

**SMALL BANK**

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

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**PUBLIC DISCLOSURE**

**April 03, 2006**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Landmands National Bank  
Charter Number 9619**

**201 South Division  
Audubon, Iowa 50025**

**Comptroller of the Currency  
Omaha North Field Office  
13710 FNB Parkway #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.**

## **INSTITUTION'S CRA RATING:**

### **This institution is rated Satisfactory.**

Landmands National Bank (LNB) does a satisfactory job of meeting the credit needs of its assessment area (AA). The bank's primary lending activities are to agricultural and consumer borrowers.

- LNB's lending level is satisfactory given the institution's size, financial condition, and the AA's credit needs.
- A majority of the bank's loans are within its AA.
- Lending to farms of different sizes is satisfactory.
- The bank's geographic distribution of loans within the AA is satisfactory.

## **DESCRIPTION OF INSTITUTION**

LNB is a \$58 million bank located in Audubon County in west-central Iowa. The bank is 97% owned by Viking Corporation, a \$178 million, two-bank holding company in Omaha, Nebraska. The bank's main office is located in Audubon, Iowa. The bank operates a full service branch in Kimballton, Iowa. The bank does not have any deposit-taking automated teller machines. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

LNB offers traditional loan and deposit products. As of December 31, 2005, the bank's loan portfolio totaled 78% of total assets. The loan portfolio consisted of 47% agricultural, 24% consumer, 23% commercial, and 6% residential real estate loans based on outstanding dollars. LNB also purchases agricultural leases and credit card pools from an affiliated company. As of December 31, 2005 the leases represented 27% of the bank's gross loan portfolio, while the credit cards represented 19%. The following table shows the breakdown of loans originated and purchased since the last CRA examination.

<b>Loan Portfolio Originations</b>		
<b>Loan Type</b>	<b>Originated Loans by Dollars</b>	<b>Originated Loans by Number</b>
Agricultural Loans	64%	40%
Consumer Loans	11%	43%
Business Loans	14%	11%
Residential Loans	11%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Source: Bank reports.*

LNB has no legal or financial impediments that prevent it from fulfilling its obligations under

the CRA. LNB was rated Satisfactory at the last CRA examination dated November 5, 2001.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The bank's AA consists of four contiguous census tracts (CTs). The bank's AA consists of CTs 9701, 9702, and 9703 in Audubon County and CT 9601 in Shelby County. Three (75%) of the CTs are middle-income geographies and one (25%) CT is a moderate-income geography. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AA.

According to the 2000 U.S. Census, the total population of the AA is 10,454. The 2000 U.S. Census estimated 16% of families in the AA were low-income, 24% moderate-income, 27% middle-income, and 33% upper-income. Nine percent of the AA households are below the poverty level. The 2004 weighted average updated median family income is \$34,552 for non-metropolitan statistical areas in Iowa. The median housing value in the AA is \$63,149, and 73% of housing is owner-occupied.

The local economy is stable. Unemployment is low at less than 2%. Agriculture and related industries, local schools and hospitals, and some light industry provide the main employment sources in the area. There are seven other similarly situated financial institutions with branches within Audubon and Shelby counties. These institutions range in size from approximately \$23 million to \$509 million in total assets. These institutions, along with the Farm Services Administration and local agricultural equipment dealers, provide the primary competition to LNB.

Examiners made one community contact with a county official during the CRA examination. The community contact revealed that agricultural, small business, and residential real estate loans are the primary credit needs within the community. LNB offers and originates these types of loans. The community contact felt that the credit needs of the community were being met.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

LNB's average lending level is satisfactory. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. LNB's December 31, 2005 net LTD ratio was 88%. LNB's quarterly average LTD ratio for the 17 quarters ending December 31, 2005 was 83%. LNB's average LTD ratio reasonably compares to the average LTD ratio of the seven similarly situated banks in the AA. These seven banks have a 17-quarter average LTD ratio of 92%, and a range of 73% to 107%. All banks with locations within Audubon and Shelby Counties were used as similarly situated banks for comparison, except one large national institution with only one branch location in the AA.

### **Lending in Assessment Area**

LNB originates a majority of its loans within the AA. We reviewed a sample of 20 agricultural and consumer loans to determine the bank's lending performance within the AA. All of the loans were originated between January 8, 2002 and March 31, 2006.

