



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 8, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lee County Bank & Trust, National Association  
Charter Number 22123

801 Avenue F  
Fort Madison, IA 52627

Office of the Comptroller of the Currency

North Central Illinois and Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2532

**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.

## **INSTITUTION'S CRA RATING**

**Lee County Bank & Trust, N.A. (LCBT) is rated Satisfactory.**

- The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- A majority of the bank's primary loan products were made within the bank's assessment area (AA).
- LCBT's net average loan-to-deposit ratio is outstanding given the bank's size, financial condition, and assessment area (AA) credit needs.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses LCBT's record of meeting the credit needs of the communities in which it operates. We evaluated LCBT under the Small Bank performance criterion, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

- The evaluation period for this examination is January 28, 2004, through September 8, 2009.
- LCBT has one AA generating a majority of the bank's loans and deposits. We conducted a full-scope review of the bank's AA.
- The lending test is based on LCBT's primary loan products: residential real estate and commercial loans. We evaluated loans originated from January 1, 2007, through June 30, 2009 under the lending test.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, so the bank does not maintain income data on residential real estate borrowers outside of the individual loan files. Consequently, we evaluated the bank's residential real estate performance by selecting a sample of home loans made during the lending test period. We used a sample of commercial loans originated during the same period to evaluate the bank's commercial loan performance.

## **DESCRIPTION OF INSTITUTION**

LCBT is a \$167 million intrastate financial institution located in Fort Madison, along the Mississippi River, in Lee County, Iowa. The main office is located near downtown Fort Madison with a drive-up facility and ATM. There is one branch in West Point as well as

an additional drive-in branch in Fort Madison. LCBT has six ATMs located throughout the AA: four in Fort Madison, and one each in West Point and Wever.

Lee Capital Corp., a one-bank holding company, primarily owns LCBT. The bank has no affiliates. LCBT did not close or open any branch offices since the previous examination.

The bank offers a full range of deposit and loan products and services. LCBT's two primary lending products are residential real estate and commercial lending. These two lending categories account for 85 percent of all loan originations during the lending test evaluation period. We used these two loan products for the analysis of this evaluation. The loan portfolio consists of the following types of loans, consistent with the bank's strategy:

<b>Loan Portfolio Mix</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$53,549	44%
Residential Real Estate Loans	\$53,008	43%
Agricultural Loans	\$11,229	9%
Consumer Loans	\$4,744	4%
Other Loans	\$494	0%
Total Loans	\$123,024	100%

*Source: 6/30/09 Bank Call Report*

There are no financial constraints, legal constraints, or other factors that would hinder the bank's ability to meet the credit needs of its AA. The bank's previous CRA rating as of January 28, 2004 was Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

LCBT has one AA covering six census tracts (CT's). It includes CT's 9901, 9902, 9903, 9904, 9905, and 9911 in Lee County, Iowa. All of the CT's are designated middle-income. There are no low-, moderate-, or upper-income tracts. LCBT's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition within the AA is primarily from a couple of state banks that serve some of the same communities and have a similar business focus. According to the FDIC's Deposit Market Share Report dated June 30, 2008, LCBT ranks first in the Fort Madison, Wever, and West Point area with 30 percent market share.

<b>Demographic Information for AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	100.00	0.00	0.00
Population by Geography	22,249	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	6,732	0.00	0.00	100.00	0.00	0.00
Business by Geography	1,663	0.00	0.00	100.00	0.00	0.00
Farms by Geography	318	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	6,024	15.87	18.61	24.52	41.00	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,077	0.00	0.00	100.00	0.00	0.00
Median Family Income		46,031	Median Housing Value	64,027		
HUD Adjusted Median Family Income for 2009		56,600	Unemployment Rate	2.52%		
Households Below Poverty Level		9%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

## **Economic Data**

The local economy is considered stable. According to July 2009 data, the unemployment rate for Lee County, Iowa is 10.0 percent, which is above or comparable to the state and national unemployment rates of 6.5 and 9.7 percent, respectively. Economic activity is relatively diverse with industries in manufacturing, healthcare, and correctional services. Major employers include Pinnacle Food Group, the Iowa State Penitentiary, Fort Madison Community Hospital, Detroit Tool, BNSF, and the local school district.

While assessing the bank's performance, we contacted an economic development official. The contact indicated that LCBT and other local financial institutions were actively meeting the credit needs of the area. The local banks are willing to participate in various economic development loan programs to meet the needs of the communities. Several projects are under way to entice businesses to the area.

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

LCBT's performance under the lending test is satisfactory.

- The bank has reasonable penetration among borrowers of different income levels and businesses of different sizes.
- The bank originates a majority of their loans within their AA, and their loan-to-deposit ratio is outstanding.

### **Loan-to-Deposit Ratio**

LCBT's net average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly loan-to-deposit ratio averaged 116 percent for the period October 1, 2003 to June 30, 2009. LCBT's net average loan-to-deposit ratio is well above other community banks of similar size and location. The average quarterly loan-to-deposit ratios for five other banks range from 82 to 97 percent over the same time period. The five peer banks are community banks located in Lee County with total assets ranging from \$76 to \$283 million.

### Lending in Assessment Area

A majority of the loans originated by LCBT are to customers from within its AA. LCBT's lending to customers within the AA for all loan types is reasonable. The following table details the bank's lending by number and dollar volume during the evaluation period.

<b>Loans Originated within the AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	17	85%	3	15%	20	\$2,064	77%	\$627	23%	\$2,691
Residential	17	85%	3	15%	20	\$1,334	69%	\$604	31%	\$1,938
Totals	34	85%	6	15%	40	\$3,398	73%	\$1,231	27%	\$4,629

Source: Sample of 20 residential real estate loans and 20 commercial loans originated from 1/1/07 to 6/30/09

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

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

#### Residential Real Estate Loans

The distribution of residential real estate loans to borrowers reflects reasonable penetration among borrowers of different income levels. For low-income borrowers, the bank's lending was reasonable but lower than the area demographics. This is tempered by the excellent penetration to moderate-income borrowers. The lower percentages are also somewhat mitigated due to the fact that the nine percent poverty rate for the AA makes it more difficult for the low-income residents to be able to afford a residential real estate loan. The poverty rate is based on the 2000 Census.

<b>Borrower Distribution of Home Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
<b>Total</b>	16%	9%	19%	26%	25%	20%	40%	45%

Source: Sample of 35 residential real estate loans originated from 1/1/07 to 6/30/09; 2000 Census Data

#### Commercial Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Based on our sample, 75 percent of the bank's commercial loans originated were made to small businesses. Small businesses are those with gross annual revenues of \$1 million or less. Demographic data for the AA shows 63 percent of the businesses reporting revenue data have revenues of \$1 million or less, but a large percentage of businesses do not report revenues. The following table displays the distribution of commercial loans among different-sized businesses.

<b>Borrower Distribution to Businesses in AA</b>				
<b>Business Revenues (or Sales)</b>	<b>&lt;=\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable</b>	<b>Total</b>
% of AA Businesses	63.0%	3.8%	33.2%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	51.7%	48.3%	0%	100%

Source: Sample of 20 commercial loans originated from 1/1/07 to 6/30/09; 2000 Census Data

### **Geographic Distribution of Loans**

A geographic distribution of loans was not performed at this examination. Since all of the geographies are middle-income, the analysis would not be meaningful.

### **Responses to Complaints**

LCBT did not receive any complaints about its performance in helping to meet the credit needs of the AA during this evaluation period.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.