



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 6, 2011

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, 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 First National Bank of Fairbury (FNB) does an outstanding job of meeting the needs of its assessment area (AA).

- The bank maintains a reasonable loan-to-deposit (LTD) ratio relative to area competition and the credit needs of the community.
- A substantial majority of the bank's loans are originated within its AA.
- The bank's distribution of loans represents an excellent penetration of farms and businesses of different revenue sizes within its AA.
- The bank's record of lending to businesses represents an excellent dispersion of geographies of different income levels within its AA.
- FNB's responsiveness to community development (CD) needs and opportunities within its AA is satisfactory.

SCOPE OF EXAMINATION

FNB was evaluated under the small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. 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 this examination is from January 3, 2005 to June 6, 2011. The lending test for FNB covers its performance from January 1, 2009 through May 17, 2011, as this is representative of its lending strategy since the previous Community Reinvestment Act (CRA) examination. The evaluation period for the CD test is from January 3, 2005 to June 6, 2011.

FNB's primary loan products are agricultural and commercial loans. To evaluate FNB's performance under the lending test, we selected a random sample of 20 agricultural loans and 20 commercial loans originated between January 1, 2009 and May 17, 2011. Our conclusions are based on this sample.

DESCRIPTION OF INSTITUTION

FNB is headquartered in Fairbury, Nebraska, and has a presence in Jefferson County, Nebraska. As of March 31, 2011, FNB had total assets of \$133 million and tier 1 capital of \$23 million. FNB is wholly-owned by First National Fairbury Corporation, a single-bank holding company with total assets of \$133 million as of March 31, 2011. 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. 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 and commercial loans. As of March 31, 2011, FNB reported total loans of \$41 million and had a net loans and leases to total assets ratio of 30 percent. The following chart provides a breakdown of FNB's lending products during the evaluation period.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Agricultural Loans	70%	29%
Commercial Loans	19%	45%
Consumer Loans	7%	24%
Real Estate Loans	4%	2%
Total	100%	100%

Source: Internal loan reports

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 January 3, 2005.

DESCRIPTION OF THE ASSESSMENT AREA

Management has designated census tracts 9936, 9937, and 9938 in Jefferson County, Nebraska as its AA. This area includes Fairbury, Nebraska, which is the location of the bank's three offices. Census tracts 9936 and 9937 are designated middle-income, and census tract 9938 is designated moderate-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 ten towns. According to the 2000 United States Census, the population of the AA is 8,333. The largest town in the AA is Fairbury, Nebraska, which is located in the central part of Jefferson County. Fairbury serves as Jefferson County's seat.

The updated Housing and Urban Development estimated median family income for non-MSA areas in Nebraska is \$54,200 for 2010. The 2010 weighted average of median family income is \$40,785 for FNB's AA. The 2010 weighted average of median household income is \$32,066 for FNB's AA. Ten percent of the households in FNB's AA are below poverty level, and 68 percent of the housing units in the AA are owner-occupied.

The AA's economy is reliant on the agricultural industry. Twenty-two percent of the

businesses in FNB's AA are farms. Light industry, local school systems, local government, and the health care industry provide some economic diversification in the AA.

While conducting the assessment of the bank's performance, examiners contacted a member of the community. The community contact was the Executive Director of a private, non-profit organization that provides community services and affordable housing to persons in FNB's AA. The Executive Director indicated the primary credit needs of the community were housing, construction, and commercial loans, and the community's credit needs were being met.

LENDING TEST

FNB's performance under the lending test is outstanding. FNB maintains a reasonable LTD ratio, and originates a substantial majority of its loans inside its AA. Penetration among farms of different sizes is satisfactory, and penetration among businesses of different sizes is outstanding. FNB's geographical distribution of commercial loans is excellent.

All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable given the institution's size, financial condition, area competition, and the credit needs of the community.

FNB maintains a satisfactory LTD ratio that averaged 52 percent over the last 20 quarters. The average LTD for similarly situated banks over the same time period was 67 percent. Individual LTD ratios ranged from 52 percent to 85 percent per bank. Similarly situated banks are those of similar size and/or business lines operating in the same geography.

Lending in Assessment Area

FNB originates a substantial majority of loans by number and by dollar volume within its AA.

FNB does an outstanding job of lending to customers in its AA. We reviewed a random sample of 20 agricultural loans and 20 commercial loans to determine FNB's lending performance within its AA. Ninety-eight percent of the loans by number and 97 percent of the loans by dollar were to borrowers in FNB's AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	

Agricultural	19	95	1	5	20	1,105,131	96	49,000	4	1,154,131
Commercial	20	100	0	0	20	343,255	100	0	0	343,255
Total	39	98	1	2	40	1,448,386	97	49,000	3	1,497,386

Source: Random loan sample

Lending to Farms and Businesses of Different Sizes

FNB's pattern of lending to farms and businesses of different sizes in its AA is excellent.

FNB does a satisfactory job of lending to farms of different sizes in its AA. We reviewed a random sample of 20 agricultural loans originated in FNB's AA between January 1, 2009 and May 17, 2011. Eighty-eight percent of the loans by dollar, and 80 percent of the loans by number, were to farms with gross annual revenue (GAR) less than or equal to \$1 million. This is considered reasonable, as 99 percent of the farms in FNB's AA reported GAR of \$1 million or less.

Borrower Distribution of Loans to Farms in Jefferson County Assessment Area				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	80%	15%	5%	100%
% of Bank Loans in AA by \$	88%	12%	0%	100%

Source: Random loan sample; 2010 geodemographic data

FNB does an outstanding job of lending to businesses of different income sizes in its AA. We reviewed a random sample of 20 commercial loans originated in FNB's AA between January 1, 2009 and May 17, 2011. Ninety-one percent of the loans by dollar, and 90 percent of the loans by number, were to businesses with GAR less than or equal to \$1 million. This is considered outstanding as 78 percent of the businesses in FNB's AA are non-farm, and only 77 percent of the businesses in FNB's AA reported GAR of \$1 million or less.

Borrower Distribution of Loans to Businesses in Jefferson County Assessment Area				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total

% of AA Businesses	77%	4%	19%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	91%	9%	0%	100%

Source: Random loan sample; 2010 geodemographic data

Geographic Distribution of Loans

FNB’s pattern of lending to businesses throughout census tracts of different levels in its AA is excellent.

FNB does an outstanding job of lending to businesses in census tracts of different income levels in its AA. We reviewed a random sample of 20 commercial loans originated in FNB’s AA between January 1, 2009 and May 17, 2011. Seventy-one percent of the loans by number were to businesses located in a moderate-income census tract. This is considered outstanding, as only 28 percent of the businesses in FNB’s AA are located within a moderate-income census tract.

Geographic Distribution of Loans to Businesses in Jefferson County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	0	0	28	71	72	29	0	0

Source: Random loan sample; 2010 geodemographic data

An analysis of the geographic distribution of farm loans was not completed because all of the farms in FNB’s AA are located in middle-income census tracts.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The CD test is rated satisfactory. During the evaluation period, FNB provided over \$3 million in CD loans and CRA qualified investments to help meet the CD needs of its AA. These activities had a positive impact on FNB’s CRA rating.

Community Development Loans

Management provided funds for 16 CD loans totaling \$3.3 million during the evaluation period. Six loans totaling \$443 thousand supported community service organizations, and ten loans totaling \$2.8 million supported economic development organizations.

Community Development Investments

Management provided the AA with 73 CD investments totaling \$71 thousand during the evaluation period. Fifty of the investments totaling \$26 thousand supported community service organizations, and 23 of the investments totaling \$45 thousand supported economic development organizations.

FAIR LENDING OR OTHER ILLEGAL PRACTICES REVIEW

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