



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 27, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bancroft
Charter Number 8863**

**301 Main Street
Bancroft, Nebraska 68004**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #110
Omaha, Nebraska 68154**

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 First National Bank of Bancroft's (FNB's) average loan-to-deposit ratio reasonably compares to other similarly situated institutions.
- A substantial majority of the bank's primary loan products are originated within the designated assessment area (AA).
- FNB's record of lending to farms of different sizes and individual borrowers of different income levels is good.
- The distribution of loans to all areas of the AA is reasonable.
- There were no complaints about the bank's performance in helping to meet the credit needs of the AA during the evaluation period.

DESCRIPTION OF INSTITUTION

FNB is a \$15 million bank located in a small, rural farming community in Cuming County in northeastern Nebraska. The bank has only one location in Bancroft, Nebraska. FNB is not affiliated with another bank or holding company. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

FNB's loan portfolio accounted for 78% of its assets as of December 31, 2005. The loan portfolio consists of 74% agriculture/real estate loans, 10% residential real estate loans, 9% commercial loans, and 7% consumer loans.

The bank's corporate structure has not changed since the prior Community Reinvestment Act (CRA) examination dated August 27, 2001. FNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination.

This CRA evaluation assesses the bank's activities since in the date of the last CRA examination up to February 27, 2006. To assess the bank's performance, we pulled samples of primary loan products. However, the loan data provided by the bank included only originations from November 1, 2002 to October 31, 2005. Our loan samples were therefore pulled from this time period. The primary products are agriculture and consumer loans. Agriculture related loans account for 74% of the outstanding loan portfolio, while consumer loans account for only 7%. However, consumer loans are considered a primary product, as the number of consumer loans originated during the evaluation period far exceeds any other product type.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of five census tracts in Cuming, Burt, and Thurston Counties. Two of the census tracts are moderate-income, and three are middle-income tracts. Entire counties are not included in the AA, as the bank has limited resources to service a larger area. The AA does not exclude any low- or moderate-income tracts and meets the requirements of the regulation. Individuals can refer to the CRA public file for a map outlining the bank's 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 inflation adjusted 2006 family income is \$49,750 for non-metropolitan statistical areas in Nebraska. Family incomes in the area are 23% low-income, 23% moderate-income, 25% middle-income, and 29% upper-income. Based on the Census data, the bank's designated AA has a high level of poverty with 13% of AA households below the poverty level. The median housing value in the AA is \$55,019, and 62% of housing is owner-occupied.

The local economy is heavily dependent upon agriculture and its related industries. Competition for financial services is strong in the AA. Four financial institutions are headquartered in the AA. In addition, three other financial institutions have branches in the AA. Assets of these seven financial institutions range from \$41 million to \$166 million.

Examiners conducted one community contact during this CRA examination. Discussion with the community contact revealed agriculture, small business, and residential real estate as the primary credit needs of the area. FNB offers and originates these types of loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and AA credit needs. FNB's ratio averaged 89.7% over the past eighteen quarters and was 95.9% as of December 31, 2005. The bank's LTD ratio was compared to seven similarly situated banks that operate within Cuming, Burt, and Thurston Counties. The eighteen-quarter average of similarly situated banks ranged from 76.1% to 110.5%, with an average of 88.5%. FNB's average LTD ratio compares favorably to the average LTD ratio, despite the fact that FNB is the smallest bank in the area with total assets of only \$15 million.

Lending in Assessment Area

FNB originated a substantial majority of agricultural and consumer loans within the designated AA. Table 1 outlines the bank's performance by dollar volume and by number of loans originated for both primary products sampled. The sample included loans from each primary product that were originated between November 1, 2002 and October 31, 2005.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	17	85	3	15	20	1,098,755	78	310,336	22	1,409,091
Consumer	17	85	3	15	20	83,401	70	35,887	30	119,288
Totals	34	85	6	15	40	1,182,156	77	346,223	23	1,528,379

Source: Loan sample.

Lending to Farms of Different Sizes and Borrowers of Different Incomes

We sampled loans from each of the bank's primary loan products to assess performance. Lending to farms of different sizes and borrowers of difference incomes is satisfactory. The bank's performance compares favorably to the AA demographics.

Agricultural Loans

FNB's lending to farms of different sizes is satisfactory. Table 2A shows that the bank's lending to farms of all sizes reasonably compares to the AA demographics. Farm demographic data indicates that the AA has very few farms with annual revenues over \$1 million. Our sample of 20 farm loans originated within the AA identified only one loan out of twenty to a farm with annual revenues over \$1 million.

Table 2A - Borrower Distribution of Loans to Farms in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	3	0	100%
% of Bank Loans in AA by #	85	5	10	100%
% of Bank Loans in AA by \$	91	3	6	100%

Source: Sample of 20 agriculture loans originated in the AA between November 1, 2002 and October 31, 2005.

Consumer Loans

FNB's lending to individuals of different income levels is excellent. Table 2B outlines the results of the consumer loan sample. Based on income information obtained from credit files, it was determined that the bank originated a majority of the loans to individuals that fall into the low-income category. The volume of sampled loans to low-income individuals at 53% far exceeds the 25% of households that are classified as low-income. Loans to moderate-income individuals approximates the moderate-income demographics.

Table 2B - Borrower Distribution of Consumer Loans in AA								
Borrower 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	53	19	18	22	18	34	11

Source: Sample of 20 consumer loans originated in the AA between November 1, 2002 and October 31, 2005. Income information was available on only 17 of the 20 loans.

Geographic Distribution of Loans

The bank's geographic distribution of loans is satisfactory. The bank's performance is consistent with the demographics of its AA. We reviewed a sample of loans from each of the bank's primary loan products to assess performance.

Agricultural Loans

The bank's record of lending to farms in different income geographies is reasonable. Table 3A shows the results of our farm loan sample. By number, the bank originated 20% of the loans to farms located within moderate-income census tracts and 80% within middle-income tracts. These percentages reasonably compare to the total percentage of farms located within each of the different income areas.

Table 3A – Geographic Distribution of Loans to Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
	0	0	26	20	74	80	0	0

Source: Sample of 20 agriculture loans originated in the AA between November 1, 2002 and October 31, 2005.

Consumer Loans

The bank's consumer lending demonstrates good penetration throughout census tracts of different income levels. Table 3B shows that the bank's consumer lending within the moderate-income BNAs exceeds the percentage of the AA's total households located within moderate-income areas.

Table 3B – Geographic Distribution of Consumer Loans in AA								
Census Tract 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	0	0	43	55	57	45	0	0

Source: Sample of 20 consumer loans originated in the AA between November 1, 2002 and October 31, 2005.

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 illegal discrimination or other illegal credit practices.