

**PUBLIC DISCLOSURE**

August 26, 2002

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Citizens Bank & Trust Company  
RSSD# 177742

100 Eddystone Drive  
PO Box 842  
Hudson, Iowa 50643

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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.

**TABLE OF CONTENTS**

Institution’s CRA Rating ..... 1

Description of Institution ..... 2

Description of the Assessment Areas ..... 3

Conclusions with Respect to Performance Criteria ..... 8

INSTITUTION'S CRA RATING: This institution is rated **satisfactory**.

Citizens Bank & Trust Company, Hudson, Iowa (CB&T) is helping to meet the identified credit needs within its assessment areas. The bank's average loan-to-deposit (LTD) ratio is reasonable in relation to its peer group and competitors. A majority of loans reviewed were located within the bank's assessment areas. In addition, the distribution of loans by size of business and farms and by geographies is reasonable as it relates to the commercial and agricultural loan portfolios, the bank's primary loan products. However, the distribution of the 2001 HMDA-reportable loans by income and geography is below area demographics. No CRA-related complaints were received by the institution or this Reserve Bank since the previous evaluation.

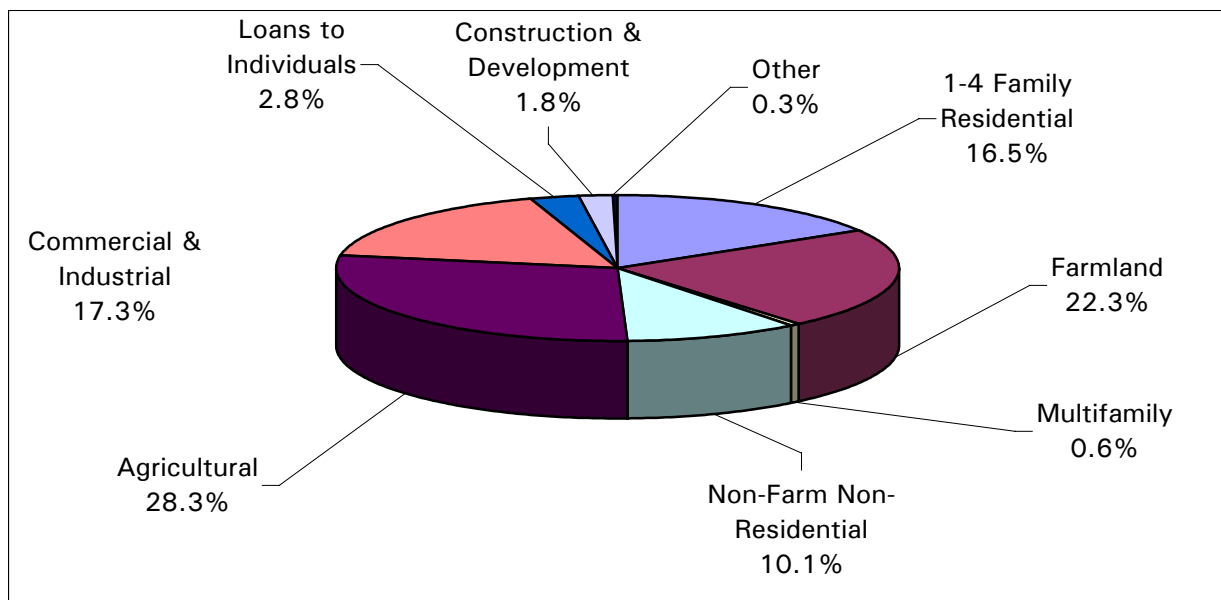
The institution was rated satisfactory under the CRA at the previous examination as of September 8, 1998.

## DESCRIPTION OF INSTITUTION

CB&T is a subsidiary of Belle Plaine Service Corp., a one-bank holding company located in Belle Plaine, Iowa. The main bank is at 100 Eddystone Drive in Hudson, Iowa, located approximately 100 miles northeast of Des Moines, Iowa. The bank's other facilities are located in Belle Plaine and Waterloo. The Waterloo facility is the only office that is in a low- or moderate-income geography.

According to the Uniform Bank Performance Report, the bank had total assets of \$76.7 million as of June 30, 2002. Exhibit 1 shows the composition of the loan portfolio as of that date. As illustrated, the loan portfolio is predominantly comprised of agricultural loans, farmland loans, commercial and industrial loans, commercial real estate loans, and 1-4 family residential real estate loans.

