



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 24, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

F & M Bank, National Association  
Charter Number 14308

204 North Main  
West Point, NE 68788-0288

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, NE. 68154-5298

**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.**

Please note the overall bank rating and conclusions are based primarily upon performance in the bank's West Point, Nebraska branch. Our conclusions and ratings are driven by West Point's performance as this branch represents over 90% of loan volume and over 98% of the bank's deposit base. While we did consider performance in the Gretna, Nebraska branch, overall performance is limited and has less impact to the overall rating as it has only been in establishment since February 2008. Therefore, the branch is still in the process of generating business and establishing a customer base.

F&M Bank, National Association (F&M) meets the credit needs of its assessment areas (AAs). The primary lending activities for the bank as a whole are agricultural and business. The primary lending activities for the non-metropolitan statistical area (MSA) AA remain agricultural and business while the primary lending activities for the MSA AA are business and home loans.

- A majority of the bank's loans are within the AAs.
- The bank's lending efforts result in satisfactory penetration of farms, businesses, and residential real estate borrowers of different sizes.
- The bank's average loan-to-deposit ratio is reasonable compared to similarly situated banks in the AAs.

**SCOPE OF EXAMINATION**

The scope of the CRA examination included the time period of January 1, 2007 to May 31, 2009. Small bank procedures were used to evaluate the bank's performance under the Community Reinvestment Act. A full scope review was completed of the bank's CRA activities in the AA's. F&M's primary loan products for the bank as a whole are agricultural and business loans. As a further breakdown, the primary products for the Non-MSA AA are agricultural and business loans while the primary products for the MSA AA are business and residential real estate loans. To evaluate the bank's agricultural lending performance, we selected a sample of agricultural loans from the Non-MSA AA which were originated between January 1, 2007 and May 31, 2009. To evaluate the bank's business lending performance, we selected a sample of business loans from the MSA AA and a sample from the Non-MSA AA which were originated between January 1, 2007 and May 31, 2009. Finally, to evaluate the bank's residential real lending performance, we selected a sample of residential real estate loans from the MSA AA which were originated between January 1, 2007 and May 31, 2009.

## DESCRIPTION OF INSTITUTION

F&M is a \$98 million bank headquartered in West Point, Nebraska, in Cuming County. The bank is 100% owned by West Point Bancorporation, Inc. F&M also has a full-service location in Gretna, Nebraska. The bank has one deposit-taking automated teller machine (ATM) at each branch location. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA's. The bank received a "Satisfactory" rating at its prior CRA examination dated September 13, 2004.

F&M offers traditional loan and deposit products. As of March 31, 2009, the bank's loan portfolio totaled 76% of total assets. We determined F&M's overall primary loan products to be agricultural and business loans. As a further breakdown, in the Non-MSA AA we determined the primary products to be agricultural and business loans and in the MSA AA, we determined primary products to be business and residential real estate loans. The following table shows the breakdown of loans originated and purchased from January 1, 2007 to May 31, 2009.

### Primary Products in Non-MSA Assessment Area (AA)

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	2.76%	13.30%
Consumer Loans	1.60%	25.86%
<b>Business Loans</b>	<b>30.17%</b>	<b>13.66%</b>
<b>Agricultural Loans</b>	<b>65.47%</b>	<b>47.18%</b>
Total	100%	100%

Source: Bank Reports.

### Primary Products in MSA AA

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
<b>Home Loans</b>	<b>28.16%</b>	<b>30.14%</b>
Consumer Loans	0.29%	35.61%
<b>Business Loans</b>	<b>67.08%</b>	<b>23.29%</b>
Agricultural Loans	4.46%	10.96%
Total	100%	100%

Source: Bank Reports.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

F&M has two assessment areas in Nebraska which are described below.

### **MSA AA**

The MSA AA consists of four census tracts, which includes the western portion of Sarpy County. The bank chose to not include all census tracts in Sarpy County, including those in more metropolitan areas, due to the high number of financial institutions serving the area. All four counties are a part of the Omaha/Council Bluffs MSA. The AA consists of two middle income and two upper income census tracts; there were no low income or moderate income census tracts. The bank's AA meets the requirements of the regulations and does not arbitrarily exclude low- or moderate-income geographies. A map of the AA can be obtained from the bank's CRA Public File.

According to the 2000 U.S. Census, the total population of the AA was 13,701. The Housing and Urban Development (HUD) 2008 weighted average median family income for metropolitan statistical areas in Nebraska is \$67,100. Approximately 0% of families in the AA are low-income, 0% moderate-income, 50% middle-income, and 50% upper income. Only 2.93% of the AA households are below the poverty level.

The local economy in this AA has seen some of the effects of the nationwide economic downturn; however, the effects have not been nearly as severe as experienced on a national scale. According to the Nebraska Workforce Development and Department of Labor, unemployment for the entire Omaha/Council Bluffs MSA through May 2009 was 4.6%. This figure increased from the May 2008 Sarpy County unemployment rate of 3.0%. The major employment industries in this AA are retail trade, services, and public administration.

### **Non-MSA AA**

The Non-MSA AA consists of four census tracts; and includes all of Cuming County. The AA consists of four middle income census tracts; there were no low income, moderate income, or upper income census tracts. The bank's AA meets the requirements of the regulations and does not arbitrarily exclude low- or moderate-income geographies. A map of the AA can be obtained from the bank's CRA Public File.

According to the 2000 U.S. Census, the total population of the AA was 10,203. The 2000 Census indicated a 2008 weighted average median family income for non-MSAs in Nebraska of \$38,427. Approximately 100% of households in the AA are middle-income. Nearly 9.17% of the AA households are below the poverty level.

