



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 22, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Sioux Center
Charter Number 7369**

**242 North Main Avenue
Sioux Center, Iowa 51250**

**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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The bank's lending level is reasonable given its size, financial condition, and the credit needs of the assessment area (AA).
- The majority of the bank's loans are within the AA.
- The bank's lending to farms and businesses of different sizes is satisfactory.
- The bank's geographic distribution of loans within the AA is reasonable given outside factors allowing the credit needs of farms and businesses in a moderate-income census tract (CT) to be met.
- The bank has not received any formal complaints related to its Community Reinvestment Act (CRA) performance.

DESCRIPTION OF INSTITUTION

First National Bank of Sioux Center (FNB Sioux Center) is an \$86 million bank serving Sioux, Plymouth, and Lyon Counties in Iowa. The bank is located on the main street of Sioux Center, Iowa. The bank operates two automated teller machines (ATMs). One deposit taking ATM is located at the main office, and a cash dispensing ATM is located at a local grocery store. The ATMs are in the bank's AA. The bank is wholly-owned by Northwest Financial Corporation, a \$968 million holding company headquartered in Spencer, Iowa.

As of June 30, 2004, FNB Sioux Center had \$61 million in credit extended to borrowers. The bank has no legal or financial impediments limiting its ability to meet area credit needs. FNB Sioux Center's loan portfolio comprised 76% of total assets. FNB Sioux Center's primary loan products are agricultural and commercial loans by volume. The following table shows the percentage of each loan type originated from July 1, 1999 through December 31, 2002.

Loan Portfolio Originations		
Loan Type	Originated Loans by Dollars	Originated Loans by Number
Agricultural Loans	61%	33%
Commercial Loans	14%	11%
Consumer Loans	4%	31%
Residential RE Loans	13%	22%
Other Loans	8%	3%

Source: FNB Sioux Center's loan trial balance report.

FNB Sioux Center was rated "Satisfactory" at the last CRA examination dated June 21, 1999.

DESCRIPTION OF ASSESSMENT AREA

FNB Sioux Center has one AA, which is located in a rural setting. The AA meets the requirements of CRA. Individuals can refer to FNB Sioux Center's CRA public file for a map outlining its AA.

The AA consists of Sioux, Plymouth, and Lyon Counties in northwest Iowa. The AA includes 16 CTs, 15 of which are middle-income tracts and one that is a moderate-income tract. CTs 9701, 9702, 9703, 9704, 9705, and 9706 are located in both Sioux and Plymouth Counties. In addition, CT 9707 is located in Sioux County only. CTs 9501, 9502, and 9503 are located in Lyon County.

The total population of the AA is 65,243, with a weighted average updated median family income of \$49,400. The area includes 22,730 households of which 10% are below the poverty level. Family incomes in this AA are 16% low-income, 20% moderate-income, 28% middle-income, and 36% upper-income. The weighted median housing value in this AA is \$43,003, and 73% of households are owner-occupied.

Major employers in the area include Pella (windows), ENW Groschopp, Inc. (motor windings), Farmers Coop, Gorges Quik-to-Fix Foods (institutional foods), Interstates Electric and Engineering, and Sioux Preme Packing (pork plant). Major non-profit employers are the Sioux Center Hospital, Dordt College (approximately 1,300 students), and the Sioux Center Public School District.

Examiners made one community contact for the AA during the performance period. The contact represented a local business group organization. Discussions with this contact revealed agricultural loans as the primary credit need for the area. Additionally, business and residential loans were identified as credit needs. FNB Sioux Center offers and originates agricultural, business, and residential loans.

The bank faces heavy competition in the AA. There are 22 other financial institutions with offices in the bank's AA. We compared the bank's lending performance to nine banks we considered similarly situated.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB Sioux Center's loan-to-deposit (LTD) ratio is reasonable given its products and services, the credit needs of the area, and the demographics of the AA. The bank's average LTD ratio over the past 20 quarters since the last performance evaluation is 105%. As of June 30, 2004, the bank's LTD ratio was 85%. The bank's quarterly average exceeds the average for the nine similarly situated banks in the AA of 90%. The LTD ratios of the similarly situated banks ranged from 73% to 106%. All banks with offices in Sioux County with the majority of their deposits inside the AA were considered similarly situated banks.

