

PUBLIC DISCLOSURE

March 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Bank & Trust Company
RSSD# 651541

55 South 4th Street
Fairfield, Iowa 52556

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Iowa State Bank & Trust Company is rated Satisfactory.

Iowa State Bank & Trust Company is meeting the credit needs of its community based on an analysis of the bank's lending activities. The bank's average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither Iowa State Bank & Trust Company nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Iowa State Bank & Trust Company's CRA performance was evaluated using the Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full scope review of the bank's Non-Metropolitan Statistical Area (Non-MSA) Iowa assessment area. The Non-MSA Iowa assessment area includes Jefferson County, Iowa, in its entirety, as well as portions of Davis, Keokuk, Van Buren, and Wapello Counties. A full scope review was deemed appropriate given the distribution of the bank's branch locations, including the main office, and the volume of the bank's deposits and loans.

Loan products reviewed include home mortgage loans, small business loans, and small farm loans. These products are considered the bank's primary business lines based on volume by count and dollar amount. Greater weight was given to small farm performance, as agricultural loans represent the majority of the bank's loan portfolio.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio from December 31, 2018 to December 31, 2022, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021, was reviewed to determine the percentage of loans originated in the assessment area.

- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank’s home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2021 to December 31, 2021, was analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – A sample of the bank’s home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2021 to December 31, 2021, was reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and affordable housing.

DESCRIPTION OF INSTITUTION

Iowa State Bank and Trust Company is a wholly owned subsidiary of Iowa State Financial Services Corporation, a one-bank holding company located in Fairfield, Iowa. As of December 31, 2021, the bank maintained its main office along with one limited-service branch, each with a full-service Automated Teller Machine (ATM), within Fairfield, Iowa. Additionally, the bank has one drive-up ATM (full-service) and two standalone ATMs (one cash-only and one full-service) also located in Fairfield, Iowa. Since the previous evaluation, and prior to December 31, 2021, the bank closed one standalone cash-only ATM located within a middle-income census tract.

In addition, since December 31, 2021, the bank has closed the limited-service branch, excluding the full-service ATM, and opened a full-service branch within a middle-income census tract in Ottumwa, Iowa; however, these changes are excluded from the analysis as they occurred outside the evaluation period.

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$210.9 million and total deposits of \$175.3 million as of December 31, 2022. Iowa State Bank & Trust Company offers a range of traditional loan and deposit products and services. While the bank is primarily an agricultural lender, it also offers residential real estate, commercial, and consumer loans products. Loan product offerings also include Small Business Administration

(SBA) commercial loan financing options. Additionally, traditional deposit products are offered and include checking and savings, certificates of deposit, individual retirement, and business accounts. Services are accessible to customers online via the bank’s website at <https://www.myiowastatebank.com>.

As of June 30, 2022, according to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Iowa State Bank & Trust Company ranks fifth out of 18 financial institutions operating within the assessment area. The bank held \$159.4 million in deposits, representing a market share of 7.7 percent. The financial institutions with the largest percentage of the deposit market share are Midwestone Bank (17.9 percent), The Libertyville Savings Bank (16.8 percent), and South Ottumwa Savings Bank (15.3 percent).

Details of the allocation of the bank’s loan portfolio are provided in the following table.

Composition of Loan Portfolio as of December 31, 2022		
(000's)		
Type	\$	%
Agriculture	65,393	39.9
Commercial	47,733	29.1
Residential Real Estate	41,687	25.4
Consumer	4,599	2.8
Other	4,467	2.7
Total	163,879	100.0

Note: Percentages may not total 100.0 percent due to rounding.

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on February 11, 2019.

DESCRIPTION OF ASSESSMENT AREA

Iowa State Bank & Trust Company is an intrastate bank that operates in one non-metropolitan assessment area located in southeast Iowa. The Non-MSA Iowa assessment area remains unchanged since the previous evaluation and consists of Jefferson County in its entirety, as well as portions of Davis County (census tract 801.00), Keokuk County (census tract 804.00), Van Buren County (census tract 9501.00), and Wapello County (census tracts 9601.00 and 9611.00). The assessment area includes a total of nine census tracts, which is comprised solely of middle-income census tracts. The assessment area does not include any low- or moderate-income census tracts. However, census tract 804.00 in Keokuk County and 9501.00 in Van Buren County are designated

as underserved by the FFIEC due to their remote rural location, which remains unchanged since the previous evaluation.

