



PUBLIC DISCLOSURE

May 5, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 15799

101 N.E. Hayes Street
Greenfield, Iowa 50849

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

First National Bank's (FNB) lending performance reflects a satisfactory response to the needs of its assessment areas (AAs). This conclusion is based on the following:

- FNB's loan-to-deposit (LTD) ratio is reasonable;
- A majority of FNB's loans are originated within its AAs;
- FNB's distribution of loans reflects reasonable penetration among farms of different sizes; and
- There were no complaints regarding the bank's performance in meeting the credit needs of its AAs.

SCOPE OF EXAMINATION

We evaluated FNB using small bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test covers the bank's performance from January 1, 2012 to December 31, 2013. This period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

FNB's primary product is agricultural loans. The following table shows the percentage of loan originations by loan type from January 1, 2012 to December 31, 2013.

Table 1: Loan Originations		
Loan Type	% by Dollar	% by Number
Agricultural	83%	63%
Commercial	12%	17%
Consumer	1%	16%
Residential	4%	4%

Source: Bank-provided loan origination reports (2012- 2013).

To evaluate FNB's lending performance, we selected a random sample of 20 agricultural loans originated between January 1, 2012 and December 31, 2013.

DESCRIPTION OF INSTITUTION

FNB is a \$214 million bank headquartered in Greenfield, Iowa. The bank is 100 percent owned by First Fontanelle Bancorp. FNB operates four additional branches located in Fontanelle, Massena, Anita, and Correctionville, Iowa. The bank has six automated teller machines (ATMs). There have been no changes in the bank's offices since the prior CRA examination, but the bank has reduced its number of ATMs from ten.

FNB offers a full range of deposit and loan products, and services to its customers. As of March 31, 2014, the bank's loan portfolio totaled \$152 million, or 71 percent of total assets. The March 31, 2014 call report identifies \$117 million in agricultural loans, \$18 million in commercial loans, \$14 million in residential real estate loans, and \$3 million in consumer loans.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AAs. FNB received a satisfactory rating at its last CRA examination dated January 5, 2009.

DESCRIPTION OF ASSESSMENT AREAS

The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. Due to the location of FNB's five offices, management has designated two AAs.

The first AA contains all of Adair County and part of Cass County in Iowa, which consists of five middle-income census tracts (CTs). The main bank in Greenfield and the Fontanelle, Massena, and Anita branches serve this AA. Management does not include three CTs in the western portion of Cass County. Of the three excluded CTs, two are designated middle-income and one moderate-income. We concluded that the bank has not arbitrarily excluded the moderate-income geography as the bank excluded the same three CTs from its AA at the last CRA examination when all were middle-income geographies. In addition, the CTs are not in close proximity to the bank's branch locations, and it would be difficult for the bank to reasonably serve those geographies. Furthermore, several other financial institutions serve those geographies.

The Adair and Cass Counties AA is located in the southwest corner of Iowa, and business demographics consist of 66 percent non-farm and 34 percent farm. According to 2010 United States census data, the AA population is 11,872. The AA consists of 3,472 families, of which 15 percent are low-income, 21 percent are moderate-income, 28 percent are middle-income, and 36 percent are upper-income. Approximately 13 percent of AA households are below the poverty level.

Competition within the AA is moderate. Nine other deposit-taking financial institutions serve the Adair and Cass Counties AA. FNB is the fourth largest of the financial institutions that serve the AA and ranks third for largest deposit market share with approximately 16 percent.

The second AA contains part of Woodbury County in Iowa with one middle-income CT. The AA is in the Sioux City IA-NE-SD Metropolitan Statistical Area (MSA) and served by the Correctionville branch.

The Woodbury County AA is located on the western Iowa border, and business demographics of the AA are 64 percent non-farm and 36 percent farm. According to 2010 United States census data, the AA population is 3,911. The AA consists of 1,160 families, of which 18 percent are low-income, 24 percent moderate-income, 22 percent middle-income, and 36 percent upper-income. Approximately 13 percent of the AA households are below the poverty level.

