

PUBLIC DISCLOSURE

December 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Reliance State Bank
Certificate Number: 9299

606 Broad Street
Story City, Iowa 50248

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

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

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of small farm, small business, and home mortgage loans are inside the bank's assessment areas.
- A geographic distribution analysis was not considered as the assessment areas do not have any low- or moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

DESCRIPTION OF INSTITUTION

RSB operates from its main office in Story City, Iowa, and one branch office located in Garner, Iowa. The institution is wholly owned by multi-bank holding company, Ames National Corporation, Ames, Iowa. There are five lending-related affiliates by common ownership: First National Bank, Ames, Iowa; Boone Bank & Trust Co., Boone, Iowa; Iowa State Savings Bank, Creston, Iowa; United Bank & Trust Co., Marshalltown, Iowa; and State Bank & Trust Co., Nevada, Iowa. RSB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated December 10, 2019, based on Interagency Small Institution Examination Procedures.

RSB offers various loan products, including agricultural, home mortgage, commercial, and consumer loans. Management stated the bank's lending focus is equal among agricultural, commercial, and home mortgage lending; however, agricultural lending represents a greater percent of the overall lending due to location, demand, and competition. The institution also offers financing alternatives through the Small Business Administration and Farm Service Agency programs. These programs are generally designed to assist small businesses and small farmers who may not qualify for loans through conventional financing methods. RSB also facilitates access to long-term fixed-rate home mortgage loans through a secondary market sales arrangement, including Rural Development, Federal Housing Authority, and Veterans Administration programs. Further, RSB participated in the Small Business Administration's Paycheck Protection Program in 2020 and 2021. This program provided financial assistance to businesses and farms adversely impacted by the Coronavirus (COVID-19) pandemic.

In addition to the credit products, RSB provides a variety of deposit-related products, including checking accounts, savings accounts, and certificates of deposit. Alternative banking services include online, telephone, mobile banking, and mobile deposit services. The bank also operates two deposit-taking and one cash-only automated teller machines.

Assets totaled approximately \$291.8 million as of September 30, 2022, representing an increase of 27.1 percent since the September 30, 2019, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately \$258.8 million, representing a 35.6 percent increase, and total loans were approximately \$170.8 million, representing an increase of 12.8 percent during the same timeframe. Management attributes deposit growth to organic growth as well as government stimulus provided in response to the COVID-19 pandemic. Management also indicated that agricultural customers have been able to maintain cash reserves as higher yields and higher commodity prices have equated to greater profits.

The composition of the loan portfolio is illustrated in the following table. Agricultural loans comprise 49.9 percent, commercial loans comprise 22.3 percent, and residential real estate loans comprise 22.4 percent of the loan portfolio. Portfolio concentrations increased for commercial and residential real estate loans by 32.9 and 32.4 percent, respectively, since the September 30, 2019, Call Report. Management attributes these increases to customer acquisition as a result of the hiring of a local long-time lender and several local financial institutions discontinuing certain loan types. Agricultural loans decreased by 1.2 percent during the same period, attributed to natural fluctuations in demand for this sector.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,427	3.2
Secured by Farmland	45,152	26.4
Secured by 1-4 Family Residential Properties	32,904	19.3
Secured by Multifamily (5 or more) Residential Properties	5,274	3.1
Secured by Nonfarm Nonresidential Properties	22,078	12.9
Total Real Estate Loans	110,835	64.9
Commercial and Industrial Loans	16,102	9.4
Agricultural Production and Other Loans to Farmers	40,208	23.5
Consumer Loans	1,397	.8
Obligations of State and Political Subdivisions in the U.S.	2,130	1.3
Other Loans	137	.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	170,809	100.0
<i>Source: Call Report</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. RSB has designated two assessment areas within the State of Iowa, referred to as the Story City Assessment Area and the Garner Assessment Area within this evaluation document. The assessment areas are described in greater detail in their respective sections. The boundaries of the two assessment areas have not changed since the prior CRA evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 10, 2019, to the current evaluation dated December 12, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate RSB’s CRA performance. Full-scope reviews were performed for both assessment areas. Examiners placed more weight on the performance in the Garner Assessment Area, which generates most of the bank’s business. The following table provides information on loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Story City	86,039	34.0	103,752	40.8	1	50.0
Garner	166,995	66.0	150,748	59.2	1	50.0
Total	253,034	100.0	254,500	100.0	2	100.0

Source: Bank Data; FDIC Summary of Deposits (6/30/2022)

Activities Reviewed

Examiners determined the bank’s major product lines are agricultural, commercial, and residential real estate loans. This is consistent with the institution’s loan portfolio composition and volume of loans, by number and dollar volume, originated, extended, or renewed during the evaluation period. The bank’s record of originating small farm loans contributed more weight to overall conclusions due to the larger volume when compared to small business and home mortgage lending as of the most recent Call Report data.