**Exhibit 1 – Composition of CB&T's Portfolio as of June 30, 2002**



Competitors in the Hudson/Waterloo markets include U.S. Bank, NA; Union Planters, NA; Wells Fargo Bank Iowa, NA; the John Deere Credit Union; Lincoln Savings Bank, Reinbeck; BankIowa, Cedar Rapids; and the Community National Bank, Waterloo. In the Belle Plaine market, some of the primary competitors are Chelsea Savings Bank, Belle Plaine; Benton County Savings Bank, Blainstown; Tama State Bank, Marshalltown; the State Bank of Toledo; Victor State Bank, Victor; and Farmers Savings Bank, Victor.

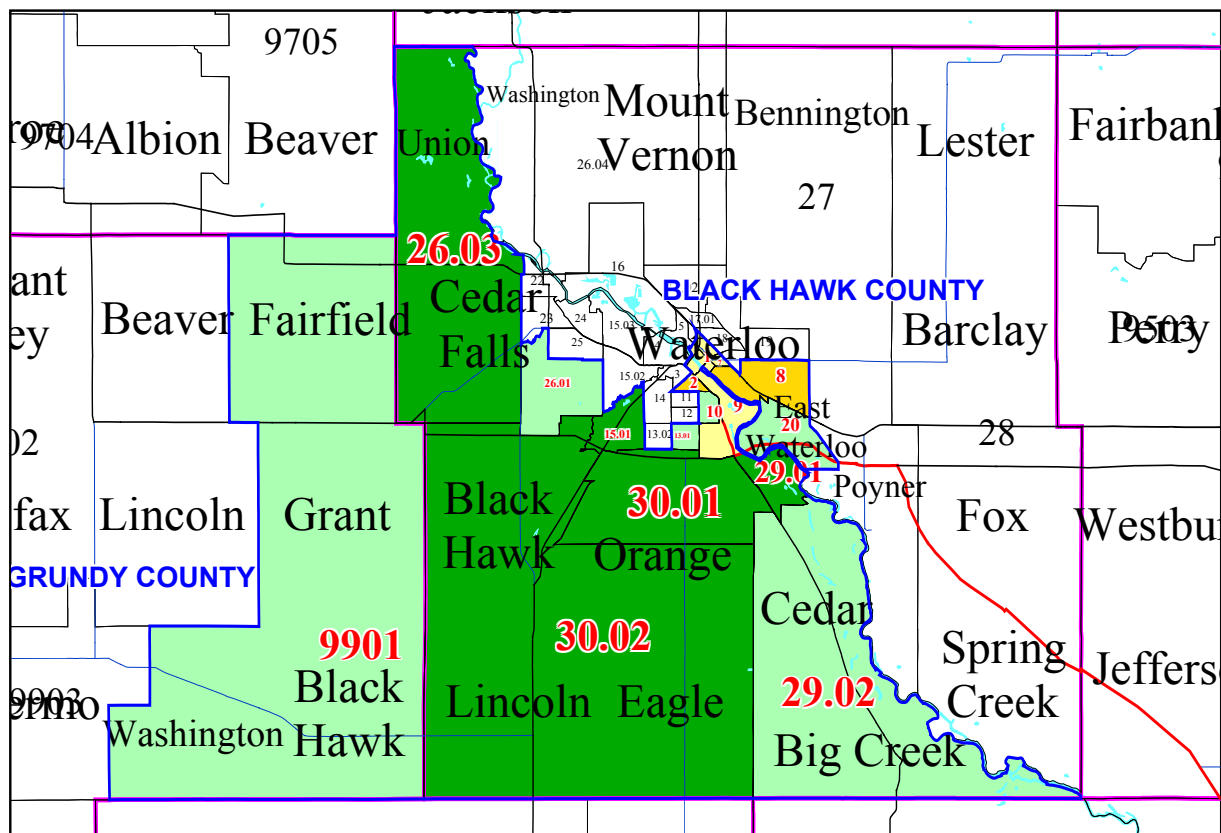
There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting the community's credit needs.

**DESCRIPTION OF THE ASSESSMENT AREAS**

*An institution’s assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas.*

Exhibit 2 depicts a map of the bank’s metropolitan assessment area. The area is comprised of a portion of the Waterloo-Cedar Falls MSA (#8920) plus BNA 9901 in Grundy County. This is designated as the “Assessment Area #1” in the following charts.

**Exhibit 2 – CB&T’s Metropolitan Assessment Area**



This assessment area is comprised of a total of 16 census tracts: three low-income tracts, two moderate-income tracts, five middle-income tracts plus one middle-income BNA, and five upper-income tracts. According to the June 30, 2001 FDIC/OTS Summary of Deposits, CB&T had 1.9% of the market share for deposits and ranked tenth out of

twelve banks in the MSA.

