

PUBLIC DISCLOSURE

January 29, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Savings Bank
Certificate Number: 12128

101 Church Street
Spillville, Iowa 52168

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 area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Citizens Savings Bank's (CSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize CSB's performance.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of its small farm and small business loans inside the assessment area.
- A geographic distribution analysis was not performed, as there are no low- or moderate-income geographies in the assessment area.
- The distribution of borrowers reflects a reasonable penetration of lending among farms and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

CSB is headquartered in Spillville, Iowa, with full-service branches in Fort Atkinson and Protivin, Iowa. CSB has no holding company. Ownership of the bank remains privately held. There have been no mergers, acquisitions, branch openings, or branch closings since the previous evaluation. The institution received a Satisfactory rating at the previous Federal Deposit Insurance Corporation CRA Performance Evaluation dated March 5, 2018, based on Small Institution Examination Procedures.

CSB offers various loan products, including agricultural, commercial, residential, and consumer loans. Agricultural lending continues to be the bank's primary focus. CSB also offers special financing alternatives through the Iowa Finance Authority, Farm Service Agency, and Small Business Administration. These programs are generally designed to assist small farm operations and small businesses that may not qualify for loans through conventional financing methods. CSB participated in the Small Business Administration's Paycheck Protection Program in 2020 and 2021. This program provided financial assistance to farms and businesses adversely affected by the Coronavirus pandemic. Additionally, secondary market referral options are available through Iowa Bankers Mortgage Corporation for qualifying home mortgage applicants. CSB is also a participating member in the Federal Home Loan Bank's first-time homebuyer program. While the institution does not prioritize any specific loan product, agricultural lending still constitutes the largest share of the loan portfolio and is the most sought-after loan product by applicants, according to management.

The institution continues to offer a number of deposit-related retail products that include checking, savings, individual retirement accounts, and certificates of deposit. Alternative banking products or services include online and mobile banking, bill pay, remote deposit capture, and electronic statements.

Total assets were approximately \$127.7 million as of September 30, 2023, representing a 15.7 percent increase since the December 31, 2017, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately \$104.9 million, representing a 28.6 percent increase, and total loans were approximately \$56.3 million, representing a 10.7 percent decrease during the same timeframe. Bank management attributed the decline in loan volume to strong agricultural profits and the COVID-19 pandemic stimulus payments made to farms, businesses, and individuals. Loan portfolio concentrations have remained generally consistent over the period reviewed. The following table illustrates the composition of the loan portfolio as of September 30, 2023.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	586	1.0
Secured by Farmland	35,115	62.3
Secured by 1-4 Family Residential Properties	4,768	8.5
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	1,627	2.9
Total Real Estate Loans	42,096	74.7
Commercial and Industrial Loans	3,225	5.7
Agricultural Production and Other Loans to Farmers	9,735	17.3
Consumer Loans	807	1.5
Obligations of State and Political Subdivisions in the U.S.	455	0.8
Other Loans	10	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	56,328	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 area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. CSB has defined one contiguous assessment area within the non-metropolitan area of the State of Iowa. It consists of census tracts (CTs) 9501, 9504, and 9505 in Winneshiek County; CT 9602 in Howard County; CTs 701 and 703 in Chickasaw County; and CT 807 in Fayette County. The assessment area boundaries have not changed since the prior CRA evaluation. Two bank offices are located in Winneshiek County CT 9505, and one bank office is located in Howard County CT 9602. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

According to the 2020 U.S. Census, the assessment area is comprised of seven middle-income CTs. There have been no changes to the income designations since the previous evaluation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	0.0	100.0	0.0	0.0
Population by Geography	22,676	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	10,600	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	7,981	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,545	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,074	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	2,826	0.0	0.0	100.0	0.0	0.0
Farms by Geography	799	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	6,575	14.5	18.2	26.1	41.1	0.0
Household Distribution by Income Level	9,526	16.3	15.4	21.2	47.1	0.0
Median Family Income - Non-metropolitan Iowa		\$71,763	Median Housing Value			\$153,962
			Median Gross Rent			\$672
			Families Below Poverty Level			4.1%

Source: 2020 U.S. Census and 2023 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 2023 D&B data, service industries represent the largest portion of agricultural and commercial operations in the assessment area at 22.9 percent by number; followed by agriculture, forestry, & fishing at 22.0 percent; and non-classifiable establishments at 22.0 percent. Additionally, 69.1 percent of assessment area farms and businesses have four or fewer employees, and 96.1 percent operate from a single location.

Competition

The assessment area is considered highly competitive with regard to the market for financial services. The FDIC Deposit Market Share Report as of June 30, 2023, reflects 22 financial institutions operating from 45 locations within the counties that comprise the assessment area. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area. CSB ranked 9th with a 3.9 percent deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying community credit needs. This information helps to determine whether local financial institutions are responsive to identified credit needs and provides context regarding available opportunities for area financial institutions. Examiners referenced a recently conducted interview with a representative from a governmental agency operating within the assessment area.

The contact familiar with the agricultural industry made numerous observations. Over the past few years, there has been a noticeable increase in land prices, which has occasionally posed challenges for prospective borrowers in meeting the down payments required by banks. The rise in prices are particularly challenging for new entrants and small farms. In order to comply with conservation

plans, many landowners produce hay, which helps to conserve the land and protects against erosion. Hay prices have come down in recent years and there are no government funding programs for hay producers. Current economic conditions are more challenging for dairy farmers as prices are oftentimes not enough to cover expenses.

The contact noted that year-to-year crop operating inputs and farm purchases are the main credit needs in the assessment area. Additional credit needs in the area are loans for hog confinement units and beef mono-slope buildings. According to the contact, credit needs are being met by local banks; however, there appears to be a lack of experienced agricultural lenders. This creates a challenge when partnering with other agencies or programs, which find that newer lenders need training on most stages of the specialized loan transaction. Furthermore, community outreach efforts have not resumed to pre-pandemic levels in most industries, creating additional challenges.

Credit Needs

Considering information from the community contact, bank management, economic and demographic data, and Call Report data, examiners determined that agricultural lending is the primary credit need of the assessment area, followed by small business lending.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 5, 2018, to the current evaluation date January 29, 2024. Examiners used Interagency Small Institution Examination Procedures to evaluate the institution's CRA performance. These procedures include a Lending Test, details of which are described in the Appendices.

Activities Reviewed

Examiners determined that the major product lines of the institution are small farm and small business loans. Greater weight was given to the conclusions derived from small farm lending in this evaluation. This determination is based on the institution's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the institution's Call Report data. Examiners did not evaluate home mortgage lending, as it is not a major product line. The following factors were considered:

- The Call Report as of September 30, 2023, indicated that 8.5 percent of the total loan portfolio was of this type;
- For the period between January 1, 2023, and December 31, 2023, home mortgage loans comprised 7.8 percent by number and 10.2 percent by dollar volume of all agricultural, commercial, and home mortgage lending; and
- Management indicated that home mortgage lending is not a primary focus of the institution.

Examiners used the bank's automated loan download to identify primary product lines and assemble the universe of loans. Examiners reviewed all small farm and small business loans originated or renewed from January 1, 2023, through December 31, 2023. For the Assessment Area Concentration performance criterion, examiners analyzed the entire universe of small farm and small business loans. Specifically, examiners reviewed 113 small farm loans totaling

approximately \$11.3 million and 26 small business loans totaling approximately \$2.6 million. For the Borrower Profile performance criterion, examiners analyzed a sample of small farm loans and all small business loans originated or renewed to entities operating inside the assessment area. Specifically, 41 small farm loans totaling approximately \$3.5 million and 23 small business loans totaling approximately \$2.4 million were reviewed.

The standard of comparison for small farm and small business loans was 2023 D&B data. Examiners reviewed the number and dollar volume of small farm and small business loans. While the number and dollar volume of loans are presented, examiners emphasized performance by the number of loans, which is a better indicator of the number of farms and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CSB demonstrated overall reasonable performance under the Lending Test. The bank's reasonable lending performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile criteria supports this conclusion. The following sections describe each performance criterion and how they support the overall rating.

Loan-to-Deposit Ratio

CSB's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 71.8 percent over the past 23 quarters from March 31, 2018, to September 30, 2023. The ratio ranged from a high of 93.2 percent as of March 31, 2019, to a low of 47.2 percent as of June 30, 2022. The quarterly ratio has fluctuated but has generally declined steadily since the previous evaluation, with a more rapid decent beginning in the first quarter of 2021.

Deposit growth heavily outpaced loans during the review period. Management attributes the influx of deposits to the Paycheck Protection Program and government stimulus monies. In 2020 and 2021, the bank originated approximately 300 loans totaling \$7.0 million under the Paycheck Protection Program. These loans have since been paid off.

Examiners compared the bank's average net loan-to-deposit ratio to those of four similarly-situated institutions to help evaluate CSB's performance. Comparable institutions were selected based on their size, assessment area demographics, and lending focus. As shown in the following table, CSB's loan-to-deposit ratio compares reasonably with the similarly-situated banks. Deposit growth outpaced loan growth for all five institutions listed in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023 \$(000s)	Average Net Loan-to- Deposit Ratio (%)
CSB, Spillville, Iowa	127,714	71.8
Maynard Savings Bank, Maynard, Iowa	72,496	81.7
Community Bank Oelwein, Oelwein, Iowa	105,544	62.6
Readlyn Savings Bank, Readlyn, Iowa	135,535	94.0
Bank 1 st , West Union, Iowa	163,466	71.4
<i>Source: Call Reports 3/31/2018 through 9/30/2023</i>		

Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	98	86.7	15	13.3	113	9,796	86.5	1,532	13.5	11,328
Small Business	23	88.5	3	11.5	26	2,399	93.2	176	6.8	2,575
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. This conclusion is supported by reasonable performance in both loan products reviewed. Examiners focused on the percentage, by number of small farm and small business loans, to entities generating gross annual revenues of \$1 million or less.

Small Farm Loans

The institution's lending performance to small farms with gross annual revenues of \$1 million or less reflects reasonable penetration. As illustrated in the following table, the bank's record of lending to small farms is comparable to D&B data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.5	40	97.6	3,424	99.1
>\$1,000,000	1.0	1	2.4	30	0.9
Revenue Not Available	0.5	0	0.0	0	0.0
Total	100.0	41	100.0	3,454	100.0
<i>Source: 2023 D&B Data; 1/1/2023 – 12/31/2023 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The institution's lending performance to small businesses is reasonable when considering performance context factors. The following table shows that 91.8 percent of businesses in the assessment area have gross annual revenues equal to or less than \$1 million, and the loans reviewed showed that 78.3 percent of businesses were in this revenue category. Examiners noted that certain borrowers in the higher revenue category had multiple loans, which skews results. Management also reports higher loan demand from higher revenue borrowers. Furthermore, many of the local small businesses have been acquired or have grown to become higher revenue borrowers. Overall, the institution's small business lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	91.8	18	78.3	1,259	52.5
>\$1,000,000	2.2	5	21.7	1,140	47.5
Revenue Not Available	6.1	0	0.0	0	0.0
Total	100.0	23	100.0	2,399	100.0
<i>Source: 2023 D&B Data; 1/1/2023 – 12/31/2023 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the CRA rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

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 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; 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).

GLOSSARY

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

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

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

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

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

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

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.

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.

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.

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 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.

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.