

PUBLIC DISCLOSURE

June 14, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Waukon State Bank
RSSD# 436542

22 West Main Street
Waukon, Iowa 52172

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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BANK'S CRA RATING

Waukon State Bank is rated Satisfactory.

Waukon State Bank is meeting the credit needs of its community based on an analysis of its lending performance. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of home mortgage, small business, and small farm loans are made in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among borrowers of different income levels, and businesses and farms of different sizes. There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

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

The performance criteria listed below incorporate activities within the bank's designated assessment area of non-metropolitan Allamakee County and Winneshiek County, Iowa. This assessment area was evaluated through a full-scope review as it is the bank's sole assessment area.

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

- ***Loan-to-Deposit Ratio*** – An 18-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 home mortgage, small business, and small farm loans originated from July 1, 2020 through December 31, 2020 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated in the assessment area, from July 1, 2020 through December 31, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – A sample of the bank's home mortgage, small business, and small farm loans originated in

the assessment area, from July 1, 2020 through December 31, 2020, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.

- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, 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 following types of organizations were contacted: economic development and affordable housing.

DESCRIPTION OF INSTITUTION

Waukon State Bank is a subsidiary of and wholly owned by WFC, Inc., both of which are headquartered in Waukon, Iowa. As of March 31, 2021, the bank’s Uniform Bank Performance Report reported assets of \$352.3 million. The bank operates four banking locations and three full-service automated teller machines (ATMs) throughout Winneshiek and Allamakee Counties. The main bank location as well as a limited-service branch offering transactional services only are in Waukon, while two full-service branches are located in Decorah, Iowa. Waukon State Bank operates under the Viking State Bank and Trust brand for its two Decorah locations. Each branch has a full-service ATM; however, the main office does not have an on-site ATM. The bank closed two standalone ATMs in 2019, one in Decorah and one in Waukon. Both ATMs were located in middle-income census tracts. The bank demolished and re-constructed a 15,000 square foot branch in Decorah in 2019, to allow for additional loan officers to better serve their customers.

Waukon State Bank is primarily an agricultural, commercial, and residential real estate lender. Products are generally non-complex. Residential real estate loans include fixed-rate mortgages, balloon mortgages, and temporary construction financing. Non-residential real estate consumer loans include secured and unsecured loans, new and used automobile loans, consumer overdraft protection, and single payment loans. Deposit accounts include standard checking, savings, and certificates of deposit. The following table shows the composition of the bank’s loan portfolio by dollar volume.

Composition of Loan Portfolio as of March 31, 2021 (\$000s)		
Type	\$	%
Residential Real Estate	53,823	22.6
Commercial	93,696	39.4
Agriculture	82,992	34.9
Consumer	6,901	2.9
Other	710	0.3
Gross Loans	238,122	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 April 10, 2017.

DESCRIPTION OF ASSESSMENT AREA¹

Waukon State Bank’s assessment area, located in the northeast corner of Iowa, is comprised of two counties, the entirety of non-metropolitan Allamakee County and Winneshiek County. Each of these counties has five census tracts: Allamakee with one moderate-income tract and four middle-income tracts, and Winneshiek County with one upper-income tract and four middle-income tracts. In 2020, four out of the five tracts in Winneshiek County were designated by the FFIEC as underserved due to their remote and rural location.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2020, Waukon State Bank is ranked second out of 12 FDIC-insured institutions operating in Allamakee and Winneshiek Counties with 18.0 percent of the market share. The bank with the largest market share is Decorah Bank & Trust Company with 23.7 percent of the market share.

The assessment area remains unchanged since the previous CRA examination; however, there have been two census tracts that have changed income designations due to the 2011-2015 American Community Survey (ACS) Data released by the FFIEC in 2017. The table below provides a summary of changes occurring as a result of the ACS data changes.

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

¹ Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data..

income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	0	1	+1
Middle	10	8	-2
Upper	0	1	+1
Unknown	0	0	0
Total	10	10	0

*Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010
U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015*

The table that follows provides additional assessment area demographic information.

