

# **PUBLIC DISCLOSURE**

May 28, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Iowa State Bank  
Certificate Number: 15808

627 East Locust Street  
Des Moines, Iowa 50309

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 Iowa State Bank's Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test.

**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 area.
- A majority of small business and home mortgage loans are inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects overall poor penetration among 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.

**The Community Development Test is rated Outstanding.**

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the needs and availability of opportunities for community development in the assessment area.

## DESCRIPTION OF INSTITUTION

Iowa State Bank is a community bank operating from its main office in Des Moines, Iowa. The bank is wholly owned by Iowa State Bank Holding Company, Des Moines, Iowa. The institution received an Outstanding rating at its previous FDIC CRA Performance Evaluation dated May 17, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

The bank operates in central Iowa from its main office in Des Moines. Iowa State Bank also has four branch offices in Iowa, including two additional branches located in Des Moines, a branch in Urbandale, and a branch in West Des Moines. The Urbandale office contains the bank's Trust and Wealth Management department. No branches have been opened or closed during the review period.

Iowa State Bank offers various loan products, including commercial, home mortgage, and consumer loans, with a primary lending focus on commercial and home mortgage lending. The bank refers long-term home mortgage loans to secondary market investors, and offers home equity lines of credit as well as Small Business Administration (SBA) loans. To assist low- and moderate-income borrowers, Iowa State Bank offers affordable housing loans through the Federal Home Loan Bank, the Neighborhood Finance Corporation, the Iowa Finance Authority, and through their in-house Community Reinvestment Home Loan Program with special lending guidelines. Onsite Wastewater Assistance Program loans are also originated.

The bank provides a variety of deposit products, including checking, savings, money market, certificates of deposit, and individual retirement accounts. Alternative banking products and services include debit cards, direct deposit, electronic statements, online and mobile banking, electronic bill payment, Zelle, and mobile check deposit. There are automated teller machines at each office.

As of March 31, 2024, the institution reported total assets of \$432.2 million, total loans of \$263.9 million, total securities of \$108.0 million, and total deposits of \$359.0 million. Total assets decreased 6.2 percent, total loans increased 18.7 percent, total securities decreased 18.6 percent, and total deposits decreased 4.1 percent since the prior evaluation. Management attributed the decreases in total assets and deposits to the exhaustion of funds associated with the SBA's Paycheck Protection Program (PPP) in response to the COVID-19 pandemic, market conditions, and heavy competition for deposits. Management attributed the significant increase in loans to a new senior loan officer with ties to the Des Moines metro and a renewed focus on commercial lending. The decline in securities is attributed to senior management strategy and an increased focus on growing the loan portfolio.

Portfolio concentrations have remained generally consistent over the period reviewed. The following table illustrates the composition of the loan portfolio; however, it does not reflect home mortgage loans sold to secondary market investors.

<b>Loan Portfolio Distribution as of 3/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	31,459	12.0
Secured by Farmland	1,279	1.0
Secured by 1-4 Family Residential Properties	59,248	22.0
Secured by Multifamily (5 or more) Residential Properties	16,245	6.0
Secured by Nonfarm Nonresidential Properties	127,283	48.0
<b>Total Real Estate Loans</b>	<b>235,514</b>	<b>89.0</b>
Commercial and Industrial Loans	25,447	10.0
Agricultural Production and Other Loans to Farmers	974	0.0
Consumer Loans	1,790	1.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	220	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>263,945</b>	<b>100.0</b>
<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 or community development needs of its assessment areas.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Iowa State Bank delineated portions of Dallas, Polk, and Warren counties as its assessment area. All of the counties included in the assessment area are within the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA). Only portions of these counties were taken to reflect the metropolitan areas where the primary credit needs are commercial and home mortgages loans, as farm loans are not a significant lending focus. While the boundaries of the assessment area have not materially changed since the prior evaluation, the 2020 census resulted in the removal of eight census tracts and the addition of 25 census tracts in the assessment area. The number of census tracts that comprise the assessment area increased from 102 to 119. This increase was due to population growth and commercial development in the area prior to the 2020 U.S. Census. Refer to subsequent sections for detailed information on the assessment area.

