

PUBLIC DISCLOSURE

April 5, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Utah Bank
Certificate Number: 22738

3826 South 2300 East
Salt Lake City, Utah 84109

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

This document is an evaluation of this institution'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 institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. The following factors support the rating:

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of small business loans are within the institution's AA.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- The distribution of borrowers, reflects, given the demographics of the AA, reasonable penetration among businesses of different revenue sizes.
- The institution did not receive any Community Reinvestment Act (CRA) related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

DESCRIPTION OF INSTITUTION

First Utah Bank (FUB) is headquartered in Salt Lake City, Utah, and operates branches throughout Salt Lake County. FUB is wholly owned by First Utah Bancorporation, a one-bank holding company located in Salt Lake City, Utah. The institution received a Satisfactory rating at its previous CRA Performance Evaluation conducted by the Federal Reserve, dated April 17, 2017, using Interagency Intermediate Small Institution Examination Procedures. Additionally, FUB does not have any subsidiaries or affiliates that offer credit products and has not been involved in any merger or acquisition activities since the last evaluation.

FUB operates six full-service branches in its AA with two branches located in moderate-income census tracts (CT) and four located in middle-income CTs. In addition to these banking facilities, FUB also has one loan production office within Salt Lake City. FUB offers loan products including commercial loans and leases, construction loans, home equity lines of credit, and consumer loans, but primarily focuses on commercial lending. Since the last evaluation, FUB changed its product offering and no longer provides home mortgage loans to consumers. FUB provides a variety of deposit services including checking, savings, money market, and individual retirement accounts. Alternative banking services include Internet and mobile banking, electronic bill pay, bank owned automated teller machines (ATM) at each branch building, and access to MoneyPass ATMs nationwide.

FUB did not open any new offices since the last evaluation; however, FUB closed a branch located in a moderate-income CT on December 12, 2017. The closing had limited impact on LMI areas because the bank still maintains its International branch office within a few miles of the closed branch.

As of the December 31, 2020, the Consolidated Reports of Condition and Income (Call Report) showed assets totaling \$615.1 million and deposits of \$503.5 million. This represents an increase in assets of \$289.2 million from the last evaluation where total assets were \$325.8 million. FUB's total assets included total loans of \$456.5 million and securities totaling \$34.2 million. The loan portfolio is illustrated in the following table.

| Loan Portfolio Distribution as of 12/31/2020 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 50,020 | 11.0 |
| Secured by Farmland | 3,775 | 0.8 |
| Secured by 1-4 Family Residential Properties | 12,036 | 2.6 |
| Secured by Multifamily (5 or more) Residential Properties | 2,455 | 0.5 |
| Secured by Nonfarm Nonresidential Properties | 177,440 | 38.9 |
| Total Real Estate Loans | 245,726 | 53.8 |
| Commercial and Industrial Loans | 154,223 | 33.8 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 2,979 | 0.7 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 8 | 0.0 |
| Lease Financing Receivable (net of unearned income) | 55,348 | 12.1 |
| Less: Unearned Income | 1,775 | 0.4 |
| Total Loans | 456,509 | 100.0 |
| <i>Source: December 31, 2020 Call Report</i> | | |

FUB is not subject to any financial, legal, or other impediments that would limit its ability to help meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREAS

FUB designated Salt Lake County, Utah as the bank's AA. This AA remains unchanged since the last evaluation. The data in this section comes from various sources including the U.S. Census Data, Bureau of Labor Statistics, Moody's Analytics, and FDIC's Deposit Market Share Report.

