



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 20, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 14253**

**600 Pierce Street
Sioux City, Iowa 51101**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite #110
Omaha, Nebraska 68154**

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 (FNB) meets the credit needs of its assessment areas. The bank's primary lending activities are to commercial, residential real estate, and agricultural borrowers.

- FNB's lending level is satisfactory, given the institution's size, financial condition, and the assessment areas' credit needs.
- FNB originates a majority of its loans within the assessment areas.
- FNB's record of lending to businesses and farms of different sizes is satisfactory. Lending to borrowers of different income levels is also satisfactory.
- FNB's record of lending to businesses and individuals in different income tracts is satisfactory.

DESCRIPTION OF INSTITUTION

FNB is a \$129 million bank located in Woodbury County in northwestern Iowa. The bank is 100% owned by Northwest Financial Corp., an \$847 million, five-bank holding company located in Spencer, Iowa. FNB's main office is located in Sioux City, Iowa. The bank operates two full service branches, one each in Sioux City and LeMars. The bank also operates two drive-up facilities, one each in Sioux City and LeMars. The bank has two deposit-taking automated teller machines, one each in Sioux City and LeMars.

FNB offers traditional loan and deposit products. As of September 30, 2003, the bank's loan portfolio totaled 75% of total assets. The loan portfolio consisted of 60% commercial, 18% residential real estate, 17% agricultural, and 5% consumer loans based on outstanding dollars.

The bank's corporate structure has changed since the prior Community Reinvestment Act (CRA) examination dated October 25, 1999. Northwest Financial Corp. purchased FNB in December 2002. FNB has no legal or financial impediments that prevent it from fulfilling its obligation under the CRA. FNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination.

DESCRIPTION OF ASSESSMENT AREA

FNB has two assessment areas (AAs). Both AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AAs.

The local economy is stable. Major employers in the area include Gateway, Tyson Foods, Wells Blue Bunny, local schools, and local hospitals. There are 27 other financial institutions with branches in Plymouth and Woodbury Counties. These institutions range in size from approximately \$30 million to \$326 billion in total assets. These institutions provide the primary competition to FNB.

Examiners made one community contact with a local development group in the Woodbury AA. Examiners also reviewed one other contact conducted previously in the Plymouth AA. Community contacts revealed that small business, residential real estate, and agricultural loans are the primary credit needs in the area. FNB offers and originates these types of loans.

Woodbury Assessment Area

The first AA consists of 22 contiguous census tracts located in the Sioux City Metropolitan Statistical Area (MSA) #7720. Two of the 22 (9%) geographies are low-income census tracts. Five of the 22 (23%) geographies are moderate-income census tracts. Nine of the 22 (41%) geographies are middle-income census tracts. Five of the 22 (23%) geographies are upper-income census tracts. One of the 22 (4%) geographies does not contain any residents and does not have an income designation.

According to the 1990 U.S. Census, the total population of the Woodbury AA is 80,611. The 1990 U.S. Census estimated 20% of families in the AA were low-income, 18% moderate-income, 24% middle-income, and 38% upper-income. Eleven percent of the AA families are below the poverty level. The 2002 weighted average updated median family income is \$52,300 for the Sioux City MSA. The median housing value in the AA is \$40,496, and 63% of housing is owner-occupied.

The bank's primary credit products in the Woodbury AA are commercial, home mortgage purchases, and home mortgage refinancing loans based on the number of originations and origination amounts.

Plymouth Assessment Area

The second AA consists of six contiguous block-numbering areas (BNAs) in Plymouth County. All six (100%) geographies are middle-income census tracts.

According to the 1990 U.S. Census, the total population of the Plymouth AA is 23,388. The 1990 U.S. Census estimated 15% of families in the AA were low-income, 17% moderate-income, 27% middle-income, 41% upper-income. Seven percent of the AA families are below the poverty level. The 2002 weighted average updated median family income is \$49,400 for non-MSA areas in Iowa. The median housing value in the AA is \$46,662, and 71% of housing is owner-occupied.

