

FEDERAL RESERVE SYSTEM

Adams Bank & Trust
Ogallala, Nebraska

Order Approving Establishment of a Branch

Adams Bank & Trust (“Adams Bank”), a state member bank subsidiary of ADBANC, Inc., both of Ogallala, Nebraska, has requested the Board’s approval under section 9 of the Federal Reserve Act (“Act”)¹ to establish a branch at 370 North Franklin Avenue in Colby, Kansas.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.² The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the Act.

Adams Bank is the 20th largest depository institution in Nebraska, controlling approximately \$331 million in deposits, which represents 0.6 percent of the total amount of deposits of insured depository institutions in the state.³ Adams Bank’s main office is in Ogallala, with nine additional branches throughout western Nebraska. Adams Bank operates six branches in Colorado, and the proposed branch would be the first in Kansas.

Section 9(3) of the Act allows a state member bank to establish and operate branches, including a branch to be operated in a state other than the home

¹ 12 U.S.C. § 321 *et seq.*

² 12 CFR 262.3(b).

³ Data are as of June 30, 2012, the most recent available, and are updated to reflect mergers through that date. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

state of the state member bank, on the same terms and conditions as a national bank.⁴ As such, the Board may approve an application by a state member bank to establish a *de novo* interstate branch at any location at which a bank chartered by the host State could establish a branch.⁵ Kansas, the prospective host State, would allow a Kansas-chartered bank to establish a branch in Colby.⁶

When acting on a branch application, the Board is required by section 9(4) of the Act to consider the financial condition of the applying bank, the general character of its management, and whether its corporate powers are consistent with the purposes of the Act.⁷ Under the Board’s regulation implementing section 9(4),⁸ the factors that the Board must consider in acting on branch applications include: (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank’s capital and its future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank’s performance under the Community Reinvestment Act (“CRA”);⁹ and (5) whether

⁴ 12 U.S.C. § 321. *See also* 12 U.S.C. § 36(g).

⁵ 12 U.S.C. § 36(g)(1)(A), as amended by section 613(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The requirements of section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 for the establishment of a *de novo* interstate branch have also been met. Those provisions require that Adams Bank comply with State filing requirements and submit a copy of the branch application to the host State bank supervisor, and that the Board take into account Adams Bank’s compliance with community reinvestment laws and evaluate its capital and management. *See* 12 U.S.C. § 36(g)(2); 12 U.S.C. § 1831u(b)(1), (3), (4).

⁶ Kan. Stat. Ann. § 9-1111(b)(1).

⁷ 12 U.S.C. § 322.

⁸ 12 CFR 208.6(b).

⁹ 12 U.S.C. § 2901 *et seq.*

the bank's investment in bank premises in establishing the branch satisfies certain limitations.

The Board has considered the application in light of these factors and public comments received from prospective competing banks in Colby and from residents of the surrounding areas. The commenters assert that their community's demographic and economic characteristics would not profitably support another branch and that the area's financial services needs are adequately met by the financial institutions currently operating there.

In considering the financial history and condition, earnings prospects, and capital adequacy of Adams Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Adams Bank, and the comments received. Adams Bank is well-capitalized and would remain so on consummation of the proposal. The Board also has reviewed Adams Bank's business plan and financial projections for the branch, including the projections for deposits, income, and costs. After carefully considering all the facts of record, the Board has concluded that the financial history and condition, capital adequacy, and future earnings prospects of Adams Bank are consistent with approval of the proposal. The Board also has reviewed Adams Bank's proposed investment for a branch in Colby and concluded that its investment is consistent with regulatory limitations on investment in bank premises.¹⁰

In considering Adams Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Adams Bank and the bank's record of compliance

¹⁰ 12 CFR 208.21(a).

with applicable banking law, including anti–money laundering laws. Adams Bank is considered to be well-managed. Based on this review and all the facts of record, the Board has concluded that the character of Adams Bank’s management is consistent with approval of the proposal.

The Board also has considered the convenience and needs of the community to be served, taking into account the comments received and the bank’s performance under the CRA. Adams Bank received a “Satisfactory” rating by the Federal Reserve Bank of Kansas City at its most recent CRA performance evaluation, as of June 20, 2011.¹¹ The Board generally considers the entry of a new competitor in a community to be a positive factor when assessing the effect of a proposal on the convenience and needs of the community because new entry provides additional alternatives for consumers and businesses. Adams Bank represents that its business relationships already extend into northwest Kansas and that the proposed branch would allow it to better serve the residents of Colby and the surrounding communities.¹² For these reasons and based on a review of the entire record, the Board has concluded that the convenience and needs considerations and Adams Bank’s record of performance under the CRA are consistent with approval of the proposal.

¹¹ An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution’s overall record of performance under the CRA by its appropriate federal supervisor. *See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 (2010).*

¹² For example, a branch in the region will allow Adams Bank: to offer long-term, fixed rate loans on agricultural real estate and homestead property exceeding 15 acres; to offer Farmer Mac loans, Health Savings Accounts and Health Access Accounts; and to provide a self-branded mobile banking application in the area.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on Adams Bank's compliance with all commitments made to the Board in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Kansas City, acting under authority delegated by the Board.

By order of the Board of Governors,¹³ effective September 4, 2013.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

¹³ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo, Raskin, Stein, and Powell.