

PUBLIC DISCLOSURE

April 1, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iowa State Bank
RSSD# 982348

1101 Main Street
Hull, IA 51239

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 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.

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INSTITUTION'S CRA RATING

Iowa State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Iowa State Bank is meeting the credit needs of its community based on an analysis of the bank's lending and community development activities. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of the bank's loans were originated inside the bank's assessment area. The geographic dispersion of the bank's loans reflects reasonable penetration throughout the assessment area, and loan distribution reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Neither Iowa State Bank nor this Reserve Bank has received any Community Reinvestment Act (CRA) related complaints since the previous evaluation.

Iowa State Bank's community development performance demonstrates adequate responsiveness to the needs of the assessment area through community development loans, investments, and services. The bank's performance is appropriate, considering the bank's capacity, assessment area needs, and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

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

Iowa State Bank maintains one delineated assessment area, Non-Metropolitan Statistical Area (Non-MSA) Iowa, which consists of O'Brien, Osceola, Plymouth, and Sioux Counties in their entirety and partially delineated Cherokee County (tracts: 0803 and 0802), and Ida County (tract: 0901). A full scope evaluation was conducted based on the bank's operations, deposit market share, branch and automated teller machine (ATM) concentration, volume of residential real estate, small business, and small farm lending, economic and demographic characteristics, and an evaluation of the needs of communities in the bank's sole assessment area.

Loan products reviewed include residential real estate, small business, and small farm loans. These are considered the bank's primary business lines based on volume by number and dollar amount. All products were weighted equally in the evaluation.

Performance within the designated assessment area was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13-quarter average loan-to-deposit ratio (LTD) was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank’s residential real estate, small business, and small farm loans originated from January 1, 2023, to December 31, 2023, was reviewed to determine the percentage of loans originated within 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 within the assessment area from January 1, 2023, to December 31, 2023, was analyzed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***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 within the assessment area from January 1, 2023, to December 31, 2023, was 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.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments and donations, and community development services from March 9, 2021, through April 1, 2024, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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 organizations contacted had an economic development focus.

DESCRIPTION OF INSTITUTION

Iowa State Bank is a wholly owned subsidiary of Vogel Bancshares, Inc., a one-bank holding company located in Hull, Iowa. The intrastate bank is chartered in Hull, Iowa, but operates out of its main office in Orange City, Iowa, approximately 40 miles northeast of Sioux City, Iowa. In addition to its main office, the bank operates 13 branches and is under contract for the use of 16 cash-only ATMs (available to customers at no charge), throughout the bank’s assessment area. Since the previous examination, the bank acquired five branches (three in middle-income tracts and two in upper-income tracts), converted their only LPO into a full-service branch, and closed three ATMs located in middle-income census tracts.

As of the June 30, 2023, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Iowa State Bank ranks second out of 26 financial institutions operating in the assessment area. The bank held approximately \$765.0 million in deposits, representing a market share of 12.8 percent. American State Bank in Sioux Center, Iowa held the largest market share at 16.9 percent, and United Bank of Iowa in Ida Grove, Iowa, was just below Iowa State Bank with 10.0 percent.

According to the December 31, 2023, Uniform Bank Performance Report (UBPR), Iowa State Bank reported total assets of \$1.1 billion. Iowa State Bank provides a range of traditional loan and deposit products and services. While the bank is primarily an agricultural and commercial lender, it also offers residential real estate and consumer loan products. Traditional deposit products consist of checking, savings, and certificates of deposit. The bank maintains a website (www.iowastatebank.net) that provides information on loan and deposit products, applications, online banking, and other bank services. Online and mobile banking allows customers to access and monitor their accounts, deposit and transfer funds, and pay bills.

Details of the allocation of the bank’s loan portfolio are provided in the following table.

Composition of Loan Portfolio as of December 31, 2023 (000's)		
Type	\$	%
Residential Real Estate	44,242	5.9%
Commercial	200,215	26.6%
Agriculture	466,166	61.9%
Consumer	18,150	2.4%
Other	24,395	3.2%
Total	753,168	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 March 8, 2021.

