



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

September 15, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

McCook National Bank
Charter Number 8823

220 Norris Avenue
McCook, NE 69001

Office of the Comptroller of the Currency
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, NE 68154-5298

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting the institution's rating include the following:

- A majority of the bank's loans were originated within the bank's assessment area (AA).
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank's distribution of loans reflects a reasonable penetration to farms of different income levels and meets the standard for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs and meets the standard for satisfactory performance.
- The bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its AAs.

Scope of Examination

We evaluated McCook National Bank's (MNB) CRA performance using Intermediate Small Bank examination procedures, which reviewed the institution's records of meeting the credit needs of its AAs through lending activities and community development activities. The evaluation period for this review is from July 21, 2008 through September 14, 2014. The community development test used information for the entire evaluation period.

Based on the dollar volume of loan origination data supplied by the bank, MNB's primary lending product is agricultural loans. As the bank's business strategy and lending products have not significantly changed since the prior examination, the lending test used data from January 1, 2012 through August 24, 2014. We sampled 63 agricultural loans for this evaluation.

For analysis purposes, we compared the institution's lending performance with aggregate data from 2012 and 2013 Business Geodemographic data, and the 2010 United States Census data.

MNB has two AAs: Nebraska (including Red Willow, Hitchcock, and Dundy Counties) and Colorado (including Kit Carson County), which do not include any MSAs. We analyzed both assessment areas as full scope areas in this evaluation.

Description of Institution

MNB is a \$317 million bank located in McCook, Nebraska and Burlington, Colorado. The bank was chartered in 1907 and is majority owned by McCook Financial Group,

Incorporated, a one-bank holding company. The main banking facility is headquartered in McCook, Nebraska where there are two drive-up branches and three automated teller machines (ATMs). MNB also operates a full service branch with a drive-up and ATM in Stratton, Nebraska. On February 13, 2013, MNB opened a loan production office (LPO) in Burlington, Colorado. On July 1, 2013, MNB turned the LPO into a full service branch with a drive-up and ATM. MNB also has ATM's located in Culbertson and Arapahoe, Nebraska. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AAs. The bank received an "Outstanding" CRA rating at the last examination dated July 21, 2008.

MNB offers traditional loan and deposit products. As of June 30, 2014, the bank reported net loans of \$232 million representing 73% of total assets. As of June 30, 2014, the bank's loan portfolio is comprised of 46% agricultural loans, 42% real estate loans, 11% commercial loans, and 1% consumer loans based on outstanding dollars. The following table demonstrates the breakdown of loans originated and purchased from January 1, 2012 through August 24, 2014 in the McCook, Nebraska AA, with the primary product in bold:

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Agricultural Loans	60.22%	28.94%
Consumer Loans	4.55%	37.70%
Commercial Loans	14.52%	13.69%
Residential RE Loans	20.71%	19.67%
Total	100%	100%

Source: Bank reports

The following table demonstrates the breakdown of loans originated and purchased from January 1, 2012 through August 24, 2014 in the Burlington, Colorado AA, with the primary product in bold:

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Agricultural Loans	88.32%	50.46%
Consumer Loans	3.15%	33.49%
Commercial Loans	8.43%	15.60%
Residential RE Loans	0.10%	0.46%
Total	100%	100%

Source: Bank reports

Selection of Areas for Full-Scope Review

In each state and multistate metropolitan area where the bank has an office, a sample of AAs within that state/multistate metropolitan area was selected for full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section (as applicable) for details regarding how the areas were selected.

Ratings

The bank's overall rating is a blend of the state ratings. The institution's CRA rating takes into account the ratings in different states/multistate metropolitan areas by considering:

- The significance of the bank's activities in each state/multistate metropolitan area compared with the bank's overall activities.
- The lending opportunities in each state/multistate metropolitan area.
- The importance of the bank in providing loans to each state/multistate metropolitan area, particularly in light of the number of other institutions and the extent of their activities in each state/multistate metropolitan area.
- Demographic and economic conditions in each state/multistate metropolitan area.

The multistate metropolitan area rating(s) and state rating(s) are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Conclusions with Respect to Performance Criteria

MNB's lending performance for the loan-to-deposit ratio and lending in the assessment area is satisfactory.

