



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 1, 2007

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

The First National Bank of Primghar  
Charter Number: 4155

180 S Hayes Avenue  
Primghar, IA 51245

Office of the Comptroller of the Currency  
Sioux Falls Field Office  
4900 South Minnesota Avenue, Suite 300  
Sioux Falls, South Dakota 57108

**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 Primghar's (FNB) lending level is satisfactory, given the institution's size and financial condition.
- A substantial majority (93 percent) of FNB's loans are originated within the assessment area.
- FNB actively lends to farms of different sizes and has a reasonable record of lending to borrowers of different income levels.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's CRA activities from August 1, 2002 through June 30, 2007. The scope of this examination includes a sampling of the bank's two primary credit products: agricultural and consumer loans. The following table shows originations by loan type from January 1, 2005 to June 30, 2007.

| <b>Loan Type</b>   | <b>Percent of Numbers Originated</b> | <b>Percent of Dollars Originated</b> |
|--------------------|--------------------------------------|--------------------------------------|
| Agricultural Loans | 44.1%                                | 51.2%                                |
| Real Estate Loans  | 6.8%                                 | 24.6%                                |
| Commercial Loans   | 10.2%                                | 17.0%                                |
| Consumer Loans     | 38.9%                                | 7.2%                                 |

We sampled 40 loans, 20 for each primary product. We completed a review of key ratios in comparison to similar financial institutions. Additionally, we spoke with a community contact to learn about the credit needs of the community.

**DESCRIPTION OF INSTITUTION**

FNB is located in the northwestern Iowa town of Primghar in O'Brien County. The bank has \$23 million in total assets and offers traditional community bank deposit and credit products. The bank's only office is a full-service facility located in downtown Primghar.

According to the June 30, 2007 Call Report, FNB's loan portfolio represents 58 percent of total assets. Outstanding loans by dollar volume are as follows:

| <b>Outstanding Loans (000s)</b> |                 |             |
|---------------------------------|-----------------|-------------|
| Agriculture Loans               | \$6,921         | 52%         |
| Real Estate Loans               | \$2,137         | 16%         |
| Commercial Loans                | \$3,603         | 27%         |
| Consumer Loans                  | \$725           | 5%          |
| <b>Total Loans</b>              | <b>\$13,386</b> | <b>100%</b> |

FNB was rated "Satisfactory" at its last CRA examination dated August 16, 2002. There are no financial, legal, or other factors that impede the bank's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) consists of three census tracts (CTs): 9901, 9902, and 9904. These three CTs constitute the entire county of O'Brien except for the city of Sheldon, IA (CT 9903). All three (100 percent) of the CTs are middle-income census tracts.

According to the 2000 US Census, the total population of the AA is 10,087. The 2000 US Census estimates that 20 percent of families in the AA are low-income, 19 percent moderate-income, 24 percent middle-income, and 37 percent upper-income. The 2000 US Census median family income is \$43,887. The 2006 updated HUD median family income is \$52,800. Eight percent of the AA households are below the poverty level. The median housing value in the AA is \$52,918 and 73 percent of housing is owner-occupied.

The O'Brien County seat is located in Primghar, which has a population of 891. Agriculture and agricultural-related businesses provide the main employment sources in the AA. There are eight financial institutions operating within the AA, including FNB. FNB ranks last within the AA, holding only 4.6 percent deposit market share.

We contacted a local economic development organization. The contact identified agriculture as the primary credit need of the community. The contact specifically identified dairies and wind energy farms as the agri-businesses most in need of financing. The contact stated the credit needs of the community were being met.

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

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

FNB's average lending level is reasonable given the bank's size and financial condition. FNB's June 30, 2007 net loan-to-deposit (LTD) ratio is 77.52 percent. FNB's quarterly average net LTD ratio for the 20 quarters, ending June 30, 2007 is 68.66 percent.

We compared FNB to other community banks of similar size located in O'Brien County and adjacent counties. These banks range in size from \$27 million to \$72 million in total assets and are located within 30 miles of FNB. The bank's ratio is lower than, but reasonably compares to, these nine similar banks that had average net LTD ratios for the preceding 20 quarters averaging 84.47 percent and ranging from 51.10 percent to 105.71 percent. FNB's net LTD ranks eighth among the ten similarly situated banks.

### **Lending in Assessment Area**

FNB originated a substantial majority of its loans within the AA, exceeding the standard for satisfactory performance. FNB originated 93 percent of its loans by number and 94 percent of its loans by dollar volume within the AA, as shown in the following table.

| <b>Lending in CTs 9901, 9902, and 9904</b> |                        |            |                |           |              |                         |            |                |           |                  |
|--|------------------------|------------|----------------|-----------|--------------|-------------------------|------------|----------------|-----------|------------------|
| <b>Loan Type</b>                           | <b>Number of Loans</b> |            |                |           |              | <b>Dollars of Loans</b> |            |                |           |                  |
|  | <b>Inside</b>          |            | <b>Outside</b> |           | <b>Total</b> | <b>Inside</b>           |            | <b>Outside</b> |           | <b>Total</b>     |
|  | <b>#</b>               | <b>%</b>   | <b>#</b>       | <b>%</b>  |              | <b>\$</b>               | <b>%</b>   | <b>\$</b>      | <b>%</b>  |                  |
| <b>Agriculture</b>                         | 19                     | 95%        | 1              | 5%        | 20           | 925,724                 | 95%        | 45,000         | 5%        | 970,724          |
| <b>Consumer</b>                            | 18                     | 90%        | 2              | 10%       | 20           | 223,991                 | 89%        | 26,439         | 11%       | 250,430          |
| <b>Total</b>                               | <b>37</b>              | <b>93%</b> | <b>3</b>       | <b>7%</b> | <b>40</b>    | <b>1,149,715</b>        | <b>94%</b> | <b>71,439</b>  | <b>6%</b> | <b>1,221,154</b> |

**Lending to Farms of Different Sizes and to Borrowers of Different Incomes**

FNB’s lending to farms of different sizes is excellent. Our sample showed that FNB originated 100 percent of its agricultural loans to farms with gross annual revenues less than \$1 million, compared to AA demographics of 99 percent. In addition, the bank originated 40 percent of its agricultural loans to the AA’s smallest farms, those with gross annual revenues less than \$100 thousand.

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes. The bank generally does not obtain income information when originating consumer loans. Therefore, we analyzed consumer loan sizes as a proxy. Fifty-seven percent of consumer loans originated during the evaluation period were in amounts under \$3 thousand and would be useful to and affordable for borrowers of different incomes, including low- and moderate-income borrowers.

| <b>Consumer Loans by Size</b> |                          |                           |
|-------------------------------|--------------------------|---------------------------|
| <b>Origination Amount</b>     | <b>Number Originated</b> | <b>Percent Originated</b> |
| <\$1,000                      | 77                       | 28%                       |
| \$1-\$3,000                   | 81                       | 29%                       |
| \$3-\$5,000                   | 35                       | 13%                       |
| \$5-\$10,000                  | 39                       | 14%                       |
| >\$10,000                     | 43                       | 16%                       |

**Geographic Distribution of Loans**

All three CTs within the AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

**Responses to Complaints**

Neither the Office of the Comptroller of the Currency nor FNB have received any complaints regarding the bank’s CRA performance 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.