

PUBLIC DISCLOSURE

May 19, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Luana Savings Bank
Certificate Number: 253

100 Harvest Drive
Luana, Iowa 52156

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

| | |
|---|----|
| INSTITUTION RATING | 1 |
| DESCRIPTION OF INSTITUTION..... | 2 |
| DESCRIPTION OF ASSESSMENT AREAS | 3 |
| SCOPE OF EVALUATION..... | 4 |
| CONCLUSIONS ON PERFORMANCE CRITERIA | 6 |
| DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW | 15 |
| SOUTHERN ASSESSMENT AREA – Full-Scope Review | 15 |
| NORTHERN ASSESSMENT AREA – Full-Scope Review..... | 25 |
| APPENDICES..... | 36 |
| LARGE BANK PERFORMANCE CRITERIA | 36 |
| GLOSSARY | 38 |

INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

| PERFORMANCE LEVELS | PERFORMANCE TESTS | | |
|--|-------------------|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | | | |
| Low Satisfactory | X | X | X |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |
| * <i>The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i> | | | |

The following points summarize the bank’s Community Reinvestment Act (CRA) performance under the Lending, Investment, and Service Tests.

The Lending Test is rated Low Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- The institution made a high percentage of loans in its assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects good penetration among individuals of different income levels and businesses and farms of different sizes.
- The institution uses innovative and/or flexible lending practices in order to serve the credit needs of the assessment areas.
- The institution has made an adequate level of community development loans.

The Investment Test is rated Low Satisfactory.

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- No branches have been opened or closed since the last evaluation. As such, there have been no changes in branching structure that adversely affected the accessibility of the bank's delivery systems, particularly in low- and moderate-income geographies and to low- and moderate- income individuals.
- Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- The institution provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Luana Savings Bank (LSB), headquartered in Luana, Iowa, is owned by one-bank holding company Luana Bancorporation of Luana, Iowa. LSB does not have any affiliates or subsidiaries that are relevant to the CRA evaluation. LSB received a "Satisfactory" rating at the June 9, 2020 FDIC Performance Evaluation based on Interagency Intermediate Small Institution Examination Procedures.

LSB operates branches in Clive, New Hampton, Norwalk, Ossian, and Polk City, Iowa. No branches have been opened or closed and no merger or acquisition activities have occurred since the previous evaluation. LSB offers a variety of credit products, including residential real estate, agricultural, commercial, and consumer loans. The institution's primary lending focus varies by market area but includes residential real estate, agricultural, and commercial lending. The bank continues to originate and sell home mortgage loans to secondary market investors and participates in government-sponsored loan programs. Specifically, alternative loan services that are designed to assist businesses, agricultural operations, and individuals that may not qualify for conventional credit include offerings from the Small Business Administration (SBA), Iowa Finance Authority, Federal Home Loan Bank, U.S. Department of Agriculture Farm Service Agency, and the Iowa Agriculture Development Authority. The institution also offers a full line of traditional deposit products, including checking, savings, health savings, individual retirement, and certificate of

deposit accounts. Internet and mobile banking services provide alternative means of access to loan and deposit products.

According to the March 31, 2023 Consolidated Reports of Condition and Income (Call Report), LSB reported total assets of \$2,063,244,000; total loans of \$1,580,974,000; and total deposits of \$1,754,976,000. The following table illustrates the bank’s loan portfolio.

| Loan Portfolio Distribution as of 3/31/2023 | | |
|---|------------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 137,531 | 8.7 |
| Secured by Farmland | 368,583 | 23.3 |
| Secured by 1-4 Family Residential Properties | 476,210 | 30.1 |
| Secured by Multifamily (5 or more) Residential Properties | 273,037 | 17.3 |
| Secured by Nonfarm Nonresidential Properties | 229,761 | 14.5 |
| Total Real Estate Loans | 1,485,122 | 93.9 |
| Commercial and Industrial Loans | 10,783 | 0.7 |
| Agricultural Production and Other Loans to Farmers | 64,291 | 4.1 |
| Consumer Loans | 17,166 | 1.1 |
| Obligations of State and Political Subdivisions in the U.S. | 286 | 0.0 |
| Other Loans | 3,326 | 0.2 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | (0) | (0.0) |
| Total Loans | 1,580,974 | 100.0 |
| <i>Source: Call Report</i> | | |

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet the credit or community development needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. LSB has designated two assessment areas within the State of Iowa, which are designated as the Northern and Southern Assessment Areas. Since the prior evaluation, LSB expanded the boundaries of both assessment areas to reflect the bank’s lending activity. Furthermore, the number of census tracts increased in the Southern Assessment Area due to population growth noted by the 2020 U.S. Census. The Northern Assessment Area is in the northeast portion of Iowa, and includes all of Allamakee, Chickasaw, Clayton, Fayette, and Winneshiek counties, as well as the northern portion of Bremer County. The Southern Assessment Area is located in central Iowa, and includes all of Polk and Warren counties, as well as the eastern portion of Dallas County. Refer to the individual assessment areas’ sections for more detailed information.

SCOPE OF EVALUATION

General Information

This evaluation covered the period from the prior evaluation dated June 9, 2020, to the current evaluation dated May 19, 2023. Examiners used Interagency Large Institution Examination Procedures to evaluate LSB’s CRA performance under the Lending, Investment, and Service Tests. The criteria for the tests are outlined in the Appendices. The tests are used to determine the bank’s overall rating. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating.

Examiners conducted a full-scope review to evaluate LSB’s performance in both assessment areas. Performance reviews considered the institution's lending activity in relation to the demographics and credit needs of both assessment areas. Examiners also considered management’s assertions regarding the institution’s lending focus and lending efforts, and determined that greater weight should be given to the results from the Southern Assessment Area. Detailed information regarding the dispersion of loans, deposits, and branches by assessment area is included in the following table.

| Assessment Area Breakdown of Loans, Deposits, and Branches | | | | | | | | |
|---|--------------|--------------|------------------|--------------|------------------|--------------|-----------------|--------------|
| Assessment Area | Loans | | | | Deposits | | Branches | |
| | # | % | \$(000s) | % | \$(000s) | % | # | % |
| Northern | 2,552 | 31.7 | 250,129 | 14.4 | 1,574,891 | 89.3 | 3 | 50.0 |
| Southern | 5,495 | 68.3 | 1,489,059 | 85.6 | 189,013 | 10.7 | 3 | 50.0 |
| Total | 8,047 | 100.0 | 1,739,188 | 100.0 | 1,763,904 | 100.0 | 6 | 100.0 |

Source: 1/1/2020 – 12/31/2022 Bank reported HMDA and CRA Data; FDIC Summary of Deposits (6/30/2022)

Activities Reviewed

The bank’s primary product lines are home mortgage, small farm, and small business loans. This conclusion considered Call Report data, the number and dollar volume of reported loans during the evaluation period, and the bank’s business strategy. Moreover, Large Institution CRA Examination Procedures require consideration of reported HMDA, small farm, small business, and community development loans. Examiners obtained the data necessary for this evaluation from reported loan data, other bank records, individual customer loan files, interviews with bank management, and other information gathered as part of the examination process. The table below provides information on the number and dollar volume of loans reviewed.

| Loan Products Reviewed | | | | | | |
|-------------------------------|-------------|----------|-------------|----------|-------------|----------|
| Loan Category | 2020 | | 2021 | | 2022 | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Home Mortgage | 3,426 | 851,745 | 2,810 | 710,548 | 826 | 307,592 |
| Small Business | 525 | 63,702 | 665 | 38,933 | 225 | 48,201 |
| Small Farm | 555 | 69,942 | 480 | 65,261 | 398 | 56,063 |

Source: 2020-2022 LSB CRA and HMDA Reported Data

Home mortgage lending for 2020 and 2021 was compared to 2015 American Community Survey (ACS) data and the corresponding year of aggregate data. Home mortgage lending for 2022 was compared to 2020 U.S. Census data because aggregate data is not yet available. CRA aggregate lending for 2020 and 2021, and D&B data for 2020, 2021, and 2022, provided a standard of comparison for the small farm and small business loans reviewed. Examiners primarily focused on LSB's lending performance in comparison to HMDA and CRA aggregate data since it is typically a better indicator of market conditions and loan demand. Management attributes significant drop in volume in 2022 to rising interest rates and related demand. However, the difference in lending volume did not result in trends that materially affected conclusions.

HMDA and CRA lending performance for 2020 and 2022 was reviewed to ensure that performance was consistent with 2021. In most cases, data for 2021 is largely presented in this evaluation for the Geographic Distribution and Borrower Profile criteria as this is the most recent year with available aggregate data. However, in some instances, examiners identified trends between the three years of CRA or HMDA data that materially affected conclusions. Any specific anomalies or noted trends in lending for 2020 and 2022 are discussed or presented when necessary.

