



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 15, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank, Ames, Iowa  
Charter Number 10408

405 Fifth Street  
Ames, Iowa 50010

Office of the Comptroller of the Currency  
Des Moines Field Office

1089 Jordan Creek Parkway  
West Des Moines, Iowa 50266

**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 Lending Test is rated: Satisfactory.**

First National Bank, Ames, Iowa (FNB) satisfactorily meets the needs of its assessment areas (AAs).

- The loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AAs.
- A majority of the bank's loans are originated within its AAs.
- The bank's distribution of loans among borrowers of different income levels and businesses of different sizes is reasonable.
- The geographic distribution of loans to borrowers of different income levels reflects the demographics of the AAs.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AAs.

**The Community Development Test is rated: Satisfactory.**

FNB adequately responds to the community development (CD) needs of the AAs through CD lending, qualified investments, and services.

- FNB provided seven loans totaling \$3.5 million, \$50 thousand in donations, and 923 service hours to community organizations that promote affordable housing and provide services targeted to low- and moderate-income individuals during the evaluation period.

**SCOPE OF EXAMINATION**

FNB was evaluated under the intermediate small bank examination procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The lending test covers the bank's performance from January 1, 2010 to December 31, 2011, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

FNB's primary loan products are residential real estate and business loans. FNB reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate FNB's residential real estate lending performance. To evaluate FNB's

business lending performance, we selected a random sample of 20 business loans originated between January 1, 2010 and December 31, 2011.

The CD test evaluates the bank’s record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services. The CD test for the bank covers its performance from September 1, 2009 to October 14, 2012.

The Ames AA carried the most weight in assigning FNB’s overall rating. This AA contains the majority of FNB’s branches, 96 percent of FNB’s deposits as of September 30, 2012, and 90 percent of FNB’s residential real estate originations and 89 percent of FNB’s business loan originations as of December 31, 2011.

## DESCRIPTION OF INSTITUTION

FNB is a full-service financial institution located in central Iowa. FNB operates out of its headquarters in downtown Ames, Iowa. In addition to the main office, FNB operates two branches and 14 automated teller machines (ATMs) in Ames and one branch and one ATM in Ankeny, Iowa. FNB closed its Cub Foods location in Ames since the previous CRA examination.

FNB is owned by Ames National Corporation, a multi-bank holding company located in Ames, Iowa. There have not been any significant changes to FNB’s corporate structure, including merger or acquisition activities, since the previous CRA examination.

FNB offers a full range of deposit and loan products and services to its customers. FNB’s business strategy is community banking, specializing in business and residential real estate lending. As of September 30, 2012, FNB reported total assets of \$567.8 million and net loans of \$215.7 million, resulting in a net loans to total assets ratio of 38 percent.

The following table summarizes the percentage of each loan type originated from January 1, 2010 to December 31, 2011.

Table 1 - Loan Originations by Loan Type				
Loan Category	\$(000)	%	#	%
Commercial Loans	\$118,091	70%	242	22%
Residential Loans	\$44,323	26%	410	37%
Consumer Loans	\$7,254	4%	460	41%
Total	\$169,668	100%	1,112	100%

Source: Bank records from January 1, 2010 to December 31, 2011

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AAs. FNB was rated "Satisfactory" at its last CRA examination dated August 24, 2009.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB operates with two AAs: the Ames AA and the Ankeny AA. Each AA is located within a Metropolitan Statistical Area (MSA) and meets the requirements of the regulation. Neither AA arbitrarily excludes low- or moderate-income geographies. Refer to FNB's Public File for maps specifically outlining each AA.

### **Ames AA**

The Ames AA includes 14 contiguous census tracts (CTs) in Story County, Iowa, which includes the city of Ames. The 14 CTs are located in the Ames MSA. The AA includes four upper-income, seven middle-income, two low-income, and one other-income CT. According to the 2000 United States Census data, the population of the AA was 55,577. The 2011 weighted average median family income was \$58,972, and the median household income was \$40,708. Approximately 14 percent of the households residing in the AA are low-income, 58 percent are middle-income, and 28 percent are upper-income. Eighteen percent of the households in the AA are below the poverty level; however, these households primarily consist of students attending Iowa State University.

The local economy in the Ames AA is stable. The local economy is comprised of several types of industry including education services, transportation, research, and health services. The largest employers in the AA include Iowa State University, Iowa Department of Transportation, Mary Greeley Medical Center, Sauer-Danfoss, Ames Community School, Ames Laboratory, and 3M. Unemployment is low at four percent.

Competition from other financial institutions in the AA is strong. FDIC market share information as of June 30, 2011 indicates there were 21 deposit-taking financial institutions in the AA. FNB ranked first in market share with 24 percent, or \$411.5 million, of the deposits in the AA. Primary competitors include branches of large banks, large regional banks, and several local community banks.

We conducted one community contact in the Ames AA. The contact indicated the local economy is showing signs of improvement. New business growth is slow, but consistent in the AA, and existing businesses are starting to expand. The contact indicated credit opportunities in the AA include student housing and business loans. FNB offers and originates these types of loans. The contact also stated that local financial institutions are very involved in the community and support economic development, affordable housing, and community services.

### **Ankeny AA**

The Ankeny AA includes four CTs in Polk County, Iowa, which includes the city of Ankeny. The four CTs are located in the Ankeny MSA. The AA includes two upper-income and two middle-income CTs. According to the 2000 United States Census data, the population of the AA was 30,289. The 2011 weighted average median family income was \$68,200, and the median household income was \$56,900. Approximately 58 percent of the households residing in the AA are middle-income, and 42 percent are upper-income. Four percent of the households in the AA are below the poverty level.

The local economy benefits from its close proximity to Des Moines, Iowa, and Ankeny was recently named Iowa's fastest growing city. Major employers in the AA include Ankeny Community Schools, Deere & Company, Mercy Medical Center, Perishable Distributors of Iowa, and Tone's Spices. Unemployment is low at three percent.

Competition from other financial institutions in the AA is strong. FDIC market share information as of June 30, 2011 indicates there were 37 deposit-taking financial institutions in the AA. FNB ranked 31<sup>st</sup> in the market share report with \$16 million of the deposits in the AA. This represents less than one percent of market share. Primary competitors include branches of large banks, large regional banks, and several local community banks.

We conducted one community contact in the Ankeny AA. The contact indicated the local economy continues to rebound from the economic recession as retail sales and taxable sales steadily trend upward, and private sector jobs are being added. The contact indicated credit opportunities in the AA include single- and multi-family housing and business loans. FNB offers and originates these types of loans. The contact also stated that local financial institutions are engaged in the community and support local projects.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

FNB's performance with regards to the lending test is satisfactory.

#### LTD Ratio

FNB's lending level is reasonable and meets the criteria for satisfactory performance given its size, financial condition, and credit needs in the AAs. FNB's LTD ratio as of June 30, 2012 was 45 percent. Over the past 20 quarters ending June 30, 2012, FNB's average LTD ratio was 52 percent. The quarterly average LTD ratio for five similarly-situated banks in the AA was 89 percent.

FNB's average LTD ratio is below that of similarly-situated banks in the AAs; however, it remains reasonable. FNB's high percentage of market share deposits and the reduced opportunities for credit customers due to the economic downturn experienced by the AAs during the evaluation period contribute to the FNB's lower than peer LTD ratio.

#### Lending in AA

A majority of FNB's loans are originated within the bank's AAs which meets the standard for satisfactory performance. Management originated 75 percent of its loans by number and 81 percent of its loans by dollar within the AAs.

The following table details FNB's lending within the AAs by number and dollar amount of loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	58	70.7	24	29.3	82	9,247	64.8	5,032	35.2	14,279
Home Refinance	82	74.6	28	25.4	110	21,752	81.2	5,042	18.8	26,794
Home Improvement	22	81.5	5	18.5	27	2,100	83.0	431	17.0	2,531
Business	18	90.0	2	10.0	20	22,618	89.6	2,613	10.4	25,231
<b>Total</b>	<b>180</b>	<b>75.3</b>	<b>59</b>	<b>24.7</b>	<b>239</b>	<b>55,717</b>	<b>80.9</b>	<b>13,118</b>	<b>19.1</b>	<b>68,835</b>

*Source: 2000 U.S. Census data, 2010-2011 HMDA data, and a sample of business lending from 2010 and 2011*

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

The borrower distribution of loans in the AAs is reasonable and meets the criteria for satisfactory performance. Greater weight is placed on FNB's performance in the Ames AA since a majority of the bank's deposits are from that AA. Additionally, FNB's

business lending volume in the Ankeny AA was insufficient to make a complete assessment.

Ames AA

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels in the Ames AA is reasonable. FNB’s percentage of home purchase, home improvement, and refinance loans to moderate-income borrowers was good, as it reasonably reflects or exceeds the demographic comparator. The percentage of home purchase, home improvement, and refinance loans to low-income borrowers is below the demographic comparator; however, the distribution level remains reasonable as 18 percent of AA households are below the poverty level.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Table 3A - Borrower Distribution of Residential Real Estate Loans in Ames AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.9	6.0	16.0	10.0	21.8	10.0	42.3	46.0
Home Improvement	19.9	4.8	16.0	23.8	21.8	14.3	42.3	38.1
Home Refinance	19.9	3.9	16.0	10.4	21.8	14.3	42.3	46.8

Source: 2000 U.S. Census data and 2010-2011 HMDA data

FNB has a reasonable distribution among businesses of different sizes in the Ames AA. Our sample of 20 business loans indicated FNB originated 50 percent of its loans by number and 27 percent of its loans by dollar to businesses operating with gross annual revenues below \$1 million. Demographic data shows that 64 percent of the AA’s businesses are considered small businesses; however, the demographic data and loan sample data lacked income information on 33 percent and 5 percent of the businesses, respectively.

The following table shows the distribution of loans to businesses of different sizes compared to AA demographics.

