



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**December 31, 2007**

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

Fullerton National Bank  
Charter Number 5384

4th & Broadway  
Fullerton, NE 68638-0000

Office of the Comptroller of the Currency

Denver Field Office  
1225 17th Street Suite 450  
Denver, CO 80202

**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.”**

Fullerton National Bank (FNB) satisfactorily meets the credit needs of its assessment area.

- The bank maintains a reasonable loan-to-deposit ratio relative to area competition and the credit needs of the community
- The bank’s record of lending to borrowers within its assessment area is excellent.
- The bank’s pattern of lending to farms of different revenue sizes reasonably reflects area demographics.

## **SCOPE OF EXAMINATION**

The evaluation period for this CRA examination focuses on loan originations from January 2004 through May 2008. We reviewed both the dollar amount of loans and the number of loans originated during the evaluation period to determine the bank’s primary lending product. We determined that Fullerton National Bank’s (FNB) primary loan product is agriculture loans. We randomly selected a loan sample of twenty agricultural loans originated between January 1, 2006 and May 31, 2008. Our conclusions are based on this sample.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$27 million institution located in central Nebraska. The bank has a presence in the Nebraska counties of Nance, Boone, and Merrick. FNB operates out of its location in Fullerton, Nebraska and does not have any branches or deposit-taking automatic teller machines (ATMs). FNB operates two cash dispensing ATMs in Fullerton. There are no legal or financial barriers limiting the bank’s ability to meet community credit needs.

Woodstock Land & Cattle Company, a one-bank holding company located in Fullerton, owns 100 percent of FNB. As of December 31, 2007, the holding company had total assets of \$2.5 million in assets.

FNB offers a range of credit products including agricultural, real estate, commercial, and consumer loans. As of December 31, 2007, FNB’s loan portfolio accounted for 69 percent of total assets. FNB operates primarily as an agricultural lender. Agricultural loans account for 68 percent of gross loans at December 31, 2007. The following chart provides a breakdown of FNB’s lending products during the evaluation period.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Agriculture Loans	69%	69%
Commercial Loans	10%	10%
Residential RE Loans	9%	9%
Consumer Loans	6%	6%
Other	6%	6%
Total	100%	100%

FNB’s competition for loan and deposit products primarily comes from two other financial institutions located in Nance County. FNB is half the asset size of these local competitors.

FNB received a “Satisfactory” rating at the last CRA examination dated December 16, 2002. Refer to the bank’s CRA Public File for more information.

**DESCRIPTION OF ASSESSMENT AREA**

Management has designated all of the census tracts in the following counties in Nebraska as its assessment area (AA): Boone, Merrick, and Nance. This area includes Fullerton, Nebraska, which is the location of the bank’s only office. All six of the census tracts in this AA are classified as middle-income. The designated AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. The AA is not located within a Metropolitan Statistical Area (MSA). Refer to the CRA Public File for a map specifically outlining the bank’s AA.

FNB’s AA is a rural area including twelve towns. According to the 2000 United States Census, the population of the AA is 18,501. The two largest cities in the AA are Fullerton, which is located in the southeastern part of Nance County, and Albion, which is located in south central Boone County. Each town is its respective county’s seat. Fullerton has a population of 1,287 and Albion has a population of 1,797.

The updated Housing and Urban Development (HUD) median family income for the AA is \$51,400. The 2007 weighted average of median family income for FNB’s AA is \$39,115. The median household income for the AA is \$32,999. Sixty-six percent of the housing units in the AA are owner-occupied. The weighted average median cost of housing in FNB’s AA is \$59,403. The percent of families by income level for the AA is as follows: 22 percent low income, 18 percent moderate income, 23 percent middle income, and 37 percent upper income.

The AA’s economy remains stable and reliant on the agriculture industry. Twenty-two percent of all businesses in FNB’s AA are farms. The drought monitor as of December 25, 2007 indicated an optimistic opinion about the weather conditions for the coming year. Local school systems, nursing homes, and county courthouses provide some economic diversification in the AA.

Examiners conducted one community contact during this examination cycle. The contact was a government official located in the AA. The official indicated that the primary credit needs of the community include small business loans and residential real estate loans. FNB offers both of these types of loans, with a primary emphasis on agricultural lending.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit (LTD) Ratio**

**The bank’s LTD Ratio is satisfactory given the institution’s size, financial condition, area competition, and the credit needs of the community.**

FNB maintains a satisfactory loan-to-deposit ratio. The quarterly average since the last CRA examination (twenty quarters ago) is 85 percent. The average LTD ratios in similarly situated banks over the same time period ranged between 63 percent and 100 percent. Similarly situated banks are those banks of similar size and/or business lines operating within the same geography.

**Lending in Assessment Area**

**A substantial majority of loans by number and dollar volume are originated within the bank’s assessment area.**

FNB does an excellent job of lending to customers in their AA. We reviewed a random sample of twenty primary loan products to determine the bank’s lending performance within their AA. One-hundred percent of the loans we sampled were to borrowers in the bank’s AA. The following table shows the findings of our sample:

<b>Lending in FNB’s AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	20	100	0	0	20	3,709,366	100	0	0	3,709,366

*Source: Random loan sample*

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

**The bank’s pattern of lending to individuals and businesses of different sizes in the AA is satisfactory.**

FNB meets the standards for lending to farms of different sizes. We reviewed a random sample of twenty agricultural borrowers in the bank’s AA with loans originated between January 1, 2006 and May 31, 2008. Eighty-five percent of loans by number and 80 percent of loans by dollar were to farms with total revenue of less than or equal to \$1,000,000. The following table shows the findings of our sample:

<b>Borrower Distribution of Loans to Farms in AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	98%	1%	1%	100%
% of Bank Loans in AA by #	85%	5%	10%	100%
% of Bank Loans in AA by \$	80%	19%	1%	100%

*Source: Random loan sample and 2007 geodemographic data.*

The distribution of loans made to farms of different sizes is somewhat skewed by the size of the loans. Of the twenty agriculture loans that we sampled, only one loan was made to a borrower with total revenue greater than \$1,000,000. The loan made to that borrower was for \$700,000. The average loan amount for the seventeen loans made to borrowers with total revenue less than or equal to \$1,000,000 was \$175,610. It is reasonable that the borrower with greater total revenue would need an operating line of credit much larger than borrowers with lower total revenue, thereby counting for a greater portion of the sample.

### **Geographic Distribution of Loans**

All of the census tracts in FNB’s AA are middle-income. Therefore, a specific analysis of geographic distribution is not meaningful.

### **Responses to Complaints**

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

### **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.