

PUBLIC DISCLOSURE

February 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Iowa State Bank
RSSD# 787842

19 Benton Avenue East
Albia, Iowa 52531

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.

TABLE OF CONTENTS

PERFORMANCE EVALUATION	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF INSTITUTION.....	3
DESCRIPTION OF ASSESSMENT AREA.....	3
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA.....	6
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	9
APPENDIX A – MAP OF THE ASSESSMENT AREA.....	10
APPENDIX B – DEMOGRAPHIC INFORMATION	11
APPENDIX C – GLOSSARY.....	12

INSTITUTION'S CRA RATING

First Iowa State Bank (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit (NLTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- A reasonable dispersion of loans occurs throughout the bank's AA.
- Lending reflects an excellent penetration among households of different income levels, including low- and moderate-income (LMI), and farms of different revenue sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) Interagency Examination Procedures for Small Institutions were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's assessment area which includes non-metropolitan Iowa, specifically Monroe County in its entirety, and portions of Mahaska County and Wapello County in southeast Iowa. The following criteria were reviewed:

- *NLTD Ratio* – The bank's 17-quarter average NLTD ratio, was calculated and compared to a sample of local competitors.
- *Lending in the AA, Geographic Distribution, and Distribution to Borrowers of Different Income Levels and to Farms of Different Revenue Sizes* – Statistical samples of the bank's motor vehicle secured loans and small farm loans originated from January 1, 2017 through December 31, 2017 were reviewed and compared to applicable demographic data. More weight was placed on small farm lending in these analyses due to the bank's focus on agricultural lending.
- *Response to Substantiated Complaints* – Neither First Iowa State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.
- *Community Contacts* – Two community representatives were contacted to provide insight into the needs of low- and moderate-income individuals and small farms within the assessment area.

DESCRIPTION OF INSTITUTION

First Iowa State Bank is a community bank headquartered in Albia, Iowa. The bank's characteristics include:

- The bank is a subsidiary of Van Buren Bancorporation, a two bank holding company located in Keosauqua, Iowa.
- The bank has total assets of \$138.7 million as of September 30, 2018.
- In addition to its main office in Albia, the bank has two additional branches located in Albia and Eddyville, Iowa.
- The bank does not operate any automatic teller machines (ATMs).
- The bank's primary business focus is agricultural lending.

Table 1 Composition of Loan Portfolio as of September 30, 2018		
Loan Type	\$(000)	%
Agriculture	49,218	57.7
Commercial	17,199	20.2
Residential Real Estate	16,171	19.0
Consumer	2,377	2.8
Other	368	0.4
Gross Loans	85,333	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its October 27, 2014 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of Monroe County, Iowa in its entirety, one census tract in Mahaska County, Iowa, and two census tracts in Wapello County, Iowa. See Appendix A for an assessment area map.

- The assessment area's composition is unchanged since the 2014 performance evaluation.
- The assessment area is comprised of six middle-income census tracts.
- As of June 30, 2017, the bank's combined market share of 10.9 percent of Federal Deposit Insurance Corporation (FDIC)-insured deposits in Monroe, Mahaska and Wapello Counties, ranked third of 13 institutions in the counties.
- Two community representatives were contacted in order to provide context for the economic and credit needs of the bank's assessment area.

Table 2 Population Change			
Area	2010 Population	2015 Population	Percent Change
Mahaska County	22,381	22,396	0.1
Monroe County	7,970	8,002	0.4
Wapello County	35,625	35,315	-0.9
State of Iowa	3,046,355	3,093,526	1.6
Source: 2010 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey			

- Population growth rates for Mahaska and Monroe Counties from 2010 to 2015 are minimal and fall below the growth rate for the state of Iowa as a whole, based on U.S. Census Bureau data. Wapello County was the only county in the assessment area to experience negative population growth while Mahaska and Monroe Counties grew 0.1 percent and 0.4 percent respectively. This fell short of the state of Iowa which grew by 1.6 percent.
- A community representative indicated that the counties in the assessment area have been experiencing a decline in the economy for many years and noted that any growth in population for Monroe and Mahaska Counties is a step in the right direction. The community representative also credited an upturn in Monroe County in recent years to its large industrial base and stated the residual effects which carry over to surrounding counties and has helped stabilize the population.
- Wapello County experienced a decrease in population. A community representative attributed this decline to many factors, including limited quality career opportunities within the county, an aging population, and poor economic conditions. As a result, the population is leaving the area to seek better opportunities and a better quality of life elsewhere. Another contributing factor to the decreasing population in Wapello County is a lack of quality affordable housing.

