



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 28, 2013

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community State Bank, National Association  
Charter Number 24403

817 N. Ankeny Boulevard  
Ankeny, Iowa 50023

Office of the Comptroller of the Currency  
Des Moines Field Office

1089 Jordan Creek Parkway, Suite 230  
West Des Moines, Iowa 50266

**NOTE:** 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'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Satisfactory.**

Community State Bank, Ankeny, Iowa (bank) satisfactorily meets the needs of its assessment area (AA).

- The loan-to-deposit (LTD) ratio is more than reasonable compared to similarly situated banks in the AA.
- A substantial majority of the bank's loans are originated within its AA.
- The bank's distribution of loans to businesses of different sizes is reasonable.
- The bank's geographic distribution of loans to businesses in census tracts (CTs) of different income levels is reasonable.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AA.

**The Community Development Test is rated: Outstanding.**

The bank demonstrates an outstanding responsiveness to the community development (CD) needs of the AA through CD lending, qualified investments, and services.

- The bank provided 17 loans totaling \$11.5 million, \$1.75 million in investments, \$65 thousand in donations, and an excellent level of community service hours to organizations that promote affordable housing and provide services targeted to low- and moderate-income individuals during the evaluation period.

**Scope of Examination**

The bank was evaluated under the intermediate small bank examination procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test covers the bank's performance from January 1, 2010 to December 31, 2011, as this is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

The bank's primary loan product is business loans. To evaluate the bank's business lending performance, we selected 20 business loans originated between January 1, 2010 and December 31, 2011. Prior to start of the CRA examination, we completed a Home Mortgage Disclosure Act (HMDA) data integrity review. HMDA data was tested

and found to be reliable. However, because residential real estate loans were not a primary product, this data was not used.

The CD test evaluates the bank's record of responding to the CD needs of its AA through CD lending and providing qualified investments, donations, and services. The CD test for the bank covers its performance from December 1, 2009 to December 31, 2012.

## Description of Institution

The bank is a full-service financial institution located in central Iowa. The bank operates out of its headquarters in Ankeny, Iowa. In addition to the main office, the bank operates nine branches - three Des Moines locations, two Ankeny locations, and one each in Altoona, Johnston, Pleasant Hill, and Waukee. All branch locations have drive-up facilities and deposit-taking automated teller machines (ATMs). The bank has not opened or closed any branches since the previous CRA examination.

The bank is 100 percent owned by Van Diest Investment Company, a multi-bank holding company headquartered in Ankeny, Iowa. CSB Insurance is an affiliate of the bank. CSB Insurance does not make any loans. The holding company and insurance affiliate do not impact the bank for CRA purposes.

The bank offers a full range of deposit and loan products and services to its customers. The bank focuses on business and residential real estate lending. Residential real estate lending has slowed since the last CRA examination, but business loans remain a primary product. As of December 31, 2012 the bank had total assets of \$567 million, total loans of \$328 million, and total deposits of \$458 million.

The following table summarizes the percentage of each loan type originated from January 1, 2010 to December 31, 2011.

Loan Originations by Loan Type				
Loan Category	\$ (000)	%	#	%
Commercial Loans	\$190,748	68.4%	725	41.6%
Residential Loans	\$81,575	29.2%	749	43.0%
Consumer Loans	\$2,770	1.0%	247	14.2%
Agricultural Loans	\$3,994	1.4%	21	1.2%
<b>Total Originations</b>	<b>\$279,087</b>	<b>100.0%</b>	<b>1,742</b>	<b>100.0%</b>

*Source: Bank provided loan originations for 2010 and 2011*

There are no legal or financial impediments to the bank's ability to meet the credit needs of its AA. The bank was rated "Outstanding" at its last CRA examination dated November 30, 2009.

## Description of Assessment Area

The bank's AA utilizing 2000 census information consists of Polk County, Iowa in its entirety as well as one CT in Dallas County, Iowa. Both counties are located in the Des Moines/West Des Moines metropolitan statistical area (MSA). The AA consists of six low-income, 20 moderate-income, 38 middle-income, and 17 upper-income CTs. Thirty-nine percent of households in the AA are considered low- or moderate-income. Eight percent of households are below the poverty line. The bank's AA has not changed, however updated 2010 census information has divided the one CT in Dallas County into seven CTs. The AA consists of whole CTs, and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas in accordance with 12 CFR 25.41.

