



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Midwest Bank National Association
Charter Number: 23797

114 West Main Street
Pierce, NE 68767

Office of the Comptroller of the Currency

Sioux Falls Field Office
4900 South Minnesota Avenue Suite 300
Sioux Falls, SD 57108-2865

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 Lending Test is rated: Satisfactory.

- The bank's quarterly average net loan-to-deposit ratio of 86 percent is reasonable and reflective of the bank's willingness to lend.
- A majority of the bank's loans by number (61 percent) and dollar volume (53 percent) are located within its assessment areas (AA).
- The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers), small farms, and small businesses.
- Geographic distribution of loans is reasonable with no significant gaps in the bank's lending patterns.

The Community Development Test is rated: Outstanding.

- The bank displays excellent responsiveness to community development needs within its AAs given the availability for such opportunities.
- Community development loan and qualified investment volume are excellent at 16 and 30 percent of Tier 1 Capital, respectively.
- The bank provides an excellent level of community development services. Bank employees provided expertise to 16 community development organizations during the evaluation period. The bank also maintains three branches in underserved non-metropolitan middle-income geographies.

Scope of Examination

This CRA examination included commercial, agricultural, and consumer loans originated or purchased from January 1, 2008 through January 31, 2010. We also considered community development loans, investments, and services from January 1, 2004 through January 31, 2010.

Description of Institution

Midwest Bank, National Association (MWB) is a \$396 million financial institution headquartered in Pierce, Nebraska. MWB operates eight branch offices in eastern Nebraska located in Creighton, Plainview, Pilger, Deshler, York, Norfolk (2 locations) and Lincoln. The York, Norfolk, and Lincoln branches were all added since the previous CRA examination. The bank also operates 14 automatic teller machines within its AAs, seven of which are deposit taking. Midwest Banc Holding Company, a \$396 million single-bank holding company, owns 100 percent of the bank stock.

MWB’s business focus is community banking. The bank offers traditional community banking products to commercial and agricultural customers as well as to individual consumers.

As of December 31, 2009 net loans represent 74 percent of total assets. By dollar volume the loan portfolio is comprised of agricultural loans (62 percent), commercial loans (26 percent), residential real estate loans (7 percent), and consumer loans (5 percent). Tier 1 Capital totaled \$40 million at December 31, 2009.

Description of Assessment Areas

MWB has designated four AAs, all of which are in Nebraska. The Pierce AA is comprised of Pierce, Madison, and Stanton Counties as well as the north one-half of Antelope County and south and west quarters of Knox County. The AA includes the bank’s branches in Pierce, Plainview, Norfolk, Pilger, and Creighton. The York AA is comprised of York County and includes the bank’s branch in York. The Deshler AA is comprised of Thayer and Nuckolls Counties and includes the bank’s branch in Deshler. The Lincoln AA is comprised of Lancaster County and the Lincoln metropolitan statistical area (MSA) and includes the bank’s branch in Lincoln. The total population of the combined AAs is 334,073. The three non-MSA AAs (Pierce, York, and Deshler) were combined during this examination for analysis purposes.

The 2000 U.S. Census and 2009 Department of Housing and Urban Development (HUD) estimated median family incomes (MFI) for the non-metropolitan areas of Nebraska are \$41,596 and \$53,700, respectively. The 2000 U.S. Census and 2009 HUD estimated MFI for Lincoln are \$53,463 and \$68,300, respectively. The following table summarizes the income levels of census tracts and families located within the bank’s AAs.

Income Distribution of Census Tracts and Families												
Assessment Area	Census Tracts (# and %)								Percentage of Families			
	Low		Moderate		Middle		Upper		Low	Moderate	Middle	Upper
Non-MSA	0	0%	2	9%	19	82%	2	9%	17%	20%	25%	38%
Lincoln MSA	6	11%	1	25%	23	39%	15	25%	17%	19%	26%	38%
Total	6	7%	1	21%	42	51%	17	21%	17%	19%	26%	38%

Source: 2000 U.S. Census

All of the bank’s AAs comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Economic conditions in the AAs are generally good. Major industries in Nebraska include tourism, retail trade, health services, farming and ranching, and government employment. As of December 2009 the state unemployment rate (4.6 percent) and the national unemployment rate (10 percent) exceeded that of most counties in the AAs. For comparison, the average

unemployment rate for the AAs was 4.1 percent, with the low in Knox and Pierce Counties (3.6

percent) and the high in York County (5.6 percent).

