

# **PUBLIC DISCLOSURE**

August 29, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank 1<sup>st</sup>  
RSSD# 142049

115 North Vine Street  
West Union, Iowa 52175

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.

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## BANK'S CRA RATING

Bank 1<sup>st</sup> is rated Satisfactory.

Bank 1<sup>st</sup> is meeting the credit needs of its community based on an analysis of its lending activities. The loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs. The majority of the bank's loans are originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and the lending activity reflects reasonable penetration among borrowers of different income levels and to businesses and farms of different sizes. There were no CRA-related complaints received by the institution or the Reserve Bank since the previous evaluation.

### SCOPE OF EXAMINATION

Bank 1<sup>st</sup>'s performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) Small Institution CRA 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 economic and demographic characteristics. Given the bank's loan portfolio composition, the products reviewed include home mortgage, small farm, and small business loans.

The evaluation included a full-scope review of the bank's sole assessment area: non-metropolitan Iowa, which consists of the entirety of Fayette County, Iowa, and two adjoining census tracts in Winneshiek County, Iowa.

Performance in the assessment area was evaluated using the following criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit (LTD) ratio ending March 31, 2022, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – Statistical samples of the bank's home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Statistical samples of the bank's home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021, 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 census tracts. The bank does not have any low-income census tracts.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – Statistical samples of the bank's home mortgage, small business, and small farm loans originated from January 1, 2021 to December 31, 2021, were reviewed to determine the distribution of

loans 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** – Neither Bank 1st nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two 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 provided insight into the affordable housing and credit needs within the assessment area.

## DESCRIPTION OF INSTITUTION

Bank 1<sup>st</sup>, located in West Union, Iowa, reported total assets of \$180.7 million as of March 31, 2022. The bank is a wholly owned subsidiary of FNB BanShares Inc., located in West Union, Iowa. The bank operates from three locations within Fayette County, which are comprised of the main office and a separate drive-thru facility, both in West Union, Iowa, and one branch in Saint Lucas, Iowa; each office location has a full-service ATM. The bank also maintains a cash-only ATM which it relocated from a community college in Winneshiek County to a hospital in Fayette County in June 2018. Both the original ATM and the relocated ATM are in a middle-income census tract. The bank has not opened or closed any branch offices since the previous examination.

As shown in the following table, the bank’s loan portfolio is primarily comprised of agricultural loans followed by a sizeable percentage of commercial and residential real estate loans as of March 31, 2022.

Composition of Loan Portfolio as of March 31, 2022		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Residential Real Estate	21,865	25.0
Commercial	24,478	28.0
Agriculture	38,421	44.0
Consumer	2,521	2.9
Other	11	0.1
Total	87,296	100.0

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

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, as of June 30, 2021, Bank 1<sup>st</sup> held 23.5 percent of total insured deposits within its assessment area, ranking first of the eleven FDIC-insured banks in this market. The bank has a significant presence in the assessment area, by both branches and lending activity.

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 August 6, 2018.

## DESCRIPTION OF ASSESSMENT AREA

Bank 1<sup>st</sup>'s non-metropolitan assessment area is in northeastern Iowa and is comprised of Fayette County in its entirety and two adjoining census tracts (9504 and 9505) in Winneshiek County, Iowa. The county seat is the city of West Union, while the largest city in the county is Oelwein with a population of 5,920. The bank's delineated assessment area consists of nine census tracts, one of which is a moderate-income tract and eight middle-income tracts. The bank's one moderate-income census tract is in the southern portion of Fayette County and includes the community of Oelwein. Further, both census tracts in Winneshiek County have been designated as "underserved" middle-income non-metropolitan tracts by the FFIEC for the years encompassing 2018 to 2021 due to their remote rural location. There have been no changes to the assessment area since the previous examination.

As shown in the following demographics chart, the largest percentage of the population in the assessment area consists of upper-income families, accounting for 37.7 percent of all families in the assessment area. Low- and moderate-income families represent 16.7 percent and 22.5 percent of the families in the assessment area, respectively. Small businesses with revenues of \$1.0 million or less comprise a significant portion of the total businesses in the assessment area (91.8 percent). Further, small farms with revenues of \$1.0 million or less comprise the vast majority of total farms in the assessment area at 98.4 percent.

