



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 07, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank & Trust of Syracuse, Nebraska
Charter Number 3083

320 Fifth Street
Syracuse, Nebraska 68446

Office of the Comptroller of the Currency

Omaha Field Office
13710 FNB Parkway, Suite 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 Outstanding.

The major factors supporting this rating include:

- The bank's distribution of loans reflected excellent penetration among farms and businesses of different sizes.
- The bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans were originated within the bank's assessment area.
- The bank provided several community development loans, investments, and services during the evaluation period which enhanced overall CRA performance.

SCOPE OF EXAMINATION

We performed a full-scope review of the bank's CRA performance. Our analysis of lending performance focused on loans originated and purchased from January 1, 2005 through December 15, 2007, as this was representative of the bank's lending strategy since the last CRA examination. The evaluation period for community development activities was from January 8, 2002 to January 7, 2008.

The bank's primary loan products were agricultural and commercial loans. We determined the bank's primary loan types by reviewing all loan originations and purchases from January 1, 2005 through December 15, 2007. During this time period, agricultural loans represented 44 percent of the total number and 43 percent of the total dollar amount of all loan originations and purchases, while commercial loans represented 22 percent of the total number and 51 percent of the total dollar amount of loans. We reviewed random samples of agricultural and commercial loan originations and purchases from January 1, 2005 through December 15, 2007 in order to analyze lending within the bank's assessment area and lending to farms and businesses of different sizes.

DESCRIPTION OF INSTITUTION

First National Bank & Trust of Syracuse, Nebraska (FNB&T) is a full-service financial institution. The bank's primary lending focus is agricultural and commercial lending, but it does offer a full range of credit products including consumer and residential real estate loans. For purposes of CRA evaluation, FNB&T is an intrastate bank located in Southeast Nebraska. The bank operates out of one office with a deposit-taking ATM, and has one free-standing ATM that does not take deposits. FNB&T is wholly owned by Syracuse Agency, Inc., a one-bank holding company with consolidated assets of \$52 million as of June 30, 2007.

As of September 30, 2007, FNB&T had total assets of \$54 million and tier one capital of \$5 million. Net loans represented 62 percent of total assets. By dollar amount, the loan portfolio consisted of the following types of credit: 41 percent agricultural, 36 percent commercial, 14 percent residential real estate, 4 percent consumer, and 5 percent other loans.

There were no known legal, financial, or other impediments that hampered FNB&T's ability to help meet the credit needs of its assessment area. There were no merger or acquisition activities during the evaluation period. The bank previously received an "Outstanding" rating at the last CRA examination dated January 7, 2002.

DESCRIPTION OF FNB&T ASSESSMENT AREA

FNB&T designated Otoe County, Nebraska as its assessment area. Otoe County is located in rural Southeast Nebraska. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The bank's assessment area includes the bank's main office and the surrounding areas where FNB&T originates a substantial portion of its loans. The assessment area consists of five middle-income census tracts. It does not have any low- or moderate-income census tracts. According to the 2000 U.S. Census, the area's total population was 15,396 persons. The 2000 median family income for the area was \$41,596. The 2007 updated median family income was \$50,400. Of 4,243 families in the assessment area, 13 percent were low-income, 18 percent were moderate-income, 25 percent were middle-income and 44 percent were upper-income. Nine percent of households in the assessment area were below the poverty level.

The current local economy is stable. Economic activity is centered in agricultural-related industries, with diversity from services, small manufacturing companies, and light tourism. Average unemployment for the area is low. Competition from other financial institutions is average. FNB&T's competitors include several local community banks and branches of larger regional institutions.

In conducting the assessment of the bank’s CRA performance, we contacted a local organization. The contact noted the need for agricultural loans and, to a lesser extent, small commercial loans. The contact stated local financial institutions generally met area credit needs. The contact also noted there were limited opportunities for banks to participate in community development activities in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB&T’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio averaged 63 percent over the last 24 quarters since the last CRA examination. This was comparable to four similarly situated institutions in the bank’s assessment area. The four institutions had a combined average loan-to-deposit ratio of 64 percent during the evaluation period, and ranged from 32 percent to 87 percent.

Lending in Assessment Area

A majority of FNB&T’s primary loan products were made within the bank’s assessment area. A random sample of 40 agricultural and commercial loans showed 70 percent by number and 37 percent by dollar amount were located within FNB&T’s assessment area. The lower percentage by dollar amount was not a concern. Our loan sample included one very large loan to an agricultural customer located just outside the bank’s assessment area and two large out-of-area commercial loan participations. Refer to Table 1 below for details regarding loan sampling results.

| Table 1 - Lending in FNB&T Assessment Area | | | | | | | | | | |
|--|-----------------|-----|---------|-----|-------|------------------|-----|----------|-----|-------------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total (000) |
| | # | % | # | % | | \$ (000) | % | \$ (000) | % | |
| Agricultural | 15 | 75% | 5 | 25% | 20 | \$933 | 37% | \$1,614 | 63% | \$2,547 |
| Commercial | 13 | 65% | 7 | 35% | 20 | \$834 | 38% | \$1,378 | 62% | \$2,213 |
| Totals | 28 | 70% | 12 | 30% | 40 | \$1,767 | 37% | \$2,992 | 63% | \$4,760 |

Source: Sample of loans from January 1, 2005 to December 15, 2007.

