



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

May 4, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Newman Grove
Charter Number 5282**

**416 Hale Street
Newman Grove, Nebraska 68758**

**Office of the Comptroller of the Currency
Omaha Field Office
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Omaha, Nebraska 68154**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The First National Bank of Newman Grove, Newman Grove, Nebraska, prepared by The Office of the Comptroller of the Currency, as of May 4, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

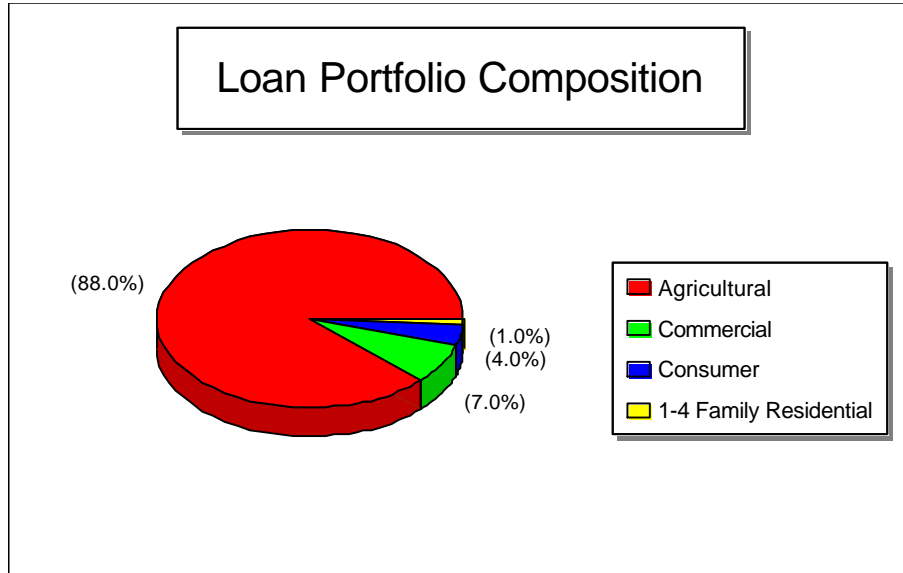
Institution's CRA Rating: This institution is rated **Satisfactory**.

The First National Bank of Newman Grove (FNB) satisfactorily meets the credit needs of its assessment area. The bank primarily focuses on agricultural lending and has a good record of originating loans in the assessment area. FNB's average loan-to-deposit ratio over the past twelve calendar quarters is reasonable and ranks the bank third of seven financial institutions in the assessment area. In addition, the bank has a satisfactory record of lending to agricultural operations of different sizes.

Description of Institution

FNB is a \$34 million financial institution located in northeast Nebraska. The bank is the second largest financial institution in its assessment area. First Newman Grove Bankshares Corporation owns 100% of the outstanding shares of the bank. FNB operates from one facility with no automated teller machines.

The following chart displays FNB's loan portfolio composition as of March 31, 1998.



Description of FNB's Assessment Area

FNB has designated portions of Boone, Madison, and Platte Counties as its assessment area. All counties are located in Nebraska. The assessment area consists of three contiguous block numbering areas (BNAs). All BNAs are designated middle income. The inflation-adjusted 1998 median family income is \$39,300 for non-metropolitan statistical areas in Nebraska. Based on 1990 census data, the population of the assessment area is 14,100. The median housing value for the assessment area is \$29,877. The assessment area does not arbitrarily exclude any low- or moderate-income areas.

The economy of the assessment area is driven almost exclusively by agriculture. Major non-farm employers include a center pivot manufacturer, a nursing home, the local farmer's cooperative, and public schools.

The following table illustrates the number and percentage of families in each income category in the bank's assessment area. The data is based on the 1990 median family census income of \$27,623.

Families by Income Category		
Income Category	Number	Percentage
Low Income	664	17%
Moderate Income	904	24%
Middle Income	981	26%
Upper Income	1,242	33%

The bank faces moderate competition from six community banks in surrounding communities and from Farm Credit Services. There are no other banks chartered in Newman Grove.

Examiners conducted one community contact during this CRA examination and reviewed two other recent community contacts conducted in FNB's assessment area by other regulators. Discussions with community leaders revealed a need for housing loans. FNB offers products suited to community credit needs and has a reasonable record of originating housing loans or facilitating outside home financing. FNB's focus on agricultural lending is also consistent with the needs of the assessment area.

Conclusions with Respect to Performance Criteria

Lending in the Assessment Area

FNB originates a substantial volume of its loans in the assessment area. Examiners sampled 25 agricultural borrowers with loans originated from May 1997 through April 1998. This sample represents 17% of the number of agricultural borrowers served by the bank. The sample revealed that 92% of the number and 85% of the dollar volume of loans were originated in the assessment area.

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio over the past twelve quarters is satisfactory at 72%. FNB's twelve quarter average loan-to-deposit ratio ranks the bank third of seven financial institutions in the assessment area. The twelve quarter average loan-to-deposit ratio of all competing institutions in FNB's assessment area is 68%, with a range of 59% to 78%.

Lending to Agricultural Operations of Different Sizes

FNB has a satisfactory record of lending to farms of different sizes. Examiners sampled 25 agricultural borrowers with loans originated from May 1997 through April 1998. The following table portrays the results of the bank's record of lending to farms of different sizes in comparison to Agricultural Census data for farms in Boone, Madison, and Platte Counties, Nebraska.

Sample of 25 Agricultural Borrowers			
Revenue Ranges: Annual Gross Revenue (000)	% of Total Farms in each Revenue Range	% of Number of Loans made in Revenue Range	% of Dollar Volume of Loans made in Revenue Range
< 50	48%	20%	4%
50 - 100	17%	16%	4%
> 100	35%	64%	92%

FNB addresses the need for housing loans by offering an in-house loan program and by referring mortgage applicants to an outside mortgage company. FNB's in-house program offers an annually adjusted interest rate, while the outside mortgage company offers customers a fixed interest rate for up to 30 years. FNB began offering the mortgage company referral program in December 1997 and has not yet finalized any loans under this program. Prior to offering the outside mortgage company program, FNB referred potential mortgage customers to a financial institution in another community in the assessment area. Since the last CRA examination, FNB has originated four residential real estate loans totaling \$83,000 under the in-house program. All four loans were for the purchase of owner-occupied residential properties.

Geographic Distribution of Loans

All three BNAs in FNB's assessment area are middle income. Therefore, specific analysis of the geographic distribution of loans is not meaningful.

Response to Complaints

FNB has not received any consumer complaints regarding its CRA performance.

Record of Compliance with Antidiscrimination Laws

Examiners did not identify any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants.