



**Bank Iowa®**

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# **2019 ANNUAL REPORT** **& 2020 MID-YEAR REPORT**

# MESSAGE TO SHAREHOLDERS

## BANK IOWA UPDATE JIM PLAGGE, PRESIDENT/CEO

2020 has posed its share of challenges, one of them being finalizing our 2019 annual report. So we decided this year to provide an annual report for 2019 and a mid-year update in video format, [click here to view](#).

On a sad note, I want to first recognize the passing of one of our co-founders, Harry Barr. Harry was a model for the values we live out every day. I personally think Harry's strongest value was Enable Great Things, as I believe he helped set a foundation for us to do just that, every day, here at Bank Iowa. Harry will be dearly missed.

Throughout our history, Bank Iowa has built its reputation on being there for our clients, team members and communities. We're counted on to show up every day. And now, even in this most crucial time, they are all counting on us to continue to Empower People, Inspire Success and Foster Growth. Our decisions and actions during the global crisis are essential to keeping our local economies going - and will be remembered for years to come. Who would have guessed that the hard work we did in 2019 would enable us to weather the unprecedented events of 2020? I'm thankful for our Bank Iowa team, Boards of Directors and Shareholders, who have positioned Bank Iowa well in this extraordinary time.

If you recall, in late 2018 we embarked on an intensive strategic planning process with an emphasis on 2019 strategic growth objectives, knowing this would launch us into our longer-term strategic goals. We established five 2025 Five Year Focus Pillars: Performance, Growth, Talent, Innovation and Brand Experience. Detailed plans outlining broad objectives, specific goals and action steps were developed. In

addition to the bank goals and action steps, every region, department and team member developed goals and action steps that align with the bank goals. We are now in the process of implementation, although COVID has certainly been a disruption.

### Performance

The Performance Pillar focuses on improved profitability and efficiency. The metrics in this pillar are return on assets, return on equity, efficiency ratio, and non-interest income and net income growth. Several initiatives are underway in this pillar, including an early retirement program that was announced in late July, for which 20 of our team members are eligible, and an analysis of our smaller offices and our departmental staffing.

### Growth

The Growth Pillar focuses on loan and deposit growth, while maintaining prudent underwriting standards, pricing and deposit mix. Our initial goals were 7.5% annual loan growth, 4% annual deposit growth and total assets of at least \$1.9 billion by the end of 2025. We are now in the process of re-evaluating these goals in light of the current economic climate.

In early 2019 Bank Iowa switched our asset-liability management and investment partner relationship from FTN to Performance Trust of Chicago. We also engaged Svejda & Associates to conduct a cost study on how we can improve our non-interest income. We performed due diligence and, based on Svejda's findings, began the process of implementing twelve efforts to improve non-interest income with the projected additional revenue of almost \$200,000 in 2020.

The onset of COVID caused an historical drop in interest rates. This has resulted in a record level of home refinancings and I'm pleased to report that we were well positioned to assist our clients. In 2019 we had a record volume of almost \$100 million of home loans. We already surpassed that volume in 2020 as of the end of June.

In addition to organic growth in 2019, we expanded our footprint and facilities. The Pella office, a branch of the Oskaloosa region, officially opened in 2019 and has been well received in this progressive and growing community. We didn't give the leadership team in Oskaloosa much time to adjust to the Pella addition, as we added another location to their region when we completed the acquisition of First State Bank of Colfax, a \$50 million bank, in December 2019. As with Pella, Colfax fits nicely into our Oskaloosa and Des Moines footprints. A computer conversion and complete facility remodel were completed in Colfax in the first and second quarters of 2020. We also officially broke ground on the new Clarinda bank facility in 2019, solidifying our commitment to Clarinda and the greater Southwest Iowa region. Construction on this beautiful new facility was completed in June of 2020. Bank Iowa donated the previous main bank facility to the City of Clarinda to be used as their city hall and city offices.

And finally, in May 2019 we consolidated three corporate and administrative offices into one location

at the Pinehurst Building, located just across the street from our West Des Moines bank office and former corporate headquarters. This updated facility provides a large training space, a fully devoted technical training room to keep our frontline staff up-to-date, multiple meeting and collaborative spaces, and an impressive "non-traditional" workspace to attract and retain new talent.