We found that 17 loans, or 85% of agricultural and consumer loans were originated within the AA. Also, \$444,926, or 84% of loan volume, was originated within the AA. The table below shows the level of lending in and out of the AA.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	7	70%	3	30%	10	\$320,045	79%	\$86,242	21%	\$406,287
Consumer	10	100%	0	0%	10	\$124,881	100%	\$0	0%	\$124,881
<b>Totals</b>	<b>17</b>	<b>85%</b>	<b>3</b>	<b>15%</b>	<b>20</b>	<b>\$444,926</b>	<b>84%</b>	<b>\$86,242</b>	<b>16%</b>	<b>\$531,168</b>

Source: Loan sample.

### **Lending to Farms of Different Sizes and Borrowers of Different Incomes**

The bank has a satisfactory record of lending to farms of different sizes and borrowers of different incomes. In concluding overall performance was satisfactory, weight was given to the bank's agricultural lending as the bank does not regularly collect income information on consumer loans. The following is information on each sample.

#### Farm Loans

LNB has a satisfactory record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans 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 between January 1, 2004 and March 31, 2006.

LNB originated 95% of agricultural loans by number, and 99% by loan volume, to farm operations with gross annual revenues less than \$1,000,000. LNB's lending reasonably compares to the 2002 Census of Agricultural Data, which shows 97% of AA farms with gross annual revenues of less than \$1,000,000. The following table shows the breakdown of loans to farms as compared to the AA demographics.

<b>Borrower Distribution of Loans to Farms in Assessment Area</b>		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	97%	2%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	99%	1%

Source: Loan sample, U.S. Census data.

\* 1% of AA farms did not report revenue.

#### Consumer Loans

We did not complete an analysis of LNB’s lending to consumers of different incomes. A sample of consumer loans revealed that the bank does not collect current income information on a significant majority of consumer loans. Due to the lack of consumer income information, the analysis was not meaningful.

### Geographic Distribution of Loans

The bank has a satisfactory record of lending to borrowers in different income tracts. The volume of loans to customers in moderate-income CTs is comparable to the AA demographics. Below is information on each sample.

#### Farm Loans

LNB’s record of lending to agricultural borrowers in different income tracts is satisfactory. We reviewed a sample of 20 agricultural loans to determine if the bank is lending in different income tracts. All of the loans in this sample were located in the AA and were originated between January 1, 2004 and March 31, 2006. The bank’s AA does not include any low- or high-income CTs.

LNB originated 10% of agricultural loans to farms in moderate-income census tracts compared to 15% of AA farms in moderate-income census tracts. The following table shows the breakdown of loans as compared to the AA demographics.

Geographic Distribution of Loans to Farms in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms
Agricultural	0%	0%	10%	15%	90%	85%	0%	0%

*Source: Loan sample, U.S. Census data.*

#### Consumer Loans

LNB’s record of lending to individual borrowers in different income tracts is satisfactory. We reviewed a sample of 20 consumer loans to determine if the bank is lending in different income tracts. All of the loans in this sample were located in the AA and were originated between January 1, 2004 and March 31, 2006. The bank’s AA does not include any low- or high-income census tracts.

LNB originated 20% of consumer loans to individuals in moderate-income census tracts. This is compared to 18% of AA households in moderate-income census tracts. The following table shows the breakdown of loans as compared to the AA demographics.

Geographic Distribution of Consumer Loans in Assessment Area
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Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Households						
Consumer	0%	0%	20%	18%	80%	82%	0%	0%

*Source: Loan sample, U.S. Census data.*

### **Community Development Loans**

The bank originated 85 community development loans during the evaluation period. The loans totaled \$342,333. These loans were used to rehabilitate homes in and out of the AA. These home improvements benefit low- and moderate-income individuals, as eligibility is determined using income restriction guidelines.

### **Responses to Complaints**

The Office of the Comptroller of the Currency and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated November 5, 2001.

### **Fair Lending or Other Illegal Credit Practices Review**

A review of LNB's compliance with the anti-discrimination requirements of the Fair Housing Act, the Equal Credit Opportunity Act, and Regulation B was completed June 10, 2004. The analysis focused on loans secured by automobiles made since January 1, 2003, comparing denied individual female applicants to approved individual male applicants.

The examination revealed no evidence of illegal discrimination or violations of fair lending laws and regulations. Our comparative file analysis did not identify any instances of similarly situated loan applicants receiving different loan outcomes or preferential treatment on a prohibited basis.