



## **PUBLIC DISCLOSURE**

May 28, 2013

### **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

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, 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.**

The major factors supporting the institution's rating include:

- The First National Bank of Primghar's (FNB) lending level is satisfactory given the institution's size and financial condition.
- A majority of FNB's loans (85 percent) were originated within the assessment area.
- The bank's distribution of loans reflects a reasonable penetration for agricultural borrowers of different sizes.

**SCOPE OF EXAMINATION**

The Performance Evaluation assesses the bank's CRA activities from October 1, 2007 through May 22, 2013. The examination was conducted using small bank examination procedures. The examination included a sampling of the bank's primary credit product of agricultural loans. We determined the bank's primary products by reviewing all loan originations by loan type from January 1, 2010 to May 22, 2013. Based on the number and dollar volume of loans originated, we determined the bank's primary loan product was agricultural loans.

<b>Loan Portfolio Originations</b>		
<b>Loan Type</b>	<b>Percentage by Number</b>	<b>Percentage by Dollar</b>
Agricultural Loans	<b>52%</b>	<b>64%</b>
Commercial Loans	14%	26%
Consumer Loans	29%	3%
Residential Real Estate Loans	5%	7%
Total	100%	100%

*Source: Bank loan data from January 1, 2010 to May 22, 2013*

We sampled 40 agricultural loans. We completed a review of key ratios in comparison to similar financial institutions. Additionally, we spoke with a community contact to learn about the credit needs of the community.

**DESCRIPTION OF INSTITUTION**

FNB is located in the northwestern Iowa town of Primghar in O'Brien County. The bank has \$32 million in total assets and offers traditional community bank deposit and credit products. The bank's single office is a full-service facility located in downtown Primghar.

As of March 30, 2013, FNB's loan portfolio equaled \$17 million, or 55 percent of total assets. The loan portfolio consisted of 64 percent agriculture, 22 percent commercial, 11 percent residential real estate, and 3 percent consumer based on outstanding dollar

volume. The current lending strategy is gradual growth with a focus in agricultural and agricultural real estate loans.

There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area (AA). The bank was rated "Satisfactory" at its last CRA examination dated October 1, 2007.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA consists of O'Brien County in northwestern Iowa. The county consists of four census tracts (CTs). According to the 2010 census, three of the CTs are middle-income and one (City of Sheldon) has changed since the 2000 census from middle- to upper-income.

According to the 2010 census, there were 14,398 people and 6,022 households in the AA. The 2012 non-metropolitan statistical area estimated median family income for Iowa was \$59,300. The census estimated the distribution of household income within the AA as 23 percent low-income, 16 percent moderate-income, 18 percent middle-income, and 43 percent upper-income. Eleven percent of all households were below the poverty level. The median housing value in the AA was \$86,277 and 70 percent of the housing was owner-occupied.

The O'Brien County seat is located in Primghar, which has a population of 908. Agriculture and agricultural-related business provides the main employment sources in the AA. The local agricultural economy is stable and continues to benefit from strong commodity prices. According to the U.S. Bureau of Labor Statistics, the unemployment rate in O'Brien County as of March 31, 2013 was 4.3 percent; compared to the state unemployment rate of 4.9 percent and the national unemployment rate of 7.6 percent. The AA is serviced by eight financial institutions based on the Federal Deposit Insurance Corporation deposit market share report. FNB ranks last among these institutions with 5 percent deposit market share.

We did not identify any unmet credit needs in the AA. Examiners made one community contact during the CRA examination. The contact commented on the strong agriculture economy and specifically identified wind energy farms as an opportunity for financing in the area. The contact did not identify any unmet credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB’s average lending level was reasonable given the bank’s size, financial condition, and low overall deposit market share. FNB’s December 31, 2012 net loan-to-deposit (LTD) ratio was 63 percent. FNB’s quarterly average net LTD ratio for the 20 quarters ending December 31, 2012 was 70 percent

We compared FNB to other community banks located in O’Brien County and adjacent counties. These banks ranged in size from \$64 million to \$368 million in total assets and were located within 40 miles of FNB. The bank’s ratio was lower than, but reasonably compared to, the seven banks that had average net LTD ratios for the preceding 20 quarters of 93 percent and ranging from 70 percent to 115 percent.

### Lending in Assessment Area

A majority of the loans were originated within the AA. We reviewed a sample of 40 agricultural loans to determine the bank’s lending performance with the AA. All the loans tested were originated between January 1, 2010 and May 22, 2013. We found that 34 loans or 85 percent of loans sampled and \$3.6 million or 81 percent of loan volume were originated within the AA.

Lending in O’Brien County, Iowa										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	34	85	6	15	40	3,556,879	81	840,360	19	4,397,239

Source: Loan sample

### Lending to Businesses of Different Sizes

Overall distribution of loans shows reasonable penetration for agricultural borrowers of different revenue sizes for both assessment periods.

FNB has a reasonable record of lending to agricultural borrowers of different sizes for loans originated in 2010 and 2011. We reviewed a sample of 20 agricultural loans and compared them to 2000 census data to determine the bank’s lending to farms of different revenue sizes. The bank originated 90 percent of its agricultural loans 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.

<b>Borrower Distribution of Loans to Farms in O'Brien County, Iowa (2010-2011)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	<1%	<1%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	94%	6%	0%	100%

Source: Loan sample and 2000 U.S. Census data

FNB has a reasonable record of lending to agricultural borrowers of different sizes for loans originated in 2012 thru May 22, 2013. We reviewed a sample of 20 agricultural loans and compared them to 2010 census data to determine the bank's lending to farms of different revenue sizes. The bank originated 95 percent of its agricultural loans to farms with annual gross revenues of less than or equal to \$1 million. This reasonably compared to the 99 percent of AA farms with gross annual revenues of less than or equal to \$1 million.

<b>Borrower Distribution of Loans to Farms in O'Brien County, Iowa (2012-2013)</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	<1%	<1%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	98%	2%	0%	100%

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.