



## **PUBLIC DISCLOSURE**

April 2, 2018

### **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, SD 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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING.....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION .....</b>	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS .....</b>	<b>10</b>
<b>LENDING TEST .....</b>	<b>10</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>Appendix A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS ....</b>	<b>Appendix B-1</b>

## **Overall Community Reinvestment Act (CRA) Rating**

**The Lending Test is rated: Satisfactory**

The major factors supporting the institution's rating include:

- The First National Bank of Primghar's (FNB's) loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the credit needs of its assessment area (AA).
- Management originates and purchases a substantial majority of its loans to borrowers located in the bank's AA.
- The income distribution of agricultural loans to farms of different sizes reflects reasonable penetration of AA demographics.

## Definitions and Common Abbreviations

The following terms and abbreviations may be used throughout this performance evaluation, including the CRA tables. These definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the Metropolitan Area (MA)/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of MAs. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AAs or outside the AAs provided the bank has adequately addressed the community development needs of its AAs.

**Community Reinvestment Act:** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A CT delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area (MSA) to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state MA, the institution will receive a rating for the multi-state MA.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNB is an intrastate institution headquartered in Primghar, Iowa. Primghar is located in Northwestern Iowa in rural O'Brien County. FNB had \$32 million in total assets and \$5.5 million in tier one capital as of December 31, 2017. FNB does not have a holding company.

FNB operates one full-service branch in Primghar and did not merge with or acquire any banking institutions during the evaluation period. FNB's primary business focus is consistent with the traditional community bank model. As of December 31, 2017, FNB's loan portfolio totaled \$20 million, or 63 percent of total assets. Based on outstanding dollar volume, the portfolio breakdown was 79 percent agricultural, 14 percent commercial, four percent residential real estate, and three percent consumer. In addition to loan products, FNB offers a wide range of retail deposit products to its customers.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA. FNB received a Satisfactory rating in its last CRA Performance Evaluation dated May 28, 2013.

The bank's AA consists solely of O'Brien County in Northwestern Iowa. The county has four CTs. Three of the CTs were middle-income and one was upper-income in 2015-2016. All four CTs were considered middle-income in 2017.

According to 2010 U.S. Census data, there are 14,398 people and 6,022 households living in the AA. The 2016 weighted average of median family income is \$58,628 and the weighted average of median household income is \$43,673. Eleven percent of all households live below the poverty level. Ninety-one percent of housing is owner-occupied. The weighted average of median housing is \$86,277 and the weighted average of monthly gross rent is \$512.

Economic conditions were favorable in the AA during the evaluation period. According to the U.S. Bureau of Labor Statistics, the unemployment rate in O'Brien County is 2.9 percent as of February 2018. This is below the state and national unemployment rates of 3.5 and 4.1 percent, respectively.

We completed one community contact during this CRA examination. The contact is a loan manager for a local government agency that supports agricultural lending. The contact noted the local economy was steady and land prices remain strong despite tightening margins and reduced net farm income for agriculture producers. The contact stated the general community perception towards local financial institutions is positive.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

FNB was evaluated using Small Bank CRA examination procedures, which are limited to the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The Lending Test covers FNB's performance from January 1, 2015 to November 30, 2017.

To evaluate lending performance, we selected a random sample of loans originated and purchased during the evaluation period for the bank's primary loan product. We determined the bank's primary product type by reviewing all loan originations by number and dollar volume during the evaluation period. Based on the number and dollar volume of loans originated, we determined the bank's primary loan product was agricultural loans.

Table 1 includes the breakdown of loan originations by type during the evaluation period.

<b>Table 1 - Loan Originations During the Evaluation Period</b>		
<b>Loan Type</b>	<b>Percentage by Number</b>	<b>Percentage by Dollar</b>
Agricultural Loans	52	72
Commercial Loans	21	25
Consumer Loans	26	2
Residential Real Estate Loans	1	1
Total	100	100

Source: Bank loan data from January 1, 2015 to November 30, 2017.

