



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 15, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank, Oelwein
Charter Number 5778**

**1 West Charles Street
Oelwein, Iowa 50662**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway #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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>1</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>1</i>
<i>DESCRIPTION OF ASSESSMENT AREA</i>	<i>2</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	<i>2</i>

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank, Oelwein (FNBO) meets the credit needs of its assessment area. The bank's primary lending activities are to agriculture, consumer, and commercial borrowers.

- FNBO's lending level is satisfactory, given the institution's size, financial condition, and the assessment area's credit needs.
- A significant majority of the bank's loans are within the assessment area.
- Lending to borrowers of different income and revenue levels is satisfactory.
- Lending to borrowers in different income tracts is satisfactory.
- The Office of the Comptroller of the Currency nor FNBO has received a complaint about the bank's performance regarding the Community Reinvestment Act.

DESCRIPTION OF INSTITUTION

FNBO is an \$81million bank located in Fayette County in northeastern Iowa. The bank is 95% owned by Northwest Financial Corp., an \$834 million, five-bank holding company located in Spencer, Iowa. The bank's main office is located in Oelwein, Iowa. The bank also operates one full service branch in Oelwein, and two branches in Oran and Westgate, Iowa. The branches in Oran and Westgate do not offer loan services. The bank has five deposit-taking automated teller machines (ATMs). All five ATMs are located in Oelwein.

The bank's corporate structure has changed since the prior Community Reinvestment Act (CRA) examination dated May 26, 1998. Northwest Financial Corp. purchased FNBO in October 2000. As a result of this purchase, the bank changed its corporate name from Marquette Bank Oelwein, NA to The First National Bank, Oelwein. In July 2001, FNBO purchased Iowa State Bank in Oelwein, IA. Iowa State Bank had approximately \$16 million in total assets at the time of purchase.

FNBO offers traditional loan and deposit products. As of June 30, 2002, the bank's loan portfolio totaled 63% of total assets. The bank's primary credit products are agricultural, commercial, and consumer loans based on the number of originations and origination amounts. The loan portfolio consisted of 40% agricultural loans, 32% commercial loans, 22% residential real estate loans, and 6% consumer loans based on outstanding dollars.

FNBO has no legal or financial impediments, which prevents them from fulfilling its obligations under the CRA. FNBO was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA

examination.

DESCRIPTION OF ASSESSMENT AREA

FNBO's assessment area (AA) did not meet the requirements of the regulation prior to the examination.

The AA did not include whole geographies. Bank management corrected the AA prior to the start of the CRA examination. The bank's AA now meets the requirements of the regulation. The bank's AA consists of Block Numbering Areas (BNAs) 9801-9805 and 9807 in Fayette County, BNAs 43 and 47 in Bremer County, and BNAs 9501-9505 in Buchanan County. The AA includes 13 BNAs, of which 12 (92%) BNAs are middle-income census tracts and one (8%) BNA is a moderate-income census tract. Individuals can refer to the CRA Public File for a map outlining the bank's AA.

According to the 1990 US Census, the total population of the AA is 40,031. The 1990 US Census estimated 21% of families in the AA were low-income, 20% moderate-income, 24% middle-income, and 35% upper-income. The 2001 weighted average updated median family income is \$48,400 for non-metropolitan statistical areas in Iowa. Fifteen percent of the AA households are below the poverty level. The median housing value in the AA is \$32,510 and 69% of housing is owner-occupied.

The local economy is stable. Agriculture and the local school and hospital provide the main employment sources in the community. Demographic data shows that 3% of the labor force is unemployed. There are 26 other financial institutions with branches within the counties of Fayette, Buchanan, and Bremer. These institutions provide the primary competition to FNBO. These institutions range in size from approximately \$13 million to \$32 billion in total assets.

Examiners made two community contacts to the Oelwein Chamber of Commerce and the Mayor of Oelwein during the CRA examination. Community contacts revealed that small business and residential real estate loans are a primary credit needs within the community. FNBO offers and originates these types of loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBO's average lending level is satisfactory. This is based on the bank's loan-to-deposit (LTD) ratio and the bank's size, financial condition, and the AA credit needs. FNBO's June 30, 2002 net LTD ratio was 78%. FNBO's quarterly, average LTD ratio for the 17 quarters ending June 30, 2002 was 65%. The bank's average LTD ratio is lower than, but reasonably compares to, the average LTD ratio of 11 similarly situated banks in the AA. The 11 similarly situated banks had a 17-quarter average LTD ratio of 80%, and a range of 64% - 92%. All banks in FNBO's AA, with reasonably similar assets sizes, were used as similarly situated banks for comparison. The similarly situated banks range in size from \$31 million to \$99 million in total assets.

Lending in Assessment Area

FNBO originates a significant majority of its loans within the AA. We selected a limited sample of 20 agricultural, commercial, and consumer loans originated between January 1, 2000 and September 30, 2002. The sample was reviewed to determine if loans being originated to farms, businesses, and individuals were within the bank's AA.

We found that 16 loans, or 80% of agricultural, commercial, and consumer loans were made in the AA. Also, \$419,132, or 91% of loan volume was in the AA.

