



PUBLIC DISCLOSURE

January 04, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank, Ames, Iowa
Charter Number 10408

405 Fifth Street
Ames, IA 50010

Office of the Comptroller of the Currency
Des Moines Field Office
1089 Jordan Creek Parkway, Suite 230
West Des Moines, IA 50266

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 Lending Test is rated: Satisfactory.

- The average loan-to-deposit ratio is reasonable at 51 percent for the 12 quarters ending June 30, 2015.
- A majority of home and business loans originated or purchased during this evaluation period were inside the Ames and Des Moines Assessment Areas (AAs).
- The distribution of home and business loans originated or purchased in the Ames and Des Moines AAs during this evaluation period reflects reasonable penetration among individuals and businesses of different income levels.
- The distribution of home and business loans originated or purchased in the Ames and Des Moines AAs during this evaluation period reflects a reasonable dispersion among geographies of different income levels.

The Community Development Test is rated: Satisfactory.

- The bank originated \$7.1 million in community development (CD) loans in the Ames and Des Moines AAs during this evaluation period.
- The bank invested \$2 million in, and donated \$95 thousand to, qualified organizations in the Ames and Des Moines AAs during this evaluation period.
- Bank employees and directors donated 909 hours to qualified organizations and programs in the Ames and Des Moines AAs during this evaluation period.

Scope of Examination

This performance evaluation summarizes First National Bank's (FNB's) record of meeting the credit and CD needs of its AAs from October 15, 2012 to January 4, 2016. We evaluated FNB using the Intermediate Small Bank Community Reinvestment Act (CRA) Examination Procedures due to the bank's size. As of December 31, 2015, FNB reported total assets of \$704 million.

During this evaluation period, 57 percent of loans by dollar benefited the Ames AA and 43 percent of loans by dollar benefited the Des Moines AA. Ratios exclude loans that did not benefit either of the bank's AAs. Because the distribution of lending activity is relatively even, we completed full scope procedures for both AAs.

FNB's primary loan products are home loans and business loans. Because of this, we reviewed Home Mortgage Disclosure Act (HMDA) data and a representative sample of business loans from each AA to assess FNB's performance under the lending test. The

sample totaled 113 loans originated or purchased between January 1, 2013 and September 30, 2015. We tested the integrity of reported HMDA data on September 8, 2015 and found it to be reliable.

Loan Type	% of Ames AA Originations and Purchases by Number	% of Ames AA Originations and Purchases by Dollar
Business	21%	40%
Farm	1%	1%
Home	68%	58%
Consumer	10%	1%

Source: Bank Records from January 1, 2013 to September 30, 2015

Loan Type	% of Des Moines AA Originations and Purchases by Number	% of Des Moines AA Originations and Purchases by Dollar
Business	38%	54%
Farm	3%	3%
Home	53%	42%
Consumer	6%	1%

Source: Bank Records from January 1, 2013 to September 30, 2015

Our primary objectives under the lending test were to determine whether FNB reinvested a reasonable percentage of its deposits in the Ames and Des Moines AAs and whether FNB originated a reasonable volume of loans that benefit low- and moderate-income individuals, low- and moderate-income areas, and small business.

Our primary objectives under the CD test were to determine whether FNB has participated in a reasonable volume of lending, investment, and service activities that benefit low- and moderate-income individuals in the Ames and Des Moines AAs. Our analysis incorporated all qualified CD activity from October 15, 2012 to January 4, 2016.

Description of Institution

FNB is a full-service financial institution that operates seven branches, three limited-purpose retirement community offices, and 21 automated teller machines (ATMs) in central Iowa. Three of four branches and three of four ATMs in the Des Moines AA were acquired on August 29, 2014, when FNB acquired First Bank. First Bank was a full-service financial institution with \$86 million in total assets as of June 30, 2014. In addition, all retirement community offices were established during this evaluation period.

FNB is a subsidiary of multi-bank holding company Ames National Corporation, which also owns Boone Bank & Trust Company, State Bank & Trust Company, United Bank & Trust, and Reliance State Bank in central Iowa. These entities do not have an impact on FNB's ability to meet the lending and CD needs of its AAs.

Competition is considerable. As of June 30, 2015, there were 19 financial institutions operating in the Ames AA and 50 financial institutions operating in the Des Moines AA. FNB holds 22 percent of deposits in the Ames AA but only 0.66 percent of deposits in the Des Moines AA. We derived this data from FDIC Deposit Market Share Reports.

