

# **PUBLIC DISCLOSURE**

October 28, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Community State Bank  
RSSD# 790543

817 North Ankeny Boulevard  
Ankeny, Iowa 50023

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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## INSTITUTION'S CRA RATING

**Community State Bank is rated: Satisfactory**

**The Lending Test is rated: Satisfactory**

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

Community State Bank is meeting the credit needs of its community based upon an analysis of its lending and community development activities. The bank's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans are originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income families, and to businesses of different sizes. Neither Community State Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

Community State Bank's community development performance demonstrates excellent responsiveness to the needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

## SCOPE OF EXAMINATION

Community State Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). The CRA performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics.

The evaluation consisted of a full-scope review of the bank's assessment area within the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA) #19780. The assessment area consists of Polk County, Iowa, in its entirety, and a contiguous portion of Dallas County, Iowa. The level of performance within the assessment area was evaluated based on Home Mortgage Disclosure Act (HMDA)-reportable lending from January 1, 2022 through December 31, 2023, and small business lending from January 1, 2023 through December 31, 2023. These products are considered the bank's primary business lines by number and dollar amount. The bank's community development activities were evaluated from August 16, 2022 through October 28, 2024, to determine their responsiveness to the needs of the assessment area.

Performance within the designated assessment area was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A nine-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2022 through December 31, 2023, and a statistical sample of small business loans originated from January 1, 2023 through December 31, 2023, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated within the assessment area, from January 1, 2022 through December 31, 2023, and a statistical sample of small business loans originated within the assessment area, from January 1, 2023 through December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated within the assessment area, from January 1, 2022 through December 31, 2023, and a statistical sample of small business loans originated within the assessment area, from January 1, 2023 through December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from August 16, 2022 through October 28, 2024, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, information from discussions with two community representatives was utilized to provide information regarding local economic and socio-economic conditions in the assessment area. Organizations focusing on economic development and affordable housing were contacted.

## DESCRIPTION OF INSTITUTION

Community State Bank is a wholly owned subsidiary of QCR Holdings, Inc. (QCRH), a multi-bank holding company located in Moline, Illinois. The company is publicly traded on the National Association of Securities Dealers Automated Quotations (NASDAQ) Small Cap Market under the symbol "QCR". The main office and eight branches each operate full-service automated teller machines (ATMs) within the Des Moines-West Des Moines, Iowa MSA #19780. Community State Bank operates one branch and full-service ATM in a low-income census tract, and one branch and full-service ATM in a moderate-income census tract. The main office, in addition to five branch locations and six full-service ATMs, are in middle-income census tracts. The remaining branch and ATM are in an upper-income census tract.

As of the June 30, 2024 Uniform Bank Performance Report (UBPR), Community State Bank reported total assets of approximately \$1.5 billion. The bank offers a range of traditional loan and deposit products and services. While the bank is primarily a commercial lender, as this represents 85.0 percent of the loan portfolio, it also offers residential real estate, agricultural, and consumer loan products. Consumer loan products include consumer secured and unsecured loans and lines of credit. Real estate secured loan products include home equity lines, as well as home purchase, commercial, and construction purpose loans. In addition, traditional deposit products consist of checking, savings, money market, and certificates of deposit.

Details of the composition of the bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio as of June 30, 2024 (\$ in 000's)		
Loan Type	\$	%
Commercial	988,482	85.0
Residential Real Estate	95,750	8.2
Other	46,209	4.0
Agriculture	20,178	1.7
Consumer	12,067	1.0
Total	1,162,686	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated **satisfactory** under the CRA at its previous evaluation conducted on August 15, 2022.

## DESCRIPTION OF ASSESSMENT AREA<sup>1</sup>

Community State Bank is an intrastate bank and maintains one assessment area within the Des Moines-West Des Moines, Iowa MSA #19780 (Des Moines-West Des Moines, IA MSA), and consists of Polk County in its entirety and twelve of nineteen census tracts within Dallas County. Des Moines, Iowa, is the largest city within the assessment area and is in Polk County. The assessment area has not changed since the previous evaluation.

Community State Bank is among the top ten of the deposit market share leaders in its assessment area. The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2023, ranked the bank seventh out of 47 financial institutions operating within the assessment area. Community State Bank held \$1.1 billion in deposits, representing a market share of 3.7 percent. The financial institutions with the largest percentage share of the deposit market included Principal Bank (26.2 percent), Banker's Trust Company (12.8 percent), and Wells Fargo Bank, N.A. (12.4 percent).

In total, the assessment area is comprised of 124 census tracts including seven low-, 30 moderate-, 53 middle-, 32 upper-, and two unknown-income census tracts. The unknown-income census tracts are comprised of the Des Moines, Iowa airport, as well as a mall and a high school in West Des Moines, Iowa. The number of census tracts represents a change from the previous evaluation where the assessment area was comprised of 106 census tracts, consisting of nine low-, 27 moderate-, 41 middle-, 28 upper-, and one unknown-income census tract. The change to both the tract designations and the total number of tracts can be attributed to the changes in the 2020 Decennial Census and the American Community Survey for the period of 2016-2020, respectively.

In 2023, Community State Bank ranked 27<sup>th</sup> out of 347 FDIC insured financial institutions with a main office or branch in the assessment area, with a total of 167 HMDA-reportable loan originations, compared to the top competitor, Greenstate Credit Union, with 2,006 originations. In 2022, Community State Bank ranked 43<sup>rd</sup> out of 371 HMDA-reporting institutions with 119 total HMDA-reportable loan originations, compared to the top market competitor, Greenstate Credit Union, with 2,970 originations.

There is a total of 37 low- and moderate-income census tracts within the assessment area, with the majority located within the city of Des Moines, Iowa. Additionally, Community State Bank serves several colleges and universities within the assessment area, including the Des Moines Area Community College, Des Moines University, Grand View University, and Faith Baptist College. Community State Bank also maintains a branch in the city of Johnston, Iowa where the Camp Dodge military base is located.

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<sup>1</sup> Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

### Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	9	7	-2
Moderate	27	30	3
Middle	41	53	12
Upper	28	32	4
Unknown	1	2	1
<b>Total</b>	<b>106</b>	<b>124</b>	<b>18</b>
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020			

Additional assessment area demographic information for 2022 and 2023 is provided in the following tables.

