



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 2, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Logan
Charter Number 6771

323 East 7th Street
Logan, IA 51546

Office of the Comptroller of the Currency

13710 FNB Parkway
Suite 110
Omaha, NE 68154-5298

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 of Logan (FNBL) satisfactorily meets the credit needs of its assessment area (AA). This conclusion is based on the following:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans are inside its AA.
- The distribution of loans represents a reasonable penetration of farms of different revenue sizes within its AA.
- The bank's geographic distribution results in a reasonable dispersion of agricultural loans to small farms within the AA.

SCOPE OF EXAMINATION

FNBL was evaluated under the Small Bank Examination Procedures, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The lending test for FNBL covers its performance from June 30, 2007 through September 30, 2012, as this is representative of its lending strategy since the last Community Reinvestment Act (CRA) examination.

FNBL's primary loan product is agriculture loans. To evaluate the bank's agriculture lending performance, we selected a sample of 20 agriculture loans made from January 1, 2010 through December 31, 2011.

DESCRIPTION OF INSTITUTION

FNBL is a \$28.7 million bank located in Harrison County in southwest Iowa. FNBL has one full service facility located in Logan. 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 \$28.7 million one-bank holding company located in Logan, Iowa.

As of September 30, 2012, FNBL's loan portfolio accounted for 70 percent of average total assets. The bank's primary credit product is agriculture loans. The bank has seen an increase in the total loan portfolio from \$15.5 million at the last CRA examination in October 2007 to \$19.7 million as of September 30, 2012. The following table breaks down loan originations by outstanding dollars and number of loans originated from January 1, 2010 through December 31, 2011.

Loan Portfolio Originations				
	Originated Loans by Number		Originated Loans by Dollar	
	Number	Percentage	\$(000)	Percentage
Agricultural Loans	275	55	33,201	92
Consumer Loans	159	32	958	3
Commercial Loans	63	12	1,630	4
Residential RE Loans	5	1	217	1

Source: Bank Reports

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. There have not been any significant changes to the bank's corporate structure, including merger or acquisition activities, since the previous CRA examination. FNBL was rated "Satisfactory" at its last CRA examination dated October 1, 2007.

DESCRIPTION OF ASSESSMENT AREA

FNBL's AA is all of Harrison County, Iowa, which includes one moderate-income and four middle-income census tracts. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. According to the 2000 U.S. Census, the AA's population is 15,666. Unemployment is low at 4.9% for the state of Iowa compared to 7.8% for the nation (*U.S Dept. of Labor November 2012*).

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

We conducted one community contact in the Harrison County AA. The contact stated that the local economy is good and the local financial institutions do a satisfactory job of meeting the credit needs of the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBL's performance under the lending test is satisfactory. All criteria of the lending test are documented below.

Loan-to-Deposit Ratio

FNBL's loan-to-deposit (LTD) ratio is reasonable and meets the performance criteria, given its size, financial condition, and AA credit needs. There are two similarly situated banks in FNBL's AA. These community banks have average assets of \$92 million and offer similar products and services as FNBL. 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 quarterly LTD ratio average over the last

21 quarters was 76 percent. This is comparable to the similarly situation institutions, which had an average quarterly LTD ratio of 82 percent over the same time period.

Lending in Assessment Area

FNBL originates a substantial majority of its loans inside 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				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Agricultural Loans	20	100	0	0	1,920	100	0	0

Source: Bank Reports

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

The bank has a reasonable penetration of lending to farms of different sizes. Ninety-five percent of the loans by number and 99 percent of the loans by dollar were originated to farms with gross annual revenues less than \$1 million. Fifty percent of those were originated to very small farms with gross annual revenues of less than \$250,000. This compares reasonably to the percentage of farms in the bank’s AA that reported gross annual revenue of \$1 million or less as shown in the following table.

Borrower Distribution of Loans to Farms in the Assessment Area				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.5	0.0	0.5	100
% of Bank Loans in AA by #	95.0	5.0	0.0	100
% of Bank Loans in AA by \$	98.7	1.3	0.0	100

Source: Farm loan data sampled from 2010-2011 and U.S. Census Data

Geographic Distribution of Loans

FNBL’s record of lending to agricultural borrowers in different income tracts is reasonable. FNBL originated 10 percent of its agricultural loans to farms in moderate-income census tracts compared to 21 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 census tract. The bank did not have any agricultural lending activity in low- or upper-income census tracts in the AA. This is mitigated by the fact that the U.S. Census data found no agricultural activity in these geographies. The following table shows the breakdown of loans as compared to the AA demographics.

Geographic Distribution of Loans to Farms in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural Loans	0	0	21	10	79	90	0	0

Source: Farm loan data sampled from 2010-2011 and U.S. Census 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

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank’s (bank) CRA rating, 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 lending performance.

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