



## **PUBLIC DISCLOSURE**

March 3, 2015

### **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 S 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 Outstanding.**

- The First National Bank of Rembrandt (FNB) originates a substantial majority of its loans in the assessment area (AA).
- The borrower distribution of loans represents an excellent penetration among farms of different sizes and consumers of different income levels.
- The bank has a reasonable quarterly average loan-to-deposit ratio of 69 percent.

**SCOPE OF EXAMINATION**

We conducted a full-scope CRA review of FNB using the small bank examination procedures, which consists of 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 for FNB covers performance from January 1, 2012 through December 31, 2014. Based on the number and dollar volume of loans, we determined FNB's primary loan products are agriculture and consumer loans. To evaluate the bank's agricultural and consumer lending performance, we selected a sample of 20 agricultural loans and 20 consumer loans originated from January 1, 2012 through December 31, 2014.

Table 1 below details the bank's primary products.

<b>Table 1 - Primary Products</b>		
<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Home Loans	7%	3%
<b>Consumer Loans</b>	<b>8%</b>	<b>41%</b>
Business Loans	12%	11%
<b>Farm Loans</b>	<b>73%</b>	<b>45%</b>
Total	100%	100%

Source: bank reports

**DESCRIPTION OF INSTITUTION**

FNB's only office is a full-service facility located in Rembrandt, Iowa. The bank does not have an ATM or online presence. The bank is not affiliated with a holding company or any other institutions. As of December 31, 2014, the bank had total assets of \$54 million and tier one capital of \$7.2 million.

The bank offers a full range of deposit and loan products and services. Agricultural lending is the bank’s primary business focus, with consumer lending as a secondary focus. Residential real estate and commercial lending comprise a small portion of the loan portfolio.

As of December 31, 2014, FNB reported net loans of \$34.8 million and had a net loans and leases to total assets ratio of 64 percent.

Table 2 below details the outstanding loan volume as of December 31, 2014.

<b>Table 2 – Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Agriculture Loans	61%
Residential Real Estate Loans	17%
Commercial Loans	15%
Consumer Loans	7%

Source: Call Report.

There are no legal or financial impediments to the bank’s ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated August 17, 2009.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has one AA that includes all of Buena Vista and Clay Counties. The AA includes 10 census tracts (CTs), 9601 through 9606 in Buena Vista County and 801 through 804 in Clay County. The AA consists of nine middle-income CTs and one upper-income tract. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2010 U.S. Census median family income (MFI) for the non-metropolitan areas of Iowa is \$56,190 and the 2014 updated MFI is \$60,700. The unemployment rate in the AA in 2010 was low at 2.5 percent. According to the December 2014 unemployment data, the unemployment rate in Iowa was 4.1 percent and the national unemployment rate was 5.6 percent.

Table 3 summarizes the income levels of individual CTs and families located within the bank’s AA.

Table 3 – Income Distribution of Census Tracts and Families								
Assessment Area	Census Tracts (# and %)				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Buena Vista and Clay Counties	0	0	9	1	17%	22%	24%	37%
	0%	0%	90%	10%				

Source: 2010 U.S. Census Data

The local economy for the AA is good. Economic activity in the area is primarily focused on agriculture; however nearby towns offer employment in the meatpacking, agricultural manufacturing, and some commercial industries. The agriculture economy is down from prior years. Grain prices (corn and beans) are down about 50% from the previous year. Competition from other financial institutions is average. The bank’s competitors include several local community banks and branches of large regional institutions.

In assessing the bank’s performance, we contacted a local government agency. The agency stated the local agricultural economy is not as strong as in years past. However, banks continue to meet agricultural lending needs. The largest agricultural problems stem primarily from the falling commodity prices and below average yields due to poor growing conditions. The contact indicated that other areas of the local economy are stable. The contact identified agricultural loans as a primary credit need in the community followed by housing, small business, and consumer credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB’s net loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s quarterly net LTD ratio averaged 69 percent over the 22 quarters from July 1, 2009 to December 31, 2014. The ratio ranged from a quarterly low of 55 percent to a quarterly high of 79 percent during this time.

The bank’s net LTD ratio is comparable with other similarly-situated financial institutions. FNB’s LTD ratio ranks fifth among six similarly-situated banks. The average net LTD ratio of the other five banks over the same 22 quarters was 67 percent and ranged from 30 percent to 82 percent.

### Lending in Assessment Area

FNB originates a substantial majority of its loans within the AA. We sampled 20 of each primary loan type originated during our evaluation period. Ninety-five percent of the lending sample was originated within the bank's AA.

Table 4 below details the lending within the AA.

<b>Table 4- Lending in the AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Agriculture</b>	<b>20</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>20</b>	<b>\$1,031</b>	<b>100%</b>	<b>0</b>	<b>0%</b>	<b>\$1,031</b>
<b>Consumer</b>	<b>18</b>	<b>90%</b>	<b>2</b>	<b>10%</b>	<b>20</b>	<b>\$106</b>	<b>83%</b>	<b>\$22</b>	<b>17%</b>	<b>\$128</b>
<b>Totals</b>	<b>38</b>	<b>95%</b>	<b>2</b>	<b>5%</b>	<b>40</b>	<b>\$1,137</b>	<b>98%</b>	<b>\$22</b>	<b>2%</b>	<b>\$1,159</b>

Source: loan sample

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

The borrower distribution of agricultural loans represents an excellent penetration among farms of different sizes and households of different income levels. Ninety percent of FNB's agricultural loans, by number and dollar volume, were originated to farms with gross annual revenues of one million dollars or less.

Table 5A below details the distribution of agricultural loans.

<b>Table 5A - Borrower Distribution of Loans to Farms in the AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
<b>% of AA Farms</b>	<b>98%</b>	<b>1%</b>	<b>1%</b>	<b>100%</b>
<b>% of Bank Loans in AA by #</b>	<b>90%</b>	<b>10%</b>	<b>0%</b>	<b>100%</b>
<b>% of Bank Loans in AA by \$</b>	<b>90%</b>	<b>10%</b>	<b>0%</b>	<b>100%</b>

Source: loan sample and 2010 U.S. Census Data

The borrower distribution of consumer loans represents an excellent penetration among consumers of different income levels. FNB originated 40 percent of consumer loans to low-income individuals, compared to 23 percent of AA households. In addition, FNB originated 25 percent of consumer loans to moderate-income individuals, compared to 17 percent of AA households.

Table 5B below details the distribution of consumer loans.

Table 5B - Borrower Distribution of Consumer Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	23%	40%	17%	25%	20%	20%	40%	15%

Source: loan sample and 2010 U.S. Census Data

### Geographic Distribution of Loans

The CTs within the AA are middle- and upper-income. Therefore specific analysis of geographic distribution is not meaningful.

### Responses to Complaints

No CRA complaints were received by FNB or the Office of the Comptroller of the Currency during the evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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.