2022 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	7	5.6	5,849	4.4	1,546	26.4	26,457	19.9
Moderate	30	24.2	25,123	18.9	3,271	13.0	23,596	17.7
Middle	53	42.7	60,507	45.5	2,952	4.9	28,693	21.6
Upper	32	25.8	40,955	30.8	1,177	2.9	54,233	40.8
Unknown	2	1.6	544	0.4	0	0.0	0	0.0
Total AA	124	100.0	132,978	100.0	8,946	6.7	132,978	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	10,485	4,338	3.0	41.4	5,023	47.9	1,124	10.7
Moderate	48,944	26,547	18.3	54.2	17,902	36.6	4,495	9.2
Middle	102,382	67,603	46.5	66.0	29,007	28.3	5,772	5.6
Upper	65,775	46,218	31.8	70.3	16,646	25.3	2,911	4.4
Unknown	2,436	592	0.4	24.3	1,591	65.3	253	10.4
Total AA	230,022	145,298	100.0	63.2	70,169	30.5	14,555	6.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	967	3.9	818	3.7	140	6.3	9	3.6
Moderate	4,155	16.7	3,716	16.6	406	18.2	33	13.1
Middle	10,440	42.0	9,559	42.8	797	35.7	84	33.5
Upper	8,481	34.2	7,586	33.9	773	34.6	122	48.6
Unknown	787	3.2	669	3.0	115	5.2	3	1.2
Total AA	24,830	100.0	22,348	100.0	2,231	100.0	251	100.0
Percentage of Total Businesses:				90.0		9.0		1.0
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	3	0.7	3	0.7	0	0.0	0	0.0
Moderate	30	6.7	28	6.5	2	20.0	0	0.0
Middle	166	37.3	163	37.6	2	20.0	1	100.0
Upper	242	54.4	238	54.8	4	40.0	0	0.0
Unknown	4	0.9	2	0.5	2	20.0	0	0.0
Total AA	445	100.0	434	100.0	10	100.0	1	100.0
Percentage of Total Farms:				97.5		2.2		0.2
Source: 2022 FFIEC Census Data 2022 Data & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								



2023 Des Moines-West Des Moines, IA MSA 19780 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	7	5.6	5,849	4.4	1,546	26.4	26,457	19.9
Moderate	30	24.2	25,123	18.9	3,271	13.0	23,595	17.7
Middle	53	42.7	60,507	45.5	2,952	4.9	28,693	21.6
Upper	32	25.8	40,955	30.8	1,177	2.9	54,233	40.8
Unknown	2	1.6	544	0.4	0	0.0	0	0.0
Total AA	124	100.0	132,978	100.0	8,946	6.7	132,978	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	10,485	4,338	3.0	41.4	5,023	47.9	1,124	10.7
Moderate	48,944	26,547	18.3	54.2	17,902	36.6	4,495	9.2
Middle	102,382	67,603	46.5	66.0	29,007	28.3	5,772	5.6
Upper	65,775	46,218	31.8	70.3	16,646	25.3	2,911	4.4
Unknown	2,436	592	0.4	24.3	1,591	65.3	253	10.4
Total AA	230,022	145,298	100.0	63.2	70,169	30.5	14,555	6.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	983	3.9	839	3.7	135	6.2	9	3.6
Moderate	4,190	16.8	3,759	16.7	399	18.2	32	12.8
Middle	10,505	42.1	9,641	42.8	779	35.6	85	34.0
Upper	8,498	34.0	7,617	33.8	759	34.7	122	48.8
Unknown	795	3.2	678	3.0	115	5.3	2	0.8
Total AA	24,971	100.0	22,534	100.0	2,187	100.0	250	100.0
Percentage of Total Businesses:			90.2		8.8		1.0	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	4	0.9	4	0.9	0	0.0	0	0.0
Moderate	29	6.4	28	6.3	1	11.1	0	0.0
Middle	169	37.2	166	37.4	2	22.2	1	100.0
Upper	247	54.4	243	54.7	4	44.4	0	0.0
Unknown	5	1.1	3	0.7	2	22.2	0	0.0
Total AA	454	100.0	444	100.0	9	100.0	1	100.0
Percentage of Total Farms:			97.8		2.0		0.2	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

According to U.S. Census Bureau's American Community Survey (ACS) data, population in the assessment area in 2020 was 592,079, which represents a 12.3 percent increase compared to 2015. A majority of the assessment area's population resides in Polk County, which includes the largest city in the state, Des Moines. Polk County is also the largest county in the state of Iowa and accounted for approximately 69.4 percent of the Des Moines-West Des Moines, Iowa MSA population in 2020. Although Polk County is the largest county in the assessment area, Dallas County grew faster in 2020, by 33.1 percent, compared to the 8.8 percent growth rate in Polk County. The growth in Dallas and Polk Counties was significantly higher than the growth in the state of Iowa at 3.1 percent. Community representatives noted that the population increase particularly in Dallas County can be attributed to the availability of undeveloped land for new housing developments, whereas Polk County has limited land for new development.

The following table presents population changes within the assessment area, the counties comprising the assessment area, the Des Moines-West Des Moines, Iowa MSA, as well as the state of Iowa from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percent Change (%)
Assessment Area	527,621	592,079	12.3
Dallas County, IA	74,892	99,678	33.1
Polk County, IA	452,369	492,401	8.8
Des Moines-West Des Moines, IA MSA	637,913	709,466	11.2
State of Iowa	3,093,526	3,190,369	3.1
<i>Source: 2020 U.S. Census Bureau: Decennial Census 2011 – 2015 U.S. Census Bureau: American Community Survey</i>			

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 132,978 families, with 19.9 percent of families designated as low-income, 17.7 percent as moderate-income, 21.6 percent as middle-income, and 40.8 percent as upper-income. Further, 6.7 percent of the families residing within the assessment area live below the poverty line, which is below the state of Iowa's poverty rate of 7.1 percent, but above the Des Moines-West Des Moines, Iowa MSA poverty rate of 6.3 percent. However, the poverty rate for Dallas County at 3.3 percent is significantly below the poverty rate for Polk County at 7.3 percent.

According to the U.S. Census Bureau, the median family income (MFI) for the assessment area was \$89,395 in 2020, an increase of 6.8 percent from 2015. Both Dallas and Polk Counties experienced increases in MFI, of 13.7 percent and 6.5 percent, respectively. Community representatives indicated that Polk County has a higher concentration of lower-income individuals than Dallas

County. Additionally, communities such as Waukee and West Des Moines, both within Dallas County, are building more expensive housing which is attracting higher income families. In comparison, the Des Moines-West Des Moines, Iowa MSA experienced an 8.3 percent increase in MFI, slightly above the state of Iowa's MFI increase of 7.4 percent.

