



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 17, 2009**

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

The First National Bank of Rembrandt  
Charter Number 10729

101 E. Main Street  
Rembrandt, IA 50576

Office of the Comptroller of the Currency

SIOUX FALLS Field Office  
4900 South Minnesota Avenue Suite 300  
Sioux Falls, SD. 57108-2865

**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.**

Summarize the major factors supporting the institution's rating.

- First National Bank's (FNB's) distribution of loans represents a reasonable penetration among farms of different sizes.
- The bank's average loan-to-deposit ratio of 78 percent is reasonable.
- Lending to borrowers within the assessment area is characterized as excellent. 100 percent of the lending test sample of FNB's primary loan product was originated within the bank's assessment area.
- The Office of the Comptroller of the Currency and FNB have not received any complaints about the bank's Community Reinvestment Act (CRA) performance.

**SCOPE OF EXAMINATION**

First National Bank of Rembrandt (FNB Rembrandt) was evaluated under the Small Bank examination procedures, which consisted of a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities.

The lending test for FNB Rembrandt covers its performance from January 1, 2007 through August 5, 2009, as this is representative of its lending strategy since the last CRA examination.

FNB Rembrandt's primary loan product is agricultural loans. To evaluate the bank's agricultural lending performance, we selected a sample of 20 agricultural loans made from January 1, 2007 through August 5, 2009.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Rembrandt is an intrastate bank located in Rembrandt, Iowa. As of June 30, 2009 the bank had total assets of \$43 million and tier-one capital of \$7.2 million. The bank's only office is a full-service facility located in downtown Rembrandt. The bank operates one cash-dispensing automated teller machine at a highway intersection located south of Rembrandt. The bank is not affiliated with a holding company or any other banks.

The bank offers a full range of deposit and loan products and services. Agricultural lending is the bank's primary business focus, with residential real estate, commercial and consumer lending comprising a small portion of the loan portfolio. As of June 30, 2009 FNB of Rembrandt reported net loans of \$23 million and had a net loans and leases to total assets ratio of 54 percent. The loan portfolio composition is as follows:

| <b>LOAN PORTFOLIO SUMMARY BY LOAN PRODUCT</b> |                                 |
|---|---------------------------------|
| <b>June 30, 2009</b>                          |                                 |
| <b>Loan Category</b>                          | <b>% of Outstanding Dollars</b> |
| Agriculture Loans                             | 57%                             |
| Residential Real Estate Loans                 | 19%                             |
| Commercial Loans                              | 14%                             |
| Consumer Loans                                | 10%                             |

Source: The Report of Income and Condition as of June 30, 2009.

There are no legal or financial impediments to the bank’s ability to meet the credit needs of its assessment area. The bank was rated Satisfactory at its last CRA examination dated August 14, 2003.

**DESCRIPTION OF ASSESSMENT AREA(S)**

The bank has one assessment area (AA) that includes all of Buena Vista and Clay Counties. The AA includes census tracts 9801 through 9804 and 9601 through 9606. The AA consists of ten middle-income census tracts, including the four census tracts added to the AA during this examination. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The 2000 U.S. Census median family income (MFI) for the non-metropolitan areas of Iowa is \$42,869 and the 2009 HUD updated MFI is \$53,100. The unemployment rate in the AA in 2009 is low at 2 percent. According to 2008 unemployment data, the unemployment rate in Iowa was 4.40 percent and the national unemployment rate was 5.78 percent. The following table summarizes the income levels of individual census tracts and families located within the bank’s assessment area:

| <b>INCOME DISTRIBUTION OF CENSUS TRACTS AND FAMILIES</b> |                                 |          |        |       |                        |          |        |       |
|--|---------------------------------|----------|--------|-------|------------------------|----------|--------|-------|
| Assessment Area  | Block Numbering Areas (# and %) |          |        |       | Percentage of Families |          |        |       |
|  | Low                             | Moderate | Middle | Upper | Low                    | Moderate | Middle | Upper |
| Buena Vista and Clay Counties                            | 0                               | 0        | 10     | 0     | 17%                    | 20%      | 28%    | 35%   |
|  | 0%                              | 0%       | 100%   | 0%    |                        |          |        |       |

Source: 2000 U.S. Census Data

The current local economy for the assessment area is good; however the town of Rembrandt, located in Buena Vista County, is characterized as distressed. Economic activity in the area is primarily focused on agriculture; however nearby towns offer employment in the meatpacking, agricultural manufacturing and some commercial industries. Future commodity and livestock prices pose concern for local economy. Commodity and livestock prices are generally down and input prices are high.