For the Lending Test, product weight varied based on activity and business strategy in each assessment area. For the Northern Assessment Area, small farm conclusions were granted the most weight, closely followed by home mortgage, and subsequently small business. In the Southern Assessment Area, home mortgage and small business lending were provided equal weight, with small farm lending given lesser consideration. Examiners reviewed the number and dollar volume of home mortgage, small farm, and small business loans. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals, farms, and businesses served. Innovative and/or flexible lending practices (product innovation) were also considered in the evaluation.

Community development loans, investments, and services since the previous evaluation dated June 9, 2020, were reviewed and are included in this evaluation. Investments that were made before the prior evaluation, and that remain outstanding, are included at the current book values as prior period investments. Under the Investment Test, greater weight is given to the bank's dollar amount of qualified investments made during the evaluation period and the responsiveness of the bank's investment activity to the community development needs in the assessment areas.

For the Service Test, examiners reviewed delivery systems for providing retail-banking services, including branch locations and alternative delivery systems. Examiners also reviewed retail banking products and services targeted toward low- and moderate-income individuals or small businesses and/or tailored to meet specific needs in the assessment areas. When evaluating the Service Test, Community Development Services received the greatest weight, followed by Accessibility of Delivery Systems, when taking into consideration community credit needs and opportunities.

Lastly, similarly-situated institutions or competitors are used in the analysis of a financial institution to help determine overall performance. Four Large Institutions (as defined by CRA) operating in the State of Iowa were referenced for this institution's performance context when evaluating community development lending, investments, and services. Evaluations of these banks were performed during LSB's evaluation period.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

LSB demonstrated low satisfactory performance under the Lending Test. Of the performance criteria evaluated, examiners placed more weight on the Geographic Distribution, Borrower Profile, and Community Development Lending criteria. The bank's adequate Geographic Distribution and Community Development Lending performances primarily support this conclusion. The bank's performance under the Borrower Profile criterion was good, but this performance did not enhance the overall Lending Test rating.

Lending Activity

Lending levels reflect good responsiveness to the credit needs of the assessment areas, given that the most weight is provided to lending activity performance in the Southern Assessment Area. LSB's net loan-to-deposit ratio as of March 31, 2023, was 89.2 percent based on Call Report data. Further, the bank's net loan-to-deposit ratio averaged 93.2 percent over the 12 quarter-ends since the previous evaluation. During the review period, the net loan-to-deposit ratio ranged from a high of 114.3 percent as of September 30, 2020, to a low of 81.5 percent as of June 30, 2021. Deposit growth outpaced loan growth, which management attributes to a change in business strategy and an increased focus on competing for deposits. Of note, while many other institutions experienced decreasing loan trends during this same time period, LSB's loans steadily grew.

The net loan-to-deposit ratio does not represent all lending activity since home mortgage loans sold on the secondary market are not reflected on the bank's balance sheet. Specifically, the bank sold 3,914 mortgage loans totaling nearly \$818.3 million since the previous evaluation. While the sale of secondary market loans does not influence the average net loan-to-deposit ratio, this activity provides liquidity to originate additional home mortgage loans. Secondary market lending is responsive to the credit needs of the assessment areas by providing long-term home mortgage financing.

LSB continues to be an active lender, which is further demonstrated when reviewing market activity. For example, 2021 HMDA aggregate data indicates that LSB ranked 4th out of 428 lenders for originating or purchasing home mortgage loans in the assessment areas, based on number of loans. Based on 2021 CRA aggregate data, LSB ranked 3rd among 29 lenders reporting small farm loan originations in the combined assessment areas. Further, LSB ranked 8th out of 142 lenders based on the number of small business loans originated in the assessment areas according to 2021 CRA aggregate data.

Assessment Area Concentration

A high percentage of loans were made in LSB’s assessment areas, which demonstrates the bank’s willingness to meet the credit needs of the assessment areas. Details are provided in the following table.

| Lending Inside and Outside of the Assessment Areas | | | | | | | | | | | |
|--|------------------------|-------------|----------------|-------------|--------------------|--|-------------|----------------|-------------|---------------------------|--|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) | |
| | Inside | | Outside | | | Inside | | Outside | | | |
| | # | % | # | % | | \$ | % | \$ | % | | |
| Home Mortgage | | | | | | | | | | | |
| 2020 | 2,864 | 83.6 | 562 | 16.4 | 3,426 | 696,929 | 81.8 | 154,816 | 18.2 | 851,745 | |
| 2021 | 2,287 | 81.4 | 523 | 18.6 | 2,810 | 559,389 | 78.7 | 151,159 | 21.3 | 710,548 | |
| 2022 | 633 | 76.6 | 193 | 23.4 | 826 | 235,936 | 76.7 | 71,656 | 23.3 | 307,592 | |
| Subtotal | 5,784 | 81.9 | 1,278 | 18.1 | 7,062 | 1,492,254 | 79.8 | 377,631 | 20.2 | 1,869,885 | |
| Small Business | | | | | | | | | | | |
| 2020 | 455 | 86.7 | 70 | 13.3 | 525 | 50,945 | 80.0 | 12,757 | 20.0 | 63,702 | |
| 2021 | 558 | 83.9 | 107 | 16.1 | 665 | 30,334 | 77.9 | 8,599 | 22.1 | 38,933 | |
| 2022 | 176 | 78.2 | 49 | 21.8 | 225 | 33,351 | 69.2 | 14,850 | 30.8 | 48,201 | |
| Subtotal | 1,189 | 84.0 | 226 | 16.0 | 1,415 | 114,630 | 76.0 | 36,206 | 24.0 | 150,836 | |
| Small Farm | | | | | | | | | | | |
| 2020 | 424 | 76.4 | 131 | 23.6 | 555 | 50,700 | 72.5 | 19,242 | 27.5 | 69,942 | |
| 2021 | 334 | 69.6 | 146 | 30.4 | 480 | 39,753 | 60.9 | 25,508 | 39.1 | 65,261 | |
| 2022 | 316 | 79.4 | 82 | 20.6 | 398 | 41,851 | 74.7 | 14,212 | 25.4 | 56,063 | |
| Subtotal | 1,074 | 74.9 | 359 | 25.1 | 1,433 | 132,304 | 69.2 | 58,962 | 30.8 | 191,266 | |
| Total | 8,047 | 81.2 | 1,863 | 18.8 | 9,910 | 1,739,188 | 78.6 | 472,799 | 21.4 | 2,211,987 | |
| <i>Source: 1/1/2020 – 12/31/2022 Bank reported HMDA and CRA Data. Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | | |

Geographic Distribution

Overall, the geographic distribution of loans reflects adequate penetration throughout the institution’s assessment areas. This conclusion is supported by the satisfactory performance displayed in both assessment areas. LSB’s overall adequate performance in the Southern Assessment Area, which received more weight, primarily provides support for the overall conclusion. Emphasis under the Geographic Distribution criterion is placed on the bank’s record of lending in low- and moderate-income census tracts. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank’s geographic distribution lending performance can be found in the separate assessment area sections of this evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects good penetration among business and farm customers of different sizes and retail customers of different income levels. This conclusion is supported by the good performance displayed in both assessment areas. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers, and on the percentage, by number, of loans to small businesses and small farms with gross annual revenues of \$1 million or less. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank's borrower profile lending performance can be found in the separate assessment area sections of this evaluation.

Innovative or Flexible Lending Practices

The bank uses innovative and/or flexible lending practices in order to serve the credit needs of the assessment areas. Although programs are more flexible than innovative, they continue to benefit small businesses and farms, and low- and moderate-income home mortgage borrowers. LSB originated 793 loans totaling more than \$36.7 million under innovative and/or flexible programs during the review period. In addition to the direct and positive impact these programs have on small business or farm borrowers, the home mortgage programs often provide lower interest rates and flexible lending terms, which further benefits low- and moderate-income individuals and families. The following describes some examples of flexible loan programs offered by LSB during the review period:

- Neighborhood Finance Corporation - LSB maintains its relationship with this CDFI and chartered member of the NeighborWorks American program. Neighborhood Finance Corporation provides mortgage loans to revitalize specific areas, down payment assistance for eligible borrowers, and homebuyer education. Since the prior evaluation, LSB partnered with Neighborhood Finance Corporation to fund home mortgage loans for the purposes of purchase, refinance, or improvement.
- SBA Paycheck Protection Program (PPP) - the SBA works with lenders to provide guaranteed loans to small businesses. In response to the COVID-19 pandemic, the bank originated multiple PPP loans to business entities during the review period. These loans involved flexible underwriting due to unique financial strains on businesses and their employees because of the pandemic.
- Greater Des Moines Habitat for Humanity - provides affordable housing for low- and moderate-income persons. LSB's purchase of loans provides this organization with immediate cash flow, which is extremely important as they have needs that outweigh their resources.
- Freddie Mac Home Possible – this mortgage program offers low down payment options and credit flexibilities to assist low- and moderate-income borrowers attain the dream of owning a home.
- LSB New and Expanding Business Program – the bank introduced a low-interest rate loan program for new or existing businesses looking to expand in the communities in which they operate. A new or expanding business loan is used for business equipment or inventory, or business expansion.

