

PUBLIC DISCLOSURE

June 5, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northwest Bank
Certificate Number: 32647

705 Grand Avenue
Spencer, Iowa 51301

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to the credit needs of the assessment areas.
- A high percentage of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects good penetration among business and farm customers of different sizes and individuals of different income levels.
- The institution exhibits a good record of serving the credit needs of the most economically disadvantaged areas, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.
- The institution has made a relatively high level of community development loans.
- The institution uses innovative and/or flexible lending practices in order to serve the credit needs of the assessment areas.

The Investment Test is rated High Satisfactory.

- The institution has a significant level, occasionally in a leadership position, of qualified community development investments.
- The institution exhibits good responsiveness to credit and community development needs.

- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that inconveniences certain portions the assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Northwest Bank is a full-service financial institution headquartered in Spencer, Iowa. The bank is wholly owned by Northwest Financial Corporation, a two-bank financial holding company based in Arnolds Park, Iowa. The holding company also owns First National Bank in Creston, Creston, Iowa. The bank received a Satisfactory CRA rating at its previous FDIC Performance Evaluation dated June 8, 2020, based on Interagency Large Institution Examination Procedures.

Northwest Bank currently operates 18 offices throughout Iowa and Nebraska. The bank has six ATMs and 28 interactive teller machines (ITMs) in Iowa, Nebraska, and South Dakota; and it is a member of the MoneyPass network, which allows customers access to more than 32,000 fee-free ATMs nationwide. The entity also has wealth management and insurance offices in Iowa and Omaha. Since the prior evaluation, the bank closed two branches located in the cities of Fort Dodge and Sioux City. Additionally, the bank opened two branches located in the cities of Ames and Omaha. Additional details are included in the applicable assessment area sections of this evaluation.

The bank offers a variety of credit products, including commercial, agricultural, home mortgage, and consumer loans. While these loan products are offered in all of the assessment areas, the lending focus varies slightly by market. Nonetheless, commercial loans continue to represent the primary business focus of the institution overall. The bank also offers loan products through government-sponsored programs and local agencies, and sells home mortgage loans to secondary market investors. Generally, the bank's participation in the aforementioned programs assists small businesses, small farms, and low- and moderate-income home mortgage borrowers. The institution also offers a full line of traditional deposit services, including checking, savings, and certificates of deposit. Alternative banking services include internet and mobile banking, which includes bill pay features such as person-to-person payments, and the use of mobile phone/debit card purchases through Apple Pay, Google Pay, and Samsung Pay.

As of March 31, 2023, the institution reported total assets of \$2.5 billion, total loans of \$1.8 billion, and total deposits of \$2.0 billion. Since the previous evaluation, assets, loans, and deposits grew 25.4, 9.3, and 24.4 percent, respectively. The following table illustrates the bank’s loan portfolio.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	154,608	8.4
Secured by Farmland	117,247	6.3
Secured by 1-4 Family Residential Properties	477,565	25.9
Secured by Multifamily (5 or more) Residential Properties	87,920	4.8
Secured by Nonfarm Nonresidential Properties	542,066	29.4
Total Real Estate Loans	1,379,406	74.8
Commercial and Industrial Loans	296,132	16.1
Agricultural Production and Other Loans to Farmers	119,119	6.4
Consumer Loans	34,533	1.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	14,524	0.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,843,714	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to identify one or more assessment areas within which its CRA performance will be evaluated. Northwest Bank has designated six assessment areas, five of which are in Iowa and one is in Nebraska. Three of the Iowa assessment areas (Sioux City, Ames, and Des Moines) as well as the Nebraska assessment area (Omaha) are located in Metropolitan Statistical Areas (MSAs), while the remaining Iowa assessment areas (Sioux Center and Spencer) are located in nonmetropolitan areas. The boundaries of the Des Moines and Omaha Assessment Areas have been expanded, and the Ames Assessment Area is new since the previous evaluation. Examiners analyzed all of the assessment areas separately. However, due to the similarities of the nonmetropolitan assessment areas in Iowa, examiners combined the data and presented it as one assessment area for this evaluation, unless otherwise noted. This performance evaluation refers to the combined nonmetropolitan area as the Iowa Nonmetropolitan Assessment Area. Ratings are assigned to the states of Iowa and Nebraska. Refer to the rated and assessment areas sections for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 8, 2020, to the current evaluation dated June 5, 2023. Examiners used Interagency Large Institution Examination Procedures to evaluate Northwest Bank’s CRA performance using the Lending, Investment, and Service Tests. The criteria for the Tests are outlined in the Appendices. The Tests are used to determine the bank’s overall rating as well as its ratings in the states of Iowa and Nebraska.