Assessment Area: 2020 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	1,562	16.6	
Moderate-income	1	10.0	877	9.3	132	15.1	1,828	19.5	
Middle-income	8	80.0	7,512	80.0	399	5.3	2,304	24.5	
Upper-income	1	10.0	1,006	10.7	81	8.1	3,701	39.4	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	10	100.0	9,395	100.0	612	6.5	9,395	100.0	
	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	1,325		785	7.1	59.2	412	31.1	128	9.7
Middle-income	13,362		9,186	83.3	68.7	2,297	17.2	1,879	14.1
Upper-income	1,716		1,059	9.6	61.7	557	32.5	100	5.8
Unknown-income	0		0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	16,403		11,030	100.0	67.2	3,266	19.9	2,107	12.8
	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	162	8.1	145	8.0	15	10.0	2	7.7	
Middle-income	1,577	79.3	1,447	79.8	107	71.3	23	88.5	
Upper-income	250	12.6	221	12.2	28	18.7	1	3.8	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	1,989	100.0	1,813	100.0	150	100.0	26	100.0	
	Percentage of Total Businesses:			91.2		7.5		1.3	
	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	34	7.3	33	7.2	1	10.0	0	0.0	
Middle-income	418	89.5	409	89.5	9	90.0	0	0.0	
Upper-income	15	3.2	15	3.3	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	467	100.0	457	100.0	10	100.0	0	0.0	
	Percentage of Total Farms:			97.9		2.1		0.0	
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

The table below shows the population trends for the assessment area, Allamakee County, Winneshiek County, and the state of Iowa from year 2010 to the U.S. Census estimates in 2015. The population in both Allamakee County and Winneshiek County decreased, while the population for the state of Iowa increased by 1.5 percent. Allamakee County had the largest decline in population at 1.9 percent since the 2010 U.S. Census, in comparison to a 0.8 percent decline in Winneshiek County. A community representative indicated that the populations in these two counties, while stagnant, have seen a change in demographics due to the largest employers being in meat production, an industry that has drawn an influx of immigrants to work at the plant.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Assessment Area	35,386	34,944	-1.2
Allamakee County, IA	14,330	14,060	-1.9
Winneshiek County, IA	21,056	20,884	-0.8
State of Iowa	3,046,355	3,093,526	1.5

Source: 2010—U.S. Census Bureau: Decennial Census and 2015—U.S. Census Bureau: Annual Population Estimates

Income Characteristics

While all areas saw an increase in median family income, neither Allamakee nor Winneshiek Counties exceeded the state of Iowa at a 9.2 percent change. Between 2010 and 2015, Winneshiek County had the largest increase in median family income at 8.7 percent compared to Allamakee County with 1.2 percent. In 2015, Allamakee County was the county with the lowest median family income, relative to the state of Iowa and Winneshiek County, with a median family income of \$56,614. The state of Iowa's 2015 median family income is higher than both counties that comprise the assessment area at \$67,466. Winneshiek County continues to have the highest median family income of counties in the assessment area at \$66,933 for 2015, which is more than \$10,000 higher than Allamakee County's median family income. A community representative stated that Allamakee County's lower wages relative to Winneshiek County and the state of Iowa were mostly due to being heavily dependent on the agricultural industry, which historically has had lower wages relative to other industries.

Median Family Income Change 2010 and 2015			
Area	2006-2010 Median Family Income (In 2010 Dollars)	2011-2015 Median Family Income (In 2015 Dollars)	Percentage Change
Assessment Area	59,526	62,240	4.6
Allamakee County, IA	55,926	56,614	1.2
Winneshiek County, IA	61,558	66,933	8.7
State of Iowa	61,804	67,466	9.2

Source: 2006-2010 and 2011-2015—U.S. Census Bureau: American Community Survey

Bankruptcy Rates

According to the Administrative Office of the U.S. Courts, for 2019, the bankruptcy rate for both Allamakee County and Winneshiek County were lower than the state of Iowa filing rate of 1.5 (per 1,000 in population). Allamakee County’s personal bankruptcy rate per 1,000 individuals was 0.8 in 2019 and Winneshiek County’s filing rate was lower at 0.4. Personal bankruptcy filing rates in 2019 for both counties remained comparable to their 2016-2018 rates, indicating that the local economy has remained stable since the previous CRA evaluation.

