

PUBLIC DISCLOSURE

February 9, 2026

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American State Bank
RSSD# 276645

1000 Jeffreys Drive
Osceola, Iowa 50213

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

TABLE OF CONTENTS

PERFORMANCE EVALUATION 2

SCOPE OF EXAMINATION 2

DESCRIPTION OF INSTITUTION..... 3

DESCRIPTION OF ASSESSMENT AREAS.....4

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA 7

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW 9

IOWA NON-MSA – FULL REVIEW..... 10

 DESCRIPTION OF INSTITUTION’S OPERATIONS IN IOWA NON-MSA 10

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA NON-MSA 16

DES MOINES-WEST DES MOINES MSA (#19780) – LIMITED REVIEW..... 25

 DESCRIPTION OF INSTITUTION’S OPERATIONS IN DES MOINES MSA 25

 CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS DES MOINES MSA 28

APPENDIX A – MAPS OF ASSESSMENT AREAS..... 31

APPENDIX B – SCOPE OF EXAMINATION.....32

APPENDIX C – 2023 DEMOGRAPHICS TABLES.....33

APPENDIX D - GLOSSARY.....36

BANK'S CRA RATING

American State Bank is rated Satisfactory.

American State Bank is meeting the credit needs of its assessment areas based on an analysis of the bank's lending activity. The bank's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans were originated in the bank's combined assessment area. The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas, and the loan distribution reflects excellent penetration to individuals of different income levels and businesses and farms of different sizes. Neither American State Bank nor the Federal Reserve Bank of Chicago have received any complaints related to the Community Reinvestment Act (CRA) since the previous evaluation.

SCOPE OF EXAMINATION

American State Bank's CRA performance was evaluated using the Small Bank Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). Performance was evaluated in the context of information about the institution including asset size, financial condition, competition, and the economic and demographic characteristics of the assessment areas.

American State Bank operates within two contiguous assessment areas in the south-central portion of the state of Iowa. The first consists of both Clarke and Decatur counties in their entirety, which is designated as the Iowa non-Metropolitan Statistical Area (MSA) assessment area (Iowa Non-MSA). The second assessment area is comprised of Madison County in its entirety located in the Des Moines-West Des Moines, Iowa MSA #19780 (Des Moines MSA).

A full scope review was conducted on the Iowa Non-MSA due to the bank's branch concentration and volume of total Home Mortgage Disclosure Act (HMDA)-reportable, small business, and small farm loans originated in the assessment area. The Des Moines MSA received a limited scope review due to its single branch location and lower volume of lending compared to the Iowa Non-MSA assessment area. The limited scope review assessment area was evaluated for consistency with the bank's performance in its full-scope review assessment area and did not impact the overall CRA rating.

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

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio was calculated for the bank from September 30, 2021, through September 30, 2025, and compared to a sample of local competitors.

- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2023, through December 31, 2024, and samples of small business, and small farm loans originated from January 1, 2024, through December 31, 2024, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2023, through December 31, 2024, and samples of small business and small farm loans originated within the assessment area, from January 1, 2024, through December 31, 2024, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2023, through December 31, 2024, and samples of small business and small farm loans originated within the assessment area, from January 1, 2024, through December 31, 2024, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, three community representatives, representing affordable housing and economic development organizations, were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area.

DESCRIPTION OF INSTITUTION

American State Bank is a community bank headquartered in Osceola, Iowa. The bank is a wholly owned subsidiary of Osceola Bancorporation, a one-bank holding company also located in Osceola, Iowa. Based on the September 30, 2025, Uniform Bank Performance Report, the bank’s assets total \$336.2 million. The bank operates its main office and one full-service branch in Osceola, Iowa, with additional branch locations in Lamoni, Iowa and Winterset, Iowa. Full-service automated teller machines (ATMs) are located at the main office, the Lamoni branch, and the Winterset branch. In addition, cash-only ATMs are located at the Osceola branch (one ATM), Clarke County Hospital (one ATM), and at the Lakeside Casino (three ATMs) in Osceola, Iowa. The bank currently does not maintain any affiliate or subsidiary relationships.

American State Bank offers a variety of traditional lending products including agricultural, commercial, residential real estate (in-house and secondary market), and consumer loans. The

bank is primarily an agricultural lender consisting of 41.4 percent of the bank’s total loan portfolio, followed by commercial (30.3 percent), and residential real estate lending (22.2 percent). Additionally, the bank offers standard, non-complex deposit products including checking, savings, money market accounts, certificates of deposit, and individual retirement accounts, to meet the personal and business banking needs of its communities. Services are accessible to customers via the bank’s website at www.americanstatebank.com.

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

Composition of Loan Portfolio As of September 30, 2025		
Loan Type	Dollar Volume (\$ are in 000s)	% of Portfolio
Agricultural	97,948	41.4
Commercial	71,641	30.3
Residential Real Estate	52,461	22.2
Consumer	12,626	5.3
Other Loans	2,115	0.9
Total Loans	236,791	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding</i>		

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

The bank was rated satisfactory under the CRA at its previous evaluation conducted on August 2, 2021.

DESCRIPTION OF ASSESSMENT AREA

American State Bank’s combined assessment area includes two contiguous assessment areas located in the south-central portion of Iowa. The first consists of Clarke and Decatur counties in their entirety, designated as the Iowa Non-MSA assessment area. The second assessment area, the Des Moines MSA, is comprised of Madison County in its entirety, which is part of the Des Moines-West Des Moines, Iowa MSA #19780. Dallas, Guthrie, Jasper, Polk, and Warren counties are also located in the MSA, but are excluded from the bank’s Des Moines MSA assessment area. While the delineation of the assessment areas has remained unchanged since the previous evaluation, the internal composition of the assessment areas has changed since the August 2, 2021, CRA evaluation due to updates from the 2020 Decennial Census and the 2016-2020 American Community Survey (ACS).

The combined assessment area is comprised of ten census tracts. In the Des Moines MSA (Madison County), one middle-income tract has been added since the previous evaluation, totaling four

census tracts in the assessment area. Of the four tracts, one is moderate- and three are middle-income. The Iowa Non-MSA assessment area includes six census tracts, of which one is moderate-income, four are middle-income, and one is upper-income. Within the assessment area, Clarke County is comprised of three census tracts, two of which are middle-income and one is upper-income. This is a change in designation since the previous evaluation as one middle-income census tract is now designated as upper-income. Decatur County is comprised of three census tracts, one moderate, and two middle-income census tracts, which are considered underserved due to their remote rural locations. Tables with these changes will be included in the respective sections for each assessment area.

