



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 24, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank, Ames, Iowa  
Charter Number: 10408

405 Fifth Street  
Ames, IA 50010-0607

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, NE 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 Satisfactory.**

**The Lending Test is rated: Satisfactory**

- First National Bank, Ames, Iowa (FNB) meets the standards for a satisfactory loan-to-deposit ratio rating.
- The majority of the bank's primary product loans are within the assessment areas (AAs).
- The borrower distribution levels are reasonable.
- The geographic distribution of loans reflects the demographics of the AAs.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AAs.

**The Community Development Test is rated: Satisfactory**

- FNB's community development performance demonstrates adequate responsiveness to the community development needs of the AAs through community development loans, qualified investments, donations, and community development services.

## **Scope of Examination**

The evaluation period for the residential real estate and business loans was January 1, 2007 through June 30, 2009.

Initial analysis of the bank's loan originations and purchases since the prior examination identified the primary products are business and residential real estate loans. We reviewed data integrity for the Home Mortgage Disclosure Act (HMDA) and verified accuracy.

FNB has two AAs. We analyzed residential real estate loans and business loans for both AAs.

The evaluation period for the community development loans, investments and services tests was October 16, 2006 to August 31, 2009.

We performed two community contacts during the examination, one for each assessment area. The two contacts focused on economic development. The contacts stated banks in the area are meeting the needs of the community. One contact mentioned the tightening of credit standards; however, due to the current economy this is expected.

## Description of Institution

FNB is a full-service financial institution headquartered in Ames, Iowa. The bank offers a full range of credit products within its AAs including commercial, real estate, and consumer loan products. The bank's primary business focus is on commercial lending, but residential real estate loans are also emphasized. For purposes of the CRA evaluation, FNB is an intrastate bank with offices located only in Iowa. As of August 31, 2009, the bank had five office locations and 18 automated teller machines (ATMs) in the Ames and Ankeny AAs. Ames National Corporation owns 100% of FNB and four other banks in central Iowa. There were no acquisition or merger activities related to FNB during the CRA evaluation period.

As of June 30, 2009, FNB had total assets of \$445 million and tier 1 capital of \$41 million. The loan-to-deposit ratio was 52.22% on June 30, 2009. The bank's primary focus remains business and residential real estate lending. By dollar amount, the loan portfolio consisted of 66% business loans, 28% residential real estate loans, 5% agricultural loans, and 1% consumer loans.

FNB received a Satisfactory rating at the prior CRA examination dated March 28, 2006.

## Description of Assessment Area(s)

### Ames Assessment Area

Management has designated 14 contiguous census tracts in Story County as one of the assessment areas (AA). The 14 census tracts are located in the Ames Metropolitan Statistical Area (MSA). Four of the bank's offices are located in these census tracts. The Ames AA includes a mix of low-income, middle-income, and upper-income census tracts. The designated Ames AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Two of the census tracts are low-income, and none of the census tracts are moderate-income. The low-income census tracts do not significantly affect the CRA analysis because these areas consist mainly of Iowa State University rental housing. Due to the influence of Iowa State University and its students, there is a very low population of owner-occupied housing units in the low-income census tracts. Refer to the CRA Public File for a map specifically outlining the bank's AA.

Competition in the Ames AA is very strong. Based on FDIC market share data from June 30, 2008, there were 20 deposit-taking financial institutions with offices in the Ames AA. FNB ranked first with a deposit market share of 25% in the Ames AA. The bank had \$362MM in deposits in the Ames AA. Key competitors include US Bank, First American Bank, and Ames Community Bank.

The Ames AA offers employment in several types of industries including health services, transportation, education services, and research. Large employers include Iowa State

University, Iowa Department of Transportation, United States Department of Agriculture, United States Department of Energy's Ames Laboratory, Mary Greeley Medical Center, Ames Community School District, Sauer-Danfoss, 3M, Barilla, and Ball.

The updated Housing and Urban Development (HUD) median family income for the Ames AA is \$73,300 for 2009. The 2008 weighted average of median family income for the Ames AA is \$58,972. The weighted average median household income for the AA is \$40,708. More than 18% of the households in the Ames AA are below the poverty level.

Examiners conducted one community contact from the Ames AA during the examination cycle. The contact was the Vice President of a non-profit organization that supports economic development in the AA. The Vice President indicated the primary credit needs of the community include commercial loans and consumer loans. FNB offers both of these loan types.

### **Ankeny Assessment Area**

Management has designated four contiguous census tracts in Polk County as the other AA. The four census tracts are located in the Ankeny MSA. The bank has one branch located in the Ankeny AA. The Ankeny AA consists of two middle-income and two upper-income census tracts. The Ankeny AA does not include any moderate-income or low-income areas. The designated AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Refer to the CRA Public File for a map specifically outlining the Ankeny AA.

The Ankeny AA has experienced significant growth in recent years. Many retailers have opened stores near the interstate in recent years. Large employers include Ankeny School District, Deere & Company, Perishable Distributors of Iowa, Casey's General Stores, Tone's Spices, and Mrs. Clark's Food.