DESCRIPTION OF ASSESSMENT AREA

Iowa State Bank is an intrastate bank that operates in one non-metropolitan assessment area, which consists of O'Brien, Osceola, Plymouth, and Sioux Counties in their entireties, two tracts in Cherokee County (0802 and 0803), and one tract in Ida County (0901). Changes since the previous exam include the addition of Osceola County (result of the Melvin Savings Bank merger) and the addition of the sole tract in Ida County (result of the Galvin Loan Production Office conversion). The bank operates 14 branches in its assessment area with its main office located in Orange City within Sioux County, Iowa. The bank also maintains 16 total cash-only ATMs.

Iowa State Bank's delineated assessment area includes 24 census tracts, with 15 designated as middle-income, while the remaining nine are designated as upper-income census tracts. Additionally, seven of the bank's middle-income census tracts are designated by the FFIEC as underserved, including six tracts in Sioux County and the bank's sole tract in Ida County, due to their remote rural location. There are no low- or moderate-income census tracts within the assessment area.

Of the 23,579 families residing in the assessment area, 12.2 percent are designated as low-income, and 16.8 percent are moderate-income families. Businesses and farms with gross annual revenues less than or equal to \$1.0 million represent 89.2 percent, and 98.6 percent, respectively. This information is indicative of lending opportunities for low- and moderate-income families, as well as small businesses and small farms within the assessment area.

Changes to the 2020 Decennial Census and the American Community Survey for the period of 2016-2020 resulted in the number of census tracts in Sioux County increasing from seven to nine and the number of underserved tracts in the county increasing from five to six. Since the previous examination, the income designation in the Plymouth County census tract (9702) changed from moderate-income to middle-income. As a result, the bank now has no low- or moderate-income census tracts in its assessment area.

Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	0	1
Middle	13	15	2
Upper	5	9	4
Unknown	0	0	0
Total	19	24	5
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i>			

Additional information about the assessment area is provided in the chart on the following page.

2023 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	2,885	12.2
Moderate	0	0.0	0	0.0	0	0.0	3,955	16.8
Middle	15	62.5	13,149	55.8	777	5.9	5,734	24.3
Upper	9	37.5	10,430	44.2	312	3.0	11,005	46.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	24	100.0	23,579	100.0	1,089	4.6	23,579	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	21,406	15,074	56.5	70.4	4,571	21.4	1,761	8.2
Upper	15,550	11,610	43.5	74.7	3,071	19.7	869	5.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	36,956	26,684	100.0	72.2	7,642	20.7	2,630	7.1
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	3,155	61.7	2,793	61.2	302	65.7	60	66.7
Upper	1,957	38.3	1,769	38.8	158	34.3	30	33.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5,112	100.0	4,562	100.0	460	100.0	90	100.0
Percentage of Total Businesses:				89.2		9.0		1.8
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,047	65.2	1,036	65.4	11	47.8	0	0.0
Upper	560	34.8	548	34.6	12	52.2	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,607	100.0	1,584	100.0	23	100.0	0	0.0
Percentage of Total Farms:				98.6		1.4		0.0
<i>Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Population Change

According to U.S. Census Bureau American Community Survey (ACS) data, population growth in the assessment area has been driven primarily by combined population growth in Plymouth and Sioux Counties, which experienced 3.4 percent and 3.9 percent growth, respectively. The growth in Plymouth and Sioux Counties was comparable to the overall growth in the state of Iowa at 3.1 percent. Cherokee, Ida, and Osceola Counties experienced slight declines in population. Community representatives stated that the population increase in the assessment area can be attributed to the expanding agricultural sector which has created new jobs in Sioux and O'Brien Counties. A representative also stated that the younger population is opting to remain in the assessment area for post-secondary education rather than leaving to pursue higher education which has been typical in the past. Despite this population growth, community representatives still consider the assessment area to have a population shortage due to a limited workforce.

The following table presents population trends for the counties comprising the assessment area and the state of Iowa from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Cherokee County, IA	11,853	11,658	-1.6%
Ida County, IA	7,071	7,005	-0.9%
O'Brien County, IA	14,092	14,182	0.6%
Osceola County, IA	6,211	6,192	-0.3%
Plymouth County, IA	24,853	25,698	3.4%
Sioux County, IA	34,509	35,872	3.9%
State of Iowa	3,093,526	3,190,369	3.1%
<i>"Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census"</i>			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 23,579 families, of which 12.2 are designated as low-income, 16.8 percent are moderate-income, 24.3 percent are middle-income, and 46.7 percent are upper-income. Families living below the poverty level within the assessment area is at 4.6 percent, which is lower than the state of Iowa's poverty rate of 7.1 percent. All the counties within the assessment area experienced an increase in median family income (MFI) between 2015 and 2020, with the exception of Osceola County, where MFI declined by 1.9 percent. O'Brien and Cherokee Counties have experienced the greatest income increase at 10.1 percent and 9.9 percent, respectively, exceeding the growth experienced by the state of Iowa (7.4 percent) during the same time period. Community representatives indicated that an increased cost of living offsets the increase in income that has been experienced in the assessment area. One

community representative indicated that the limited population creates challenges for employers to find employees, resulting in increased competition and wages throughout the assessment area.

Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Cherokee County, IA	\$71,319	\$78,351	9.9%
Ida County, IA	\$65,700	\$69,300	5.5%
O'Brien County, IA	\$72,907	\$80,243	10.1%
Osceola County, IA	\$70,070	\$68,723	-1.9%
Plymouth County, IA	\$78,717	\$82,372	4.6%
Sioux County, IA	\$77,541	\$83,744	8.0%
State of Iowa	\$73,712	\$79,186	7.4%

*"Source: 2011 - 2015 U.S. Census Bureau American Community Survey
2016 - 2020 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars."*

Housing Characteristics

There are a total of 36,956 housing units within the assessment area. The majority of the housing units are owner-occupied at 72.2 percent, followed by rental units which comprise 20.7 percent of the total housing units. Vacant units comprise 7.1 percent of the housing units in the assessment area. All of the assessment area's owner-occupied housing are located in middle- and upper-income census tracts, as there are no low- or moderate-income census tracts within the assessment area.

A method to understand poverty and housing outcomes is calculating housing cost burden, which is presented in the table below. The housing cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the U.S. Department of Housing and Urban Development, takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. Sioux County has the highest percentage of overburdened renters at 38.2 percent, which is comparable to the state of Iowa at 37.6 percent. Conversely, Plymouth County has the lowest percentage of overburdened renters at 20.4 percent. Plymouth, O'Brien, and Sioux Counties have the highest percentages of overburdened homeowners at 11.6 percent, 11.3 percent, and 11.1 percent, respectively, while Cherokee County has the lowest percentage at 9.3 percent. All counties in the assessment area have a smaller percentage of overburdened homeowners than the state of Iowa (14.8 percent). Across the assessment area and the state as a whole, moderate-income renters and homeowners are overburdened at a much lower rate than their low-income counterparts.

Community representatives stated that housing is a primary need in the assessment area regardless of income level, and the availability of affordable housing is limited. Although there is a housing demand, the area is challenged by a lack of available housing and has had difficulties

soliciting developers from outside of the region to develop new infrastructure and housing within the assessment area.

Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden- Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Cherokee County, IA	49.1%	0.0%	24.5%	51.5%	9.8%	9.3%
Ida County, IA	41.9%	0.0%	22.6%	31.0%	17.1%	10.2%
O'Brien County, IA	57.1%	18.5%	31.8%	43.3%	12.1%	11.3%
Osceola County, IA	60.9%	16.7%	25.1%	48.6%	16.2%	9.9%
Plymouth County, IA	57.6%	3.8%	20.4%	55.3%	10.9%	11.6%
Sioux County, IA	69.6%	8.7%	38.2%	46.7%	20.8%	11.1%
State of Iowa	71.1%	18.6%	37.6%	56.9%	22.0%	14.8%

Cost Burden is housing cost that equals 30 percent or more of household income.
Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy

Employment Conditions

Overall, the assessment area experienced stable unemployment rates within the past five years (2018-2022), with a notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. Additional statistical data, supplied by the Bureau of Labor Statistics, indicated continued improvement as 2022 unemployment rates decreased to percentages comparable to 2019. Community representatives noted that although unemployment rates are low, employers still have issues finding employees due to a limited workforce. The counties comprising the assessment area consistently have lower unemployment rates than the state of Iowa as a whole.

The unemployment rates for the counties comprising the assessment area and the state of Iowa are shown in the table below.

Unemployment Rates					
Area	2018	2019	2020	2021	2022
Cherokee County, IA	2.2%	2.4%	3.7%	3.0%	2.3%
Ida County, IA	2.0%	1.9%	3.5%	2.8%	2.2%
O'Brien County, IA	2.0%	2.1%	3.3%	2.7%	2.1%
Osceola County, IA	1.9%	1.9%	2.8%	2.2%	1.8%
Plymouth County, IA	1.9%	2.2%	3.5%	2.7%	2.1%
Sioux County, IA	1.8%	1.8%	2.6%	2.2%	1.9%
State of Iowa	2.6%	2.7%	5.2%	3.8%	2.7%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

Based on data from the Bureau of Labor Statistics, manufacturing employment accounts for 24.1 percent of all jobs in assessment area. Retail trade and health care account for 10.1 percent and 9.6

percent of private sector employment, respectively. As mentioned, community representatives indicated that the limited population in the assessment area has made it difficult for employers to find employees which has led to increased competition and wages.

Community Representatives

Three community representatives were contacted to provide information regarding local economic and demographic conditions. The representatives provided information on affordable housing, employment, and economic development needs within the assessment area. Representatives stated the primary assessment area needs are affordable housing and daycare. A lack of available housing is a concern throughout the area. Due to a limited workforce and population, attracting developers to the region has been difficult. As a result, the housing supply in the area is limited. Additionally, housing that is built is purchased before becoming available on the market, and the waitlist for subsidized housing is booked years into the future. Representatives also stated that the increasing cost of living results in the average income not being sufficient for daily necessities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Iowa State Bank's performance relative to the lending test is **Satisfactory**. The bank's loan-to-deposit ratio (LTD) is reasonable based on the bank's size, complexity, financial condition, and assessment area credit needs. The bank originated a substantial majority of its loans within its assessment area. The geographic dispersion of the bank's loans shows reasonable penetration throughout the assessment area, and lending activity reflects reasonable penetration among individuals of different incomes and to businesses and farms of different revenue sizes.

Loan-to-Deposit Ratio

Iowa State Bank LTD ratio is reasonable given the bank's asset size, financial condition, and the credit needs of its assessment area. As of December 31, 2023, the bank's LTD ratio averaged 84.0 percent over a 13-quarter period. The LTD ratio decreased from the previous evaluation in which the bank had a ratio of 97.6 percent over a 12-quarter period. Overall, Iowa State Bank's LTD ratio remains in line with its local competitors over the evaluation period. The following table compares the bank's LTD ratio with local competitors.

Comparative Loan-to-Deposit Ratios as of December 31, 2023	
Comparative Data	13 Quarter Average (%)
Iowa State Bank	84.0
Local Competitor Average	84.8
Competitors	
American State Bank	101.0
Availa Bank	72.3
Peoples Bank	91.8
Primebank	95.8
Security National Bank of Sioux City	66.3

Assessment Area Concentration

Iowa State Bank made a substantial majority of its loans, and as appropriate, other lending-related activities, in the bank’s assessment area. During the evaluation period, the bank originated 88.5 percent of total loans by number and 88.1 percent of total loans by dollar volume inside the assessment area. The percentage of residential real estate loans originated within the assessment area was 86.6 percent by number and 85.0 percent by dollar. In addition, the bank originated 86.4 percent of small business loans by number and 81.5 percent by dollar volume inside the assessment area. Further, the bank originated 91.8 percent of their small farm loans by number and 94.7 percent by dollar volume within the bank’s assessment area. Performance indicates the bank is actively serving the credits needs of its communities. Since the previous evaluation, the bank’s overall assessment area concentration increased by number (79.7 percent) and dollar volume (73.2 percent). The overall increase is driven by an increase in loans originated within the assessment area for all three loan products, but specifically residential real estate, which increased 9.1 percent by number since the previous evaluation.

The following table presents Iowa State Bank’s lending inside and outside its assessment area by product.

2023 Non MSA Iowa Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	103	86.6	\$12,315	85.0	16	13.4	\$2,182	15.0
Small Business	108	86.4	\$13,450	81.5	17	13.6	\$3,052	18.5
Small Farm	135	91.8	\$21,776	94.7	12	8.2	\$1,209	5.3
Total Loans	346	88.5	\$47,541	88.1	45	11.5	\$6,442	11.9

Geographic Distribution of Loans

The assessment area is comprised only of middle- and upper-income census tracts, and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the

assessment area. Examiners determined that there were no conspicuous or unexplained gaps in contiguous census tracts within the assessment area. Therefore, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Residential Real Estate Lending

Geographic distribution of residential real estate lending reflects reasonable dispersion throughout the assessment area. Iowa State Bank originated residential real estate loans in 11 of the 15 middle-income census tracts and in all nine upper-income census tracts in the assessment area. The bank originated 45.6 percent of residential real estate loans by number and 43.1 percent by dollar volume in middle-income census tracts, which was below the percentage of owner-occupied units in middle-income tracts (56.5 percent). Conversely, the bank originated 54.4 percent by number and 56.9 percent by dollar volume of residential real estate loans in upper-income census tracts, which exceeded the 43.5 percent of owner-occupied units in upper-income census tracts (43.5 percent).

The following table presents Iowa State Bank’s geographic distribution of 2023 residential real estate loans.

Distribution of 2023 Residential Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	47	45.6	5,311	43.1	56.5
Upper	56	54.4	7,004	56.9	43.5
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	103	100.0	12,315	100.0	100.0

Source: 2023 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Lending

Small business lending reflects reasonable dispersion throughout the assessment area. Iowa State Bank originated small business loans in all 15 middle-income census tracts and in eight of the nine upper-income census tracts in the assessment area. The bank originated 62.0 percent by number and 64.5 percent by dollar volume in middle-income census tracts which was consistent with the total percentage of businesses located in middle-income tracts (61.7 percent). The bank originated 38.0 percent of its small business loans by number and 35.5 percent by dollar volume in the upper-

income census tracts, which was also consistent with the demographic (38.3 percent).

The following table presents Iowa State Bank’s geographic distribution of 2023 small business loans.

Distribution of 2023 Small Business Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	67	62.0	8,677	64.5	61.7
Upper	41	38.0	4,774	35.5	38.3
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	108	100.0	13,450	100.0	100.0

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Farm Lending

Small farm lending reflects reasonable dispersion throughout the assessment area. Iowa State Bank originated small farm loans in all 15 middle-income census tracts and in eight of the nine upper-income census tracts in the assessment area. The bank originated 62.2 percent by number and 60.6 percent by dollar volume in the middle-income census tracts, comparable to the total percentage of farms located in middle-income census tracts (65.2 percent). The bank originated 37.8 percent by number and 39.4 percent by dollar in upper-income census tracts which was also comparable to the demographic (34.8 percent).

The following table presents Iowa State Bank’s geographic distribution of 2023 small farm loans.

Distribution of 2023 Small Farm Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	84	62.2	13,201	60.6	65.2
Upper	51	37.8	8,575	39.4	34.8
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	135	100.0	21,776	100.0	100.0

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Iowa State Bank’s distribution of lending reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and to businesses and farms of different sizes.

Residential Real Estate Lending

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. Iowa State Bank originated 10.7 percent by number and 6.0 percent by dollar volume of its residential real estate loans to borrowers of low-income, which was below the percentage of low-income families in the assessment area (12.2 percent). The bank’s lending by both number and dollar volume, at 18.4 percent and 16.0 percent, respectively, to borrowers of moderate-income was consistent with the percentage of moderate-income families in the assessment area (16.8 percent). Residential real estate lending to middle-income borrowers by number (34.0 percent) and dollar volume (29.0 percent) exceeded the demographic (24.3 percent), while residential lending to upper-income borrowers by number (34.0 percent) and dollar volume (41.9 percent) were below the demographic (46.7 percent).

The following table presents Iowa State Bank’s borrower distribution for 2023 residential real estate loans.

Distribution of 2023 Residential Lending By Borrower Income Level					
Assessment Area: IA Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	\$%	
Low	11	10.7	735	6.0	12.2
Moderate	19	18.4	1,975	16.0	16.8
Middle	35	34.0	3,572	29.0	24.3
Upper	35	34.0	5,162	41.9	46.7
Unknown	3	2.9	871	7.1	0.0
Total	103	100.0	12,315	100.0	100.0

Source: 2023 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. Iowa State Bank originated 81.5 percent of its small business loans by number and 59.0 percent by dollar volume to businesses with total revenues of \$1.0 million or less, which was below the percentage of total businesses in the assessment area with revenues of \$1 million or less (89.2 percent). Of the 81.5 percent of loans originated to small businesses with revenues of \$1 million or less, 71.6 percent of those loans were made in amounts of \$100,000 or less, which is considered to be most beneficial to small business borrowers and indicates the bank’s willingness to meet the credit needs of small businesses.

The following table presents Iowa State Bank’s borrower distribution for 2023 small business loans.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	88	81.5	7,934	59.0	89.2
Over \$1 Million	20	18.5	5,517	41.0	9.0
Revenue Unknown	0	0.0	0	0.0	1.8
Total	108	100.0	13,450	100.0	100.0
By Loan Size					
\$100,000 or Less	71	65.7	2,594	19.3	
\$100,001 - \$250,000	24	22.2	4,059	30.2	
\$250,001 - \$1 Million	13	12.0	6,796	50.5	
Total	108	100.0	13,450	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	63	71.6	2,175	27.4	
\$100,001 - \$250,000	19	21.6	3,175	40.0	
\$250,001 - \$1 Million	6	6.8	2,584	32.6	
Total	88	100.0	7,934	100.0	
<i>Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Farm Lending

The distribution of small farms loans reflects reasonable penetration among farms of different revenue sizes. Iowa State Bank originated 77.0 percent of its small farm loans by number and 72.6 percent by dollar volume to farms with revenues of \$1 million or less, which was below the percentage of total farms in the assessment area with revenues of \$1 million or less (98.6 percent). Of the 77.0 percent of loans originated to small farms with revenues of \$1 million or less, 51.9 percent of those loans were made in amounts of \$100,000 or less, which is considered to be most beneficial to small farm borrowers and demonstrates the bank’s commitment to serve the needs of small farms.

The following table presents Iowa State Bank’s borrower distribution for 2023 small farm loans.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA					
	Bank Loans				Total Farms %
	#	%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	104	77.0	15,808	72.6	98.6
Over \$1 Million	30	22.2	5,718	26.3	1.4
Revenue Unknown	1	0.7	250	1.1	0.0
Total	135	100.0	21,776	100.0	100.0
By Loan Size					
\$100,000 or Less	64	47.4	2,931	13.5	
\$100,001 - \$250,000	37	27.4	6,200	28.5	
\$250,001 - \$500,000	34	25.2	12,645	58.1	
Total	135	100.0	21,776	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	54	51.9	2,374	15.0	
\$100,001 - \$250,000	24	23.1	4,221	26.7	
\$250,001 - \$500,000	26	25.0	9,213	58.3	
Total	104	100.0	15,808	100.0	
<i>Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

