

# **PUBLIC DISCLOSURE**

September 2, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank  
Certificate Number: 5821

413 East Street  
Lynnville, Iowa 50153

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.

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The institution made a majority of its loans inside the assessment areas.
- Overall, geographic distribution of loans reflects poor dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenue 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 Lending Test rating.

## DESCRIPTION OF INSTITUTION

FSB is headquartered in Lynnville, Iowa, and is wholly owned by First State Bank Holding Company, Lynnville, Iowa, a one-bank holding company. FSB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated October 7, 2019, based on Interagency Small Institution Examination Procedures.

In addition to its main office in Lynnville, FSB operates full-service branch offices in Agency, Brooklyn, Grinnell, Montezuma, New Sharon, and Sully, Iowa. The New Sharon branch was established in January 2021, and the Montezuma branch location was acquired in September 2024. There were no other merger or acquisition activities, and there are no lending affiliates or subsidiaries for consideration in this evaluation.

Various agricultural, commercial, home mortgage, and consumer loans are offered. The bank's primary lending focus remains concentrated in agricultural lending. Special financing alternatives are available through programs offered by the Small Business Administration, Farm Service Agency, Department of Veterans Affairs, Federal Home Loan Bank, and Iowa Finance Authority.

The bank provides a variety of deposit products, including checking, savings, money market accounts, health savings accounts, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, bill pay, remote capture, and electronic statements. All branches have an ATM; the Montezuma ATM accepts deposits.

As of June 30, 2025, Reports of Condition and Income (Call Report), FSB reported total assets of \$366.7 million, total loans of \$257.4 million, and total deposits of \$291.8 million. Loan portfolio concentrations have remained generally consistent over the review period. Total assets increased 96.6 percent, total loans increased 70.7 percent, and total deposits increased 96.2 percent since the prior evaluation. Management attributed these increases primarily to the new branches in New Sharon and Montezuma, organic growth, the addition of new loan officers, and the Small Business Administration's Paycheck Protection Program in response to the COVID-19 pandemic. The following table illustrates the composition of the loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/2025</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	1,643	0.6
Secured by Farmland	88,506	34.4
Secured by 1-4 Family Residential Properties	66,362	25.8
Secured by Multifamily (5 or more) Residential Properties	2,069	0.8
Secured by Nonfarm Nonresidential Properties	22,373	8.7
<b>Total Real Estate Loans</b>	<b>180,953</b>	<b>70.3</b>
Commercial and Industrial Loans	24,866	9.7
Agricultural Production and Other Loans to Farmers	43,305	16.8
Consumer Loans	6,749	2.6
Other Loans	1,542	0.6
<b>Total Loans</b>	<b>257,415</b>	<b>100.0</b>
<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 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 examiners will evaluate its CRA performance. FSB has designated two contiguous assessment areas within the State of Iowa, referred to as the Non-Metro Assessment Area and the Metro Assessment Area. The Non-Metro Assessment Area is in nonmetropolitan portions of Iowa, while the Metro Assessment Area is part of the Des Moines-West Des Moines, Iowa metropolitan statistical area. Both assessment areas have expanded geographic boundaries since the prior evaluation. Refer to subsequent sections for detailed information on each assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated October 7, 2019, to the current evaluation dated September 2, 2025. Examiners used Interagency Small Institution Examination Procedures to evaluate the institution’s CRA performance. These procedures include a Lending Test, which is further described in the appendices.

Performance reviews considered the bank’s lending activities in relation to demographics and credit needs of the assessment areas. To evaluate performance, examiners conducted full-scope reviews of the bank’s performance in both assessment areas. Examiners reviewed each assessment area’s total outstanding volume of deposits, outstanding and paid off loans, and branching structure to determine the appropriate scope and weighting. The majority of FSB’s loans and branches are in the Non-Metro Assessment Area; therefore, the bank’s performance in the Non-Metro Assessment Area received more weight in the overall evaluation. The following table reflects the distribution of loans, deposits, and branch locations by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Metro	30,680	32.4	132,194	51.1	2	28.6
Non-Metro	63,869	67.6	126,267*	48.9	5	71.4
<b>Total</b>	<b>94,549</b>	<b>100.0</b>	<b>258,461</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>

