

PUBLIC DISCLOSURE

September 5, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank
RSSD# 749840

401 Main Street
P.O. Box 428
Lake View, Iowa 51450

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

Farmers State Bank is rated Satisfactory.

Farmers State 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 less than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects excellent penetration to businesses of different sizes. There were no Community Reinvestment Act (CRA) related complaints received by the institution or the Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

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

The evaluation included a full-scope review of the bank's single assessment area located in the Non-Metropolitan Statistical Area (Non MSA) Sac County, Iowa (Iowa Non-MSA). The assessment area for this evaluation includes two contiguous, middle-income census tracts located in southern Sac County, Iowa (0802.00 and 0803.00). The level of performance within the assessment area was assessed based on small business loans originated during the period beginning August 6, 2019, and ending December 31, 2022. This product is considered one of the bank's primary business lines based on volume by number and dollar amount.

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

- ***Loan-to-Deposit Ratio*** – A 16-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 August 6, 2019 – December 31, 2022, was 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 August 6, 2019 – December 31, 2022, was 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 Businesses of Different Sizes** – A sample of the bank’s small business loans originated in the assessment area, from August 6, 2019 – December 31, 2022, was reviewed to determine the distribution among 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, one community representative was contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following type of organization was contacted: economic development.

DESCRIPTION OF INSTITUTION

Farmers State Bank is a subsidiary of J.E.M.S. Inc., a one-bank holding company headquartered in Lake View, Iowa. The bank operates one main office and one full-service automated teller machine (ATM) located in Lake View, Iowa. No branches or ATMs have been opened or closed since the previous evaluation.

As of June 30, 2023, the bank reported total assets of \$37.7 million according to the Uniform Bank Performance Report (UBPR). Farmers State Bank offers a variety of lending products, including residential real estate, commercial, agricultural, and consumer closed-end loans. Overall, the bank offers non-complex deposit and lending products and is predominantly a residential real estate and commercial lender, as residential real estate and commercial loans comprise 43.1 and 30.1 percent of the bank’s loan portfolio. Details of the loan portfolio composition are provided in the following table.

Composition of Loan Portfolio as of June 30, 2023 (000's)		
Type	\$	%
Residential Real Estate	5,180	43.1
Commercial	3,619	30.1
Agriculture	1,921	16.0
Consumer	1,209	10.1
Other	98	0.8
Total	12,027	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

According to the Federal Deposit Insurance Corporation (FDIC) Market Share Report as of June 30, 2022, Farmers State Bank held 7.1 percent the of deposit market share and ranked fifth of nine FDIC-insured financial institutions in Sac County, Iowa. Based on deposit market share, the largest competitors in the assessment area are Iowa State Bank (29.8 percent), United Bank of Iowa (19.0 percent), and Bank Midwest (13.5 percent). These three institutions collectively hold 62.3 percent of the market share for deposits, suggesting a highly competitive market.

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

The bank was rated satisfactory under the CRA at its previous evaluation conducted on August 5, 2019.

DESCRIPTION OF ASSESSMENT AREA

Farmers State Bank maintains all operations in Lake View, Iowa, which is located in the northwestern part of the state of Iowa. The bank's assessment area (Iowa Non-MSA) has remained unchanged since the previous evaluation and consists of census tracts 0802.00 and 0803.00 in the southern portion of Sac County. Based on 2022 U.S. Census Bureau data, the assessment area consists of two middle-income census tracts. Both census tracts are designated as distressed and underserved tracts by the FFIEC due to population loss and the rural, remote location.

The assessment area is home to 1,373 families; of these families, 35.4 percent are designated as low- or moderate-income, with roughly 6.0 percent living in poverty. Businesses with total annual revenue of \$1 million or less represent 90.8 percent of all businesses operating in the assessment area. Based on this data, there are various opportunities within the assessment area to meet the credit needs of businesses of different revenue sizes.

Tract Designation Change Data

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

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

Additional demographic information for the assessment area is presented in the following table.

2022 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	172	12.5
Moderate	0	0.0	0	0.0	0	0.0	314	22.9
Middle	2	100.0	1,373	100.0	82	6.0	291	21.2
Upper	0	0.0	0	0.0	0	0.0	596	43.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,373	100.0	82	6.0	1,373	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	2,688	1,682	100.0	62.6	313	11.6	693	25.8
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	2,688	1,682	100.0	62.6	313	11.6	693	25.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	295	100.0	268	100.0	22	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	295	100.0	268	100.0	22	100.0	5	100.0
Percentage of Total Businesses:				90.8		7.5		1.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	96	100.0	95	100.0	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	96	100.0	95	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.0		1.0		0.0
Source: 2022 FFIEC Census Data								
2022 Dun & Bradstreet Data								
2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

Population Change

According to U.S. Census Bureau demographic data, the assessment area's population increased 2.7 percent since 2015, which is consistent with the state of Iowa's population increase of 3.1 percent. Conversely, Sac County has seen a population decrease of 2.8 percent during the same period. According to the community representative, Sac County is demographically homogeneous with a vast majority of the population over the age of 60. The aging population contributes to a decreasing population trend. Further, recent high school and college graduates are moving out of the county to more metropolitan areas due to the diversified job opportunities those areas present. The representative noted that Lake View, Iowa has not been impacted by population decreases due to the city's tourism amenities along Black Hawk Lake.

The following table presents population trends for the assessment area, Sac County, and the state of Iowa.

Population Change			
Area	2015 Population	2020 Population	Percentage Change (%)
Assessment Area	4,792	4,805	2.7
Sac County, Iowa	10,101	9,814	-2.8
State of Iowa	3,093,526	3,190,369	3.1

Source: 2019- 2022 FFIEC Census Data

Income Characteristics

According to the American Community Survey, the assessment area had a median family income (MFI) of \$76,577. This figure represents a significant increase in MFI (19.9 percent) from 2011-2015 to 2020, and a substantially higher increase than the state of Iowa which experienced a 7.4 percent increase during the same period. Sac County also experienced a significant increase of 10.9 during the period; however, it was not as significant as the MFI increase to the assessment area. According to the community representative, increased pressure on the labor market has resulted in local firms and companies raising the salaries of their employees. Further, certain industries, such as manufacturing, have expanded their operations within Sac County creating additional high paying jobs.

The following table presents the median family income for families living in the assessment area, Sac County, and the state of Iowa.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Assessment Area	63,847	76,577	19.9
Sac County, Iowa	63,750	70,707	10.9
State of Iowa	73,712	79,186	7.4
<i>Source: 2019- 2022 FFIEC Census Data</i>			

Housing Characteristics

According to the 2020 U.S. Census Bureau, there are a total of 2,688 housing units in the assessment area. The majority of housing units are owner-occupied at 62.6 percent, with 11.6 percent considered rental units, and 25.8 percent of housing units vacant. All of the assessment area’s housing stock is located in middle-income census tracts. The percentage of vacant housing units in the assessment area is significantly higher than the percentage of vacant units within the state of Iowa, at 9.5 percent, and are higher than Sac County’s percentage of vacant units at 19.5 percent.

A method to understand poverty and housing outcomes is calculating housing cost burden, which is outlined in the table below. The housing cost burden is the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household’s housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened.

Across Sac County, 25.5 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 60.9 percent are low-income, and 11.4 percent are moderate-income. For homeowners, only 12.1 percent are experiencing housing cost burden within Sac County, but similar to renters, the majority are low- and moderate-income owners at 45.5 percent and 14.4 percent, respectively.

The community representative stated that Sac County has an aging housing stock, and that many of the available properties are in poor or substandard condition. The aging housing stock presents an opportunity for new housing and increased construction within the county. Additionally, the community representative stated that housing values within the assessment have been increasing rapidly in recent years due to the attractiveness in living close to lakes, which has positively impacted the housing values within towns such as Lake View and nearby Wall Lake. However, this has adversely impacted the availability of affordable housing and rental units within the area and has caused a greater need for affordable housing. Further, the community representative attributes the high vacancy rate in Sac County to an aging population who vacate their homes for assisted living facilities. The high vacancy rate in Lake View, Iowa area can be attributed to the high rate of vacation/second homes in the area.

The table below represents the housing cost burden for individuals in Sac County and the state of Iowa.

2020 Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Sac County, Iowa	60.9	11.4	25.5	45.5	14.4	12.1
State of Iowa	70.6	17.7	37.7	56.8	22.5	15.0

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

Employment Characteristics

From 2018 through 2019 all comparable geographies experienced relatively steady unemployment figures. Beginning in 2020, all geographies experienced notable increases in unemployment figures which was primarily due to the COVID-19 pandemic. Starting in 2021, unemployment figures were trending downward toward pre-pandemic figures. The community representative confirmed that the increase in unemployment rates in 2020 was due to the COVID-19 pandemic, and more recent unemployment rates are declining. The representative also indicated that similar to much of the country, all areas throughout Sac County are experiencing worker shortages and worker retention challenges. The representative explained that manufacturing sectors are dealing with worker shortages, but the area is also experiencing shortages of plumbers, electricians, healthcare workers, and childcare providers.

The following table presents the unemployment trends for Sac County and the state of Iowa from 2018 to 2021.

Unemployment Rates (%)				
Region	2018	2019	2020	2021
Sac County, Iowa	2.3	2.2	3.5	3.3
State of Iowa	2.5	2.6	5.1	4.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

According to location quotients developed by the U.S Bureau of Labor Statistics, the assessment area contains a diverse employment base and is most heavily impacted by the industries of manufacturing, healthcare and social assistance, retail, and the private sector. The community representative stated that several manufacturing firms have expanded their operations within Sac County in recent years, which has resulted in an increased demand for manufacturing jobs. Additionally, the representative explained that the COVID-19 pandemic had a large impact on the retail industries in Sac County, noting that several large retail corporations (Walmart and Hy-Vee)

have stopped providing overnight hours. The representative noted that these employers are having a difficult time attracting and retaining employees. The representative also noted that tourism in Lake View, Iowa was not negatively impacted by the COVID-19 pandemic, as most of the tourism amenities are outdoors and did not experience closures like local restaurants did during the height of the pandemic.

Community Representative

One community representative was contacted during the evaluation to better understand the credit needs and demographic characteristics of the assessment area. The representative stated that local areas are continuing to recover from the COVID-19 pandemic, but small businesses have struggled due to the slowdown of government-related COVID-19 relief and understaffing due to worker shortages. Additionally, the representative discussed the need for affordable housing in the area, noting the recent surge in home prices has exacerbated barriers to affordable housing. The representative indicated that financial institutions in the area are willing to lend to the community and support community needs; however, continued opportunities exist to work with developers of affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

LENDING TEST

Farmers State Bank's performance relative to the lending test is satisfactory. The loan-to-deposit (LTD) ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. In addition, loan distribution reflects excellent penetration among businesses of different sizes.

Loan-to-Deposit Ratio

Farmers State Bank's LTD ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs. Farmers State Bank's average LTD ratio is 35.7 percent, which is a notable decrease from the previous evaluation's average of 44.8 percent. Since the previous

evaluation, the bank has had an increase in deposit growth (9.1 percent); however, it also experienced a decrease in loan originations (7.4 percent) during the same period. Bank management indicated that in general, credit needs have slowed, and the number of loan applications has also decreased. These factors, coupled with competition in the assessment area, have put downward pressure on the bank’s LTD ratio.

Bank management attributes the decrease in the average LTD ratio to area competition. As illustrated previously, the top three institutions in the assessment area collectively hold 62.3 percent of the market share for deposits, which suggests a highly competitive market. As a result, the bank’s LTD ratio remains lower than all local competitors apart from State Bank of Schaller (34.8 percent). The table below presents the bank’s 16-quarter average LTD ratio from September 30, 2019, to June 30, 2023, in comparison to local competitors, a majority of whom are similar in asset size and operate in non-metropolitan Iowa, in or near Sac County.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16-Quarter Average
Farmers State Bank	35.7
Local Peer Average	55.9
Competitors	
Breda Savings Bank	78.0
Citizens Bank	55.2
First National Bank of Manning	55.4
State Bank of Schaller	34.8

Assessment Area Concentration

A majority of small business loans were originated in the assessment area. As presented in the table below, 79.1 percent of small business loans by number and 59.0 percent by dollar amount were originated in the assessment area. For comparison, at the previous evaluation, 58.6 percent of small business loans by number, and 71.3 percent by dollar amount were made within the assessment area. While the dollar amount percentage decreased, the percentage of small business loans by number increased since the previous evaluation. Ultimately, the percentage of small business loan originations within the assessment area indicates the bank is helping meet the credit needs of the local area. The following table summarizes the bank’s lending inside and outside its assessment areas for small business loans from August 6, 2019, through December 31, 2022.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business Loans	34	79.1	1,432	59.0	9	20.9	996	41.0
Total Small Business related	34	79.1	1,432	59.0	9	20.9	996	41.0
Total Loans	34	79.1	1,432	59.0	9	20.9	996	41.0

Geographic Distribution of Loans

The assessment area is comprised of only middle-income census tracts and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained lending gaps in the assessment area.

Lending to Businesses of Different Sizes

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. In 2022, the bank originated 94.4 percent of small business loans by number and 61.3 percent by dollar to businesses with annual revenues of \$1 million or less. Performance, by number, was above the assessment area demographics at 90.8 percent of all businesses in the area with annual revenues of less than \$1 million. Of the loans originated to small businesses with revenues of \$1 million or less, 94.1 percent were in amounts of \$100,000 or less, which is considered most beneficial to small businesses.

In 2021, the bank originated 100.0 percent of small business loans to businesses with annual revenues of \$1 million or less. Performance was above the assessment area demographics as 91.5 percent of all businesses in the area have annual revenues of less than \$1 million. Of the loans originated to small businesses with revenues of \$1 million or less, 77.8 percent were in amounts of \$100,000 or less and 22.2 percent were in amounts of \$250,000 or less. As mentioned, small dollar loans are considered most beneficial to small businesses.

Additionally, Farmers State Bank participated in the Paycheck Protection Program (PPP) in 2020 and 2021, which demonstrates its willingness to meet credit needs of local businesses. The PPP loans are considered particularly responsive based on the challenges small businesses faced as a result of the COVID-19 pandemic and were extremely beneficial to the community as they were exclusively for payroll or income replacement.

The small business totals for 2019 and 2020 are consistent with 2021 and 2022 totals. Please refer to Appendix B for 2019, 2020, and 2021 small business lending tables. The following table presents the borrower distribution of small business loans for 2022.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	17	94.4	395	61.3	90.8
Over \$1 Million	1	5.6	250	38.8	7.5
Revenue Unknown	0	0.0	0	0.0	1.7
Total	18	100.0	644	100.0	100.0
By Loan Size					
\$100,000 or Less	16	88.9	240	37.3	
\$100,001 - \$250,000	2	11.1	405	62.9	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	18	100.0	644	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	16	94.1	240	60.8	
\$100,001 - \$250,000	1	5.9	155	39.2	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	17	100.0	395	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Response to Complaints

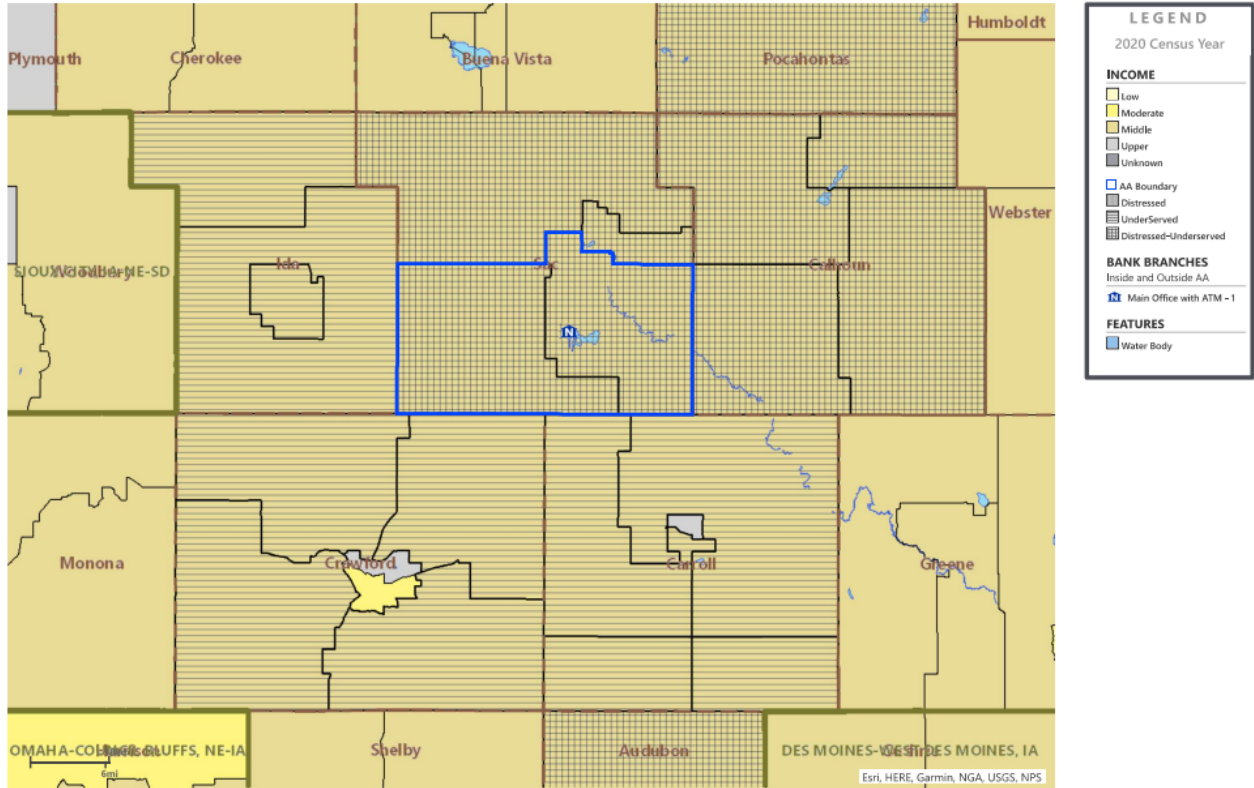
The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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

Farmers State Bank 749840
IA Non MSA



APPENDIX B – Additional Lending and Demographics Tables

2021 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	159	11.6
Moderate	0	0.0	0	0.0	0	0.0	243	17.7
Middle	2	100.0	1,371	100.0	50	3.6	443	32.3
Upper	0	0.0	0	0.0	0	0.0	526	38.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,371	100.0	50	3.6	1,371	100.0
Housing Units by Tract	Housing Type by Tract							
	Owner-occupied		Rental		Vacant			
#	% by tract	% by unit	#	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	2,774	1,682	100.0	60.6	369	13.3	723	26.1
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	2,774	1,682	100.0	60.6	369	13.3	723	26.1
Total Businesses by Tract	Businesses by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	306	100.0	280	100.0	21	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	306	100.0	280	100.0	21	100.0	5	100.0
Percentage of Total Businesses:				91.5		6.9		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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	93	100.0	92	100.0	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	93	100.0	92	100.0	1	100.0	0	0.0
Percentage of Total Farms:				98.9		1.1		0.0
<i>Source: 2021 FFIEC Census Data</i>								
<i>2021 Dun & Bradstreet Data</i>								
<i>2011-2015 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

2020 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	159	11.6
Moderate	0	0.0	0	0.0	0	0.0	243	17.7
Middle	2	100.0	1,371	100.0	50	3.6	443	32.3
Upper	0	0.0	0	0.0	0	0.0	526	38.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,371	100.0	50	3.6	1,371	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	2,774	1,682	100.0	60.6	369	13.3	723	26.1
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	2,774	1,682	100.0	60.6	369	13.3	723	26.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	308	100.0	280	100.0	23	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	308	100.0	280	100.0	23	100.0	5	100.0
Percentage of Total Businesses:				90.9		7.5		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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	96	100.0	95	100.0	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	96	100.0	95	100.0	1	100.0	0	0.0
Percentage of Total Farms:				99.0		1.0		0.0
Source: 2020 FFIEC Census Data								
2020 Dun & Bradstreet Data								
2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

2019 IA Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	159	11.6
Moderate	0	0.0	0	0.0	0	0.0	243	17.7
Middle	2	100.0	1,371	100.0	50	3.6	443	32.3
Upper	0	0.0	0	0.0	0	0.0	526	38.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2	100.0	1,371	100.0	50	3.6	1,371	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	2,774	1,682	100.0	60.6	369	13.3	723	26.1
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	2,774	1,682	100.0	60.6	369	13.3	723	26.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	312	100.0	285	100.0	22	100.0	5	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	312	100.0	285	100.0	22	100.0	5	100.0
Percentage of Total Businesses:			91.3		7.1		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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	96	100.0	95	100.0	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	96	100.0	95	100.0	1	100.0	0	0.0
Percentage of Total Farms:			99.0		1.0		0.0	
Source: 2019 FFIEC Census Data								
2019 Dun & Bradstreet Data								
2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	18	100.0	644	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	18	100.0	644	100.0	100.0

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography									
Assessment Area: IA Non MSA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	%	\$(000)	%	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Middle	5	100.0	314	100.0	9	100.0	381	100.0	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	5	100.0	314	100.0	9	100.0	381	100.0	100.0

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2019 Small Business Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	2	100.0	94	100.0	100.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	2	100.0	94	100.0	100.0

Source: 2019 FFIEC Census Data
2019 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses									
Assessment Area: IA Non MSA									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	5	100.0	314	100.0	9	100.0	381	100.0	91.5
Over \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	6.9
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	1.6
Total	5	100.0	314	100.0	9	100.0	381	100.0	100.0
By Loan Size									
\$100,000 or Less	4	80.0	137	43.6	7	77.8	104	27.3	
\$100,001 - \$250,000	1	20.0	177	56.4	2	22.2	277	72.7	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	5	100.0	314	100.0	9	100.0	381	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	4	80.0	137	43.6	7	77.8	104	27.3	
\$100,001 - \$250,000	1	20.0	177	56.4	2	22.2	277	72.7	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	5	100.0	314	100.0	9	100.0	381	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2019 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	2	100.0	94	100.0	91.3
Over \$1 Million	0	0.0	0	0.0	7.1
Revenue Unknown	0	0.0	0	0.0	1.6
Total	2	100.0	94	100.0	100.0
By Loan Size					
\$100,000 or Less	2	100.0	94	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	2	100.0	94	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	2	100.0	94	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	2	100.0	94	100.0	
Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Small Business Loans – August 6, 2019 – December 31, 2022 Loan-to-Deposit Ratio – September 30, 2019 – June 30, 2023	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Farmers State 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 review	N/A	N/A

APPENDIX D – 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 nonmetropolitan median income figure.

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

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

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

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

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

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

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

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

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male 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).