Additional 2024 demographic information for the assessment area is presented in the following table. Please refer to Appendix B for 2023 demographic information.

2024 Combined Assessment Area 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	1,898	20.2
Moderate	2	20.0	1,975	21.0	34	1.7	1,994	21.2
Middle	7	70.0	6,854	72.9	614	9.0	2,224	23.7
Upper	1	10.0	570	6.1	25	4.4	3,283	34.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10	100.0	9,399	100.0	673	7.2	9,399	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	3,589	2,087	20.7	58.1	1,264	35.2	238	6.6
Middle	10,820	7,247	71.9	67.0	2,382	22.0	1,191	11.0
Upper	862	751	7.4	87.1	80	9.3	31	3.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	15,271	10,085	100.0	66.0	3,726	24.4	1,460	9.6
	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	446	29.9	407	29.6	32	37.6	7	21.9
Middle	977	65.4	906	65.8	48	56.5	23	71.9
Upper	70	4.7	63	4.6	5	5.9	2	6.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,493	100.0	1,376	100.0	85	100.0	32	100.0
Percentage of Total Businesses:				92.2		5.7		2.1
	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	21	6.7	20	6.5	1	50.0	0	0.0
Middle	257	82.4	256	82.8	0	0.0	1	100.0
Upper	34	10.9	33	10.7	1	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	312	100.0	309	100.0	2	100.0	1	100.0
Percentage of Total Farms:				99.0		0.6		0.3
<i>Source: 2024 FFIEC Census Data 2024 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>								

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

American State Bank’s performance relative to the lending test is Satisfactory. Overall, the bank is meeting the credit needs of its assessment areas 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 combined assessment area credit needs. The majority of HMDA-reportable, small business, and small farm loans were originated in the combined assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas, and lending activities reflect an excellent penetration among individuals of different income levels, as well as businesses and farms of different sizes. Additionally, neither American State Bank nor the Federal Reserve Bank of Chicago received any CRA-related complaints since the previous evaluation.

Loan-to-Deposit Ratio

American State Bank’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and the credit needs of its assessment areas. Since the previous evaluation, the bank’s average LTD ratio remains stable from 84.7 percent to 85.2 percent, indicating the bank’s continued willingness to lend and meet the credit needs of its assessment area. The bank’s average LTD ratio was higher than most of its local competitors over the 17-quarter period ending September 30, 2025, apart from BTC Bank with 90.5 percent and Midwest Heritage Bank FSB with 94.3 percent.

The following table compares the bank’s LTD ratio to its local competitors. Competitor institutions have operations in Madison, Clarke, and Decatur counties.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
American State Bank	85.2
Peer Average - Local	71.2
Competitors	
Midwest Heritage Bank FSB	94.3
BTC Bank	90.5
First National Bank, Ames, Iowa	69.3
First Interstate Bank	73.6
Farmers and Merchant State Bank	65.4
Union State Bank	63.4
Farmers Bank of Northern Missouri	58.8
Earlham Savings Bank	54.3

Assessment Area Concentration

A majority of American State Bank’s loans by number and by dollar volume were originated in its combined assessment area during the review period. An analysis of each product demonstrates the bank originated, by number, 69.8 percent of HMDA-reportable loans, 57.1 percent of small business loans, and 69.3 percent of small farm loans within its combined assessment area. Across all loan products, the bank originated 66.9 percent of loans by number inside the combined assessment area. This is a decrease since the previous evaluation where the bank originated 74.0 percent of total loans within its combined assessment area. This decline is due to an increase in lending in the bank’s trade area (outside of its delineated assessment area), including in Warren, Lucas, and Wayne counties. While there has been a decrease (7.1 percent) in lending inside the combined assessment area of since the previous evaluation, the current concentration of lending continues to demonstrate the bank’s commitment to providing credit to its community.

The following table presents lending inside and outside its assessment area for HMDA-reportable loans originated from January 1, 2023, through December 31, 2024, and samples of small business and small farm loans originated from January 1, 2024, through December 31, 2024.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase - Conventional	63	64.9	10,172	67.5	34	35.1	4,892	32.5
Home Improvement	30	75.0	1,243	60.3	10	25.0	820	39.7
Multi-Family Housing	7	77.8	553	47.9	2	22.2	601	52.1
Refinancing	25	75.8	3,383	69.5	8	24.2	1,483	30.5
Total Home Mortgage	125	69.8	15,351	66.3	54	30.2	7,796	33.7
Total Small Business	44	57.1	5,394	66.2	33	42.9	2,756	33.8
Total Small Farm	70	69.3	5,965	74.7	31	30.7	2,023	25.3
TOTAL LOANS	239	66.9	26,710	68.0	118	33.1	12,575	32.0

Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the full-scope Iowa Non-MSA assessment area, including the moderate-income geography. In addition, the distribution of loans to individuals of different income levels, including low- and moderate-income individuals, as well as businesses and farms of different revenue sizes is excellent. Small farm loans were given more weight due to the bank’s

loan portfolio composition and the assessment area credit needs. While penetration among businesses of different revenue sizes is reasonable, the weight of small farm lending results in an overall excellent borrower distribution performance. Additional information regarding the bank's geographic and borrower distribution of lending activity can be found within the individual assessment area discussions in this evaluation.

Response to Complaints

Neither the 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.

IOWA NON-MSA – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank’s performance in the Iowa Non-MSA assessment area. The review of this assessment area is consistent with that discussed in the “Scope of Examination” section of this performance evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN IOWA NON-MSA

American State Bank delineates Clarke and Decatur counties in their entireties within the Iowa Non-MSA assessment area. The delineation of the assessment area is unchanged since the previous evaluation; however, based on the 2020 census and 2016 to 2020 ACS data, the Iowa Non-MSA includes six census tracts, with one moderate-, four middle-, and one upper-income. This is a change from the previous evaluation as one middle-income census tract is now designated as upper-income. Additionally, as of 2024, two middle-income census tracts are designated as underserved due to their remote rural location. This is a change from the previous evaluation when the tracts were previously designated as both underserved and distressed. The following table provides a summary of census tract designation changes that occurred because of the ACS changes.

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.