Assessment Area: 2021 IA Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,309	16.7	
Moderate-income	1	11.1	823	10.5	60	7.3	1,760	22.5	
Middle-income	8	88.9	6,996	89.5	448	6.4	1,800	23.0	
Upper-income	0	0.0	0	0.0	0	0.0	2,950	37.7	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>9</b>	<b>100.0</b>	<b>7,819</b>	<b>100.0</b>	<b>508</b>	<b>6.5</b>	<b>7,819</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	#	%	#	%		
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	1,476	8.8	54.9	446	30.2	220	14.9		
Middle-income	11,547	8,347	91.2	72.3	2,226	19.3	974	8.4	
Upper-income	0	0.0	0.0	0	0.0	0	0.0		
Unknown-income	0	0.0	0.0	0	0.0	0	0.0		
<b>Total Assessment Area</b>	<b>13,023</b>	<b>9,157</b>	<b>100.0</b>	<b>70.3</b>	<b>2,672</b>	<b>20.5</b>	<b>1,194</b>	<b>9.2</b>	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%		
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	89	6.6	89	7.2	0	0.0	0	0.0	
Middle-income	1,257	93.4	1,147	92.8	77	100.0	33	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>1,346</b>	<b>100.0</b>	<b>1,236</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	
Percentage of Total Businesses:				91.8	5.7	2.5			
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%		
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	6	1.4	6	1.4	0	0.0	0	0.0	
Middle-income	434	98.6	427	98.6	6	100.0	1	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>440</b>	<b>100.0</b>	<b>433</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	
Percentage of Total Farms:				98.4	1.4	0.2			
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

## Population Change

As presented in the table below, the assessment area (2021 IA Non MSA) experienced a population decline of 1.1 percent, according to the 2011-2015 American Community Survey (ACS), compared to the population growth experienced by the state of Iowa (1.5 percent) in the same time period. Fayette County experienced an overall population decline of 1.4 percent since 2010, and Winneshiek County experienced a decline of 0.8 percent. This is comparable to the decline in population across all non-metropolitan counties in Iowa (Non-MSA Iowa). Community representatives indicated that younger workers are leaving the area in search of higher wages.

2021 IA Non MSA Population Change			
Area	2010 Population	2015 Population	Percent Change
2021 IA Non MSA	41,936	41,473	-1.1%
Fayette County, IA	20,880	20,589	-1.4%
Winneshiek County, IA	21,056	20,884	-0.8%
Non-MSA Iowa	1,261,493	1,250,756	-0.9%
Iowa	3,046,355	3,093,526	1.5%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

## Income Characteristics

The following table compares the median family income (MFI) for families living in the counties comprising the assessment area, the assessment area, non-MSA Iowa, and the state of Iowa. According to the 2011-2015 U.S. Census Bureau's ACS, Fayette County's 2015 MFI of \$56,935 declined by 0.7 percent, which is a slightly higher decline than what was experienced in Winneshiek County, Iowa (0.2 percent). The MFI within the bank's assessment area, however, increased slightly by 0.5 percent as the assessment area includes only a portion of Winneshiek County. The assessment area increase was similar to what was experienced across all of Non-MSA Iowa. Community representatives stated that employers are hesitant to increase wages at a rate necessary to retain workers; and, with most jobs in governmental organizations, wages tend to increase more gradually in those occupations when compared to other industries.

2021 IA Non MSA Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
2021 IA Non MSA	\$61,607	\$61,891	0.5%
Fayette County, IA	\$57,308	\$56,935	-0.7%
Winneshiek County, IA	\$67,034	\$66,933	-0.2%
Non-MSA Iowa	\$61,224	\$61,681	0.7%
Iowa	\$67,302	\$67,466	0.2%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

### Housing Characteristics

The bank’s assessment area includes 13,023 total housing units, of which 70.3 percent are owner-occupied. The majority of housing stock is located in middle-income census tracts (91.2 percent), with the remaining 8.8 percent of owner-occupied housing located in the one moderate-income census tract. Of the homes located in middle-income tracts, 72.3 percent are owner occupied, suggesting home ownership is more prevalent among families living in the predominantly middle-income census tracts. Home ownership is less common in the moderate-income tract, as 54.9 percent of homes located in this tract are owner-occupied.