The following table compares the median family income (MFI) between 2015 and 2020 for the assessment area, the counties comprising the assessment area, the Des Moines-West Des Moines, Iowa MSA, and the state of Iowa.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change (%)
Assessment Area	83,701	89,395	6.8
Dallas County, IA	100,985	114,777	13.7
Polk County, IA	81,217	86,525	6.5
Des Moines-West Des Moines, IA MSA	82,657	89,538	8.3
State of Iowa	73,712	79,186	7.4
Source: 2011 – 2015 U.S. Census Bureau: American Community Survey 2016 – 2020 U.S. Census Bureau: American Community Survey			
Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.			

## Housing Characteristics

There are a total of 230,022 housing units within the assessment area. The majority of housing units are owner-occupied at 63.2 percent, followed by rental units which comprise 30.5 percent of the total housing units. Vacant units comprise 6.3 percent of the housing units in the assessment area. The majority of the assessment area's owner-occupied housing stock is in middle-income (46.5 percent) or upper-income (31.8 percent) census tracts, with only 21.3 percent of owner-occupied housing units located in low- and moderate-income census tracts combined.

A method to understand poverty and housing outcomes is calculating housing cost burden, which is presented in the table below. The housing cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. According to the U.S. Department of Housing and Urban Development, a household is considered housing cost burdened if a household's housing cost is above 30.0 percent of its income. If housing cost is above 50.0 percent of a household's income, then the household is severely housing cost burdened.

Across the assessment area, 38.7 percent of all renters are considered housing cost burdened, which is comparable to the state of Iowa at 37.6 percent. Within the assessment area, Polk County's housing cost burden for renters is 39.4 percent compared to 33.9 percent for Dallas County. Low-income renters experience burden at a significantly higher rate of 78.3 percent, compared to moderate-income renters who experience this burden at 25.3 percent. For homeowners, only 15.9 percent are experiencing housing cost burden within the assessment area, but like renters, the percentage is higher for low- and moderate-income owners at 63.7 percent and 29.7 percent,

respectively. Community representatives noted a lack of affordable housing development projects in Dallas County, as well as a need for rental assistance within Polk County. However, in Polk County, low- and moderate-income rental incentives for developers are popular.

2023 Housing Cost Burden						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	78.3	25.3	38.7	63.7	29.7	15.9
Dallas County, IA	78.5	32.3	33.9	52.9	29.5	12.9
Polk County, IA	78.3	24.3	39.4	65.2	29.8	16.5
Des Moines-West Des Moines, IA MSA	76.8	23.8	38.3	62.6	29.1	16.0
State of Iowa	71.1	18.6	37.6	56.9	22.0	14.8
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i> <i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

## Employment Conditions

Unemployment trends across all regions evaluated remained stable until 2020, when overall rates increased due to the COVID-19 pandemic. Overall, the assessment area experienced unemployment at a similar rate as the state of Iowa for all years reviewed. For the nine months ending September 30, 2023, Dallas and Polk Counties saw unemployment rates at 2.2 and 2.9 percent, respectively, which was a slight increase from the prior year when rates were 2.0 and 2.7 percent, respectively. This increase was similar to that of the state of Iowa, which experienced an increase in the rate of unemployment from 2.7 percent to 3.0 percent from 2022 to 2023. Community representatives indicated that unemployment has generally been low in the assessment area. In Dallas County particularly, the much lower unemployment rate was likely due to the ability of higher income individuals to commute to jobs located further away.

The following table presents the unemployment trends for the assessment area, the counties comprising the assessment area, the Des Moines-West Des Moines, Iowa MSA, and the state of Iowa from 2019 to 2023.

Unemployment Rates (%)					
Area	2019	2020	2021	2022	2023*
Assessment Area	2.6	5.5	3.8	2.6	2.8
Dallas County, IA	1.9	3.5	2.6	2.0	2.2
Polk County, IA	2.8	5.9	4.0	2.7	2.9
Des Moines-West Des Moines, IA MSA	2.6	5.4	3.8	2.6	2.9
State of Iowa	2.7	5.2	3.8	2.7	3.0
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i> <i>*2023 available data contains information only through September of 2023</i>					

## Industry Characteristics

Based on data from the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base with the most prevalent employment sectors being finance and insurance, health care and social assistance, and retail trade. Community representatives indicated that Polk County is heavily dependent on service industry work. Community representatives did not note any major shifts in industry composition in the area, but did note that skilled construction laborers are in high demand and that there is an overall shortage of service workers.

## Community Representatives

Information from two community representatives was utilized regarding local economic and demographic conditions and affordable housing needs within the assessment area. Representatives provided information on housing, employment, and economic development. Additionally, each community representative spoke to the effects the COVID-19 pandemic had on the economic condition of the assessment area. Both representatives noted the primary need was for affordable housing, with one representative also discussing the waiting list for public housing within Polk County being closed based on the large number of applicants. It was also noted that many service workers in Dallas County cannot afford to live within the county; therefore, they commute from Polk County or other surrounding counties. Representatives indicated financial institutions within the assessment area are very involved, but also provided insight on how financial institutions in the area can become more involved within the communities they serve. Specifically, Neighborhood Finance Corporation raises funding, including from area banks, for neighborhood revitalization through forgivable grants. In addition, a homebuyer assistance program for low- and moderate-income purchasers was mentioned as an area for local financial institution participation, since traditional lenders currently rely on credit scores, which leads to some low- and moderate-income individuals being ineligible. With the aging housing stock in Polk County, there is also an additional need for home improvement assistance via lending products. Lastly, some landlords use credit scores for rental decisions, which leads to housing barriers for low- and moderate-income individuals.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

Community State Bank's performance relative to the lending test is **Satisfactory**. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of HMDA-reportable and small business loans were originated in the assessment area. The geographic distribution of loans is reasonable. In addition, loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and to businesses of different sizes.

## Loan-to-Deposit Ratio

Community State Bank has a reasonable loan-to-deposit (LTD) ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary market and community development loans and qualified investments. As of June 30, 2024, the bank's LTD ratio averaged 93.0 percent over a nine-quarter period. The LTD shows an increase from the previous examination in which the bank had a ratio of 83.7 percent over a 13-quarter period. Overall, the bank's LTD ratio was comparable to its local competitors over the same period. The following table compares the bank's LTD ratio to peers and local competitors.

