

PUBLIC DISCLOSURE

June 9, 2020

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

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

Luana Savings Bank (LSB)'s satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable, given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of its home mortgage, small farm, and small business loans inside the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects an overall reasonable penetration among farms and businesses of different revenue sizes and individuals of varying income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated an overall adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment areas.

DESCRIPTION OF INSTITUTION

LSB is a full-service bank that is wholly-owned by Luana Bancorporation of Luana, Iowa, a one-bank holding company. The institution’s main office is in Luana, Iowa, and it has branches in Clive, New Hampton, Norwalk (new since the prior CRA evaluation), Ossian, and Polk City, Iowa. No branches have been closed and no merger or acquisition activities have occurred since the previous evaluation. The institution operates from two assessment areas, which are detailed in other sections of this document. LSB does not have any affiliates or subsidiaries that are relevant to the CRA evaluation. The institution received an overall CRA rating of Satisfactory at the previous FDIC CRA evaluation of April 10, 2017, using Interagency Intermediate Small Institution Examination Procedures.

LSB offers a variety of credit products, including residential real estate, agricultural, commercial, and consumer loans. The institution’s primary focus is on residential real estate lending, though agricultural credits are also a focus in the Northern assessment area. Alternative loan services that are designed to assist business, agricultural, 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. LSB offers various deposit products, including savings and checking accounts, certificates of deposit, Individual Retirement Accounts, and Health Savings Accounts. Alternative banking services include internet, mobile, and telephone banking; electronic bill pay and statements; automated teller machines (ATMs); and night deposit drop facilities. One full-service ATM is installed at each of the institution’s six locations. The following table illustrates LSB’s branch and ATM distribution, along with census tract income and population information for the combined assessment areas.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Moderate	4	6.5	14,542	4.4	0	0.0	0	0.0
Middle	36	58.1	160,658	49.1	4	66.7	4	66.7
Upper	22	35.5	151,788	46.4	2	33.3	2	33.3
Totals	62	100.0	326,988	100.0	6	100.0	6	100.0

*Source: 2015 ACS Census and Bank Data
Due to rounding, totals may not equal 100.0*

Ability and Capacity

According to the March 31, 2020, Consolidated Reports of Condition and Income (Call Report), total assets were approximately \$1.592 billion, which includes approximately \$1.285 billion in total loans and \$175.6 million in total securities. Total deposits were approximately \$1.032 billion. Total assets have grown by 82.8 percent over the review period, fueled by an 87.7 percent increase in total loans and a 31.0 percent increase in total securities. Total deposits increased 36.0 percent

during the review period. Management attributed the rise in total loans to strong demand, especially in the Des Moines area. The rise in total deposits was attributed to a growing customer base over the review period, as well as development of deeper relationships with loan customers who bring their deposit accounts to the institution. The distribution of loan types, as a percentage of the total loan portfolio, remained generally constant. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 03/31/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	75,384	5.9
Secured by Farmland	337,904	26.3
Secured by 1-4 Family Residential Properties	374,584	29.2
Secured by Multifamily (5 or more) Residential Properties	221,552	17.2
Secured by Nonfarm Nonresidential Properties	179,195	13.9
Total Real Estate Loans	1,188,619	92.5
Commercial and Industrial Loans	19,000	1.5
Agricultural Production and Other Loans to Farmers	59,155	4.6
Consumer Loans	17,805	1.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	28	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	1,284,607	100.0
<i>Source: Reports of Condition and Income</i>		

Regulatory personnel did not identify any legal, financial, or other impediments that affect the institution’s ability to meet the credit or community development needs of the 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 defined two assessment areas, which have been designated as the Northern and Southern assessment areas. Both assessment areas are within the State of Iowa. The Northern assessment area is located in the northeast portion of Iowa, and is comprised of the entirety of Chickasaw County, as well as portions of Allamakee, Clayton, Fayette, and Winneshiek counties. The Southern assessment area is located in central Iowa, and includes portions of Dallas, Polk, and Warren counties. The census tracts in Warren County were added late in 2019, when LSB opened the Norwalk branch.

A more detailed discussion of each assessment area, including economic and demographic data, competition, and credit and community development needs and opportunities can be found in the corresponding assessment area sections of this evaluation.

SCOPE OF EVALUATION

General Information

The current evaluation covers the review period of April 10, 2017, to June 9, 2020. Examiners used Interagency Intermediate Small Bank Examination Procedures, which include a review of the institution’s performance under the Lending Test and the Community Development Test. These tests are defined in the appendix. Examiners performed a full-scope review of the institution’s performance in both assessment areas. Reviews of performance considered the institution’s lending activity in relation to the demographics and credit needs of both assessment areas. Given management’s assertions regarding the institution’s lending focus and lending efforts, equal weight was given to the results of the evaluation in the both assessment areas. 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	358,088	29.3	798,909	90.4	3	50.0
Southern	861,983	70.7	84,573	9.6	3	50.0
Total	1,220,071	100.0	883,482	100.0	6	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2019)

Activities Reviewed

The bank’s major product lines are home mortgage, small farm, and small business loans. This conclusion considered the bank’s business strategy, bank records containing the number and dollar volume of loans originated since the prior evaluation, and March 31, 2020 Call Report data, which shows residential real estate, agricultural, and commercial loans representing 46.4, 30.9, and 15.4 percent of the portfolio, respectively. Home mortgage lending was given greater weight in both assessment areas, and small farm lending was also weighted heavier in the Northern assessment area.

