



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

March 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Buhl
Charter Number 11076
914 Main Street
Buhl, Idaho 83316**

**Office of the Comptroller of the Currency
Salt Lake City Field Office
2855 Cottonwood Parkway, Suite 370
Salt Lake City, Utah 84121**

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 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 Farmers National Bank of Buhl**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 30, 1998. 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 Farmers National Bank of Buhl's performance under the Community Reinvestment Act is satisfactory. The bank has a good record of lending to very small farms, which generally have a more difficult time obtaining credit. In addition, the bank maintains a reasonable loan-to-deposit ratio. Lending activity exhibits reasonable distribution among different geographies and individuals of different income levels.

The following table indicates the performance level of The Farmers National Bank of Buhl, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Farmers National Bank of Buhl</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		X	
Response to Complaints	No Complaints Received Since the Prior Examination		

DESCRIPTION OF INSTITUTION

The Farmers National Bank of Buhl (FNB) is headquartered in the southern Idaho town of Buhl. Buhl is a farming community with 3,800 residents located 15 miles west of Twin Falls. In addition to the Buhl office, the bank has two branches in Twin Falls and one branch in Wendell. The second Twin Falls branch was acquired from Home Federal Saving and Loan Association in February 1997. Each branch offers a full complement of services and has an automated teller machine. As December 31, 1997, FNB had total assets of \$173MM.

The bank specializes in lending to local farmers and small businesses. On December 31, 1997, agricultural loans comprised 51% of outstanding loans. Commercial loans and consumer loans comprised 32% and 17% of the remaining portfolio, respectively. FNB acquired a residential real estate loan department when they purchased the Home Federal Savings and Loan Association branch. FNB originated 26 first mortgage residential real estate loans in 1997. All of these loans were underwritten to secondary market standards. The bank's loan portfolio continues to grow steadily. Total outstanding loans increased 6% in 1997, but has averaged 10% growth over the last three years.

FNB received an "Outstanding" rating in the previous CRA Performance Evaluation dated November 3, 1995.

FNB does not face legal or financial impediments, which would limit its ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes 21 block numbering areas (BNA's) in Jerome, Gooding and Twin Falls Counties in south central Idaho. It includes the communities of Buhl, Castleford, Filer, Wendell, Hagerman, Bliss, Gooding, Jerome, Twin Falls, Kimberly, Hansen, Murtaugh, Eden, Hazelton and Hollister. The assessment area follows natural geographic boundaries and represents the area served by the bank's branches. Bank management has not arbitrarily excluded any low- or moderate-income areas.

The population in the bank's assessment area has grown steadily. In 1996, the population totaled approximately 90,000. This represented a 13% increase since 1990. Employers are attracted to the area by inexpensive housing, modest labor costs and quality of life factors. Community leaders work to attract light industry and manufacturing businesses to provide diversification away from the agricultural economy. However, agriculture

DESCRIPTION OF ASSESSMENT AREA

continues to dominate the local economy. Local farmers produce potatoes, sugar beets, barley, wheat, beef and dairy products.

We contacted two community/business leaders in the area to discuss economic conditions and credit needs. One contact represented an organization focused on economic development and job creation by small businesses. The other contact was familiar with local farming conditions. These individuals agreed that agricultural credit was a major need in the community. Furthermore, they stated that the smaller farms had a more difficult time obtaining credit. The community contacts agreed that FNB is a leader in lending and financial counseling to small farms.

The 1997 Idaho statewide non-metropolitan median family income (MFI) was \$37,300. The following table summarizes the income levels of individual BNA's and families located within the bank's assessment area:

Income Level *	# Distribution of BNA's	Distribution of Families
Low Income	0	19%
Moderate Income	4	21%
Middle Income	16	25%
Upper Income	1	25%

* Low (<50% MFI)
Moderate (50-80% MFI)
Middle (80-119% MFI)
Upper (120%+ MFI)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio over the last eight quarters was 77%. On December 31, 1997, the ratio was 72%. FNB ranks second among five similarly-situated banks in Idaho that have total assets between \$100-300 million. Loan-to-deposit ratios for these five banks range from 58% to 79%, with an average of 68%. However, only one of these banks also operates in FNB Buhl's assessment area. This bank, D.L. Evans Bank, had the highest average loan-to-deposit ratio.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending in Assessment Area:

The bank makes a substantial majority of its loans to borrowers located within its assessment area. Using bank prepared reports dated November 28, 1997, we noted that 91% of FNB loans were made to customers within the assessment area. Examiners verified the bank's data for accuracy.

Geographic Distribution of loans:

FNB's lending pattern demonstrates a reasonable penetration within the assessment area. We analyzed a sample of 55 consumer loans made in February, 1998. We found that the bank had penetrated BNA's of all income levels, including all four moderate-income BNA's. In fact, the percentage of lending within the moderate-income BNA's slightly exceeded demographic statistics.

BNA Income Level	% of Sample Consumer Loans	% of Families living in each BNA
Moderate	20%	15%
Middle	73%	76%
Upper	7%	9%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes:

FNB's lending activity exhibits reasonable distribution among individuals of different income levels and businesses/farms of different sizes. We sampled 44 farm loans originated in February 1998 and used loan file information to determine gross farm revenue. The following table demonstrates FNB's commitment to meeting the needs of very small farms.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Gross Annual Revenues	% of Farm Loans Sampled
Less than 100,000	66%
\$100,000 to \$249,999	16%
\$250,000 to \$499,999	14%
\$500,000 to \$1,000,000	2%
Greater than \$1,000,000	2%

We also reviewed all 26 first mortgage residential real estate loans that FNB originated in the 1997. The following chart reflects the bank's distribution of mortgage originations to families of different income levels. The bank's lending pattern approaches demographic statistics for low- and moderate-income families.

Family Income Level	% of Families in Assessment Area	% of FNB's Mortgage Loans
Low Income	19%	4%
Moderate Income	21%	27%
Middle Income	25%	35%
Upper Income	35%	34%

Other Information

No violations of the substantive provisions of anti-discrimination laws and regulations were identified during the examination.