



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 18, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Citizens First National Bank of Storm Lake
Charter Number 10034**

**East 5th and Lake
Storm Lake, Iowa 50588**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The Citizens First National Bank of Storm Lake (CFNB) meets the credit needs of its assessment area (AA). The primary lending activities are agricultural, commercial, residential, and consumer loans.

- CFNB's lending levels are satisfactory, given the bank's size, financial condition, and the AA credit needs.
- A substantial majority of the bank's loans are within the AA.
- The bank's lending efforts result in good penetration to borrowers of different income levels and farms of different sizes.

DESCRIPTION OF INSTITUTION

CFNB is a \$163 million bank located in Storm Lake, Iowa, in Buena Vista County. Storm Lake is located approximately 70 miles northeast of Sioux City, Iowa in the northwestern portion of the state. The bank has three locations; a main office and branch in Storm Lake, and a branch in Early, Iowa. The bank has a deposit taking automated teller machine (ATM) located at its main office in downtown Storm Lake and a cash dispensing ATM at Dyno's Station in Storm Lake.

CFNB is 100% owned by The First National Company, Inc., a \$216 million, one-bank holding company headquartered in Storm Lake. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. CFNB was rated "Satisfactory" at the last CRA examination dated March 10, 1998.

As of September 30, 2002, the loan portfolio comprised 52.7% of total assets. The bank's primary credit products are agricultural, commercial, residential, and consumer loans. The following table shows the percentage of each loan type by outstanding dollars and number of loans as of September 30, 2002.

	% of Outstanding Dollars	% of Outstanding # of Loans
Agricultural Loans	40%	30%
Commercial Loans	23%	6%
Residential Loans	21%	8%
Consumer Loans	15%	56%
Other Loans	1%	0%

DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes all of Buena Vista and Sac Counties. The AA includes Block Numbering Areas (BNAs) 9601 through 9606 in Buena Vista County and 9801 through 9804 in Sac County. All BNAs are designated middle-income. The AA meets the requirements of the Community Reinvestment Act. A map of the AA can be obtained from the bank's CRA public file.

According to the 1990 U.S. Census, the population of the AA is 32,289. The Housing and Urban Development (HUD) 2002 weighted average updated median family income for the state of Iowa is \$49,400. The distribution of family incomes within the AA is 16% low-income, 21% moderate-income, 29% middle-income, and 34% upper-income. About 11% of the households in the AA are below the poverty level. The housing stock is 63% owner-occupied.

The local economy is stable. Major employers include Iowa Beef Processor's pork plant, Bilmar Foods Inc., Buena Vista University, Buena Vista Hospital, and city and county government entities located throughout the AA. Employment in the area is relatively stable.

Thirteen state banks, three national banks, and a federal savings bank serve the AA with deposits ranging from \$5 million to \$169 million. In addition, two larger regional federal savings banks and a national bank serve a portion of the AA. Our review compared the bank's lending to similarly situated institutions. Performance was compared to seven financial institutions. The comparable banks had at least \$20 million in deposits and were headquartered within the AA.

Examiners made two community contacts during this CRA examination. The contacts were community leaders with a good understanding of area credit needs and knowledge of the efforts undertaken by area institutions to meet those needs. Both contacts identified affordable housing, small business, and agriculture as the primary credit needs in the community. CFNB offers loan products to address these identified credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable, given its size, financial condition, and AA credit needs. The bank's average LTD ratio for the last seventeen quarters of the performance evaluation is 58%. This is lower than the 74% average of the seven similar banks in the AA. The LTD ratios of these banks range from 56% to 108%. However, the bank generates a significant volume of long-term fixed-rate residential real estate loans, which are sold into the secondary market. Since 1998, the bank has originated 174 secondary market real estate loans and nine Iowa Finance Authority (IFA) loans totaling over \$12.4 million and \$440,000, respectively. The bank has also sold three loans totaling \$298,000 to its holding company. If these loans were included in the LTD ratio, the bank's LTD ratio would be approximately 69%, which is comparable to the average of the other AA banks.

Lending in Assessment Area

CFNB originates a substantial majority of its loans within the AA. We reviewed a sample of agricultural and residential real estate borrowers to assess the bank's lending within the AA. Loans within the AA were 95% by number and 99% by volume. All loans were originated since the last CRA examination. The following table details the findings of our sample.

ASSESSMENT AREA CONCENTRATION				
	# of loans	% of total #	\$ of loans	% of total \$
Inside AA	19	95%	\$1,446,782	99%
Outside AA	1	5%	\$4,737	1%
Totals	20	100%	\$1,451,519	100%

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

The bank has a good record of providing loans to borrowers of different incomes and farms of different sizes. We sampled two primary loan products to assess the bank's performance. The following is information on each sample.

Residential Real Estate Loans

The bank has a good record of providing residential real estate loans to borrowers of different income levels. Our sample included 20 residential real estate loans originated since the last CRA examination. We sampled home purchase and refinance loans together because bank reports do not separate the different home loan products. Only borrowers within the bank's designated AA were included in this sample. The sample indicated that the bank's residential lending reasonably compares to the AA demographics. The table below compares the income levels by number of borrowers and the dollar volume to the census income demographics of families in the AA.

RESIDENTIAL LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of families in the AA
Low	4	20%	\$208,957	16%	16%
Moderate	3	15%	\$164,250	12%	21%
Middle	7	35%	\$371,300	28%	29%
Upper	6	30%	\$583,870	44%	34%
Totals	20	100%	\$1,328,377	100%	100%

Source: Loan sample & U.S. Census Data.

The bank also offers special loan programs intended to help meet the housing needs of low- and moderate-income families. In addition to regular residential lending programs, the bank offers loans through the IFA and the USDA Rural Housing Program. Both programs are targeted to low- and moderate-income families. The bank originated nine IFA and nineteen USDA Rural Housing Program loans during this evaluation period.

Agricultural Loans

CFNB has a satisfactory record of lending to farms of different sizes. Our sample included 20 farm loans within the AA that were originated since the last CRA examination. The following table indicates that 19 of the loans in the sample (95%) were to farms with annual revenues less than \$1 million. This is comparable to the 1997 U.S. Census of Agricultural Data where 92% of farms had sales revenues of less than \$1 million.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of farms in AA
< \$100 thousand	5	25%	\$238,831	23%	53%
>\$100 & < \$250 thousand	10	50%	\$512,994	49%	27%
> \$250 & < \$999 thousand	4	20%	\$184,693	17%	12%
> \$1 million	1	5%	\$120,620	11%	8%
Totals	20	100%	1,057,138	100%	100%

Source: Loan sample & 1997 U.S. Census of Agricultural Data.

The bank offers special loan programs intended to help meet the credit needs of small farm and business customers. The bank offers loans with assistance from the Farm Services Agency, Iowa Agricultural Development Authority, and the Small Business Administration. During the evaluation period, the bank used these programs to originate new loans to ten farmers, two young farmers, and three small business customers, respectively.

Geographic Distribution of Loans

All BNAs in the AA are middle-income. Therefore, a specific analysis of geographic distribution is not meaningful.

Responses to Complaints

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

Fair Lending Review

An analysis of public comments and consumer complaints from 1999 through 2001 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.