For the Assessment Area Concentration criterion, examiners evaluated lending performance based on all small farm, small business, and home mortgage loans originated, extended, or renewed in calendar year 2021. Specifically, 133 small farm loans totaling approximately \$18.0 million; 109 small business loans totaling approximately \$12.7 million; and 102 home mortgage loans totaling approximately \$12.1 million were reviewed. For the Borrower Profile criterion, examiners reviewed a random sample of small farm, small business, and home mortgage loans within the Garner Assessment Area. Due to the limited volume of agricultural, commercial, and residential real estate lending, examiners reviewed all small farm, small business, and home mortgage loans originated, extended, or renewed in the Story City Assessment Area. Examiners sampled and/or reviewed 60 small farm loans totaling over \$8.8 million, 50 small business loans totaling over \$5.2 million, and 51 home mortgage loans totaling over \$7.9 million.

When arriving at small farm and small business conclusions, 2021 D&B data provided a standard of comparison. When arriving at home mortgage conclusions, data from the U.S. Census Bureau’s 2015 American Community Survey (2015 ACS) provided a standard of comparison.

Examiners obtained the data necessary for this evaluation from reported loan data, individual customer loan files, interviews with bank management, and other information gathered as part of the examination process. Examiners analyzed lending performance by both the number and dollar volume of loans; however, the performance by number of loans is emphasized, as it is generally a better indicator of the number of small farms, small businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

RSB demonstrated reasonable performance under the Lending Test. The bank’s performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment areas. RSB’s net loan-to-deposit ratio, calculated from Call Report data, averaged 66.7 percent over the 12 calendar quarters from December 31, 2019, to September 30, 2022. The ratio ranged from a low of 59.4 percent as of March 31, 2021, to a high of 81.6 percent as of December 31, 2019. The ratio has been on a declining trend since September 2019 resulting from a steady increase in deposits and a decrease in loan volume retained in the bank’s loan portfolio. Despite the declining trend, increases in loan volume beginning in 2022 helped to raise the current net loan-to-deposit ratio.

Examiners compared RSB’s average net loan-to-deposit ratio to four similarly-situated institutions. Comparable institutions were selected based on similarities in lending focus, asset size, and markets served. As shown in the following table, RSB’s average net loan-to-deposit ratio is in line with those of comparable institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2022 \$ (000s)	Average Net Loan-to- Deposit Ratio (%)
RSB, Story City, Iowa	291,756	66.7
Farmers Trust and Savings Bank, Buffalo Center, Iowa	315,895	95.3
Hardin County Savings Bank, Eldora, Iowa	331,776	66.9
United Bank and Trust Company, Hampton, Iowa	204,587	58.7
Farmers State Bank, Northwood, Iowa	232,343	61.7

Source: Call Reports 12/31/2019 through 9/30/2022

Assessment Area Concentration

As shown in the following table, the bank extended a majority of the small farm, small business, and home mortgage loans reviewed, by number and dollar volume, inside the assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	96	72.2	37	27.8	133	12,981	72.2	4,992	27.8	17,973
Small Business	83	76.2	26	23.8	109	8,851	69.8	3,826	30.2	12,677
Home Mortgage	88	86.3	14	13.7	102	10,959	90.4	1,169	9.6	12,128

Source: Bank Data 1/1/2021 – 12/31/2021. Due to rounding, totals may not equal 100.0%

Geographic Distribution

This criterion includes a more detailed analysis of the lending inside the assessment areas with an emphasis on lending in low- and moderate-income areas. As the delineated assessment areas consist solely of middle- and upper-income geographies, an analysis of the Geographic Distribution of lending would not yield meaningful results. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels. The bank’s overall reasonable lending performance in each assessment area supports this conclusion. Examiners focused on the percentage, by number of loans, to farms and businesses generating gross annual revenues of \$1 million or less, and on the percentage of loans, by number, to low- and moderate-income borrowers. The bank’s performance was generally consistent throughout the assessment areas. Refer to comments under each separately analyzed assessment area for a more specific analysis.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

GARNER ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GARNER ASSESSMENT AREA

The Garner Assessment Area consists of Hancock County in its entirety, Cerro Gordo County census tracts 9507 through 9509, and Winnebago County census tract 6803. The sole branch office is located in Hancock County census tract 2701.

