



SMALL BANK

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

PUBLIC DISCLOSURE

January 28, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lee County Bank & Trust, National Association
Charter Number 22123**

**8th Street and Avenue F
Fort Madison, IA 52627**

**Comptroller of the Currency
ADC-North Central Illinois & Eastern Iowa
111 West Washington Street Suite 300
East Peoria, IL 61611**

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 record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- The number and dollar volume of loans originated to small farms and small business within the Assessment Area satisfactorily demonstrate the bank’s commitment to the community.

DESCRIPTION OF INSTITUTION

- Lee County Bank and Trust, N.A. (LCBT) is located in Ft. Madison, Iowa, approximately 20 miles south of Burlington, Iowa, on the Mississippi River. The main bank and drive-up facility are located in downtown Ft. Madison. The bank has branches in Ft. Madison and West Point, Iowa.
- The bank’s asset size is \$115 million.
- The bank is 98 percent owned by Lee Capital Corporation, a one-bank holding company. It has no affiliates.
- There has been no merger or acquisition activity that affected the scope of the bank's operations during the evaluation period.
- Other:
 - Loans represent 78 percent of total assets.
 - The bank has no foreign deposits.
 - The loan portfolio consists of the following types of loans, consistent with the bank’s strategy:

Residential Real Estate	46%
Commercial Credit	10%
Consumer Credit	3%
Commercial Real Estate	33%
Agricultural Production	4%
Farmland	4%
	100%

Source: Bank Call Report Data

- LCBT offers a full range of services, including; commercial, agricultural and consumer loans, asset management and deposit products, including all traditional products of a full-service bank.
- There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its Assessment Area (AA).
- The date of the last CRA examination was September 7, 1999, and its rating was "Satisfactory".

DESCRIPTION OF LCBT ASSESSMENT AREA

- The bank's Assessment Area (AA) includes the following Block Numbering Areas (BNAs) in Lee County, Iowa:

Moderate-Income – 9902, 9908, 9910

Middle-Income – 9901, 9903, 9904, 9905, 9906, 9907, 9909, 9911

There are no Lower- or Upper-Income BNAs in the AA.

- According to 2000 Census data, the population of the AA is 38,052. The 2003 non-Metropolitan Statistical Area (MSA) statewide median family income for Iowa is \$50,800. Potential borrowers earning less than 50 percent of the non-MSA statewide median family income are designated as low-income; those earning 51-80 percent are moderate-income; those earning 81-120 percent are middle-income and those earning more than 120 percent are upper-income. Within the AA, 17 percent of families are low-income; 20 percent are moderate income; 26 percent are middle-income, and 37 percent are upper-income.
- There are 16,612 housing units in the AA, of which 69 percent are owner-occupied, 22 percent are rentals and nine percent are vacant. The median age of homes in the AA is 50 years, while the median housing price is \$59,856.
- Economic conditions in the AA are stable. Local employers include the Iowa State Penitentiary, Armour Dial Corporation, E.I. Dupont and Fort Madison Community Hospital. There is significant competition from other financial institutions in the area. Unemployment is moderate at seven percent.
- The AA meets the requirements of the regulation.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- The loan-to-deposit ratio is reasonable, and meets the standard for satisfactory performance.
- LCBT's loan-to-deposit ratio at 115 percent compares favorably to similarly situated banks in the peer group, placing LCBT in the 99th percentile.
- Over the past five years, the bank's quarterly average loan-to-deposit ratio has ranged from 107 percent to 121 percent.

Lending in Assessment Area

- A majority of the loans, by dollar volume and number, are to borrowers within the bank's AA. This meets the standard for satisfactory performance.

Lending in Lee County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Commercial	156	78%	43	22%	199	15,806,613	90%	1,750,383	10%	17,556,996
Ag Production	64	100%	0	0%	64	3,573,103	100%	0	0%	3,573,103
Residential Purchase	142	87%	22	13%	164	7,457,768	84%	1,385,425	16%	8,843,193
Residential Refinance	455	78%	130	22%	585	26,956,366	83%	5,534,296	17%	32,490,662
Home Improvement	108	82%	24	18%	132	4,139,729	82%	893,450	3%	5,033,179
Consumer	733	83%	153	17%	886	9,947,191	81%	2,283,828	19%	12,231,019
Comm'l R/E	226	82%	48	18%	274	35,049,937	71%	14,545,143	55%	49,595,080
Farmland	12	63%	7	37%	19	1,193,845	59%	819,425	41%	2,013,270
Totals	1,896	82%	427	18%	2,323	104,124,552	79%	27,211,950	21%	131,336,502

Source: Bank MIS.

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

- The bank's performance under this criterion meets the standard for satisfactory performance. In addition to providing real estate financing for low- and moderate-income individuals, the bank originates small dollar personal loans.
- Of real estate-secured loans originated in 2003, 28 percent were for \$25,000 or less; 34 percent were between \$25-50,000; 18 percent were between \$50-75,000, seven percent were between \$75-100,000, and 13 percent were greater than \$100,000.

- To determine how the bank's lending relates to the income levels of families within the AA, we sampled 25 loans made in 2002.

Distribution of Residential Real Estate Loans in Lee County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
First Mortgage	0%	17%	24%	20%	48%	26%	28%	37%

Source: Bank MIS, U.S. Census data.

We used loan size as a proxy to demonstrate the bank's effectiveness in meeting the credit needs of small businesses and small farms. LCBT originates commercial and agricultural loans for working capital, equipment and inventory; FSA and other government guaranteed loans for agricultural production, and loans on commercial and farm real estate.

Distribution of Loans to Businesses by Loan Size in Lee County Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$24,999	101	55%	\$720,926	5%
\$25,000 - \$49,999	19	11%	\$677,650	4%
\$50,000 - \$99,999	19	11%	\$1,504,014	10%
\$100,000-\$499,999	34	19%	\$7,508,719	47%
\$500,000 and more	7	4%	\$5,425,000	34%
Total	180	100%	\$15,836,309	100%

Source: Bank MIS.

Distribution of Loans to Farms by Loan Size in Lee County Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$25,000	47	59%	\$322,789	9%
\$25,001 - \$50,000	15	19%	\$509,208	14%
\$50,001 - \$100,000	8	10%	\$571,106	16%
\$100,001 - \$500,000	6	8%	\$1,100,000	31%
More than \$500,000	3	4%	\$1,070,000	30%
Total	79	100%	\$3,573,103	100%

Source: Bank MIS

Some 98 percent of the farms and 81 percent of the businesses in Lee County have revenues of less than \$1 million.

Geographic Distribution of Loans

- The bank has three moderate-income BNAs, one consisting of most of Ft. Madison and two in Keokuk, Iowa, some 20 miles south of Ft. Madison. Of 113 purchase money residential real estate loans sampled, 27, or 24 percent, were made in the moderate-income BNAs. Moderate-income individuals represent just 20 percent of the population of the AA.

Responses to Complaints

- LCBT has not received any complaints about its performance in helping to meet assessment area credit needs.

Fair Lending Review

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