- Federal Home Loan Bank HomeStart Program – the bank utilized the program by applying for and receiving grant funds offered through this program that targets low- and moderate-income borrowers and provides down payment and closing cost assistance.

The following table contains details on the number and dollar volume of loans originated or purchased under each program during the review period.

| Innovative or Flexible Lending Programs | | |
|---|------------|-----------------|
| Type of Program | # | \$(000s) |
| SBA PPP | 648 | 14,275 |
| U.S. Department of Agriculture Farm Service Agency | 1 | 1,750 |
| Iowa Finance Authority Beginning Farmer | 8 | 1,883 |
| Iowa Finance Authority On-site Waste Water Assistance Program | 1 | 8 |
| Iowa Livestock Water Quality Program | 1 | 89 |
| Neighborhood Finance Corporation | 4 | 502 |
| Federal Home Loan Bank Homeownership Fund/Home\$tart | 10 | 1,030 |
| Freddie Mac Home Possible | 112 | 15,685 |
| Greater Des Moines Habitat for Humanity | 7 | 961 |
| LSB New and Expanding Business Program | 1 | 520 |
| Total | 793 | 36,703 |
| <i>Source: Bank Data</i> | | |

Community Development Loans

LSB made an adequate level of community development loans. During the evaluation period, the bank originated 28 community development loans, totaling approximately \$51.9 million, to support affordable housing or promote economic development. Activity in the broader statewide area was included as the institution adequately responded to the needs of the assessment areas. As of March 31, 2023, LSB's total community development loans represented 2.5 percent of total assets and 3.3 percent of net loans. The bank's community development lending levels compare reasonably to those of four other large banks within the State of Iowa. The ratio of community development loans to total assets for the comparable institutions ranged from 1.2 percent to 6.1 percent, while the ratio of community development loans to net loans ranged from 1.7 percent to 10.4 percent. LSB's performance remains consistent with the prior evaluation, when community development loans were 1.9 percent of total assets (2.4 percent with PPP loans) and 2.4 percent of net loans (3.0 percent with PPP loans).

The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year. The first table also identifies lending activities in the broader statewide area that received consideration.

| Community Development Lending by Assessment Area | | | | | | | | | | |
|--|--------------------|---------------|--------------------|----------|----------------------|--------------|-------------------------|----------|-----------|---------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Northern | 1 | 168 | 0 | 0 | 4 | 8,613 | 0 | 0 | 5 | 8,781 |
| Southern | 11 | 22,645 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 22,645 |
| Statewide Activities | 12 | 20,502 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 20,502 |
| Total | 24 | 43,315 | 0 | 0 | 4 | 8,613 | 0 | 0 | 28 | 51,928 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

| Community Development Lending by Activity Year | | | | | | | | | | |
|--|--------------------|---------------|--------------------|----------|----------------------|--------------|-------------------------|----------|-----------|---------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2020 (Partial) | 8 | 19,994 | 0 | 0 | 1 | 1,750 | 0 | 0 | 9 | 21,744 |
| 2021 | 12 | 12,580 | 0 | 0 | 3 | 6,863 | 0 | 0 | 15 | 19,443 |
| 2022 | 4 | 10,741 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 10,741 |
| 2023 (Year-to-Date) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 24 | 43,315 | 0 | 0 | 4 | 8,613 | 0 | 0 | 28 | 51,928 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Examples of community development lending where the bank has been most responsive are discussed in the individual assessment area sections of this evaluation, as applicable.

INVESTMENT TEST

LSB demonstrated low satisfactory performance under the Investment Test. The bank's performance as described under the Investment and Grant Activity section primarily supports this rating. LSB's overall performance is consistent with the conclusions for both assessment areas.

Investment and Grant Activity

LSB has demonstrated an adequate level of qualified community development investments and donations previous to and during the review period. The institution made 190 qualified investments and donations totaling nearly \$25.5 million, which is a significant increase in the dollar amount of this activity when compared to the previous evaluation. This total includes new investments and donations made since the previous evaluation, as well as the book value of qualifying investments made in previous periods that are still held by the institution. Qualifying investments totaled approximately \$25.4 million, and donations totaled \$108,000. As LSB demonstrated sufficient responsiveness to the needs of the delineated assessment areas, 36 qualifying investments that were made in the broader statewide area totaling approximately \$18.4 million were considered, as shown in the tables below.

The institution’s activity with regard to qualified investments and donations represents 6.4 percent of LSB’s total securities (an increase from 3.1 percent at the previous evaluation) and 1.2 percent of LSB’s total assets (an increase from 0.3 percent at the previous evaluation), as of March 31, 2023. These ratios are comparable to four other large institutions in Iowa, whose qualified investments to total securities ratios ranged from 3.3 percent to 13.9 percent, and qualified investments to total assets ratios ranged from 0.6 to 2.6 percent. LSB’s qualified investments and donations have supported affordable housing, community services to low- and moderate-income individuals, economic development, and efforts to revitalize and stabilize the local and broader statewide areas. The following tables show the institution’s activity by location and year.

| Qualified Investments by Assessment Area | | | | | | | | | | |
|---|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Northern | 6 | 11 | 28 | 8 | 8 | 17 | 49 | 2,198 | 91 | 2,234 |
| Southern | 4 | 2 | 47 | 4,772 | 9 | 20 | 3 | 3 | 63 | 4,797 |
| Statewide Activities | 0 | 0 | 13 | 5,831 | 0 | 0 | 23 | 12,600 | 36 | 18,431 |
| Total | 10 | 13 | 88 | 10,611 | 17 | 37 | 75 | 14,801 | 190 | 25,462 |

Source: Bank Data

| Qualified Investments | | | | | | | | | | |
|------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1,413 | 3 | 1,413 |
| 2020 (Partial) | 0 | 0 | 2 | 4,750 | 0 | 0 | 16 | 7,641 | 18 | 12,391 |
| 2021 | 0 | 0 | 11 | 5,830 | 0 | 0 | 10 | 4,825 | 21 | 10,655 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 895 | 2 | 895 |
| 2023 (Year-to-Date) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 13 | 10,580 | 0 | 0 | 31 | 14,774 | 44 | 25,354 |
| Qualified Grants & Donations | 10 | 13 | 75 | 31 | 17 | 37 | 44 | 27 | 146 | 108 |
| Total | 10 | 13 | 88 | 10,611 | 17 | 37 | 75 | 14,801 | 190 | 25,462 |

Source: Bank Data

Responsiveness to Credit and Community Development Needs

LSB has shown adequate responsiveness to credit and community economic development needs, as shown by qualified investments made to provide community services to low- and moderate-income individuals and for revitalization/stabilization initiatives. There has been a significant increase in the total number and dollar volume of activity since the previous evaluation; however, this growth was primarily driven by investments located within the State of Iowa but outside of the bank’s assessment areas. The institution offered community development support in meaningful ways,

including investments that provide funds for essential services and civic improvements in low- and moderate-income or underserved areas. Numerous donations to qualifying entities were made on an annual or recurring basis to ensure that those organizations have a stable funding source. The total dollar volume of donations and grants increased by 9.1 percent since the prior evaluation.

Community Development Initiatives

LSB occasionally uses innovative and/or complex investments to support community development initiatives. Most of LSB’s community development initiatives related to the purchase of investments or monetary donations; however, most investments purchased during the evaluation period are routinely provided by private investors and do not evidence innovation or complexity. Although not particularly innovative, the bank continues to provide funding that support various community development efforts.

SERVICE TEST

LSB demonstrated low satisfactory performance under the Service Test. The Community Development Services and Accessibility of Delivery Systems performance primarily supports this assessment, which were provided the most weight. Overall conclusions proved consistent for this test in both assessment areas.

Accessibility of Delivery Systems

LSB’s delivery systems are reasonably accessible to essentially all portions of its assessment areas, including low- and moderate-income geographies and individuals. The bank’s service delivery systems include six offices and six automated teller machines (ATMs) located within its assessment areas, as well as alternative delivery methods. All six of the bank’s branches and on-site ATMs are located in middle- or upper-income census tracts; however, two branches and ATMs are located in underserved middle-income nonmetropolitan census tracts. All ATMs feature teletypewriter service to assist customers with speech and hearing limitations. LSB participates in Shazam’s Privileged Status program to provide a nationwide network of surcharge-free ATM locations. The following table shows the overall distribution of branches, ATMs, and population by tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 7 | 4.2 | 28,179 | 4.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 36 | 21.6 | 131,817 | 18.8 | 0 | 0.0 | 0 | 0.0 |
| Middle | 85 | 50.9 | 341,770 | 48.6 | 4 | 66.7 | 4 | 66.7 |
| Upper | 37 | 22.2 | 197,043 | 28.0 | 2 | 33.3 | 2 | 33.3 |
| NA | 2 | 1.2 | 4,048 | 0.6 | 0 | 0.0 | 0 | 0.0 |
| Totals | 167 | 100.0 | 702,857 | 100.0 | 6 | 100.0 | 6 | 100.0 |

Source: 2020 Census Data; Bank Data

In addition to the institution's branch and ATM locations, LSB offers electronic delivery systems that include internet and mobile banking. The institution also offers a messaging feature through online and mobile banking where customers can send messages during business hours to bank representatives who respond within two to four hours. Messages received outside of business hours are responded to the following business day.

Other notable alternative delivery systems include:

- No-charge internet and mobile banking services that include account opening, online statements, account transfers, bill payment, financial calculators, and mobile deposit.
- Customer service representatives available via telephone during business hours.
- Bank by mail, direct deposit, automated clearing house, and wire transfers.
- Online applications for home mortgage loans and home equity lines of credit.
- Translation services available to non-English speaking customers through third-party translation software and mortgage applications available in Spanish.
- Customers may sign up to receive account information and alerts via text message.

Changes in Branch Locations

No branches have been opened or closed since the previous CRA evaluation. As such, there have been no changes to the institution's branching structure that would adversely affect low- or moderate-income individuals or geographies.

Reasonableness of Business Hours and Services

Business hours and services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Branch hours and services are comparable to other financial institutions operating in the assessment areas. There is no variation in hours of operations among the six branch locations, and business hours reflect the needs of the communities being served. Lobby hours for all locations start at 8:00 AM and end at 4:30 PM Monday through Friday. Each location is also open on Saturday from 8:00 AM to 11:00 AM. Customer service representatives are available during normal business hours, and customers may schedule appointments outside normal business hours upon request. The institution offers free checking and savings accounts with no monthly fees, with a \$50 minimum balance for the savings account. Such accounts help individuals build savings and banking relationships, and introduce children and teenagers to banking services.

Community Development Services

The institution provided an adequate level of community development services during the evaluation period. Many employees of the institution dedicated their time and resources to 23 organizations, providing a total of 60 services, all within the designated assessment areas. This is an increase from the previous evaluation, in which LSB provided 27 services to 10 different organizations. Although LSB's total service numbers were significantly below the comparable large institutions, which reported between 114 and 359 services, examiners also considered the pandemic limitations, the number of qualitative and committed services (not limited to one-time

events) being provided, and the much higher number of personnel employed by the comparable institutions when determining conclusions.

LSB personnel applied their financial and/or technical expertise to organizations in many ways; notably, personnel served as a Board member or fulfilled an officer position at 19 of the 23 organizations that received services. LSB personnel helped to further community development in the assessment areas by supporting organizations that provide resources related to meeting the needs of affordable housing and community services, to revitalize or stabilize communities, or to promote economic development. Bank management provides employees 16 volunteer hours per year to encourage employees to volunteer their time and technical expertise within their local communities. The following tables illustrate the number of services provided since the previous evaluation by year and assessment area. Further details are located in the separate assessment area sections of the evaluation.

| Community Development Services by Assessment Area | | | | | |
|--|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| Northern | 4 | 8 | 10 | 11 | 33 |
| Southern | 4 | 8 | 15 | 0 | 27 |
| Total | 8 | 16 | 25 | 11 | 60 |
| <i>Source: Bank Data</i> | | | | | |

| Community Development Services | | | | | |
|---------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2020 (Partial) | 0 | 0 | 4 | 1 | 5 |
| 2021 | 1 | 2 | 4 | 2 | 9 |
| 2022 | 4 | 9 | 8 | 5 | 26 |
| 2023 (Year-to-Date) | 3 | 5 | 9 | 3 | 20 |
| Total | 8 | 16 | 25 | 11 | 60 |
| <i>Source: Bank Data</i> | | | | | |

Management also supports community needs through financial literacy outreach. Although several of these financial literacy activities do not meet the definition of community development and are not eligible for CRA qualification, they are an important part of LSB’s service to the community.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

SOUTHERN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SOUTHERN ASSESSMENT AREA

The Southern Assessment Area includes all of Polk and Warren counties, in addition to the eastern portion of Dallas County. The entire Southern Assessment Area is part of the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA). The bank operates three offices with ATMs in the assessment area. At the previous evaluation, this assessment area was defined to include only portions of Dallas, Polk, and Warren counties.

Economic and Demographic Data

According to 2020 U.S. Census, this assessment area includes 138 census tracts, consisting of seven low-, 32 moderate-, 62 middle-, 35 upper-income census tracts, as well as two census tracts without an income classification. A comparison of 2015 ACS data and 2020 U.S. Census data reflects changes in income designations, and the addition of 90 new census tracts. The new census tracts are comprised of seven low-, 28 moderate-, 42 middle-, and 12 upper-income tracts, as well as one census tract without an income classification. Changes in income categories include two moderate-income tracts that were previously middle income; of the five middle-income census tracts, one was previously moderate income and four were upper income; and five upper-income census tracts that were previously middle income. Lastly, one census tract with no income classification was previously upper income. The following table illustrates select demographic characteristics of the Southern Assessment Area.

| Demographic Information of the Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 138 | 5.1 | 23.2 | 44.9 | 25.4 | 1.4 |
| Population by Geography | 615,733 | 4.6 | 19.4 | 44.8 | 30.6 | 0.7 |
| Housing Units by Geography | 250,859 | 4.2 | 20.7 | 45.6 | 28.5 | 1.0 |
| Owner-Occupied Units by Geography | 161,354 | 2.7 | 17.3 | 47.9 | 31.7 | 0.4 |
| Occupied Rental Units by Geography | 74,006 | 6.8 | 26.2 | 41.5 | 23.4 | 2.1 |
| Vacant Units by Geography | 15,499 | 7.3 | 29.9 | 41.4 | 19.9 | 1.6 |
| Businesses by Geography | 85,205 | 3.4 | 15.1 | 40.7 | 38.1 | 2.7 |
| Farms by Geography | 2,713 | 2.0 | 10.7 | 43.1 | 43.5 | 0.7 |
| Family Distribution by Income Level | 146,804 | 19.3 | 17.6 | 22.1 | 41.0 | 0.0 |
| Household Distribution by Income Level | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Median Family Income – Des Moines-West Des Moines, Iowa MSA | | \$89,538 | Median Housing Value | | | \$206,173 |
| | | | Median Gross Rent | | | \$959 |
| | | | Families Below Poverty Level | | | 6.5% |

Source: 2020 U.S. Census and 2022 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.*

D&B data for 2022 indicates that service industries represent the largest portion of businesses in the assessment area at 31.5 percent; followed by non-classifiable establishments at 29.9 percent; finance, insurance, and real estate at 12.0 percent; and retail trade at 8.3 percent. In addition, 57.9 percent of area businesses have four or fewer employees, and 93.1 percent operate from a single location.

The table below presents the Federal Financial Institutions Examination Council (FFIEC)-estimated median family income levels for the assessment area that are used to analyze home mortgage loans under the Borrower Profile criterion and to analyze certain community development activities.

| Median Family Income Ranges | | | | |
|--|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Des Moines-West Des Moines, Iowa MSA Median Family Income | | | | |
| 2020 (\$84,800) | <\$42,400 | \$42,400 to <\$67,840 | \$67,840 to <\$101,760 | ≥\$101,760 |
| 2021 (\$86,700) | <\$43,350 | \$43,350 to <\$69,360 | \$69,360 to <\$104,040 | ≥\$104,040 |
| 2022 (\$98,100) | <\$49,050 | \$49,050 to <\$78,480 | \$78,480 to <\$117,720 | ≥\$117,720 |

Source: FFIEC

Competition

The Southern Assessment Area is highly competitive for financial services. According to 2022 FDIC Deposit Market Share data, 49 financial institutions operate 193 offices within the assessment area. Of these institutions, LSB ranks 22nd with less than 1.0 percent of the deposit market share. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area.

