



SMALL BANK

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

PUBLIC DISCLOSURE

November 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**United Bank & Trust National Association
Charter Number 24346**

**2101 South Center Street
Marshalltown, Iowa 50158**

**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.

INSTITUTION'S CRA RATING

This institution is rated satisfactory.

- The bank's lending level is reasonable given its size, financial condition, and the credit needs of the assessment area (AA).
- The significant majority of the bank's loans are within the AA.
- The bank's lending to businesses of different sizes and residential borrowers of different income levels is satisfactory.
- The bank's geographic distribution of loans within the AA is reasonable.
- The bank has not received any formal complaints related to its Community Reinvestment Act (CRA) performance.

DESCRIPTION OF INSTITUTION

United Bank & Trust National Association (UBT) is an \$80 million bank serving Marshall County, Iowa. The bank is located on South Center Street, the main north-south thoroughfare in Marshalltown, Iowa. The bank opened as a de novo bank on June 29, 2002. The bank operates one automated teller machine (ATM). It is a deposit-taking ATM and is located in the drive-up at the main office. The bank is wholly owned by Ames National Corporation, a \$777 million holding company headquartered in Ames, Iowa.

As of September 30, 2004, UBT had \$43.4 million in credit extended to borrowers. The bank has no legal or financial impediments limiting its ability to meet area credit needs. UBT's loan portfolio comprised 54% of total assets. UBT's primary loan products are commercial and residential loans by loan volume. The following table shows the percentage of each loan type originated from December 31, 2002 through November 8, 2004.

Loan Portfolio Originations		
Loan Type	Originated Loans by Dollars	Originated Loans by Number
Agricultural Loans	2%	2%
Commercial Loans	42%	13%
Consumer Loans	9%	46%
Residential RE Loans	43%	39%
Other Loans	4%	0%

Source: UBT's loan trial balance and residential loans sold report.

This examination is the initial assessment of UBT's performance under the CRA.

DESCRIPTION OF ASSESSMENT AREA

UBT has one AA, which is Marshalltown and surrounding Marshall County. The AA meets the legal requirements of CRA. Individuals can refer to UBT's CRA public file for a map outlining the bank's AA.

The AA consists of all ten-census tracts (CTs) in Marshall County in central Iowa. Seven of the ten CTs are considered middle-income tracts. Two CTs are upper-income tracts. One CT, number 9505, is considered a moderate-income tract.

The total population of the AA is 39,311 with a weighted average updated median family income of \$50,800. The area includes 15,323 households of which 10% are below the poverty level. AA family incomes are 16% low-income, 18% moderate-income, 25% middle-income, and 41% upper-income. The weighted median housing value in this AA is \$70,404 and 69% of households are owner-occupied.

Major employers in the area include Swift & Company, Fisher Controls International, and Lennox Manufacturing, Inc. Major nonprofit employers are Iowa Veteran's Home and Marshalltown Medical and Surgical Center. Marshalltown Community College, which has approximately 1,600 students, is the community's source of secondary education. The community college and Marshalltown Community School District provide additional sources of employment.

Examiners made one community contact for the AA during the performance period. The contact represented a local business organization. The contact revealed commercial loans as the primary credit need for the area. Additionally, residential and consumer loans were identified as credit needs. Loans to upgrade the quality of the current home stock are needed along with new home loan financing. UBT offers and originates business and residential loans.

The bank faces heavy competition in the AA. There are 11 other financial institutions and 3 credit unions with offices in the bank's AA. We compared the bank's lending performance to six community banks we considered similarly situated. All community banks with the majority of their offices and deposits in Marshall County were considered similarly situated banks.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

UBT's loan-to-deposit (LTD) ratio is reasonable given the bank's products and services, the credit needs of the area, and the demographics of the AA. Also, the lending level is reasonable when you consider the bank was established in June 2002. The bank's average LTD ratio over the past eight quarters since the bank opened is 54%. As of June 30, 2004, the bank's LTD ratio improved to 62%.

The bank's quarterly LTD average is below the average of six similarly situated banks in the AA of 82%. The LTD ratios of the similarly situated banks ranged from 68% to 104%. However, UBT's LTD ratio would be 76% when considering the \$8,700,000 in residential loans originated

for the secondary home loan market. The bank also has \$16,500,000 in commercial loans sold to affiliates and other banks.

