



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 25, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank Midwest, Minnesota Iowa, National Association
Charter Number 13095**

**118 Downtown Plaza
Fairmont, Minnesota 56031**

**Comptroller of the Currency
Sioux Falls Field Office
4900 South Minnesota Avenue, Suite 300
Sioux Falls, South Dakota 57108**

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

This institution is rated “Satisfactory.”

The Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Satisfactory**.

The major factors supporting the bank’s overall CRA rating include:

- The bank’s quarterly net average loan-to-deposit ratio of 89.36 percent is reasonable and reflective of the bank’s willingness to lend.
- A substantial majority of the bank’s loans by number (92 percent) and by dollar volume (91 percent) are located within the bank’s assessment areas.
- Borrower distribution is good, with reasonable performance for agricultural loans and excellent performance for commercial and consumer loans.
- Geographic distribution for all loan types is excellent in the Minnesota assessment area.
- Community development activity levels, particularly qualified investments and the provision of retail services, are good and are responsive to assessment area needs.

The State of Minnesota is rated: **Satisfactory**. This rating is based on good overall borrower distribution and excellent geographic distribution. Community development activities are good.

The State of Iowa is rated: **Satisfactory**. This rating is based on good overall borrower distribution. Community development activities are adequate.

SCOPE OF EXAMINATION

We evaluated the bank’s CRA performance under the Intermediate Small Bank tests.

The evaluation period for the lending test is January 1, 2003 through December 31, 2005. These dates provide for analysis of three full years of data. It also allows for exclusion of the bank’s lending activities at its new branch in New Ulm, Minnesota, which required a change in the bank’s assessment area beginning in 2006. We included lending activities at the bank’s new Spirit Lake branch because there was no change in the bank’s assessment area. The evaluation period for the community development test is October 1, 2002 through March 31, 2006.

We sampled 60 agricultural loans, 59 commercial loans, and 61 consumer loans; these are the bank’s primary products. We gave the most weight to agricultural loans, as they comprise 31 percent of the bank’s loan originations by number and 38 percent by dollar volume during the evaluation period. Commercial loans received moderate weight with originations representing 17 percent by number and 39 percent by dollar volume. Consumer loans received lesser consideration, with originations of 43 percent by number but only 7 percent by dollar volume.

The bank’s overall rating is a blend of its state ratings for Minnesota and Iowa. We weighted the state ratings equally because the bank’s loan volume and branches are evenly dispersed between the two states and the assessment areas’ demographics for income and population are similar.

DESCRIPTION OF INSTITUTION

Bank Midwest, Minnesota Iowa, National Association (Bank Midwest) is a \$441 million financial institution headquartered in Fairmont, Minnesota. Bank Midwest is an interstate bank with nine branch offices and 12 automated teller machines (ATMs) located throughout its assessment areas in Minnesota and Iowa.

Bank Midwest is a subsidiary of Goodenow Bancorporation, a \$445 million one-bank holding company headquartered in Okoboji, Iowa. Corporate activities since the last CRA examination include the addition of two bank branch offices – Spirit Lake, Iowa on August 8, 2005 and New Ulm, Minnesota on October 21, 2005.

Net loans represent 71 percent of total assets at December 31, 2005. By dollar volume, the loan portfolio is comprised of 40 percent agricultural, 29 percent commercial, 21 percent residential, eight percent consumer, and two percent other. Tier 1 Capital totals \$30.5 million.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment areas. Bank Midwest received a "Satisfactory" rating at its prior CRA examination dated January 16, 2003.

DESCRIPTION OF ASSESSMENT AREAS

Bank Midwest has designated assessment areas in Minnesota and Iowa.

The Minnesota assessment area is comprised of Cottonwood, Jackson, and Martin Counties, as well as one census tract each from Brown, Murray, and Redwood Counties, all of which border Cottonwood County. This assessment area contains the bank's branches in Fairmont, Jackson, Windom, and Westbrook, Minnesota. Based on 2000 U.S. Census information, the total population of the assessment area is 54,007 and the median family income (MFI) for the non-metropolitan areas of Minnesota is \$45,925. The 2005 Department of Housing and Urban Development (HUD) estimated MFI increased to \$54,100.

The Iowa North assessment area is comprised of Dickinson and Emmet Counties, as well as three census tracts in Kossuth County. This assessment area contains the bank's branches in Spirit Lake, Okoboji, and Armstrong, Iowa. It is adjacent to the Minnesota assessment area, separated only by the state line.

The Iowa South assessment area is comprised of Sac County, as well as one census tract each from Carroll and Crawford Counties. This assessment area contains the bank's branch in Wall Lake, Iowa and is separated from the Iowa North assessment area by one county, or about 35 miles. Based on geographical proximity and demographic similarity, we combined the Iowa North and Iowa South assessment areas into one Iowa assessment area for our analysis. Based on 2000 U.S. Census information, the total population of the assessment area is 66,349 and the MFI for the non-metropolitan areas of Iowa is \$43,887. The 2005 HUD estimated MFI increased to \$52,650.

The following table summarizes the income levels of census tracts and families in the bank's assessment areas:

Income Distribution of Census Tracts and Families								
Assessment Area	Number of Census Tracts				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Minnesota	0	2	15	0	18%	22%	28%	32%
Iowa	0	0	21	1	16%	21%	28%	35%
Totals	0	2	36	1	18%	21%	28%	33%

Source: 2000 U.S. Census Data.

The assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Economic conditions in the assessment areas are good. Major industries include: agricultural production, retail trade, government employment, and tourism (Lake Okoboji/Spirit Lake). As of December 2005, the national unemployment rate of 5.1 percent exceeded the unemployment rates for the states of Minnesota (4.0 percent) and Iowa (4.6 percent). The average unemployment rate in the bank's Minnesota (4.5 percent) and Iowa (4.4 percent) assessment areas approximate those for the entire state.

Competition from other financial institutions is strong. There are 45 financial institutions serving the bank's Minnesota assessment area; Bank Midwest ranks second with deposit market share of 9.3 percent. There are 44 financial institutions serving the bank's Iowa assessment area; Bank Midwest ranks first with deposit market share of 6.4 percent. There is no clear leader in either assessment area as all financial institutions are below ten percent deposit market share.

We did not identify any unmet credit needs in either of the bank's assessment areas. We contacted two individuals from local economic development organizations. Assessment area credit needs are typical of those in most small cities and rural areas, including small farm, small business, residential, and consumer credit products.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

Loan-to-Deposit Ratio

Bank Midwest's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 89.36 percent over 14 quarters from September 30, 2002 to December 31, 2005, with a quarterly low of 82.08 percent and a quarterly high of 95.74 percent.

The bank's net loan-to-deposit ratio compares favorably with other community banks of similar size (total assets \$200 million to \$500 million), location, and product offerings. Bank Midwest ranks fifth among a total of nine similarly situated banks serving the assessment areas. The other eight banks had quarterly average net loan-to-deposit ratios averaging 89.15 percent and ranging from 74.14 percent to 104.37 percent over the 14 quarters from September 30, 2002 to December 31, 2005.

Lending in Assessment Areas

Bank Midwest originates a substantial majority of its loans to borrowers located within its defined assessment areas. Approximately 92 percent by number and 91 percent by dollar volume of loans were made to farms, businesses, and individuals located within the bank's assessment areas.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	57	95%	3	5%	60	\$3,635	98%	\$66	2%	\$3,701
Commercial	54	92%	5	8%	59	\$8,299	88%	\$1,118	12%	\$9,417
Consumer	54	89%	7	11%	61	\$479	91%	\$45	9%	\$524
Totals	165	92%	15	8%	180	\$12,413	91%	\$1,229	9%	\$13,642

Source: Sample of loans.

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

Borrower distribution of loans in the Minnesota assessment area is good. The percentage of the bank's loans originated to farms with revenues of \$1 million or less is reasonable, with performance near the assessment area demographic. The percentage of the bank's loans originated to businesses with revenues of \$1 million or less and to low- and moderate-income borrowers is excellent, significantly exceeding assessment area demographics in both cases.

Borrower Distribution of Loans to Farms in Minnesota Assessment Area				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Not Reported	Total
% of Farms	97%	2%	1%	100%
% of Bank Loans by #	93%	7%	0%	100%
% of Bank Loans by \$	95%	5%	0%	100%

Source: Sample of loans; 2005 Dun & Bradstreet data.

Borrower Distribution of Loans to Businesses in Minnesota Assessment Area				
Business Revenues	≤\$1,000,000	>\$1,000,000	Not Reported	Total
% of Businesses	62%	4%	34%	100%
% of Bank Loans by #	75%	14%	11%	100%
% of Bank Loans by \$	91%	7%	2%	100%

Source: Sample of loans; 2005 Dun & Bradstreet Data.

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Households	% of Number of Loans	% of Households	% of Number of Loans	% of Households	% of Number of Loans	% of Households	% of Number of Loans
Minnesota	24%	52%	19%	24%	22%	20%	35%	4%
Iowa	22%	30%	19%	30%	22%	22%	37%	18%

Source: Sample of loans; 2000 U.S. Census data.

Borrower distribution of loans in the Iowa assessment area is good. The percentage of the bank's loans originated to farms with revenues of \$1 million or less is reasonable. While the bank's performance (74 percent) is below the assessment area demographic (96 percent), bank loans originated with no reported revenue information comprised 19 percent of the sample. Most of these loans were of small amount and originated to customers with small farm operations; it would be reasonable to assume that most of these farms would have revenues of \$1 million or less if revenue information was available. The percentage of the bank's loans originated to businesses with revenues of \$1 million or less and to low- and moderate-income borrowers is excellent, significantly exceeding assessment area demographics in both cases.

Borrower Distribution of Loans to Farms in Iowa Assessment Area				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Not Reported	Total
% of Farms	96%	2%	2%	100%
% of Bank Loans by #	74%	7%	19%	100%
% of Bank Loans by \$	54%	15%	31%	100%

Source: Sample of loans; 2005 Dun & Bradstreet data.

Borrower Distribution of Loans to Businesses in Iowa Assessment Area				
Business Revenues	≤\$1,000,000	>\$1,000,000	Not Reported	Total
% of Businesses	61%	5%	34%	100%
% of Bank Loans by #	74%	19%	7%	100%
% of Bank Loans by \$	46%	40%	14%	100%

Source: Sample of loans; 2005 Dun & Bradstreet data.

Geographic Distribution of Loans

Geographic distribution of agricultural, commercial, and consumer loans is excellent in the Minnesota assessment area. In all cases, the bank's percentage of loans originated in moderate-income census tracts exceeds or substantially exceeds the applicable demographic comparator, as shown in the following tables:

Geographic Distribution of Farm and Business Loans in Minnesota Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Farms or Businesses	% of Number of Loans	% of Farms or Businesses	% of Number of Loans	% of Farms or Businesses	% of Number of Loans	% of Farms or Businesses	% of Number of Loans
Agricultural	0%	0%	3%	3%	97%	97%	0%	0%
Commercial	0%	0%	20%	29%	80%	71%	0%	0%

Source: Sample of loans; 2005 Dun & Bradstreet data.

Geographic Distribution of Consumer Loans in Minnesota Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Households	% of Number of Loans	% of Households	% of Number of Loans	% of Households	% of Number of Loans	% of Households	% of Number of Loans
Consumer Loans	0%	0%	16%	37%	84%	63%	0%	0%

Source: Sample of loans; 2000 U.S. Census data.

Analysis of lending by geographic distribution is not meaningful for the Iowa assessment area as it contains only middle- and upper-income census tracts.

Responses to Complaints

Bank Midwest has not received any CRA-related complaints.

Community Development Test

Number and Amount of Community Development Loans

Community development lending levels are minimal. Bank Midwest originated one qualifying community development loan for \$10,000 during the evaluation period. This loan provided residential construction financing for an affordable housing organization in Fairmont, Minnesota. Opportunities for community development lending are somewhat limited in the bank's assessment areas as they are primarily rural in nature.

Number and Amount of Qualified Investments

The bank's volume of qualified investments and donations is good. Bank Midwest invested in four qualifying municipal revenue bonds:

- \$850,000 to fund the installation of fiber optic communications in Windom, Minnesota. This stabilizes a moderate-income census tract as broadband technology is necessary to retain existing businesses and to attract new businesses to the area.
- \$705,000 to fund improvements to the hospital in Windom, Minnesota. This essential health care facility is located in a moderate-income census tract.
- \$920,000 to fund electrical improvements in Windom, Minnesota. This stabilizes a moderate-income census tract as basic utility infrastructure is essential to the community.
- \$190,000 to fund sewer improvements in Wall Lake, Iowa. This stabilizes an underserved middle-income census tract as basic utility infrastructure is essential to the community.

The bank invested \$100,000 in a small business investment corporation (SBIC) that promotes economic development by providing venture capital loans to businesses throughout the United States, including Minnesota and Iowa. Bank Midwest also made 15 donations totaling \$14,885, most of which were to organizations that support the provision of services to low- and moderate-income individuals, including victims of Hurricane Katrina.

Extent to which the Bank Provides Community Development Services

Retail services are very accessible to individuals of different income levels. The percentage of branch offices (50 percent) and ATMs (57 percent) located in moderate-income census tracts in the Minnesota assessment area substantially exceed the percentage of the population residing in moderate-income census tracts (15 percent). The Iowa assessment area does not contain any moderate-income census tracts, but branch offices and ATMs there are also accessible. During the evaluation period, Bank Midwest opened two branches: Spirit Lake, Iowa (included in analysis above) is located in a middle-income census tract and New Ulm, Minnesota (not included in the analysis above) is located in an upper-income census tract.

Community development service levels are good, and are responsive to community needs. Bank officers and employees provided technical assistance and financial expertise to 12 organizations in Minnesota and 10 in Iowa, with a heavy emphasis on economic development organizations in several cities throughout the assessment areas. For example, an employee in Wall Lake, Iowa served as a charter member of a local committee to bring a new bio-diesel production plant to the city. This plant opened in 2006 and brought several jobs to the community, which in turn strengthens the entire city. Wall Lake is located in an underserved middle-income census tract.

In addition, personnel at branches in both states presented community seminars focused on identity theft solutions and homeownership qualifications, including available state programs.

Bank's Responsiveness, through Community Development Activities, to Community Development Lending, Investment, and Services Needs

Bank Midwest is responsive to community development needs throughout its assessment areas. Community development activities during this evaluation period focused on stabilization of moderate-income and underserved middle-income census tracts, economic development, and involvement in organizations that provide services to low- and moderate-income individuals.

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.