To further illustrate the high level of competition and demand for home mortgage loans, 419 HMDA-reporting institutions reported originating or purchasing 44,594 home mortgage loans during 2021. CRA aggregate data for 2021 shows 139 lenders reported 13,472 small business loan originations, and 25 lenders reported 412 small farm loan originations in the bank's assessment area counties.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs and provides context regarding available opportunities. Examiners referenced two previously conducted interviews with individuals knowledgeable about small business and economic conditions within the Southern Assessment Area, particularly Polk County and the City of Des Moines, Iowa. The local economic climate was reported as stable with community development and credit needs being generally met by area financial institutions. One contact noted the large volume of rental properties in the Des Moines metropolitan area, noting that the market is tight with homes continuing to sell quickly despite rising interest rates. Some rental property owners have expressed issues with finding tenants. The other community representative noted that the stock of affordable housing is low. Developers are aware of the need and are building smaller homes, duplexes, and other rentals. Due to the demand and increasing rate environment, however, price points are trending higher than what might be considered affordable and rental rates are often above fair market rent for the area.

In the business sector, higher interest rates have translated into increased costs for operators, and credit demand has slowed some. Many businesses are struggling to find qualified workers; these staffing issues have hindered business expansions. Despite loan relief from the government, many operators have sought additional state or local funds in order to help their business survive. Both contacts noted a demand for small business lending. One representative stated a desire for more financial institutions to get involved with small business education and SBA loans. A need was also noted for smaller/micro business loans (e.g. below \$50,000 or \$50,000-\$150,000).

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, as well as demographic and economic data, examiners determined that home mortgage loans and small business loans for beginning and existing entities represent the primary credit needs of the assessment area. Small farm lending is a need in more rural areas of the assessment area. Additionally, community development needs include affordable housing, economic development, and community services

targeted to low- and moderate-income individuals. Further, there is opportunity for revitalization and stabilization due to the number of low- and moderate-income geographies in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SOUTHERN ASSESSMENT AREA

LENDING TEST

LSB demonstrated low satisfactory performance under the Lending Test in the Southern Assessment Area. Geographic Distribution, Borrower Profile, and Community Development Loan performance are more heavily weighted within the Lending Test; therefore, the bank's collective performance under these criteria contribute to this conclusion.

Lending Activity

LSB's lending activity performance in the Southern Assessment Area reflects good responsiveness to area credit needs. LSB reported 5,009 home mortgage loans, totaling \$1.4 billion, in 2020, 2021, and 2022. An analysis of 2021 HMDA aggregate data shows that LSB ranked 4th with 4.5 percent of the market share by number. LSB reported 420 small business loans, totaling \$82.3 million, in 2020, 2021, and 2022. An analysis of 2021 CRA aggregate data shows that LSB ranked 21st with 1.0 percent of the market share by number of small business loan originations in the assessment area. LSB reported 66 small farm loans, totaling nearly \$10.0 million, in 2020, 2021, and 2022, and ranked 9th with 3.9 percent of the market share by number of small farm loan originations according to 2021 CRA aggregate data.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Southern Assessment Area. The bank's adequate lending performance in all three products supports this conclusion. Emphasis is placed on the bank's record of lending in low- and moderate-income census tracts.

Small Business Loans

The geographic distribution of small business loans lending reflects adequate penetration when considering additional performance context factors. As shown in the following table, LSB's lending percentage in low-income census tracts lags comparable aggregate data; however, both demographic and aggregate data evidence that opportunities are minimal in these tracts. Similar performance occurred in the moderate-income census tracts where the bank's performance lagged respective aggregate and demographic data. However, examiners noted increasing trends over the review period and significantly better performance in 2022 for both low- and moderate-income census tracts. One factor of note is that in 2022, LSB expanded their Southern Assessment Area to include the downtown Des Moines area where many low- and moderate-income tracts are located. LSB's nearest branch is Norwalk, which is still somewhat removed from the downtown Des Moines area. Competition is highly prevalent, with examiners noting that 16 banks operate from 24

locations just within the low- and moderate-income census tracts. LSB does not have a branch location in a low- or moderate-income geography. Additionally, CRA 2021 small business aggregate data reported 39 lenders reported 13,472 loans; LSB ranked 21st in market share by number of loans. Management agreed that competition and bank locations are factors as most lending typically occurs in close proximity to an office.

| Geographic Distribution of Small Business Loans | | | | | | |
|---|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 3.6 | 2.6 | 1 | 0.5 | 13 | 0.0 |
| 2021 | 3.8 | 3.0 | 1 | 0.7 | 13 | 0.1 |
| 2022 | 3.4 | -- | 6 | 6.4 | 840 | 3.5 |
| Moderate | | | | | | |
| 2020 | 13.3 | 11.5 | 1 | 0.5 | 290 | 0.8 |
| 2021 | 13.4 | 11.7 | 6 | 4.5 | 3,191 | 15.3 |
| 2022 | 15.1 | -- | 11 | 11.7 | 2,585 | 10.7 |
| Middle | | | | | | |
| 2020 | 47.2 | 47.0 | 99 | 51.6 | 24,740 | 66.2 |
| 2021 | 46.3 | 45.2 | 31 | 23.1 | 4,902 | 23.5 |
| 2022 | 40.7 | -- | 33 | 35.1 | 4,982 | 20.7 |
| Upper | | | | | | |
| 2020 | 35.9 | 38.9 | 91 | 47.4 | 12,351 | 33.0 |
| 2021 | 36.4 | 40.1 | 96 | 71.6 | 12,735 | 61.1 |
| 2022 | 38.1 | -- | 43 | 45.7 | 15,175 | 63.0 |
| Not Available | | | | | | |
| 2020 | 0.1 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.1 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 2.7 | -- | 1 | 1.1 | 492 | 2.0 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 192 | 100.0 | 37,394 | 100.0 |
| 2021 | 100.0 | 100.0 | 134 | 100.0 | 20,841 | 100.0 |
| 2022 | 100.0 | -- | 94 | 100.0 | 24,074 | 100.0 |
| <i>Source: 2020, 2021, & 2022 D&B Data; 2020, 2021, & 2022 CRA Data; 2020 & 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Home Mortgage Loans

The distribution of home mortgage loans reflects overall adequate penetration when considering additional factors. As shown in the following table, LSB's lending percentage in low-income census tracts lags aggregate data; however, both demographic and aggregate data evidence that opportunities are minimal in these tracts. Similar performance occurred in the moderate-income census tracts where the bank's performance also lagged aggregate data. However, examiners noted increasing trends over the review period and significantly better performance in 2022 for both low- and moderate-income census tracts. Specifically, bank penetration percentages more than doubled for both tract categories from 2021 to 2022.

As stated previously, LSB expanded their Southern Assessment Area in 2022 to include the downtown Des Moines area where many low- and moderate-income tracts are located. The bank's office locations are not in close proximity to many of the low- or moderate-income tracts. This assessment area is also highly competitive. Within the low-income census tracts, 120 lenders reported originating 700 loans. Five lenders dominate the field, attaining nearly 25.0 percent of the market share by number of loans. Within the moderate-income census tracts, 205 lenders reported originating 5,635 loans. The same five lenders dominate the field, attaining 26.8 percent of the market share by number of loans. Management agreed that competition and bank locations are factors as most lending typically occurs in close proximity to an office. Finally, examiners noted and management agreed that 2022 home mortgage activity is most reflective of prior patterns and performance given the anomaly of high refinance volume due to low interest rates in 2020 and 2021.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|-----------------------------------|------------------------------|--------------|--------------|----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 2.6 | 1.2 | 11 | 0.4 | 948 | 0.1 |
| 2021 | 2.6 | 1.6 | 12 | 0.6 | 4,658 | 0.9 |
| 2022 | 2.7 | -- | 6 | 1.3 | 885 | 0.4 |
| Moderate | | | | | | |
| 2020 | 17.8 | 10.2 | 101 | 4.0 | 14,920 | 2.3 |
| 2021 | 17.8 | 12.6 | 102 | 5.1 | 18,988 | 3.6 |
| 2022 | 17.3 | -- | 54 | 11.4 | 9,161 | 4.2 |
| Middle | | | | | | |
| 2020 | 43.2 | 38.5 | 667 | 26.4 | 167,773 | 25.7 |
| 2021 | 43.2 | 39.6 | 626 | 31.1 | 175,237 | 33.3 |
| 2022 | 47.9 | -- | 182 | 38.5 | 58,694 | 27.0 |
| Upper | | | | | | |
| 2020 | 36.4 | 50.2 | 1,743 | 69.1 | 468,763 | 71.9 |
| 2021 | 36.4 | 46.2 | 1,274 | 63.3 | 327,950 | 62.2 |
| 2022 | 31.7 | -- | 230 | 48.6 | 148,530 | 68.3 |
| Not Available | | | | | | |
| 2020 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 0.4 | -- | 1 | 0.2 | 256 | 0.1 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 2,522 | 100.0 | 652,404 | 100.0 |
| 2021 | 100.0 | 100.0 | 2,014 | 100.0 | 526,833 | 100.0 |
| 2022 | 100.0 | -- | 473 | 100.0 | 217,526 | 100.0 |

Source: 2015 ACS Data; 2020 U.S. Census Data; 2020, 2021, & 2022 HMDA Data; 2020 & 2021 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of small farm loans reflects adequate penetration. The bank did not originate any small farm loans in low- or moderate-income geographies during the review period. Similar dispersion was noted at the prior evaluation. The low- and moderate-income tracts are primarily located in the metropolitan areas of Des Moines where limited agricultural lending opportunities exist. D&B's reporting reflects a small percentage of farms are located within these geography categories (total of 10.7 percent). Aggregate performance in low- and moderate-income

geographies shows 0.3 percent and 4.1 percent of small farm loans by number, respectively. As such, LSB’s lending dispersion corresponds to the loan product type and related demand.