The population of the entire MSA was 123,798, according to 1990 U.S. Bureau of Census data. The population of the bank's assessment area was 51,336. Community representatives identified affordable housing, business development, and credit education programs as some of the needs in the Waterloo-Cedar Falls metropolitan area.

Exhibit 3 shows the median family income and the distribution of families by income level for this assessment area (designated as #1 below). *Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.*

**Exhibit 3 – 1990 Median Family Income and Distribution of Families by Income Level for the Metropolitan Assessment Area**

| Location                       | Median Family Income(\$) | Percent of Families |          |        |       |                     |
|--------------------------------|--------------------------|---------------------|----------|--------|-------|---------------------|
|                                |                          | Low                 | Moderate | Middle | Upper | Below Poverty Level |
| Assessment Area #1             | 31,957                   | 23.2                | 16.9     | 21.1   | 38.8  | 12.9                |
| Waterloo-Cedar Falls MSA #8920 | 32,438                   | 21.0                | 17.8     | 21.4   | 39.8  | 11.7                |
| State of Iowa                  | 31,659                   | 17.8                | 18.9     | 25.8   | 37.5  | 8.4                 |

As shown in Exhibit 3, the percentage of low- and moderate-income families in the assessment area is slightly above the distribution of families by income for all of Iowa. Although not shown, the 2002 Department of Housing and Urban Development (HUD) estimated median family income for the entire MSA is \$48,700.

Housing in the assessment area consists of 21,810 units. Approximately 59.2% of the units in the assessment area are owner-occupied which is below that reported for the entire state of 65.2%. However, occupied rental units in the assessment area are higher at 34.3% versus 27.9%. The median age of the housing stock in the assessment area is 33 years while the median age in the entire state is 35 years. The median housing value in the assessment area is \$46,754, which is comparable to the state's median housing value of \$45,519. *Affordability ratios, developed by dividing the median household income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio.*

The affordability ratio for the assessment area is 54.0 in contrast to the State of Iowa ratio of 57.6, indicating that housing is slightly less affordable in the assessment area than in the rest of the state.

According to Iowa Workforce Development, the August 2002 unemployment rate for the Waterloo-Cedar Falls MSA was 3.8%, compared to 3.4% in August 2001. For the state, the unemployment rate as of August 2002 was 3.7% and 3.4% in August 2001. The major employers in the Waterloo area are shown in Exhibit 4.

**Exhibit 4 – Primary Employers in the Waterloo-Cedar Falls MSA**

| Employer                | Product/Service              | Employment |
|-------------------------|------------------------------|------------|
| Deere and Co.           | Tractors and components      | 4,748      |
| Univ. of Northern Iowa  | State university             | 2,956      |
| Covenant Medical Center | Health care                  | 2,854      |
| IBP, Inc.               | Pork processing              | 2,100      |
| Allen Memorial Hospital | Health care                  | 1,322      |
| Bertch Cabinet Mfg.     | Kitchen and bath cabinets    | 1,200      |
| HyVee Food Stores       | Supermarkets                 | 1,106      |
| Omega Cabinet Ltd.      | Kitchen and bath cabinets    | 923        |
| GMAC Mortgage Co.       | Financial processing         | 810        |
| APAC Teleservices       | Inbound/Outbound call center | 675        |

\* Source: imedia-online.com

Exhibit 5 depicts assessment area #2 for CB&T—the nonmetropolitan area. This assessment area is comprised of seven BNAs in portions of Benton, Iowa, Poweshiek, and Tama Counties, which are directly south of the Waterloo-Cedar Falls MSA. All geographies are middle-income. The population of the assessment area was 22,133, according to 1990 U.S. Bureau of Census data. According to the June 30, 2001 FDIC/OTS Summary of Deposits, CB&T had 11.8% of the market share for deposits in Benton County, where the bank's Belle Plaine office is located. CB&T ranked second out of 13 banks in the market.