The following presentation of key demographics used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	--
Moderate	1	1	--
Middle	5	4	-1
Upper	0	1	+1
Unknown	0	0	--
Total	6	6	--
<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>			

The bank operates a main office and two branch locations within the assessment area. Full-service ATMs are located at the main office and Lamoni branch. In addition, cash-only ATMs are located at the Osceola branch (one ATM), Clark County Hospital (one ATM), and Lakeside Casino (three ATMs). All branch offices and standalone ATMs are located in middle-income census tracts. There were no branch offices or ATMs opened or closed since the previous evaluation.

According to the June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, American State Bank ranked first among six FDIC-insured financial institutions operating in the assessment area with 41.9 percent of the market share. The First National Bank ranked second with 22.1 percent of the market share and the First Interstate Bank ranked third with 20.0 percent of the market share.

In 2024, 85 total HMDA-reporters within the assessment area originated 349 HMDA-reportable loans, of which American State Bank was ranked first with 31 originations. The second and third ranked financial institutions were First National Bank and Community 1st Credit Union with 28 and 25 originations, respectively.

Additional assessment area demographic information is provided in the following table. Demographic information with respect to the assessment area for 2023 is provided in Appendix B.

2024 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	1,009	22.6
Moderate	1	16.7	473	10.6	18	3.8	989	22.1
Middle	4	66.7	3,427	76.7	461	13.5	1,101	24.6
Upper	1	16.7	570	12.8	25	4.4	1,371	30.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	6	100.0	4,470	100.0	504	11.3	4,470	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	1,041	478	9.9	45.9	444	42.7	119	11.4
Middle	6,275	3,602	74.6	57.4	1,837	29.3	836	13.3
Upper	862	751	15.5	87.1	80	9.3	31	3.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,178	4,831	100.0	59.1	2,361	28.9	986	12.1
	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	125	17.3	109	16.7	12	24.5	4	21.1
Middle	526	73.0	481	73.7	32	65.3	13	68.4
Upper	70	9.7	63	9.6	5	10.2	2	10.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	721	100.0	653	100.0	49	100.0	19	100.0
Percentage of Total Businesses:				90.6	6.8	2.6		
	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	10	5.2	9	4.8	1	50.0	0	0.0
Middle	148	77.1	147	77.8	0	0.0	1	100.0
Upper	34	17.7	33	17.5	1	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	192	100.0	189	100.0	2	100.0	1	100.0
Percentage of Total Farms:				98.4	1.0	0.5		
Source: 2024 FFIEC Census Data 2024 Dot & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Characteristics

The following table shows the population trends for the assessment area, Clarke County, Decatur County, non-MSA Iowa (which consists of all areas of Iowa not part of a metropolitan statistical area), and the state of Iowa from 2015 to 2020. The population of Clarke County increased by 5.0 percent, while Decatur County’s population decreased by 7.3 percent. Overall, the population in the assessment area decreased by 0.8 percent. In comparison, the population of non-MSA Iowa decreased by 1.4 percent, and the state of Iowa increased by 3.1 percent.

Community representatives attributed the assessment area’s population decline to a lack of affordable housing and a limited or deteriorating housing supply which hinders relocation to the area. Additionally, the lack of local developers makes building new homes much more difficult. Community representatives also noted that Clarke County has seen an increase in its population due to its commutable distance to the Des Moines metropolitan area and job opportunities at the local meat packing plant.

Population Change 2015 and 2020			
Area	2015 Population	2020 Population	Percentage Change (%)
Assessment Area	17,529	17,393	-0.8
Clarke County, IA	9,280	9,748	5.0
Decatur County, IA	8,249	7,645	-7.3
Non-MSA IA	1,250,756	1,232,642	-1.4
Iowa	3,093,526	3,190,369	3.1

Source: U.S. Census Bureau: Decennial Census: 2020
U.S. Census Bureau: American Community Survey: 2011-2015

Income Characteristics

The following table shows the median family income (MFI) trends for the assessment area, Clarke County, Decatur County, non-MSA Iowa, and the state of Iowa from 2015 to 2020. According to US Census Bureau ACS data, the assessment area is comprised of 4,470 families, of which 22.6 percent are low-income, and 22.1 percent are moderate-income families. Although the majority of families within the assessment area are considered middle- to upper-income (24.6 and 30.7 percent, respectively), opportunities to lend to low- and moderate-income families are present within the assessment area.

According to the 2020 ACS, the MFI in the assessment area (\$61,673) exceeds Decatur County (\$57,926), but falls below Clarke County (\$64,142), non-MSA Iowa (\$71,763), and the state of Iowa (\$79,186). Community representatives attributed the higher income level in Clarke County to more diverse industries and a better local economy. Osceola, the largest town in Clarke County, has seen an increase in small business activity, creating more jobs and higher wages. Both counties are largely agricultural; however, one of the community representatives stated that the MFI in Decatur

County was reflective of farmland values, as it is some of the least productive farmland in Iowa. Additionally, with poor housing stock and small businesses that cannot pay higher wages, it is difficult to attract new talent to the area.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Assessment Area	59,589	61,673	3.5
Clarke County, IA	63,733	64,142	0.6
Decatur County, IA	56,073	57,926	3.3
Non MSA Iowa	67,391	71,763	6.5
Iowa	73,712	79,186	7.4
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

The following table shows the distribution of housing cost burden among renters and homeowners in the assessment area, Clarke County, Decatur County, non-MSA Iowa, and the state of Iowa. There are 8,178 housing units within the assessment area. The majority of housing units are owner-occupied at 59.1 percent, while 28.9 percent are rental units, and 12.1 are vacant units.

Housing cost burden helps to understand poverty and housing outcomes as the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. If a household’s housing cost is 30.0 percent or more of its monthly income, that household is considered housing cost burdened. As shown in the following table, a much larger percentage of low-income renters and homeowners in the assessment area are experiencing housing cost burden compared to moderate-income renters and homeowners.

All community representatives noted that finding affordable housing in the assessment area is extremely difficult, mainly due to the quality of housing stock, limited housing supply, and lack of developers building new housing. With fewer housing options, potential residents are looking to rent. For low-and moderate-income renters, the larger share of their monthly income dedicated to rent prevents them from saving money that could be put towards a home purchase.

Housing Cost Burden						
	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	64.9	28.1	37.9	55.2	21.6	19.0
Clarke County, IA	69.4	32.6	42.3	47.7	15.4	17.6
Decatur County, IA	60.0	20.0	33.1	62.5	26.8	20.8
NonMSA Iowa	65.8	16.7	33.2	54.8	18.9	14.2
Iowa	71.9	21.4	37.9	58.7	23.5	14.9

Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy

Employment and Industry Characteristics

According to the U.S Bureau of Labor Statistics, the overall assessment area employer base is relatively diverse. Significant employment is provided in the following industries: government, manufacturing, and retail trade. Community representatives also noted healthcare and educational services as prominent industries within the assessment area.

Unemployment rates have stabilized since the pandemic, with both Clarke (2.8 percent) and Decatur County’s (2.9 percent) unemployment rates falling below the non-MSA Iowa (3.0 percent) and the state of Iowa as of 2024 (3.0 percent). Community representatives noted a shortage of skilled workers including those in industries such as healthcare, education, and trades. Representatives also noted that while the unemployment rate remains low and there have been no major employer closings in recent years, Decatur County has seen significant employee turnover from small business and small farm employers due to employees leaving their current position for higher wage jobs in surrounding counties.

Unemployment Rates (%)				
Region	2021	2022	2023	Most Recent 2024
Assessment Area	3.7	2.9	2.9	2.9
Clarke County, IA	3.9	3.0	2.9	2.8
Decatur County, IA	3.5	2.8	2.8	2.9
NonMSA Iowa	3.8	3.0	3.0	3.0
Iowa	3.9	2.8	2.9	3.0

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

Community Representatives

Three community representatives were contacted to provide information on affordable housing, employment, and economic development needs within the assessment area. Overall, the economic conditions within the assessment area differ between Clarke and Decatur County. Clarke County benefits from its diverse industries and proximity to the Des Moines metropolitan area, while Decatur County struggles to attract new residents because of issues with the quality of its

farmland, lower wages, and aging housing stock. Community representatives noted the need for the development of more affordable housing options within both counties as housing in Clarke County has become more unaffordable while the aging housing stock in Decatur County is facing higher maintenance costs. Community representatives cited that home improvement loans are needed to address the demand the county is facing and to revitalize housing stock in the assessment area. Generally, community representatives agree that banks are involved in serving the credit needs of the community and expressed the need for additional lending in smaller dollar amounts for home improvement projects, and to help small businesses and small farms obtain lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA NON-MSA

LENDING TEST

The geographic distribution of loans reflects a reasonable distribution throughout the assessment area. In addition, the loan distribution reflects excellent penetration among individuals of different income levels, including low- and moderate-income, and businesses and farms of different sizes. More weight was given to small farm and home improvement loans due to the bank's loan portfolio composition and assessment area credit needs.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the census tract designation within the assessment area, particularly in the moderate-income census tract. Overall, the bank's geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. Examiners determined that there were no conspicuous unexplained lending gaps in contiguous census tracts, and the bank originated loans during the evaluation period in the moderate-income census tract. Additionally, two middle-income census tracts are categorized as underserved due to their rural locations making the bank's lending in the middle-income census tracts more impactful.

HMDA-Reportable Loans

American State Bank's geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. In 2024, the bank originated 10.0 percent of its total HMDA-reportable loans in the moderate-income census tract, which was slightly below the lender aggregate (11.5 percent) and comparable to the percentage of owner-occupied units in the moderate-income census tract (9.9 percent). Consistent with the previous evaluation, the bank did not originate any home improvement or multifamily loans in the moderate-income tract. Community representatives noted that although multifamily housing and home improvement loans are needed within Decatur County, where the moderate-income tract is located, there are few home builders or contractors willing to develop in the county. Community representatives stated

that of the new developments that are built within Decatur County, most are located in the rural areas and not the urban towns. The moderate-income tract encompasses the town of Leon, the county's largest population center, and each of these factors contribute to the low level of lending in the moderate-income tract.

The bank's 2023 HMDA-reportable lending performance in the moderate-income census tract was above that of 2024 lending levels. This level of lending meets the need for home mortgage lending in the moderate-income tract.

The table on the following page shows the 2023 and 2024 geographic distribution of HMDA-reportable loans within the assessment area.

Distribution of 2023 and 2024 Home Mortgage Lending By Income Level of Geography													
Assessment Area: IA Non MSA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2023						2024						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	5	21.7	13.5	573	16.1	9.9	2	11.1	11.6	246	9.7	7.2	9.9
Middle	17	73.9	76.0	2,640	73.9	71.4	14	77.8	77.4	1,874	73.5	73.0	74.6
Upper	1	4.3	10.6	357	10.0	18.7	2	11.1	11.1	429	16.8	19.8	15.5
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	23	100.0	100.0	3,570	100.0	100.0	18	100.0	100.0	2,549	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	2	20.0	7.1	110	6.6	4.3	1	14.3	9.2	183	20.0	6.7	9.9
Middle	8	80.0	78.6	1,557	93.4	69.8	4	57.1	72.4	300	39.3	67.1	74.6
Upper	0	0.0	14.3	0	0.0	25.9	2	28.6	18.4	374	40.8	26.2	15.5
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	10	100.0	100.0	1,667	100.0	100.0	7	100.0	100.0	917	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	14.0	0	0.0	11.4	0	0.0	15.4	0	0.0	9.3	9.9
Middle	10	83.3	65.1	331	72.3	66.8	3	60.0	61.5	245	85.1	64.8	74.6
Upper	2	16.7	20.9	127	27.7	21.9	2	40.0	23.1	43	14.9	25.9	15.5
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	12	100.0	100.0	458	100.0	100.0	5	100.0	100.0	288	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	25.0	0	0.0	36.9	0	0.0	33.3	0	0.0	57.9	22.5
Middle	3	100.0	75.0	301	100.0	63.1	0	0.0	66.7	0	0.0	42.1	76.4
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	1.1
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	301	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	7	14.6	12.3	683	11.4	9.3	3	10.0	11.5	429	11.4	8.2	9.9
Middle	38	79.2	74.8	4,829	80.5	70.6	21	70.0	74.2	2,479	66.0	70.8	74.6
Upper	3	6.3	12.9	484	8.1	20.2	6	20.0	14.3	846	22.5	21.0	15.5
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	48	100.0	100.0	5,996	100.0	100.0	30	100.0	100.0	3,754	100.0	100.0	100.0

Source: 2024 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. A sample of 32 small business loans from 2024 indicated the bank originated 3.1 percent of small business loans within the moderate-income census tract, which is significantly below the percentage of total businesses located in the moderate-income census tract (17.3 percent). Community representatives noted that Osceola has better infrastructure and a better overall local economy compared to Decatur County. Two of the bank’s four branches are located in Osceola, and the branch located in Decatur County, the Lamoni branch, is not located at the county seat, Leon. Additionally, a majority of (78.1 percent) of the bank’s small business loans were originated in middle-income census tracts. A majority of those loans were originated in tracts designated as underserved (56.0 percent). Although it is located farther from Leon, lending at the Lamoni branch is still considered impactful to small businesses due to the branch’s proximity to the underserved middle-income tracts. The following table presents the bank’s geographic distribution of small business loans in 2024.