Competition from other financial institutions is average. The bank’s competitors include several

local community banks and branches of large regional institutions.

In conducting the assessment of the bank’s performance, we contacted a local organization. The contact stated that most Agricultural lending needs were being met. The contact indicated that the local economy was good and the prevalent employers remain in good condition. The largest agricultural problems stem primarily from the hog industry and some concern in the cattle industry. The contact stated that agricultural operating loans are a primary credit need in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB Rembrandt’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s quarterly net loan-to-deposit ratio averaged 78 percent over the 24 quarters from September 30, 2003 to June 30, 2009. The ratio ranged from a quarterly low of 66 percent to a quarterly high of 85 percent during this time period.

The bank’s net loan-to-deposit ratio compares favorably with other financial institutions of similar size, location and product offerings. FNB Rembrandt ranks third among a total of six similarly situated banks. The average net loan-to-deposit ratio of the other five banks over the same 24 quarters was 77 percent and ranged from 37 percent to 96 percent.

### Lending in Assessment Area

FNB of Rembrandt originates a substantial majority of its loans within the AA. We sampled 20 agricultural loans originated during our evaluation period; this is the bank’s primary product. The following table details the findings of our sample.

| ASSESSMENT AREA CONCENTRATION |            |              |                    |               |
|-------------------------------|------------|--------------|--------------------|---------------|
|                               | # of Loans | % of Total # | \$ of Loans        | % of Total \$ |
| Inside AA                     | 20         | 100%         | \$1,622,981        | 100%          |
| Outside AA                    | 0          | 0%           | \$0                | 0%            |
| <b>Totals</b>                 | <b>20</b>  | <b>100%</b>  | <b>\$1,622,981</b> | <b>100%</b>   |

Source: Loan sample.

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

The distribution of loans reflects a satisfactory penetration among farms of different sizes. The excellent distribution in the assessment area is attributed to the bank’s performance in making loans to small farms (revenues < = \$1 million). The majority (75 percent) of the bank’s loans are originated to agricultural borrowers with gross annual revenues of less than \$500,000; 95 percent of the loans were to borrowers with gross annual revenues of less than \$1 million. Examiners sampled 20 agricultural loans from the evaluation period. The following table shows the summary of results from the sample:

| <b>LOANS TO FARMS OF DIFFERENT SIZES</b> |                   |                      |                    |                      |                                 |
|--|-------------------|----------------------|--------------------|----------------------|---------------------------------|
| <b>Gross Revenue of Farms</b>            | <b># of Loans</b> | <b>\$ of Total #</b> | <b>\$ of Loans</b> | <b>% of Total \$</b> | <b>2007 Agricultural Census</b> |
| < \$100 thousand                         | 1                 | 5%                   | \$2,000            | .1%                  | 48%                             |
| >\$100 & < \$250 thousand                | 8                 | 40%                  | \$425,781          | 25.6%                | 22%                             |
| > \$250 & < \$500 thousand               | 6                 | 30%                  | \$776,200          | 46.7%                | 14%                             |
| > \$500 thousand                         | 5                 | 25%                  | \$459,000          | 27.6%                | 16%                             |
| <b>Totals</b>                            | <b>20</b>         | <b>100%</b>          | <b>\$1,662,981</b> | <b>100%</b>          | <b>100%</b>                     |

Source: Loan sample & 2007 U.S. Census of Agricultural Data for Buena Vista and Clay Counties in Iowa.

### **Geographic Distribution of Loans**

All census tracts in the assessment area are middle-income areas; therefore an assessment of the geographic distribution is not beneficial.

### **Responses to Complaints**

There have been no complaints regarding the bank's CRA performance since the last CRA examination dated August 14, 2003.

### **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.