

Public Disclosure

December 6, 1999

Community Reinvestment Act Performance Evaluation

**The Farmers & Merchants National Bank of West Point
Charter Number 14308**

**204 N. Main
West Point, Nebraska 68788**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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 Farmers & Merchants National Bank of West Point** prepared by The Office of the Comptroller of the Currency, as of **December 6, 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.

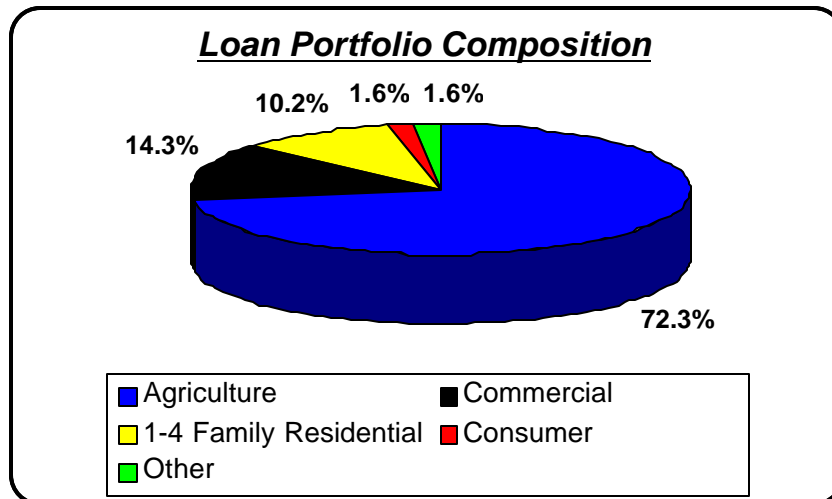
Institution's CRA Rating: This institution is rated *Satisfactory*.

The Farmers & Merchants National Bank of West Point (FMNB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are centered on agricultural, commercial, and consumer borrowers.

- FMNB's average loan-to-deposit ratio since the last CRA examination is good.
- FMNB has an adequate record of lending to agricultural and commercial borrowers of different sizes and to individuals of different income levels.
- FMNB's record of originating loans within the assessment area is reasonable.

Description of the Institution

FMNB is an \$81 million financial institution located in eastern Nebraska. FMNB is a subsidiary of West Point Bancorp, a three-bank holding company with total assets of \$191 million located in West Point, Nebraska. The other subsidiaries of the holding company are the Farmers & Merchants State Bank in Wayne, Nebraska and the Dakota County State Bank in South Sioux City, Nebraska. The bank has a main office, one deposit taking branch, one full-service automated teller machine (ATM) and two cash dispensing ATMs in West Point. FMNB's net loans and leases totaled 74% of total assets as of September 30, 1999. The bank is primarily an agricultural lender. The following graph displays FMNB's loan portfolio composition as of September 30, 1999.



FMNB received a "Satisfactory" rating during the October 17, 1996 CRA examination. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area.

Description of the Assessment Area

FMNB has designated Cuming County, which is composed of three block numbering areas (BNAs), as their assessment area. All three of the BNAs are designated as middle-income. Cuming County is not within a Metropolitan Statistical Area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to 1990 US Census Data, 10,117 people reside in the assessment area with 3,250 located in the community of West Point. The inflation adjusted 1999 median family income is \$39,800 for non-metropolitan statistical areas in Nebraska. The distribution of families by income level for FMNB's assessment area are as follows: low-income 15%, moderate-income 25%, middle-income 27%, and upper-income 33%. The assessment area has 11% of its

population below the poverty level. The median housing value in the assessment area is \$37,421, and 67% of housing is owner occupied.

The local economy is heavily dependent upon agriculture and its related industries. Light industry and small manufacturing companies provide some economic diversity. The major employers in the area include IBP, Inc., Valmont Coatings, Wimmer's Meat Products, and various government, education, and medical facilities. Unemployment in the assessment area is low at 1.7% based on September 1999 information from the Nebraska Department of Labor. Competition for financial services is strong in the assessment area. Seven other financial institutions, with total assets ranging from \$12 million to \$83 million, are chartered in the assessment area. There are nine total financial institutions operating a total of eleven offices in the assessment area, plus a branch office of Farm Credit Services.

Examiners conducted one community contact during this CRA examination and reviewed three other community contacts conducted previously in the assessment area. The community contacts included a trade association, a community development corporation, and a government official. Discussions with the community contacts revealed agriculture, small business, and affordable residential housing as the primary credit needs of the community. FMNB offers and originates these types of loans.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

FMNB's average loan-to-deposit ratio since the last CRA examination is good. Over the last 13 quarters the loan-to-deposit ratio has averaged 85%. FMNB's loan-to-deposit ratio ranks fourth out of the eight financial institutions chartered in the assessment area. The 13-quarter average of all the financial institutions in the assessment area is 79%, with a range of 60% to 94%.