The table below presents the recent housing cost burden for individuals. The housing cost burden percentage is defined as the number of renters and homeowners whose housing cost equals 30.0 percent or more of total household income. The table compares the housing cost burden within the assessment area to the two counties comprising the assessment area, Non-MSA Iowa, and the state of Iowa. Renters across all income levels in the assessment area experience this burden at 39.6 percent, which is slightly higher than what is experienced in the state of Iowa at 38.0 percent. The housing cost burden was significantly lower amongst moderate-income families as opposed to lower-income families. Homeowners in the assessment area overall experience this burden at a lower rate, at 16.4 percent, which is also slightly higher than the state of Iowa at 15.2 percent.

Community representatives stated all types of new housing is needed in the assessment area. Further, the housing stock is older, but community groups, governmental organizations, and financial institutions are participating in programs to address some of these housing issues.



2021 IA Non MSA Housing Cost Burden						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2021 IA Non MSA	76.1%	16.6%	39.6%	57.7%	21.3%	16.4%
Fayette County, IA	78.9%	17.3%	40.7%	51.5%	16.1%	14.2%
Winneshiek County, IA	72.8%	15.1%	38.2%	65.2%	27.6%	18.6%
Non-MSA Iowa	65.2%	16.3%	32.4%	55.7%	20.9%	14.7%
Iowa	72.2%	24.1%	38.0%	58.9%	25.3%	15.2%

*Cost Burden is housing cost that equals 30 percent or more of household income*

*Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy*

### Employment Conditions

The table below shows the unemployment statistics for the assessment area, Fayette and Winneshiek counties, non-MSA Iowa, and the state of Iowa. In 2021, the unemployment rate within the assessment area was slightly higher than what was seen in the state of Iowa. Community representatives indicated that job availability within the assessment area has been on the rise, and employers are currently offering multiple new benefits to attract workers.

Community representatives also indicated that although the area was impacted by the COVID-19 pandemic, businesses have mostly recovered. Government-related organizations employ the highest number of workers in the area, followed by manufacturing, retail, hotel and food, and lastly, construction.

2021 IA Non MSA Unemployment Rates					
Area	2017	2018	2019	2020	2021
2021 IA Non MSA	3.3%	2.8%	3.0%	5.0%	4.4%
Fayette County, IA	3.6%	3.0%	3.4%	5.3%	4.7%
Winneshiek County, IA	3.0%	2.7%	2.7%	4.8%	4.1%
Non-MSA Iowa	3.2%	2.6%	2.7%	4.8%	4.1%
Iowa	3.1%	2.5%	2.6%	5.1%	4.2%

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

### Community Representatives

Two community organizations were contacted to provide information and insight regarding local economic and demographic conditions and the lending needs of small farms and businesses, and low-and moderate-income families in the assessment area. These community representatives also provided information on local housing and economic development. Representatives noted that businesses in the area are currently struggling from a labor shortage. To attract workers, these businesses are beginning to raise wages, but not at a rate that is retaining younger populations. There is a need for all types of newer housing developments, which could attract new workers and

families. Some of the available housing is also being utilized as short-term rentals, which is taking away homeownership opportunities. Representatives noted that small farms and businesses have adequate access to credit.

**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 to businesses and farms 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**

Bank 1<sup>st</sup>’s performance relative to the lending test is rated Satisfactory. The 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 lending activity occurs within the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending activity reflects a reasonable penetration among individuals of different income levels and to businesses and farms of different revenue sizes. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

**Loan-to-Deposit Ratio**

Bank 1<sup>st</sup>’s loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and its assessment area’s credit needs. The table below shows the bank’s 16-quarter average LTD ratio from June 30, 2018 to March 31, 2022, in comparison to local competitors. Overall, the bank’s LTD ratio was comparable to its local competitors over the same period. The LTD ratio is also comparable to the previous examination when it was 77.6 percent.

