

PUBLIC DISCLOSURE

May 30, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Bank
Certificate Number: 950

5 East Call Street
Algona, Iowa 50511

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Iowa State Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area's credit needs.
- A majority of the small farm, small business, and home mortgage loans are located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and home mortgage borrowers of different incomes levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

The Community Development Test is rated Satisfactory.

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, as well as the need and availability of such opportunities for community development in the institution's assessment area.

DESCRIPTION OF INSTITUTION

Iowa State Bank, headquartered in Algona, Iowa, is wholly owned by Mid-Iowa Bancshares Co., Algona, Iowa, a one-bank holding company. Iowa State Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 26, 2020, based on Interagency Small Institution Examination Procedures. There are no lending subsidiaries or affiliates.

Iowa State Bank operates from five locations, including the main office and a drive-through location both in Algona, and three branches located in Corwith, Ruthven, and Wesley. The bank offers a wide variety of credit products, including agricultural, commercial, home mortgage, and consumer loans. The bank originates and sells home mortgage loans to secondary market investors and participates in various government-sponsored loan programs. The primary business focus is equally on agricultural and commercial lending, followed by home mortgage lending. Iowa State Bank offers a full line of traditional deposit products, including checking, savings, and certificates of deposit. Alternative banking services include telephone, internet and mobile banking, two cash dispensing ATMs, and one deposit-taking ATM.

The March 31, 2023, Consolidated Reports of Condition and Income (Call Report) reflects small increases in assets, total loans, and total deposits since the prior evaluation. Total assets were \$431.6 million, an increase of 7.8 percent; total loans were \$237.8 million, an increase of 1.3 percent; and total deposits equaled \$345.0 million, an increase of 4.6 percent. The loan mix remained similar to the previous evaluation with farm and commercial loans as the primary credit products. The following table illustrates the loan portfolio composition.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	13,138	5.5
Secured by Farmland	88,407	37.2
Secured by 1-4 Family Residential Properties	34,805	14.6
Secured by Multifamily (5 or more) Residential Properties	4,420	1.9
Secured by Nonfarm Nonresidential Properties	48,081	20.2
Total Real Estate Loans	188,851	79.4
Commercial and Industrial Loans	15,035	6.3
Agricultural Production and Other Loans to Farmers	17,270	7.3
Consumer Loans	5,218	2.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	11,472	4.8
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	(0)	(0)
Total Loans	237,846	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit or community development needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. The bank’s assessment area includes all of Kossuth County - census tracts (CTs) 9501 through 9506; all of Palo Alto County - CTs 9601 through 9604; and portions of Clay (CT 801), Hancock (CT 2704), and Humboldt (CT 9701) counties. The assessment area changed since the prior evaluation, when the bank designated two non-contiguous areas in nonmetropolitan Iowa. Management previously included only the western half of Palo Alto County but added the eastern half to the assessment area in 2021. This resulted in the delineation of one contiguous assessment area.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area is comprised of 13 CTs, of which one is moderate income, ten are middle income, and two are upper income. This reflects a change in income classifications for three CTs since the 2015 American Community Survey (ACS). Specifically, CT 9504 in Kossuth County changed from middle income to moderate income; and CTs 801 in Clay County and 9501 in Palo Alto County changed from middle income to upper income. The population of the assessment area decreased from 30,902 in 2015 to 29,780 in 2020. According to the FFIEC, all of Kossuth County was designated as underserved middle income during the review period, except for CT 9504, which was designated as underserved only during 2020 and 2021. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	0.0	7.7	76.9	15.4	0.0
Population by Geography	29,780	0.0	8.7	78.4	12.8	0.0
Housing Units by Geography	15,326	0.0	9.7	78.6	11.8	0.0
Owner-Occupied Units by Geography	9,855	0.0	7.9	80.4	11.7	0.0
Occupied Rental Units by Geography	3,064	0.0	18.9	71.9	9.2	0.0
Vacant Units by Geography	2,407	0.0	5.3	79.3	15.4	0.0
Businesses by Geography	3,976	0.0	13.1	72.7	14.2	0.0
Farms by Geography	1,076	0.0	3.6	75.9	20.4	0.0
Family Distribution by Income Level	7,899	17.3	19.0	23.2	40.5	0.0
Household Distribution by Income Level	12,919	22.3	16.1	19.6	42.0	0.0
Median Family Income - Nonmetropolitan Iowa	\$71,763		Median Housing Value			\$108,698
			Median Gross Rent			\$665
			Families Below Poverty Level			6.4%

