

PUBLIC DISCLOSURE

June 17, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ackley State Bank
RSSD# 730446

650 Main Street
Ackley, Iowa 50601

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Ackley State Bank is rated Satisfactory.

Ackley State Bank is satisfactorily meeting the credit needs of its community based on an analysis of its lending. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of loans are made in the assessment area. The geographic distribution of loans reflects reasonable penetration throughout the assessment area. The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different revenues.

SCOPE OF EXAMINATION

Ackley State Bank's CRA performance was evaluated under the lending test for small retail institutions. The lending tests described below are based on Home Mortgage Disclosure Act (HMDA) – reportable loans originated between January 1, 2011 and December 31, 2012 and small business/small farm loans originated between January 1, 2012 and December 31, 2012. All three assessment areas, Waterloo/Cedar Falls, Iowa MSA #47940 – Grundy County; Ames, Iowa MSA #11180 - Story County; and, Non-metropolitan Iowa – including Franklin, Hamilton, and Hardin Counties received full scope reviews.

Ackley State Bank's performance was evaluated in the context of information about the institution and its assessment areas, such as asset size, financial condition, competition and economic and demographic characteristics. Aggregated lending data, which is comprised of the lending activity for all other lenders reporting home mortgage loans under the HMDA in the respective assessment areas, was used as a comparison in evaluating the bank's lending performance. Aggregate data is not available for small business and small farm loans as the bank is not a CRA reporter.

Performance within the designated assessment areas was evaluated using small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 - quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2011 to December 31, 2012, and small business and small farm loans originated from January 1, 2012 through December 31, 2012 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable loans originated from January 1, 2011 to December 31, 2012, and small business and small farm loans originated from January 1, 2012 through December 31, 2012 were

analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.

- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** - The bank's HMDA-reportable loans originated from January 1, 2011 to December 31, 2012, and small business and small farm loans originated from January 1, 2012 through December 31, 2012 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither Ackley State Bank nor this Reserve Bank received any CRA-related complaints since the prior evaluation.

DESCRIPTION OF INSTITUTION

Ackley State Bank is a subsidiary of GNB Bancorporation, which is a two-bank holding company with assets of \$496.2 million as of March 31, 2013 located in Grundy Center, Iowa. Ackley State Bank has total assets of \$146.5 million as of March 31, 2013. The bank operates five full service offices located in Ackley, Geneva, Iowa Falls, and Story City. The bank also operates a limited service branch in Story City, only offering deposit products.

Ackley State Bank offers standard loan and deposit products and services for consumer and non-consumer purposes. As shown in the following table, the top three loan categories by dollar volume are commercial and commercial real estate loans comprising 41.2 percent, agricultural loans and loans secured by farmland comprising 31.8 percent of the loan portfolio; and loans secured by 1-4 family and multi-family residential real estate comprising 23.5 percent.

Composition of Loan Portfolio as of March 31, 2013 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	20,453	23.5
	Farmland	13,245	15.2
	Non-farm, Non-residential	21,537	24.8
	Total Real Estate Secured	55,235	63.5
Agricultural	Agricultural	14,434	16.6
Commercial	Commercial and Industrial	14,229	16.4
Consumer	Loans to Individuals	2,051	2.4
Other	All Other Loans	1,030	1.2
	Total	86,979	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on May 8, 2009.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The 16-quarter average ratio was compared to the national peer group, which includes commercial banks with assets between \$100 million and \$300 million, with three or more full service banking offices and not located in a metropolitan statistical area.

The bank's LTD ratio was slightly higher than its National Peer Group. Loan growth has steadily increased since the previous evaluation. The bank has been able to correlate deposit growth with increased loan demand to effectively meet the credit needs of the assessment area. The following table shows the bank's 16-quarter LTD ratio in comparison with its national peer group and its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Ackley State Bank	76.4
National Peer Group 5	73.5
Competitors	
First National Bank of Hampton	62.1
Great Western Bank	84.5
Green Belt Bank & Trust Company	85.7
Hampton State Bank	74.1
Iowa Falls State Bank	70.7
Peoples Savings Bank	64.3
Reliance State Bank	64.4
Security State Bank	47.7
United Bank & Trust Company	61.8
Wells Fargo Bank NA	81.7

Assessment Area Concentration

A majority of the bank's loans by number are situated within the assessment area as shown by the table below. However, a slight majority of the bank's total dollar amount of loans occurred outside the assessment area. This is the result of secondary market activities of the bank's mortgage subsidiary; this lending is figured into the table below. The bank purchased the lending subsidiary in 2011, which operates in Iowa, Wisconsin, Minnesota, South Dakota, and Nebraska. Minimal lending originated by the subsidiary occurs inside the assessment area. Excluding loan originations by the subsidiary increases the percentage of lending within the assessment area to

87.5 percent by number of loans and 74.1 percent by dollar volume of loans.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans – Conventional	47	39.5	3,727	29.6	72	60.5	8,873	70.4
Home Purchase Loans - FHA	31	26.7	2,933	28.9	85	73.3	7,228	71.1
Refinanced Loans	133	51.0	15,293	42.7	128	49.0	20,497	57.3
Home Improvement Loans	12	92.3	324	87.8	1	7.7	45	12.2
Multi-Family Loans	3	75.0	1,172	27.4	1	25.0	3,110	72.6
Total HMDA-Reportable Loans	226	44.1	23,449	37.1	287	55.9	39,753	62.9
Commercial Loans	75	94.9	9,221	81.6	4	5.1	2,075	18.4
Agricultural Loans	125	88.7	15,813	68.4	16	11.3	7,293	31.6
Total Loans	426	58.1	48,483	49.7	307	41.9	49,121	50.3

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic and Borrower Distribution

An analysis of HMDA reportable, small business and small farm loans reflects reasonable dispersion throughout the bank’s assessment areas, including low and moderate-income geographies. The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including among low- and moderate-income individuals, and businesses and farms of different sizes. The specifics of the bank’s lending in each assessment area and relevant demographics are discussed in the individual assessment area sections. For the purposes of this review, loans made in calendar year 2011 were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics.

Response to Complaints

The bank or this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

WATERLOO/CEDAR FALLS, IOWA MSA #47940 – GRUNDY COUNTY – FULL REVIEW

SCOPE OF EXAMINATION

Full review examination procedures were used to evaluate the bank's performance in Grundy County, Iowa which is located within the Waterloo/Cedar Falls, Iowa metropolitan statistical area. The scope of the examination is primarily consistent with the overall scope described in the introduction section; however, small business lending did not occur within this assessment area and therefore was not reviewed.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WATERLOO/CEDAR FALLS, IOWA MSA #47940 – GRUNDY COUNTY

Ackley State Bank operates its main office in Ackley, Iowa, which is approximately 100 miles northeast of Des Moines, Iowa, and maintains five other branches. Grundy County does not contain any of the bank's branches or ATMs. However, due to its close proximity to the main branch, the bank's operations in the assessment area are comparable to overall bank operations.

The assessment area encompasses Grundy County, Iowa, which is one of the three counties in the Waterloo/Cedar Falls, Iowa Metropolitan Statistical Area #47940 (Waterloo/Cedar Falls, IA MSA); at the previous evaluation the bank's assessment area contained only part of Grundy County. The assessment area has been expanded to include Grundy County in its entirety. No banking offices or ATMs have been opened or closed since the previous evaluation. Market share information is not available due to the fact that Ackley State Bank does not maintain a branch in Grundy County.

For HMDA-related and small business/small farm loans originated prior to 2012, the point at which new census tract definitions became effective, the 2000 census demographic data was used in the analysis to define the bank's assessment area, which consisted of Grundy County. The assessment area is defined as four census tracts, all of which are middle-income tracts. For HMDA-related and small business/small farm loans originated in calendar year 2012 or later, the 2010 census demographic data was used in the analysis of the bank's assessment area.

Additional demographic information for the assessment area is presented in the following table. The first table indicates data from the 2000 census, whereas the second table indicates data from the 2010 census.

