

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 CRA performance of **Security Trust & Savings Bank, Storm Lake, Iowa**, prepared by the **Federal Reserve Bank of Chicago** as of **August 18, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Satisfactory.

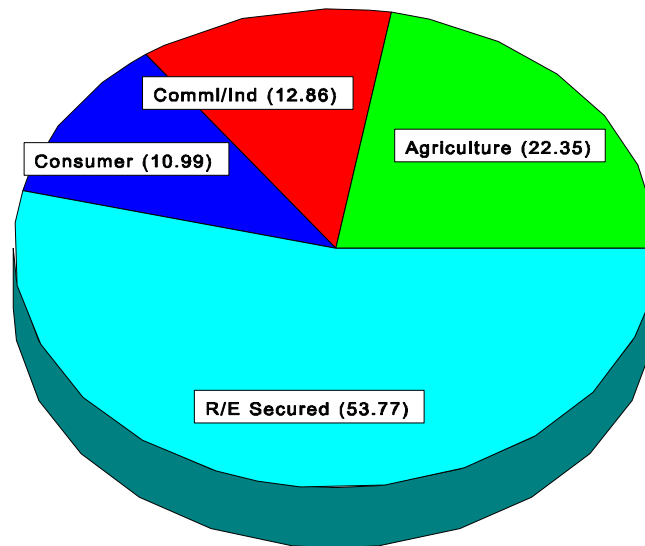
The bank's loan-to-deposit ratio, which increased slightly since the previous examination, is satisfactory. The level of lending within the assessment area is reasonable and the bank's lending to low- and moderate-income individuals and small businesses/farms within the assessment area is strong. All block numbering areas (BNAs) included in the bank's assessment area are classified as middle-income; therefore, an evaluation of the geographic distribution of loans based on BNA income levels was not conducted. There were no CRA-related complaints received by the bank since the previous examination.

DESCRIPTION OF INSTITUTION

Security Trust & Savings Bank, with total assets of \$62,786,000 as of March 31, 1997, is a subsidiary of Storm Lake Security Bank Corporation, a one bank holding company (consummated on April 3, 1996). The bank's main office, drive-up facility and two 24-hour Automated Teller Machines (ATMs) are located in Storm Lake.

The bank offers a variety of deposit products and services, as well as residential real estate, consumer, commercial and agricultural loans. As illustrated in the following graph, the bank's loan portfolio consists primarily of real estate secured (53.77%) and agricultural (22.35%) loans.

DISTRIBUTION OF LOAN PORTFOLIO



Based upon information contained in the March 31, 1997 Uniform Bank Performance Report (UBPR), 26.22% of real estate loans are secured by one-to-four family residences.

The bank's primary local competitors include: The Citizens First National Bank of Storm Lake, The Commercial Trust & Savings Bank, Farm Credit Services, First Federal Savings Bank of the Midwest, and the local office of Citizens Community Credit Union (Fort Dodge). Additional competition is provided by financial institutions located in the surrounding communities.

The bank promotes economic revitalization and growth, consistent with its size, financial capacity, location and current economic conditions. There are no legal or regulatory impediments that would prevent the bank from meeting its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area, defined as the southern portion of Buena Vista County, contains the townships/cities of Nokomis, Washington, Grant, Coon, Maple Valley, Hayes, Providence, Newell, Truesdale, and Alta. The City of Storm Lake, located in northwestern Iowa in Buena Vista County, is at the center of the assessment area and is approximately 60 miles east of Sioux City, and 150 miles northwest of Des Moines. The assessment area is comprised of four block numbering areas (BNAs) 9603.00, 9604.00, 9605.00, and 9606.00, all of which are middle-income.

According to the 1990 U.S. Census data, the population in the bank's assessment area is 15,708, with 8,769 individuals residing in Storm Lake and 19,965 residing in Buena Vista County. The racial makeup of the population is as follows: Whites - 15,163 or 96.5%; Blacks - 39 or 0.2%; Asian - 386 or 2.5%; and American Indians 13 or 0.1%. Community representatives indicated that individuals of Southeast Asian and Hispanic descent account for the largest portion of the minority population, with the latter being the fastest growing segment. According to 1994 estimates from the U.S. Bureau of the Census, Hispanic's account for 1.01% of the total population in Buena Vista County.

The assessment area's housing market consists of 6,270 total housing units: 3,888 (62.0%) are owner-occupied, 1,961 (31.3%) are rental units, and 421 (6.7%) are vacant. Housing with one-to-four family units and five or more units account for 85.20% and 9.60% of total housing units, respectively. The median housing value in the assessment area is \$45,318 and approximately 42% of the assessment area's housing stock was built prior to 1950. The median family income is \$29,791 for the assessment area, \$31,659 for the State of Iowa, and \$29,303 for the nonmetropolitan portions of Iowa. The breakdown of total families in the assessment area, by income level, is as follows: low income - 569 or 14.0%; moderate income - 767 or 18.9%; middle income - 1,177 or 28.9%; and upper income - 1,554 or 38.2%.

Agriculture and agricultural-related industries comprise the base of Buena Vista County's economy. Corn, soybeans and hogs are the major crops/products produced in the area. Iowa Beef Processors, Inc. (IBP), a pork processor employing 1,450, and Bil-Mar Foods of Iowa, a turkey processor employing 575, are the area's major employers. Major employers (80 or more employees) in the area include the following:

EMPLOYER	LOCATION	# OF EMPLOYEES	PRODUCT/SERVICE
IBP, Inc.	Storm Lake	1,450	Pork processing
Bil-Mar Foods	Storm Lake	575	Turkey processing
Furst Mc Ness	Storm Lake	340	Animal feed premixes
Pilot-Tribune Printing Co.	Storm Lake	89	Commercial printing
Iowa Office Supply	Storm Lake	85	Invoice, envelope & business form printing
Buena Vista Work Activity Center	Storm Lake	80	Aluminum, glass, and paper recycling

The local economy remains strong. According to the Iowa Department of Employment Services, Buena Vista County had an unemployment rate of 2.5% as of July 1996 and 1.70% as of July

1997, which compares favorably to Iowa's unemployment rates of 3.8% and 2.6% for the corresponding periods.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank was examined for compliance with fair lending laws and regulations. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

LOAN-TO-DEPOSIT RATIO

A review of the bank's consolidated reports of condition for the six quarters ending March 31, 1997 revealed an average loan-to-deposit (LTD) ratio of 49.87%. As of March 31, 1997, the bank's LTD ratio was 53.36%, compared to 51.59% and 97.60%, respectively for its principal competitors. The following chart summarizes the bank and two of its competitors' quarterly net LTD ratios since the previous examination:

Bank/Location Assets as of 3/31/1997	Dec. '95	Mar. '96	Jun. '96	Sept. '96	Dec. '96	Mar. '97
Security T&S Bank Storm Lake, IA \$62,786,000	47.85%	44.27%	48.46%	49.59%	55.71%	53.36%
Citizens 1 NB S. Lake Storm Lake, IA \$155,458,000	51.48%	50.91%	49.74%	52.51%	52.42%	51.59%
Commercial T&S Bank Storm Lake, IA \$53,769,000	95.74%	90.77%	88.57%	93.08%	95.99%	97.60%

As the preceding chart illustrates, the bank's March 31, 1997 LTD ratio reflects a slight increase (5.51%) since the previous examination (call report data as of December 31, 1995). A comparison of the bank's current loan distribution with information contained in the previous report of examination (data as of December 31, 1995) revealed an overall loan increase of \$4,761,000 or 19.3%, from \$24,668,000 to \$29,429,000. Deposits increased by \$3,596,000 or 6.97%, from \$51,557,000 to \$55,153,000, since the previous examination.

When assessing the bank's performance under this criterion, consideration was given to the high percentage of individuals in the assessment area 17 years of age and younger (25.4%) and individuals 65 years of age or older (16.9%), as well as the large number of financial institutions offering competitive interest rates, and seeking the business of a limited number of borrowers. Considering these demographics, lending opportunities for certain types of loans may be limited.

Overall, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

Lending in the Assessment Area

A sample of loan originations from a six-month period (February 1, 1997 to July 31, 1997) was

utilized to determine the extent of lending within the assessment area. The sample consisted of direct and indirect installment, single-payment, real estate mortgages, agriculture and commercial loans. The review of the loan sample revealed the following level of lending within the assessment area:

LOAN TYPE	TOTAL # OF LOANS SAMPLED	# OF LOANS WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Installment (Direct)	339	263	77.58
Installment (Indirect)	242	126	52.07
Single Payment	198	157	79.29
Real Estate Mortgages	53	49	92.45
Agriculture	427	292	68.38
Commercial	117	100	85.47
Grand Totals	1,376	987	71.73

As the preceding chart illustrates, a majority of sampled loans, by product and in aggregate, were made to borrowers within the assessment area. A review of the six-month loan sample revealed that the bank originated a total of 1,376 loans of all types, of which 987 or 71.73% were made within the bank's assessment area. Overall, the level of lending within the assessment area, as evidenced by the examination loan sample, is reasonable and meets the standards for satisfactory performance. The bank's performance was also supported by community representatives, who indicated that the community's credit needs were being met.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A six-month loan sample, from February 1, 1997 to July 31, 1997, of direct and indirect installment, single-payment, real estate mortgages, commercial and agricultural loans was analyzed to determine the distribution of the bank's loans among borrowers of different income levels. The consumer loan sample consisted of 832 loans: 339 direct installment, 242 indirect installment loans, 198 single-payment loans, and 53 real estate mortgages. The bank does not routinely collect borrower income information; therefore, a loan amount of \$1,500 was used as a proxy for direct installment and single-payment loans, and \$500 was used for indirect installment loans. Based upon discussions with management and a review of the six-month loan sample, it was determined that these loan amounts are affordable for low- and moderate-income individuals. The bank's performance in lending to borrowers of different incomes was analyzed in the context of the income distribution of families in the assessment area: 14.0% low-income; 18.9% moderate-income; 28.9% middle-income; and 38.2% upper-income families. A review of the six-month consumer loan sample revealed that 243 of 537 (45%) direct installment and single-payment loans had original loan amounts at or below \$1,500; amounts that are considered to be affordable to low- and moderate-income borrowers. Additionally, the bank originated installment loans (since the previous examination), through an appliance dealership,

Malanders Appliance and Video, located in Alta, Iowa. A six-month sample consisting of 242 indirect installment loans revealed that 90 loans (37%) were in amounts of \$500 or less. The primary purpose of these loans was to purchase small ticket appliance items (televisions, refrigerators and stoves, etc.)

A review of a six-month sample of 53 residential mortgage loans also revealed a high concentration of loans with low original loan amounts. Of the 53 loans, four or 7.6% had original loan amounts less than \$5,000, 11 or 20.8% were between \$5,000 - \$10,000, 12 or 22.6% were between \$10,000 - \$20,000, with the remaining 26 or 49% in amounts greater than \$20,000.

Small Farm and Small Business Loans

A six-month sample, consisting of 544 commercial and agricultural loans (totaling \$9,175,671), was reviewed. Of the 544 loans, 491 loans or 90% (totaling \$7,139,521) were to small farms (annual revenues of less than \$500,000) and small businesses (annual revenues less than \$1.0 million). According to the 1995 and 1996 June 30 Call Reports, the bank had 383 commercial loans and 1,041 agricultural loans outstanding; all or substantially all of these loans were in amounts of \$100,000 or less.

The bank also participates in the Farm Service Agency (FSA) and Small Business Administration (SBA) loan programs. During the examination review period, the bank extended 13 farm operating lines of credit (totaling \$955,787) through the FSA and one loan (totaling \$144,000) through the SBA.

The bank's loan distribution compares favorably to the distribution of families, by income level, in the assessment area. The six-month loan sample revealed a strong loan penetration among individuals of different income levels, particularly low- and moderate-income individuals, and farms and businesses of different revenue sizes. Overall, the bank's distribution of loans among borrowers of different income levels exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

There are no low- or moderate-income geographies within the bank's assessment area. Therefore, an analysis of loan distribution within geographies was not conducted.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.