Comparative Loan-to-Deposit Ratios as of June 30, 2024	
Comparative Data	9 Quarter Average (%)
Community State Bank	93.0
Peer Group Average – Local	83.5
Competitors	
Availa Bank	75.7
Bank Iowa	86.3
Farmers State Bank	103.8
First National Bank Ames	70.0
Luana Savings Bank	88.9
Lincoln Savings Bank	85.2
Security National Bank of Omaha	75.5
Two Rivers Bank & Trust	82.9

## Assessment Area Concentration

Community State Bank makes a majority of its loans, and as appropriate, other lending-related activities in the bank's assessment area. During the evaluation period, the bank originated 86.3 percent of total loans by number and 65.9 percent of total loans by dollar inside the assessment area. Small business loans had the highest concentration originated inside the assessment area with a total of 93.2 percent by number and 87.8 percent by dollar amount. The percentage of HMDA-reportable loans originated within the assessment was 84.9 percent by number and 63.2 percent by dollar amount. The overall assessment area concentration of loans decreased slightly since the previous evaluation when 87.5 percent of total loans by number and 78.6 percent of total loans by dollar were originated within the assessment area.

The following table summarizes Community State Bank's lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2022 through December 31, 2023, and small business loans from January 1, 2023 through December 31, 2023.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Improvement	27	93.1	1,587	96.9	2	6.9	50	3.1
Home Purchase – Conventional	180	88.2	47,495	90.2	24	11.8	5,134	9.8
Multi-Family Housing	7	41.2	18,971	34.2	10	58.8	36,547	65.8
Refinancing	45	81.8	6,952	78.3	10	18.2	1,925	21.7
<b>Total HMDA Related</b>	<b>259</b>	<b>84.9</b>	<b>75,005</b>	<b>63.2</b>	<b>46</b>	<b>15.1</b>	<b>43,656</b>	<b>36.8</b>
Small Business	55	93.2	12,777	87.8	4	6.8	1,793	12.3
<b>Total Small Business Related</b>	<b>55</b>	<b>93.2</b>	<b>12,777</b>	<b>87.8</b>	<b>4</b>	<b>6.8</b>	<b>1,793</b>	<b>12.3</b>
<b>Total Loans</b>	<b>314</b>	<b>86.3</b>	<b>87,782</b>	<b>65.9</b>	<b>50</b>	<b>13.7</b>	<b>45,449</b>	<b>34.1</b>

## Geographic Distribution of Loans

Community State Bank demonstrates a reasonable geographic distribution of loans given the bank's assessment area. An analysis of the geographic distribution of HMDA-reportable and small business loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area. The assessment area contains 124 census tracts, of which seven are low-income, and 30 are moderate-income. In 2022, Community State Bank originated HMDA-reportable loans in 40.3 percent of the census tracts in the assessment area, including five of the seven low-income census tracts (71.4 percent) and 15 of the 30 moderate-income census tracts (50.0 percent). In 2023, the bank originated HMDA-reportable loans in 46.0 percent of the census tracts in the assessment area, including four of the seven low-income census tracts (57.1 percent), and 17 of the 30 moderate-income census tracts (56.7 percent). Overall, no substantial disparities were noted, and HMDA-reportable or small business loans were originated in 51.6 percent of Community State Bank's 124 census tracts.

The bank's HMDA-reportable lending carried more weight than small business lending based on the volume of loans originated within the assessment area. In addition, multifamily loans will not be included in the analysis, based on limited volume.

### HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects reasonable penetration throughout the assessment area.

Of the bank's total 2023 HMDA-reportable loans by number, 4.6 percent were originated in low-income census tracts, which is above the aggregate of 3.3 percent and the percentage of owner-occupied units in low-income census tracts at 3.0 percent. The bank originated 17.8 percent of its total HMDA-reportable loans in moderate-income census tracts, above the aggregate at 16.7 percent, but slightly below the percentage of owner-occupied units in moderate-income census tracts at 18.3 percent. The percentage of bank's HMDA-reportable loans originated in middle-income census tracts at 34.2 percent was below the aggregate of 43.8 percent, and significantly

below the percentage of owner-occupied units in middle-income census tracts at 46.5 percent. The bank's percentage of HMDA-reportable loans originated in upper-income census tracts was at 42.8 percent. This was above the aggregate at 35.8 percent, and significantly above the percentage of owner-occupied units in upper-income census tracts at 31.8 percent.

The bank's distribution of HMDA-reportable lending in 2022, compared to 2023, was by percentage higher in low-income census tracts at 9.3 percent and moderate-income census tracts at 25.2 percent. Alternatively, the distribution of lending by percentage was lower in middle-income census tracts at 35.5 percent and upper-income census tracts at 29.9 percent. Aggregate performance in 2022 was comparable with aggregate performance in 2023 across all income levels. Overall, the bank's performance in 2022, when compared to the aggregate, was better than in 2023.

#### *Home Purchase Loans*

In 2023, Community State Bank originated 112 home purchase loans, or 73.7 percent of the bank's total HMDA-reportable loan portfolio. The bank originated seven home purchase loans, or 6.3 percent, in low-income census tracts, which was above the aggregate at 3.4 percent and the percentage of owner-occupied housing units at 3.0 percent in low-income census tracts. The bank originated 19 home purchase loans, or 17.0 percent, in moderate-income census tracts. This is comparable to aggregate, which originated 17.2 percent of home purchase loans in moderate-income census tracts, but below the demographic figure of 18.3 percent of housing units that are owner-occupied in moderate-income census tracts. The bank originated 29 loans, or 25.9 percent of home purchase loans, in middle-income census tracts, which is significantly below the aggregate at 43.0 percent, as well as the demographic figure of 46.5 percent of housing units that are owner-occupied in middle-income census tracts. Lastly, the bank made 50.0 percent of its home purchase loans (or 56 loans) in upper-income census tracts, which is significantly above the aggregate of 35.9 percent and the demographic figure of 31.8 percent of housing units that are owner-occupied in upper-income census tracts.

#### *Refinance Loans*

In 2023, refinance loans represented 16.4 percent of the bank's total HMDA-reportable loan portfolio. The bank did not originate any refinance loans in low-income census tracts, which is below aggregate at 4.2 percent, as well as the demographic figure in which 3.0 percent of housing units are owner-occupied in low-income census tracts. The bank originated five refinance loans, or 20.0 percent, in moderate-income census tracts, which is above aggregate at 18.7 percent, as well as the demographic figure of 18.3 percent of housing units that are owner-occupied in moderate-income census tracts. A majority of the 2023 refinance loans were made in middle-income census tracts where the bank originated 15 refinance loans, or 60.0 percent. The bank's performance in middle-income census tracts was significantly above aggregate at 44.6 percent, as well as the percentage of owner-occupied units in middle-income census tracts at 46.5 percent. Lastly, the bank originated five refinance loans, or 20.0 percent, in upper-income census tracts, which was



significantly below the aggregate at 32.1 percent, as well as the owner-occupied demographic figure of 31.8 percent.

