



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 18, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers & Merchants National Bank of Ashland
Charter Number 13435**

**1501 Silver Street
Ashland, Nebraska 68003**

**Office of the Comptroller of the Currency
Omaha South Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154**

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 Farmers & Merchants National Bank of Ashland (FMNB) has a satisfactory record of lending to farms and businesses of different sizes.

The bank does a satisfactory job lending to farms of different sizes. Based on twenty borrowers sampled, the majority of loans originated are to small and moderate-sized farms, with 80% of the loans in our sample originated to farms with revenues of less than \$200,000. This compares favorably to the U.S. Census Bureau's 2002 U.S. Census of Agriculture data, which shows 32% of the farms in Cass and Saunders Counties of Nebraska have revenues less than \$200,000.

The distribution of commercial borrowers reflected an adequate level of lending to small businesses in the Assessment Area (AA). Based on a sample of twenty borrowers, 85% of the loans were originated to businesses with revenues of less than \$1 million. The bank's lending compares favorably to demographic information on businesses located in the AA obtained from the U.S. Census Bureau's 2002 Business Geodemographic data. Census Bureau data reveals that 79% of the businesses in the bank's AA have revenues of less than \$1 million, and 4% of businesses have revenues over \$1 million. Revenue information was not available for 17% of the businesses in the AA.

- The bank originated a majority of its loans in the AA. For the agricultural and commercial loans sampled, the bank originated 75% by number and 63% by dollar amount within its AA.
- The bank's average loan-to-deposit ratio since the last examination was reasonable. It averaged 84% over the past 18 quarters, and compared favorably with the ratios of similarly situated banks in Cass and Saunders counties. Competing banks' ratios ranged from 45% to 105%, with an average of 80%.
- A geographic analysis of the bank's lending was not meaningful because the AA consists of only middle-income census tracts.
- The bank did not receive any complaints about its performance in helping to meet AA credit needs during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

FMNB is a \$48 million institution located in eastern Nebraska. The bank's primary loan products by dollar amount are agricultural and commercial loans. FMNB received a "Satisfactory" rating at the last CRA examination, dated August 4, 1999. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. Examiners contacted a member of the community that is involved with community development within the AA. The contact was not aware of any unmet credit needs in the community. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes census tracts (CT) # 9884 and # 9885 in southeastern Saunders County and CT # 9958 in western Cass County, all located within the Omaha Metropolitan Statistical Area. All of the CTs within the AA are identified as middle-income tracts. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas. Refer to the bank's CRA Public File for more information.