FNB's CRA performance was rated "satisfactory" on October 15, 2012, and there were no legal, financial, or other barriers present during this evaluation period that would inhibit the bank's ability to meet the needs of its AAs.

Description of Assessment Areas

The Ames AA consists of 14 contiguous census tracts in Story County, Iowa, which is located in the Ames, Iowa Metropolitan Statistical Area (MSA). According to the 2010 Census, this AA has a population of 64,000, a median family income of \$76 thousand, and an unemployment rate of 4 percent. Iowa State University is the largest employer. This AA includes two low-income census tracts and one moderate-income census tract, and does not arbitrarily exclude any low- or moderate-income areas.

The Des Moines AA consists of 98 contiguous census tracts in Polk County and Dallas County, Iowa. Both are located in the Des Moines-West Des Moines, Iowa MSA. Per the 2010 Census, this AA has a population of 428,000, a median family income of \$75 thousand, and an unemployment rate of 4 percent. Major non-government employers include Wells Fargo, Hy-Vee Food Corporation, and Mercy Medical Center. This AA includes eight low-income census tracts and 28 moderate-income census tracts, and does not arbitrarily exclude any low- or moderate-income areas.

We conducted two community contact interviews in conjunction with this examination. Our Ames AA contact stated that, although the Ames economy is thriving, high levels of student housing have created pressure on the availability of affordable housing for low-income individuals. The contact also observed that FNB has a strong record of serving community credit needs. Our Des Moines AA contact stated that, while conditions are improving, certain neighborhoods are suffering from years of disinvestment. The contact specifically mentioned the King-Irving Park neighborhood, which is a low-income area located on the perimeter of FNB's primary service area.

Conclusions with Respect to Performance Tests

FNB's collective performance under the lending and CD tests is satisfactory.

LENDING TEST

FNB's collective performance under the lending test is satisfactory. Refer to the narrative below for additional detail.

Loan-to-Deposit Ratio

FNB’s average loan-to-deposit ratio is reasonable at 51 percent for the 12 quarters ending June 30, 2015. While this is below the average loan-to-deposit ratio of seven similarly situated institutions, the variance is reasonable considering FNB refers most agricultural loan applications to its affiliate banks. After considering for this influence in peer banks with significant agricultural concentrations, FNB’s loan-to-deposit ratio is comparable to the peer average. Additionally, FNB’s loan-to-deposit ratio increased during this evaluation period to 63 percent as of December 31, 2015.

Lending in Assessment Areas

A majority of home and business loans originated or purchased during this evaluation period were inside the Ames and Des Moines AAs. Specifically, 84 percent of all home loans by number and 87 percent of all home loans by dollar benefited borrowers located inside the Ames or Des Moines AAs. In our sample, 90 percent of loans by number and 80 percent of loans by dollar benefited businesses inside the Ames or Des Moines AAs.

Table 1 - Lending in the Ames and Des Moines Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (in Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	291	84%	56	16%	347	\$81,593	87%	\$11,744	13%	\$93,337
Business	18	90%	2	10%	20	\$2,344	80%	\$573	20%	\$2,917
Totals	309	84%	58	16%	367	\$83,937	87%	\$12,317	13%	\$96,254

Source: 2013-2015 HMDA Data, Loan Sample

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

FNB has demonstrated reasonable performance in all borrower distribution tests.

Ames AA

The distribution of home and business loans originated or purchased in the Ames AA during this evaluation period reflects reasonable penetration among individuals and businesses of different income levels. Refer to the following narrative for detail.

The distribution of home loans originated or purchased in the Ames AA during this evaluation period reflects reasonable penetration among borrowers of different income levels. According to HMDA data, 12 percent of all home purchase loans, 11 percent of all home refinance loans, and 21 percent of all home improvement loans benefited low-income borrowers. All variances from AA demographics are reasonable, considering 6 percent of AA families are below the poverty level.

In addition, 19 percent of home purchase loans, 12 percent of home refinance loans, and 4 percent of home improvement loans were to moderate-income borrowers. Home

improvement loan data is less reflective of overall performance, as ratios are influenced by the low number of home improvement loans originated during this evaluation period.