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. LSB’s combined small business and small farm lending performance primarily supports this conclusion. Emphasis is placed on the bank’s record of lending to low- and moderate-income borrowers and to businesses and farms with gross annual revenues of \$1 million or less.

Small Business Loans

The distribution of borrowers reflects good penetration among businesses with gross annual revenues of \$1 million or less. SBA PPP lending influenced 2020 and 2021 reporting volume, whereas 2022 is more reflective of typical lending patterns. As illustrated in the following table, although 2021 notes an anomaly, the bank’s small business 2020 lending penetration is largely comparable to aggregate lending.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | | |
| 2020 | 86.2 | 40.4 | 86 | 44.8 | 8,597 | 23.0 |
| 2021 | 87.6 | 47.9 | 84 | 62.7 | 6,932 | 33.3 |
| 2022 | 90.2 | -- | 43 | 45.7 | 8,884 | 36.9 |
| >\$1,000,000 | | | | | | |
| 2020 | 4.5 | -- | 103 | 53.6 | 28,402 | 76.0 |
| 2021 | 3.9 | -- | 49 | 36.6 | 13,869 | 66.5 |
| 2022 | 2.9 | -- | 51 | 54.3 | 15,190 | 63.1 |
| Revenue Not Available | | | | | | |
| 2020 | 9.3 | -- | 3 | 1.6 | 395 | 1.1 |
| 2021 | 8.6 | -- | 1 | 0.7 | 40 | 0.2 |
| 2022 | 6.9 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 192 | 100.0 | 37,394 | 100.0 |
| 2021 | 100.0 | 100.0 | 134 | 100.0 | 20,841 | 100.0 |
| 2022 | 100.0 | -- | 94 | 100.0 | 24,074 | 100.0 |
| <i>Source: 2020, 2021, & 2022 D&B Data; 2020, 2021, & 2022 CRA Data; 2020 & 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Home Mortgage Loans

The bank's lending performance to low- and moderate-income home mortgage borrowers reflects adequate penetration, when considering additional factors. As shown in the following table, LSB's lending to low- and moderate-income borrowers lags aggregate data. However, penetration for both low- and moderate-income borrowers trended upward through the review period, resulting in even better levels being produced in 2022. Examiners also noted performance improvement for both borrower income categories when compared to the prior evaluation. According to 2020 U.S. Census data, the median housing value in the Southern Assessment Area is \$206,173, and 6.5 percent of families in the assessment area live below the poverty level. In addition, the adjusted 2021 median family income for the Des Moines-West Des Moines, Iowa MSA is \$86,700. As such, lower-income borrowers may face challenges in qualifying for a home mortgage loan. Competition is also a factor, to which management agreed, as 2021 HMDA aggregate data shows 247 different lenders reported 11,896 loans to low- and moderate-income borrowers.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|---------------|------------------------------|--------------|--------------|----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 20.5 | 7.9 | 42 | 2.1 | 3,781 | 0.7 |
| Moderate | 17.4 | 18.7 | 222 | 11.0 | 28,297 | 5.4 |
| Middle | 21.6 | 20.8 | 419 | 20.8 | 73,920 | 14.0 |
| Upper | 40.6 | 32.0 | 1,250 | 62.1 | 298,932 | 56.7 |
| Not Available | 0.0 | 20.5 | 81 | 4.0 | 121,903 | 23.1 |
| Totals | 100.0 | 100.0 | 2,014 | 100.0 | 526,833 | 100.0 |

*Source: 2015 ACS Data; 2021 HMDA Data; 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%.*

Small Farm Loans

The distribution of borrowers reflects good penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data, and when considering the low lending volume. As illustrated in the following table, the bank's small farm lending exceeds aggregate performance.

| Distribution of Small Farm Loans by Gross Annual Revenue Category | | | | | | |
|---|--------------|------------------------------|-----------|--------------|--------------|--------------|
| Gross Revenue Level | % of Farms | Aggregate Performance % of # | # | % | \$(000s) | % |
| <=\$1,000,000 | 97.1 | 59.7 | 11 | 84.6 | 840 | 74.7 |
| >1,000,000 | 1.7 | -- | 2 | 15.4 | 285 | 25.3 |
| Revenue Not Available | 1.2 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | 100.0 | 100.0 | 13 | 100.0 | 1,125 | 100.0 |

*Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data less lender; "--" data not available.
Due to rounding, totals may not equal 100.0%.*

Community Development Loans

LSB made an adequate level of community development loans in the Southern Assessment Area. The bank originated 11 community development loans totaling over \$22.6 million in support of affordable housing. Notably, the bank provided financing for several multi-family dwellings that offer units below fair market rent levels, which was an identified credit need by the community contact. LSB's dollar volume of community development loans in the Southern Assessment Area increased since the previous evaluation. When excluding PPP loans, the prior evaluation included eight community development loans totaling \$10.9 million in this area.

INVESTMENT TEST

LSB demonstrated low satisfactory performance under the Investment Test in the Southern Assessment Area. The bank's performance as described under the Investment and Grant Activity primarily supports this rating.

Investment and Grant Activity

LSB has an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those not routinely provided by private investors. The Southern Assessment Area received consideration for 63 qualified investments, grants, and donations totaling approximately \$4.8 million. All of the investment and donation activity occurred during the review period, as there were no qualified investments outstanding from the previous evaluation. The bank provided 61 donations or grants totaling approximately \$47,000 during the review period. The investments and donations supported community development through affordable housing, community services, economic development, and efforts to revitalize or stabilize low- and moderate-income geographies.

Responsiveness to Credit and Community Development Needs

LSB exhibits adequate responsiveness to the credit and community development needs of the Southern Assessment Area. There has been a significant increase in the total number and dollar volume of activity since the previous evaluation, when there were 20 donations totaling \$13,000 within the assessment area. A majority of the bank's community development investments and donations supported community services to low- and moderate-income individuals. The institution offered community development support in meaningful ways, including investments that provide funds for essential services and civic improvements in low- and moderate-income areas. Numerous donations to qualifying entities were made on an annual or recurring basis to ensure that those organizations have a stable funding source.

Community Development Initiatives

Although not particularly innovative, the bank continues to support the occasional use of complex investments for community development initiatives.

SERVICE TEST

LSB demonstrates low satisfactory performance under the Service Test in the Southern Assessment Area. Performance under Community Development Services and Accessibility of Delivery Systems primarily supports this conclusion.

Accessibility of Delivery Systems

LSB's delivery systems are reasonably accessible to essentially all portions of the assessment area. Of the three offices in this assessment area, one is located in a middle-income census tract and two are located in upper-income census tracts. All three offices are full-service locations, which include onsite ATMs. Furthermore, the alternative delivery methods provide further access to bank services and are consistent with those discussed in the bank's overall performance.

Changes in Branch Locations

No branches were opened or closed in the Southern Assessment Area during the evaluation period.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Services and business hours in this assessment area are consistent with the bank's overall performance.

Community Development Services

LSB provides an adequate level of community development services in this assessment area, with 27 qualifying services to 12 organizations. This represents an increase from the seven services that were provided to two organizations within the assessment area at the previous evaluation. The bank demonstrated its commitment and responsiveness to community needs by engaging in activities that promote affordable housing, provide community services, and initiate economic development. Notable examples include a bank employee who served as a chairperson of an organization providing affordable housing in low- and moderate income areas within the assessment area.

NORTHERN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NORTHERN ASSESSMENT AREA

The Northern Assessment Area includes all census tracts in Allamakee, Chickasaw, Clayton, Fayette, and Winneshiek counties, as well as the two northern census tracts in Bremer County. Bremer County is part of the Waterloo-Cedar Falls, Iowa MSA; however, the remainder of the assessment area is nonmetropolitan. The Northern Assessment Area does not substantially cross MSA boundaries, and the bank does not have a branch in Bremer County. In this assessment area, LSB operates from its main office in Luana, and two branches, all with an onsite ATM. At the previous evaluation, this assessment area included 14 census tracts within portions of Allamakee, Chickasaw, Clayton, Fayette, and Winneshiek counties. Census tracts in Clayton and Winneshiek

counties have been designated as underserved middle-income nonmetropolitan tracts since the last evaluation.

Economic and Demographic Data

According to 2020 U.S. Census data, this assessment area includes a total of 29 census tracts consisting of four moderate-, 23 middle-, and two upper-income census tracts; there are no low-income census tracts in this assessment area. A comparison of 2015 ACS data and 2020 U.S. Census data reflect changes in income designations, and the addition of 15 new census tracts. Specifically, the new census tracts consist of one moderate-, 12 middle-, and two upper-income tracts. Changes in income categories include Allamakee County census tract 9605 changed from moderate to middle income and Clayton County census tract 701 changed from middle to moderate income. The table below illustrates select demographic characteristics of the Northern Assessment Area.

| Demographic Information of the Assessment Area | | | | | | |
|---|--------|------------|------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 29 | 0.0 | 13.8 | 79.3 | 6.9 | 0.0 |
| Population by Geography | 87,124 | 0.0 | 14.1 | 75.8 | 10.1 | 0.0 |
| Housing Units by Geography | 43,569 | 0.0 | 14.5 | 77.2 | 8.3 | 0.0 |
| Owner-Occupied Units by Geography | 28,784 | 0.0 | 12.9 | 78.6 | 8.5 | 0.0 |
| Occupied Rental Units by Geography | 8,393 | 0.0 | 18.8 | 69.9 | 11.3 | 0.0 |
| Vacant Units by Geography | 6,392 | 0.0 | 15.9 | 80.5 | 3.6 | 0.0 |
| Businesses by Geography | 10,194 | 0.0 | 12.2 | 75.9 | 11.9 | 0.0 |
| Farms by Geography | 1,900 | 0.0 | 10.7 | 86.6 | 2.7 | 0.0 |
| Family Distribution by Income Level | 23,398 | 17.4 | 18.5 | 24.2 | 39.8 | 0.0 |
| Household Distribution by Income Level | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Median Family Income – Waterloo-Cedar Falls, Iowa MSA | | \$76,924 | Median Housing Value | | | \$136,884 |
| Median Family Income – Nonmetropolitan Iowa | | \$71,763 | Median Gross Rent | | | \$651 |
| | | | Families Below Poverty Level | | | 5.8% |

Source: 2020 U.S. Census and 2022 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

D&B data for 2022 indicates that service industries represent the largest portion of businesses in the assessment area at 28.1 percent; followed by non-classifiable establishments at 20.2 percent; agriculture, forestry, and fishing at 15.7 percent; and retail trade at 9.8 percent. In addition, 66.1 percent of area businesses have four or fewer employees, and 92.1 percent operate from a single location.

The table below presents the FFIEC-estimated median family income levels for the assessment area that are used to analyze home mortgage loans under the Borrower Profile criterion and to analyze certain community development activities.

| Median Family Income Ranges | | | | |
|--|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Waterloo-Cedar Falls, Iowa MSA Median Family Income | | | | |
| 2020 (\$73,200) | <\$36,600 | \$36,600 to <\$58,560 | \$58,560 to <\$87,840 | ≥\$87,840 |
| 2021 (\$78,000) | <\$39,000 | \$39,000 to <\$62,400 | \$62,400 to <\$93,600 | ≥\$93,600 |
| 2022 (\$90,100) | <\$45,050 | \$45,050 to <\$72,080 | \$72,080 to <\$108,120 | ≥\$108,120 |
| Nonmetropolitan Iowa Median Family Income | | | | |
| 2020 (\$69,200) | <\$34,600 | \$34,600 to <\$55,360 | \$55,360 to <\$83,040 | ≥\$83,040 |
| 2021 (\$70,500) | <\$35,250 | \$35,250 to <\$56,400 | \$56,400 to <\$84,600 | ≥\$84,600 |
| 2022 (\$78,900) | <\$39,450 | \$39,450 to <\$63,120 | \$63,120 to <\$94,680 | ≥\$94,680 |
| <i>Source: FFIEC</i> | | | | |

Competition

The Northern Assessment Area is moderately competitive with regard to the market for financial services. The FDIC Deposit Market Share Report of June 30, 2022, indicates that there are 33 institutions operating from 80 locations in the six counties comprising the assessment area. LSB ranks 1st with 26.0 percent market share. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area.

To further illustrate the level of competition and demand for home mortgage loans, 146 HMDA-reporting institutions reported originating or purchasing 2,244 home mortgage loans during 2021. LSB ranked 2nd with 12.2 percent of the market share by number of loans. CRA aggregate data for 2021 shows 59 lenders reported 2,755 small business loan originations, and 22 lenders reported 1,961 small farm loan originations in the bank’s assessment area counties.

Community Contacts

In conjunction with this evaluation, examiners referenced a previously conducted interview with a community representative knowledgeable about economic conditions within the Northern Assessment Area. According to the contact, area agricultural operations are split between dairy/beef farms (60.0 percent), crop farms (30.0 percent), and niche farms (e.g. beekeepers, etc.) (10.0 percent). In particular, Allamakee County has a high percentage of non-tillable land, which results in lower revenue; therefore, a majority of area farmers resort to livestock production. Current economic conditions are challenging for dairy operations as prices are oftentimes too low to cover expenses. Increasing production expenses have resulted in dairy farmers benefitting less from government subsidies than grain farmers. To comply with conservation plans, many landowners produce hay. Hay prices have declined in recent years, and there is no government funding programs for hay producers. Financing for land purchases is a credit need in the area; however,

land prices have risen in recent years, sometimes making it difficult for potential borrowers to provide the required down payments. Further, the higher land prices can result in higher loan payments than what the farmer can expect to receive for operation production, making the loan riskier for lenders. Other related credit needs in the area include financing for year-to-year crop operating inputs, farm purchases, hog confinement units, and beef mono-slope buildings.

The community representative stated that local banks are competitive, and reported that there is not a lack of available credit in the area. Further, it was observed that financial institutions struggle with a lack of experienced agricultural lenders. This can create a challenge when partnering with other agencies or programs, which find that newer lenders need training on most stages of specialized loan transactions. The contact also stated that community outreach efforts have not resumed to pre-pandemic levels in most industries, creating additional challenges.

Credit and Community Development Needs and Opportunities

Examiners reviewed information from the community contact, bank management, and demographic and economic data to determine assessment area needs and opportunities. Examiners concluded that agriculture, home mortgage, and commercial loans represent the primary credit needs of the Northern Assessment Area. The assessment area's community development needs are primarily related to affordable housing, economic development, and community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTHERN ASSESSMENT AREA

LENDING TEST

LSB demonstrated high satisfactory performance under the Lending Test in the Northern Assessment Area. Good performance in the Geographic Distribution and Borrower Profile criteria primarily contribute to this conclusion.

Lending Activity

LSB's lending activity performance in the Northern Assessment Area reflects excellent responsiveness to area credit needs. LSB reported 775 home mortgage loans, totaling \$95.5 million, in 2020, 2021, and 2022. An analysis of 2021 HMDA aggregate data shows that LSB ranked 2nd with 12.2 percent of the market share by number. LSB reported 1,008 small farm loans, totaling \$122.3 million, in 2020, 2021, and 2022, and ranked 3rd with 16.9 percent of the market share by number according to 2021 CRA aggregate data. LSB reported 769 small business loans, totaling \$32.3 million, in 2020, 2021, and 2022. An analysis of 2021 CRA aggregate data shows that LSB ranked 2nd with 15.6 percent of the market share by number of small business loan originations in the assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the Northern Assessment Area. The bank's good performance in all three products provide support for the overall conclusion. Emphasis is placed on the bank's record of lending in moderate-income census tracts.

Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the assessment area when compared to aggregate data. The bank's record of originating small farm loans in moderate-income geographies is slightly above aggregate lending data, as illustrated in the following table.

| Geographic Distribution of Small Farm Loans | | | | | | |
|--|-------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Farms | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 3.0 | 2.1 | 10 | 3.1 | 1,669 | 4.3 |
| Middle | 89.9 | 94.5 | 310 | 96.6 | 36,809 | 95.3 |
| Upper | 7.1 | 3.4 | 1 | 0.3 | 150 | 0.4 |
| Totals | 100.0 | 100.0 | 321 | 100.0 | 38,628 | 100.0 |

*Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0%.*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area when compared to aggregate data. The bank's record of originating home mortgage loans in moderate-income geographies is above aggregate data, as illustrated in the following table. Examiners noted an increasing trend of lending within the moderate-income census tracts through the review period.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 5.5 | 6.9 | 23 | 8.4 | 1,227 | 3.8 |
| Middle | 87.8 | 85.5 | 240 | 87.9 | 29,517 | 90.7 |
| Upper | 6.7 | 7.6 | 10 | 3.7 | 1,812 | 5.6 |
| Totals | 100.0 | 100.0 | 273 | 100.0 | 32,556 | 100.0 |

*Source: 2015 ACS Data; 2021 HMDA Data; 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0%.*

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area when compared to aggregate data. As shown in the following table, the bank's record of originating small business loans, by number, in moderate-income geographies is comparable to aggregate data.

| Geographic Distribution of Small Business Loans | | | | | | |
|---|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 5.0 | 4.3 | 19 | 4.5 | 292 | 3.1 |
| Middle | 86.8 | 90.2 | 395 | 93.2 | 9,030 | 95.1 |
| Upper | 8.1 | 5.4 | 10 | 2.4 | 171 | 1.8 |
| Totals | 100.0 | 100.0 | 424 | 100.0 | 9,493 | 100.0 |
| <i>Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and farm and business customers of different sizes. The bank's small farm performance primarily supports this conclusion. Emphasis is placed on the bank's record of lending to low- and moderate-income borrowers and to farms and businesses with gross annual revenues of \$1 million or less.

