



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

July 1, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Johnson
Charter Number 8161**

**125 Main Street
Johnson, Nebraska 68378**

**Office of the Comptroller of the Currency
Omaha South Field Office
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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 First National Bank of Johnson, Johnson, Nebraska, prepared by The Office of the Comptroller of the Currency, as of July 6, 1998. 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**.

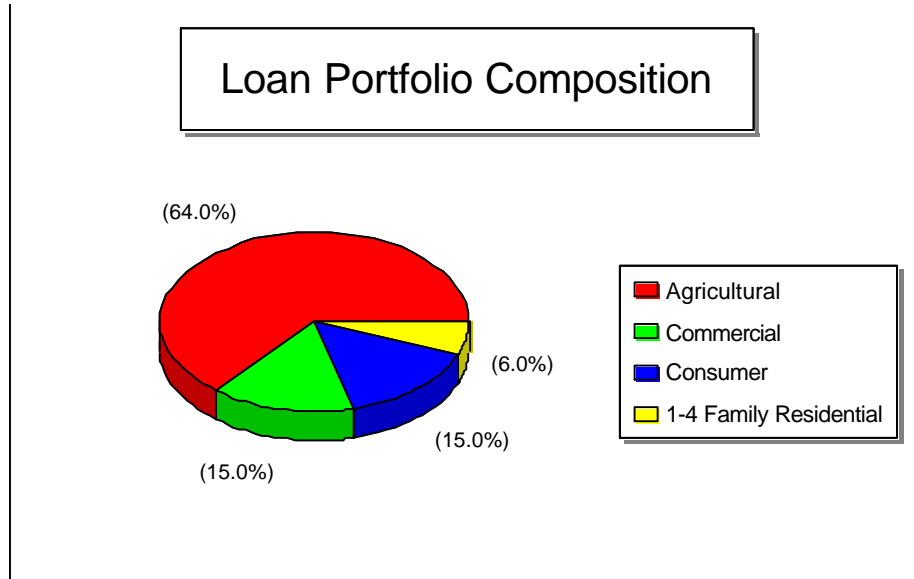
The First National Bank of Johnson (FNB) satisfactorily meets the credit needs of its assessment area.

- FNB has a good record of lending to agricultural and commercial operations of different sizes and to individuals of different income levels.
- FNB originates a substantial majority of its loans in the assessment area.

Description of Institution

FNB is a \$50 million financial institution located in southeast Nebraska. The bank is the second largest financial institution in its assessment area. First National Johnson Bancshares, Inc., a one bank holding company, owns 100% of outstanding shares of the bank. FNB operates out of the main bank in Johnson, Nebraska and a branch location in Auburn, Nebraska. The bank does not own any automated teller machines. FNB's net loans equaled 21% of total assets as of March 31, 1998.

The following table displays FNB's loan portfolio composition as of March 31, 1998.



FNB received a "Satisfactory" rating during the September 8, 1995 CRA examination. There are no legal or financial factors which impede the bank's ability to help meet the credit needs of the assessment area.

Description of FNB's Assessment Area

FNB has designated all of Johnson and Nemaha Counties, Nebraska as its assessment area. The assessment area consists of four block numbering areas (BNAs). Three of the BNAs are middle income and one BNA is upper income. The inflation adjusted 1998 median family income is \$39,300 for non-metropolitan statistical areas in Nebraska. Based on 1990 census data, the population of the assessment area is 12,653. The median housing value for the assessment area is \$29,025. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The following table illustrates the number and percentage of families in each income category in the bank's assessment area. The data is based on the 1990 median family census income of \$27,623.

Families by Income Category		
Income Category	Number	Percentage
Low Income	628	18%
Moderate Income	696	20%
Middle Income	746	22%
Upper Income	1,377	40%

Economic conditions in the area are stable and competition is average. The economy in the assessment area is driven largely by agriculture. Major non-farm employers include Auburn Consolidated Industries, Triangle Pacific, and Magnolia Metal. The bank faces average competition from three similarly sized banks in surrounding communities and from Farm Credit Services. There are no other financial institutions chartered in Johnson.

Examiners conducted two community contacts during this CRA examination and reviewed one other community contact conducted previously in FNB's assessment area. Discussions with community leaders and area business owners revealed a need for housing and small business loans. FNB offers products suited to community credit needs and has a reasonable record of originating housing and small business loans. Also, FNB's focus on agricultural lending is consistent with the needs of the assessment area.