Economic and Demographic Data

Based on 2015 ACS data, the Garner Assessment Area is comprised of seven middle- and one upper-income geographies. The following table illustrates selected demographic characteristics of the Garner Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	8	0.0	0.0	87.5	12.5	0.0
Population by Geography	25,476	0.0	0.0	93.2	6.8	0.0
Housing Units by Geography	13,229	0.0	0.0	88.9	11.1	0.0
Owner-Occupied Units by Geography	8,420	0.0	0.0	92.5	7.5	0.0
Occupied Rental Units by Geography	2,409	0.0	0.0	93.9	6.1	0.0
Vacant Units by Geography	2,400	0.0	0.0	71.3	28.7	0.0
Businesses by Geography	2,831	0.0	0.0	92.6	7.4	0.0
Farms by Geography	481	0.0	0.0	85.9	14.1	0.0
Family Distribution by Income Level	7,164	16.0	17.5	25.2	41.3	0.0
Household Distribution by Income Level	10,829	21.1	17.3	17.7	43.9	0.0
Median Family Income – Nonmetropolitan Iowa	\$61,681	Median Housing Value				\$126,087
		Median Gross Rent				\$564
		Families Below Poverty Level				7.2%
<i>Source: 2015 ACS and 2021 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%</i>						

According to 2021 D&B data, service industries represent the largest portion of farms and businesses at 32.5 percent; followed by agricultural, forestry, and fishing at 14.5 percent; and retail trade at 11.4 percent. In addition, 69.9 percent of assessment area farms and businesses have four or fewer employees, and 90.3 percent operate from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the nonmetropolitan areas of Iowa for 2021 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600
<i>Source: FFIEC</i>				

Competition

The Garner Assessment Area is considered highly competitive in the market for financial services. According to Call Reports filed by financial institutions, 13 banks operate from 32 offices in the counties that comprise the Garner Assessment Area. Of these institutions, RSB ranked 7th with 5.5 percent of the deposit market share. The top three banks held 54.2 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the bank's assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. Examiners referenced comments previously received from a representative of a government agency specializing in the agricultural sector serving the assessment area.

The contact described the economy as stable and driven by agriculture. Farming operations are doing well as a result of high commodity prices and government stimulus payments due to the pandemic. Inflation has affected some farming operations but assistance is available should it be requested. The representative indicated that the local economy has numerous employment opportunities for local residents, with employers having difficulty hiring and maintaining employees due to the labor shortage. New businesses have opened and are being embraced by each community. Affordable housing within the area has been difficult to obtain due to the limited availability of existing home stock. Should a home become available for sale, it does not last long on the market due to demand. The contact indicated that more affordable housing would provide opportunities to boost the local economy. The contact felt that the local institutions are doing an excellent job of meeting the credit needs of the communities in the Garner Assessment Area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm, home mortgage, and small business loans are primary credit needs of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GARNER ASSESSMENT AREA

LENDING TEST

RSB demonstrated reasonable performance under the Lending Test in the Garner Assessment Area, as supported by Borrower Profile performance.

Geographic Distribution

The Garner Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions; therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among farms and businesses of different sizes and individuals of different income levels. RSB's reasonable small farm, small business, and home mortgage performance supports this conclusion.

