



PUBLIC DISCLOSURE

February 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fullerton National Bank
Charter Number 5384
406 Broadway Street
Fullerton, NE 68638

Office of the Comptroller of the Currency
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 Outstanding.

The Fullerton National Bank (FNB) more than meets the credit needs of its assessment area (AA). We base this conclusion on the following:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the performance context of the AA.
- The bank makes a substantial majority of its loans inside its AA.
- The bank's loan distribution shows a reasonable penetration to farms of different revenue sizes within the AA.

SCOPE OF EXAMINATION

We evaluated FNB with small bank Community Reinvestment Act (CRA) evaluation procedures. The rating is based on a lending test, which evaluates a bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for FNB covers its performance from June 23, 2008 through February 18, 2014.

FNB's primary credit product is agricultural loans. To evaluate the bank's lending performance, we selected a sample of agricultural loans originated between January 1, 2012 and January 31, 2014.

DESCRIPTION OF INSTITUTION

FNB is a \$40 million bank located in Nance County in Nebraska. FNB's sole office is located in Fullerton, Nebraska. The bank operates one cash-dispensing automated teller machine located in Fullerton. Woodstock Land & Cattle Company, a one-bank holding company located in Fullerton, owns 100 percent of FNB. As of June 30, 2013, the holding company had total consolidated assets of \$42.9 million.

We rated FNB Satisfactory at its last CRA evaluation dated December 31, 2007. The following chart provides a breakdown of FNB's credit products originated during the evaluation period.

Loan Portfolio Originations				
	By Number	Percentage	By \$(000)	Percentage
Agricultural Loans	422	47	17,828	69
Consumer Loans	324	36	1,994	8
Commercial Loans	137	15	3,600	14
Residential RE Loans	22	2	2,292	9

Source: Bank Reports

FNB continues to offer traditional loan and deposit products. As of December 31, 2013, the bank's loan portfolio totaled 69 percent of total assets. The loan portfolio consists of 73 percent farm, 10 percent commercial, 8 percent residential, and 6 percent consumer loans, based on call report information. The bank's primary business strategy continues to be the origination of agricultural loans.

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. There have not been any other significant changes to the bank's corporate structure since the previous CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA

Management has designated all of the census tracts in the following contiguous counties in Nebraska as its AA: Nance, Boone, and Merrick. The AA does not arbitrarily exclude low- or moderate-income geographies. All six of the census tracts in this AA are middle-income. Effective January 1, 2014, the bank's AA will not meet the requirements of the regulation. One of the three counties (Merrick) will be located within a Metropolitan Statistical Area. To comply with the regulation management will need to separate the AA into at least two AAs, one with only Nance and Boone counties, and one with only Merrick County.

FNB's AA is a rural area. The AA's population was 17,085, and the 2010 weighted-average median family income was \$52,668. Family income in the AA includes 20 percent low-income families, 19 percent moderate-income, 26 percent middle-income, and 35 percent upper-income. Business demographics consist of 70 percent non-farm entities and 30 percent farm. The local economy is stable, and unemployment remains moderate at 3.26 percent. Large area employers include the Fullerton Public School system and Golden Living Center.

We conducted a repeat community contact to a government official located in the AA. The official said both the local banks met the lending needs of the community. He stated the two banks were particularly helpful with community betterment projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance under the lending test is outstanding.

Loan-to-Deposit Ratio

FNB's average LTD ratio over the past twenty-three quarters is more than reasonable given economic and demographic factors. The bank's quarterly average LTD ratio was 94.8 percent, and significantly increased since the last CRA evaluation, ranging from a high of 109.9 percent to a low of 80.7 percent. FNB's average ratio compared favorably to the 86.9 percent average LTD ratio of the five similarly situated banks chartered in

the AA. The comparable banks have individual average LTD ratios ranging from 84.4 percent to 90.3 percent. FNB has a 5 percent deposit market share in the AA and ranks ninth. For comparison purposes, three larger institutions control nearly 51 percent of the deposits, and the nine remaining banks all have a market share of less than 10 percent.

Lending in Assessment Area

The bank originated a substantial majority of its loans inside the AA. A random sample of 20 agricultural loans showed 95 percent by number and 99 percent by dollar amount were located within CNB’s AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	19	95	1	5	20	1,257	99	10	1	1,267

Source: Bank Reports

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

FNB has a reasonable penetration in lending to farms of different sizes in its AA. FNB originated 90 percent of the loans by number and 74 percent of the loans by dollar volume to farms with gross annual revenues less than \$1 million. The percent of loans to small farms by number and dollar volume is comparable to the demographic comparator in the AA.

Borrower Distribution of Loans to Farms in the Assessment Area				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	-	100
% of Bank Loans in AA by #	90	10	-	100
% of Bank Loans in AA by \$	74	26	-	100

Data Source: 2013 Business Geodemographic Data and farm loan data sampled from 2012-2013

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not meaningful as the AA did not have any low- or moderate-income census tracts.

Responses to Complaints

The bank has not received any complaints regarding their CRA performance since the last performance evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank's 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.

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