

# **PUBLIC DISCLOSURE**

October 11, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

NSB Bank  
Certificate Number: 8094

2650 Fourth Street Southwest  
Mason City, Iowa 50401

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.

NSB Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and the Community Development Test supports the overall 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 reasonable given the bank's size, financial condition, and assessment area's credit needs.
- A majority of small business, small farm, and home mortgage loans are located inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, as well as the need and availability of such opportunities for community development in the institution's assessment area.

## DESCRIPTION OF INSTITUTION

NSB Bank, headquartered in Mason City, Iowa is wholly owned by Northwood Financial Services Corporation, Northwood, Iowa, a one-bank holding company. NSB Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated February 4, 2020, based on Interagency Small Institution Examination Procedures.

In July of 2021, NSB Bank merged with Titonka Savings Bank, Titonka, Iowa. NSB Bank now operates from six locations, including the main office in Mason City, and five branches located in Forest City, Mason City, Northwood, Thompson, and Titonka. Various loan products, including commercial, agricultural, residential, and consumer loans are offered, with a primary focus on commercial loans. NSB Bank also offers special financing alternatives through the Small Business Administration (SBA) and the Farm Service Agency. These programs are generally designed to assist small businesses and small farmers that may not qualify for loans through conventional financing methods. Secondary market financing options are also available for qualifying home mortgage loans. The bank offers a wide array of deposit products to meet consumer and business banking needs, including checking, savings, and certificate of deposit accounts. Alternative banking products and services include online and mobile banking. Eight automated teller machines (ATMs) are also available.

The June 30, 2023, Consolidated Reports of Condition and Income (Call Report) reflects significant increases in assets, total loans, and total deposits since the prior evaluation, primarily associated with the Titonka Savings Bank merger. Total assets were \$433.5 million, an increase of 106.6 percent; total loans were \$286.5 million, an increase of 73.0 percent; and total deposits equaled \$392.0 million, an increase of 122.0 percent. The loan mix remained similar to the previous evaluation with commercial loans as the primary credit product. The following table illustrates the loan portfolio composition.

<b>Loan Portfolio Distribution as of 6/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	56,873	20.0
Secured by 1-4 Family Residential Properties	33,349	12.0
Secured by Multifamily (5 or more) Residential Properties	986	0.0
Secured by Nonfarm Nonresidential Properties	104,585	36.0
<b>Total Real Estate Loans</b>	<b>195,793</b>	<b>68.0</b>
Commercial and Industrial Loans	53,538	19.0
Agricultural Production and Other Loans to Farmers	26,716	9.0
Consumer Loans	4,620	2.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	5,837	2.0
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	(0)	(0)
<b>Total Loans</b>	<b>286,504</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. The bank’s assessment area includes all of Cerro Gordo County - census tracts (CTs) 9501.02 through 9516; all of Hancock County - CTs 2701 through 2704; all of Winnebago County - CTs 6801 through 6803; all of Worth County - CTs 6901 through 6903; and portions of Kossuth County (CTs 9501 and 9502). The assessment area changed since the prior evaluation due to the merger. Management previously included only Cerro Gordo and Worth counties, but added the western half to the assessment area in 2021. This resulted in the delineation of one contiguous assessment area.

### **Economic and Demographic Data**

According to 2020 U.S. Census data, the assessment area is comprised of 24 CTs, of which two are moderate income, 18 are middle income, and four are upper income. This reflects a change in income classifications for three CTs since the 2015 American Community Survey (ACS). Specifically, CTs 9506 and 9508 in Cerro Gordo County changed from upper income to middle income; and CT 9504.02 in Cerro Gordo County changed from moderate income to middle income. According to the FFIEC, all of Kossuth County was designated as underserved middle income during the review period, except for CT 9504, which was designated as underserved only during 2020 and 2021. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	24	0.0	8.3	75.0	16.7	0.0
Population by Geography	76,687	0.0	11.2	72.5	16.3	0.0
Housing Units by Geography	38,716	0.0	11.6	71.1	17.3	0.0
Owner-Occupied Units by Geography	25,008	0.0	8.8	75.3	15.9	0.0
Occupied Rental Units by Geography	8,878	0.0	20.4	63.6	16.1	0.0
Vacant Units by Geography	4,830	0.0	9.9	63.0	27.1	0.0
Businesses by Geography	8,896	0.0	13.6	69.1	17.3	0.0
Farms by Geography	1,368	0.0	2.0	79.0	19.0	0.0
Family Distribution by Income Level	20,815	16.5	20.5	22.4	40.6	0.0
Household Distribution by Income Level	33,886	20.9	17.2	19.6	42.3	0.0
Median Family Income – Nonmetropolitan Iowa		\$71,763	Median Housing Value			\$123,153
			Median Gross Rent			\$678
			Families Below Poverty Level			5.7%
<i>Source: 2020 Census Data; 2022 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal to 100.0%</i>						