**Exhibit 5 – Description of Assessment Area #2 – CB&T’s Nonmetropolitan Area**

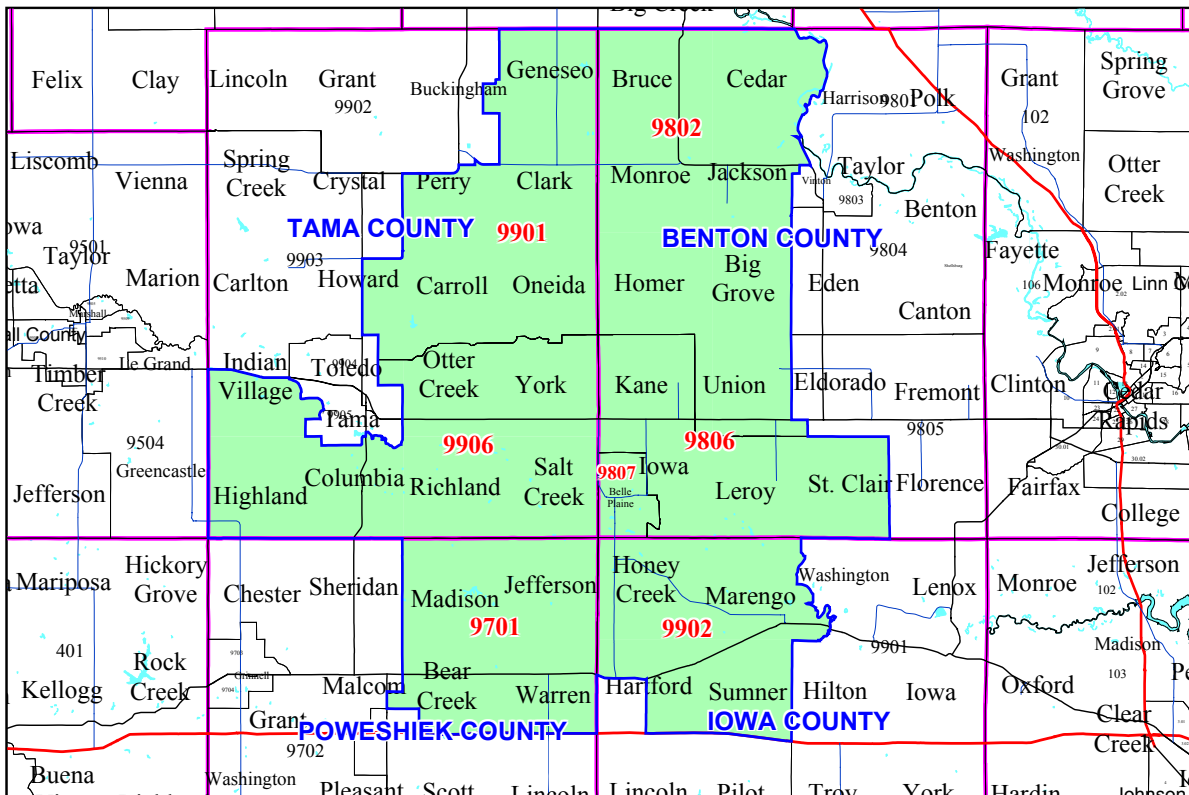


Exhibit 6 shows the median family income and the distribution of families by income level for this assessment area in comparison to non-metropolitan Iowa.

**Exhibit 6 – 1990 Median Family Income and Distribution of Families by Income Level**

| Location                         | Median Family Income(\$) | Percent of Families |          |        |       |                     |
|----------------------------------|--------------------------|---------------------|----------|--------|-------|---------------------|
|                                  |                          | Low                 | Moderate | Middle | Upper | Below Poverty Level |
| Non-Metropolitan Assessment Area | \$30,045                 | 16.9%               | 18.8%    | 25.6%  | 38.7% | 8.3%                |
| Non-Metropolitan Iowa            | \$29,303                 | 17.5%               | 19.2%    | 25.8%  | 37.5% | 8.8%                |

As shown in Exhibit 6, the percentage of low- and moderate-income families in the assessment area is comparable to the distribution of low- and moderate-income families for all of non-metropolitan Iowa. Although not shown, the 2002 HUD estimated median family income for Benton County is \$56,700; \$67,300 for Iowa County; \$52,300 for



---

Poweshiek County; and \$49,800 for Tama County.

Housing in the assessment area consists of 9,594 units. Approximately 68.4% of the units are owner-occupied and 21.3% are occupied rental units, which is comparable to the percentages for non-metropolitan Iowa of 66.3% and 25.3%, respectively. The median age of the housing stock in the assessment area is 48 years while the median age of homes in all of nonmetropolitan Iowa is 39 years. The median housing value in the assessment area is \$34,099 and the state's non-metropolitan median housing value of \$38,521. The affordability ratio for the assessment area is 74.0, which is substantially higher than the state's non-metropolitan ratio of 63.0, indicating that housing is generally more affordable in the assessment area than in the rest of non-metropolitan Iowa.

The unemployment rates for August 2002 and August 2001 for each of the counties in the nonmetropolitan assessment area as well as the state of Iowa are shown in Exhibit 7, which reflect substantial increases in every county but Tama. The major employers in the assessment area are shown in Exhibit 8.

#### Exhibit 7 – Unemployment Rates for Counties in the Nonmetropolitan Assessment Area and the State of Iowa

|                  | August 2002 | August 2001 |
|------------------|-------------|-------------|
| State of Iowa    | 3.7%        | 3.4%        |
| Benton County    | 5.9%        | 3.2%        |
| Iowa County      | 4.9%        | 1.6%        |
| Poweshiek County | 3.7%        | 2.9%        |
| Tama County      | 3.3%        | 3.7%        |

#### Exhibit 8 – Primary Employers in the Nonmetropolitan Assessment Area

| Employer                          | Product/Service                                    | Employment |
|-----------------------------------|--|------------|
| Amana Refrigeration               | Appliances   | 2,800      |
| Manatt's Inc.                     | Concrete/asphalt                                   | 700        |
| Benco Mfg. Inc.                   | Auto oil pickup tube/stampings                     | 250        |
| Williamsburg Manufacturing        | Automobile parts                                   | 190        |
| Victor Plastics                   | Injection molding                                  | 185        |
| Sullivan Graphics                 | Commercial web printing                            | 150        |
| Iowa Valley Comm. School Dist.    | Education  | 110        |
| Marengo Memorial Hospital         | Health services                                    | 105        |
| Belle Plaine Public Schools       | Education  | 102        |
| Brooklyn Community Estates        | Long term health care                              | 62         |
| Garling Construction Co.          | General contracting                                | 45         |
| Pierce Lumber, Inc.               | Hardwood lumber                                    | 43         |
| Alliance Production of Iowa, Inc. | 3 <sup>rd</sup> party contract producer-corn/beans | 36         |
| T.I.P. Rural Electric             | Electrical services                                | 25         |

\* Source: imedia-online.com



**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area(s), the record of lending to borrowers of different income and businesses and farms of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints.*

*To determine CRA performance, the above standards are analyzed and evaluated within the assessment area(s) context, which includes, but is not limited to, comparative analyses of the assessment area(s) and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area(s).*

**LOAN-TO-DEPOSIT RATIO**

The LTD ratio of CB&T is reasonable in comparison to ratios for local competitors and a sample of institutions with similar asset sizes in Iowa.

The bank's average LTD ratio for the eight-quarters ended June 30, 2002 was compared to peer and other similar institutions. The bank's peer group includes institutions with assets between \$50 million and \$100 million with 2 or less banking offices, and located in a metropolitan area. As shown in Exhibit 9, the bank's quarterly and average LTD ratios are above the ratios of its peer group and most of the institutions in Iowa with comparable asset sizes.

**Exhibit 9 - LTD Ratios for Citizens Bank & Trust, its Peer Group, and a Sample of Institutions Located in Iowa with Comparable Asset Sizes**

| <b>Comparison of LTD Ratios</b>                                       |   |              |              |              |              |              |              |              |             |
|---|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Bank Name,<br/>Location, &amp;<br/>6/02 Assets<br/>\$ millions</b> | <b>LTD Quarterly Ratios and Average Ratio</b> |              |              |              |              |              |              |              | <b>Avg.</b> |
|   | <b>06/02</b>                                  | <b>03/02</b> | <b>12/01</b> | <b>09/01</b> | <b>06/01</b> | <b>03/01</b> | <b>12/00</b> | <b>09/00</b> |             |
| <b>Citizens B&amp;T,<br/>Hudson, \$76.7</b>                           | <b>97.2</b>                                   | <b>94.7</b>  | <b>95.7</b>  | <b>102.6</b> | <b>100.3</b> | <b>96.6</b>  | <b>92.1</b>  | <b>95.2</b>  | <b>96.8</b> |
| <b>Peer</b>   | 76.6  | 75.5         | 76.3         | 76.2         | 76.1         | 75.7         | 75.9         | 76.4         | 76.1        |
| <b>American National<br/>Bank, Holstein, \$76.7</b>                   | 116.9   | 122.3        | 119.9        | 116.5        | 117.1        | 118.3        | 110.9        | 118.2        | 117.5       |
| <b>Central State Bank,<br/>Elkader, \$77.4</b>                        | 70.9  | 64.1         | 70.5         | 74.2         | 73.3         | 71.9         | 74.6         | 73.0         | 71.6        |
| <b>Farmers &amp; Merchants<br/>Svgs, Lone Tree,<br/>\$76.3</b>        | 72.2  | 71.6         | 71.2         | 67.0         | 64.7         | 66.1         | 67.9         | 72.3         | 69.1        |

| <b>Comparison of LTD Ratios (continued)</b>               |   |              |              |              |              |              |              |              |             |
|---|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Bank Name, Location, &amp; 6/02 Assets \$ millions</b> | <b>LTD Quarterly Ratios and Average Ratio</b> |              |              |              |              |              |              |              |             |
|   | <b>06/02</b>                                  | <b>03/02</b> | <b>12/01</b> | <b>09/01</b> | <b>06/01</b> | <b>03/01</b> | <b>12/00</b> | <b>09/00</b> | <b>Avg.</b> |
| <b>Farmers &amp; Merchants Svgs, Waukon, \$76.4</b>       | 83.8  | 84.6         | 82.9         | 95.3         | 91.2         | 90.6         | 84.9         | 91.8         | 88.1        |
| <b>Freedom Security Bank, Coralville, \$76.4</b>          | 65.1  | 67.7         | 74.7         | 81.4         | 83.0         | 89.9         | 87.1         | 86.2         | 79.4        |
| <b>Security Savings Bank, Eagle Grove, \$76.1</b>         | 67.5  | 66.9         | 68.8         | 74.5         | 74.2         | 73.3         | 72.9         | 70.4         | 71.1        |
| <b>Security State Bank, Anamosa, \$77.6</b>               | 79.0  | 79.5         | 73.8         | 80.3         | 82.1         | 80.6         | 79.3         | 81.6         | 79.5        |
| <b>Waukon State Bank, Waukon, \$77.1</b>                  | 85.0  | 83.2         | 81.2         | 84.6         | 84.6         | 81.7         | 80.7         | 85.3         | 83.3        |

Exhibit 10 shows the LTD ratios for CB&T as well as competitors in the Waterloo-Hudson market. In this area, CB&T's ratios are comparable to those of the larger banks in the area.

#### Exhibit 10 – LTDs in the Waterloo-Hudson Market

| <b>Comparison of LTD Ratios in the Waterloo-Hudson Markets</b> |   |              |              |              |              |              |              |              |             |
|--|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Bank Name and 06/02 Assets (\$ Millions)</b>                | <b>LTD Quarterly Ratios and Average Ratio</b> |              |              |              |              |              |              |              |             |
|  | <b>06/02</b>                                  | <b>03/02</b> | <b>12/01</b> | <b>09/01</b> | <b>06/01</b> | <b>03/01</b> | <b>12/00</b> | <b>09/00</b> | <b>Avg.</b> |
| <b>Citizens B&amp;T, \$76.7</b>                                | <b>97.2</b>                                   | <b>94.7</b>  | <b>95.7</b>  | <b>102.6</b> | <b>100.3</b> | <b>96.6</b>  | <b>92.1</b>  | <b>95.2</b>  | <b>96.8</b> |
| <b>BankIowa, \$304.3</b>                                       | 89.2  | 88.2         | 88.2         | 86.9         | 89.8         | 88.6         | 88.2         | 85.3         | 88.1        |
| <b>Farmers State Bank, \$99.4</b>                              | 101.6   | 98.0         | 96.2         | 92.9         | 91.9         | 89.6         | 86.9         | 92.9         | 93.8        |
| <b>Lincoln Savings Bank, \$312.9</b>                           | 91.4  | 87.3         | 83.5         | 95.8         | 95.3         | 88.0         | 85.9         | 87.3         | 89.3        |
| <b>Community National Bank, \$244.4</b>                        | 92.2  | 93.6         | 87.7         | 73.3         | 95.8         | 84.5         | 79.7         | 80.9         | 86.0        |

Exhibit 11 shows the LTD ratios for CB&T and other banks in the Belle Plaine area. CB&T's LTD ratios are above those of the area's competitors.

**Exhibit 11 – LTDs in the Belle Plaine Market.**

| <b>Comparison of LTD Ratios in the Belle Plaine Market</b> |   |              |              |              |              |              |              |              |             |
|--|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>Bank Name and<br/>06/02 Assets<br/>(\$ Millions)</b>    | <b>LTD Quarterly Ratios and Average Ratio</b> |              |              |              |              |              |              |              |             |
|  | <b>06/02</b>                                  | <b>03/02</b> | <b>12/01</b> | <b>09/01</b> | <b>06/01</b> | <b>03/01</b> | <b>12/00</b> | <b>09/00</b> | <b>Avg.</b> |
| <b>Citizens B&amp;T, \$76.7</b>                            | <b>97.2</b>                                   | <b>94.7</b>  | <b>95.7</b>  | <b>102.6</b> | <b>100.3</b> | <b>96.6</b>  | <b>92.1</b>  | <b>95.2</b>  | <b>96.8</b> |
| <b>Benton Co. Savings<br/>Bank, \$33.0</b>                 | 108.5   | 102.6        | 99.3         | 109.4        | 104.2        | 95.1         | 100.5        | 107.3        | 103.4       |
| <b>Victor State Bank,<br/>\$34.6</b>                       | 57.6  | 54.4         | 55.1         | 56.7         | 55.9         | 52.2         | 52.6         | 51.1         | 54.5        |
| <b>Farmers Savings<br/>Bank, \$27.9</b>                    | 74.4  | 71.3         | 70.6         | 75.9         | 83.3         | 78.9         | 75.7         | 67.7         | 74.7        |
| <b>State Bank of Toledo,<br/>\$72.8</b>                    | 80.8  | 78.9         | 76.6         | 78.8         | 78.4         | 75.1         | 71.7         | 74.6         | 76.9        |
| <b>Tama State Bank,<br/>\$73.1</b>                         | 83.3  | 80.9         | 77.8         | 75.3         | 72.8         | 73.3         | 76.8         | 75.2         | 76.9        |
| <b>Grinnell State Bank,<br/>\$115.5</b>                    | 76.2  | 73.1         | 70.5         | 73.2         | 73.4         | 71.7         | 71.5         | 73.5         | 72.9        |
| <b>Chelsea Savings<br/>Bank, \$64.3</b>                    | 55.3  | 55.9         | 52.4         | 57.8         | 58.7         | 59.8         | 61.2         | 67.2         | 58.5        |

**LENDING IN THE ASSESSMENT AREA**

The assessment area concentration of loans meets the standard for satisfactory performance. A review of the distribution of CB&T's HMDA-reportable loans from 2001 and agricultural and commercial loans originated within the sample period from July 1, 2001 to June 30, 2002 indicates that a majority of the number and dollar amounts of loans are located within the assessment areas, as shown under Exhibits 12 and 13.

**Exhibit 12 – Distribution of the Number of Loans within the Assessment Area  
by Loan Type**

| <b>Loan<br/>Type</b>    | <b>Total Number of<br/>Loans in the Sample</b> | <b>Within the Assessment Area</b> |                          |
|-------------------------|--|-----------------------------------|--------------------------|
|                         |  | <b>Number</b>                     | <b>Percent of Number</b> |
| Agricultural/Commercial | 949  | 616                               | 64.9                     |
| 2001 HMDA-reportable    | 37   | 25                                | 67.6                     |
| <b>Totals</b>           | <b>986</b>                                     | <b>641</b>                        | <b>65.0</b>              |

**Exhibit 13 – Distribution of the Dollar Amount of Loans within the Assessment Area by Loan Type**

| Loan Type               | Total Dollar Amount of Loans in the Sample | Within the Assessment Area |                          |
|-------------------------|--|----------------------------|--------------------------|
|                         |  | Dollar Amount              | Percent of Dollar Amount |
| Agricultural/Commercial | 64,941,972                                 | 35,126,490                 | 54.1                     |
| 2001 HMDA-reportable    | 2,325,000                                  | 1,466,000                  | 63.1                     |
| Totals                  | 67,266,972                                 | 36,592,490                 | 54.4                     |

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES**

The overall distribution of CB&T's loans and other lending-related activities among borrowers of different income and revenue levels meets the standard for satisfactory performance. This conclusion is based on the review of agricultural, commercial, HMDA-reportable loans from the year 2001, and other lending related activities.

**Agricultural and Commercial Loans**

Agricultural and commercial loans comprise approximately 50% and 28%, respectively, of the bank's loan portfolio. According to the Consolidated Report of Condition dated June 30, 2002, small farm loans, defined as loans with original amounts of \$500,000 or less, represented 100% of the total dollar amount of agricultural loans in the portfolio. Exhibit 14 shows the number of originations by loan amount. Loans in the amount of \$100,000 or less, which are generally most beneficial to small farm operations, represent 77.5% of the number of loans to small farms and 33.3% of the total dollar amount.

**Exhibit 14 – Distribution of Agricultural Loans to Small Farms**

| Original Loan Amount  | Total Number | Total Amount (\$000's) |
|---|--------------|------------------------|
| <b>Loans Secured by Farmland</b>  |              |                        |
| Less than or Equal to \$100,000   | 94           | 3,503                  |
| Greater than \$100,000 through \$250,000  | 58           | 7,098                  |
| Greater than \$250,000 through \$500,000  | 10           | 3,483                  |
| Total   | 162          | 14,084                 |
| <b>Loans to Finance Agricultural Production and Other Loans to Farmers</b>                                    |              |                        |
| Less than or Equal to \$100,000   | 454          | 7,517                  |
| Greater than \$100,000 through \$250,000  | 73           | 5,930                  |
| Greater than \$250,000 through \$500,000  | 18           | 5,547                  |
| Total   | 545          | 18,994                 |
| <b>Loans Secured by Farmland, and<br/>Loans to Finance Agricultural Production and Other Loans to Farmers</b> |              |                        |
| Grand Total*  | 707          | 33,078                 |

\* Excludes loans with original amounts of more than \$500,000.