Competition from other financial institutions is strong in the bank's AAs. In total, there are 39 financial institutions serving the bank's non-MSA AA and 27 serving the MSA AA. Cornerstone Bank owns the largest share of the non-MSA deposit market with 14 percent. MWB ranks second in this AA with 13 percent, followed closely by Elkhorn Valley Bank & Trust at 11 percent. Union Bank & Trust Co dominates deposit market share in the MSA AA with 28 percent, followed by Wells Fargo Bank at 13 percent and US Bank at 10 percent. Comparatively, MWB measures in with less than 1 percent of the total market.

We did not identify any unmet credit needs in any of MWB's AAs. We contacted local government officials in each AA and all stated that local financial institutions satisfactorily meet financing needs in the AAs. Credit needs and community development opportunities within the bank's AAs are typical of those in most small cities and rural communities and include farm, small business, affordable housing, and consumer lending.

LENDING TEST

Loan-to-Deposit Ratio

MWB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly net loan-to-deposit ratio averaged 86 percent over the 25 quarters from December 31, 2003 to December 31, 2009. MWB's net loan-to-deposit ratio totaled 86 percent as of December 31, 2009.

The bank's net loan-to-deposit ratio compares favorably with other community banks of similar size (total assets between \$200 million and \$1 billion) and loan mix (ag lenders without heavy commercial real estate concentrations) in the AAs. MWB ranks sixth among a total of nine similarly situated banks serving the AAs. The other eight banks had quarterly average net loan-to-deposit ratios averaging 84 percent, ranging from 68 percent to 95 percent over the same time period.

Lending in Assessment Area

MWB originates a majority of its loans to borrowers located within its defined AAs. Of loans originated from January 1, 2008 to January 31, 2010 for agricultural, commercial, and consumer purposes, approximately 61 percent by number and 53 percent by dollar volume were made to borrowers within the bank's AAs. The following table shows primary product loans originated inside/outside the AAs by number and dollar volume.

Lending in Assessment Areas by Number and Dollar Volume								
Loan Type	In Assessment Areas				Out of Assessment Areas			
	Number	% of Number	Dollars (000s)	% of Amount	Number	% of Number	Dollars (000s)	% of Amount
Agricultural	23	58%	4,068,084	34%	17	43%	7,735,507	66%
Commercial	9	45%	5,897,173	81%	11	55%	1,353,792	19%
Consumer	17	85%	132,443	87%	3	15%	19,202	13%
Total	49	61%	10,097,700	53%	31	39%	9,108,501	47%

Source: Loan sampling

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 individuals of different income levels. All sampled loans were located within the bank's designated AAs and originated during the evaluation period.

Commercial lending in the Lincoln MSA AA is reasonable. The bank's distribution of loans to businesses of various revenue sizes meets community demographics. Our sample included 18 commercial loans, representing the entire potential sample originated at the Lincoln branch to borrowers located within the AAs. Commercial loans were not a primary product in the non-MSA AA. The following table compares the bank's commercial lending activity by revenue size to community demographics.

Borrower Distribution of Loans to Small Businesses			
Gross Annual Revenue	Lincoln MSA Assessment Area		
	% of Number	% of Amount	% of Businesses
<= \$1 million	72%	61%	75%
>\$1 million	28%	39%	5%
Revenue Unavailable	0%	0%	20%
Total	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Agricultural lending in the bank's AAs is reasonable. MWB's distribution of loans to farms of various revenue sizes meets community demographics in the non-MSA AA and exceeds community demographics in the Lincoln MSA AA. The non-MSA sample included 20 farm loans while the Lincoln MSA AA sample included only 7, representing the entire potential sample originated at the Lincoln branch to borrowers located within the AAs. Due to the small sample size from the Lincoln MSA AA, greater weight was assigned to the bank's borrower distribution within the non-MSA AA. The following table compares the bank's agricultural lending activity by revenue size to community demographics.