### **Economic and Demographic Data**

As a result of the 2020 U.S. Census, the income classifications of certain census tracts in Iowa State Bank’s assessment area changed. For the census tracts that remained the same since the prior evaluation, 29 had a change in income classification between the 2015 American Community Survey (ACS) data and the 2020 U.S. Census data. According to 2020 U.S. Census data, the assessment area consists of seven low-income, 30 moderate-income, 49 middle-income, 31 upper-income, and two census tracts that have not been assigned an income classification. According to 2015 ACS data used at the prior evaluation, the assessment area consisted of nine low-income, 27

moderate-income, 39 middle-income, 26 upper-income, and one census tract that was not been assigned an income classification.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	119	5.9	25.2	41.2	26.1	1.7
Population by Geography	517,143	5.4	21.9	40.1	31.8	0.8
Housing Units by Geography	212,615	4.9	23.0	41.0	29.9	1.1
Owner-Occupied Units by Geography	134,273	3.2	19.8	42.7	33.9	0.4
Occupied Rental Units by Geography	65,039	7.7	27.5	38.2	24.1	2.4
Vacant Units by Geography	13,303	8.4	33.8	37.4	18.4	1.9
Businesses by Geography	87,355	3.8	15.9	38.1	39.2	3.0
Farms by Geography	2,563	2.9	12.3	37.6	46.0	1.2
Family Distribution by Income Level	122,661	20.6	17.8	21.4	40.3	0.0
Household Distribution by Income Level	199,312	22.9	17.3	18.7	41.1	0.0
Median Family Income - Des Moines-West Des Moines, Iowa MSA		\$89,538	Median Housing Value			\$202,379
			Median Gross Rent			\$947
			Families Below Poverty Level			7.1%

*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 2023 D&B data, service industries represent the largest portion of businesses at 32.2 percent, followed by non-classifiable establishments at 28.7 percent, finance, insurance, and real estate at 12.8 percent, retail trade at 8.3 percent, and construction at 6.8 percent. In addition, 59.8 percent of assessment area businesses have four or fewer employees, and 93.8 percent operate from a single location.

The FFIEC-updated median family incomes for the Des Moines-West Des Moines, Iowa MSA were used to analyze home mortgage lending performance under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories 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%
2023 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000

*Source: FFIEC*

### **Competition**

Iowa State Bank operates in a very competitive market for credit products and financial services. According to FDIC Deposit Market Share data as of June 30, 2023, there were 48 financial institutions operating 187 offices within the counties of Dallas, Polk, and Warren. These institutions range from small community banks to large, regional institutions. Iowa State Bank ranked 14<sup>th</sup> with 1.3 percent of the deposit market share.

### **Community Contact**

Examiners conduct community contact interviews to obtain a profile of the local community, identify credit needs and opportunities, and evaluate local financial institutions' responsiveness to those needs. In conjunction with this evaluation, examiners conducted a new community contact with a representative from a local economic development organization familiar with the Des Moines metro.

The community contact stated that economic conditions in the Des Moines metro are mixed. While some larger businesses are thriving and growing, smaller business have struggled. The current high interest rate environment and inflation is taking a toll on all businesses. Expansion projects and employee growth has been stalled with businesses strategically waiting for rates and operation costs to decrease. Both the rate environment and inflation are slowing development projects. Small businesses have been impacted the most. Furthermore, the greater Des Moines area has a multi-faceted demographic make-up, from recent college graduates, young professionals, and even retirees due to the lower cost of living. Rental and multi-family properties are taking over the area. There is a great need for affordable housing and single-family units. The lack of inventory has been driving up rent prices negatively affecting affordable housing options. The contact stated the greatest need is affordable housing and small business lending. Affordable housing is the primary need, followed by small business lending; however, current rates and economic conditions have slowed small business loan requests. Small minority-owned business are really struggling and need credit opportunities.

Overall, financial institutions are meeting banking and credit needs, and creditworthy individuals and businesses can obtain financing.