According to 2022 D&B data, service industries represent the largest portion of business and farm operations in the assessment area at 29.7 percent; followed by non-classified establishments at 18.6 percent; than agriculture, forestry, and fishing at 13.3 percent. In addition, 66.4 percent of assessment area businesses and farms have less than five employees, and 89.8 percent operate from one location.

The FFIEC-estimated median family income levels are used to analyze home mortgage lending under the Borrower Profile criterion and to analyze certain community development activities related to housing. The income categories for the Iowa nonmetropolitan areas for 2022 are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680
<i>Source: FFIEC</i>				

### **Competition**

The assessment area is very competitive regarding the market for financial services. The FDIC Deposit Market Share Report as of June 30, 2023, reflects 26 insured institutions operating from 65 locations within the assessment area. These institutions range from small community banks to larger financial institutions operating branch locations. NSB Bank ranks 3<sup>rd</sup> with 9.0 percent of the deposit market share. Bank management indicated that they also face competition from other sources including credit unions, Farm Credit Services, and online mortgage lenders.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available. Examiners referenced an existing community contact from a representative familiar with the economic development and credit needs of the assessment area.

The contact stated that the area is mixed in terms of demographics, with some younger communities and some older communities. There are also several lower-income areas within the local counties, with some areas meeting the threshold for majority free and reduced-cost lunches. Manufacturing is the largest industry within the area, followed by agriculture. Major employers include businesses in automotive part production, metal fabrication, agricultural processing, paper processing, and food production. The contact stated that small businesses are doing well in all local counties, though some struggle in Worth County due to the smaller population. New businesses are opening up and the local communities are supporting them. There was some downturn with the pandemic, with the biggest remaining effects being reduced hours and a difficulty hiring and retaining employees due to the labor shortage. The contact stated small farms are doing well as a result of high commodity prices and government stimulus payments. While there have been some challenges for farmers due to inflation, there are also resources available for those who are struggling. The contact stated there is a large need for local affordable housing as homes do not stay on the market long. There is also a

shortage of daycare available, which creates problems for families with kids. Rising interest rates have slowed the housing market slightly. However, there is not enough local housing to support all the industry that has been brought to the area. The contact stated that local financial institutions are doing an excellent job of meeting local credit needs.

### **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 loans, especially affordable housing, are the primary credit need of the assessment area. Small business and small farm loans are also credit needs within the assessment area. Call Reports filed by area financial institutions also support this assertion. Further, opportunities for community development exist in the area.

## **SCOPE OF EVALUATION**

### **General Information**

The evaluation covers the period from the prior evaluation dated February 4, 2020, to the current evaluation date. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. Intermediate small institutions are evaluated under both a Lending Test and Community Development Test, which are further described in the Appendices.

### **Activities Reviewed**

Examiners determined that the major product lines are small business, small farm, and home mortgage loans. This conclusion considered the bank's business strategy, loan portfolio distribution, and the number and dollar volume of loans originated during the evaluation period. Given the loan composition and management's stated primary business focus, small business performance under the Lending Test was given more weight, with less weight placed on small farm and home mortgage performance.

Examiners conducted a full-scope review of the assessment area to evaluate performance. For the Assessment Area Concentration criterion, examiners reviewed the entire universe of small business, small farm, and home mortgage loans originated between January 1, 2022, and December 31, 2022. This amounts to 158 small business loans totaling \$24.3 million, 126 small farm loans totaling \$15.5 million, and 54 home mortgage loans totaling \$5.5 million. For the Geographic Distribution criterion, examiners reviewed all small business, small farm, and home mortgage loans originated inside the assessment area. For the Borrower Profile criterion, examiners reviewed a sample of small business, small farm, and home mortgage loans located inside the assessment area. This amounts to 54 small business loans totaling \$9.1 million, 53 small farm loans totaling \$7.0 million, and 38 home mortgage loans totaling \$4.0 million. Bank management agreed that 2022 lending data is reflective of performance throughout the evaluation period.