*Source: Bank Data-outstanding balances of loans originated from 7/26/2024 to 7/25/2025; FDIC Summary of Deposits as of 6/30/2024 (\*excludes the new Montezuma branch)*

### Activities Reviewed

Based on Call Report information, the number and dollar volume of loans originated during the evaluation period and the bank’s business strategy, examiners determined that the major product lines are agricultural, commercial, and home mortgage loans. Bank records and discussions with management indicated the product mix remained consistent throughout the evaluation period.

For the Assessment Area Concentration review, examiners considered all small farm and small business loans originated or renewed in 2024, and Home Mortgage Disclosure Act (HMDA) data collected and reported for 2023 and 2024. Management indicated that a review of lending activity from this timeframe would yield a representative analysis of lending performance since the prior evaluation; however, the 2024 HMDA data does not include loans from the Montezuma branch due to the timing of the acquisition. For the Geographic Distribution criterion, examiners reviewed all loans made within the assessment areas. For the Borrower Profile analysis, all home mortgage loans originated or purchased within each assessment area were reviewed; however, for small farm and small business loans, examiners used a sample of loans originated or renewed inside the assessment areas. The table below provides information on the number and dollar volume of loans reviewed. Given management’s stated business focus, small farm lending performance conclusions were given the greatest weight, followed by small business and home mortgage lending performance.

Loan Products Reviewed						
Loan Category	Universe		Universe Inside Assessment Area		Reviewed	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Mortgage 2023	117	15,038	73	9,432	73	9,432
Home Mortgage 2024	118	14,385	75	8,620	75	8,620
Small Farm	312	24,766	195	16,547	60*	4,633
Small Business	248	24,130	169	17,444	60*	5,419

*Source: Bank Data; (\*) Loans sampled for the Borrower Profile Analysis.*

For small farm and small business lending conclusions, 2024 D&B data provided a standard of comparison. HMDA aggregate data for 2023 and 2024, and 2020 U.S. Census data provided a standard of comparison for the home mortgage loans. Examiners primarily focused on lending performance to aggregate data since it is typically a better indicator of market conditions and loan demand. Home mortgage lending performance for 2023 was reviewed to ensure that performance was consistent with 2024. In general, examiners did not identify any significant trends between the two years of HMDA data that materially affected conclusions. Therefore, only 2024 HMDA data is presented for Geographic Distribution and Borrower Profile criterion.

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

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

FSB demonstrated satisfactory performance under the Lending Test. The bank’s collective performance under Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion. The bank’s poor Geographic Distribution was also considered and, while this performance negatively impacted conclusions, it ultimately did not adversely affect the bank’s rating.

### **Loan-to-Deposit Ratio**

FSB’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment areas’ credit needs. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 83.5 percent over the past 23 calendar quarters from December 31, 2019, to June 30, 2025. The net loan-to-deposit ratio ranged from a low of 73.9 percent as of June 30, 2021, and a high of 97.0 percent as of March 31, 2020. The ratio generally trended upward throughout the evaluation period from its low in June 2021. Management attributed the steady increase in the net loan-to-deposit ratio to the two new branches and the reduction of Paycheck Protection Program and stimulus funds that decreased deposits. Examiners compared FSB’s average net loan-to-deposit ratio with those of three similarly-situated institutions to evaluate the bank’s performance. Examiners selected comparable banks based on similarities in lending focus, asset size, feedback from management, and markets served. Finally, FSB originates home mortgage loans that are subsequently sold on the secondary market, which are not reflected in the bank’s loan-to-deposit ratio. The bank originated 98 secondary market loans totaling approximately \$17.0 million since the prior evaluation. As shown in the following table, FSB’s ratio compares reasonably with similarly-situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/20245 \$(000s)</b>	<b>Average Net Loan-to- Deposit Ratio (%)</b>
<b>First State Bank, Lynnville, Iowa</b>	<b>366,709</b>	<b>83.5</b>
First Iowa State Bank, Albia, Iowa	369,405	66.0
Leighton State Bank, Pella, Iowa	279,091	87.3
County Bank, Sigourney, Iowa	237,496	86.8

