

PUBLIC DISCLOSURE

May 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Central Valley Bank
33921**

**116 West Main Street
Ottumwa, Iowa 52501**

**Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108**

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.

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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 operation 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 **Central Valley Bank, Ottumwa, Iowa**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 10, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a satisfactory record of helping to meet the needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Detailed below is a summary of the bank's performance.

- The bank's average quarterly net loan-to-deposit ratio is excellent given the bank's size and financial resources. The bank's net loan-to-deposit ratio averaged 104 percent for the quarters from June 30, 1999, through December 31, 2003, and demonstrates a strong willingness to extend credit.
- A majority of the agricultural, commercial, and residential real estate loans sampled by both number and dollar amount are located in the bank's assessment area, reflecting management's willingness to lend locally.
- The distribution of sampled agricultural, commercial, and residential real estate loans reveals a reasonable record of lending to operations of varying revenues and borrowers of different incomes, which reflects a willingness to provide credit to all qualified borrowers. The bank's record is particularly strong in lending to small farms.
- The geographic distribution of sampled loans reflects a reasonable dispersion throughout the assessment area, illustrating the bank's commitment to extend loans throughout its community.
- The bank has not received any CRA complaints since the previous CRA evaluation. Therefore, this area was not evaluated and not considered in the bank's CRA rating.
- No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation.

DESCRIPTION OF INSTITUTION

Central Valley Bank operates from its main office and three branch offices. The main office is located at 116 West Main Street in Ottumwa, Iowa. Branch offices are located at 58 East Burlington, in east Fairfield, Iowa; 2408 West Burlington, in west Fairfield, Iowa; and 112 North Main Street, in Sigourney, Iowa. Central Valley Bank operates three Automated Teller Machines (ATMs). An ATM is located in the main office; the Fairfield branch office on West Burlington; and the Sigourney branch office.

Control of the institution remains with MidWestOne Financial Group, Inc., Oskaloosa, Iowa, a four-bank holding company. The bank's affiliates include MidWestOne Bank, Burlington, Iowa; MidWestOne Bank & Trust, Oskaloosa, Iowa; Pella State Bank, Pella, Iowa; and MIC Financial Inc., Oskaloosa, Iowa, a leasing company. The bank has one wholly-owned subsidiary, Valley Financial Services, Sigourney, Iowa. There are no legal or financial impediments that prevent Central Valley Bank from helping to meet the credit needs of its assessment area. The bank's competitors include national, regional, and community institutions located within and adjacent to the assessment area. Specifically, the FDIC database showed that there are 15 financial institutions operating home offices or branch offices within the assessment area or in adjacent communities.

The bank's December 31, 2003, Thrift Financial Report reflected total assets of \$118 million, total loans of \$96 million, and total deposits of \$90 million. The bank was rated Satisfactory at the previous evaluation.

The bank primarily emphasizes agricultural, commercial, and residential real estate lending. Agricultural and commercial loans represent 48 percent of the loan mix and residential real estate loans comprised 45 percent of the loan mix by dollar volume. Management stated that the bank's business focus is primarily agricultural, residential, and commercial lending and that there is a specific concerted focus on commercial lending at this time. For this evaluation, examiners reviewed agricultural, commercial, and residential real estate loan products.

DESCRIPTION OF VALLEY STATE BANK'S ASSESSMENT AREA

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901) as amended requires a bank to identify one or more "assessment areas" within which its regulatory agency will evaluate the bank's performance. In most cases, the institution's assessment area will be towns, counties, or some other political subdivision in which its branches are located and a substantial portion of its loans are made. Assessment areas always consist of one or more census tracts (CTs), which are statistical subdivisions of a county.

*Each geography (CT) is designated as low, moderate, middle, or upper income by comparing the 2000 U.S. Census Bureau median family income (MFI) of the geography to the MFI for the applicable area. The income levels for CTs are derived from U.S. Census Bureau information and are updated every ten years. The applicable figure used to determine the income categories for this institution's assessment area is the 2000 U.S. Census Bureau MFI of **\$44,001 for the State of Iowa non-Metropolitan Statistical Area (Non-MSA)**. Table 1 provides the income category definitions used in this evaluation.*

Table 1 – Definitions of Income Categories	
Income Category	Definition
Low Income	Income of less than 50 percent of the area MFI
Moderate Income	Income of at least 50 percent and less than 80 percent of the area MFI
Middle Income	Income of at least 80 percent and less than 120 percent of the area MFI
Upper Income	Income of 120 percent or more of the area MFI

The institution’s assessment area in southeast Iowa includes all of Jefferson, Keokuk, and Wapello counties. According to 2000 U.S. Census Bureau data, the assessment area is comprised of 3 moderate-income, 15 middle-income, and 1 upper-income CTs. This includes three moderate-income CTs (9602, 9605, and 9610), seven middle-income CTs (9601, 9604, 9606, 9607, 9608, 9609, and 9611), and one upper-income CT (9603) in Wapello County; four middle-income CTs (9901, 9902, 9903, and 9904) in Jefferson County; and four middle-income CTs (9801, 9802, 9803, and 9804) in Keokuk County. The institution’s main office in Ottumwa, Iowa, is located in middle-income CT 9605 in Wapello County. The bank’s Fairfield branch offices are both located in middle-income CT 9903 in Jefferson County. The bank’s Sigourney branch office is located in middle-income CT 9803 in Keokuk County. The entire assessment area is comprised of 63,632 residents, just over 2 percent of Iowa’s population. According to U.S. Census Bureau data, the population of the assessment area has shown minimal increase since 1990.

Demographic and Economic Data

According to the 2000 U.S. Census Bureau data, the assessment area has 26,014 households. Of these households, 17,259 are families. In 2000, 20 percent of these families were low-income families and of those, 8.5 percent were below the poverty level. Families and persons are classified as “below poverty” if their total family income or unrelated individual income is less than the poverty threshold specified for the applicable family size, age of householder, and number of related children under 18 present. Specifically, for a family of four, the 2000 poverty level threshold is \$17,029; therefore, a family earning less than \$17,029 would be below the poverty level. This indicates that approximately 43 percent of the low-income families are below the poverty level. The poverty level threshold is determined on a national basis and is not adjusted regionally. According to the 1990 U.S. Census Bureau data, there were 17,801 families with 20.6 percent low-income and 11.2 percent below the poverty level. At that time, approximately 54 percent of the low-income families in the assessment area were below the poverty level.

The 2000 U.S. Census Bureau information also shows that the assessment area housing stock totaled 28,127 housing units. In addition, the 2000 data revealed that 69 percent of the housing units were owner-occupied, 24 percent were rental units, and 7 percent were vacant. The median value of a home was \$59,074 (an increase of 89 percent since 1990), and the median age of the housing stock was 49 years.

To better understand the credit needs and current demographic information of local neighborhoods, cities, or counties, confidential community contacts are conducted by all financial institution regulatory agencies.

A community contact noted that the home prices are much less in Keokuk County, which attracts more low-income people to the area, and much of the reason for the low home prices stems from an elderly population that tends to not take care of their homes which then become dilapidated. The contact said that there is currently a housing project ongoing in Sigourney, Iowa, with prices in the middle-income buyer range. The contact also mentioned that some farmers are doing fairly well and some are walking a tight rope because they are still recovering from the swine crisis from three and four years ago. The contact also said that crops have done fairly well in the last few years. Finally, the contact mentioned that many of the area residents work outside of Keokuk County and shop where they work, which has hurt the local economy of towns in the county.

Iowa Workforce Development reported the State's seasonally adjusted unemployment rate at 4.1 percent as of March 2004, reflecting no change from the 4.1 percent unemployment rate reported in February 2004. The unemployment rate is not reported by CT but by county. Jefferson County reported 4.9 percent, Keokuk County reported 7.3 percent, and Wapello County reported 5.6 percent for the same time period. The nationwide unemployment rate edged up slightly to 5.7 percent in March 2004. Nationwide unemployment was reported at 5.8 percent for the same period one year ago.

As is the case with the number of full-time farm operations nationwide, the number of full-time farm operations are declining in the assessment area. According to the 1997 Census of Agriculture County Profile, the number of full-time farms decreased 6 percent in Jefferson County, and 18 percent in both Keokuk and Wapello County, from 1992 to 1997. During the same time period, the average size of farms decreased 3 percent in Jefferson County and 1 percent in Keokuk County; and increased 3 percent Wapello County.

Reports of Condition filed by financial institutions in the area support the fact that agricultural, commercial, and residential real estate lending are the identified credit needs of the assessment area. In addition, community contact information indicates that these are the identified credit needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Examiners reviewed the institution's average quarterly net loan-to-deposit (LTD) ratio in order to evaluate the institution's performance for this criterion. A small institution's net LTD ratio is calculated by dividing the institution's net loans and leases by its total deposits. The institution's net LTD ratio is then averaged for all quarter-ends since the last evaluation. Each small institution's ratio is evaluated and analyzed using performance context, including the institution's capacity to lend, demographic, and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area. Detailed below is an analysis of this performance criterion for this institution.

The institution's average quarterly net LTD ratio, which is one measure of the institution's overall level of lending, is excellent given the institution's size, financial condition, and assessment area demographics. The institution's net LTD ratio averaged 104 percent for the 19 quarters beginning June 30, 1999, and ending December 31, 2003. The institution's net LTD ratio has been trending upward since the previous evaluation. The net LTD ratio is currently at 109 percent for quarter ending December 31, 2003. The ratio ranged from a low of 92 percent on December 31, 1999, to a high of 116 percent on December 31, 2001. Residential real estate loans sold to the secondary market are not reflected in the bank's loan-to-deposit ratio. Specifically, almost \$9 million in secondary market loans have been originated in 2003 and year-to-date 2004. Retention of the secondary market loans in-house and factoring in net participations purchased would have slightly increased the December 31, 2003, loan-to-deposit ratio.

To further evaluate the reasonableness of this ratio, examiners compared the institution's average net LTD ratio to other similarly situated lenders located within or near the institution's assessment area. Comparable institutions are chosen based on size, credit products offered, and markets served. Table 2 provides a comparison of average net LTD ratios for the subject institution and other similarly situated institutions, which includes six other financial institutions with asset sizes varying from \$94 million to \$199 million and average net LTD ratios of 77 percent to 96 percent. Similarly situated lenders are listed alphabetically by city. Valley State Bank's average net LTD ratio of 104 percent is higher than all of the other banks listed.

Overall, the institution's performance with this criterion is excellent.

Table 2 – Comparable Financial Institution Analysis		
Institution	Total Assets \$ (000s)*	Average Net LTD Ratios**
Valley State Bank Ottumwa, Iowa	119,440	104%
First National Bank in Fairfield Fairfield, Iowa	99,969	90%
Iowa State Bank & Trust Company Fairfield, Iowa	93,705	77%
The Libertyville Savings Fairfield, Iowa	110,019	83%
First National Bank Midwest Oskaloosa, Iowa	94,394	93%
Pilot Grove Savings Bank Pilot Grove, Iowa	199,455	96%
Federation Bank Washington, Iowa	110,847	78%

*Source: Consolidated Report of Condition dated December 31, 2003.

**Source: Consolidated Reports of Condition and Income for quarter-ends June 30, 1999, thru December 31, 2003.

As previously mentioned, community contacts indicated that all credit needs in the area are being met, thus illustrating that the bank is serving its assessment area.

Selection of Loan Product Samples

Agricultural, commercial, and residential real estate loans comprise 92 percent of the bank’s loan portfolio, and examiners reviewed all three loan types. Examiners reviewed 33 agricultural loans, totaling \$1.9 million, originated between April 19, 2003, and April 19, 2004. In addition, examiners reviewed 34 commercial loans, totaling \$2.2 million, and 37 residential real estate loans, totaling \$1.6 million, originated during the same time period. The sample sizes were taken from a potential universe of 150 agricultural loans, 159 commercial credits, and 300 residential real estate loans. The total dollar volume of the universe for each loan type could not be reasonably obtained.

Assessment Area Concentration

Examiners reviewed the institution’s assessment area lending concentration in order to evaluate its performance with CRA small bank criteria. Examiners typically sample loans and complete a comparative analysis that details loans extended inside and outside of the institution’s assessment area. Detailed below is an analysis of this performance criterion for this institution.

A majority of the combined agricultural, commercial, and residential real estate loans by both number and dollar amount were located within the bank’s assessment area, illustrating a reasonable record of making loans within the assessment area. Table 3 shows that the bank originated 85 percent by number and 68 percent by dollar volume of total loans sampled within its assessment area. This level of lending inside the assessment area illustrates the institution’s commitment to making credit available within its community. Although the commercial loans reflect a greater percentage by dollar volume of loans originated outside the assessment area, a loan to one customer accounts for almost 80 percent of the amount. Overall, the institution’s performance with this criterion is considered reasonable.

Table 3 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollars Volume of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$ (000s)
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Agricultural	28	85	5	15	33	1,387	72	528	28	1,915
Commercial	24	71	10	29	34	1,063	49	1,098	51	2,161
Residential	36	97	1	3	37	1,425	86	225	14	1,650
Total	88	85	16	15	104	3,875	68	1,851	32	5,726

Source: Examiner sampling.

The majority of the remaining analysis will focus on number of loans originated, rather than on the dollar volume, since loans extended to low- and moderate-income individuals and small farm and commercial business operations are generally for smaller dollar amounts than loans to higher income individuals and large commercial business operations. An analysis using dollar volume of loans would not provide a representative picture of the institution's lending.

Borrower Profile

For this criterion, examiners determine the distribution of loans that the institution originated inside its assessment area by business gross annual revenues (agricultural and commercial) or by borrower income (residential real estate), as applicable. Gross Income or Revenue information for all loans sampled was obtained from credit files and discussions with loan officers.

Overall, the bank's level of lending to agricultural and commercial operations of different sizes and residential real estate borrowers of different incomes reflects a reasonable performance in meeting the credit needs within its assessment area.

Agricultural Loans

To aid in evaluating the bank's performance in lending to agricultural businesses of different sizes, examiners used D&B Corporation 2003 data. D&B Corporation provides a breakdown of farms in the assessment area that reported gross revenues, as well as those that did not report gross revenues.

The review of sampled agricultural loans showed that the bank's lending to operations of different sizes is strong, particularly in the category of farm operations having revenues of less than \$100,000. Table 4 displays the number, dollar volume, and related percentages of sampled loans made to farm operations of different sizes. This table also compares those percentages to the percentages of farm operations within the assessment area according to D&B Corporation 2003 business demographic data. Only those farm operations that reported gross revenues to D&B Corporation are included in the percentage categories as depicted in Table 4.

The bank originated all of its sampled agricultural loans in the assessment area to farms with revenues of less than \$1 million, compared to 99 percent of these farms reporting revenues in the assessment area. Furthermore, the bank originated all of its sampled agricultural loans to businesses with revenues under \$500,000.

As depicted in Table 4, the institution's level of lending to farm operations with gross revenues of less than \$100,000 at 79 percent is much greater when compared to D&B Corporation data at 58 percent, and is considered outstanding, particularly when considering that 48 percent of farms did not borrow according to Agricultural Census data from 1997. Furthermore, Agricultural Census data for 1997 also reveals that 47 percent of farmers in the assessment area were considered hobby farmers. Overall, the institution's level of lending to small agricultural operations is strong.

The bank's level of lending to farms in the \$100,000 to less than \$250,000 range at 7 percent is considerably lower when compared to D&B Corporation data, at 34 percent, and is considered

reasonable since the bank has a significant percentage targeted at the smaller businesses. In addition, the bank originated 86 percent of sampled agricultural loans overall to businesses with revenues under \$250,000, compared to 92 percent of these farms in the assessment area.

The bank's level of lending to farms with revenues of \$250,000 to under \$500,000 is considered reasonable when compared to D&B Corporation data, 14 percent compared to 6 percent of farms in the assessment area. The bank has no loans in the \$500,000 to less than \$1 million category and greater than or equal to \$1 million category, compared to 1 percent of these farms in the assessment area (in each revenue category), and is considered reasonable. Furthermore, management stated that they do not specifically target farm businesses by revenue categories and that the bank concentrates more on originating all loans. Management also stated that 90 percent on the agricultural operations in the assessment area are located in Keokuk County and that many of those farm operations are small revenue operations.

Table 4 – Distribution of Agricultural Loans by Gross Annual Revenues					
Gross Annual Revenues	Farms in the Assessment Area	Distribution of Agricultural Loans Sampled			
	%	#	%	\$ (000s)	%
< \$100,000	58	22	79	738	53
\$100,000 to < \$250,000	34	2	7	254	18
\$250,000 to < \$500,000	6	4	14	395	29
\$500,000 to < \$1,000,000	1	0	0	0	0
≥ \$1,000,000	1	0	0	0	0
Total	100	28	100	1,387	100

Source: Examiner Loan Sampling and 2003 D&B Corporation Data. (Note: 9 agricultural businesses (1 percent) in the assessment area that did not report incomes to D&B Corporation are excluded from this analysis).

Commercial Loans

To aid in evaluating the institution's performance in lending to commercial businesses of different sizes, examiners used D&B Corporation 2003 data. D&B Corporation provides a breakdown of the number of businesses in the assessment area that reported gross revenues, as well as those that did not report earnings, and assigns each business into a specific revenue category.

The review of sampled commercial loans showed that the bank's lending to operations of different sizes is reasonable. Table 5 displays the number, dollar volume, and related percentages of sampled loans made to business operations of different sizes. This table also compares those percentages to the percentages of business operations within the assessment area according to D&B Corporation 2003 business demographic data. Only those businesses that reported gross revenues to D&B Corporation are included in the percentage categories as depicted in Table 5.

The bank originated 86 percent of its sampled non-farm commercial loans in the assessment area to businesses with revenues of less than \$1 million, compared to 92 percent of these businesses reporting revenues in the assessment area. In addition, the bank originated 67 percent of sampled commercial loans to businesses with revenues under \$250,000, compared to 76 percent of these farms in the assessment area.

As depicted in Table 5, the institution's level of lending to commercial businesses with gross revenues of less than \$100,000 at 50 percent is approximately equal to comparable D&B Corporation data at 51 percent, and is considered reasonable.

The bank's level of lending to businesses with revenues of \$100,000 to under \$250,000 at 17 percent is lower when compared to D&B Corporation data at 25 percent. Management indicated that they do not specifically target businesses by gross revenues, but originate loans to any qualified borrowers. Furthermore, 76 percent of the businesses reporting generated less than \$250,000 in gross annual revenues. Less than 2 percent of D&B Corporation businesses reported that their headquarters were located within the institution's assessment area for 2003, and approximately 23 percent reported they were incorporated. It is more likely that these companies obtain financing wherever their headquarters are located instead of locally.

The bank's level of lending to businesses with revenues of \$250,000 to under \$500,000, \$500,000 to less than \$1 million, and greater than or equal to \$1 million, is larger when compared to D&B Corporation data, and each is considered reasonable. Moreover, 31 percent of the commercial businesses in the assessment area did not respond to the D&B Corporation survey, and it is not evident how that would impact the stratification of area businesses by gross revenue levels. Management also stated that they have been more aggressively targeting new commercial businesses and recently hired an experienced commercial loan officer to start a small business lending focus. Overall, the institution's performance in lending to commercial businesses is reasonable.

Table 5 – Distribution of Commercial Loans by Gross Annual Revenues					
Gross Annual Revenues	Businesses in the Assessment Area	Distribution of Commercial Loans Sampled			
	%	#	%	\$ (000s)	%
< \$100,000	51	12	50	239	23
\$100,000 to < \$250,000	25	4	17	154	14
\$250,000 to < \$500,000	11	3	13	555	52
\$500,000 to < \$1,000,000	5	2	8	45	4
≥ \$1,000,000	8	3	12	70	7
Total	100	24	100	1,063	100

Source: Examiner Loan Sampling and 2003 D&B Corporation Data. (Note: 1,514 non-farm businesses (31 percent) in the assessment area that did not report incomes to D&B Corporation are excluded from this analysis).

Residential Real Estate Loans

The Department of Housing and Urban Development’s (HUD) estimates for the State of Iowa Metropolitan Statistical Area (MSA) and Non-Metropolitan Statistical Area (Non-MSA) median family incomes, as applicable, for the years sampled were used to determine the income level for the residential real estate loans reviewed. In other words, the borrower income reported to the institution for each loan at the time of application was compared to the HUD estimates for the corresponding year of income reported (MSA and/or Non-MSA, as applicable) to determine whether each borrower should be considered low-, moderate-, middle-, or upper-income. The HUD estimated median family income categories (MSA and/or MSA, as applicable) for each year is illustrated in Table 6.

Table 6 – Median Family Income Ranges (HUD Estimated)	
Median Family Income Level	2003 Non-MSA Median Family Income (\$50,800)
Low <50%	<\$25,400
Moderate 50% to <80%	\$25,400 to <\$40,640
Middle 80% to <120%	\$40,640 to <\$60,960
Upper ≥120%	≥\$60,960

Source: Department of Housing and Urban Development.

The institution has demonstrated a reasonable level of lending to residential real estate borrowers of different incomes. Table 7 shows the number, dollar amount, and related percentages of residential real estate loans made to borrowers of different incomes. The table also displays the percentage of families in the assessment area by income level. The bank’s performance for this data is compared to the 2000 U.S. Census Bureau statistics.

As depicted in Table 7, the institution’s level of lending to low-income borrowers is slightly lower when compared to the demographics of low-income families within the assessment area; however, this level of lending is considered strong. Specifically, the bank originated 17 percent by number of residential real estate loans in this category, compared to 20 percent of low-income families in the assessment area. This level of lending is strong given that 43 percent of low-income families in the institution’s assessment area had incomes below the poverty level according to the 2000 U.S. Census Bureau data. Given the market prices of homes in the assessment area, individuals having incomes below the poverty level are often unable to qualify for conventional financing.

The bank originated 22 percent by number to moderate-income borrowers when compared to 21 percent of moderate-income families in the assessment area, which is considered reasonable. Thirty-eight percent of total housing units in Ottumwa are rental units primarily for college students and their families, who would likely not be targeted for homeownership. This factor limits the bank’s opportunity to finance home purchases in moderate-income areas.

The bank’s lending to middle-income borrowers is similar to the number of middle-income families in the assessment area, and is considered reasonable. Lending to upper-income

borrowers is slightly greater than the number of upper-income families in the assessment area and is also considered reasonable. Management also mentioned that the loans that the bank sold to the secondary market were fairly evenly distributed throughout borrower revenue categories. Those amounts would not be reflected in the sample. Overall, the institution’s level of lending to residential real estate borrowers is reasonable.

Table 7 – Distribution of Residential Real Estate Loans by Borrower Income Level					
Median Family Income Level	Families in the Assessment Area	Distribution of Residential Real Estate Loans Sampled			
	%	#	%	\$ (000s)	%
Low (< 50%)	20	6	17	216	15
Moderate (50% - < 80%)	21	8	22	204	14
Middle (80% - < 120%)	25	9	25	312	22
Upper (≥ 120%)	34	13	36	693	49
Total	100	36	100	1,425	100

Source: Examiner Sampling and 2000 U.S. Census Bureau Data.

Overall, the bank displays a reasonable record of lending to agricultural and commercial business operations of different sizes, and to borrowers of different incomes.

Geographic Distribution of Lending

Examiners analyze the institution’s performance under this criterion to determine if the institution is lending throughout its assessment area including any low- and moderate-income areas or geographies within the assessment area. The composition of the institution’s assessment area by CT income level is important to this evaluation process because it is compared to where the institution originated its sampled loans by CT. Detailed below is an analysis of this performance criterion for the institution.

The institution’s assessment area includes moderate-, middle-, and upper-income CTs. The institution’s geographic distribution of sampled agricultural and commercial business, and residential real estate loans, reflects a reasonable penetration throughout the assessment area, illustrating the bank’s commitment to extend loans throughout its community.

The three moderate-income CTs in the bank’s assessment area are encompassed within the City of Ottumwa, Iowa. Much of these CTs are comprised of timberland and the Des Moines River also runs throughout the CTs. The only upper-income CT is also encompassed by the City of Ottumwa. Indians Hills Community College and the Country Club are located within the upper-income CT. In addition, this CT also contains a significant amount of timberland.