Table 3 Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Mahaska County	57,877	57,459	-0.7
Monroe County	53,052	56,724	6.9
Wapello County	49,309	53,242	8.0
State of Iowa	61,804	67,466	9.2
Source: 2010 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey			

- Median family income in the state of Iowa grew at a higher level (9.2 percent) than the counties that make up the bank's assessment area during the 2011-2015 period captured in the U.S. Census Bureau's American Community Survey. Median family income in Mahaska County decreased by 0.7 percent while Monroe and Wapello County increased

by 6.9 and 8.0 percent, respectively.

- Community representatives stated that the areas that make up the assessment area are mostly rural thus making it more difficult to compete with larger more urban areas, such as Des Moines in terms of job opportunities and competitive pay.
- Although the median family income in Monroe County falls below the statewide figure, the economy is prosperous and growing compared to the other counties in the assessment area. A community representative stated that the wages in Monroe County are the tenth highest for manufacturing and the seventh highest for overall wages in the state of Iowa.
- Mahaska County is the only county in the assessment area to experience a decline in median family income growth from 2010 to 2015. A community representative noted that this was attributable to lack of a large industrial base and limited employment opportunities.
- Although Wapello County experienced the largest percentage growth in median family income, the economy remains poor and has the lowest median family income of the three counties. A community representative added that most of the people are forced to work multiple jobs.

Table 4 Housing Costs Change						
Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Mahaska County	95,200	106,200	11.6	521	593	13.8
Monroe County	80,100	96,300	20.2	503	590	17.3
Wapello County	74,800	80,400	7.5	565	612	8.3
State of Iowa	119,200	129,200	8.4	617	697	13.0
Source: 2006-2010 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey						

- Growth rates for the median housing values for Mahaska and Monroe Counties (11.6 percent and 20.2 percent) have outpaced those of the state of Iowa (8.4 percent) from 2010 to 2015. Wapello County's median housing value grew by 7.5 percent, just short of the state of Iowa figure, during the same time period. Community representatives attributed the substantial increases to the considerable need for housing. The community representatives both felt the lack of housing, both available and affordable, is a growing issue in the area. The low supply contributes to the increasing housing values and rental costs.
- Monroe County experienced the largest percentage increase in both median housing values and median rental costs. Monroe County's industrial base provides the county with greater job opportunities, which attracts residents to the area and a demand for

housing. A community representative stated that the greatest obstacle that Monroe County faces is the lack of housing. First Iowa State Bank was identified as one of the local institutions involved with the local housing boards to help the community address this issue.

- While Wapello County experienced the lowest percentage increase in both median housing values and median rental costs of the three counties, Wapello County's median rental cost is the highest among counties in the assessment area.

Table 5 Unemployment Rates				
Region	2013	2014	2015	2016
Mahaska County	4.8	4.6	4.0	3.8
Monroe County	5.2	5.2	4.5	4.7
Wapello County	6.2	5.7	5.2	5.9
State of Iowa	4.6	4.4	3.8	3.7
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

- Unemployment rates remain low in Mahaska County. Mahaska County's unemployment rate has been closely in line with the unemployment rate within the state of Iowa. Unemployment, historically, has been higher in Monroe and Wapello Counties, compared to the state of Iowa. From 2015 to 2016 unemployment increased slightly in both Monroe and Wapello County.
- The primary industries in the area are manufacturing and healthcare, with J.B.'s USA, John Deere, and Ottumwa Regional Health Center being the largest employers in the area.
- As previously mentioned, a community representative stated the large industrial base in Monroe County has a positive impact on the surrounding counties, as people from other areas commute to the county for employment opportunities. These continued efforts to create opportunities will have a similar effect on unemployment in the counties that are close in proximity to Monroe County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the assessment area, and the bank's performance in comparison to similarly-situated FDIC-insured institutions. The similarly situated institutions were selected based on the similarities of their asset size and their location, operating within or near the bank's assessment area. The bank's

NLTD ratio is reasonable. As seen in the table below, First Iowa State Bank's 17 quarter NLTD average is 71.9 percent, which exceeds the NLTD ratio of the two similarly situated institutions.