Examiners reviewed all of the assessment areas using full-scope examination procedures due to the bank’s lending and deposit activity in each area. The greatest weight was given to the bank’s performance in the state of Iowa, particularly the Iowa Nonmetropolitan Assessment Area, since this is where the majority of the bank’s lending, deposit, and branch activity occurs, as depicted in the following table.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Nonmetropolitan Iowa	286,364	37.4	1,250,614	64.2	10	55.6
Des Moines, Iowa	256,934	33.6	336,879	17.3	3	16.7
Sioux City, Iowa	58,825	7.7	138,345	7.1	1	5.5
Ames, Iowa	45,573	5.9	10,307	0.5	1	5.5
Iowa Subtotal	647,696	84.6	1,736,145	89.1	15	83.3
Omaha, Nebraska	118,298	15.4	212,114	10.9	3	16.7
Total	765,994	100.00	1,948,259	100.0	18	100.0

Source: Bank Data

Activities Reviewed

Examiners determined that the bank’s primary product lines include commercial, home mortgage, and agriculture lending. This conclusion considered Consolidated Reports of Condition and Income data, the number and dollar volume of reported loans during the evaluation period, and the bank’s business strategy.

The evaluation considered all small business and small farm loans reported under CRA data collection requirements for 2020, 2021, and 2022. In addition, examiners reviewed home mortgage loans reported on the bank’s 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The following table details the reported data.

Loan Products Reviewed		
Loan Category	Number of Loans	Dollar Amount of Loans \$(000s)
Small Business		
2020	3,047	382,632
2021	2,767	282,256
2022	1,006	217,678
Small Farm		
2020	710	108,753
2021	707	109,281
2022	670	121,032
Home Mortgage		
2020	5,117	990,375
2021	3,497	661,428
2022	2,362	473,586
<i>Source: Bank data</i>		

The 2020 and 2021 CRA aggregate lending data, as well as the 2020, 2021, and 2022 D&B data provided a standard of comparison for the bank’s small business and small farm lending performance. The 2020 and 2021 HMDA aggregate lending data, as well as 2015 American Community Survey (ACS) and the 2020 U.S. Census data provided a standard of comparison for the bank’s home mortgage lending performance. Examiners placed more weight on the comparisons to the aggregate lending data since it is typically a better indicator of market conditions and loan demand. In general, examiners did not identify any trends between the three years of CRA and HMDA data that materially affected conclusions. Therefore, only 2021 small business, small farm, and home mortgage data is presented for the Geographic Distribution and Borrower Profile criteria, as this is the most recent year with available aggregate data.

For the Lending Test, small business and home mortgage lending received the most weight in drawing overall conclusions since commercial and home mortgage loans represent the institution’s primary lending focus in all the assessment areas. Agriculture loans received the least weight in drawing overall conclusions. Examiners reviewed all three products for the Nonmetropolitan Iowa Assessment Area, as farm loans are a credit need in the rural areas. However, examiners did not analyze small farm lending in the metropolitan assessment areas (Ames, Des Moines, Omaha, and Sioux City) since it is not a lending focus. Finally, examiners did not evaluate consumer loans since they represent less than 2.0 percent of the overall loan portfolio, by dollar volume, and the bank opted to forego collecting data on these loans.

Examiners considered community development lending, qualified investments, and community development services that were completed since the prior evaluation dated June 8, 2020, through the current evaluation dated June 5, 2023. Furthermore, investments that were made before the prior evaluation and that remained outstanding during the current evaluation were included at their current book value as a prior period investment. The Investment Test also included an analysis of the institution’s responsiveness to qualified investment opportunities, as well as its use of any innovative or complex investments.

For the Service Test, examiners analyzed community development services completed since the prior evaluation. The analysis included reviewing the innovativeness of the service, whether it serves low- or moderate-income customers in new ways or groups of customers not previously

served, and the degree to which they serve low- or moderate-income areas or low- or moderate-income individuals. Examiners also considered the institution's record of opening and closing branch offices, the hours of operations, and the accessibility and use of alternative systems for delivering retail banking services in low- and moderate-income geographies, and to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Northwest Bank demonstrated high satisfactory performance under the Lending Test, which is consistent with its performance in the Iowa and Nebraska rated areas.

Lending Activity

Lending levels reflect good responsiveness to the credit needs of the assessment areas. The institution is an active lender by originating or purchasing a high volume of small business, home mortgage, and small farm loans. Based on 2021 CRA aggregate data, Northwest Bank ranked 6th, by number, out of 182 lenders for originating small business loans in the combined assessment areas. In regards to small farm lending, the bank ranked 1st, by number, out of 38 lenders in 2021, capturing 23.2 percent of the market share. Similarly, based on 2021 HMDA aggregate data, the bank ranked 7th out of 518 lenders, by number, for originating or purchasing home mortgage loans.

Northwest Bank's average net loan-to-deposit ratio was 87.0 percent over the eleven most recent calendar quarters ending December 31, 2022. The average net loan-to-deposit ratio does not represent all lending activity, as the bank sells some home mortgage loans to secondary market investors, which are not reflected on the institution's balance sheet. This activity included 5,616 home mortgage loans totaling \$1.2 billion that were originated between June 2020 and March 2023. Secondary market lending is responsive to the credit needs of the assessment areas as it provides long-term home mortgage financing, which further supports an overall good record of responsiveness.

Assessment Area Concentration

Northwest Bank made a high percentage of loans in its assessment areas, which demonstrates the bank's willingness to meet the credit needs of the areas. Details are presented in the following table.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	3,807	74.4	1,310	25.6	5,117	699,557	70.6	290,818	29.4	990,375
2021	2,516	71.9	981	28.1	3,497	445,630	67.4	215,799	32.6	661,428
2022	1,654	70.0	708	30.0	2,362	302,875	64.0	170,711	36.0	473,586
Subtotal	7,977	72.7	2,999	73.3	10,976	1,448,062	68.1	677,328	31.9	2,125,389
Small Business										
2020	2,379	78.1	668	21.9	3,047	272,310	71.2	110,322	28.8	382,632
2021	2,165	78.2	602	21.8	2,767	194,066	68.8	88,190	31.2	282,256
2022	744	74.0	262	26.0	1,006	145,789	67.0	71,889	33.0	217,678
Subtotal	5,288	77.5	1,532	22.5	6,820	612,165	69.4	270,401	30.6	882,566
Small Farm										
2020	641	90.3	69	9.7	710	93,921	86.4	14,832	13.6	108,753
2021	630	89.1	77	10.9	707	95,105	87.0	14,176	13.0	109,281
2022	592	88.4	78	11.6	670	108,377	89.5	12,655	10.5	121,032
Subtotal	1,863	89.3	224	10.7	2,087	297,403	87.7	41,663	12.3	339,066
Total	15,128	76.1	4,755	23.9	19,883	2,357,630	70.4	989,392	29.6	3,347,021
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. Conclusions regarding the bank's overall lending performance are consistent with the conclusions throughout the rated areas. Examiners focused on the percentage, by number, of loans in low- and moderate-income census tracts. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the institution's geographic distribution lending performance can be found in the separate assessment area sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and individuals of different income levels. Overall, conclusions are consistent with the conclusions in Iowa and Nebraska. Examiners focused on the percentage, by number, of small business and small farm loans to operations with gross annual revenues of \$1 million or less, and home mortgage loans to low- and moderate-income borrowers. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank's borrower profile lending performance can be found in the separate assessment area sections of this evaluation.

Innovative or Flexible Lending Practices

Northwest Bank uses innovative and/or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies throughout its assessment areas. These include flexible lending programs offered through a variety of government-sponsored agencies and in response to the Coronavirus Disease 2019 (COVID-19) pandemic. Most of these flexible lending programs are offered in all of the assessment areas, and are designed to assist borrowers who might not otherwise qualify for credit. They require extra effort and expertise by bank personnel and meet a defined need compared to conventional loans. The bank also used innovative lending practices in response to the economic hardships due to the COVID-19 pandemic through the Small Business Administration's (SBA) Paycheck Protection Program (PPP), which assisted small business and farm operators negatively impacted by the pandemic. Additionally, the bank provided 237 loan modifications and deferrals to borrowers impacted by the pandemic. The following table reflects the institution's flexible and innovative lending activity.

Innovative or Flexible Lending Programs										
Type of Program	2020		2021		2022		2023 YTD		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA	14	4,927	19	9,344	20	8,324	2	1,727	55	24,322
SBA PPP Loans	1,906	207,252	1,767	84,510	0	0	0	0	3,673	291,762
FSA Guaranteed	2	374	6	3,228	3	385	0	0	11	3,987
Beginning Farmer	0	0	1	328	0	0	1	492	2	820
Federal Housing Administration	31	5,735	43	9,654	24	5,164	4	981	102	21,534
Veteran Affairs	27	6,678	37	9,591	14	3,943	2	545	80	20,757
USDA Rural Development	47	5,850	32	3,849	24	2,761	5	812	108	13,272
Iowa Finance Authority	79	8,514	70	9,130	32	4,152	14	2,215	195	24,011
Federal Home Loan Bank Grant	0	0	5	37,500	11	1,116	2	178	18	38,794
Totals	2,106	239,330	1,980	167,134	128	25,845	30	6,950	4,244	439,259
<i>Source: Bank Data</i>										