Small Farm Loans

The institution's level of lending to small farm borrowers in this assessment area is reasonable when considering additional contextual information. Initial results show that the institution's level of

lending is below that of benchmark data. Management indicated that three of the five entities identified within the sample were originally smaller than \$1 million in gross annual revenues when they started with the institution and grew larger over time. Additionally, the USDA 2017 Census of Agriculture shows that 53.6 percent of agricultural producers in the counties within the assessment area are “hobby farms,” which list their principal occupation as “other than farming.” The same report shows that 50.3 percent of farm operations in the assessment area had no interest expense, indicating that a significant portion of producers in the area have had no borrowing need. Given the additional contextual information, the institution’s lending to small farm borrowers in this assessment area is reasonable. See the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	36	87.8	4,240	78.6
>\$1,000,000	0.4	5	12.2	1,153	21.4
Revenue Not Available	0.6	0	0.0	0	0.0
Total	100.0	41	100.0	5,393	100.0

*Source: 2021 D&B Data; Bank Data.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of small business loans among businesses of different sizes reflects reasonable penetration. As shown in the following table, RSB’s small business lending is comparable to benchmark data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.7	31	86.1	2,605	78.1
>\$1,000,000	4.0	5	13.9	732	21.9
Revenue Not Available	11.3	0	0.0	0	0.0
Total	100.0	36	100.0	3,337	100.0

*Source: 2021 D&B Data; Bank Data.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As illustrated in the following table, RSB’s home mortgage lending to low-income borrowers during 2021 is below 2015 ACS data, and lending to moderate-income borrowers is similar to demographic data for the same time period. Examiners considered other contextual information to further analyze the bank’s performance with respect to low-income borrowers when arriving at an overall reasonable conclusion.

Of the 36 home mortgage loans sampled, 20 were rental properties without a reported income. As a result, this reduced the percentage of loans for all four borrower income categories. While loans to low- and moderate-income borrowers were below 2015 ACS data, loans to middle- and upper-income borrowers were also well below the 2015 ACS data due to the large number of rental properties within the sample. Management comments and community contact information were also considered.

Management stated housing stock within the assessment area is low, particularly affordable housing for low- and moderate-income individuals. This statement was corroborated by a community contact referencing the area served. The contact mentioned that affordable housing is of particular need and difficult to obtain. The high average cost of housing in the area makes it difficult for low-income applicants to obtain the down payment funds necessary, as well as making monthly payments. Additionally, the bank is involved in a home mortgage loan sales program through the secondary market for borrowers who do not meet the bank’s lending criteria for items such as down payment requirements, which may benefit low- and moderate-income households. These loans are not reflected in the bank’s loan portfolio. RSB’s involvement in such programs further reflects its ongoing effort to meet home mortgage needs.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	16.0	0	0.0	0	0.0
Moderate	17.5	6	16.7	693	11.6
Middle	25.2	3	8.3	312	5.2
Upper	41.3	7	19.4	2,005	33.5
Not Available	0.0	20	55.6	2,974	49.7
Total	100.0	36	100.0	5,984	100.0
<i>Source: 2015 ACS Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

STORY CITY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STORY CITY ASSESSMENT AREA

The Story City Assessment Area consists of Hamilton County census tracts 9602 and 9605, Hardin County census tract 4804, and Story County census tract 106. The main office in Story City is located in census tract 106 in Story County, which is part of the Ames, Iowa Metropolitan Statistical Area (MSA). The remaining counties are in nonmetropolitan areas of Iowa.

Economic and Demographic Data

Based on 2015 ACS Census data, the Story City Assessment Area is comprised of four middle-income geographies. The following table illustrates selected demographic characteristics of the Story City 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	13,458	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,995	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,176	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,299	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	520	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,319	0.0	0.0	100.0	0.0	0.0
Farms by Geography	355	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,700	14.6	20.4	25.4	39.6	0.0
Household Distribution by Income Level	5,475	18.6	12.9	20.0	48.5	0.0
Median Family Income – Ames, Iowa MSA		\$74,380	Median Housing Value			\$122,863
Median Family Income – Nonmetropolitan Iowa		\$61,681	Median Gross Rent			\$638
			Families Below Poverty Level			4.4%

Source: 2015 ACS and 2021 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

According to 2021 D&B data, service industries represent the largest portion of farms and businesses at 30.1 percent; followed by agricultural, forestry, and fishing at 21.2 percent; and retail trade at 8.2 percent. In addition, 70.8 percent of assessment area farms and businesses have four or fewer employees, and 91.4 percent operate from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the nonmetropolitan areas of Iowa and Ames, Iowa MSA for 2021 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Ames, Iowa MSA Median Family Income				
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
Nonmetropolitan Iowa Median Family Income				
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600

Source: FFIEC

Competition

The Story City Assessment Area is considered highly competitive in the market for financial services. According to Call Reports filed by financial institutions, 28 banks operate from 61 offices within the counties that comprise the Story City Assessment Area. Of these institutions, RSB

ranked 16th with 2.2 percent of the deposit market share. The top two banks hold 23.8 percent of the deposit market share.