## Talent

The Talent Pillar recognizes that our greatest asset at Bank Iowa is our team. Knowing this, we continue to invest in them, their talent development and enriching the workplace culture at Bank Iowa. In 2019 we completed and refreshed Bank Iowa's Purpose, Vision and Values. Upon completion, we launched the new Purpose, Vision and Values through an impressive and inspirational video direct mail piece. We also included appreciation gifts to all team members. Our new Purpose Statement - Empower People, Inspire Success, Foster Growth - have become the six most important words in our Bank Iowa vernacular.

In addition to raising the standard in talent development, workplace culture and environment, our team continues to raise the standard when it comes to giving back to the communities in which we live and work. In 2019, team members contributed 12,772 hours of volunteer time, an increase from 9,928 hours in 2018.

*"Our decisions and actions during the global crisis are essential to keeping our local and global economies going – and will be remembered for years to come." – Jim Plagge*

In 2019 we also launched our first Gallup Q12 Survey to measure Bank Iowa team member engagement. We had a stunning 97% response rate for our first survey. We learned valuable lessons that are helping us shape decisions about leadership, engagement and culture. Our second survey, which was supposed to be conducted this spring, launched at the end of July and ran through mid-August. We're anxiously awaiting the results to see where we can continue to improve and grow as a company. This fall, we'll also launch Gallup's Clifton Strengths assessment bank wide. All 270 team members will discover their personal strength profile and how to use that to lead, be a healthy part of a team and serve our clients, communities and families. A group of leaders have already taken the assessment and have enjoyed learning about leaning into and leading with their strengths.

Speaking of those 270 team members. We gathered them all together in February 2020 for the first Bank Iowa Summit. This reimagined, all bank gathering had us learning, laughing, listening, honing skills and honoring our teammates' successes and years of service. We ended the day with a community service project. It was a great event with outstanding people.

We also continue to refine our organizational structure. We're making it a priority to get our talent in the right roles to maximize efficiency and deliver quality. This resulted in bringing loan operations under the management of the credit department and conducting our first ever bank-wide loan assistant training session. Additionally, we implemented a bank-wide credit underwriting department for commercial loans, including the hiring of a third credit analyst in Des Moines, freeing our lending teams to focus on building relationships.

2020 brought about the retirement of many long-term team members, notably regional presidents Renea Huinker and Scott Brus. Their departure made way for some rising stars to take the lead in those regions. Regional Senior Lenders Brian Carolan succeeded Renea in Lawler and Chad Leighty took the reins from Scott in Denison. To provide additional opportunities for young team members and improve efficiencies, we introduced an early retirement program in the third

quarter of 2020. Twenty team members are eligible for this program and those accepting the program will retire by year end 2020.

## **Innovation**

The importance of the Innovation Pillar has certainly escalated in recent months because if we have learned anything in these first two quarters of 2020 it's that digital technology is intimately woven into nearly every facet of our lives. It's currently the way we connect, the way we "go to work", the way we're entertained, and for most, the way we bank. For this reason, innovation and technology will be among our greatest opportunities and challenges as a community bank in the years ahead. We continue to adapt to new and changing technological advancements and the sophisticated demands of our customer base. Bank Iowa provides secure and relevant platforms to our clients, customers and team members. We performed 19 major application upgrades in 2019 including the Phoenix 2019 release, LaserPro/DepositPro, ProfitStars, OpenPath, Allogent, and Teller to list just a few.

In 2020, we deployed dozens of laptops in a matter of weeks, allowing many non-customer facing team members to work from home at the onset of COVID-19. A 2019 implementation of Microsoft 365 provided an excellent platform for meeting together while social distancing and working from home. Microsoft Teams is our new "conference room" during this global pandemic. In late June 2020 we hired a new IT Director, Dustin Caldwell. Dustin has experience in improving operational efficiency and executing on department goals that will allow us to further our vision to efficiently serve all our audiences. We'll be leaning heavily on him as we discover and respond to how our customers' behaviors and expectations are changing.

Our lending team continues to leverage technology to improve our service and increase our market share in each region. With the help of our IT team, lenders selected a Customer Relationship Management (CRM) vendor and began implementation in late 2019. Quest Analytics, our bank wide CRM platform, helps track sales calls,



customer relationships and reinforces the burgeoning sales culture at Bank Iowa.

## Brand Experience

The Brand Experience Pillar was effectively kicked off with a brand refresh in 2018. We also launched a new Bank Iowa website to align with the bank's new brand look and feel. In addition to raising our brand awareness by 13% among consumers and by 5% among farmers, the marketing team launched the successful social media Bird's Eye View campaign featuring drone footage of all our 23 unique communities. We also re-established a monthly internal newsletter called the "Bank Iowa Spotlight." As if that wasn't enough, our marketing team wrote and illustrated a children's book, *Eleanor Saves the Day*, for our Young Savers program. During the first four months of the *Eleanor Saves the Day* campaign, the bank increased new Young Account Savers accounts by over 1000% and increased new Young Account Savers account balances by over 250%. The marketing team was rewarded for their efforts in 2019 by winning 11 marketing awards. In late 2019, we filmed five, 30 second, commercials and created a brand video for the launch of our new messaging campaign, "Let's Make it Happen," that launched in March 2020.

The interruption of plans, scheduled launches and timelines in early 2020 fostered creativity and an opportunity to lead in our communities. The Bank Iowa marketing team created a COVID-19 page on our website that kept our customers current with our response to the global pandemic and information about helpful tools and resources available to them. In addition, Bank Iowa launched a program called Helping Hand. This program was designed to financially assist community organizations that were stepping up and helping the community during the pandemic. Bank Iowa donated over \$20,000 through the Helping Hand program. We are also planning to participate in a Habitat for Humanity Rock the Block building project this fall, COVID-conditions permitting.

Thank you for your continued support of Bank Iowa. It's an honor to lead your company.

Sincerely,

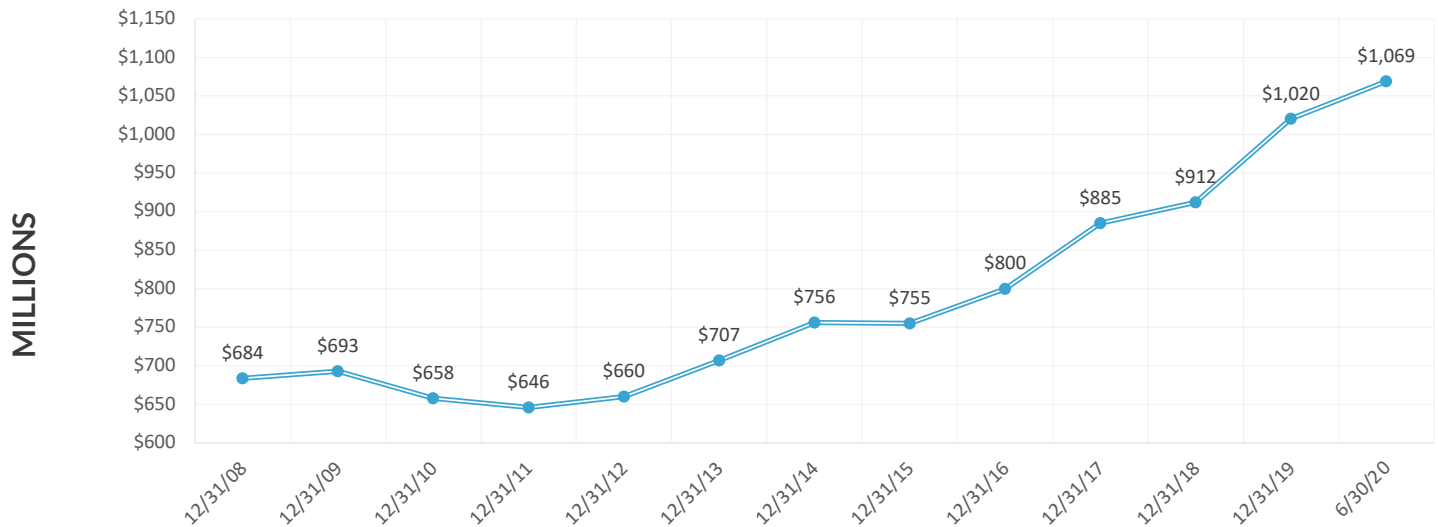
Jim Plagge

CEO

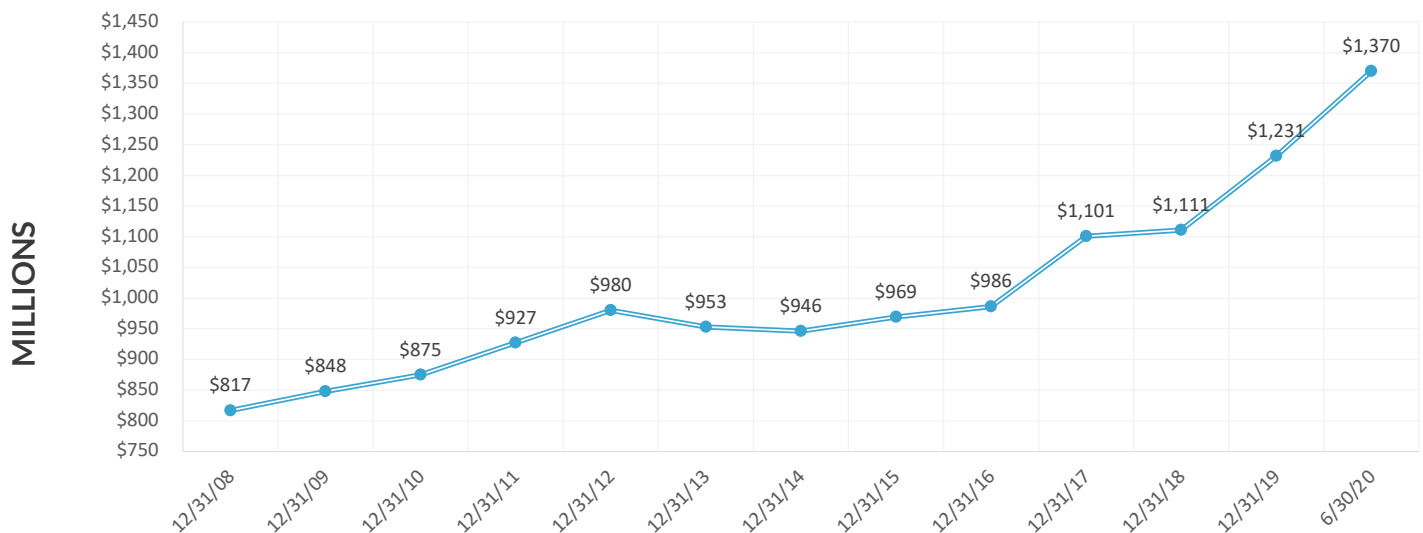


# 2019 BANK IOWA PERFORMANCE

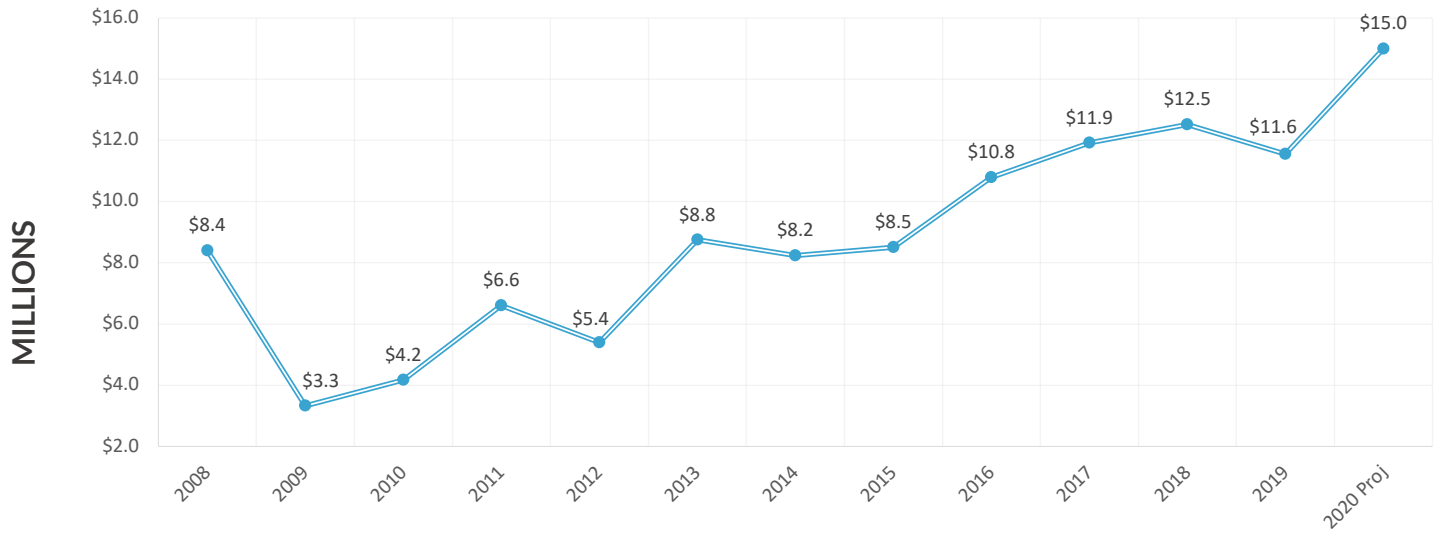
## TOTAL LOANS



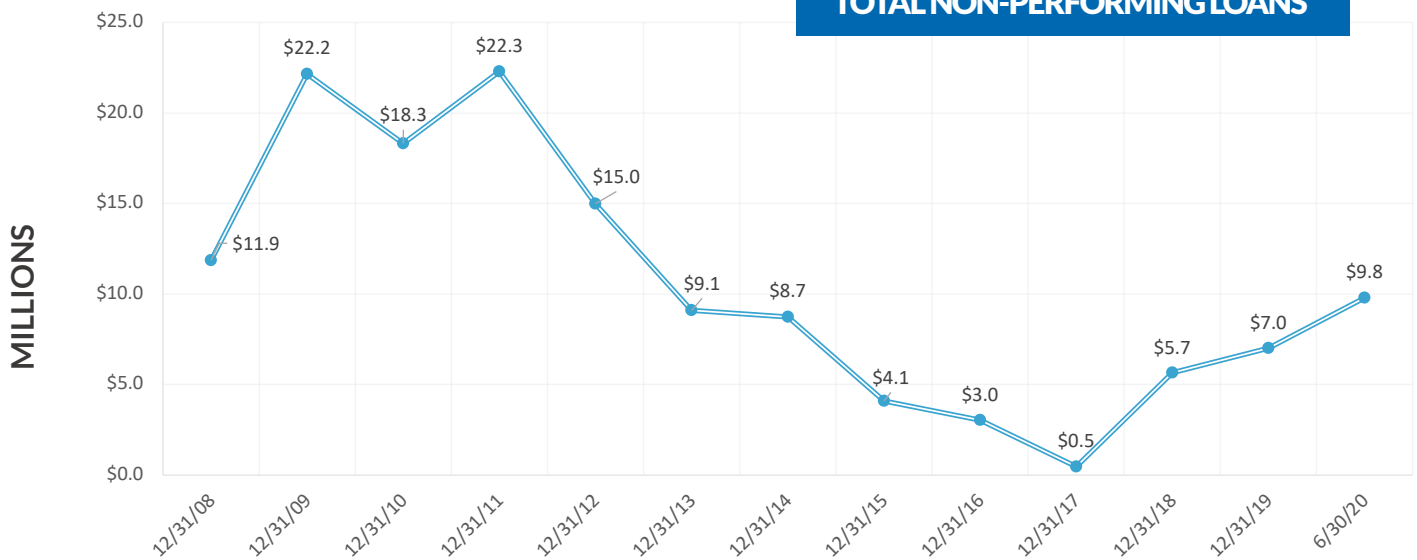
## TOTAL DEPOSITS



## CONSOLIDATED NET INCOME



## TOTAL NON-PERFORMING LOANS



# BALANCE SHEET

	YTD 06/30/20	YE 12/31/19	YE 12/31/18
Cash & Due; CDs	15,168,600	38,471,585	28,525,622
Fed Funds Sold	284,250	13,165,868	544,000
Securities & TRUPS	352,122,663	268,658,321	289,026,394
Gross Loans	1,155,386,375	1,020,356,474	912,259,720
Total Reserve	(17,582,460)	(14,867,560)	(14,178,907)
Net Loans	1,137,803,915	1,005,488,914	898,080,813
Other RE Owned	607,315	259,329	48,292
Premises & Fixed Asset	26,059,031	23,472,577	19,144,831
Bank Owned Life Insurance	18,867,449	19,211,402	18,806,660
Other Assets	24,505,714	23,910,996	19,663,275
Goodwill	3,800,005	1,911,467	2,402,769
Deferred Tax Asset	(223,768)	205,575	563,932
Investment in Subsidiary	0	0	0
<b>Total Assets</b>	<b>1,578,995,174</b>	<b>1,394,756,034</b>	<b>1,276,806,588</b>
DDA and NOW	545,932,546	471,760,421	442,658,987
Savings and Money Market	372,737,609	299,120,775	274,212,675
Time Deposits	360,466,987	384,006,666	319,281,105