LSB’s performance under the Lending Test was assessed by reviewing small farm and small business loans originated or renewed from January 1, 2019, through December 31, 2019. Management indicated that this timeframe would be representative of the entire review period. Examiners reviewed the universe of small farm and small business lending during that time period to evaluate performance under Assessment Area Concentration and Geographic Distribution. The total universe of small farm loans was 567 loans totaling approximately \$62.3 million, and the total universe of small business loans was 229 loans totaling approximately \$30.0 million. Examiners then randomly selected a sample of loans originated and renewed inside each assessment area during that same period for the Borrower Profile analyses. The sample of small farm loans included 69 loans totaling approximately \$6.5 million, and 51 small business loans totaling approximately \$6.8 million. D&B data for 2019 provided a standard of comparison for small farm and small business lending.

Examiners also reviewed home mortgage loan data collected under the Home Mortgage Disclosure Act (HMDA) for 2018 and 2019 to evaluate residential real estate lending efforts. Specifically, examiners reviewed 892 loans totaling approximately \$180.7 million for 2018, and 1,642 loans totaling approximately \$413.0 million for 2019. Home mortgage lending performance was compared to 2015 American Community Survey (ACS) data, as well as HMDA aggregate lending data. The institution's HMDA lending performance in 2018 and 2019 is presented in this evaluation. For 2018 lending, examiners primarily focused on comparisons to 2018 aggregate lending data, the most recent year available, since this data is a better indicator of market conditions and loan demand than demographic data.

Examiners analyzed lending performance by both the number and dollar volume of loans; however, the performance by number of loans is emphasized in this evaluation, as it is generally a better indicator of the number of individuals, farms, and businesses served.

Examiners reviewed management-provided data on community development loans, qualified investments, and community development services for the Community Development Test. The review period for this information was also April 10, 2017, through the current evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA - INSTITUTION

LENDING TEST

Overall, the institution demonstrated satisfactory performance under the Lending Test. Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance relative to home mortgage, small farm, and small business lending primarily supports this conclusion.

Loan-to-Deposit Ratio

The institution's loan-to-deposit ratio is more than reasonable, given the institution's size, financial condition, and credit needs of the assessment areas. The net loan-to-deposit ratio averaged 111.1 percent over the past 12 quarters from June 30, 2017, to March 31, 2020. The ratio ranged from a low of 90.2 percent as of June 30, 2017, to a high of 124.3 percent as of December 31, 2019. LSB's average net loan-to-deposit ratio was compared to that of three similarly-situated institutions operating in or near LSB's assessment areas. Comparable financial institutions were selected based on asset size, geographic location, and lending focus. While the other lenders exhibited an overall downward trend in their ratios due to fluctuations in total deposits that were proportionately larger than those of net loans, LSB's average exhibited an overall rising trend throughout the evaluation period due to fluctuations in total deposits and large, steady gains in net loans. The results of this review are illustrated in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2020 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
LSB, Luana, Iowa	1,591,527	111.1
Fidelity Bank & Trust, Dubuque, Iowa	1,360,691	85.2
Lincoln Savings Bank, Reinbeck, Iowa	1,355,684	98.5
Bank Iowa, West Des Moines, Iowa	1,481,359	81.8

Source: Reports of Condition and Income 06/30/2017 – 3/31/2020

Assessment Area Concentration

The institution made a majority of its home mortgage, small farm, and small business loans, by number and dollar amount, within its assessment areas. Overall, this concentration demonstrates the bank's willingness to meet the credit needs of the assessment areas. See the following table for details.

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										
2018	578	64.8	314	35.2	892	111,414	61.7	69,282	38.3	180,696
2019	1,119	68.1	523	31.9	1,642	268,781	65.1	144,238	34.9	413,019
Subtotal	1,697	67.0	837	33.0	2,534	380,195	64.0	213,520	36.0	593,715
Small Farm*	382	67.4	185	32.6	567	38,613	62.0	23,658	38.0	62,271
Small Business*	176	76.9	53	23.1	229	23,139	77.2	6,840	22.8	29,979

*Source: 1/1/2018 - 12/31/2019 HMDA Data; *1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

The geographic distribution of loans reflects overall reasonable dispersion throughout the assessment areas. Performance is not consistent throughout the assessment areas, which were weighted equally. Reasonable performance in the Southern assessment area, which contains more moderate-income census tracts, primarily supports the overall conclusion. Refer to comments under each separately analyzed assessment area for specific analyses.

Borrower Profile

The distribution of borrowers reflects an overall reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels. Performance is not consistent throughout the two assessment areas, which were weighted equally. Reasonable performance in the Northern assessment area, where all three loan products reviewed are a lending focus of the institution, primarily supports the overall conclusion. Refer to comments under each separately analyzed assessment area for specific analyses.

Response to Complaints

LSB has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates overall adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity to provide community development assets, as well as the need and availability of such opportunities within the institution's assessment areas. Performance in both assessment areas was weighted equally, as was performance between the community development loans, qualified investments, and community development services for the overall conclusion of the Community Development Test. LSB was responsive in providing community development lending and qualified investments; the institution was less than responsive in the area of community development services.

