



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Hampton
Charter Number 13842**

**211 1st Avenue, N. W.
Hampton, IA 50441**

**Comptroller of the Currency
Minneapolis South Field Office
1310 West Clairemont Avenue Suite 100
Eau Claire, WI 54702**

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 bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans by both number (85 percent) and by dollar volume (95 percent) are located within the bank's defined assessment area.
- The bank's lending distribution to farms and businesses of various sizes is reasonable.

DESCRIPTION OF INSTITUTION

First National Bank of Hampton (FNB), Hampton, IA, is a \$87 million agricultural and commercial bank. The bank's main office is a full-service facility located in downtown Hampton. The bank has one deposit-taking automated teller machine (ATM) located at the main office. Telephone banking services are available for both consumer and business customers. Internet banking is available to non-business customers.

FNB offers traditional loan and deposit products. As of September 30, 2002, the bank's net loans totaled 49 percent of total assets. The bank's primary credit products are agricultural and commercial loans based on the number of originations and origination amounts. The loan portfolio consists of 32 percent agricultural loans, 32 percent residential real estate, 27 percent commercial loans, and 9 percent consumer loans based on outstanding dollars.

FNB is 100 percent owned by A. M. Saylor, Inc., a one-bank holding company headquartered in Hampton, IA. As of September 30, 2002, A. M. Saylor, Inc. had total assets of \$87 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

FNB received a "Satisfactory" rating at its October 19, 1998, CRA examination. This CRA Performance Evaluation assesses the bank's CRA activities from September 30, 1998, through December 31, 2002. There are no financial, legal or other factors that impede the bank's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all of Franklin County, IA, which is divided into three block numbering areas (BNAs). All three BNAs are designated middle-income areas. The population of Franklin County per the 1990 Census was 11,364. According to the 2000 U.S. Census Data, the total population of Franklin County has decreased to 10,704. The bank's assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The 1990 U.S. Census median family income (MFI) for the non-metropolitan area portion of Iowa is \$29,303. The U.S. Department of Housing and Urban Development's estimated 2002 MFI for the non-metropolitan area portion of Iowa is \$49,400. The following table summarizes the income levels of individual BNAs and families located within the bank's assessment area:

Income Distribution of Geographies and Families								
Assessment Area	Number of BNAs/CTs				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Franklin County	0	0	3	0	18%	18%	29%	35%

Source: U.S. Census Data (1990)

The number of families in FNB's assessment area that are living below poverty level is below the state average. According to 1999 information from the U.S. Census Bureau, 9 percent of the families in the State of Iowa are below the poverty level. In Franklin County the percentage of families below the poverty level is 8 percent. The median housing value is \$55,200 and 75 percent of the housing stock is owner-occupied.

The local economy is stable. According to the 2002 Business Geodemographic Data, the leading industry in the assessment area is agriculture at 32 percent. This is followed by the services industry that comprises 21 percent. Major employers in the area include Sukup Manufacturing, Franklin General Hospital, ABCM Corporation, and Winnebago Industries. Unemployment in Franklin County is 4.3 percent as of December 2002, which is higher than the 3.9 percent unemployment rate for the state of Iowa.

Competition exists from other financial institutions in the area. Including FNB, there are five financial institutions, excluding credit unions, with a presence in Franklin County. Assets sizes range from \$46 million to \$748 million. FNB has the second largest asset size with \$87 million. According to the June 30, 2002 deposit information from the Federal Deposit Insurance Corporation, FNB dominates the market share in Franklin County with 43 percent.

Examiners made two community contacts during this CRA examination. The community contacts included a government organization and an economic development organization. Both contacts stated that area banks are active in the community and responsive to credit needs in the county. The community contacts could not identify any community credit needs that were unmet. However, one community contact noted that there may be opportunities to lend in niche markets, such as elk or deer farms.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 55.9 percent for the 17 quarters from September 30, 1998, through September 30, 2002. Based on this ratio, the bank ranked second compared to two other banks. Similarly situated banks include the banks headquartered in FNB's assessment area with total assets between \$45 and \$90 million.

Institution Name	Total Assets \$(000)s (as of 12/31/02)	Average Loan to Deposit Ratio 3Q98 – 3Q02
Hampton State Bank	45,514	73.51%
First National Bank of Hampton	87,425	55.93%
United Bank and Trust Company	74,733	49.19%

Source: OCC Comparative Analysis Report

Lending in Assessment Area

Based on a random sample of 20 agricultural and 20 commercial loans, FNB originates a majority of its loans to borrowers located within its defined assessment area. Of loans originated from September 30, 1998 to December 31, 2002, about 85 percent by number and 95 percent by dollar volume were made to farms and businesses located within the bank's assessment area. The following table shows loans originated inside the assessment area by number and dollar volume.

Lending in Assessment Areas by Number and Dollar Amount (000s)				
<u>Type of Loan</u>	<u>Number</u>	<u>Percent of Number</u>	<u>Dollars</u>	<u>Percent of Dollars</u>
Agricultural	16	80%	533,461	95%
Commercial	18	90%	503,394	95%
Totals	34	85%	1,036,855	95%

Source: Bank records (verified by examiners)

Lending to Farms and Businesses of Different Sizes

Overall, FNB has a reasonable distribution of lending to different sizes of farms and businesses.

Agricultural lending activity in the assessment area is reasonable and meets community demographics. FNB originated 1,045 agricultural loans totaling \$32.9 million between September 30, 1998 and December 31, 2002. The largest number of loans were originated to farms with annual revenues less than \$1 million. Examiners sampled 20 agricultural and agricultural real estate loans originated in the assessment area from January 1, 2001 to December 31, 2002. The following table compares the bank's agricultural lending activity by revenue size to community demographics.

Borrower Distribution of Agricultural Loans by Revenue Size			
<u>Annual Gross Revenue</u>	<u>Number</u>	<u>% of Number</u>	<u>Agricultural Demographics</u>
< \$1 million	19	95%	99%
> \$1 million	1	5%	1%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (1990)

Commercial lending activity in the assessment area (95 percent) exceeds community demographics of 94 percent. FNB originated 779 commercial loans totaling \$28 million between September 30, 1998 and December 31, 2002. The largest number of loans in the assessment area was originated to small businesses with less than \$250,000 in annual revenues. Examiners sampled 20 loans to commercial and commercial real estate borrowers originated in the assessment area from January 1, 2001 through December 31, 2002. The following table compares the bank's commercial lending activity by revenue size to community demographics:

Borrower Distribution of Commercial Loans by Revenue Size			
<u>Annual Gross Revenue</u>	<u>Number</u>	<u>% of Number</u>	<u>Business Data</u>
<50,000	7	35%	94%
50,000-100,000	3	15%	
100,000-250,000	3	15%	
250,000-500,000	4	20%	
500,000-1,000,000	2	10%	
>1,000,000	1	5%	6%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (1990)

We did not perform a review of FNB's residential real estate or consumer lending activity by borrower income, as these are not major product lines for the bank. FNB originated 211 residential real estate loans totaling \$11 million between September 31, 1998 and December 31, 2002. FNB originated 1,518 consumer loans totaling \$9.6 million during the same period of time.

Geographic Distribution of Loans

Analysis of lending by geographic distribution is not meaningful. The assessment area contains only middle-income geographies.

Responses to Complaints

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

Fair Lending Review

An analysis of 1999-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.