Distribution of 2024 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	1	3.1	40	0.9	17.3
Middle	25	78.1	4,225	91.3	73.0
Upper	6	18.8	362	7.8	9.7
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	32	100.0	4,626	100.0	100.0

*Source: 2024 FFIEC Census Data
2024 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey*

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

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. A sample of 65 small farm loans from 2024 indicated that the bank originated no loans within the moderate-income census tract; the percentage of total farms located in the moderate-income census tract is 5.2 percent. This lack of lending is reasonable as the moderate-income census tract in the assessment area encompasses most of the town of Leon in Decatur County. As the county’s most populated town, there would be less opportunity to originate small farm loans. Additionally, a majority (83.1 percent) of the bank’s small farm loans were originated in middle-income census tracts, which is above the percentage of total farms located in those geographies at 77.1 percent. A majority of those loans were originated in tracts designated as

underserved (72.2 percent). As previously mentioned, lending to these underserved middle-income census tracts is considered more impactful. The following table presents the bank’s geographic distribution of small farm loans in 2024.

Distribution of 2024 Small Farm Lending By Income Level of Geography					
Assessment Area: IA Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	5.2
Middle	54	83.1	5,204	94.4	77.1
Upper	11	16.9	308	5.6	17.7
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	65	100.0	5,511	100.0	100.0

Source: 2024 FFIEC Census Data
2024 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey

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

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

American State Bank’s distribution of lending reflects excellent penetration among borrowers of different income levels, including low- and moderate-income borrowers, and to small farms of different revenue sizes. While penetration among businesses of different revenue sizes is reasonable, greater weight was given to small farm lending and resulted in an overall excellent borrower distribution performance.

HMDA-Reportable Loans

The distribution of HMDA-reportable loans reflects excellent penetration among borrowers of different income levels, including low- and moderate-income borrowers. In 2024, the bank originated 10.0 percent of its total HMDA-reportable loans to low-income borrowers, which is comparable to the lender aggregate (9.8 percent) and significantly below the percentage of low-income families in the assessment area (22.6 percent). The lack of lending to low-income borrowers can mainly be attributed to the lack of home purchase loans provided to low-income borrowers; however, this is considered reasonable because as shown in the Housing Cost Burden table, within the assessment area 64.9 percent of low-income renters and 55.2 percent of low-income homeowners are housing cost burdened. The percentages are significantly higher than the housing cost burden for moderate-income renters and owners, which is 28.1 and 21.6 percent, respectively. Community representatives mentioned that with the low availability of affordable housing, an increasing number of individuals are seeking to rent instead.

For low-income renters, being housing cost burdened means that those individuals pay a greater share of their monthly income towards rent, making it difficult to save enough money for an initial down payment for a home purchase loan. With the addition of the high-interest rate environment and lack of affordable housing within the assessment area, the low level of home purchase loans to low-income borrowers is considered reasonable.

In 2024, the bank originated 36.7 percent of its HMDA-reportable loans to moderate-income borrowers, which is above the lender aggregate lender (27.2 percent) and significantly above the percentage of moderate-income families in the assessment area (22.1 percent).

Home improvement loans had excellent penetration among both low- and moderate-income borrowers. While total home improvement volume was low, with respect to the 2024 home improvement loans, 80.0 percent were to borrowers of low- to moderate-income, significantly exceeding the lender aggregate (42.3 percent) and percentage of low- and moderate-income families (44.7 percent) in the assessment area. The bank's level of HMDA-reportable lending to low- and moderate-income borrowers is considered responsive to borrowers' need for home improvement lending as noted by the community representatives.

The bank's level of overall HMDA-reportable lending to low- and moderate-income borrowers in 2023 was consistent with its performance in 2024. However, in 2023, the bank's performance among low-income borrowers was significantly higher than the aggregate and percentage of low-income families in the assessment area while its performance among moderate-income borrowers was below aggregate and the percentage of moderate-income families.

The table on the following page shows the 2023 and 2024 borrower distribution of HMDA-reportable loans in the assessment area.

Distribution of 2023 and 2024 Home Mortgage Lending By Borrower Income Level													
Assessment Area: IA Non MSA													
Borrower Income Level	Bank And Aggregate Loans By Year											Families by Family Income %	
	2023						2024						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	5	21.7	11.1	396	11.1	6.4	0	0.0	11.1	0	0.0	6.0	22.6
Moderate	4	17.4	27.4	414	11.6	18.5	5	27.8	30.2	612	24.0	21.2	22.1
Middle	4	17.4	17.8	336	9.4	15.9	2	11.1	23.6	98	3.8	23.2	24.6
Upper	8	34.8	30.3	1,980	54.6	40.8	4	22.2	22.1	849	33.3	34.1	30.7
Unknown	2	8.7	13.5	474	13.3	18.4	7	38.9	13.1	990	38.9	15.5	0.0
Total	23	100.0	100.0	3,570	100.0	100.0	18	100.0	100.0	2,548	100.0	100.0	100.0
Refinance Loans													
Low	4	40.0	25.7	207	12.4	12.4	2	28.6	8.2	253	27.6	4.8	22.6
Moderate	3	30.0	20.0	319	19.1	17.3	3	42.9	20.4	411	44.8	21.1	22.1
Middle	1	10.0	21.4	150	9.0	20.8	1	14.3	21.4	70	7.7	19.3	24.6
Upper	2	20.0	27.1	991	59.4	38.2	1	14.3	20.4	183	20.0	23.3	30.7
Unknown	0	0.0	5.7	0	0.0	11.4	0	0.0	29.6	0	0.0	31.5	0.0
Total	10	100.0	100.0	1,667	100.0	100.0	7	100.0	100.0	917	100.0	100.0	100.0
Home Improvement Loans													
Low	5	41.7	18.6	129	28.2	10.6	1	20.0	11.5	200	69.7	22.1	22.6
Moderate	0	0.0	14.0	0	0.0	11.1	3	60.0	30.8	61	21.3	21.4	22.1
Middle	4	33.3	41.9	212	48.3	46.2	1	20.0	30.8	27	9.3	21.8	24.6
Upper	1	8.3	20.9	51	11.1	28.8	0	0.0	19.2	0	0.0	15.8	30.7
Unknown	2	16.7	4.7	66	14.4	3.3	0	0.0	7.7	0	0.0	18.9	0.0
Total	12	100.0	100.0	458	100.0	100.0	5	100.0	100.0	287	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	14	31.1	15.1	732	12.9	7.6	3	10.0	9.8	453	12.1	6.1	22.6
Moderate	7	15.6	22.8	733	12.9	17.7	11	36.7	27.2	1,084	28.9	21.2	22.1
Middle	9	20.0	22.6	698	12.3	18.2	4	13.3	24.3	194	5.2	22.4	24.6
Upper	11	24.4	28.8	2,992	52.5	39.7	5	16.7	22.0	1,032	27.5	31.0	30.7
Unknown	4	8.9	10.7	540	9.5	16.7	7	23.3	16.8	990	26.4	19.2	0.0
Total	45	100.0	100.0	5,695	100.0	100.0	30	100.0	100.0	3,753	100.0	100.0	100.0
Source: 2024 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. Within the sample of small business loans reviewed, American State Bank originated 84.4 percent by number of its loans to businesses with gross revenues equal to or less than \$1 million. The bank's performance was below the percentage of total businesses operating in the assessment area at 90.6 percent; however, 63.0 percent of those loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered the most impactful to small businesses, demonstrating the bank's willingness to meet the credit needs of small

