



SMALL BANK

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

PUBLIC DISCLOSURE

April 19, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mills County Bank, National Association
Charter Number 24192**

**102 South Locust Street
Glenwood, Iowa 51534**

**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.

Mills County Bank, National Association (MCB) meets the credit needs of its assessment area (AA). The primary lending activities within the AA are to residential real estate and consumer borrowers.

- The sampling process, discussed further in the Performance Evaluation, shows a substantial majority of the loans originated are within the bank's AA.
- The bank's average loan-to-deposit (LTD) ratio reasonably compares to similarly situated banks within the AA.
- Loan originations are reasonably distributed to consumer and residential real estate borrowers of different income levels.

DESCRIPTION OF INSTITUTION

MCB is a \$35 million bank located in Mills County in southwestern Iowa. The bank is 100% owned by Mills County Bancorp, a one-bank holding company. The main bank is located in Glenwood, Iowa with a branch in Silver City, Iowa, which is ten miles northeast of Glenwood. In addition, the bank owns a cash dispensing automated teller machine (ATM) located at the main bank. The bank also has an ATM at Amoco, Casey's General Store, and Bluffs View Café, all located in Glenwood.

MCB offers traditional loan and deposit products. As of December 31, 2004, the bank's loan portfolio totaled 51% of total assets. The bank's primary credit products are residential real estate and consumer loans based on the number and dollar amount outstanding. The table below shows the percentage of loan categories by dollar amount outstanding and by the number of loans outstanding as of March 31, 2005.

Loan Type	% by Dollars of Loans Outstanding	% by Number of Loans Outstanding
Residential Loans	53%	37%
Consumer Loans	10%	46%
Commercial Loans	24%	9%
Agricultural Loans	12%	7%
Other Loans	1%	1%
Total	100%	100%

Source: March 31, 2005 loan control report provided by the bank.

The bank has no legal or financial impediments, which prevent it from fulfilling its obligations

under the Community Reinvestment Act (CRA). The Federal Deposit Insurance Corporation rated MCB “Outstanding Record of Meeting Community Credit Needs” at the last CRA examination dated December 7, 1998.

DESCRIPTION OF ASSESSMENT AREA

The bank’s AA is Mills County, Iowa. The AA is divided into the following census tracts (CTs): 401, 402.01, 402.02, 403.01, and 403.02. All CTs are considered middle-income areas. The AA is part of the Omaha, Nebraska/Council Bluffs, Iowa Metropolitan Statistical Area (MSA). This AA meets the requirements of CRA and does not arbitrarily exclude low- or moderate-income areas. A map of the AA can be obtained from the bank’s CRA public file.

According to the 2000 U.S. Census, Mills County has a total population of 14,547. The 2000 census estimated 21% of the families in the AA were low-income, 20% were moderate-income, 28% were middle-income, and 31% were upper-income. Eight percent of the AA households are below the poverty level. The 2005 HUD estimated weighted average updated MSA median family income is \$64,550. The median housing value in the AA is \$98,087, and 75% of housing is owner-occupied. The local economy is stable. The main sources of employment in Mills County are the Glenwood Resource Center and the Glenwood School District.

Competition includes three other similarly sized banks with headquarters within the AA. In addition, competition stems from a branch office of a large regional bank.

Examiners made one community contact during the CRA examination. The contact indicated real estate and small business lending were the primary credit needs of the community. MCB offers and originates these types of loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MCB’s average LTD ratio is reasonable, given its size, financial condition, and AA credit needs. The bank’s LTD ratio averaged 79% over the past 20 quarters and was 63% as of December 31, 2004. The average for the three similarly situated banks within the AA is 65%, with a range from 44% to 88%.

Lending in Assessment Area

MCB originates a substantial majority of its loans within the AA. We reviewed a random sample of 20 originated loans from the primary product types to determine the lending within the AA. The sample was selected from loans originated from January 1, 2003 through March 31, 2005. The following table summarizes the findings from the sample.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	18	90	2	10	100	373,183	72	147,318	28	100

Source: Data reported from the bank's loan trial balance.

Lending to Consumer and Residential Borrowers of Different Incomes

MCB has a satisfactory record of lending to borrowers of different income levels. We reviewed income information obtained by the bank for 20 loans within each of the primary product types.

In concluding overall performance was satisfactory, we took into consideration the local housing market and high housing costs. All of the loans in each primary loan product sample were to borrowers located within the AA and originated between January 1, 2003 and March 31, 2005.

Residential Real Estate Loans

The bank has an acceptable record of providing residential real estate loans to families of different income levels. We sampled home purchase and refinance loans together because the bank's reports included both types.

The following table shows the bank's performance in making residential real estate loans compared to the income demographics in the AA. Forty percent of loans were extended to moderate-income families, while only 20% of the AA families are moderate-income. The bank's origination of residential real estate loans to low-income families at 10% is below the demographics of 21%. However, the median housing value in the AA is approaching \$100,000. 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 AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	21%	10%	20%	40%	28%	20%	31%	30%

Source: Loan sample; 2000 U.S. Census data.

Consumer Loans

The bank has a more than a reasonable record of providing consumer loans to borrowers of different income levels. The volume of loans to low- and moderate-income consumers compares favorably to census percentages. The following table shows the bank's performance in making consumer loans compared to income demographics in the AA.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans	% of AA House- holds	% Number of Loans
Consumer Loans	17%	25%	17%	20%	18%	45%	48%	10%

Source: Loan sample; 2000 U.S. Census data.

Geographic Distribution of Loans

A geographic analysis was not performed, as all geographies in the AA are middle-income areas.

Responses to Complaints

The bank has not received any complaints regarding CRA performance since the previous CRA examination dated December 7, 1998.

Fair Lending or Other Illegal Credit Practices Review

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