Community Development Loans

The institution originated 223 community development loans totaling approximately \$38.7 million during the evaluation period. LSB participated as a designated lender for the SBA's Paycheck Protection Program (PPP) loans during the review period. Under this program, the institution originated 204 (out of 223) loans totaling approximately \$8.7 million that provided financial aid to businesses impacted by the COVID-19 pandemic. LSB also extended loans to entities in an effort to provide affordable housing; promote economic development by supporting permanent job creation, retention, and/or improvement for low- and moderate-income persons; and for activities that revitalize or stabilize moderate-income geographies.

The institution's community development loans represented 3.0 percent of net loans and 2.4 percent of total assets as of March 31, 2020. A comparable institution had ratios of 2.0 percent of net loans and 1.7 percent of total assets; however, this comparable institution's ratios did not include PPP participation due to the timing of the data collected. When excluding the PPP loans, LSB's community development loans represented 2.4 percent of net loans and 1.9 percent of total assets as of March 31, 2020. LSB's performance compares well to the referenced institution. Community development lending for this institution reflects an increase in both dollar volume and ratios since the prior evaluation. As LSB was responsive to needs inside its assessment areas, qualifying community development loans, including PPP loans, which benefitted a broader statewide or regional area that included the bank's assessment areas were considered in the analysis. Details on the bank's community development loans for the individual assessment areas are located later in this evaluation. The following tables illustrate community development lending activity by assessment area and year.

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	1,103	0	0	116	8,839	1	175	118	10,117
Southern	7	9,393	0	0	45	3,607	0	0	52	13,000
Statewide	5	11,895	0	0	48	3,695	0	0	53	15,590
Total	13	22,391	0	0	209	16,141	1	175	223	38,707

Source: Bank Data

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
April-December 2017	1	3,298	0	0	0	0	0	0	1	3,298
2018	2	6,175	0	0	1	1,500	1	175	4	7,850
2019	8	7,514	0	0	2	2,125	0	0	10	9,639
Year-to-Date 2020	2	5,404	0	0	206	12,516	0	0	208	17,920
Total	13	22,391	0	0	209	16,141	1	175	223	38,707

Source: Bank Data

Qualified Investments

The institution's 84 qualified investments totaled approximately \$5.2 million. Qualified donations and investments funded since the previous evaluation were considered under this component, as well as qualifying investments purchased prior to this evaluation that are still outstanding. The total includes 25 qualified equity investments of approximately \$5.1 million and 59 donations of approximately \$99,000. Through its investments and donations, LSB supported the community development needs through affordable housing, community services to low- and moderate-income individuals, economic development, and revitalization or stabilization efforts.

The bank's qualified investment and donation activity represents 0.3 percent of total assets and 3.1 percent of total securities as of March 31, 2020. The institution's performance in qualified investments is comparable to the a similarly-situated institution, which reported qualified investments to total assets of 0.6 percent and qualified investments to total securities of 4.5 percent. LSB's volume of qualified investments reflects a decrease in number, but an increase in dollar volume since the prior evaluation. As LSB was responsive to needs inside its assessment areas, qualifying investments that benefitted a broader statewide or regional area that included the bank's assessment areas were included in the analysis. Details on the bank's qualified investments for the individual assessment areas are located later in this evaluation. The following tables illustrate qualified investment activity by assessment area 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	0	0	12	6	1	1	34	3,810	47	3,817
Southern	0	0	11	7	9	6	0	0	20	13
Statewide	13	356	0	0	0	0	4	1,056	17	1,412
Total	13	356	23	13	10	7	38	4,866	84	5,242

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	10	2,697	10	2,697
April-December 2017	3	30	0	0	0	0	0	0	3	30
2018	4	88	0	0	0	0	1	1,330	5	1,418
2019	4	149	0	0	0	0	1	760	5	909
Year-to-Date 2020	2	89	0	0	0	0	0	0	2	89
Subtotal	13	356	0	0	0	0	12	4,787	25	5,143
Qualified Grants & Donations	0	0	23	13	10	7	26	79	59	99
Total	13	356	23	13	10	7	38	4,866	84	5,242

Source: Bank Data

Community Development Services

LSB employees provided 27 instances of financial expertise or technical assistance to ten different community development-related organizations during the evaluation period. This represents a marked decrease in services provided to community development-related organizations and instances of services since the previous evaluation. The last evaluation noted 48 instances of services provided to 15 different organizations. Institution personnel assisted organizations in providing affordable housing, providing community services to primarily low- and moderate-income individuals, promoting economic development, and revitalizing or stabilizing moderate-income areas. LSB's community development services do not compare favorably to a similarly-situated institution, which reported providing technical or financial services 63 times in a recent evaluation. Further details on qualified services are provided later under the individual assessment area comments. The following tables illustrate community development services by assessment area and activity year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Northern	2	9	0	9	20
Southern	0	0	7	0	7
Statewide	0	0	0	0	0
Total	2	9	7	9	27

Source: Bank Data

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
April-December 2017	2	3	2	2	9
2018	0	2	1	3	6
2019	0	2	2	2	6
Year-to-Date 2020	0	2	2	2	6
Total	2	9	7	9	27

Source: Bank Data

In addition to community development services, LSB offers retail and alternative banking products and services that are readily accessible throughout both assessment areas, including to low- and moderate-income individuals. These include services such as online and mobile banking, mobile check deposit, online bill payment, and electronic periodic statements. A free checking account is offered with no minimum balance or service fees for consumers. The main office in Luana is near the moderate-income census tract of Allamakee County in the Northern assessment area. Each physical location has an ATM, and two branches in the Northern assessment area are located in designated underserved middle-income nonmetropolitan areas. In response to the effects of the COVID-19 pandemic, LSB implemented measures to accommodate affected customers, including loan modifications without fees, waiving certificate of deposit early withdrawal fees, and forgiving overdraft fees. As previously stated, LSB processed 204 loans for small businesses through the SBA’s PPP, which helped the economic development of the assessment areas. Lastly, the institution recently started a program to allow personnel to take paid leave for volunteering at organizations that may or may not qualify for CRA credit.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs; therefore, this consideration did not affect the institution’s overall CRA rating.

NORTHERN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NORTHERN ASSESSMENT AREA

LSB’s business operations in the Northern assessment area include the main office, two branch offices, and a total of three ATMs (one at each location). The assessment area consists of Allamakee County census tracts 9604 and 9605; Chickasaw County census tracts 701 – 704; Clayton County census tracts 701 – 703; Fayette County census tracts 801,806, and 807; and Winneshiek County census tracts 9504 and 9505. All census tracts in the assessment area are middle-income in nature except Allamakee County census tract 9605, which changed from middle- to moderate-income with the release of the 2015 ACS data. No other significant demographic changes have occurred in the assessment area. The entire assessment area is non-metropolitan in nature. The main office in Luana is located in Clayton County census tract 702; the Ossian office is located in Winneshiek County census tract 9504; and the New Hampton office is located in Chickasaw County census tract 704; all are middle-income census tracts. Clayton and Winneshiek counties have been designated as underserved middle-income geographies dating to before the previous evaluation, and the entire assessment area has been affected by three federal disaster declarations that were issued since July 19, 2017.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Northern Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	92.9	0.0	0.0
Population by Geography	44,004	0.0	7.1	92.9	0.0	0.0
Housing Units by Geography	21,043	0.0	6.3	93.7	0.0	0.0
Owner-Occupied Units by Geography	14,681	0.0	5.3	94.7	0.0	0.0
Occupied Rental Units by Geography	3,981	0.0	10.3	89.7	0.0	0.0
Vacant Units by Geography	2,381	0.0	5.4	94.6	0.0	0.0
Businesses by Geography	3,520	0.0	6.4	93.6	0.0	0.0
Farms by Geography	969	0.0	4.4	95.6	0.0	0.0
Family Distribution by Income Level	12,510	17.8	20.2	23.4	38.5	0.0
Household Distribution by Income Level	18,662	21.6	17.6	19.6	41.1	0.0
Median Family Income - Nonmetropolitan Iowa		\$61,681	Median Housing Value			\$114,684
			Median Gross Rent			\$581
			Families Below Poverty Level			9.9%

Source: 2015 ACS Census and 2019 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*

Service industries are the leading type of business in the assessment area, comprising 30.8 percent of total businesses; followed by agriculture, forestry & fishing at 21.6 percent; retail trade at 10.1 percent, and non-classifiable establishments at 9.4 percent. Employers with four or less employees comprise 73.3 percent of all employers in the assessment area, and 90.0 percent of all businesses operate from a single location.

According to Iowa Workforce Development data, unemployment has increased in all counties of the Northern assessment area. Unemployment in the area was highly influenced by the beginning of the economic impact related to the COVID-19 pandemic, as illustrated in the March and April 2020 data. Prior to March, unemployment had risen slightly in Chickasaw, Clayton, and Fayette counties, and had decreased slightly in Allamakee and Winneshiek counties. The following table illustrates the specific unemployment rate changes from March and April 2019 to March and April 2020.

Unemployment Rates				
Northern Assessment Area	March 2019	March 2020	April 2019	April 2020
	%	%	%	%
Allamakee County	5.5	6.1	3.7	10.3
Chickasaw County	3.5	4.7	2.6	11.9
Clayton County	5.9	6.9	3.5	11.2
Fayette County	4.7	5.5	3.4	10.9
Winneshiek County	4.1	4.7	2.8	11.4
State of Iowa	2.7	3.7	2.7	10.2

Source: Iowa Workforce Development

The 2018 and 2019 FFIEC-updated median family income levels were used to analyze home mortgage lending under the Borrower Profile analysis. The following table illustrates the median family income ranges for the State of Iowa nonmetropolitan areas.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$67,800)	<\$33,900	\$33,900 to <\$54,240	\$54,240 to <\$81,360	≥\$81,360
2019 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280

Source: FFIEC

Competition

The FDIC Deposit Market Share Report as of June 30, 2019, indicates that LSB’s Northern assessment area is very competitive. There are a total of 31 financial institutions operating from 65 physical locations in the counties comprising the assessment area. Of these institutions, LSB ranks 1st with 22.5 percent of the deposit market share of the area.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the bank's assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit or community development opportunities are available.

Examiners referenced a recent community contact from an economic development organization in the assessment area. The contact stated that there is a variety of different communities in the area, but that the principal driver of the economy is agricultural production. A slight loss of employment in the area overall has affected the local economy. Agricultural producers are struggling as commodity prices have decreased over recent years. The area has been subject to disaster declarations in recent years, mainly for flooding in crop areas, which has also affected agricultural producers. The contact also stated that there are many small businesses in the area that likely need assistance, such as revolving loan programs. Residential real estate ownership is very high. There is low availability of rental properties, including affordable housing, and very little in the way of multi-family housing. The contact stated that rental properties, as a whole, are needed in the area. The contact stated that financial institutions are trying to provide agricultural, commercial, and residential real estate credit in the area, and that bankers are very involved in their communities.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and multi-family structure loans, small farm loans, and small business loans represent the primary credit needs of the assessment area. Additionally, community development needs including affordable housing, economic development, community services targeted to low- and moderate-income individuals, and revitalizing and stabilizing the moderate-income geography or disaster areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTHERN ASSESSMENT AREA

LENDING TEST

LSB demonstrated reasonable performance in the Northern assessment area. The institution's reasonable Borrower Profile performance primarily supports this conclusion.

Geographic Distribution

The distribution of borrowers reflects an overall excellent penetration of loans throughout the assessment area. LSB's excellent home mortgage and small business lending performance primarily supports this conclusion. Examiners focused on the percentage by number of home mortgage, small farm, and small business loans made in the one moderate-income census tract of the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects an overall excellent penetration of the moderate-income census tract and distribution of loans inside the assessment area. LSB's performance in 2018 shows a lending percentage to borrowers in the moderate-income census tract

higher than that of aggregate performance data, and 2019 performance data shows a lending percentage double that of ACS data. The institution's performance is illustrated in the following table.

Geographic Distribution of Home Mortgage Loans						
Northern Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2018	5.3	4.9	11	8.6	599	4.3
2019	5.3	--	20	10.6	2,435	13.2
Middle						
2018	94.7	95.1	117	91.4	13,248	95.7
2019	94.7	--	169	89.4	16,056	86.8
Totals						
2018	100.0	100.0	128	100.0	13,847	100.0
2019	100.0	--	189	100.0	18,491	100.0

*Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data; 2018 HMDA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0*

Small Farm Loans

The distribution of small farm loans in this assessment area is reasonable. The institution's lending to farms in the moderate-income census tract is in line with D&B data. The institution's performance is illustrated in the table below.

Geographic Distribution of Small Farm Loans					
Northern Assessment Area					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	4.4	13	3.9	1,015	3.2
Middle	95.6	319	96.1	30,408	96.8
Totals	100.0	332	100.0	31,423	100.0

*Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0*

Small Business Loans

The distribution of small business loans in the assessment area is excellent, nearly doubling the percentage of loans originated in the moderate-income area versus D&B data. The institution's performance is illustrated in the following table.

Geographic Distribution of Small Business Loans					
Northern Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	6.4	11	11.0	459	7.7
Middle	93.6	89	89.0	5,511	92.3
Totals	100.0	100	100.0	5,970	100.0
<i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels. Examiners focused on the percentage of small farm and small business loans to agricultural and business operations with gross annual revenues of \$1 million or less, as well as the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

Overall, the distribution of home mortgage lending in the Northern assessment area among borrowers of differing incomes is reasonable. Lending to low-income borrowers in 2018 is nearly on par with the aggregate performance benchmark, and lending in 2019 was below the ACS benchmark, which is considerably higher than the aggregate performance benchmark. ACS data shows that 9.9 percent of families in the assessment area have incomes below the poverty level, which is over half of the identified percentage of families in the assessment area for this income level. These families would likely find great difficulty affording the down payment or meeting underwriting guidelines for home mortgage loans based upon their income. Lending to moderate-income borrowers in 2018 was below the aggregate performance benchmark, but LSB's 2019 performance exceeds that of ACS benchmark data and shows an upward trend. The institution's overall distribution of lending to low-and moderate-income borrowers is reasonable, as illustrated in the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Northern Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	17.9	10.7	12	9.4	539	3.9
2019	17.9	--	14	7.4	619	3.3
Moderate						
2018	20.2	26.5	23	18.0	1,690	12.2
2019	20.2	--	42	22.2	2,661	14.4
Middle						
2018	23.4	24.5	30	23.4	2,436	17.6
2019	23.4	--	49	25.9	4,025	21.8
Upper						
2018	38.5	29.9	53	41.4	7,760	56.0
2019	38.5	--	69	36.5	8,612	46.6
Not Available						
2018	0.0	8.3	10	7.8	1,422	10.3
2019	0.0	--	15	7.9	2,574	13.9
Totals						
2018	100.0	100.0	128	100.0	13,847	100.0
2019	100.0	--	189	100.0	18,491	100.0
Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data; 2018 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

Small Farm Loans

The distribution of small farm lending in the assessment area is reasonable. Though the institution's percentage of lending to farms with gross annual revenues of \$1 million or less is slightly below the percentage of farms in that category, it is still commensurate with the benchmark data. The institution's performance is illustrated in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Northern Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.1	46	93.9	2,782	82.6
>1,000,000	1.4	3	6.1	586	17.4
Revenue Not Available	0.4	0	0.0	0	0.0
Total	100.0	49	100.0	3,368	100.0
<i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Small Business Loans

The distribution of small business lending in the assessment area is reasonable, as the percentage of lending provided to businesses with gross annual revenues of \$1 million or less slightly exceeds that of benchmark data. The institution’s performance is illustrated in the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Northern Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.4	25	86.2	877	78.5
>1,000,000	5.1	4	13.8	240	21.5
Revenue Not Available	12.6	0	0.0	0	0.0
Total	100.0	29	100.0	1,117	100.0
<i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates overall adequate responsiveness to community development needs in the Northern assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

LSB issued 118 community development loans in the Northern assessment area totaling approximately \$10.1 million. Of these, 112 loans totaling approximately \$2.9 million were PPP loans. Community development loans were granted with a focus on providing affordable housing; supporting economic development by creating, retaining, or improving jobs for low- and moderate-income persons; and revitalizing and stabilizing the assessment area. The institution’s community development loans in this assessment area represent an increase in both number and dollar volume of loans compared to the prior evaluation, when there were ten community development loans totaling approximately \$2.2 million.

Qualified Investments

The institution reported 47 qualified investments totaling approximately \$3.8 million for the Northern assessment area. This includes 39 donations totaling approximately \$86,000 during the review period. This marks a decrease in the number of investments, but an increase in the dollar volume of investments made since the prior evaluation.

Community Development Services

Institution personnel provided 20 qualifying services to seven organizations in the Northern assessment area during the review period. A majority of this activity was related to community services targeting low- or moderate-income individuals and efforts to revitalize or stabilize underserved middle-income nonmetropolitan areas. The institution’s efforts to provide services to qualifying organizations show a marked decline from the previous evaluation, at which 35 qualifying services were noted.

SOUTHERN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SOUTHERN ASSESSMENT AREA

LSB’s business operations in the Southern assessment area include three branch offices and a total of three ATMs (one at each location). The assessment area consists of Dallas County census tracts 501, 508.03 – 508.12, and 509.01; Polk County census tracts 8.03, 101.01, 101.02, 102.03, 102.05, 102.07 – 102.09, 102.11, 102.12, 104.04 – 104.09, 105, 106, 110.01, 110.21, 110.25 – 110.28, 111.11 – 111.14, 112.01, 112.03, 112.05, 112.06, 113, 114.04, 115, 117.01, and 117.02; and Warren County census tracts 201 - 203. There have been no changes in existing census tract designations since the previous examination; however, three Warren County census tracts were added as a result of LSB opening a new branch in Norwalk, Iowa in December 2019. There are currently no low-, 3 moderate-, 23 middle-, and 22 upper-income census tracts in the assessment area according to ACS data. The Polk City branch is located in Polk County census tract 115 (upper-income); the Clive branch is located in Dallas County census tract 508.03 (upper-income); and the Norwalk branch is in Warren County census tract 201 (middle-income). The entire assessment area is part of the Des Moines-West Des Moines, Iowa Metropolitan Statistical Area (MSA). All three counties have been affected by federal disaster declarations since June 6, 2018.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Southern Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	48	0.0	6.3	47.9	45.8	0.0
Population by Geography	282,984	0.0	4.0	42.3	53.6	0.0
Housing Units by Geography	115,425	0.0	4.5	44.3	51.2	0.0
Owner-Occupied Units by Geography	81,136	0.0	2.8	41.8	55.4	0.0
Occupied Rental Units by Geography	28,846	0.0	8.6	49.3	42.1	0.0
Vacant Units by Geography	5,443	0.0	8.6	53.4	38.0	0.0
Businesses by Geography	29,314	0.0	4.2	45.5	50.3	0.0
Farms by Geography	1,063	0.0	2.6	40.3	57.1	0.0
Family Distribution by Income Level	76,264	13.2	14.7	21.3	50.8	0.0
Household Distribution by Income Level	109,982	15.8	14.0	18.6	51.6	0.0
Median Family Income - Des Moines- West Des Moines, Iowa MSA		\$75,653	Median Housing Value			\$197,700
			Median Gross Rent			\$914
			Families Below Poverty Level			6.7%

Source: 2015 ACS Census and 2019 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*

Service industries are the leading type of business in the assessment area, comprising 41.7 percent of total businesses; followed by non-classifiable establishments at 15.5 percent; finance, insurance, and real estate at 11.8 percent, and retail trade at 10.7 percent. Employers with four or less employees comprise 66.2 percent of all employers in the assessment area, and 89.9 percent of all businesses operate from a single location.

According to Iowa Workforce Development data, unemployment has increased in all counties of the Southern assessment area. Unemployment in the area was highly influenced by the beginning of the economic impact related to the COVID-19 pandemic, as illustrated in March and April 2020 data. Prior to March, unemployment had decreased slightly in the assessment area. The following table illustrates the specific unemployment rate changes from March and April 2019 to 2020.

Unemployment Rates				
Southern Assessment Area	March 2019	March 2020	April 2019	April 2020
	%	%	%	%
Dallas County	2.1	2.6	1.8	7.6
Polk County	3.4	3.8	2.7	12.4
Warren County	3.2	3.5	2.3	9.6
State of Iowa	2.7	3.7	2.7	10.2

Source: Iowa Workforce Development

The 2018 and 2019 FFIEC-updated median family income levels were used to analyze home mortgage lending under the Borrower Profile analysis. The following table illustrates the median family income ranges for the Des Moines-West Des Moines, Iowa MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$79,600)	<\$39,800	\$39,800 to <\$63,680	\$63,680 to <\$95,520	≥\$95,520
2019 (\$82,000)	<\$41,000	\$41,000 to <\$65,600	\$65,600 to <\$98,400	≥\$98,400

Source: FFIEC

Competition

The FDIC Deposit Market Share Report as of June 30, 2019, indicates that LSB’s Southern assessment area is very competitive. There are a total of 44 financial institutions operating from 193 physical locations in the counties comprising the assessment area. Of these institutions, LSB ranks 28th with 0.4 percent of the deposit market share of the area.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the bank’s assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit or community development opportunities are available.

Examiners referenced two recent community contacts from economic development organizations in the assessment area. The contacts stated that the general economic condition of the area is doing well. The eastern part of Dallas County (which is inside the assessment area) is more affluent than the west, and families are moving to the Waukee and Polk City areas for the school districts and available land on which to build. The cities of Clive and West Des Moines are running out of area to build for any kind of development. There is considerable pressure on the residential real estate housing market in the area, as the market has reached its saturation point. Housing is hard to find and expensive, no matter if someone is looking to build, buy existing structures, or rent. Rural areas have benefitted from programs to make their area more attractive and draw residents to become bedroom communities for neighboring larger cities. The contacts stated that low- and moderate-income families find it hard to find affordable housing due to short supply and great demand for this type of housing in the area. The contacts stated that the commercial sector is doing well, but showing signs of stress due to the ongoing trade difficulties with foreign powers. There is demand for start-ups and expansion of existing businesses, but uncertainty and pressure on supply and distribution channels hamper the effort. Demand for local businesses in suburban and rural areas is growing. Agriculture dominates the business activities of the area, as most businesses are somehow connected with the agricultural economy of the state. Larger agricultural concerns are growing, while smaller farms are diminishing. The contacts stated that there are ample opportunities for financial institutions to act on their own, as well as avail themselves of economic development programs offered by several agencies in the area. Further, the contacts stated that community bankers are responsive to the area’s needs and are involved in their local communities.

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, but to a lesser extent. Additionally, community development needs include affordable housing, economic development, community services targeted to low- and moderate-income individuals, and revitalizing and stabilizing moderate-income geographies.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SOUTHERN ASSESSMENT AREA

LENDING TEST

LSB demonstrated overall reasonable performance in the Southern assessment area. The institution's reasonable Geographic Distribution performance primarily supports this conclusion.

Geographic Distribution

The distribution of borrowers reflects overall reasonable penetration of loans throughout the assessment area. Reasonable home mortgage, small farm, and small business lending performance supports this conclusion. Examiners focused on the percentage by number of home mortgage, small farm, and small business loans made in the three moderate-income census tracts of the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects an overall reasonable penetration of the moderate-income census tracts and distribution of loans inside the assessment area. LSB's performance in 2018 is in line with aggregate performance data; performance in 2019 shows a slightly lower percentage of lending to moderate-income census tracts, but still commensurate with ACS data. The institution's performance is illustrated in the following table.

Geographic Distribution of Home Mortgage Loans						
Southern Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2018	3.0	2.6	10	2.2	988	1.0
2019	2.8	--	16	1.7	1,792	0.7
Middle						
2018	42.1	38.2	102	22.7	14,271	14.6
2019	41.8	--	223	24.0	65,853	26.3
Upper						
2018	54.9	59.2	338	75.1	82,308	84.4
2019	55.4	--	691	74.3	182,645	73.0
Totals						
2018	100.0	100.0	450	100.0	97,567	100.0
2019	100.0	--	930	100.0	250,290	100.0

Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data; 2018 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0

Small Farm Loans

The distribution of small farm lending in the assessment area is reasonable, taking into account certain geographic realities. The three moderate-income census tracts in the assessment area are situated in urban locations of the Des Moines metropolitan area, where limited opportunity for agricultural lending exists. The vast majority of agricultural operations are located in the middle- and upper-income census tracts outside the urban area. Also, management has asserted that agricultural lending is not a primary focus of the institution in this assessment area, though the institution remains willing to serve small farms in the area. The institution’s performance is illustrated in the following table.

Geographic Distribution of Small Farm Loans					
Southern Assessment Area					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	2.6	0	0.0	0	0.0
Middle	40.3	10	20.0	1,236	17.2
Upper	57.1	40	80.0	5,954	82.8
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	50	100.0	7,190	100.0

Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0

Small Business Loans

The distribution of small business lending in the assessment area is reasonable, taking into account certain factors. There are no branches of this institution near the moderate-income census tracts; the closest branch to any of the tracts is over six miles away. As previously reported, competition is very high. Further, management stated that business lending is not a major focus of the institution in this assessment area, though the institution stands ready to serve business customers. Management also stated that most of the institution's business portfolio in this assessment area came from relationships with realtors, who prefer to access services at a branch close to their location. Given these factors, the institution's small business lending in the assessment area is reasonable. The institution's performance is illustrated in the following table.

