

PUBLIC DISCLOSURE

August 25, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Waukon State Bank
RSSD# 436542

22 West Main Street
Waukon, Iowa 52172

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, 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

Waukon State Bank is rated Satisfactory.

Waukon State Bank is meeting the credit needs of its assessment area based on an analysis of lending activities. The loan-to-deposit ratio is more 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 a reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither Waukon 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

Waukon 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 and its assessment area, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics of the assessment area.

Waukon State Bank maintains one non-metropolitan assessment area which consists of Allamakee County and Winneshiek County, Iowa in their entirety. The level of performance within the assessment area was assessed based on samples of residential real estate (home mortgage), small business, and small farm loans originated from January 1, 2024, to December 31, 2024. These products are considered Waukon State Bank's primary business lines based on the volume of the bank's loan originations by number and dollar amount.

Performance in the assessment area was evaluated using the 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 beginning June 30, 2021, and ending March 31, 2025.
- ***Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated from January 1, 2024, to December 31, 2024, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2024, to 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 low- and moderate-income.

- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – A sample of the bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2024, to 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, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and affordable housing.

DESCRIPTION OF INSTITUTION

Waukon State Bank is a wholly owned subsidiary of WFC, Inc., both of which are headquartered in Waukon, Iowa. Based on the March 31, 2025, Uniform Bank Performance Report, the bank's assets totaled \$424.4 million. The bank operates four banking locations and three full-service automated teller machines (ATMs) throughout Allamakee and Winneshiek Counties. Both Waukon and Decorah have one full-service branch as well as one limited-service branch location. Each office, except for the Waukon State Bank main office, has a full-service ATM. Since the previous examination, the bank has not opened or closed any branches or ATMs.

The bank's primary business strategy is focused on agricultural lending which has the highest product by volume (36.0 percent), followed by commercial lending (32.1 percent), and residential real estate lending (28.5 percent). Loan products are generally non-complex. The bank offers general commercial loans and agricultural loans, including Farm Service Agency guaranteed loans. Residential real estate loans include fixed-rate mortgages, balloon mortgages, and temporary construction financing. Non-residential real estate consumer loans include secured and unsecured loans, new and used automobile loans, consumer overdraft protection, and single payment loans. Traditional deposit products are offered and include checking, savings, and certificates of deposit. The bank accepts applications via mail, phone, fax, and face to face. All account openings must take place in person at a branch location.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of June 30, 2024, Waukon State Bank ranks second out of 12 FDIC-insured financial institutions

operating within the assessment area. The bank held \$330.5 million in deposits representing 17.2 percent of the deposit market share. In comparison, Decorah Bank and Trust Company, located in Decorah, Iowa, ranked first with \$496.6 million in deposits representing 25.9 percent of the deposit market share.

Details of the composition of the bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio As of March 31, 2025 (\$000)		
Type	\$	%
Residential Real Estate	97,047	28.5
Commercial	109,496	32.1
Agricultural	122,660	36.0
Consumer – Closed End	6,838	2.0
Consumer – Open End	3,525	1.0
Other	1,509	0.4
Gross Loans	341,075	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 June 14, 2021.

DESCRIPTION OF ASSESSMENT AREA¹

Waukon State Bank is an intrastate bank operating in the northeast corner of the state of Iowa. The bank has one assessment area in non-metropolitan (Non-MSA) Iowa that is comprised of the entirety of Allamakee and Winneshiek Counties. Each of these counties has five census tracts, as Allamakee County contains five middle-income census tracts, and Winneshiek County has three middle- and two upper-income census tracts. The three middle-income census tracts in Winneshiek County (9501.00, 9504.00, and 9505.00) were designated by the FFIEC as underserved due to their remote and rural location. The bank's limited-service branch in Decorah is located in census tract 9504.00.

The assessment area delineation remains unchanged since the previous examination; however, two census tracts changed income designation due to the 2016-2020 American Community Survey (ACS) Data released by the FFIEC. The number of moderate-income census tracts decreased from

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes

one to zero as the moderate-income tract changed to a middle-income tract. Additionally, the number of upper-income census tracts increased from one to two tracts as one middle-income tract changed to an upper-income tract. The following table provides a summary of census tract designation changes that occurred as a result of the ACS changes.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The 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	1	0	-1
Middle	8	8	0
Upper	1	2	+1
Unknown	0	0	0
Total	10	10	0
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			