Table 2 - Borrower Distribution of Home Loans in the Ames AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Purchase	20%	12%	17%	19%	23%	17%	40%	52%
Home Refinance	20%	11%	17%	12%	23%	19%	40%	58%
Home Improvement	20%	21%	17%	4%	23%	42%	40%	33%

Source: 2013-2015 HMDA Data, 2010 Census Data

The distribution of commercial loans in our Ames AA sample reflects reasonable penetration among businesses of different sizes. Specifically, 63 percent of loans by number and 57 percent of loans by dollar benefited small businesses. This is within a reasonable variance of AA demographics. We placed less emphasis on the volume of loans by dollar, as small businesses are more likely to originate small loans.

Table 2A - Borrower Distribution of Loans to Businesses in the Ames AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74%	5%	21%	100%
% of Bank Loans in AA by #	63%	37%	0%	100%
% of Bank Loans in AA by \$	57%	43%	0%	100%

Source: Loan Sample, 2010 Census Data

Des Moines AA

The distribution of home and business loans originated or purchased in the Des Moines AA during this evaluation period reflects reasonable penetration among individuals and businesses of different income levels. Refer to the following narrative for detail.

The distribution of home loans originated or purchased in the Des Moines AA during this evaluation period reflects reasonable penetration among borrowers of different income levels. According to HMDA data, 16 percent of all home purchase loans, 7 percent of all home refinance loans, and 33 percent of all home improvement loans benefited low-income borrowers. All variances from AA demographics are reasonable, considering 7 percent of AA families are below the poverty level.

In addition, 26 percent of home purchase loans, 33 percent of home refinance loans, and 17 percent of home improvement loans were to moderate-income borrowers. All ratios meet or exceed the number of moderate-income families in the Des Moines AA.

Table 3 - Borrower Distribution of Home Loans in the Des Moines AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Purchase	20%	16%	18%	26%	22%	11%	40%	47%
Home Refinance	20%	7%	18%	33%	22%	20%	40%	40%
Home Improvement	20%	33%	18%	17%	22%	33%	40%	17%

Source: 2013-2015 HMDA Data, 2010 Census Data

The distribution of commercial loans in our Des Moines AA sample reflects reasonable penetration among businesses of different sizes. Specifically, 64 percent of loans by number and 49 percent of loans by dollar benefited small businesses. This is within a reasonable variance of AA demographics. We placed less emphasis on the volume of loans by dollar, as small businesses are more likely to originate small loans.

Table 3A - Borrower Distribution of Loans to Businesses in the Des Moines AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75%	6%	19%	100%
% of Bank Loans in AA by #	64%	36%	0%	100%
% of Bank Loans in AA by \$	49%	51%	0%	100%

Source: Loan Sample, 2010 Census Data

Geographic Distribution of Loans

FNB has demonstrated reasonable performance in all geographic distribution tests.

Ames AA

The distribution of home and business loans originated or purchased in the Ames AA during this evaluation period reflects a reasonable dispersion among geographies of different income levels. Refer to the following narrative for detail.

The distribution of home loans originated or purchased during this evaluation period reflects a reasonable dispersion of residential lending activity throughout the Ames AA. According to HMDA data, 3 percent of all home purchase loans, 6 percent of all home refinance loans, and 10 percent of all home improvement loans benefited borrowers in low-income census tracts. All ratios exceed, or are comparable to, AA demographics.

Also, 8 percent of home purchase loans and 6 percent of home refinance loans were to borrowers in moderate-income census tracts, and both ratios exceed AA demographics. Although no home improvement loans were to borrowers in moderate-income census

tracts, home improvement loan data is less reflective of overall performance as ratios are influenced by the low number of home improvement loans originated during this evaluation period. In addition, the Ames AA has only one moderate-income census tract, and it is comprised primarily of student housing. Borrowers are less likely to originate a home improvement loan for this type of property.

Table 4 - Geographic Distribution of Home in the Ames AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5%	3%	3%	8%	62%	64%	30%	25%
Home Refinance	5%	6%	3%	6%	62%	53%	30%	35%
Home Improvement	5%	10%	3%	0%	62%	63%	30%	27%

Source: 2013-2015 HMDA Data, 2010 Census Data

The distribution of business loans in our Ames AA sample reflects a reasonable dispersion of commercial lending activity throughout the Ames AA. Specifically, 27 percent of loans benefited businesses in low-income census tracts, and 2 percent of loans benefited businesses in moderate-income census tracts. Both ratios exceed or are comparable to AA demographics.