For small business and small farm conclusions, D&B data provided a standard of comparison. For home mortgage conclusions, 2020 U.S. Census data provided a standard of comparison. Examiners obtained the data necessary for this evaluation from reported loan data, individual loan files, interviews with bank management, and other information gathered as part of the examination process. Examiners analyzed lending performance by both number and dollar volume of loans; however, the performance by number of loans is emphasized, as it is generally

a better indicator of the number of small businesses, small farms, and individuals served.

For the Community Development Test, examiners reviewed documentation and data that bank management provided for community development activities, including loans, qualified investments, and services since the prior evaluation.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

NSB Bank demonstrated overall reasonable performance under the Lending Test. The bank’s Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance primarily supports this conclusion. The following is a discussion of each performance criterion and how they support the overall rating.

#### Loan-to-Deposit Ratio

NSB Bank’s net loan-to-deposit is reasonable given the bank’s size, financial condition, and the assessment area credit needs. The bank’s net loan-to-deposit, calculated from Call Report data, averaged 79.2 percent over the 14 calendar quarters from March 31, 2020, to June 30, 2023. The net loan-to-deposit ratio ranged from a low of 63.0 percent on March 31, 2022, to a high of 96.9 percent on March 31, 2020. The most recent loan-to-deposit ratio stands at 72.2 percent as of quarter-end June 30, 2023. The loan-to-deposit ratio remained relatively stable but with a gradual declining trend. Management indicated that deposits have outpaced loan growth, primarily due to pandemic-related U.S. government stimulus payments, high farm commodities, and a high volume of public fund depositors. NSB Bank’s loan-to-deposit ratio is in line with the comparable banks, as reflected in the following table. The comparable banks were selected based on their size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 06/30/2023 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>NSB Bank, Mason City, Iowa</b>	<b>433,511</b>	79.2
Iowa State Bank, Algona, Iowa	440,293	72.1
Clear Lake Bank & Trust, Clear Lake, Iowa	554,123	74.5
Manufacturers Bank & Trust, Forest City, Iowa	744,141	78.1
<i>Source: Reports of Condition and Income 3/31/2020 - 6/30/2023</i>		

The institution also originates mortgage loans that are subsequently sold through secondary market relationships; these loans are not included in the institution’s loan-to-deposit ratio. NSB Bank reported originating and selling 139 loans totaling approximately \$23.5 million on the secondary market since the prior evaluation. While the sale of secondary market loans does not influence the average net loan-to-deposit ratio, this activity provides liquidity to originate additional home mortgage loans. Secondary market lending is responsive to the assessment area credit needs by providing long-term home mortgage financing.



**Assessment Area Concentration**

NSB Bank made a majority of small business, small farm, and home mortgage loans, by number and dollar amount, within the assessment area. The bank’s overall concentration demonstrates bank management’s willingness to meet the credit needs of the assessment area. See the following table.

<b>Lending Inside and Outside of the Assessment Area</b>											
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>	
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>		
Small Business											
2022	96	60.8	62	39.2	158	14,936	61.4	9,388	38.6	24,324	
Small Farm											
2022	105	83.3	21	16.7	126	12,342	79.7	3,138	20.3	15,480	
Home Mortgage											
2022	47	87.0	7	13.0	54	5,113	92.7	403	7.3	5,516	
<b>Total</b>	<b>248</b>	<b>73.4</b>	<b>90</b>	<b>26.6</b>	<b>338</b>	<b>32,391</b>	<b>71.5</b>	<b>12,929</b>	<b>28.5</b>	<b>45,320</b>	
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>											

**Geographic Distribution**

Overall, the geographic distribution of loans reflects excellent dispersion. This conclusion is primarily supported by the excellent performance in small business lending, the most weighted product. Examiners focused on the percentage of loans, by number, in the two moderate-income geographies of the assessment area.

***Small Business Lending***

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank’s lending in the two moderate-income CTs significantly exceeds demographic data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	13.6	20	20.8	4,589	30.7
Middle	69.1	60	62.5	7,460	49.9
Upper	17.3	16	16.7	2,887	19.3
<b>Totals</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>14,936</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

***Small Farm Lending***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Examiners noted the two moderate-income CTs were both located in downtown Mason City, which has limited small farm lending opportunities. 2022 D&B data reflects just 27 total farms in the moderate-income CTs. The bank’s performance, while

slightly lower, is in line with the comparable data in the moderate-income geographies. See the following table.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	2.0	1	1.0	143	1.2
Middle	79.0	99	94.3	11,842	95.9
Upper	19.0	5	4.8	357	2.9
<b>Totals</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>12,342</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage Lending***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank’s performance is similar to the comparable data in the moderate-income geographies. See the following table.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	8.8	4	8.5	548	10.7
Middle	75.3	39	83.0	4,357	85.2
Upper	15.9	4	8.5	208	4.1
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>5,113</b>	<b>100.0</b>

*Source: 2020 Census Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of various income levels. This conclusion is supported by reasonable performance in all three loan products reviewed. Examiners focused on the percentage, by number of small business and small farm loans, to entities generating gross annual revenues of \$1 million or less. They also focused on the percentage, by number of home mortgage loans, to low- and moderate-income borrowers.

### ***Small Business Lending***

As shown in the following table, the distribution by number of small business loans with gross annual revenues of \$1 million or less is similar to D&B benchmark data. Overall, the institution’s small business lending performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	84.6	46	85.2	5,333	58.5
>\$1,000,000	3.9	8	14.8	3,781	41.5
Revenue Not Available	11.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>9,114</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Small Farm Lending***

As shown in the following table, the distribution by number of small farm loans with gross annual revenues of \$1 million or less is lower than D&B benchmark data, but reflects reasonable performance considering additional factors. Agricultural census data from 2017 reveals that 50.4 percent of farmers report a primary income outside of farming; 48.9 percent pay no interest expense; and 28.8 percent of famers are considered hobby farms. All of these factors suggest limited borrowing needs for many of the assessment area farmers. Management indicated that many farmers are cash heavy from pandemic-related stimulus funds and recent higher farm commodities. They also face competition from banks, credit unions, and Farm Credit Services. Lastly, NSB Bank offers Farm Service Agency beginning farmer loans to meet assessment area credit needs. Overall, the institution’s small farm lending performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	99.0	38	71.7	3,546	50.7
>\$1,000,000	0.4	15	28.3	3,447	49.3
Revenue Not Available	0.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>6,993</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Lending***

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As demonstrated in the following table, the level of lending to low-income borrowers is slightly lower than comparable census data, but the level of lending to moderate-income borrowers significantly exceeds comparable census data. As detailed in the demographic table, 5.7 percent of assessment area families are below the poverty level. These individuals would most likely have difficulty making a down payment or meeting underwriting criteria to purchase a home. Lastly, NSB Bank participates in several secondary market and government-guaranteed loan programs targeted to low- and moderate-income borrowers, as well as first-time homebuyers.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	16.5	4	10.5	175	4.4
Moderate	20.5	13	34.2	1,245	31.2
Middle	22.4	5	13.2	478	12.0
Upper	40.6	16	42.1	2,096	52.5
<b>Total</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>3,994</b>	<b>100.0</b>

*Source: 2020 Census Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

### **Response to Complaints**

The institution 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 demonstrates an overall adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services. NSB Bank’s activities support community development primarily through affordable housing and economic development. The bank also provided support for community services targeted to low- and moderate-income individuals and revitalization and stabilization efforts. Examiners included community development activities that benefitted the broader statewide and regional area in the analysis, as the institution adequately responded to the overall community development needs of its assessment area.

Examiners referenced information from five performance evaluations of comparable intermediate small institutions conducted during the evaluation period to help assess the bank’s overall performance under the Community Development Test. These institutions were chosen because of similarities in asset size, business focus, and type of assessment area served. All of the selected comparable institutions originated SBA Paycheck Protection Program (PPP) loans. Overall, NSB Bank’s performance was comparable to the performance of these institutions.

