

# **PUBLIC DISCLOSURE**

September 23, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Farmers Trust & Savings Bank  
RSSD# 825847

101 North Main Street  
Buffalo Center, Iowa 50424

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

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## BANK'S CRA RATING

Farmers Trust & Savings Bank is rated **Satisfactory**.

Farmers Trust & Savings Bank is meeting the credit needs of the communities within its combined assessment area. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and combined assessment area credit needs. A majority of loans are originated in the combined assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas and loan distribution reflects reasonable penetration to businesses and farms of different revenue sizes. Neither Farmers Trust & Savings Bank nor this Reserve Bank has received any Community Reinvestment Act (CRA) complaints since the previous evaluation.

## SCOPE OF EXAMINATION

Farmers Trust & Savings Bank's CRA performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution Examination Procedures. The evaluation considered information about the institution and its assessment areas, such as asset size, financial condition, competition, and economic and demographic characteristics. A sample of lending activity for the bank's major product lines (small business and small farm loans), originated from January 1, 2023 to December 31, 2023, was reviewed as the basis of this evaluation. No other lending products were reviewed as the bank is primarily a commercial and agricultural lender. Small farm lending received greater weight in the analysis based on loan portfolio composition.

The bank has delineated two contiguous assessment areas in the states of Iowa and Minnesota. Both assessment areas received full-scope reviews as examination procedures require a state rating for each assessment area that the bank maintains a deposit-taking office. Additional information that was considered included deposit market share, branch concentration, volume of lending, percentage of low- and moderate-income families, and community credit needs. The bank's non-metropolitan assessment area in Iowa (IA Non-MSA AA) received significantly greater weight than the non-metropolitan assessment area in Minnesota (MN Non-MSA AA) based on the number of branch locations and percentage of lending volume within the two assessment areas.

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

- ***Loan-to-Deposit Ratio*** – An 18-quarter average loan-to-deposit ratio from March 31, 2020 to June 30, 2024, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business and small farm loans originated from January 1, 2023 to December 31, 2023, was reviewed to determine the percentage of loans originated in the combined assessment area.

- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank’s small business and small farm loans originated within the two assessment areas, from January 1, 2023 to December 31, 2023, was analyzed to determine the extent to which the bank is making loans throughout its assessment areas.
- ***Lending to Businesses and Farms of Different Sizes*** – A sample of the bank’s small business and small farm loans originated within the two assessment areas, from January 1, 2023 to December 31, 2023, was reviewed to determine the distribution to businesses and farms of different 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 were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment areas. Organizations representing economic development, agricultural, and affordable housing were contacted.

## DESCRIPTION OF INSTITUTION

Farmers Trust & Savings Bank is a subsidiary of Koss Winn Bankshares ESOP, a one-bank holding company headquartered in Buffalo Center, Iowa. As of March 31, 2024, Farmers Trust & Savings Bank had total assets of \$348.0 million. Farmers Trust & Savings Bank operates five branches in one contiguous market spanning the states of Iowa and Minnesota. The bank's footprint includes four branches in Buffalo Center, Lakota, Britt, and Lake Mills, Iowa; and one branch in Bricelyn, Minnesota. Each branch, with the exception of the Lakota and Bricelyn branches, has a drive-thru. In addition to the five branches, the bank also maintains cash-only automated teller machines (ATMs) at four of its five branch locations. The only branch that does not maintain an ATM is in Lakota, Iowa. There have been no mergers, acquisitions, or changes in the bank’s branching network and ATMs since the previous examination.

A list of the bank’s branches is provided in the table below.

Farmers Trust & Savings Bank Branch Listing			
Branch Name	Assessment Area	County	City & State
Buffalo Center (Main Office)	IA Non-MSA AA	Winnebago	Buffalo Center, Iowa
Britt	IA Non-MSA AA	Hancock	Britt, Iowa
Lake Mills	IA Non-MSA AA	Winnebago	Lake Mills, Iowa
Lakota	IA Non-MSA AA	Kossuth	Lakota, Iowa
Bricelyn	MN Non-MSA AA	Faribault	Bricelyn, Minnesota

Farmers Trust & Savings Bank offers a full range of traditional deposit and loan products to help meet the banking needs of consumers, businesses, and farms operating in its combined assessment area. Deposit products can be opened at any branch and include traditional checking and savings accounts, money market checking accounts, and certificates of deposit.

As of the March 31, 2024 Uniform Bank Performance Report, Farmers Trust & Savings Bank had total loans of \$316.8 million. As previously mentioned, Farmers Trust & Savings Bank is primarily an agricultural and commercial lender and these categories comprised 73.9 percent and 18.0 percent, respectively, of the loan portfolio.

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

Loan Portfolio Composition as of March 31, 2024		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	234,007	73.9
Commercial	57,017	18.0
Residential Real Estate	20,462	6.5
Consumer	4,614	1.5
Other	727	0.2
<b>Total</b>	<b>316,827</b>	<b>100.0</b>
<i>Note: Percentages may not add to 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 31, 2020.

**DESCRIPTION OF ASSESSMENT AREA**

Farmers Trust & Savings Bank operates in one contiguous market area encompassing the entire counties of Hancock and Winnebago, and portions (one census tract each) of Kossuth and Worth Counties, all located in Iowa, as well as a portion (one census tract) of Faribault County, Minnesota. Within the larger market area, Farmers Trust & Savings Bank delineates two assessment areas, one including the non-metropolitan counties in Iowa (IA Non-MSA AA), and one including the portion of the non-metropolitan county in Minnesota (MN Non-MSA AA). Neither assessment area has changed since the previous evaluation.

The IA Non-MSA AA is comprised solely of middle-income census tracts. The one census tract in Kossuth County, Iowa was classified as underserved based on the remote rural location in 2019 during the previous evaluation period; however, this tract is no longer considered underserved by the FFIEC as of 2023. The one census tract comprising the MN Non-MSA AA is designated as middle-income. The census tract in Faribault County, Minnesota was previously classified as distressed based on the population loss in 2019 during the previous evaluation period, but as of 2023 is no longer considered distressed by the FFIEC.

*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.*

While this evaluation uses updated demographic data from the prior evaluation, there were no changes to the income designations for any of the census tracts in the bank's assessment areas.

Additional 2023 demographic information for the combined assessment area is provided in the following table.

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	1,415	18.1
Moderate	0	0.0	0	0.0	0	0.0	1,482	19.0
Middle	10	100.0	7,816	100.0	512	6.6	1,911	24.4
Upper	0	0.0	0	0.0	0	0.0	3,008	38.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10	100.0	7,816	100.0	512	6.6	7,816	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	14,024	9,726	100.0	69.4	2,488	17.7	1,810	12.9
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	14,024	9,726	100.0	69.4	2,488	17.7	1,810	12.9
	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	1,630	100.0	1,479	100.0	112	100.0	39	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,630	100.0	1,479	100.0	112	100.0	39	100.0
Percentage of Total Businesses:				90.7		6.9		2.4
	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	581	100.0	577	100.0	4	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	581	100.0	577	100.0	4	100.0	0	0.0
Percentage of Total Farms:				99.3		0.7		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA****Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and combined assessment area credit needs. As of June 30, 2024, the bank had an 18-quarter average LTD ratio of 98.4 percent. The previous evaluation's 16-quarter average LTD ratio was slightly higher at 105.4 percent. The bank's current LTD ratio is greater than each of its local peers.

The following table compares the bank's LTD ratio to its local competitors of similar size and complexity.

<b>Comparative Loan-to-Deposit Ratios</b>	
<b>Institution</b>	<b>Loan-to-Deposit Ratio (%)</b>
	<b>18 – Quarter Average</b>
Farmers Trust & Savings Bank	98.4
Peer Average – Local	73.1
<b>Competitors</b>	
Farmers State Bank (Algona, IA)	73.6
First Bank of Blue Earth	66.8
Manufacturers Bank & Trust Company	79.7
West Iowa Bank	70.4
Iowa State Bank	74.0
Security State Bank	73.2
Farmers State Bank (Northwood, IA)	64.9
State Savings Bank	82.2

**Assessment Area Concentration**

During the evaluation period, a majority of small business and small farm loans were originated in the bank's combined assessment area, as Farmers Trust & Savings Bank originated 74.6 percent of total loans by number and 73.9 percent of total loans by dollar, inside the combined assessment area. Small farm loans had a higher concentration rate by number within the combined assessment area of 78.9 percent, compared to 69.7 percent of small business loans. The bank's lending within its combined assessment area is higher for this review period than the previous evaluation period where the bank originated 61.1 percent by number and 67.9 percent by dollar of total loans in the combined assessment area. Overall, lending inside the combined assessment area indicates appropriate responsiveness to assessment area credit needs.

The following table displays Farmers Trust & Savings Bank's lending inside and outside of its combined assessment area for small business and small farm loans from January 1, 2023 through December 31, 2023.

Lending Inside and Outside the Assessment Area								
	Inside				Outside			
Loan Type	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Small Business	69	69.7	6,388	64.3	30	30.3	3,551	35.7
Total Small Farm	90	78.9	11,421	80.7	24	21.1	2,733	19.3
<b>Total Loans</b>	159	74.6	17,810	73.9	54	25.4	6,284	26.1
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>								

### Geographic and Borrower Distribution

The geographic distribution of small business and small farm loans reflects reasonable dispersion throughout the individual assessment areas. The bank remains primarily an agricultural lender and, therefore, small farm loans received greater weighting. The combined assessment area is comprised of only middle-income tracts, therefore an analysis of the geographic distribution of loans was limited and received less weighting than other criterion of the lending test. The distribution of lending reflects, given the product lines offered, reasonable penetration to businesses and farms of different sizes.

Additional information with respect to the bank's geographic and borrower distribution is found within the full review assessment area sections under each state.

### Response to Complaints

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

### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## STATE OF IOWA

Farmers Trust & Savings Bank is rated Satisfactory in the state of Iowa based on a reasonable dispersion of small business and small farm loans throughout the assessment area and reasonable penetration of these loans to businesses and farms of different sizes.

### SCOPE OF EXAMINATION

The scope for the full review assessment area is consistent with the scope presented in the overall Scope of Examination section. Refer to the Scope of Examination section for more detailed information.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF IOWA

Farmers Trust & Savings Bank's operations in the state of Iowa consist of its one assessment area in northern Iowa, bordering the state of Minnesota. The non-metropolitan statistical assessment area (IA Non-MSA AA) is comprised of Hancock and Winnebago Counties, in their entirety, and one census tract each in Kossuth and Worth Counties. The bank's main office, three branches, and three cash-only ATMs are located in the assessment area. The bank's main office is in Buffalo Center, while the branches are in Britt, Lake Mills, and Lakota, Iowa. Each branch, with the exception of the Lakota branch, has a drive-thru facility. A cash-only ATM is located at each office, with the exception of Lakota. Refer to the assessment area summary for demographic and economic conditions.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE STATE OF IOWA

#### LENDING TEST

Farmers Trust & Savings Bank's performance relative to the lending test in the state of Iowa is rated Satisfactory based on reasonable dispersion of small business and small farm loans throughout the assessment area, and reasonable penetration of these loans to businesses and farms of different sizes.

#### Geographic Dispersion and Borrower Distribution

The geographic dispersion of small business and small farm loans reflects reasonable dispersion throughout the assessment area. In addition, the distribution of these loans reflects reasonable penetration among businesses and farms of different sizes. Refer to the individual assessment area summary section for additional details.

**IA NON-MSA AA – FULL REVIEW****SCOPE OF EXAMINATION**

The scope for the assessment area is consistent with the scope presented in the overall Scope of Examination section. Refer to the Scope of Examination section for more detailed information.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN IA NON-MSA AA**

Farmers Trust & Savings Bank maintains operations in the assessment area through its main office, three branch locations, and three cash-only ATMs. Each branch, with the exception of Lakota, has a drive-thru facility. There have been no openings or closings of branches or ATMs since the previous evaluation. The assessment area consists of Hancock and Winnebago Counties, in their entirety, one census tract (#9501) in Kossuth County, and one census tract (#6902) in Worth County. The largest community in the assessment area is Forest City, which sits on the boarder of Hancock and Winnebago Counties, followed by Garner, Iowa, located in Hancock County. Buffalo Center, Iowa, where the bank is headquartered, is located in Winnebago County. The assessment area has not changed since the previous CRA evaluation. Overall, the assessment area includes nine census tracts, all of which are designated as middle-income.

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2023, ranks Farmers Trust & Savings Bank fourth among seventeen FDIC-insured institutions operating in the assessment area. The bank has a 12.2 percent market share, compared to market leader Iowa State Bank, Algona, Iowa, which has 14.4 percent of the market's FDIC-insured deposits.

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

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	1,260	17.6
Moderate	0	0.0	0	0.0	0	0.0	1,339	18.7
Middle	9	100.0	7,168	100.0	458	6.4	1,785	24.9
Upper	0	0.0	0	0.0	0	0.0	2,784	38.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	9	100.0	7,168	100.0	458	6.4	7,168	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	12,799	8,912	100.0	69.6	2,333	18.2	1,554	12.1
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	12,799	8,912	100.0	69.6	2,333	18.2	1,554	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,523	100.0	1,382	100.0	108	100.0	33	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,523	100.0	1,382	100.0	108	100.0	33	100.0
Percentage of Total Businesses:				90.7		7.1		2.2
	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	510	100.0	508	100.0	2	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	510	100.0	508	100.0	2	100.0	0	0.0
Percentage of Total Farms:				99.6		0.4		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## Population Change

According to the 2020 U.S. Census Bureau demographic data, the population in three of the four counties in the assessment area decreased since 2015, which is similar to the state of Iowa's non-metropolitan area in its entirety (Non-MSA Iowa), which had a population loss of 1.4 percent during the same time period. Winnebago County was the only county with a population increase from 2015 to 2020. Kossuth County experienced the largest population loss at 3.0 percent, while Hancock and Worth Counties experienced population losses at 2.7 percent and 1.6 percent, respectively. Winnebago County's population increased 0.6 percent, which was still well below the state of Iowa which saw a 3.1 percent population increase. Community representatives stated that population loss in the assessment area can be attributed to the exodus of younger populations to larger cities for more career opportunities. One representative also noted that some parents are following their adult children to larger communities in order to stay close to them, thus decreasing the population further.