Lending in Assessment Area

FNB Sioux Center originates a majority of its loans within the AA. We reviewed a sample of

agricultural and commercial borrowers to determine the bank's lending performance to farmers and businesses within the AA. All the loans were originated since the last CRA examination through December 31, 2002. The table below lists the in/out ratios by number of loans and volume of loans sampled.

Table 1 - Lending in the Assessment Area										
Agricultural & Commercial Loans	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	16	80%	4	20%	20	\$1,811	77%	\$542	23%	\$2,353

Source: Data obtained from a sample of loans.

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

Overall, FNB Sioux Center has a satisfactory record of lending to agricultural and business borrowers of different sizes within its AA. The paragraphs below detail the bank's lending performance by loan type.

Agricultural Loans

FNB Sioux Center has a satisfactory record of lending to agricultural borrowers of different sizes. We reviewed 20 agricultural loans totaling \$1,343,000 to determine the bank's performance. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination through December 31, 2002. Lending levels, given the demographics of the AA, reflect satisfactory penetration among farm borrowers of different sizes. The table below demonstrates the breakdown of loans compared to the 2002 Business Geodemographic Data. Two of 20 borrowers had revenues exceeding \$1,000,000. Ten borrowers had revenues below \$250,000.

Borrower Distribution of Loans to Farms in Assessment Area			
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Farms Not Reporting Revenue Data
% of AA Farms	95%	3%	2%
% of Bank Loans in AA by #	90%	10%	0%
% of Bank Loans in AA by \$	87%	13%	0%

Source: Loan Sample; 2002 Business Geodemographic Data.

Commercial Loans

FNB Sioux Center has a satisfactory record of lending to business borrowers of different sizes within the AA. We reviewed 20 business loans totaling \$1,984,000 to determine the bank's performance. The satisfactory rating is based on 60% of the loans by number were to borrowers with revenues under \$1,000,000. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination through December 31, 2002. Lending levels, given the demographics of the AA, reflect satisfactory penetration among business borrowers of different sizes. The table below demonstrates the breakdown of loans to

businesses within the AA compared to the 2002 Business Geodemographic Data.

Borrower Distribution of Loans to Businesses in the Assessment Area			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Businesses Not Reporting Revenue Data
% of AA Businesses	69%	6 %	25%
% of Bank Loans in AA by #	60%	25%	15%
% of Bank Loans in AA by \$	26%	70%	4%

Source: Loan Sample; 2002 Business Geodemographic Data

Geographic Distribution of Loans

A geographic distribution analysis was completed as the bank’s AA includes one moderate-income CT (9501). The remaining 15 CTs in the bank’s AA are middle-income. Although no loans in our agricultural or commercial samples were to borrowers in the moderate-income CT, geographic distribution in the AA is reasonable. The paragraphs below detail the geographic distribution for each loan type sampled.

Agricultural Loans

Agricultural loan distribution is adequate. Our sample revealed most of the bank’s agricultural loans are originated in Sioux County. Sioux County contains only middle-income CTs, but is the area closest to the bank. The moderate-income CT is located in northeast Lyon County. No agricultural loan originations by the bank in this CT is reasonable considering the distance from the bank (approximately 25 miles) and number of banks in the area (13 in Sioux County and seven in Lyon County). Other lending institutions in the AA are closer to this CT resulting in these institutions servicing the area. Furthermore, only 8% of the farms in the AA are located in the moderate-income CT.

Table 3A - Geographic Distribution of Loans to Farms in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural Loans	0%	0%	8%	0%	92%	100%	0%	0%

Source: Loan Sample, 2002 Business Geodemographic Data.

Commercial Loans

Commercial loan distribution is adequate. Similar to the agricultural loan sample, our commercial loan sample revealed most of the bank’s commercial loans are originated in Sioux County. Other lending institutions in the AA service the moderate-income tract in Lyon County. Due to the distance and number of banks in the area, it is reasonable the bank has no commercial loan originations in the moderate-income tract. Additionally, demand for commercial loans in this area is limited as only 4% of the AA’s businesses are located in this CT.

Table 3B - Geographic Distribution of Loans to Businesses in Assessment Area								
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
Commercial Loans	0%	0%	4%	0%	96%	100%	0%	0%

Source: Loan Sample, 2002 Business Geodemographic Data.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance. Also, the Office of the Comptroller of the Currency has not received any complaints regarding the bank's CRA performance.

Fair Lending or Other Illegal Credit Practices Review

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