2000 Waterloo/Cedar Falls, Iowa MSA #47940 – Grundy County								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	477	13.3
Moderate-income	0	0.0	0	0.0	0	0.0	786	21.9
Middle-income	4	100.0	3,592	100.0	118	3.3	1,083	30.2
Upper-income	0	0.0	0	0.0	0	0.0	1,246	34.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4	100.0	3,592	100.0	118	3.3	3,592	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	5,304	3,971	100.0	74.9	1,013	19.1	320	6.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	5,304	3,971	100.0	74.9	1,013	19.1	320	6.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	876	100.0	802	100.0	39	100.0	35	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	876	100.0	802	100.0	39	100.0	35	100.0
Percentage of Total Businesses:				91.6		4.5		4.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	348	100.0	344	100.0	2	100.0	2	100.0

Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	348	100.0	344	100.0	2	100.0	2	100.0
	Percentage of Total Farms:			98.9		.6		.6

Note: Percentages may not add to 100.0 percent due to rounding.

2010 Waterloo/Cedar Falls, Iowa MSA #47940 – Grundy County								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	454	12.6
Moderate-income	0	0.0	0	0.0	0	0.0	566	15.8
Middle-income	4	100.0	3,589	100.0	166	4.6	1,036	28.9
Upper-income	0	0.0	0	0.0	0	0.0	1,533	42.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4	100.0	3,589	100.0	166	4.6	3,589	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	5,537	4,070	100.0	73.5	972	17.6	495	8.9
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	5,537	4,070	100.0	73.5	972	17.6	495	8.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	737	100.0	673	100.0	35	100.0	29	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	737	100.0	673	100.0	35	100.0	29	100.0
	Percentage of Total Businesses:			91.3		4.7		3.9
	Total Farms by		Farms by Tract & Revenue Size					

	Tract		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	367	100.0	366	100.0	1	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	367	100.0	366	100.0	1	100.0	0	0.0
	Percentage of Total Farms:			99.7		0.3		0.0

Note: Percentages may not add to 100.0 percent due to rounding.

A discussion of both 2000 and 2010 census demographic information follows. Both sections discuss relevant population information, income characteristics, and housing data. The relevant census demographic data were compared to the applicable loan periods, discussed in the preceding paragraph.

As presented in the following table, from the 2000 to the 2010 U.S. Census, the population in both Grundy County and the Waterloo/Cedar Falls, IA MSA increased. The population of the state of Iowa increased 4.1 percent over the same period. The assessment area grew at a slower pace than both the MSA and the state of Iowa. A community representative stated that while the economic recession did not hit Grundy County as hard as other areas, some businesses did leave the area during the past few years, leading to a slow population growth.

The assessment area has a low minority population of 2.1 percent, according to the 2010 U.S. Census information. Within the minority population, 46.4 percent are Hispanic; 21.3 percent are Black, Non-Hispanic; 15.6 percent are Asian, Non-Hispanic; and 10.6 percent are American Indian, Non-Hispanic. The state of Iowa's minority population is 11.3 percent.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Iowa	2,926,324	3,046,355	4.1%
Grundy County, Iowa	12,369	12,453	0.7%
Waterloo/Cedar Falls, IA MSA	163,706	167,819	2.5%
Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census			

Median family income throughout the assessment area is higher when compared to the state of Iowa. In 2000, median family income in the assessment was slightly below the state of Iowa. However, between 2000 and 2010, Grundy County's median family income outpaced the state by 17.5 percent.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Iowa	48,005	61,804	28.7%
Grundy County, Iowa	46,627	68,151	46.2%
Waterloo-Cedar Falls, IA MSA	47,689	60,582	27.0%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

The bankruptcy filing rate in the assessment area is lower when compared to the state of Iowa in recent years. The 2012 bankruptcy filing rate for Grundy County was 1.5 per 1,000 in population, which is unchanged from the 2011 rate. The state of Iowa’s bankruptcy filing rate fell from 2.5 per 1,000 in population in 2011 to 2.0 in 2012. Grundy County ranks 64th in personal bankruptcy filing rate in the state of Iowa.

Housing costs are generally lower in the assessment area compared to the state of Iowa, as indicated in the following table. Median housing values increased 49.6 percent in Grundy County, while median housing values for the state of Iowa increased 45.2 percent. A community representative stated that floods occurring in 2008 along with the economic downturn have kept housing prices down.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Iowa	82,100	119,200	470	617
Grundy County, Iowa	74,200	111,000	376	513
Waterloo-Cedar Falls, IA MSA	74,234	120,000	N/A	610
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>				

The affordability ratio, which is defined in the Glossary of Appendix B, suggests housing is more affordable in the bank’s assessment area compared to the state of Iowa. The affordability ratio for Grundy County is 0.51 in 2010. Comparatively, the state of Iowa has an affordability ratio of 0.41.

The percentage of owner occupied homes has remained relatively stable, decreasing slightly from 74.9 percent to 73.5 percent from 2000 to 2010. Comparatively, the state of Iowa rose from 72.3 percent to 73.2 percent during the same time period. Owner occupied housing remained higher in the assessment area when compared to the state of Iowa overall.

The foreclosure inventory rate has increased in Grundy County since the previous evaluation. The rate in Grundy County has increased from 1.4 percent in May 2009 to 2.5 percent in March 2013. Similarly, the state of Iowa increased from 1.8 percent in May 2009 to 2.5 in March 2013. However,

Grundy County's foreclosure inventory rate has increased at a higher rate than that of the state of Iowa as it grew 1.1 percent over the same period that the state of Iowa rate grew only 0.7 percent.

As presented in the following table, Grundy County has lower unemployment rates than the state of Iowa and the United States. Community representatives indicated that while the economic crisis had some impact, the area remained largely unscathed when compared to the rest of the United States. The contact stated that the biggest problem in the area is job training for workers entering a different economy than before, especially with businesses returning to the area after both a flood that occurred in 2008 and the economic downturn.

Unemployment Rates				
Region	2008	2009	2010	2011
United States	5.8%	9.3%	9.6%	8.9%
Iowa	4.3%	5.6%	6.1%	5.9%
Grundy County, Iowa	3.7%	5.1%	5.9%	5.1%
Waterloo-Cedar Falls, IA MSA	4.1%	5.3%	5.9%	5.6%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Employment opportunities in Grundy County are diverse. Housing construction is by far the largest employer, but several school districts rank among the leaders in employment. Medical and manufacturing sectors also rank highly among the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Peterson Contractors, Inc.	300	New Single Family Housing Construction
Grundy County Memorial Hospital	150	General Medical & Surgical Hospitals
Richelieu Foods, Inc.	130	Fruit & Vegetable Canning
Dike Community School District	100	Elementary & Secondary Schools
Green Products, Co.	100	Animal Food Manufacturing
BCLUW Community School District	95	Elementary & Secondary Schools
R. S. Bacon Veneer, Co.	80	Building Material Dealers
Delta Sports Products	70	Sporting & Athletic Goods Manufacturing
Mill	65	Convenience Stores
Packaging Corporation of America	61	Industrial & Personal Service Paper Merchants

Source: America's Labor Market Information System (ALMIS) - A United States Department of Labor employment

Community Representatives

Information obtained from one community representative with a small business focus was considered for this evaluation to provide perspective of the conditions in the communities where the bank operates. The representative had favorable opinions of area banks meeting the community's credit needs. However, the representative indicated that banks could be more supportive of small businesses, particularly startups. According to the contact, despite the high demand for lending to small business startups, these potential businesses are having some difficulties in obtaining loans from local financial institutions that tend to be more risk adverse when it comes to this type of lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WATERLOO/CEDAR FALLS, IOWA MSA #47940 – GRUNDY COUNTY

LENDING TEST

Geographic Distribution of Loans

An analysis of the geographic distribution of HMDA and small farm loans was conducted to determine the dispersion of loans among the different census tract types within the assessment area. The assessment area contains four middle income tracts, thus the distribution of the bank’s home mortgage-related loans reflects a reasonable dispersion by income level of the geography based on the bank’s performance relative to the aggregated lenders and local housing conditions given the makeup of the assessment area. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics.