An analysis of the distribution of commercial loans reflects strong penetration among small businesses, which have original loan amounts of \$1 million or less. All or substantially all of the "Loans secured by nonfarm nonresidential properties" and "Commercial and Industrial loans" were in original amounts of \$100,000 or less, an amount that is generally more beneficial to small businesses. According to the Consolidated Report of Condition dated June 30, 2002, CB&T had 74 commercial real estate loans outstanding for a total of approximately \$8.7 million and 239 commercial and industrial loans outstanding for \$10.8 million.

### **Residential Real Estate Loans**

Residential real estate loans comprise 16.5% of the bank's loan portfolio. Of the 25 HMDA-reportable loans that were originated in the bank's assessment area in 2001, 19 had income figures. Of those, 15, or 78.9% of the number and 94.3% of the dollar volume, were granted to middle- and upper-income borrowers, substantially higher than area demographics. The 1990 demographics indicate that 38.8% of the families in the assessment area were either low- or moderate-income and 61.1% were either middle- or upper income. At the time of this evaluation, the aggregate data for 2001 was not available. Community contacts indicated that there was a general need for affordable housing in the Waterloo-Cedar Falls area.

### **Other Lending Related Activities**

The bank's use of government-subsidized or sponsored loan programs enhances its lending performance. Since CB&T's previous examination, it has originated two loans through the Small Business Administration for a total of \$221,000 and 12 loans through the Farmers Home Administration for a total of \$2,537,000.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

The overall geographic distribution of the loans reviewed for this evaluation is reasonable and meets the standard for satisfactory performance. The distribution of the agricultural and commercial loans is comparable to area demographics while the distribution of HMDA-reportable loans is significantly below area demographics. However, a substantial portion of the bank's loan portfolio is comprised of agricultural and commercial loans.

### **Agricultural and Commercial Loans**

A sample of 120 agricultural and commercial loans, for a total of \$8.8 million, was reviewed to determine the geographic distribution of those loans. These comprised approximately 50% and 28%, respectively, of the loan portfolio. These loans were originated within the metropolitan assessment area during the sample period and are the bank's primary loan products. The results are shown in Exhibit 16.



**Exhibit 16 – Distribution of Commercial and Agricultural Loans by Geography Income Level—Waterloo-Cedar Falls MSA**

| Geography Income Level | Percent of Business with Revenues < \$1 million, by Tract Income | Percentage of Geographies by Income Level in Assessment Area #1 Waterloo-Cedar Falls MSA | Number of Loans | Percent of Number of Loans | % of Dollar Amount of Loans |
|------------------------|--|--|-----------------|----------------------------|-----------------------------|
| Low-income             | 15.0   | 18.8   | 22              | 18.3                       | 32.8                        |
| Moderate-income        | 4.9  | 12.5   | 8               | 6.7                        | 1.4                         |
| Middle-income          | 65.0   | 37.5   | 11              | 9.2                        | 10.5                        |
| Upper-income           | 15.1   | 31.2   | 79              | 65.8                       | 55.3                        |
| Totals                 | 100.0  | 100.0  | 120             | 100.0                      | 100.0                       |

The distribution of commercial and agricultural loans in the bank's metropolitan assessment area is reasonable, given that a substantial majority of businesses are in middle- and upper-income tracts.

**Residential Real Estate Loans**

A review of the HMDA-reportable showed that the bank did not have any loan originations in either low- or moderate-income tracts, although the overall number of loans available for review was low. Aggregate data for 2001 was not available at the time of this evaluation. Demographics indicate that approximately 18.4% of the owner-occupied units in the metropolitan area are in low- or moderate-income tracts.

**Geographic Distribution- Nonmetropolitan Assessment Area**

All of the geographies in the nonmetropolitan assessment area are middle-income. A review of the 496 loans in the nonmetropolitan assessment area indicated that there is a reasonable distribution of loans across all seven BNAs.

**RESPONSE TO SUBSTANTIATED COMPLAINTS**

No CRA-related complaints were received by Citizens Bank & Trust Company, Hudson or this Reserve Bank relating to Citizens Bank & Trust Company, Hudson since the previous examination.

**FAIR LENDING**

Substantive violations of section 202.7(d)(1) of Regulation B- Equal Credit Opportunity Act were noted during the compliance examination. The violations, in relation to the spousal signature restrictions of the regulation, were found in the agricultural and commercial loan sample. The bank's CRA rating in this evaluation was not impacted by these violations because they did not affect the criteria used for the analysis. The fair lending analysis of the HMDA-reportable loans did not identify any discriminatory practices.