Loan data was compared to 2010 U.S. Census data.

### Selection of Areas for Full-Scope Review

We completed a full-scope review of the O'Brien County AA. This is FNB's only AA.

### Ratings

The bank's overall rating is based on its performance in the O'Brien County AA.

### Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12CFR25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **Conclusions with Respect to Performance Tests**

FNB's performance under the Lending Test is satisfactory. FNB's LTD ratio is reasonable, a substantial majority of loans were originated or purchased to borrowers located in the bank's AA during the evaluation period, and the income distribution of agricultural loans to farms of different sizes is reasonable.

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

FNB's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's average LTD ratio was 81 percent for the 17 quarters from June 30, 2013 to September 30, 2017. The ratio ranged from a quarterly low of 59 percent to a quarterly high of 96 percent.

FNB's LTD is lower than, but compares reasonably to, the average LTD of other community banks operating in FNB's AA and adjacent counties. These banks range in size from \$61 million to \$205 million in total assets and are located within 40 miles of FNB. The average LTD for similarly-situated banks was 97 percent for the 17 quarters from June 30, 2013 to September 30, 2017. The ratio ranged from a quarterly low of 80 percent to a quarterly high of 124 percent.

### **Lending in Assessment Area**

FNB originates and purchases a substantial majority of its loans to borrowers located within its AA. We reviewed a random sample of 20 agricultural loans originated between January 1, 2015 and November 30, 2017 to assess performance with this criterion. Management originated 85 percent of their loans by number and 80 percent of their loans by dollar to borrowers within the bank's AA.

Table 2 details lending within FNB's AA by number and dollar amount of loans.

<b>Table 2 - Lending Inside and Outside of FNB's AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	17	85	3	15	20	2,229,639	80	546,887	20	2,776,526
Totals	17	85	3	15	20	2,229,639	80	546,887	20	2,776,526

Source: Loan sample.

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

The distribution of agricultural loans to farms of different income levels reflects reasonable penetration of AA demographics. We reviewed a sample of 20 agricultural loans to borrowers located in FNB's AA to assess performance with this criterion. Management originated 90 percent of its agricultural loans by number to farms with annual gross revenues of less than or equal to \$1 million. This reasonably compares to the 99 percent of AA farms with gross annual revenues of less than or equal to \$1 million.

Table 3 includes the data used to evaluate the borrower distribution of agricultural loans in FNB's AA.

<b>Table 3 - Borrower Distribution of Loans to Farms in O'Brien County</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98	1	1	100
% of Bank Loans in AA by #	90	5	5	100
% of Bank Loans in AA by \$	84	8	8	100

Source: 2010 U.S. Census and loan sample

### Geographic Distribution of Loans

There are no low- or moderate-income CTs in the bank's AA. A geographic analysis of loans to different CTs in the AA would not have provided meaningful information.

### Responses to Complaints

No CRA complaints were received by FNB or the OCC during the evaluation period.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”).

<b>Time Period Reviewed</b>	Lending Test: 1/1/2015 - 11/30/2017	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The First National Bank of Primghar (FNB) Primghar, IA		Agricultural Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
O'Brien County	Full Scope	N/A

## Appendix B: Community Profiles for Full-Scope Areas

### O'Brien County AA

Demographic Information for Full-Scope Area: O'Brien County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0	0	75	25	0
Population by Geography	14,398	0	0	64	36	0
Owner-Occupied Housing by Geography	6,022	0	0	63	37	0
Businesses by Geography	1,116	0	0	67	33	0
Farms by Geography	335	0	0	90	10	0
Family Distribution by Income Level	3,943	19	16	23	42	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,382	0	0	78	22	0
<b>Median Family Income (MFI) = \$58,628</b> <b>HUD Adjusted MFI = \$63,300</b> <b>Households Below Poverty Line = 650</b>	<b>Median Housing Value = \$86,277</b> <b>Unemployment Rate = 2.9%</b>					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2016 HUD updated MFI.