Agricultural Loans

As depicted in Table 8, the bank’s agricultural loans are reasonably dispersed throughout those CTs where primarily agricultural businesses are located in the assessment area. The bank did not originate any of the sampled agricultural loans in moderate-income or upper-income CTs, compared to 1 percent of farms located in both moderate-income and upper-income CTs as reported by D&B Corporation. This is considered reasonable because, as mentioned above, the moderate- and upper-income CTs are encompassed within the City of Ottumwa. The bank originated 100 percent in middle-income CTs, compared to 98 percent of farms located in middle-income CTs as reported by D&B Corporation. Overall, the institution’s level of penetration in lending to agricultural operations in these geographies is reasonable.

Table 8 – Distribution of Agricultural Loans by Income Category of the Geography					
Geography Income	Farms in the Assessment Area	Distribution of Agricultural Loans Sampled			
	%	#	%	\$ (000s)	%
Moderate	1	0	0	0	0
Middle	98	28	100	1,387	100
Upper	1	0	0	0	0
Total	100	28	100	1,387	100

Source: Examiner Sampling and 2003 D&B Corporation Data.

Commercial Loans

As depicted in Table 9, the institution’s commercial lending is reasonably dispersed where commercial businesses are primarily located in the assessment area. The bank originated 4 percent by number of commercial loans in moderate-income CTs, compared to 11 percent of commercial operations located in moderate-income CTs as reported by D&B Corporation. Management indicated that many of the businesses located in the moderate-income CTs are established businesses that likely do not have frequent borrowing needs. The bank originated 92 percent in middle-income CTs, compared to 85 percent of commercial operations located in middle-income CTs; and 4 percent by number in upper-income CTs, compared to 4 percent of commercial operations located in upper-income CTs as reported by D&B Corporation. Overall, the institution’s level of penetration in lending to commercial non-farm operations in these geographies is reasonable.

Table 9 – Distribution of Commercial Loans by Income Category of the Geography					
Geography	Businesses in the Assessment Area	Distribution of Commercial Loans Sampled			
	%	#	%	\$ (000s)	%
Moderate	11	1	4	41	4
Middle	85	22	92	975	92
Upper	4	1	4	47	4
Total	100	24	100	1,063	100

Source: Examiner Sampling and 2003 D&B Corporation Data.

Residential Real Estate Loans

As depicted in Table 10, the institution's residential real estate lending is reasonably dispersed between moderate-, middle-, and upper-income CTs where single-family residential housing is primarily available. Specifically, the bank originated 3 percent by number of residential real estate loans in moderate-income CTs, compared to 12 percent of families located in moderate-income CTs, as reported by the U.S. Census Bureau. Management indicated that there are few single-family residences available in the moderate-income CTs, and that the housing units are mainly comprised of rental units or government-subsidized housing units. The bank originated 89 percent in middle-income CTs, compared to 81 percent of families located in middle-income CTs; and 8 percent by number in upper-income CTs, compared to 7 percent of families located in upper-income CTs. Overall, the institution's level of penetration in lending to residential real estate borrowers in these geographies is reasonable.

Table 10 – Distribution of Residential Real Estate Loans by Income Category of the Geography					
Geography	Families in the Assessment Area	Distribution of Residential Real Estate Loans Sampled			
	%	#	%	\$ (000s)	%
Moderate	12	1	3	35	2
Middle	81	32	89	1,277	90
Upper	7	3	8	113	8
Total	100	36	100	1,425	100

Source: Examiner Sampling and 2000 U.S. Census Bureau Data.

Based upon the above information presented for each performance criteria, the institution displays a reasonable record of lending to agricultural, commercial, and residential real estate borrowers in its assessment area. There was no evidence from management or community contact discussions, or review of the bank's lending decisions to indicate that the institution is not willing to serve any particular geography of the assessment area.

Response to CRA-Related Complaints

Examiners are required to review the institution's response to any substantiated complaints. If the institution receives any written comments from the public relating to its CRA performance, they will be found in its CRA public file along with the institution's response. Comments and responses for the preceding two calendar years will be maintained in the institution's CRA public file, except for those comments that reflect adversely on the good name or reputation of any persons other than the institution.

A review of the bank's CRA public file and discussions with management revealed that the institution has not received any CRA-related complaints since the previous CRA evaluation.

Compliance With Anti-discrimination Laws and Regulations

Examiners are required to take into consideration the institution's compliance with fair lending laws when assigning a CRA rating.

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the evaluation.