



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 08, 2010**

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

First National Bank of Wahoo  
Charter Number 2780

201 East 5th Street  
Wahoo, NE 68066-0068

Office of the Comptroller of the Currency  
Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, Nebraska 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 of Wahoo (FNBW) adequately meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit ratio (LTD) of 99.11% during the evaluation period.
- A majority of loans by both number (72%) and dollar volume (84%) are originated within the bank's assessment areas (AAs).
- The bank's distribution of loans reflects satisfactory penetration among borrowers of different income levels and farms of different sizes.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AA.

## **SCOPE OF EXAMINATION**

FNBW was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The lending test for FNBW covers its performance from January 1, 2008 through December 31, 2009, as this is representative of its lending strategy since the previous CRA examination.

FNBW's primary loan products are residential real estate and agricultural loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's residential real estate loan performance. To evaluate the bank's agricultural lending performance, we selected a sample of agricultural loans made from January 1, 2008 through December 31, 2009.

## **DESCRIPTION OF INSTITUTION**

FNBW is a full service financial institution located in east central Nebraska. The bank also has branches in Sterling and Burchard, which are situated in south east Nebraska. FNBW has two Automated Teller Machines (ATMs), which are located in Wahoo and Sterling. The ATM located in Wahoo has deposit taking capabilities. There were no acquisition or merger activities related to FNBW during the CRA evaluation period.

As of September 30, 2009, FNBW had total assets of \$114 million, total loans of \$65 million, and total deposits of \$66 million. The bank offers a full range of deposit and loan products and services. Agricultural and residential real estate lending remain the bank's primary business focus.

There are no financial or legal impediments constraining the bank's ability to meet the credit needs of its AAs. FNBW received a Satisfactory rating at the prior CRA examination dated December 13, 2004.

## DESCRIPTION OF ASSESSMENT AREAS

The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. Due to the locations of FNBW's two branches, management has designated two AAs.

The first AA is all of Saunders County in Nebraska which includes five middle-income census tracts. The AA is in the Omaha MSA and is served by the main bank in Wahoo. According to the 2000 U.S. Census, the AA's population is 19,830. The 2000 weighted average median family income is \$49,905, and the weighted average updated median family income is \$69,900 for the Omaha MSA. Business demographics consist of 84.40% non-farm and 15.60% farm. The local economy is stable, and unemployment remains moderate at 4.6% compared to 4.9% for the state of Nebraska, and 9.8% for the nation (*U.S Dept. of Labor September 2009*).

The second AA is all of Johnson and Pawnee Counties in Nebraska which includes three middle income census tracts. The AA is served by the Sterling and Burchard branches. According to the 2000 U.S. Census, the AA's population is 7,575. The 2000 weighted average median family income is \$39,103, and the weighted average updated median family income is \$53,700 for non-metropolitan statistical areas in Nebraska. Business demographics consist of 82.10% non-farm and 17.90% farm. The local economy is stable, and unemployment remains moderate at 4% in Johnson County and 4.1% in Pawnee County (*U.S Dept. of Labor September 2009*).

Examiners interviewed a community contact located in the Wahoo area. The community contact described the economic conditions of the area as stable and healthier than national trends. The contact indicated the primary needs in the area are residential real estate, agricultural, and small business lending. They also indicated there are opportunities to support local development. The contact concluded local financial institutions do a good job of helping to support the needs of the community and offering financial assistance. They did not identify any unmet needs within the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the lending test is satisfactory. The following narratives and tables support our assessment of the bank's performance.

### Loan-to-Deposit Ratio

FNBW's LTD ratio is reasonable and exceeds the performance criteria, given its size, financial condition, and AA credit needs. FNBW's LTD ratio follows the agricultural cycle from quarter to quarter, but overall is stable. The quarterly LTD ratio average over the last 20 quarters from January 1, 2005 to September 30, 2009 is 99.11%. FNBW's average LTD ratio compares favorably with other financial institutions that are similarly situated with regards to asset size, location, and product offerings. Six similarly situated banks operated with a combined average LTD ratio of 95.82% during the evaluation period, and ranged from 74.61% to 115.30%.

