

PUBLIC DISCLOSURE

April 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fortress Bank of Cresco
RSSD # 2461641

130 North Park Place
Cresco, Iowa 52136

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604

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 1

Description of Assessment Area 2

Conclusions with Respect to Performance Criteria 5

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

Fortress Bank of Cresco is helping to meet the community's credit needs in a manner consistent with its asset size, location, and current assessment area economic conditions. The bank's loan-to-deposit (LTD) ratio is reasonable when compared to its national peer group and a sample of local financial institutions. A substantial majority of the bank's lending is within its defined assessment area. Its record of lending to borrowers of different income levels and to businesses and farms of different sizes meets the standards for satisfactory performance. The loans are reasonably dispersed throughout the assessment area. There were no complaints received by the institution or this Reserve Bank since the previous evaluation regarding the institution's CRA performance.

The bank's CRA performance was most recently evaluated as of May 11, 1998 when a rating of satisfactory was assigned.

DESCRIPTION OF INSTITUTION

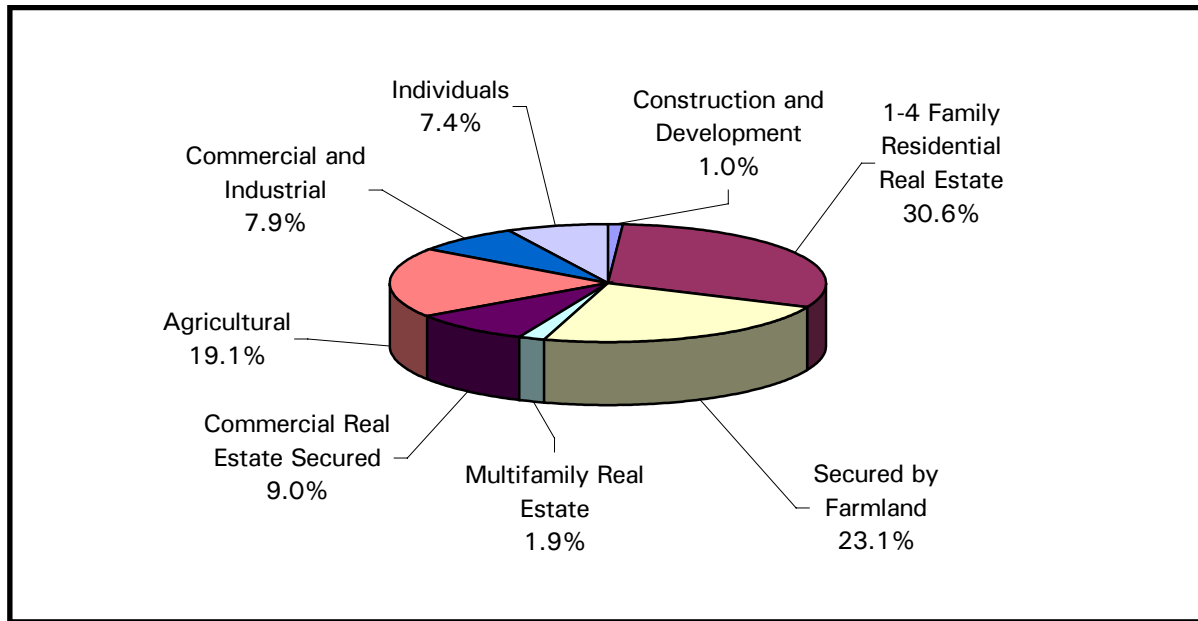
Fortress Bank of Cresco is a subsidiary of Fortress Bancshares, a three-bank holding company located in Wesby, Wisconsin. The bank has one facility located at 130 North Park Place, Cresco, Iowa. It is a full-service facility offering a variety of deposit products and services, as well as residential real estate, consumer, commercial, and agricultural loans. The bank has two automated teller machines and both are located on bank premises.

According to information obtained from the Federal Deposit Insurance Corporation (FDIC), there are nine FDIC-insured institutions in Howard and Winneshiek Counties, with a total of 16 banking offices. Of the institutions in these counties, Fortress Bank of Cresco is the fourth largest institution measured by deposits, with 7.37% of the deposits as of June 30, 2001.

