



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Creston
Charter Number 12636**

**101 West Adams Street
Creston, Iowa 50801**

**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 Outstanding.

The First National Bank in Creston (FNB) successfully meets the credit needs of its community.

- The bank has the highest loan-to-deposit ratio among similarly situated banks in its assessment area.
- The bank originates a substantial majority of its loans within its assessment area.
- The bank has an excellent record of lending to individual borrowers of different income levels, and a good record of lending to farms and businesses of different sizes.

DESCRIPTION OF INSTITUTION

FNB is a \$151 million bank headquartered in Creston, Iowa. The bank has two branches in Creston, including its main location, as well as one in Afton, Iowa. The bank is 100% owned by Northwest Financial Corporation, a five-bank holding company with affiliate banks in Ankeny, Spencer, Oelwein, and LeMars, Iowa. The \$821 million holding company is headquartered in Spencer, Iowa. Drive-up facilities are available at all three locations. The bank offers depository automated teller machines (ATMs) at both Creston branches, a grocery store in Creston, and a convenience store in Afton. Non-depository ATMs are provided at a grocery store and a convenience store in Creston. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

As of June 30, 2003, FNB's loan portfolio comprised 66% of total assets. The bank's primary credit products are agriculture, commercial, residential real estate, and consumer loans. The table below breaks down the portfolio by outstanding dollars and number of loans.

	% of Originated dollars	% of Originated # of Loans
Agricultural/RE Loans	28%	25%
Commercial/RE Loans	38%	12%
Residential RE Loans	24%	16%
Consumer Loans	10%	47%

FNB was rated "Outstanding Record of Meeting Community Credit Needs" at the last CRA examination dated April 9, 1997.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of all four Block Numbering Areas (BNAs) in Union County, as well as BNAs 9501 in Ringgold County, 9801 in Taylor County, and 9602 in Adair County. Towns in the AA include Creston, Afton, Lorimor, Lenox, and Clearfield. The AA does not have any low- or moderate-income census tracts, and it meets the requirements of CRA. Individuals can refer to the CRA public file for a map outlining the bank's AA.

According to the 2000 U.S. Census, the population of the AA is 19,145. The 2001 weighted average updated median family income is \$50,800 for non-metropolitan statistical areas in Iowa. All of the BNAs, or 100%, are middle-income. Family incomes in the area are 20% low-income, 22% moderate-income, 26% middle-income, and 32% upper-income. Twelve percent of AA households are below the poverty level. The median housing value is \$49,555, and 64% of housing in the AA is owner-occupied. The area is stable with employment sources provided by farming, hog feeding, and the industrial sector. Creston is the retail center for an eight-county region of southern Iowa. The area's largest employers include Bunn-O-Matic Corporation, Kraft Foods, Inc., Wellman Dynamics Corporation, Greater Community Hospital, Wal-Mart, Southwestern Community College, Innovative Industries, and GITS Manufacturing Company.

Examiners made one community contact during this CRA examination and reviewed one other contact conducted previously in the AA. The new contact indicated agricultural and small business lending as the primary community credit needs. FNB offers and originates these types of loans. The prior contact stated that four banks in Creston, including FNB, participate in low- and moderate-income housing programs with the Southern Iowa Council of Governments (SICOG) and United States Department of Agriculture-Rural Development, and a Southwestern Community College program that provides assistance to small businesses.

The primary competition within the AA includes three state banks and one national bank with asset sizes between \$30 million and \$114 million. There are also two large regional banks with offices located in Creston.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is good, given the institution's size, financial condition, and AA credit needs, and is the highest among similarly situated banks in the AA. FNB's ratio averaged 77% over the past twenty quarters and was 73% as of March 31, 2003. The twenty-quarter average for the AA's four competing banks with similar products and services ranged from 66% to 76%, with an average of 71%.

Lending in Assessment Area

FNB originates a substantial majority of its loans within the AA. We reviewed a sample of agricultural, commercial, residential, and consumer loans to determine the bank's lending in the AA. All loans were originated since the last CRA examination. The following table shows the findings of our sample.

ASSESSMENT AREA CONCENTRATION				
	# of Loans	% of Total #	\$ of Loans	% of Total \$
Inside AA	17	85%	\$348,413	80%
Outside AA	3	15%	\$88,042	20%
Totals	20	100%	\$436,455	100%

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

Overall, the bank has an excellent record of lending to borrowers of different incomes and business and farms of different sizes. More weight was given to residential real estate lending and consumer lending due to the excellent performance and number of loans originated.

