



PUBLIC DISCLOSURE

January 4, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Fairbury
Charter Number 2994

423 Fifth Street
Fairbury, NE 68352-0418

Office of the Comptroller of the Currency
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 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, and should not 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.

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Overall CRA Rating: This institution is rated **Outstanding**.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

- First National Bank of Fairbury's (FNB) loan-to-deposit ratio is reasonable when considering bank's size, financial condition, and the credit needs of its assessment area (AA).
- Management originates a substantial majority of its loans to customers located in the bank's AA.
- The income distribution of loans to borrowers of different farm sizes has reasonable penetration within the AA.
- The geographic distribution of farm loans has excellent dispersion within the AA.
- Community Development (CD) activities represent excellent responsiveness to AA needs and opportunities.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNB is headquartered in Fairbury, Nebraska, which is located in southeast Nebraska, approximately 75 miles southwest of Lincoln, Nebraska. The bank is a single-state institution and serves the Jefferson County AA. As of September 30, 2017, the bank reported total assets of \$143 million and tier 1 leverage capital of \$26 million. FNB is wholly-owned by First National Fairbury Corporation, a single-bank holding company with total assets of \$143 million as of September 30, 2017.

In addition to the main office, FNB operates one full-service branch and one drive-up branch. Each branch has a deposit-taking ATM. Two additional free-standing ATMs that do not take deposits are also located in Fairbury inside grocery stores. No branches have been opened or closed since the last CRA examination. There have not been any significant changes to FNB’s corporate structure, including merger or acquisition activities, since the previous CRA examination.

FNB offers a full range of deposit and loan products and services. Deposit products and services include checking, savings, certificate of deposit, and individual retirement accounts. FNB’s primary lending focus is agricultural loans. As of September 30, 2017, FNB reported total loans of \$53 million and had a net loans and leases to total assets ratio of 37 percent.

The bank’s primary product has changed since the June 6, 2011 CRA evaluation when the primary products were agricultural and commercial loans. Agricultural loans are now the sole primary product as the number of agricultural loans originated has surpassed commercial loans. Management’s strategy has shifted with a lessor focus on commercial loans and a stronger focus on agricultural lending. During the current rating period, agricultural loans represented 41.0 percent of loan originations by number and 75.2 percent of loan originations by dollar amount. The following chart provides a breakdown of FNB’s lending products during the evaluation period of January 1, 2015 to December 31, 2016.

Loan Origination by Loan Type				
Loan Category	#	%	\$ (000)	%
Commercial Loans	597	31.9%	\$ 10,969	13.9%
Agricultural Loans	767	41.0%	\$ 59,439	75.2%
Consumer Loans	466	24.9%	\$ 6,447	8.1%
Residential Loans	39	2.1%	\$ 2,218	2.8%
Total Originations	1869	100.0%	\$ 79,073	100.0%

Source: Bank records from January 1, 2015 – December 31, 2016

There are no legal or financial impediments to FNB’s ability to meet the credit needs of its AA. The bank was rated Outstanding at its previous CRA examination dated June 6, 2011.

Scope of the Evaluation

This performance evaluation (PE) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated the bank under the Small Bank performance criterion, which is primarily a lending test. The lending test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities.

The evaluation period for the lending test covers loans originated or purchased from January 1, 2015 through December 31, 2016. Agricultural loans are the bank's primary product. To evaluate FNB's performance under the lending test, we selected a random sample of 20 agricultural loans during the evaluation period. Our conclusions are based on this sample.

FNB also chose to be evaluated under the optional CD test. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. The evaluation period for the CD test is from June 6, 2011 through January 4, 2018.

Description of the Assessment Area

FNB's AA remains Jefferson County, Nebraska and includes CTs 9636, 9637 and 9638. There have been no changes in the AA since the last examination. This area includes Fairbury, Nebraska, which is the location of the bank's three offices. CTs 9636 and 9637 are designated middle-income, and CT 9638 is designated moderate-income. The designated AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. Refer to the CRA Public File for a map specifically outlining the bank's AA.

