



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 1, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Logan
Charter Number 6771**

**323 East 7th Street
Logan, Iowa 51546**

**Comptroller of the Currency
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154**

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 Logan (FNBL) adequately meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit ratio (LTD) of 70.47 percent during the evaluation period.
- A substantial majority of loans by both number (88 percent) and dollar volume (94 percent) are originated within the bank’s assessment area (AA).
- Loan originations are substantially distributed to small farms and low-income borrowers.
- The geographic distribution of loans within the AA is reasonable.

SCOPE OF EXAMINATION

We reviewed agricultural, consumer, residential real estate, and consumer loans originated from January 1, 2005 to June 30, 2007 to identify FNBL’s primary loan products. Based on the table below, we identified agricultural and consumer loans as the bank’s primary products. We randomly selected 20 loans from each of these primary products to determine loans in the AA, assess borrower distribution, and analyze geographic distribution. When making conclusions on overall performance, we gave equal weight to agricultural and consumer lending.

LOAN PORTFOLIO ORIGINATIONS				
	Originated Loans by Number		Originated Loans by Dollar	
	Number	Percentage	\$(000)	Percentage
Agricultural Loans	524	44.90%	15,651	71.40%
Consumer Loans	428	36.68%	1,888	8.61%
Residential RE Loans	27	5.91%	1,295	5.91%
Commercial Loans	188	14.07%	3,084	14.07%

Source: Bank Reports

DESCRIPTION OF INSTITUTION

FNBL is a \$23 million bank located in Harrison County in southwest Iowa. FNBL has one full service facility located in Logan, Iowa and no branch locations. The bank operates one deposit-taking automated teller machine and a drive-up facility in Logan. The bank’s strategy is to be an independent bank serving the surrounding community. FNBL is 100 percent owned by Logan Bancorporation Inc., a \$23 million one-bank holding company located in Logan, Iowa.

There are no legal or financial impediments limiting the bank’s ability to help meet community credit needs. FNBL was rated “Satisfactory” at its last CRA examination dated March 17, 2003. As of June 30, 2007, FNBL’s \$15.5 million loan portfolio comprised 63.47 percent of average total assets.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. FNBL's AA is all of Harrison County, Iowa, which includes four middle-income and one moderate-income census tracts. According to the 2000 U.S. Census, the AA's population is 15,666. The 2000 weighted average median family income was \$49,400, and the 2006 weighted average updated median family income is \$66,500 for non-metropolitan statistical areas in Iowa. Family income in the AA includes 23 percent low-income, 25 percent moderate-income, 27 percent middle-income, and 25 percent upper-income. The local economy is stable and unemployment remains low at 2.8 percent compared to 3.9 percent for the state of Iowa, and 4.6 percent for the nation (*U.S Dept. of Labor July 2007*).

We conducted one community contact with a local community development organization. The community contact revealed that agricultural and small business loans remain the primary credit need within the community. FNBL offers and originates these types of loans.

Competition from other financial institutions is strong. Harrison County is served by seven financial institutions, including FNBL. FNBL has a 10 percent deposit market share and ranks fifth among the seven banks operating within the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBL's LTD ratio is reasonable and meets the performance criteria, given its size, financial condition, and AA credit needs. FNBL's LTD ratio follows the agricultural cycle from quarter to quarter but overall is steadily increasing. The quarterly LTD ratio average over the last 18 quarters from March 1, 2003 to June 20, 2007 is 70.47 percent.

There are two similarly situated banks in FNBL's AA. These community banks have average assets less than \$75 million and offer similar products and services as FNBL. However, both institutions are larger than FNBL and have branches that access loans both inside and outside the AA. Despite a smaller size and more limited branch structure, FNBL's LTD ratio is comparable to one of the institutions, which has an 18-quarter average LTD ratio of 74.87 percent. The other institution uses a different funding strategy, which increases their 18-quarter average LTD to 106.48 percent.

Lending in Assessment Area

FNBL originates a substantial majority of its loans within the AA and exceeds the performance criteria. The following table details the findings of our sample.

LENDING IN THE ASSESSMENT AREA									
Loan Type	Number of Loans (40 total)				Dollars of Loans (\$742,000 total)				
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	%
Agricultural	18	90	2	10	622,666	94	39,000	6	
Consumer	17	85	3	15	77,738	97	2,505	3	
Totals	35	88%	5	12%	\$700,404	94%	\$42,505	6%	

Source: Bank Reports

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

The bank has an exceptional record of lending to farms of different sizes and borrowers of different incomes, and exceeds AA demographics.

Agricultural Loans

FNBL has an exceptional record of lending to farms of different sizes. All loans were originated to farms with gross annual revenues less than \$1 million, and 65 percent of those were originated to very small farms with gross annual revenues of less than \$250,000. FNBL exceeds income standards for agricultural lending when comparing to AA demographics, as 97.5 percent of AA farms have gross annual revenues under \$1 million.

Consumer Loans

FNBL has an exceptional record of lending to borrowers of different income levels. FNBL makes a substantial majority of its loans to low-income borrowers, far exceeding AA demographics for consumer lending. Although FNBL's consumer lending to moderate-income borrowers appears to meet AA demographics, the bank's performance exceeds the performance criteria for borrower distribution, as FNBL originated 60 percent of its remaining loans to moderate-income borrowers.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans (000)	% of total \$	% of Households in AA
Low	15	75%	\$68,689	76%	20.69%
Moderate	3	15%	\$6,900	8%	17.61%
Middle	1	5%	\$9,500	10%	20.63%
Upper	1	5%	\$5,068	6%	41.07%
Totals	20	100%	\$90,157	100%	100%

Source: Loan Sample; 2006 Business Geodemographic Data

Geographic Distribution of Loans

FNBL has a satisfactory record of lending to borrowers in different income tracts and meets the geographic distribution performance criteria. The bank's AA does not include any low- or high-income census tracts. The volume of loans made in each CT is relative to the distance the tract is from the bank. FNBL is located in CT 9903, which is in the geographic middle of the AA. FNBL originates a majority of its loans in CTs 9903 and 9902. FNBL originates fewer loans in CTs 9901, 9904, and 9905, which are located in the far northern and southern parts of the AA, respectively. FNBL reasonably originates fewer loans for agricultural and consumer borrowers in the moderate-income CT (9901) when compared to AA demographics due to that CT's distance from the bank. The following table shows the breakdown of loans in our sample.

LOANS IN DIFFERENT INCOME TRACTS					
Tract #	9901 (mod)	9902 (mid)	9903 (mid)	9904 (mid)	9905 (mid)
# of consumer loans (20 total)	1	1	17	1	0
# of agricultural loans (20 total)	2	5	10	2	0

Source: Loan Sample

Farm Loans

FNBL's record of lending to agricultural borrowers in different income tracts is reasonable. FNBL originated 11 percent of its agricultural loans to farms in moderate-income census tracts compared to 22 percent of AA farms in moderate-income census tracts. While FNBL is below AA demographics, this is reasonable due to the distance between the bank and the moderate-income CT. The following table shows the breakdown of loans as compared to the AA demographics.

GEOGRAPHIC DISTRIBUTION OF LOANS TO FARMS IN ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms
Agricultural	0%	0%	11%	22%	89%	78%	0%	0%

Source: Loan Sample; 2006 Business Geodemographic Data.

Consumer Loans

FNBL's record of lending to individual borrowers in different income tracts is reasonable. FNBL originated 5 percent of its consumer loans to individuals in moderate-income census tracts, compared to 18 percent of AA households in moderate-income census tracts. While FNBL is below AA demographics, this is reasonable due to the distance between the bank and the moderate-income CT. The following table shows the breakdown of loans as compared to the AA demographics.

GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households
Consumer	0%	0%	5%	18%	95%	82%	0%	0%

Source: Loan Sample; 2006 Business Geodemographic Data

Responses to Complaints

FNBL has not received any Community Reinvestment Act related complaints since the last performance evaluation.

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.