



PUBLIC DISCLOSURE

JULY 31, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**THE AMERICAN BANK OF SIDNEY, NEBRASKA
RSSD# 718556**

**901 10TH
SIDNEY, NEBRASKA 69162**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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 COMMUNITY REINVESTMENT ACT RATING: *This institution is rated Satisfactory.*

The American Bank of Sidney, Nebraska (the bank) has a Satisfactory record of helping to meet the credit needs of its assessment area (AA) consistent with its resources and operating philosophy. The average net loan-to-deposit (NLTD) ratio is reasonable considering the characteristics of the bank, performance of local competitors, and credit needs of the community. The majority of loans reviewed for this evaluation were originated inside the bank's AA. The bank's lending reflects a reasonable dispersion throughout the AA. Overall the bank's dispersion of lending to borrowers of different income levels and to businesses and farms of different revenue sizes is considered excellent.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. Four of the five criteria used to evaluate a small bank's lending performance under the CRA were relevant to this review and are as follows:

- NLTD Ratio
- Lending Inside the AA
- Distribution of Loans Among Geographies of Different Income Levels
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes

The fifth criterion, the bank's responsiveness to complaints under the CRA, was not evaluated as neither the bank, nor the Federal Reserve Bank of Kansas City, has received any complaints concerning CRA since the previous evaluation.

The examination evaluated the bank's performance under the above criteria compared to area demographic information. The designated AA includes Cheyenne County in its entirety, which received a full-scope review. Conclusions regarding the four performance criteria were based on data compiled from the bank's major product lines, which included consumer, commercial, and agricultural loans. The major product lines were determined through discussions with management, a review of the March 31, 2017 Reports of Condition and Income (Call Report), and a review of the number of outstanding loan originations since the bank's prior CRA examination. In addition, conclusions regarding the bank's performance were based on a 22-quarter average of its NLTD ratio. The evaluation included a statistically derived sample of 75 motor vehicle loans originated between July 1, 2016 and December 31, 2016, as well as 66 small farm loans and 45 small business loans originated between January 1, 2016 and December 31, 2016. As defined under the CRA, small business loans include those with loan amounts of \$1 million (MM) or less, while small farm loans include those with loan amounts of \$500,000 or less. As the three products each comprise approximately one-third of the bank's total loan portfolio by dollar volume, they were weighted equally in the overall evaluation.

For evaluative purposes, the bank's lending was compared to local demographic data based on the 2006-2010 five-year estimated American Community Survey (ACS) and 2016 Dun & Bradstreet (D&B) data. The bank's NLTD ratio was compared to similarly situated financial institutions that operate within the bank's AA. The geographic distribution analysis was based on the bank's lending by income level of geographies with emphasis on lending in low- and moderate-income (LMI) census tracts. Geographies were classified based on the 2016 FFIEC's census tract definitions. Because the bank's AA does not contain any LMI census tracts, this performance criterion was weighted less in the overall evaluation. The borrower distribution analysis was based on the bank's lending to borrowers of different income levels and to businesses and farms of different revenue sizes. For borrower characteristics, income levels were calculated using the 2016 FFIEC's median family income listing. The evaluation of the bank's performance focused on the number of loans originated for each product as well as the dollar volume of those originations.

To further augment the evaluation, an interview with a member of the community within the bank's AA was conducted to ascertain the credit needs of the community, the responsiveness of area banks in meeting those credit needs, and local economic conditions. The contact was a representative that promotes economic development within Cheyenne County.

DESCRIPTION OF INSTITUTION

The bank is an \$89.2MM institution headquartered in Sidney, Nebraska, and is a wholly owned subsidiary of American National Sidney Corporation, a one-bank holding company, also located in Sidney, Nebraska. The small town of Sidney has a population of 6,757 and is located in Cheyenne County, Nebraska. It is approximately 170 miles northeast of Denver, Colorado, and 100 miles east of Cheyenne, Wyoming. The bank operates two locations, including the main branch and a drive-up location with a full-service automated teller machine. The bank was previously supervised by the Office of the Comptroller of the Currency (OCC) and became a state member bank on December 31, 2015.