The local economy in the Non-MSA AA has remained relatively stable despite national economic conditions. According to statistics from the Nebraska Workforce Development and Department of Labor, unemployment figures in Cuming County have risen. The unemployment rate has increased from 2.6% in May 2008 to 3.6% in May

2009. The major employment industries in this AA are agricultural, services, and public administration.

Examiners interviewed a community contact located in Cuming County. The community contact described the economic conditions of the area as fair overall. The contact indicated the primary need in the area as agricultural loans. The contact concluded that local financial institutions do a good job at helping to support the needs of the community and offering financial assistance.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

F&M's average loan-to-deposit (LTD) ratio is reasonable for satisfactory performance given the bank's size, financial condition, and the AA's credit needs. The LTD ratio averaged 85.35% over the past twenty quarters and was 78.27% as of March 31, 2009. F&M's LTD ratio ranged from a low of 74.47% and a low of 94.49%.

F&M's average LTD ratio compares favorably with other financial institutions that are similarly situated with regards to asset size, location, and product offerings. The nine other similarly situated banks operated with an average net LTD of 91.42%. These same institutions operated with a quarterly LTD ratio range from 62.06% to 113.06%.

### Lending in Assessment Area

A majority of F&M's loans were made within the bank's AAs. We determined F&M's primary products for the bank as a whole to be agricultural and business loans. We reviewed a random sample of 20 agricultural loans and 20 business loans. The sample included agricultural and business loans originated in both AAs between January 1, 2007 and May 31, 2009, to determine the bank's overall lending performance within the AAs. We identified 32 loans, or 80% of loans, were originated within the bank's AA. The following table illustrates the bank's satisfactory performance regarding lending in the AA.

<b>Table 1 - Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	15	75%	5	25%	20	\$ 7,088,962	65%	\$3,782,500	35	\$10,871,462
Agricultural	17	85%	3	15%	20	\$ 6,174,417	78%	\$1,716,500	22%	\$ 7,890,917
Totals	32	80%	8	20%	40	\$13,263,379	71%	\$5,499,000	29%	\$18,762,379

Source: Bank Reports.

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

F&M meets the standard for performance and reflects reasonable penetration to businesses and farms with gross annual revenues of less than \$1 million and also to

residential real estate borrowers of different income levels.

### Performance in the Non-MSA AA

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. Ninety percent of the bank's loans to farms originated and purchased during the loan sampling period were made to small farms. This is considered reasonable when considering characteristics of the area, and demographic data that shows 96% of the area's farms are considered small farms. The percentage of loans in the AA by dollar amount shows considerably less lending to small farmers. However, this was caused by one borrower in the sample who had significantly high gross revenue. The following table shows the distribution of farm loans among different sized farms in the AA.

<b>Table 2A - Borrower Distribution of Loans to Farms in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	96.21%	3.08%	0.71%	100%
% of Bank Loans in AA by #	90%	10%	0	100%
% of Bank Loans in AA by \$	31%	69%	0	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Ninety-five percent of the bank's loans to businesses originated and purchased during the loan sampling period were made to small businesses. This is considered reasonable when considering characteristics of the area, and demographic data that shows 48% of the area's businesses are considered small businesses. The bank is meeting the credit needs of small businesses. The following table shows the distribution of business loans among different sized businesses in the AA.

<b>Table 2A – Borrower Distribution of Loans to Businesses in Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	48.09%	3.83%	48.09	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	99%	1%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

### Performance in the MSA AA

We reviewed the business loans originated in the MSA AA as they are considered a primary product. The MSA AA was recently added by the bank due to the recent addition of the Gretna branch in February 2008. Due to the recent branch establishment, loans originated in the AA are a small percentage of the bank's overall loan base and our sample size was limited. We reviewed all business loans originated in the Gretna branch since its establishment, which was a total of 17. Of the 17 loans,

only 4 were located in the AA. Therefore, in order to determine borrower distribution in the AA our conclusions are based on the 4 loans that were located in the AA.

The distribution of loans to businesses in the AA reflects reasonable penetration among businesses of different sizes. One hundred percent of the bank’s loans to businesses originated and purchased during the loan sampling period were made to small businesses. This is considered reasonable as demographic data show that the majority, or 60.24%, of the area’s businesses are considered small business. The following table illustrates the distribution of business loans among businesses of different sizes.

<b>Table 2A - Borrower Distribution of Loans to Businesses in MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	60.24%	8.97%	30.79%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

We reviewed the residential real estate loans originated in the MSA AA as they are considered a primary product. The MSA AA was recently added by the bank due to the recent addition of the Gretna branch in February 2008. Due to the recent branch establishment, loans originated in the AA are a small percentage of the bank’s overall loan base and our sample size was limited. We reviewed all residential real estate loans originated in the Gretna branch since its establishment, which was a total of 22. Of the 22 loans, only 7 were located in the AA. Therefore, in order to determine borrower distribution in the AA, our conclusions are based on the 7 loans that were located in the AA.

The bank’s lending to borrowers of different incomes in the MSA AA is satisfactory. The residential real estate loan sample noted the bank serves the middle and upper income borrowers in the AA. This is consistent with demographic data which shows the MSA AA contains two middle income and two upper income census tracts. According to the 2000 U.S. Census, the median family income for the MSA is \$67,100. The following table shows the findings of our sample.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in [Name of AA]</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	0%	0%	0%	0%	7%	14%	93%	86%

Source: Loan Sample

### **Geographic Distribution of Loans**

An analysis of the geographic distribution was not meaningful as the AAs do not contain any low or moderate census tracts; therefore, an analysis was not performed.

### **Responses to Complaints**

The Office of the Comptroller of the Currency and the bank did not receive any complaints about its CRA performance during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.