*Source: Reports of Condition and Income 12/31/2019 through 6/30/2025*

### **Assessment Area Concentration**

As shown in the following table, FSB originated a majority of loans inside its assessment areas.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans (\$000s)</b>				<b>Total</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Farm	195	62.5	117	37.5	312	16,547	66.8	8,219	33.2	24,766
Small Business	169	68.1	79	31.9	248	17,444	72.3	6,686	27.7	24,130
Home Mortgage										
2023	73	62.4	44	37.6	117	9,432	62.7	5,606	37.3	15,038
2024	75	63.6	43	36.4	118	8,620	59.9	5,765	40.1	14,385
<b>Subtotal</b>	<b>148</b>	<b>63.0</b>	<b>87</b>	<b>37.0</b>	<b>235</b>	<b>18,052</b>	<b>61.4</b>	<b>11,371</b>	<b>38.6</b>	<b>29,423</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

Overall, the geographic distribution of loans reflects poor dispersion throughout the assessment areas. Specifically, the poor performance in small business lending in the Non-Metro Assessment Area and the poor performance in all three loan products in the Metro Assessment Area supports this conclusion. The review of this criterion focused on the institution’s record of lending in the low- and moderate-income census tracts within each assessment area. Refer to comments under each separately analyzed assessment area for a more specific analysis.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of varying sizes and individuals of differing income levels. The bank’s reasonable lending performance in each assessment area supports this conclusion. The review of this criterion focused on the number of loans to farms and businesses with gross annual revenues of \$1 million or less, and on the number of home mortgage loans to low- and moderate-income borrowers. Refer to comments under each separately analyzed assessment area for a more specific analysis.

**Response to Complaints**

The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test 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 evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

## NON-METRO ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-METRO ASSESSMENT AREA

The Non-Metro Assessment Area consists of Poweshiek and Wapello counties in their entirety, and census tracts 9501 and 9502 in Mahaska County. All three of the counties in the assessment area are located in nonmetropolitan areas of Iowa. FSB operates five offices in the assessment area, located in Agency, Brooklyn, Grinnell, Montezuma, and New Sharon, Iowa. During the prior CRA evaluation, the Non-Metro Assessment Area consisted only of smaller portions of Poweshiek, Mahaska, and Wapello counties.

#### **Economic and Demographic Data**

As a result of the 2020 U.S. Census, the income classifications of several census tracts in the Non-Metro Assessment Area changed. According to 2020 U.S. Census data, the assessment area consists of 18 census tracts, including 1 low-, 5 moderate-, 10 middle-, and 2 upper-income tracts. According to 2015 ACS data used at the prior evaluation, the smaller assessment area consisted of 6 census tracts, including 1 moderate-, 4 middle-, and 1 upper-income tract. The following table illustrates select demographic characteristics of the Non-Metro Assessment Area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	18	5.6	27.8	55.6	11.1	0.0
Population by Geography	60,593	5.2	25.6	54.9	14.4	0.0
Housing Units by Geography	28,055	5.1	24.3	59.0	11.6	0.0
Owner-Occupied Units by Geography	16,887	4.0	19.6	62.4	14.0	0.0
Occupied Rental Units by Geography	7,837	6.7	34.9	50.7	7.8	0.0
Vacant Units by Geography	3,331	6.8	23.1	61.7	8.5	0.0
Businesses by Geography	5,768	9.7	19.6	58.3	12.4	0.0
Farms by Geography	659	1.1	2.0	76.5	20.5	0.0
Family Distribution by Income Level	15,795	23.3	19.8	20.5	36.4	0.0
Household Distribution by Income Level	24,724	26.4	17.9	18.4	37.3	0.0
Median Family Income - Nonmetropolitan Iowa	\$71,763	Median Housing Value				\$119,159
		Median Gross Rent				\$727
		Families Below Poverty Level				11.5%

*Source: 2020 U.S. Census and 2024 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 2024 D&B data, non-classifiable entities represent the largest business sector in the assessment area at 18.1 percent; followed by agriculture, forestry, and fishing at 10.3 percent; other services at 10.3 percent; and retail trade at 7.9 percent. In addition, many farms and businesses in the assessment area are small, with 73.3 percent having less than five employees, and 91.1 percent operating from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The 2023 and 2024 median family income levels for the nonmetropolitan areas of Iowa are presented in the following table.