Table 6 Comparative NLTD Ratios	
Institution	NLTD Ratio (%)
	17 Quarter Average
First Iowa State Bank	71.9
People's State Bank	66.4
South Ottumwa Savings Bank	57.5

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the assessment area. A majority of the bank's loans, by number and dollar amount, are originated inside the assessment area with 86.0 percent of total loans originated within the assessment area by number and 82.7 percent by dollar.

Table 7 Lending Inside and Outside the AA								
Loan Type	Inside				Outside			
	#	\$(000s)	#%	\$%	#	\$(000s)	#%	\$%
Total Consumer Loans	47	621	83.9	91.2	9	60	16.1	8.8
Small Farm Loans	70	2,638	87.5	81.0	10	620	12.5	19.0
Total Loans	117	3,259	86.0	82.7	19	680	14.0	17.3

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

The bank's assessment area contains six middle-income census tract and no low- and moderate-income tracts; therefore, a limited analysis was performed to evaluate the dispersion of loans within the assessment area. An analysis of agricultural and consumer loans indicates a reasonable level of penetration throughout the bank's assessment area.

Lending to Borrowers of Different Income Levels and to Farms of Different Sizes

This performance criterion evaluates the bank's lending to borrowers of different income levels and farms of different revenue sizes. The bank's lending has an excellent penetration among individuals of different income levels (including LMI) and farms of different sizes. Given the bank's primary focus and key business line is agricultural lending, greater weight is placed on the bank's lending to farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is excellent. The bank originated 91.4 percent of small farm loans by number with the bank's assessment area which is comprised of 99.0 percent small farms with gross annual revenues of \$1.0 million or less. The table below shows the bank is willing to make small-dollar loans to small farms with 92.2 percent of loans made to small farms with \$1.0 million or less in revenue for a loan amount of \$100,000 or less. These loans are considered to be most beneficial to small farms, indicating the bank's willingness to meet the credit needs of small farms.

Table 10 Distribution of 2017 Small Farm Loans By Revenue Size of Farms					
	Bank Loans				Total Farms
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	64	2,213	91.4	83.9	99.0
Over \$1 Million	6	425	8.6	16.1	1.0
Total	70	2,638	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	64	864	91.4	32.8	
\$101,000 - \$250,000	1	124	1.4	4.7	
\$251,00 - \$1 Million	5	1,650	7.1	62.5	
Total	70	2,638	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	59	789	92.2	35.7	
\$101,000 - \$250,000	1	124	1.6	5.6	
\$251,000 - \$1 Million	4	1300	6.3	58.7	
Total	64	2,213	100.0	100.0	
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS. NOTE: Percentages may not add up to 100.0 due to rounding.					

Motor Vehicle Secured Lending

The bank's borrower distribution of motor vehicle secured lending is excellent. During the evaluation period, the bank originated 70.3 percent of these loans to low- and moderate- income individuals by number. The percentage of lending to low- and moderate-income individuals significantly exceeds the demographic measure of households by household income levels, at 36.0 percent. This indicates that the bank is very responsive to the needs of low- and moderate-income individuals.

Table 11 Distribution of 2017 Consumer Loans By Borrower Income Level					
Borrower Income Levels	Bank Loans				Households by Household Income %
	#	\$(000)	#%	\$%	
Low	20	226	42.6	36.4	22.3
Moderate	13	191	27.7	30.8	13.7
Middle	7	94	14.9	15.1	20.8
Upper	7	110	14.9	17.7	43.2
Unknown	0	0	0	0	0
2017 FFIEC Data					
NOTE: Percentages may not add up to 100.0 due to rounding.					