The table presented below represents 2011 HMDA reportable loans as 2012 peer data is not yet available. It should be noted that lending within this assessment area increased 400.0 percent from 2011 to 2012. The bank originated 16 total HMDA reportable loans within the assessment area in 2012 compared to only four loans in 2011.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner-Occupied Housing
	#	%	\$	%	#	%	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0	0.0	0.0
Middle	2	100.0	165	100.0	98.9	98.0	100.0
Upper	0	0.0	0	0.0	0.0	0.0	0.0
Unknown	0	0.0	0	0.0	1.1	2.0	0.0
Total	2	100.0	165	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	2	100.0	254	100.0	99.1	99.3	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.9	0.7	
Total	2	100.0	254	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	97.4	99.7	

Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	2.6	0.3	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	100.0	100.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	0	0.0	0	0.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	4	100.0	419	100.0	98.9	98.9	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	1.1	1.1	
Total	4	100.0	419	100.0	100.0	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>							

The bank's assessment area contains only middle-income census tracts; therefore, a limited analysis was performed to determine the dispersion of loans within the assessment area. An analysis of small farm loans indicates a reasonable level of penetration throughout the assessment area.

Small Farm Lending, 2012 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Farms by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	13	100.0	1,540	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	13	100.0	1,540	100.0	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Farms of Different Sizes

An analysis of the HMDA and small farm lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to determine the level of lending to borrowers of different income levels and to farms of different sizes; small business lending did not occur in this assessment area during the review period. The distribution of loans reflects a reasonable penetration among individuals of different income levels and farms of different sizes. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics. 2011 HMDA reportable loans are used for the analysis as peer data is not yet available for 2012.

As shown in the table below, the distribution of the 2011 HMDA loans reflects a reasonable penetration among borrowers of different income levels. While lending in this assessment area did not account for a large level of the bank's overall lending, low- and moderate-income borrowers accounted for 75.0 percent of HMDA reportable loans in the assessment area. Additionally, lending to low- and moderate-income borrowers accounted for 54.7 percent of the total dollars lent in the assessment area. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics. In 2012, 68.8 percent of the number and 64.1 percent of the dollar amount of lending were made to low and moderate income borrowers; this performance is well in excess of demographics with 28.4 percent of families being of low or moderate-income as of the 2010 census.

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	1	50.0	43	26.1	15.3	8.0	13.3
Moderate	1	50.0	122	73.9	19.2	16.4	21.9
Middle	0	0.0	0	0.0	28.8	27.0	30.2
Upper	0	0.0	0	0.0	25.4	37.0	37.7
Unknown	0	0.0	0	0.0	11.3	11.6	0.0
Total	2	100.0	165	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	4.7	2.2	
Moderate	1	50.0	64	25.2	13.2	10.1	
Middle	0	0.0	0	0.0	21.7	16.6	
Upper	1	50.0	190	74.8	47.5	57.0	
Unknown	0	0.0	0	0.0	12.9	14.1	
Total	2	100.0	254	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	10.3	6.3	
Moderate	0	0.0	0	0.0	10.3	7.9	
Middle	0	0.0	0	0.0	23.1	19.9	
Upper	0	0.0	0	0.0	48.7	59.1	
Unknown	0	0.0	0	0.0	7.7	6.8	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	100.0	100.0	
Total	0	0.0	0	0.0	100.0	100.0	
Total Home Mortgage Loans							
Low	1	25.0	43	10.3	8.4	4.1	
Moderate	2	50.0	186	44.4	14.9	12.0	
Middle	0	0.0	0	0.0	24.0	19.9	
Upper	1	25.0	190	45.3	40.5	50.8	
Unknown	0	0.0	0	0.0	12.2	13.2	
Total	4	100.0	419	100.0	100.0	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

Overall, the distribution reflects a reasonable penetration among farms of different revenue sizes. While the bank did not originate any small business loans in the assessment area during the 2012 calendar year; the bank does not typically originate business loans in the assessment area due to lack of demand by customers in this assessment area. A majority of lending, 92.3 percent was to

farms with revenues less than \$1 million. Of the loans made to small farms, 58.3 percent of loans were under \$100,000.

Small Farm Loan Distribution, 2012						
By Revenue and Loan Size						
(000s)						
Category	Bank Loans				Farms By Annual Revenues	
	#	%	\$	%	# %	
By Revenue						
\$1 Million or Less	12	92.3	1,290	83.8	366	99.7
Over \$1 Million	1	7.7	250	16.2	1	0.3
Not Known	0	0.0	0	0.0	0	0.0
Total	13	100.0	1,540	100.0	367	100.0
By Loan Size						
\$100,000 or less	7	53.8	215	14.0		
\$101,000 - \$250,000	6	46.2	1,325	86.0		
\$251,000 - \$500,000	0	0.0	0	0.0		
Total	13	100.0	1,540	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	7	58.3	215	16.7		
\$101,000 - \$250,000	5	41.7	1,075	83.3		
\$251,000 - \$500,000	0	0.0	0	0.0		
Total	12	100.0	1,290	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

AMES, IOWA MSA #11180 – STORY COUNTY – FULL REVIEW

SCOPE OF EXAMINATION

Full review examination procedures were used to evaluate the bank’s performance in Story County, Iowa, which is located within the Ames, Iowa metropolitan statistical area. The scope of the examination is consistent with the overall scope described in the introduction section.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN AMES, IOWA MSA #11180 – STORY COUNTY

The bank’s operations in the assessment area are comparable to overall bank operations. Similar deposit and loan products are offered at all offices. The assessment area encompasses Story County, Iowa which makes up the entire metropolitan statistical area. At the previous evaluation, the bank’s assessment area contained only part of Story County, Iowa. The assessment area has been expanded to include Story County in its entirety. No banking offices or ATMs have been opened or closed since the previous evaluation. The assessment area consists of 20 census tracts, of which two are low-income; two are moderate-income; 14 are middle-income; one is upper-income; and one is unknown-income.

As of the date of this evaluation, the bank operates one full service branch with an ATM. The bank also maintains a limited service branch and a cash dispensing ATM within the assessment area. Based on the FDIC Deposit Market Share Report as of June 30, 2012, the bank ranked 16th of 20 depository institutions in the Ames, Iowa MSA with 0.9 percent of the deposit market share.

The following tables present a comparison of the bank’s branch and ATM locations to relevant demographic characteristics in the assessment area. The first table presents what the distribution has been under the 2000 census definitions. The second table presents what the distribution is under the 2010 census definitions. The analysis for this examination is based on the 2010 Census.

DISTRIBUTION OF BRANCHES AND ATMS IN THE ASSESSMENT AREA (2000 CENSUS)						
TRACT INCOME LEVEL	NUMBER OF BRANCHES	PERCENTAGE OF BRANCHES	NUMBER OF ATMS	PERCENTAGE OF ATMS	PERCENTAGE OF TOTAL FAMILIES	PERCENTAGE OF BUSINESSES
Low-Income	0	0	0	0	6.7	9.8
Moderate-Income	0	0	0	0	0.0	0.0
Middle-Income	2	100.0	3	100.0	72.6	62.1
Upper-Income	0	0	0	0	20.7	26.4
Unknown-Income	0	0	0	0	0	1.7
Total	0	0	0	0	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

DISTRIBUTION OF BRANCHES AND ATMS IN THE ASSESSMENT AREA (2010 CENSUS)						
TRACT INCOME LEVEL	NUMBER OF BRANCHES	PERCENTAGE OF BRANCHES	NUMBER OF ATMS	PERCENTAGE OF ATMS	PERCENTAGE OF TOTAL FAMILIES	PERCENTAGE OF BUSINESSES
Low-Income	0	0	0	0	5.1	9.6
Moderate-Income	0	0	0	0	5.6	5.6
Middle-Income	2	100.0	3	100.0	73.0	69.1
Upper-Income	0	0	0	0	16.2	15.3
Unknown-Income	0	0	0	0	0.0	0.4
Total	0	0	0	0	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

Additional demographic information for the assessment area is presented in the following tables. The first table indicates data from the 2000 census, whereas the second table indicates data from the 2010 census.

