

# **PUBLIC DISCLOSURE**

February 10, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Genoa Community Bank  
Certificate Number: 5408

502 Willard Avenue  
Genoa, Nebraska 68640

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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 RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory performance under the Lending Test supports the rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm and small business loans reviewed were located inside the assessment area.
- The assessment area does not contain any low- or moderate-income census tracts. Therefore, examiners did not evaluate the geographic distribution of loans.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

## DESCRIPTION OF INSTITUTION

### Background

Genoa Community Bank is small, community financial institution headquartered in Genoa, Nebraska. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 19, 2014, using Interagency Small Institution Examination Procedures.

### Operations

The bank operates from a single office in east-central Nebraska, offering basic loan products including agricultural, commercial, and consumer loans. Agricultural lending is the institution's primary business focus. In addition, the institution offers several deposit products including checking, savings, and money market deposit accounts, as well as certificates of deposit. Alternative banking services include online and mobile banking. The bank operates three automated teller machines as well, none of which accept deposits.

### Ability and Capacity

Assets totaled \$63.8 million as of September 30, 2019, and included loans totaling of \$42.7 million. Deposits totaled \$54.8 million as of the same date. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 9/30/19</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	2,201	5.2
Secured by Farmland	6,448	15.1
Secured by 1-4 Family Residential Properties	2,752	6.4
Secured by Multifamily (5 or more) Residential Properties	499	1.2
Secured by Nonfarm Nonresidential Properties	4,142	9.7
<b>Total Real Estate Loans</b>	<b>16,042</b>	<b>37.6</b>
Commercial and Industrial Loans	2,199	5.1
Agricultural Production and Other Loans to Farmers	21,019	49.2
Consumer Loans	731	1.7
Obligations of State and Political Subdivisions in the U.S.	684	1.6
Other Loans	2,031	4.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>42,706</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area's credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Genoa Community Bank designated a single assessment area in east-central Nebraska. The area consists of all of Nance County (census tract 9661), Merrick County census tract 9666, which represents the eastern half of the county, and Platte County census tracts 9651 and 9652.98, which represents most of the county, minus a section surrounding the city of Columbus. Merrick County is part of the Grand Island, Nebraska Metropolitan Statistical Area (MSA), while Nance and Platte counties are not part of a MSA. The following sections discuss demographic and economic information for the assessment area.

### Economic and Demographic Data

According to the 2015 American Community Survey, three of the assessment area’s four census tracts are middle-income geographies and one is an upper-income geography. The following table provides demographic information on the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	12,744	0.0	0.0	74.5	25.5	0.0
Housing Units by Geography	5,745	0.0	0.0	76.6	23.4	0.0
Owner-Occupied Units by Geography	4,031	0.0	0.0	72.5	27.5	0.0
Occupied Rental Units by Geography	972	0.0	0.0	87.6	12.4	0.0
Vacant Units by Geography	742	0.0	0.0	84.1	15.9	0.0
Businesses by Geography	851	0.0	0.0	75.7	24.3	0.0
Farms by Geography	356	0.0	0.0	84.0	16.0	0.0
Family Distribution by Income Level	3,575	16.4	15.4	24.5	43.7	0.0
Household Distribution by Income Level	5,003	22.2	14.4	15.7	47.8	0.0
Median Family Income MSA - 24260 Grand Island, NE MSA		\$58,820	Median Housing Value			\$105,436
Median Family Income Non-MSAs NE		\$61,382	Median Gross Rent			\$593
			Families Below Poverty Level			6.3%

*Source: 2015 ACS and 2018 D&B Data. Due to rounding, totals may not equal 100.0*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

### Competition

The assessment area is moderately competitive for financial services. According to the June 30, 2018 FDIC Deposit Market Share data, nine financial institutions operate 11 offices inside the

assessment area. Genoa Community Bank ranked third amongst these institutions, with a 16.2 percent deposit market share.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners reviewed a recent community contact with a representative of a local utility organization. The individual described the local economy as strong, but indicated that the agricultural sector is struggling due to depressed grain prices and trade wars. The city of Columbus, which is located just outside the assessment area, provides a lot of job opportunities in manufacturing, healthcare, and education. The contact stated that agricultural loans the area's greatest credit need given its rural setting.