#### *Home Improvement Loans*

In 2023, refinance loans represented 6.6 percent of the bank's total HMDA-reportable loan portfolio. Community State Bank did not originate any home improvement loans in low-income census tracts, compared to the aggregate at 2.4 percent, and the owner-occupied demographic at 3.0 percent. The bank originated two home improvement loans, or 20.0 percent, in moderate-income census tracts. This was above the aggregate at 13.7 percent and the percentage of owner-occupied housing units in moderate-income census tracts at 18.3 percent. In the middle-income census tracts, the bank originated five loans, or 50.0 percent, which was above aggregate at 46.7 percent as well as the demographic figure of 46.5 percent. Lastly, the bank originated three home improvement loans, or 30.0 percent, in upper-income census tracts, which was below the aggregate of 36.9 percent and the owner-occupied demographic figure of 31.8 percent.

The following table presents the 2022 and 2023 geographic distribution of HMDA-reportable loans in the assessment area.

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography Assessment Area: Des Moines-West Des Moines, IA MSA 19780													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	10	14.7	3.1	1,149	7.6	1.7	7	6.3	3.4	957	3.0	1.9	3.0
Moderate	20	29.4	17.6	4,239	28.2	11.2	19	17.0	17.2	2,926	9.0	11.2	18.3
Middle	20	29.4	43.2	4,314	28.7	41.1	29	25.9	43.0	8,140	25.1	40.5	46.5
Upper	18	26.5	35.6	5,353	35.6	45.6	56	50.0	35.9	20,287	62.5	46.2	31.8
Un known	0	0.0	0.5	0	0.0	0.3	1	0.9	0.4	130	0.4	0.3	0.4
Tract-Un k	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	68	100.0	100.0	15,055	100.0	100.0	112	100.0	100.0	32,440	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	3.6	0	0.0	2.1	0	0.0	4.2	0	0.0	2.7	3.0
Moderate	4	20.0	18.2	618	19.9	11.8	5	20.0	18.7	691	17.9	12.3	18.3
Middle	8	40.0	44.8	1,042	33.6	40.2	15	60.0	44.6	2,061	53.5	40.6	46.5
Upper	8	40.0	33.1	1,439	46.4	45.7	5	20.0	32.1	1,101	28.6	44.0	31.8
Un known	0	0.0	0.3	0	0.0	0.2	0	0.0	0.4	0	0.0	0.4	0.4
Tract-Un k	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	20	100.0	100.0	3,099	100.0	100.0	25	100.0	100.0	3,853	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	1.4	0	0.0	1.1	0	0.0	2.4	0	0.0	2.0	3.0
Moderate	3	17.6	12.3	77	7.0	9.4	2	20.0	13.7	50	10.4	10.7	18.3
Middle	9	52.9	45.4	505	45.7	39.3	5	50.0	46.7	217	45.0	42.5	46.5
Upper	5	29.4	40.6	523	47.3	49.9	3	30.0	36.9	215	44.6	44.5	31.8
Un known	0	0.0	0.3	0	0.0	0.2	0	0.0	0.4	0	0.0	0.3	0.4
Tract-Un k	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	17	100.0	100.0	1,105	100.0	100.0	10	100.0	100.0	482	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	5.0	0	0.0	0.8	0	0.0	9.4	0	0.0	9.9	5.8
Moderate	0	0.0	32.8	0	0.0	7.0	1	20.0	34.6	562	6.8	22.1	20.5
Middle	1	50.0	31.3	10,347	96.9	24.9	3	60.0	31.5	5,796	69.9	53.1	40.9
Upper	1	50.0	29.4	330	3.1	65.1	1	20.0	24.4	1,936	23.3	15.0	29.4
Un known	0	0.0	1.5	0	0.0	2.2	0	0.0	0.0	0	0.0	0.0	3.4
Tract-Un k	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	2	100.0	100.0	10,677	100.0	100.0	5	100.0	100.0	8,294	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	10	9.3	3.0	1,149	3.8	1.6	7	4.6	3.3	957	2.1	2.8	3.0
Moderate	27	25.2	17.1	4,934	16.5	10.5	27	17.8	16.7	4,229	9.4	12.3	18.3
Middle	38	35.5	43.7	16,208	54.1	38.0	52	34.2	43.8	16,214	36.0	41.8	46.5
Upper	32	29.9	35.8	7,645	25.5	49.3	65	42.8	35.8	23,539	52.2	42.9	31.8
Un known	0	0.0	0.4	0	0.0	0.7	1	0.7	0.4	130	0.3	0.3	0.4
Tract-Un k	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	107	100.0	100.0	29,936	100.0	100.0	152	100.0	100.0	45,069	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

### Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area.

In 2023, the bank made two loans, or 3.6 percent, in low-income census tracts. The bank's performance is comparable to the percentage of total businesses in low-income census tracts at 3.9 percent. The bank originated 10 loans, or 18.2 percent, of small loans within moderate-income census tracts, which is above the percentage of total businesses located in the moderate-income census tracts at 16.8 percent. A majority (52.7 percent) of the bank's small business loans were originated in middle-income census tracts, which is significantly above the percentage of total businesses located in this geography at 42.1 percent. Lastly, the bank originated 14 loans, or 25.5 percent of small business loans, within upper-income census tracts, which is below the percentage of total businesses located in the upper-income census tracts at 34.0 percent.

The following table presents the 2023 geographic distribution of small business loans originated in the assessment area.

<b>Distribution of 2023 Small Business Lending By Income Level of Geography</b>					
<b>Assessment Area: Des Moines-West Des Moines, IA MSA 19780</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	2	3.6	339	2.7	3.9
<b>Moderate</b>	10	18.2	3,102	24.3	16.8
<b>Middle</b>	29	52.7	5,447	42.6	42.1
<b>Upper</b>	14	25.5	3,890	30.4	34.0
<b>Unknown</b>	0	0.0	0	0.0	3.2
<b>Tract-Unk</b>	0	0.0	0	0.0	
<b>Total</b>	55	100.0	12,777	100.0	100.0
<i>Sources: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

### **Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes**

Community State Bank's distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and to businesses of different sizes is reasonable given the demographics of the bank's assessment area.

The bank's HMDA-reportable lending carried more weight than small business lending based on the volume of loans originated within the assessment area.

### HMDA-Reportable Loans

The distribution of home mortgage lending reflects reasonable penetration among individuals of different income levels.