### **Credit and Community Development Needs and Opportunities**

Considering information from bank management, the community contact, and demographic and economic data, small business and home mortgage loans represent primary credit needs in the assessment area. In addition, the community contact identified a general lack of affordable housing as a specific community development need. Community development needs include activities that promote affordable housing, economic development, community services, and revitalization and stabilization of low- and moderate-income areas. The number of low- and moderate-income individuals and number of small businesses in the assessment area, as well as the presence of low- and moderate-income geographies evidence this.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the previous evaluation dated May 17, 2021, through the current evaluation dated May 28, 2024. Examiners used FFIEC Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance, which includes the Lending and Community Development tests. Banks must achieve at least a satisfactory rating under each test to obtain an overall Satisfactory rating. Please refer to the Intermediate Small Bank Performance Criteria section of the Appendices for a summary of these tests.

### **Activities Reviewed**

The bank's primary business focus is commercial lending. This conclusion considered the bank's business strategy and Call Report data. Residential real estate lending comprises the second largest portion of the loan portfolio. As a result, examiners reviewed small business and home mortgage loans to evaluate CRA performance, with small business lending receiving greater weight when drawing overall conclusions. Small business and home mortgage loans were weighted equally at the prior evaluation. Management advised staffing constraints have significantly reduced their home mortgage volume, making small business lending their primary focus. Bank records and discussions with management indicated the product mix remained consistent throughout the evaluation period. Small farm loans were not reviewed during this evaluation since agricultural lending is not a major product line.

For the Lending Test, examiners considered all small business and home mortgage loans originated or renewed in 2023. Management indicated that a review of lending activity from this timeframe would yield a representative analysis of small business and home mortgage lending performance since the prior evaluation.

The bank originated 73 small business loans totaling \$17.0 million. Examiners reviewed the entire universe of loans to evaluate Assessment Area Concentration. The Geographic Distribution analysis only focused on loans made within the assessment area, which consisted of 63 loans totaling \$14.5 million. For the Borrower Profile analysis, examiners reviewed a sample of 38 loans totaling \$7.2 million within the assessment area. Examiners compared small business lending performance to 2023 D&B business demographic data.

Examiners also reviewed and analyzed all home mortgage loans reported on the bank's 2023 HMDA loan application register. Iowa State Bank was not a HMDA reporter in 2021 or 2022. The bank reported 44 loans totaling \$12.0 million in 2023. All HMDA reported loans were reviewed to evaluate Assessment Area Concentration. The Geographic Distribution and Borrower Profile analyses included all home mortgage loans originated inside the assessment area, which included 32 loans totaling \$9.6 million. Home mortgage lending performance in 2023 was compared to 2020 U.S. Census data, as 2023 aggregate data was not available.

Examiners analyzed lending performance by both number and dollar volume of loans. However, examiners emphasized performance by number of loans when evaluating the Geographic Distribution and Borrower Profile criteria, as it is generally a better indicator of the efforts to serve small businesses and low- and moderate-income individuals.



For the Community Development Test, examiners considered community development loans, qualified investments, and community development services since the prior evaluation. Qualified investments purchased before the prior evaluation that remained outstanding as of May 28, 2024, were also considered. Examiners excluded loans considered under the Lending Test from the Community Development Test.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Iowa State Bank demonstrated satisfactory performance under the Lending Test. The bank’s collective performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion.

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

Iowa State Bank’s average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, assessment area credit needs, and in comparison to similarly-situated institutions. The institution’s net loan-to-deposit ratio, calculated from Call Report data, averaged 63.9 percent over the 12 calendar quarters from June 30, 2021, to March 31, 2024. The net loan-to-deposit ratio ranged from a high of 72.9 percent as of March 31, 2024, to a low of 52.5 percent as of December 31, 2021. The ratio fluctuated during the review period but has been gradually increasing. Management ascribed the influx of deposits in 2021 to payments made to individuals and businesses because of government stimulus measures related to the PPP. Management attributed the steady increase in their net loan-to-deposit ratio due to a slow reduction in deposits while also focusing on increasing commercial loans.

