

PUBLIC DISCLOSURE

December 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Reliance State Bank
Certificate Number: 9299

606 Broad Street
Story City, Iowa 50248

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.

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.

Reliance State Bank (RSB)'s satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of small farm, small business, and home mortgage loans are inside the bank's assessment areas.
- A geographic distribution analysis was not considered as the assessment areas do not have any low- or moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,427	3.2
Secured by Farmland	45,152	26.4
Secured by 1-4 Family Residential Properties	32,904	19.3
Secured by Multifamily (5 or more) Residential Properties	5,274	3.1
Secured by Nonfarm Nonresidential Properties	22,078	12.9
Total Real Estate Loans	110,835	64.9
Commercial and Industrial Loans	16,102	9.4
Agricultural Production and Other Loans to Farmers	40,208	23.5
Consumer Loans	1,397	.8
Obligations of State and Political Subdivisions in the U.S.	2,130	1.3
Other Loans	137	.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	170,809	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 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. RSB has designated two assessment areas within the State of Iowa, referred to as the Story City Assessment Area and the Garner Assessment Area within this evaluation document. The assessment areas are described in greater detail in their respective sections. The boundaries of the two assessment areas have not changed since the prior CRA evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 10, 2019, to the current evaluation dated December 12, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate RSB's CRA performance. Full-scope reviews were performed for both assessment areas. Examiners placed more weight on the performance in the Garner Assessment Area, which generates most of the bank's business. The following table provides information on loans, deposits, and branches by assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. RSB's net loan-to-deposit ratio, calculated from Call Report data, averaged 66.7 percent over the 12 calendar quarters from December 31, 2019, to September 30, 2022. The ratio ranged from a low of 59.4 percent as of March 31, 2021, to a high of 81.6 percent as of December 31, 2019. The ratio has been on a declining trend since September 2019 resulting from a steady increase in deposits and a decrease in loan volume retained in the bank's loan portfolio. Despite the declining trend, increases in loan volume beginning in 2022 helped to raise the current net loan-to-deposit ratio.

Examiners compared RSB's average net loan-to-deposit ratio to four similarly-situated institutions. Comparable institutions were selected based on similarities in lending focus, asset size, and markets served. As shown in the following table, RSB's average net loan-to-deposit ratio is in line with those of comparable institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2022 \$ (000s)	Average Net Loan-to- Deposit Ratio (%)
RSB, Story City, Iowa	291,756	66.7
Farmers Trust and Savings Bank, Buffalo Center, Iowa	315,895	95.3
Hardin County Savings Bank, Eldora, Iowa	331,776	66.9
United Bank and Trust Company, Hampton, Iowa	204,587	58.7
Farmers State Bank, Northwood, Iowa	232,343	61.7

Source: Call Reports 12/31/2019 through 9/30/2022

Assessment Area Concentration

As shown in the following table, the bank extended a majority of the small farm, small business, and home mortgage loans reviewed, by number and dollar volume, inside the assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	96	72.2	37	27.8	133	12,981	72.2	4,992	27.8	17,973
Small Business	83	76.2	26	23.8	109	8,851	69.8	3,826	30.2	12,677
Home Mortgage	88	86.3	14	13.7	102	10,959	90.4	1,169	9.6	12,128

Source: Bank Data 1/1/2021 – 12/31/2021. Due to rounding, totals may not equal 100.0%

Geographic Distribution

This criterion includes a more detailed analysis of the lending inside the assessment areas with an emphasis on lending in low- and moderate-income areas. As the delineated assessment areas consist solely of middle- and upper-income geographies, an analysis of the Geographic Distribution of lending would not yield meaningful results. Therefore, this criterion was not evaluated.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	8	0.0	0.0	87.5	12.5	0.0
Population by Geography	25,476	0.0	0.0	93.2	6.8	0.0
Housing Units by Geography	13,229	0.0	0.0	88.9	11.1	0.0
Owner-Occupied Units by Geography	8,420	0.0	0.0	92.5	7.5	0.0
Occupied Rental Units by Geography	2,409	0.0	0.0	93.9	6.1	0.0
Vacant Units by Geography	2,400	0.0	0.0	71.3	28.7	0.0
Businesses by Geography	2,831	0.0	0.0	92.6	7.4	0.0
Farms by Geography	481	0.0	0.0	85.9	14.1	0.0
Family Distribution by Income Level	7,164	16.0	17.5	25.2	41.3	0.0
Household Distribution by Income Level	10,829	21.1	17.3	17.7	43.9	0.0
Median Family Income – Nonmetropolitan Iowa	\$61,681	Median Housing Value				\$126,087
		Median Gross Rent				\$564
		Families Below Poverty Level				7.2%
Source: 2015 ACS and 2021 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%						

According to 2021 D&B data, service industries represent the largest portion of farms and businesses at 32.5 percent; followed by agricultural, forestry, and fishing at 14.5 percent; and retail trade at 11.4 percent. In addition, 69.9 percent of assessment area farms and businesses have four or fewer employees, and 90.3 percent operate from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the nonmetropolitan areas of Iowa for 2021 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600
Source: FFIEC				

Competition

The Garner Assessment Area is considered highly competitive in the market for financial services. According to Call Reports filed by financial institutions, 13 banks operate from 32 offices in the counties that comprise the Garner Assessment Area. Of these institutions, RSB ranked 7th with 5.5 percent of the deposit market share. The top three banks held 54.2 percent of the deposit market share.

lending is below that of benchmark data. Management indicated that three of the five entities identified within the sample were originally smaller than \$1 million in gross annual revenues when they started with the institution and grew larger over time. Additionally, the USDA 2017 Census of Agriculture shows that 53.6 percent of agricultural producers in the counties within the assessment area are “hobby farms,” which list their principal occupation as “other than farming.” The same report shows that 50.3 percent of farm operations in the assessment area had no interest expense, indicating that a significant portion of producers in the area have had no borrowing need. Given the additional contextual information, the institution’s lending to small farm borrowers in this assessment area is reasonable. See the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	99.0	36	87.8	4,240	78.6
>\$1,000,000	0.4	5	12.2	1,153	21.4
Revenue Not Available	0.6	0	0.0	0	0.0
Total	100.0	41	100.0	5,393	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans among businesses of different sizes reflects reasonable penetration. As shown in the following table, RSB’s small business lending is comparable to benchmark data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.7	31	86.1	2,605	78.1
>\$1,000,000	4.0	5	13.9	732	21.9
Revenue Not Available	11.3	0	0.0	0	0.0
Total	100.0	36	100.0	3,337	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As illustrated in the following table, RSB’s home mortgage lending to low-income borrowers during 2021 is below 2015 ACS data, and lending to moderate-income borrowers is similar to demographic data for the same time period. Examiners considered other contextual information to further analyze the bank’s performance with respect to low-income borrowers when arriving at an overall reasonable conclusion.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	13,458	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,995	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,176	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,299	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	520	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,319	0.0	0.0	100.0	0.0	0.0
Farms by Geography	355	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,700	14.6	20.4	25.4	39.6	0.0
Household Distribution by Income Level	5,475	18.6	12.9	20.0	48.5	0.0
Median Family Income – Ames, Iowa MSA		\$74,380	Median Housing Value			\$122,863
Median Family Income – Nonmetropolitan Iowa		\$61,681	Median Gross Rent			\$638
			Families Below Poverty Level			4.4%

Source: 2015 ACS and 2021 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

According to 2021 D&B data, service industries represent the largest portion of farms and businesses at 30.1 percent; followed by agricultural, forestry, and fishing at 21.2 percent; and retail trade at 8.2 percent. In addition, 70.8 percent of assessment area farms and businesses have four or fewer employees, and 91.4 percent operate from a single location.

The FFIEC-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the nonmetropolitan areas of Iowa and Ames, Iowa MSA for 2021 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Ames, Iowa MSA Median Family Income				
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
Nonmetropolitan Iowa Median Family Income				
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600

Source: FFIEC

Competition

The Story City Assessment Area is considered highly competitive in the market for financial services. According to Call Reports filed by financial institutions, 28 banks operate from 61 offices within the counties that comprise the Story City Assessment Area. Of these institutions, RSB

than \$1million in gross annual revenues when they started with the institution and grew larger over time. Additionally, the USDA 2017 Census of Agriculture shows that 55.5 percent of agricultural producers in the counties within the assessment area are “hobby farms,” which list their principal occupation as “other than farming.” The same report shows that 51.5 percent of farm operations in the assessment area had no interest expense, indicating that a significant portion of producers in the area have had no borrowing. Given the additional contextual information, the institution’s lending to small farm borrowers in this assessment area is reasonable. See the following table.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.3	15	78.9	3,082	90.3
>\$1,000,000	2.3	4	21.1	330	9.7
Revenue Not Available	1.4	0	0.0	0	0.0
Total	100.0	19	100.0	3,412	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans among businesses of different sizes reflects reasonable penetration. As shown in the following table, the bank’s small business lending performance, by number of loans, is comparable to benchmark data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	12	85.7	778	41.4
>\$1,000,000	3.6	2	14.3	1,100	58.6
Revenue Not Available	11.6	0	0.0	0	0.0
Total	100.0	14	100.0	1,878	100.0
<i>Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As illustrated in the following table, RSB’s home mortgage lending to moderate-income borrowers during 2021 is below 2015 ACS Census data, and lending to low-income borrowers exceeds demographic data for the same time period. Examiners considered other contextual information to further analyze the bank’s performance with respect to moderate-income borrowers when arriving at an overall reasonable conclusion. Management comments and community contact information were also considered.

Management stated housing stock within the assessment area is low, particularly affordable housing for low- and moderate-income individuals. This statement was corroborated by a community

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

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.

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

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.