Of the bank's total 2023 HMDA-reportable loans by number, 6.8 percent were originated to low-income borrowers, which is below the aggregate of 10.1 percent, and significantly below the percentage of low-income families located in the assessment area at 19.9 percent. In addition, 6.8 percent of HMDA-reportable loans were originated to moderate-income borrowers, which is significantly below the aggregate of 21.5 percent and the percentage of moderate-income families located in the assessment area at 17.7 percent. Further, 4.1 percent of HMDA-reportable loans were originated to middle-income borrowers, which is significantly below the aggregate of 22.1 percent and the percentage of middle-income families located in the assessment area at 21.6 percent. Lastly, 7.5 percent of HMDA-reportable loans were originated to upper-income borrowers, which is significantly below the aggregate of 29.6 percent and the percentage of upper-income families located in the assessment area at 40.8 percent.

Community State Bank originated 110 loans, or 74.8 percent of its total HMDA-reportable lending, to borrowers of unknown-income in 2023, which was significantly above the aggregate at 16.7 percent. These loans represent the majority of the bank's loan portfolio in both years. The bank's high volume of lending to borrowers of unknown income consists of either commercial entity borrowers with incomes that are not required to be reported on the HMDA-LAR, or for the purpose of non-owner-occupied rental housing. As these loans could potentially skew the analysis of the bank's HMDA-reportable lending, this was considered as part of the overall analysis.

The bank's distribution of lending to borrowers of different income levels in 2022 reflected a higher percentage to low-, middle- and upper-income borrowers, and a comparable level of lending to moderate-income borrowers, and a significantly lower number to borrowers whose income is unknown. Specifically, HMDA-reportable loans originated to low-income borrowers represented 11.4 percent of total loans, which was comparable to the aggregate at 11.1 percent, but below the percentage of low-income families located in the assessment area at 19.9 percent. HMDA-reportable loans originated to moderate-income borrowers at 7.6 percent was significantly below the aggregate at 22.5 percent and the percentage of moderate-income families located in the assessment area at 17.7 percent. HMDA-reportable loans originated to middle-income borrowers at 9.5 percent was also significantly below the aggregate at 21.4 percent and the percentage of middle-income families located in the assessment area at 21.6 percent. HMDA-reportable loans originated to upper-income borrowers at 16.2 percent was significantly below the aggregate at 29.5 percent and the percentage of upper-income families located in the assessment area at 40.8 percent. Lastly, the bank originated 58 loans, or 55.2 percent of its HMDA-reportable loans, to borrowers of unknown-income, which was significantly above the aggregate at 15.6 percent.

### *Home Purchase Loans*

In 2023, Community State Bank originated five loans, or 4.5 percent, to low-income borrowers, which was below the aggregate of 10.4 percent and significantly below the percentage of low-income families located in the assessment area at 19.9 percent. The bank originated six loans, or 5.4 percent, to moderate-income borrowers, which was significantly below the aggregate of 22.4 percent and the demographic figure of families by income at 17.7 percent. The bank originated one loan, or 0.9 percent, to middle-income borrowers, which was significantly below the aggregate of 21.4 percent and the percentage of middle-income families located in the assessment area at 21.6 percent. Further, the bank originated seven loans, or 6.3 percent, to upper-income borrowers, which was also significantly below the aggregate of 25.3 percent and the demographic figure of 40.8 percent.

Lastly, the bank originated 93 loans, or 83.0 percent of its home purchase loan portfolio, to borrowers of unknown income, which was significantly above the aggregate at 20.5 percent. These loans represent the majority of the bank's home purchase portfolio.

### *Refinance Loans*

Community State Bank originated three loans, or 12.0 percent, to low-income borrowers in 2023, which was comparable to the aggregate of 12.4 percent, but below the demographic figure of 19.9 percent. The bank originated two loans, or 8.0 percent, to moderate-income borrowers, which was significantly below the aggregate of 20.7 percent, and the percentage of moderate-income families in the assessment area at 17.7 percent. The bank originated four loans, or 16.0 percent, to middle-income borrowers, which was below the aggregate and the percentage of middle-income families in the assessment area at 20.2 and 21.6 percent, respectively. The bank did not have any refinance loans to upper-income borrowers, which was significantly below both the aggregate and the percentage of upper-income families in the assessment area at 29.9 and 40.8 percent, respectively.

Lastly, the bank originated 16 loans, or 64.0 percent, to borrowers of unknown income, which was significantly above the aggregate at 16.8 percent. These loans represent the majority of the bank's refinance portfolio in both years.

### *Home Improvement Loans*

In 2023, Community State Bank originated two loans, or 20.0 percent, to low-income borrowers, significantly above aggregate at 7.4 percent and comparable to the percentage of low-income families located in the assessment area at 19.9 percent. The bank originated two loans, or 20.0 percent, to moderate-income borrowers, which was comparable to the aggregate at 19.7 percent, but above the demographic figure of 17.7 percent. The bank originated one loan, or 10.0 percent, to middle-income borrowers, which was significantly below the aggregate of 25.3 percent and the demographic figure of 21.6 percent. The bank originated four home improvement loans to upper-

income borrowers, or 40.0 percent of the total volume, which was below the aggregate at 45.1 percent and comparable to the demographic at 40.8 percent. Lastly, the bank originated one home improvement loan to unknown-income borrowers or 10.0 percent in 2023, which was above the aggregate at 2.6 percent.

The following table presents the 2022 and 2023 borrower distribution of HMDA-reportable loans in the assessment area.