In 2022, the institution expanded its assessment area in conjunction with the opening of the Ottumwa, Iowa branch location. The assessment area will include the entirety of Davis, Jefferson, Wapello, and Van Buren Counties, and portions of Monroe (census tracts 701.00 and 702.00) and Keokuk (census tract 804.00) counties. However, this evaluation is limited to the time period January 31, 2021 to December 31, 2021, and thus this performance evaluation was completed using the bank's assessment area as of December 31, 2021.

Additional assessment area demographic information is provided in the following table.

2021 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,922	21.7
Moderate	0	0.0	0	0.0	0	0.0	1,702	19.2
Middle	9	100.0	8,867	100.0	803	9.1	2,031	22.9
Upper	0	0.0	0	0.0	0	0.0	3,212	36.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	9	100.0	8,867	100.0	803	9.1	8,867	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	15,537	10,136	100.0	65.2	3,730	24.0	1,671	10.8
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	15,537	10,136	100.0	65.2	3,730	24.0	1,671	10.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	2,155	100.0	1,962	100.0	148	100.0	45	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,155	100.0	1,962	100.0	148	100.0	45	100.0
Percentage of Total Businesses:				91.0		6.9		2.1
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	403	100.0	399	100.0	2	100.0	2	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	403	100.0	399	100.0	2	100.0	2	100.0
Percentage of Total Farms:				99.0		0.5		0.5
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Population Characteristics

The table below presents the population trends for the assessment area, the counties that comprise the assessment area, and the state of Iowa from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 34,236. The assessment area increased in population by 1.1 percent between 2010 and 2015, which is slightly below the state of Iowa’s population growth of 1.5 percent during the same period. All counties within the assessment area except for Jefferson County experienced a decrease in population. However, Jefferson County saw a 2.8 percent increase in population outpacing the state of Iowa and the other counties within the assessment area. According to community representatives, the increase in population within Jefferson County is primarily attributed to the diverse local economy, with many industries growing and expanding in operation, as well as the presence of a local university. However, the decrease of population in the other counties within the assessment area is attributed to younger people leaving the rural area to pursue higher education and other employment opportunities within larger metropolitan cities. Community representatives mentioned that due to the COVID-19 pandemic, more businesses are offering fully remote working capabilities. They are optimistic that the elimination of proximity as a barrier to job opportunity will lead to population retention, while drawing others to the area due to the lower cost of living. With that said, however, they anticipate this may lead to stability but will not significantly increase the local population in the next few years.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	33,879	34,236	1.1
Davis County, IA	8,753	8,742	-0.1
Jefferson County, IA	16,843	17,318	2.8
Keokuk County, IA	10,511	10,291	-2.1
Van Buren County, IA	7,570	7,432	-1.8
Wapello County, IA	35,625	35,315	-0.9
State of Iowa	3,046,355	3,093,526	1.5

*Source: 2010 U.S. Census Bureau Decennial Census
2011 - 2015 U.S. Census Bureau American Community Survey*

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 8,867 families, of which 21.7 percent are designated as low-income, 19.2 percent are moderate-income, 22.9 percent are middle-income, and 36.2 percent are upper-income. However, 9.1 percent of families residing within the assessment area live below the poverty line, slightly above the state of Iowa’s poverty rate at 8.1 percent. According to the 2011-2015 American Community Survey (ACS), the median family income (MFI) for the assessment area is \$60,404, which is below the MFI for the state of Iowa at \$67,466. Within the assessment area, only Davis and Van Buren Counties experienced an

increase in MFI at 2.7 percent and 6.4 percent, respectively, increasing at a higher rate than the state of Iowa at 0.2 percent during the same period. In contrast, Jefferson, Keokuk, and Wapello Counties saw declines in MFI of 1.8 percent, 4.5 percent, and 0.8 percent. A community representative stated that Davis and Van Buren Counties experienced increases in MFI due to a large segment of the local population commuting into surrounding counties for work, which tend to have more employment opportunities, specifically higher wage positions. Additionally, the contact went on further to state that the decline in MFI in Jefferson, Keokuk, and Wapello Counties is primarily attributed to the aging population and other individuals moving to regional micropolitan cities. As the local population has aged, a larger portion of individuals entered retirement during the period which tends to adversely impact local MFI. Further, other individuals living within those counties moved to larger cities either for educational purposes or to seek more job opportunities. In recent years, the ongoing labor shortage has caused local businesses to increase wages to attract/retain employees, which the community representatives anticipate will positively impact local MFI.