<b>Comparative Loan-to-Deposit Ratios</b>	
<b>Institution</b>	<b>Loan-to-Deposit Ratio (%)</b>
	<b>16 – Quarter Average</b>
Bank 1 <sup>st</sup>	74.6
<b>Competitors</b>	
Maynard Savings Bank	88.7
Bank Iowa	79.8
Kerndt Brothers Savings Bank	79.1
Fidelity Bank & Trust	71.4
Community Bank of Oelwein	61.8

### Assessment Area Concentration

A majority of the bank’s loans were originated in the assessment area. During the evaluation period from January 1, 2021 to December 31, 2021, it was determined that 76.5 percent of home mortgage loans, 81.8 percent of small business loans, and 87.7 percent of small farm loans were originated within the bank’s assessment area.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgages	39	76.5	\$4,696	70.2	12	23.5	\$1,997	29.8
Small Business Loans	36	81.8	\$2,832	68.3	8	18.2	\$1,312	31.7
Small Farm Loans	50	87.7	\$5,906	95.3	7	12.5	\$291	4.7
<b>TOTAL LOANS</b>	<b>125</b>	<b>82.2</b>	<b>\$13,434</b>	<b>78.9</b>	<b>27</b>	<b>17.8</b>	<b>\$3,599</b>	<b>21.1</b>

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s home mortgage, small business, and small farm loans originated during the

January 1, 2021 to December 31, 2021, evaluation period was reviewed to determine the dispersion of loans among assessment area geographies. The analysis focused on loan penetration in its one moderate-income census tract. A lending gap analysis was completed as part of the evaluation. During the sample period, the bank originated small farm and home mortgage loans in the moderate-income census tract. Small business loans were not originated in the moderate-income census tract, which is reasonable when considering just 6.6 percent of total small businesses in the assessment area are within this tract. There were no conspicuous gaps in contiguous census tracts.

#### Home Mortgage Loans

Home mortgage lending reflects reasonable distribution throughout the assessment area. The bank originated 2.6 percent of home mortgage loans to borrowers in the moderate-income census tract, which is below the number of owner-occupied units within the tract (8.8 percent). Bank 1<sup>st</sup>’s two branches, however, are located some distance from the moderate-income census tract. The majority of the bank’s home mortgage loans (97.4 percent) was originated in middle-income census tracts, which aligns with where the majority of owner-occupied housing units are located at 91.2 percent.

The following table illustrates the bank’s home mortgage lending activity across all income tracts in the review period.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2021		2021		
		Count Bank	Dollar Bank	Count Bank	Dollar Bank	
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	1	2.6	42	0.9	8.8
	Middle	38	97.4	4,655	99.1	91.2
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>39</b>	<b>100.0</b>	<b>4,697</b>	<b>100.0</b>

2021 FFIEC Census Data  
Note: Percentages may not add to 100.0 percent due to rounding

### Small Business Loans

The bank’s geographic distribution of small business loans is reasonable. During the evaluation period, none of the small business loans the bank originated were in the moderate-income census tract, where 6.6 percent of small businesses are located. As noted, the bank’s branches are located some distance from the moderate-income census tract. Community representatives noted that small businesses have adequate access to credit.

The following table illustrates the bank’s small business lending activity across all income tracts in the review period.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	Bank & Demographic Comparison				Total Businesses %
		2021		2021		
		Count Bank	Dollar Bank	Count Bank	Dollar Bank	
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	6.6
	Middle	36	100.0	2,832	100.0	93.4
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>36</b>	<b>100.0</b>	<b>2,832</b>	<b>100.0</b>

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
Note: Percentages may not add to 100.0 percent due to rounding

### Small Farm Loans

Small farm lending reflects reasonable distribution throughout the assessment area. The bank originated 6.0 percent of small farm loans to borrowers in the moderate-income census tract, which

exceeds the percentage of total farms within the assessment area that are located within this moderate-income tract at 1.4 percent.

The following table illustrates the bank’s small farm lending activity across all income tracts in the review period.

<b>Geographic Distribution of Small Farm Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	Bank & Demographic Comparison				Total Farms
		Count Bank		2021 Dollar Bank		
		#	%	\$ 000s	\$ %	
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	3	6.0	678	11.5	1.4
	Middle	47	94.0	5,228	88.5	98.6
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	50	100.0	5,906	100.0	100.0

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

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

Bank 1<sup>st</sup>'s distribution of loans reflects reasonable penetration among individuals of different income levels and to businesses and farms of different revenue sizes. A sample of the bank’s home mortgage, small business, and small farm loans originated during the January 1, 2021 to December 31, 2021, evaluation period was reviewed to determine the dispersion of loans among borrowers of different income levels, particularly those designated as low- and moderate- income, and to businesses and farms with less than \$1.0 million in gross annual revenue. The bank’s home mortgage lending, small business lending, and small farm lending carried equal weight in the evaluation.