FNB's AA is a rural area including ten towns. According to the 2010 United States Census, the population of the AA is 7,547. The largest town in the AA is Fairbury, Nebraska, which is located in the central part of Jefferson County. The AA's economy is reliant on the agricultural industry, but local school systems, local government, and the health care industry provide some economic diversification in the AA. Given the reliance on agriculture, the AA's economy has been negatively impacted by the strain of low commodity prices, but overall remains satisfactory. The AA has suffered population loss and its two middle-income CTs are designated as distressed nonmetropolitan middle income CTs by the Federal Financial Institutions Examination Council (FFIEC). FNB's primary competitors in the AA include Farm Credit Services of America, American National Bank, and Union Bank & Trust.

A community contact interview was performed with an individual involved in an organization that provides community services targeted to low- or moderate-income (LMI) individuals within the AA. The organization is focused on southeastern Nebraska and has a strong presence in Jefferson County. The community contact noted that

economic conditions in Jefferson County are stable and that there have not been any significant changes in major employers in the area. The community contact felt that local financial institutions effectively meet the credit needs of the Fairbury community. The community contact noted that FNB is very community-minded and very supportive of their organization. This community contact has never received any complaints regarding the local financial institutions.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's performance under the lending test is "Satisfactory". The bank's loan-to-deposit (LTD) ratio is reasonable. The bank makes a substantial majority of loans inside the AA. The distribution of loans to farms of different sizes reflects reasonable penetration. The geographical distribution within the AA for farms demonstrates excellent dispersion throughout the AA.

Loan-to-Deposit Ratio

FNB's lending level is reasonable given the institution's size, financial condition, area competition, and the credit needs of the community. FNB's LTD ratio averaged 46.2 percent over the last 20 quarters, with a quarterly low of 41.1 percent and a quarterly high of 51.6 percent. The LTD ratio was 49.4 percent as of September 30, 2017.

The bank's LTD ratio was compared to three other community banks of similar size, location, and product offerings. The other three banks had an average LTD ratio of 61.3%, and ranged from 53.5 percent to 74.8 percent over the past 20 quarters.

FNB also has a high number of large depositors, which contributes to FNB having a 37% market share of deposits in Jefferson County. Also, FNB has a large amount of public funds making up 18% of total deposits. While holding public funds as deposits provides a service to the local community, the additional deposits reduce the LTD ratio.

Lending in Assessment Area

FNB originates a substantial majority of farm loans by number and by dollar volume inside its AA. Our random sample of 20 agricultural loans determined our conclusions regarding FNB's lending performance. Seventy-five percent of loans by number and 85 percent of loans by dollar were to borrowers within the bank's AA.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture Loans	16	75.0%	4	25.0%	20	\$4,349	85.2%	\$754	14.8%	\$5,103

Source: Loan sample.

Lending to Farms of Different Sizes

FNB's performance in lending to farms of different sizes demonstrates reasonable penetration. The distribution of loans to farms within the AA is at a reasonable level. Penetration of lending to farms of different sizes is comparable by number of loans. The comparison of dollar amount is distorted as 70.5 percent of the dollars in our sample were loaned to farms with over \$1 million in gross revenue. Our sample had one borrower with gross revenue over \$1 million and their loan was \$3.6 million, making up 70.5 percent of the sample loan dollars originated.

Table 2A - Borrower Distribution of Loans to Farms in Jefferson County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.9%	2.1%	0.0%	100.0%
% of Bank Loans in AA by #	95.0%	5.0%	0.0%	100.0%
% of Bank Loans in AA by \$	29.5%	70.5%	0.0%	100.0%

Source: Farm loan data sampled from January 1, 2015 – December 31, 2016 and 2010 U.S. Census Data

Geographic Distribution of Loans

The geographic distribution of loans to farms reflects excellent dispersion throughout the AA. The bank significantly exceeds the demographic comparator for lending in the moderate-income CT. There are no low income and only one moderate-income CTs within the bank's AA. The analysis reflects lending in all three CTs.