Brokered CDs	39,675,692	51,712,893	53,806,490
CDARS & ICS Money Market	32,222,656	14,273,176	12,027,531
Total Deposits	18,398,504	10,418,761	9,025,216
Repurchase Agreements	1,369,433,994	1,231,292,692	1,111,012,004
Borrowings	52,205,230	22,476,216	40,000,915
Other Liabilities	20,723,194	15,995,595	14,548,039
<b>Total Liabilities</b>	<b>1,442,362,418</b>	<b>1,269,764,503</b>	<b>1,165,560,958</b>
Trust Preferred Securities	0	0	0
Tier 1 Capital	128,846,812	124,360,817	117,448,764
Unrealized Gain/(Loss)	7,785,944	630,714	(6,203,134)
Total Equity	136,632,756	124,991,531	111,245,630
<b>Total Liabilities &amp; Equity</b>	<b>1,578,995,174</b>	<b>1,394,756,034</b>	<b>1,276,806,588</b>



# INCOME STATEMENT

	YTD 06/30/20	YE 12/31/19	YE 12/31/18
Total Interest Income	28,712,987	55,564,912	50,973,723
Total Interest Expense	5,579,514	13,286,776	9,402,642
<b>Net Interest Income</b>	<b>23,133,473</b>	<b>42,278,136</b>	<b>41,571,081</b>
Service Charges	886,398	2,215,083	2,131,908
Loan Fee Income	2,620,551	2,092,075	1,366,970
Mtge Serv Rights (One-time)	0	0	0
Other Fees and Income	1,393,016	3,121,567	2,494,062
BOLI Cash Value Increase	229,013	405,890	435,415
<b>Total Non-Interest Income</b>	<b>5,128,978</b>	<b>7,834,615</b>	<b>6,428,355</b>
Salaries & Employee Benefits	12,862,781	24,256,068	22,166,366
Occupancy Expenses	1,630,349	3,042,679	2,627,113
Data Processing	2,180,594	3,510,922	3,469,039
Marketing & Advertising	713,619	1,526,611	1,215,894
Donations & Community Outreach	112,538	381,740	407,637
Insurance Expenses	92,979	251,141	460,659
Professional Expenses	620,996	1,382,560	1,196,134
Other Operating Expenses	963,353	2,148,559	2,097,496
Goodwill Amortization	278,549	477,867	477,867
Core Deposit Amortization	11,016	35,466	122,249
<b>Total Non-Interest Expense</b>	<b>19,466,774</b>	<b>37,013,613</b>	<b>34,240,454</b>
Operating Income	8,795,677	13,099,138	13,758,982
Less: Reserve for Loan Losses	3,100,000	1,000,000	600,000
<b>Income Before Taxes/Adjustments</b>	<b>5,695,677</b>	<b>12,099,138</b>	<b>13,158,982</b>
OREO Loss/(Gain)	(25,136)	2,202	17,016
Securities Loss/(Gain)	(934,971)	(202,357)	(57,274)
Other Asset Loss/(Gain)	93,894	99,589	(14,600)
Deferred Tax Adjustment	0	0	(4,115)
State Taxes	353,200	648,400	702,341
<b>Net Taxes/Adjustments</b>	<b>(513,013)</b>	<b>547,834</b>	<b>643,368</b>
<b>Net Income</b>	<b>6,208,690</b>	<b>11,551,304</b>	<b>12,515,614</b>

## OUR LOCATIONS



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