The bank's peer group includes all commercial banks having assets between \$50 and \$100 million, with two or less banking offices, and located in a non-metropolitan area. Local competitors include Cresco Union Savings Bank, Cresco, Iowa; Decorah Bank & Trust Company, Decorah, Iowa; Viking State Bank & Trust, Decorah, Iowa; a branch of Union Planters Bank N.A., Memphis, Tennessee; and a branch of Community First National Bank, Fargo, North Dakota.

According to the Uniform Bank Performance Report, the bank had \$57.2 million in total assets as of December 31, 2001. Exhibit 1 shows the distribution of the loan portfolio as of the same date. As illustrated, the portfolio is predominately comprised of residential real estate, farmland, and agricultural loans.

Exhibit 1 – Composition of Loan Portfolio



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 credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

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. 1990 U.S. Bureau of Census data was used in this evaluation unless stated otherwise.

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.

The bank's assessment area consists of Howard and Winneshiek Counties, Iowa, which include eight middle-income BNAs. According to preliminary 2000 U.S. Bureau of Census data, the population of the assessment area is 31,242, reflecting an increase of 1.9% over 1990 figures. During the same period, the population of the State of Iowa increased by 5.4% to approximately 2.9 million. Exhibit 2 depicts the assessment area.

Exhibit 2 – Assessment Area

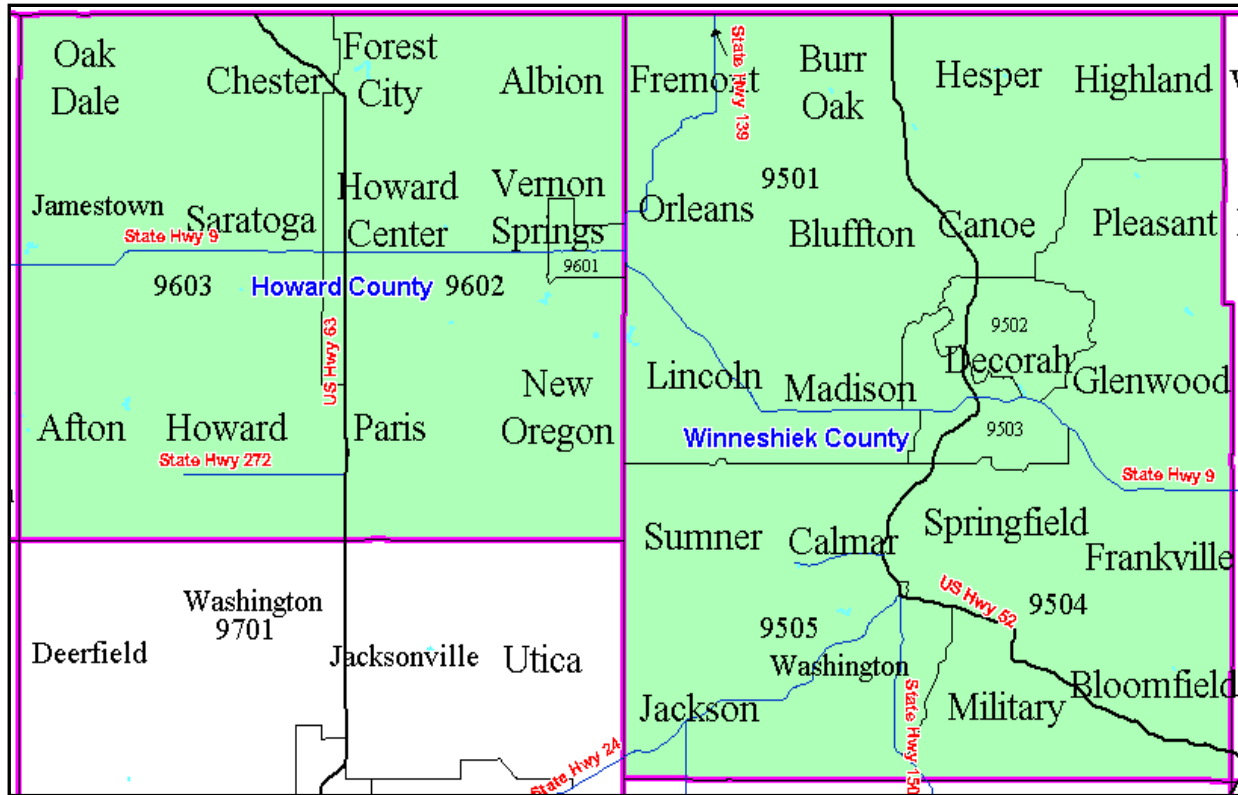


Exhibit 3 illustrates the income levels for the assessment area in comparison to the non-metropolitan areas of the State of Iowa based upon 1990 U.S. Bureau of Census data.

