



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 6, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Friend
Charter Number 2960**

**P. O. Box 198
Friend, Nebraska 68359**

**Office of the Comptroller of the Currency
Omaha Duty Station
11606 Nicholas Street, Suite 201
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 Community Reinvestment Act (CRA) performance of **The First National Bank of Friend** prepared by **The Office of the Comptroller of the Currency**, as of December 6, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The First National Bank of Friend is meeting the credit needs of its community. The bank's loan-to-deposit ratio is reasonable in comparison to other local banks, and the majority of its loans are made within the bank's assessment area. The bank's lending efforts reflect reasonable penetration to farms and businesses of various sizes and to individuals of different income levels.

The following table indicates the performance level of The First National Bank of Friend with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Friend</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis not meaningful. All geographies are middle income.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Friend (FNB) is a \$34 million bank located in southeastern Nebraska. The bank is 100% owned by Southwick Bancorporation, a one-bank holding company. The bank has one automated teller machine (ATM) located in a convenience store in Friend and no branches. There are no factors, including the bank's financial condition, which restrict the bank's ability to comply with the Community Reinvestment Act.

The bank offers a full range of loan products, but is primarily agriculture-oriented. As of September 30, 1996, agricultural production and real estate loans represented 51% of the bank's loan portfolio, while commercial loans accounted for 25% of the portfolio. Residential real estate loans and consumer loans represented 9% and 8% of total loans, respectively. Miscellaneous loan categories represent the remaining 7% of the portfolio.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB has designated contiguous parts of Saline, Fillmore, and Seward Counties as its assessment area. The area includes two block numbering areas (BNAs) in Saline County, one BNA in Fillmore County, and one BNA in Seward County. All four BNAs were designated middle income in the 1990 census. The statewide nonmetropolitan median family income is \$35,100, while the assessment area's median household income is \$23,090. The 1990 census information indicated 22% of the households in the assessment area are low income, 16% moderate income, 19% middle income, and 43% upper income. Thirteen percent of the households are below the poverty level. The average housing value is \$28,100 and 67% of the homes are owner-occupied. Agriculture is the primary industry in the area.

The primary needs identified by the bank are agriculture and housing loans. Our community contacts confirmed these as the community's main credit needs. Competition in the assessment area results from seven other banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's loan-to-deposit ratio is reasonable in comparison to ratios of the other community banks within the bank's assessment area. As of September 30, 1996, the bank's six quarter average loan-to-deposit ratio was 65%. The ratio is the next to lowest ratio of the banks in the assessment area. Other area bank ratios ranged from 62% to 91%.

A majority of the bank's loans are made to borrowers who live within the assessment area. We sampled 20% of the agricultural and commercial loans originated since January 1, 1996 as an indication of lending levels inside the bank's assessment area. We sampled agricultural and commercial loans since these categories represent 76% of the bank's loan portfolio. The tables below summarize our findings.

Agricultural Loans				
	Number	% Number	\$ Volume	% \$ Volume
Inside assessment area	43	93%	\$1,168,211	88%
Outside assessment area	3	7%	\$159,605	12%
Total	46	100%	\$1,327,816	100%

Commercial Loans				
	Number	% Number	\$ Volume	% \$ Volume
Inside assessment area	16	80%	\$359,212	33%
Outside assessment area	4	20%	\$718,000	67%
Total	20	100%	\$1,077,212	100%

The bank has a reasonable penetration of loans to borrowers of different incomes and businesses of different sizes. We used the agricultural and commercial loan samples described above to determine the bank's level of lending to farms and businesses of different sizes. The tables below summarize our findings.

Agricultural Loans				
Gross Revenues	Number	% Number	\$ Volume	% \$ Volume
\$0-\$100,000	22	48%	\$309,103	23%
\$100,001-\$250,000	11	24%	\$396,034	30%
\$250,001-\$500,000	7	15%	\$249,479	19%

Agricultural Loans				
Gross Revenues	Number	% Number	\$ Volume	% \$ Volume
\$500,001-\$1,000,000	6	13%	\$373,200	28%
Total	46	100%	\$1,327,816	100%

Commercial Loans				
Loan Amount	Number	% Number	\$ Volume	% \$ Volume
Less than \$10,000	8	40%	\$38,400	4%
\$10,001-\$25,000	3	15%	\$37,500	3%
\$25,001-\$50,000	5	25%	\$209,103	19%
\$50,001-\$100,000	0	NA	NA	NA
\$100,001-\$250,000	3	15%	\$492,209	46%
\$250,001-\$500,000	1	5%	\$300,000	28%
Total	20	100%	\$1,077,212	100%

We also reviewed the deeds of trust filed since January 1, 1996 on properties located in Friend. The bank provided financing on 27% of these properties. In addition, FNB referred several other people interested in long-term residential loans to area financial institutions that provide such loan products.

An analysis of the geographic distribution of loans within the bank's assessment area was not meaningful. All block number areas in the bank's assessment area are 100% middle income.

FNB is in compliance with antidiscrimination laws and regulations. Our review did not disclose any evidence of discrimination or other illegal credit practices.