

# **PUBLIC DISCLOSURE**

August 27, 2007

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank Iowa  
RSSD# 299644

1108 Broadway  
Denison, Iowa 51442

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.

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**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:** This institution's performance is rated **Satisfactory**.

Bank Iowa is satisfactorily meeting the credit needs of its community based upon an analysis of the bank's lending activities and further supported by information from community representatives. The loan-to-deposit (LTD) ratio is reasonable given the needs and characteristics of the assessment area and local competitors. A majority of the loans are originated within the assessment area. There is an excellent penetration of loans among borrowers of different income and revenue levels, and loans are reasonably distributed throughout the seven middle-income geographies within the assessment area. There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

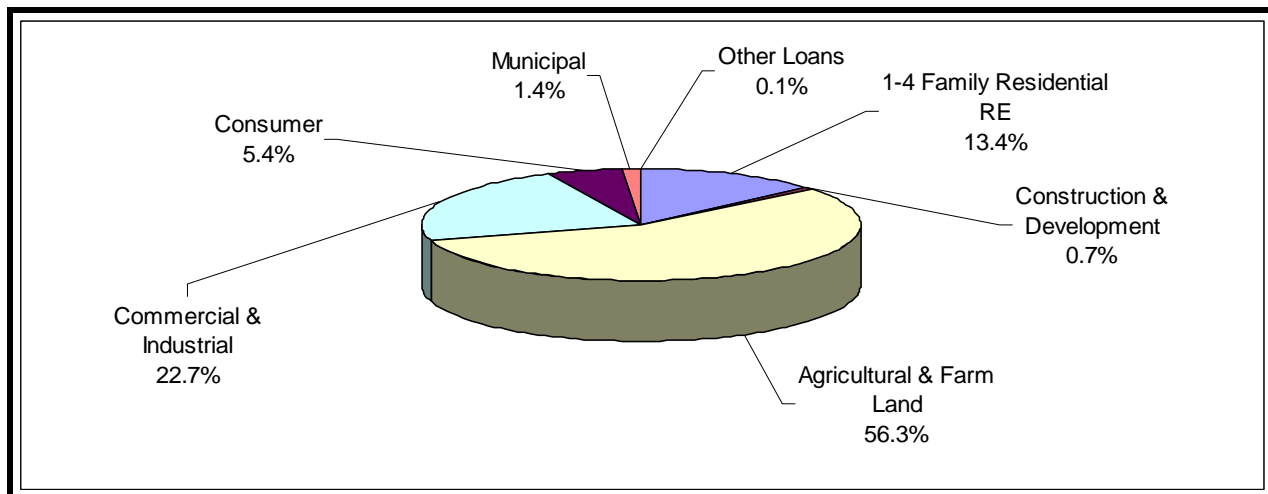
The institution was rated **Satisfactory** under CRA at the previous evaluation conducted on May 30, 2003, by the Federal Deposit Insurance Corporation.

#### **DESCRIPTION OF INSTITUTION**

Bank Iowa is a subsidiary of Bank Iowa Corporation, a six-bank holding company located in West Des Moines, Iowa. The bank's main office is located in Denison, Iowa, which is in western Iowa, and is approximately 130 miles west of Des Moines, Iowa. Since the previous evaluation, the bank has closed its branch office in Ricketts, Iowa, and opened a full-service branch in Charter Oak, Iowa. In addition, there are full-service branch offices in Schleswig and Manilla, Iowa. All four offices are within Crawford County. The bank offers standard loan and deposit products from all its locations and maintains a total of four full-service ATMs; three located at its banking offices in Denison, Charter Oak, and Manilla, and a free-standing machine in Schleswig, Iowa.

Based upon the June 30, 2007 Uniform Bank Performance Report, Bank Iowa has total assets of \$143 million. Exhibit 1 illustrates the distribution of the loan portfolio as a percentage of average gross loans as of the same date. As illustrated, the primary loan products are agricultural (including farm land), commercial and industrial (including nonfarm nonresidential), and 1-4 family residential real estate loans.

**Exhibit 1 – Bank Iowa’s Loan Portfolio Mix as of June 30, 2007**



The bank’s peer group includes all commercial banks having assets between \$100 million and \$300 million in a non-metropolitan area with 3 or more full service offices. Local competitors for loans and deposits include Crawford County Trust & Savings Bank, Denison; branch offices of United Bank of Iowa, Ida Grove, located in Denison, Charter Oak, and Schleswig; and, a branch office of Wells Fargo Bank, NA, Minneapolis, located in Denison. In addition, several credit unions located in Denison serve the assessment area, including Telco Triad Credit Union, Consumer Credit Union, and Greater Iowa Credit Union. Based on the FDIC Deposit Market Share report as of June 30, 2006, there were nine banking offices located in Crawford County and Ida County. Bank Iowa holds 15.1% of total deposits in its assessment area and ranks 2<sup>nd</sup> in deposit market share among the nine financial institutions.