Exhibit 3 – Median Family Income and Distribution of Families by Income Level

Location	Median Family Income (\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	28,080	18.4	20.1	27.8	33.7	9.6
Non-Metro Iowa	29,303	17.5	19.1	25.8	37.6	8.8

The information provided in Exhibit 3 indicates the assessment area has a slightly larger percentage of families considered low- or moderate-income, in addition to a larger percentage of families with income below the poverty level, when compared to non-metropolitan areas of the State of Iowa. HUD’s 2002 yearly-adjusted median family income is \$49,400 for all non-metropolitan areas of Iowa.

The median housing value for assessment area owner-occupied homes was \$43,142

based on 1990 U.S. Bureau of Census data. A majority (54.4%) of the housing stock within the bank's assessment area was built prior to 1950. A representative from a local realty office was able to provide some general figures regarding housing conditions in Howard County. The realtor estimated that a three-bedroom home in Howard County would normally sell for approximately \$60,000; however, homes built since the 1970's sell for approximately \$100,000. The representative further indicated that housing values in Winneshiek County are generally 25% higher than in Howard County.

Housing affordability ratios are helpful in determining the relative affordability of housing in comparison to income levels within different areas. The ratios are calculated by dividing the median family income by the median housing value for an area. An area with a higher affordability ratio generally has more affordable housing than an area with a lower ratio.

The affordability ratio for the bank's assessment area is .54 compared to .63 for the non-metropolitan areas of the State of Iowa, based on 1990 census data. These ratios indicate that housing in the assessment area is less affordable than in the rest of the non-metropolitan areas of the State of Iowa.

The local economy is dependent upon agriculture and supported by manufacturing. The ten largest employers in Howard and Winneshiek Counties are illustrated in Exhibit 4.

Exhibit 4 - Major Employers in Howard and Winneshiek Counties*

Company	City	Employees	Product/Service
Featherlite	Cresco	700	Custom and Livestock Trailers
Camcar Textron	Decorah	600	Drill Screws and Fasteners
Donaldson Co.	Cresco	350	Air Filters
Luther College	Decorah	560	Higher Education
Deco Products	Decorah	435	Electrical and Mechanical Assembly
Rockwell Collins	Decorah	365	Electronic Communications Equipment
Fred Carlson Co.	Decorah	330	Concrete Ready-Mix, General Construction
Reilly Construction Co.	Ossian	243	Road Building
Howard/Winneshiek Schools	Cresco	230	Public School
Howard County Hospital	Cresco	150	Health Care Facility

* Source: imedia-online.com

The March 2001 and 2002 unemployment rates for Howard County, Winneshiek County, and the State of Iowa are shown in Exhibit 5.

Exhibit 5 – Unemployment Rate (%)*

Period	State of Iowa	Howard County	Winneshiek County
March 2001	3.9	4.6	4.9
March 2002	4.2	5.1	5.6

* Source: Iowa Workforce Development

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: The bank's 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 levels 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 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 assessment area(s).

LOAN-TO-DEPOSIT RATIO

The bank's LTD ratio is reasonable when compared to the LTD ratios of its national peer group and a sample of local competitors, as shown in Exhibit 6. Uniform Bank Performance Reports for Fortress Bank of Cresco and its local competitors were used to obtain the ratios shown in this Exhibit.

Exhibit 6 – Loan-to-Deposit Ratios for Fortress Bank of Cresco, Peer Group, and Sample of Local Competitors

Bank Name, Location, 12/01 Assets \$(000)	Percent								
	12/01	9/01	6/01	3/01	12/00	9/00	6/00	3/00	Average
Fortress Bank of Cresco, Cresco, IA (\$57,210)	85.90	85.69	87.13	86.98	80.32	85.01	82.03	79.01	84.01
National Peer Group	69.02	70.66	70.81	69.55	70.07	71.74	70.99	67.89	70.09
Viking State Bank & Trust, Decorah, IA (\$47,357)	85.61	91.51	89.85	93.36	97.25	100.62	97.04	98.40	94.21
Decorah Bank & Trust Company, Decorah, IA (\$156,194)	78.16	83.67	82.70	82.18	82.57	84.75	84.10	80.95	82.39
Cresco Union Savings Bank, Cresco, IA (\$178,099)	92.03	98.91	101.00	97.19	94.73	98.98	95.69	90.80	96.17
Union Planters Bank N.A., Memphis, TN ⁽¹⁾ (\$32,257,447)	104.72	104.83	106.16	107.42	104.41	101.91	100.38	95.13	103.12
Community First National Bank, Fargo, ND ⁽²⁾ (\$5,721,464)	77.36	78.79	79.41	74.93	73.25	72.42	83.92	76.78	77.11
(1) Institution has a branch in Decorah, IA									
(2) Institution has branches in Decorah and Protivin, IA									

