



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 12, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Gordon
Charter Number 8521**

**134 North Main Street
Gordon, NE 69343**

**Comptroller of the Currency
Denver Field Office
1099 18th Street Suite 2650
Denver, CO 80202**

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 Outstanding.

FNB Gordon has demonstrated outstanding performance in meeting the credit needs of the communities it serves.

- The bank's pattern of lending in low- and moderate-income geographies exceeds area demographics.
- The bank actively supports small businesses including very small businesses (annual revenues of less than \$250,000).

DESCRIPTION OF INSTITUTION

FNB Gordon is a \$94 million bank located in Gordon, Nebraska. The bank does not operate any branches. One cash-dispensing ATM is located at the convenience store in Gordon, NE. FNB Gordon is part of a one-bank holding company, Isham Management Company, with consolidated total assets of \$104 million as of December 31, 2002. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of the assessment area.

The bank's net loans to total assets are 64 percent as of June 30, 2003. The primary loan products are agricultural loans, comprising 49 percent of the dollar volume of loans, and loans secured by farmland, comprising 18 percent of the dollar volume. Other loan products include commercial and industrial loans representing 14 percent of the bank's loan portfolio, consumer loans at 7 percent, loans secured by real estate at 6 percent, and other loans at 6 percent as of June 30, 2003.

FNB Gordon received an "Outstanding" rating at the last CRA examination, dated July 27, 1998. The bank has not changed its business strategy since the last examination.

DESCRIPTION OF SHERIDAN AND CHERRY COUNTIES, NE, AND SHANNON, JACKSON, AND BENNETT COUNTIES, SD.

The bank has designated as its assessment area (AA) all of Sheridan and Cherry Counties in Nebraska and Shannon, Jackson, and Bennett Counties in South Dakota. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Within the Nebraska portion of the AA there is one moderate-income geography (25%) and three middle-income geographies (75%). Cities within these counties include Gordon, Valentine, Hay Springs, and Rushville. The 2002 Department of Housing and Urban Development (HUD) non-MSA updated median family income for Nebraska is \$45,800. The percentage of families by income level for this portion of the AA is as follows: low-income 23 percent; moderate-income 24 percent, middle-income 22 percent, and upper-income 31 percent.

The area economic climate is stable. Cattle prices continue to rise and commodity prices are stable. The largest employers in the area include Modern Farm Equipment, Gordon Memorial Hospital, FNB Gordon, and the City of Gordon.

Within the South Dakota portion of the AA there are two low-income geographies (40%), two

moderate-income geographies (40%), and one middle-income geography (20%). The Pine Ridge Reservation is comprised of Shannon and Bennett Counties in their entirety, and the south half of Jackson County. The HUD non-MSA updated median family income for South Dakota is \$44,800; however, this is not indicative of the Pine Ridge Reservation where unemployment is reported to be as high as 90 percent.

The economic conditions on the Reservation continue to be poor. The Reservation has been designated as an Empowerment Zone by the Federal Government, due primarily to the high unemployment rate. This makes available Government grants for the purpose of stimulating economic development through small businesses. The hospital is one of the largest employers in the area. A packing plant is scheduled to open in 2004. The plant will employ Native Americans living in the Reservation and should help to stimulate the economy.

FNB Gordon faces a moderate level of competition from branches of larger regional banks and local community banks located in nearby towns. The bank holds the primary deposits of the Ogalala Sioux Tribe and is the primary provider of financial services to the Pine Ridge community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

An “Outstanding” rating is appropriate based on the following criteria:

Loan-to-Deposit Ratio

The average loan-to-deposit ratio exceeds the ratios of similarly situated banks.

FNB Gordon’s average loan-to-deposit ratio calculated since the previous CRA examination is 75 percent. This compares favorably to similarly situated banks with loan-to-deposit ratios ranging between 51 percent and 67 percent. Similarly situated banks are banks of similar asset size and product mix.

Lending in Assessment Area

The bank originates the majority of its loans in the assessment area.

We reviewed agricultural production loans to determine the location and pattern of loans originated in the AA. These loans represent 49 percent of the total loan portfolio. Of the 25 loans sampled, 96 percent by dollar volume and 92 percent by number were originated within the bank’s AA.

Lending to Businesses of Different Sizes

The bank demonstrates very good performance in lending to small farms.

From the agricultural production loan portfolio we sampled twenty loans originated in each state.

Both South Dakota and Nebraska demographics indicate 96 percent of the farms are small farms having annual revenues of less than \$1 million. Of the combined loans sampled, 100 percent by number and dollar volume were originated to small farms.

Further, the bank routinely lends to very small farms (<\$250M annual revenues). Within Nebraska, 70 percent by number and 32 percent by dollar volume were originated to farms with annual revenues of less than \$250M. Within South Dakota, 95 percent by number and 93 percent by dollar volume were originated to farms with annual revenues of less than \$250M.

Geographic Distribution of Loans

The bank demonstrates excellent performance in lending in low- and moderate-income geographies.

Of the twenty loans in our sample of borrowers from South Dakota, 65 percent of the loans by number and 67 percent by dollar volume were originated in a low-income geography. This compares favorably with demographic data that indicates only 11 percent of all farms in the South Dakota region of the AA are located in low-income geographies. Additionally, the remaining loans in our sample, 35 percent by number and 33 percent by dollar volume, were originated to borrowers located in moderate-income geographies.

Of the twenty loans in our sample of borrowers from Nebraska, 20 percent by number and 22 percent by dollar volume were originated to borrowers located in the moderate-income geographies. Area demographics indicate 14 percent of the farms in this portion of the AA are located in the moderate-income geographies.

Additional Support

Also acknowledged under the lending test as part of assessing the bank's performance are loans made to the Ogalala Sioux Tribe to create jobs and loans that meet the definition of community development made to other businesses on the reservation. Since the previous CRA examination through December 31, 2002, the bank has funded \$2.3 million in loans for this purpose. This effort positively impacts the bank's overall performance rating.

Responses to Complaints

The bank has not received any CRA related complaints since the previous CRA examination in July 1998.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