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

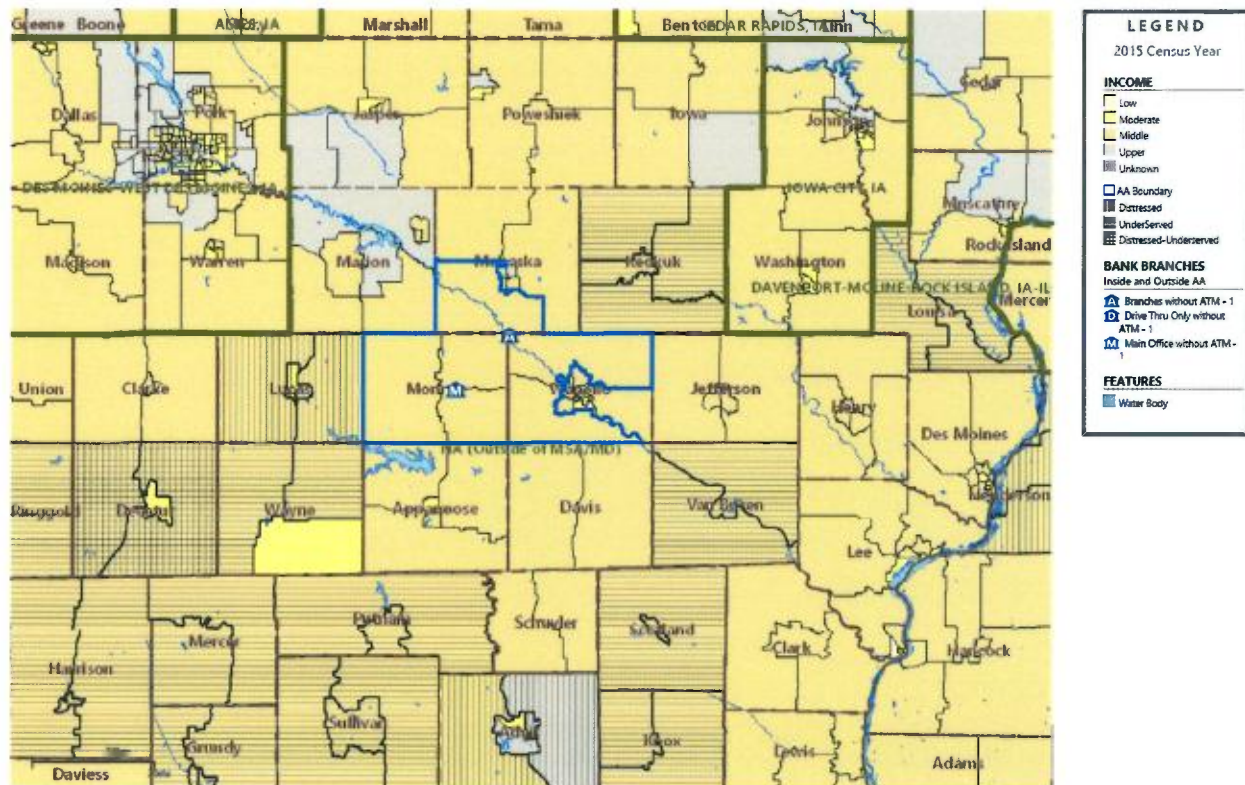
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of the Assessment Area

First Iowa State Bank 787842
IA Non MSA

Restricted FR



APPENDIX B – Demographic Information

Assessment Area: 2017 IA Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	934	18.0	
Moderate-income	0	0.0	0	0.0	0	0.0	1,040	20.0	
Middle-income	6	100.0	5,188	100.0	451	8.7	1,175	22.6	
Upper-income	0	0.0	0	0.0	0	0.0	2,039	39.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	6	100.0	5,188	100.0	451	8.7	5,188	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	8,408	6,046	100.0	71.9	1,337	15.9	1,025	12.2	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	8,408	6,046	100.0	71.9	1,337	15.9	1,025	12.2	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	648	100.0	569	100.0	68	100.0	11	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	648	100.0	569	100.0	68	100.0	11	100.0	
	Percentage of Total Businesses:			87.8			10.5		
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	210	100.0	208	100.0	2	100.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	210	100.0	208	100.0	2	100.0	0	0.0	
Percentage of Total Farms:			99.0			1.0			
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

APPENDIX C – 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.

Census tract: A small subdivision 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. Census tracts 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.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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.

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 nonrelatives 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 householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): 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 population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

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

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.