2000 Ames, Iowa MSA #11180 – Story County								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	10.0	1,136	6.7	252	22.2	3,061	17.9
Moderate-income	0	0.0	0	0.0	0	0.0	3,149	18.5
Middle-income	13	65.0	12,392	72.6	576	4.6	4,238	24.8
Upper-income	4	20.0	3,536	20.7	105	3.0	6,616	38.8
Unknown-income	1	5.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	20	100.0	17,064	100.0	933	5.5	17,064	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	2,821	706	4.1	25.0	1,980	70.2	135	4.8
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	21,932	12,713	74.2	58.0	8,351	38.1	868	4.0
Upper-income	5,861	3,704	21.6	63.2	1,915	32.7	242	4.1
Unknown-income	16	0	0.0	0.0	14	87.5	2	12.5
Total Assessment Area	30,630	17,123	100.0	55.9	12,260	40.0	1,247	4.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	%

Low-income	467	9.8	401	9.3	48	16.6	18	10.4
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	2,966	62.1	2,721	63.1	132	45.5	113	65.3
Upper-income	1,258	26.4	1,122	26.0	102	35.2	34	19.7
Unknown-income	83	1.7	67	1.6	8	2.8	8	4.6
Total Assessment Area	4,774	100.0	4,311	100.0	290	100.0	173	100.0
Percentage of Total Businesses:				90.3		6.1		3.6
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	9	1.6	6	1.1	3	42.9	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	426	75.9	419	76.5	3	42.9	4	66.7
Upper-income	124	22.1	121	22.1	1	14.3	2	33.3
Unknown-income	2	0.4	2	0.4	0	0.0	0	0.0
Total Assessment Area	561	100.0	548	100.0	7	100.0	6	100.0
Percentage of Total Farms:				97.7		1.2		1.1

Note: Percentages may not add to 100.0 percent due to rounding.

2010 Ames, Iowa MSA #11180 – Story County								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	10.0	951	5.1	186	19.6	3,520	19.0
Moderate-income	2	10.0	1,045	5.6	53	5.1	3,413	18.4
Middle-income	14	70.0	13,564	73.0	711	5.2	4,642	25.0
Upper-income	1	5.0	3,015	16.2	67	2.2	7,000	37.7
Unknown-income	1	5.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	20	100.0	18,575	100.0	1,017	5.5	18,575	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	3,157	619	3.3	19.6	2,323	73.6	215	6.8
Moderate-income	2,957	1,204	6.4	40.7	1,689	57.1	64	2.2
Middle-income	25,469	13,630	72.7	53.5	10,529	41.3	1,310	5.1
Upper-income	4,448	3,290	17.6	74.0	943	21.2	215	4.8

Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	36,031	18,743	100.0	52.0	15,484	43.0	1,804	5.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	412	9.6	343	8.9	45	16.2	24	13.9
Moderate-income	242	5.6	219	5.7	10	3.6	13	7.5
Middle-income	2,970	69.1	2,687	69.8	164	59.2	119	68.8
Upper-income	658	15.3	587	15.3	55	19.9	16	9.2
Unknown-income	16	0.3	12	0.3	3	1.1	1	0.6
Total Assessment Area	4,298	100.0	3,848	100.0	277	100.0	173	100.0
	Percentage of Total Businesses:			89.5		6.4		4.0
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	9	1.5	6	1.0	3	37.5	0	0.0
Moderate-income	15	2.6	15	2.6	0	0.0	0	0.0
Middle-income	468	79.6	465	80.2	3	37.5	0	0.0
Upper-income	96	16.3	94	16.2	2	25.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment	588	100.0	580	100.0	8	100.0	0	0.0
	Percentage of Total Farms:			98.6		1.4		0.0

Note: Percentages may not add to 100.0 percent due to rounding.

As presented in the following table, from the 2000 to the 2010 U.S. Census, population in the assessment area increased 12.0 percent. The population of the state of Iowa increased 4.1 percent over the same period. The assessment area grew at a much faster pace than the state of Iowa. According to the community representative, population has grown due to increasing enrollment at Iowa State University and steady employment in the area.

The assessment area has a similar minority population of 13.1 percent, according to the 2010 U.S. Census information as the state of Iowa's minority population which is 11.3 percent. Within the minority population, 49.7 percent are Asian, Non-Hispanic; 23.0 percent are Hispanic; 21.5 percent are Black, Non-Hispanic; and 0.3 percent are American Indian, Non-Hispanic.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Iowa	2,926,324	3,046,355	4.1%
Story County, Iowa	79,981	89,542	12.0%
Ames, IA MSA	79,981	89,542	12.0%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census</i>			

Median family income is higher in Story County compared to the state of Iowa and median family income increased in Story County by a greater percentage than the state of Iowa between 2000 and 2010. Median family income increased 33.9 percent from 2000 to 2010 in the assessment area, whereas the state of Iowa only increased 28.7 percent.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Iowa	48,005	61,804	28.7%
Story County, IA	55,472	74,278	33.9%
Ames, IA Metropolitan Statistical Area	54,843	74,278	N/A
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

The bankruptcy filing rate in the assessment area has been lower compared to the state of Iowa in recent years. The 2012 bankruptcy filing rate for Story County was 1.3 per 1,000 in population, which is down from the 2011 rate of 1.7. The state of Iowa's bankruptcy filing rate fell from 2.5 per 1,000 in population in 2011 to 2.0 in 2012. Story County ranks as the 74th lowest personal bankruptcy filing rate in the state of Iowa.

Housing costs are generally higher in the assessment area compared to the state of Iowa, as indicated in the following table. Median housing values increased 41.0 percent in Story County, while median housing values for the state of Iowa increased 45.2 percent. A community representative indicated that housing prices increased due to steady employment in the county but stated that many employees were underemployed, which increases the need for more affordable housing in the area.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Iowa	82,100	119,200	470	617
Story County, IA	110,600	156,000	575	703
Ames, IA Metropolitan Statistical Area	110,560	156,000	N/A	703
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>				

The affordability ratio, which is defined in the Glossary of Appendix B, suggests housing is less affordable in the bank’s assessment area compared to the state of Iowa as a whole. The affordability ratio for Story County is 0.31 in 2010. Comparatively, the state of Iowa has an affordability ratio of 0.41.

The percentage of owner occupied homes has decreased from 55.9 percent to 52.0 percent from 2000 to 2010. Comparatively, the state of Iowa rose from 72.3 percent to 73.2 percent during the same time period. The percentage of owner occupied housing remained considerably lower in the assessment area when compared to the state of Iowa overall; the lower rate of owner-occupied can be attributed the large number of rental housing made available for students attending Iowa State University, a large public university located within the city of Ames, Iowa.

The foreclosure inventory rate has increased in Story County since the previous evaluation. The rate in Story County has increased from 0.9 percent in May 2009 to 1.4 percent in March 2013. Similarly, the state of Iowa increased from 1.8 percent in May 2009 to 2.5 in March 2013. However, Story County’s foreclosure inventory rate has increased at a similar rate when compared to the state of Iowa as it grew 0.5 percent over the same period that the state of Iowa rate grew 0.7 percent.

As presented in the following table, Story County has lower unemployment rates than the state of Iowa and the United States. Employment remains steady in the county, especially in Ames, Iowa. Ames is the largest city in Story County and houses Iowa State University, The Mary Greeley Medical Center, and a Barilla manufacturing factory, according to a community representative. The contact pointed out that while the unemployment rate remained low in the area, underemployment has remained a problem since the economic recession.