Housing Characteristics

Winneshiek County had the highest median housing value and median gross rent in the assessment area at \$157,800 and \$588, respectively, according to 2011-2015 U.S. Census Bureau estimates. In comparison, Allamakee County had a median housing value of \$110,900 and median gross rent of \$554 during the same period. The state of Iowa maintains the highest median gross rent of \$697 in comparison to the assessment area, which had a significantly lower median gross rent of \$576. The high housing values in Winneshiek County relative to neighboring counties was noted by both community representatives. One representative stated that this high valuation was largely due to the home prices in the city of Decorah which are so high that there is difficulty in finding places for people with lower incomes to live. This representative stated that this lack of affordable housing has forced many working-class people to live in places like the city of Postville, part of which is in Allamakee County. This lack of affordable housing has only been further exacerbated by the recent dramatic increase in construction materials and local contractors who are focused on 1-4 family housing construction as opposed to developing multi-family housing which tends to be more affordable. In addition, a second community representative indicated Allamakee County also has a shortage of affordable housing.

Trends in Housing Costs 2010 and 2015				
Location	2006-2010 Median Housing Value	2011-2015 Median Housing Value	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent
Assessment Area	126,105	138,664	508	576
Allamakee County, IA	105,200	110,900	484	554
Winneshiek County, IA	147,600	157,800	517	588
State of Iowa	119,200	129,200	617	697

Source: 2006-2010 and 2011-2015 — U.S. Census Bureau: American Community Survey

Within the assessment area, there are a total of 16,403 housing units. Owner-occupied units represent 67.2 percent of the total housing units in the assessment area, while rental units represent 19.9 percent. Housing units reported as vacant represent 12.9 percent, which is above the vacancy rate for the state of Iowa at 8.7 percent.

A common method to compare affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for Allamakee County is 0.41 which is consistent to the affordability ratio for the state of Iowa (.41). Winneshiek County has an affordability ratio of 0.34, indicating that there are fewer affordable housing opportunities in the county when compared to the state and Allamakee County. This data supports aforementioned statements from a community representative that many working-class people live in the counties that surround Winneshiek County due its higher cost of living and housing.

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on the change in the foreclosure inventory rate at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. It excludes properties that have completed the foreclosure cycle.

Since the previous evaluation, foreclosure filings throughout the state of Iowa have stabilized. The state of Iowa had an average foreclosure inventory rate of 0.7 percent, while the bank's assessment area has had no foreclosures from August 2018 to September 2019. The absence of foreclosures indicates a strong assessment area economy.

Employment and Industry Characteristics

Allamakee and Winneshiek Counties and the state of Iowa experienced slight upticks in the unemployment rate between 2018 and 2019, after years of seeing the rate steadily decline. In 2019, Allamakee County's unemployment rate of 3.5 percent remained the highest when compared to Winneshiek County (2.9 percent) and the state of Iowa (2.7 percent).

Although unemployment rates increased in 2020 due to the pandemic, rates have declined since then. According to a community representative, Allamakee County's unemployment rate in mid-2021 appears to be close to an all-time low as nearly all major employers and small businesses in the county are struggling to find employees. The representative stated that the local economy remains primarily dependent on the agricultural industry, which has had to be resourceful in filling positions given the transitory nature of employees for this industry.

