

Section 1 - CRA Performance Evaluation

PUBLIC DISCLOSURE

May 24, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sibley State Bank
Certificate Number: 11764

803 Fourth Avenue
Sibley, Iowa 51249

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.

Satisfactory performance under the Lending Test is the basis for the rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The overall majority of small farm loans reviewed were originated or purchased outside the assessment area. Although the bank's performance under this criterion is less than reasonable, it did not impact the CRA rating.
- The assessment area does not contain any low-or moderate-income census tracts. Therefore, examiners did not evaluate the geographic distribution of loans.
- The distribution of borrowers reflects reasonable penetration among farms of different sizes.
- The institution did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

DESCRIPTION OF INSTITUTION

Sibley State Bank is a community financial institution operating one full-service facility in Sibley, Iowa. Cypress Corporation., a one-bank holding company, owns the institution. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated May 26, 2015, based on Interagency Small Institution Examination Procedures.

The bank offers a variety of credit products including agricultural, commercial, residential real estate, and consumer loans. Agricultural lending is the institution's primary business focus. In addition, the bank offers several deposit products including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include online banking and mobile banking.

According to the bank's Report of Condition and Income, assets totaled \$98.3 million, loans totaled \$58.3 million, and deposits equaled \$85.7 million, as of March 31, 2021. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	0	0.0
Secured by Farmland	7,426	12.8
Secured by 1-4 Family Residential Properties	3,927	6.7
Secured by Multifamily (5 or more) Residential Properties	67	0.1
Secured by Nonfarm Nonresidential Properties	1,397	2.4
Total Real Estate Loans	12,817	22.0
Commercial and Industrial Loans	4,447	7.6
Agricultural Production and Other Loans to Farmers	39,852	68.4
Consumer Loans	847	1.5
Obligations of State and Political Subdivisions in the U.S.	274	0.5
Other Loans	25	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	58,262	100.0
<i>Source: Report/s of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments affecting the bank's ability to meet the assessment area's credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Sibley State Bank designated a single assessment area that includes all of Osceola County, Lyon County census tract 9501 in Iowa, and Nobles County census tract 1053 in Minnesota. The assessment area is unchanged from the prior evaluation and is not part of a Metropolitan Statistical Area.

The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

According to the 2015 American Community Survey, the assessment area contains four middle-income census tracts. The following table highlights key economic data for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low %of#	Moderate % of#	Middle %of#	Upper %of#	NA* %of#
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	11,334	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,278	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,767	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	995	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	516	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	919	0.0	0.0	100.0	0.0	0.0
Farms by Geography	389	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,245	17.7	18.0	30.9	33.4	0.0
Household Distribution by Income Level	4,762	20.7	17.3	19.5	42.5	0.0
Median Family Income Non-MSAs - IA		\$61,681	Median Housing Value			\$82,869
Median Family Income Non-MSAs - MN		\$63,045	Median Gross Rent			\$572
			Families Below Poverty Level			6.6%

Source: 2015 ACS and 2020 D&B Data

Due to rounding, totals may not equal 100.0%

(*) The NA category consists of geographies that have not been assigned an income classification.

Competition

The bank's assessment area contains a moderate level of financial service competition. According to the June 30, 2020, FDIC Deposit Market Share data, 7 financial institutions operate 9 offices in the assessment area. Sibley State Bank ranked second amongst these institutions in deposit market share, with 20.3 percent of the deposits.

Community Contact

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

Examiners conducted a community contact with a representative of a local economic development organization. The individual stated that the local economy was strong until the pandemic forced many local businesses to limit hours and services. However, the individual stated that the local economy was recovering well following the pandemic downturn. Further, the person indicated that although the agricultural sector has a significant role of the economy, many businesses are expanding and new businesses are looking to move to the area. Lastly, the individual stated that while there is still a need for affordable housing in the area, the primary credit need is agricultural lending due to the abundance of farms.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners concluded that agricultural loans are the assessment area's primary credit need.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 26, 2015, to the current evaluation dated May 24, 2021. Examiners used Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test. Refer to the Appendices for a description of this test.

Activities Reviewed

Examiners reviewed small farm loans to evaluate the bank's performance. This product was selected based on the bank's business strategy, loan portfolio composition, and lending activities since the prior evaluation. No other loan types, such as small business, home mortgage, or consumer loans represent a major product line. As a result, examiners did not review any other loan products, as they would provide no material support for conclusions or the rating. Examiners reviewed all small farm loans originated or purchased in 2020 to evaluate the bank's record of lending inside the assessment area (Assessment Area Concentration analysis). Examiners then reviewed a sample of small farm loans from inside the assessment area to evaluate the bank's record of lending to farms of different sizes (Borrower Profile analysis).

Bank management indicated that the loans reviewed were representative of the institution's performance during the entire evaluation period. As a result, examiners did not review any additional years of data. The following table details the loans reviewed.

Loan Category	Assessment Area Concentration Analysis		Borrower Profile Analysis	
	#	\$ <000s)	#	\$ <000s)
Small Farm	339	35,003	50	5,798

Source: III/2020-121, 11/2020 Bank Data

The standard of comparison for small farm and small business loans was 2020 D&B data. When conducting the Assessment Area Concentration analysis, examiners placed equal weight on the number and dollar volume of loans. When conducting the Borrower Profile analyses, examiners placed greater emphasis on the number of loans. This is because the number of loans is a better indicator of the farms served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Sibley State Bank demonstrated satisfactory performance under the Lending Test. Reasonable performance under the Loan-to-Deposit Ratio and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. This ratio, calculated from Reports of Condition and Income data, averaged 91.9 percent over the past 24 calendar quarters. The bank's net loan-to-deposit ratio during the evaluation period ranged from a low of 67.2 percent as of March 31, 2021 to a high of 98.0 percent as of June 30, 2016.

Examiners compared Sibley State Bank's average net loan-to-deposit ratio to four other financial institutions. The comparable institutions were selected based on their asset size, branching structure, geographic location, and lending focus. The bank's average net loan-to-deposit ratio compared reasonably to those institutions' ratios. The following table provides details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2021 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Sibley State Bank, Sibley, IA	98,348	90.8
Adrian State Bank, Adrian, MN	63,301	85.5
United Southwest Bank, Cottonwood, MN	60,217	39.0
State Bank of Lismore, Lismore, MN	66,049	113.8
Melvin Savings Bank, Melvin, IA	91,005	44.1

Source: Reports of Condition and Income 6/30/2015 through 3/31/2021

Assessment Area Concentration

As shown below, the overall majority of small farm loans reviewed were originated or purchased outside the assessment area. This is primarily because the bank purchases a large number of agricultural loans/leases from an affiliated financial institution. Since the majority of the loans reviewed were outside the assessment area, the bank's performance under this criterion is less than reasonable. However, this did not impact the overall CRA rating at this time.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	143	42.2	196	57.8	339	15,904	45.4	19,093	54.6	34,997
<i>Source: Bank Data Due to rounding, totals may 1101 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 of different sizes. Examiners focused on lending to farms with gross revenues of \$1 million or less. Although the bank's record of lending to farms with gross annual revenues of \$1 million or less lags the demographic data, five of the eight loans to farms with gross annual revenues greater than \$1 million were to the same borrower. Therefore, the bank's performance is still reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.7	42	84.0	4,223	72.8
>\$1,000,000	LO	8	16.0	1,575	27.2
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	50	100.0	5,798	100.0
<i>Source: 2020 D&B Data, Ba11k Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

SmaJI 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.