Unemployment Rates				
Region	2008	2009	2010	2011
United States	5.8%	9.3%	9.6%	8.9%
Iowa	4.3%	5.6%	6.1%	5.9%
Story County, IA	3.3%	4.2%	4.6%	4.5%
Ames, IA Metropolitan Statistical Area	3.3%	4.2%	4.6%	4.5%
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

Employment opportunities in Story County are diverse. Iowa State University provides the largest employment in the area with the top two largest sectors in the assessment area. The transportation industry also employs a large section of the population as does the manufacturing sector. Medical and manufacturing sectors also rank highly amount the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Iowa State University	6,163	Colleges, Universities & Professional Schools
Iowa State University Vet Teaching	2,000	Veterinary Services
Sauer-Danfoss, Inc.	1,000	Other Metal Valve & Pipe Fitting Manufacturing
Transportation Department	1,000	Regulation & Administration – Transportation Programs
Iowa State Memorial Union Food	500	Unclassified
3M Co.	400	Industrial Supplies Merchant Wholesalers
Ames Laboratory Usdoe	400	Research & Development in Biotechnology
Hy-Vee	380	Supermarkets/Other Grocery
Hach, Co.	300	Analytical Laboratory Instrument Manufacturing
<i>Source: America's Labor Market Information System (ALMIS) - A United States Department of Labor employment</i>		

Community Representatives

Information obtained from a community representative with a focus on affordable housing was considered for this evaluation to provide perspective of the conditions in the communities where the bank operates. The contact had favorable opinions of area banks meeting the community's credit needs, with the exception of housing needs in the Ames area. The community representative acknowledged Iowa State University's presence in the area helps insulate the local community from deteriorating economic conditions experienced elsewhere. However, the contact noted an apparent increase in foreclosure surrounding Ames, Iowa in 2012.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN AMES, IA MSA – STORY COUNTY

LENDING TEST

Geographic Distribution of Loans

An analysis of the geographic distribution of HMDA, small business, and small farm loans was conducted to determine the dispersion of loans among the different census tract types within the assessment area, with a focus on loan penetration in low- and moderate-income census tracts. The distribution of the bank's home mortgage-related loans reflects a reasonable dispersion by income level of the geography based on the bank's performance relative to the aggregated lenders and local housing conditions. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics.

In 2011, the bank did not originate any home mortgage loans in the low-income census tracts of the assessment area; however, the census tract had only 4.1 percent of owner-occupied housing, limiting the bank's ability to lend within the census tract. There were no moderate-income tracts in the 2010 census. As presented in the following table, peer lending represented only 1.9 percent in the low-income census tracts. Neither the bank nor the aggregate of all lenders exceeded the percent of owner-occupied housing units located in low-income census tracts. In 2012, the total HMDA originations increased to 45 loans; the bank substantially increased lending in low income tracts with 4.4 percent of loans in these tracts. Effective at the 2010 census, there are two moderate-income tracts; the bank originated 2.2 percent of the loans in these tracts. By comparison, 3.3 percent of owner-occupied housing is located in low-income tracts, 6.4 percent is located in moderate-income tracts.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner-Occupied Housing
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	0	0.0	0	0.0	1.9	1.2	4.1
Moderate	0	0.0	0	0.0	0.0	0.0	0.0
Middle	7	100.0	867	100.0	72.1	64.1	74.2
Upper	0	0.0	0	0.0	26.1	34.7	21.6
Unknown	0	0.0	0	0.0	0.0	0.0	0.0
Total	7	100.0	867	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	1.3	0.9	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	14	93.3	1,921	91.1	66.0	58.8	
Upper	1	6.7	188	8.9	32.7	40.3	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	15	100.0	2,109	100.0	100.0	100.0	

Home Improvement Loans						
Low	0	0.0	0	0.0	1.1	0.9
Moderate	0	0.0	0	0.0	0.0	0.0
Middle	5	100.0	123	100.0	73.3	67.5
Upper	0	0.0	0	0.0	25.6	31.6
Unknown	0	0.0	0	0.0	0.0	0.0
Total	5	100.0	123	100.0	100.0	100.0
Multifamily Loans						
Low	0	0.0	0	0.0	10.0	9.8
Moderate	0	0.0	0	0.0	0.0	0.0
Middle	3	100.0	1,172	100.0	62.5	44.5
Upper	0	0.0	0	0.0	27.5	45.7
Unknown	0	0.0	0	0.0	0.0	0.0
Total	3	100.0	1,172	100.0	100.0	100.0
Total Home Mortgage Loans						
Low	0	0.0	0	0.0	1.6	1.5
Moderate	0	0.0	0	0.0	0.0	0.0
Middle	29	96.7	4,083	95.6	68.5	59.8
Upper	1	3.3	188	4.4	30.0	38.7
Unknown	0	0.0	0	0.0	0.0	0.0
Total	30	100.0	4,271	100.0	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

The geographic distribution of small business and small farm lending reflects reasonable dispersion throughout the assessment area. As shown in the following table, in 2012, the bank originated 8.0 percent of its number of loans and 10.9 percent by dollar volume within the two low-income census tracts located within the assessment area. Comparatively, 15.2 percent of the assessment area is comprised of businesses located in low or moderate-income census tracts. While the bank did not originate any loans in low- or moderate-income census tracts to farms, only 4.1 percent of farms are located within these tracts, limiting the bank's ability to lend within low- or moderate-income tract levels.

Small Business Lending, 2012 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	2	8.0	370	10.9	9.6
Moderate	0	0.0	0	0.0	5.6
Middle	15	60.0	1,733	51.1	69.1
Upper	8	32.0	1,286	37.9	15.3
Unknown	0	0.0	0	0.0	0.3
Total	25	100.0	3,389	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

Small Farm Lending, 2012 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Farms by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	1.5
Moderate	0	0.0	0	0.0	2.6
Middle	10	90.9	1,188	97.5	79.6
Upper	1	9.1	30	2.5	16.3
Unknown	0	0.0	0	0.0	0.0
Total	11	100.0	1,218	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

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

An analysis of the HMDA, small business, and small farm lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to determine the level of lending to borrowers of different income levels and to businesses and farms of different sizes. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics. Additionally, 2011 HMDA reportable loans are used for the analysis as peer data is not yet available for 2012.

Based on the bank and aggregated HMDA data presented below, mortgage lending reflects reasonable penetration among individuals of different income levels. In 2011, by loan volume the bank originated 33.3 percent of its loans to low- and moderate-income individuals while the aggregate of all lenders originated 29.9 percent. By dollar volume, Ackley State Bank originated 15.7 percent of its loans to individuals with low- or moderate incomes. By comparison, the aggregate of all lenders originated 20.9 percent of their dollar volume to low- and moderate-income borrowers. In 2012, the bank again originated 33.3 percent of all HMDA loans to low- and moderate-income borrowers; by comparison, 37.4 of families in this assessment are considered low- or moderate-income.

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	2	28.6	102	11.8	15.5	9.5	17.9
Moderate	3	42.9	370	42.7	24.9	21.5	18.5
Middle	0	0.0	0	0.0	20.6	20.5	24.8
Upper	1	14.3	240	27.7	26.8	36.3	38.8
Unknown	1	14.3	155	17.9	12.2	12.1	0.0
Total	7	100.0	867	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	1	6.7	43	2.0	6.8	4.1	
Moderate	2	13.3	103	4.9	18.8	13.9	
Middle	3	20.0	379	18.0	26.9	24.5	
Upper	8	53.3	1,428	67.7	35.2	43.7	
Unknown	1	6.7	156	7.4	12.3	13.7	
Total	15	100.0	2,109	100.0	100.0	100.0	
Home Improvement Loans							
Low	1	20.0	14	11.4	7.5	2.9	
Moderate	1	20.0	40	32.5	17.8	15.5	
Middle	0	0.0	0	0.0	31.7	26.4	
Upper	1	20.0	31	25.2	38.8	52.4	
Unknown	2	40.0	38	30.9	4.3	2.7	
Total	5	100.0	123	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	3	100.0	1,172	100.0	100.0	100.0	
Total	3	100.0	1,172	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	4	13.3	159	3.7	9.5	5.5	
Moderate	6	20.0	513	12.0	20.4	15.4	
Middle	3	10.0	379	8.9	25.0	21.7	
Upper	10	33.3	1,699	39.8	32.4	38.9	
Unknown	7	23.3	1,521	35.6	12.7	18.5	
Total	30	100.0	4,271	100.0	100.0	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

The bank's distribution of small business loans reflects excellent penetration among businesses of different sizes. The bank originated 68.0 percent of its loans by number and 53.6 percent by dollar amount to businesses with annual revenues of \$1 million dollars or less in 2012. Similarly, the bank originated loans 60.0 percent of the time that were under \$100,000. While the overall lending

to businesses with less than \$1 million in revenues in lower than demographics, 70.6 percent of the loans by number were loans that were less than \$100,000 and were originated to businesses with annual revenues of \$1 million dollars or less. These loans demonstrate that the bank is contributing towards meeting the credit needs of small businesses in the area.