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Des Moines-West Des Moines, IA MSA 19780													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	6	8.8	11.8	796	5.3	6.5	5	4.5	10.4	601	1.9	5.3	19.9
Moderate	4	5.9	24.5	690	4.6	18.7	6	5.4	22.4	1,017	3.1	17.1	17.7
Middle	4	5.9	21.4	556	3.7	21.7	1	0.9	21.4	250	0.8	21.3	21.6
Upper	7	10.3	25.3	2,433	16.2	35.5	7	6.3	25.3	1,760	5.4	35.5	40.8
Unknown	47	69.1	17.0	10,580	70.3	17.6	93	83.0	20.5	28,812	88.8	20.8	0.0
Total	68	100.0	100.0	15,055	100.0	100.0	112	100.0	100.0	32,440	100.0	100.0	100.0
Refinance Loans													
Low	4	20.0	12.2	365	12.4	6.7	3	12.0	12.4	192	5.0	6.6	19.9
Moderate	0	0.0	21.0	0	0.0	15.7	2	8.0	20.7	134	3.5	15.0	17.7
Middle	3	15.0	19.4	295	9.5	17.6	4	16.0	20.2	140	3.6	16.5	21.6
Upper	5	25.0	28.7	570	18.4	41.8	0	0.0	29.9	0	0.0	42.2	40.8
Unknown	8	40.0	18.7	1,849	59.7	18.2	16	64.0	16.8	3,387	87.9	19.7	0.0
Total	20	100.0	100.0	3,099	100.0	100.0	25	100.0	100.0	3,853	100.0	100.0	100.0
Home Improvement Loans													
Low	2	11.8	7.2	72	6.5	4.9	2	20.0	7.4	50	10.4	4.2	19.9
Moderate	4	23.5	17.0	65	5.9	10.5	2	20.0	19.7	65	13.5	13.5	17.7
Middle	3	17.6	24.6	83	7.5	20.2	1	10.0	25.3	20	4.1	22.0	21.6
Upper	5	29.4	48.4	270	24.4	59.8	4	40.0	45.1	222	46.1	56.4	40.8
Unknown	3	17.6	2.8	615	55.7	4.7	1	10.0	2.6	125	25.9	3.8	0.0
Total	17	100.0	100.0	1,105	100.0	100.0	10	100.0	100.0	482	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	12	11.4	11.1	1,253	6.5	6.4	10	6.8	10.1	843	2.3	5.3	19.9
Moderate	8	7.6	22.5	755	3.9	17.5	10	6.8	21.5	1,216	3.3	16.6	17.7
Middle	10	9.5	21.4	934	4.8	20.7	6	4.1	22.1	410	1.1	20.8	21.6
Upper	17	16.2	29.5	3,273	17.0	38.3	11	7.5	29.6	1,982	5.4	37.7	40.8
Unknown	58	55.2	15.6	13,044	67.7	17.0	110	74.8	16.7	32,324	87.9	19.5	0.0
Total	105	100.0	100.0	19,259	100.0	100.0	147	100.0	100.0	36,775	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

### Small Business Loans

The distribution of small business lending reflects reasonable penetration among businesses of different sizes.

Community State Bank originated 12 loans in 2023, or 21.8 percent by number, to businesses with total revenues of \$1.0 million or less. This is significantly below the percentage of total businesses within the assessment area with total revenues of \$1.0 million or less (90.2 percent). The bank had a significant increase in small business lending during the previous performance evaluation through the Payment Protection Program to offset the impact of the COVID-19 pandemic. During the current evaluation period, community representatives did not identify any significant demand for small business lending. Nevertheless, of these loans, the highest percentage (50.0 percent) were in loan amounts of \$100,000 or less, which are considered the most beneficial to small businesses, indicating the bank's willingness to meet the credit needs of small businesses. Considering the institution's size, resources, and other performance context factors, this is a reasonable distribution of loans.

The table below presents the borrower distribution of small business loans in the assessment area in 2023.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
	Bank Loans				Total
	#	#%	\$(000)	\$%	Businesses %
By Revenue					
\$1 Million or Less	12	21.8	3,056	23.9	90.2
Over \$1 Million	43	78.2	9,721	76.1	8.8
Revenue Unknown	0	0.0	0	0.0	1.0
Total	55	100.0	12,777	100.0	100.0
By Loan Size					
\$100,000 or Less	23	41.8	1,037	8.1	
\$100,001 - \$250,000	16	29.1	2,830	22.1	
\$250,001 - \$1 Million	16	29.1	8,911	69.7	
Total	55	100.0	12,777	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	6	50.0	287	9.4	
\$100,001 - \$250,000	3	25.0	702	23.0	
\$250,001 - \$1 Million	3	25.0	2,067	67.6	
Total	12	100.0	3,056	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

## COMMUNITY DEVELOPMENT TEST

Community State Bank's performance relative to the community development test is Outstanding.

## Lending, Investment, and Services Activities

Community State Bank demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. This is demonstrated by the increase in the community development activities when compared to the previous evaluation, which financed activities intended to help support the local community. The bank's previous evaluation of community development activities was for the period of March 4, 2019 through August 15, 2022, or approximately 41 months. Community development activities conducted since the previous examination for the period of August 16, 2022 through October 28, 2024, or approximately 27



months, were assessed during this performance evaluation.

## Lending

During the current evaluation period, the bank originated 53 qualified community development loans totaling \$174.6 million. This total includes 27 community development loans within the bank's assessment area for a total of \$62.8 million. Comparatively, during the previous evaluation, the bank originated 16 qualified community development loans totaling \$41.9 million, of which 13 community development loans were within the assessment area for \$28.9 million. The majority of the bank's community development lending was focused on loans to revitalize or stabilize low- and moderate-income areas as noted in the following table. Community representatives indicated that affordable housing development was a critical need in the assessment area. As noted in the table below, Community State Bank originated several loans in response.

The bank originated 26 community development loans in the broader statewide or regional area (BSRA) totaling \$111.8 million, with a primary focus on affordable housing. Due to the bank effectively meeting the credit needs of its assessment area, the qualified loans located within the broader statewide or regional area were considered as an enhancement to the bank's performance.

Qualified Community Development Loans by Purpose August 16, 2022, through October 28, 2024										
AA Name	Affordable Housing		Community Services		Economic Development		Activities that Revitalize/Stabilize		Total #	Total \$ (000s)
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)		
Des Moines-West Des Moines, IA MSA #19780	3	6,465	5	6,033	2	3,776	17	46,541	27	62,815
BSRA	18	74,162	0	0	0	0	8	37,657	26	111,819
<b>Total</b>	<b>21</b>	<b>80,627</b>	<b>5</b>	<b>6,033</b>	<b>2</b>	<b>3,776</b>	<b>25</b>	<b>84,198</b>	<b>53</b>	<b>174,634</b>

## Investment

During the current evaluation period, the bank had 29 qualified community development investments totaling approximately \$30.2 million, with 26 investments focused on affordable housing. Of this total, 24 investments were prior period investments for approximately \$14.5 million, in addition to three current period investments totaling approximately \$15.0 million. Overall, this represents an increase in number and dollar volume since the previous evaluation during which time the bank had 26 qualified community development investments totaling \$19.9 million. Additionally, the bank maintained two prior period investments in the BSRA that

included the assessment area, including one for affordable housing and one that revitalizes or stabilizes. Both prior periods investments enhance the bank's performance.

As noted previously, community representatives indicated that affordable housing development was a critical need in the assessment area.

