



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 16, 2012

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

The First National Bank of Bancroft  
Charter Number 8863

301 Main Street  
Bancroft, NE 68004-0000

Office of the Comptroller of the Currency

Sioux Falls Field Office  
4900 South Minnesota Avenue Suite 300  
Sioux Falls, SD. 57108-2865

**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.**

- The bank's average quarterly loan-to-deposit ratio reasonably compares to other similarly situated institutions.
- A substantial majority of the bank's loans are located within the designated assessment area (AA).
- The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers) and small farms.
- Geographic distribution of loans is reasonable with no conspicuous gaps in the bank's lending patterns.
- There were no complaints about the bank's performance in helping to meet the credit needs of the AA during the evaluation period.

**SCOPE OF EXAMINATION**

The First National Bank of Bancroft (FNB) was evaluated under the Small Bank examination procedures, focusing solely on the lending test. FNB's primary loan products are agricultural and consumer loans. To evaluate the bank's lending performance, we selected a sample of loans from each primary product that were originated or purchased between January 1, 2010 and March 15, 2012.

**DESCRIPTION OF INSTITUTION**

FNB is a \$20 million financial institution located in Bancroft, Nebraska. Bancroft is a small, rural farming community in Cuming County in northeastern Nebraska. The bank has one location and one automated teller machine, which does not accept deposits. FNB is not affiliated with another bank or holding company.

FNB offers traditional loan and deposit products. As of December 31, 2011 the bank's loan portfolio accounted for 54 percent of total assets. By dollar volume the loan portfolio consisted of 63 percent agricultural loans, 16 percent commercial loans, 14 percent residential real estate loans, and 7 percent consumer loans.

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. The bank was rated "Satisfactory" at the last CRA examination dated February 27, 2006.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area (AA) consists of five census tracts located in Cuming, Burt, and Thurston Counties in northeastern Nebraska. The AA does not include entire counties as the bank has limited resources to service a larger area. Of the five census tracts, two are moderate-income and three are middle-income.

The bank's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Individuals can refer to the bank's CRA Public File for a map outlining the AA.

According to the 2000 U.S. Census, 9,730 people reside in the AA with approximately 500 located in the community of Bancroft. The 2011 Department of Housing and Urban Development estimated median family income is \$56,200 for non-metropolitan areas in Nebraska. Family incomes in the AA are 22 percent low-income, 23 percent moderate-income, 26 percent middle-income, and 29 percent upper-income. The Census data shows a high level of poverty in the AA with 13 percent of households below the poverty level. The median housing value in the AA is \$55,019 and 62 percent of housing is owner-occupied.

The local economy is heavily dependent on agriculture which has been strong in recent years. This has led to a general decline in loan demand. Other significant industry is limited in the area which contributes to the 6 percent average unemployment rate for the three counties in the AA as of December 2011. This is higher than the Nebraska state unemployment rate of 4.2 percent but below the national unemployment rate of 8.5 percent.

Competition for financial services is strong in the AA. There are 11 total financial institutions operating within Cuming, Burt, and Thurston Counties. FNB is the smallest of these institutions by asset size and owns the second smallest share of the deposit market with two percent.

We did not identify any unmet credit needs in FNB's AA. We conducted one community contact during this CRA examination. The contact stated that local financial institutions are supportive of the community's credit needs. Primary development needs in the area include small business and affordable housing. FNB offers and originates these types of loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

FNB's net loan-to-deposit ratio is reasonable given its size, financial condition, and AA credit needs. The bank's net loan-to-deposit ratio averaged 80 percent over the 24 quarters since the last CRA examination. The ratio ranged from a quarterly high of 102 percent to a quarterly low of 51 percent during this time with a general downward trend

in recent years. This is due to the strong performance of agriculture causing an increase in deposits and reduction in loan demand.

The bank’s net loan-to-deposit ratio reasonably compares with other community banks of similar size serving Cuming, Burt, and Thurston Counties. FNB ranks third among a total of five similarly situated banks when comparing average loan-to-deposit ratios over the past 24 quarters. The other four banks had average ratios ranging from 76 percent to 108 percent with an overall average of 86 percent.

**Lending in Assessment Area**

FNB originated a substantial majority of its loans to borrowers located within the designated AA. Of loans originated from January 1, 2010 to March 15, 2012 for agricultural and consumer purposes, approximately 73 percent by number and 84 percent by dollar volume were made to borrowers within the bank’s AA. The following table shows primary product loans originated inside/outside of the AA by number and dollar volume.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Agricultural	16	80%	4	20%	20	2,253	85%	383	15%	2,636
Consumer	13	65%	7	35%	20	64	56%	50	44%	114
Total	29	73%	11	28%	40	2316	84%	434	16%	2750

Source: Loan sample

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

Overall the distribution of loans in the AA reflects reasonable penetration among farms of different sizes and individuals of different income levels. All sampled loans were located within the bank’s designated AA.

Agricultural Loans

Borrower distribution of agricultural loans is reasonable. FNB’s lending to farms of different sizes meets community demographics. Of the 20 agricultural loans we sampled, 85 percent by number and 82 percent by dollar volume were made to small farms. The following table compares the bank’s agricultural lending by revenue size to community demographics.

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	82%	18%	0%	100%

Source: Loan sample and U.S. Census Business Demographic Data (2011)

**Consumer Loans**

Borrower distribution of consumer loans is excellent. FNB’s lending to individuals of different income levels significantly exceeds the community demographics for low- and moderate-income households. Of the 20 consumer loans we sampled, 35 percent by number were made to both low- and moderate-income borrowers. The following table compares the bank’s consumer lending by income level to community demographics.

<b>Borrower Distribution of Consumer Loans in AA</b>								
Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25%	35%	19%	35%	22%	25%	34%	5%

Source: Loan sample and 2000 U.S. Census

**Geographic Distribution of Loans**

Overall the distribution of loans reflects reasonable dispersion to geographies of different income levels throughout the bank’s AA. We found no conspicuous geographic gaps in the bank’s lending patterns. All sampled loans were located within the bank’s designated AA.

**Agricultural Loans**

Geographic distribution of agricultural loans is reasonable. FNB’s lending to geographies of different income levels meets community demographics. The number of farm loans originated to borrowers in the AA’s moderate-income tracts was low at 10 percent but reasonably compares to the overall low level of farms in those tracts. Additionally, agricultural loan demand is generally low in the area and the bank is not located in either of the moderate-income tracts. The following table shows the distribution of the bank’s agricultural loans by income level of census tract.

<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%	26%	10%	74%	90%	0%	0%

Source: Loan sample and U.S. Census Business Demographic Data (2011)

**Consumer Loans**

Geographic distribution of consumer loans is reasonable. FNB’s lending to geographies of different income levels meets community demographics. Of the 20 consumer loans we sampled, 50 percent by number were made to borrowers in moderate-income tracts. This compares favorably to the level of AA households living

in moderate-income areas. The following table shows the distribution of the bank’s consumer loans by income level of census tract.

<b>Geographic Distribution of Consumer Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Household s	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	43%	50%	57%	50%	0%	0%

Source: Loan sample and 2000 U.S. Census

### **Responses to Complaints**

There were no CRA-related complaints against FNB during this 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.