Small Business Loan Distribution, 2012							
By Revenue and Loan Size							
(000s)							
Category	Bank Loans				Businesses By Annual Revenues		
	#	%	\$	%	#	%	
By Revenue							
\$1 Million or Less	17	68.0	1,815	53.6	3,848	89.5	
Over \$1 Million	8	32.0	1,574	46.4	277	6.4	
Not Known	0	0.0	0	0.0	173	4.0	
Total	25	100.0	3,389	100.0	4,298	100.0	
By Loan Size							
\$100,000 or less	15	60.0	809	23.9			
\$101,000 - \$250,000	6	24.0	993	29.3			
\$251,000 - \$1 Million	4	16.0	1,587	46.8			
Total	25	100.0	3,389	100.0			
By Loan Size and Revenue \$1 Million or Less							
\$100,000 or less	12	70.6	604	33.3			
\$101,000 - \$250,000	3	17.6	517	28.5			
\$251,000 - \$1 Million	2	11.8	694	38.2			
Total	17	100.0	1,815	100.0			
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>							

Similarly, the bank's record for making loans to farms of different sizes is reasonable. The bank originated 81.8 percent of farm loans by number and 65.1 percent by dollar amount to farms with annual revenues of \$1 million dollars or less. Farms in this revenue category made up 98.6 percent of all farms in the assessment area. Ackley State Bank originated 72.7 percent of its loans in the assessment area with a loan size of under \$100,000 or less. Further, 77.8 percent of the small farm loans originated in the assessment area were made with loan sizes of \$100,000 or less to farms with annual revenues of under \$1 million.

The table below presents the distribution for the bank's business lending within the designated time frame.

Small Farm Loan Distribution, 2012						
By Revenue and Loan Size						
(000s)						
Category	Bank Loans				Farms By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	9	81.8	793	65.1	580	98.6
Over \$1 Million	2	18.2	425	34.9	8	1.4
Not Known	0	0.0	0	0.0	0	0.0
Total	11	100.0	1,218	100.0	588	100.0
By Loan Size						
\$100,000 or less	8	72.7	293	24.1		
\$101,000 - \$250,000	1	9.1	175	14.4		
\$251,000 - \$500,000	2	18.2	750	61.6		
Total	11	100.0	1,218	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	7	77.8	218	27.5		
\$101,000 - \$250,000	1	11.1	175	22.1		
\$251,000 - \$500,000	1	11.1	400	50.4		
Total	9	100.0	793	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

FRANKLIN, HAMILTON, AND HARDIN COUNTIES, IOWA – NON-METROPOLITAN – FULL REVIEW

SCOPE OF EXAMINATION

Full review examination procedures were used to evaluate the bank’s performance in Butler County, Franklin County, Hamilton County, and Hardin County which are contiguous counties located in a non-metropolitan area. The scope of the examination is consistent with the overall scope described in the introduction section.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN FRANKLIN, HAMILTON, AND HARDIN COUNTIES, IOWA - NON-METROPOLITAN

The bank’s operations in the assessment area are comparable to overall bank operations. Similar deposit and loan products are offered at all branch offices. The assessment area encompasses Franklin, Hamilton, and Hardin Counties located in the state of Iowa. At the previous evaluation, the bank’s assessment area contained only parts of Butler, Franklin, Hamilton, and Hardin Counties, respectively. The assessment area has been expanded to include Butler, Franklin, Hamilton and Hardin Counties in their entirety. No banking offices or ATMs have been opened or closed since the previous evaluation.

As of the date of this evaluation, the bank operates three full service branches with an ATM,

including its main office. Additionally, the bank also operates a full service branch that does not maintain an ATM. Based on the FDIC Deposit Market Share Report as of June 30, 2012, the bank was ranked 7th of 22 depository institutions in its non-metropolitan assessment area with 5.87 percent of the deposit market share.

The following tables present a comparison of the bank’s branch and ATM locations to relevant demographic characteristics in the assessment area. The first table presents what the distribution has been under the 2000 census definitions. The second table presents what the distribution is under the 2010 census definitions. The analysis for this examination is based on the 2010 Census.

DISTRIBUTION OF BRANCHES AND ATMS IN THE ASSESSMENT AREA (2000 CENSUS)						
TRACT INCOME LEVEL	NUMBER OF BRANCHES	PERCENTAGE OF BRANCHES	NUMBER OF ATMS	PERCENTAGE OF ATMS	PERCENTAGE OF TOTAL FAMILIES	PERCENTAGE OF BUSINESSES
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	0	0.0	0	0.0	0.0	0.0
Middle-Income	4	100.0	3	100.0	100.0	100.0
Upper-Income	0	0.0	0	0.0	0.0	0.0
Total	4	100.0	3	100.0	0.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

DISTRIBUTION OF BRANCHES AND ATMS IN THE ASSESSMENT AREA (2010 CENSUS)						
TRACT INCOME LEVEL	NUMBER OF BRANCHES	PERCENTAGE OF BRANCHES	NUMBER OF ATMS	PERCENTAGE OF ATMS	PERCENTAGE OF TOTAL FAMILIES	PERCENTAGE OF BUSINESSES
Low-Income	0	0.0	0	0.0	0.0	0.0
Moderate-Income	0	0.0	0	0.0	0.0	0.0
Middle-Income	4	100.0	3	100.0	100.0	100.0
Upper-Income	0	0.0	0	0.0	0.0	0.0
Total	4	100.0	3	100.0	100.0	0.0

Note: Percentages may not add to 100.0 percent due to rounding.

For HMDA-related and small business/small farm loans originated prior to 2012, the point at which new census tract definitions became effective, the 2000 census demographic data was used in the analysis to define the bank’s assessment area, which consisted of Butler, Franklin, Hamilton, and Hardin Counties. The assessment area is defined as 19 census tracts. The assessment area contains entirely middle-income tracts. For HMDA-reportable, small business, and small farm loans originated in calendar year 2012 or later, the 2010 census demographic data was used in the analysis of the bank’s assessment area.

Additional demographic information for the assessment area is presented in the following tables. The first table indicates data from the 2000 census, whereas the second table indicates data from

the 2010 census.

2000 Non-MSA Iowa – Butler, Franklin, Hamilton, and Hardin Counties								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,693	15.7
Moderate-income	0	0.0	0	0.0	0	0.0	3,425	19.9
Middle-income	19	100.0	17,198	100.0	942	5.5	4,619	26.9
Upper-income	0	0.0	0	0.0	0	0.0	6,461	37.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	19	100.0	17,198	100.0	942	5.5	17,198	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	26,741	18,784	100.0	70.2	6,067	22.7	1,890	7.1
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	26,741	18,784	100.0	70.2	6,067	22.7	1,890	7.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	4,166	100.0	3,787	100.0	196	100.0	183	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,166	100.0	3,787	100.0	196	100.0	183	100.0
Percentage of Total Businesses:				90.9		4.7		4.4

	Total Farms by Tract	Farms by Tract & Revenue Size		
		Less Than or = \$1 Million	Over \$1 Million	Revenue Not Reported
		#	%	#
Low-income	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0
Middle-income	4,166	100.0	3,787	100.0
Upper-income	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0
Total Assessment Area	4,166	100.0	3,787	100.0

	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,361	100.0	1,342	100.0	13	100.0	6	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,361	100.0	1,342	100.0	13	100.0	6	100.0
	Percentage of Total Farms:			98.6		1.0		0.4

Note: Percentages may not add to 100.0 percent due to rounding.

