

PUBLIC DISCLOSURE

November 3, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Bank
Certificate Number: 10497

500 Audubon Street
Sac City, Iowa 50583

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 area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of small farm, small business, and home mortgage loans reviewed are located within the assessment area.
- The assessment area does not contain any low- or moderate-income census tracts. Therefore, examiners did not evaluate the geographic distribution of loans.
- 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 Community Reinvestment Act (CRA) complaints since the previous evaluation. As such, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

Iowa State Bank is a full-service community bank that is headquartered in Sac City, Iowa, and has full-service branches in Lake View and Odebolt, Iowa. Sac City Limited, Sac City, Iowa, a one-bank holding company, wholly owns Iowa State Bank. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated December 9, 2019, using Interagency Small Institution Examination Procedures.

The bank offers traditional credit products including agricultural, commercial, residential real estate, construction, and consumer loans. The bank also offers a variety of deposit products including checking, savings, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit, and two ATMs.

As of the June 30, 2025 Reports of Condition and Income (Call Report), the bank reported total assets of \$198.4 million, total loans of \$161.1 million, and total deposits of \$174.3 million. As presented in the following table, agricultural-related lending represents the largest portion of the loan portfolio. The lending concentration is consistent with the loan portfolio distribution at the prior CRA evaluation.

Loan Portfolio Distribution as of 6/30/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	19,615	12.2
Secured by Farmland	33,117	20.5
Secured by 1-4 Family Residential Properties	43,953	27.3
Secured by Multifamily (5 or more) Residential Properties	850	0.4
Secured by Nonfarm Nonresidential Properties	15,958	10.0
Total Real Estate Loans	113,493	70.4
Commercial and Industrial Loans	18,096	11.2
Agricultural Production and Other Loans to Farmers	21,284	13.2
Consumer Loans	8,036	5.0
Obligations of State and Political Subdivisions in the U.S.	153	0.1
Other Loans	68	0.1
Lease Financial Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	161,130	100.0
<i>Source: Reports of Condition and Income Due to rounding, total may not equal 100.0%</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which its CRA performance will be evaluated. Iowa State Bank has designated a single assessment area that includes Sac County, which is in the nonmetropolitan area of Iowa. The bank's assessment area has not changed since the previous evaluation.

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 #	N/A* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	9,814	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,398	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,442	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	902	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,054	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,068	0.0	0.0	100.0	0.0	0.0
Farms by Geography	239	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,776	15.7	22.1	22.7	39.5	0.0
Household Distribution by Income Level	4,344	21.1	16.0	21.6	41.4	0.0
Iowa Non-MSA Median Family Income	\$71,763	Median Housing Value		\$ 106,093		
		Median Gross Rent		\$612		
		Families Below Poverty Level		7.2%		
<i>Source: 2020 U.S. Census and 2024 D&B Data Due to rounding, totals may not equal 100%.</i>						

The assessment area is rural in nature, and the economy is highly dependent on agriculture. According to 2022 U.S. Census of Agriculture data, Sac County generated \$685.1 million in commodity sales. According to 2024 D&B data, the largest business segments in the assessment area include non-classifiable establishments at 20.4 percent, agriculture at 18.3 percent, and other services at 8.1 percent. Farms and businesses in the assessment area are predominantly small operations with 92.9 percent operating from a single location, and 73.2 percent employing fewer than five employees.

The Federal Financial Institution Examination Council (FFIEC) estimated 2024 median family income levels were 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 are presented in the following table.

Estimated Median Family Income (MFI) Ranges – Nonmetropolitan Iowa					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2024	\$ 86,700	< \$43,350	\$43,350 to < \$69,360	\$69,360 to < \$104,040	>= \$104,040
<i>Source: FFIEC</i>					

Competition

Iowa State Bank operates in a moderately competitive environment for financial services. According to the 2025 FDIC Deposit Market Share data, 10 institutions operate 14 branches within the assessment area. Of these institutions, Iowa State Bank ranked first with 32.6 percent of the deposit market share. Additionally, Iowa State Bank faces competition for agricultural loans from Farm Credit Services, as well as non-traditional creditors and dealers.

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 representative from an economic development organization familiar with the assessment area. The contact stated the local economy is good, especially for farmers. As the agricultural industry drives most of Sac County's economy, this has resulted in prosperity in the assessment area. Nonetheless, the contact stated that while the housing supply is not an issue for the area, affordable housing is lacking in Sac County. The contact indicated that local area financial institutions have been responsive to the assessment area's credit needs.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that agriculture is the primary credit need of the assessment area. Home mortgage and commercial loans are secondary credit needs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 9, 2019, to the current evaluation dated November 3, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate Iowa State Bank's CRA performance. These procedures include a review of performance according to the Lending Test, as outlined in the Appendices.

Activities Reviewed

Iowa State Bank's primary credit product is agricultural loans, followed by home mortgage and commercial loans. Therefore, examiners reviewed small farm, home mortgage, and small business loans to evaluate the bank's performance. Examiners selected these products based on the assessment area credit needs, the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. Examiners placed equal weight on small farm and small business loans, and placed less weight on home mortgage loans. Despite the high proportion of home mortgage lending in the loan portfolio, the bank originated a relatively low number of home mortgage loans during the evaluation period compared to the other loan products.

Examiners selected August 12, 2024, to August 11, 2025, for the review period because the bank's loan data does not include paid-off loans. The lending focus and product composition remained consistent throughout the evaluation period, and bank management indicated the review period was an accurate representation of the lending activity throughout the evaluation period.

For the Lending Test, examiners reviewed all small farm, small business, and home mortgage loans originated or purchased during the review period to evaluate the Assessment Area Concentration criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small farm, small business, and home mortgage loans originated and purchased within the assessment area. The following table provides details on the loan products reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	102	12,753	47	6,302
Small Business	111	11,986	47	4,081
Home Mortgage	46	5,609	30	3,714
<i>Source: Bank Data from 8/12/2024 through 8/11/2025</i>				

The 2024 D&B data provided the standard of comparison for the bank’s small farm and small business lending performance, and 2020 U.S. Census data provided the standard of comparison for the bank’s home mortgage lending performance. While examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, examiners emphasized performance by the number of loans, as this is generally a better indicator of the farms, businesses, and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Iowa State Bank demonstrated satisfactory performance under the Lending Test. The collective performance under the criteria evaluated supports this conclusion.

Loan-to-Deposit Ratio

Iowa State Bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 87.8 percent over the past 23 quarters from December 31, 2019, to June 30, 2025. The average net loan-to-deposit ratio remains similar to the previous evaluation, when it was calculated at 87.2 percent. The ratio ranged from a low of 73.0 percent as of March 31, 2022, to a high of 97.2 percent as of March 31, 2020.

Examiners compared Iowa State Bank’s average net-loan-to-deposit ratio to three similarly situated financial institutions to evaluate the bank’s performance. Examiners selected the similarly situated financial institutions based on geographic location, asset size, and lending focus. As shown in the following table, Iowa State Bank’s net loan-to-deposit ratio is reasonably comparable to the three institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2025 (\$000s)	Average Net Loan-To- Deposit Ratio (%)
Iowa State Bank, Sac City, Iowa	198,350	87.8
Cherokee State Bank, Cherokee, Iowa	260,300	74.8
Heartland Bank, Somers, Iowa	249,028	97.3
Westside State Bank, Westside, Iowa	245,477	99.1
<i>Source: Reports of Condition and Income 12/31/2019 through 6/30/2025</i>		

Assessment Area Concentration

As detailed in the following table, Iowa State Bank made a majority of the loans, by number and dollar volume, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	80	78.4	22	21.6	102	10,693	83.8	2,060	16.2	12,753
Small Business	79	71.2	32	28.8	111	7,419	61.9	4,567	38.1	11,986
Home Mortgage	37	80.4	9	19.6	46	4,304	76.7	1,305	23.3	5,609
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The 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

Overall, the distribution of borrowers reflects reasonable penetration. The bank's reasonable small farm and small business lending performance supports this conclusion and outweighs the excellent home mortgage lending performance. For this criterion, examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of \$1 million or less, and the percentage of home mortgage loans to low- and moderate-income borrowers.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. While the percentage of sampled loans made to farms with revenues of \$1 million or less lags demographic data in this revenue category, it is still reasonably comparable given the following factors. According to 2022 Census of Agricultural data, 52.7 percent of farms do not report interest expense, indicating that they do not borrow funds for their operations. In addition, 49.1 percent of farm operations report a primary occupation other than farming. This performance context indicates a sizeable percentage of farms appear to have little or no need for credit. Considering this context, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<= \$1,000,000	98.7	37	78.7	5,090	80.8
> \$1,000,000	0.4	10	21.3	1,212	19.2
Revenue Not Available	0.8	0	0.0	0	0.0
Total	100.0	47	100.0	6,302	100.0
<i>Source: 2024 D&B Data, Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%.</i>					

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The percentage of sampled loans made to businesses with revenues of \$1 million or less is slightly below demographic data in this revenue category, but still reasonably comparable. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<= \$1,000,000	89.7	39	83.0	2,579	63.2
> \$1,000,000	1.6	8	17.0	1,502	36.8
Revenue Not Available	8.7	0	0.0	0	0.0
Total	100.0	47	100.0	4,081	100.0
<i>Source: 2024 D&B Data, Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among borrowers of different income levels. The percentage of sampled home mortgage loans to low-income borrowers significantly exceeds demographic data, and the percentage of sampled home mortgage loans to moderate-income borrowers slightly exceeds demographic data. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	15.7	12	40.0	1,087	29.3
Moderate	22.1	8	26.7	1,405	37.8
Middle	22.7	7	23.3	849	22.9
Upper	39.5	3	10.0	373	10.0
Total	100.0	30	100.0	3,714	100.0
<i>Source: 2020 Census, Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

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

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.