Economic and Demographic Data

The following table shows select demographic data for Salt Lake County, including data on the population, housing stock, businesses, farms, housing values, rents, and poverty levels.

| Demographic Information of the Assessment Area | | | | | | |
|---|-----------|---------------|------------------------------|------------------|-----------------|---------------|
| Assessment Area: Salt Lake County AA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 212 | 3.3 | 24.1 | 40.6 | 30.7 | 1.4 |
| Population by Geography | 1,078,958 | 3.2 | 22.8 | 43.1 | 30.0 | 0.9 |
| Housing Units by Geography | 372,990 | 3.1 | 24.3 | 42.6 | 29.2 | 0.7 |
| Owner-Occupied Units by Geography | 233,092 | 1.5 | 17.5 | 44.9 | 35.6 | 0.5 |
| Occupied Rental Units by Geography | 118,800 | 6.4 | 36.9 | 39.4 | 16.1 | 1.2 |
| Vacant Units by Geography | 21,098 | 2.3 | 28.9 | 35.3 | 33.3 | 0.2 |
| Businesses by Geography | 118,981 | 2.8 | 21.0 | 39.2 | 36.1 | 0.9 |
| Farms by Geography | 1,829 | 2.3 | 19.7 | 41.1 | 36.5 | 0.4 |
| Family Distribution by Income Level | 247,693 | 19.9 | 17.6 | 22.0 | 40.5 | 0.0 |
| Household Distribution by Income Level | 351,892 | 22.3 | 16.6 | 20.4 | 40.6 | 0.0 |
| Median Family Income Metropolitan Statistical Area (MSA) - #41620 Salt Lake City, Utah MSA | | \$71,849 | Median Housing Value | | | \$247,942 |
| | | | Median Gross Rent | | | \$966 |
| | | | Families Below Poverty Level | | | 9.2% |
| <i>Source: 2015 American Community Survey and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. As shown in the table, the unemployment rates have risen during 2020 as a result of the global pandemic, referred to as Covid-19. Salt Lake County has seen a significant increase in unemployment, which remains elevated in comparison to the state, but below the national levels.

| Unemployment Rates | | | | |
|---|------|------|------|------|
| Area | 2017 | 2018 | 2019 | 2020 |
| | % | % | % | % |
| Salt Lake County | 3.1 | 2.9 | 2.5 | 5.3 |
| State of Utah | 3.2 | 2.9 | 2.5 | 4.7 |
| National Average | 4.4 | 3.9 | 3.7 | 8.1 |
| <i>Source: Bureau of Labor Statistics</i> | | | | |

According to the Moody's Analytics November 2020 report on the Salt Lake City MSA, the economy continues to recover from the effects of Covid-19. In 2021, there has been a rapid decline from the high unemployment levels in early 2020, which is a sign of strength in the labor market. Non-farm employment remains only 3 percent below its peak before Covid-19. In 2020, the population in the Salt Lake City MSA continued to grow by having

a high-birth rate and population migration from other areas in Utah and states like California, Nevada, and Colorado. The top employers in the Salt Lake City MSA are Kennecott Corp, the University of Utah, and Intermountain Healthcare Inc.

Competition

Overall, the AA is highly competitive for financial services. According to the FDIC's June 30, 2020 Deposit Market Share Report, 41 financial institutions operated 209 branches in Salt Lake County and held \$684.6 billion in deposits. Of these institutions, FUB ranked 26th with a 0.1 percent deposit market share. The top three institutions are Morgan Stanley Bank, Ally Bank, and American Express National Bank, which hold a combined 53.5 percent of deposits in the AA.

Community Contact(s)

As part of the evaluation process, examiners reviewed two contacts to assist in identifying the AA's credit and CD needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and CD opportunities are available.

The first contact indicated that the Covid-19 pandemic has had a significant effect on the local community. Many people lost their jobs as numerous small businesses had to cease operations. Countless small business owners did not know how to apply for Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans and financial institutions were slow on meeting the credit needs of these businesses. The contact also indicated that the demand for affordable housing has increased in the area. Currently, there are around 18,000 affordable housing units being built and there is a need for approximately 15,000 additional units.

The second community contact also indicated that the impact of the Covid-19 pandemic in the community has been significant. The contact said that there is a need for small business credit for operational capital and workforce affordable housing. The contact indicated that while many PPP loans have been originated some businesses have still had to close. They also indicated that there are many opportunities for CD.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, demographic and economic data, and bank management, examiners determined that the greatest credit need from banks is funding for small businesses and affordable housing. These types of lending opportunities are available throughout the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 17, 2017, to the current evaluation dated April 5, 2021. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate FUB's CRA performance. These procedures include two

tests: the Lending Test and the CD Test. The factors considered under each test are described in the appendix. Examiners conducted a full-scope review of the bank's single AA.