businesses. The following table presents the borrower distribution of small businesses in 2024.

Distribution of 2024 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	27	84.4	2,715	58.7	90.6
Over \$1 Million	5	15.6	1,911	41.3	6.8
Revenue Unknown	0	0.0	0	0.0	2.6
Total	32	100.0	4,626	100.0	100.0
By Loan Size					
\$100,000 or Less	19	59.4	528	11.4	
\$100,001 - \$250,000	7	21.9	833	18.0	
\$250,001 - \$1 Million	6	18.8	3,266	70.6	
Total	32	100.0	4,626	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	17	63.0	427	15.7	
\$100,001 - \$250,000	6	22.2	708	26.1	
\$250,001 - \$1 Million	4	14.8	1,580	58.2	
Total	27	100.0	2,715	100.0	
<i>Sources: 2024 FFIEC Census Data 2024 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>					

Small Farm Loans

The distribution of small farm loans reflects excellent penetration among farms of different revenue sizes. Within the sample of small farm loans reviewed, American State Bank originated 98.5 percent by number of loans to farms with gross annual revenues equal to or less than \$1 million. The bank’s performance was comparable to the number of farms operating in the assessment area at 98.4 percent. Additionally, 71.9 percent of those loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered the most impactful to small farms, demonstrating the bank’s willingness to meet local credit needs. The following table presents the borrower distribution of small farm loans in 2024.

Distribution of 2024 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	64	98.5	5,417	98.3	98.4
Over \$1 Million	1	1.5	95	1.7	1.0
Revenue Unknown	0	0.0	0	0.0	0.5
Total	65	100.0	5,511	100.0	100.0
By Loan Size					
\$100,000 or Less	47	72.3	1,324	24.0	
\$100,001 - \$250,000	11	16.9	1,629	29.6	
\$250,001 - \$500,000	7	10.8	2,559	46.4	
Total	65	100.0	5,511	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	46	71.9	1,229	22.7	
\$100,001 - \$250,000	11	17.2	1,629	30.1	
\$250,001 - \$500,000	7	10.9	2,559	47.2	
Total	64	100.0	5,417	100.0	
<i>Source: 2024 FFIEC Census Data 2024 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>					

DES MOINES-WEST DES MOINES, IA MSA (#19780) – LIMITED REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE DES MOINES MSA

Limited scope examination procedures were used to evaluate the bank’s performance in the Des Moines MSA assessment area. The limited scope review was deemed appropriate based on the deposit market share (9.2 percent) and ranking of the bank (4 of 4) which were both lower compared to the Iowa Non-MSA assessment.

American State Bank’s assessment area delineates Madison County in its entirety within the Des Moines MSA. The delineation of the assessment area has remained unchanged since the previous evaluation; however, based on the 2020 census and 2016 to 2020 ACS data, one middle-income census tract was split, and an additional middle-income census tract was created as a result. The assessment area now has four census tracts, with one moderate- and three middle-income census tracts.

American State Bank operates one branch with a full-service ATM located in the moderate-income census tract in Winterset, Iowa. There were no branch offices or ATMs opened or closed since the previous evaluation.

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	--
Moderate	1	1	--
Middle	2	3	+1
Upper	0	0	--
Unknown	0	0	--
Total	3	4	+1
<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>			

In 2024, there were 104 total HMDA reporters within the assessment area which originated 506 HMDA-reportable loans, of which American State Bank ranked second with 32 originations. The first ranked HMDA reporter was Farmers Merchants State Bank with 38 originations, and two institutions, GreenState Credit Union and Veridian Credit Union, were also tied for second with 32 originations each.

According to the June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, American State Bank ranked fourth among four FDIC-insured financial institutions operating in the assessment area with 9.2 percent of the market share. The first and second ranked financial institutions were Farmers and Merchants State Bank and Union State Bank with 43.6 and 26.0 percent, respectively.

Additional assessment area demographic information for 2024 is provided in the following table. Demographic information with respect to the assessment area for 2023 is provided in Appendix B.

2024 Des Moines-West Des Moines, IA MSA 19780 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	889	18.0	
Moderate	1	25.0	1,502	30.5	16	1.1	1,005	20.4	
Middle	3	75.0	3,427	69.5	153	4.5	1,123	22.8	
Upper	0	0.0	0	0.0	0	0.0	1,912	38.8	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	4	100.0	4,929	100.0	169	3.4	4,929	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	2,548	1,609	30.6	63.1	820	32.2	119	4.7	
Middle	4,545	3,645	69.4	80.2	545	12.0	355	7.8	
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	7,093	5,254	100.0	74.1	1,365	19.2	474	6.7	
	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	321	41.6	298	41.2	20	55.6	3	23.1	
Middle	451	58.4	425	58.8	16	44.4	10	76.9	
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	772	100.0	723	100.0	36	100.0	13	100.0	
Percentage of Total Businesses:				93.7	4.7	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	11	9.2	11	9.2	0	0.0	0	0.0	
Middle	109	90.8	109	90.8	0	0.0	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	120	100.0	120	100.0	0	0.0	0	0.0	
Percentage of Total Farms:				100.0	0.0	0.0			
Source: 2024 FFIEC Census Data 2024 Dot & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS DES MOINES MSA

Assessment Area	Lending Test
Des Moines-West Des Moines MSA #19780 (Des Moines MSA)	Exceeds

The institution’s lending performance in the area exceeds the institution’s lending performance for the IA Non-MSA; however, it does not change the rating for the institution.