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 it 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 census tracts, which are statistical subdivisions of a county. The 2000 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

Bank Iowa’s assessment area, as shown in Appendix A, includes two contiguous counties: Crawford County in its entirety and the southern portion of Ida County. Since the previous

evaluation, the assessment area has not changed. The assessment area includes seven middle-income census tracts: 9701, 9702, 9703, 9704, and 9705 in Crawford County and tracts 9902 and 9903 in Ida County.

According to the 2000 U.S. Census Bureau, the population of the assessment area is 22,062. Per the 2007 Distressed and Underserved Counties in Iowa published by the FFIEC, tracts 9902 and 9903 in Ida County are considered both distressed and underserved based on a loss in population and being remote and rural.

**Income Characteristics**

Exhibit 2 shows the income levels for the assessment area in comparison to Crawford County, Ida County, and non-metropolitan Iowa based on 2000 U.S. Census Bureau data. As identified below, the median family income for the assessment area is similar to the median family income of the other areas. In contrast to the 2000 data, the 2007 HUD adjusted median family income for non-metropolitan Iowa, Crawford County, and Ida County is \$53,100, \$49,200, and \$52,000, respectively.

Exhibit 2						
Distribution of Families by Income Level						
Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	41,175	17.6	21.4	27.6	33.4	6.5
Crawford County	40,231	18.3	22.2	27.4	32.1	6.9
Ida County	43,179	17.0	19.0	27.8	36.2	5.7
Non-Metropolitan Iowa	43,887	16.4	19.5	26.3	37.8	6.4

*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.*

**Housing Characteristics and Affordability**

The assessment area has 9,250 total housing units of which 67.2% are owner-occupied, 25.1% are rental units, and 7.7% are vacant. Likewise, non-metropolitan Iowa has 68.6% in owner-occupied, 22.7% rental units, and 8.7% vacant units. The median age of housing stock in the assessment area is 53 years, compared to non-metropolitan Iowa of 48 years. The median housing value in the assessment area is \$59,823, which is below the non-metropolitan median housing value of \$69,296.

*Affordability ratios, developed by dividing the median household income by the median housing 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 ratios for the assessment area and for non-metropolitan Iowa are .57 and .52, respectively, indicating that housing is generally more affordable in the assessment area. Community contacts indicated there have not been a lot of new houses built in the last 10 years, and there is a need for new housing stock in the Denison area. The demand for workforce housing continues primarily due to increased employment at local meat processing plants.

### **Labor and Employment**

According to the Iowa Workforce Development, Crawford County's largest private sector is manufacturing, representing 31.4% of the county's employment. Of this, food manufacturing represents 90% of the sectors employment. Ida County's largest private sector is also manufacturing, representing 31.2% of its employment. Major employers in the assessment area are listed below.

<b>Exhibit 3</b>			
<b>Major Employers in the Assessment Area</b>			
<b>Company</b>	<b>County</b>	<b>Employees</b>	<b>Description</b>
Farmland Foods	Crawford	1300	Manufacturing – Fresh Pork Products
Tyson Foods	Crawford	350	Manufacturing – Beef
Denison Community Schools	Crawford	225	Education
Hy-Vee Food Store	Crawford	150	Groceries
Wal-Mart	Crawford	147	Discount Store
Eventide Nursing Home	Crawford	140	Elderly Care
Denison Job Corps	Crawford	140	Vocational Education
V-T Industries	Ida	534	Manufacturing – Plastic Products
Godbersen-Smith Construction Co.	Ida	450	Manufacturing – Construction Machine
Midwest Industries	Ida	330	Manufacturing – Farm Machinery
VTI Architectural Products	Ida	280	Manufacturing – Countertops
Ida County Community Hospital	Ida	140	Health Services

Source: Chamber and Development Council of Crawford County and Iowa Workforce Development

Exhibit 4 illustrates the unemployment rates for Crawford County, Ida County, and the State of Iowa for May 2006 and May 2007. As shown, the unemployment rate for the counties in the assessment area compares favorably to that of the State of Iowa. Unemployment rates have remained fairly stable within the assessment area, with a slight increase in Crawford County.

