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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

**April 21, 1997**

# **Community Reinvestment Act Performance Evaluation**

**Midstates Bank, National Association  
Charter No. 10354**

**812 Durant Street  
Harlan, Iowa 51537**

**Comptroller of the Currency  
Omaha Duty Station  
11606 Nicholas Street  
Omaha, Nebraska 68154**

**Note: 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.**

## General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Midstates Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, as of April 21, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated "Satisfactory."

Midstates Bank, N.A. meets the credit needs of its assessment area. The bank has a reasonable loan-to-deposit (LTD) ratio. The majority of the bank's lending activity is within its assessment area. The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable. The geographic distribution of loans is reasonable.

The following table indicates the performance level of Midstates Bank, N.A. with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Midstates Bank, N.A. Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	NO COMPLAINTS RECEIVED SINCE THE LAST EXAMINATION.		

## **DESCRIPTION OF INSTITUTION**

During 1996, The Harlan National Bank, The First National Bank of Missouri Valley and Citizens National Bank of Avoca merged together to form Midstates Bank, N.A. (MB). MB is a \$132 million financial institution located in south-west Iowa. In addition to its main branch located in Harlan, Iowa, MB has branches in Avoca, Missouri Valley, and Mondamin, Iowa. All branches have drive-up facilities. MB also operates five automated teller machines. These automated teller machines are located in the HyVee store in Harlan, in the Nelsen's Mini-Mart in Avoca, in the Taylor Quick Pick in Missouri Valley, and at the bank's Missouri Valley and Mondamin drive-up facilities. MB is a wholly owned subsidiary of Midstates Bancshares Corporation, a one bank holding company. The holding company had total assets of \$10,468,484 as of December 31, 1996.

The bank offers a number of agricultural, commercial, real estate, and consumer loan products. MB also participates in various guarantee programs such as Farm Services Administration (formerly Farmers Home Administration), Small Business Administration, and student loan programs. The loan portfolio consists of 56% real estate, 24% agriculture, 10% consumer, and 10% commercial.

The bank has no legal or financial impediments which preclude it from fulfilling its obligations under the CRA. The Harlan National Bank received a "satisfactory" rating for the CRA examination dated July 15, 1994. The First National Bank of Missouri Valley received a "satisfactory" rating for the CRA examination dated July 28, 1994. Citizens National Bank received an "outstanding" rating for the CRA examination dated March 11, 1994.

## **DESCRIPTION OF ASSESSMENT AREAS**

MB's assessment area includes all of Shelby County and part of Harrison and Pottawattamie Counties. The area includes one moderate-income and three middle-income Block Numbering Areas (BNA's) in Shelby County, four middle-income BNA's in Harrison County, and one moderate-income and two middle-income Census Tracts (CT's) in Pottawattamie County. All BNAs and CTs are contiguous. The assessment area meets the requirements of CRA. In addition, the Avoca branch is located in a Metropolitan Statistical Area (MSA).

The total population of the assessment area is 37,988 according to the 1990 Census. The 1990 median family income for the area is \$31,132. The 1990 Census reveals that the family income distribution is 24% low-, 19% moderate-, 23% middle-, and 34% upper- income.

Agriculture and agriculture-related businesses are the dominate industries in the assessment area. Construction, services, and manufacturing jobs contribute to the economic viability of the area. The bank and members of the community identified the primary credit needs of the community as agriculture, small business, residential real estate and consumer loans. MB along with eleven other financial institutions operate in a competitive lending and deposit environment within the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

### **Loan to Deposit Ratio:**

MB's average quarterly LTD ratio since the last examination is reasonable and slightly above the average for the eleven financial institutions located within the bank's assessment area. The bank's average quarterly LTD ratio for eleven quarters is 72%. The highest quarterly LTD ratio for bank's located within the assessment area was 88% and the lowest was 40%, with an average of 69%.

### **Lending in the Assessment Area:**

Lending within the bank's assessment area is reasonable. Based on the bank's analysis of all loans originated in 1996, over 80% of the dollar amount and 84% of the number of loans were originated within MB's assessment area or \$64,906,000 and 3,645 loans, respectively.

### **Lending to Borrowers of Different Incomes & to Businesses of Different Sizes:**

Lending to borrowers of different income levels is reasonable. An analysis of a sample of residential real estate loans originated in 1996 which are secured by the borrower's home show 40% of the loans were to low- and moderate-income families. This represents 28% of the dollar amount. This is comparable to the 43% of the population designated as having low- and moderate-incomes. The analysis was based on the 1996 median family income of \$39,427 for the assessment area. The following table summarizes the results of our sample:

<b>LOANS SECURED BY A HOME ORIGINATED IN 1996</b>				
<b>INCOME LEVEL</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
LOW	8	16%	263,841	14 %
MODERAT E	12	24%	271,793	14 %
MIDDLE	12	24%	300,101	16 %
UPPER	18	36%	1,055,582	56 %

Lending to agricultural borrowers of different revenue sizes is reasonable. The bank extended credit to a wide variety of agriculture borrowers based on an analysis of revenues. The gross revenue sizes for a sample of 30 agriculture borrowers, who obtained loans in 1996, ranged from \$3,000 to \$1,014,000. The dollar amount of the loans ranged from \$1,000 to \$100,000. The number and dollar amount of agriculture loans were fairly evenly distributed over the entire range of revenue sizes. Our sample revealed that 47% of these loans were to borrowers with revenues less than \$100,000. The average loan size for the entire sample was \$28,181 and \$20,296 for borrowers with revenues less than \$100,000.

Lending to businesses of different revenue sizes is reasonable. MB extended credit to a wide variety of small business borrowers based on an analysis of revenues. The revenue sizes for a sample of 20 small business borrowers, who obtained loans in 1996, ranged from \$16,000 to \$2,461,000. The dollar amount of the loans ranged from \$3,000 to \$125,000. The number and dollar amount of small business loans were fairly evenly distributed over the entire range of revenue sizes. Our sample revealed that 60% of these loans were to borrowers with revenues less than \$100,000. The average loan size for the entire sample was \$27,397 and \$20,868 for borrowers with revenues less than \$100,000.

### **Geographic Distribution of Loans:**

The geographic distribution of loans is reasonable. All but two of the bank's eleven CT's and BNA's in the assessment area are middle income. The two remaining CT's and BNA's are moderate income. During 1996, the bank originated 650 loans totaling \$7,034,000 in the two moderate income CTs and BNAs. This equates to 18% of the number and 11% of the dollar amount of the loans originated in the bank's assessment area. In addition, we note, from observation, the bank's loans are distributed in proportion to the population within the entire

assessment area.

**Response to Complaints:**

MB complies with the substantive provisions of antidiscrimination laws and regulations. There have been no consumer complaints filed with the bank or The Office of the Comptroller of the Currency.