To evaluate MNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 63 agricultural loans that originated from January 1, 2012 through August 24, 2014 was selected. Based on the analysis and consistent with available resources and capabilities, MNB is meeting the credit needs of the AAs in a satisfactory manner.

Loan-to-Deposit Ratio

McCook National Bank's loan-to-deposit (LTD) ratio is satisfactory. The bank's lending level is reasonable given the needs of the AA and competition in the area. As of June 30, 2014, the bank's LTD ratio is 89%. The bank's average quarterly LTD ratio since the previous 2008 CRA examination is 82%, which ranged from 72% to 89%. The bank's average was compared to the average of three similar banks located in MNB's AA. The asset size of these comparable banks ranges from \$92 million to \$328 million. The average quarterly LTD ratio for the similar competitor financial institutions in the AA is 87% ranging from 83% to 92%.

The following table demonstrates the average LTD ratios:

Loan-to-Deposit Ratios		
Institution Name and Location	Total Assets as of 6/30/14 (000's)	Average LTD Ratio
McCook National Bank, McCook, NE	\$316,553	81.55%
Eastern Colorado Bank, Cheyenne Wells, CO	\$327,919	83.11%
Amfirst Bank, McCook, NE	\$244,061	86.37%
First Central Bank McCook, McCook, NE	\$91,878	92.16%

Source: Institution Reports of Condition from June 30, 2008 to June 30, 2014

Lending in Assessment Area

MNB originates the majority of its loans in their Nebraska (Red Willow, Dundy, and Hitchcock Counties) and Colorado (Kit Carson County) AAs. The bank's lending volumes within their AAs are satisfactory. The loan sample included 63 agricultural loans that originated between January 1, 2012 through August 24, 2014. The bank originated 65% of loans by number volume and 59% by dollar volume within its AA for agricultural loans as demonstrated in the following table:

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	41	65%	22	35%	63	\$5,067,359	59%	\$3,453,436	41%	\$8,520,795

Source: Bank Reports

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

State Rating

State of Nebraska

CRA Rating for Nebraska: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

The major factors that support these ratings for the state of Nebraska include:

- Lending to borrowers of different incomes and to business of different size is reasonable.
- The distribution of loans reflects reasonable dispersion among different income tracts throughout the Nebraska AA.
- MNB had adequate responsiveness to the needs and opportunities within the Nebraska AA.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEBRASKA

MNB operates in one AA in Nebraska, which is not an MSA. The AA is reasonable for the bank and does not arbitrarily exclude low- and moderate-income (LMI) areas. The delineation of the AA does not reflect illegal discrimination and meets the requirements of the CRA regulation.

The Nebraska AA is contiguous and includes all of Red Willow, Hitchcock, and Dundy Counties. The AA consists of five census tracts (CT), 9623, 9627, 9631, 9632, and 9633, with 20% designated as moderate-income tracts and 80% designated as middle-income tracts. There are no low or upper income tracts in the AA. The AA is in a remote and rural area and has suffered population loss. The majority of the AA is designated as underserved and distressed by the Federal Financial Institutions Examination Council (FFIEC). However, CT 9627 in Hitchcock County is not underserved or distressed. The following table provides a summary of demographic and economic information for the AA based on 2010 census data:

Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	5	0%	20%	80%	0%
Total Population	15,971	0%	18%	82%	0%
Total Non-Farm Businesses	1,752	0%	17%	83%	0%
Total Farms	483	0%	29%	71%	0%
Owner-Occupied Housing	4,917	0%	20%	80%	0%
Family Distribution by Income Level	4488	19%	21%	25%	35%
Census Median Family Income (MFI)	\$54,473	Median Housing Value		\$70,351	
HUD-Adjusted MFI:	\$57,000	Households Below Poverty Level		11%	
Minorities as % of Total Population	6%	% of Households Retired		14%	
Unemployment Rate	3%	% of Households Receiving Public Assistance		2%	

Source: Dun & Bradstreet

SCOPE OF EVALUATION IN NEBRASKA

We performed a full-scope review on the Nebraska AA, which the ratings reflect. We contacted one state organization that is a community development philanthropy focused on empowering communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEBRASKA

LENDING TEST

The bank's performance under the lending test in Nebraska is rated "Satisfactory".