The bank reported total loans of \$35.2MM and total deposits of \$67.0MM on its March 31, 2017 Call Report. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2016, the bank has a 4.3 percent market share, ranking third of eight FDIC-insured institutions with locations in the bank's AA. The bank focuses mostly on consumer, agricultural, and commercial lending; however, it offers a variety of products to meet the credit needs of the AA. Table 1 illustrates the distribution of the bank's loan portfolio as of March 31, 2017.

TABLE 1 THE AMERICAN BANK OF SIDNEY, NEBRASKA LOAN PORTFOLIO AS OF MARCH 31, 2017		
Loan Type	Amount \$(000)	Percent of Total
Consumer	11,423	32.4
Commercial	10,621	30.1
Agricultural	10,129	28.8
Residential Real Estate	3,062	8.7
Other	0	0.0
Gross Loans	35,235	100.0

Based on its asset size, product offerings, and financial condition, the bank has the ability to meet the credit needs of its AA. Furthermore, there are no legal or financial factors impeding the institution's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at its previous CRA evaluation conducted by the OCC on February 6, 2012.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA¹

The bank has designated the entirety of Cheyenne County as its AA, which includes two middle- and one upper-income tracts. The middle-income tracts are designated as underserved. The AA delineation has not changed since the prior CRA evaluation; however, all three tracts in the AA were previously designated as middle-income tracts and changed due to updated Census Bureau information.

Population Trends and Characteristics

According to 2016 FFIEC's Census data, the AA population was 9,998, which represents a 1.7 percent increase since 2000. The city of Sidney, which is also the Cheyenne county seat, comprises 67.6 percent of the total AA population. Other cities in the AA include Lodgepole, Potter, Dalton, Gurley, and Sunol, Nebraska. The AA population by different age groups aligns closely with the state of Nebraska and statewide rural percentages.

Income Characteristics

The median household income (MHI) of the AA is \$49,392, which mirrors the MHI for the state of Nebraska but is 14.6 percent higher than statewide rural areas. The concentration of LMI households within the AA is 31.9 percent, which is below the 39.8 percent of LMI households in both the state of Nebraska and the statewide rural areas. The rates of poverty in the AA compared to Nebraska and statewide rural figures are also similar at 10.8 percent, 11.7 percent, and 12.4 percent, respectively.

¹ Sources of economic and demographic data include the Department of Labor's Bureau of Labor Statistics, 2012 Census of Agriculture, 2012 FFIEC Census Online, 2010 U.S. Census data, and the 2010 ACS.

Economic and Employment Characteristics

The AA is primarily rural and largely driven by agriculture. Wheat farming is predominant, with corn farming taking up less acreage overall. Some producers are diversifying into specialty crops like millet, barley, and sorghum. In 2016, some of the area's wheat crop suffered from wheat rust, a fungal disease; however, yields were still in line with bank projections. The most prominent livestock in the area is cattle and calves, which are showing profitability again after a decline in prices in 2015 and 2016. Dairy cows represent the next highest number of livestock in the AA, although they account for only about 25 percent of the number of cattle/calves.

The AA is also heavily dependent upon the employer, Cabela's, a large retailer specializing in hunting, fishing, boating, camping, and shooting gear. According to the community contact, Cabela's is in the process of being purchased by Bass Pro Shops for approximately \$4.2 billion. The impact of this merger/acquisition on the city of Sidney could be significant as 1,200 people in the community are currently employed by Cabela's. The number of company employees has steadily declined over the last three years due to layoffs and attrition. Recent job losses are attributed to some Cabela's employees voluntarily leaving in anticipation of further staffing reductions when the sale is completed.

In spite of the aforementioned activity, the AA's unemployment rate at 2.9 percent has remained relatively stable, comparable to the state of Nebraska's unemployment rate at 3.1 percent as of June 2017. A community representative stated that three new companies have come to Sidney in the last six months and more are expected. Sand Hills Publishing has taken over Cabela's call center with 30 employees, many of them from Cabela's. Quad/Graphics (also known as Blue Solo) has replaced Cabela's in-house graphics division and now employs about 100 former Cabela's staff. Moreover, Lukjan, a company specializing in metals for the heating, ventilating, and air conditioning industry, is planning to hire 50 employees by the end of the year and double that number within two years.

These new additions have helped offset the workforce reductions at Cabela's as many of its employees have found work with the new companies in the area. The remaining businesses in Sidney have remained steady, including the largest employer, Sidney Regional Medical Center, where 300 individuals are employed. A logistics company, Adams Industries, also employs over 150 people with plans for future expansion.

Housing Characteristics

Based on 2016 FFIEC's census data, the AA's median housing value is \$94,130, which is lower than the \$123,900 value for the state of Nebraska but higher than the \$89,673 value in statewide rural areas. The percentages of owner-occupied, rental, and vacant units in the AA are all similar to those in the state of Nebraska and statewide rural areas. The median age of housing stock is 55 years, compared to the state of Nebraska, at 40 years, and statewide rural areas, at 48 years.

The AA's housing affordability ratio² of 52.5 percent is significantly higher than the Nebraska housing affordability ratio of 39.8 percent, reflecting more affordable housing in Sidney. Housing affordability in Sidney is also slightly better than other statewide rural areas which had a ratio of 48.0 percent. According to a community contact, housing inventory is up dramatically as many former Cabela's employees have left the company through layoffs or attrition pending the merger/acquisition with Bass Pro Shops. The number of homes currently for sale has resulted in even more affordable housing in Sidney.

Table 2 summarizes the income-related demographic and economic characteristics of the bank's AA based on 2016 FFIEC Census data.

² The housing affordability ratio is calculated by dividing the MHI by the median housing value. A lower ratio reflects less affordable housing.

**TABLE 2
CHEYENNE COUNTY 2016 AA DEMOGRAPHICS**

Income Categories	Tract Distribution		Households by Tract Income		Households < Poverty Level as % of Households by Tract		Households by Household Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	779	17.9
Moderate	0	0.0	0	0.0	0	0.0	608	14.0
Middle	2	66.7	2,950	67.9	327	11.1	887	20.4
Upper	1	33.3	1,398	32.2	144	10.3	2,074	47.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	4,348	100.0	471	10.8	4,348	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	3,246	1,955	64.2	60.2	995	30.7	296	9.1
Upper	1,614	1,092	35.8	67.7	306	19.0	216	13.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,860	3,047	100.0	62.7	1,301	26.8	512	10.5
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	406	71.0	368	71.5	30	71.4	8	53.3
Upper	166	29.0	147	28.5	12	28.6	7	46.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	572	100.0	515	100.0	42	100.0	15	100.0
Percentage of Total Businesses:			90.0		7.3		2.6	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	35	23.5	33	22.8	2	50.0	0	0.0
Upper	114	76.5	112	77.2	2	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	149	100.0	145	100.0	4	100.0	0	0.0
Percentage of Total Farms:			97.3		2.7		0.0	

Based on 2010 ACS five-year estimate data, 2016 FFIEC's census tract definitions, and 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s record of meeting the credit needs of its AA is considered satisfactory. The 22-quarter NLTD ratio is reasonable. The majority of loans reviewed were originated inside the AA. The bank’s lending reflects reasonable dispersion throughout the AA. Overall dispersion of lending to borrowers of different income levels and businesses and farms of different revenue sizes is considered excellent.

Net Loan-to-Deposit Ratio

This performance criterion utilizes the bank’s average NLTD ratio to evaluate the reasonableness of lending in light of performance context information regarding the bank’s capacity to lend, availability of lending opportunities, and demographic and economic factors present in the AA.

The bank's NLTD ratio is considered reasonable. The bank's 22-quarter average NLTD ratio as of March 31, 2017, is 44.1 percent, lower than four other similarly situated banks in and around Cheyenne County with NLTD ratios ranging from 49.5 percent to 92.0 percent. Despite the bank’s lower NLTD ratio, the trend since the prior examination has been positive, up significantly from 29.6 percent at the time of the prior OCC examination to 52.0 percent in the first quarter of 2017. Bank management indicated that they have had a strategy to grow loans while still maintaining their underwriting standards. As part of the bank’s strategic plan, the loan portfolio grew approximately 54.1 percent from December 31, 2012 through December 31, 2016. During that same time period, deposits have remained virtually unchanged, down 0.7 percent. Given the improving trend, the bank’s NLTD is considered reasonable.

Assessment Area Concentration

This performance criterion considers the bank’s lending inside and outside of its designated AA. As shown in Table 3, the bank originated a majority of the reviewed loans inside of its delineated AA. By number and dollar volume of loans, 84.4 percent and 83.0 percent, respectively, were originated inside the bank’s AA.

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Motor Vehicle Loans	60	739	80.0	76.8	15	223	20.0	23.2
Small Business Loans	41	3,457	91.1	93.3	4	250	8.9	6.7
Small Farm Loans	56	3,692	84.8	76.3	10	1,146	15.2	23.7
Total Loans	157	7,888	84.4	83.0	29	1,619	15.6	17.0

Only loans within the bank's AA are considered for the remaining loan distribution tests discussed within this performance evaluation.

Distribution by Income Level of Geographies

This performance criterion evaluates the bank’s distribution of loans among geographies of different income levels (geographic distribution). As the AA only contains middle- and upper-income census tracts, this criterion was weighted less heavily in the overall rating. For evaluative purposes, the bank’s motor vehicle lending was compared to the percentage of households, while the bank’s small business and small farm lending was compared to the percentage of businesses and farms, respectively, located in AA census tracts by income level.

Table 4 illustrates the breakdown of each loan category by census tract income level. Overall, the geographic distribution of loans is considered reasonable.

TABLE 4 DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES CHEYENNE COUNTY AA					
Census Tract Income Level	Motor Vehicle Loans				% of Households¹
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	47	560	78.3	75.8	67.8
Upper	13	179	21.7	24.2	32.2
Unknown³	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Business Loans				% of Businesses²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	28	2,035	68.3	58.9	71.0
Upper	13	1,422	31.7	41.1	29.0
Unknown³	0	0	0.0	0.0	0.0
Census Tract Income Level	Small Farm Loans				% of Farms²
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0
Middle	9	293	16.1	7.9	23.5
Upper	47	3,400	83.9	92.1	76.5
Unknown³	0	0	0.0	0.0	0.0

¹ Based on 2010 ACS five-year estimate data and 2016 FFIEC’s census tract designations.
² Based on 2016 D&B data.
³ Does not include tracts where the income level is unknown. Only includes tract locations not known.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Loans

The bank’s distribution of motor vehicle loans among geographies of different income levels is excellent. The bank originated 78.3 percent of loans in middle-income tracts by number and 75.8 percent by dollar, which exceeded the 67.8 percent of households in those tracts. In the AA’s sole upper-income tract, the bank’s lending slightly trailed the percentage of households.

Small Business Loans

The dispersion of the bank's small business loans among geographies of different income levels is reasonable. The bank had a slightly lower percentage of loans in middle-income tracts by both number and dollar volume compared to the percentage of businesses in the middle-income tracts; however, performance is still considered reasonable as a majority of the bank's small business loans were originated in middle-income tracts, which is consistent with the demographic figures. The bank's performance in the upper income tract, at 31.7 percent by number, slightly exceeded the percentage of businesses operating in the upper income tract, at 29.0 percent.

