

PUBLIC DISCLOSURE

April 25, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Maquoketa State Bank
RSSD# 683449

203 North Main
Maquoketa, Iowa 52060

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING..... 2

SCOPE OF EXAMINATION 2

DESCRIPTION OF INSTITUTION..... 3

DESCRIPTION OF ASSESSMENT AREA 4

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA 9

 LENDING TEST10

 COMMUNITY DEVELOPMENT TEST.....16

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW18

APPENDIX A – MAPS OF ASSESSMENT AREAS19

APPENDIX B – SCOPE OF EXAMINATION20

APPENDIX C – GLOSSARY21

INSTITUTION'S CRA RATING

Maquoketa State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Maquoketa State Bank is meeting the credit needs of its community based on an analysis of lending and community development activities, and local economic conditions of its assessment area. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans are originated in the assessment area. The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses and farms of different sizes. Neither Maquoketa State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments and donations, and community development services, considering the bank's capacity, need, and availability of such opportunities in the assessment area.

SCOPE OF EXAMINATION

Maquoketa State Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examinations Council (FFIEC). The CRA performance was evaluated within the context of information about the institution and its assessment area including asset size, financial condition, local competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's single assessment area located in the Non-Metropolitan Statistical Area (Non MSA) Jackson County, Iowa. Maquoketa State Bank delineates Jackson County, Iowa, in its entirety. The level of performance within the assessment area was assessed based on a sample of home mortgage, small business, and small farm loans originated during the period beginning January 1, 2021, and ending December 31, 2021. These products are considered the bank's primary business lines based on volume by number and dollar amount. The bank's community development activities were evaluated to determine their responsiveness to the needs of the assessment area.

Performance within the designated assessment area was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 17 quarter average loan-to-deposit ratio 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, were reviewed to determine the percentage of loans originated within 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 within the assessment area, from January 1, 2021, to December 31, 2021, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as 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 within the assessment area, from January 1, 2021, to December 31, 2021, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses 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.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments and donations, and community development services, from April 10, 2018, through April 25, 2022, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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. Organizations focusing on community services and agriculture were contacted.

DESCRIPTION OF INSTITUTION

Maquoketa State Bank is a wholly owned subsidiary of Ohnward Bancshares, Inc. (Ohnward), Maquoketa, Iowa. Ohnward also wholly owns two additional banks: First Central State Bank, DeWitt, Iowa and Ohnward Bank and Trust, Cascade, Iowa. Maquoketa State Bank is headquartered in Maquoketa, Iowa. The bank operates its main office and three branch locations, all in Jackson County, Iowa. The main office and one branch are located in Maquoketa, and two additional branch offices are located in Andrew and Preston, Iowa. The bank operates eight automated teller machines (ATMs) within Jackson County, including four full-service and four cash-only. The bank has not opened or closed any branches since the previous evaluation.

As of December 31, 2021, the bank reported total assets of \$404.0 million according to the Uniform Bank Performance Report (UBPR). Maquoketa State Bank offers a variety of lending products, including agricultural, commercial, residential real estate, and consumer loans. Overall, the bank offers non-complex deposit and lending products and is predominantly an agricultural lender, as agricultural loans comprise 57.3 percent of the bank's loan portfolio. Details of the loan portfolio composition are provided in the following table.

Composition of Loan Portfolio as of December 31, 2021 (000's)		
Type	\$	%
Agriculture	103,884	57.3
Commercial	42,531	23.5
Residential Real Estate	19,165	10.6
Consumer	10,512	5.8
Other	5,113	2.8
Total	181,205	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 April 9, 2018.

DESCRIPTION OF ASSESSMENT AREA

Maquoketa State Bank's assessment area consists of Jackson County, Iowa, in its entirety. The assessment area has not changed since the previous evaluation.

