

PUBLIC DISCLOSURE

March 27, 2000

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**FIRST AMERICAN BANK
RSSD # 2769039**

800 Gordon Drive, P.O. Box 5457
Sioux City, Iowa 51102-5457

**FEDERAL RESERVE BANK
OF CHICAGO
230 South LaSalle
Chicago, Illinois 60604**

Note: 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.

CRA PERFORMANCE EVALUATION

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First American Bank, Sioux City, Iowa**, prepared by the **Federal Reserve Bank of Chicago** as of **March 27, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228. This is the bank's first evaluation under the CRA. It is a de novo institution, which started business on April 27, 1999.

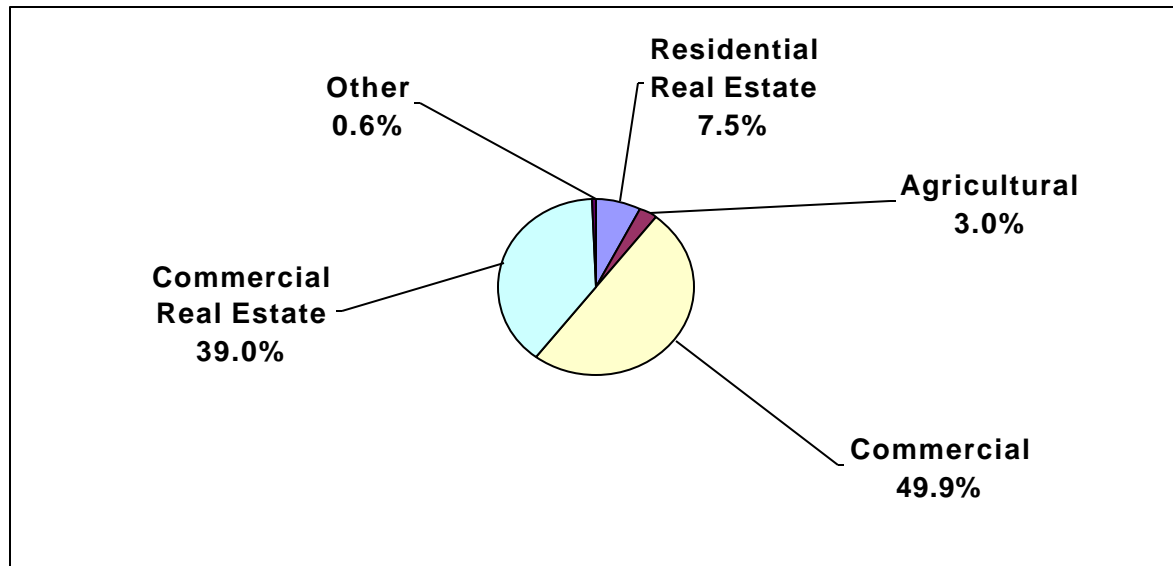
INSTITUTION'S RATING: This institution is rated **satisfactory**.

First American Bank is meeting the credit needs within its assessment area. The bank's loan-to-deposit ratio (LTD) exceeds that of its peer group, a local competitor, and the aggregate for all de novo institutions which started business in 1999. The majority of the bank's loans are within the assessment area. The distribution of loans and other lending-related activities among borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans meet the standards for satisfactory performance. The bank's community development services enhance credit availability in the assessment area. There were no CRA-related complaints received by the institution or this Reserve Bank since the bank opened for business on April 27, 1999.

DESCRIPTION OF INSTITUTION

First American Bank is a subsidiary of First American Bank Group, Ltd., a five-bank holding company located in Fort Dodge, Iowa. The bank is located in Sioux City, Woodbury County, Iowa, approximately 200 miles northwest of Des Moines, Iowa. The bank does not have branches or ATMs.