Activities Reviewed

After reviewing FUB's lending data and business strategy, examiners selected small business loans for review. FUB's small farm loans was not significant either by number or dollar volume and were excluded from the analysis. In the first quarter of 2019, management ceased originating home mortgage loans and they were excluded from this evaluation.

In 2019 and 2020, FUB's universe of small business loans was 106 loans totaling \$26.0 million, and 78 loans totaling \$24.5 million, respectively. Examiners sampled 47 loans totaling \$7.0 million for 2019, and 41 loans totaling \$11.2 million for 2020, which were used to assess the bank's lending performance. Additionally, during 2020 and 2021 the bank participated in PPP lending, originating a total of 1,062 PPP loans totaling \$145.8 million. These loans were excluded from the universe of small business loans in 2020, because they were submitted for consideration under the CD Test. Also, examiners included the bank's 2019 lending as it is more reflective of the bank's lending activity during the review period.

D&B data for 2019 and 2020 provided a standard of comparison for the sampled small business loans. Also, the D&B business demographic data shows that a majority of businesses in the bank's AA are small businesses. The data is only used as an indicator of the AA's demographics and a benchmark for performance under the geographic distribution and the borrower profile criteria of the Lending Test. The D&B data should not be construed as an absolute indicator of loan demand.

For the Lending Test, the borrower profile and geographic distribution were given the greatest weight, as those areas more accurately reflect the institution's efforts to serve the credit needs of its community. Additionally, while the number and dollar volume of small business loans are both presented, greater weight was given to lending performance by number, because it is a better indicator of the number of businesses served in the community.

For the CD Test, examiners evaluated the institution's CD loans, qualified investments and donations, and CD services during the entire evaluation period. In addition, this evaluation includes prior period qualified investments with outstanding balances as of the current evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FUB demonstrated satisfactory performance under the Lending Test. FUB's overall performance is supported by a more than reasonable LTD ratio, a majority of its loans were located within its AA, an excellent dispersion of loans, and a reasonable penetration of loans in its AA. The following sections detail the bank's performance under each Lending Test criterion.

Loan-to-Deposit Ratio

The LTD is more than reasonable given the institution’s size, financial condition, and AA credit needs. FUB’s average LTD ratio over the 15 quarters since the prior evaluation is 92.3 percent. The quarterly LTD ratio ranged from a low of 82.0 percent on September 30, 2019, to a high of 103.2 percent on September 30, 2018. Examiners identified one similarly situated institution, which operates in and serves the same AA. This institution was selected based on the market served, product offerings, and loan portfolio composition. FUB’s LTD is significantly higher in comparison to the similarly-situated institution, which had an average LTD of 69.1 percent during the same 15 quarters.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|---|---|--|
| Bank | Total Assets as of 12/31/2020 (\$000s) | Average Net LTD Ratio (%) |
| First Utah Bank | 615,054 | 92.3 |
| Similarly-Situated Institution #1 | 269,430 | 69.1 |
| <i>Source: December 31, 2020 Call Report</i> | | |

Assessment Area Concentration

The bank made a majority of its small business loans within the AA both by number and dollar volume. In 2019, the dollar volume of loans inside the AA fell slightly below a majority. Refer to the following table for more details.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|------------------------|-------------|----------------|-------------|--------------------|--|-------------|----------------|-------------|---------------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Small Business | | | | | | | | | | |
| 2019 | 31 | 66.0 | 16 | 34.0 | 47 | 3,422 | 49.0 | 3,556 | 51.0 | 6,978 |
| 2020 | 32 | 78.0 | 9 | 22.0 | 41 | 7,412 | 66.1 | 3,804 | 33.9 | 11,216 |
| Total | 63 | 71.6 | 25 | 28.4 | 88 | 10,834 | 59.5 | 7,360 | 40.5 | 18,194 |
| <i>Source: Bank Data Due to rounding, totals may not equal 100.0 percent.</i> | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AA. The distribution of FUB’s sampled small business loans by number is well above the percent of businesses in the LMI CTs. Refer to the following table for more details.