Median Family Income Change			
Area	2010 Median Family Income (\$)	2015 Median Family Income (\$)	Percent Change (%)
Assessment Area	N/A	60,404	N/A
Davis County, IA	57,557	59,088	2.7
Jefferson County, IA	60,276	59,173	-1.8
Keokuk County, IA	58,211	55,571	-4.5
Van Buren County, IA	54,517	58,011	6.4
Wapello County, IA	53,695	53,242	-0.8
State of Iowa	67,302	67,466	0.2

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey
2011 - 2015 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

Housing Characteristics

The bank’s assessment area includes 15,537 housing units. The majority of housing units are owner-occupied at 65.2 percent, whereas rental units account for 24.0 percent of total units. Within the assessment area, 10.8 percent of housing units are vacant, which is higher than the percentage of vacant units within the state of Iowa at 8.7 percent of total housing units.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for the assessment area was 0.49, which is notably higher than the state of Iowa at 0.41. As such, the affordability ratio suggests that housing within the assessment area is more affordable than housing within the state of Iowa.

The following table represents recent housing cost burden for individuals within the assessment area, as well as the state of Iowa. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the table below, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners. Of the counties within the assessment area, only Wapello County had a higher proportion of renters that met the cost burden criteria when compared to the state of Iowa at 42.9 percent and 38.0 percent, respectively. However, all counties within the assessment area had a higher percentage of homeowners that meet the cost burden criteria when compared to the state of Iowa.

Community representatives indicated that there is a lack of supply of affordable housing units within the assessment area, stating that both rental and housing stock are old and in need of significant maintenance and/or rehabilitation. The general poor quality of current rental units has led to lower rental costs, which is why most counties within the assessment area have a lower percentage of renters meeting the cost burden criteria. Additionally, Davis and Van Buren Counties are very rural with fewer individuals competing for existing rental units further limiting the percentage of low- and moderate-income renters meeting the cost burden criteria. With that said, due to the aged housing within the assessment area most new homeowners need to do a higher degree of home repair/renovation driving the cost of housing up and resulting in more homeowners experiencing housing cost burden. The COVID-19 pandemic has exacerbated the need for affordable housing as construction costs and general housing prices have increased dramatically in recent years hindering the development of more affordable housing units within the area.

2021 Non MSA IA Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Davis County, IA	52.1	8.8	27.1	62.2	21.7	15.9
Jefferson County, IA	61.5	11.4	36.2	59.1	19.2	18.2
Keokuk County, IA	69.9	15.2	31.6	61.1	24.8	18.6
Van Buren County, IA	51.7	0.0	22.9	57.1	23.0	15.9
Wapello County, IA	73.9	16.3	42.9	61.6	19.4	17.6
State of Iowa	72.2	24.1	38.0	58.9	25.3	15.2
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The table below shows unemployment statistics for the counties comprising the assessment area, as well as the state of Iowa. In 2021, the unemployment rates within Davis (3.3 percent) and Van Buren (3.8 percent) Counties were lower than the state of Iowa’s unemployment rate at 4.2 percent. Jefferson County’s unemployment rate was in alignment with the state of Iowa at 4.2 percent, however, Keokuk and Wapello Counties experienced higher unemployment than the state of Iowa at 4.4 and 5.0 percent, respectively, during the same time. A community representative stated that the lower unemployment rate in Davis and Van Buren Counties is primarily due to the more rural nature of the counties and the fact that both local economies are predominantly agriculture-based which was less impacted by the COVID-19 pandemic. Since the COVID-19 pandemic, most counties within the assessment area have recovered to pre-pandemic levels, however certain industries, mainly the hospitality and retail service industry, are still struggling.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Davis County, IA	3.3	2.7	2.7	3.9	3.3
Jefferson County, IA	3.0	2.2	2.3	5.4	4.2
Keokuk County, IA	3.5	2.9	3.1	4.8	4.4
Van Buren County, IA	3.0	2.7	2.6	4.5	3.8
Wapello County, IA	4.5	3.4	3.5	5.8	5.0
State of Iowa	3.1	2.5	2.6	5.1	4.2

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Industry Characteristics

According to location quotients developed by the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base and is most heavily impacted by the industries of manufacturing, retail trade, and healthcare and social assistance. A community representative stated that in recent years two large local employers (an aluminum foundry and an iron foundry) went into foreclosure, independent of one another. This impacted approximately 300 jobs, however through private and public sector coordination both companies were purchased retaining a portion of the previously lost jobs. Further, a community representative stated that the manufacturing, education, and healthcare industries have been experiencing notable expansion in recent years.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, as well as providing information about how the COVID-19 pandemic affected the economy in the area. The

representatives stated that there are challenges within their respective areas in which local financial institutions can assist. Community representatives stated the largest need for the area is affordable housing. Further, financial literacy education, especially targeting low- and moderate-income individuals, will promote leveraging debt responsibly and curb the likelihood of those individuals' engaging alternative, and often higher-cost, credit options. Finally, a community representative stated that local financial institutions could be more innovative and/or flexible to help local startup companies acquire initial startup capital.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Iowa State Bank & Trust Company's performance relative to the lending test is rated Satisfactory. Overall, the bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The bank's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are originated within the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither Iowa State Bank & Trust Company nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

Loan-to-Deposit Ratio

Iowa State Bank & Trust Company had a more than reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, and the credit needs of its assessment area. As of December 31, 2022, the bank's LTD ratio averaged 92.0 percent over a 17-quarter period. The LTD ratio has increased since the previous evaluation, during which time the bank had an LTD ratio of 83.5 percent over a 19-quarter period. Through discussion with bank management, a few factors contributed to the increased LTD ratio. First, the bank hired additional loan officers of differing expertise which resulted in an increase in new customers. Further, the bank was very engaged in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) during the COVID-19 pandemic helping solidify existing relationships while also onboarding new ones.

The following table compares the bank's LTD ratio to its local competitors of similar size and complexity.

Comparative Loan-to-Deposit Ratios as of December 31, 2022	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
Iowa State Bank & Trust Company	92.0
Peer Avg - Local	74.3
Competitors	
Success Bank	92.3
County Bank	86.0
Federation Bank	69.7
First Iowa State Bank	62.5
White State Bank	61.0

Assessment Area Concentration

Iowa State Bank & Trust Company made a majority of its loans, and as appropriate other lending-related activities, in the bank’s assessment area. During the evaluation period, the bank originated 100 total loans of which 60.6 percent by count and 49.0 percent by dollar amount were inside the assessment area. Small business and small farm loans saw a similar dispersion of loans by count in the assessment area at 63.0 percent and 63.3 percent, respectively, whereas 53.5 percent of home mortgage loans were originated within the assessment area. When evaluating loans by dollar amount, 56.0 percent of small farm loans, 48.2 percent of home mortgage loans, and 45.8 percent of small business loans were originated within the assessment area. Overall, the percentage of home mortgage, small business, and small farm loans originated within the assessment area by count indicates the bank is actively serving the credit needs of the local community.

The following table summarizes the bank’s lending inside and outside its assessment area through a sample of home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgage	23	53.5	3,506	48.2	20	46.5	3,766	51.8
Small Business	46	63.0	5,250	45.8	27	37.0	6,215	54.2
Small Farm	31	63.3	3,328	56.0	18	36.7	2,614	44.0
Total Loans	100	60.6	12,084	49.0	65	39.4	12,595	51.0

Geographic Distribution of Loans

The assessment area is comprised only of middle-income census tracts, and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area.

Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

Lending to Borrowers of Different Income Levels and to Businesses of Farms of Different Sizes

An analysis was conducted to determine the level of lending to borrowers of different income levels and businesses and farms of different sizes. Iowa State Bank & Trust Company’s loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses and farms of different sizes.

