



PUBLIC DISCLOSURE

April 1, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank and Trust of Fullerton
RSSD# 266655

230 Broadway Street
Fullerton, Nebraska 68638

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act Rating 2
Scope of Examination 2
Description of Institution 3
Description of Assessment Area 3
Conclusions With Respect to Performance Criteria 6
Fair Lending or Other Illegal Credit Practices Review 9
Appendix A – Map of the Assessment Area 10
Appendix B – Demographic Information..... 11
Appendix C – Glossary..... 12

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

First Bank and Trust of Fullerton (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among farms of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's single AA. Examiners reviewed the following data:

- The bank's 17-quarter average NLTD ratio, and
- A statistical sample of 56 small farms loans from a universe of 78 loans originated between January 1, 2023 and December 31, 2023.

For this evaluation, greater consideration was given to the volume of loan originations rather than the dollar amount, as it is more representative of the number of entities served.

DESCRIPTION OF INSTITUTION

First Bank and Trust of Fullerton is a community bank headquartered in Fullerton, Nebraska. The bank’s characteristics include:

- The bank is a wholly owned subsidiary of First National Holding Company, Inc.
- The bank has total assets of \$102.4 million as of December 31, 2023.
- In addition to the main office in Fullerton, the bank operates a full-service branch in Saint Edward, Nebraska.
- The bank maintains two cash-only automated teller machines (ATMs), including one at its Saint Edward location and at a restaurant in Fullerton.
- As shown in the table below, the bank’s primary business focus is agricultural lending.

Table 1

Composition of Loan Portfolio as of December 31, 2023		
Loan Type	\$(000)	%
Construction and Land Development	1,542	2.3
Farmland	35,233	52.2
1- to 4-Family Residential Real Estate	82	0.1
Multifamily Residential Real Estate	3,584	5.3
Nonfarm Nonresidential Real Estate	486	0.7
Agricultural	22,500	33.4
Commercial and Industrial	3,124	4.6
Consumer	851	1.3
Other	38	0.1
Gross Loans	67,440	100.0

Note: Percentages may not total 100.0 percent due to rounding.

The bank was rated Satisfactory under the CRA at its March 16, 2020 performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s Eastern Nebraska AA consists of the entirety of Boone and Nance Counties (see Appendix A for an AA map and Appendix B for additional demographic data).

- The AA delineation remains unchanged since the prior evaluation.
- The AA is comprised of two middle- and one upper-income census tract. This represents a change from the previous evaluation when the AA consisted of three middle-income census tracts.

- According to the June 30, 2023 Federal Deposit Insurance Corporation (FDIC) Summary of Deposit Market Share Report, the bank ranked fourth of seven FDIC-insured depository institutions, with a total deposit market share of 13.7 percent.
- A member of the local community was interviewed to ascertain relevant area credit needs, local economic conditions, the responsiveness of the area banks in meeting those credit needs, and current demographic characteristics. The community member represents a local government agency.

Table 2

Population Change			
Assessment Area: Eastern Nebraska			
Area	2015 Population	2020 Population	Percent Change
Eastern Nebraska	9,012	8,759	(2.8)
Boone County, NE	5,373	5,379	0.1
Nance County, NE	3,639	3,380	(7.1)
NonMSA Nebraska	679,331	672,190	(1.1)
Nebraska	1,869,365	1,961,504	4.9

*Source: 2020 U.S. Census Bureau: Decennial Census
2011-2015 U.S. Census Bureau: American Community Survey*

- As illustrated in Table 2, the AA experienced a comparable decrease in population to NonMSA Nebraska (rural areas statewide) while the state of Nebraska experienced a population increase.
- Individuals aged 65 and older represent 22.1 percent of the AA’s population. This is comparable to rural areas statewide, but higher than the state of Nebraska at 19.6 percent and 15.4 percent, respectively.

Table 3

Median Family Income Change			
Assessment Area: Eastern Nebraska			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Eastern Nebraska	67,113	70,231	4.6
Boone County, NE	69,454	75,179	8.2
Nance County, NE	62,290	64,545	3.6
NonMSA Nebraska	67,146	71,424	6.4
Nebraska	73,448	80,125	9.1

*Source: 2011 – 2015 U.S. Census Bureau: American Community Survey
2016 – 2020 U.S. Census Bureau: American Community Survey*

Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.

- Growth in the AA’s median family income from 2015 to 2020 was comparable to rural areas statewide, but lower than the state of Nebraska figure.

- Families in the AA living below the poverty level at 5.6 percent, is comparable to rural areas statewide and the state of Nebraska, at 7.1 percent and 6.6 percent, respectively.