The table below presents the population trends for Hancock, Kossuth, Winnebago, and Worth Counties, the state of Iowa, and Non-MSA Iowa from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Hancock County, IA	11,092	10,795	-2.7
Kossuth County, IA	15,280	14,828	-3.0
Winnebago County, IA	10,614	10,679	0.6
Worth County, IA	7,563	7,443	-1.6
Non-MSA Iowa	1,250,756	1,232,642	-1.4
State of Iowa	3,093,526	3,190,369	3.1
Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census			

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 7,168 families, of which 17.6 percent were designated as low-income and 18.7 percent were designated as moderate-income. Of the families residing within the assessment area, 6.4 percent live below the poverty line, which is slightly lower than the state of Iowa's poverty rate at 7.1 percent but lower than the Non-MSA Iowa poverty rate at 7.7 percent.

According to the 2016-2020 U.S. Census Bureau's American Community Survey data, median family income (MFI) grew by 8.9 percent in Winnebago County, which is slightly higher than the 7.4 percent growth in MFI for the state of Iowa. Worth County experienced the highest increase of MFI from 2015 to 2020 at 13.6 percent. Hancock County experienced a lower rate of growth at 2.6 percent, while Kossuth County experienced the only decrease of MFI in the assessment area at 0.6 percent. One community representative noted that in Hancock County unskilled labor, which are typically paid less than skilled labor, are finding comparatively more job opportunities, which may

explain why MFI remained stagnant. The representative attributed MFI growth in Worth County to a casino operator, a major employer in the county with the resources to pay higher wages than other employers.

The table below compares the MFI for each county within the assessment area, Non- MSA Iowa, and the state of Iowa.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change
Hancock County, IA	70,365	72,182	2.6
Kossuth County, IA	70,989	70,540	-0.6
Winnebago County, IA	65,649	71,467	8.9
Worth County, IA	66,937	76,059	13.6
Non-MSA Iowa	67,391	71,763	6.5
State of 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

There are a total of 12,799 housing units within the assessment area. Owner-occupied units represent 69.6 percent of the total units in the assessment area, while rental units represent 18.2 percent. Housing units reported as vacant represent 12.1 percent, which is above the vacancy rate for the state of Iowa at 9.5 percent but is comparable to Non-MSA Iowa at 12.4 percent.

According to the 2016-2020 American Community Survey, the assessment area median housing value of \$97,309 remains below that of the state of Iowa at \$153,900 and Non-MSA Iowa at \$118,721. The county with the highest median housing value was Kossuth County at \$109,400, while Winnebago County had the lowest median housing value in the assessment area at \$96,200. Median gross rents for the counties that comprise the assessment area are comparable to the assessment area overall. Median gross rent for the assessment area was \$658, which was below that of the state of Iowa at \$806, but comparable to that for Non-MSA Iowa at \$679.

Households are considered housing cost burdened when their gross monthly housing costs in relation to gross monthly income is above 30.0 percent. As shown in the table below, a high percentage of low-income households, whether they are renters or homeowners, are housing cost burdened, with a significant percentage drop for moderate-income households. This trend is seen across all four counties that comprise the assessment area. A community representative stated that the affordable housing situation has worsened recently due to elevated rents and the high cost of home ownership. One representative attributed the increase in housing cost to a general housing shortage and fewer homes for sale. In Hancock County, the affordable housing situation is

impacted by desirable lake front properties driving up the price of other housing in the county, according to another community representative.

The following table presents recent trends in housing costs within the counties that comprise the assessment area, Non-MSA Iowa, and the state of Iowa.

2023 IA Non MSA Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) – Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Hancock County, IA	73.7	14.3	31.8	62.9	21.5	13.5
Kossuth County, IA	80.7	3.3	38.8	44.4	11.1	11.9
Winnebago County, IA	72.0	18.6	34.4	61.3	11.9	14.9
Worth County, IA	42.7	11.5	17.9	53.9	7.0	11.0
Non-MSA Iowa	64.5	13.8	32.5	53.4	18.1	14.1
State of Iowa	71.1	18.6	37.6	56.9	22.0	14.8
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

## Employment Conditions

There has been a return to pre-COVID-19 levels of unemployment in the individual counties that comprise the assessment area. The shift in unemployment is directly aligned with unemployment trends in the state of Iowa. As of 2022, the unemployment rate was 2.7 percent for Winnebago and Worth Counties, which is slightly higher than the 2.3 percent rate for Hancock and Kossuth Counties, but equal the state of Iowa at 2.7 percent. Community representatives noted an exodus of recent graduates for job opportunities in larger metropolitan areas, which has contributed to a shortage in available labor force in the assessment area. Representatives stated that the available labor force for skilled roles specifically is lacking, citing the surplus of open roles for medical professionals.

The following table presents the unemployment trends in the counties that comprise the assessment area, Non-MSA Iowa, and the state of Iowa from 2018 to 2022.

