



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 21, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Johnson
Charter Number 8161**

**125 Main Street
Johnson, NE 68378**

**Office of the Comptroller of the Currency
Omaha South 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 First National Bank of Johnson (FNB) has a very good record of lending to individuals of different income levels, and to farms and businesses of different sizes.

The distribution of consumer borrowers of different income levels is very good. Based on the 20 borrowers sampled, the bank's distribution of loans to individuals in the low- and moderate-income categories greatly exceeded the demographic data used for comparison. While 75% of the bank's loans were made to low- and moderate-income borrowers, demographic data shows that only 42% of individuals in the area fall into the low- and moderate-income category. Demographic information was obtained from the 1990 United States Census.

The distribution of agricultural borrowers of different sizes is good. Based on the 20 borrowers sampled, the bank's distribution of loans to farms with different revenues approximated the demographic information. The vast majority of the farms in the assessment area reported revenues less than \$500,000, and all 20 of the borrowers sampled had revenues less than \$500,000 (note: loan size was used as a proxy to estimate revenue amounts in five instances). Demographic information was obtained from the United States Census Bureau's 1997 Census of Agriculture.

The distribution of commercial borrowers reflects reasonable penetration of businesses of different sizes. Based on the 20 borrowers sampled, the bank's distribution of loans to businesses with revenues less than \$1 million approximates that of the demographic information (note: loan size was used as a proxy to estimate revenue amounts in six instances). Demographic information was obtained from 2001 Dunn and Bradstreet data.

- FNB originated a majority of its loans in the assessment area.

For agricultural, commercial, and consumer loans sampled, the bank originated 91% by dollar and 72% by number from within the assessment area. The number of loans percentage is lower than the dollar percentage due to the consumer loan sample, which included loans made to individuals attending college in Lincoln, Nebraska and individuals in communities just outside the assessment area. The four-year average of the bank's internal assessment indicated 87% of loans by dollar volume and 82% by number were originated within the assessment area.

- FNB did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.
- FNB's average loan-to-deposit (LTD) ratio over the past 16 quarters does not meet the standards set forth in the regulation. However, there are mitigating factors present that affect the LTD ratio.

The bank's average LTD ratio was 28%. This does not compare favorably to the average of the three similarly situated banks of 68%, with a range from 58% to 77%.

FNB is the only financial institution in the community of Johnson, Nebraska. The community consists predominantly of retired individuals with deposit needs as opposed to loan needs. Many borrowers request small dollar loans that do not result in a significant increase in the ongoing LTD ratio. FNB routinely makes these small dollar loans in order to meet the credit needs of the community. In addition, the bank has sold a total of \$2.4 million of residential real estate loans to the secondary market over the last four years, which lowers the current LTD ratio by approximately 5%.

- An analysis of the 2000, 2001, and 2002 public comments and complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the Community Reinvestment Act (CRA) evaluation this year. The latest comprehensive fair lending exam was performed in 1998.
- An analysis of the geographic distribution of loans was not applicable as the assessment area did not have any low- or moderate-income geographies.

DESCRIPTION OF INSTITUTION

FNB is a \$55 million institution located in southeast Nebraska. FNB received a "Satisfactory" CRA rating at the last examination dated July 6, 1998. The bank's primary loan products consist of agricultural, commercial, and consumer credit. FNB operates a branch and automated teller machine in Auburn, Nebraska in addition to the main bank facility in Johnson, Nebraska. All facilities are located in the assessment area. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area. Please refer to the bank's *CRA Public File* for more information.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area encompasses all of Johnson and Nemaha counties. This assessment area is comprised of three middle- and one upper-income block numbering areas. The assessment area does not arbitrarily exclude any low- or moderate-income areas.

We conducted two community contacts during this examination. The contacts included a realtor and an individual from an economic development organization. Both contacts indicated all financial institutions in the area were helping meet the primary credit needs of the surrounding communities, which included agricultural and consumer credit.

Please refer to the bank's *CRA Public File* for more information.