Median Family Income Ranges					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2023	\$ 86,300	< \$43,150	\$43,150 to < \$69,040	\$69,040 to < \$103,560	≥ \$103,560
2024	\$ 86,700	< \$43,350	\$43,350 to < \$69,360	\$69,360 to < \$104,040	≥ \$104,040

*Source: FFIEC*

### **Competition**

This assessment area is considered very competitive in the financial services market. The FDIC Deposit Market Share Report as of June 30, 2024, shows that there are 19 institutions operating from 28 locations within the assessment area. These institutions range from small community banks to larger regional institutions and credit unions. Of these institutions, FSB ranked 6<sup>th</sup> with 7.6 percent of the deposit market share. To further illustrate the level of competition and demand for loans, 2024 HMDA aggregate data shows 152 institutions reported 1,790 home mortgage loan originations and purchases within the assessment area.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in understanding economic conditions and identifying credit needs. This information helps to determine whether local financial institutions are responsive to community credit needs and provides context regarding available lending opportunities. Examiners conducted an interview with an individual from an economic development organization serving the Non-Metro Assessment Area.

The contact stated that current economic conditions are stable, but concerns are noted with small businesses, farms, and housing. The primary concern is affordable housing, which directly affects businesses that want to expand or enter the community. The housing is aging fast and new construction is not keeping pace. Without affordable housing, businesses cannot attract and retain talent. New housing, including both residential and rentals are needed. Overall unemployment is low, and the workforce is very diverse, which includes over 50 different languages. The area includes mostly an aging population. Many of the high school and college graduates are moving to more populous areas. While many small businesses are struggling, they are staying afloat and operating with less expenses and pre-existing inventory. The commercial and agricultural businesses have growing concerns about tariffs, inflation, and high interest rates. There has been overall low demand for agricultural and business loans. Businesses are sitting on higher levels of inventory hoping economic conditions will change. Farmers have seen slim margins due to higher

operating costs and low commodity prices. The Brazilian corn market has caused major competition, and some farmers are storing corn until prices go up. Farmers have reduced their borrowing and relied on existing resources and equipment.

**Credit Needs**

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

**CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-METRO ASSESSMENT AREA**

**LENDING TEST**

FSB demonstrated reasonable performance under the Lending Test in the Non-Metro Assessment Area, as supported by reasonable Geographic Distribution and Borrower Profile performance.

**Geographic Distribution**

FSB’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable performance in small farm and home mortgage lending primarily supports this conclusion. Poor performance in small businesses contributed to overall conclusions.

***Small Farm Loans***

The geographic distribution of small farm loans reflects reasonable dispersion when considering the performance context. FSB did not originate any small farm loans in the low- and moderate-income census tracts; however, demographic data reveals there are very few farm operations located in the low- and moderate-income census tracts. The low- and moderate-income census tracts are located in the city limits of Ottumwa, where there are limited opportunities for agricultural lending. See the following table for details.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	1.1	0	0.0	0	0.0
Moderate	2.0	0	0.0	0	0.0
Middle	76.5	122	85.9	10,810	95.3
Upper	20.5	20	14.1	538	4.7
<b>Totals</b>	<b>100.0</b>	<b>142</b>	<b>100.0</b>	<b>11,348</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