Iowa State Bank has demonstrated its record of taking appropriate action, when warranted, in response to written complaints, if any, about the bank's performance in helping to meet the credit needs of its assessment area.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investment, and Services Activities

Iowa State Bank demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, donations, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

Lending

During the evaluation period, Iowa State Bank originated 59 community development loans for a total of \$21.1 million. The bank participated in the U.S. Department of Agriculture (USDA) Homeowner Assistance Fund and originated a total of 49 USDA loans totaling \$6.9 million during the evaluation period. This demonstrates the bank's responsiveness to affordable housing needs in the assessment area, which was a primary credit need identified by community representatives. Overall, Iowa State Bank originated 47.6 percent of its community development loans for the purpose of economic development, and 32.4 percent of community development loans for the purpose of affordable housing. The bank's community development lending increased since the previous exam, during which the bank originated 11 loans for \$15.7 million.

Investments

During the evaluation period, Iowa State Bank made 19 new community development investments totaling \$4.5 million, including 16 within its assessment area totaling approximately \$3.0 million. Additionally, 25 investments with outstanding prior period balances totaling approximately \$10.1 million qualified during this evaluation, all of which benefited the bank's assessment area. This is an increase from the previous evaluation, where the bank made 15 new investments totaling \$6.0 million and maintained 11 prior period investments totaling \$4.0 million. The majority of the bank's investments were for activities that revitalize/stabilize the community which totaled approximately \$11.6 million. The remaining two investments were for affordable housing which totaled to \$3.0 million.

The bank also made 86 community development donations which totaled \$174,450. Of those donations, 60 benefited the bank's assessment area, totaling \$137,450. A total of 74 donations were for the purpose of community services to organizations that primarily benefit low- to moderate-income individuals. The bank's community development donations increased since the previous evaluation where 67 donations totaling \$106,975 were made.

Services

During the evaluation period, Iowa State Bank staff provided 76 community development services totaling 1,917.5 hours to 24 different organizations, with 73 of those services totaling 1,889.5 hours benefiting the assessment area. Of the total service hours the bank provided, 1,671.5 were dedicated to organizations with a community service focus for low- and moderate-income individuals. The bank also provided 15 economic development services totaling 362 hours and 4 revitalization/ stabilization services totaling 64 hours. This is an increase from the previous examination, where bank staff provided 1,385 hours to 21 different organizations.

The following table presents Iowa State Bank’s community development activities within the assessment area during the evaluation period.

