

PUBLIC DISCLOSURE

September 14, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Savings Bank
RSSD# 849647

222 E. Robinson
Knoxville, Iowa 50138

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 Savings Bank is rated Satisfactory.

Iowa State Savings Bank is meeting the credit needs of its community based on an analysis of lending activities. The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. The bank originates a majority of its home mortgage, small business, and small farm loans inside its assessment area. The geographic distribution of loans reflects a reasonable dispersion through the assessment area. Similarly the bank's lending reflects a reasonable penetration of loans among borrowers of different income levels and to businesses and farms of different revenue sizes. Neither Iowa State Savings Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Iowa State Savings Bank's CRA performance was evaluated using Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. Information about the institution and the assessment area, such as the bank's financial conditions, asset size, economic and demographic characteristics, and competition were used to evaluate the bank's performance. The assessment area includes non-metropolitan Iowa, specifically five census tracts within Marion County. The sample period for home mortgage loan, small business, and small farm is January 1, 2014, to December 31, 2014.

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 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – Home mortgage, small business, and small farm loans originated from January 1 2014, to December 31, 2014, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - Home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2014, to December 31, 2014, 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*** - Home mortgage, small business, and small farm loans originated in the assessment area,

from January 1, 2014, to December 31, 2014, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- and moderate-income, and to businesses and farms with different revenue sizes.

- **Response to Substantiated Complaints** – Neither Iowa State Savings Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

Two community representatives were contacted to help determine the credit and banking needs of the assessment area.

DESCRIPTION OF INSTITUTION

Iowa State Savings Bank, a \$129.1 million institution, is a subsidiary of Duclarkee, Inc., a one bank holding company located in Knoxville, Iowa. The bank operates two full service branches. One located in the city of Knoxville and one located in Melcher-Dallas, along with one drive-up location in Knoxville. All offer drive-up services and a full service ATMs.

Iowa State Savings Bank offers a variety of agricultural, commercial, home mortgage, and consumer purpose loan products to its customers. Loan products include, but are not limited to: real estate secured and non-real estate secured, agricultural equipment and crop loans, operating capital loans, consumer installment/single payment loans, and construction loans. Deposit products include: traditional interest and non-interest bearing checking and savings accounts, certificates of deposits, and individual retirement accounts.

Based on the Uniform Bank Performance Report as of June 30, 2015, the bank’s primary loan products are agricultural loans, commercial loans, and residential real estate loans, which represents 42.5 percent, 29.0 percent, and 17.0 percent, respectively by number, of the bank’s total loans extended. Total assets have increased by 14.6 percent since the previous evaluation.

Composition of Loan Portfolio as of June 30, 2015 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family Residential & Multifamily	11,394	17.0
	Construction and Land Development	631	0.9
	Farmland	14,673	21.9
	Non-farm, Non-Residential	1,969	6.9
	Total Real Estate Secured	28,667	42.8
Agricultural	Agricultural	13,771	20.6
Commercial	Commercial and Industrial	14,785	22.1
Consumer	Loans to Individuals	7,641	11.4
Other		2,048	3.1
	Total	66,912	100.0

Note: Percentages may not total to 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 June 20, 2011.

DESCRIPTION OF ASSESSMENT AREA

Iowa State Savings Bank's assessment area includes a portion Marion County in Iowa and consists of one moderate-income tract, three middle-income tracts, and one upper income-tract. The assessment area has not changed since the previous evaluation.

The bank's peer group includes insured commercial banks with asset sizes between \$100 million and \$300 million, two or fewer full service banking offices and not located in a metropolitan statistical area. According to the Federal Deposit Insurance Corporation (FDIC) Market Share Report as of June 30, 2014, the bank holds 16.7 percent of the market share in Marion County, which places it second among eight insured institutions. Local financial competitors listed in order of the amount of deposit dollars within the assessment area are: Marion County State Bank, Wells Fargo Bank N.A., Leighton State Bank, U.S. Bank N.A., MidWestOne Bank, Pleasantville State Bank, and State Bank of Bussey.

The following table presents the demographics of the assessment area.

Assessment Area: 2014 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	752	16.2
Moderate-income	1	20.0	513	11.0	101	19.7	792	17.0
Middle-income	3	60.0	3,036	65.2	255	8.4	1,131	24.3
Upper-income	1	20.0	1,106	23.8	89	8.0	1,980	42.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5	100.0	4,655	100.0	445	9.6	4,655	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	1,058	598	11.6	56.5	302	28.5	158	14.9
Middle-income	4,425	3,322	64.4	75.1	699	15.8	404	9.1
Upper-income	1,762	1,240	24.0	70.4	353	20.0	169	9.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	7,245	5,160	100.0	71.2	1,354	18.7	731	10.1
	Total Businesses 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	156	23.8	141	23.2	8	29.6	7	31.8
Middle-income	361	55.0	336	55.4	15	55.6	10	45.5
Upper-income	139	21.2	130	21.4	4	14.8	5	22.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	656	100.0	607	100.0	27	100.0	22	100.0
	Percentage of Total Businesses:			92.5		4.1		3.4
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	110	84.0	110	84.0	0	0.0	0	0.0
Upper-income	21	16.0	21	16.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	131	100.0	131	100.0	0	0.0	0	0.0
	Percentage of Total Businesses:			100.0		0.0		0.0

2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS

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

Populations Characteristics

U.S. Census Bureau data from 2000 and 2010 show a slight 3.9 percent increase in the population in Marion County. This is compared to the state of Iowa which also displayed a slight increase of 4.1 percent. A community representative indicated that this increase can be attributed to an increase in new businesses and growth of existing businesses within the larger cities in Marion County.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Marion County, IA	32,052	33,309	3.9
State of Iowa	2,926,324	3,046,355	4.1
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Annual Population Estimates OR 2010—U.S. Census Bureau: Decennial Census</i>			

Income Characteristics

According to the income characteristics the median family income in the assessment area exceeded that of the state of Iowa. The median family income within the assessment area continues to be greater than the state of Iowa. In addition, between 2000 and 2010, the median family income grew at a higher rate in the assessment area compared to the state of Iowa. A community representative indicated that this increase can be attributed to a growth in new businesses and the expansion of current businesses bringing wage growth to the area.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Marion County, IA	50,052	65,817	31.5
State of Iowa	48,005	61,804	28.7
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

Bankruptcy Rates

According to the Administrative Office of U.S Courts, personal bankruptcy rates fell between 2010 -2013 for both the state of Iowa as well as Marion County. Marion County’s rates fell from 4.0 percent per 1000 to 1.7 during the time period. The state of Iowa fell from 3.1 percent to 1.8 percent per 1000 during the same period.

Personal Bankruptcy Filing Rate (per 1,000 population)				
Area	2010	2011	2012	2013
Marion County, IA	4.0	2.7	1.8	1.7
State of Iowa	3.1	2.5	2.0	1.8

Housing Characteristics and Affordability

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 supports more affordable housing opportunities; however, certain areas of Marion County require additional affordable housing to meet the demands that follow job growth, as stated by a community representative. In Marion County, the housing ratio is .47 while the ratio for the state of Iowa is .41 showing that housing in the assessment area is more affordable than in the state of Iowa as a whole. The median housing value is \$137,300 in Marion County, higher than the state of Iowa. Owner-occupied housing accounts for 71.2 percent of all housing in the assessment area, this is higher than the percentage in the state of Iowa at 67.1 percent, showing ample opportunity for residential real estate lending in the assessment area. Rental housing and vacant housing account for 18.7 percent and 10.1 percent of housing, respectively.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Marion County, IA	87,100	137,300	472	625
State of Iowa	82,100	119,200	470	617
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>				

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on the change in foreclosure inventory rate at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. During the four year period from 2011 to 2014 the foreclosure inventory rates, which excludes properties that have completed the foreclosure cycle, overall decreased in both Marion County and the state of Iowa. In January 2011, the rate of foreclosure in Marion County was 2.7 percent and reached its highest at 2.9 percent in January 2012. After reaching its highest the foreclosure decreased all the way down to 1.0 percent in

December 2014. The State of Iowa was at 2.7 percent in January 2011 and reached its highest in March 2012 at 2.8 percent. In December 2014 the state of Iowa decreased to 1.4 percent.

Labor and Unemployment

Unemployment rates fell in the assessment area, as well as generally across the state of Iowa, from 2010 to 2013. Marion County fell from 6.4 percent to 4.5 percent within the review period. The State of Iowa fell from 6.3 percent to 4.6 percent as shown. This is consistent with unemployment decreases experienced by the United States as a whole.

Unemployment Rates				
Region	2010	2011	2012	2013
Marion County, IA	6.4	5.9	5.1	4.5
State of Iowa	6.3	5.9	5.2	4.6
United States	9.3	8.1	7.4	6.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

The table below lists the top ten largest employers in the assessment area based on the number of employees. The largest employer is Pella Windows & Doors, which is a window installation service operating within the assessment area employee approximately four thousand people. The most common industries represented in the area include medical, manufacturing, and home/office services.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Pella Windows & Doors	4000	Windows
VA Medical Ctr-Knoxville	950	Clinics
Pella Regional Health Center	800	Hospitals
3M Company	550	Tapes-Adhesives
3M Company	542	Packaging Materials
Vermeer Corporation	250	Contractors
Knoxville Hospitals and Clinics	225	Hospitals
Hormel Foods	200	Food Products
Precision Incorporated	200	Conveying Equipment

Source: AMLIS Database/Info USA

Discussions with two community representatives indicated that the area is experiencing steady growth and has rebounded from past economic conditions. Manufacturing, agriculture, and healthcare have been strong pillars of job creation in the county and continue to provide stability.

Local financial institutions have been responsive to the financial needs of local communities. Specifically, small businesses found local financial institutions to be very engaged in the overall success of the community. Financial institutions within the area have been actively involved in education and supportive of worker training initiatives.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Iowa State Savings Bank's performance relative to the lending test is rated Satisfactory based on an evaluation of its loan-to-deposit ratio, the percentage of loans located in the assessment area, the penetration of lending to borrowers of different income levels, and businesses and farms of different sizes, and the geographic distribution of loans. Neither the bank nor this reserve bank received any complaints related to CRA.

Loan-to-Deposit Ratio

Iowa State Savings Bank's loan-to-deposit (LTD) ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs. The bank's 16-quarter LTD average is 64.4 percent, which is slightly higher than the national peer average of 61.7 percent over the same time period. The LTD ratio is below local competitors; however, it is considered reasonable; a marked increase in deposit growth contributed to the lower ratio.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16- Quarter Average
Iowa State Savings Bank, Knoxville, IA	64.4
National Peer Group 7	61.5
Competitors	
Leighton State Bank, Leighton, IA	91.4
Marion County State Bank, Pella, IA	78.6
MidWestOne Bank, Iowa City, IA	78.1
State Bank of Bussey, Bussey, IA	74.6
US Bank NA, Cincinnati, OH	86.0
Wells Fargo Bank NA, Sioux Falls, SD	74.8

Assessment Area Concentration

A majority of home mortgage, small business, and small farm loans were originated inside the bank's assessment area. The bank originated 78.8 percent of all loans by number, inside its assessment area, while 21.2 percent were originated outside the assessment area.

For small farms, the bank has originated 69.0 percent, by number, of its loans within the assessment area. A high concentration of home mortgage loans were originated within the assessment area, reflecting 96.4 percent. The bank also originated a reasonable amount of small business loans reflecting 76.8 percent, by number, inside the assessment area.

Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	53	96.4	\$3,283	94.1	2	3.6	\$208	5.9
Total Consumer related	53	96.4	\$3,283	94.1	2	3.6	\$208	5.9
Small Business	53	76.8	\$3,542	74.5	16	23.2	\$1,211	25.5
Total Small Bus. related	53	76.8	\$3,542	74.5	16	23.2	\$1,211	25.5
Small Farm	58	69.0	\$3,114	55.4	26	31.0	\$2,510	44.6
Total Small Farm related	58	69.0	\$3,114	55.4	26	31.0	\$2,510	44.6
TOTAL LOANS	164	78.8	\$9,940	71.7	44	21.2	\$3,928	28.3

Geographic Distribution of Loans

The geographic distribution of home mortgage, small business, and small farm loans is reasonable. The assessment area consists of five geographies; all of which are located in Marion County. Marion County consists of one moderate-income census tract, three middle-income census tracts and one upper-income census tract. An analysis of the dispersion of loans extended by the bank since the previous evaluation indicates that lending activity occurred within each of the census tracts.

Home Mortgage Lending

The analysis reveals a reasonable dispersion of the bank's loans across the assessment area. Within the moderate-income tract, the bank's performance (9.4 percent) was slightly below demographics at 11.6 percent. Within the moderate-income tract, there is a lower percentage of owner-occupied housing available than the other tracts in the assessment area. Community representatives did not express a need for housing within the moderate-income tract. The bank's lending in middle-

income tracts was less than demographics as well. Lender exceeded demographics in the upper-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2014 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2014				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	5	9.4	255	7.8	11.6
	Middle	30	56.6	1,832	55.8	64.4
	Upper	18	34.0	1,197	36.4	24.0
	Unknown	0	0.0	0	0.0	0.0
	Total	53	100.0	3,284	100.0	100.0

2014 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

The geographic distribution of small business lending is reasonable. The bank originated small business loans throughout its assessment area. Given the bank has one moderate-income tract within its assessment area; the bank has made a significant amount of loans within this tract. Iowa State Savings Bank’s lending in this tract (22.6 percent) was comparable to demographics, with 23.2 percent of the small businesses located within this tract. Lending in middle income tracts was below demographics, with 47.2 percent of originations in these tracts, in comparison to the percentage of small businesses (55.4 percent). Lending to small businesses located in upper-income census tracts exceeded demographics, at 30.2 percent versus 21.4 percent.

Geographic Distribution of Small Business Loans						
Assessment Area: 2014 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		2014				
		Count Bank		Dollar Bank		Small Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	12	22.6	577	16.3	23.2
	Middle	25	47.2	1,476	41.7	55.4
	Upper	16	30.2	1,489	42.0	21.4
	Unknown	0	0.0	0	0.0	0.0
	Total	53	100.0	3,542	100.0	100.0
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Farm Lending

The geographic distribution of small farm loans is reasonable. The bank made small farm loans throughout the assessment area, with the exception of the moderate-income census tract; which does not contain any farms. Within the middle-income census tracts, the number of loans made accounted for 87.9 percent of originations, while 84.0 percent of small farms were located in these tracts. In upper-income census tracts, the performance (12.1 percent of originations) was less than demographics (16.0 percent of small farms).

Geographic Distribution of Small Farm Loans						
Assessment Area: 2014 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		2014				
		Count Bank		Dollar Bank		Small Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	0.0
	Middle	51	87.9	2,718	87.3	84.0
	Upper	7	12.1	397	12.7	16.0
	Unknown	0	0.0	0	0.0	0.0
	Total	58	100.0	3,115	100.0	100.0
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

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

Home Mortgage Loans

Home mortgage lending reflects reasonable penetration among borrowers of different income levels. Between January 1, 2014 and December 31, 2014, by number, the bank originated 7.5 percent and 18.9 percent of its home mortgage loans in low-income and moderate income families, respectively. The bank’s performance is low when compared to the percentage of families designated as low-income, with 7.5 percent of loans being originated, by comparison 16.2 percent of families are low-income. Lending to moderate-income borrowers (18.9 percent) slightly exceeded demographics at 17.0 percent. A significant portion of the bank’s home mortgage lending was distributed to upper income families.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2014 IA Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income
		2014		Dollar		
		Count		Dollar	%	
		#	%	\$ (000s)	%	%
Totals	Low	4	7.5	124	3.8	16.2
	Moderate	10	18.9	470	14.3	17.0
	Middle	9	17.0	526	16.0	24.3
	Upper	23	43.4	1,228	37.4	42.5
	Unknown	7	13.2	936	28.5	0.0
	Total	53	100.0	3,284	100.0	100.0

2014 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

Small business lending reflects reasonable penetration among businesses of different sizes. The bank originated 83.0 percent of small business loans, by number, to businesses with revenues of \$1 million or less. This is less than the demographics of the assessment area in which 92.5 percent of businesses report revenues of less than \$1 million. Additionally, 90.9 percent of loans to small businesses with revenues of \$1 million or less were in the amounts of \$100,000 or less. Generally, loan amounts of \$100,000 or less are viewed as loans that are most likely to meet the credit needs of small businesses.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2014 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	44	83.0	1,772	50.0	92.5
		Over \$1 Million or Unknown	9	17.0	1,770	50.0	7.5
		Total	53	100.0	3,542	100.0	100.0
	Loan Size	\$100,000 or Less	42	79.2	1,062	30.0	
		\$100,001 - \$250,000	8	15.1	1,405	39.7	
		\$250,001 - \$500,000	3	5.7	1,075	30.4	
		Total	53	100.0	3,542	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	40	90.9	957	54.0	
		\$100,001 - \$250,000	4	9.1	815	46.0	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		Total	44	100.0	1,772	100.0	
	Originations & Purchases						
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Lending

The bank originated 100.0 percent of small farm loans, by number, to farms with revenues of \$1 million or less, which matches demographics. Of the loans to farms with revenues of \$1 million or less, the bank originated 86.2 percent in the amounts of \$100,000 or less. Generally, loans in the amount of \$100,000 or less are viewed as loans that are most likely to meet the credit needs of small farms.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2014 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		2014		2014		Total Farms	
		Count		Dollar			
		Bank		Bank			
		#	%	\$ 000s	%	%	
Small Farm	Revenue	\$1 Million or Less	58	100.0	3,114	100.0	100.0
		Over \$1 Million or Unknown	0	0.0	1	0.0	0.0
		Total	58	100.0	3,115	100.0	100.0
	Loan Size	\$100,000 or Less	50	86.2	1,148	36.9	
		\$100,001 - \$250,000	5	8.6	817	26.2	
		\$250,001 - \$500,000	3	5.2	1,149	36.9	
		Total	58	100.0	3,114	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	50	86.2	1,148	36.9	
		\$100,001 - \$250,000	5	8.6	817	26.2	
		\$250,001 - \$500,000	3	5.2	1,149	36.9	
		Total	58	100.0	3,114	100.0	

Originations & Purchases
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

Iowa State Savings 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 – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2014 through December 31, 2014	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Iowa State Savings Bank			Home Mortgage, Small Business, and Small Farm
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Nonmetropolitan Iowa: Marion County	Full scope	N/A	N/A

APPENDIX B - 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.

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.

Consumer loan: A loan 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, home equity, other secured loan, and other unsecured loan.

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.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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.

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

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 lenders in the MSA/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 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 (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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

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

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

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.

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

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 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.

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