Table 4

Housing Cost Burden						
Assessment Area: Eastern Nebraska						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Eastern Nebraska	62.6	2.1	20.6	50.0	20.0	15.5
Boone County, NE	60.6	0.0	21.0	49.1	21.7	13.3
Nance County, NE	70.0	4.7	19.5	50.7	17.8	18.4
NonMSA Nebraska	62.8	15.0	30.7	55.5	19.3	15.4
Nebraska	71.4	24.2	36.2	60.6	26.7	15.9

Cost Burden is housing cost that equals 30 percent or more of household income.
Source: U.S. Department of Housing and Urban Development (HUD), 2016 – 2020 Comprehensive Housing Affordability Strategy

- The AA housing affordability ratio¹ of 53.6 percent indicates greater affordability when compared to rural areas statewide and the state of Nebraska, at 44.0 percent and 38.4 percent, respectively.
- The housing cost burden for all homeowners in the AA is comparable to rural areas statewide and the state of Nebraska. However, the housing cost burden is considerably lower for moderate-income renters in the AA, at 2.1 percent, when compared to rural areas statewide and the state of Nebraska at 15.0 percent and 24.2 percent, respectively.

Table 5

Unemployment Rates					
Assessment Area: Eastern Nebraska					
Area	2018	2019	2020	2021	2022
Eastern Nebraska	2.4	2.9	2.9	1.8	1.9
Boone County, NE	2.3	2.8	2.6	1.7	1.8
Nance County, NE	2.5	3.1	3.3	2.0	2.1
NonMSA Nebraska	2.8	3.0	3.5	2.3	2.2
Nebraska	2.9	3.1	4.3	2.7	2.3

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The AA’s unemployment rate has remained consistently below statistics for rural areas statewide and the state of Nebraska.
- The community member stated that major area employment sectors were in agriculture, assisted living, and local schools.

¹ The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall lending test performance is Satisfactory. This conclusion was reached based on a reasonable NLTD ratio, a majority of loans originated within the bank’s AA, a reasonable geographic distribution of loans, and a reasonable borrower distribution of loans.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison, to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and areas of operations in proximity to the bank’s AA.

The bank’s NLTD ratio is reasonable. As illustrated in Table 6, the bank’s 17-quarter average NLTD ratio of 93.4 percent is within the range of other similarly situated banks whose NLTD ratios ranged from 50.5 percent to 115.8 percent.

Table 6

Comparative NLTD Ratios December 31, 2019 – December 31, 2023			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			17 Quarter Average
First Bank and Trust of Fullerton	Fullerton, Nebraska	103,767	93.4
Similarly Situated Institutions			
Genoa Community Bank	Genoa, Nebraska	74,858	79.9
Bank of Lindsay	Lindsay, Nebraska	95,762	115.8
Columbus Bank and Trust Company	Columbus, Nebraska	222,175	90.6
First National Bank in Ord	Ord, Nebraska	151,608	50.5
State Bank of Scotia	Scotia, Nebraska	61,799	82.7

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside the AA. The bank originated a majority of loans, by number and dollar, inside the AA.

Table 7

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	#%	\$(000)	%	#	#%	\$(000)	%
Small Farm	43	76.8	6,796	74.6	13	23.2	2,320	25.4
Total Loans	43	76.8	6,796	74.6	13	23.2	2,320	25.4

Note: Percentages may not total 100.0 percent due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts with consideration given to the dispersion of loans throughout the AA. The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. As illustrated in Table 8, the distribution of small farm loans in middle-income tracts was comparable to the demographic figure, which represents the percentage of farms by census tract income level.

A review of the dispersion of loans among the various tracts throughout the AA revealed no conspicuous gaps or lapses.

Table 8

Distribution of 2023 Small Farm Lending By Income Level of Geography					
Assessment Area: Eastern Nebraska					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	42	97.7	6,596	97.1	93.6
Upper	1	2.3	200	2.9	6.4
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	43	100.0	6,796	100.0	100.0

Source: 2023 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Lending to Farms of Different Sizes

This performance criterion evaluates the bank’s lending to farms of different revenue sizes. The bank’s lending has a reasonable distribution among farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. As illustrated in Table 9, the bank’s lending to farms with gross annual revenues of \$1 million or less (small farms) was comparable to the demographic figure, which represents the percentage of farms by revenue size. Additionally, approximately 79.0 percent of the loans to all farms were originated in amounts of \$250,000 or less, which are amounts typically demanded by smaller farm entities.

