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SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 16, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**118 Downtown Plaza
Fairmont, Minnesota 56031**

**Comptroller of the Currency
Minneapolis Field Office
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402**

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.

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INSTITUTION'S CRA RATING

This institution is rated "Satisfactory."

- Bank Midwest, Minnesota Iowa, National Association meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit ratio of 88.66 percent since the bank's last CRA examination.
- A majority of loans by both number (88 percent) and dollar volume (89 percent) are located within the bank's defined assessment areas.
- The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers), small farms, and businesses of various sizes.

DESCRIPTION OF INSTITUTION

Bank Midwest, Minnesota Iowa, National Association (Bank Midwest) is a \$349 million community bank headquartered in Fairmont, Minnesota. The bank has seven branches: Fairmont (main office), Jackson, Windom, and Westbrook in Minnesota; and Okoboji, Armstrong, and Wall Lake in Iowa. The bank acquired the Windom and Westbrook branches through a merger with Bank Midwest of Cottonwood County on October 9, 2000. In addition, Bank Midwest owns and operates nine automated teller machines (ATMs), located in Fairmont (3), Jackson (2), Windom (2), Okoboji (1), and Armstrong (1). All of the ATMs are cash dispensing only.

Bank Midwest's business focus is the offering of traditional community banking products. According to its Report of Condition and Income, the bank has the following outstanding loans by dollar volume on June 30, 2002: agricultural (44 percent), commercial (27 percent), residential real estate (20 percent), consumer (6 percent), and other (3 percent). Net loans total 76 percent of total assets.

The bank is 100 percent owned by Goodenow Bancorporation, a one-bank holding company headquartered in Okoboji, Iowa.

Bank Midwest received a "Satisfactory" rating at its October 5, 1998 CRA examination. This Performance Evaluation assesses the bank's CRA activities from July 1, 1998 through September 30, 2002. There are no financial, legal, or other factors that impede the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

Bank Midwest has identified three assessment areas. The Minnesota assessment area includes all of Jackson, Cottonwood, and Murray Counties, and portions of Martin, Brown, and Redwood Counties. The bank's Fairmont, Jackson, Windom, and Westbrook offices serve the Minnesota assessment area. The Iowa-North assessment area includes all of Dickinson and Emmet Counties, and a portion of Kossuth County. The bank's Okoboji and Armstrong offices serve the Iowa-North assessment area. The Iowa-South assessment area includes all of Sac County and portions of Carroll and Crawford Counties. The bank's Wall Lake office serves the Iowa-South assessment area. The total population of the assessment areas is 113,296 persons, according to 1990 U.S. Census data.

The assessment areas comply with regulatory requirements. They include all Bank Midwest branch offices and ATMs, as well as a majority of the bank's loans. The areas do not arbitrarily exclude any low- or moderate-income block numbering areas (BNAs).

The 2002 Department of Housing and Urban Development (HUD) estimated median family income (MFI) for the non-metropolitan areas of Minnesota and Iowa are \$48,500 and \$49,400, respectively. The following table summarizes the income levels of individual geographies and families located within the bank's assessment areas:

Income Distribution of Geographies and Families								
Assessment Area	Number of Geographies				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Minnesota	0 (0%)	0 (0%)	18 (100%)	0 (0%)	18%	20%	27%	35%
Iowa-North	0 (0%)	0 (0%)	13 (87%)	2 (13%)	17%	20%	28%	35%
Iowa-South	0 (0%)	0 (0%)	6 (100%)	0 (0%)	20%	22%	28%	30%
Total	0 (0%)	0 (0%)	37 (95%)	2 (5%)	18%	21%	27%	34%

Economic conditions in the assessment areas are generally good. Major employers in the assessment areas include agriculture production, meat processing, and manufacturing. According to the U.S. Bureau of Labor Statistics, unemployment levels in the assessment areas are well below the national average of 5.7 percent for August 2002. Minnesota and Iowa statewide unemployment levels are 4.0 percent and 3.5 percent, respectively. All 12 counties included in the bank's assessment areas are below the statewide unemployment levels, with the exception of Martin County, Minnesota (4.5 percent), Jackson County, Minnesota (4.6 percent), and Emmet County, Iowa (4.8 percent).

Although Bank Midwest is one of the largest banks operating in the assessment areas, competition is strong due to a high number of financial institutions operating in the assessment areas. Bank Midwest's deposit market share of 7.5 percent in the 12 counties comprising its combined assessment areas ranks first among 92 financial institutions with offices in the assessment areas.

There are no extraordinary credit needs in any of the assessment areas and examiners did not

identify any unmet credit needs in any of the assessment areas. During the examination we made one community contact with a local trade association representative. The representative did not identify the need for any particular type of credit in the assessment areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

We evaluated the bank's performance based on loans originated from September 30, 1998 through September 30, 2002. We focused our evaluation on the bank's primary product lines in each assessment area; agricultural and consumer for the Minnesota assessment area, agricultural and commercial for the Iowa-North assessment area, and agricultural for the Iowa-South assessment area. The primary products were determined from originations and purchases since the last CRA examination both by dollar volume and number.

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 88.66 percent for the 16 quarters beginning September 30, 1998 and ending June 30, 2002. Bank Midwest's net loan-to-deposit ratio has remained relatively stable over the 16 quarters and totals 93 percent at June 30, 2002.

Bank Midwest's net loan-to-deposit ratio compares favorably with other community banks of similar size (total assets over \$100 million) in the assessment areas. Bank Midwest ranks fourth among 13 similarly situated banks in the assessment area. The other 12 banks had quarterly average net loan-to-deposit ratios averaging 84.5 percent and ranging between 73 percent and 101 percent for the 16 quarters from September 30, 1998 through June 30, 2002.

Lending in Assessment Areas

Bank Midwest originates a majority of its loans to borrowers located within its defined assessment areas. Examiners sampled 100 (20 for each primary product in an assessment area) loans originated between January 1, 2000 and September 30, 2002 for agricultural, commercial, or consumer purposes. About 88 percent by number and 89 percent by dollar volume of the loans sampled were made to borrowers within the bank's assessment areas. The following table shows primary product loans originated inside the assessment areas by number and dollar volume:

Lending in Assessment Areas by Number and Dollar Volume				
Type of Loan	Number	Percent of Number	Dollars (000s)	Percent of Dollars
Agricultural	51 of 60	85%	\$3,032 of \$3,314	91%
Commercial	19 of 20	95%	\$1,025 of \$1,265	81%
Consumer	18 of 20	90%	\$136 of \$145	94%
Total	88 of 100	88%	\$4,193 of \$4,724	89%

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

Overall, the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and to low- and moderate-income individuals.

Agricultural lending in the Minnesota assessment area approximates the community demographics. The largest number of originations was to farms with less than \$250 thousand in gross annual revenues. Examiners sampled 20 loans to agricultural borrowers originated in the Minnesota assessment area from January 1, 2000 to September 30, 2002. The following table compares the bank's agricultural lending activity in the Minnesota assessment area to community demographics:

Borrower Distribution of Agricultural Loans by Revenue Size			
Minnesota Assessment Area			
Revenue (000s)	Number	Percent of Number	1997 Ag Census
<\$50	4	20%	34%
\$50 - \$100	2	10%	17%
\$100 - \$250	9	45%	30%
\$250 - \$500	4	20%	12%
>\$500	1	5%	7%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Agricultural Census Data (1997)

Consumer lending in the Minnesota assessment area is outstanding. Bank Midwest exceeds the community demographics for both low- and moderate-income households. Examiners sampled 20 consumer loans originated in the Minnesota assessment area from January 1, 2000 to September 30, 2002. The following table compares the bank's consumer lending activity by borrower income level to community demographics.

Borrower Distribution of Consumer Loans by Income Level			
Borrower Income Level	Minnesota Assessment Area		
	Number	Percent of Number	Percent of Households
Low	10	50%	24%
Moderate	4	20%	17%
Middle	5	25%	21%
Upper	1	5%	38%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (1990)

Agricultural lending in the Iowa-North assessment area exceeds the community demographics. The largest number of originations was to farms with less than \$50 thousand in gross annual revenues. Examiners sampled 20 loans to agricultural borrowers originated in the Iowa-North assessment area from January 1, 2000 to September 30, 2002. The following table compares the bank's agricultural lending activity in the assessment area to community demographics:

Borrower Distribution of Agricultural Loans by Revenue Size

IA – North Assessment Area			
Revenue (000s)	Number	Percent of Number	1997 Ag Census
<\$50	9	45%	34%
\$50 - \$100	4	20%	17%
\$100 - \$250	3	15%	30%
\$250 - \$500	2	10%	13%
>\$500	2	10%	6%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Agricultural Census Data (1997)

About 75 percent of Bank Midwest’s commercial lending in the Iowa-North assessment area is to businesses with gross annual revenues under \$1 million. While this is below community demographics, 60 percent of the sampled originations were to businesses with less than \$500 thousand in gross annual revenues. Examiners sampled 20 loans to commercial borrowers originated in the Iowa-North assessment area from January 1, 2000 to September 30, 2002. The following table compares the bank’s commercial lending activity to community demographics:

Borrower Distribution of Commercial Loans by Revenue Size			
IA - North Assessment Area			
Revenue (000s)	Number	Percent of Number	Business Data
<\$100	5	75%	92%
\$100 - \$250	4		
\$250 - \$500	3		
\$500 - \$1,000	3		
>\$1,000	5	25%	8%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (1990)

Agricultural lending in the Iowa-South assessment area approximates community demographics. The largest number of originations was to farms with less than \$250 thousand in gross annual revenues. Examiners sampled 20 loans to agricultural borrowers originated in the Iowa-South assessment area from January 1, 2000 to September 30, 2002. The following table compares the bank’s agricultural lending activity in the assessment area to community demographics:

Borrower Distribution of Agricultural Loans by Revenue Size			
IA - South Assessment Area			
Revenue (000s)	Number	Percent of Number	1997 Ag Census
<\$50	5	25%	38%
\$50 - \$100	4	20%	19%
\$100 - \$250	8	40%	25%
\$250 - \$500	2	10%	11%
>\$500	1	5%	7%
Totals	20	100%	100%

Source: Bank records (verified by examiners) and U.S. Agricultural Census Data (1997)

Geographic Distribution of Loans

Analysis of lending by geographic distribution is not meaningful. The assessment areas contain only middle- and upper-income BNAs.

Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

Fair Lending Review

An analysis of 1999, 2000, and 2001 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 examination was performed in 1998.

State Ratings

The individual state ratings for both Minnesota and Iowa are "Satisfactory." There are no material differences in the bank's CRA performance for either state.