The Des Moines/West Des Moines MSA is centered in Polk County and is the driving force of the local economy. The area's economy has seen improvement and has stabilized since the most recent recession. Major employers in the area are in the financial services and healthcare industries. Wells Fargo and Iowa Health represent the major employers with 11,700 and 7,300 employees, respectively. The unemployment rate has increased since the last CRA examination to 5.9 percent but is declining from its high of 6.2 percent at year-end 2010. Despite the recession, the economy in Des Moines and the surrounding areas has performed better than national trends.

Examiners interviewed a community contact located in the Ankeny area. The community contact described generally improving economic conditions in the area. The community contact indicated that funding needs in Ankeny consist of residential and small business lending. He feels local financial institutions are supporting the banking and credit needs of the community. He has not identified any unmet lending needs in the community. He also indicated that institutions are involved in community activities such as building baseball fields and funding farmers' markets.

## Conclusions with Respect to Performance Tests

### Lending Test

The bank's performance with regards to the lending test is satisfactory.

### Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable given its size, financial condition, and the credit needs in the AA. The bank's LTD ratio as of September 30, 2012 is 71 percent. Over the past 12 quarters ending September 30, 2012, the bank's average quarterly LTD ratio was 82 percent. This ratio compares favorably to the quarterly average of 10 other similarly-situated institutions at 74 percent.

## Lending in Assessment Area

A substantial majority of the bank's business loans are originated within the bank's AA. Management originated 95 percent of our loan sample by number and 92 percent by dollar amount inside the AA.

The following table details the bank's lending within its AA by number and dollar amount of sampled loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	19	95	1	5	20	3,488,953	92	283,993	8	3,772,946

Source: 2000 US census data and a sample of business lending from 2010 and 2011

## Lending to Businesses of Different Sizes

The distribution of loans to businesses of different sizes demonstrates a reasonable penetration. Small business loans represent 60 percent of business loans originated during the sampling period. Small businesses are defined as businesses with gross annual revenues of \$1 million or less. This is reasonable given demographic data that shows 66 percent of businesses in the bank's AA are small businesses.

The following table shows the distribution of loans to businesses of different sizes compared to AA demographics.

Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.6	3.3	31.1	100
% of Bank Loans in AA by #	60.0	40.0	0.0	100
% of Bank Loans in AA by \$	39.4	60.6	0.0	100

Source: 2000 US census data and a sample of business lending from 2010 and 2011

## Geographic Distribution of Loans

The geographic distribution of business loans in the AA demonstrates a reasonable dispersion among CTs of different income levels. Our sample indicated the bank did not originate any business loans in low-income tracts, and only five percent of our sample was originated in moderate-income CTs. This is reasonable due to the high number of businesses in the AA located in middle- and upper-income CTs. Eighty percent of AA businesses are located in middle- and upper-income CTs. This limits the bank's opportunities to make business loans in low- and moderate-income areas. There are no conspicuous lending gaps.

The following table shows the distribution of business loans among CTs of different income levels compared to the percentage of businesses in each category.

Table 3 - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	10.2	0.0	9.4	5.0	43.3	65.0	37.1	30.0

Source: 2000 US census data and a sample of business lending from 2010 and 2011

### Responses to Complaints

The bank has not received any CRA-related complaints since the last CRA examination.

### Community Development Test

The bank demonstrates an excellent responsiveness to the needs of its community through CD loans, qualified investments, and services. This meets the standard for outstanding performance.

### Number and Amount of Community Development Loans

The bank made an outstanding level of CD loans based on the capacity of the bank and the need and availability of opportunities in the AA. The bank originated 17 qualifying loans totaling over \$11 million during the evaluation period. The bank originated CD loans to a CD finance institution (CDFI) as well as to private, public, and non-profit entities. Examples of these CD loans are listed below.

- The bank originated seven loans totaling \$8.3 million which support affordable housing for low- and moderate-income families.
- The bank originated two loans totaling \$2.3 million to the Neighborhood Development Corporation (NDC) which is a non-profit, community focused organization that revitalizes distressed neighborhoods and encourages neighborhood sustainability. NDC’s projects primarily target low- and moderate-income geographies within the bank’s AA.
- The bank is a loan participant in a pool of loans originated by the Neighborhood Finance Corporation, the aforementioned CDFI. These loans to purchase single-family residences are targeted to individuals in low- to moderate-income neighborhoods within the bank’s AA. The bank originated \$500 thousand in loans to this entity.

## Number and Amount of Qualified Investments

The bank provides an outstanding level of CD investments and donations based on the capacity of the bank, and the need and availability of opportunities in the AA. The bank had numerous CD investments and donations that were concentrated in organizations whose primary purposes were to provide affordable housing, community services, promote economic development, or revitalize the area. The bank made \$1.8 million in qualified investments. Of that total, \$1.75 million went toward qualified investments and \$65 thousand went toward donations to 14 organizations to benefit low- and moderate-income families.

- The bank originally invested \$250 thousand in bonds and other debt securities with a specific purpose to provide CRA-related investments throughout the country. The current book value as of December 31, 2012 is \$395 thousand. Banks are allowed to designate their investment monies toward qualified projects within their AA when and where possible. At the time of this review, the bank's targeted investment provides financing for mortgage loans to be made to low- and moderate-income persons to finance single-family residential housing in Iowa.
- The bank originally invested \$100 thousand in an investment group, with the money used to provide funding to small and new businesses in return for an equity stake of the company. The current book value of the investment is \$29 thousand as the investment has taken a loss. All of the companies are located in Iowa, which is required for the fund to receive income tax credits. Based on the most recent information available, the location of the majority of the companies owned by this fund are located in low- or moderate-income geographies, and are providing job creation or retention in the targeted areas.
- The bank originally invested \$500 thousand in an equity fund that finances affordable housing projects in Iowa only. This effort is associated with a nonprofit corporation that derives income from the ability to obtain equity capital in affordable housing properties. The corporation is able to fund affordable housing projects through the use of the federal low-income housing tax credit program. The company also provides technical assistance to developers, owners, and management companies on the development and management of tax credit properties.
- The bank contributed \$65 thousand in qualified donations during the evaluation period. The most significant donations were made to the following organizations:
  - Over \$38 thousand in donations were provided to the United Way of Central Iowa which is an organization providing community services to low- and moderate-income individuals.
  - \$15 thousand in donations were provided to Hope Ministries, an organization that provides community services to low- and moderate-income individuals (specifically homeless, hungry, and hurting individuals).

## **Extent to Which the Bank Provides Community Development Services**

The bank provides an outstanding level of CD services. Bank personnel offered qualified services to 17 organizations that serve low- and moderate-income individuals or geographies. The bank's employee involvement in these organizations was focused on providing financial expertise, serving on committees, and assisting with fundraising. Some examples of these CD services are listed below.

- **YMCA of Greater Des Moines:** A bank employee is a member of the Metro Board of Managers and serves on the Finance Committee. The Committee is responsible for membership, program fees, and childcare to financially qualifying families in the metro area.
- **Neighborhood Finance Corporation:** A bank employee serves on the Board and is also the Treasurer of this organization, which is a local CDFI. This organization provides affordable housing loans in low- and moderate-income areas.
- **Luther Park Apartments:** Several bank employees provide mobile banking services, including cashing checks and taking deposits, to apartments that primarily serve low- and moderate-income senior citizens.
- **Numerous bank employees participate in programs at a variety of organizations aimed at educating low- and moderate-income individuals on basic financial matters such as money management, establishing a budget, applying for loans, and avoiding common financial pitfalls.**

The bank's branches serve low- and moderate-income individuals. The bank has two full-service branches located in moderate-income CTs. There are also two other full-service branches reasonably accessible to moderate-income geographies. Four of the bank's 10 branches reasonably service low- and moderate-income individuals. This is considered favorably under the CRA review.

The bank also participated in two programs benefiting low- and moderate-income individuals during the evaluation period. The bank participates in a program that charges no closing costs for home equity lines of credit for qualified customers. The bank also participates in a program that only charges a \$500 home loan origination fee for qualified buyers. Qualified buyers are determined by comparing the borrower's income to the current HUD-adjusted median family income.

## **Responsiveness to Community Development Needs**

The bank demonstrates an excellent responsiveness to CD opportunities throughout the AA. CD activities satisfactorily targeted low- and moderate-income individuals, families, and geographies.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.