### **Credit Needs**

Examiners concluded that agricultural loans are the assessment area's greatest credit need based on the review of available demographic and economic information as well as discussions with the community contact and bank management.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated May 19, 2014, to the current evaluation dated February 10, 2020. Examiners used the Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test. Refer to the Appendices later in the evaluation for a description of this test.

### **Activities Reviewed**

Examiners reviewed small farm and small business loans to conduct the Lending Test. They selected these products based on the bank's business focus and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as home mortgage or consumer loans, represent a major product line. Therefore, examiners did not review any other loan products since they would not provide any material support for conclusions or the rating. Bank records indicated that its lending focus remained consistent throughout the evaluation period.

Examiners reviewed all small farm and small business loans originated or purchased in 2019 to conduct the Assessment Area Concentration analysis. This consisted of 82 small farm loans totaling approximately \$11.0 million and 67 small business loans totaling approximately \$3.2 million. Examiners then reviewed a sample of the small farm and small business loans located

inside the assessment area to conduct the Borrower Profile analysis. This consisted of 40 small farm loans totaling approximately \$5.5 million and 40 small business loans totaling approximately \$1.0 million. Bank management indicated that the loans reviewed were representative of the institution’s performance during the entire evaluation period, and bank data confirms this statement. As a result, the evaluation does not contain any additional years of data.

Greater weight was placed on small farm lending since this product comprises a higher percentage of lending by number and dollar volume of loans. Further, agricultural loans are the assessment area’s primary credit need. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. When conducting the Borrower Profile analysis, examiners placed greater weight on the number of loans than the dollar volume of loans. This is because the number of loans is a better indicator of the farms and businesses served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Genoa Community Bank demonstrated reasonable performance under the Lending Test. Reasonable performance under the Loan-to-Deposit and Assessment Area Concentration criteria and excellent performance under the Borrower Profile criteria supports this conclusion.

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

The bank’s net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and the assessment area’s credit needs. The ratio, calculated from the Call Report, averaged 91.3 percent over the past 22 quarters from June 30, 2014, to September 30, 2019. The institution’s net loan-to-deposit ratio has been trending downward and was 76.9 percent on September 30, 2019.

Examiners compared the bank’s average net loan-to-deposit ratio to three similarly situated institutions to help evaluate its reasonableness. The similarly situated institutions were selected based on their asset size, geographic location, and lending focus. As shown below, the bank’s average net loan-to-deposit ratio compares reasonably to the ratios of the similarly situated financial institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2019 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>Genoa Community Bank, Genoa, NE</b>	<b>63,769</b>	<b>91.3</b>
Bank of Clarks, Clarks, NE	39,100	94.2
First Bank and Trust of Fullerton, Fullerton, NE	93,480	105.1
Bank of Lindsay, Lindsay, NE	72,657	119.2
<i>Source: Reports of Condition and Income 6/30/14 through 9/30/19</i>		

**Assessment Area Concentration**

A majority of the small farm and small business loans reviewed were located inside the assessment area, reflecting reasonable performance. The following table provides details.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business	60	89.6	7	10.4	67	1,577	49.8	1,590	50.2	3,167
Small Farm	62	75.6	20	24.4	82	8,040	72.8	3,009	27.2	11,049

*Source: 1/1/2019 - 12/31/2019 Bank Data  
Due to rounding, totals may not equal 100.0*

**Geographic Distribution**

The assessment area does not contain any low- or moderate-income census tracts. Therefore, examiners did not evaluate the geographic distribution of loans.

**Borrower Profile**

The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes. Examiners reviewed the sample of loans described in the “Scope of Evaluation” section to evaluate the bank’s performance.

**Small Farm Loans**

The distribution of borrowers reflects excellent penetration among farms of different sizes. All 40 small farm loans sampled were to farmers with gross annual revenues of \$1,000,000 or less, reflecting excellent performance.

**Small Business Loans**

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Specifically, the percentage of small business loans, by number, to borrowers with gross annual revenues of \$1 million or less is substantially higher than the percentage of assessment area businesses in this revenue category. The following table provides details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	79.1	38	95.0	864	82.8
>1,000,000	5.9	2	5.0	180	17.2
Revenue Not Available	15.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>1,044</b>	<b>100.0</b>
<i>Source: 1/1/2019 - 12/31/2019 Bank Data and 2018 D&amp;B data. Due to rounding, totals may not equal 100.0</i>					

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, examiners did not evaluate the bank's performance under this criteria.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's CRA rating.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in

information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.