



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 24, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 6818

201 Main Street
Beemer, NE 68716-0000

Office of the Comptroller of the Currency

SIOUX FALLS
117 Pierce Street Suite 100
Sioux City, IA 51101-1036

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."

First National Bank (FNB) satisfactorily meets the credit needs of its assessment areas.

- 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 satisfactory.
- The bank's pattern of lending to farms of different revenue sizes and consumers of different income levels reasonably reflects area demographics.
- The bank's practice of lending to borrowers of different geographies is satisfactory.

SCOPE OF EXAMINATION

The evaluation period for this Community Reinvestment Act (CRA) examination focuses on loan originations from June 2003 through February 2009. 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 products. We determined that FNB's primary loan products are agriculture loans and consumer loans. We randomly selected a loan sample of twenty agricultural loans and twenty consumer loans originated between January 1, 2006 and February 24, 2009. Our conclusions are based on this sample.

DESCRIPTION OF INSTITUTION

FNB is an \$110 million institution located in northeast Nebraska. The bank has a presence in the Nebraska counties of Cuming, Burt, Thurston, and Dakota. FNB operates out of its main office in Beemer, Nebraska and its branch locations in Bancroft, Nebraska and Homer, Nebraska. There is not a material difference in the type of loan and deposit products offered at any of the branches. FNB does not have any deposit-taking automatic teller machines (ATMs). There are no legal or financial barriers limiting the bank's ability to meet community credit needs.

FNB's corporate structure has not changed since the last CRA examination. First Beemer Corporation, a one-bank holding company located in Beemer, Nebraska, owns 100% of FNB. As of December 31, 2008, the holding company had total assets of \$110 million.

FNB offers a range of credit products including agricultural, real estate, commercial, and consumer loans. As of December 31, 2008, FNB's loan portfolio accounted for 65% of total assets. FNB operates primarily as an agricultural and consumer lender. 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
Agriculture Loans	76%	49%
Commercial Loans	17%	17%
Consumer Loans	5%	33%
Real Estate Loans	2%	1%
Total	100%	100%

Source: Bank reports

FNB's competition for loan and deposit products primarily comes from other financial institutions located in Burt, Cuming, and Thurston counties in Nebraska.

FNB received a "Satisfactory" rating at the last CRA examination dated June 26, 2003. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

FNB operates with two assessment areas (AAs). Each AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Please refer to the CRA Public File for a map specifically outlining each AA.

The local economy is stable in each of the AAs. Examiners made one community contact during this examination. The community contact was a city government official. The community contact noted that the agriculture industry drives the local economy and identified agriculture loans and consumer loans as the primary credit needs of the areas. FNB offers and originates each of these loan types.

Sioux City Metropolitan Statistical Area Assessment Area

The first AA is the Sioux City Metropolitan Statistical Area (MSA). This AA is served by FNB's Homer branch. The Sioux City MSA AA includes only one census tract, tract 104 in Dakota County, Nebraska. The tract is designated as middle-income.

The Sioux City MSA AA is a rural area. According to the 2000 United States (US) Census, the population of this AA is 3,480. The largest town in the AA is Homer, Nebraska, which is located in south-central Dakota County. Homer has a population of 603.

The updated Housing and Urban Development (HUD) median family income for the Sioux City MSA is \$55,600. The 2008 weighted average median family income for this AA is \$49,188. The median household income for the AA is \$42,147. Fourteen percent of the families in this AA are low-income, 19% are moderate-income, 25% are middle-income, and 42% are upper income. Seven percent of the households in this AA are below the poverty level and 73% of the housing in the AA is owner-occupied.

Non-Metropolitan Statistical Area Assessment Area

The second AA is the Non-Sioux City MSA AA. This AA is served by FNB's branches in Beemer, Nebraska and Bancroft, Nebraska. This AA includes the following census tracts: 9826, 9827, 9828, and 9401 in Cuming County, 9831 in Burt County, and 9401 in Thurston County. Census tract 9401 in Thurston County is designated as moderate-income. The remaining census tracts in this AA are designated as middle-income.

The Non-Sioux City MSA AA is a rural area. According to the 2000 US Census, the population of this AA is 17,384. The largest town in the AA is West Point, Nebraska, which is located in northeast Cuming County. West Point has a population of 3,374.

The updated Housing and Urban Development (HUD) median family income for non-MSA areas in Nebraska is \$51,800. The 2008 weighted average median family income for this AA is \$36,803. The median household income for the AA is \$31,864. Twenty percent of the families in this AA are low-income, 23% are moderate-income, 26% are middle-income, and 31% are upper-income. Eleven percent of the households in this AA are below the poverty level and 64% of the housing in the AA is owner-occupied.

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. FNB's LTD ratio averaged 80% over the last twenty quarters. The average LTD ratio in similarly situated banks over the same time period was 90%. Individual LTD ratios ranged from 76% to 111% per bank. Similarly situated banks are those banks of similar size and/or business lines operating within the same geography.