Source: 2020 U.S. Census and 2022 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

According to 2022 D&B Data, service industries represent the largest portion of farm and business operations in the assessment area at 24.5 percent; followed by agriculture, forestry, and fishing at 21.3 percent; and non-classified establishments at 18.4 percent. In addition, 68.7 percent of assessment area farms and businesses have less than five employees, and 91.8 percent operate from one location.

The FFIEC-estimated median family income levels are used to analyze home mortgage lending under the Borrower Profile criterion and to analyze certain community development activities related to housing. The income categories for the Iowa nonmetropolitan areas are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$69,200)	<\$34,600	\$34,600 to <\$55,360	\$55,360 to <\$83,040	≥\$83,040
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680

Source: FFIEC

Competition

The assessment area is very competitive regarding the market for financial services. The Deposit Market Share Report as of June 30, 2022, reflects 23 insured institutions operating from 50 locations within the assessment area. These institutions range from small community banks to larger financial institutions operating branch locations. Iowa State Bank ranks 3rd with 11.2 percent of the deposit market share. Bank management indicated that they also face competition from other sources including credit unions, Farm Credit Services, and online mortgage lenders.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available.

Examiners referenced a recently conducted interview with an economic development organization familiar with the assessment area. The representative stated that many younger residents are relocating out of the area to seek other employment opportunities after completing school. While there are plenty of job openings in the local area, most of the positions have wages lower than what job seekers will accept. Overall, the local economy is stable and businesses have mostly recovered from the impact of the COVID-19 pandemic, with the exception of not being able to fill open positions. There have been several small locally-owned businesses that have recently opened. While there is ample supply of higher-priced homes, the individual said there is a shortage of affordable housing. The primary credit needs are small business, small farm, and home mortgage loans and the primary community development need is affordable housing. The contact indicated that the local financial institutions are meeting those needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm, small business, and home mortgage loans represent the primary credit needs of the assessment area. Community development needs include affordable housing, community services and economic development initiatives, and revitalization and stabilization efforts.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated May 26, 2020, to the current evaluation date. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. Intermediate small institutions are evaluated under both a Lending Test and Community Development Test, which are further described in the Appendices.

Activities Reviewed

Examiners determined that the major product lines are small farm, small business, and home mortgage loans. This conclusion considered the bank's business strategy, loan portfolio distribution, and the number and dollar volume of loans originated during the evaluation period. Given the loan composition and management's stated primary business focus, small farm and small business performances under the Lending Test were given more weight, with less weight placed on home mortgage performance.

Examiners conducted a full-scope review of the assessment area to evaluate performance. For the Assessment Area Concentration criterion, examiners reviewed the entire universe of small farm, small business, and home mortgage loans originated between January 1, 2022, and December 31, 2022. This amounts to 350 small farm loans totaling \$45.3 million, 284 small business loans totaling \$28.8 million, and 134 home mortgage loans totaling \$16.5 million. The Geographic Distribution criterion included a review of all loans located inside the assessment area. Specifically, this review involved 281 small farm loans totaling \$36.5 million, 223 small business loans totaling \$21.5 million, and 105 home mortgage loans totaling \$11.0 million. For the Borrower Profile criterion, examiners reviewed a sample of small farm, small business, and home mortgage loans located inside the assessment area. This amounts to 63 small farm loans totaling \$9.0 million, 60 small business loans totaling \$5.8 million, and 50 home mortgage loans totaling \$5.3 million. Bank management agreed that 2022 lending data is reflective of performance throughout the evaluation period.