Competition in the Ankeny AA is also very strong, but the bank has a minor position in this AA. Based on FDIC market share data from June 30, 2008, there were 37 deposit-taking financial institutions with offices in the Ankeny AA. FNB operates with a small deposit market share of 0.04% in the Ankeny AA. The bank had \$4MM in deposits in the Ankeny AA.

The updated HUD median family income for the Ankeny AA is \$71,700 for 2009. The 2008 weighted average of median family income for the Ankeny AA is \$68,200. The weighted average median household income for the AA is \$56,900. Approximately 4% of the households in the Ankeny AA are below the poverty level.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank’s performance under the lending test is satisfactory. The following narratives and tables support our assessment of the bank’s performance.

#### Loan-to-Deposit Ratio

FNB meets the standards for a satisfactory loan-to-deposit ratio rating. The bank’s loan-to-deposit ratio averaged 60.83% over the last twenty quarters. This is lower than average of four similarly-situated banks in the area. However, reports indicate FNB ranks first in market share of deposits in Ames. The high percentage of the market share of deposits factors into the loan-to-deposit ratio that is lower than average.

#### Lending in Assessment Area

FNB meets the standards for satisfactory performance with regard to extending credit inside the AAs. Our sample indicates 74.6% of the bank’s loans by number, and 80% of the bank’s loans by dollar, are originated to borrowers within the AAs.

The following table shows the level of lending inside the Ames and Ankeny AAs.

Lending in Ames AA and Ankeny AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate <sup>1</sup>	264	73.7%	94	26.3%	358	\$33,668	78.9%	\$9,006	21.1%	\$42,674
Commercial <sup>2</sup>	33	82.5%	7	17.5%	40	\$30,026	81.2%	\$6,926	18.7%	\$36,952
Totals	297	74.6%	101	25.4%	398	\$63,694	80%	\$15,932	20%	\$79,626

Source: <sup>1</sup> Data reported under HMDA.

<sup>2</sup> Origination information maintained by bank.

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

##### Performance in the Ames AA

The borrower distribution of loans in the Ames AA is reasonable. Business and residential real estate loans were identified as credit needs in the Ames AA.

*Residential Real Estate Loans*

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels reflects reasonable penetration. The bank works with Habitat for Humanity to provide low-to-moderate families financing opportunities. The borrower's income level was not reported in 18% of the loans, which hampers the ability to analyze of the full population.

The following table shows the distribution of residential real estate loans among borrowers of different income levels in the Ames AA.

<b>Borrower Distribution of Residential Real Estate Loans in Ames AA</b>										
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	20%	7%	16%	23%	22%	26%	42%	34%	0%	10%
Home Improvement	20%	3%	16%	21%	22%	15%	42%	45%	0%	15%
Refinance	20%	9%	16%	9%	22%	20%	42%	36%	0%	26%
<b>TOTAL</b>	<b>20%</b>	<b>7%</b>	<b>16%</b>	<b>17%</b>	<b>22%</b>	<b>22%</b>	<b>42%</b>	<b>36%</b>	<b>0%</b>	<b>18%</b>

Source: Data reported under HMDA

*Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Fifty-five percent of the bank's businesses loans originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that shows approximately sixty percent of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the Ames AA.

<b>Borrower Distribution of Loans to Businesses in Ames AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	59.70%	5.17%	35.13%	100%
% of Bank Loans in AA by #	55.00%	30.00%	15.00%	100%
% of Bank Loans in AA by \$	58.00%	11.00%	31.00%	100%

Source: Origination information maintained by bank.

Performance in the Ankeny AA

The borrower distribution of loans in the Ankeny AA is reasonable. Business and residential real estate loans were identified as credit needs in the Ankeny AA.

*Residential Real Estate Loans*

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels reflects reasonable penetration. The bank’s lending to borrowers of different income levels in the Ankeny AA is comparable to the demographics.

The following table shows the distribution of residential real estate loans among borrowers of different income levels in the Ankeny AA.

<b>Borrower Distribution in Ankeny AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	12%	0%	14%	8%	24%	21%	50%	42%
Home Improvement	12%	0%	14%	0%	24%	8%	50%	0%
Refinance	12%	4%	14%	4%	24%	4%	50%	8%
<b>TOTAL</b>	<b>12%</b>	<b>4%</b>	<b>14%</b>	<b>13%</b>	<b>24%</b>	<b>33%</b>	<b>50%</b>	<b>50%</b>

Source: Data reported under HMDA.

*Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Seventy-four percent of the bank’s businesses loans originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that shows approximately sixty two percent of the area’s businesses are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in the Ankeny AA.

**Borrower Distribution of Loans to Businesses in Ankeny AA**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	61.85%	3.71%	34.44%	100%
% of Bank Loans in AA by #	74.00%	26.00%	5.00%	100%
% of Bank Loans in AA by \$	88.00%	12.00%	1.00%	100%

Source: Origination information maintained by bank.

## Geographic Distribution of Loans

### Performance in the Ames AA

The geographic distribution of loans in the Ames AA is reasonable. Business and residential real estate loans were identified as credit needs in the Ames AA.

#### *Residential Real Estate*

The geographical distribution of home purchase, home improvement, and refinance loans reflects reasonable dispersion among census tracts of different income levels. However, there is little opportunity to make residential real estate loans in the low-income census tract because of their location on the University of Iowa campus. The Ames AA does not contain moderate-income census tracts.

The following table shows the geographic distribution of residential real estate loans among borrowers in different census tracts in the Ames AA.

<b>Geographic Distribution of Residential Real Estate Loans in Ames AA</b>										
Census Tract Income Level	Low		Moderate		Middle		Upper		Unavailable	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	9%	8%	0%	0%	67%	44%	24%	48%	0%	0%
Home Improvement	9%	9%	0%	0%	67%	42%	24%	48%	0%	0%
Refinance	9%	5%	0%	0%	67%	55%	24%	40%	0%	0%
<b>TOTAL</b>	9%	<b>6%</b>	<b>0%</b>	0%	<b>67%</b>	<b>49%</b>	<b>24%</b>	<b>45%</b>	<b>0%</b>	<b>0%</b>

Source: Data reported under HMDA.

#### *Business Loans*

The geographical distribution of loans to businesses reflects reasonable dispersion among census tracts of different income levels. While 19% of the businesses in the Ames AA are located within low-income census tracts, the bank originated 25% of its business loans to businesses located in low-income census tracts. There were also zero moderate-income census tracts in the Ames AA.

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in Ames AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	18.50%	25.00%	0.00%	0.00%	42.41	25.00%	36.64%	50.00%

*Source: Origination information maintained by bank.*

**Performance in the Ankeny AA**

The geographic distribution of loans in the Ankeny AA is reasonable. Business and residential real estate loans were identified as credit needs in the Ankeny AA.

*Residential Real Estate Loans*

The geographical distribution of home purchase, home improvement, and refinance loans reflects reasonable dispersion among census tracts of different income levels. However, the Ankeny AA contains no low-to-moderate census tracts to make residential real estate loans.

The following table shows the geographic distribution of residential real estate loans among borrowers in different census tracts in the Ankeny AA.

**Geographic Distribution of Residential Real Estate Loans in Ankeny AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0%	0%	0%	0%	58%	24%	42%	76%
Home Improvement	0%	0%	0%	0%	58%	100%	42%	0%
Refinance	0%	0%	0%	0%	58%	20%	42%	80%
<b>TOTAL</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>58%</b>	<b>30%</b>	<b>42%</b>	<b>70%</b>

Source: Data reported under HMDA.

### Business Loans

The geographical distribution of loans to businesses reflects reasonable dispersion among census tracts of different income levels. While the bank did not originate any business loans in the one moderate-income tract in the Ankeny AA, this is considered reasonable. Few businesses are located in the moderate-income census tract when compared to businesses located in middle- and upper-income census tracts. This limits opportunities for the bank to make business loans in this census tract. There were zero low-income census tracts in the Ankeny AA.

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Ankeny AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.00%	0.00%	3.41%	0.00%	58.13%	40.00%	38.46%	60.00%

Source: Origination information maintained by bank.

### Responses to Complaints

The bank has received no complaints related to its CRA performance. The Customer Assistance Group (CAG) has also received no complaints related to the bank’s CRA performance.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test is satisfactory. The following narratives and tables support our assessment of the bank's performance.

### **Number and Amount of Community Development Loans**

FNB made a satisfactory level of community development loans based on the capacity of the bank, and the need and availability of opportunities in the AA. The bank originated two qualifying loans totaling \$155 thousand during the evaluation period.

The bank originated a \$55 thousand line of credit to an organization that creates and maintains affordable rental and family-owned housing.

### **Number and Amount of Qualified Investments**

FNB offers a satisfactory level of community development investments and donations based on the capacity of the bank, and the need and availability of opportunities in the AAs. There is limited opportunity for investments within the AAs. However, the bank did have community development donations which were concentrated in organizations whose primary purposes were to provide affordable housing, community services, or promote economic development. The bank made \$72 thousand in donations to twelve organizations to benefit low-to-moderate income individuals.

### **Extent to Which the Bank Provides Community Development Services**

FNB offers a satisfactory level of community development services based on the capacity of the bank, and the need and availability of opportunities in the AAs. None of the branches are located in low-to-moderate areas; however, the bank does have one ATM in a low-income tract.

The bank and their employees offered services to nine organizations that serve low-to-moderate income individuals or geographies. FNB's employee involvement in these organizations is focused around providing technical, financial expertise, serving on committees, and assisting with fundraising. Bank employees are also involved in several other organizations which benefit the communities in the AAs.

### **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