The bank reported total assets of \$22.9 million in its December 31, 1999 Report of Condition and Income. Exhibit 1 reflects the distribution of the bank's loan portfolio as of that date, based on information contained in the Uniform Bank Performance Report. As shown, the bank is primarily a commercial lender with approximately 88.9% of the bank's loan portfolio consisting of commercial loans.

Exhibit 1 - Distribution of Loan Portfolio

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

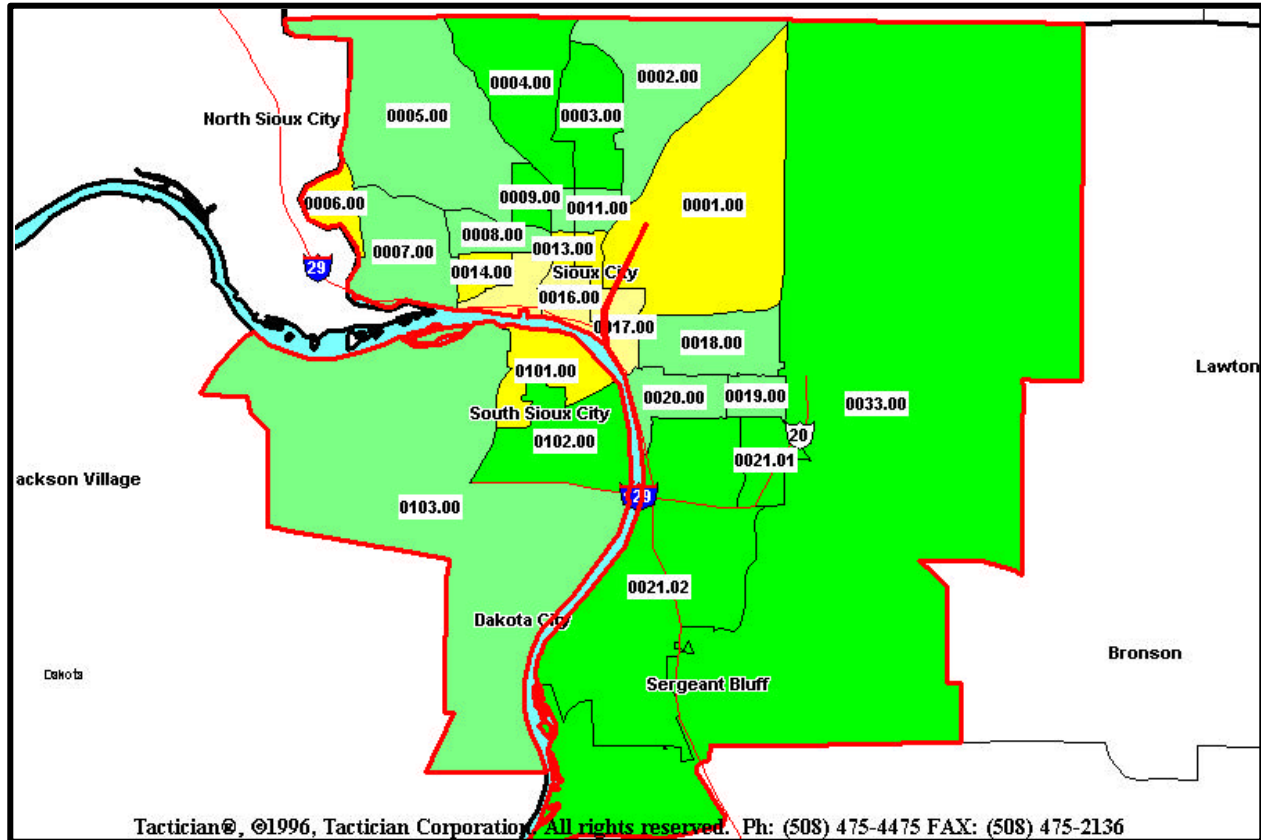
First American Bank's peer group includes all insured commercial banks having assets equal to or less than \$50 million that were established within the last three years. Competition for deposit and credit products and services within the assessment area is provided primarily by Security National Bank, Norwest Bank Iowa, N.A., First Federal Bank, and Firstar Bank, N.A., relative to their asset size, branch network, and products offered. Other banks and credit unions within the community provide additional competition.

DESCRIPTION OF ASSESSMENT AREA

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

The bank defined its assessment area as portions of the states of Iowa and Nebraska within the Sioux City, Iowa-Nebraska Metropolitan Statistical Area (MSA #7720). There are 23 census tracts located in Iowa and three in Nebraska. The Nebraska tracts are located contiguous to the Iowa/Nebraska border in Dakota County. Of these 26 geographies, three are designated as low-income, six as moderate-income, 10 as middle-income, and seven as upper-income, according to 1990 U.S. Bureau of Census data. There are no low-income geographies and only one moderate-income geography in the Nebraska segment of the assessment area. Exhibit 2 provides a visual description of the assessment area.

Exhibit 2 – Assessment Area



According to 1990 U.S. Bureau of Census data, the population of the assessment area is 99,071. There are 39,063 housing units within the assessment area, of which 63.6% are owner-occupied and 31.0% are rental units. One-to-four family unit homes account for the majority, 69.2%, of the housing units in the assessment area. The median age of homes in the assessment area is 42 years. The median housing value in the assessment area is \$41,758, compared to median housing value of \$45,519 in the state of Iowa and \$50,042 in the state of Nebraska.

Community contacts indicated the local community is very diverse and is growing. One community contact stated there is a housing shortage within the Sioux City area, with an average selling price of a new home greater than the price the average resident can afford. Another contact stated that the average sales price of a home is \$87,000, while the cost of a new home is approximately \$106,000. Community contacts stated there is a lack of affordable new construction, as homebuilders are only building customized homes. The average resident interested in purchasing a new home would only be able to afford an existing home that can be renovated or improved.

The assessment area includes a total of 25,986 families. Of these families, 4,961 or 19.1% are low-income, 4,684 or 18.0% are moderate-income, 6,187 or 23.8% are middle-income, and 10,154 or 39.1% are upper-income. The Department of Housing and Urban Development (HUD) adjusts the median family income for major cities and MSAs on

an annual basis. The 1999 HUD adjusted median family income for the Sioux City, Iowa-Nebraska MSA, is \$46,000, which reflects an increase of approximately 50% in the previous decade. Families with income less than 50% of the median family income, \$23,000, are considered low-income; and families with income at least 50% and less than 80% of the median family income, \$36,800, are considered moderate-income.

An affordability ratio, developed by dividing the median household income by the median household value for a given area or group of geographies, is helpful in comparing housing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. Based on U.S. Bureau of Census data, the assessment area has an affordability ratio of .61 compared to a ratio of .58 for the state of Iowa and .52 for the state of Nebraska. This ratio reveals that housing in the bank's assessment area is considered more affordable, on average, than that of the states of Iowa and Nebraska, with the state of Nebraska being the least affordable.

According to U.S. Bureau of Census data, the major employment areas within the MSA include service-related, and wholesale and retail trade industries. Some of the major employers within the local area, employing over 1,000, include Gateway Computers, IBP, Inc., MCI WorldCom, Mercy Medical Center, John Morrell & Company, St. Luke's Regional Medical Center, and Sioux City Community Schools. According to the Iowa Department of Employment Statistics, Woodbury County, the State of Iowa, and the Sioux City MSA had unemployment rates of 2.4%, 2.2%, and 2.6%, respectively, as of February 2000.

FAIR LENDING

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's LTD ratio, percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different incomes and businesses and farms of different sizes, geographic distribution of loans, and the record of taking action in response to written complaints. If the bank chooses, qualified investments and services are considered. To determine CRA performance, the above standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, a comparative analysis of assessment area and 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.

Unless otherwise noted, the analysis of the geographic distribution of loans and of lending to borrowers of different income levels in this performance evaluation is based on U.S. Bureau of Census data.