#### Home Mortgage Loans

Home mortgage lending demonstrates reasonable penetration among individuals of different income levels. The bank’s home mortgage loans included two loans to low-income borrowers, or 5.1 percent of total home mortgage loans, which is significantly below the total percentage of low-income families in the assessment area (16.7 percent). Community representatives noted that all types of housing is needed, and that rentals have limited the availability of housing. The bank originated 30.8 percent of its loans to moderate-income borrowers, which is above the total

percentage of moderate-income families in the assessment area at 22.5 percent. The bank originated 33.3 percent of its loans to middle-income borrowers, which is above the total percentage of middle-income families in the assessment area (23.0 percent). The bank originated 30.8 percent of its loans to upper-income borrowers, which is above the total percentage of upper-income families in the assessment area at 37.7 percent.

The following table illustrates the bank’s borrower distribution of home mortgage lending during the review period.

<b>Borrower Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	<b>Borrower Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				<b>Families by Family Income</b>
		<b>2021</b>		<b>Dollar</b>		
		<b>Count</b>		<b>\$ (000s)</b>	<b>\$ %</b>	
		<b>#</b>	<b>%</b>			<b>%</b>
<b>Totals</b>	Low	2	5.1	124	2.6	16.7
	Moderate	12	30.8	1,238	26.4	22.5
	Middle	13	33.3	1,409	30.0	23.0
	Upper	12	30.8	1,926	41.0	37.7
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>39</b>	<b>100.0</b>	<b>4,697</b>	<b>100.0</b>
2021 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### Small Business Loans

Bank 1<sup>st</sup>'s distribution of small business loans reflects excellent penetration among businesses of different sizes. The bank originated 97.2 percent of its small business loans to businesses with revenues of \$1.0 million or less, which is greater than the percentage of total businesses within the assessment area with total revenues of \$1.0 million or less (91.8 percent). Additionally, 82.9 percent of small business loans were made in amounts of \$100,000 or less, demonstrating the bank’s willingness to meet small business credit needs as loans below this threshold are considered particularly responsive. The bank actively participated in providing a total of 62 Paycheck Protection Program (PPP) loans to businesses in 2020, amounting to nearly \$2.0, which further addressed the lending needs to small businesses in the area during the pandemic.

The following table illustrates the bank’s borrower distribution of small business lending during the review period.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	35	97.2	2,812	99.3	91.8
		Over \$1 Million	0	0.0	0	0.0	5.7
		Unknown	1	2.8	20	0.7	2.5
		<b>Total</b>	<b>36</b>	<b>100.0</b>	<b>2,832</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	30	83.3	1,270	44.8	
		\$100,001 - \$250,000	4	11.1	708	25.0	
		\$250,001 - \$1 Million	2	5.6	854	30.2	
		<b>Total</b>	<b>36</b>	<b>100.0</b>	<b>2,832</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	29	82.9	1,250	44.5	
		\$100,001 - \$250,000	4	11.4	708	25.2	
		\$250,001 - \$1 Million	2	5.7	854	30.4	
		<b>Total</b>	<b>35</b>	<b>100.0</b>	<b>2,812</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

The bank’s lending performance to small farms represents reasonable penetration to farms of different sizes. Overall, the bank originated 94.0 percent of small farm loans to farms with revenues of \$1 million or less during the evaluation period. The bank’s performance is comparable to the presence of small farms operating within the assessment area of 98.4 percent. Of small farm loans with revenues of \$1 million or less, 66.0 percent were made in amounts of \$100,000 or less. These loans of a smaller dollar size are considered most beneficial to small farms, indicating the bank’s willingness to meet the credit needs of small farms.

The following table illustrates the bank’s borrower distribution of small farm loans during the review period.

<b>Small Farm Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2021 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2021					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	47	94.0	5,840	98.9	98.4
		Over \$1 Million	0	0.0	0	0.0	1.4
		Unknown	3	6.0	66	1.1	0.2
		Total	<b>50</b>	<b>100.0</b>	<b>5,906</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	34	68.0	1,450	24.5	
		\$100,001 - \$250,000	7	14.0	1,121	19.0	
		\$250,001 - \$500,000	9	18.0	3,336	56.5	
		Total	<b>50</b>	<b>100.0</b>	<b>5,907</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	31	66.0	1,384	23.7	
		\$100,001 - \$250,000	7	14.9	1,121	19.2	
		\$250,001 - \$500,000	9	19.1	3,336	57.1	
		Total	<b>47</b>	<b>100.0</b>	<b>5,841</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 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.