Examiners compared Iowa State Bank’s average net-loan-to-deposit ratio with those of four similarly-situated institutions to evaluate the institution’s performance. Examiners selected comparable institutions based on similarities in lending focus, asset size, or markets served. As shown in the following table, Iowa State Bank’s mid-range ratio is in line with the comparable institutions’ ratios.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2024 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>Iowa State Bank, Des Moines, Iowa</b>	<b>432,230</b>	<b>63.9</b>
Peoples Savings Bank, Indianola, Iowa	549,116	53.8
TruBank, Indianola, Iowa	432,156	72.6
Raccoon Valley Bank, Perry, Iowa	457,467	82.3
Earlham Savings Bank, West Des Moines, Iowa	364,518	50.1
<i>Source: Reports of Condition and Income 6/30/2021 – 3/31/2024</i>		

**Assessment Area Concentration**

As shown in the following table, the institution originated a majority of 2023 small business and home mortgage loans inside its assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans</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 Business	63	86.3	10	13.7	73	14,523	85.5	2,464	14.5	16,987
Home Mortgage	32	72.7	12	27.3	44	9,580	80.2	2,370	19.8	11,950

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

**Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Examiners focused on the percentages by number of loans made in the low- and moderate-income census tracts within the assessment area. The bank’s excellent performance in both small business and home mortgage lending supports this conclusion.

***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As shown in the following table, small business lending in low-income census tracts is slightly lower than the percentage of businesses in these tracts; however, the lending to moderate-income census tracts significantly exceeds the percentage of businesses in these tracts. Additionally, the bank offers specialized loan programs through the SBA to better meet the credit needs of small businesses.

<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>
Low	3.8	2	3.2	75	0.5
Moderate	15.9	20	31.7	2,536	17.5
Middle	38.1	21	33.3	6,475	44.6
Upper	39.2	19	30.2	5,162	35.5
Not Available	3.0	1	1.6	275	1.9
<b>Totals</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>14,523</b>	<b>100.0</b>

*Source: 2023 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 excellent dispersion throughout the assessment area. The bank’s lending in both low- and moderate-income geographies exceeds demographic data. See the following table for details.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	3.2	4	12.5	190	2.0
Moderate	19.8	13	40.6	5,785	60.4
Middle	42.7	10	31.3	1,390	14.5
Upper	33.9	5	15.6	2,215	23.1
Not Available	0.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>9,580</b>	<b>100.0</b>

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

### **Borrower Profile**

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels. The bank's poor performance in small business lending primarily supports this conclusion. As previously stated, small business lending was weighted heavier than home mortgage lending. Examiners focused on the number of loans to businesses with gross annual revenues of \$1 million or less and on the number of loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The percentage of small business loans made to businesses with gross annual revenues of \$1 million or less significantly lags the percentage of businesses in this revenue category. Over half of the small business loans originated in 2023 were to businesses with gross annual revenues over \$1 million, which is significantly greater than D&B data. While the bank offers several loan programs through the SBA to help meet the credit needs of small businesses, the bank's level of lending to businesses generating gross annual revenues of \$1 million or less is significantly below D&B data and represents poor performance. See the following table for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	91.1	17	44.7	2,899	40.0
>\$1,000,000	2.6	20	52.6	4,248	58.6
Revenue Not Available	6.2	1	2.6	100	1.4
<b>Total</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>7,247</b>	<b>100.0</b>

Source: 2023 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%

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

The distribution of home mortgage loans reflects overall reasonable penetration among individuals of different income levels. The bank's lending to low-income borrowers was significantly lower than the percentage of low-income families; however, the lending to moderate-income borrowers exceeded demographic data. While the bank's level of home mortgage lending to low-income

borrowers is below benchmark, performance is reasonable when considering the following factors. First, Iowa State Bank has a high percentage of borrowers that did not report income. This is due to the high number of loans secured by investment properties. Furthermore, census data shows nearly 7.1 percent of families are below the poverty level, which indicates potential applicants may struggle saving for down payment, closing costs, and home maintenance expenses. Although the bank was not a HMDA reporter in 2022, HMDA aggregate data shows 3.7 percent of home mortgage loans reported in the assessment area were to low-income borrowers, which supports lower demand for low-income borrowers. See the following table for details.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	20.6	1	3.1	25	0.3
Moderate	17.8	8	25.0	530	5.5
Middle	21.4	1	3.1	55	0.6
Upper	40.3	8	25.0	2,810	29.3
Not Available	0.0	14	43.8	6,160	64.3
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>9,580</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data. 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 Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

Iowa State Bank demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities in the assessment area. Since the bank was responsive to the community development needs in its assessment area, community development activities benefitting regional and statewide areas were considered in the analysis.

Examiners compared the bank’s level of community development activity to four financial institutions with similar business focuses and asset sizes operating within the Des Moines-West Des Moines, Iowa MSA. These institutions were also evaluated using Interagency Intermediate Small Institution Examination Procedures. Iowa State Bank’s overall community development performance significantly exceeds these similarly-situated institutions when considering available community development opportunities in the assessment area. All four of the comparable received a satisfactory rating for the Community Development Test.

### **Community Development Loans**

Iowa State Bank originated 33 community development loans totaling approximately \$56.7 million during the evaluation period. The total includes all community development loans originated in the

assessment area and the broader statewide or regional area. Iowa State Bank extended loans to entities to promote affordable housing, community services, economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons, and aid revitalization or stabilization efforts.

Iowa State Bank’s total community development loans represent 13.1 percent of total assets and 21.7 percent of net loans, as of March 31, 2024. The comparable institutions had community development loans to total assets ratios ranging from 2.7 percent to 7.8 percent, and community development loans to net loans ratios ranging from 4.5 percent to 16.9 percent. Iowa State Bank’s ratios significantly exceed the comparable institutions, even though two of the comparable institutions had a significant number of PPP loans included. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

<b>Community Development Lending</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Assessment Area	3	5,482	12	14,573	9	20,481	7	14,241	31	54,777
Statewide	0	0	1	1,140	0	0	1	750	2	1,890
<b>Total</b>	<b>3</b>	<b>5,482</b>	<b>13</b>	<b>15,713</b>	<b>9</b>	<b>20,481</b>	<b>8</b>	<b>14,991</b>	<b>33</b>	<b>56,667</b>

*Source: Bank Records*

<b>Community Development Lending by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021 (Partial Year)	0	0	1	31	3	16,970	1	143	5	17,144
2022	1	1,000	6	5,460	5	3,461	2	11,563	14	21,484
2023	2	4,482	5	7,222	1	50	5	3,285	13	15,039
2024 (Year-to-Date)	0	0	1	3,000	0	0	0	0	1	3,000
<b>Total</b>	<b>3</b>	<b>5,482</b>	<b>13</b>	<b>15,713</b>	<b>9</b>	<b>20,481</b>	<b>8</b>	<b>14,991</b>	<b>33</b>	<b>56,667</b>

*Source: Bank Records*

The following points summarize notable examples of the bank’s community development lending during the evaluation period.

- Provided funding for a new woman’s shelter that will house 100 women and mothers with children. The funding will provide community services to low- and moderate-income individuals.
- Provided funding to build a new training facility in downtown Des Moines located in a moderate-income census tract. The facility will provide training to plumbers and steamfitters promoting economic development.
- Provided financing for two multi-tenant retail/commercial buildings in an urban renewal area that will help revitalize and stabilize the community, and provide job opportunities for low- and moderate-income workers.

### **Qualified Investments**

During the evaluation period, Iowa State Bank recorded 118 qualified investments totaling nearly \$27.8 million. Qualified donations and investments funded since the previous evaluation were considered under this component, as well as qualifying investments purchased prior to the evaluation period that remain outstanding. The total primarily consists of qualified investments, but also includes qualified donations of \$187,000. As the bank was responsive to assessment area community development needs, these totals also include 34 investments totaling approximately \$24.1 million benefitting the broader statewide area. Many of these investments were in response to Federal Emergency Management Agency (FEMA) declared disaster areas in surrounding communities.

Iowa State Banks’s qualified investments represented 6.4 percent of the bank’s total assets and 25.8 percent of total securities, as of March 31, 2024. Comparable institutions reported qualified investments to total assets and qualified investments to total securities ratios ranging from 1.1 percent to 2.6 percent and from 2.8 percent to 7.2 percent, respectively. Iowa State Bank’s ratios significantly exceeded the comparable institutions.

Through its investments and donations, Iowa State Bank’s supported community development needs through affordable housing, community services, economic development, and revitalize or stabilization efforts in low- and moderate-income geographies. The following tables reflect the number and dollar volume of qualified investments in each category by area and activity year.

<b>Qualified Investments</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Assessment Area	14	112	48	2,519	17	1,106	5	14	<b>84</b>	<b>3,751</b>
Statewide Activities	0	0	5	2,984	11	8,747	18	12,347	<b>34</b>	<b>24,078</b>
<b>Total</b>	<b>14</b>	<b>112</b>	<b>53</b>	<b>5,503</b>	<b>28</b>	<b>9,853</b>	<b>23</b>	<b>12,361</b>	<b>118</b>	<b>27,829</b>
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	75	6	5,424	8	5,751	5	1,897	20	13,147
2021 (Partial Year)	0	0	0	0	4	4,045	13	10,450	17	14,495
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024 (Year-to-Date)	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>75</b>	<b>6</b>	<b>5,424</b>	<b>12</b>	<b>9,796</b>	<b>18</b>	<b>12,347</b>	<b>37</b>	<b>27,642</b>
Qualified Grants & Donations	13	37	47	79	16	57	5	14	81	187
<b>Total</b>	<b>14</b>	<b>112</b>	<b>53</b>	<b>5,503</b>	<b>28</b>	<b>9,853</b>	<b>23</b>	<b>12,361</b>	<b>118</b>	<b>27,829</b>
<i>Source: Bank Data</i>										

Examples of qualified investments where the bank has been most responsive to community development needs include:

- An equity investment to fund a large conservation project in downtown Des Moines that will revitalize and stabilize the area by attracting new small businesses and jobs to low- and moderate-income workers.
- Invested in a large school bond in response to a FEMA designated disaster area.
- Multiple large-dollar donations provided to a local organization that provides early childhood and financial education to low- and moderate-income families.

### **Community Development Services**

The institution received consideration for a total of 127 community development services. Iowa State Bank personnel provided technical or financial expertise to these organizations in many ways, all related to their employment with the institution. Employees dedicated their time and resources to 29 different organizations over the evaluation period. These organizations provide resources related to affordable housing, community services targeted to low- and moderate-income individuals and families, economic development activities that help to provide employment to low- to moderate-income individuals and develop small businesses, and the revitalization and stabilization of low- and moderate-income areas. Most notably, in 13 of these entities, bank employees served in a board member or officer capacity.

Comparable institutions provided between 4 and 66 services; again, Iowa State Bank significantly exceeded the comparable institutions. The following table illustrates the bank’s community development services by activity year. One hundred twenty-five of the community development services were provided inside the assessment area.

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (Partial)	0	29	0	2	<b>31</b>
2022	1	31	5	4	<b>41</b>
2023	3	18	9	4	<b>34</b>
2024 (Year-to-Date)	2	9	6	4	<b>21</b>
<b>Total</b>	<b>6</b>	<b>87</b>	<b>20</b>	<b>14</b>	<b>127</b>
<i>Source: Bank Data</i>					

Notable examples of community development services include bank staff providing financial education to elementary schools, serving on a residential loan committee that focuses on community development and revitalization and stabilization of neighborhoods in need, and being a chairman of an economic development group that focuses on the development and economic growth of the Des Moines metro.

Iowa State Bank offers retail services that increase access to financial services in the assessment area, which include the alternative services described under this document’s Description of Institution section. These services are generally free of charge to bank customers, which benefits low- and moderate-income individuals. These include services such as online, mobile, and telephone banking, mobile deposit, bill pay, electronic statements, and check cashing services. Furthermore, the bank operates one branch in a low-income census tract and one branch in a moderate-income census tract. The location of offices and automated teller machines provide ease of access to all customers, including low- and moderate-income individuals. As mentioned previously, the bank participates in various lending programs that aid small businesses and potential homeowners.

The institution also invests in, and is involved with, numerous other community activities that do not specifically meet the definition of community development; however, bank personnel are commended for their involvement in these other community events.

## **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

### INTERMEDIATE 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).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**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 Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**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.