Home Mortgage Loans

Home mortgage lending reflects reasonable penetration among borrowers of different income levels. In 2021, Iowa State Bank & Trust Company originated 4.3 percent of home mortgage loans to low-income borrowers, which is below the percentage of low-income families residing within the assessment area at 21.7 percent. This disparity is largely attributed to the high number of families, at 9.1 percent, living below the poverty level. Based upon median housing values in the assessment area, these individuals are less likely to qualify for home mortgage loans due to insufficient income and/or assets. Among moderate-income borrowers, the bank originated 17.4 percent of home mortgages loans, comparable to the 19.2 percent of moderate-income families within the assessment area. The bank originated 39.1 percent of home mortgage loans to middle-income borrowers, above the percentage of middle-income families within the assessment area at 22.9 percent. Further, among upper-income borrowers, the bank originated 34.8 percent of home mortgage loans, comparable to the 36.2 percent of upper-income families within the assessment area. Finally, the bank originated 4.3 percent of home mortgage loans to borrowers of unknown income.

The following table summarizes the bank’s 2021 home mortgage lending in the assessment area.

Distribution of 2021 Residential Lending By Borrower Income Level					
Assessment Area: IA Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	1	4.3	36	1.0	21.7
Moderate	4	17.4	457	13.0	19.2
Middle	9	39.1	1,417	40.4	22.9
Upper	8	34.8	1,546	44.1	36.2
Unknown	1	4.3	50	1.4	0.0
Total	23	100.0	3,506	100.0	100.0

Source: 2021 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 was reviewed, of which 87.0 percent by count were to businesses with gross revenues equal to or less than \$1 million. This is below the gross revenue composition of small businesses in the assessment area, at 91.0 percent. In addition, 70.0 percent of the bank's small business loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small businesses, demonstrating the bank's ability to meet the credit needs of small businesses. The bank's small business lending performance in 2021 has declined since the previous evaluation, during which time 100.0 percent of small business loans went to businesses with revenues of \$1 million or less. Further, of the bank's small business loans originated during the previous evaluation period, 77.5 percent were in amounts of \$100,000 or less.

During the evaluation period, the bank was particularly responsive to the credit needs of its assessment area as it pertains to small business lending. This was evidenced in the bank's response to the COVID-19 pandemic and active participation in the SBA's Paycheck Protection Program (PPP). During the evaluation period, the bank originated 521 PPP loans totaling approximately \$20.1 million. As PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are considered particularly responsive. Additionally, Iowa State Bank & Trust Company participated alongside other local financial institutions and companies to finance \$4.8 million towards the creation of a new non-profit childcare facility serving up to 185 children at full capacity. The bank was also a primary partner in providing the financing for the construction of the facility. A community representative stated that the construction of this childcare facility helped directly address one of the largest needs of local families and employers.

The following table presents the bank's borrower distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	40	87.0	4,577	87.2	91.0
Over \$1 Million	5	10.9	658	12.5	6.9
Revenue Unknown	1	2.2	15	0.3	2.1
Total	46	100.0	5,250	100.0	100.0
By Loan Size					
\$100,000 or Less	32	69.6	1,380	26.3	
\$100,001 - \$250,000	9	19.6	1,272	24.2	
\$250,001 - \$1 Million	5	10.9	2,598	49.5	
Total	46	100.0	5,250	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	28	70.0	1,207	26.4	
\$100,001 - \$250,000	8	20.0	1,172	25.6	
\$250,001 - \$1 Million	4	10.0	2,198	48.0	
Total	40	100.0	4,577	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Small Farm Loans

Small farm lending reflects reasonable penetration among farms of different revenue sizes. A sample of small farm loans originated in 2021 was reviewed, of which 87.1 percent by count were to farms with gross revenues equal to or less than \$1 million. This is below the gross revenue composition of small farms in the assessment area, at 99.0 percent. In addition, 70.4 percent of the bank's small farm loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small farms, demonstrating the bank's ability to meet the credit needs of small farms. The bank's small farm lending performance in 2021 has declined since the previous evaluation, during which time 100.0 percent of small farm loans went to farms with revenues of \$1 million or less. Further, of the bank's small farm loans originated during the previous evaluation period, 75.0 percent were in amounts of \$100,000 or less.

The following table presents the bank's borrower distribution of small farm loans in 2021.