Maquoketa State Bank is the market leader in its assessment area. The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2021, ranks Maquoketa State Bank first among six FDIC-insured institutions in Jackson County. The bank maintains 47.3 percent deposit market share. Bellevue State Bank, which has 20.0 percent of the assessment area's deposits ranks second in Jackson County.

In total, the assessment area is comprised of one moderate-income and five middle-income census tracts. There are no distressed or underserved census tracts within the assessment area. The assessment area is home to 5,698 families; of these families, 37.8 percent are designated as low- or moderate-income, with a total of 9.0 percent living in poverty. Businesses and farms with total annual revenue of \$1 million or less represent 91.3 percent of all businesses and 99.2 percent of all farms operating in the assessment area. Based on this data, there are various opportunities within

the assessment area to meet the credit needs of borrowers of different income levels, and ample opportunities to meet the credit needs of businesses and farms of different revenue sizes. Additional demographic information for the assessment area is presented in the following table.

Assessment Area: 2021 IA Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,017	17.8
Moderate-income	1	16.7	595	10.4	69	11.6	1,142	20.0
Middle-income	5	83.3	5,103	89.6	444	8.7	1,412	24.8
Upper-income	0	0.0	0	0.0	0	0.0	2,127	37.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	6	100.0	5,698	100.0	513	9.0	5,698	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	1,109	626	9.9	56.4	368	33.2	115	10.4
Middle-income	8,320	5,698	90.1	68.5	1,741	20.9	881	10.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	9,429	6,324	100.0	67.1	2,109	22.4	996	10.6
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	125	11.6	105	10.7	19	25.0	1	5.6
Middle-income	950	88.4	876	89.3	57	75.0	17	94.4
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,075	100.0	981	100.0	76	100.0	18	100.0
	Percentage of Total Businesses:		91.3		7.1		1.7	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	6	2.4	6	2.4	0	0.0	0	0.0
Middle-income	245	97.6	243	97.6	2	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	251	100.0	249	100.0	2	100.0	0	0.0
	Percentage of Total Farms:		99.2		0.8		0.0	
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Population Change

According to the 2015 American Community Survey (ACS) data, Non-MSA Jackson County experienced a slight decrease (1.4 percent) in population since the 2010 census. In addition, Non-MSA Iowa experienced a 0.9 percent decrease during that same period, while the total population within the state of Iowa increased 1.5 percent. A community representative stated that the lack of housing for low- and moderate-income households has grown during the pandemic and has continued to impact population in the county.

2020 Population Change			
Area	2010 Population	2015 Population	Percentage Change
Non MSA Jackson County IA	19,848	19,572	-1.4
Non MSA Iowa	1,261,493	1,250,756	-0.9
State of Iowa	3,046,355	3,093,526	1.5
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

Income Characteristics

The following table presents median family income (MFI) for families living in the assessment area. According to 2011-2015 ACS data, MFI in the bank's assessment area experienced a slight decrease (0.9 percent) since 2010, while Non-MSA Iowa and the state of Iowa experienced slight growth during the same period. A community representative stated that businesses had difficulty filling specific employment roles prior to the pandemic, which has resulted in some employers offering pay level increases and sign-on bonuses to attract employees.

The table below presents MFI changes between 2010 and 2015 in the assessment area, Non-MSA Iowa, and the state of Iowa.

2020 Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change (%)
Non MSA Jackson County IA	59,032	58,516	-0.9
Non MSA Iowa	61,224	61,681	0.7
State of Iowa	67,302	67,466	0.2
<i>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</i>			

Housing Characteristics

According to the 2015 U.S. Census Bureau, there are a total of 9,429 housing units in the assessment area. The majority of housing units are owner-occupied at 67.1 percent, with 22.4 percent considered rental units, and 10.6 percent of housing units are vacant. The majority of the assessment area’s housing stock is located in middle-income census tracts (88.2 percent), with 11.8 percent located in the moderate-income census tract.

A method in understanding poverty and housing outcomes is calculating housing cost burden, which is outlined in the table below. The housing cost burden is the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household’s housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Across the assessment area, 32.9 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 64.9 percent are low-income, and 15.1 percent are moderate-income. For homeowners, only 14.9 percent are experiencing housing cost burden within the assessment area, but similar to renters, the majority are low- and moderate-income owners at 51.6 percent and 20.8 percent, respectfully.

A community representative stated low- and moderate-income households have a lack of affordable housing, both pre-pandemic and currently. In some cases, housing may also be less available to individuals who lack the credit to qualify for rental properties. These issues became an even more significant factor in housing access due to the pandemic.

2020 Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Non MSA Jackson County IA	64.9%	15.1%	32.9%	51.6%	20.8%	14.9%
Non MSA Iowa	64.3%	14.3%	32.8%	54.3%	20.8%	14.9%
State of Iowa	71.3%	21.3%	38.2%	57.5%	25.1%	15.4%
<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), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table reflects unemployment rates from the U.S. Bureau of Labor Statistics between 2016 and 2020. Overall, the unemployment rates in the assessment area, Non-MSA Iowa, and the state of Iowa declined between 2016 and 2018 and then increased between 2018 and 2019. From

2019 to 2020, the assessment area, Non-MSA Iowa, and the state of Iowa experienced significant increases due to the COVID-19 pandemic.

A community representative confirmed that the increase in 2020 was due to the pandemic, and more recent unemployment rates are now decreasing. During the pandemic, filling positions had become an even more significant issue due to the desire of potential employees for more flexible schedules. The businesses in the area have been responsive to this by implementing more flexible shifts, moving some formerly full-time positions to part-time, and working to re-engage retired workers.

2020 Unemployment Rates					
Area	2016	2017	2018	2019	2020
Non MSA Jackson County IA	4.1%	3.4%	2.8%	3.2%	6.1%
Non MSA Iowa	3.8%	3.2%	2.7%	2.9%	4.9%
State of Iowa	3.6%	3.1%	2.6%	2.8%	5.3%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics (LAUS)

Community Representatives

Two community representatives were contacted to provide information surrounding local economic development needs, employment, and housing conditions. Both community representatives spoke positively of financial institutions in regard to lending and assisting consumers in the area. One representative noted there is a need to help individuals build and improve credit, as affordable housing is an assessment area credit need and housing is even less available to individuals who lack good credit. Community services for low- and moderate-income individuals was also identified as an assessment area need, specifically financial literacy and mental health support. Another contact stated that 99 percent of farms have revenues of \$1 million or less. The representative categorized the farming community as approximately 20 percent beginning farmers with less than 10 years farming experience, 30 percent established farmers, and the remaining 50 percent semi-retired or renting out their land for others to farm. The representative stated that some banks can better support the agricultural community by identifying beginning farmers. Although banks have been able to assist agricultural borrowers with improving risk management practices, other banks do not take this approach and only lend to strong borrowers. Further, the representative stated some farmers are planting fewer crops because of high futures contracts, which may suppress loan demand.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Maquoketa State Bank's performance relative to the lending test is **Satisfactory**. The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans and other lending-related activities are in the assessment area. The geographic distribution of loans reflects excellent dispersion throughout the assessment area. In addition, loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses and farms of different sizes.

Loan-to-Deposit Ratio

Maquoketa State Bank had a reasonable LTD ratio given the bank's size, financial condition, the credit needs of its assessment area, and considering, as appropriate, other lending-related activities such as loan originations for sale to the secondary market, community development loans, and qualified investments.

As of December 31, 2021, the bank's LTD ratio averaged 71.5 percent over the 17-quarter period. The LTD shows a minor decrease from the previous examination in which the bank had a ratio of 75.1 percent. Bank management stated this was due to increased deposits as a result of the pandemic. Overall, the bank's LTD ratio was lower than many of its local competitors over the same 17-quarter period.

The following table compares the bank's LTD ratio to peer and local competitors.

Comparative Loan-to-Deposit Ratios as of December 31, 2021	
Comparative Data	17 Quarter Average (%)
Maquoketa State Bank	71.5
Peer Avg – Local	75.0
Competitors	
Community Savings	86.0
Ohnward B&TC	90.1
Clinton NB	60.0
Citizens State Bank	62.7
Sterling FSB	58.1
First NB	77.5
SENB Bank	85.2
American B&TC NA	80.0

Assessment Area Concentration

Maquoketa State Bank originated a majority of loans and other lending-related activities in the assessment area.

During the evaluation period, Maquoketa State Bank originated 66.5 percent of its home mortgage (residential loans), small business, and small farm loans inside the assessment area. Home mortgage loans had the highest concentration originated inside the assessment area, with a total of 75.4 percent. Small business loan concentration within the assessment area was 69.3 percent, and small farm loans originated within the assessment area was 59.0 percent. The overall total loans originated within the assessment area, including home mortgage, small business and small farm, slightly decreased since the previous evaluation, when the bank originated 69.3 percent of its loans within the assessment area. The percentage of home mortgage, small business, and small farm loans originated within the assessment area indicates the bank's responsiveness to assessment area credit needs.

The following table summarizes the bank's lending inside and outside its assessment area from January 1, 2021, through December 31, 2021.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Total Residential Loans	43	75.4	6,037	81.0	14	24.6	1,420	19.0
Total Small Business Loans	61	69.3	8,885	65.1	27	30.7	4,768	34.9
Total Small Farm Loans	59	59.0	10,854	60.3	41	41.0	7,153	39.7
Total Loans	163	66.5	25,775	65.9	82	33.5	13,341	34.1

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

Geographic Distribution

Maquoketa State Bank demonstrated an excellent geographic distribution of loans given the bank's assessment area.

A sample of the bank's home mortgage, small business, and small farm loans originated from January 1, 2021, through December 31, 2021, were reviewed to determine the dispersion of loans among assessment area geographies.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify any possible conspicuous gaps in lending. The assessment area contains six total census tracts, of which one is moderate-income and five are middle-income. Overall, no substantial disparities were noted, and loans were originated in each of Maquoketa State Bank's six census tracts. Furthermore, the gap analysis indicates that the bank's lending patterns are well balanced

across the six census tracts within its assessment area, including the moderate-income census tract.

Home Mortgage Lending

Home mortgage lending reflects excellent dispersion throughout the assessment area. Maquoketa State Bank originated 14.0 percent of its home mortgage loans to borrowers in the sole moderate-income census tract, which exceeds the percentage of owner-occupied units within the tract (9.9 percent). The majority of the bank's home mortgage loans (86.0 percent) were originated in middle-income census tracts, which aligns with where the majority of owner-occupied housing units (90.1 percent) are located. The following table shows the bank's geographic distribution of home mortgage loans from January 1, 2021, through December 31, 2021.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2021 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2021				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	6	14.0	681	11.3	9.9
	Middle	37	86.0	5,355	88.7	90.1
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	43	100.0	6,036	100.0	100.0

2021 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The bank originated 16.4 percent of its loans to small businesses located in the moderate-income census tract of the assessment area. The bank's performance exceeds the percentage of total businesses in the moderate-income tract at 11.6 percent, indicating the bank is meeting the needs of small businesses located in moderate-income census tracts. The majority of the bank's small business loans (83.6 percent) were originated in middle-income census tracts, which aligns with where the majority of total businesses (88.4 percent) are located. The following table shows the bank's geographic distribution of small business loans from January 1, 2021, through December 31, 2021.

Geographic Distribution of Small Business Loans						
Assessment Area: 2021 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		2021				
		Count Bank		Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	10	16.4	894	10.1	11.6
	Middle	51	83.6	7,990	89.9	88.4
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total		61	100.0	8,885	100.0

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Lending

The geographic distribution of small farm loans reflects excellent dispersion throughout the assessment area. The bank’s small farm lending in the moderate-income census tract (5.1 percent) exceeds the percentage of total farms located in the census tract (2.4 percent). The majority of the bank’s small farm loans (94.9 percent) were originated in middle-income census tracts, which aligns with where the majority of total farms (97.6 percent) are located. The following table shows the bank’s geographic distribution of small farm loans from January 1, 2021, through December 31, 2021.

Geographic Distribution of Small Farm Loans						
Assessment Area: 2021 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		2021				
		Count Bank		Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	3	5.1	907	8.4	2.4
	Middle	56	94.9	9,948	91.7	97.6
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total		59	100.0	10,854	100.0

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Maquoketa State Bank’s distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment area.

Borrower Distribution

Maquoketa State Bank’s distribution of loans and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment area(s).

Home Mortgage Lending

The borrower distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Based on 2010 census information, the median family income for the assessment area in 2015 was \$58,516. In 2021, the bank’s lending to borrowers of low-income (16.3 percent by number) was slightly below the demographic figure of Families by Family Income (17.8 percent). The bank’s lending to borrowers of moderate-income (18.6 percent) was slightly below the percentage of moderate-income families in the assessment area (20.0 percent). The bank’s lending to middle-income borrowers (25.6 percent) was slightly above the percentage of middle-income families in the assessment area (24.8 percent). The bank originated the greatest percent of home mortgage loans to upper-income borrowers (39.5 percent) which was above the demographic (37.3 percent). Community representatives noted there is a lack of available affordable housing for low- and moderate-income families in Jackson County, which impacts the bank’s ability to lend to these groups.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2021 IA Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income
		2021				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	7	16.3	672	11.1	17.8
	Moderate	8	18.6	865	14.3	20.0
	Middle	11	25.6	2,002	33.2	24.8
	Upper	17	39.5	2,498	41.4	37.3
	Unknown	0	0.0	0	0.0	0.0
	Total		43	100.0	6,037	100.0
2021 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. During the review period, the bank originated 93.4 percent of small business loans by number and 78.1 percent by dollar to businesses with annual revenues of \$1 million or less. Performance was above the assessment area demographics as 91.3 percent of all businesses in the area have annual revenues of less than \$1 million. Of the 57 loans originated to small businesses with revenues of \$1 million or less, 50.9 percent were in amounts of \$100,000 or less which is considered most beneficial to small businesses.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
				2021		Total Businesses	
		Count Bank		Dollar Bank			
#	%	\$ 000s	\$ %	%			
Small Business	Revenue	\$1 Million or Less	57	93.4	6,940	78.1	91.3
		Over \$1 Million	2	3.3	965	10.9	7.1
		Unknown	2	3.3	980	11.0	1.7
		Total	61	100.0	8,885	100.0	100.0
	Loan Size	\$100,000 or Less	29	47.5	2,124	23.9	
		\$100,001 - \$250,000	23	37.7	3,203	36.1	
		\$250,001 - \$1 Million	9	14.8	3,557	40.0	
		Total	61	100.0	8,884	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	29	50.9	2,124	30.6	
		\$100,001 - \$250,000	23	40.4	3,203	46.2	
\$250,001 - \$1 Million		5	8.8	1,612	23.2		
Total		57	100.0	6,939	100.0		

Originations & Purchases
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Lending

The borrower distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. During the review period, the bank originated 93.2 percent of small farm loans by number and 88.3 percent by dollar to farms with annual revenues of \$1 million or less. Performance was below that of the assessment area demographics as 99.2 percent of all farms in the area have annual revenues of less than \$1 million. In addition, 40.0 percent of the loans were made to farms with revenues of \$1 million or less in loan amounts of \$100,000 or less, which are considered most beneficial to small farms, and indicating the bank’s willingness to meet small farm credit needs.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %		
Small Farm	Revenue	\$1 Million or Less	55	93.2	9,588	88.3	99.2
		Over \$1 Million	0	0.0	0	0.0	0.8
		Unknown	4	6.8	1,266	11.7	0.0
		Total	59	100.0	10,854	100.0	100.0
	Loan Size	\$100,000 or Less	22	37.3	1,383	12.7	
		\$100,001 - \$250,000	19	32.2	3,013	27.8	
		\$250,001 - \$500,000	18	30.5	6,459	59.5	
		Total	59	100.0	10,855	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	22	40.0	1,383	14.4	
		\$100,001 - \$250,000	18	32.7	2,763	28.8	
		\$250,001 - \$500,000	15	27.3	5,443	56.8	
		Total	55	100.0	9,589	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 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.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investment, and Services Activities

Maquoketa State Bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. This conclusion is supported by the increase in the bank's community development lending, which financed activities intended to help weather the effects of the pandemic.

Lending

During the current review period of April 10, 2018, through April 25, 2022, the bank originated 18 community development loans totaling \$15.4 million within its assessment area. This is a significant increase by number (7) and dollar amount (\$1.3 million) from the prior evaluation.

Overall, the majority of community development loans were made for the purpose of revitalization and stabilization, representing 66.7 percent of community development loans by number and 60.4 percent by dollar, respectively. The bank originated three revitalization and stabilization loans within the city of Maquoketa for redevelopment projects, and two loans for the purpose of affordable housing, indicating responsiveness to assessment area credit needs. Additionally, based on participation in the Paycheck Protection Program (PPP) in 2020 and 2021, the bank further demonstrated its willingness to meet credit needs of local businesses. The bank originated 326 PPP loans totaling \$8.7 million for economic development, and 59 PPP loans totaling \$2.1 million for revitalization and stabilization. The PPP loans are considered particularly responsive based on the challenges small businesses faced as a result of the COVID-19 pandemic and were extremely beneficial to the community as they were exclusively for payroll or income replacement.

Investments

During the evaluation period, Maquoketa State Bank qualified a total of 12 donations for \$530,420 that primarily benefitted organizations which provide community services to support low- and moderate-income individuals and families. This represents an increase since the prior evaluation, when the bank submitted donations to 10 unique organizations, totaling \$286,713.

In addition to community development donations, the bank made six qualified investments of which one (\$195,000) is from the prior evaluation period and five (\$1.2 million) are current period investments. Of the six total qualified investments, the bank made two investments (\$670,000) to be used to pay the costs of designing, constructing, equipping, furnishing, and making land site improvements for a new Jackson County Sheriff's Office and Jail. New community development investment activities have increased in dollar amount and number since the previous evaluation, when the bank had one investment totaling \$195,000. Maquoketa State Bank also participated in five other qualified community development investments (\$3 million) outside of the bank's assessment area.

Services

Bank staff provided 1,247 hours of community development services since the previous evaluation to 29 unique organizations. The majority of bank personnel were involved with financial literacy programs and non-profit organizations and served in the capacity of financial experts, board members, and planning committee members of organizations. The involvement in financial literacy programs demonstrates responsiveness to assessment area needs. Community development service hours decreased from the previous evaluation (1,900 services hours) which is attributed to less opportunities as a result of the pandemic.

In addition to community development services, the bank’s retail services are meeting the needs of its community based on the location of banking offices. The main office is in a moderate-income census tract, contributing to the needs of residents and businesses within and surrounding this area. The table below summarizes the bank’s qualified community development activities.

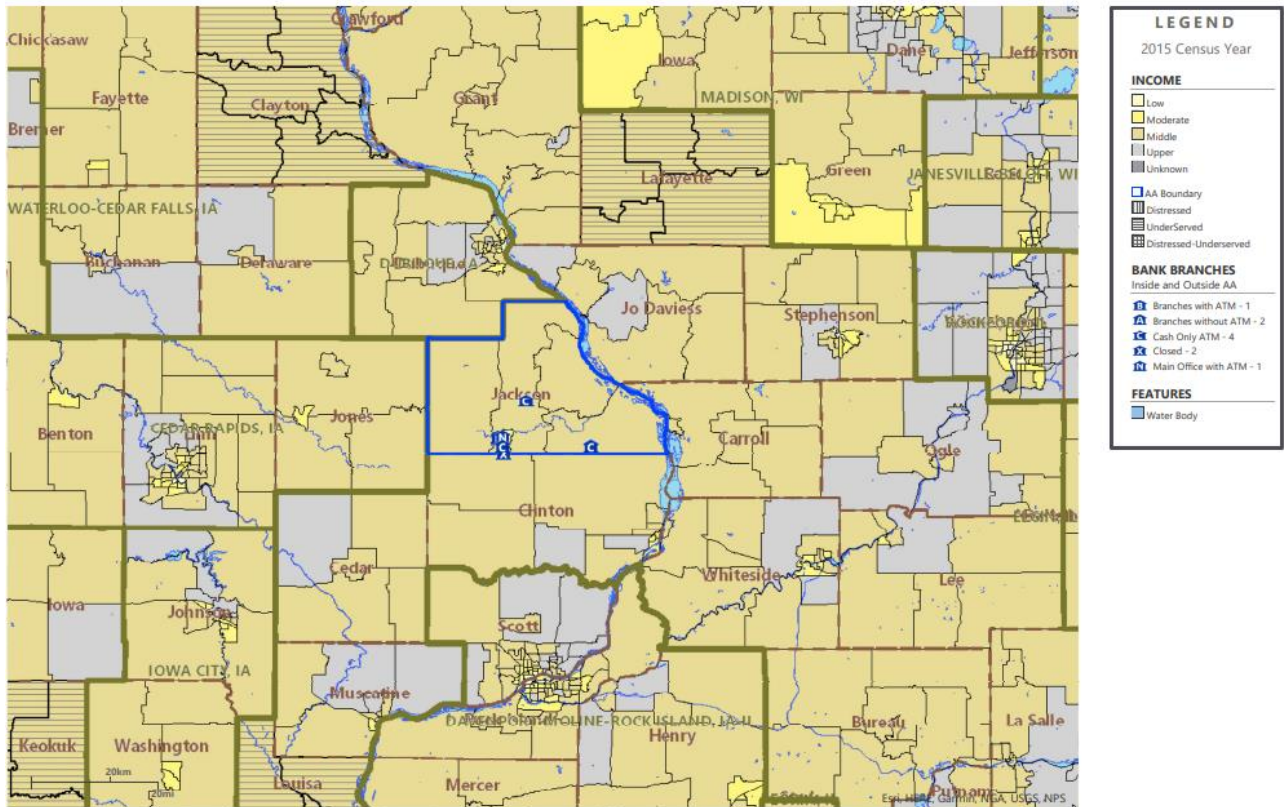
Summary of CD Activities										
Review Period: April 10, 2018 – April 25, 2022										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	2	1,900,000	1	62,210	12	9,321,259	3	4,150,000	18	15,433,469
Broader Statewide or Regional Area	0	0	0	0	5	2,995,000	0	0	5	2,995,000
PPP Lending	0	0	326	8,769,726	59	2,060,229	0	0	385	10,829,955
Investment	0	0	0	0	6	1,375,000	0	0	6	1,375,000
Donations	0	0	1	42,000	4	362,600	7	125,820	12	530,420
Services	1	5	7	154	6	282	15	806	29	1,247

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 – Maps of Assessment Area

Maquoketa State Bank 683449
 IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Lending Test: January 1, 2021, to December 31, 2021 Community Development Test: April 10, 2018, to April 25, 2022	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Maquoketa State Bank		Residential Real Estate 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
Iowa Non-Metropolitan - Jackson County, Iowa	Full scope	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, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes 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 householder 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 Loan: 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).