To evaluate MNB's lending performance, the major loan products offered by the bank were evaluated. A random sample of 39 agricultural loans that originated from January 1, 2012 through August 24, 2014 was selected. Based on the analysis and consistent with available resources and capabilities, MNB is meeting the credit needs of the Nebraska AA in a satisfactory manner.

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

MNB's distributions of loans to farm operations of various sizes is reasonable and meets the standard for satisfactory performance.

The distribution of loans to farms reflects reasonable penetration among farms of different sizes in the Nebraska AA. Thirty-eight percent of agricultural loans originated in the loan sample were to farm operations with gross revenues of less than \$250,000. The bank originated 67 percent of agricultural loans to farm operations in the AA with gross revenues of less than \$1 million. This is reasonable in comparison to census demographic information that states 99% of farm operations in the AA have gross revenues less than \$1 million. Farm Service Agency (FSA) offers many new, smaller farmers better loan rates.

Borrower Distribution of Loans to Farms in Red Willow, Dundy, and Hitchcock AA			
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Not Reported
% of AA Farms	99%	1%	0%
% of Bank Loans in AA by #	67%	33%	0%
% of Bank Loans in AA by \$	63%	37%	0%

Source: Bank Reports; Dun and Bradstreet

Geographic Distribution of Loans

MNB's overall geographic distribution of farm loans in the AAs reflects a reasonable dispersion and meets the standard for satisfactory performance. This analysis is not very meaningful, since there are no low-income census tracts (CT), and the only

moderate tract is CT 9627 in the Nebraska AA. Eighteen percent of the bank’s agricultural loans were originated in the moderate income CT, which is reasonable as 29% of the AAs farming operations are located in the moderate CT. The following table details the dispersion of the farm loan sample in the Nebraska AA:

Geographic Distribution of Loans to Farms in Red Willow, Dundy and Hitchcock 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
Agricultural	0%	0%	29%	18%	71%	82%	0%	0%

Responses to Complaints

MNB has not received any Community Reinvestment Act performance related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in Nebraska is rated “Satisfactory”.

Based on the analysis for the full-scope review, the bank’s performance in the Nebraska AA is reasonable. MNB provided CD loans, investments and donations throughout the AAs. Bank officers and employees also provided community development services during the evaluation period.

Number and Amount of Community Development Loans

MNB originated six CD loans during the evaluation period totaling \$3.6 million. These loans promoted the revitalization and stabilization of a nonmetropolitan geography designated as distressed/underserved, provided affordable housing to LMI individuals/families and created permanent jobs for a small business located in a nonmetropolitan geography designated as distressed/underserved.

Number and Amount of Qualified Investments

The bank provided 10 investments/donations totaling \$257 thousand during the evaluation period. These investments promoted the revitalization and stabilization of a nonmetropolitan geography designated as distressed/underserved and served LMI individual needs.

Extent to Which the Bank Provides Community Development Services

Bank employees provided community development services to five different organizations during the evaluation period. These services helped with the revitalization and stabilization of a nonmetropolitan geography designated as distressed/underserved, served LMI individuals/families by providing affordable housing and assisted small farmers with applications for tax credits.

MNBs branch delivery systems provide reasonable responsiveness to the needs of the communities within the AA. The bank's hours of operations are flexible and based on customer needs. There are no significant differences in services or hours of operations in the branch located in a moderate-income geography.

Responsiveness to Community Development Needs

The bank's performance under the Community Development Test shows a reasonable level of responsiveness given performance in the AAs.

State Rating

State of Colorado

CRA Rating for Colorado: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

The major factors that support these ratings for the state of Colorado include:

- Lending to borrowers of different incomes and to businesses of different sizes is reasonable.
- The distribution of loans reflects reasonable dispersion among different income tracts throughout the Colorado AA.
- MNB had adequate responsiveness to the needs and opportunities within the Colorado AA, since there is limited opportunity for community development in the area and the Burlington branch was recently opened in July 2013.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN COLORADO

MNB operates in one AA in Colorado, which is not an MSA. The AA is reasonable for the bank and does not arbitrarily exclude low and moderate income (LMI) areas. The delineation of the AA does not reflect illegal discrimination and meets the requirements of the CRA regulation.