LENDING TEST

Geographic Distribution of Loans

Distribution of 2023 and 2024 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Des Moines-West Des Moines, IA MSA 19780													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2023						2024						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	#%	\$(000)	\$%	\$%	#	%	#%	\$(000)	\$%	\$%	
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	8	38.1	34.1	685	23.7	24.7	13	50.0	32.4	826	30.4	21.4	30.6
Middle	13	61.9	65.9	2,201	76.3	75.3	13	50.0	67.6	1,889	69.6	78.6	69.4
Upper	0	0.0	0.0	0	0.0	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	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	21	100.0	100.0	2,886	100.0	100.0	26	100.0	100.0	2,715	100.0	100.0	100.0

Source: 2024 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2024 Small Business Lending By Income Level of Geography					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	7	58.3	659	85.8	41.6
Middle	5	41.7	109	14.2	58.4
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	12	100.0	768	100.0	100.0

Source: 2024 FFIEC Census Data
2024 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 2024 Small Farm Lending By Income Level of Geography					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	9.2
Middle	5	100.0	454	100.0	90.8
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	5	100.0	454	100.0	100.0

Source: 2024 FFIEC Census Data
2024 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

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

Distribution of 2023 and 2024 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Des Moines-West Des Moines, IA MSA 19780													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2023						2024						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Low	4	20.0	13.3	441	15.6	6.6	1	4.3	10.0	19	0.8	5.0	18.0
Moderate	5	25.0	19.2	715	25.2	14.8	6	26.1	20.8	686	27.3	14.6	20.4
Middle	3	15.0	25.4	679	24.0	24.6	7	30.4	21.4	1,328	52.8	18.6	22.8
Upper	5	25.0	28.3	867	30.6	39.7	4	17.4	32.3	184	7.3	43.6	38.8
Unknown	3	15.0	13.7	133	4.7	14.3	5	21.7	15.6	297	11.8	18.2	0.0
Total	20	100.0	100.0	2,835	100.0	100.0	23	100.0	100.0	2,514	100.0	100.0	100.0

Source: 2024 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.

Distribution of 2024 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
	Bank Loans				Total Businesses %
	#	%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	12	100.0	768	100.0	93.7
Over \$1 Million	0	0.0	0	0.0	4.7
Revenue Unknown	0	0.0	0	0.0	1.7
Total	12	100.0	768	100.0	100.0
By Loan Size					
\$100,000 or Less	10	83.3	286	37.2	
\$100,001 - \$250,000	1	8.3	165	21.5	
\$250,001 - \$1 Million	1	8.3	317	41.3	
Total	12	100.0	768	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	10	83.3	286	37.2	
\$100,001 - \$250,000	1	8.3	165	21.5	
\$250,001 - \$1 Million	1	8.3	317	41.3	
Total	12	100.0	768	100.0	

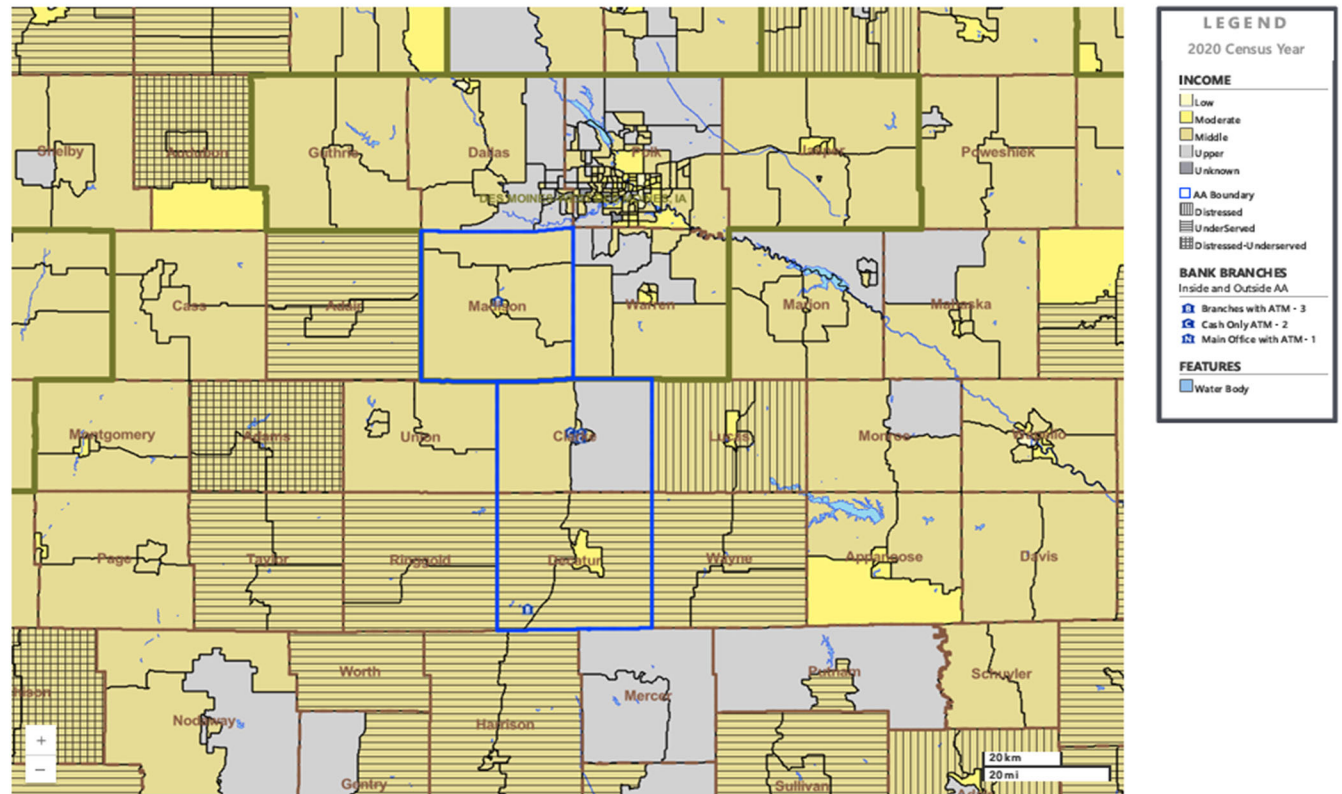
Source: 2024 FFIEC Census Data
2024 Dun & Bradstreet Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2024 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Des Moines-West Des Moines, IA MSA 19780					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
By Revenue					
\$1 Million or Less	5	100.0	453	99.8	100.0
Over \$1 Million	0	0.0	0	0.0	0.0
Revenue Unknown	0	0.0	0	0.0	0.0
Total	5	100.0	454	100.0	100.0
By Loan Size					
\$100,000 or Less	4	80.0	153	33.7	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	1	20.0	300	66.1	
Total	5	100.0	454	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	4	80.0	153	33.8	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	1	20.0	300	66.2	
Total	5	100.0	453	100.0	
<i>Source: 2024 FFIEC Census Data 2024 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>					

APPENDIX A – Map of Assessment Areas

Figure 1: Map of the Combined Assessment Area

American State Bank 276645
Combined Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Loan-to-deposit Ratio from September 30, 2021 – September 30, 2025 HMDA-Reportable Lending from January 1, 2023 – December 31, 2024 Small Business Lending from January 1, 2024 – December 31, 2024 Small Farm Lending from January 1, 2024 – December 31, 2024	
FINANCIAL INSTITUTION American State Bank		PRODUCTS REVIEWED HMDA-Reportable Loans Sample of Small Business Loans Sample of Small Farm 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
Des Moines-West Des Moines IA MSA #19780 (Madison County)	Limited Scope Review	N/A	N/A
Iowa Non-MSA (Clarke and Decatur counties)	Full Scope Review	N/A	N/A

Appendix C: 2023 Demographics Tables

The following tables contain relevant demographic information from the 2023 combined, Iowa Non-MSA, and Des Moines MSA assessment areas.

2023 Combined Assessment Area 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	1,898	20.2
Moderate	2	20.0	1,975	21.0	34	1.7	1,994	21.2
Middle	7	70.0	6,854	72.9	614	9.0	2,224	23.7
Upper	1	10.0	570	6.1	25	4.4	3,283	34.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10	100.0	9,399	100.0	673	7.2	9,399	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	3,589	2,087	20.7	58.1	1,264	35.2	238	6.6
Middle	10,820	7,247	71.9	67.0	2,382	22.0	1,191	11.0
Upper	862	751	7.4	87.1	80	9.3	31	3.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	15,271	10,085	100.0	66.0	3,726	24.4	1,460	9.6
	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	428	26.4	390	26.0	31	34.1	7	21.2
Middle	1,121	69.1	1,042	69.5	55	60.4	24	72.7
Upper	74	4.6	67	4.5	5	5.5	2	6.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,623	100.0	1,499	100.0	91	100.0	33	100.0
Percentage of Total Businesses:				92.4		5.6		2.0
	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	20	5.8	20	5.9	0	0.0	0	0.0
Middle	287	83.9	286	84.1	0	0.0	1	100.0
Upper	35	10.2	34	10.0	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	342	100.0	340	100.0	1	100.0	1	100.0
Percentage of Total Farms:				99.4		0.3		0.3
<i>Source: 2023 FFIEC Census Data 2023 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>								

2023 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	1,009	22.6
Moderate	1	16.7	473	10.6	18	3.8	989	22.1
Middle	4	66.7	3,427	76.7	461	13.5	1,101	24.6
Upper	1	16.7	570	12.8	25	4.4	1,371	30.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	6	100.0	4,470	100.0	504	11.3	4,470	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	1,041	478	9.9	45.9	444	42.7	119	11.4
Middle	6,275	3,602	74.6	57.4	1,837	29.3	836	13.3
Upper	862	751	15.5	87.1	80	9.3	31	3.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	8,178	4,831	100.0	59.1	2,361	28.9	986	12.1
	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	124	16.9	108	16.3	12	23.5	4	21.1
Middle	535	73.0	488	73.6	34	66.7	13	68.4
Upper	74	10.1	67	10.1	5	9.8	2	10.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	733	100.0	663	100.0	51	100.0	19	100.0
Percentage of Total Businesses:				90.5		7.0		2.6
	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	10	5.1	10	5.1	0	0.0	0	0.0
Middle	152	77.2	151	77.4	0	0.0	1	100.0
Upper	35	17.8	34	17.4	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	197	100.0	195	100.0	1	100.0	1	100.0
Percentage of Total Farms:				99.0		0.5		0.5
Source: 2023 FFIEC Census Data 2023 Data & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2023 Des Moines-West Des Moines, IA MSA 19780 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	889	18.0	
Moderate	1	25.0	1,502	30.5	16	1.1	1,005	20.4	
Middle	3	75.0	3,427	69.5	153	4.5	1,123	22.8	
Upper	0	0.0	0	0.0	0	0.0	1,912	38.8	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	
Total AA	4	100.0	4,929	100.0	169	3.4	4,929	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	2,548	1,609	30.6	63.1	820	32.2	119	4.7	
Middle	4,545	3,645	69.4	80.2	545	12.0	355	7.8	
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	7,093	5,254	100.0	74.1	1,365	19.2	474	6.7	
	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	304	34.2	282	33.7	19	47.5	3	21.4	
Middle	586	65.8	554	66.3	21	52.5	11	78.6	
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	890	100.0	836	100.0	40	100.0	14	100.0	
Percentage of Total Businesses:				93.9		4.5		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	10	6.9	10	6.9	0	0.0	0	0.0	
Middle	135	93.1	135	93.1	0	0.0	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	145	100.0	145	100.0	0	0.0	0	0.0	
Percentage of Total Farms:				100.0		0.0		0.0	

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

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 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,
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.

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

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.

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).

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

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

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/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 (**MMSA**). Performance within a multi-state MSA is analyzed, rated and presented separately under Regulation BB provided that the financial institution operates at least one deposit facility in at least two of the states included in the multi-state MSA.

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.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending.

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 a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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