Small Farm Loans

The bank's distribution of small farm loans among geographies of different income levels is also reasonable. The bank's performance in the middle-income census tracts, at 16.1 percent by number, was less than the number of farms in the middle-income tracts, at 23.5 percent. The bank's performance in the upper-income tract, by both number and dollar volume, was above the percentage of farms located in this tract. Despite lower lending levels than demographic data, the bank's performance is considered reasonable. The AA's two middle-income tracts are primarily contained in the city of Sidney, while the single-upper income tract encompasses the remaining more rural portion of the AA; therefore, the upper-income tract is home to a majority of AA farms, with greater small farm lending opportunities.

Distribution by Borrower Income and Revenue Size of Businesses and Farms

This performance criterion evaluates the bank's distribution of lending to borrowers of different income levels (borrower distribution), with emphasis placed on LMI individuals, as well as to businesses and farms of different revenue sizes, with emphasis on those with gross annual revenues of \$1MM or less. The bank's motor vehicle loans were compared to the percentage of households within the AA by income level, while small business and small farm loans were compared to the percentage of businesses and farms within the AA by revenue size.

Overall, as illustrated in Table 5, the borrower distribution of lending is excellent considering AA demographics and local economic conditions.

**TABLE 5
DISTRIBUTION BY INCOME LEVEL OF BORROWER AND
REVENUE SIZE OF BUSINESSES AND FARMS
CHEYENNE COUNTY AA**

Borrower Income Level	Motor Vehicle Loans				% of Households ¹
	#	\$(000)	#%	\$%	
Low	12	64	20.0	8.7	17.9
Moderate	22	210	36.7	28.4	14.0
Middle	10	190	16.7	25.7	20.4
Upper	16	275	26.7	37.2	47.7
Business Revenue	Small Business Loans				% of Businesses by Revenue ²
	#	\$(000)	#%	\$%	
\$1MM or Less	36	2,312	87.8	66.9	90.0
Over \$1MM	5	1,144	12.2	33.1	7.3
Income Not Known	0	0	0.0	0.0	2.6
Farm Revenue	Small Farm Loans				% of Farms by Revenue ²
	#	\$(000)	#%	\$%	
\$1MM or Less	55	3,632	98.2	98.4	97.3
Over \$1MM	1	60	1.8	1.6	2.7
Income Not Known	0	0	0.0	0.0	0.0

¹ Based on 2010 ACS five-year estimate data.
² Based on 2016 D&B data.
(Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Motor Vehicle Loans

The bank's motor vehicle lending to borrowers of different income levels is excellent. The bank outperformed the percent of low-income households in the AA by number but lagged by dollar volume. Lending to moderate-income borrowers significantly exceeded the percentage of moderate-income households within the AA by both number and dollar volume of loans, which contributed to the excellent rating for this loan product. Comparatively, lending to middle- and upper-income borrowers lagged demographics by number of loans.

Small Business Loans

The bank's lending to small businesses, those with gross annual revenues of \$1MM or less, is reasonable. The bank's lending, at 87.8 percent, was similar to the demographic figure of 90.0 percent; however, the bank's lending by dollar volume (66.9 percent) trailed the demographic figure by a more significant amount. This is partly attributed to two loans over \$500,000 included in sampling, each made to businesses with revenues over \$1MM that inflated the percent of loans by dollar to those businesses.

Small Farm Loans

The bank's lending to small farms, those with gross annual revenues of \$1MM or less, is excellent. The bank's lending by number of loans, at 98.2 percent, exceeded the percentage of small farms, at 97.3 percent. The bank's dollar volume of loans also exceeded

demographics. Moreover, although the bank is not a CRA data reporter and aggregate lender data is not yet available for 2016, aggregate lender data for 2014 and 2015 were reviewed. In 2014, aggregate lenders originated and/or purchased only 35.6 percent by number and 35.4 percent by dollar loans to farms with revenues of \$1MM or less. The percentages were slightly lower in 2015. Based on this information, the bank is far outperforming aggregate lenders in its lending to small farms. The bank's lending to larger farms, those with gross annual revenues greater than \$1MM, was also comparable to the demographic figure.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discrimination was identified. Furthermore, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the credit needs of the community.