Lending in Assessment Area

UBT originates a significant majority of its loans within the AA. We reviewed a sample of commercial and residential loans to determine the bank's lending performance to businesses and homeowners within the AA. All the loans sampled were originated in 2003 and 2004. The table below lists the in/out ratios by number of loans and volume of loans sampled.

Lending in the Assessment Area										
Commercial & Residential Loans	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	18	90%	2	10%	20	\$1,817	70%	\$780	30%	\$2,597

Source: Loan sample.

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

Overall, UBT has a satisfactory record of lending to business of different sizes and residential borrowers of different income levels within the bank's AA. The paragraphs below detail the bank's lending performance by loan type.

Commercial Loans

UBT has an outstanding record of lending to commercial borrowers of different sizes. We reviewed 20 commercial loans totaling \$1,874,000 to determine the bank's performance. All of the loans in the sample were made to business borrowers located within the bank's AA and were originated since December 31, 2002. Lending levels, given the demographics of the AA, reflect an outstanding penetration among smaller business borrowers. Twelve of twenty loans we sampled had business revenues below \$250,000, and sixteen of twenty had revenues under \$1,000,000. The table below demonstrates the breakdown of loans to businesses within the AA compared to the 2003 Business Geodemographic Data.

Borrower Distribution of Loans to Businesses in Assessment Area			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Businesses Not Reporting Revenue Data
% of AA Businesses	62%	5%	33%
% of Bank Loans in AA by #	80%	10%	10%
% of Bank Loans in AA by \$	92%	5%	3%

Source: Loan sample and 2003 Business Geodemographic Data.

The bank originated three business loans totaling \$1,534,000 with the Small Business Administration 7A and 504 Loan Programs to assist small business owners.

Residential Loans

The following table shows the bank’s performance in making residential loans compared to the income demographics within the AA. The 2000 census data shows 16% of families are low-income, 18% moderate-income, 25% middle-income, and 41% upper-income families. The bank’s lending to borrowers of different incomes is satisfactory. The average house value in the AA has increased to \$70,404. Low-income families generally have a more difficult time qualifying for residential mortgage loans of this size.

Borrower Distribution of Residential Real Estate Loans in Assessment Area								
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
Residential RE	16%	5%	18%	35%	25%	35%	41%	25%

Source: Loan sample and 2000 U.S. Census Data.

To enhance its residential lending, UBT implemented a First Time Home Buyer program in late 2003. They have made seven loans since implementing the program. Total funds advance were \$467,000.

Geographic Distribution of Loans

To ensure UBT is lending in low- and moderate-income CTs, we completed a geographic distribution analysis. The bank’s AA includes one moderate-income CT. This tract is located on the northern part of Marshalltown. The remaining nine CTs, or 90% of the CTs, in the bank’s AA are middle- and upper-income. Although only three loans in our commercial and residential samples were to borrowers in the moderate-income CT, geographic distribution in the AA is reasonable. The paragraphs below detail the geographic distribution for each loan type sampled.

Commercial Loans

Commercial loan distribution is excellent. We sampled 20 business credits from within the AA and found 10% of the loans were made to businesses in the moderate-income tract. This compares favorably to 9% of business located in that tract.

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans
Business Loans	0%	0%	9%	10%	65%	55%	26%	35%

Source: Loan sample and 2003 Business Geodemographic Data.

Residential Loans

Residential loan distribution is satisfactory. The sample revealed UBT originated loans in nine of ten census tracts in the AA. UBT is providing residential loans in rural Marshall County in towns like LeGrand, Liscomb, and State Center. Also, UBT is making residential loans in the AA's only moderate income CT. The bank's penetration in this tract is slightly lower than the percentage of owner-occupied housing in the moderate-income tract (5% versus 8%).

Geographic Distribution of Loans to Residential Borrowers in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing \$	% of Number of Loans	% of AA Owner Occupied Housing \$	% of Number of Loans	% of AA Owner Occupied Housing \$	% of Number of Loans	% of AA Owner Occupied Housing \$	% of Number of Loans
Residential Loans	0%	0%	8%	5%	64%	45%	28%	50%

Source: Loan sample and 2000 U.S. Census Data.

Responses to Complaints

The bank has not received any complaints regarding its CRA performance. Also, the Office of the Comptroller of the Currency has not received any complaints regarding the bank's CRA performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.