2023 IA Non MSA Unemployment Rates (%)					
Area	2018	2019	2020	2021	2022
Hancock County, IA	2.3	2.3	4.6	3.4	2.3
Kossuth County, IA	2.1	2.1	3.7	2.9	2.3
Winnebago County, IA	2.6	2.7	6.3	3.8	2.7
Worth County, IA	2.8	2.7	5.3	3.8	2.7
Non-MSA Iowa	2.7	2.7	4.8	3.7	2.8
State of Iowa	2.6	2.7	5.2	3.8	2.7
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

## **Industry Characteristics**

Manufacturing companies are the largest non-agricultural private sector employers in the assessment area, accounting for 34.2 percent of the workforce. Retail trade is the next largest group at 11.2 percent. When factoring in government employment, this sector would be the second largest employer in the assessment area.

With respect to the agricultural sector, a community representative noted that there have been several factors that have contributed to overall strong revenue growth among farmers, including increased demand for certain crop products due to shortages from international producers, increased government subsidies, and the availability of crop insurance.

## **Community Representatives**

Three community representatives were interviewed to gain a perspective on the economic and socioeconomic conditions, affordable housing options, and relevant credit needs of the assessment area. Two representatives spoke to the strength of the local economy, indicated by the low unemployment rates; however, they noted that there is still a need for both skilled and unskilled workers in the assessment area. One representative indicated that the agricultural economy was particularly strong, and that farm revenues and land prices were increasing, benefiting from both global situations and government subsidies. The representative noted that this has led to a reduced need for credit among some farm owners as they can now self-finance. Another representative noted the escalation of housing prices and rents and consequently the need for affordable housing, as well as the need for home improvement loan programs due to the aging housing stock. None of the representatives expressed any concerns with the responsiveness of financial institutions to the credit needs of the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IA NON-MSA AA**

### **LENDING TEST**

The geographic distribution of loans reflects reasonable dispersion throughout the IA Non-MSA AA, and the overall borrower loan distribution reflects reasonable penetration among businesses and farms of different sizes.

### **Geographic Distribution of Loans**

The assessment area is comprised of middle-income census tracts and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. There were no conspicuous unexplained gaps in contiguous census tracts as the bank originated loans in all nine of the census tracts comprising the assessment area.

## Lending to Businesses or Farms of Different Sizes

Farmers Trust & Savings Bank's overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes.

### Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. The bank's lending to businesses with annual revenues of \$1 million or less, at 61.9 percent by number, is significantly below the percentage of total small businesses in the assessment area at 90.7 percent. However, of the loans to businesses with annual revenues of \$1 million or less, the bank originated 94.9 percent in amounts of \$100,000 or less. Loans in these amounts are indicative of the bank's willingness to meet lending needs of small businesses and further supports the bank's reasonable penetration of lending to small businesses.

The following table presents the bank's 2023 small business lending compared to the selected demographic data.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IA Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	39	61.9	1,630	29.8	90.7
Over \$1 Million	22	34.9	3,742	68.4	7.1
Revenue Unknown	2	3.2	102	1.9	2.2
Total	63	100.0	5,473	100.0	100.0
By Loan Size					
\$100,000 or Less	49	77.8	1,630	29.8	
\$100,001 - \$250,000	7	11.1	1,268	23.2	
\$250,001 - \$1 Million	7	11.1	2,576	47.1	
Total	63	100.0	5,473	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	37	94.9	1,205	73.9	
\$100,001 - \$250,000	1	2.6	125	7.7	
\$250,001 - \$1 Million	1	2.6	300	18.4	
Total	39	100.0	1,630	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## Small Farm Lending

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. Farmers Trust & Savings Bank originated 84.7 percent of its small farm loans by number (or 72 total) to small farms with annual revenues of \$1 million or less. This is below the percentage of total small farms operating in the assessment area at 99.6 percent. However, of the 72 loans originated to small farms, 61.1 percent were originated in amounts of \$100,000 or less. Loans in these amounts are indicative of the bank's willingness to meet lending needs of small farms and further supports the bank's reasonable penetration of lending to small farms.

The following table presents the bank's 2023 small farm lending compared to the selected demographic data.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IA Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	72	84.7	8,893	80.8	99.6
Over \$1 Million	10	11.8	1,499	13.6	0.4
Revenue Unknown	3	3.5	616	5.6	0.0
Total	85	100.0	11,007	100.0	100.0
By Loan Size					
\$100,000 or Less	50	58.8	2,155	19.6	
\$100,001 - \$250,000	21	24.7	3,693	33.6	
\$250,001 - \$500,000	14	16.5	5,160	46.9	
Total	85	100.0	11,007	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	44	61.1	1,789	20.1	
\$100,001 - \$250,000	16	22.2	2,744	30.9	
\$250,001 - \$500,000	12	16.7	4,360	49.0	
Total	72	100.0	8,893	100.0	
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.					

## STATE OF MINNESOTA

Farmers Trust & Savings Bank is rated Satisfactory in the state of Minnesota based on a reasonable dispersion of small business and small farm loans throughout the assessment area and reasonable penetration of these loans to businesses and farms of different sizes.