Exhibit 4		
Unemployment Statistics		
Area	May 2006	May 2007
Crawford County	2.8%	3.1%
Ida County	2.8%	2.8%
State of Iowa	3.8%	3.6%

### **Community Representatives**

Community representatives, contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions are actively involved in the community. Representatives commented that banks in the area do a good job of meeting the credit needs of the community. One representative stated that there is a need for small business loans to improve the retail sector in the area.

### **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, the record of lending to borrowers of different income and farms and businesses 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 context, which includes, but is not limited to, comparative analyses of the assessment area 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.*

### **Loan-to-Deposit (LTD) Ratio**

*The bank's average LTD ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to its capacity to lend, competitor and peers' LTD ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

Exhibit 5 depicts the LTD ratios for the bank, its peer group, and a sample of local competitors and Iowa banks of similar asset size. Although the bank's LTD ratio is below that of its national peer group and local competitors, it is considered reasonable and meets the standards of satisfactory performance given the previously described performance context. Competition in the area is strong, with several banks and credit unions adequately meeting the credit needs of the community.

Exhibit 5									
LTD Ratios									
Bank Name, City, 6/07 Assets \$(Millions)	9/05 (%)	12/05 (%)	3/06 (%)	6/06 (%)	9/06 (%)	12/06 (%)	3/07 (%)	6/07 (%)	Avg.
Bank Iowa, Denison, \$143.0	76.7	70.3	65.3	71.6	69.4	66.1	67.8	65.3	69.1
Peer Group	80.6	79.4	79.3	81.3	81.5	79.8	79.2	80.7	80.2
Bank Competitors									
Crawford County T&SB, Denison, \$109.2	90.9	92.5	90.4	91.3	92.0	86.2	84.3	90.2	89.7
United Bank IA, Ida Grove, \$674.4	119.9	120.8	119.8	123.1	117.2	112.6	120.6	120.1	119.3
Wells Fargo Bank, NA, Minneapolis, \$428,724.0	97.6	91.0	91.3	83.4	87.7	91.4	90.1	90.4	90.4
Iowa Bank's with Similar Asset Size (\$137.0 to \$147.0 million)									
Iowa T&SB, Centerville, \$137.1	75.7	76.5	74.5	74.1	73.9	73.0	71.5	73.2	74.1
Libertyville Savings Bank, Fairfield, \$137.7	93.6	90.8	94.6	99.0	105.1	96.3	95.9	100.4	97.0
New Albin Savings Bank, New Albin, \$140.2	44.8	45.4	44.0	43.7	43.7	44.5	44.2	44.9	44.4
Security State Bank, New Hampton, \$143.7	77.5	75.9	78.2	83.2	80.8	81.0	78.6	82.7	79.7

### Lending in the Assessment Area

*To assess the extent of lending within the assessment area, the following were reviewed: residential real estate, commercial, agricultural, and consumer loans. The sample period for each loan product consisted of May 1, 2006 to April 30, 2007. Those loans for which census tracts were unknown were not included in the analysis. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Bank Iowa has demonstrated a satisfactory level of lending within its assessment area. As noted in Exhibit 6, the majority of its loans are originated within the assessment area. Commercial loans represent the lowest percentage of loans originated in the assessment area. This can be attributed to commercial loan participations with other financial institutions.



<b>Exhibit 6</b>			
<b>Distribution of Loans in/out of Assessment Area (AA)</b>			
<b>Loan Type</b>	<b>Number of Loans</b>		
	<b># in Sample</b>	<b># in AA</b>	<b>% in AA</b>
Residential Real Estate	54	51	94.4
Agricultural	371	332	89.5
Commercial	235	185	78.7
Consumer	311	265	85.2
Totals	971	833	85.8

### **Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes**

*The distribution of loans among borrowers of different income levels was determined by reviewing the bank's primary loan products, as well as other lending activity. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Given the demographics of the bank's assessment area, the loan distribution across borrowers of different income levels, and farms and businesses of different sizes meets the standards for outstanding performance under this criterion. The distribution of Bank Iowa's loans reflects an excellent penetration among borrowers of different income and revenue levels, as supported by a review of residential real estate, agricultural, and commercial loans.

### **Residential Real Estate Loans**

Exhibit 7 shows the distribution of the sample of 1-4 family residential real estate loans, originated during the year ended April 30, 2007, by income level. As shown, the percent of loans to low- and moderate-income borrowers is 51%, which exceeds the 39% of low- and moderate-income families in the assessment area.

