



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Fullerton National Bank
Charter Number 5384**

**4th & Broadway
Fullerton, NE 68638**

**Comptroller of the Currency
Denver Field Office
1099 18th Street, Suite 2650
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.

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INSTITUTION'S CRA RATING

This institution is rated “Satisfactory.”

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

- The bank originates an adequate number of loans in its assessment area.
- The bank’s record of lending to farms of different revenue sizes is good.
- The bank maintains a reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

FNB is a \$20 million institution located in central Nebraska. It is a subsidiary of Woodstock Land & Cattle Company, a one-bank holding company, which is located in Fullerton, Nebraska and maintains \$1.6 million in assets. The bank does not have any branches but maintains two cash dispensing machines in Fullerton. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank’s ability to comply with the Community Reinvestment Act (CRA). The OCC previously rated the bank’s CRA performance “Satisfactory” at our February 2, 1998, examination.

The bank offers a full range of credit products including agricultural, real estate, commercial, and consumer loans. Net loans represent 75% of total assets as of September 30, 2002. The bank is primarily an agricultural lender with 62% of its loans for agricultural, 23% for 1-4 family residential, 10% for commercial, and 6% for consumer purposes. Loan and deposit competition comes from two other financial institutions located in Nance County. The bank is half the asset size of its local competitors.

We focused our analysis on agricultural loans, which comprise the majority of the loan portfolio.

DESCRIPTION OF NANCE COUNTY

Management has designated all of Nance County as the bank’s assessment area (AA). The bank’s only office is in the town of Fullerton, which is the county seat and located in south central Nance County. The AA consists of one middle-income Block Numbering Area (BNA). The AA is not located within a Metropolitan Statistical Area (MSA). The designated AA meets regulatory requirements and does not arbitrarily exclude any low- and moderate-income areas.

Nance County is a rural area containing several small communities. According to 1990 U.S. Census information, 4,275 people reside in the AA, with 1,452 individuals in Fullerton and the remaining population split between two other small towns and the surrounding countryside.

The 2002 updated Housing and Urban Development (HUD) non-MSA statewide median family income is \$45,800. In addition, 1990 U.S. Census reveals the median housing value for the AA is \$23,900, and 67% of the housing units are owner occupied. The percent of families by income level for the AA is as follows: low income 20%, moderate income 22%, middle income 31%, and upper income 27%. Furthermore, 9% of the families were below the poverty level as of the census date.

The area's economy is stable with few opportunities for growth. However, current drought conditions may indicate impending concerns in the agricultural sector. Agriculture and its related industries dominate the local economy. The school system, local nursing home, and county courthouse provide some economic diversification.

We conducted two community contacts. Our contacts included a governmental official and a local business owner, both located in the AA. The contacts indicated the primary credit needs of the community include residential real estate loans and financing for small businesses and small farms. FNB offers all of these types of loans, with a primary emphasis on agricultural lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB maintains a reasonable loan-to-deposit ratio. The bank's quarterly average loan-to-deposit ratio since its last CRA examination (19 quarters) is 82%. The 19-quarterly average for each of the two competing similarly situated financial institutions chartered in the bank's AA is 85% and 92%. We determined these two institutions to be similarly situated based on location and products offered. However, as noted earlier, both banks are twice the asset size of FNB and provide competition for the bank.

Lending in Assessment Area

FNB extends an adequate amount of credit to borrowers residing in the bank's designated AA. Approximately 60% of the number and 20% of the dollar volume of agricultural loans sampled were made to customers who live within the AA. We calculated these percentages by randomly sampling 20 notes originated, and currently remaining on the bank's books, between May 1999 and November 2002.

We based our conclusion on the number of loans rather than the dollar volume of loans because our sample indicated the bank originated numerous very small farm loans. Within our loan sample, 12 of the 20 loans were made to borrowers who reside in the bank's AA.

The distribution of the dollar size of the loans was somewhat skewed by the size of loans made

outside of the AA. Of the eight loans made outside the AA, ranging in size from \$2,000 to \$300,000, the average size was \$70,844. However, of the 12 loans made inside the AA, ranging in size from \$240 to \$97,500, the average size was only \$18,815. Our sample indicates that loans within the AA, while generally in smaller dollar amounts, demonstrate a reasonable lending effort to meet the needs of small farms in the bank's AA.

Management indicates that all agricultural borrowers in the sample are long-time customers of the bank.

Lending to Agricultural Operations of Different Sizes

FNB has a good record of lending to farms of different sizes. We randomly sampled 20 agricultural borrowers with loans originated, and currently remaining on the bank's books, from March 2001 to November 2002. This time frame provides a reasonable representation of FNB's lending patterns as it covers two agricultural operating cycles. The sample represents 6% of the 335 agricultural notes on the bank's books as of November 6, 2002. As noted in the table below, based on 20 borrowers sampled, the distribution of loans to farms with different revenues significantly exceeds the demographics for loans to borrowers with gross annual revenues less than \$1 million.

| Distribution of Farm Loans by Annual Revenues | | | | |
|--|----------------------------|--------------------------------|---|---------------------------------------|
| Annual Revenues | % of Farms Reported in AA* | % of FNB Loans Based on Number | % of Dollar Volume of Sales in Revenue Range* | % of FNB Loans Based on Revenue Range |
| Less than \$1 million | 39% | 60% | 87% | 95% |
| More than \$1 million | 61% | 40% | 13% | 5% |

*1997 Census of Agriculture, U.S. Census Bureau

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since the entire AA is designated as middle income.

Responses to Complaints

The bank has not received any consumer complaints regarding its CRA performance since the last examination.

Fair Lending Review

An analysis of the 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on our analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the CRA evaluation this year.