

# **PUBLIC DISCLOSURE**

August 20, 2007

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank Iowa - Humboldt  
RSSD# 919942

506 Sumner Avenue  
P.O. Box 37  
Humboldt, Iowa 50548

Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604-1413

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution’s CRA (Community Reinvestment Act) Rating.....	1
Description of Institution.....	1
Description of Assessment Area.....	2
Conclusions with Respect to Performance Criteria:.....	4
Loan-To-Deposit Ratio .....	5
Lending in the Assessment Area .....	6
Lending To Borrowers of Different Incomes and to Businesses and Farms of Different Sizes.....	6
Geographic Distribution of Loans.....	8
Community Contacts .....	9
Response to Complaints.....	9
Fair Lending .....	9
Appendix A .....	10

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

Bank Iowa – Humboldt is satisfactorily meeting the credit needs of its community based upon an analysis of its lending activities and supported by information from community representatives. The bank's loan-to-deposit ratio is reasonable given the characteristics of the bank, its local competitors, and the credit needs of the assessment area. A majority of loans are originated in the assessment area with residential real estate, commercial, agricultural, and consumer loans all having penetration ratios of 86.5% or higher. Loans are reasonably disbursed throughout the assessment area, which are comprised solely of middle-income census tracts. A review of the residential real estate loan portfolio found reasonable penetration in providing loans to borrowers with low-to-moderate income. Similarly, there was reasonable penetration in lending to small farms and small businesses. There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

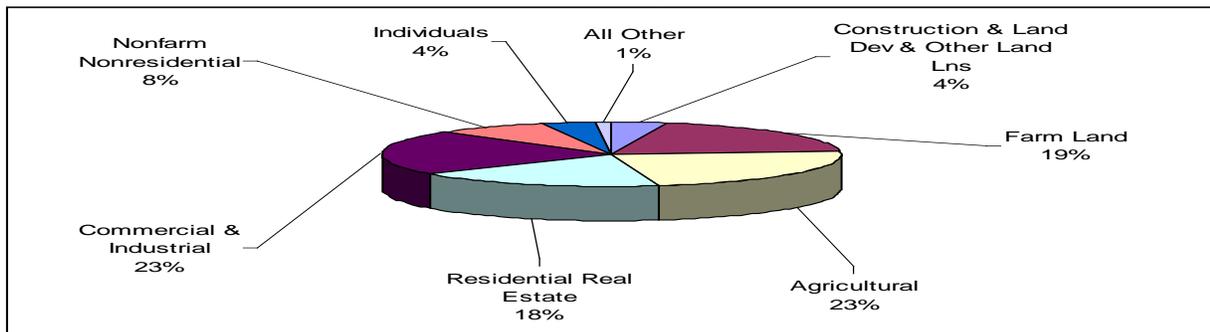
The institution was rated **Satisfactory** under the CRA at its previous evaluation dated July 28, 2003.

### DESCRIPTION OF INSTITUTION

Bank Iowa – Humboldt is a subsidiary of Bank Iowa Corporation, a six bank holding company based in Clive, Iowa. The main office is headquartered in Humboldt, Iowa, which is approximately 100 miles northwest of Des Moines in north-central Iowa. The main bank offers standard credit and deposit products. The bank has two branches, one located in Gilmore City, Iowa and a drive-up facility in Humboldt, Iowa. The branches only offer deposit products. Three automated teller machines owned by the bank are located in Humboldt, one at the main office (full-service), one at the drive-up facility (cash only), and one at a local grocery store (cash only). A deposit only branch located in Thor, Iowa was closed on December 31, 2004.

According to the Uniform Bank Performance Report, the bank had \$135.3 million in total assets as of June 30, 2007. Exhibit #1 shows the composition of the loan portfolio. The bank's primary loan products are agriculture-related loans followed by commercial and industrial-related loans.

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



The bank's national peer group includes all commercial banks with assets between \$100 million and \$300 million in a non-metropolitan area with two or fewer full service offices. Bank management views their local competition for loans and deposits to include branch offices of U.S. Bank, N.A., Minneapolis, Minnesota, and Northwest Federal Savings Bank, Spencer, Iowa, as well as Power Co-op Employees Credit Union, Humboldt, Iowa. Insurance companies and brokerage firms are also very competitive for deposits/investments and Farm Credit Services of America, Webster City, IA is the bank's main competition locally for loans to farmers. According to the June 30, 2006 FDIC/OTS Summary of Deposit Market Share Report, Bank Iowa – Humboldt had 28.8% of the deposits in the market area, ranking 1<sup>st</sup> of 10 financial institutions in the assessment area.

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

## **DESCRIPTION OF ASSESSMENT AREA**

*An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by census tracts, which are statistical subdivisions of a county. The 2000 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

Bank Iowa – Humboldt defines its assessment area, shown in Appendix A, as the following: Census tracts 9701, 9702, 9703, and 9704 which comprise all of Humboldt County, Iowa, and census tracts 9802 and 9803 of Pocahontas County, Iowa. The total population of the assessment area is 16,606 and all census tracts are middle-income geographies. As of the date of the examination, census tracts 9802 and 9803 in Pocahontas County, IA, are considered Underserved Middle-Income Non-metropolitan Tracts due to their remote rural locations.

### **Income Characteristics**

Exhibit #2 compares the income levels for the assessment area to non-metropolitan Iowa based on 2000 U.S. Bureau of Census data. In contrast to the 2000 data, the 2007 estimated HUD-adjusted median family income for non-metropolitan Iowa, Humboldt County, and Pocahontas County are \$53,100, \$55,800, and \$48,600, respectively.

Exhibit #2						
Distribution of Families by Income Level						
Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	44,644	15.1	20.7	26.4	37.8	5.6
Humboldt County	46,510	13.5	19.6	26.3	40.7	5.3
Pocahontas County	40,568	17.7	22.8	26.7	32.7	6.6
State of Iowa	48,005	16.9	19.5	25.7	37.9	6.0
Non-Metropolitan Iowa	43,887	16.4	19.5	26.3	37.8	6.4

*Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.*

### Housing Characteristics and Affordability

The assessment area has 7,496 total housing units of which 70.9% are owner-occupied, 20.8% are rental units, and 8.3% are vacant. In comparison, non-metropolitan Iowa has 68.6% owner-occupied units, 22.7% rental units, and 8.7% vacancies. This indicates a comparable rate of homeownership between the assessment area and non-metropolitan Iowa.

*Affordability ratios, developed by dividing the median household income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio.*

The median housing value within the assessment area is lower at \$58,906 than that of non-metropolitan Iowa at \$69,296. A comparison of the affordability ratios similarly concludes that the assessment area has more affordable housing than non-metropolitan Iowa based upon ratios of .60 versus .52, respectively.

### Labor and Employment

According to Laborshed Analysis developed and released by the Iowa Workforce Development, the areas largest employment fields include Health Care & Social Services, Manufacturing, Wholesale/Retail Trade, and Agriculture. The majority of employers are small businesses and small farms typically with less than 20 employees, indicating that the area is highly dependent on small businesses and farms for economic viability.

<b>Exhibit #3</b>			
<b>Major Employers in the Assessment Area</b>			
<b>Company</b>	<b>County</b>	<b>#</b>	<b>Description</b>
Humboldt County Memorial Hospital	Humboldt	175	General Hospital
The Chantland-Psy Co.	Humboldt	172	Manufacturing
Humboldt Community School Dist.	Humboldt	170	Elementary and Secondary Schools
Bobalee Inc.	Pocahontas	150	Manufacturing
Humboldt Care Center North	Humboldt	140	Nursing and Personal Care
Pengo Corp.	Pocahontas	126	Manufacturing
Pocahontas Area School Dist.	Pocahontas	125	Elementary and Secondary Schools
Jet Co Inc.	Humboldt	120	Manufacturing
City of Pocahontas	Pocahontas	114	Executive
Hy-Capacity	Humboldt	110	Manufacturing

As shown in Exhibit #4, over the last two years, the assessment area has had, on average, lower unemployment rates than both the State of Iowa and national averages.

<b>Exhibit #4</b>				
<b>Unemployment Statistics</b>				
<b>County</b>	<b>2003 AVG</b>	<b>2004 AVG</b>	<b>2005 AVG</b>	<b>2006 AVG</b>
Humboldt County, IA	4.1%	4.2%	3.8%	3.4%
Pocahontas County, IA	5.6%	5.4%	4.2%	3.2%
State of Iowa	4.4%	4.7%	4.3%	3.7%
United States	6.0%	5.5%	5.1%	4.6%

Source: Iowa Workforce Development

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and farms and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

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

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

Based on the bank's LTD ratios relative to both its national peer group and a sample of local area chartered banks with similar asset size and demographics, the LTD ratio is reasonable and meets the standards for satisfactory performance under this criterion. Exhibit #5 shows the comparison for the eight quarters ending June 30, 2007. Other local competitors such as U.S. Bank, N.A. and Northwest Federal Savings Bank with branch offices in Humboldt were excluded from the assessment as these are larger regional banks/thrifts headquartered outside the market area. The consolidated loan-to-deposit ratios for these institutions would not provide a meaningful analysis.

Exhibit #5									
LTD Ratios									
Bank Name, City, 06/07 Assets \$(Millions)	9/05 (%)	12/05 (%)	3/06 (%)	6/06 (%)	9/06 (%)	12/06 (%)	3/07 (%)	6/07 (%)	Avg.
Bank Iowa Humboldt, Iowa \$135.3	75.4	80.6	79.4	82.6	82.2	80.3	78.7	82.4	80.2
Peer Group	73.5	71.9	72.3	73.8	74.6	72.2	72.1	74.4	73.1
Pocahontas State Bank Pocahontas, Iowa \$64.6	55.7	58.1	54.4	55.3	53.9	50.9	49.2	54.1	54.0
Citizens State Bank Ft. Dodge, Iowa \$100.0	89.9	91.7	86.8	90.1	88.2	95.2	89.7	87.8	89.9
Laurens State Bank Laurens, Iowa \$57.8	52.5	52.6	56.8	59.9	63.4	59.4	58.4	53.9	57.1
Rolfe State Bank Rolfe, Iowa \$35.2	88.8	68.3	83.5	89.9	91.1	74.9	79.4	79.4	81.9
First Community Bank Newell, Iowa \$52.4	93.4	86.0	90.9	91.2	98.6	91.9	86.6	85.6	90.5

### **Lending in the Assessment Area**

*To assess the extent of lending within the assessment area, the following were reviewed: agricultural, commercial, 1-4 family residential real estate loans (1<sup>st</sup> mortgages and refinance) and consumer loans. The sample period for each loan product was June 1, 2006 through May 31, 2007. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, was considered when evaluating the bank's performance.*

Lending within the assessment area reflects an overall penetration ratio of 93.0% which demonstrates the bank is highly committed to meeting the lending needs of the communities it serves. The penetration rates for agricultural, commercial, residential real estate, and consumer loans all meet the criteria for satisfactory performance. The distribution of a sample of the bank's primary loan products, originated during the sample period June 1, 2006 through May 31, 2007, is illustrated in Exhibit #6.

<b>Exhibit #6</b>			
<b>Distribution of Loans in/out of Assessment Area (AA)</b>			
<b>Loan Type</b>	<b>Number of Loans</b>		
	<b># in Sample</b>	<b># in AA</b>	<b>% in AA</b>
Agricultural	602	579	96.2
Commercial	525	485	92.4
Residential Real Estate	61	56	91.8
Consumer	230	199	86.5
Totals	1,418	1,319	93.0

### **Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes**

*The distribution of loans among borrowers of different income levels was determined by reviewing: 1-4 family residential real estate loans (home purchase and refinancings), as well as small farm and small business loans. The sample period for residential real estate loans was June 1, 2006 through May 31, 2007, with the June 30, 2007 Consolidated Report of Condition and Income utilized for the analysis of small farm and small business loans. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, was considered when evaluating the bank's performance.*

Given the demographics of the bank's assessment area, the loan distribution across borrowers of different income levels and farms and businesses of different sizes meets the standards for satisfactory performance under this criterion.

## Residential Real Estate Loans

Exhibit #7 shows the distribution of the sample of fifty-six 1-4 family residential real estate loans by income level. The sample represents 100% of the 1-4 family residential real estate loans originated in the assessment area by the bank during the sample period. Based on the 2000 U.S. Bureau of Census Data, the bank's assessment area is comprised of 35.8% low- and moderate-income families. As shown, the bank originated 26.8% of its residential real estate loans to low- and moderate-income borrowers. Although slightly below the assessment area, the distribution of Bank Iowa - Humboldt's lending demonstrates reasonable penetration to low- and moderate-income families relative to its assessment area.

<b>Exhibit #7</b>			
<b>Loan Distribution of Residential Real Estate Loans by Income Levels *</b>			
<b>Income Level</b>	<b>Number of Loans</b>		<b>Percentage of Families in Assessment Area</b>
	<b>Number</b>	<b>Percent</b>	
Low	8	14.3	15.1
Moderate	7	12.5	20.7
Middle	18	32.1	26.4
Upper	23	41.1	37.8
Total	56	100.0	100.0

\* HUD's estimated 2007 median family income for Non-Metropolitan Iowa was used to determine the income level of the applicants.