<b>Exhibit 7</b>			
<b>Distribution of Residential Real Estate Loans by Income Level</b>			
<b>Income Level</b>	<b>Total Number of Loans</b>	<b>Percent of Total Loans*</b>	<b>Percent of Families in Assessment Area</b>
Low	5	9.8	17.6
Moderate	21	41.2	21.4
Middle	16	31.4	27.6
Upper	9	17.6	33.4
Totals	51	100.0	100.0

\* HUD's estimated 2007 median family income was used to determine the income level of the applicants.

## Agricultural and Commercial Loans

The distribution of commercial and agricultural loans reflects an excellent penetration among small businesses and small farms. The distribution analysis is based on information from the Consolidated Report of Condition as of June 30, 2007.

Small farm loans of \$500,000 or less represent 91.5% of the bank's agricultural loans outstanding. As shown in Exhibit 8, small farm loans in the \$100,000 or less category represent 78.8% of the number and 32.3% of the dollar amount of small farm loans. Loans in these amounts are considered most beneficial to small farms.

<b>Exhibit 8</b>		
<b>Distribution of Small Farm Loans</b>		
<b>Original Dollar Amount</b>	<b>Outstanding Number</b>	<b>Outstanding Dollar Amount (000's)</b>
<b>Loans Secured by Farmland</b>		
Less than or equal to \$100,000	111	4,240
Greater than \$100,000 through \$250,000	72	9,192
Greater than \$250,000 through \$500,000	26	7,276
<b>Total</b>	<b>209</b>	<b>20,708</b>
<b>Loans to Finance Agricultural Production and Other Loans to Farmers</b>		
Less than or equal to \$100,000	514	8,351
Greater than \$100,000 through \$250,000	51	5,319
Greater than \$250,000 through \$500,000	19	4,563
<b>Total</b>	<b>584</b>	<b>18,233</b>
<b>Loans Secured by Farmland and Loans to Finance Agricultural Production and Other Loans to Farmers</b>		
<b>Grand totals</b>	<b>793</b>	<b>38,941</b>

Commercial loan originations in the \$100,000 or less category represent 100% of the number and 100% of the dollar amount of commercial loans. Emphasis is placed on this category as generally smaller loan amounts assist small businesses and economic development.

## Other Lending Related Activities

Bank Iowa participates in flexible lending programs, which enhance credit availability in the assessment area. Exhibit 9 highlights flexible loan programs in which the bank has participated since the previous evaluation. In addition to government-subsidized lending programs listed below, the bank originates residential real estate loans to be sold on the secondary market, which enables the bank to offer longer term, fixed-rate loans to its customers. Since the previous evaluation, Bank Iowa has originated 118 secondary market loans totaling \$10,247,437.

Exhibit 9		
Other Lending Related Activities		
Government Subsidized Programs	Number	Original Dollar Amount
Beginning Farmer Loans	8	1,135,363
Home Possible Loans	8	500,125
Small Business Administration (SBA)	2	111,000

### Geographic Distribution of Loans

The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance residential real estate, commercial, agricultural, and consumer loans were reviewed. The sample period for each loan product consisted of May 1, 2006 to April 30, 2007. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.

Given the demographics of the assessment area, the geographic distribution of loans meets the standards for satisfactory performance under this criterion. The assessment area is comprised of seven middle-income geographies. A review indicated no low- or moderate-income segments were arbitrarily excluded from the assessment area. An analysis of a sample of the bank's loans indicated they are reasonably distributed throughout the assessment area.

The lower penetration of Bank Iowa loans in census tracts 9701, 9902, and 9903 is attributed to its lack of branch offices in these geographies, as well as loan competition. In addition, as previously noted, geographies 9902 and 9903 have experienced a loss of population and are considered remote and rural. Community representatives also indicated the credit needs in these areas are being met. Exhibit 10 illustrates the distribution of lending within the assessment area.

Exhibit 10			
Geographic Distribution of Lending			
Tract	County	Number of Loans	Percent of Loans
9701	Crawford	65	7.8
9702	Crawford	212	25.5
9703	Crawford	115	13.8
9704	Crawford	220	26.4
9705	Crawford	161	19.3
9902	Ida	42	5.0
9903	Ida	18	2.2
Totals		833	100.0

### **Response to Complaints**

Neither Bank Iowa nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

### **FAIR LENDING**

Bank Iowa 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 lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and that these are being consistently applied to all applicants. No evidence of prohibited discriminatory credit practices was detected.

APPENDIX A  
Bank Iowa's Assessment Area