Borrower Distribution of Loans to Small Farms						
Gross Annual Revenue	Non-MSA Assessment Area			Lincoln MSA Assessment Area		
	% of Number	% of Amount	% of Farms	% of Number	% of Amount	% of Farms
<= \$1 million	95%	98%	99%	100%	100%	99%
>\$1 million	5%	2%	1%	0%	0%	1%
Revenue Unavailable	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Consumer lending in the non-MSA AA is excellent. The bank’s distribution of consumer loans to individuals of various income levels significantly exceeds the community demographics for low-income households and meets the community demographics for moderate-income households. Our sample included 20 consumer loans. Consumer loans were not a primary product in the Lincoln MSA AA. The following table compares the bank’s consumer lending activity by income level to community demographics.

Borrower Distribution of Consumer Loans by Income Level			
Borrower Income Level	Non-MSA Assessment Area		
	% of Number	% of Amount	% of Households
Low	55%	23%	22%
Moderate	20%	37%	18%
Middle	15%	22%	21%
Upper	10%	18%	39%
Total	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Geographic Distribution of Loans

Overall the geographic distribution of agricultural, commercial, and consumer loans reflects reasonable dispersion to geographies of different income levels throughout the bank’s AAs. We found no significant geographic gaps in the bank’s lending patterns. All sampled loans were located within the bank’s designated AAs and originated during the evaluation period.

Geographic distribution of commercial loans throughout the Lincoln MSA AA is reasonable. MWB exceeds community demographics for low-income census tracts and meets community demographics for moderate-income census tracts. Our sample included 18 commercial loans, representing the entire potential sample originated at the Lincoln branch to borrowers located within the AAs. Commercial loans were not a primary product in the non-MSA AA. The following table shows the distribution of the bank’s commercial loans by income level of census tract.

Geographic Distribution of Commercial Loans			
Tract Income Level	Lincoln MSA Assessment Area		
	% of Number	% of Amount	% of Businesses
Low	11%	9%	2%
Moderate	11%	2%	26%
Middle	39%	35%	43%
Upper	39%	55%	29%
Total	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Geographic distribution of agricultural loans throughout the bank’s AAs is reasonable. MWB meets community demographics in the non-MSA AA but does not meet community demographics in the Lincoln MSA AA. The non-MSA sample included 20 farm loans while the Lincoln MSA AA sample included only 7, representing the entire potential sample originated at the Lincoln branch to borrowers located within the AAs. Due to the small sample size from the Lincoln MSA AA, greater weight was assigned to the bank’s geographic distribution within the non-MSA AA. Additionally, the low- and moderate-income census tracts included in the Lincoln MSA AA are all within the metropolitan boundaries of Lincoln where there is no meaningful demand for farm loans. The following table shows the distribution of the bank’s agricultural loans by income level of census tract.

Geographic Distribution of Agricultural Loans						
Tract Income Level	Non-MSA Assessment Area			Lincoln MSA Assessment Area		
	% of Number	% of Amount	% of Farms	% of Number	% of Amount	% of Farms
Low	0%	0%	0%	0%	0%	1%
Moderate	5%	1%	6%	0%	0%	8%
Middle	95%	99%	91%	86%	96%	69%
Upper	0%	0%	3%	14%	4%	22%
Total	100%	100%	100%	100%	100%	100%

Source: Loan sampling and U.S. Census Business Demographic Data (2009)

Geographic distribution of consumer loans throughout the non-MSA AA is reasonable. The bank’s lending patterns are adequate in this AA despite not meeting community demographics. The non-MSA AA contains very few demographically distinct geographies with only two moderate-income census tracts out of a total of 23. One of those moderate-income tracts is located in rural northern Antelope County where the bank does not have a branch and consumer loan demand is limited. The other moderate-income tract is located within Norfolk where the bank faces significant competition from other financial institutions for consumer loan demand. There are 15 total financial institutions operating in Madison County, where Norfolk is located, out of which MWB ranks ninth in deposit market share at less than four percent. The bank also

does not have a branch within the moderate-income census tract. Consumer loans were not a primary product in the Lincoln MSA AA. The following table shows the distribution of the bank's consumer loans by income level of census tract.