Geographic Distribution of Small Business Loans					
Southern Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	4.2	0	0.0	0	0.0
Middle	45.5	30	39.5	6,867	40.0
Upper	50.3	46	60.5	10,302	60.0
Totals	100.0	76	100.0	17,169	100.0

*Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of borrowers reflects overall poor penetration among farms and businesses of different revenue sizes and individuals of different income levels. Poor home mortgage and small business lending performance primarily supports this conclusion. Examiners focused on the percentage by number of small farm and small business loans to agricultural and business operations with gross annual revenues of \$1 million or less, as well as on the percentage of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

Overall, the distribution of home mortgage lending in the Southern assessment area among borrowers of differing incomes is poor considering certain factors. Very similar performance was noted at the 2017 and 2014 evaluations, though the institution has grown significantly since then. The institution's performance in lending to low-income borrowers severely lags that of the aggregate percentage in 2018, as well as the ACS benchmark for 2019. Even when considering that 6.7 percent of families in the assessment area have incomes below the poverty level (51 percent of low-income families) and may have difficulty qualifying for a traditional mortgage loan, the bank's performance is significantly below ACS demographic data.

The institution's performance in lending to moderate-income borrowers also trails that of aggregate data for 2018 and the ACS benchmark for 2019. Again, the institution's performance is very similar to the prior evaluation, though slightly better. The trend between 2018 and 2019 percentages show a slight decline, yet the number of loans for 2019 increased 43.5 percent from the

2018 level. Management indicated that strong demand and refinancing activity have driven the increase in home mortgage lending by number.

Another factor considered was the increase since the prior evaluation in home mortgage loan originations or purchases where incomes were not available (17.3 percent by number of loans in 2018, and 8.1 percent in 2019). These loans are for rental units, some of which provide housing for low-and moderate-income individuals. Community contacts indicated that affordable housing is a need in the assessment area, and this lending activity helps to alleviate some of that need. Competition is very strong in the assessment area. Aggregate data indicates that 276 lending entities have originated home mortgage loans in the assessment area in 2018. LSB ranked 9th on that list, sorted by number of loans, which indicates that LSB is a strong lender in the area.

Despite the factors presented, the institution's home mortgage lending to low- and moderate-income families is poor when considering that opportunities and demand exists, as evidenced by demographic and aggregate data. In addition, as stated previously, the institution has access to programs that aid low- to moderate-income individuals in obtaining home loan financing. The institution's performance is illustrated in the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Southern Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	13.2	4.6	3	0.7	294	0.3
2019	13.2	--	7	0.8	753	0.3
Moderate						
2018	14.5	16.8	46	10.2	5,427	5.6
2019	14.7	--	66	7.1	9,339	3.7
Middle						
2018	21.1	23.3	70	15.6	10,051	10.3
2019	21.3	--	188	20.2	31,615	12.6
Upper						
2018	51.2	41.0	253	56.2	45,461	46.6
2019	50.8	--	594	63.9	145,225	58.0
Not Available						
2018	0.0	14.4	78	17.3	36,334	37.2
2019	0.0	--	75	8.1	63,358	25.3
Totals						
2018	100.0	100.0	450	100.0	97,567	100.0
2019	100.0	--	930	100.0	250,290	100.0
Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data; 2018 HMDA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

Small Farm Lending

The distribution of small farm lending among farms of different revenue sizes is reasonable. Though the institution's performance is lower than the D&B data, it is still within a reasonable range of performance. Also, two of the three loans captured in the random sample to borrowers over \$1 million in gross annual revenues were made to the same borrower, thus adversely affecting the outcome of the performance review in this area. Overall, the institution's small farm lending in this assessment area is reasonable, as shown in the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Southern Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.0	17	85.0	2,937	93.1
>1,000,000	2.7	3	15.0	218	6.9
Revenue Not Available	1.3	0	0.0	0	0.0
Total	100.0	20	100.0	3,155	100.0
<i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Small Business Lending

The institution’s lending to small businesses among businesses of different revenue sizes is poor. The institution’s performance is well below the percentages of businesses with gross annual revenues of \$1 million or less. Management stated that small business lending is not a major focus of the institution in this assessment area, though the institution stands ready to serve business customers. Please see the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Southern Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.3	8	36.4	2,158	37.9
>1,000,000	5.1	14	63.6	3,537	62.1
Revenue Not Available	9.6	0	0.0	0	0.0
Total	100.0	22	100.0	5,695	100.0
<i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates adequate responsiveness to community development needs in the Southern assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

The institution issued 52 community development loans in the Southern assessment area totaling approximately \$13.0 million. Of these loans, 44 totaling approximately \$2.1 million were PPP loans. Community development loans were granted with a focus on providing affordable housing, as well as supporting economic development by creating, retaining, or improving jobs for low- and moderate-income persons. LSB’s community development loans in this assessment area represent

an increase in both number and dollar volume of loans compared to the prior evaluation, when there were five community development loans totaling approximately \$8.8 million.

Qualified Investments

The institution reported 20 qualified investments totaling approximately \$13,000 for the Southern assessment area. All 20 investments were donations made during the review period. This marks a slight decrease in the number of investments; however, the dollar volume of investments remained almost exactly the same as that of the prior evaluation.

Community Development Services

Institution personnel provided seven qualifying services to three organizations in the Southern assessment area during the review period. All of this activity was related to economic development. The institution's efforts to provide services to qualifying organizations show a marked decline from the previous evaluation, at which 13 qualifying services to three organizations were noted.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

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

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

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

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

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

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

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

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

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and

rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a

population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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