For small farm and small business conclusions, D&B data provided a standard of comparison. For home mortgage conclusions, 2020 U.S. Census data provided a standard of comparison. Examiners obtained the data necessary for this evaluation from reported loan data, individual loan files, interviews with bank management, and other information gathered as part of the examination process. Examiners analyzed lending performance by both number and dollar volume of loans; however, the performance by number of loans is emphasized, as it is generally a better indicator of the number of small farms, small businesses, and individuals served.

For the Community Development Test, examiners reviewed documentation and data that bank management provided for community development activities, including loans, qualified investments, and services since the prior evaluation. Examiners also considered prior-period qualified investments that were outstanding as of the start of the evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Iowa State Bank demonstrated overall reasonable performance under the Lending Test. The bank’s reasonable performance under each criterion supports this conclusion. The following is a discussion of each performance criterion and how they support the overall rating.

Loan-to-Deposit Ratio

Iowa State Bank’s net loan-to-deposit is reasonable given the bank’s size, financial condition, and the assessment area credit needs. The bank’s net loan-to-deposit, calculated from Call Report data, averaged 70.8 percent over the 12 calendar quarters from June 30, 2020, to March 31, 2023. The net loan-to-deposit ratio ranged from a low of 60.2 percent on March 31, 2022, to a high of 86.5 percent on June 30, 2020. The most recent loan-to-deposit ratio stands at 67.8 percent as of quarter-end March 31, 2023. The loan-to-deposit ratio remained relatively stable but with a gradual declining trend. Management indicated that there has been higher deposits that have outpaced loan growth. Higher deposits resulted from pandemic related U.S. government stimulus payments, high farm commodities, and a high volume of public fund depositors. Iowa State Bank’s loan-to-deposit ratio is in line with the comparable banks, as reflected in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Iowa State Bank, Algona, Iowa	431,598	70.8
Iowa Trust & Savings Bank, Emmetsburg, Iowa	496,636	86.1
Farmers Savings Bank, Fostoria, Iowa	178,933	82.0
Community State Bank, Spencer, Iowa	330,112	56.0
West Iowa Bank, West Bend, Iowa	172,559	70.0

Source: Reports of Condition and Income 6/30/2020 - 3/31/2023

Assessment Area Concentration

Iowa State Bank made a majority of small farm, small business, and home mortgage loans, by number and dollar amount, within the assessment area. The bank’s overall concentration demonstrates bank management’s willingness to meet the credit needs of the assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm										
2022	281	80.3	69	19.7	350	36,481	80.6	8,776	19.4	45,257
Small Business										
2022	223	78.5	61	21.5	284	21,505	74.6	7,323	25.4	28,828
Home Mortgage										
2022	105	78.4	29	21.6	134	11,039	67.1	5,417	32.9	16,456
Total	609	79.3	159	20.7	768	69,025	76.2	21,516	23.8	90,541
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

Overall, the geographic distribution of loans reflects overall reasonable dispersion. The bank’s reasonable performance in small farm and small business primarily supports this conclusion. Examiners focused on the percentage of loans in the sole moderate-income geography in the assessment area and gave more weight to small farm and small business lending performance.

