

PUBLIC DISCLOSURE

March 4, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community State Bank
RSSD# 502746

802 East Albion Street
Avilla, Indiana 46710-0079

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

| | |
|---|----|
| PERFORMANCE EVALUATION | 2 |
| SCOPE OF EXAMINATION | 2 |
| DESCRIPTION OF INSTITUTION..... | 3 |
| DESCRIPTION OF ASSESSMENT AREA..... | 4 |
| CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA | 10 |
| LENDING TEST | 10 |
| COMMUNITY DEVELOPMENT TEST..... | 15 |
| FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW | 17 |
| APPENDIX A – MAPS OF ASSESSMENT AREAS..... | 18 |
| APPENDIX B – SCOPE OF EXAMINATION | 19 |
| APPENDIX C – GLOSSARY | 20 |

INSTITUTION'S CRA RATING

Community State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Community State Bank meets the credit needs of its assessment area based upon an analysis of its lending and community development activities. The bank's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans are originated 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, including low-and moderate-income individuals, and businesses of different revenue sizes. Neither Community State Bank nor this Reserve Bank have received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

Community State Bank's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, donations, and services. This performance is considered appropriate based upon the bank's capacity, as well as the need and availability of community development opportunities in the bank's assessment area.

SCOPE OF EXAMINATION

Community State Bank was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). The evaluation was performed within 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 bank maintains one delineated assessment area within the Non-Metropolitan Statistical Area Indiana (Non-MSA Indiana), which consists of Noble County, Indiana in its entirety and partial DeKalb County, Indiana. There have been no geographic changes to the bank's assessment area since the previous evaluation. However, since the previous evaluation, in 2022, the bank opened a loan production office (LPO) in Allen County, Indiana, prior to the opening of its Allen County branch location towards the end of 2024. While the LPO did not impact the bank's assessment area, there was an increase in number of loans originated outside the bank's delineated assessment area.

Loan products reviewed include samples of home mortgage and small business loans. These products are considered the bank's primary business lines based on volume of loan originations by number and dollar amount. The bank's level of community development activity was also evaluated.

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

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio ending December 31, 2023, 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 and small business loans originated from January 1, 2023, to December 31, 2023, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank’s home mortgage and small business loans originated within the assessment area, from January 1, 2023, to December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – A sample of the bank’s home mortgage and small business loans originated within the assessment area, from January 1, 2023 to December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, donations, and community development services, from January 28, 2020 through March 4, 2024, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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

Community State Bank is a subsidiary of Community First Corporation, a one-bank holding company headquartered in Avilla, Indiana. The bank maintains its main office, as well as two

branches in Noble County, Indiana, which are located in middle-income census tracts. Community State Bank also operates a branch within a moderate-income census tract within DeKalb County, Indiana. Each of the bank’s branches contain cash-only ATMs.

According to the Uniform Bank Performance Report (UBPR), Community State Bank reported total assets of \$486.3 million as of December 31, 2023. The bank provides a range of traditional loan and deposit products and services. While the bank is primarily a commercial lender, it also offers residential real estate, agriculture, and consumer loan products. Traditional deposit products consist of checking, savings, certificates of deposit, as well as health savings and individual retirement accounts.

According to the June 30, 2023, Federal Deposit Market Share (FDIC) Deposit Market Share Report, Community State Bank ranked first out of 13 FDIC-insured institutions operating in DeKalb and Noble Counties. The bank held approximately \$400.3 million in deposits, representing a market share of 22.8 percent. Following in deposit market share was Lake City Bank (22.2 percent) and The Campbell and Fetter Bank (13.1 percent).

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

| Composition of Loan Portfolio as of December 31, 2023 | | |
|---|-----------------------------------|-----------------------|
| Type | Dollar Volume (\$ in 000s) | % of Portfolio |
| Commercial | 215,572 | 59.9 |
| Residential Real Estate | 100,174 | 27.8 |
| Agriculture | 31,451 | 8.7 |
| Consumer | 11,816 | 3.3 |
| Other | 1,102 | 0.3 |
| Total | 360,115 | 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 January 27, 2020.

DESCRIPTION OF ASSESSMENT AREA

Community State Bank is an intrastate institution that operates in one delineated assessment area made up of two contiguous counties in northwest Indiana. The assessment area has remained unchanged since the previous evaluation. The assessment area includes all ten of Noble County’s census tracts, and six of nine census tracts in western DeKalb County. Noble County contains one moderate-income census tract and nine middle-income census tracts. The bank’s partial DeKalb

County contains one moderate-income census tract, three middle-income census tracts, and two upper-income census tracts. The counties are contiguous and are not part of a Metropolitan Statistical Area (MSA). There are no distressed or underserved tracts in the assessment area.

The bank's moderate-income census tracts are home to 2,917 families, representing 14.1 percent of all families in the assessment area. A total of 33,605 total housing units are located in the assessment area, of which 5,155 (15.3 percent) are located in moderate-income census tracts. Within the moderate-income census tracts 12.4 percent are owner-occupied. This indicates there are sufficient opportunities for home ownership within these tracts.

A total of 2,688 businesses are located in the assessment area, of which 573 (21.3 percent) are in moderate-income census tracts. Businesses with gross annual revenues less than \$1 million represent 89.4 percent of total businesses. Additional assessment area demographic information is provided in the following table.

| 2023 IN Non MSA AA Demographics | | | | | | | | |
|--|---------------------------|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|--------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 3,242 | 15.6 |
| Moderate | 2 | 12.5 | 2,917 | 14.1 | 478 | 16.4 | 3,774 | 18.2 |
| Middle | 12 | 75.0 | 14,520 | 70.0 | 856 | 5.9 | 5,615 | 27.1 |
| Upper | 2 | 12.5 | 3,307 | 15.9 | 151 | 4.6 | 8,113 | 39.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 16 | 100.0 | 20,744 | 100.0 | 1,485 | 7.2 | 20,744 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 5,155 | 2,876 | 12.4 | 55.8 | 1,772 | 34.4 | 507 | 9.8 |
| Middle | 23,426 | 16,431 | 71.0 | 70.1 | 4,399 | 18.8 | 2,596 | 11.1 |
| Upper | 5,024 | 3,822 | 16.5 | 76.1 | 908 | 18.1 | 294 | 5.9 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 33,605 | 23,129 | 100.0 | 68.8 | 7,079 | 21.1 | 3,397 | 10.1 |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 573 | 21.3 | 505 | 21.0 | 61 | 25.2 | 7 | 16.3 |
| Middle | 1,747 | 65.0 | 1,558 | 64.8 | 156 | 64.5 | 33 | 76.7 |
| Upper | 368 | 13.7 | 340 | 14.1 | 25 | 10.3 | 3 | 7.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 2,688 | 100.0 | 2,403 | 100.0 | 242 | 100.0 | 43 | 100.0 |
| Percentage of Total Businesses: | | | | 89.4 | | 9.0 | | 1.6 |
| | Total Farms by Tract | Farms by Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 6 | 2.7 | 5 | 2.3 | 1 | 50.0 | 0 | 0.0 |
| Middle | 189 | 84.8 | 188 | 85.1 | 1 | 50.0 | 0 | 0.0 |
| Upper | 28 | 12.6 | 28 | 12.7 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 223 | 100.0 | 221 | 100.0 | 2 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 99.1 | | 0.9 | | 0.0 |
| <i>Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | | | | |

Population Characteristics

The following table presents the population trends for the counties that make up the bank’s assessment area, the entire Non-MSA Indiana, and the state of Indiana from 2015 to 2020. According to the 2020 U.S. Census Bureau demographic data, the assessment area’s population is 77,666. The population of DeKalb County increased slightly by 1.9 percent, while Noble County experienced a 0.2 percent decline in population, which is comparable to the entire Non-MSA Indiana assessment area decline in population (0.3 percent). The state of Indiana experienced a 3.3 percent increase in population.

According to community representatives, Noble County has continued to see a population decline in recent years due to the COVID-19 pandemic, which led to the loss of employment opportunities. Representatives stated that the decline is attributed to individuals leaving Noble County to surrounding counties and larger cities in the State due to employment opportunities and remote work. Representatives also noted that the lack of housing availability in Noble County has contributed to population decline and Noble County saw fewer homes being built than surrounding communities. According to community representatives, Noble County is considering approaches to attract younger workers to the area to combat the decline in population.

| Population Change | | | |
|--|-----------------|-----------------|----------------|
| Area | 2015 Population | 2020 Population | Percent Change |
| DeKalb County | 42,449 | 43,265 | 1.9% |
| Noble County | 47,546 | 47,457 | -0.2% |
| Non-MSA Indiana | 1,475,951 | 1,471,133 | -0.3% |
| State of Indiana | 6,568,645 | 6,785,528 | 3.3% |
| <i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i> | | | |

Income Characteristics

According to U.S. Census Bureau, the assessment area is comprised of 20,744 families, with 15.6 percent of families designated as low-income, 18.2 percent are moderate income, 27.1 percent are middle income, and 39.1 percent are upper income. Further, 7.2 percent of the families residing within the assessment area live below the poverty line, which is lower than the state of Indiana’s poverty rate of 12.6 percent.

The following table compares the median family income (MFI) for the counties that makeup the assessment area, the entire Non-MSA Indiana, and the state of Indiana. Both DeKalb and Noble Counties experienced an increase in MFI of 6.8 and 3.0 percent, respectively. The entire Non-MSA Indiana experienced a 10.1 percent increase in MFI comparable to the state of Indiana’s MFI increase of 9.7 percent. Community representatives stated since the COVID-19 pandemic, local businesses have had to compete with other industries, which has led to income growth due to the competition. A community representative stated that businesses are also increasing wages to

attract new workers to the area.

| Median Family Income Change | | | |
|--|---------------------------|---------------------------|----------------|
| Area | 2015 Median Family Income | 2020 Median Family Income | Percent Change |
| DeKalb County | \$65,609 | \$70,074 | 6.8% |
| Noble County | \$65,383 | \$67,366 | 3.0% |
| Non-MSA Indiana | \$60,873 | \$67,032 | 10.1% |
| State of Indiana | \$66,777 | \$73,265 | 9.7% |
| <i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i> | | | |

Housing Characteristics

There are 33,605 housing units in the assessment area. The majority of housing units are owner-occupied at 68.8 percent, while rental units comprise 21.1 percent of total units. Within the assessment area, 10.1 percent of housing units are vacant, which is comparable to the percentage of vacant units within the state of Indiana at 10.4 percent. A majority of the assessment area’s owner-occupied units are located within middle-income census tracts (71.0 percent). Of the housing units located within the moderate-income census tracts, 55.8 percent are owner-occupied, 34.4 percent are rental units, and 9.8 percent are vacant.

The following table presents housing cost burden in the counties that comprise the assessment area, the entire Non-MSA Indiana, as well as the state of Indiana. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the following table, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners. Of the two counties that comprise the assessment area, DeKalb County has the highest proportion of low-income renters and owners that meet the criteria at 66.9 and 58.2 percent, respectively. A community representative stated that the average new home in Noble County is unaffordable to individuals with median family income, and the area is in need of affordable housing options within the assessment area to support an increase in population and benefit the current community.

| Housing Cost Burden | | | | | | |
|---|-----------------------|-----------------|-------------|----------------------|-----------------|------------|
| Area | Cost Burden - Renters | | | Cost Burden - Owners | | |
| | Low Income | Moderate Income | All Renters | Low Income | Moderate Income | All Owners |
| DeKalb County | 66.9% | 15.2% | 28.8% | 58.2% | 17.2% | 12.8% |
| Noble County | 58.5% | 25.9% | 28.5% | 55.3% | 22.8% | 14.2% |
| Non-MSA Indiana | 65.3% | 21.8% | 34.1% | 54.6% | 19.7% | 14.3% |
| State of Indiana | 73.0% | 28.2% | 40.4% | 56.9% | 22.2% | 14.6% |
| <i>Cost Burden is housing cost that equals 30 percent or more of household income</i> | | | | | | |
| <i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i> | | | | | | |

Employment Conditions

The following table presents the unemployment trends for the counties that make up the assessment area, the Non-MSA Indiana in its entirety, and the state of Indiana from 2018 to 2022. Unemployment trends across all areas remained stable until 2020, when overall rates increased due to the COVID-19 pandemic. In 2021, DeKalb and Noble Counties saw unemployment rates at 3.3 percent, a decrease from the prior year when rates were 7.0 and 8.5 percent, respectively. This decrease was similar to that of the state of Indiana, which experienced unemployment declines from 7.3 percent to 3.9 percent from 2020 to 2021. In 2022, DeKalb County’s unemployment rate of 2.6 percent was comparable to both Noble County’s unemployment rate of 2.8 percent and the state of Indiana’s rate of 3.0 percent. Overall, the assessment area experienced unemployment at a similar rate as the state of Indiana.

Community representatives confirmed employment rates were impacted by the COVID-19 pandemic. While Noble County and surrounding communities have been able to recover from 2020 levels, the representative stated many local businesses have struggled to attract new workers and expressed the need to attract new residents in order to fill open positions.

| Unemployment Rates | | | | | |
|---|------|------|------|------|------|
| Area | 2018 | 2019 | 2020 | 2021 | 2022 |
| DeKalb County, IN | 2.8% | 2.8% | 7.0% | 3.0% | 2.6% |
| Noble County, IN | 2.9% | 3.1% | 8.5% | 3.6% | 2.8% |
| Non-MSA Indiana | 3.2% | 3.1% | 6.7% | 3.3% | 2.8% |
| State of Indiana | 3.4% | 3.3% | 7.3% | 3.9% | 3.0% |
| <i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i> | | | | | |

Industry Conditions

According to the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base that features employers in both the public and private sectors. The employment

sectors most prevalent in the assessment area include manufacturing, retail trade, and healthcare and social assistance. According to a community representative, employers in the area have experienced struggles in attracting new workers due to competition with other employers and an increase in remote work opportunities.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions and affordable housing efforts within the assessment area. Representatives provided information on housing, employment, and economic development. Additionally, each community representative spoke to the effects the COVID-19 pandemic had on the economic condition of the assessment area. Representatives also provided insight on how financial institutions in the area can become more involved within the communities they serve. Both representatives stated economic conditions have since recovered to pre-pandemic levels, but a number of local businesses have struggled to attract new workers. One representative stated population decline may be attributed to an increase in employment opportunities in surrounding communities. Regarding affordable housing, a representative stated there is a need for affordable housing options and market rate housing units to attract new residents to the area. Although any expansion of affordable housing options would be beneficial, the representative explained that affordable single-family or duplex housing were in highest demand.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Community State Bank's performance relative to the lending test is Satisfactory. Overall, 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 (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area needs. A majority of loans were originated in the delineated assessment area. The geographic distribution of loans indicates reasonable dispersion throughout the assessment area and the distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different revenue sizes. Furthermore, no CRA-related complaints were received by Community State Bank, nor this Reserve Bank since the previous evaluation.

Loan-to-Deposit Ratio

Community State Bank's LTD ratio is considered reasonable given the bank's size, financial condition, and credit needs of its assessment area. As of December 31, 2023, the bank's 17-quarter average LTD ratio was 83.2 percent, which is slightly greater than the peer average of competitors in the area (80.1 percent). The following table compares the bank's LTD ratio to its local competitors. Similarly situated competitors were selected based on their asset size, branching

locations, and market share within the bank's assessment area. This ratio represents a decrease since the previous evaluation, where the bank's LTD ratio was 97.0 percent.

| Comparative Loan-to-Deposit Ratios as of December 31, 2023 | |
|---|------------------------|
| Comparative Data | 17 Quarter Average (%) |
| Community State Bank | 83.2 |
| Peer Avg – Local | 80.1 |
| Competitors | |
| Horizon Bank | 75.3 |
| Farmers and Merchants Bank | 89.6 |
| Campbell Fetter Bank | 64.5 |
| Garrett State Bank | 86.2 |
| Lacke City Bank | 85.0 |

Assessment Area Concentration

Community State Bank originated a majority of its loans in the bank's assessment area. The bank originated 65.7 percent of the bank's loans by number and 56.2 percent by dollar amount inside the assessment area. The bank's performance is a decrease from the previous evaluation, in which the bank originated 77.7 percent by number and 66.3 percent by dollar amount. The origination rate of home mortgage loans inside the assessment area was 75.9 percent, while small business was 56.0 percent. Since the previous evaluation, the bank has increased its lending within Allen County, Indiana, by opening an LPO within Allen County on August 8, 2022. Of the total number of loans originated outside the bank's assessment area, 18.6 percent are located within Allen County. This was a conscious business decision by bank management in preparation for opening a branch within Allen County in the Fall of 2024. At the time of the next examination much of the Allen County lending will likely fall within the bank's planned, new assessment area. Overall, the bank maintains a majority of their lending activity within the assessment, indicating the bank is actively serving the needs of its communities.

The following table summarizes Community State Bank's lending inside and outside its assessment areas for samples of both home mortgage loans and small business loans from January 1, 2023, to December 31, 2023.

| Lending Inside and Outside the Assessment Area | | | | | | | | |
|--|------------|-------------|-----------------|-------------|-----------|-------------|-----------------|-------------|
| Loan Type | Inside | | | | Outside | | | |
| | # | % | \$(000s) | % | # | % | \$(000s) | % |
| Residential Loans | 66 | 75.9 | \$8,633 | 57.7 | 21 | 24.1 | \$6,317 | 42.3 |
| Small Business Loans | 51 | 56.0 | \$6,986 | 54.3 | 40 | 44.0 | \$5,874 | 45.7 |
| Total Loans | 117 | 65.7 | \$15,619 | 56.2 | 61 | 34.3 | \$12,190 | 43.8 |

Geographic Distribution of Loans

Community State Bank demonstrates reasonable geographic distribution of loans given the bank’s assessment area. An analysis of the geographic distribution of samples of home mortgage and small business loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly moderate-income census tracts, given the bank’s assessment area does not include low-income census tracts. Community State Bank’s assessment area consists of two moderate-, 12 middle-, and two upper-income census tracts. A gap analysis was completed as part of the evaluation. The bank originated both home mortgage and small business loans in both of the bank’s moderate-income census tracts and there were no conspicuous lending gaps identified in the assessment area.

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. During the review period, 12.1 percent of home mortgage loans originated were within the bank’s moderate-income census tracts. This is an increase from the 9.6 percent at the previous evaluation and is comparable to the 12.4 percent of owner-occupied housing units located in the moderate-income census tracts. The majority (74.2 percent) of the bank’s home mortgage loans were originated in middle-income census tracts, which is slightly greater than the percentage of owner-occupied units (71.0 percent) in the assessment area. The bank originated 13.6 percent of home mortgage loans in upper-income census tracts, which is significantly below the owner-occupied units (16.5 percent) located in upper-income census tracts.

The following table summarizes the bank’s home mortgage lending in 2023.

| Distribution of 2023 Residential Lending By Income Level of Geography | | | | | |
|---|------------|-------|---------|-------|---------------------------|
| Assessment Area: IN Non MSA | | | | | |
| Geographic Income Level | Bank Loans | | | | Owner Occupied Units % |
| | # | % | \$(000) | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 8 | 12.1 | 1,066 | 12.3 | 12.4 |
| Middle | 49 | 74.2 | 6,142 | 71.1 | 71.0 |
| Upper | 9 | 13.6 | 1,425 | 16.5 | 16.5 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | |
| Total | 66 | 100.0 | 8,633 | 100.0 | 100.0 |

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

Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Within the sample of small business loans reviewed, Community State Bank originated 17.6 percent of small business loans moderate-income census tracts, below the percentage of total businesses located in moderate-income census tracts at 21.3 percent. However, this lending is consistent with 17.5 percent from the previous evaluation. A majority (82.4 percent) of the bank’s small business loans were originated in middle-income tracts, which is significantly above the percentage of total businesses located in those geographies at 65.0 percent. The bank originated no small business loans in upper-income census tracts, which is below the percentage of total businesses located in those geographies at 13.7 percent.

The following table presents the bank’s geographic distribution of small business loans in 2023.

| Distribution of 2023 Small Business Lending By Income Level of Geography | | | | | |
|---|-------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: IN Non MSA | | | | | |
| Geographic Income Level | Bank Loans | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 9 | 17.6 | 1,517 | 21.7 | 21.3 |
| Middle | 42 | 82.4 | 5,469 | 78.3 | 65.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 13.7 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Tract-Unk | 0 | 0.0 | 0 | 0.0 | |
| Total | 51 | 100.0 | 6,986 | 100.0 | 100.0 |

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

Lending to Borrowers of Different Income Levels and the Business of Different Sizes

Community State Bank demonstrates a reasonable distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes that is reasonable given the demographics of the bank’s assessment area.

Home Mortgage Lending

The borrower distribution of home mortgage loans reflects reasonable dispersion among borrowers of different income levels. During the review period, the bank originated 7.6 percent of home mortgage loans to low-income borrowers, which was below the level of low-income families in the assessment area (15.6 percent). The bank originated 22.7 percent of home mortgage loans to

moderate-income borrowers, which was above the demographic measure of 18.2 percent of assessment area families with moderate-income. The bank originated 33.3 percent of its home mortgage loans to middle-income borrowers, above the percentage of middle-income families within the assessment area at 27.1 percent. Finally, the bank originated 36.4 percent of its home mortgage loans to upper-income borrowers, below the percentage of upper-income families within the assessment area at 39.1 percent. Overall, these figures indicate the bank is appropriately serving the credit needs of low- and moderate-income borrowers within the assessment area. The following table summarizes the bank’s home mortgage lending in 2023.

| Distribution of 2023 Residential Lending By Borrower Income Level | | | | | |
|---|------------|--------------|--------------|--------------|--------------------------------|
| Assessment Area: IN Non MSA | | | | | |
| Borrower Income Level | Bank Loans | | | | Families by Family Income % |
| | # | #% | \$(000) | % | |
| Low | 5 | 7.6 | 194 | 2.2 | 15.6 |
| Moderate | 15 | 22.7 | 950 | 11.0 | 18.2 |
| Middle | 22 | 33.3 | 3,122 | 36.2 | 27.1 |
| Upper | 24 | 36.4 | 4,367 | 50.6 | 39.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 66 | 100.0 | 8,633 | 100.0 | 100.0 |

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

Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2023 were reviewed, of which 41.2 percent by number were to businesses with gross revenues equal to or less than \$1 million. The bank’s performance was below the presence of total small businesses operating in the assessment area at 89.4 percent. However, 85.7 percent of the bank’s loans originated to businesses with annual revenues of \$1 million or less, were in the amounts of \$100,000 or less. Further, 62.7 percent of all small business loans were equal to \$100,000 or less. These loans are considered the most beneficial to small businesses and demonstrates the bank’s willingness to meet the credit needs of small businesses.

The bank explained there has been a decrease in overall loan demand due to the ongoing impacts of the COVID-19 pandemic. The bank’s total number of small business loans decreased by nearly 30 loans when compared to the data used during the 2020 examination. Almost all these loans came from businesses with \$1 million or less in revenue, further supporting that the small business community had seen negative impacts from the lingering pandemic. The overall number of small business loans, or dollar value of those loans, to businesses with over \$1 million in revenue also decreased, providing more evidence that the overall loan market had been impacted rather than an indication in the bank’s willingness to meet the credit needs of local small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2023.

| Distribution of 2023 Small Business Lending By Revenue Size of Businesses | | | | | |
|--|-------------------|-----------|----------------|----------|-------------------------------|
| Assessment Area: IN Non MSA | | | | | |
| | Bank Loans | | | | Total Businesses % |
| | # | #% | \$(000) | % | |
| By Revenue | | | | | |
| \$1 Million or Less | 21 | 41.2 | 1,655 | 23.7 | 89.4 |
| Over \$1 Million | 30 | 58.8 | 5,331 | 76.3 | 9.0 |
| Revenue Unknown | 0 | 0.0 | 0 | 0.0 | 1.6 |
| Total | 51 | 100.0 | 6,986 | 100.0 | 100.0 |
| By Loan Size | | | | | |
| \$100,000 or Less | 32 | 62.7 | 1,627 | 23.3 | |
| \$100,001 - \$250,000 | 9 | 17.6 | 1,584 | 22.7 | |
| \$250,001 - \$1 Million | 10 | 19.6 | 3,775 | 54.0 | |
| Total | 51 | 100.0 | 6,986 | 100.0 | |
| By Loan Size and Revenues \$1 Million or Less | | | | | |
| \$100,000 or Less | 18 | 85.7 | 802 | 48.5 | |
| \$100,001 - \$250,000 | 1 | 4.8 | 116 | 7.0 | |
| \$250,001 - \$1 Million | 2 | 9.5 | 737 | 44.5 | |
| Total | 21 | 100.0 | 1,655 | 100.0 | |
| <i>Source: 2023 FFIEC Census Data</i> | | | | | |
| <i>2023 Dun & Bradstreet Data</i> | | | | | |
| <i>2016-2020 U.S. Census Bureau: American Community Survey</i> | | | | | |
| <i>Note: Percentages may not total 100.0 percent due to rounding.</i> | | | | | |

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Lending

An evaluation of the quantity and quality of community development loans was conducted in light of the bank’s performance context, community credit needs, and the bank’s ability to meet those needs. During the evaluation period, the bank originated 439 community development loans

totaling approximately \$74 million. Notably, 393 were Paycheck Protection Program (PPP) loans, totaling approximately \$29 million during the evaluation period. The majority of the loans by both number and dollar amount went to organizations with a goal of economic development and job retention efforts within moderate-income areas, specifically with PPP lending throughout the COVID-19 pandemic. Seven loans, totaling approximately \$5.4 million were originated in the assessment area that focused on affordable housing projects meeting an identified need within the community. Loan funds were used to provide Section 8 housing, expand an affordable living mission, and was part of a low-income housing development within the region. Responsiveness was demonstrated as a primary need of the community supporting an increase in the total number of housing units that are affordable for low- to moderate-income individuals and families.

Investments and Donations

During the evaluation period, Community State Bank made one qualified community development investment for approximately \$529 thousand, focused on revitalization/stabilization.

Additionally, Community State bank made 34 qualified community development donations for a total of \$221 thousand. The majority of the donations were to organizations that provide beneficial community services to low- and moderate-income individuals and families.

Services

During the evaluation period, the bank completed 559 qualified community development service hours for 25 organizations. A majority of the service hours were dedicated to organizations with a community service focus on benefiting low- and moderate-income individuals and families. Additionally, 40 service hours were dedicated to organizations that help establish new and/or affordable housing opportunities within the assessment area, which as previously noted is a continued community need.

The following table presents the bank’s community development activities during the evaluation period for the assessment area.

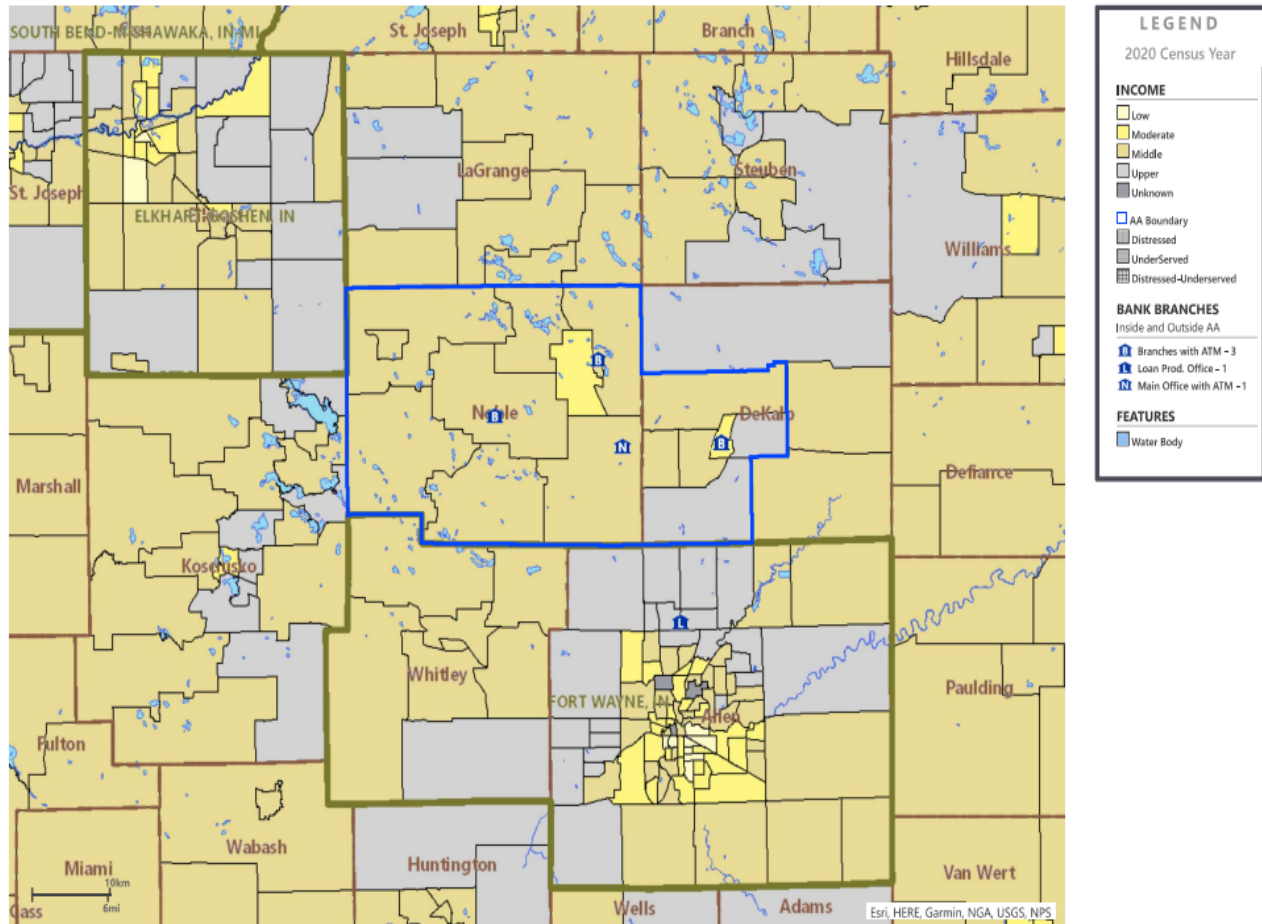
| Summary of CD Activities January 28, 2020 – March 4, 2024 | | | | | | | | | | |
|--|--------------------|-----------|----------------------|----------|---------------------|------------|--------------------|-----------|--------|------------|
| Type of Activity | Affordable Housing | | Economic Development | | Activities that R/S | | Community Services | | Totals | |
| | # | \$/Hours | # | \$/Hours | # | \$/Hours | # | \$/Hours | # | \$/Hours |
| Lending | 7 | 5,398,520 | 1 | 340,766 | 429 | 66,882,335 | 2 | 1,546,417 | 439 | 74,168,038 |
| Investment | 0 | 0 | 0 | 0 | 1 | 528,990 | 0 | 0 | 1 | 528,990 |
| Donations | 8 | 87,000 | 3 | 15,000 | 0 | 0 | 22 | 115,112 | 34 | 222,112 |
| Services | 4 | 40 | 3 | 126 | 2 | 75 | 16 | 318 | 25 | 559 |
| <i>*The following field includes community development qualified Paycheck Protection Program (PPP) loans</i> | | | | | | | | | | |

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

Community State Bank 502746
IN Non MSA



APPENDIX B – Scope of Examination

| SCOPE OF EXAMINATION | | | |
|--|--|-------------------------|---|
| TIME PERIOD REVIEWED | Lending Test: Home mortgage and small business loans originated from January 1, 2023, through December 31, 2023 Community Development Test: January 28, 2020, through March 4, 2024 | | |
| FINANCIAL INSTITUTION Community State Bank | | | PRODUCTS REVIEWED Home Mortgage Loans Small Business Loans |
| AFFILIATE(S) | AFFILIATE RELATIONSHIP | | PRODUCTS REVIEWED |
| None | | | |
| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| Indiana Non-MSA | Full scope review | None | N/A |

APPENDIX C – Glossary

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

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

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

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

Area Median Income (AMI): AMI means –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consumer loan: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

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

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

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

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

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

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

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

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

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

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

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

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

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

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

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

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

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

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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