Unemployment Rates					
Area	2016	2017	2018	2019	2020
Allamakee County, IA	5.0	4.0	3.1	3.5	5.1
Winneshiek County, IA	3.6	3.1	2.7	2.9	4.9
State of Iowa	3.7	3.1	2.5	2.7	5.3

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

The largest employers within the assessment area are detailed below. Based on data collected by the U.S. Department of Labor, the assessment area contains a diverse employment base, but is heavily impacted by industries of goods producing, manufacturing, and natural resources/mining. Information received from community representatives indicated that Allamakee County continues to have employers who are mostly dependent on the working-class segment of the population. A majority of the assessment area’s largest employers are in Winneshiek County, which per a community representative is comprised of a large segment of working professionals, with Luther College being a notable employer as well as producer of these workers for other industries in the area. This representative stated that there have been no major employer closings in the past few years nor is there any expectation that a major employer would be leaving the area in the near future.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Agri Star	Meat Packers	600
Stanley Engineered Fastening	Fasteners-Industrial	540
Winneshiek Medical Center	Hospitals	360
Walmart Supercenter	Department Stores	335
Deco Products Co LLC	Die Castings	325
Bruening Rock Products Inc.	Stone-Crushed	300
Reilly Construction Co.	Concrete Hardscaping	200
Norplex Micarta	Plastics	200
Collins Aerospace	Aircraft Components	165

Source: Business information provided by Infogroup®, Omaha, NE

Community Contacts

Community representatives indicated that economic conditions are favorable for growth; however, the area employers are experiencing difficulty in finding willing and capable employees. While Winneshiek County has seen a decline in population, it continues to maintain a robust and diverse economy with employers that pay higher wages. Community representatives also indicated that Allamakee County has seen an influx of immigrants to fill open positions in the agricultural industry. Further, community representatives also noted a shortage of housing, as well as a lack of availability of affordable housing in Winneshiek and Allamakee Counties. This is particularly evident in Winneshiek County as the median housing value is well above Allamakee County and the state of Iowa. Both community representatives stated that the community banks in both counties did a good job of supporting businesses through the pandemic, largely by supplying Paycheck Protection Program (PPP) loans and working with existing business customers for any accommodations that may have been needed on the repayment of loans. An area of concern noted by one community representative was the lack of financial disclosures in different languages other than English and Spanish. Especially given that some immigrants were coming from parts of the world that didn’t speak or read either of those languages, but needed to gain access to financial services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

LENDING TEST

Waukon State Bank’s performance relative to the lending test is rated Satisfactory based on a reasonable LTD ratio given the bank’s size, financial condition, and the credit needs of the assessment area; a majority of loans originated within the assessment area; a geographic distribution of loans that reflects a reasonable distribution throughout the assessment area, and a distribution of loans to individuals of different income levels, including low- and moderate-income individuals, and to businesses and farms of different sizes, that is reasonable given the demographics of the assessment area. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

Loan-to-Deposit Ratio

The bank demonstrates a reasonable LTD ratio given its size, financial condition, and the credit needs of its assessment area. With an 18-quarter average ending March 31, 2021 of 87.1 percent, the bank’s ratio exceeds that of most competitors operating within Allamakee and Winneshiek Counties. Based on asset growth, the bank is experiencing modest organic growth through lending, which has been recently bolstered during 2020 by participation in the PPP. The strength of the average LTD ratio demonstrates the bank’s willingness to meet area credit needs.

Comparative Loan-to-Deposit Ratios From December 31, 2016 to March 31, 2021	
Institution	Loan-to-Deposit Ratio (%)
	18 – Quarter Average
Waukon State Bank	87.1
Competitors	
Decorah Bank and Trust	86.2
Freedom Bank	96.6
Kerndt Brothers Savings Bank	85.7
Luana Savings Bank	107.8
New Albin Savings Bank	36.0
Northeast Security Bank	78.1

Assessment Area Concentration

A majority of Waukon State Bank’s loans were originated in its assessment area during the review period. An analysis of each product demonstrates lending activity within the delineated assessment area of 79.7 percent for home mortgage loans, 70.0 percent for small business loans, and 85.6 percent for small farm loans. Across all loan products, the bank originated 79.1 percent of loans inside the assessment area. This concentration of lending demonstrates the bank’s commitment to providing credit to its community.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Mortgage	55	79.7	\$8,061	77.8	14	20.3	\$2,300	22.2
Small Business	56	70.0	\$6,675	82.2	24	30.0	\$1,450	17.8
Small Farm	89	85.6	\$9,290	85.3	15	14.4	\$1,599	14.7
TOTAL LOANS	200	79.1	\$24,026	81.8	53	20.9	\$5,350	18.2

Geographic Distribution of Loans

Overall, the bank’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The analysis takes into consideration the size and complexity of the bank and focuses on loan penetration in the moderate-income census tract as there are no low-income census tracts in the assessment area. In evaluating loans, small farm loans were given slightly more weight due to volume relative to home mortgage and small business loans.

A gap analysis was completed as part of the evaluation. Waukon State Bank’s assessment area is comprised of 10 census tracts. Within the sample period, there was only one middle-income census tract within the assessment area where the bank did not originate a home mortgage loan. The bank originated at least one small farm and small business loan in every census tract within the assessment area. Considering the evaluation period, the bank’s size and complexity, and that the assessment area is primarily rural, the lending penetration throughout the assessment area is considered reasonable.

Home Mortgage Loans

Waukon State Bank originated 3.6 percent of its home mortgage loans in the sole moderate-income census tract, which is slightly below the percentage of owner-occupied housing units located in those geographies (7.1 percent). The majority of the bank’s home mortgage loans (87.3 percent) were originated in middle-income census tracts, while 9.1 percent were originated in the upper-income geography. Overall, the bank’s distribution of home mortgage loans largely reflects the distribution of owner-occupied units in tracts by income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2020 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2020				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	2	3.6	574	7.1	7.1
	Middle	48	87.3	6,753	83.8	83.3
	Upper	5	9.1	734	9.1	9.6
	Unknown	0	0.0	0	0.0	0.0
	Total	55	100.0	8,061	100.0	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Waukon State Bank originated 8.9 percent of its small business loans in the sole moderate-income census tract, which is comparable to the percentage of total businesses located in the tract (8.1 percent). A large majority (80.4 percent) of the bank’s small business loans were originated in middle-income tracts, which is comparable to the percentage of total businesses located in those geographies (79.3 percent). The bank originated 10.7 percent of its small business loans in the upper-income tract, slightly below the percentage of total businesses in that tract (12.6 percent).

Geographic Distribution of Small Business Loans						
Assessment Area: 2020 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Total Businesses %
		2020				
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	5	8.9	1,025	15.4	8.1
	Middle	45	80.4	4,774	71.5	79.3
	Upper	6	10.7	876	13.1	12.6
	Unknown	0	0.0	0	0.0	0.0
	Total	56	100.0	6,675	100.0	100.0
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Farm Loans

Waukon State Bank originated 12.4 percent of small farms loans in the sole moderate-income census tract, which exceeds the percentage of total farms located in the tract (7.3 percent). A large majority (86.5 percent) of the bank’s small farm loans were originated in middle-income tracts, which was comparable to the percentage of total farms located in those geographies (89.5 percent). The bank originated 1.1 percent of its small farm loans in the upper-income census tract, which is below the percentage of total farms in that tract (3.2 percent).

Geographic Distribution of Small Farm Loans						
Assessment Area: 2020 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2020 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	11	12.4	1,284	13.8	7.3
	Middle	77	86.5	7,706	82.9	89.5
	Upper	1	1.1	300	3.2	3.2
	Unknown	0	0.0	0	0.0	0.0
	Total	89	100.0	9,290	100.0	100.0

2020 FFIEC Census Data & 2020 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 of Farms of Different Sizes

Overall, the bank provides a reasonable distribution of loans to individuals of different income levels, including low- and moderate-income individuals, and to businesses and farms of different sizes given, the demographics of the assessment area. Based on origination volume, small farm loans carry slightly greater weight in the analysis of the bank’s performance.

Home Mortgage Loans

Waukon State Bank originated 18.2 percent of its home mortgage loans to low-income borrowers, which is comparable to the demographic percentage of low-income families in the assessment area (16.6 percent). The bank also originated 18.2 percent of home mortgage loans to moderate-income borrowers, which is comparable to the demographic percentage of moderate-income families in the assessment area (19.5 percent). Despite assessment area challenges with an absence of affordable housing units, these lending levels indicate the bank’s willingness to lend to low- and moderate-income residents in Allamakee and Winneshiek Counties.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2020 IA Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income
		2020		Dollar		
		Count		\$ (000s)		
		#	%	\$ (000s)	\$ %	%
Totals	Low	10	18.2	604	7.5	16.6
	Moderate	10	18.2	1,303	16.2	19.5
	Middle	20	36.4	2,794	34.7	24.5
	Upper	15	27.3	3,360	41.7	39.4
	Unknown	0	0.0	0	0.0	0.0
	Total		55	100.0	8,061	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

Waukon State Bank originated 92.9 percent of the sampled business loans to businesses with revenues of \$1 million or less, which is comparable to the percentage of businesses of the same size operating within the assessment area (91.2 percent). The bank has experienced loan growth during the pandemic, including from new borrowers of the bank via PPP loans. Due to this 2020 lending activity, a wider range of business sizes received loans; however, these loans are not shown in the following table given that revenue information was not collected for recipients of PPP loans. Also, 73.1 percent of loans originated to small businesses with revenues of \$1 million or less were in dollar amounts of \$100,000 or less, which provides further support of reasonable performance given that loans in the smallest dollar range are typically viewed as providing important funding for the smallest businesses in the community.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2020 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
#	%	\$ 000s	\$ %	%	%		
						Small Business	Revenue
Over \$1 Million	4	7.1	404	6.1	7.5		
Unknown	0	0.0	0	0.0	1.3		
Total	56	100.0	6,675	100.0	100.0		
Loan Size	\$100,000 or Less	41	73.2	1,505	22.5		
	\$100,001 - \$250,000	6	10.7	935	14.0		
	\$250,001 - \$1 Million	9	16.1	4,236	63.5		
	Total	56	100.0	6,676	100.0		
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	38	73.1	1,401	22.3		
	\$100,001 - \$250,000	6	11.5	935	14.9		
	\$250,001 - \$1 Million	8	15.4	3,936	62.8		
	Total	52	100.0	6,272	100.0		

Originations & Purchases
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

The bank’s lending to farms with revenues of \$1 million or less was 95.5 percent, which also is comparable to the percentage of total farms in the assessment area of the same size (97.9 percent). The performance is also supported by 69.4 percent of loans to small farms with revenues of \$1 million or less that were in amounts of \$100,000 or less, demonstrating support of the smallest farms.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2020 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		2020		Total Farms	
				Dollar Bank			
#	%	\$ 000s	\$ %	%			
Small Farm	Revenue	\$1 Million or Less	85	95.5	8,400	90.4	97.9
		Over \$1 Million	4	4.5	890	9.6	2.1
		Unknown	0	0.0	0	0.0	0.0
		Total	89	100.0	9,290	100.0	100.0
	Loan Size	\$100,000 or Less	61	68.5	2,402	25.9	
		\$100,001 - \$250,000	17	19.1	2,978	32.1	
		\$250,001 - \$500,000	11	12.4	3,910	42.1	
		Total	89	100.0	9,290	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	59	69.4	2,282	27.2	
		\$100,001 - \$250,000	17	20.0	2,978	35.5	
		\$250,001 - \$500,000	9	10.6	3,140	37.4	
		Total	85	100.0	8,400	100.0	

Originations & Purchases
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

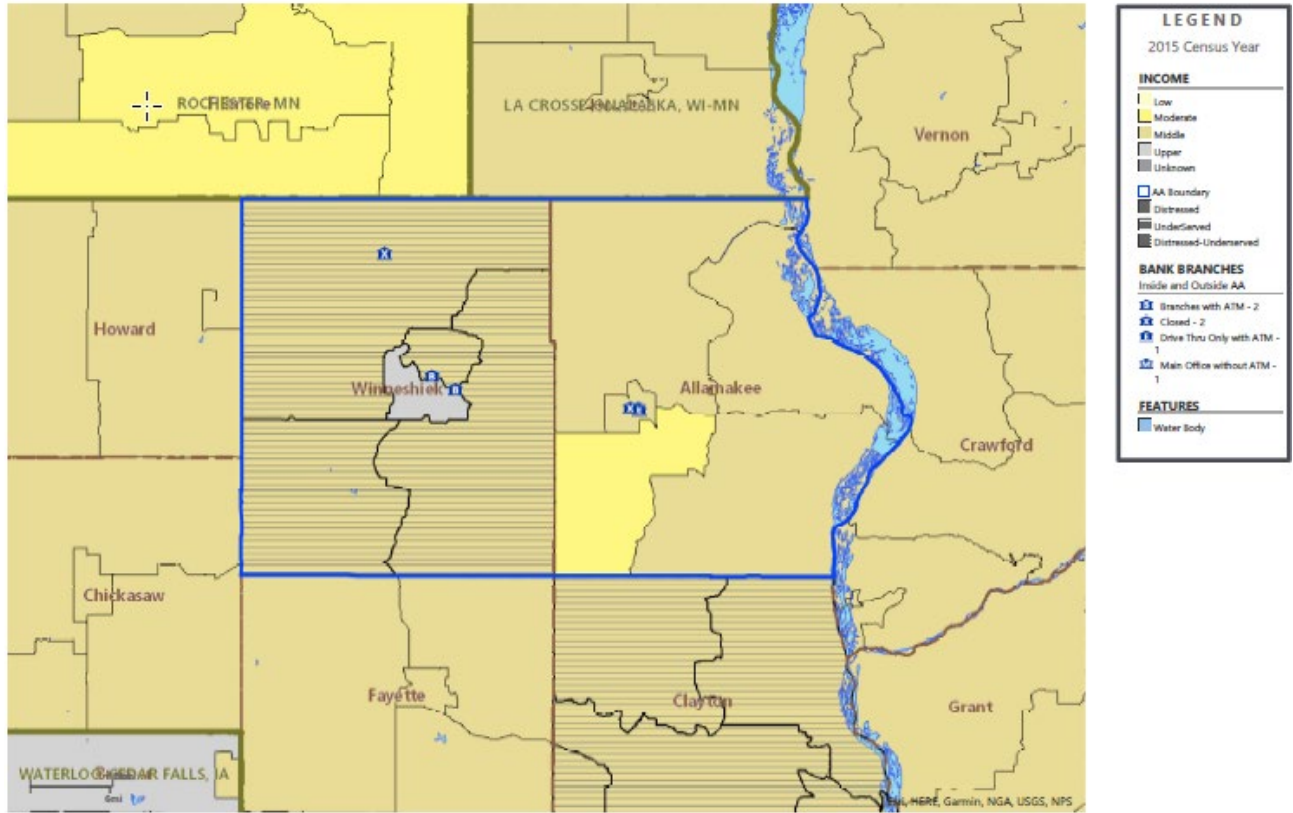
The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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

Waukon State Bank 436542
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Home mortgage loans from July 1, 2020 to December 31, 2020 Small business loans from July 1, 2020 to December 31, 2020 Small farm loans from July 1, 2020 to December 31, 2020	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Waukon State Bank		Home mortgage loans Small business loans Small farm loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	Not applicable		Not applicable
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Non – MSA, Allamakee County and Winneshie County	Full scope review	None	Not applicable

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.²

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

² 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, 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).