2010 Non-MSA Iowa – Butler, Franklin, Hamilton, and Hardin Counties								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,591	16.1
Moderate-income	0	0.0	0	0.0	0	0.0	3,081	19.2
Middle-income	19	100.0	16,077	100.0	973	6.1	4,029	25.1
Upper-income	0	0.0	0	0.0	0	0.0	6,376	39.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	19	100.0	16,077	100.0	973	6.1	16,077	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	26,976	18,575	100.0	68.9	5,629	20.9	2,772	10.3
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	26,976	18,575	100.0	68.9	5,629	20.9	2,772	10.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	3,545	3,197	100.0	100.0	184	100.0	164	100.0

Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,545	100.0	3,197	100.0	184	100.0	16	100.0
	Percentage of Total Businesses:			90.2		5.2		4.6

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,478	100.0	1,465	100.0	13	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,478	100.0	1,465	100.0	13	100.0	0	0.0
	Percentage of Total Farms:			99.1		0.9		0.0

Note: Percentages may not add to 100.0 percent due to rounding.

As presented in the following table, from the 2000 to the 2010 U.S. Census, population in the assessment area decreased as each county in the assessment area saw a decrease in population. The population of the state of Iowa increased 4.1 percent over the same period. The assessment area shrank where the state of Iowa increased in population from 2000. Community representatives in the area indicated that the area was very rural and that population growth potential is limited as no large businesses have come into the area for some time.

The assessment area has a small minority population of 7.0 percent, according to the 2010 U.S Census information compared to the state of Iowa’s minority population which is 11.3 percent. Within the minority population, 67.8 percent are Hispanic; 10.7 percent are Black, Non-Hispanic; 13.0 percent are Asian, Non-Hispanic; and 6.0 percent are American Indian, Non-Hispanic.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Assessment Area	61,259	58,754	-4.1%
Butler County	15,305	14,867	-2.9%
Franklin County	10,704	10,680	-0.2%
Hamilton County	16,438	15,673	-4.7%
Hardin County	18,812	17,534	-6.8%
Iowa	2,926,324	3,046,355	4.1%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census</i>			

Median family income is lower in all four of the counties in the assessment area when compared to the state of Iowa. Median family income has increased at a higher rate than the state between 2000 and 2010. However, each county remains under the state’s median family income. Franklin County median family income remains the lowest in the assessment area and grew at a slower rate than the other counties and the state as a whole. Median family income increased only 17.1 percent from 2000 to 2010 in Franklin County, whereas the state of Iowa increased 28.7 percent.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	06-10 Median Family Income	Percentage Change
Assessment Area	43,593	N/A	N/A
Butler County	42,209	59,641	41.3%
Franklin County	45,184	52,917	17.1%
Hamilton County	45,771	61,472	34.3%
Hardin County	41,891	57,612	37.5%
Iowa	48,005	61,804	28.7%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

The bankruptcy filing rate in two of the counties within the assessment area is significantly lower when compared to the state of Iowa. The bankruptcy filing rates in Butler County and Franklin County were 1.5 and 1.0 per 1000 in population respectively. Both of these rates are down from the 2011 rates of 1.9 in each county. Comparatively, the state of Iowa’s bankruptcy filing rate fell from 2.5 per 1,000 in population in 2011 to 2.0 in 2012. Conversely, the bankruptcy filing rates in Hamilton County and Hardin County were both at 2.1 per 1000 in population, respectively. These rates are comparable to the state of Iowa’s bankruptcy filing rate, however are slightly above the state of Iowa’s rate. Butler County, Franklin County, Hamilton County, and Hardin County rank as the 61st, 92nd, 29th, and 26th lowest personal bankruptcy filing rates, respectively in the state of Iowa.

Housing costs are generally much lower in the assessment area compared to the state of Iowa, as indicated in the following table. Median housing values increased 36.7 percent in Butler County, 40.1 percent in Franklin County, 25.9 percent in Hamilton County, and 46.6 percent in Hardin County while median housing values for the state of Iowa increased 45.2 percent. While housing values have increased in all four counties in the assessment area, housing values remain lower than the state of Iowa as a whole.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Butler County	66,500	90,900	351	537
Franklin County	58,900	82,500	374	479
Hamilton County	71,900	90,500	422	572
Hardin County	58,400	85,600	403	513
Iowa	82,100	119,200	470	617

*Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey*

The affordability ratio, which is defined in the Glossary of Appendix B, suggests housing is more affordable in the bank’s assessment area compared to the state of Iowa as a whole. The affordability ratios for Butler, Franklin, Hamilton, and Hardin Counties were 0.52, 0.54, 0.51, and 0.52 respectively in 2010. Comparatively, the state of Iowa has an affordability ratio of 0.41.

The percentage of owner occupied homes has remained stable in all counties located within the assessment area from 2000 to 2010. Similarly, the state of Iowa rose from 72.3 percent to 73.2 percent during the same time period. Owner occupied housing remained higher in the assessment area when compared to the state of Iowa overall, albeit only slightly in Franklin and Hardin Counties.

The foreclosure inventory rate has increased in Butler, Franklin, Hamilton, and Hardin Counties since the previous evaluation. The rate in Butler, Franklin, Hamilton, and Hardin Counties have

increased from 1.1 percent, 3.1 percent, 2.3 percent, and 2.5 in May 2009 to 2.2 percent, 5.1 percent, 3.2 percent, and 3.1 percent in March 2013. Similarly, the state of Iowa increased from 1.8 percent in May 2009 to 2.5 in March 2013. However, foreclosure inventory rates of the counties in the assessment area grew at a much faster rate; 1.1 percent, 2.0 percent, 0.9 percent, and 0.6 percent respectively, when compared to the state of Iowa as it grew 0.7 percent over the same period.

As presented in the following table, the counties making up the assessment area have lower unemployment rates than the state of Iowa and the United States. Community representatives stated that with the communities being rural in nature, unemployment has not increased in Iowa, as it has across the nation. Hamilton County remains the highest unemployment rate throughout the assessment area, but has decreased in parallel with the rest of the assessment area and the state of Iowa.

Unemployment Rates				
Region	2008	2009	2010	2011
United States	5.8%	9.3%	9.6%	8.9%
Iowa	4.3%	5.6%	6.1%	5.9%
Butler County	4.8%	5.8%	5.9%	5.1%
Franklin County	4.6%	6.5%	6.4%	5.5%
Hamilton County	4.0%	6.7%	7.8%	9.9%
Hardin County	4.4%	5.8%	6.7%	6.3%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Employment in the assessment is diversified with Electrolux Home Products employing a large number of individuals in the assessment area. Manufacturing remains the leading employment sector with several of the largest employers in the assessment area primarily involved in manufacturing. Two branches of the Ellsworth Municipal Hospital and two school districts also employ a large number of individuals throughout the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Electrolux Home Products	2,000	Household Laundry Equipment Manufacturing
Van Diest Supply, Co.	700	Miscellaneous Chemical Product & Preparation
Ellsworth Municipal Hospital	290	General Medical & Surgical Hospitals
Webster City Community Schools	275	Elementary & Secondary Schools
Sukup Manufacturing Co.	250	Farm Machinery & Equipment Manufacturing
Unverferth Manufacturing Co.	250	Farm Machinery & Equipment Manufacturing
Walmart	220	Department Stores
Hampton Community School	201	Elementary & Secondary Schools
Hampton Hydraulics	200	Industrial Supplies Merchant Wholesalers

Source: America's Labor Market Information System (ALMIS) - A United States Department of Labor employment

Community Representatives

Overall, community representatives, primarily those with a small business focus in the area stated that local financial institutions were meeting the credit needs of individuals, small businesses, and small farms. One representative indicated that financial institutions were not overly proactive but seemed to be more transparent and willing to work with small businesses. Further, banks remain conservative in the economy but have made operating loans for farms more readily available. Overall, while more could be done and credit could be more accessible, community representatives believe that local banks are more willing to work with organizations, like those contacted during this evaluation, than in the past.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FRANKLIN, HAMILTON, AND HARDIN COUNTIES, IOWA - NON-METROPOLITAN LENDING TEST

Geographic Distribution of Loans

An analysis of the geographic distribution of HMDA, small business, and small farm loans was conducted to determine the dispersion of loans among the different census tract types within the assessment area. The assessment area contains only middle income tracts, thus the distribution of the bank's home mortgage-related loans reflects a reasonable dispersion by income level of the geography based on the bank's performance relative to the aggregated lenders and local housing conditions given the makeup of the assessment area.