Conclusions with Respect to Performance Criteria

Lending to Agricultural Operations and Businesses of Different Sizes and to Borrowers of Different Incomes

FNB has a satisfactory record of lending to farms of different sizes. Examiners sampled 40 agricultural borrowers with loans originated from January 1, 1997 through July 6, 1998. This sample represents 31% of the number of agricultural borrowers and 40% of the dollar volume of agricultural loans originated during this period. Based on the 40 borrowers sampled, the following table displays the results of the bank's record of lending to farms of different sizes in comparison to all farms in Johnson and Nemaha Counties, Nebraska.

Sample of 40 Agricultural Borrowers			
Annual Gross Revenue (000)	% of Total Farms Reporting in each Revenue Range	% of Number of Loans made in Revenue Range	% of Dollar Volume of Loans made in Revenue Range
< 100	81%*	63%	33%
100 - 250	14%*	35%	61%
> 250	5%*	2%	6%

* Data Source: 1992 Census of Agriculture, U.S. Census Bureau

FNB has a satisfactory record of lending to businesses of different sizes. Examiners sampled 20 business borrowers with loans originated from January 1, 1997 through July 6, 1998. This sample represents 38% of the number of business borrowers and 46% of the dollar volume of business loans originated during this period. The following table displays the bank's record of lending to businesses of different sizes based on the 20 business borrowers sampled.

Sample of 20 Business Borrowers		
Annual Gross Revenue (000)	% of Number of Loans Made in Revenue Range	% of \$ Volume of Loans Made in Revenue Range
< 100	50%	14%
100 - 250	35%	18%
250 - 1000	0%	0%
> 1000	15%	68%

The above table indicates that FNB made 85% of the number of business loans originated from January 1, 1997 through July 6, 1998 to businesses with gross annual revenues of less than \$1 million. This compares favorably to demographic information which reveals 75% of businesses in the bank's assessment area report gross annual revenues of \$1 million or less.

FNB has a satisfactory record of lending to individuals of different income levels. Examiners sampled 20 consumer loans originated from January 1, 1997 through July 6, 1998. This sample represents 3% of the number and 5% of the dollar volume of consumer loans originated during this period. The following table displays the bank's record of lending to borrowers of different income levels based on the results of the 20 consumer loans sampled.

Sample of 20 Individual Borrowers			
Income Levels of the Assessment Area	% of Families	% of Number of Loans made in Income Range	% of \$ Volume of Loans made in Income Range
Low	18%	40%	14%
Moderate	20%	10%	5%
Middle	22%	30%	49%
Upper	40%	20%	32%

The loan portfolio is reasonably balanced in relation to the demographics of the assessment area and reflects the bank is satisfactorily meeting identified housing and small business credit needs. The bank began offering secondary market long-term fixed rate residential real estate loans in December 1996. Since inception, FNB has originated 14 secondary market residential real estate loans totaling \$997,900. In addition, FNB has originated six Nebraska Energy Loans totaling \$21,723 since January 1, 1996. Please refer to the "Business Borrowers" table above for information on the bank's record of lending to small businesses.

Lending in the Assessment Area (AA)

FNB originates a substantial proportion of its loans in the assessment area. Internal bank reports reveal FNB originated 89% of the number and 94% of the dollar volume of all loans written between January 1, 1997 through July 6, 1998 in the assessment area. Examiners sampled 40 agricultural borrowers, 20 business borrowers, and 20 consumer borrowers with loans originated from January 1, 1997 through July 6, 1998. The following table displays the results of the bank record of lending in the assessment area based on the 80 borrowers sampled.

Lending in the Assessment Area		
Loan Type	% of Number of Loans Made in the AA	% of \$ Volume of Loans Made in the AA
Agricultural Loan Sample	93%	98%
Business Loan Sample	80%	78%
Consumer Loan Sample	80%	77%

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio over the past ten quarters is less than satisfactory at 25%. FNB's ten quarter average loan-to-deposit ratio is the lowest of all four banks in the assessment area. The ten quarter average loan-to-deposit ratio of all similarly sized competing financial institutions in FNB's assessment area is 50%, with a range of 38% to 67%.

FNB opened a branch office in nearby Auburn, Nebraska on August 29, 1997. When the branch was opened, the bank purchased \$5.4 million in deposits from the previous bank. This purchase had a short-term effect on the bank's loan-to-deposit ratio, but did not materially affect the ten quarter average. The branch is having a positive effect on loan growth. FNB increased total loans \$2.2 million or 26% from March 31, 1997 to March 31, 1998. The trend in FNB's loan-to-deposit ratio is also positive. The loan-to-deposit ratio increased from 23% as of March 31, 1996 to 27% as of March 31, 1998.

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. FNB's assessment area contains four BNAs. Three of the BNAs are middle income and one BNA is upper income.

Response to Complaints

FNB has not received any consumer complaints regarding its CRA performance.

Record of Compliance with Antidiscrimination Laws

Examiners did not identify any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants.