

PUBLIC DISCLOSURE

October 24, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pinnacle Bank
RSSD# 365745

2206 South Center Street
Marshalltown, Iowa 50158

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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BANK'S CRA RATING

Pinnacle Bank is rated **Satisfactory**.

Pinnacle Bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of small business loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among businesses of different sizes. Neither Pinnacle Bank, nor this Reserve Bank have received any Community Reinvestment Act (CRA)-related complaints since the previous examination.

SCOPE OF EXAMINATION

Pinnacle Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. Contextual information considered in the evaluation of the bank's performance includes the institution's assessment area, asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's sole Iowa Non-Metropolitan Statistical Area (IA Non-MSA) assessment area, which includes Marshall County and Tama County in their entirety. The bank's performance was assessed based on commercial lending activities from January 1, 2021, to December 31, 2021.

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

- ***Loan-to-Deposit Ratio*** – An 18-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business loans originated from January 1, 2021, to December 31, 2021, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small business loans originated in the assessment area, from January 1, 2021, to December 31, 2021, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Businesses of Different Sizes*** – A sample of the bank's small business loans originated in the assessment area, from January 1, 2021, to December 31, 2021, were

reviewed to determine the distribution 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.

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 community development.

DESCRIPTION OF INSTITUTION

Pinnacle Bank is a subsidiary of Iowa River Bancorp, Inc., a one-bank holding company located in Marshalltown, Iowa. All shares in the bank holding company are owned by the Sac & Fox Tribe of the Mississippi in Iowa, with management at Iowa River Bancorp appointed by the Tribal Council and subject to change during annual elections. Pinnacle Bank operates its main office in Marshalltown, Iowa, as well as one branch office in Toledo, Iowa. In addition, the bank also operates two cash-only Automated Teller Machines (ATMs) located at each branch location. Since the previous examination, the bank closed two cash-only ATMs located in two middle-income census tracts in Tama, Iowa. Alongside the bank’s offices and ATMs, the bank maintains a website (www.bankpinnacle.us) that provides information on loan and deposit products, as well as access to online banking capabilities.

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$263.1 million and total deposits of \$216.0 million as of June 30, 2022. Pinnacle Bank offers a full range of traditional loan and deposit products and services. The bank is primarily a commercial lender but also offers residential real estate, agricultural, and consumer loan products. Additionally, traditional deposit products are offered and include checking and savings accounts, certificates of deposits, and more. Details of the bank’s loan portfolio mix are shown in the table below.

According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Pinnacle Bank ranks third out of 18 financial institutions operating within the assessment area. The bank held \$216.0 million in deposits, representing a market share of 11.8 percent. The financial institutions comprising the largest percentage of the deposit market share are Central State Bank (15.0 percent) and First Interstate Bank (13.7 percent).

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

Composition of Loan Portfolio as of June 30, 2022		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	156,287	88.0
Residential Real Estate	12,671	7.1
Agricultural	4,323	2.4
Consumer	4,236	2.4
Other	13	0.0
Total	177,530	100.0

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

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

The bank was rated satisfactory under the CRA at its previous evaluation conducted on March 26, 2018.

DESCRIPTION OF ASSESSMENT AREA

Pinnacle Bank is an intrastate bank that operates in central non-metropolitan (Non-MSA) Iowa. The assessment area includes contiguous Marshall County and Tama County in their entirety. The assessment area includes a total of 16 census tracts, which is comprised of two moderate-, 13 middle-, and one upper-income census tract. Since the previous examination, one census tract within Tama County transitioned from a moderate-income to a middle-income designation. The assessment area also includes a Native American Indian Reservation (Sac & Fox Tribe of the Mississippi in Iowa), which is located in Tama County. There are no middle-income geographies designated as distressed and/or underserved; however, there have been six declared disasters, as designated by the Federal Emergency Management Agency (FEMA), since the prior evaluation impacting the local area. The delineation of the assessment area remains unchanged since the prior evaluation.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 IA Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,506	16.3
Moderate-income	2	12.5	1,933	12.6	323	16.7	2,702	17.6
Middle-income	13	81.3	12,494	81.5	769	6.2	4,245	27.7
Upper-income	1	6.3	912	5.9	40	4.4	5,886	38.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	16	100.0	15,339	100.0	1,132	7.4	15,339	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	3,619	1,607	9.8	44.4	1,458	40.3	554	15.3
Middle-income	19,521	13,754	84.3	70.5	4,063	20.8	1,704	8.7
Upper-income	1,341	955	5.9	71.2	250	18.6	136	10.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	24,481	16,316	100.0	66.6	5,771	23.6	2,394	9.8
	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	303	13.4	269	13.0	32	23.4	2	3.2
Middle-income	1,796	79.4	1,639	79.4	103	75.2	54	85.7
Upper-income	164	7.2	155	7.5	2	1.5	7	11.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,263	100.0	2,063	100.0	137	100.0	63	100.0
	Percentage of Total Businesses:			91.2		6.1		2.8
	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	3	0.6	3	0.6	0	0.0	0	0.0
Middle-income	414	83.6	410	83.7	3	75.0	1	100.0
Upper-income	78	15.8	77	15.7	1	25.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	495	100.0	490	100.0	4	100.0	1	100.0
	Percentage of Total Farms:			99.0		0.8		0.2

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

Population Change

The following table presents the population trends for the assessment area, counties within the assessment area, and the state of Iowa from 2010 to 2015. According to the U.S. Census Bureau American Community Survey (ACS), the assessment area’s population is 58,441. The assessment area experienced a period of relative stability, showing a minimal increase in population from 2010 to 2015, while the state of Iowa grew by 1.5 percent. Within the assessment area, Marshall County experienced a slight increase in population growth at 0.8 percent, whereas Tama County experienced a population decline of 1.6 percent during the same period.

Community representatives confirmed that the area population has remained relatively stable. In general, population levels are higher and have grown more in Marshall County when compared to Tama County. This is in part due to the higher population in Marshall County which provides more support services to their communities, as well as many more employment opportunities than in Tama County. In contrast, Tama County’s communities are smaller and more rural than Marshall County as a whole. Community representatives stated that the Derecho storm in August of 2020 pushed many residents out of their homes throughout Tama County, as many homeowners were under- or uninsured and repairs were cost prohibitive. Further, community representatives indicated the smaller, rural towns in Tama County have struggled attracting younger residents because of limited employment opportunities and support services further impacting local population trends.

Population Change			
Area	2010 Population	2015 Population	Percentage Change (%)
Assessment Area	58,415	58,441	0.0
Marshall County, Iowa	40,648	40,962	0.8
Tama County, Iowa	17,767	17,479	-1.6
State of Iowa	3,046,355	3,093,526	1.5

*Source: 2010 – U.S. Census Bureau: Decennial Census
2011 – 2015 U.S. Census Bureau American Community Survey*

Income Characteristics

The following table presents median family incomes (MFI) for families living in the assessment area, the counties that comprise the assessment area, and the state of Iowa. According to the U.S. Census Bureau, the assessment area is comprised of 15,339 families, of which 16.3 percent are designated as low-income, 17.6 percent are moderate-income, 27.7 percent are middle-income, and 38.4 percent are upper-income. Families living below the poverty level within the assessment area is 7.4 percent, which is slightly lower than the state of Iowa’s poverty rate of 8.1 percent.

Overall, the assessment area experienced a greater, positive percentage change in MFI than the state of Iowa as a whole from 2010 to 2015. Tama County’s MFI experienced the greatest

percentage change with an increase of 5.8 percent, while Marshall County’s growth rate was more modest at 1.6 percent. Both counties’ changes in MFI outpaced that of the state of Iowa as a whole at 0.2 percent.

Community representatives in the area stated that local employers have realized they have to do more to retain their existing employees by expanding benefits and increasing wages. Contacts indicated virtually all businesses in the area have improved their benefit and wage offerings to remain competitive. In conclusion, the tightened labor market has resulted in the MFI within the assessment area to increase, and this trend is expected to continue in the future.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change (%)
Assessment Area	\$60,200	\$62,542	3.9
Marshall County, Iowa	\$60,672	\$61,662	1.6
Tama County, Iowa	\$59,904	\$63,379	5.8
State of Iowa	\$67,302	\$67,466	0.2
<i>Source: 2006-2010—U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

There is a total of 24,481 housing units within the assessment area. The majority of housing units are owner-occupied at 66.6 percent, whereas rental units comprise 23.6 percent of total units. Within the assessment area, 9.8 percent of housing units are vacant, which is slightly higher than the percentage of vacant units within the state of Iowa at 8.7 percent.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, the affordability ratio for the assessment area was 0.52, which is above the state of Iowa at 0.41. As such, the affordability ratios suggest that housing within the assessment area is more affordable when compared to the state of Iowa as a whole.

The table below presents housing cost burden for individuals in the assessment area, the counties that comprise the assessment area, and the state of Iowa. Renters and homeowners who spend 30.0 percent or more of the household’s income on housing costs are considered overburdened. The table below shows low-income individuals are impacted at a higher percentage than moderate-income individuals. Tama County has the fewest number of renters who meet the cost burden criteria at 23.0 percent. In general, the counties within the assessment area have a lower percentage of individuals who meet the cost burden criteria as renters when compared to the state

of Iowa as a whole. Similarly, Marshall County meets the cost burden criteria with homeownership at 15.0 percent. However, the proportion of homeowners within the assessment area that meet the cost burden criteria (15.5 percent) is aligned with the state of Iowa as a whole (15.2 percent).

Community representatives indicated that there is a need for affordable housing throughout the assessment area. According to one representative, low- and moderate-income renters have been disproportionately overburdened in Marshall County as a result of the July 2018 tornado. The tornado destroyed many housing units and displaced residents in the moderate-income census tracts located in Marshalltown. The contact noted the city of Marshalltown is working diligently to build affordable rental units within the city. Despite these recent efforts, the community has not seen a significant number of new housing developments constructed in the last ten years, even before the 2018 tornado disaster. One representative stated that rental prices in Tama County are generally more affordable due to the rural nature of the county; however, another component to the lower rental cost is the fact that many rental properties are significantly outdated. With that said, there is a growing need for more updated and affordable rental units within the county. In both Marshall and Tama Counties, home mortgage applications increased in recent years due to the low interest rate environment; however, demand has slowed in the most recent year due to increasing interest rates and inflated home prices.

2021 IA Non MSA Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate Income	All Owners
Assessment Area	65.1	21.8	29.4	62.2	22.1	15.5
Marshall County, Iowa	68.9	23.5	31.7	61.2	21.3	15.0
Tama County, Iowa	53.2	17.6	23.0	63.9	24.2	16.6
State of Iowa	72.2	24.1	38.0	58.9	25.3	15.2
<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), 2014-2018 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The table below shows unemployment statistics for the assessment area, the counties comprising the assessment area, and the state of Iowa. The unemployment rates within the counties comprising the assessment area are slightly higher than the state of Iowa’s unemployment rate at 4.2 percent in 2021. Marshall County saw the highest unemployment rate in 2020, during the height of the COVID-19 pandemic, at 6.9 percent which was higher than the state of Iowa’s unemployment rate of 5.1 percent for the same period. Overall, unemployment rates in the assessment area are still elevated when compared to pre-pandemic levels in 2019.

Community representatives stated that the area supports a diverse employment base with significant presence in the food processing, manufacturing, education, and service industries. Both contacts state that the area did not experience any significant employer closures or departures from the area during the COVID-19 pandemic, apart from some minor retail closures. Contacts indicated transporting employees to and from work has been an issue for major employers in the area. In response, one employer has begun building houses and apartments near the plant for their employees to purchase and live in, drastically reducing commute times and eliminating employee transportation issues. There are many commuters in the area that work in Marshalltown but live in a smaller, more affordable communities nearby. Particularly, manufacturing industries have faced a shortage of skilled workers, most notably due to the entrance exam they must pass to obtain certain high-level manufacturing jobs.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Assessment Area	4.1	3.9	3.8	6.3	5.9
Marshall County, Iowa	4.5	4.4	4.3	6.9	6.5
Tama County, Iowa	3.4	3.0	2.9	5.0	4.7
State of Iowa	3.1	2.5	2.6	5.1	4.2

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

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, as well as providing information about how the COVID-19 pandemic affected the local economy. The representatives stated that there are challenges within their respective areas in which local financial institutions can participate in addressing. Both community representatives interviewed indicated a paramount issue in the assessment area is the need for more affordable housing. The assessment area lacks enough affordable housing options to accommodate additional growth of businesses in the area who continue to need consistent labor. Overall, businesses in the area were resilient in the eye of recent declared disasters. Despite the overall rural nature of the area, the population is relatively diverse. Local financial institutions would benefit from taking an active role in welcoming these diverse populations and finding ways to incorporate them into the banking community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Pinnacle Bank’s performance relative to the lending test is rated 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 ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The majority of small business loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among businesses of different sizes. No CRA-related complaints were received by the institution or the Reserve Bank since the previous examination.

Loan-to-Deposit Ratio

Pinnacle Bank’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The table below shows the bank’s 18-quarter average LTD ratio from March 31, 2018, to June 30, 2022, in comparison to local competitors. The LTD shows a significant increase since the previous examination in which the bank had an average LTD ratio of 38.7 percent. Management indicated that the significant increase in the loan-to-deposit ratio is primarily attributable to organic loan growth.

Comparative Loan-to-Deposit Ratios as of June 30, 2022	
Institution	Loan-to-Deposit Ratio (%)
	18 – Quarter Average
Pinnacle Bank	77.8
Peer Avg - Local	68.2
Competitors	
WCF Financial Bank, Webster City, Iowa	90.0
State Bank of Toledo, Toledo, Iowa	86.2
Farmers Savings Bank, Marshalltown, Iowa	70.7
United Bank & Trust Company, Marshalltown, Iowa	59.9
Farmers Savings Bank & Trust, Traer, Iowa	54.8
Chelsea Savings Bank, Belle Plaine, Iowa	47.3

Assessment Area Concentration

During the evaluation period, Pinnacle Bank made a majority of its small business loans in the assessment area, indicating the bank is actively serving the credit needs of its community. As the table outlines below, the bank extended 66.7 percent of total small business loans by volume, but only 30.9 percent by dollar, inside the assessment area. In 2021, the bank lent an extraordinary percentage of small business loans by dollar volume to entities located outside its assessment area. This is largely due to the fact that the bank originated several Bureau of Indian Affairs loans to tribes across the United States, which are typically large loans by dollar volume. Further, the bank also maintains many lending relationships and activity in the Des Moines area, which is outside of its assessment area. Both factors result in a skewed distribution, particularly in relation to dollar volume.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	42	66.7	2,726	30.9	21	33.3	6,085	69.1
Total Loans	42	66.7	2,726	30.9	21	33.3	6,085	69.1

Geographic Distribution of Loans

The bank's small business loans originated in the assessment area from January 1, 2021, through December 31, 2021, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income. Overall, the bank's geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

The assessment area consists of two moderate-, 13 middle-, and one upper-income census tract. There are no low-income census tracts in the assessment area. In 2021, the bank originated small business loans in 81.3 percent of the 16 census tracts in the assessment area. All three census tracts that did not receive small business loans in 2021 were middle-income census tracts located in Tama County. Further analysis indicated that the census tracts are primarily in rural, agricultural areas, which inherently have fewer opportunities for commercial lending.

Within the sample of small business loans reviewed, Pinnacle Bank originated 42 small business loans within the assessment area in 2021. The bank originated 14.3 percent of its commercial loans to small businesses located in moderate-income census tracts, which is comparable to the percentage of total businesses located in moderate-income census tracts at 13.4 percent. A majority (81.0 percent) of small business loans were originated in middle-income census tracts, which is slightly above the percentage of total businesses located in those geographies at 79.4 percent. The bank originated 4.8 percent of small business loans in upper-income census tracts, below the percentage of total businesses located in those geographies at 7.2 percent.

The following table presents the bank's geographic distribution of small business loans in 2021.

Geographic Distribution of Small Business Loans						
Assessment Area: 2021 IA Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2021 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	6	14.3	149	5.5	13.4
	Middle	34	81.0	2,548	93.5	79.4
	Upper	2	4.8	30	1.1	7.2
	Unknown	0	0.0	0	0.0	0.0
	Total	42	100.0	2,726	100.0	100.0

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

Lending to Businesses of Different Sizes

Pinnacle Bank’s distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 were reviewed, of which 81.0 percent were to businesses with total revenues of \$1.0 million or less. This is below the percentage of total businesses within the assessment area with total revenues of \$1.0 million or less (91.2 percent). However, a large percentage, 91.2 percent, of the commercial loans originated were made to businesses with total revenues of \$1.0 million or less and in loan amounts of \$100,000 or less, showing the bank’s willingness to meet small business credit needs. The bank was also heavily involved in the Paycheck Protection Program (PPP) and supported small business efforts throughout the COVID-19 pandemic, further demonstrating the responsiveness to the ongoing credit needs of the businesses within the surrounding area.

The following table presents the bank’s borrower distribution of small business loans in 2021.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 IA Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	34	81.0	1,645	60.3	91.2
		Over \$1 Million	7	16.7	1,073	39.4	6.1
		Unknown	1	2.4	8	0.3	2.8
		Total	42	100.0	2,726	100.0	100.0
	Loan Size	\$100,000 or Less	37	88.1	807	29.6	
		\$100,001 - \$250,000	2	4.8	260	9.5	
		\$250,001 - \$1 Million	3	7.1	1,659	60.9	
		Total	42	100.0	2,726	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	31	91.2	532	32.3	
		\$100,001 - \$250,000	2	5.9	260	15.8	
		\$250,001 - \$1 Million	1	2.9	853	51.9	
		Total	34	100.0	1,645	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Response to Complaints

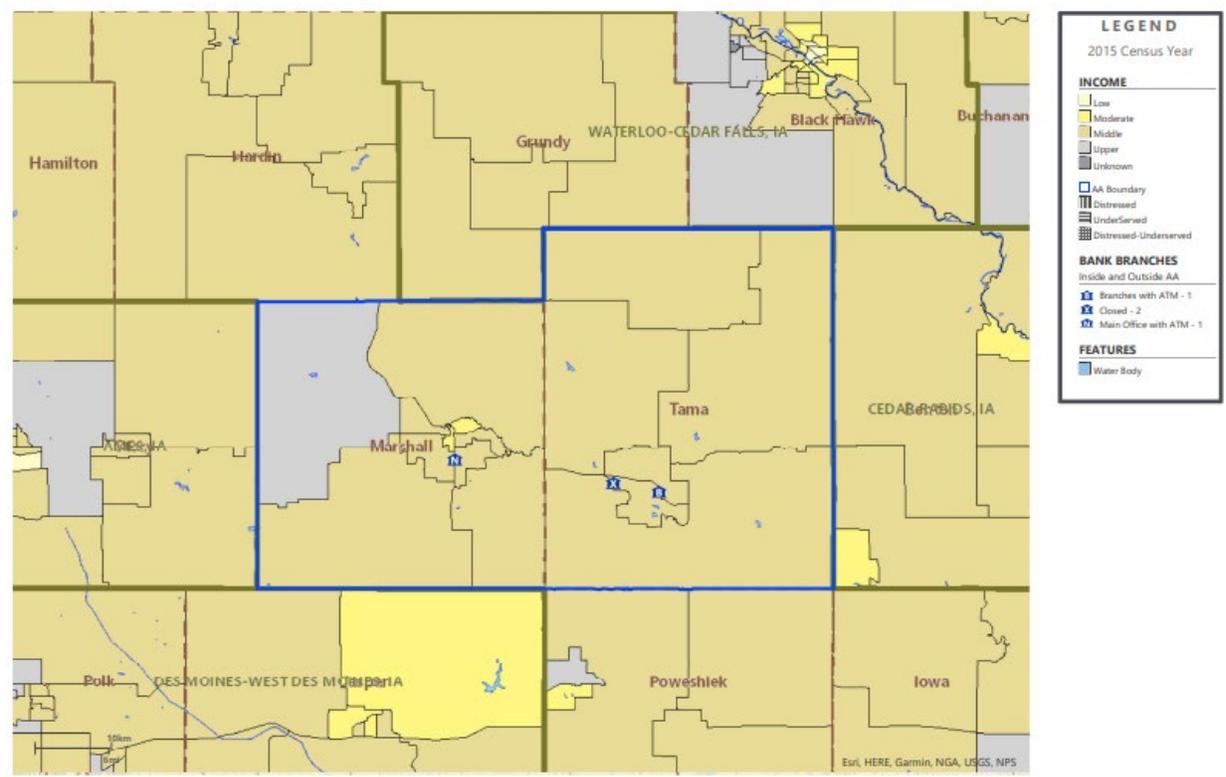
Neither Pinnacle Bank, nor this Reserve Bank have received any CRA-related complaints since the previous examination.

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

Pinnacle Bank 365745
IA Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2021 – December 31, 2021	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Pinnacle Bank			Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Non-MSA	Full Scope	N/A	N/A

APPENDIX C – Glossary

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

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

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

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

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

228.11(c)(2).

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

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

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