The Kit Carson, Colorado AA is also contiguous and includes all of Kit Carson County. The bank’s branch location is in Burlington, Colorado. The AA consists of three CTs, 9621, 9622, and 9623, which are all designated as middle-income tracts. The AA is in a remote and rural area and all CTs in the AA are designated as underserved by the FFIEC. The following table provides a summary of demographic and economic information for the AA based on 2010 census data:

Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	3	0%	0%	100%	0%
Total Population	8,270	0%	0%	100%	0%
Total Non-Farm Businesses	866	0%	0%	100%	0%
Total Farms	313	0%	0%	100%	0%
Owner-Occupied Housing	2,085	0%	0%	100%	0%
Family Distribution by Income Level	2,038	22%	18%	25%	35%
Census Median Family Income (MFI)	\$57,817	Median Housing Value		\$100,828	
HUD-Adjusted MFI:	\$61,000	Households Below Poverty Level		10%	
Minorities as % of Total Population	24%	% of Households Retired		12%	
Unemployment Rate	3%	% of Households Receiving Public Assistance		2%	

Source: Dun & Bradstreet

SCOPE OF EVALUATION IN COLORADO

We performed a full-scope review on the Colorado AA, which the ratings reflect. We contacted one local organization that focuses on community development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLORADO

LENDING TEST

The bank’s performance under the lending test in Colorado is rated “Satisfactory”.

To evaluate MNB’s lending performance, the major loan products offered by the bank were evaluated. A random sample of 24 agricultural loans that originated from July 1, 2013 through August 24, 2014 were selected. Based on the analysis and consistent with available resources and capabilities, MNB is meeting the credit needs of the Colorado AA in a satisfactory manner.

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

MNB’s distributions of loans to farm operations of various sizes is reasonable and meets the standard for satisfactory performance.

MNB exhibits reasonable lending practices to small farms of different sizes in the Kit Carson, Colorado AA. Sixty percent of agricultural loans originated in the loan sample were to farm operations with gross revenues of less than \$250,000. The bank originated 95% by number volume of loans to farm operations in the AA with gross revenues of less than \$1 million. This is reasonable in comparison to census demographic information that states 96% of farm operations in the AA have gross revenues less than \$1 million.

Borrower Distribution of Loans to Farms in Assessment Area			
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Not Reported
% of AA Farms	96%	3%	1%
% of Bank Loans in AA by #	95%	5%	0%
% of Bank Loans in AA by \$	86%	14%	0%

Source: Bank Reports; Dun and Bradstreet

Geographic Distribution of Loans

Analysis of the distribution of loans among geographies of different income levels would not be meaningful because there are no low-income CTs. Analysis was not completed for the Kit Carson, Colorado AA as all CTs are considered middle income.

Responses to Complaints

MNB has not received any Community Reinvestment Act performance related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Colorado is rated "Satisfactory".

The branch was opened in July 2013 in a non-MSA area. There is limited opportunity for community development in this area. In addition, the short period of time the bank has been in operation justifies a satisfactory rating. Going forward the bank should focus on CD opportunities in this area.

Number and Amount of Community Development Loans

MNB did not provide any community development loans for review for the Colorado AA.

Number and Amount of Qualified Investments

MNB did not provide any community development investments/donations for review for the Colorado AA.

Extent to Which the Bank Provides Community Development Services

Bank employees provided community development services to two different organizations during the evaluation period. These services assisted intellectually-disabled persons and victims of abuse.

The bank's delivery systems are accessible to individuals of different income levels throughout the AA. The bank's hours of operations are flexible and based on customer needs. The branch is in a middle-income tract.

Responsiveness to Community Development Needs

MNB provides satisfactory responsiveness to community development needs of the AA through CD lending, investments and services. The branch was opened in July 2013 in a non-MSA area. There is limited opportunity for community development in this area. In addition, the short period of time the bank has been in operation justifies a satisfactory rating. Going forward the bank should focus on CD opportunities in this area.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (01/01/12 to 08/24/14) Community Development Test: (07/21/08 to 09/14/14)	
Financial Institution	Products Reviewed	
McCook National Bank (MNB), McCook, NE	Agricultural Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Nebraska Red Willow County #9631 #9632 #9633 Hitchcock County #9627 Dundy County #9623 Colorado Kit Carson County #9621 #9622 #9623	Full-Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
MNB	Satisfactory	Satisfactory	Satisfactory
Nebraska	Satisfactory	Satisfactory	Satisfactory
Colorado	Satisfactory	Satisfactory	Satisfactory