The bank's primary credit products in the Plymouth AA are agricultural, home mortgage purchases, and home mortgage refinancing loans based on the number of originations and origination amounts.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average lending level is satisfactory. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AAs' credit needs. FNB's September 30, 2003 net LTD ratio was 92%. FNB's quarterly average LTD ratio for the 16 quarters ending September 30, 2003 was 79%. FNB's quarterly average LTD ratio is slightly higher than the average LTD ratio of 12 similarly situated banks in the AAs. The 12 similarly situated banks had a 16-quarter average LTD ratio of 76%, and a range of 52% to 109%. All banks in FNB's AAs, with reasonably similar asset sizes, were used as similarly situated banks for comparison. The similarly situated banks range in size from roughly \$30 million to \$560 million in total assets.

Lending in Assessment Area

FNB originates a majority of its loans within the AAs. We selected a sample of 20 commercial, residential real estate, and agricultural loans originated between October 25, 1999 and December 31, 2002. The sample was reviewed to determine if loans being originated to businesses, individuals, and farms were within the bank's AAs.

We found that 17 loans, or 85% of business, individual, and farm loans, were made within the AA. Also, \$907,688, or 85% of loan volume was within the AAs.

LENDING WITHIN THE ASSESSMENT AREA				
	# of Loans	% of Total #	\$ of Loans	% of Total \$
Inside AA	17	85%	\$907,688	85%
Outside AA	3	15%	\$163,320	15%
Totals	20	100%	\$1,071,008	100%

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

FNB's overall record of lending to businesses of different sizes and individual borrowers of different incomes is satisfactory.

Woodbury Assessment Area

Commercial Loans

FNB's record of lending to commercial borrowers of different sizes is satisfactory. We reviewed a sample of 20 commercial loans totaling \$8,340,382 in loan volume to determine if the bank is lending to businesses of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2001 and December 31, 2002.

FNB originated 70% of commercial loans by number, and 57% by volume, to businesses with annual revenues less than \$1million. This reasonably compares to 71% of AA businesses with annual revenues less than \$1million.

The following table shows the breakdown of loans to businesses as compared to the AA demographics.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES			
Business Revenues (or Sales)	≤ \$1,000,000	> \$1,000,000	Revenue Data Not Reported
% of AA Businesses	71%	7%	22%
% of Bank Loans in AA by #	70%	25%	5%
% of Bank Loans in AA by \$	57%	42%	1%

Residential Real Estate Loans

FNB has a satisfactory record of lending to individuals of different income levels in the Woodbury AA. Home purchases and refinancings are FNB’s primary residential real estate loan types in the Woodbury AA. We reviewed the Home Mortgage Disclosure data for calendar years 2001 and 2002. The bank made 164 loans totaling \$14,871,000 to purchase or refinance residential real estate. These loans were reviewed to determine if the bank is lending to individuals of different income levels. All of the loans were located in the AA and were originated between January 1, 2001 and December 31, 2002. We tested the accuracy of the Home Mortgage Disclosure data and found it to be reliable.

FNB originated 9% of home purchase loans by number and 5% by volume to low-income individuals. Lending to low-income individuals is below the demographic. FNB also originated 21% of home purchase loans by number and 11% by volume to moderate-income individuals. Lending to moderate-income individuals reasonably compares to the demographic.

In concluding performance was satisfactory, we took into consideration the fact that 11% of families in the AA are below the poverty level. These families, earning 30% or less of the median family income, would generally have a more difficult time qualifying for residential mortgage loans due to their limited income.

The following table shows the breakdown of home purchase loans as compared to the AA demographics.

HOME PURCHASE LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Families in AA
Low	3	9%	\$158,000	5%	20%
Moderate	7	21%	\$360,000	11%	18%
Middle	10	30%	\$1,189,000	36%	24%
Upper	13	40%	\$1,589,000	48%	38%
Total	33	100%	\$3,296,000	100%	100%

Eleven loans totaling \$933,000 did not have income information.

FNB originated 7% of home refinancings by number and 4% by volume to low-income individuals. Lending to low-income individuals is below the demographic. FNB also originated 8% of home refinancings by number and 6% by volume to moderate-income individuals. Lending to moderate-income individuals is also below the demographic.

In concluding performance was satisfactory, we took into consideration the fact that low- and moderate-income (LMI) families often find refinancing home mortgage loans is not advantageous. LMI families are more likely to qualify for home purchase loans under special first time homebuyer loan programs. These programs generally include below-market interest rates, reduced closing costs, and lower down payment requirements. These special incentives are generally not available under home mortgage refinancing loan programs; therefore, LMI families are less likely to refinance their mortgage loans.

The following table shows the breakdown of home refinancing loans as compared to the AA demographics.

HOME REFINANCING LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Families in AA
Low	5	7%	\$204,000	4%	20%
Moderate	6	8%	\$325,000	6%	18%
Middle	27	37%	\$1,910,000	35%	24%
Upper	35	48%	\$2,961,000	55%	38%
Total	73	100%	\$5,400,000	100%	100%

Forty-seven loans totaling \$5,242,000 did not have income information.

Plymouth Assessment Area

Agricultural Loans

FNB has a satisfactory record of lending to agricultural borrowers of different sizes in the Plymouth AA. We reviewed a sample of 20 agricultural loans totaling \$739,341 in loan volume to determine the bank's lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2001 and December 31, 2002.

FNB originated 90% of agricultural loans by number, and 92% by loan volume, to farm operations with gross annual revenues less than \$500,000. The bank's lending reasonably compares to the 1997 Census of Agricultural Data, which shows 93% of AA farms with gross annual revenues less than \$500,000.

The following table shows the breakdown of loans to farms as compared to the AA demographics.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Farms in AA
< \$499,999	18	90%	\$681,141	92%	93%
> \$500,000	2	10%	\$58,200	8%	7%
Total	20	100%	\$739,341	100%	100%

Residential Real Estate Loans

FNB has a satisfactory record of lending to individuals of different income levels in the Plymouth AA. Home purchases and refinancings are FNB's primary residential real estate loan types in the Plymouth AA. We reviewed the Home Mortgage Disclosure data for calendar years 2001 and 2002. The bank made 216 loans totaling \$20,549,000 to purchase or refinance residential real estate. These loans were reviewed to determine if the bank is lending to individuals of different income levels. All of the loans were located in the AA and were originated between January 1, 2001 and December 31, 2002. We tested the accuracy of the Home Mortgage Disclosure data and found it to be reliable.

FNB originated 4% of home purchase loans by number and 3% by volume to low-income individuals. Lending to low-income individuals is below the demographic. FNB also originated 20% of home purchase loans by number and 17% by volume to moderate-income individuals. Lending to moderate-income individuals reasonably compares to the demographic.

In concluding performance was satisfactory, we took into consideration the fact that 7% of families in the AA are below the poverty level. These families, earning 30% or less of the median family income, would generally have a more difficult time qualifying for residential mortgage loans due to their limited income.

The following table shows the breakdown of home purchase loans as compared to the AA demographics.

HOME PURCHASE LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of	\$ of Loans	% of	% of Families

		Total #		Total \$	in AA
Low	2	4%	\$141,000	3%	15%
Moderate	10	20%	\$756,000	17%	17%
Middle	18	37%	\$1,509,000	35%	27%
Upper	19	39%	\$1,978,000	45%	41%
Total	49	100%	\$4,384,000	100%	100%

FNB originated 4% of home refinancings by number and 1% by volume to low-income individuals. Lending to low-income individuals is below the demographic. FNB also originated 15% of home refinancings by number and 9% by volume to moderate-income individuals. Lending to moderate-income individuals is also below the demographic.

In concluding performance was satisfactory, we took into consideration the fact that LMI families often find refinancing home mortgage loans is not advantageous. LMI families are more likely to qualify for home purchase loans under special first time homebuyer loan programs. These programs generally include below-market interest rates, reduced closing costs, and lower down payment requirements. These special incentives are generally not available under home mortgage refinancing loan programs; therefore, LMI families are less likely to refinance their mortgage loans.

The following table shows the breakdown of home refinancing loans as compared to the AA demographics.

HOME REFINANCING LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Families in AA
Low	6	4%	\$204,000	1%	15%
Moderate	25	15%	\$1,423,000	9%	17%
Middle	48	29%	\$3,446,000	22%	27%
Upper	85	52%	\$10,840,000	68%	41%
Total	164	100%	\$15,913,000	100%	100%

Three loans totaling \$252,000 did not have income information.

Geographic Distribution of Loans

FNB's overall record of lending to businesses and individuals in different income tracts is satisfactory.