***Small Business Loans***

The geographic distribution of small business loans reflects overall poor dispersion throughout the assessment area. As shown in the following table, the small business lending in the assessment area’s low- and moderate-income census tracts is significantly lower than demographic data. The bank is not required to collect or report its small business data, and analyses under the Lending Test

do not include direct comparisons to aggregate lending data. However, this aggregate lending data reflects the level of competition and demand for small business loans. CRA aggregate data for 2023 shows 44 lenders reported 804 small business loan originations in the assessment area. Aggregate data for 2021 and 2022 were similar. This indicates that opportunities exist for small business loans in the low- and moderate-income areas of the Non-Metro Assessment Area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	9.7	1	0.8	8	0.1
Moderate	19.6	10	7.7	486	3.7
Middle	58.3	103	79.2	10,855	82.4
Upper	12.4	16	12.3	1,830	13.9
<b>Totals</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>13,179</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when considering other factors. As shown in the following table, the bank’s 2024 lending in both low- and moderate- income geographies is slightly below, but comparable to demographic and aggregate data. The bank’s 2023 HMDA data revealed similar performance. All of the low- and moderate-income tracts are in Ottumwa, which is served by the bank’s Agency branch. The Agency branch is located approximately six miles southeast of Ottumwa. Management also stated there is very heavy competition in Ottumwa, and the bank does not directly market towards the area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.0	4.4	1	1.6	84	1.2
Moderate	19.6	18.5	10	16.4	456	6.6
Middle	62.4	60.6	46	75.4	5,678	82.2
Upper	14.0	16.5	4	6.6	694	10.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>61</b>	<b>100.0</b>	<b>6,912</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data; 2024 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses and farms of differing sizes, as well as individuals of varying income levels. FSB’s reasonable performance in all three lending products supports this conclusion.

***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms with gross annual revenues of \$1 million or less, given the performance context. As shown in the following table, most of the bank’s lending is to farms with gross annual revenues of \$1 million or less, but performance is lower than demographic data. However, 2022 Agriculture Census data revealed that 56.6 percent of producers in the assessment area do not list farming as their primary occupation, and 55.7 percent of the farming operations did not report interest expense. This data suggests there is limited farm credit demand.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	99.7	36	90.0	2,272	81.6
>\$1,000,000	0.2	4	10.0	513	18.4
Revenue Not Available	0.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>2,785</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. 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 given the performance context. The following table shows that a majority of FSB’s lending is to businesses with gross annual revenues of \$1 million or less. Although lower than demographic data, performance is reasonable when considering that 10.3 percent of businesses did not report their revenue level, and the loans sampled included five loans to just two borrowers with gross annual revenues greater than \$1 million, skewing the percentages. Additionally, the bank offers loan programs through the Small Business Administration to better meet small business credit needs. Finally, management stated that have seen a decrease in loan demand due to current economic conditions, which was confirmed by the community contact.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	87.5	34	73.9	1,661	42.4
>\$1,000,000	2.3	11	23.9	1,909	48.7
Revenue Not Available	10.3	1	2.2	350	8.9
<b>Total</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3,920</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

***Home Mortgage Loans***

The distribution of borrowers reflects overall reasonable penetration among individuals of different income levels. As shown in the following table, the level of lending to low-income borrowers is higher than aggregate data while the level of lending to moderate-income borrowers was much lower than aggregate data. Examiners did note that FSB has a high percentage of borrowers that did not report income, impacting the analysis in all income categories. This higher percentage is due to the high number of loans secured by investment properties. Additionally, 11.5 percent of families are below the poverty level, which indicates potential applicants may struggle saving for down payments, closing costs, and home maintenance expenses. For 2023, the results were more

favorable when 31.6 percent of 57 loans were made to low-income borrowers and 21.1 percent of loans were to moderate-income borrowers. The 2023 lending performance to low-income borrowers significantly exceeded aggregate data at 13.3 percent while the lending to moderate-income borrowers was slightly lower than aggregate data.

The bank offers targeted affordable housing loans through the Federal Home Loan Bank and the Iowa Finance Authority. These loans help meet the credit needs of low- and moderate-income borrowers.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.3	10.4	8	13.1	438	6.3
Moderate	19.8	26.4	10	16.4	1,141	16.5
Middle	20.5	21.8	15	24.6	1,426	20.6
Upper	36.4	28.4	18	29.5	3,168	45.8
Not Available	0.0	13.1	10	16.4	739	10.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>61</b>	<b>100.0</b>	<b>6,912</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data; 2024 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

## **METRO ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE METRO ASSESSMENT AREA**

The Metro Assessment Area consists of all census tracts in Jasper County. Jasper County is part of the Des Moines-West Des Moines, Iowa MSA. FSB operates two offices in this assessment area located in Lynnville and Sully, Iowa. During the prior CRA evaluation, the Metro Assessment Area consisted of just two census tracts in the southeast portion of Jasper County.

#### **Economic and Demographic Data**

According to 2020 U.S. Census data, the assessment area consists of 10 census tracts, including 4 moderate-income, 5 middle-income, and 1 new census tract with no income classification that represents the Newton Correctional Facility (census tract 9800). Geography boundaries changed since the prior evaluation; the smaller assessment area contained 1 moderate-income and 1 middle-income census tracts per the 2015 ACS. The following table illustrates select demographic characteristics of the Metro Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	40.0	50.0	0.0	10.0
Population by Geography	37,813	0.0	43.0	53.5	0.0	3.5
Housing Units by Geography	16,337	0.0	47.1	52.9	0.0	0.0
Owner-Occupied Units by Geography	10,950	0.0	40.7	59.3	0.0	0.0
Occupied Rental Units by Geography	3,694	0.0	60.6	39.4	0.0	0.0
Vacant Units by Geography	1,693	0.0	58.6	41.4	0.0	0.0
Businesses by Geography	4,013	0.0	40.2	59.8	0.0	0.0
Farms by Geography	418	0.0	10.5	89.5	0.0	0.0
Family Distribution by Income Level	10,010	24.9	25.5	22.1	27.5	0.0
Household Distribution by Income Level	14,644	27.9	20.0	20.3	31.8	0.0
Median Family Income - Nonmetropolitan Iowa	\$89,538	Median Housing Value				\$138,456
		Median Gross Rent				\$744
		Families Below Poverty Level				6.2%

*Source: 2020 U.S. Census and 2023 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 2024 D&B data, non-classifiable entities represent the largest business sector in the assessment area at 20.5 percent; followed by other services at 11.0 percent; and agriculture, forestry, fishing and hunting at 9.4 percent. In addition, many farms and businesses in the assessment area are small with 71.2 percent having less than five employees, and 93.2 percent operating from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The 2023 and 2024 median family income levels for the Des Moines-West Des Moines, Iowa MSA are presented in the following table.

Median Family Income Ranges					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2023	\$ 105,000	< \$52,500	\$52,500 to < \$84,000	\$84,000 to < \$126,000	>= \$126,000
2024	\$ 111,800	< \$55,900	\$55,900 to < \$89,440	\$89,440 to < \$134,160	>= \$134,160

*Source: FFIEC*

### **Competition**

The assessment area is moderately competitive for financial services. The FDIC Deposit Market Share Report as of June 30, 2024, shows that nine institutions operate from 13 locations in Jasper County. These institutions range from small community banks to larger national institutions. Of these institutions, FSB ranked 2<sup>nd</sup> in deposit market share with 15.4 percent.

**Credit Needs**

Considering information from bank management, and demographic and economic data, examiners determined that small farm, small business, and home mortgage loans are the primary credit needs of the assessment area. Call Reports filed by area financial institutions also support this assertion.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN THE METRO ASSESSMENT AREA**

**LENDING TEST**

FSB demonstrated reasonable performance under the Lending Test in the Metro Assessment Area, which is supported by the results of the Borrower Profile criteria. The bank’s poor Geographic Distribution in this assessment area was also considered but ultimately did not adversely affect the overall conclusion for the assessment area.

**Geographic Distribution**

FSB’s geographic distribution of loans reflects poor dispersion throughout the assessment area. The bank’s poor performance in all three products reviewed supports this conclusion. Examiners noted that all of the moderate-income tracts are located in and surrounding the City of Newton which is served by the bank’s Sully branch. The Sully branch is located approximately 21 miles southeast of Newton. Management stated the bank does not directly market towards the area.

***Small Farm Loans***

The geographic distribution of small farm loans reflects poor dispersion. FSB did not originate any small farm loans in the moderate-income census tracts. As previously stated, the bank is not required to collect or report its small farm data. However, aggregate lending data was reviewed as it reflects the level of competition and demand for small farm loans in the assessment area. CRA aggregate data for 2023 shows 14 lenders reported 224 small farm loans in the assessment area. Aggregate data for 2022 was similar to 2023 data, while aggregate data for 2021 showed even more small farms loans originated in the moderate-income census tracts. This indicates that opportunities exist for small farm loans in the moderate-income areas of the Metro Assessment Area. See the following table for details.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	10.5	0	0.0	0	0.0
Middle	89.5	53	100.0	5,199	100.0
<b>Totals</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>5,199</b>	<b>100.0</b>

*Source: 2024 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%.*

***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. As shown in the following table, the small business lending performance is significantly lower than demographic data. Additionally, 2022 and 2023 CRA aggregate data reflected significant small business lending opportunities in the moderate-income census tracts.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	40.2	3	7.7	346	8.1
Middle	59.8	36	92.3	3,919	91.9
<b>Totals</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>4,265</b>	<b>100.0</b>

*Source: 2024 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects poor dispersion. As noted in the following table, FSB’s home mortgage lending in the moderate-income census tracts is significantly lower than both demographic and 2024 aggregate data. Similar bank’s performance for 2023 was noted as only one loan was originated in a moderate-income census tract. To further illustrate the level of competition and demand for loans, the 2024 HMDA aggregate data reported 125 institutions reported 1,015 home mortgage loan originations/purchases within the assessment area demonstrating strong demand. Furthermore, examiners noted the bank made numerous HMDA-reportable loans in the Des Moines area, which is outside the bank’s assessment area and further distance from the bank’s branches than the moderate-income census tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	40.7	47.1	2	14.3	295	17.3
Middle	59.3	52.9	12	85.7	1,413	82.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,708</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data; 2024 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%*

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of differing sizes and individuals of varying income levels. The bank’s reasonable performance in small farm, small business, and home mortgage lending supports this conclusion.

***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms with gross annual revenues of \$1 million or less, given the performance context. As shown in the following table, most of the bank’s lending is to farms with gross annual revenues of \$1 million or less, but

performance is lower than demographic data. However, 2022 Agriculture Census data revealed that 56.6 percent of producers in the assessment area do not list farming as their primary occupation, and 54.5 percent of the farming operations did not report interest expense. This data suggests there is limited farm credit demand. Furthermore, the loans sampled included three loans to just one borrower with gross annual revenues greater than \$1 million, skewing the percentages.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.6	16	80.0	1,100	59.5
>\$1,000,000	1.0	4	20.0	748	40.5
Revenue Not Available	0.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>1,848</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. 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 given the performance context. The following table shows 85.7 percent of FSB’s lending is to businesses with gross annual revenues of \$1 million or less. The lending performance is similar to demographic data. Additionally, 2024 D&B data reported that 8.3 percent of businesses did not report their revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	89.2	12	85.7	1,208	80.6
>\$1,000,000	2.5	2	14.3	291	19.4
Revenue Not Available	8.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,499</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As shown in the following table, the bank originated two loans to low-income borrowers; however, 35.7 of loans reviewed were to moderate-income borrowers which significantly exceeds demographic data. Again, low-income applicants may struggle saving for down payment, closing costs, and home maintenance expenses. In 2023, there were no loans originated to low-income borrowers; however, 25.0 percent of 16 loans were originated to moderate-income borrowers which mirrored aggregate data at 25.8 percent. The bank also offers targeted affordable housing loans through the Federal Home Loan Bank and the Iowa Finance Authority.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	24.9	21.6	2	14.3	200	11.7
Moderate	25.5	26.8	5	35.7	429	25.1
Middle	22.1	17.8	1	7.1	70	4.1
Upper	27.5	13.7	3	21.4	754	44.2
Not Available	0.0	20.1	3	21.4	255	14.9
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1,708</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data; 2024 HMDA Aggregate 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.