### SCOPE OF EXAMINATION

The scope for the full review assessment area is consistent with the scope presented in the overall Scope of Examination section. Please refer to the Scope of Examination section for more detailed information.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF MINNESOTA

Farmers Trust & Savings Bank's operations in the state of Minnesota consists of one assessment area in southern Minnesota, bordering the state of Iowa. The non-metropolitan statistical assessment area (or MN Non-MSA AA) is comprised of one census tract in Faribault County, which is designated as middle-income. The bank maintains one branch with a cash-only ATM in Bricelyn, Minnesota, in the assessment area. This branch does not operate a drive-thru facility. Refer to the individual assessment area summary for demographic and economic conditions.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STATE OF MINNESOTA

#### LENDING TEST

Farmers Trust & Savings Bank's performance relative to the lending test in the state of Minnesota is rated Satisfactory based on reasonable dispersion of small business and small farm loans throughout the assessment area, and reasonable penetration of these loans to businesses and farms of different sizes. The MN Non-MSA AA is the only assessment area in the state of Minnesota, and therefore is the basis for the rating.

#### Geographic Dispersion and Borrower Distribution

The geographic dispersion of small business and small farm loans reflects reasonable dispersion throughout the assessment area in the state of Minnesota. In addition, the distribution of these loans reflects reasonable penetration among businesses and farms of different sizes. Refer to the individual assessment area summary section for additional details.

**MN NON-MSA AA – FULL REVIEW****SCOPE OF EXAMINATION**

The scope for the assessment area is consistent with the scope presented in the overall Scope of Examination section. Refer to the Scope of Examination section for more detailed information.

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN MN NON-MSA AA**

Farmers Trust & Savings Bank maintains operations in the assessment area through one branch with a cash-only ATM. This branch does not operate a drive-thru facility. There have been no openings or closings of branches or ATMs since the previous evaluation. The assessment area consists of one census tract (#4605) in Faribault County that is designated as middle-income. The largest communities in the assessment area are Blue Earth and Wells. The assessment area remains unchanged since the previous CRA evaluation.

The FDIC Deposit Market Share Report dated June 30, 2023, ranks Farmers Trust & Savings Bank seventh among eight FDIC-insured institutions operating in the assessment area. The bank has a 4.7 percent market share, compared to the market leader First Bank Blue Earth, Blue Earth, Minnesota, which has 44.1 percent of the market’s FDIC-insured deposits.

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

2023 MN 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	155	23.9
Moderate	0	0.0	0	0.0	0	0.0	143	22.1
Middle	1	100.0	648	100.0	54	8.3	126	19.4
Upper	0	0.0	0	0.0	0	0.0	224	34.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1	100.0	648	100.0	54	8.3	648	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	1,225	814	100.0	66.4	155	12.7	256	20.9
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	1,225	814	100.0	66.4	155	12.7	256	20.9
	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	107	100.0	97	100.0	4	100.0	6	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	107	100.0	97	100.0	4	100.0	6	100.0
Percentage of Total Businesses:				90.7		3.7		5.6
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	71	100.0	69	100.0	2	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	71	100.0	69	100.0	2	100.0	0	0.0
Percentage of Total Farms:				97.2		2.8		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## Population Change

According to the 2020 U.S. Census Bureau demographic data, the assessment area's population is 2,317 and has seen a 3.4 percent increase since 2015, while the state of Minnesota's non-metropolitan area in its entirety (Non-MSA Minnesota) experienced a 1.3 percent population increase during the same time period. The state of Minnesota saw a population increase of 5.3 percent during this time period. Of note, Faribault County has experienced a population loss of 2.2 percent since 2015.

The table below presents the population trends for Faribault County, Non-MSA Minnesota, and the state of Minnesota from 2015 to 2020.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Faribault County	14,230	13,921	-2.2
Non-MSA Minnesota	1,243,105	1,259,719	1.3
Minnesota	5,419,171	5,706,494	5.3
Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census			

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 648 families, of which 23.9 percent were designated as low-income, and 22.1 percent were designated moderate-income. Of the families residing within the assessment area, 8.3 percent live below the poverty line, which is above the state of Minnesota poverty rate at 5.6 percent and the Non-MSA Minnesota poverty rate at 6.7 percent.

According to the 2016-2020 U.S. Census Bureau's American Community Survey data, the MFI of \$71,931 in Faribault County is significantly lower than the state of Minnesota's MFI at \$92,692. However, Faribault County has seen significant MFI growth at 12.8 percent, which is higher than both the state of Minnesota (10.1 percent) and Non-MSA Minnesota (8.5 percent).

The table below compares the median family income for Faribault County, Non-MSA Minnesota, and the state of Minnesota.

Median Family Income Change 2015 and 2020			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change
Faribault County	63,744	71,931	12.8
Non-MSA Minnesota	68,881	74,737	8.5
State of Minnesota	84,188	92,692	10.1
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

There are a total of 1,225 housing units within the assessment area. Owner-occupied units represent 66.5 percent of the total units in the assessment area, while rental units represent 12.7 percent. Housing units reported as vacant represent 20.9 percent for the assessment area, which is nearly double the vacancy rate for the state of Minnesota at 10.2 percent, but comparable to Non-MSA Minnesota at 21.7 percent. Of note, the vacancy rate for all of Faribault County is 13.7 percent, which is significantly lower than the sole census tract the bank takes as its assessment area.

According to the 2016-2020 American Community Survey, the assessment area median housing value of \$82,052 remains well below that of the state of Minnesota at \$235,700 and Non-MSA Minnesota at \$165,792. Median gross rent for the assessment area was \$632 which was also below that of the state of Minnesota at \$1,010 and Non-MSA Minnesota at \$728, as well.

Households are considered housing cost burdened when their gross monthly housing costs in relation to gross monthly income is above 30.0 percent. As shown in the table below, a high percentage of low-income households, whether they are renters or homeowners, are housing cost burdened with a significant percentage drop for moderate-income households. The percentages of moderate-income renters and owners that are housing cost burden in Faribault County, however, are significantly lower than in both the state of Minnesota and the Non-MSA portions of the state.

The following table presents recent trends in housing costs within Faribault County, Non-MSA Minnesota, and the state of Minnesota.

2023 MN Non MSA Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) – Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Faribault County	58.6	5.6	31.5	42.8	11.8	12.6
Non-MSA Minnesota	64.2	20.8	37.1	55.5	24.1	17.1
State of Minnesota	71.3	25.6	40.7	59.4	26.7	16.7
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

## Employment Conditions

Unemployment rates in Faribault County, which includes the assessment area, have returned to pre-COVID-19 levels and continued to decline. As of 2022, the unemployment rate was 3.2 percent for Faribault County, which is slightly above the 2.7 percent for the state of Minnesota but congruent with the Non-MSA Minnesota unemployment rate of 3.1 percent.

The following table presents the unemployment trends in Faribault County, Non-MSA Minnesota, and the state of Minnesota from 2018 to 2022.

2023 MN Non MSA Unemployment Rates (%)					
Area	2018	2019	2020	2021	2022
Faribault County	3.6	4.2	6.2	4.1	3.2
Non-MSA Minnesota	3.7	4.0	6.0	3.9	3.1
State of Minnesota	3.0	3.3	6.3	3.8	2.7
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics					

### Industry Characteristics

Manufacturing companies are the largest private sector employers in the assessment area accounting for 27.5 percent of the workforce. Retail trade is the next largest group of private sector employees at 10.0 percent of the workforce. When factoring in government employment, this sector would be the second largest employer in the assessment area. The census tract delineated in the bank's assessment area, however, is comprised primarily of agricultural farmland with smaller towns surrounding it.

### Community Representative

There was no community representative contacted for this assessment area due to limitations presented by the rural nature and limited geographic size. The MN Non-MSA assessment area consists of a single census tract that is located approximately 4.5 miles from the border of the state of Iowa, just north of Winnebago County, Iowa. Farmers Trust & Savings Bank views the assessment area as similar to its other assessment area based on its economic (agricultural) and demographic characteristics (low population density).

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MN NON-MSA AA

### LENDING TEST

The geographic distribution of loans reflects reasonable dispersion throughout the MN Non-MSA AA, and the overall borrower loan distribution reflects reasonable penetration among businesses and farms of different sizes.

### Geographic Distribution of Loans

The assessment area is comprised of one middle-income census tract and therefore a meaningful geographic analysis could not be performed. The dispersion of loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tract included in the assessment area. There were no conspicuous unexplained gaps in lending, as the bank originated loans in the assessment area's sole census tract.

## **Lending to Businesses and Farms of Different Sizes**

Farmers Trust & Savings Bank's overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes.

### **Small Business Lending**

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Farmers Trust & Savings Bank originated 83.3 percent of its small business loans by number to businesses with annual revenues of \$1 million or less. This is lower than the percentage of small businesses operating in the assessment area at 90.7 percent. Of the five loans originated to businesses with annual revenues of \$1 million or less, however, 80.0 percent were originated in amounts of \$100,000 or less. Loans in these amounts are indicative of the bank's willingness to meet lending needs of small businesses and further supports the bank's reasonable penetration of lending to small businesses.

The following table presents the bank's 2023 small business lending compared to the selected demographic data.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: MN Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	5	83.3	865	94.5	90.7
Over \$1 Million	1	16.7	50	5.5	3.7
Revenue Unknown	0	0.0	0	0.0	5.6
Total	6	100.0	915	100.0	100.0
By Loan Size					
\$100,000 or Less	5	83.3	265	29.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	1	16.7	650	71.0	
Total	6	100.0	915	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	4	80.0	215	24.9	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	1	20.0	650	75.1	
Total	5	100.0	865	100.0	
Source: 2023 FFIEC Census Data					
2023 Dun & Bradstreet Data					
2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## Small Farm Lending

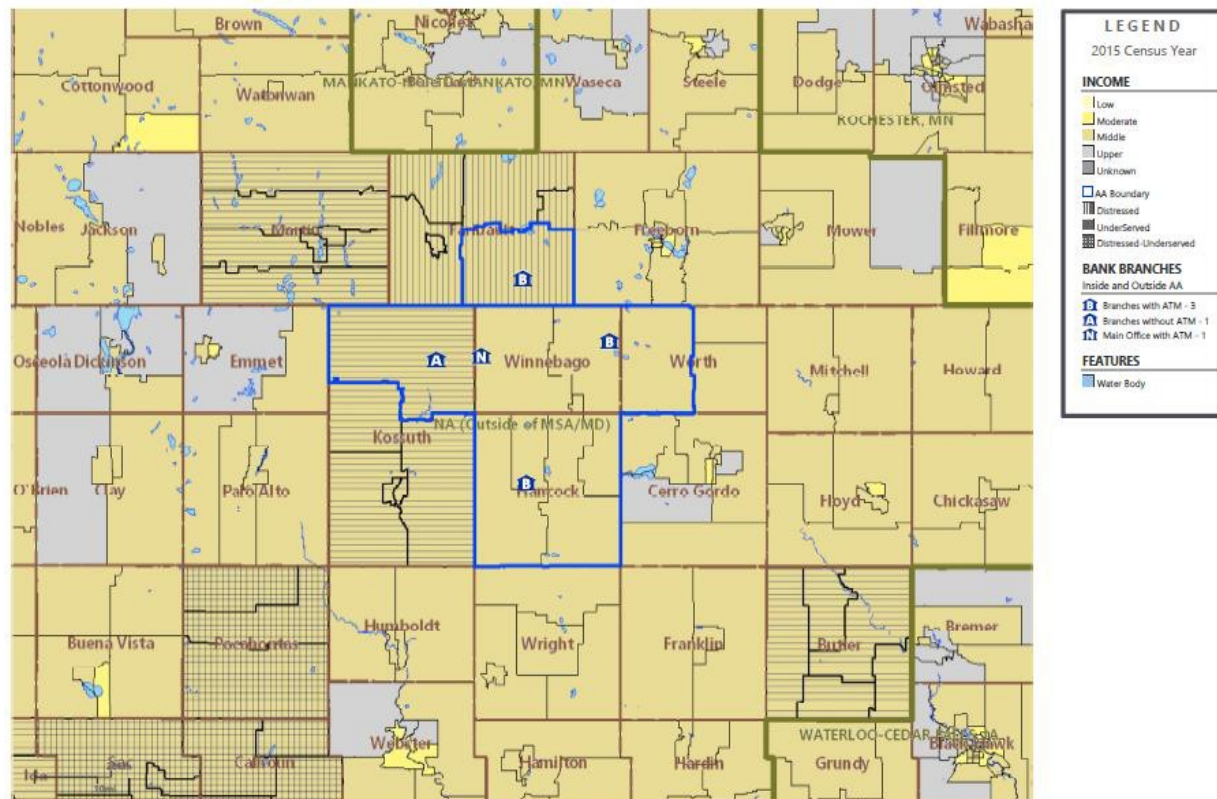
The distribution of small farm loans reflects reasonable penetration among farms of different sizes. Farmers Trust & Savings Bank originated 80.0 percent of its small farm loans by number to farms with annual revenues of \$1 million or less. This is below the percentage of total small farms operating in the assessment area at 97.2 percent; however, of the four loans originated to small farms, 75.0 percent were originated in amounts of \$100,000 or less. Loans in these amounts are indicative of the bank's willingness to meet lending needs of small farms and further supports the bank's reasonable penetration of lending to small farms.

The following table presents the bank's 2023 small farm lending compared to the selected demographic data.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms					
Assessment Area: MN Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	4	80.0	374	90.3	97.2
Over \$1 Million	1	20.0	40	9.7	2.8
Revenue Unknown	0	0.0	0	0.0	0.0
Total	5	100.0	414	100.0	100.0
By Loan Size					
\$100,000 or Less	4	80.0	139	33.6	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	1	20.0	275	66.4	
Total	5	100.0	414	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	3	75.0	99	26.5	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	1	25.0	275	73.5	
Total	4	100.0	374	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

## APPENDIX A – Map of Assessment Areas

**Farmers Trust & Savings Bank 825847**  
Combined Assessment Area



## APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Loan-to-Deposit: March 31, 2020 to June 30, 2024. Small Business and Small Farm Loans: January 1, 2023 to December 31, 2023		
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Farmers Trust & Savings Bank		Small Business Small Farm	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa  IA Non-MSA AA	Full scope review	N/A	N/A
Minnesota  MN Non-MSA AA	Full scope review	N/A	N/A

## APPENDIX C – Glossary

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

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

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

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

**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

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

1. Affordable housing, including for multi-family housing,
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.

**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).