LENDING IN THE ASSESSMENT AREA

A substantial majority of the bank's lending activity during the sample period is within its defined assessment area. This conclusion is based on the review of a sample of agricultural, commercial, and residential real estate loans originated during the year ending February 28, 2002, as well as a sample of auto installment loans originated during the six-month period ending February 28, 2002. The results of this analysis are illustrated in Exhibit 7 below.

Exhibit 7 - Number and Percentage of Loans Made within the Assessment Area

Loan Type	Total Number of Loans	Loans within the Assessment Area	
		Number	Percent
Agricultural	120	111	92.5
Commercial	117	104	88.9
Residential Real Estate	88	76	86.4
Auto Installment Loans	185	170	91.9
Totals	510	461	90.4

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

A review of sample of the bank's loans reflects a generally strong penetration among borrowers of low- and moderate-income levels and small businesses and farms.

Residential Real Estate and Consumer Loans

An analysis of residential real estate loans originated during a twelve-month period ended February 28, 2002, and consumer installment loans originated during a six-month period ended February 28, 2002, indicates a reasonable penetration of loans among borrowers of different income levels, as illustrated in Exhibit 8. The 2002 HUD-adjusted median family income for non-metropolitan Iowa was used to determine the income level of the applicants.

Exhibit 8 - Distribution of Residential Real Estate and Consumer Loans by Borrower Income Level

Income Level	Percent of Families in the Assessment Area	Residential Real Estate Loans		Consumer Installment Loans	
		Number	Percent	Number	Percent
Low	18.4	13	17.1	17.3	
Moderate	20.1	13	17.1	30.9	

Middle/Upper	61.5	50	65.8	51.8	
Total	100.0	76	100.0	100.0	

Commercial and Agricultural Loans

A substantial majority of the bank's small business and small farm loans were originated in amounts of \$100,000 or less. Loans in these amounts are considered most beneficial to small businesses and farms. All commercial loans were originated in amounts less than \$1,000,000 and all agricultural loans were originated in amounts less than \$500,000. This information is based on the review of the distribution of a sample of commercial and agricultural loans originated during the 12 months ended February 28, 2002, which is shown in Exhibit 9.

Exhibit 9 - Distribution of Small Business and Small Farm Loans

Original Loan Amount	Small Business Loans		Small Farm Loans	
	Number of Loans	Percent of Loans	Number of Loans	Percent of Loans
\$100,000 or less	100	96.1	105	94.6
> \$100,000-\$250,000	3	2.9	5	4.5
> \$250,000-maximum*	1	1.0	1	0.9
Totals	104	100.0	111	100.0

* The maximum amount for small business loans is \$1,000,000 and for small farm loans \$500,000

Other Lending Related Activities

The bank offers a variety of loan programs designed to reach borrowers of different income and revenue levels. Exhibit 10 depicts the volume of loans under these programs since the previous evaluation.

Exhibit 10 - Loan Programs

Program	Number	Dollar Amount
Farm Service Agency	3	788,640
Iowa Agriculture Development Authority	2	133,800
Linked Deposit Investment Program	8	261,000
Small Business Administration 504	2	230,990
Targeted Small Business	1	9,000
Totals	16	1,423,430

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the bank's residential real estate, consumer, commercial, and agricultural

loans originated from March 1, 2001 through February 28, 2002 revealed a reasonable dispersion of loans throughout the assessment area.

The bank's assessment area consists of eight middle-income geographies. A review indicated that no low- or moderate-income areas were arbitrarily excluded from the assessment area.

RESPONSE TO COMPLAINTS

No CRA-related complaints were received by Fortress Bank of Cresco or this Reserve Bank, regarding this institution's CRA performance, since the previous examination.

FAIR LENDING

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations and implemented on an equitable basis. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.