## Lending in Assessment Area

FNBW meets the standards for satisfactory performance with regard to extending credit inside the AAs. Our sample indicates a majority (72% by number and 84% by dollar) of the bank's loans are originated to borrowers within the AAs. The following table illustrates the bank's performance regarding lending in the AAs.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	283	72%	112	28%	395	\$27,403	68%	\$12,729	32%	\$40,132
Agricultural	16	80%	4	20%	20	\$1,996,501	84%	\$381,679	16%	\$2,378,180
<b>Totals</b>	<b>299</b>	<b>72%</b>	<b>116</b>	<b>28%</b>	<b>415</b>	<b>\$2,023,904</b>	<b>84%</b>	<b>\$394,408</b>	<b>16%</b>	<b>\$2,418,312</b>

Source: Data reported under HMDA; Loan Sample

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

The borrower distribution of loans in the AAs is reasonable and meets the demographics of each AA. Residential real estate and agricultural loans are identified as credit needs in the AA. Greater weight is placed on FNBW's lending performance in the Wahoo AA since a majority of the bank's deposits are from the AA.

### Wahoo AA

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels reflects reasonable penetration. An analysis of residential real estate loans reveals that 12.62% and 22.9% of FNBW's residential real estate loans originated during the review period are to low- and moderate-income families respectively. While the volume of loans to low- and moderate-income families is at a moderate level, this is not of significant concern as the AA contains all middle income census tracts. FNBW meets income standards for residential real estate lending when compared to AA demographics.

Borrower Distribution of Residential Real Estate Loans in Wahoo AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	18.62%	16.67%	21.76%	29.63%	30.45%	20.37%	29.16%	33.33%
Home Improvement	18.62%	0%	21.76%	28.57%	30.45%	35.71%	29.16%	28.57%
Refinancing	18.62%	12.33%	21.76%	19.86%	30.45%	29.45%	29.16%	34.93%

Source: Data reported under HMDA; U.S. Census Data

FNBW's distribution of loans to farms of different sizes in the Wahoo AA is satisfactory. All of the loans in the sample were originated to farms with gross annual revenues of less than \$1 million, and 45% of those were originated to small farms with gross annual

revenues of less than \$500,000. FNBW exceeds standards for agricultural lending when compared to AA demographics.

<b>Borrower Distribution of Loans to Farms in Wahoo AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.44%	0.28%	0.28%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	100%	0%	100%

Source: Loan Sample

### Sterling Burchard AA

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels reflects reasonable penetration. An analysis of residential real estate loans reveals that 17.39% of FNBW's residential real estate loans originated during the review period are to low- and moderate-income families. While the volume of loans to low- and moderate-income families is at a moderate level, this is not of significant concern as the AA contains all middle income census tracts. FNBW meets income standards for residential real estate lending when compared to AA demographics.

<b>Borrower Distribution of Residential Real Estate Loans in Sterling Burchard AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans						
Purchase	20.03%	26.67%	21.58%	20.00%	26.94%	13.33%	31.45%	40.00%
Home Improvement	20.03%	35.71%	21.58%	7.14%	26.94%	21.43%	31.45%	35.71%
Refinancing	20.03%	7.5%	21.58%	20.00%	26.94%	22.50%	31.45%	45.00%

Source: Data reported under HMDA; U.S. Census Data

FNBW's distribution of loans to farms of different sizes in the Sterling Burchard AA is satisfactory. All of the loans in the sample were originated to farms with gross annual revenues of less than \$1 million, and 70% of those were originated to small farms with gross annual revenues of less than \$500,000. FNBW exceeds income standards for agricultural lending when compared to AA demographics.

<b>Borrower Distribution of Loans to Farms in Sterling Burchard AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.44%	0.00%	0.56%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	100%	0%	100%

Source: Loan Sample

### **Geographic Distribution of Loans**

A geographic analysis of the bank's lending was not meaningful, as the AA consists of only middle-income geographies.

### **Responses to Complaints**

Neither the bank nor the Office of the Comptroller of the Currency has received any complaints regarding the bank's 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.