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Community Reinvestment Act

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Table of Contents

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Community Reinvestment Act Notice

Community Reinvestment Act Performance Evaluation

Location and Hours

Products and Services

CRA-Related Written Comments

Assessment Area Maps

Community Reinvestment Act Notice

Under the Federal Community Reinvestment Act (CRA), the Federal Reserve Board (Board) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The Board also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the Federal Reserve Bank of Chicago; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the Federal Reserve System publishes a list of the banks that are scheduled for CRA examination by the Reserve Bank in that quarter. This list is available from Vice President of Consumer Compliance, Federal Reserve Bank of Chicago, 230 South LaSalle Street, Chicago, IL 60604-1413. You may send written comments about our performance in helping to meet community credit needs to Rusty Hunter, President, 801 S. Fremont, Shenandoah, IA 51601 and Vice President of Consumer Compliance, Federal Reserve Bank of Chicago, 230 South LaSalle Street, Chicago, IL 60604-1413. Your letter, together with any response by us, will be considered by the Federal Reserve System in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the Reserve Bank. You may also request from the Reserve Bank an announcement of our applications covered by the CRA filed with the Reserve Bank. We are an affiliate of First National Bancorp, a bank holding company. You may request from Assistant Vice President of Applications, Federal Reserve Bank of Chicago, 230 South LaSalle Street, Chicago, IL 60604-1413 an announcement of applications covered by the CRA filed by bank holding companies.

PUBLIC DISCLOSURE

December 1, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Heritage Bank
RSSD# 618647

801 South Fremont
Shenandoah, Iowa 51601

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

PERFORMANCE EVALUATION	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF INSTITUTION.....	3
DESCRIPTION OF ASSESSMENT AREA	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	9
LENDING TEST	9
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	18
APPENDIX A – MAP OF ASSESSMENT AREA.....	19
APPENDIX B – SCOPE OF EXAMINATION	27
APPENDIX C – GLOSSARY	28

BANK'S CRA RATING

First Heritage Bank is rated Satisfactory.

First Heritage Bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending reflects reasonable penetration among borrowers of different incomes and businesses and farms of different revenue sizes. There were no Community Reinvestment Act (CRA) related complaints received by the institution or by this Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

First Heritage Bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics.

First Heritage Bank maintains a non-metropolitan assessment area (Non-MSA) which includes Page County, Iowa in its entirety, and one census tract in Fremont County, Iowa which is located immediately west of Page County. The level of performance within the assessment area was assessed based on samples of residential real estate (home mortgage), small business, and small farm loans originated from November 1, 2021, to December 31, 2024. These products are considered First Heritage Bank's primary business lines based on the volume of the bank's loan originations by number and dollar amount.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- *Loan-to-Deposit Ratio* – A 16-quarter average (December 31, 2021, through September 30, 2025) loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- *Lending in the Assessment Area* – A sample of the bank's home mortgage, small business, and small farm loans originated from November 1, 2021, to December 31, 2024, were reviewed to determine the percentage of loans originated in the assessment area.
- *Geographic Distribution of Lending in the Assessment Area* – A sample of the bank's residential real estate, small business, and small farm loans originated in the assessment

area from November 1, 2021, to December 31, 2024, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.

- *Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes* – A sample of the bank’s residential real estate, small business, and small farm loans originated in the assessment area from November 1, 2021, to December 31, 2024, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- *Response to Substantiated Complaints* – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, three community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and affordable housing.

DESCRIPTION OF INSTITUTION

First Heritage Bank, with total assets of \$69.5 million as of June 30, 2025, is a wholly owned subsidiary of First National Bancorp, a one bank holding company based in Shenandoah, Iowa. The bank has two full-service branches and one automated teller machine (ATM). The main branch operates in Shenandoah, Iowa, in a moderate-income census tract located in Page County. The main branch includes an ATM and drive through facility. The second branch operates in Farragut, Iowa, in a middle-income census tract located in Fremont County. The Farragut branch does not include an ATM or drive-through facility. The bank has not opened or closed any branch offices since the previous evaluation.