Table 4A - Geographic Distribution of Loans to Businesses in the Ames AA								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	16%	27%	3%	2%	58%	50%	23%	21%

Source: Loan Sample, 2010 Census Data

Des Moines AA

The distribution of home and business loans originated or purchased in the Des Moines AA during this evaluation period reflects a reasonable dispersion among geographies of different income levels. Refer to the following narrative for detail.

The distribution of home loans originated or purchased during this evaluation period reflects a reasonable dispersion of residential lending activity in the Des Moines AA. According to HMDA data, 14 percent of all home purchase loans, 7 percent of all home refinance loans, and 43 percent of all home improvement loans benefited borrowers in moderate-income census tracts. Variances from AA demographics can be attributed to the size of the Des Moines AA, the considerable distance between FNB’s branches and

a majority of the AA’s moderate-income tracts, and the high level of banking competition in Des Moines. After controlling for this influence, we observed no disparities in the volume of lending activity between adjoining tracts of different income levels.

Eleven percent of home refinance loans were to borrowers in low-income census tracts, which exceeds AA demographics. While no home purchase or improvement loans were to low-income census tracts, this can be attributed to the size of the Des Moines AA, the considerable distance between FNB’s branches and all of the AA’s low-income census tracts, and the high level of banking competition in Des Moines. Also, variances are small as only 3 percent of housing in low-income census tracts is owner-occupied.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3%	0%	22%	14%	34%	38%	40%	48%
Home Refinance	3%	11%	22%	7%	34%	44%	40%	37%
Home Improvement	3%	0%	22%	43%	35%	57%	40%	0%

Source: 2013-2015 HMDA Data, 2010 Census Data

The distribution of business loans in our Des Moines AA sample reflects a reasonable dispersion of commercial lending activity throughout the Des Moines AA. Specifically, 6 percent of loans benefited businesses in low-income census tracts, and 17 percent of loans benefited businesses in moderate-income census tracts. The variance in low-income tract data can be attributed to the size of the Des Moines AA, the considerable distance between FNB’s branches and all of the AA’s low-income tracts, and the high level of banking competition in Des Moines.

Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	13%	6%	17%	17%	32%	34%	38%	43%

Source: Loan Sample, 2010 Census Data

Responses to Complaints

FNB did not receive any CRA-related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

FNB's collective performance under the CD test is adequate.

Ames AA

Number and Amount of Community Development Loans

FNB originated eight CD loans in the Ames AA during this evaluation period. Funds totaling \$5.4 million benefited four affordable housing complexes, a soup kitchen, and a medical facility that provides healthcare to uninsured and underinsured individuals.

Number and Amount of Qualified Investments

FNB invested \$2 million to support an affordable housing complex in the Ames AA during this evaluation period. In addition, FNB donated \$93 thousand to five qualified organizations in the Ames AA during this evaluation period. This includes significant contributions to United Way and a new community health center.

Extent to Which the Bank Provides Community Development Services

FNB staff and directors dedicated 574 service hours to qualified organizations in the Ames AA, including Habitat for Humanity and United Way, during this evaluation period. In addition, FNB operates one ATM in a low-income census tract in this AA.

Responsiveness to Community Development Needs

FNB has demonstrated an adequate responsiveness to CD needs in the Ames AA.

Des Moines AA

Number and Amount of Community Development Loans

FNB originated three CD loans in the Des Moines AA during this evaluation period. Funds totaling \$1.7 million benefited two affordable housing complexes and an organization that provides supportive services to patients receiving Medicaid.

Number and Amount of Qualified Investments

FNB donated \$2 thousand to one qualified organization in the Des Moines AA during this evaluation period.

Extent to Which the Bank Provides Community Development Services

FNB staff and directors dedicated 335 service hours to qualified organizations and programs in the Des Moines AA during this evaluation period. This includes 160 hours

dedicated to providing financial education services at Hillside Elementary School, which is located in a moderate-income census tract. In addition, FNB operates one branch and one ATM in a moderate-income census tract in this AA.

Responsiveness to Community Development Needs

FNB has demonstrated an adequate responsiveness to CD needs in the Des Moines AA. Note, the volume of CD lending, investment, and service activities is comparatively low in the Des Moines AA because FNB was only operating one branch and one ATM in this AA until the August 29, 2014 acquisition of First Bank.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.