Lending in Assessment Area

A majority of loans by number and dollar volume are originated within the bank's assessment areas.

FNB does a satisfactory job of lending to customers in their AAs. We reviewed a random sample of twenty primary loan products to determine the bank's lending performance within their AAs. Seventy-three percent of the loans by number and 85% of the loans by dollar were to borrowers in the bank's AAs. The following table shows the findings of our sample:

Lending in FNB's AAs						
Loan Type	Number of Loans				Dollars of Loans (000's)	
	Inside		Outside		Total	
	#	%	#	%	\$	%

Agricultural	12	60	8	40	20	3,828,377	85	692,127	15	\$4,520,504
Consumer	17	85	3	15	20	102,916	82	22,040	18	\$124,956
Total	29	73	11	27	40	3,931,293	85	714,167	15	\$4,645,460

Source: Random loan sample

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

The bank's pattern of lending to farms of different sizes and individuals of different income levels is satisfactory, and meets the demographics of each AA.

Sioux City MSA Assessment Area

FNB meets the standards for lending to farms of different sizes when compared to AA demographics. We reviewed a random sample of twenty agricultural loans originated in the Sioux City MSA AA between January 1, 2006 and February 24, 2009. One-hundred percent of the loans by number and by dollar were to farms with gross revenue of less than or equal to \$1,000,000. The following table shows the findings of our sample:

Borrower Distribution of Loans to Farms in Sioux City MSA AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Random loan sample and 2008 geodemographic data.

FNB also meets the standards for lending to consumers of different income levels when compared to the demographics of the Sioux City MSA AA. We reviewed a random sample of twenty consumer loans originated in the bank's AA between January 1, 2006 and February 24, 2009. Thirteen percent of the loans were to low-income households, 29% were to moderate-income households, 26% were to middle-income households, and 29% were to upper income households. The following table shows the findings of our sample:

Borrower Distribution of Consumer Loans in Sioux City MSA AA				
Borrower Income Level	Low	Moderate	Middle	Upper

	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	18%	13%	15%	29%	21%	26%	46%	29%

Source: Random loan sample and 2008 geodemographic data.

Note: 3% of the loans did not include income information

Non-Sioux City MSA Assessment Area

FNB meets the standards for lending to farms of different sizes when compared to AA demographics. We reviewed a random sample of twenty agricultural loans originated in the Non-Sioux City MSA AA between January 1, 2006 and February 24, 2009. Ninety-five percent of the loans by number and 54% of the loans by dollars were to farms with gross revenue of less than or equal to \$1,000,000. The following table shows the findings of our sample:

Borrower Distribution of Loans to Farms in Non-Sioux City MSA AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	97%	2%	1%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	94%	46%	0%	100%

Source: Random loan sample and 2008 geodemographic data.

A reliable conclusion for the borrower distribution of consumer loans in the Non-Sioux City MSA AA could not be drawn due to the lack of income data. We reviewed a random sample of twenty consumer loans originated in the Non-Sioux City MSA AA between January 1, 2006 and February 24, 2009. Income information was unavailable on 60% of the loans by number and 28% of the loans by dollar. Management relies on the borrower's credit bureau report and prior history with the bank when making consumer loans in this AA, rather than income information.

Geographic Distribution of Loans

The bank's practice of lending to borrowers of different geographies is satisfactory.

Sioux City MSA Assessment Area

A meaningful analysis of geographic distribution could not be completed in the Sioux City MSA AA. There is only one census tract in this AA. The census tract is classified as middle-income.

Non-Sioux City MSA Assessment Area

Management's practice of lending to farms of different geographies in the Non-Sioux City MSA AA is satisfactory. We reviewed a random sample of twenty agricultural loans originated in the Non-Sioux City MSA AA between January 1, 2006 and February 24,

2009. Ten percent of the loans were to farms in moderate-income census tracts and 90% of the loans were to farms in middle-income census tracts. This is consistent with area demographics. It is not reasonable for FNB to serve the low-income and upper-income tracts, due to the small number of borrowers in these areas. The following table shows the findings of our sample:

Geographic Distribution of Loans to Farms in Non-Sioux City MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agriculture Loans	0%	0%	7%	10%	93%	90%	0%	0%

Source: Random loan sample and 2008 demographic data.

Management's practice of lending to consumers of different geographies in the Non-Sioux City MSA AA is also satisfactory. We reviewed a random sample of twenty consumer loans originated in the Non-Sioux City MSA AA between January 1, 2006 and February 24, 2009. Forty-five percent of the loans were to moderate-income census tracts and 55% of the loans were to middle-income census tracts. This is consistent with area demographics. It is not reasonable for FNB to serve the low-income and upper-income tracts, due to the small number of borrowers in these areas. The following table shows the findings of our sample:

Geographic Distribution of Consumer Loans in Non-Sioux City MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	23%	45%	77%	55%	0%	0%

Source: 2008 demographic data, sample of loans.

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.