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

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	1,538	17.2
Moderate	0	0.0	0	0.0	0	0.0	1,367	15.3
Middle	8	80.0	6,973	78.1	449	6.4	2,174	24.4
Upper	2	20.0	1,951	21.9	68	3.5	3,845	43.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10	100.0	8,924	100.0	517	5.8	8,924	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	13,186	8,752	78.1	66.4	2,055	15.6	2,379	18.0
Upper	3,638	2,456	21.9	67.5	949	26.1	233	6.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	16,824	11,208	100.0	66.6	3,004	17.9	2,612	15.5
	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	1,333	69.8	1,229	70.4	83	59.3	21	84.0
Upper	577	30.2	516	29.6	57	40.7	4	16.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,910	100.0	1,745	100.0	140	100.0	25	100.0
Percentage of Total Businesses:				91.4		7.3		1.3
	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	427	94.7	419	94.6	8	100.0	0	0.0
Upper	24	5.3	24	5.4	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	451	100.0	443	100.0	8	100.0	0	0.0
Percentage of Total Farms:				98.2		1.8		0.0
Source: 2024 FFIEC Census Data 2024 Data & Business 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 2024 Iowa Non-MSA (the assessment area) Allamakee County, Winneshiek 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 the 2020 U.S. Census estimates. The population of Winneshiek County decreased by 3.9 percent, while Allamakee County saw no change in its population. Overall, the population in the assessment area decreased by 2.3 percent. In comparison, Non-MSA Iowa declined by 1.4 percent, and the state of Iowa increased by 3.1 percent. A community representative attributed the assessment area's population decline due to young people not moving to the area because housing stock is either too expensive or deteriorating and material costs have made building new homes much more difficult. Additionally, the assessment area has seen a trend that is occurring across rural communities throughout the state of Iowa where young people are leaving the area in favor of larger cities that provide more job opportunities and higher wages. As the local population ages and retires, there is a lack of younger people to take over small businesses.

2024 IA Non-MSA Population Change			
Area	2015 Population	2020 Population	Percentage Change
2024 Iowa Non-MSA	34,944	34,131	-2.3%
Allamakee County, IA	14,060	14,061	0.0%
Winneshiek County, IA	20,884	20,070	-3.9%
Non-MSA Iowa	1,250,756	1,232,642	-1.4%
Iowa	3,093,526	3,190,369	3.1%
Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census			

Income Characteristics

The following table shows the median family income trends for the assessment area, Allamakee County, Winneshiek County, Non-MSA Iowa, and the state of Iowa from 2015 to the 2020 U.S. Census estimates. According to FFIEC Census Data, the assessment area is comprised of 8,924 families, of which 17.2 percent are low-income, and 15.3 percent are moderate-income families. Although the majority of the families within the assessment area are considered upper-income (43.1 percent), opportunities to lend to low- and moderate-income families are present within the assessment area.

According to the 2020 ACS, the median family income (MFI) in the assessment area (\$76,799) exceeds Allamakee County (\$72,277), Non-MSA Iowa (\$71,763), but falls below the state of Iowa (\$79,186) and Winneshiek County's MFI (\$82,960). A community representative attributed the higher income level in Winneshiek County to the area's larger employers. Decorah, the largest city in Winneshiek County, hosts the Winneshiek Medical Center and Luther College which require workers with more specialized skills, whereas Allamakee County has employers who are more dependent on the working-class segment of the population. Community representatives also

indicated that the MFI changes between 2015 and 2020 were natural increases; the MFI increases are not sufficient to keep pace with current rates of inflation.

2024 IA Non-MSA Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income	2020 Median Family Income	Percentage Change
2024 Iowa Non-MSA	\$68,002	\$76,799	12.9%
Allamakee County, IA	\$61,855	\$72,277	16.8%
Winneshiek County, IA	\$73,129	\$82,960	13.4%
Non-MSA Iowa	\$67,391	\$71,763	6.5%
Iowa	\$73,712	\$79,186	7.4%
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.			

Housing Characteristics

The following table shows the distribution of housing cost burden among renters and homeowners in the assessment area, Allamakee County, Winneshiek County, Non-MSA Iowa, and the state of Iowa. There are 16,824 housing units within the assessment area. The majority of housing units are owner-occupied at 66.6 percent, while 17.9 percent are rental units, and 15.5 percent are vacant units.

If a household's housing cost is 30.0 percent or more of its 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 the lower volumes of cost-burdened moderate-income renters and homeowners.

Both community representatives noted that the housing values in Winneshiek County are much higher than in Allamakee County, mainly due to the quality of housing stock and limited housing supply. With fewer housing options, potential residents, especially in Winneshiek County, are looking to rent. The percentage of low-income cost burdened renters in Winneshiek County (72.4 percent) exceeds the assessment area, Allamakee County, and non-MSA Iowa and aligns with the percentage of low-income cost burdened renters in the state of Iowa (71.9 percent). The percentage of low-income cost burdened renters in Allamakee County (64.5 percent) is lower than the assessment area, Winneshiek County, and the state of Iowa and aligns with the non-MSA Iowa percentage of low-income cost burdened renters (65.8 percent). Another trend that both community representatives remarked on was the number of short-term rentals in both Allamakee and Winneshiek Counties. Northeast Iowa is known for its tourism due to the proximity of the Mississippi River. In recent years, there has been an increase in the number of short-term rentals and secondary houses in the area, meaning those houses are removed as workforce housing options. With a low affordable housing stock, prospective homebuyers are looking to build, but the price of materials has made it nearly impossible to build any housing for less than \$200,000. The

lack of affordable housing, limited housing supply, and home building costs is driving the demand for rental housing, which is also limited and expensive.

The following table illustrates the housing cost burden for the assessment area, Allamakee and Winneshiek Counties, Non-MSA Iowa, and the state of Iowa.

Housing Cost Burden						
	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2024 Iowa Non-MSA	69.9%	13.7%	32.7%	47.0%	28.9%	16.9%
Allamakee County, IA	64.5%	9.8%	24.4%	44.6%	24.0%	17.4%
Winneshiek County, IA	72.4%	15.9%	37.8%	49.4%	32.4%	16.6%
Non-MSA 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%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy</i>						

Employment and Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area employer base is diverse. Significant employment is provided in the following industries: manufacturing, retail trade, accommodation and food services, government, healthcare, construction, and agriculture.

Unemployment rates have stabilized since the pandemic; however, the unemployment rate in the assessment area and both Allamakee and Winneshiek Counties is higher than that of Non-MSA Iowa and the state of Iowa as a whole. A community representative indicated that there has been an increase in development of infrastructure such as bridges along the Mississippi River. This has caused an increase in the number of construction workers in Allamakee County, but is also exacerbating the housing shortage problem. Another community representative indicated that the healthcare industry in the area is experiencing a shortage of skilled workers. The Winneshiek Medical Center is a healthcare facility that is struggling to find healthcare professionals. The representative indicated that this is due to the proximity of the Mayo Clinic in Rochester, Minnesota. Local residents are willing to commute to the Mayo Clinic for healthcare positions that offer better salaries. The representative also noted that while there have been no major employer closings in recent years, the unemployment rate remains higher than the state average as more and more small businesses have chosen to close post-pandemic. The following table shows unemployment statistics for the assessment area, Allamakee and Winneshiek Counties, Non-MSA Iowa, and the state of Iowa.

Unemployment Rates				
Region	2020	2021	2022	Most recent 2023
2024 Iowa Non-MSA	4.9%	3.9%	3.5%	3.5%
Allamakee County, IA	5.0%	4.2%	3.9%	3.8%
Winneshiek County, IA	4.8%	3.8%	3.2%	3.2%
Non-MSA Iowa	4.8%	3.7%	2.9%	3.0%
Iowa	5.2%	3.8%	2.8%	2.9%
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

Community Representatives

Two community representatives were contacted to provide information about local economic and demographic conditions. The representatives provided information on affordable housing, employment, economic development, and community service needs within the assessment area. One representative noted the need for investment in healthcare in order to keep skilled healthcare workers in the area. The primary need in the assessment area as cited by each of the community representatives was the need for affordable housing, both quality and quantity. According to the representatives, rising material costs, coupled with a deteriorating housing stock, has made it difficult to attract both construction workers and skilled workers due to the lack of affordable housing options based on the average median family income in Allamakee and Winneshiek Counties. The representatives stated that downpayment assistance and home improvement loans are opportunities for financial institutions in the area to meet affordable housing credit needs. One representative also noted that state economic incentive programs are being revitalized, which may create additional opportunities for lenders to participate as well.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Waukon State Bank's performance relative to the lending test is rated Satisfactory based on multiple factors. The loan-to-deposit (LTD) ratio is more than reasonable based on the bank's size, capacity to lend, financial condition, and assessment area credit needs. A majority of the samples of home mortgage, small business, and small farm loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activities reflect reasonable penetration among individuals of different incomes as well as businesses and farms with different revenue sizes.

Loan-to-Deposit Ratio

Waukon State Bank demonstrates a more than reasonable LTD ratio given its size, financial condition, and the credit needs of its assessment area. As of March 31, 2025, the bank's LTD ratio averaged 91.6 percent over a 16-quarter period which exceeds all competitors operating within the assessment area. The strength of the LTD ratio demonstrates the bank's willingness to meet the

area's credit needs.

The following table compares the LTD ratio and local competitors. Competitor institutions have operations in Allamakee and Winneshiek Counties and have assets of less than \$1 billion.

Comparative Loan-to-Deposit Ratios As of March 31, 2025	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Waukon State Bank	91.6%
Peer Average - Local	72.3%
Competitors	
CUSB Bank	85.9%
Decorah Bank and Trust Company	85.0%
Kerndt Brothers Savings Bank	79.3%
Freedom Bank	78.9%
Northeast Security Bank	63.2%
New Albin Savings Bank	41.6%

Assessment Area Concentration

A majority of Waukon State Bank's loans were originated in its assessment area during the review period. Based on the sample of loans originated during the evaluation period, the bank originated 72.1 percent of home mortgage loans, 65.6 percent of small business loans, and 85.2 percent of small farm loans by number within the assessment area. Across all loan products, the bank originated 74.9 percent by number and 69.2 percent by dollar volume of loans inside the assessment area. This concentration of lending demonstrates the bank's commitment to providing credit to its communities.

The following table presents Waukon State Bank's lending inside and outside its assessment area for home mortgage, small business, and small farm loans from January 1, 2024, to December 31, 2024.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Mortgage	62	72.1	\$7,891	63.9	24	27.9	\$4,458	36.1
Small Business	61	65.6	\$5,640	65.1	32	34.4	\$3,022	34.9
Small Farm	92	85.2	\$5,880	83.4	16	14.8	\$1,168	16.6
TOTAL LOANS	215	74.9	\$19,412	69.2	72	25.1	\$8,649	30.8

Geographic Distribution of Loans

The assessment area is comprised only of middle- and upper-income census tracts; 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 gaps in contiguous census tracts.

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

Waukon State Bank's distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, as well as businesses and farms of different revenue sizes, given the demographics of the assessment area. Based on origination volume, small farm loans carry slightly greater weight in the analysis of the bank's performance.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income borrowers. Within the sample of home mortgage loans reviewed, the bank originated 12.9 percent of its home mortgage loans to low-income borrowers which is below the demographic percentage of low-income families in the assessment area (17.2 percent). The bank also originated 19.4 percent of home mortgage loans to moderate-income borrowers, which is above the demographic percentage of moderate-income families in the assessment area (15.3 percent). Despite assessment area challenges due to the absence of affordable housing units, these lending levels indicate the bank's willingness to lend to low- and moderate-income residents in the assessment area.

The following table presents Waukon State Bank's borrower distribution of home mortgage loans in 2024.

Distribution of 2024 Residential Lending By Borrower Income Level					
Assessment Area: IA Non MSA					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	\$%	
Low	8	12.9	577	7.3	17.2
Moderate	12	19.4	821	10.4	15.3
Middle	18	29.0	1,781	22.6	24.4
Upper	24	38.7	4,711	59.7	43.1
Unknown	0	0.0	0	0.0	0.0
Total	62	100.0	7,891	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 distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. Within the sample of small business loans reviewed, Waukon State Bank originated 75.4 percent by number of small business 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 91.4 percent. However, 76.1 percent of the small farm loans originated to businesses with an annual revenue of \$1 million or less were in amounts of \$100,000 or less. These loans are considered the most impactful to small businesses, demonstrating the bank's willingness to meet the credit needs of small businesses.

The following table presents Waukon State Bank's borrower distribution of small business loans 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	46	75.4	3,106	55.1	91.4
Over \$1 Million	12	19.7	2,035	36.1	7.3
Revenue Unknown	3	4.9	499	8.8	1.3
Total	61	100.0	5,640	100.0	100.0
By Loan Size					
\$100,000 or Less	44	72.1	1,719	30.5	
\$100,001 - \$250,000	14	23.0	2,207	39.1	
\$250,001 - \$1 Million	3	4.9	1,714	30.4	
Total	61	100.0	5,640	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	35	76.1	1,115	35.9	
\$100,001 - \$250,000	10	21.7	1,591	51.2	
\$250,001 - \$1 Million	1	2.2	400	12.9	
Total	46	100.0	3,106	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 distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. Within the sample of small farm loans reviewed, Waukon State Bank originated 84.8 percent by number of small farm loans to farms with gross revenues equal to or less than \$1 million. The bank's performance was below the total number of small farms operating in the assessment area at 98.2 percent. However, 78.2 percent of the loans originated to farms with an annual revenue of \$1 million or less were in amounts of \$100,000 or less. These loans are considered the most impactful to small farms, demonstrating the bank's willingness to meet the credit needs of small farms.