Woodbury Assessment Area

Commercial Loans

FNB's record of lending to businesses in different income tracts is satisfactory. We reviewed a sample of 20 business loans totaling \$8,340,382 in loan volume to determine the bank's lending in different income tracts. All of the loans in this sample were located in the AA and were originated between January 1, 2001 and December 31, 2002.

FNB originated 21% of business loans by number, and 20% of loans by volume, to businesses located in low-income census tracts. This reasonably compares to 29% of AA businesses that are located in low-income census tracts. FNB originated 15% of business loans by number, and 29% of loans by volume to businesses located in moderate-income census tracts. This reasonably compares to 15% of AA businesses located in moderate-income census tracts.

The following table shows the breakdown of loans to businesses as compared to the AA demographics.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES					
Census Tract Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of AA Businesses
Low	4	21%	\$1,614,000	20%	29%
Moderate	3	15%	\$2,374,200	29%	15%
Middle	6	32%	\$736,000	9%	27%
Upper	6	32%	\$3,398,900	42%	24%
Total	19	100%	\$8,123,100	100%	100%

One loan totaling \$217,282 did not have income information.

Residential Real Estate Loans

FNB's record of home purchase lending to individuals in different income tracts is satisfactory. We reviewed the Home Mortgage Disclosure data for calendar years 2001 and 2002. The bank made 44 home purchase loans totaling \$4,229,000 and 120 home refinancing loans totaling \$10,642,000. These loans were reviewed to determine the bank's lending in different income tracts. All of the loans were located in the AA and were originated between January 1, 2001 and December 31, 2002.

FNB originated 2% of home purchase loans by number, and 9% of loans by volume, to borrowers located in low-income census tracts. This reasonably compares to 2% of AA owner occupied housing located in low-income census tracts. FNB also originated 18% of home purchase loans by number, and 7% of loans by volume, to borrowers located in moderate-income census tracts. This reasonably compares to 18% of AA owner occupied housing located in moderate-income census tracts.

The following table shows the breakdown of home purchase loans as compared to the AA demographics.

GEOGRAPHIC DISTRIBUTION OF HOME PURCHASE LOANS					
Census Tract Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of AA **
Low	1	2%	\$373,000	9%	2%
Moderate	8	18%	\$294,000	7%	18%
Middle	20	46%	\$1,771,000	42%	47%
Upper	15	34%	\$1,791,000	42%	33%
Total	44	100%	\$4,229,000	100%	100%

** Percentage of AA owner-occupied housing.

FNB's record of home refinancing lending to individuals in different income tracts is satisfactory. FNB originated 11% of home refinancing loans by number, and 13% of loans by volume, to borrowers located in low-income census tracts. This compares very favorably to 2% of AA owner occupied housing located in low-income census tracts. FNB also originated 36% of home refinancing loans by number, and 30% of loans by volume, to borrowers located in moderate-income census tracts. This also compares very favorably to 18% of AA owner occupied housing located in moderate-income census tracts

The following table shows the breakdown of home refinancing loans as compared to the AA demographics.

GEOGRAPHIC DISTRIBUTION OF HOME REFINANCING LOANS					
Census Tract Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of AA **
Low	12	11%	\$1,271,000	13%	2%
Moderate	43	36%	\$2,970,000	30%	18%
Middle	43	36%	\$3,508,000	36%	47%
Upper	20	17%	\$2,078,000	21%	33%
Total	118	100%	9,827,000	100%	100%

Two loans totaling \$815,000 did not have a census tract designation.

** Percentage of AA owner-occupied housing.

Plymouth Assessment Area

All six BNAs within this AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

Community Development Loans

FNB originated one community development loan during the evaluation period. This was a \$2,300,000 line-of-credit to finance the construction of an apartment complex. The facility primarily benefits LMI individuals by using income restriction guidelines.

Other CRA Activities

During the evaluation period, FNB participated in flexible loan programs to help meet the credit needs of LMI borrowers. FNB originated 8 loans totaling \$740,415 using three flexible loan programs. The programs provided borrowers with such benefits as 100% financing and reduced interest rates. These programs include the Iowa Finance Authority, Rural Development, and Fannie Flex 97.

Responses to Complaints

The Office of the Comptroller of Currency and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated October 25, 1999.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.