



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 26, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Farragut  
Charter Number 6700

801 South Fremont  
Shenandoah, Iowa 51601-2103

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 Satisfactory.**

The First National Bank of Farragut (FNB) satisfactorily meets the credit needs of its assessment area (AA).

- 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 AA is more than reasonable.
- The bank's pattern of lending to farms and businesses of different revenue sizes reasonably reflects area demographics.

## **SCOPE OF EXAMINATION**

The evaluation period for this Community Reinvestment Act (CRA) examination focuses on loan originations from January 2007 through December 2008. 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 product. We determined that FNB's primary loan products are agricultural and commercial loans. We randomly selected a loan sample of twenty agricultural loans and twenty commercial loans originated between January 1, 2007 and December 31, 2008 to conduct our analysis.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$32 million financial institution located in southwestern Iowa. The main office is a full-service facility located in Shenandoah, Iowa. The bank also has a full-service branch office in nearby Farragut, Iowa. First National Bancorp, a one-bank holding company, owns 100% of the bank stock and is also located in Shenandoah, Iowa. The primary asset of the holding company is FNB, and there are no other significant subsidiaries or affiliates. There are no legal or financial circumstances that could impede the bank's ability to meet the community's credit needs.

FNB received a "Satisfactory" rating at the last CRA examination, dated November 12, 2003. Refer to the bank's CRA Public File for more information.

FNB offers a range of credit products including agricultural, real estate, commercial, and consumer loans. As of March 31, 2009, FNB's loan portfolio comprised 55% of the average total assets. The primary credit products are agricultural and commercial loans.

The following chart provides a breakdown of FNB's lending products during the evaluation period.

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Agricultural Loans	31%	14%
Commercial Loans	43%	31%
Residential RE Loans	14%	9%
Consumer Loans	12%	46%

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's assessment area (AA) includes Page county and portions of Fremont County in Iowa. The AA includes seven census tracts all of which are designated middle income. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts. Individuals can refer to the CRA Public File for a map outlining the bank's AA.

According to the 2000 U.S. Census, the population of the AA is 19,422. The 2008 weighted average updated median family income is \$43,748 for non-metropolitan statistical areas in Iowa. Family income in the AA includes 19% low-income, 17% moderate-income, 27% middle-income, and 37% upper-income. Households within the AA below the poverty level total 12%. Sixty-six percent of the housing units in the AA are owner-occupied. The area economy is reasonably stable with the main sources of employment provided by industrial, farming, and retail.

The banking environment in the AA is competitive. Competition includes seven other similarly situated banks with headquarters or branch offices within the counties contained in the AA. In addition, competition stems from one branch office of a large regional bank.

The primary credit needs of the AA are agricultural loans, while secondary credit needs are small business loans and residential home loans. Examiners made one community contact during this CRA examination. This was a new contact, and the individual represented a local business and labor group. Discussion with the contact revealed the primary credit needs are similar to those offered and originated by FNB.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

**The bank's lending levels are reasonable.**

FNB's loan-to-deposit ratio is reasonable given the institution's size, financial condition,

and AA credit needs. The bank's net loan-to-deposit ratio averaged 65% since the previous CRA examination. The twenty-quarter average loan-to-deposit ratio of other banks in the AA ranged from 49% to 89%, with an average of 68%.

## Lending in Assessment Area

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

FNB originates a majority of its loans within the AA. We reviewed a random sample of twenty agricultural loans and twenty commercial loans to determine the bank's lending performance within their AA. The random sample showed 80% by number and 74% by dollar amount were located within FNB's AA. The following table shows the findings of our sample:

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Agricultural	17	85%	3	15%	20	\$961	80%	\$870	20%	\$1,831
Commercial	15	75%	5	25%	20	\$1,762	96%	\$72	4%	\$1,834
Totals	32	80%	8	20%	40	\$2,723	74%	\$942	26%	\$3,665

*Source: Random Loan Sample from loans originated January 1, 2007 to December 31, 2008.*

## Lending to Farms and Businesses of Different Sizes

**FNB has a satisfactory record of lending to farmers and businesses of different sizes and different income levels.**

FNB's distribution of loans to farms of different sizes is reasonable. A sample of 20 agricultural loans within the bank's AA showed 99% of loans by dollar, and 95% of loans by number, had revenues of \$1 million or less. This was comparable to demographic data that indicated 100% of farms in the AA had revenues of \$1 million or less. The following table shows the findings of our sample:

Farm Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	95%	0%	5%	100%
% of Bank Loans in AA by \$	99%	0%	1%	100%

*Source: Random sample of loans originated from January 1, 2007 to December 31, 2008 and 2008 Business Demographic Data.*

FNB's distribution of loans to businesses of different sizes is reasonable. A sample of 20 commercial loans within the bank's AA showed 51% of loans by dollar, and 50% of loans by number, had revenues of \$1 million or less. This was comparable to

demographic data that indicated 55% of businesses in the AA had revenues of \$1 million or less. The following table shows the findings of our sample:

<b>Table 2A - Borrower Distribution of Loans to Businesses in FNB's Assessment Area</b>				
Farm Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	55%	3%	42%	100%
% of Bank Loans in AA by #	50%	45%	5%	100%
% of Bank Loans in AA by \$	51%	43%	6%	100%

*Source: Random sample of loans originated from January 1, 2007 to December 31, 2008 and 2008 Business Demographic Data.*

### **Geographic Distribution of Loans**

All of the census tracts in FNB's AA are middle-income. Therefore, a specific analysis of geographic distribution is not meaningful.

### **Responses to Complaints**

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