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
By Revenue					
\$1 Million or Less	27	87.1	2,716	81.6	99.0
Over \$1 Million	3	9.7	597	17.9	0.5
Revenue Unknown	1	3.2	15	0.5	0.5
Total	31	100.0	3,328	100.0	100.0
By Loan Size					
\$100,000 or Less	22	71.0	768	23.1	
\$100,001 - \$250,000	4	12.9	682	20.5	
\$250,001 - \$500,000	5	16.1	1,878	56.4	
Total	31	100.0	3,328	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	19	70.4	581	21.4	
\$100,001 - \$250,000	4	14.8	682	25.1	
\$250,001 - \$500,000	4	14.8	1,453	53.5	
Total	27	100.0	2,716	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Response to Complaints

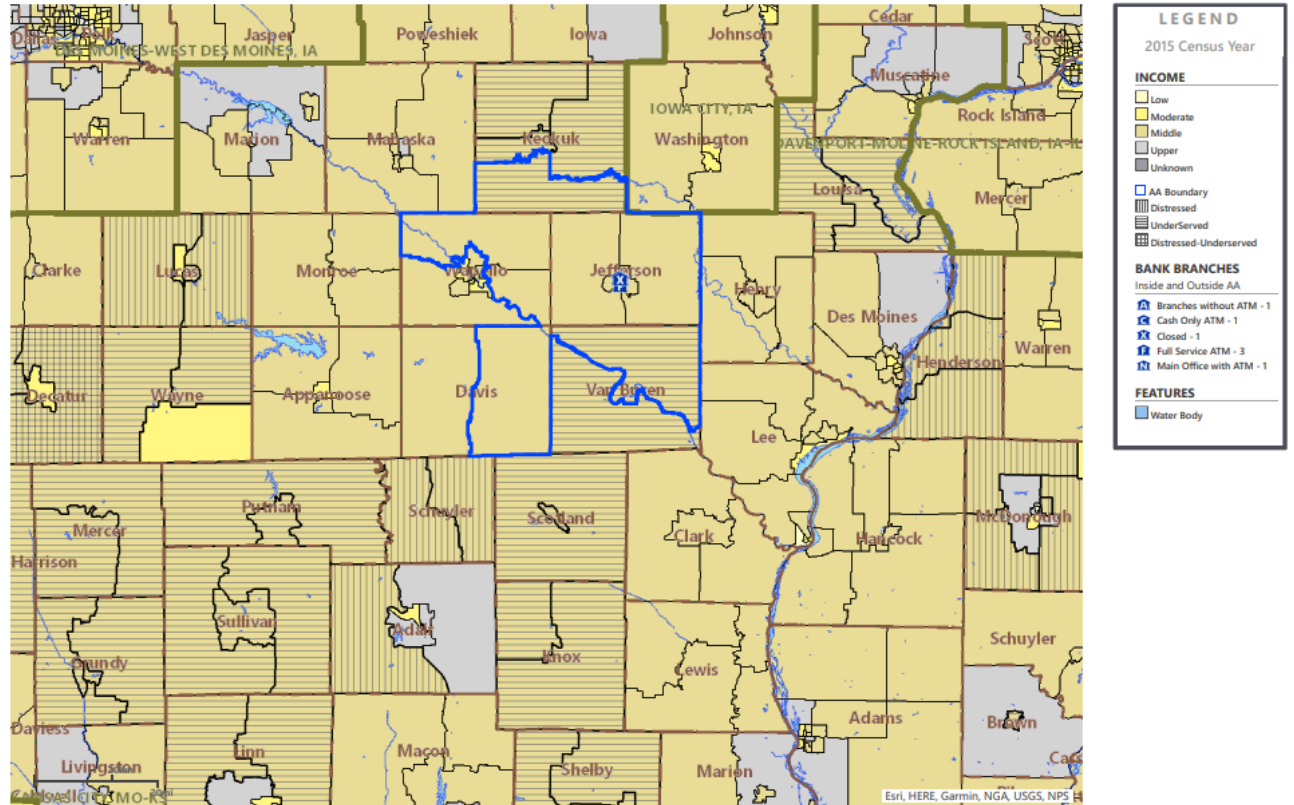
The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Iowa State Bank and Trust Company 651541
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2021 to December 31, 2021	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Iowa State Bank & Trust Company		Home Mortgage Loans Small Business Loans Small Farm Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iowa	Full scope review	N/A	N/A

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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, which is further classified into “male householder” (a family with a male household and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).