Small Farm Loans

The distribution of borrowers reflects good penetration among farms with gross annual revenues of \$1 million or less when compared to aggregate data. As illustrated in the following table, the bank's small farm lending is modestly better than aggregate performance.

| Distribution of Small Farm Loans by Gross Annual Revenue Category | | | | | | |
|---|-------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | Aggregate Performance % of # | # | % | \$(000s) | % |
| <=\$1,000,000 | 98.4 | 70.6 | 238 | 74.1 | 25,656 | 66.4 |
| >1,000,000 | 1.2 | -- | 83 | 25.9 | 12,972 | 33.6 |
| Revenue Not Available | 0.4 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | 100.0 | 100.0 | 321 | 100.0 | 38,628 | 100.0 |
| <i>Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data less lender; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Home Mortgage Loans

The distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers, when considering additional context. As reflected in the following table, bank penetration levels are largely lower than comparable aggregate and demographic data for both low- and moderate-income borrowers. However, examiners noted an increasing trend over the review period in lending to low-income borrowers, and 2022 lending penetration to both low- and moderate-income borrowers showed marked improvement. In

addition, examiners noted and management agreed that 2022 home mortgage activity is most reflective of prior patterns and performance given the anomaly of high refinance volume due to low interest rates in 2020 and 2021. Further, according to 2020 U.S. Census data, the median housing value in the Northern Assessment Area is \$136,884, and 5.8 percent of families in the assessment area live below the poverty level. In addition, the adjusted 2021 median family income for the nonmetropolitan area is \$70,500. As such, lower-income borrowers may face challenges in qualifying for a home mortgage loan. Management agreed that competition is also a factor, as 2021 HMDA aggregate data shows 92 different lenders reported 726 loans to low- and moderate-income borrowers.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 18.2 | 7.8 | 8 | 2.3 | 473 | 1.1 |
| 2021 | 18.2 | 10.2 | 10 | 3.7 | 498 | 1.5 |
| 2022 | 17.4 | -- | 12 | 7.5 | 751 | 4.1 |
| Moderate | | | | | | |
| 2020 | 20.3 | 20.6 | 56 | 16.4 | 4,755 | 10.7 |
| 2021 | 20.3 | 22.2 | 41 | 15.0 | 2,961 | 9.1 |
| 2022 | 18.5 | -- | 47 | 29.4 | 4,078 | 22.1 |
| Middle | | | | | | |
| 2020 | 23.7 | 21.7 | 78 | 22.8 | 8,959 | 20.1 |
| 2021 | 23.7 | 22.9 | 77 | 28.2 | 8,049 | 24.7 |
| 2022 | 24.3 | -- | 38 | 23.8 | 3,879 | 21.1 |
| Upper | | | | | | |
| 2020 | 37.8 | 35.6 | 150 | 43.9 | 23,002 | 51.7 |
| 2021 | 37.8 | 30.6 | 123 | 45.1 | 18,942 | 58.2 |
| 2022 | 39.8 | -- | 50 | 31.3 | 7,885 | 42.8 |
| Not Available | | | | | | |
| 2020 | 0.0 | 14.4 | 50 | 14.6 | 7,337 | 16.5 |
| 2021 | 0.0 | 14.1 | 22 | 8.1 | 2,106 | 6.5 |
| 2022 | 0.0 | -- | 13 | 8.1 | 1,817 | 9.9 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 342 | 100.0 | 44,526 | 100.0 |
| 2021 | 100.0 | 100.0 | 273 | 100.0 | 32,556 | 100.0 |
| 2022 | 100.0 | -- | 160 | 100.0 | 18,410 | 100.0 |

Source: 2015 ACS and 2020 U.S. Census Data; 2020, 2021, & 2022 HMDA Data; 2020 & 2021 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, the bank's small business lending far exceeds respective aggregate lending data.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| <=\$1,000,000 | 84.8 | 74.5 | 404 | 95.3 | 8,086 | 85.2 |
| >1,000,000 | 4.1 | -- | 20 | 4.7 | 1,407 | 14.8 |
| Revenue Not Available | 11.1 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | 100.0 | 100.0 | 424 | 100.0 | 9,493 | 100.0 |

Source: 2021 D&B Data; 2021 CRA Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.

Community Development Loans

LSB made an adequate level of community development loans in the Northern Assessment Area. The bank originated five community development loans totaling nearly \$8.8 million in this assessment area that received consideration during the evaluation. These loans supported affordable housing and promoted economic development by creating or retaining employment for low- to moderate-income individuals and providing vital operating funds for qualifying operations. Notably, LSB provided large dollar financing to agricultural operations that aided in the retention of workers earning income below the area's moderate-income threshold. The bank's level of community development loans in the Northern Assessment Area is comparable to the prior evaluation. When excluding PPP loans, the prior evaluation included six community development loans totaling \$7.2 million in this area.

INVESTMENT TEST

LSB demonstrated low satisfactory performance under the Investment Test in the Northern Assessment Area. The bank's performance as described under the Investment and Grant Activity section primarily supports this rating.

Investment and Grant Activity

LSB has an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those not routinely provided by private investors. The Northern Assessment Area received consideration for 91 qualified investments, grants, and donations totaling approximately \$2.2 million. This included three investments totaling \$1.4 million that were made prior to the evaluation period but remained outstanding as of the review date. The bank provided 83 donations or grants totaling approximately \$61,000 during the review period. There was an increase in the number of investments and donations but a decrease in the overall dollar volume compared to the previous evaluation. At the previous evaluation, there were 47 investments and donations totaling \$3.8 million within the assessment area. The investments and donations supported community development through affordable housing, community services, economic development, and efforts to revitalize or stabilize underserved middle-income geographies and moderate-income census tracts.

Responsiveness to Credit and Community Development Needs

LSB exhibits adequate responsiveness to the credit and community development needs of the Northern Assessment Area. A majority of the bank's community development investments and donations supported efforts to revitalize or stabilize underserved middle-income geographies and moderate-income census tracts. The institution offered community development support in meaningful ways, including investments to build or renovate school buildings in an underserved area where a majority of the students receive free or reduced-price lunch. In addition, LSB regularly donated vital computers and other information technology equipment to local organizations in underserved areas. Various donations to qualifying entities were made on an annual or recurring basis to ensure that those organizations have a stable funding source.

Community Development Initiatives

LSB occasionally uses innovative and/or complex investments to support community development initiatives in the Northern Assessment Area.

SERVICE TEST

LSB demonstrates low satisfactory performance under the Service Test in the Northern Assessment Area. Performance under Community Development Services and Accessibility of Delivery Systems primarily supports this conclusion.

Accessibility of Delivery Systems

LSB's delivery systems are reasonably accessible to essentially all portions of the assessment area. All three offices in this assessment area are located in a middle-income census tracts, including two offices located in underserved middle-income geographies. All three offices are full-service locations, which include onsite ATMs. Furthermore, the alternative delivery methods provide further access to bank services and are consistent with those discussed in the bank's overall performance.

Changes in Branch Locations

No branches were opened or closed in the Northern Assessment Area during the evaluation period.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment area, particularly the moderate-income geographies and/or low- and moderate-income individuals. Services and business hours in this assessment area are consistent with the bank's overall performance.

Community Development Services

LSB provides an adequate level of community development services in this assessment area, with 33 qualifying services to 11 organizations. This represents an increase from the 20 qualifying services that were provided to seven organizations within the assessment area at the previous evaluation. The bank demonstrated its commitment and responsiveness to community needs by engaging in activities that promote affordable housing, provide community services, initiate economic development, and revitalize and stabilize designated areas. A notable example includes three bank employees who served as Board members or officers for an organization that not only focused on affordable housing, but was also operates in an underserved middle-income area.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;

- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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

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

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected

to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent

counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent

entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures

are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.