



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

June 28, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**150 Maple
Friend, Nebraska 68359**

**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 First National Bank of Friend (FNB) has an adequate record of lending to farms and businesses of different sizes.

The distribution of agricultural borrowers reflected satisfactory penetration among smaller farms. The U.S. Census Bureau's 2002 Census of Agriculture reveals that 28% of the farms in the bank's Assessment Area (AA) have revenues of less than one hundred thousand and 69% have revenues of less than two hundred and fifty thousand. Income information was not available on the 20 agricultural borrowers sampled. Therefore, we used loan size as a proxy for income because the size of the loan often loosely correlates to the size of the business. Our analysis showed the majority of loans to agricultural borrowers were in amounts of one hundred thousand or less.

The distribution of commercial borrowers reflected satisfactory penetration among smaller businesses. The 2003 business demographic data reveals that 65% of the businesses in the bank's AA are small, with revenues of less than \$1 million and 4% are large, with revenues over \$1 million. The remaining 31% of businesses did not report revenue information. Income information was not available on the majority of the 20 commercial borrowers sampled. Therefore, we used loan size as a proxy for income because the size of the loan often loosely correlates to the size of the business. Our analysis showed the majority of loans to commercial borrowers were in amounts of one hundred thousand or less.

- The bank originated a majority of its loans in the AA. For agricultural loans sampled, the bank originated 85% by number and 78% by dollar amount in the AA. For commercial loans sampled, the bank originated 70% by number and 63% by dollar amount within its AA.
- FNB's average loan-to-deposit ratio since the last examination was reasonable. It averaged 76% over the past 18 quarters, and was comparable with the ratios of similarly situated banks in the AA. Competing banks' ratios ranged from 66% to 108%, with an average of 84%.
- A geographic analysis of the bank's lending was not meaningful, as the AA consists of only middle-income geographies.
- 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

FNB is a \$53 million institution located in southeastern Nebraska. The bank's primary loan products by dollar amount were agricultural and commercial loans. FNB received a "Satisfactory" rating at the last Community Reinvestment Act (CRA) examination, dated November 2, 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 involved with a local small business organization, who indicated that community credit needs are being met. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA encompassed four contiguous block numbering areas (BNAs), including two BNAs in Saline County, the eastern BNA in Filmore County, and the southernmost BNA in Seward County. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas. The four BNAs that comprise the AA are all designated middle-income. Refer to the bank's CRA Public File for more information.