

Public Disclosure

November 2, 1999

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 North Field Office
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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 Friend** prepared by The Office of the Comptroller of the Currency, as of **November 2, 1999**. 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 bank's lending level is reasonable, given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's loans are within its assessment area.
- Lending levels to borrowers of different income levels is satisfactory.
- The bank is effective in lending to farms of different sizes.

Description of Institution

The First National Bank of Friend (FNB) is a \$36 million bank located in southeastern Nebraska. The bank has one branch and one automated teller machine (ATM) located in Friend. The bank is 100% owned by Southwick Bancorporation, a one-bank holding company. There are no factors, including the bank's financial condition, which restrict the bank's ability to comply with the Community Reinvestment Act.

As of September 30, 1999, FNB's loan portfolio comprised 65% of total assets. The bank's primary credit products are loans to finance agricultural production and residential real estate mortgages. Bank information was not sufficient to review loan originations to determine primary product lines. Therefore, a review of outstanding loans was conducted for the portfolio breakdown and sampling. The portfolio breakdown as of September 30, 1999 was 56% for farmland and agricultural production, 24% commercial, 12% residential real estate mortgages, and 8% consumer installment loans. Individuals can refer to the bank's Community Reinvestment Act (CRA) public file for a list of the specific credit and deposit products available at the bank.

The First National Bank of Friend was rated "Satisfactory Record of Meeting Community Needs" at the last CRA examination dated December 6, 1996.

Description of FNB's Assessment Area

FNB has designated contiguous parts of Saline, Fillmore, and Seward counties as its assessment area (AA). The AA contains four block numbering areas (BNA): 9907, 9908, 9904, and 9916. Two BNAs are located in Saline County, one in Fillmore County, and one in Seward County. All BNAs are classified as middle-income tracts. The AA meets the requirements of the regulation and does not exclude any low- or moderate-income tracts. Individuals can refer to the CRA Public File for a map outlining the bank's AA.

The population of the AA is 12,192. The AA is primarily agricultural. Most farms in the AA are small or moderate in size. The median family income of the AA is \$28,846, or 72% of the 1998 Nebraska statewide median family income of \$39,800. The income from the 1990 U.S. Census is used to determine the income level of each BNA (low, moderate, middle, and upper). All four BNAs are considered middle-income tracts. The family income distribution in the AA is 16% low-income, 18% moderate-income, 24% middle-income, and 42% upper-income. Poor commodity prices in the agricultural sector negatively impact the local economy. The main source of employment is grain production, and many local residents commute to larger neighboring towns for employment in various trades.

The banking environment in the AA is competitive. Primary competition is provided by 15 other banks with offices located in the AA. The primary credit needs of the AA are agricultural, while secondary

credit needs are residential home loans, and small business loans. We determined the credit needs of the AA by contacting a local business development official and through previous contacts made during CRA reviews of other area financial institutions.

Conclusions with Respect to Performance Criteria

The bank's lending levels are reasonable.

FNB's loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and AA credit needs. FNB's ratio averaged 68% over the prior eleven quarters and was 70% on June 30, 1999. The eleven-quarter average loan-to-deposit ratio of other banks in the AA ranged from 61% to 95%, with an average of 76%.

The bank is lending in the assessment area.

FNB originates a substantial majority of its loans within the AA. We sampled 20 out of 222 outstanding agricultural loans and 21 of 82 outstanding residential real estate loans. The following table shows the findings of our sample:

	Number of Loans	Percentage of Total Number	Dollar Value of Loans (000's)	Percentage of Dollar Value
Inside AA	41	100%	\$3,896	100%
Outside AA	0	0%	\$0	0%
Total	41	100%	\$3,896	100%

Lending to borrowers of different incomes and to farms/businesses of different sizes

The bank does a satisfactory job of lending to farms of different sizes and borrowers of different income levels. The following table demonstrates the bank's willingness to make loans to farms of all sizes. The bank's lending performance was compared to the 1992 agricultural census data prepared by the U.S. Bureau of the Census. The census data showed 85% of farms in the AA had sales less than \$250,000.

LOANS TO FARMS OF DIFFERENT SIZES

(A sample of 20 generated from 222 outstanding agricultural loans)

Gross Revenue of Farms (000's)	Number of Customers	Percentage of Customers	Dollar Total of Loans (000's)	Percentage of Dollar Total
\$0- \$100	6	30%	\$245	8%
\$100- \$250	6	30%	\$655	21%
\$250- \$500	4	20%	\$963	32%
Over \$500	4	20%	\$1,187	39%
Totals	20	100%	\$3,050	100%

Lending levels, given the demographics of the AA, reflect a reasonable penetration among individuals of different income levels. The following table demonstrates the breakdown of loans to individuals as compared to the demographics of the AA.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS

(A sample of 20 generated from 82 outstanding real estate loans)

Income Level	Number of Customers	Percentage of Customers	Dollar Total of Loans (000's)	Percentage of Dollar Total	AA
Low	1	5%	\$5	1%	16%
Moderate	6	30%	\$278	32%	18%
Middle	5	25%	\$176	21%	24%
Upper	8	40%	\$393	46%	42%
Totals	20	100%	\$852	100%	100%

Geographic Distribution of Loans

We did not complete an analysis of the geographic distribution of loans among the block numbering areas in the AA. There are no low- or moderate-income block numbering areas in the bank's AA. The block numbering areas are all middle-income.

Response to Complaints

The bank received no written complaints related to its CRA performance during the evaluation period.

Record of Compliance with Antidiscrimination Laws

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of any applicants during our fair lending examination. We sampled five originations and five denials for discriminatory lending practices. The bank has satisfactory fair lending policies, procedures, and training programs in place. We did not detect Equal Credit Opportunity Act violations during the examination.