## Agricultural and Commercial Loans

Exhibits #8 and #9 show the distribution of commercial and agricultural loans and reflect a reasonable penetration to small farm customers and small businesses. The distributions meet the criteria for a satisfactory performance.

<b>Exhibit #8</b>		
<b>Distribution of Small Farm Loans</b>		
<b>Original Dollar Amount</b>	<b>Outstanding Number</b>	<b>Outstanding Dollar Amount (000's)</b>
<b>Loans Secured by Farmland</b>		
Less than or equal to \$100,000	46	\$2,051
Greater than \$100,000 through \$250,000	60	6,691
Greater than \$250,000 through \$500,000	17	3,549
Total	123	\$12,291
<b>Loans to Finance Agricultural Production and Other Loans to Farmers</b>		
Less than or equal to \$100,000	418	\$9,637
Greater than \$100,000 through \$250,000	58	7,386
Greater than \$250,000 through \$500,000	14	3,386
Total	490	\$20,409
<b>Loans Secured by Farmland and Loans to Finance Agricultural Production and Other Loans to Farmers</b>		
Grand totals	613	\$32,700

As shown in Exhibit #8, originations in the \$100,000 or less category represent 75.7% of the number and 35.7% of the dollar amount of small farm loans. Emphasis is placed on this category of loans since these loans generally represent loans to small farms and the area is highly reliant on the agricultural sector for economic viability. Small farm loan originations of less than \$500,000 represent 81.4% of the bank’s agricultural loan portfolio by dollar volume.

<b>Exhibit #9</b>		
<b>Distribution of Small Business Loans</b>		
<b>Original Dollar Amount</b>	<b>Outstanding Number</b>	<b>Outstanding Dollar Amount (000's)</b>
<b>Loans Secured by Non-Farm Nonresidential Properties</b>		
Less than or equal to \$100,000	41	\$1,786
Greater than \$100,000 through \$250,000	15	1,824
Greater than \$250,000 through \$1 million	7	1,340
<b>Total</b>	<b>63</b>	<b>\$4,950</b>
<b>Commercial and Industrial Loans</b>		
Less than or equal to \$100,000	309	\$6,665
Greater than \$100,000 through \$250,000	51	5,491
Greater than \$250,000 through \$1 million	15	3,839
<b>Total</b>	<b>375</b>	<b>\$15,995</b>
<b>Loans Secured by Non-Farm Nonresidential Properties and Commercial and Industrial Loans</b>		
<b>Grand totals</b>	<b>438</b>	<b>\$20,945</b>

As Exhibit #9 shows, small business loan originations in the \$100,000 or less category represent 79.9% of the number and 40.4% of the dollar amount of small business loans. Emphasis is placed on this category since these loans generally represent loans to small businesses, and “manufacturing” and “trade” firms comprise the highest concentration of the area workforce. In addition, these loans strongly encourage economic development in the community. Small business loan originations in amounts less than \$1 million represent 79.6% of the bank’s commercial loan portfolio by dollar volume.

**Geographic Distribution of Loans**

*The distribution of lending among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank’s performance, the following were reviewed: agricultural, commercial, 1-4 family residential real estate loans (1<sup>st</sup> mortgages and refinance) and consumer loans. The sample period for each loan product was June 1, 2006 through May 31, 2007. Loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.*

Given the demographics of the bank’s assessment area, the geographic distribution of loans meets the standard for satisfactory performance under this criterion. Bank Iowa - Humboldt’s assessment

area is comprised of six middle-income geographies, four located in Humboldt County and two located in Pocahontas County. An analysis of a sample of the bank's residential real estate, agricultural, commercial, and consumer loans originated during the sample period indicated that loans are reasonably distributed throughout the assessment area.

Exhibit #10 Geographic Distribution of Loans within the Assessment Area		
County	Census Tract	# of Loans
Humboldt	9701	307
Humboldt	9702	282
Humboldt	9703	429
Humboldt	9704	206
Pocahontas	9802	28
Pocahontas	9803	67
Total Loans within the Assessment Area		1319

### Community Contacts

According to community contacts, area financial institutions are meeting the financial needs of homebuyers and businesses in the area. Contacts stated area banks are very willing to participate in lending to borrowers of all income levels, provide financing for local businesses, and also participate in attracting new businesses to the area.

### Complaints

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

### Fair Lending

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and that these are being consistently applied to all applicants. No evidence of prohibited discriminatory credit practices was detected.

**Appendix A - Map of the Assessment Area for Bank Iowa, Humboldt, Iowa.**