<b>Table 3B - Borrower Distribution of Loans to Business in Ames AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	63.6	3.1	33.3	100%
% of Bank Loans in AA by #	50.0	45.0	5.0	100%
% of Bank Loans in AA by \$	26.9	59.7	13.4	100%

Source: 2000 U.S. Census data and a sample of business lending from 2010 and 2011

Ankeny AA

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels in the Ankeny AA is reasonable. FNB’s percentage of home purchase, home improvement, and refinance loans to low- and moderate-income borrowers is good, as it reasonably reflects or exceeds the demographic comparator.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Table 3C - Borrower Distribution of Residential Real Estate Loans in Ankeny AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	11.6	37.5	14.1	12.5	24.0	0.0	50.4	50.0
Home Improvement	11.6	100.0	14.1	0.0	24.0	0.0	50.4	0.0
Home Refinance	11.6	0.0	14.1	20.0	24.0	40.0	50.4	20.0

*Source: 2000 U.S. Census data and 2010-2011 HMDA data*

**Geographic Distribution of Loans**

FNB’s distribution of loans to CTs of different income levels is reasonable and meets the standards for satisfactory performance. This conclusion is based on the lending performance in the Ames AA as there are no low- or moderate-income CTs in the Ankeny AA.

Ames AA

The distribution of home purchase, home improvement, and refinance loans to CTs of different income levels is reasonable. While the percentage of home purchase and refinance loans to low-income CTs is below the demographic comparator, it remains reasonable because the percentage of home improvement loans to low-income CTs exceeds the demographic comparator.

The following table shows the distribution of home loan products among CTs of different income levels as compared to the percent of owner-occupied housing in each category.



Table 4A - Geographic Distribution of Residential Real Estate Loans in Ames AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	7.2	2.0	0.0	0.0	55.4	44.0	37.5	54.0
Home Improvement	7.2	14.3	0.0	0.0	55.4	61.9	37.5	23.8
Refinancing	7.2	3.9	0.0	0.0	55.4	40.3	37.5	55.8

Source: 2000 U.S. Census data and 2010-2011 HMDA data

The distribution of business loans to CTs of different income levels is good. FNB originated 25 percent of its business loans to businesses in a low-income CT. This exceeds the demographic comparator of 14 percent.

The following table shows the distribution of business loans among CTs of different income levels as compared to the percent of businesses in each category.

Table 4B - Geographic Distribution of Loans to Businesses in Ames AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	14.2	25.0	0.0	0.0	40.3	35.0	42.4	40.0

Source: 2000 U.S. Census data and a sample of business lending from 2010 and 2011

Ankeny AA

There are no low- or moderate-income CTs in the Ankeny AA. Therefore, a specific analysis of geographic distribution is not meaningful.

**Responses to Complaints**

FNB has not received any CRA-related complaints since the last CRA examination.

**COMMUNITY DEVELOPMENT TEST**

FNB adequately assessed the needs of its community and responded with CD loans, qualified investments, and services. This meets the standard for satisfactory performance.

## **Number and Amount of CD Loans**

FNB provided the AAs with seven CD loans totaling \$3.5 million during the evaluation period.

### Ames AA

FNB's responsiveness to CD lending in the Ames AA is adequate. FNB originated six loans totaling \$2.8 million to borrowers that promote affordable housing and community services targeted to low- and moderate-income individuals during the evaluation period. One of the borrowers benefiting from a CD loan uses a trust model to promote individual home ownership. Another CD loan supported the expansion of a local soup kitchen.

### Ankeny AA

FNB's responsiveness to CD lending in the Ankeny AA is adequate. FNB originated one loan totaling \$750 thousand to an organization that promotes affordable housing and provides community services to individuals with disabilities. Over half of the individuals served by this organization are low- or moderate-income.

## **Number and Amount of Qualified Investments**

FNB provided \$50 thousand in donations to five organizations during the evaluation period.

### Ames AA

FNB's responsiveness to provide qualified investments in the Ames AA is adequate. FNB contributed \$50 thousand to five organizations that promote affordable housing and provide community services targeted to low- and moderate-income individuals during the evaluation period. One of the organizations provides low-income individuals with home ownership opportunities, and another provides housing, education, and other social services to low- and moderate-income youth.

### Ankeny AA

FNB did not provide any qualified investments to organizations in the Ankeny AA during the evaluation period.

## **Extent to Which the Bank Provides Community Development Services**

FNB and its employees provided 923 hours of financial expertise during the evaluation period.

Ames AA

FNB's responsiveness to providing CD services in the Ames AA is adequate. FNB and its employees provided 840 hours of financial expertise to five organizations that promote affordable housing and provide community services targeted to low- and moderate-income individuals during the evaluation period. One organization benefiting from the bank's service hours helps low-income individuals obtain self-sufficiency through financial education.

Ankeny AA

FNB's responsiveness to providing CD services in the Ankeny AA is adequate. FNB and its employees provided 83 hours of financial expertise to an organization that provides food, utility, and medical assistance to low- and moderate-income individuals in the community.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.