The following table presents Waukon State Bank's 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	78	84.8	5,107	86.9	98.2
Over \$1 Million	6	6.5	660	11.2	1.8
Revenue Unknown	8	8.7	113	1.9	0.0
Total	92	100.0	5,880	100.0	100.0
By Loan Size					
\$100,000 or Less	73	79.3	2,191	37.3	
\$100,001 - \$250,000	15	16.3	2,424	41.2	
\$250,001 - \$500,000	4	4.3	1,265	21.5	
Total	92	100.0	5,880	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	61	78.2	1,893	37.1	
\$100,001 - \$250,000	14	17.9	2,274	44.5	
\$250,001 - \$500,000	3	3.8	940	18.4	
Total	78	100.0	5,107	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.					

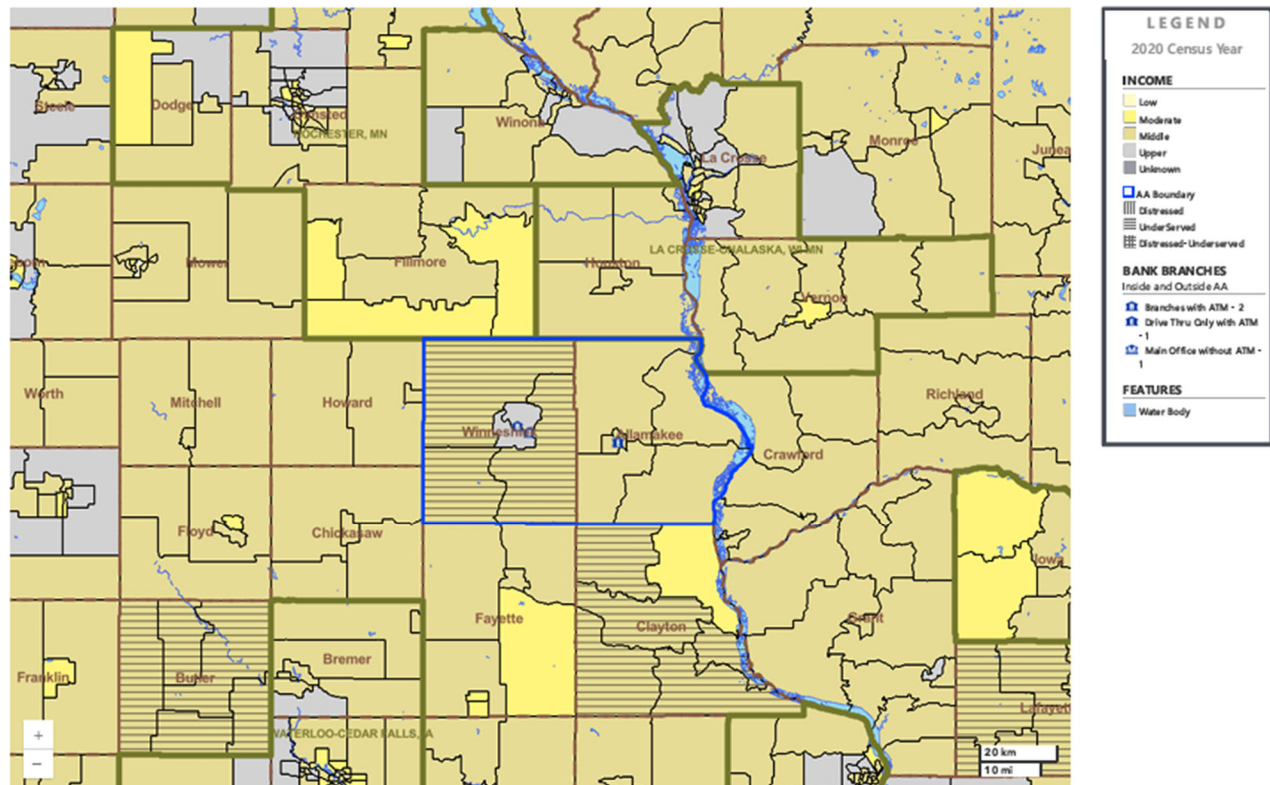
Response to Complaints

Neither the bank nor this Reserve Bank 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



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Home mortgage loans from January 1, 2024-December 31, 2024 Small business loans from January 1, 2024-December 31, 2024 Small farm loans from January 1, 2024-December 31, 2024		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Waukon State Bank			Home mortgage loans Small business loans Small farm loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	Not applicable		Not applicable
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iowa, Allamakee County and Winneshiek County	Full scope review	None	Not applicable

APPENDIX C – Glossary

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

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

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

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

Area Median Income (AMI): AMI means –

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

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

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

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

² Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Small Farm: 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).