For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics. The table presented below represents 2011 HMDA reportable loans as 2012 peer data is not yet available. It should be noted that lending within this assessment area increased more than 400.0 percent from 2011 to 2012. The bank originated 106 total HMDA reportable loans within the assessment area in 2012 compared to only 25 loans in 2011. Loans by dollar amount increased from \$2,104 million in 2011 to \$9,480 million in 2012.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner-Occupied Housing
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0	0.0	0.0
Middle	8	100.0	363	100.0	94.6	94.3	100.0
Upper	0	0.0	0	0.0	0.0	0.0	0.0
Unknown	0	0.0	0	0.0	5.4	5.7	0.0
Total	8	100.0	363	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	17	100.0	1,741	100.0	90.4	89.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	9.6	11.0	
Total	17	100.0	1,741	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	97.8	97.6	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	2.2	2.4	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	100.0	100.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	0	0.0	0	0.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	25	100.0	2,104	100.0	92.4	91.3	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	7.6	8.7	
Total	25	100.0	2,104	100.0	100.0	100.0	
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>							

The bank's assessment area contains only middle-income census tracts; therefore, a limited analysis was performed to determine the dispersion of loans within the assessment area. An analysis of small farm and small business loans indicates a reasonable level of penetration throughout the assessment area. The rural demographics of the assessment area creates a stronger

demand small farm lending, followed by small business lending. The bank's originations by number of loans and dollar amount indicate that the bank is meeting the credit needs of the assessment area.

Small Business Lending, 2012					
Geographic Distribution					
(000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	48	100.0	2,796	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	48	100.0	2,796	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

Small Farm Lending, 2012					
Geographic Distribution					
(000s)					
Census Tract Income Level	Bank Loans				Farms by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	98	100.0	9,965	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Total	98	100.0	9,965	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

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

An analysis of the HMDA, small business, and small farm lending data was conducted in conjunction with a review of the demographic and economic characteristics of the assessment area to determine the level of lending to borrowers of different income levels and to businesses and farms of different sizes. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics. Loans made in calendar year 2012 or after were analyzed based on 2010 census demographic characteristics. 2011 HMDA reportable loans are used for the analysis as peer data is not yet available for 2012.

Based on the bank and aggregated HMDA data presented below, mortgage lending reflects

reasonable penetration among individuals of different income levels. In 2011, by loan volume the bank originated 12.0 percent of its loans to low- and moderate-income individuals; significantly below the aggregate of all lenders at 29.3 percent. In 2011, HMDA volume was not significant, however lending increased substantially in 2012 as did the percentage of loan originations to low and moderate-income borrowers.

In 2012, by loan volume the bank originated 34.9 percent of its loans to low and moderate-income individuals. By comparison, 35.3 percent of the families in the assessment area are considered to be low- or moderate-income, with the bank performing right in line with demographics. The increased performance and number of originations coincides with the purchase of the mortgage subsidiary.

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	1	12.5	37	10.2	16.8	9.8	15.7
Moderate	1	12.5	13	3.6	25.5	22.6	19.9
Middle	4	50.0	235	64.7	21.8	23.6	26.9
Upper	2	25.0	78	21.5	23.3	32.9	37.6
Unknown	0	0.0	0	0.0	12.6	11.3	0.0
Total	8	100.0	363	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	7.2	4.2	
Moderate	1	5.9	23	1.3	15.6	10.6	
Middle	6	35.3	452	26.0	25.3	21.3	
Upper	10	58.8	1,266	72.7	39.0	48.3	
Unknown	0	0.0	0	0.0	13.0	15.5	
Total	17	100.0	1,741	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	9.8	7.3	
Moderate	0	0.0	0	0.0	16.3	7.2	
Middle	0	0.0	0	0.0	28.3	23.3	
Upper	0	0.0	0	0.0	34.8	52.7	
Unknown	0	0.0	0	0.0	10.9	9.4	
Total	0	0.0	0	0.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	100.0	100.0	
Total	0	0.0	0	0.0	100.0	100.0	

Total Home Mortgage Loans						
Low	1	4.0	37	1.8	10.5	5.7
Moderate	2	8.0	36	1.7	18.8	13.5
Middle	10	40.0	687	32.7	24.2	21.0
Upper	12	48.0	1,344	63.9	33.3	41.5
Unknown	0	0.0	0	0.0	13.2	18.2
Total	25	100.0	2,104	100.0	100.0	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

The bank's distribution of small business loans reflects excellent penetration among businesses of different sizes. The bank originated 94.5 percent of its loans by number and 78.1 by dollar amount to businesses with annual revenues of \$1 million dollars or less in 2012. Similarly, Ackley State Bank originated loans 85.4 percent of the time that were under \$100,000. Additionally, 88.4 percent of the loans by number were loans that were less than \$100,000 and were originated to businesses with annual revenues of \$1 million dollars or less. These loans demonstrate that the bank is helping to meet the credit needs of small businesses.

Small Business Loan Distribution, 2012 By Revenue and Loan Size (000s)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	43	89.6	2,183	78.1	90.2	
Over \$1 Million	5	10.4	613	21.9	5.2	
Not Known	0	0.0	0	0.0	4.6	
Total	48	100.0	2,796	100.0	100.0	
By Loan Size						
\$100,000 or less	41	85.4	1,417	50.7		
\$101,000 - \$250,000	5	10.4	819	29.3		
\$251,000 - \$1 million	2	4.2	560	20.0		
Total	48	100.0	2,796	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	38	88.4	1,254	57.4		
\$101,000 - \$250,000	4	9.3	669	30.6		
\$251,000 - \$1 million	1	2.3	260	11.9		
Total	43	100.0	2,183	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

Similarly, the bank's record for making loans to farms of different sizes is reasonable. The bank originated 89.8 percent of farm loans by number and 80.0 percent by dollar amount to farms with annual revenues of \$1 million dollars or less. Farms in this revenue category made up 99.1 percent of all farms in the assessment area. Ackley State Bank originated 74.5 percent of its loans in the assessment area with a loan size of under \$100,000 or less. Further, 76.1 percent of the small farm loans originated in the assessment area were made with loan sizes of \$100,000 or less to farms with annual revenues of under \$1 million.

Small Farm Loan Distribution, 2012 By Revenue and Loan Size (000s)						
Category	Bank Loans				Farms By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	88	89.8	7,931	79.6	99.1	
Over \$1 Million	10	10.2	2,034	20.4	0.9	
Not Known	0	0.0	0	0.0	0.0	
Total	98	100.0	9,965	100.0	100.0	
By Loan Size						
\$100,000 or less	74	75.5	2,762	27.7		
\$101,000 - \$250,000	9	9.2	1,561	15.7		
\$251,000 - \$500,000	15	15.3	5,642	56.6		
Total	98	100.0	9,965	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	69	78.4	2,538	32.0		
\$101,000 - \$250,000	8	9.1	1,411	17.8		
\$251,000 - \$500,000	11	12.5	3,982	50.2		
Total	88	100.0	8,7931	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2011 – December 31, 2012- HMDA Lending January 1, 2012 – December 31, 2012- Small Business and Small Farm Lending	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Ackley State Bank		HMDA Reportable Loans Small Business Loans Small Farm Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
Inspired Financial Services, LLC	Wholly Owned Entity	HMDA Lending	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
AA1 Waterloo/Cedar Falls, Iowa MSA #47940 – Grundy County	Full Review	None	The bank does not have any branches or ATMs located within this assessment area.
AA2 Ames, Iowa MSA #11180 - Story County	Full Review	Story City	N/A
AA3 Franklin, Hamilton, and Hardin Counties, Iowa – Non-Metropolitan	Full Review	Iowa Falls	The bank’s main branch is located in this assessment area.

APPENDIX B - Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income

families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within

each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.