Loan-to-Deposit Ratio

The bank's LTD ratio exceeds the standards for satisfactory performance. The LTD ratio for the 11-month period the bank has been in operation was reviewed. Exhibit 3 shows the bank's LTD ratios and total loans and leases for the three quarters ending December 31, 1999.

Exhibit 3 - Quarterly Loan-to-Deposit Ratios and Total Loans & Leases

Quarter	LTD Ratio	Total Loans & Leases (000's)
December 31, 1999	95.5%	\$17,593
September 30, 1999	96.0%	\$12,712
June 30, 1999	58.4%	\$ 6,070

The LTD ratio of First American Bank is strong. The bank's average LTD ratio is above that of its peer group, 214 de novo institutions which started business in 1999, and a local competitor. For the three quarters ending December 31, 1999, the average LTD ratios for the bank, its peer group, and all other 1999 de novo institutions were 83.3%, 77.7%, and 78.8%, respectively. Management stated the majority of the bank's competition within the assessment area includes branch offices of primarily large institutions. One local competitor identified by management is Security National Bank. That bank, with total assets of \$491.5 million, had an average LTD ratio of 76.4% for the same period.

Lending in the Assessment Area

The majority of the bank's commercial and mortgage lending activity was originated within the assessment area. This level of performance is considered satisfactory.

The bank's lending activity in the assessment area was reviewed focusing on its two largest loan products, commercial and residential real estate loans. All commercial and residential real estate loans originated since the bank opened for business on April 27, 1999 were reviewed to ascertain whether the bank was meeting the needs of the community. Although the bank is not required to formally report commercial or mortgage lending activity, management was able to provide sufficient data to conduct an evaluation. These data were reviewed and deemed adequate for this evaluation.

The review of the commercial loan data revealed the bank originated 225 loans or approximately \$66.6 million of loans for business purposes. Of these loans, 172 or 76.4% were granted within the bank's assessment area. Of the total dollar amount, \$51.7 million or 77.6% were granted within the assessment area.

The review of residential real estate loan data revealed the bank originated 19 mortgage loans or approximately \$1.2 million of loans. Of these loans, 15 or 78.9% were granted within the bank's assessment area. Of the total dollar amount, \$894,487 or 74.5% were granted within the assessment area.

Of the combined total of 244 or approximately \$67.8 million of commercial and residential real estate loans, 187 or \$52.6 million were originated within the assessment area. This reveals that 76.6% of the total number of loans or 77.6% of the total dollar amount was originated within the assessment area.

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

The overall distribution of the bank's loan products and other lending-related activities among borrowers of different income levels and small businesses within the assessment area is reasonable and meets the standards for satisfactory performance. The bank's two largest loan products, commercial and residential real estate loans, were the focus of the bank's evaluation under this performance category.

Small Business Loans

The volume of small business lending activity within the assessment area is strong. A large number of small business loans were originated within the assessment area.

All of the commercial loans originated within the assessment area and the content of the bank's commercial loan portfolio as of June 30, 1999 were reviewed. Of the 172 commercial loans originated within the assessment area and reviewed for this analysis, 161 or 93.6% were in amounts of \$1 million or less. The June 30, 1999 Report of Condition and Income was also reviewed to ascertain the level of loans outstanding and granted to small businesses with revenues of \$1 million or less. As of the report date, two loans secured by non-farm non-residential properties totaling \$311,000, and 14 commercial and industrial (non-real estate related) loans totaling \$3.9 million were outstanding. The original amounts of all of these loans were less than \$1 million, with the majority of them originated in amounts of \$250,000 or less. Overall, \$4.2 million or 80.8% of the \$5.2 million commercial loans outstanding were made to small businesses in dollar amounts of less than \$1 million.

Residential Real Estate Loans

The penetration of the bank's residential real estate loans among low- and moderate-income families in the assessment area is low when compared to area demographics. The bank's focus is on commercial lending and there is an anticipated involvement by the bank in a local affordable home ownership loan program, in response to the well-identified need in the community.