Lending to Farms and Businesses of Different Sizes

FNB&T’s distribution of loans reflected excellent penetration among farms and businesses of different sizes. In concluding the bank’s distribution was excellent, we gave more weight to the distribution of agricultural loans since this was the primary identified credit need of the assessment area as well as the bank’s primary loan product by number of loans.

FNB&T’s distribution of loans to farms of different sizes was excellent. A sample of 20 agricultural loans within the bank’s assessment area showed 100 percent of the borrowers had revenues of \$1 million or less. This was comparable to demographic data that indicated 99 percent of farms in the assessment area had revenues of \$1 million or less. Refer to Table 2A on the following page for further information.

| Table 2A - Borrower Distribution of Loans to Farms in FNB&T Assessment Area | | | | |
|--|---------------|---------------|-------------------------|-------|
| Farm Revenues | ≤ \$1,000,000 | > \$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Farms | 99% | 0% | 1% | 100% |
| % of Bank Loans in AA by # | 100% | 0% | 0% | 100% |
| % of Bank Loans in AA by \$ | 100% | 0% | 0% | 100% |

Source: Sample of loans from January 1, 2005 to December 15, 2007, Dunn and Bradstreet data.

FNB&T’s distribution of loans to businesses of different sizes was reasonable. A sample of 20 commercial loans within the bank’s assessment area showed 75 percent of the borrowers had revenues of \$1 million or less. This was higher than demographic data that indicated 53 percent of businesses in the assessment area had revenues of \$1 million or less. In concluding performance was reasonable, we took into consideration demographic data that showed a large percentage of businesses in the assessment area did not have revenue information available. Refer to Table 2B below for further information.

| Table 2B - Borrower Distribution of Loans to Businesses in FNB&T Assessment Area | | | | |
|---|---------------|---------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤ \$1,000,000 | > \$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 53% | 4% | 43% | 100% |
| % of Bank Loans in AA by # | 75% | 25% | 0% | 100% |
| % of Bank Loans in AA by \$ | 21% | 79% | 0% | 100% |

Source: Sample of loans from January 1, 2005 to December 15, 2007, Dunn and Bradstreet data.

Another indication of the bank’s reasonable distribution of loans to businesses of different sizes was the percentage of loans originated in small dollar amounts. Loan size often loosely correlates to the size of the business. A sample of 20 commercial loans originated in FNB&T’s assessment area showed 85 percent were in amounts of \$100,000 or less. Refer to Table 2C for more information.

| Loan Size (000's) | Number of Loans | Percent of Number | Dollar Volume of Loans | Percent of Dollar Volume |
|-----------------------|-----------------|-------------------|------------------------|--------------------------|
| \$0 - \$25,000 | 11 | 55% | \$144,164 | 10% |
| \$25,001 - \$50,000 | 4 | 20% | \$148,000 | 11% |
| \$20,001 - \$100,000 | 2 | 10% | \$160,000 | 11% |
| \$100,001 - \$250,000 | 1 | 5% | \$210,000 | 15% |
| \$250,001 - \$400,000 | 2 | 10% | \$750,000 | 53% |

Source: Sample of loans from January 1, 2005 to December 15, 2007, Dunn and Bradstreet data.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not meaningful. The assessment area did not have any low- or moderate-income census tracts.

Community Development Loans, Qualified Investments, and Community Development Services

FNB&T provided several community development loans, investments, and services during the evaluation period. The bank’s involvement in these activities was considered excellent given its size and capacity, and considering the limited community development opportunities in the assessment area. Qualified community development activities included:

- One loan totaling \$2.6 million for construction financing for a local medical clinic that provided services to low- and moderate-income individuals in the assessment area.
- \$57,800 in donations to various organizations that provided community services targeted to low- and moderate-income persons or promoted economic development by providing technical assistance to small businesses. The organizations served the bank’s assessment area or a broader statewide or regional area that included the FNB&T’s assessment area.
- Bank personnel provided financial expertise and technical assistance to two local organizations that promoted economic development by providing assistance to small businesses. Bank personnel served as directors or officers for these organizations.

In addition, FNB&T participated in two community development loans for construction and permanent financing for an assisted living facility located just outside the bank's assessment area. The bank's participation in these loans totaled \$1.5 million. Funding for the project included tax incremental financing. The majority of residents in the assisted living facility were low- to moderate-income. FNB&T received positive consideration for their participation in this project outside the assessment area because the bank adequately addressed community development needs within the assessment area.

Responses to Complaints

An analysis of FNB&T's response to CRA-related complaints was not applicable because the bank has not received any such complaints.

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.