Competition within the AA is significant. Nineteen other deposit-taking financial institutions serve the Woodbury County AA. FNB is the twelfth largest of the financial institutions that serve the AA, but ranks eighteenth for largest deposit market share with less than 1 percent.

FNB's CRA public file contains a map of both AAs.

Community representatives from the areas indicated the local economies are stable. The community contacts revealed that agricultural and residential real estate loans were the primary credit needs within the communities, followed by business loans. FNB offers and originates these types of loans. The representatives concluded that FNB and other financial institutions meet the credit needs of the communities, including low- and moderate-income individuals and families, through appropriate products and services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance with regards to the lending test is satisfactory. The bank's LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AAs. In addition, FNB originates a majority of its loans inside the AAs. The borrower distribution of agricultural loans reflects reasonable penetration. A geographic distribution of loans was not meaningful, as all CTs in the AAs are middle-income geographies. FNB has not received any complaints regarding its CRA performance since the previous examination.

Loan-to-Deposit Ratio

FNB's lending level is reasonable and meets the criteria for satisfactory performance. Over the past 22 quarters ending March 31, 2014, FNB's quarterly average LTD ratio was 82 percent. This ratio is comparable to the quarterly average LTD ratio of two similarly situated institutions of 78 percent.

Lending in Assessment Areas

FNB originates a majority of agricultural loans within its AAs, which meets the standard for satisfactory performance. FNB originated 65 percent of its loans by number and 80 percent of its loans by dollar amount within the AAs.

Table 2: Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	13	65	7	35	20	785	80	190	20	975

Source: Sample of agricultural loans from 2012 and 2013

Borrower Distribution of Loans

The distribution of borrowers, given the demographics of the AAs, reflects reasonable penetration among farms of different sizes.

- **Lending to Farms of Different Sizes**

Adair and Cass Counties AA

The distribution of loans to farms of different sizes reflects reasonable penetration. Our sample of 20 agricultural loans in the Adair and Cass Counties AA indicated FNB originated 95 percent by number and 99 percent by dollar to small farms. Small farms are farms with gross annual revenues of \$1 million or less. The bank’s lending to small farms is very comparable to the ratio of AA farms with gross annual revenues of \$1 million or less.

Table 3: Borrower Distribution of Loans to Farms in Adair and Cass Counties AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	99%	1%	0%	100%

Source: 2012 Business Demographic Data; Sample of loans from 2012 and 2013

Woodbury County AA

The distribution of loans to farms of different sizes reflects reasonable penetration. Our sample of 20 agricultural loans located in the Woodbury County AA indicated FNB originated 80 percent by number and 25 percent by dollar volume to small farms.

Although our sample indicates that the bank originated only 25 percent of loans by dollar volume to small farms, our sample included a large loan whose origination amount exceeded \$1 million and skews the results.

In addition, the dollar volume of agricultural loans to small farms is not representative of the bank’s historical lending practices, as larger farms generally borrow in larger amounts. The agricultural lending sample reflects this. The average loan origination amount for borrower's with gross annual revenues greater than \$1 million was \$383 thousand, compared to \$33 thousand for borrowers with gross annual revenues of \$1 million or less. The significant discrepancy between large and small farm loan

origination amounts in the lending sample skews the dollar volume of agricultural loans to large farms.

The percentage of loans to small farms by number, 80 percent, compares reasonably to the demographic comparator, 99 percent. The average loan amount in our sample of 20 agricultural loans was \$101 thousand. Furthermore, 80 percent of agricultural loans in our sample were loans under \$100 thousand, and 65 percent were under \$50 thousand. This provides additional support for a reasonable distribution of loans to small farms.

Table 4 - Borrower Distribution of Loans to Farms in Woodbury County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	25%	75%	0%	100%

Source: 2012 Business Demographic Data; Sample of loans from 2012 and 2013

- **Geographic Distribution of Loans**

A geographic distribution of loans was not performed at this examination. Both of the bank’s AAs consist entirely of middle-income CTs, therefore the analysis would not be meaningful.

Responses to Complaints

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

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 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 in any AA 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.