Lending to Farms and Businesses of Different Sizes and Individuals of Different Income Levels

FMNB has an adequate record of lending to agricultural borrowers of different sizes. We reviewed a sample of 24 agricultural loans totaling \$7.2 million to determine the bank's lending to farms of different sizes. All of the loans in this sample were made to farms located within the bank's assessment area and were originated since the last CRA examination. For the agricultural borrower sample, we used loan size as an estimate for gross annual revenues because only 29% of the borrowers in the sample were required to report current gross annual revenue information. All but one of the loans in the sample were less than \$1 million. The majority of the bank's lending was to smaller operations, those with less than \$250,000 in gross annual revenue, which approximates the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

Agricultural Borrower Sample					
Loan Size (in 000s)	% of Farms in AA¹	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
less than \$100	56%	9	37%	500	7%
\$100 - \$249	21%	6	25%	974	14%
\$250 - \$499	11%	6	25%	1,916	26%
more than \$500 ²	12%	3	13%	3,786	53%
Total	100%	24	100%	7,176	100%

¹Gross annual revenue information from 1997 Census of Agriculture.

²One borrower had gross annual revenue over \$1 million.

FMNB's performance in lending to commercial borrowers of different sizes is good. We reviewed a sample of 20 commercial loans totaling \$4.5 million to determine the bank's lending to businesses of different sizes. All of the loans in this sample were made to businesses located within the bank's assessment area and were originated since the last CRA examination. For the commercial borrower sample, we used loan size as an estimate for gross annual revenues because only 35% of the borrowers in the sample were required to report current gross annual revenue information. The majority of the

bank's lending was to smaller operations, those with less than \$1 million in gross annual revenue, which is slightly better than the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the commercial loan sample.

Commercial Borrower Sample					
Loan Size (in 000s)	% of Businesses in AA¹	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
less than \$1,000	91%	19	95%	1,739	39%
more than \$1,000	9%	1	5%	2,750	61%
Total	100%	20	100%	4,489	100%

¹Gross annual revenue information from 1999 Dunn and Bradstreet business survey.

FMNB also has an adequate record of lending to individuals of different income levels for residential real estate loans. We sampled 22 residential real estate loans totaling \$965,000 to determine the bank's lending to individuals of different income levels. All of the loans in this sample were made to individuals located within the bank's assessment area and were originated since the last CRA examination. According to information from the Nebraska Department of Economic Development dated February of 1998, the average cost of new homes was \$80,000. Given this information, the bank's residential real estate lending to low- and moderate-income borrowers compares reasonably to the assessment area demographics. The following table shows the number, dollar volume, and corresponding percentages of the residential real estate loan sample.

Residential Real Estate Borrowers Sample					
Income Level	% of Families in AA¹	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Low-	15%	2	9%	69	7%
Moderate-	25%	5	23%	169	18%
Middle-	27%	7	32%	293	30%
Upper-	33%	8	36%	434	45%
Total	100%	22	100%	965	100%

¹Information from 1990 US Census.

Lending in the Assessment Area

FMNB's record of originating loans within the assessment area is reasonable. FMNB originates the majority of its agriculture, commercial, and residential real estate loans to borrowers within the assessment area. We sampled 34 agriculture loans, 23 commercial loans, and 25 residential real estate loans. The following table shows the number, dollar volume, and corresponding percentages of loans originated inside and outside of the assessment area since the last CRA examination.

Lending in the Assessment Area								
Type of Loan	Inside Assessment Area				Outside Assessment Area			
	Number	Percent	Dollar	Percent	Number	Percent	Dollar	Percent
Agriculture	24	71%	7,176,336	76%	10	29%	2,265,515	24%
Commercial	20	87%	4,488,672	76%	3	13%	1,427,000	24%
Residential RE	22	88%	964,925	84%	3	12%	190,700	16%

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. FMNB's assessment area contains three BNAs, which are all designated as middle-income.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination dated October 17, 1996.

Record of Compliance with Anti-discrimination Laws

We did not identify any violations of anti-discrimination laws. Our fair lending review consisted of a review of consumer loan policies, questions directed toward loan underwriters, and a review of eight diverse loan files from December 11, 1998 through November 23, 1999. We did not find any practices intended to discourage applicants for the types of credit the bank offers.