### **Community Development Loans**

NSB Bank originated 393 community development loans totaling approximately \$26.5 million during the evaluation period. This represents 6.1 percent of total assets and 9.4 percent of net loans, as of June 30, 2023. A significant number of these loans resulted from lending conducted as part of the SBA PPP, which helped businesses and farms keep their workforce employed during the COVID-19 pandemic. Specifically, 364 SBA PPP loans totaling approximately \$15.4 million were originated during the review period. The comparable institutions had community development loans to total asset ratios ranging from 2.7 percent to 8.7 percent, and community development loans to net loans ranging from 4.5 percent to 15.9 percent. NSB Bank’s ratios compares reasonably to these institutions. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	3	207	0	0	320	12,717	2	121	325	13,045
Statewide Activity	0	0	0	0	38	2,520	0	0	38	2,520
Regional Activity	6	9,614	0	0	24	1,332	0	0	30	10,946
<b>Total</b>	<b>9</b>	<b>9,821</b>	<b>0</b>	<b>0</b>	<b>382</b>	<b>16,569</b>	<b>2</b>	<b>121</b>	<b>393</b>	<b>26,511</b>
<i>Source: Bank Data</i>										

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	2	2,145	0	0	221	13,511	0	0	223	15,656
2021	3	3,944	0	0	143	1,912	0	0	146	5,856
2022	2	182	0	0	0	0	2	121	4	303
2023 (Year-to-Date)	2	3,550	0	0	18	1,146	0	0	20	4,696
<b>Total</b>	<b>9</b>	<b>9,821</b>	<b>0</b>	<b>0</b>	<b>382</b>	<b>16,569</b>	<b>2</b>	<b>121</b>	<b>393</b>	<b>26,511</b>
<i>Source: Bank Data</i>										

### **Qualified Investments**

NSB Bank made 31 qualified investments totaling approximately \$4.5 million during the evaluation period, which represents 1.0 percent of total assets and 3.7 percent of total securities, as of March 31, 2023. Qualified investment activity included 26 donations totaling \$12,000. Comparable institutions reported qualifying investment activity that ranged from 0.0 percent to 2.6 percent of total assets, and 0.0 percent to 6.0 percent of total securities. The bank compares reasonably to these institutions. Please see the following tables.

Community Development Qualified Investments										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	21	4	7	3,648	0	0	28	3,652
Statewide Activities	0	0	0	0	0	0	0	0	0	0
Regional Activities	0	0	3	840	0	0	0	0	3	840
<b>Total</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>844</b>	<b>7</b>	<b>3,648</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>4,492</b>
<i>Source: Bank Data</i>										

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	0	0	0	0
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	3	840	1	3,340	0	0	4	4,180
2022	0	0	0	0	0	0	0	0	0	0
2023 (Year-to-Date)	0	0	0	0	1	300	0	0	1	300
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>840</b>	<b>2</b>	<b>3,640</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>4,480</b>
Qualified Grants & Donations	0	0	21	4	5	8	0	0	26	12
<b>Total</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>844</b>	<b>7</b>	<b>3,648</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>4,492</b>

Source: Bank Data

### Community Development Services

NSB Bank employees provided 40 instances of financial expertise or technical assistance to 12 different organizations during the review period. Bank employees dedicated their time serving as board members, officers, and committee members to assist organizations in providing community services, economic development, and revitalization and stabilization efforts. The bank's performance compares favorably to comparable institutions that range from providing 4 to 87 services. The following tables illustrate the bank's community development services by assessment area and activity year.

Community Development Services					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Assessment Area	0	20	14	6	40
Statewide Activities	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>20</b>	<b>14</b>	<b>6</b>	<b>40</b>

Source: Bank Data

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	5	2	2	9
2021	0	5	4	2	11
2022	0	5	4	1	10
2023 (Year-to-Date)	0	5	4	1	10
<b>Total</b>	<b>0</b>	<b>20</b>	<b>14</b>	<b>6</b>	<b>40</b>

Source: Bank Data

A notable example of the bank's community development services includes serving as a treasurer for an economic development organization that offers zero and low-interest loans to businesses that cannot formally qualify for credit from banks.

In addition to community development services, NSB Bank offers retail-banking services that are readily accessible to assessment area residents, including low- and moderate-income individuals. These services include basic checking accounts; internet and mobile banking; and ATMs. NSB Bank provides retail-banking services to the moderate-income geographies from their two offices in Mason City. The bank also offers retail-banking and ATM services from their Kossuth branch, which is located in an underserved geography. Finally, the bank participates in various lending programs that aid small businesses, small farms, and homeowners.

## **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.

## 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 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).

#### **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 community development lending, investment, and service needs.



## GLOSSARY

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

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

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

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

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

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

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

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

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. 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.