Small Farm Lending

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. The bank’s performance is in line with the comparable data in the moderate-income geography. See the following table.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	3.6	6	2.1	495	1.4
Middle	75.9	224	79.7	29,384	80.5
Upper	20.4	51	18.1	6,602	18.1
Totals	100.0	281	100.0	36,481	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank’s performance is similar to the comparable data in the moderate-income geography. See the following table.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	13.1	31	13.9	4,469	20.8
Middle	72.7	164	73.5	14,917	69.4
Upper	14.2	28	12.6	2,119	9.9
Totals	100.0	223	100.0	21,505	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank’s performance exceeds the comparable data in the moderate-income geography. See the following table.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	7.9	14	13.3	2,203	20.0
Middle	80.4	85	81.0	8,452	76.6
Upper	11.7	6	5.7	384	3.5
Total	100.0	105	100.0	11,039	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among farms and businesses of different revenue sizes, as well as home mortgage borrowers of differing income levels. The bank’s reasonable small farm and small business lending performance primarily supports this conclusion. Examiners focused on the percentage of small farm and small business loans to operations with revenues of \$1 million or less, as well as the percentage of home mortgage loans to low- and moderate- income borrowers. Examiners gave more weight to small farm and small business lending performance.

Small Farm Lending

As shown in the following table, the distribution by number of small farm loans with gross annual revenues of \$1 million or less is lower than D&B benchmark data, but reflects reasonable performance considering additional factors. Agricultural census data from 2017 reveals that 48.7 percent of farmers report a primary income outside of farming; 47.9 percent pay no interest expense; and 26.5 percent of famers are considered hobby farms. All of these factors suggest limited borrowing needs for many of the assessment area farmers. Management indicated that many farmers are cash heavy from pandemic-related stimulus funds and recent higher farm commodities. They also face competition from banks, credit unions, and Farm Credit Services. The bank continues to offer USDA Farm Service Agency and Iowa Agricultural Development Authority farm loans.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.2	47	74.6	5,545	61.7
>\$1,000,000	0.9	16	25.4	3,436	38.3
Revenue Not Available	0.8	0	0.0	0	0.0
Total	100.0	63	100.0	8,981	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Lending

As shown in the following table, the distribution by number of small business loans with gross annual revenues of \$1 million or less is lower than D&B benchmark data, but reflects reasonable performance considering the following factors. Management indicated that the availability of pandemic-relief funds has reduced loan demand as well as workforce staffing shortages that have hindered business growth. The community contact indicated that there have been some recent new small business openings; however, many local residents commute outside of the community to higher paying jobs. The bank strives to originate all qualified small business loans and continues to offer various SBA loans.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.3	40	66.7	2,773	48.1
>\$1,000,000	3.3	18	30.0	2,782	48.3
Revenue Not Available	10.4	2	3.3	210	3.6
Total	100.0	60	100.0	5,765	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Lending

The distribution of home mortgage loans to borrowers of different income levels is excellent. As demonstrated in the following table, the level of lending to low- and moderate-income borrowers exceeds comparable census data.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	17.3	11	22.0	789	15.0
Moderate	19.0	13	26.0	1,116	21.2
Middle	23.2	10	20.0	1,265	24.1
Upper	40.5	14	28.0	1,969	37.5
Not Available	0.0	2	4.0	113	2.2
Total	100.0	50	100.0	5,252	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution demonstrates an overall adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services. Iowa State Bank’s activities support community development primarily through economic development and revitalization and stabilization efforts. The bank also provided support for affordable housing and community services targeted to low -and moderate - income individuals. Examiners included community development activities that benefitted the broader statewide and regional area in the analysis, as the institution adequately responded to the overall community development needs of its assessment area.

Examiners referenced information from four performance evaluations of comparable intermediate small institutions conducted during the evaluation period to help assess the bank’s overall performance under the Community Development Test. These institutions were chosen because of similarities in asset size, business focus, and type of assessment area served. All of the selected comparable institutions originated SBA Paycheck Protection Program (PPP) loans. Overall, Iowa State Bank’s performance was comparable to the performance of these institutions.

