

alternative energy sources was a boon to Iowa's wind and bio-fuels producers, and our insurance and financial services companies were strong and growing. A slowing global economy will dampen short-term prospects, but the future for these key segments remains positive.

The Iowa real estate market has outperformed much of the rest of the country. Home sales have fallen less steeply and home prices have actually risen. Iowa's home ownership rate stands at 72% and the vast majority of our home mortgages are fixed rate prime loans, a testament to Iowa's responsible lending community. And, Iowa has added jobs over the past twelve months, leaving our unemployment rate lower than the national average.

The Iowa banking industry is strong. Ninety-four percent of our financial institutions were profitable September of 2008. Our average capital to asset ratio at 9.1% is well above the national average, leaving a greater cushion to absorb unexpected credit losses. And, the banking industry, nationally, has over \$1 trillion in capital.

The Iowa banking industry positively impacts our state. Banks and thrifts contributed \$13.8 billion, or 10.7%, to the Iowa GDP in 2007. Iowa banks are one of the few local financial institutions that pay income tax to help support the communities in which they do business — In 2007, Iowa banks paid \$133 million in federal income tax and \$37 million in state income tax. And, the banking industry provided more than \$27 billion of working capital needed for Iowa's small businesses to thrive in 2007.

The federal government has devised a series of programs designed to further strengthen the financial services industry and stimulate lending. Most prominent has been the U.S. Treasury's Capital Asset Purchase Program, in which Treasury takes an equity position in banks to support further lending. Iowa banks are trying to assess the benefits of participation. Most do not need the added capital. Many want to support the economic objectives of the program, but have good reasons to be hesitant.

The Federal Deposit Insurance Corporation (FDIC) has also implemented a series of programs designed to expand deposit insurance coverage and increase consumer confidence. All banks now offer insurance coverage of up to \$250,000 per depositor per bank (through December 31, 2009). The maximum coverage can be even greater depending on a depositor's personal circumstance. Iowans should visit with their banker to maximize deposit insurance coverage. And, the FDIC has developed additional coverage options for banks interested in a federal guarantee on their senior unsecured debt and non-interest bearing transaction accounts. In the end, each bank will determine whether participation in these programs will enhance their ability to serve their community.

The hallmark of Iowa banking has always been local commitment and a strong personal relationship with their customers. Our 2008 survey of Iowa banks backs this up. In addition to the billions in lending to businesses and consumers, bankers donated nearly \$40 million to charities, economic development and community service organizations. In addition, bankers volunteered more than 1.6 million hours of their time to these same organizations. You won't see these statistics in the headlines of major papers or on the nightly news, but it is what sets community banking apart.

Iowans can take comfort in knowing their banks are strong and prepared to help them navigate these turbulent times. By working together, we can create a brighter future.

— **Fred Hagemann, President & CEO, State Bank & Trust Company**

— **Clair Lensing, President & CEO, Security State Bank**

— **Rich Carlson, President & CEO, First National Bank**