



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 8, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of West Union
Charter Number 13978

115 N. Vine Street
West Union, IA 52175-0000

Office of the Comptroller of the Currency

Minneapolis Field Office
Campbell Mithun Tower, 222 South Ninth Street
Minneapolis, MN. 55402-3393

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 major factors supporting this rating include:

- The bank's quarterly average loan-to-deposit ratio is reasonable.
- A substantial majority of loan originations and purchases are in the bank's assessment area.
- The borrower distribution of farm loans is reasonable.
- The borrower distribution of residential real estate loans is excellent.

Deleted: to farms

SCOPE OF EXAMINATION

We performed a full-scope evaluation of First National Bank of West Union's (FNB) record of meeting the credit needs of its entire community. We assessed performance over an evaluation period of September 9, 2003 through February 28, 2010. We focused our assessment on farm loans and residential real estate loans, as these were identified as the bank's primary products based on dollar volume and originations from January 1, 2008 through February 28, 2010. Agricultural loans are a primary product based on dollar volume of originations of 49 percent during the evaluation period. Residential real estate loans are a primary product based on dollar volume of originations of 19 percent.

We used Call Report information to determine the bank's quarterly loan-to-deposit ratio, and deposit information, reported to the Federal Deposit Insurance Corporation annually, to find similarly situated banks. The most recent deposit information is as of June 30, 2009.

DESCRIPTION OF INSTITUTION

FNB is a full-service bank located in West Union, IA. As of December 31, 2009, FNB had total assets of \$100 million and tier one capital of \$8.3 million. FNB is wholly owned by First National Bank Bancshares, Inc., a one-bank holding company. In addition to the main office, FNB operates one full-service branch in St. Lucas, IA and one drive-up facility in West Union, IA. Products, services, and hours are similar at both branch locations with basic deposit/withdrawal services available at the drive-up facility. FNB also operates four automated teller machines (ATMs). The two deposit taking ATMs are located at the main office and the local grocery store. 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 last CRA examination.

FNB offers a wide range of deposit and loan products and services. The bank's primary lending focus is agriculture and residential real estate loans. As of December 31, 2009, net loans totaled \$66 million and represented 66 percent of total assets. The loan portfolio consisted of 44 percent agriculture loans, 27 percent residential real estate loan, 24 percent business loans, and 5 percent consumer loans based on outstanding dollars.

FNB has no legal impediments or financial constraints that would limit its ability to meet the credit needs of its assessment area. The bank was rated Outstanding at its last CRA evaluation dated September 8, 2003.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of four census tracts located in northern and southeastern Fayette County and two census tracts located in southeastern Winneshiek County. All six census tracts are designated as middle-income. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts.

The population of the assessment area is 20,284 based on 2000 U.S. Census data. The assessment area has approximately 5,612 families with 17.07 percent of families reported as having low-income and 19.4 percent of families reported as having moderate-income. Families below the poverty level are reported at 6.95 percent. The Housing and Urban Development's MSA updated median family income for the assessment area was \$56,600.

Competition from other financial institutions in the assessment area is moderate. There are five similarly situated financial institutions in the assessment area with asset sizes ranging from \$30 million to \$101 million. According to the FDIC Market Share Report, FNB has a market share of 8.34 percent.

The current local economy is experiencing similar recessionary challenges to those facing the state and national economies. According to 2009 Business Geodemographic Data, services is the leading industry in the assessment area at 34.88 percent, followed by agriculture at 27.66 percent. According to U.S. Bureau of Labor Statistics, December 31, 2008 unemployment rates in Fayette and Winneshiek counties are 5.3 percent and 4.3 percent, respectively.

We contacted a representative from a federally funded farmer's assistance agency in the area to better understand the credit needs of the community. The community contact revealed that agriculture lending is a primary credit need in the community due to severe hail damage in 2009 and low milk prices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area. The bank's loan-to-deposit ratio averaged 74 percent over the 26 quarters since the last CRA examination. This ratio ranged from a quarterly low of 59 percent (first quarter 2005) to a quarterly high of 84 percent (first quarter 2009). It is also notable that FNB's average loan-to-deposit ratio does not reflect all home mortgage lending activity, as the bank sells mortgages in the secondary market.

FNB's net loan-to-deposit ratio compares similarly with other community banks of similar size in the assessment area. The average loan to deposit ratio for the four similarly situated banks in the assessment area is for the evaluation period is 84 percent. These institutions have total asset ranging from \$46 million to \$101 million. The following table shows loan-to-deposit details and rankings:

Institution	Assets (000s) (As of 12/31/09)	Average Loan-to-Deposit Ratio (3Q03 – 4Q09)
Viking State Bank & Trust	\$100,916	102.85
Citizens Saving Bank – Spillville	\$55,884	88.20
Community Bank of Oelwein	\$57,214	87.57
FNB West Union	\$99,983	74.43
Maynard Savings Bank	\$46,956	66.60

Source: Call Report Data

Lending in Assessment Area

FNB originates a substantial majority of its loans to borrowers within its assessment area. By number 90 percent and by dollar volume 85 percent of loans were originated to farms and individuals within the bank's assessment area. The following table shows lending in the assessment area by product type:

Lending in West Union Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Farm Loans	18	90.00	2	10.00	20	3,277	87.85	550	12.15	3,827
Home Loans	18	90.00	2	10.00	20	1,152	84.58	210	15.42	1,362
Totals	36	90.00	4	10.00	40	4,429	85.35	760	14.65	5,189

Source: OCC Loan Sample

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

The distribution of loans to borrowers of different incomes and businesses of different sizes in the assessment area meets the standards for satisfactory performance.

FNB has a reasonable distribution of credit to farms of different sizes. By number, 65 percent of farm loans originated and purchased during the evaluation period were made to farms with gross annual revenues of one million or less. This is considered reasonable compared to demographic data that shows 99 percent of the area's farms have revenues of less than one million, and only 27 percent of the assessment area businesses are farms. The following table shows the distribution of farm loans among different sized farms in the assessment area:

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Borrower Distribution of Farm Loans in the West Union Assessment Area (AA)				
Businesses Revenues	< or = \$1 million	> \$1 million	Unavailable	Total
% of AA Farms	99.34	0.53	0.13	100%
% of Bank Loans in AA by #	65.00	20.00	15.00	100%
% of Bank Loans in AA by \$	47.03	24.31	28.66	100%

Deleted: to Farms

Source: 2009 Business Geodemographic Data & OCC loan sample of 20 farm loans

The distribution of residential real estate loans to borrowers reflects excellent penetration among borrowers of different income levels. The percent of residential real estate loans exceeds the percent of moderate-income families in the assessment area which demonstrates excellent performance. The percent of residential real estate loans to low-income families is below the demographic comparative. Overall penetration, however, is considered excellent given a 6.95 percent poverty rate in the assessment area. People living below poverty are less likely to qualify for home loans under standard underwriting criteria. The following table shows the distribution of loans among borrowers of different income levels:

Borrower Distribution of Residential Real Estate Loans in the West Union Assessment Area (AA)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Loans	17.07	15.00	19.40	25.00	28.65	25.00	34.87	35.00

Source: 2000 US Census SF1/SF3 & OCC loan sample of 20 residential real estate loans

Geographic Distribution of Loans

The geographic distribution of loans does not provide a meaningful analysis as none of the census tracts in the bank's assessment area are defined as low- or moderate-

income census tracts.

Responses to Complaints

FNB has not received any CRA complaints during this evaluation period.

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.