The bank has an excellent record of residential real estate lending to borrowers of different income levels. We reviewed 20 residential real estate loans totaling \$895,473 to determine the bank's performance in this area. All of the loans in the sample were made to borrowers located within the bank's AA and were originated between January 1, 2001 and December 31, 2002. The bank well exceeded the demographic ratios for both the number and dollar amount of loans originated to low-income borrowers. FNB originated 35% by number and 24% by dollars of residential real estate loans to low-income borrowers. Low-income families only represent 20% of families in the AA. The bank's lending to moderate-income borrowers is in line with the demographics. The table below demonstrates the breakdown of the bank's residential loans to individuals as compared to the demographics of 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	7	35%	\$214,977	24%	20%
Moderate	4	20%	\$118,763	13%	22%
Middle	7	35%	\$374,313	42%	26%
Upper	2	10%	\$187,420	21%	32%
Totals	20	100%	\$895,473	100%	100%

FNB has an excellent record of consumer lending to borrowers of different income levels. We reviewed 20 consumer loans totaling \$194,679 to determine the bank's performance in this area. All of the loans in the sample were made to borrowers located within the bank's AA and were originated between January 1, 2001 and December 31, 2002. FNB originated 25% of its loans to low-income borrowers. This compares to the 26% of AA households that are low-income. The bank's lending efforts to moderate-income borrowers far exceeded the AA demographics. The bank made 40% of its consumer loans to moderate-income borrowers, while only 20% of AA households that are moderate-income. The table below demonstrates the breakdown of loans to individuals as compared to the demographics of the AA.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Households in the AA
Low	5	25%	\$44,991	23%	26%
Moderate	8	40%	\$52,291	27%	20%
Middle	5	25%	\$80,402	41%	21%
Upper	2	10%	\$16,995	9%	33%
Totals	20	100%	\$194,679	100%	100%

FNB has a good record of lending to farms of different sizes. We sampled 20 loans totaling \$1,042,890 to determine the bank's performance in this area. Ninety percent of the bank's lending was to smaller operations, those with less than \$250,000 in gross annual revenue. All of the loans in the sample were to farms located within the AA and originated since the last CRA examination. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Farms in AA
\$0 - \$100,000	10	50%	\$179,325	17%	80%
\$100,001 - \$250,000	8	40%	\$186,265	18%	13%
\$250,000 - \$500,000	1	5%	\$12,000	1%	5%
Over \$500,000	1	5%	\$665,300	64%	2%
Totals	20	100%	\$1,042,890	100%	100%

The bank has a good record of lending to businesses with revenues less than \$1 million. We reviewed a sample of 20 commercial loans totaling \$1,030,362 to determine the bank's lending to small businesses. All of the loans in the sample were made to businesses located within the bank's AA and were originated between January 1, 2001 and December 31, 2002. The following table shows the number, dollar volume, and corresponding percentages of the commercial loan sample.

LOANS TO BUSINESSES OF DIFFERENT SIZES					
Gross Revenue of Businesses	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Businesses
\$0 - \$1,000,000	17	85%	\$716,862	70%	95%
Over \$1,000,000	3	15%	\$313,500	30%	5%
Totals	20	100%	\$1,030,362	100%	100%

Geographic Distribution of Loans

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

Community Development Services and Flexible Loan Programs

FNB participates in several community-driven activities, including the following.

- ◆ FNB participates in a first-time homebuyer program through SICOG, a local non-profit organization that serves an eight-county area in southwestern Iowa. The program provides first-time homebuyers with low interest loans for down payments, closing costs, and renovations. Since our last CRA examination, the bank has originated 91 loans to such borrowers totaling over \$3.5 million. Since 1991, FNB has originated more loans through this program than any other bank (114 loans compared to the next highest bank with 60 loans). The bank donates around \$500 annually to SICOG, as well.
- ◆ The bank recently joined a consortium of local banks to develop the Creston Commercial Property Loan Program, which offers low-interest financing for interior/exterior building improvements or landscaping for commercial properties in Creston. In general, recipients of these loans will primarily be businesses that generate gross revenues under \$1 million. The program offers individual loans up to \$20,000 with a maximum ten-year amortization. A total of \$500,000 is available from the participating banks.
- ◆ The bank participated with the Federal Housing Authority to finance the purchase price of a home for a low- to moderate-income individual in Afton. The property was 100% financed, with the bank participating in 20% of the loan.
- ◆ FNB originated a \$27,000 residential home purchase loan through the Iowa Housing Authority Program, which provided a down payment grant on a 90% financing loan.
- ◆ The bank worked with the Southern Iowa Regional Housing Authority (SIRHA) to provide home purchase financing to a qualified low-income individual that could not afford down payment funds. SIRHA provided a \$5,000 grant for the down payment.
- ◆ A real estate loan officer provides home purchase and mortgage counseling to first time homebuyers at a free annual seminar in Creston.

Responses to Complaints

The bank has not received any complaints regarding CRA performance since the last CRA examination dated April 9, 1997.

Fair Lending Review

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