Qualified Community Investments by Purpose August 16, 2022, through October 28, 2024										
AA Name	Affordable Housing		Community Services		Economic Development		Activities that Revitalize/Stabilize		Total #	Total \$ (000s)
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)		
Des Moines- West Des Moines, IA MSA #19780 – (Current Period)	2	10,000	0	0	1	5,000	0	0	3	15,000
Des Moines- West Des Moines, IA MSA #19780 – (Prior Period)	24	14,475	0	0	0	0	0	0	24	14,475
<b>Subtotal</b>	<b>26</b>	<b>24,475</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>29,475</b>
BSRA (Prior Period)	1	312	0	0	0	0	1	380	2	692
<b>Total</b>	<b>27</b>	<b>24,787</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>5,000</b>	<b>1</b>	<b>380</b>	<b>29</b>	<b>30,167</b>

The bank also made 145 qualified donations totaling \$401,478 to various organizations. Of the 145 donations, 143 were within the bank's assessment area, while two were to organizations that benefitted the BSRA that included the bank's assessment area. Donations were made to a variety of organizations; however, a substantial portion of the bank's qualified contributions were to community service organizations. During the previous evaluation, the bank made 127 qualified donations totaling \$402,004.

Qualified Community Development Donations by Purpose August 16, 2022, through October 28, 2024										
AA Name	Affordable Housing		Community Services		Economic Development		Activities that Revitalize/Stabilize		Total #	Total \$ (000s)
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)		
Des Moines- West Des Moines, IA MSA #19780	10	41	133	335	0	0	0	0	143	376
BSRA	0	0	2	25	0	0	0	0	2	25

Total	10	41	135	360	0	0	0	0	145	401
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## Services

During the evaluation period bank staff provided 2,457 qualified community development service hours through 45 organizations. This is above the performance at the previous examination where the bank provided 2,106 qualified community development service hours with 20 organizations located in the assessment area. The bank maintains a volunteer committee dedicated to serving the assessment area by participating in various outreach programs focused on community services and revitalizing and stabilizing the assessment area. These services are responsive in nature as they helped organizations with financial and technical assistance. The hours serving organizations that provide loans for housing to revitalize and stabilize low- and moderate-income neighborhoods are deemed particularly responsive, as community representatives noted that there is a need for revitalization efforts in Polk County due to the aging housing stock and the inability to expand into surrounding communities inside the county.

Qualified Community Development Services by Purpose August 16, 2022, through October 28, 2024					
AA Name	Affordable Housing	Community Services	Economic Development	Activities that Revitalize/Stabilize	Total Hours
	Hours	Hours	Hours	Hours	
Des Moines-West Des Moines, IA MSA #19780	1	2,414	0	42	2,457

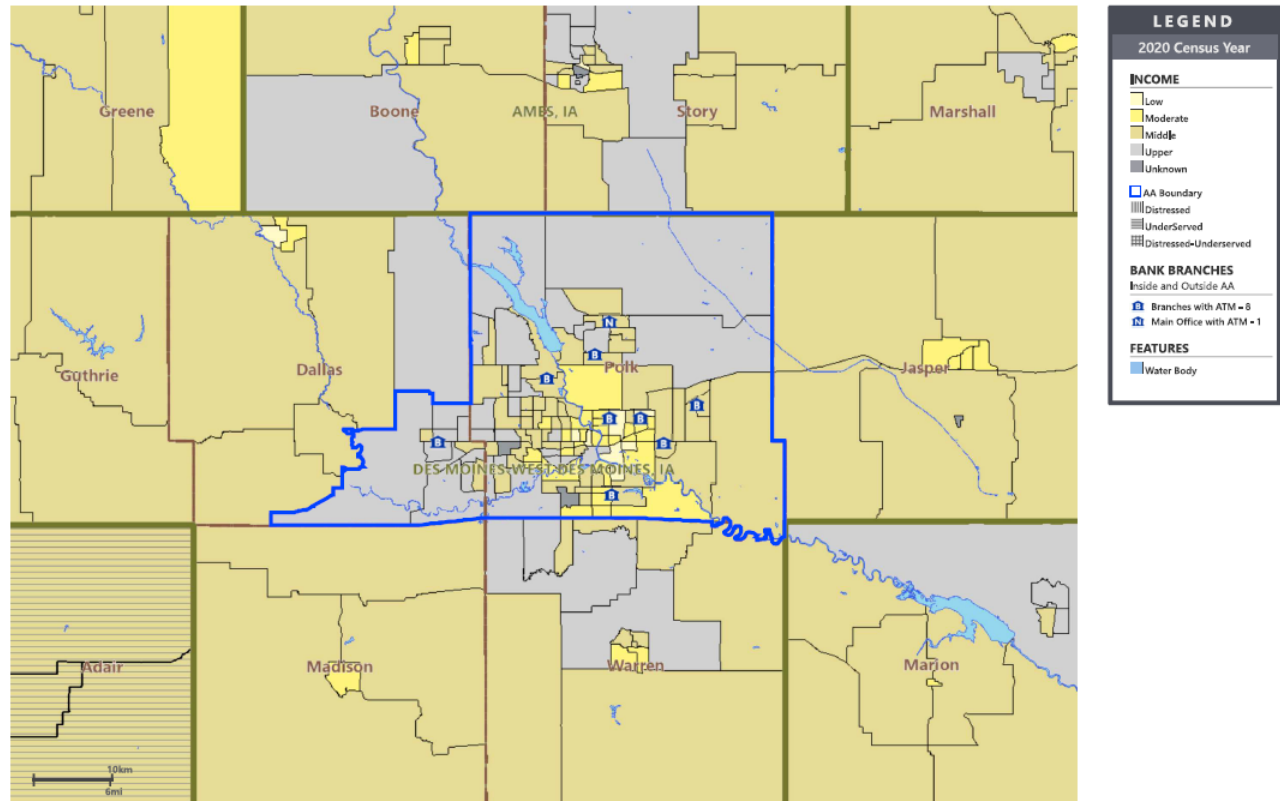
## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX A – Map of Assessment Area

### Community State Bank 790543

Des Moines-West Des Moines, IA MSA 19780



## APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	Lending Test: January 1, 2022 through December 31, 2023, for HMDA-reportable loans. January 1, 2023 through December 31, 2023, for small business loans.  Community Development Test; August 16, 2022 through October 28, 2024.		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
Community State Bank			HMDA-reportable (or home mortgage) loans Small business loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA) #19780	Full scope review	None	N/A

## APPENDIX C – Glossary

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>2</sup>

**Area Median Income (AMI):** AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment area:** Assessment area means a geographic area delineated in accordance with section 228.41

**Automated teller machine (ATM):** An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

**Bank:** Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

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<sup>2</sup> Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

**Branch:** Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSAs):** Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

**Community Development:** The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

**Community Development Loan:** A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
  - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
  - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service:** A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

**Consumer loan:** 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

**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, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to



permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Full review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act:** The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Income Level:** Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

*Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).*

**Limited-purpose bank:** This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

**Limited review:** Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

**Loan location:** Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

**Loan production office:** This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan area:** This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

**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:** This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

**Small Bank:** This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

*Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.*

**Small Business Loan:** This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

**Wholesale Bank:** This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).