| Geographic Distribution of Small Business Loans | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Assessment Area: Salt Lake County AA | | | | | |
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2019 | 2.9 | 2 | 6.5 | 460 | 13.4 |
| 2020 | 2.8 | 2 | 6.2 | 108 | 1.5 |
| Moderate | | | | | |
| 2019 | 21.2 | 10 | 32.3 | 1,158 | 33.8 |
| 2020 | 21.0 | 10 | 31.2 | 923 | 12.5 |
| Middle | | | | | |
| 2019 | 39.3 | 11 | 35.5 | 1,246 | 36.4 |
| 2020 | 39.2 | 14 | 43.8 | 4,702 | 63.4 |
| Upper | | | | | |
| 2019 | 35.8 | 8 | 25.8 | 558 | 16.3 |
| 2020 | 36.1 | 6 | 18.8 | 1,679 | 22.7 |
| Not Available | | | | | |
| 2019 | 0.9 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.9 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2019 | 100.0 | 31 | 100.0 | 3,422 | 100.0 |
| 2020 | 100.0 | 32 | 100.0 | 7,412 | 100.0 |
| <i>Source: 2019 and 2020 D&B Data; Due to rounding, totals may not equal 100.0 percent.</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different revenue sizes. In 2019 and 2020, the bank’s penetration of sampled loans was below the percent of businesses in the AA that have gross annual revenues of \$1 million or less. However, the percent of businesses is not always indicative of businesses with the need for credit. For example, 60.3 percent of these businesses have 4 or fewer employees and 85.2 percent have revenues of less than \$500,000, indicating many of these businesses have limited credit needs. Aggregate small business lending performance by large financial institutions in the AA was reviewed, as it provides additional context for loan demand. The most recently available large bank aggregated data was for 2019, which shows that of the small business loans originated in the AA, 45.0 percent went to businesses with gross annual revenues of \$1 million or less. Considering these factors, the bank’s penetration among businesses of different revenue sizes is reasonable. Refer to the following table for more details.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Assessment Area: Salt Lake County AA | | | | | |
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2019 | 87.3 | 13 | 41.9 | 1,639 | 47.9 |
| 2020 | 87.7 | 9 | 28.1 | 1,890 | 25.5 |
| >1,000,000 | | | | | |
| 2019 | 4.7 | 12 | 38.7 | 1,673 | 48.9 |
| 2020 | 4.2 | 19 | 59.4 | 3,975 | 53.6 |
| Revenue Not Available | | | | | |
| 2019 | 8.0 | 6 | 19.4 | 110 | 3.2 |
| 2020 | 8.0 | 4 | 12.5 | 1,547 | 20.9 |
| Totals | | | | | |
| 2019 | 100.0 | 31 | 100.0 | 3,422 | 100.0 |
| 2020 | 100.0 | 32 | 100.0 | 7,412 | 100.0 |
| <i>Source: 2019 and 2020 D&B Data; Due to rounding, totals may not equal 100.0 percent</i> | | | | | |

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution's CD performance demonstrates excellent responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

Community Development Loans

FUB originated 884 CD loans totaling \$183.7 million during the review period as shown in the following table. This is a significant increase from the last evaluation where the bank made 50 CD loans totaling \$61.0 million. The large volume of PPP lending primarily drove the increase. The ratio of CD loans to average assets increased to 42.9 percent during the review period from 18.8 percent at the last evaluation. The ratio of CD loans to average net loans also increased to 58.5 percent of loans from 28.8 percent at the last evaluation.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|--------------------|--------------|--------------------|----------|----------------------|----------------|-------------------------|--------------|------------|----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2017 (Partial) | - | - | - | - | 8 | 5,146 | - | - | 8 | 5,146 |
| 2018 | - | - | - | - | 13 | 11,841 | - | - | 13 | 11,841 |
| 2019 | 1 | 500 | - | - | 10 | 6,440 | - | - | 11 | 6,940 |
| 2020 | 1 | 1,000 | - | - | 449 | 65,926 | - | - | 450 | 66,926 |
| 2021 (Partial) | 1 | 1,000 | - | - | 246 | 31,057 | - | - | 247 | 32,057 |
| Statewide and Regional | 7 | 1,491 | - | - | 147 | 54,547 | 1 | 4,800 | 155 | 60,838 |
| Total | 10 | 3,991 | - | - | 873 | 174,957 | 1 | 4,800 | 884 | 183,748 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

The following are notable examples of the bank’s CD lending activities:

- In response to the significant economic toll Covid-19 had taken in early 2020, FUB participated in SBA’s PPP and originated 811 PPP loans totaling \$111.3 million that qualified as CD. These loans helped to retain many LMI jobs in the bank’s AA.
- In 2021, the bank originated a line of credit to an organization to make credit available for affordable housing to the local LMI community.

Qualified Investments

FUB’s maintained a prior period investment and made 5 additional investments totaling \$3.1 million during the review period. FUB also made 84 donations totaling \$186,000, as shown in the following table. This was an increase from the last evaluation where the bank made 20 qualified investments and donations totaling \$1.0 million. The ratio of qualified investments and donations to average assets during the review period was 0.8 percent, which was a significant increase from the last evaluation where the ratio was 0.3 percent.

| Qualified Investments & Donations | | | | | | | | | | |
|-----------------------------------|--------------------|--------------|--------------------|------------|----------------------|-----------|-------------------------|----------|-----------|--------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 1 | 1,000 | - | - | - | - | - | - | 1 | 1,000 |
| 2017 (Partial) | 1 | 1,771 | - | - | 1 | 12 | - | - | 2 | 1,783 |
| 2018 | - | - | - | - | 1 | 11 | - | - | 1 | 11 |
| 2019 | - | - | - | - | 1 | 10 | - | - | 1 | 10 |
| 2020 | 1 | 273 | - | - | - | - | - | - | 1 | 273 |
| 2021 (Partial) | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 3 | 3,044 | - | - | 3 | 32 | - | - | 6 | 3,076 |
| Qualified Grants & Donations | 6 | 8 | 74 | 174 | 4 | 5 | - | - | 84 | 186 |
| Total | 9 | 3,052 | 74 | 174 | 7 | 36 | - | - | 90 | 3,262 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

The following are notable examples of the bank's CD investment and donations:

- The bank made an investment in an organization that provides affordable housing and other services to LMI families.
- The bank made several large donations to local food banks that provide food security to LMI families.
- The bank made an investment in an organization that helps individuals start and finance their own small business.

Community Development Services

FUB's CD service hours totaled 1,533 during the review period as shown in the following table. This represents an average of 3.5 hours of service per full-time employee per year. A majority of FUB's CD service hours were focused on community services, followed by economic development, and affordable housing needs throughout the AA. CD services have risen significantly since the last evaluation where 646 hours were provided representing an average of 1.6 hours of service per full-time employee per year.

| Community Development Services | | | | | |
|---------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|--------------|
| Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Total |
| | # | # | # | # | # |
| 2017 (Partial) | 41 | 307 | 22 | - | 369 |
| 2018 | 22 | 451 | 65 | - | 538 |
| 2019 | 0 | 343 | 28 | - | 371 |
| 2020 | 4 | 190 | 11 | - | 205 |
| 2021 (Partial) | 0 | 50 | 0 | - | 50 |
| Total | 67 | 1,341 | 126 | - | 1,533 |
| <i>Source: Bank Data</i> | | | | | |

The following are notable examples of the bank’s CD services:

- FUB employees provided numerous instances of assistance with income tax preparation to LMI individuals.
- A FUB director served on the Board of a community health organization that serves LMI families and individuals in the AA.
- A FUB employee served on the Board of a local economic development corporation that supports small business development.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the institution’s overall CRA Rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: 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 geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: 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 and less than 120 percent in the case of a geography.

Moderate-Income: 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 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.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.