarily exclude any low- or moderate-income areas. Per 1990 census data, the core population in the assessment area is 45,855. The following table shows the distribution of the population by income category.

<b>DISTRIBUTION OF FAMILY INCOME IN THE ASSESSMENT AREA</b>				
	Low <sup>1</sup>	Moderate <sup>2</sup>	Middle <sup>3</sup>	Upper <sup>4</sup>

<b>DISTRIBUTION OF FAMILY INCOME IN THE ASSESSMENT AREA</b>				
	<b>Low<sup>1</sup></b>	<b>Moderate<sup>2</sup></b>	<b>Middle<sup>3</sup></b>	<b>Upper<sup>4</sup></b>
Percentage of Families	16.4%	17.4%	23.9%	42.3%

- 1 Less than 50 percent of the nonmetropolitan statistical area (non-MSA) median family income
- 2 At least 50 percent and less than 80 percent of the non-MSA median family income
- 3 At least 80 percent and less than 120 percent of the non-MSA median family income
- 4 120 percent or more of the non-MSA median family income

The bank's assessment area includes 14 contiguous block numbering areas ("BNAs") surrounding the main office in Ogallala and the branches in Brule, Madrid, Imperial, and North Platte. One BNA is designated as moderate-income, nine are designated as middle-income, and five are designated as upper-income. None of the BNAs in the assessment area are designated as low-income. Community contacts indicated that low- and moderate-income individuals are dispersed throughout the area.

The communities in the assessment area are heavily dependent on agriculture. Wheat, corn, and cattle represent the major products produced in the area. In addition, tourism, created mostly by a large recreational lake in close proximity to Ogallala, provides some economic diversification to the area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank's performance under the Community Reinvestment Act is considered outstanding. The bank has continued to respond to the needs of the community through its lending activity. This performance is reflected in the bank's loan-to-deposit ratio, its lending in the assessment area, its lending to borrowers of different income levels and businesses and farms of different sizes, and the geographic distribution of loans in the assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable, given the bank's size, financial condition, and assessment area credit needs. Loan demand in the assessment area is high and is creating a need for consumer, small farm and small business loans. The bank's efforts to meet these credit needs are reflected in the types of loans made, as described previously, and the loan-to-deposit ratio. The

banks average loan-to-deposit ratio, based on 1995 quarterly Call Report figures, is 86 percent.

### Lending in Assessment Area

A substantial majority of the banks loans are in the assessment area. A sample of loans in four major categories was reviewed, including 70 consumer motor vehicle loans, 41 consumer purpose loans secured by real estate, 61 farm loans, and 55 business loans. Overall, 83 percent of the total number of loans sampled were in the banks assessment area. The following table shows the percentage of loans in the assessment area for each loan type sampled.

<b>LOANS INSIDE THE ASSESSMENT AREA</b>	
<i>Loan Type Sampled</i>	<i>Percentage of Loans Inside the Bank's Assessment Area</i>
Real estate-secured consumer loans	90%
Consumer automobile loans	82%
Farm loans	75%
Business loans	89%

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

The distribution of loans shows excellent penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses and farms of different sizes given the demographics of the assessment area and the environment in which the bank operates.

The sample showed that half of the bank's consumer automobile lending activity was to low- and moderate-income borrowers. The number of loans to individuals in low- and moderate-income categories is proportionately higher than the demographic composition of the bank's assessment area. The analysis showed that 26 percent of motor vehicle loans made in the assessment area were to low-income individuals and 24 percent were to moderate-income individuals. This compares favorably to the demographics of the community, estimated at 16 percent low-income and 17 percent moderate-income.

For consumer real estate-secured loans, the analysis showed a much smaller percentage of loans to low- or moderate-income individuals. Eleven percent of these loans were to low-income individuals and five percent were to moderate-income individuals. Although the bank's real estate-secured consumer lending to low-income individuals appears disproportionately low relative to the income characteristics of the population, it should be noted that this is not unusual given the characteristics of the community in which the bank operates. Community contacts stated that there is a housing shortage in the area which has resulted in higher real estate prices. As a result, housing has become less affordable for low- and moderate-income individuals. The housing shortage is being caused by a low level of housing starts in the area and the deterioration in the quality of existing

housing which has reduced the pool of available housing. Community contacts also noted that many home loans in the area are not financed through traditional methods. Alternatives such as owner carryback or lease purchase agreements are sometimes used.

The bank makes a substantial majority of its commercial loans to small farms and businesses. All of the agricultural loans and business loans sampled were to small farms and small businesses. Small farm loans are those loans with original amounts of \$500,000 or less and small business loans are those loans with original amounts of \$1 million or less. The following table shows that the bank originates loans to farms and businesses of different sizes as well.

<b>DISTRIBUTION OF FARM AND BUSINESS LOANS SAMPLED</b>		
<i>Revenue Category</i>	<i>Farm Loans</i>	<i>Business Loans</i>
Gross annual revenues less than \$100,000	2%	4%
Gross annual revenues between \$100,000 and \$250,000	57%	76%
Gross annual revenues greater than \$250,000 but less than \$500,000	35%	13%
Gross annual revenues greater than \$500,000 but less than \$1,000,000	6%	5%
Gross annual revenues greater than \$1,000,000	0%	2%

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects excellent dispersion throughout the income represents geographies in its assessment area. The sample showed that the bank is penetrating all BNAs in its assessment area, including the one BNA designated as moderate-income. Furthermore, as noted previously, the bank is lending to borrowers of different income levels including low- and moderate-income borrowers, and businesses and farms of different sizes.

### Response to Complaints

The bank has received no complaints about its performance in meeting assessment

area credit needs since the previous examination. Therefore, no assessment of the bank's performance in responding to complaints was made.

#### Compliance with Antidiscrimination Laws and Regulations

There were no substantive violations of antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Minor violations of Regulation B (Equal Credit Opportunity Act) were noted during the examination and are easily correctable by management. These findings do not lower the bank's overall CRA rating.