First Heritage Bank serves its assessment area primarily as an agricultural, commercial, and residential real estate lender. The bank’s highest product by volume is commercial lending (35.1 percent), followed by residential real estate lending (32.5 percent), and agriculture lending (28.2 percent). Loan products include residential real estate, consumer installment, home equity lines of credit, commercial, and agricultural loans. Deposit products offered by the bank include traditional checking and savings accounts, certificate of deposits, money market deposit accounts, and negotiable order of withdrawal accounts.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2024, First Heritage Bank ranks sixth out of nine FDIC-insured financial institutions operating within the assessment area. The bank held \$58.2 million in deposits representing 6.4

percent of the deposit market share. Market leader Bank Iowa holds 33.3 percent (\$305.3 million) of the assessment area's deposits, followed by PCSB Bank which holds 16.1 percent (\$147.4 million). The nine institutions competing for loans and deposits with First Heritage Bank have 17 offices located throughout the assessment area.

Details of the composition of the bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio As of June 30, 2025 (\$000)		
Type	\$	%
Residential Real Estate	17,164	32.5
Commercial	18,518	35.1
Agricultural	14,886	28.2
Consumer – Closed End	1,575	3.0
Consumer – Open End	600	1.1
Other	21	0.1
Gross Loans	52,764	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on November 1, 2021.

DESCRIPTION OF ASSESSMENT AREA¹

First Heritage Bank's assessment area consists of seven contiguous census tracts in rural Iowa. The bank delineates Page County in its entirety and one census tract (9701) in Fremont County, Iowa. The assessment area consists of one moderate-income census tract in Page County and six middle-income tracts between Page and Fremont counties. No middle-income census tracts within the assessment area held distressed or underserved designations from 2021 to 2024. The bank's assessment area delineation remains unchanged since the previous evaluation and census tract designations remain unchanged. Additionally, the bank has not had any branch openings or closings since the previous evaluation. Assessment area demographic information is presented in the following table.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

2024 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	942	21.2
Moderate	1	14.3	510	11.5	105	20.6	929	20.9
Middle	6	85.7	3,928	88.5	246	6.3	1,081	24.4
Upper	0	0.0	0	0.0	0	0.0	1,486	33.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	7	100.0	4,438	100.0	351	7.9	4,438	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,164	510	9.8	43.8	494	42.4	160	13.7
Middle	7,073	4,684	90.2	66.2	1,608	22.7	781	11.0
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,237	5,194	100.0	63.1	2,102	25.5	941	11.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	120	14.5	108	14.3	12	22.2	0	0.0
Middle	706	85.5	645	85.7	42	77.8	19	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	826	100.0	753	100.0	54	100.0	19	100.0
Percentage of Total Businesses:				91.2		6.5		2.3
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	2.1	5	2.1	0	0.0	0	0.0
Middle	232	97.9	231	97.9	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	237	100.0	236	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.6		0.4		0.0
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

The following presentation of key demographics is used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of American Community Survey (ACS) data, 2011-2015 and 2016-2020.

Population Characteristics

The following table shows the population trends for the assessment area, Fremont and Page counties, Non-MSA Iowa, and the state of Iowa from 2015 to 2020 according to U.S. Census estimates. The population of Page County decreased by 2.9 percent, while Fremont County decreased by 7.1 percent. Overall, the population in the assessment area decreased by 4.2 percent. In comparison, Non-MSA Iowa declined by 1.4 percent, and the state of Iowa increased by 3.1 percent. A community representative attributed the assessment area's population decline to an aging population and a lack of young professionals and young families moving to the area, favoring larger cities that provide more job opportunities and higher wages. Further, there is a lack of affordable housing in the area, and existing homes are deteriorating and in need of repair.

Population Change			
Area	2015 Population	2020 Population	Percentage Change (%)
Assessment Area	22,766	21,816	-4.2
Fremont County, IA	7,106	6,605	-7.1
Page County, IA	15,660	15,211	-2.9
Non-MSA Iowa	1,250,756	1,232,642	-1.4
Iowa	3,093,526	3,190,369	3.1

Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2011-2015
U.S. Census Bureau: American Community Survey Data: 2020

Income Characteristics

According to FFIEC Census Data, the assessment area is comprised of 4,438 families, of which 21.2 percent are low-income, and 20.9 percent are moderate-income families. While the majority of the families within the assessment area are considered middle- (24.4 percent) and upper-income (33.5 percent), opportunities to lend to low- and moderate-income families are present within the assessment area.

Based on the 2020 ACS, the median family income (MFI) in the assessment area (\$66,252) falls below Fremont County (\$72,404), Non-MSA Iowa (\$71,763), and the state of Iowa (\$79,186), but exceeds Page County (\$63,965). A community representative noted that Clarinda, Iowa, a city within Page County, includes a strong manufacturing industry with competitive wages compared to the western part of Page County that has experienced job losses and a decline in population. Hospitals and daycare facilities are facing challenges attracting and retaining staff due to competition from nearby counties offering higher wages. Another community representative acknowledged that rural communities need to focus on attracting and retaining young people,

which is difficult as many move to larger cities where there are more job opportunities and higher wages. Housing supply and housing affordability issues within Fremont and Page counties are impacting employers' willingness to expand their business operations in the area, which can impact population growth.

The following table shows the MFI trends for the assessment area, Fremont and Page counties, Non-MSA Iowa, and the state of Iowa from 2015 to 2020 according to U.S. Census estimates.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Assessment Area	67,359	66,252	-1.6
Fremont County, IA	71,137	72,404	1.8
Page County, IA	66,122	63,965	-3.3
Non-MSA Iowa	67,391	71,763	6.5
Iowa	73,712	79,186	7.4

Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2011-2015
U.S. Census Bureau: American Community Survey Data: 2020

Housing Characteristics

First Heritage Bank's assessment area contains 8,237 housing units. The majority of housing units are owner-occupied at 63.1 percent, while 25.5 percent are rental units, and 11.4 percent are vacant. Within the assessment area there are 1,164 housing units located in the moderate-income census tract.

If a household's housing cost is 30.0 percent or more of its income, that household is considered housing cost burdened. As shown in the following table, a much larger percentage of low-income renters and homeowners in the assessment area are experiencing housing cost burden compared to moderate-income renters and homeowners. Community representatives stated that while affordable housing is a primary assessment area need, newly constructed homes cost at least \$200,000 which is not affordable for most local residents. One community representative noted the quality of housing stock for low- and moderate-income housing units are in need of repair and/or renovation to prevent the homes from becoming unlivable in the next five to ten years. Another community representative noted that there is not enough rental housing in the assessment area to match demand, and landlords are asking above market rental rates despite substandard conditions of some rental properties.

The following table illustrates the housing cost burden for the assessment area, Fremont and Page counties, Non-MSA Iowa, and the state of Iowa.

Housing Cost Burden						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	65.3	9.9	30.4	39.8	12.0	12.2
Fremont County, IA	60.0	22.7	26.0	50.8	11.5	13.8
Page County, IA	66.7	6.3	31.8	35.9	12.3	11.4
Non-MSA Iowa	65.8	16.7	33.2	54.8	18.9	14.2
Iowa	71.9	21.4	37.9	58.7	23.5	14.9
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy</i>						

Employment and Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area employer base is diverse. Significant employment is provided in the following industries: manufacturing, retail trade, accommodation and food services, and health care and social assistance.

Unemployment rates within the assessment area, Fremont and Page counties, Non-MSA Iowa, and the state of Iowa have improved since the COVID-19 pandemic. The unemployment rate in Page County is lower than both Fremont County and the state of Iowa. A community representative indicated that Page County has a strong manufacturing base with competitive wages. However, there is a shortage of child daycare facilities and daycare staff to meet the current demand of young families looking for childcare. Also, the assessment area is experiencing a shortage of healthcare professionals as residents employed in this industry are willing to commute for better salaries. A community representative in the agriculture industry noted that livestock farmers are maintaining profitable operations due to high prices for livestock. Conversely, farmers who grow soybeans and corn are experiencing economic challenges leading to tighter margins or financial losses. The community representative noted that the number of new farmers coming into the agriculture industry is similar in number to those leaving the industry.

The following table shows unemployment statistics for the assessment area, Fremont County, Page County, Non-MSA Iowa, and the state of Iowa.

Unemployment Rates (%)					
Area	2020	2021	2022	2023	2024
Assessment Area	4.0	3.2	2.4	2.3	2.8
Fremont County, IA	3.5	3.0	2.7	2.5	3.3
Page County, IA	4.3	3.3	2.2	2.2	2.5
Non-MSA Iowa	4.9	3.8	3.0	3.0	3.0
Iowa	5.2	3.9	2.8	2.9	3.0

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Community Representatives

Three community representatives were contacted to provide information about local economic and demographic conditions. The representatives provided information on affordable housing, employment, economic development, and community service needs within the assessment area. The primary need in the assessment area is affordable housing, including funding to repair and renovate aging housing stock before living conditions for residents become substandard. Existing employers are reluctant to expand their business operations due to limited housing supply and affordability issues within the assessment area. The community representatives stated that tax credits, revolving loan funds, construction loans, along with strong support from local financial institutions and developers are helping to address the needs related to affordable housing. The community representatives recommended that financial institutions look for additional opportunities to provide credit to small businesses. Additionally, one community representative recommended that financial institutions provide informational workshops to new farmers explaining the type of information banks require when extending credit to farmers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

First Heritage Bank's performance relative to the lending test is rated Satisfactory. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the residential real estate, small business, and small farm loans were

originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activities reflect reasonable penetration among individuals of different income levels, as well as to businesses and farms of different sizes.

Loan-to-Deposit Ratio

First Heritage Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The following table shows the bank's 16-quarter average LTD ratio ending September 30, 2025, in comparison to local competitors. During that period, the bank's average LTD ratio was 77.4 percent, which decreased slightly (1.4 percent) from the previous evaluation's average of 78.8 percent. However, the bank's LTD ratio is above its peer average (71.2 percent) and exceeds all but three competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16-Quarter Average
First Heritage Bank	77.4
Peer Average	71.2
Competitors	
Northwest Bank	91.7
Arbor Bank	90.3
Bank Iowa	85.6
First Interstate Bank	73.6
Cornerstone Bank	69.4
Tri-Valley Bank	57.2
PCSB Bank	56.3
Glenwood State Bank	45.6

Assessment Area Concentration

A majority of First Heritage Bank's loans were originated in the assessment area during the review period. Based on the sample of loans originated during the evaluation period, the bank originated 72.7 percent of home mortgage loans, 60.8 percent of small business loans, and 81.6 percent of small farm loans by number within the assessment area. Across all loan products, the bank originated 71.6 percent by number and 52.8 percent by dollar volume of loans inside the assessment area, demonstrating the bank's commitment to providing credit to its communities. This is comparable to the bank's lending in the assessment area during the previous evaluation, which was 73.0 percent by number and 62.2 percent by dollar volume.

The following table presents First Heritage Bank's lending inside and outside its assessment area for home mortgage, small business, and small farm loans from November 1, 2021, to December 31, 2024.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Mortgage	40	72.7	5,329	58.8	15	27.3	3,733	41.2
Small Business	31	60.8	2,900	35.3	20	39.2	5,317	64.7
Small Farm	40	81.6	4,056	67.6	9	18.4	1,946	32.4
TOTAL LOANS	111	71.6	12,285	52.8	44	28.4	10,996	47.2

Geographic Distribution of Loans

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data². Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

First Heritage Bank's geographic distribution of residential real estate loans, small business loans, and small farm loans reflects reasonable dispersion of lending throughout the bank's assessment area. The bank's assessment area is comprised of one moderate-and six middle- income census tracts. During the review period (November 1, 2021, through December 31, 2024) there were seven residential real estate loans, seven small business loans, and no small farm loans originated in the sole moderate-income census tract. The bank's ability to serve the moderate-income tract is challenging considering the limited owner-occupied housing units, businesses, and farms located in the tract. Despite the limited lending in the moderate-income census tract, First Heritage Bank's lending reach is reasonable for the size and complexity of the institution, with no conspicuous or unexplained lending gaps in the assessment area.

The analysis was driven by the bank's performance in 2023 and 2024, while the bank's performance in 2021 and 2022 was used for comparison purposes. A detailed discussion of residential real estate, small business, and small farm lending in relation to census demographics is provided below.

Residential Real Estate Lending

First Heritage Bank's residential real estate lending reflects reasonable dispersion throughout the assessment area. In 2023, the bank originated 26.7 percent of its residential real estate loans in the assessment area's lone moderate-income census tract, which is substantially above the total percentage (9.8 percent) of owner-occupied units located in the moderate-income tract. First

² The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)