Table 3A - Geographic Distribution of Loans to Farms in Jefferson County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.0%	0.0%	2.1%	5.0%	97.9%	95.0%	0.0%	0.0%

Source: Farm loan data sampled from January 1, 2015 – December 31, 2016 and 2010 U.S. Census Data

Responses to Complaints

FNB has not received any CRA-related complaints since the previous CRA examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is rated "Outstanding." The bank demonstrated excellent responsiveness to CD needs and opportunities in the AA. CD loans, investments, and donations totaled \$6 million and represented 23.7 percent of MNB's allocated tier one capital as of September 30, 2017. Bank employees provided 2,861 service hours to CD organizations during the evaluation period. Branches are accessible to LMI geographies with two branches located in a moderate-income CT and the third branch located in a distressed middle-income CT.

Number and Amount of Community Development Loans

Management originated eight CD loans totaling \$3 million in the AA during the evaluation period. The loans provided funding to organizations that promoted the revitalization and stabilization of a nonmetropolitan geography designated as distressed and to organizations that provided community services targeted to LMI individuals.

Number and Amount of Qualified Investments

Management made 52 donations totaling \$37 thousand to CD organizations in the AA during the evaluation period. Management invested in 12 qualifying investments totaling \$3 million during the evaluation period. The donations and investments promoted the revitalization and stabilization of a nonmetropolitan geography designated as distressed and community services targeted to LMI individuals.

Extent to Which the Bank Provides Community Development Services

Five bank employees provided 2,861 service hours to seven qualified CD organizations in the Jefferson County AA during the evaluation period. Examples of service hours include the following:

- A bank officer served as a director for a housing authority that provides low income housing.
- A bank officer served as a chairman for a hospital that provides health care assistance to LMI individuals.
- A bank officer served as a director for a community action group that targeted the surrounding counties to provide housing assistance to LMI individuals.
- A bank officer served as president of Fairbury Chamber of Commerce, which targets LMI individuals for assistance in housing, education, health care and more activities.

Responsiveness to Community Development Needs

CD activities represent excellent responsiveness to CD needs and opportunities in the AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2015 to 12/31/2016) Investment and Service Tests and CD Loans: (06/06/2011 to 01/04/2018)	
Financial Institution	Products Reviewed	
The First National Bank of Fairbury (FNB) Fairbury, Nebraska	Agricultural loans Community development loans, investments, and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Nebraska Jefferson County #9636 #9637 #9638	Full Scope	

Appendix B: Community Profiles for Full-Scope Areas

State of Nebraska

Jefferson County AA

Demographic Information for Full-Scope Area: Jefferson County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0%	33%	67%	0%	0%
Population by Geography	7,547	0%	17%	83%	0%	0%
Owner-Occupied Housing by Geography	3,933	0%	14%	86%	0%	0%
Businesses by Geography	545	0%	32%	68%	0%	0%
Farms by Geography	189	0%	2%	98%	0%	0%
Family Distribution by Income Level	2,099	16%	18%	29%	37%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,099	0%	14%	86%	0%	0%
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$54,788 = \$60,500 = 13%	Median Housing Value Unemployment Rate				= \$73,841 = 5%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The bank operates solely in Jefferson County which is comprised of three CTs. FNB has the largest deposit share of any bank in the county, comprising of 37 percent of all deposits. FNB has three branches within the city of Fairbury with an ATM at each branch and two additional free standing ATMs in the community. A community contact interview was performed with an individual involved in an organization that provides community services targeted to LMI individuals within the AA. The organization is focused on southeastern Nebraska and has a strong presence in Jefferson County. The community contact noted that economic conditions in Jefferson County are stable and that there have not been any significant changes in major employers in the area. The community contact felt that local financial institutions effectively meet the credit needs of the Fairbury community. The community contact noted that FNB is very community-minded and very supportive of their organization. This community contact has never received any complaints regarding the local financial institutions.