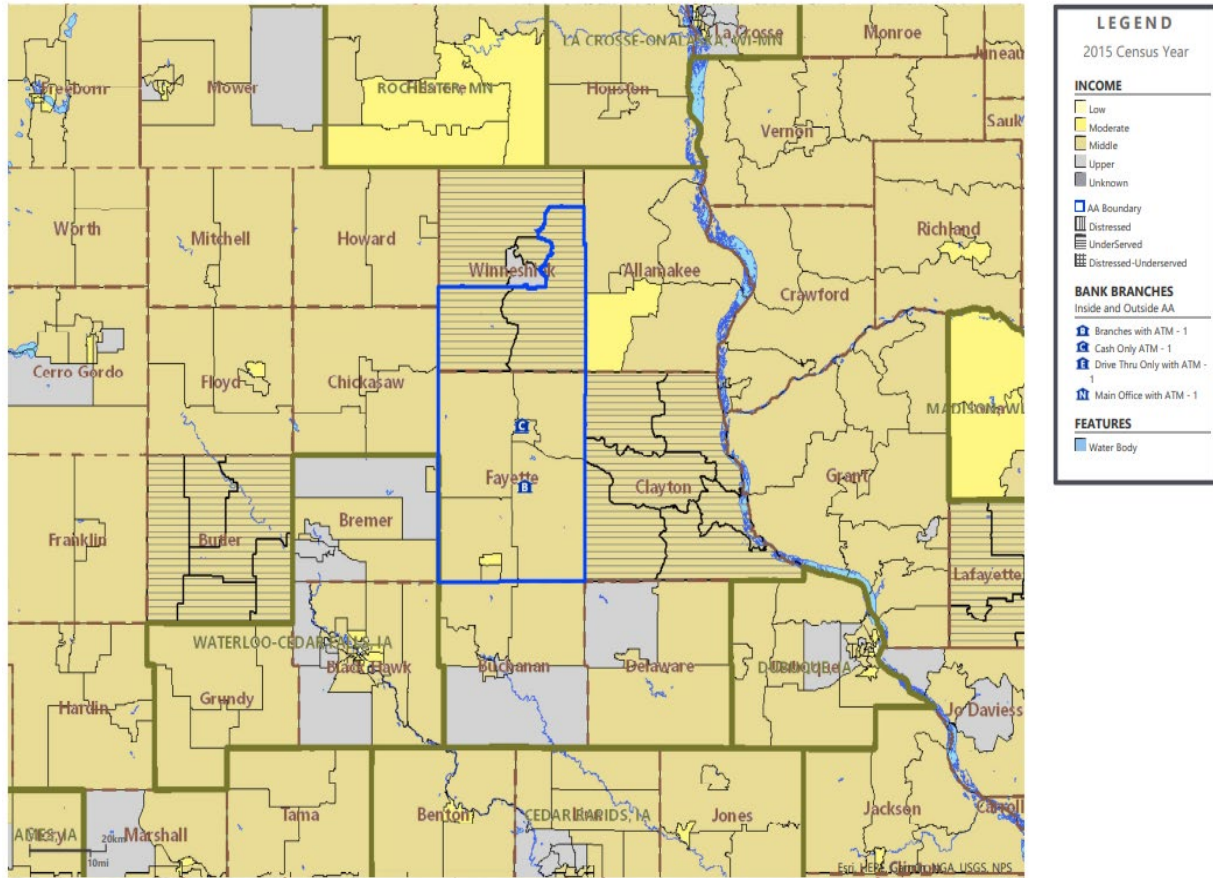
**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

**Bank 1st 142049**  
IA Non MSA



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		January 1, 2021 – December 31, 2021	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
Bank 1 <sup>st</sup>			Home Mortgage Loans Small Business Loans Small Farm Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Iowa Non-MSA	Full scope	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.<sup>1</sup>

**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 uninsured state branch (other than a limited branch) of a foreign bank described in section

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

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 nonmetropolitan 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, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement 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 household 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 product 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:** 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).