



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 27, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**301 Main Street
Bancroft, NE 68004**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #110
Omaha, NE 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Bancroft (FNB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are centered on agriculture, residential real estate, and consumer borrowers.

- FNB's lending level is reasonable, given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's loans are within its assessment area.
- Lending to borrowers of different income levels is satisfactory. The bank has excellent penetration of residential real estate loans to moderate-income borrowers. In addition, the bank does a good job lending to farms of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$15 million bank located in Cuming County in northeastern Nebraska. The bank's only location is in Bancroft, Nebraska. FNB is a stand-alone bank and 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.

As of March 31, 2001, FNB's loan portfolio comprised 58% of total assets. The bank's primary credit products are agriculture, residential real estate, and consumer loans. The table below breaks down the loan portfolio by outstanding dollars and number of loans.

	% of outstanding dollars	% of outstanding # of loans
Agricultural / RE Loans	69%	33%
Consumer Loans	8%	48%
Residential RE Loans	12%	9%
Commercial Loans	11%	10%

FNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, March 13, 1997.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of block numbering areas 9826, 9831, and 9782 in Cuming, Burt, and Thurston Counties, respectively. 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 1990 U.S. Census, 10,034 people reside in the AA with 494 located in the community of Bancroft. The inflation adjusted 2000 family income is \$42,600 for non-metropolitan statistical areas in Nebraska. One census tract is moderate-income and the two other tracts are middle-income. Family incomes in the area are: 26% low-income; 19% moderate-income; 26% middle-income; and 29% upper-income. Nineteen percent of AA households have income below the poverty level. The median housing value in the AA is \$30,086, and 61% 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 and branches of three others are headquartered outside of the AA, with total assets ranging from \$35 million to \$151 million.

Examiners conducted two community contacts during this CRA examination and reviewed three other community contacts conducted previously in the AA. The community contacts included a local business owner and a member of the city government. Discussions with the community contacts 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 ratio is reasonable, given the institution's size, financial condition, and AA credit needs. FNB's ratio averaged 66.86% over the past seventeen quarters and was 83.68% at June 30, 2001. The seventeen-quarter average of similarly situated banks ranged from 68.09% to 98.54%, with an average of 83.44%. FNB's average loan-to-deposit ratio is clearly lower than the average ratio for the four similarly situated banks. However, FNB is the smallest bank in the area with total assets of only \$15 million. The four similarly situated banks have total assets ranging from \$56 million to \$151 million and provide similar products.

Lending in Assessment Area

FNB originates a substantial majority of its loans within the AA. We reviewed a sample of 20 agriculture and 20 residential real estate borrowers to determine the bank's lending to individuals in the AA. All loans were originated since the last CRA examination. The table below shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION

	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	36	90%	\$1,244,000	88%
Outside AA	4	10%	\$ 171,000	12%
Totals	40	100%	\$1,415,000	100%

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

FNB has an adequate record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$845,778 to determine the bank's lending to farms of different sizes. All of the loans in this sample were made to farms located within the AA and were originated since the last CRA examination. The majority of the bank's lending was to smaller operations, those with less than \$250 thousand in gross annual revenue, which approximates the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of Farms in AA
\$0 - \$50,000	5	25%	\$162,915	19%	42%
\$50,001 - \$100,000	3	15%	\$132,500	16%	15%
\$100,001 - \$250,000	8	40%	\$440,261	52%	23%
over \$250,000	3	15%	\$101,931	12%	20%
No income reported	1	5%	\$ 8,171	1%	N/A
Totals	20	100%	\$845,778	100%	100%

FNB's record of lending to individuals of different income levels is excellent, given AA demographics. FNB originated 31% of residential real estate loans sampled to moderate-income borrowers, while only 19% of AA families are moderate-income. Also, although 25% of AA families are below the poverty level, the bank originated 10% of sampled residential real estate loans to low-income families. This is very good since many low-income families cannot afford to purchase a home. We reviewed a sample of 20 residential real estate loans totaling \$564,691 to determine the bank's lending to individuals of different income levels. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination. The following table demonstrates the breakdown of loans to individuals as compared to the demographics of the AA.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income level	# of loans	% of total #	\$ of loans	% of total \$	% of Families in the AA
Low	2	10%	\$ 33,000	6%	26%
Moderate	6	30%	\$115,496	20%	19%
Middle	7	35%	\$238,144	42%	26%
Upper	5	25%	\$178,051	32%	29%
Totals	20	100%	\$564,691	100%	100%

Geographic Distribution of Loans

The geographic distribution of FNB's loans reflects reasonable dispersion throughout the AA. The following table displays the breakdown of loans by BNA. The majority of borrowers in our samples were located in Cuming County, which is reasonable as the bank is located in northeast Cuming County. Bancroft is approximately six miles south of Thurston County (moderate-income BNA). Thurston County contains three competitive banks, which meet the needs of the AA. In addition, FNB does not have any branches or automated teller machines in Thurston County, which makes it difficult for the bank to compete.

FNB has an adequate record of providing agricultural loans throughout the AA, given competition and office location discussed above. We sampled 20 agricultural loans totaling \$845,778 to determine the bank's dispersion throughout the AA. All of the loans in this sample were made to farms located within the bank's AA and were originated since the last CRA examination. We compared our data to the percentage of farms located in each tract. The table reveals that the bank made most of its agricultural loans in BNA 9826, which is where the bank is located.

AGRICULTURAL BORROWER SAMPLE					
BNA	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Farms in the AA
#9826 (middle)	12	60%	\$569,292	67%	30%
#9831 (middle)	6	30%	\$213,486	25%	31%
#9782 (moderate)	2	10%	\$ 63,000	8%	39%
Totals	20	100%	\$845,778	100%	100%

FNB has an adequate record of providing residential real estate loans to individuals throughout the AA, given the bank's size, location, and competition. We sampled 20 residential real estate loans totaling \$564,691 to determine the bank's dispersion throughout the AA. All of the loans in this sample were made to individuals located within the bank's AA and were originated since the last CRA examination. We compared our data to the percentage of AA owner-occupied housing units by BNA. The table reveals that the bank made most of its residential real estate loans in BNA 9826, which is where the bank is located.

RESIDENTIAL REAL ESTATE BORROWERS SAMPLE					
BNA	# of loans	% of Total #	\$ of loans	% of Total \$	Owner occupied houses in AA
#9826 (middle)	17	85%	\$462,305	82%	29%
#9831 (middle)	1	5%	\$62,400	11%	31%
#9782 (moderate)	2	10%	\$39,986	7%	40%
Totals	20	100%	\$564,691	100%	100%

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination dated March 13, 1997.

Fair Lending Review

An analysis of 1998 and 1999 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.