



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 12, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers & Merchants National Bank
of Ashland
Charter Number 13435

Office of the Comptroller of the Currency
Omaha Duty Station
11606 Nicholas Street
Omaha, Nebraska

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 Community Reinvestment Act (CRA) performance of The Farmers & Merchants National Bank of Ashland prepared by The Office of the Comptroller of the Currency, as of August 12, 1996. 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 & Merchants National Bank of Ashland (F&MNB) meets the credit needs of its assessment area. The bank has a reasonable loan-to-deposit (LTD) ratio. The majority of residential real estate and agricultural lending is within its assessment area. The distribution of these loans to borrowers of different income levels is reasonable.

The following table indicates the performance level of The Farmers & Merchants National Bank of Ashland with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Farmers & Merchants National Bank of Ashland 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	AN ANALYSIS OF THIS CRITERION WOULD NOT BE MEANINGFUL TO THE EXAMINATION CONCLUSION.		
Response to Complaints	NO COMPLAINTS RECEIVED SINCE THE LAST EXAMINATION.		

DESCRIPTION OF INSTITUTION

The Farmers and Merchants National Bank of Ashland is a \$30 million financial institution located in East-central Nebraska. The community is primarily agricultural. The City of Ashland serves as a bedroom community for Omaha and Lincoln, Nebraska. The bank's office is within the city limits of Ashland. The bank has no branches. Individual stockholders own the bank. The bank has no legal or financial impediment which precludes it from fulfilling its obligation under the CRA. The bank received a "satisfactory" rating for the CRA examination dated January 27, 1994.

The bank offers a number of agricultural, commercial, real estate, and consumer loan products. F&MNB also participates in various guarantee programs such as Farm Services Administration (formerly Farmers Home Administration), Small Business Administration, and student loan programs. The loan portfolio consists of 51% real estate, 32% agriculture, 9% commercial, and 8% consumer.

DESCRIPTION OF ASSESSMENT AREAS

The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies or block numbering areas (BNA). The assessment area consists of a middle-income BNA in Saunders County and a middle-income census tract in Cass County. Cass County is within the Omaha Metropolitan Statistical Area (MSA).

The 1995 weighted, statewide non-MSA and MSA median family income is \$40,500. The 1990 Census reveals that the family income distribution is 16% low-, 23% moderate-, 26% middle-, and 35% upper- income. The total population of the assessment areas is 5,156 according to the 1990 Census.

Agriculture and agriculture-related businesses are the dominate industries in the assessment area. Construction, services, and manufacturing jobs contribute to the economic viability of the area. Many community residents commute to Omaha and Lincoln for employment. The bank and members of the community identified the primary credit needs of the community as agriculture, affordable housing, small business, and venture capital loans. F&MNB and one other financial institution operate in a competitive lending and deposit environment within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

F&MNB's average quarterly LTD ratio since the last examination is reasonable and slightly above the average for other financial institutions in area. The bank's average quarterly LTD ratio for ten quarters is 75%. It is above the average for other financial institutions located within the counties that contain its assessment area. The highest ratio for the counties is 91% and the lowest is 32%, with an average of 66%. The bank's quarterly LTD ratios have been consistently above 70% since the last examination.

Lending within the bank's assessment areas is reasonable. Based on a review of all loans in the bank's portfolio as of July 10, 1996, 79% of the dollar amount and 78% of the number of loans fell within the assessment area, \$15,734 million and 780 loans respectively.

Lending to borrowers of different income is reasonable. An analysis of a sample of loans originated between January 1994 and August 1996 and secured by residential real estate show that 38% of the loans were to low- and moderate-income families. This represents 30% of the dollar amount. Loan demand for borrowers of low- to moderate-income is modest due to lack of affordable housing. According to one of our community contacts, the prices for existing homes have nearly tripled over the past 3 years. Also, since Ashland is a bedroom community for both Omaha and Lincoln, a significant number of residents have banking relationships with out-of-area financial institutions. The following table summarizes the results of our sample:

LOANS SECURED BY REAL ESTATE ORIGINATED BETWEEN 1/94 AND 8/96				
INCOME LEVEL	#	%	\$	%
LOW	2	10%	21,000	2%
MODERATE	6	28%	287,000	28%
MIDDLE	5	24%	211,000	21%
UPPER	8	38%	490,000	49%

Further, the bank extended credit to a wide variety of agriculture borrowers based on an analysis of revenues. The revenue sizes for a sample of agriculture borrowers for the

same time period ranged from \$549 thousand to \$10 thousand. The dollar amount of the loans ranged from \$499 thousand to \$2 thousand. The number and dollar amount of agriculture loans were fairly evenly distributed over the entire range of revenue sizes. Our sample revealed that 44% of these loans were to borrowers with revenues less than \$100 thousand. The average loan size for the entire sample was \$102 thousand and \$21 thousand for borrowers with revenues less than \$100,000.

F&MNB complies with the substantive provisions of antidiscriminatory laws and regulations. There have been no consumer complaints filed with the bank or the Comptroller of the Currency.