Lending Within The Assessment Area				
	# of loans	% of total #	\$ of loans	% of total \$
Inside AA	16	80%	\$419,132	91%
Outside AA	4	20%	\$43,103	9%
Totals	20	100%	\$462,235	100%

Source: loan sample.

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

FNBO's record of lending to agricultural borrowers of different sizes is satisfactory. We reviewed a sample of 20 agricultural loans totaling \$501,926 in loan volume to determine if the bank is lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002. FNBO originated 100% of agricultural loans, by number and volume, to operations with annual revenues less than \$1 million. This is compared to 99% of AA farms with annual revenues less than \$1 million.

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

Borrower Distribution of Loans to Farms		
Farm Revenues (or Sales)	≤ \$1,000,000	> \$1,000,000
% of AA Farms	99%	1%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: loan sample, U.S. Census data.

FNBO has a good record of lending to individuals of different income levels. We reviewed a sample of 20 consumer loans totaling \$132,228 in loan volume to determine the bank's lending to individuals of different incomes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002. FNBO originated 70% of its loans to low and moderate-income borrowers, while only 46% of the AA households were low or moderate-income.

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

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of # of loans	% of AA Hhlds.*	% of # of loans	% of AA Hhlds.	% of # of loans	% of AA Hhlds.	% of # of loans	% of AA Hhlds.*
Consumer Loans	55%	28%	15%	18%	20%	20%	10%	34%

Source: loan sample, U.S. Census data.

* Hhlds. - Households

FNBO's record of lending to commercial borrowers of different sizes is satisfactory. We reviewed a sample of 20 commercial loans totaling \$3,013,760 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, 2000 and September 30, 2002. FNBO originated 89% of commercial loans by volume, and 65% by number, to businesses with annual revenues less than \$1 million. This is compared to 90% of AA business with annual revenues less than \$1 million.

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
% of AA Businesses*	90%	6%
% of Bank Loans in AA by #	65%	35%
% of Bank Loans in AA by \$	89%	11%

Source: loan sample.

* 4% of AA businesses did not report revenue data.

Geographic Distribution of Loans

FNBO's record of lending to agricultural borrowers in different income tracts is satisfactory. We reviewed a sample of 20 agricultural loans totaling \$501,926 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, 2000 and September 30, 2002. The bank's AA does not include any low or high-income census tracts. FNBO originated 10% of agricultural loans by number, and 2% of loans by volume to farms in moderate-income census tracts. This is compared to 8% of AA farms in moderate-income census tracts.

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

Geographic Distribution of Loans to Farms					
	# of loans	% of total #	\$ of loans	% of total \$	% of AA farms
Low	0	0%	\$0	0%	0%
Moderate	2	10%	\$8,486	2%	8%
Middle	18	90%	\$493,440	98%	92%
High	0	0%	\$0	0%	0%
Total	20	100%	\$501,926	100%	100%

Source: loan sample, U.S. Census data.

FNBO's has an excellent record of lending to individual borrowers in different income tracts. We reviewed a sample of 20 consumer loans totaling \$137,469 in loan volume to determine if the bank is lending in different income tracts. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002. The bank's AA does not include any low or high-income census tracts. FNBO originated 20% of consumer loans by number, and 33% of loans by volume to individuals in moderate-income census tracts. This is compared to 9% of AA households in moderate-income census tracts.

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

Geographic Distribution of Consumer Loans					
	# of loans	% of total #	\$ of loans	% of total \$	% of AA Hhlds.*
Low	0	0%	\$0	0%	0%
Moderate	4	20%	\$45,962	33%	9%
Middle	16	80%	\$91,507	67%	91%
High	0	0%	\$0	0%	0%
Total	20	100%	\$137,469	100%	100%

Source: loan sample, U.S. Census data.

* Hhlds. - Households

FNBO's record of lending to commercial borrowers in different income tracts is satisfactory. We reviewed a sample of 20 commercial loans totaling \$4,013,760 in loan volume to determine if the bank is lending in different income tracts. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002. The bank's AA does not include any low or high-income census tracts. FNBO originated 5% of agricultural loans by number, and 0% of loans by volume to farms in moderate-income census tracts. This is compared to 7% of AA farms in moderate-income census tracts. FNBO did originate one loan to a business in a moderate-income census tract, but the dollar volume of the loan was small enough to round down to 0%.

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

Geographic Distribution of Loans to Businesses					
	# of loans	% of total #	\$ of loans	% of total \$	% of AA businesses
Low	0	0%	\$0	0%	0%
Moderate	1	5%	\$19,846	0%	7%
Middle	19	95%	\$3,993,914	100%	93%
High	0	0%	\$0	0%	0%
Total	20	100%	\$4,013,760	100%	100%

Source: loan sample, U.S. Census data.

Community Development Loans

The bank originated one community development loan in July 2002. This was an \$11,000 operating loan to finance the needs of a child-care facility in the community. Fifty-four percent of the child-care facility's enrollment qualifies for free or reduced meals based on income restrictions. The child-care facility's income eligibility guidelines show that the facility is benefiting low and moderate-income individuals in the community.

Responses to Complaints

The Office of the Comptroller of Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated May 26, 1998.

Fair Lending Review

An analysis of 1999 - 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.