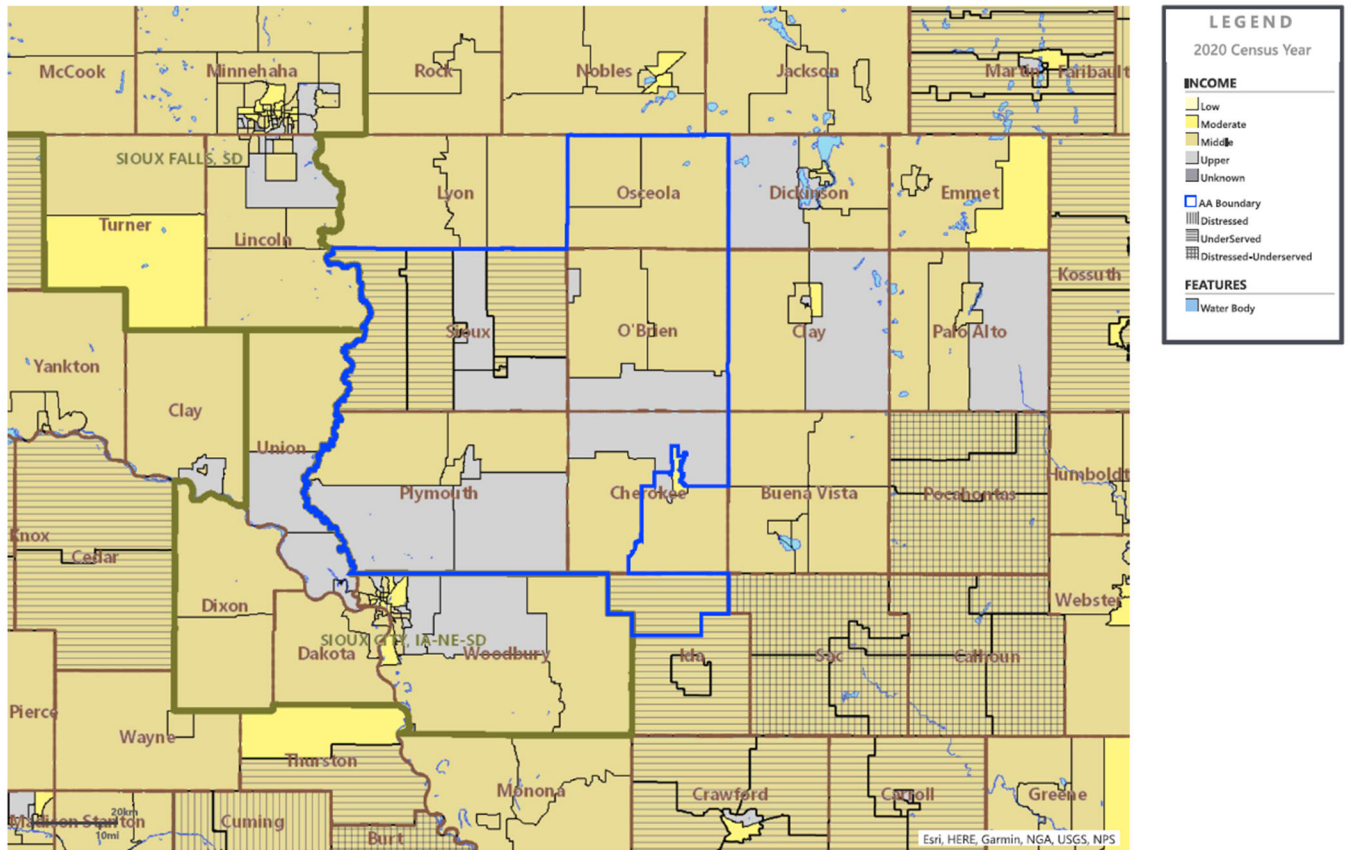
Community Development Activities Non-MSA IA (March 9, 2021 – April 1, 2024)										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Assessment Area										
Lending	49	6,853,620	5	10,062,905	4	4,224,000	1	6,000	59	21,146,525
Investments - Current	0	0	0	0	16	2,950,000	0	0	16	2,950,000
Investments - Prior	1	2,000,000	0	0	24	8,090,000	0	0	25	10,090,000
Donations	0	0	1	850	6	78,000	53	58,600	60	137,450
Services	0	0	15	362	4	64	54	1,463.5	73	1,889.5
Broader State-wide Area										
Lending	0	0	0	0	0	0	0	0	0	0
Investments - Current	1	1,000,000	0	0	2	550,000	0	0	3	1,550,000
Investments - Prior	0	0	0	0	0	0	0	0	0	0
Donations	3	5,500	2	5,000	0	0	21	26,500	26	37,000
Services	0	0	0	0	0	0	3	28	3	28

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Iowa State Bank 982348
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Residential Real Estate, Small Business and Small Farm Loans: January 1, 2023, through December 31, 2023 Community Development Test: March 9, 2021, through April 1, 2024		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Iowa State Bank			Residential Real Estate, Small Business, and Small Farm Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iowa	Full scope review	N/A	N/A

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

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, which 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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income

families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less

- than 80 percent in the case of a census tract;
- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
 - 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (**MSA**) or a metropolitan division (**MD**) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high

degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm,

nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans

have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).