

PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sanborn Savings Bank
Certificate Number: 11352

219 Main Street
Sanborn, Iowa 51248

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	3
SCOPE OF EVALUATION.....	5
CONCLUSIONS ON PERFORMANCE CRITERIA	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	7
APPENDICES	8
SMALL BANK PERFORMANCE CRITERIA	8
GLOSSARY	9

INSTITUTION RATING

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

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

The following points summarize the bank's Community Reinvestment Act (CRA) performance.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm and home mortgage loans reviewed were inside the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms of different sizes and individuals of different income levels.
- The assessment area consists entirely of middle-income census tracts; therefore, the geographic distribution criterion was not evaluated.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Background

Sanborn Savings Bank is headquartered in Sanborn, Iowa, and is owned by San Bancorp, a one-bank holding company also located in Sanborn, Iowa. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated March 9, 2015, using Interagency Small Institution Examination procedures.

Operations

Sanborn Savings Bank operates one full-service office in Sanborn, Iowa. The bank offers a variety of loan products, including agricultural, commercial, consumer, and home mortgage; primarily focusing on agricultural lending. The institution also provides a variety of deposit products, including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, and automated teller machines (ATMs).

Ability and Capacity

Assets total approximately \$68.7 million as of September 30, 2020. As of the same date, loans totaled \$50.2 million, and deposits totaled \$54.2 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 9/30/20		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,502	3.0
Secured by Farmland	18,604	37.1
Secured by 1-4 Family Residential Properties	9,954	19.9
Secured by Multifamily (5 or more) Residential Properties	1,017	2.0
Secured by Nonfarm Nonresidential Properties	920	1.8
Total Real Estate Loans	31,997	63.8
Commercial and Industrial Loans	3,816	7.6
Agricultural Production and Other Loans to Farmers	11,230	22.4
Consumer Loans	2,232	4.5
Obligations of State and Political Subdivisions in the U.S.	865	1.7
Other Loans	15	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	50,155	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Sanborn Savings Bank designated a single assessment area within the nonmetropolitan area of Iowa. The assessment area is comprised of the northern-three quarters of O’Brien County (census tracts 4901, 4902, and 4903) and the eastern-half and southwest-quarter of Osceola County (census tract 4602), Iowa. The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	14,517	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,810	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,594	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,559	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	657	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,137	0.0	0.0	100.0	0.0	0.0
Farms by Geography	372	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,042	13.7	16.8	28.3	41.2	0.0
Household Distribution by Income Level	6,153	22.1	13.8	18.3	45.8	0.0
Median Family Income – Nonmetropolitan Iowa		\$61,681	Median Housing Value			\$104,861
			Median Gross Rent			\$573
			Families Below Poverty Level			4.6%

Source: 2015 ACS and 2019 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

Data from the 2015 American Community Survey (ACS) reveals the assessment area population decreased by 194 residents since the 2010 U.S. Census, while the total number of housing units increased by 84.

The assessment area is rural and dependent on agriculture with 24.7 percent of the businesses operating in this industry according to 2019 D&B data. The 2017 Census of Agriculture shows that area farms primarily raise grain and livestock. Livestock farmers typically raise hogs or cattle, while grain farmers primarily grow corn and soybeans. According to the 2017 Census of Agriculture, 65 and 73 percent of the products sold in O’Brien and Osceola counties were livestock and 35 and 27 percent were crop, respectively. The average farm size for O’Brien and Osceola

counties are 359 and 397 acres, respectively, with O'Brien County decreasing and Osceola County increasing in farm size since the 2012 Census of Agriculture.

Service industry businesses comprise 29.7 percent of businesses in the assessment area. Area businesses, like the farms, are also predominantly small operations; with 88.7 percent of the farms and businesses operating from a single location and 74.2 percent employing less than five employees, according to 2019 D&B data.

Employment opportunities remain prevalent within or near the assessment area and account for the historically low local unemployment levels during the vast majority of the evaluation period. Unemployment levels steadily declined until April 2020 when government officials mandated business closures to limit the spread of the coronavirus (COVID-19). Data from the U.S. Bureau of Labor and Statistics reveals that as of March 2020, the unemployment rate was 2.8 and 2.5 percent for O'Brien and Osceola counties, respectively. This compared favorably to the State of Iowa rate at 3.3 percent and the national rate at 4.5 percent. As of April 2020, unemployment rates rose significantly to 6.7 and 5.8 percent for O'Brien and Osceola counties, respectively. These high levels of unemployment began to fall after mandated business closures were lifted and by October 2020 unemployment rates had fallen to levels experienced prior to the pandemic and were 2.0 and 1.6 percent for O'Brien and Osceola counties, respectively.

Competition

The assessment area is moderately competitive for financial products and services. According to the FDIC Deposit Market Share data as of June 2019, ten financial institutions operated 13 branches in the assessment area. Of these institutions, Sanborn Savings Bank ranked 7th with 7.7 percent of the deposits. Agricultural financing competition also comes from non-bank entities with options for operating, machinery, and land loans.

Community Contact

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

Examiners contacted a person familiar with the area's development needs and initiatives. The contact noted that the local economy was relatively strong and had returned to the low unemployment levels experienced prior to the pandemic. The contact identified agricultural, business, and home mortgage lending as the area's greatest credit needs, and indicated that financial institutions have been responsive in meeting those needs.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agricultural loans represent the primary credit need for the assessment area. Small business and home mortgage lending demand and opportunity are also available throughout the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated March 9, 2015, to the current evaluation dated January 11, 2021. Examiners used the Interagency Small Institution Examination Procedures, which includes a Lending Test to evaluate Sanborn Savings Bank's CRA performance. Refer to the Appendices later in the evaluation for a description of the criteria used to evaluate the bank's performance under the Lending Test.

Activities Reviewed

Examiners determined the bank's major product lines are small farm and home mortgage loans. This conclusion considered the bank's business strategy, local area's credit needs, and the number and dollar volume of loans originated during the evaluation period. Small business loans were excluded due to the lower volume of originations compared to the two other primary loan products. Further, bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

Examiners reviewed all small farm and home mortgage loans originated from January 1, 2019, through December 31, 2019, and still outstanding at the time of the evaluation to assess the bank's performance under the Assessment Area Concentration criterion. This time period was representative of the bank's lending activities during the entire evaluation period. Specifically, examiners reviewed 45 small farm loans totaling approximately \$6.5 million and 24 home mortgage loans totaling approximately \$3.2 million.

Examiners then reviewed the loans from those universes that were extended to farms or individuals located inside the assessment area to evaluate the bank's performance under the Borrower Profile criterion. The review included 30 small farm loans totaling approximately \$4.4 million and 19 home mortgage loans totaling approximately \$1.7 million. For comparison purposes, 2019 D&B data was used for small farm lending, and 2015 ACS data was used for home mortgage lending.

Small farm loans contributed the greatest weight to the overall conclusion because of the higher volume of loans originated compared to the home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Sanborn Savings Bank demonstrated reasonable performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio, calculated from Call Report

data, averaged 94.2 percent over the past 23 quarters from March 31, 2015, to September 30, 2020. The ratio has increased during this evaluation period because of improved economic conditions. Further, Sanborn Savings Bank's ratio exceeds the ratios of the comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/20 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
Sanborn Savings Bank, Sanborn, Iowa	68,698	94.2
Ashton State Bank, Ashton, Iowa	50,094	85.5
Melvin Savings Bank, Melvin, Iowa	77,846	45.5
Sibley State Bank, Sibley, Iowa	85,413	92.4
<i>Source: Reports of Condition and Income 03/31/15 through 09/30/20</i>		

Assessment Area Concentration

Overall, the bank made a majority of its small farm and home mortgage loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	30	66.7	15	33.3	45	4,431	67.9	2,094	32.1	6,525
Home Mortgage	19	79.2	5	20.8	24	1,689	53.4	1,473	46.6	3,162
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The assessment area consists entirely of middle-income census tracts and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among farms of different sizes and individuals of different income levels. The bank's reasonable small farm lending performance primarily supports this conclusion, as this product received more weight in the evaluation. Home mortgage lending performance was excellent, but received less weight in the analysis. Examiners focused on the percentage by number of small farm loans to farms with gross annual revenues of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Small Farm Lending

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank's record of lending to farms with gross annual revenues of \$1 million or less reveals a majority of loans, by number and dollar volume, were extended to this group of farms. Although this volume is lower than the demographic data of the assessment area, the bank's performance is considered reasonable based on its high level of lending. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.4	23	76.7	3,443	77.7
>1,000,000	1.1	3	10.0	310	7.0
Revenue Not Available	0.5	4	13.3	678	15.3
Total	100.0	30	100.0	4,431	100.0
<i>Source: 2019 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Lending

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Lending levels to both low- and moderate-income borrowers exceed the demographic data used for comparison. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	13.7	5	26.3	328	19.4
Moderate	16.8	4	21.1	217	12.8
Middle	28.3	5	26.3	461	27.3
Upper	41.2	5	26.3	683	40.4
Total	100.0	19	100.0	1,689	100.0
<i>Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

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