



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Rembrandt
Charter Number 10729**

**101 East Main
Rembrandt, Iowa 50576**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154-5298**

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 First National Bank of Rembrandt, Rembrandt, Iowa (FNB) meets the credit needs of its assessment area. The bank's primary lending activities are to agricultural and residential real estate borrowers.

- FNB's lending level is reasonable, given the institution's size, financial condition, and assessment area's credit needs.
- A substantial majority of the bank's loans are within the assessment area.
- The bank's lending efforts result in an excellent penetration to borrowers of different income levels and farms of different sizes.
- The Office of the Comptroller of the Currency and FNB have not received any complaints about the bank's Community Reinvestment Act (CRA) performance.

DESCRIPTION OF INSTITUTION

FNB is a \$33 million bank located in Rembrandt, Iowa, in Buena Vista County. Rembrandt, Iowa is in the north central part of Iowa, and is approximately 90 miles northeast of Sioux City, Iowa. The bank has no branches, but has a cash dispensing automated teller machine at the intersection of Highway 3 and Highway 71 just south of Rembrandt. FNB is not affiliated with another bank or holding company. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. FNB was rated "Satisfactory" at the last CRA examination dated May 24, 1999.

As of March 31, 2003, FNB's loan portfolio comprised 65% of total assets. Based on the dollar volume and number of loans, the bank's primary credit products are agricultural and residential real estate loans. The following table shows the percentage of each loan type by dollar and number as of the June 30, 2003.

	% of Outstanding Dollars	% of Outstanding # of Loans
Agricultural Loans	52%	17%
Residential & HELOC Loans	18%	18%
Commercial Loans	18%	9%
Consumer Loans	12%	56%
Other Loans	0%	0%

Source: The bank's trial balance sorted for originated loans from 05/24/99 to 12/31/02.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) includes all of rural Buena Vista and Clay Counties. The AA includes block-numbering areas (BNAs) 9601, 9602, 9603, and 9606 in rural Buena Vista County and BNAs 9801 and 9804 in Clay County. The AA consists of six middle-income BNAs. There are no low- or moderate-income BNAs in the AA. The bank's AA meets the legal requirements set forth in the CRA. 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 16,790. The Housing and Urban Development (HUD) 2002 weighted average updated median family income for the statewide non-metropolitan statistical areas in Iowa is \$49,400. The distribution of family incomes within the AA is 14% low-income, 19% moderate-income, 30% middle-income, and 37% upper-income. About 9% of the households in the AA are below the poverty level. Based on the census, the median housing value is \$31,471, and 64% of housing stock is owner-occupied.

The local economy is stable. During 2002 crop prices were generally beneficial to area farmers offsetting lower livestock prices. The main sources of employment are agricultural related jobs and the local school district. Meatpacking, agricultural manufacturing, and some commercial related jobs are available in nearby Storm Lake and Spencer, Iowa.

Thirteen other national and state banks, and two federal savings banks serve the bank's AA. We did not consider several banks and the savings banks as similar to the bank as they had total assets over \$100 million or generated the majority of their deposits outside the AA. We compared the bank's lending level and activities to seven similarly situated banks in the AA that had deposits ranging from \$23 million to \$97 million.

Examiners made one community contact and reviewed previous community contacts. The contacts were community leaders with a good understanding of area credit needs and knowledge of area banks' efforts to meet those needs. Both contacts identified agricultural loans and residential real estate loans as community credit needs. FNB offers and originates these types of loans.

One community contact indicated FNB is a leader in providing residential real estate loans in the Rembrandt and Sioux Rapids communities. He indicated many of the bigger banks in the area do not generally make home loans in smaller communities.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable, given its size, financial condition, and AA's credit needs. The bank's LTD ratio averaged 73% for the past sixteen quarters. The bank's lending level is slightly higher than the 66% average of the seven similarly situated banks in the AA. The LTD ratios of those banks ranged from 37% to 93%. The bank's LTD ratio is not impacted by participations sold or purchased. The bank does not sell home loans on the secondary market, but retains and services all the home loans originated.

Lending in Assessment Area

FNB originates a substantial majority of its loans within the AA. We reviewed a sample of 20 agricultural and residential real estate loans originated between May 24, 1999 and December 31, 2002 to assess the bank's lending within the AA. We found 17 loans, or 85%, were made inside the AA. Also, 81% of the loan volume sampled was within the AA. The following table details the findings of our sample.

ASSESSMENT AREA CONCENTRATION				
	# of Loans	% of Total #	\$ of Loans	% of Total \$
Inside AA	17	85%	\$630,134	81%
Outside AA	3	15%	\$150,000	19%
Totals	20	100%	\$780,134	100%

Source: Loan sample.

Lending to Farms of Different Sizes and Borrowers of Different Incomes

Overall, the bank has an excellent record of providing loans to farms of different sizes and residential borrowers of different incomes. We weighted residential real estate loans more heavily than farm loans. The bank has originated more residential real estate loans than farm loans during the assessment period. Following is information on agricultural and residential loans in each sample.

Agricultural Loans

FNB has a good record of lending to farms of different sizes. Our sample included 20 loans within the AA that were originated since the last performance evaluation. The following table indicates that 19 of the loans in the sample (95%) were to farms with annual revenues less than \$500 thousand. The bank's lending to small and moderate-sized farms compares favorably to the U.S. Census of Agricultural Data. U.S. Census Data shows 92% of farms had sales revenue of less than \$500 thousand.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of Loans	\$ of Total #	\$ of Loans	% of Total \$	% of Farms in AA
< \$100 thousand	8	40%	\$402,162	33%	50%
>\$100 & < \$249 thousand	5	25%	\$291,000	24%	30%
> \$250 & < \$499 thousand	6	30%	\$523,542	43%	12%
> \$500 thousand	1	5%	\$8,500	0%	8%
Totals	20	100%	\$1,225,204	100%	100%

Source: Loan sample & 1997 U.S. Census of Agricultural Data for Buena Vista and Clay Counties in Iowa.

The bank does offer special farm loan programs to help meet the credit needs of small and moderate sized farm customers. The bank offers loans with assistance of the Farm Services Agency (FSA). During the performance period, the bank originated six new FSA guaranteed loans to assist customers, with outstanding balances of \$766 thousand.

Residential Real Estate Loans

The bank has an excellent record of providing residential real estate loans to borrowers of different income levels. Our sample included 20 residential home loans made since the last CRA examination. We sampled home purchase and refinance loans together. The bank's internal reports do not separate different home loan products. Only borrowers within the bank's designated AA were included in this sample.

The following table indicates that the bank's loans compare favorably to the income demographics within the AA. The number and dollar volume of loans to moderate-income borrowers are below the demographics. However, the number and dollar volume of loans to low-income borrowers are significantly above the demographics. The bank originated 30% of the number of loans and 23% of the dollar volume of loans to low-income borrowers. The demographic information shows that only 14% of the families in the AA are low-income.

RESIDENTIAL LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Families in the AA
Low	6	30%	\$111,647	23%	14%
Moderate	2	10%	\$55,000	11%	19%
Middle	6	30%	\$136,200	28%	30%
Upper	6	30%	\$188,736	38%	37%
Totals	20	100%	\$491,583	100%	100%

Source: Loan sample & 1990 U.S. Census Data.

The bank does not offer any special home loan programs or products designed for low- and moderate-income individuals. However, FNB limits fees to help to meet their credit needs. The

bank does not charge origination fees on new home loans or when they refinance a home loan.

Geographic Distribution of Loans

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

Responses to Complaints

The Office of the Comptroller of the Currency and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated May 24, 1999.

Fair Lending Review

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