Community Contact

Examiners referenced a recent contact with a representative from a local small business development organization that serves Story County.

The contact indicated that the overall economy is recovering from the COVID-19 pandemic. The business sector has had to adapt due to supply chain issues and institute a shift in industries and marketing to survive. The representative mentioned the need exists for financial institutions to fund small business loan programs. Additionally, housing stock is limited throughout the area, with the need for quality, affordable housing on the rise. The contact stated that housing stock is old and there are not enough homes available to purchase. New construction tends to be apartments with rentals available, but housing to purchase is limited. Overall, the contact stated that the local banks are meeting area credit needs.

Credit Needs

Considering information from the community contact, bank management, demographic and economic data, and Call Report data, examiners determined that small farm, home mortgage, and small business loans are primary credit needs of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STORY CITY ASSESSMENT AREA

LENDING TEST

RSB demonstrated reasonable performance under the Lending Test in the Story City Assessment Area, as supported by Borrower Profile performance.

Geographic Distribution

The Story City Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions; therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among farms and businesses of different sizes and individuals of different income levels. RSB's reasonable small farm, small business, and home mortgage performance supports this conclusion.

Small Farm Loans

The institutions' level of lending to small farm borrowers in this assessment area is reasonable, considering additional contextual information. Initial results show that the institution's level of lending, by number of loans, is substantially below that of benchmark data; however, further review showed an anomaly. Specifically, of the four small farm loans reviewed that are in the gross revenues of over \$1 million category, three of the loans were to the same entity, thus inflating the percentage in that category. Management also indicated these two entities were originally smaller

than \$1million in gross annual revenues when they started with the institution and grew larger over time. Additionally, the USDA 2017 Census of Agriculture shows that 55.5 percent of agricultural producers in the counties within the assessment area are “hobby farms,” which list their principal occupation as “other than farming.” The same report shows that 51.5 percent of farm operations in the assessment area had no interest expense, indicating that a significant portion of producers in the area have had no borrowing. Given the additional contextual information, the institution’s lending to small farm borrowers in this assessment area is reasonable. See the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.3	15	78.9	3,082	90.3
>\$1,000,000	2.3	4	21.1	330	9.7
Revenue Not Available	1.4	0	0.0	0	0.0
Total	100.0	19	100.0	3,412	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans among businesses of different sizes reflects reasonable penetration. As shown in the following table, the bank’s small business lending performance, by number of loans, is comparable to benchmark data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	12	85.7	778	41.4
>\$1,000,000	3.6	2	14.3	1,100	58.6
Revenue Not Available	11.6	0	0.0	0	0.0
Total	100.0	14	100.0	1,878	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As illustrated in the following table, RSB’s home mortgage lending to moderate-income borrowers during 2021 is below 2015 ACS Census data, and lending to low-income borrowers exceeds demographic data for the same time period. Examiners considered other contextual information to further analyze the bank’s performance with respect to moderate-income borrowers when arriving at an overall reasonable conclusion. Management comments and community contact information were also considered.

Management stated housing stock within the assessment area is low, particularly affordable housing for low- and moderate-income individuals. This statement was corroborated by a community

contact referencing the area served. The contact mentioned that affordable housing is of particular need and difficult to obtain. The limited housing stock has restricted the ability of consumers to purchase homes locally. Additionally, the bank is involved in a home mortgage loan sales program with Iowa Bankers Mortgage Corporation for borrowers who do not meet the bank's lending criteria for items such as down payment requirements that may benefit low- and moderate-income households. These loans are not reflected in the bank's loan portfolio. RSB's involvement in such programs further reflects its ongoing effort to meet home mortgage needs.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	14.6	3	20.0	147	7.3
Moderate	20.4	1	6.7	161	8.0
Middle	25.4	4	26.7	293	14.6
Upper	39.6	4	26.7	455	22.7
Not Available	0.0	3	20.0	952	47.4
Total	100.0	15	100.0	2,008	100.0
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

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 institution'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 institution 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.