Geographic Distribution of Consumer Loans			
Tract Income Level	Non-MSA Assessment Area		
	% of Number	% of Amount	% of Households
Low	0%	0%	0%
Moderate	0%	0%	8%
Middle	100%	100%	78%
Upper	0%	0%	14%
Total	100%	100%	100%

Source: Loan sampling and 2000 U.S. Census

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

Community Development Loans, Qualified Investments, and Community Development Services

MWB displays excellent responsiveness in each of its AAs to community development needs given the availability for such opportunities. The bank's volume of community development lending is excellent. The bank also generated an excellent level of qualified investments and community development services.

MWB provided an excellent level of community development lending. The bank originated 97 community development loans totaling \$6.32 million, or 16 percent of Tier 1 Capital. The following highlights the bank's qualified community development loans:

- One loan totaling \$33 thousand to a municipality located in an underserved non-metropolitan middle-income census tract. The funds were used to purchase fire department equipment.
- One loan totaling \$250 thousand to a community school district located in an underserved non-metropolitan middle-income census tract. The funds were used to fund improvements to the school building.
- One loan totaling \$57 thousand to a municipality located in an underserved non-metropolitan middle-income census tract. The funds were used to purchase new medical equipment for public use.
- Two loans totaling \$290 thousand to a hospital serving adjacent underserved non-

metropolitan middle-income census tracts. The funds were used to improve hospital services through the purchase of new computer software and two vans to facilitate home health care.

- One loan totaling \$50 thousand to a health services company serving underserved non-metropolitan middle-income census tracts. The funds were used to purchase new medical equipment for public use.
- Ninety-one home mortgage loans totaling \$5.64 million to separate low- and moderate-income individuals. The funds were used to purchase homes and the loans are not HMDA reportable.

MWB generated an excellent level of qualified investments and grants. The bank made the following 30 investments and donations totaling \$11.92 million, or 30 percent of Tier 1 Capital:

- Five investments totaling \$3.94 million for bonds funding new construction, improvements to existing facilities, and operation of schools serving underserved non-metropolitan middle-income census tracts.
- Four investments totaling \$2.57 million for bonds funding additions and improvements to hospitals serving underserved non-metropolitan middle-income census tracts.
- Five investments totaling \$4.35 million for bonds funding improvements and additions to infrastructure and facilities providing essential public services (landfill, power grids, water cooling tower) to underserved non-metropolitan middle-income census tracts.
- One investment totaling \$1.06 million for a bond to build a local nursing home. Over half of the facility's residents are low-income individuals.
- Three donations totaling \$2 thousand to health services organizations serving underserved non-metropolitan middle-income census tracts.
- Twelve donations totaling \$8 thousand to organizations supporting affordable housing and social services for low- and moderate-income individuals.

MWB provides an excellent level of community development services, sometimes in a leadership role. In total, 15 bank officers and employees provided qualified services to 16 community development organizations serving the AAs. These organizations address AA

needs for affordable housing and economic development. MWB has also increased access to financial services by maintaining three branches in underserved non-metropolitan middle-income census tracts. The following highlights the bank's qualified services:

- Several bank employees serve on boards and in other capacities for seven affordable housing organizations. These organizations provide a wide range of affordable housing services to low- and moderate-income individuals including home ownership education and home purchase, maintenance, rehabilitation, and down payment assistance to facilitate home ownership.
- Several bank employees serve on boards and in other capacities for nine area economic development organizations. These organizations provide education and other technical assistance to new and small business owners, as well as start-up funding in order to stimulate economic development in their local communities.

The bank's Creighton, York, and Deshler branches are all located in underserved non-metropolitan middle-income census tracts and help to revitalize/stabilize these geographies.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs..