



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 5, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Landmands National Bank
Charter Number 9619**

**201 South Division Street
Audubon, Iowa 50025**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154**

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

<u>INSTITUTION'S CRA RATING</u>	1
<u>DESCRIPTION OF INSTITUTION</u>	1
<u>DESCRIPTION OF ASSESSMENT AREA</u>	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	2

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Landmands National Bank (LNB) meets the credit needs of its assessment area. The bank's primary lending activities are to agriculture, small business, residential real estate, and consumer borrowers.

- LNB's lending level is reasonable, given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of the bank's loans are within its assessment area.
- Lending to borrowers of different income levels is satisfactory. The bank has good penetration of residential real estate loans to low- and moderate-income borrowers. In addition, the bank does a good job lending to farms of different sizes.
- The geographic distribution of loans within the assessment area reflects a good dispersion throughout the bank's assessment area, including the moderate-income tract.

DESCRIPTION OF INSTITUTION

LNB is a \$51 million bank located in Audubon County in west-central Iowa. The bank is 94% owned by Viking Corporation, a \$142 million two-bank holding company. The bank's main office is located in Audubon, Iowa. The bank operates a full service branch in Kimballton, which is about ten miles southwest of Audubon. In addition, the bank owns a cash dispensing automated teller machine (ATM) at a local convenience store in Audubon.

LNB offers traditional loan and deposit products. As of September 30, 2001, the bank's loan portfolio totaled 74% of total assets. The loan portfolio consisted of 43% agricultural loans, 31% consumer loans, 15% commercial loans, and 11% residential real estate loans. Non-local agricultural lease participations purchased from an affiliated company make up 50% of the bank's agricultural loan portfolio. In addition, the loan portfolio consists of a large non-local credit card pool, which is 77% of the bank's consumer loan volume.

The bank has no legal or financial impediments that prevents it from fulfilling its obligations under the Community Reinvestment Act (CRA). LNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated June 30, 1997.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA consists of all of Audubon County and the eastern portion of Shelby County excluding the town of Harlan. The AA consists of three middle-income block numbering areas (BNAs) and one moderate-income BNA. BNAs 9701 and 9702 in Audubon County and BNA 9601 in Shelby County are middle-income tracts. BNA 9703 in Audubon County is a moderate-income tract. Individuals can refer to the CRA Public File for a map outlining the bank's AA.

According to the 1990 U.S. Census, the total population of the AA is 11,158. The population of Audubon, the largest community in the AA, slipped from 2,524 to 2,382 in the 2000 census. The inflation adjusted 2000 family income is \$45,300 for non-metropolitan statistical areas in Iowa. The median family income for the AA is estimated at \$39,700. The 1990 census estimated 21% of families in the AA were low-income, 22% were moderate-income, 28% were middle-income and 29% were upper-income. The median housing value in the AA is \$25,263 and 67% of housing is owner-occupied.

The population of the area has steadily declined. The population of Audubon County was 9,560 in 1970 compared to the 2000 census estimate of 6,830. The decline in population appears to reflect the consolidation of farm operations and the movement to better employment and wages in metropolitan areas. Agriculture continues to be the primary industry in the area. In addition, the local senior care facility, area schools, and the local hospital are significant employers in the area.

Examiners conducted two community contacts during the CRA examination. The community contacts included a member of the Audubon County Economic Development Corporation and the Kimballton City Counsel. Discussions with the community contacts revealed agricultural, residential real estate, and home improvement loans were the primary credit needs in the area. LNB offers and originates these types of loans.

There are three financial institutions competing for loans and deposits within the AA. These institutions are between \$29 million and \$184 million in total assets.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LNB's average lending level based on the loan-to-deposit (LTD) ratio is reasonable, given the bank's size, financial condition, and AA credit needs. LNB's September 30, 2001 LTD ratio is 84.54%. LNB's quarterly average LTD ratio for the 17 quarters ending June 30, 2001 was 80.19%. The bank's ratio compares favorably to all the banks in the AA with a 17 quarter average LTD ratio of 73.82%, with a range from 64.69% to 81.02%.

Lending in the Assessment Area

The bank's LTD ratio appears favorable when compared to other banks in the AA. However, a significant portion of the bank's loan portfolio consists of purchased non-local leases and a credit card pool.

We concluded the bank originates a majority of its loans within the AA. We sampled 22 residential real estate loans and 20 agricultural loans originated since the last CRA examination to determine if originated loans are originated to individuals and farms in the AA. The bank's participation in leases and credit cards, making up 50% and 77% of agricultural and consumer lending respectively, does not impair local lending. Management views the purchase of these loans as an alternative to traditional investments.

The purchase of these pools has not affected the bank's willingness or ability to lend locally. The vast majority of residential real estate loans and agricultural loans originated are within the AA. An analysis of lending shows local commercial, residential real estate, consumer, and agricultural loans have increased an average of 162% since the last examination. The volume of leases and the credit card pool are unchanged since the June 30, 1997 examination.

An analysis of real estate mortgages filed in 2000 revealed that LNB originated 19% of all real estate mortgages filed in the county, more than any other financial institution. The table below shows the number, dollar volume, and corresponding percentages of the residential real estate loan sample.

RESIDENTIAL REAL ESTATE LENDING AREA WITHIN THE ASSESSMENT				
	# of Loans	% of Total #	\$ of Loans	% of Total \$
Inside AA	20	91%	\$841,454	88%
Outside AA	2	9%	\$111,506	12%
Totals	22	100%	\$952,960	100%

The non-local agricultural leases are purchased from an affiliate and if they were within the AA it was coincidental. Fifty percent of agricultural loans are purchased leases.

We sampled 20 agricultural loans totaling \$844,143 that were originated since the last examinations. One hundred percent of the loans were within the AA. In addition, a sample of 32 locally generated consumer loans showed that 81% of the loans by number were within the AA.

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

LNB has a satisfactory record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$844,143 to determine the bank's lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated since the last CRA examination. The majority of the bank's lending was to borrowers with small and moderate sized operations, those with less than \$500,000 in gross annual revenue, and approximates the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Farms in AA
\$0-\$100,000	6	30%	\$ 78,675	9%	60%
\$100,001-\$500,000	12	60%	\$611,972	73%	32%
\$500,001-\$1,000,000	1	5%	\$ 12,500	1%	7%
> \$1,000,000	1	5%	\$140,996	17%	1%
Totals	20	100%	\$844,143	100%	100%

LNB's record of lending to individuals of different income levels is good, given AA demographics. LNB originated 45% of its loans to low- and moderate-income borrowers, while only 44% of AA families are low- or moderate-income. The bank made two residential real estate loans to individuals whose income is below the poverty level. This is very good since many low-income families cannot afford conventional housing. We reviewed a sample of 20 residential real estate loans totaling \$813,064 to determine the bank's lending to individuals of different income levels. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since the last CRA examination. The following table shows the breakdown of loans to individuals as compared to the AA demographics.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income level	# of loans	% of total #	\$ of loans	% of total \$	% of Families in the AA
Low	5	25%	\$174,448	22%	21%
Moderate	4	20%	\$ 51,608	6%	23%
Middle	5	25%	\$186,767	23%	27%
Upper	6	30%	\$400,241	49%	29%
Totals	20	100%	\$813,064	100%	100%

Geographic Distribution of Loans

LNB has a satisfactory record of providing agricultural loans throughout the AA. We sampled 20 agricultural loans totaling \$844,143 to determine the dispersion throughout the AA. All of the loans in this sample were made to farms located within the bank's AA and were originated since the last CRA examination. We compared our data to the percentage of farms located in each tract. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

AGRICULTURAL BORROWERS SAMPLE					
BNA	# of Loans	% of Total #	\$ of Loans	% of Total \$	% of Farms in the AA
9701, (middle)	8	40%	\$237,645	28%	40%
9702(middle)	3	15%	\$175,918	21%	8%
9601(middle)	5	25%	\$230,526	27%	35%
9703(moderate)	4	20%	\$200,054	24%	17%
Totals	20	100%	\$844,143	100%	100%

LNB has a good record of providing residential real estate loans to individuals throughout the AA, given the bank's size, location, and competition. We sampled 20 residential real estate loans totaling \$841,454 to determine the bank's dispersion throughout the AA. All the loans in this sample were made to individuals within the AA. We compared our data to the percentage of AA owner-occupied housing units by BNA. The following table shows the number, dollar volume, and corresponding percentages of the residential real estate loan sample.

RESIDENTIAL REAL ESTATE BORROWERS SAMPLE					
BNA	# of loans	% of Total #	\$ of Loans	% of Total \$	Owner occupied houses in AA
Middle Income	16	80%	\$708,078	84%	80%
Moderate Income	4	20%	\$133,376	16%	20%
Totals	20	100%	\$841,454	100%	100%

Responses to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination dated June 30, 1997.

Fair Lending Review

An analysis of 1998 and 1999 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.