Community Development Loans

Iowa State Bank originated 885 community development loans totaling approximately \$37.3 million during the evaluation period. This represents 8.6 percent of total assets and 15.9 percent of net loans, as of March 31, 2023. A significant number of these loans resulted from lending conducted as part of the SBA PPP, which helped farms and businesses keep their workforce employed during the COVID-19 pandemic. Specifically, 865 SBA PPP loans totaling approximately \$15.6 million were originated during the review period. The comparable institutions had community development loans to total asset ratios ranging from 3.4 percent to 7.5 percent, and community development loans to net loans ranging from 5.7 percent to 13.2 percent. Iowa State Bank’s ratios compare favorably to these institutions. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	7	879	1	2,477	721	10,692	37	21,070	766	35,118
Statewide Activity	0	0	0	0	105	1,988	0	0	105	1,988
Regional Activity	0	0	0	0	14	156	0	0	14	156
Total	7	879	1	2,477	840	12,836	37	21,070	885	37,262
<i>Source: Bank Data</i>										

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
June 2020	0	0	0	0	0	0	3	170	3	170
2021	6	779	1	2,477	840	12,836	29	19,094	876	35,186
2022	1	100	0	0	0	0	3	1,263	4	1,363
Year-to-Date 2023	0	0	0	0	0	0	2	543	2	543
Total	7	879	1	2,477	840	12,836	37	21,070	885	37,262

Source: Bank Data

Qualified Investments

Iowa State Bank made 44 qualified investments totaling approximately \$3.0 million during the evaluation period, which represents 0.7 percent of total assets and 1.9 percent of total securities, as of March 31, 2023. Qualified investment activity included 38 donations totaling \$207,000. Comparable institutions reported qualifying investment activity that ranged from 0.8 to 2.6 percent of total assets, and 2.4 to 6.4 percent of total securities. The bank compares reasonably to these institutions. Please see the following tables.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	17	17	5	8	16	331	38	356
Statewide Activities	0	0	0	0	3	781	2	850	5	1,631
Regional Activities	0	0	0	0	0	0	1	1,000	1	1,000
Total	0	0	17	17	8	789	19	2,181	44	2,987

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	3	1,000	3	1,000
June 2020	0	0	0	0	0	0	1	1,000	1	1,000
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	2	780	0	0	2	780
Year-to-Date 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	2	780	4	2,000	6	2,780
Qualified Grants & Donations	0	0	17	17	6	9	15	181	38	207
Total	0	0	17	17	8	789	19	2,181	44	2,987

Source: Bank Data

A notable example of the bank's qualified investments includes an investment that revitalizes and stabilizes underserved areas through improvements to a local medical facility that provides essential health services.

Community Development Services

Iowa State Bank employees provided 87 instances of financial expertise or technical assistance to 24 different organizations during the review period. Bank employees dedicated their time serving as board members, officers, and committee members to assist organizations in providing community services, affordable housing, economic development, and revitalization and stabilization efforts. The bank’s performance compares favorably to comparable institutions that range from providing 4 to 105 services. The following table illustrates the bank’s community development services by assessment area and activity year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Assessment Area	4	10	24	45	83
Statewide Activities	0	2	2	0	4
Total	4	12	26	45	87
<i>Source: Bank Data</i>					

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
June 2020	1	4	7	13	25
2021	1	4	9	16	30
2022	2	4	9	16	31
Year-to-Date 2023	0	0	1	0	1
Total	4	12	26	45	87
<i>Source: Bank Data</i>					

A notable example of the bank’s community development services includes serving as a Board member for an affordable housing organization and reviewing applications for housing down payment assistance funds that are provided to low- and moderate-income individuals. The community contact cited affordable housing as a need in this assessment area.

In addition to community development services, Iowa State Bank offers retail-banking services that are readily accessible to assessment area residents, including low- and moderate-income individuals. These services include reduced fee checking accounts; telephone, internet, and mobile banking; and ATMs. Iowa State Bank provides retail-banking services in a moderate-income geography from the main office in Algona. The bank also offers retail-banking services from the Corwith and Wesley branches and from two ATMs that are located in underserved geographies. Finally, the bank participates in various lending programs that aid small farm, small business, and homeowners.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.