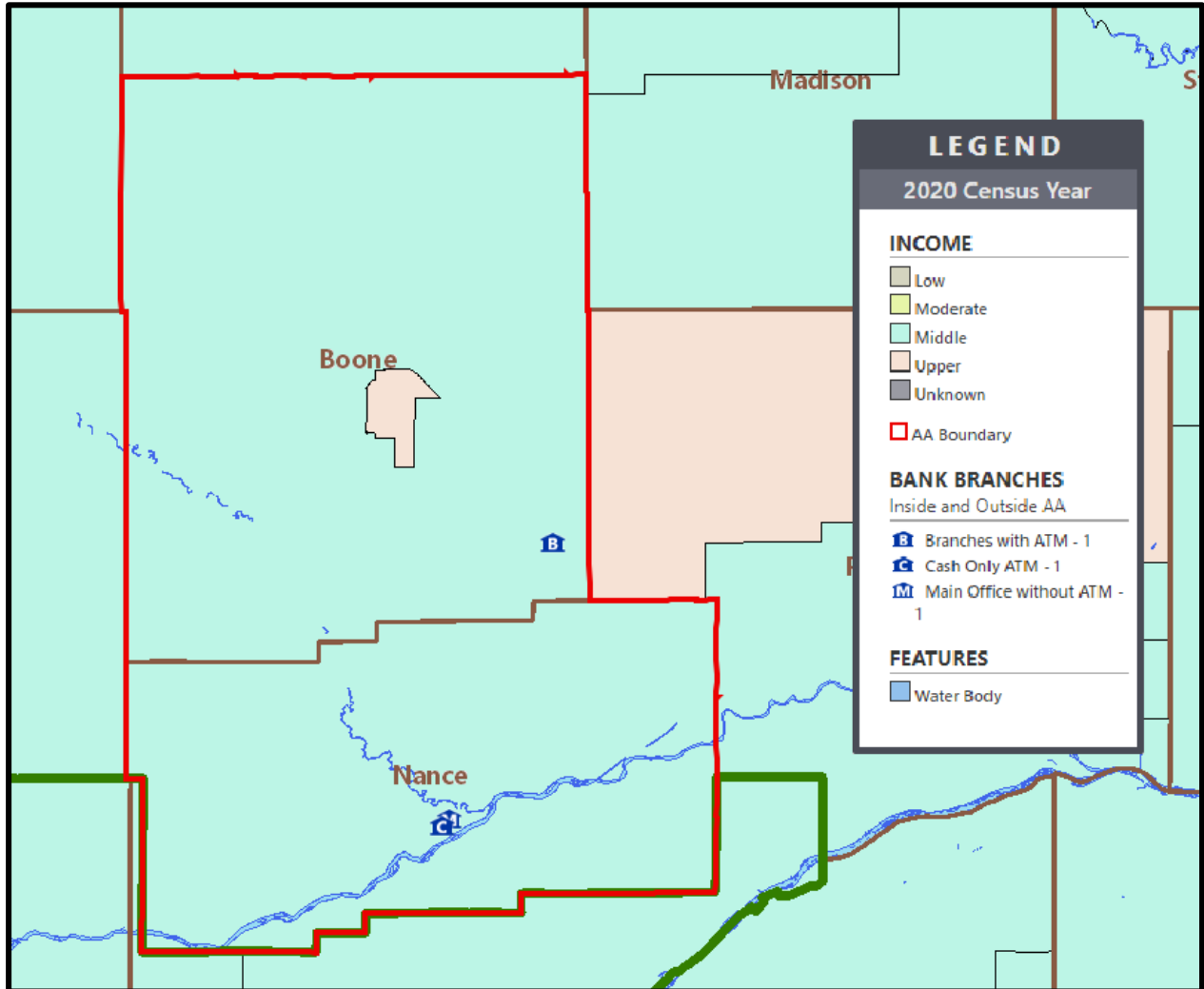
Table 9

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Eastern Nebraska					
	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	39	90.7	5,596	82.3	98.5
Over \$1 Million	3	7.0	1,050	15.5	1.5
Revenue Unknown	1	2.3	150	2.2	0.0
Total	43	100.0	6,796	100.0	100.0
By Loan Size					
\$100,000 or Less	21	48.8	1,016	14.9	
\$100,001 - \$250,000	13	30.2	2,305	33.9	
\$250,001 - \$500,000	9	20.9	3,475	51.1	
Total	43	100.0	6,796	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	21	53.8	1,016	18.2	
\$100,001 - \$250,000	11	28.2	1,955	34.9	
\$250,001 - \$500,000	7	17.9	2,625	46.9	
Total	39	100.0	5,596	100.0	
<i>Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

Table B-1

2023 Eastern Nebraska AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	419	16.6
Moderate	0	0.0	0	0.0	0	0.0	573	22.8
Middle	2	66.7	2,055	81.6	138	6.7	532	21.1
Upper	1	33.3	463	18.4	3	0.6	994	39.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	2,518	100.0	141	5.6	2,518	100.0
Housing Units by Tract	Housing Type by Tract							
	Owner-occupied		Rental		Vacant			
	#	% by tract	% by unit	#	% by unit	#	% by unit	
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	3,591	2,487	80.9	69.3	501	14.0	603	16.8
Upper	913	589	19.1	64.5	214	23.4	110	12.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	4,504	3,076	100.0	68.3	715	15.9	713	15.8
Total Businesses by Tract	Businesses by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	379	70.6	339	70.2	25	71.4	15	78.9
Upper	158	29.4	144	29.8	10	28.6	4	21.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	537	100.0	483	100.0	35	100.0	19	100.0
Percentage of Total Businesses:			89.9		6.5		3.5	
Total Farms by Tract	Farms by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	189	93.6	186	93.5	3	100.0	0	0.0
Upper	13	6.4	13	6.5	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	202	100.0	199	100.0	3	100.0	0	0.0
Percentage of Total Farms:			98.5		1.5		0.0	
Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau; American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

APPENDIX C – GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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, 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 nonrelatives 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-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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-scope review: Performance is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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.

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. 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.

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