



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 24, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Akron
Charter Number 7322

251 Reed Street
Akron, IA 51001

Office of the Comptroller of the Currency

SIOUX FALLS FIELD OFFICE
4900 S. Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

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 First National Bank of Akron (FNBA) does a satisfactory job of meeting the credit needs of its assessment area (AA). The bank’s primary lending activities are to agriculture and consumer borrowers.

- FNBA’s lending level is satisfactory given the institution’s size, financial condition, and the AA’s credit needs.
- A majority of the bank’s loans are originated within its AA.
- The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels.
- The distribution of agriculture loans reflects reasonable penetration among farms of different sizes.

DESCRIPTION OF INSTITUTION

FNBA is a \$44 million bank located in Plymouth County in northwestern Iowa. The bank is 100 percent owned by Security National Corporation, a \$1,037 million, five-bank holding company located in Dakota Dunes, SD. FNBA’s main office is located in Akron, IA. The bank does not have any branch locations or deposit-taking automated teller machines. The bank’s corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

FNBA offers traditional loan and deposit products. As of December 31, 2008 the bank’s loan portfolio totaled 69 percent of total assets. The loan portfolio consisted of 37 percent residential real estate, 36 percent agricultural, 16 percent commercial, and 11 percent consumer loans based on outstanding dollars.

FNBA has no legal or financial impediments that prevent it from fulfilling its obligations under the CRA. FNBA was rated “Outstanding” at the last CRA examination dated November 22, 2002.

LOAN SAMPLING AND DATA INTEGRITY

We evaluated loans originated between January 1, 2007 and February 28, 2009. The number and dollar volume of loans were broken down by call report codes to determine

the bank's primary credit products. Agriculture loans are the bank's primary credit product based on 46 percent of loans by dollar volume during this period. Consumer loans are also a primary product based on 53 percent of loans by number. The primary products are representative of the bank's business strategy. We found no problems with data integrity during our review of the loan sample. The following table shows the breakdown of loans originated and purchased since January 1, 2007.

Loan Portfolio Originations		
Loan Type	Originated Loans by Dollar	Originated Loans by Number
Agriculture Loans	47%	35%
Commercial Loans	32%	5%
Consumer Loans	10%	53%
Residential RE Loans	11%	7%
Total	100%	100%

Source: Bank reports

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of two contiguous census tracts (CTs). The bank's AA consists of CTs 9703 and 9706 in Plymouth County. CT 9703 is a middle-income geography and 9706 is an upper-income geography. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

According to the 2000 U.S. Census, the total population of the AA is 8,695. The 2000 U.S. Census estimated 11 percent of families in the AA were low-income, 14 percent moderate-income, 23 percent middle-income, and 52 percent upper-income. Five percent of the AA households are below the poverty level. The 2008 weighted average updated median family income is \$53,500 for non-metropolitan statistical areas in Iowa. The median housing value in the AA is \$98,838 and 78 percent of housing is owner-occupied.

The local economy is stable. Although the unemployment rate has increased recently, it remains below the national average at 4.1 percent. The local economy remains centered primarily in agricultural and related industries. Major employers in the AA are focused in agriculture, manufacturing, education, local government, and retail. There are ten other similarly situated financial institutions with branches within Plymouth County. The in-market deposits of these institutions range from \$3 million to \$184 million. These institutions provide the primary competition to FNBA.

Examiners did not identify any unmet credit needs in the bank's AA. Examiners interviewed a community contact who stated the primary credit need in the AA was agricultural financing. The community contact felt the local financial institutions were doing a satisfactory job of meeting the financing needs in the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNBA's performance under the lending test is Satisfactory. FNBA has an average loan-to-deposit ratio that is more than reasonable and the majority of its loans are located in the bank's AAs. In addition, the distribution of loans to individuals of different income levels is excellent and the distribution of loans to farms of different sizes is reasonable.

Loan-to-Deposit Ratio

FNBA's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The average loan-to-deposit (LTD) ratio for the 25 quarters since the last CRA examination is 88 percent. This included a high of 98 percent and a low of 75 percent. FNBA's LTD ratio on December 31, 2008 was 80 percent.

The bank's average loan-to-deposit ratio compares favorably with four other financial institutions of similar size, location, and product offerings. FNBA was the second highest out of the five. The similarly situated banks had quarterly average LTD ratios of 73 percent, ranging between 58 percent and 90 percent for the same 25 quarter period from December 31, 2002 to December 31, 2008.

Lending in Assessment Area

FNBA originates a majority of its loans within the AA. We reviewed a sample of 40 agriculture and consumer loans to determine the bank's lending performance within the AA. All of the loans were originated between January 1, 2007 and February 28, 2009.

We found that 29 loans, or 73 percent of agricultural and consumer loans by number, were originated within the AA. Also, \$1,489 thousand, or 93 percent of loans by dollar, were originated within the AA. The lending within the AA does not include loans made to borrowers just across the South Dakota border, which is less than a mile from the city of Akron. If the South Dakota loans were included, the bank's lending in the AA would be even higher.

The table below shows the level of lending in and out of the AA.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agriculture	18	90%	2	10%	20	\$1,306,181	95%	\$68,500	5%	\$1,374,681
Consumer	11	55%	9	45%	20	\$183,157	83%	\$36,563	17%	\$219,720
Totals	29	73%	11	28%	40	\$1,489,338	93%	\$105,063	7%	\$1,594,401

Source: Consumer and agriculture loan data sampled from 2007-2009

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

Lending in the AA approximates or exceeds community demographics among borrowers of different income levels and farms of different sizes.

Consumer Loans

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. The bank does an excellent job of lending to low-income households. The bank originated 25 percent of consumer loans to low-income households. This compares favorably to the 14 percent of low-income households within the AA. The bank also does an excellent job of lending to moderate-income households as 30 percent of consumer loans originated were to moderate-income households. This exceeds the 14 percent of moderate-income families in the AA.

The following table shows the distribution of consumer loans among households of different income levels in the AA.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	14%	25%	14%	30%	19%	30%	53%	15%

Source: Consumer loan data sampled from 2007-2009, CRA Wiz data

Agriculture Loans

The distribution of agriculture loans reflects reasonable penetration among farms of different sizes. The bank originated 95 percent of its agriculture loans to small farms. Small farms are those with gross annual revenues of one million dollars or less. This is comparable to the demographic data, which states that nearly 100 percent of the AA's farms are considered small farms. The dollar volume percentage is not as favorable when compared to census data; however, this is due to one loan to a large farm that was a relatively high dollar amount.

The following table shows the distribution of agriculture loans among different sized farms in the AA.

Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.58%	0.00%	0.42%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	80.34%	19.66%	0.00%	100%

Source: Agriculture loan data sampled from 2007-2009, CRA Wiz data

Geographic Distribution of Loans

Geographic distribution analysis is not meaningful as neither CT in the AA is a low- or moderate-income geography.

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 November 22, 2002.

Fair Lending or Other Illegal Credit Practices Review

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