Thirteen residential real estate loans originated in the assessment area for which income information was available were reviewed. Based on the 1999 HUD estimate for the median family income for the MSA of \$46,000, no loans were granted to low-income individuals, three or 23.1% were granted to moderate-income individuals, and 10 or 76.9% were granted to middle- and upper-income individuals. The dispersion of 23.1% to low- and moderate-income applicants is substantially less than the 37.1% of low- and moderate-income families in the bank's assessment area.

Other Lending-Related Activities

Management has sought out opportunities for community development and for reaching low- and moderate-income individuals. The bank's efforts in this area demonstrate management's commitment to meeting the needs of its community. Below is a summary of these efforts:

- A \$2 million loan was granted for a 4-apartment building in a low-income tract in the assessment area. Rents range from \$200 to \$400 and are occupied by minority families, single parents, and low-income individuals. All units participate in Section 8 housing and other city and/or federal subsidy programs.
- A \$240,000 loan was granted to purchase housing for the transient and elderly. This building contains 35 apartments and is located in a low- or moderate-income tract of downtown Sioux City.
- The bank has agreed to provide construction and permanent financing for the Plymouth Block project. This project will be in the lower income downtown area of Sioux City. The bank will retain \$600,000 of the total \$7.725 million in construction and permanent financing. The balance will be participated out to other financial institutions.
- The bank is involved in the Sioux City's Affordable Home Ownership. The program provides deferred payment loans to qualified low-income families. The loans are to be applied toward the down payment and/or closing costs on single-family home purchases anywhere within the Sioux City limits. All approved applicants must be low-income as defined by the Department of Housing and Urban Development. The bank is participating in the amount of \$175,000. As of this examination date, the bank has not originated any loans under this program.

Geographic Distribution of Loans

Based on the review of the bank's commercial and residential real estate loans, the overall dispersion of loans among different geographies within the assessment area meets the standards for satisfactory performance. The percentage of commercial loans in low- or moderate-income geographies is high, and the percentage of residential real estate is low in relation to assessment area demographics.

Of the bank's 172 commercial loans and 15 residential real estate loans granted within the assessment area, 96 or 55.8% commercial loans and three or 20% residential real estate loans were granted in low- or moderate-income census tracts. In contrast, 34.6% of the geographies in the assessment area are low- or moderate-income.

Response to Substantiated Complaints

No CRA-related complaints were received by First American Bank or this Reserve Bank since the previous examination.

Qualified Services

A community development service is a service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area or broader statewide or regional area that includes the bank's assessment area, and has not been claimed by other affiliated institutions.

At the request of bank management, community development services were considered in this performance evaluation. The bank's qualified community development services enhance credit availability within the assessment area; the following is a summary of these services:

- An officer serves on the Siouxland Economic Development Committee (SEDC) loan board. This board analyzes and underwrites credits for the SEDC, which is the lender of last resort for minority and small business ventures. He works through this loan board to structure and package minority and small business loans, which do not qualify for bank credit, with SEDC and various Small Business Administration programs.
- An officer serves on the loan approval committee for the following Sioux City loan programs: Deferred Payment, 0%, and Foundation Repair. She utilizes her skills to underwrite and finance people qualifying for low-income affordable loans through the city's various community housing programs.
- An officer is providing financial counsel for a preservation project in downtown Sioux City. The project is located in a low/moderate income area. She was also responsible for obtaining the bonds needed to complete the project over the pledge period. The bank is committed to purchasing a portion of the bonds.
- First American Bank has applied for an Affordable Housing Program grant along with Community Housing Initiatives for the Plymouth Block project. The project will contain 36 50-60% median family income restricted apartments.

Based on the data reviewed under each of the performance criteria, taking into account the extent by which community development services enhance credit availability in the assessment area, the bank is rated satisfactory.