Community Development Loans

Northwest Bank originated a relatively high level of community development loans, which is consistent with the bank's performance in the rated areas. Overall, the institution originated 76 community development loans totaling \$54.2 million during the evaluation period. As of March 31, 2023, this lending activity represents 2.2 percent of total assets, and 3.0 percent of net loans. Similarly situated institutions' ratios of community development loans to total assets ranged from 1.2 to 13.5 percent, while community development loans to net loans ranged from 1.7 to 17.2 percent. The following tables reflect the bank's responsiveness to community development lending opportunities by assessment area and by year. The table also includes community development loans extended by the bank in the regional areas outside of the bank's assessment areas. These activities are included because the bank was responsive to the community development lending opportunities in its assessment areas.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Iowa Nonmetropolitan	17	3,859	0	0	2	3,151	3	4,608	22	11,618
Des Moines	6	3,380	0	0	0	0	0	0	6	3,380
Sioux City	5	1,336	1	651	1	1,848	2	4,892	9	8,727
Ames	2	956	0	0	1	2,720	1	740	4	4,416
Omaha	23	13,120	0	0	2	3,480	1	2,512	26	19,112
Regional Activities	5	1,413	0	0	2	3,497	2	2,058	9	6,968
Total	58	24,064	1	651	8	14,696	9	14,810	76	54,221

Source: Bank Data

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	10	2,003	0	0	4	10,549	1	3,720	15	16,272
2021	23	11,772	1	651	2	3,848	2	3,164	28	19,435
2022	18	7,560	0	0	0	0	3	3,898	21	11,458
YTD 2023	7	2,729	0	0	2	299	3	4,028	12	7,056
Total	58	24,064	1	651	8	14,696	9	14,810	76	54,221

Source: Bank Data

INVESTMENT TEST

Northwest Bank demonstrated high satisfactory performance under the Investment Test, which is consistent with the conclusions in the rated areas.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The institution made or retained 433 qualified investments totaling \$34.7 million during the evaluation period. Of these qualified investments, 12 of them totaling \$3.7 million benefited the broader regional area. These are included since the institution has been responsive to the community development needs within its assessment areas.

The volume of qualified investments represents 1.4 percent of total assets as of March 31, 2023, which is comparable to the performance of similarly situated institutions where qualified investments ranged from 0.2 to 2.6 percent of total assets. Similarly, the volume of qualified investments represents 8.0 percent of total securities as of March 31, 2023, which is comparable to similarly situated institutions where qualified investments ranged from 1.4 to 14.8 percent of total securities. Examiners included the total securities ratio strictly as a measurement since this comparison can vary between institutions based on investment strategies. The following tables illustrate qualified investments by assessment area and by year.

Community Development Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Iowa Nonmetropolitan	0	0	120	115	14	143	117	10,866	251	11,124
Des Moines	19	7,932	42	99	0	0	5	1,960	66	9,991
Sioux City	1	< 1	36	38	13	3,636	0	0	50	3,674
Ames	0	0	16	20	4	23	6	1,444	26	1,487
Omaha	4	4,754	24	25	0	0	0	0	28	4,779
Regional Activities	0	0	0	0	10	2,979	2	755	12	3,734
Total	24	12,686	238	297	41	6,781	130	15,025	433	34,789

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	3,255	0	0	16	5,519	17	5,665	42	14,439
2020	0	0	0	0	0	0	0	0	0	0
2021	2	2,025	0	0	0	0	14	4,388	16	6,413
2022	2	4,315	0	0	5	1,088	12	4,849	19	10,252
YTD 2023	1	3,061	0	0	0	0	0	0	1	3,061
Subtotal	14	12,656	0	0	21	6,607	43	14,902	78	34,165
Qualified Grants & Donations	10	30	238	297	20	174	87	123	355	624
Total	24	12,686	238	297	41	6,781	130	15,025	433	34,789

Source: Bank Data

Responsiveness to Credit and Community Development Needs

Northwest Bank exhibits good responsiveness to credit and community development needs. This conclusion is primarily supported by good responsiveness in both the rated areas. Further details are located in the separate assessment area sections of this evaluation.

Community Development Initiatives

Northwest Bank occasionally uses innovative and/or complex investments to support community development initiatives. While a few of the investments purchased during the evaluation period and held from prior periods are innovative, the majority of the bank's investments are noncomplex and routinely provided by private investors.

SERVICE TEST

Northwest Bank demonstrated high satisfactory performance under the Service Test, which is consistent with the performance in both of the rated areas.

Accessibility of Delivery Systems

Northwest Bank’s delivery systems are accessible to essentially all geographies and individuals of different income levels in its assessment areas. The bank’s delivery systems include 18 offices, 6 ATMs, and 28 ITMs located within its assessment areas, as well as alternative delivery methods. The bank is also a member of the MoneyPass Program, which is a program developed to assist community financial institutions in providing customers with a broad base of surcharge-free ATM locations nationwide. The following table shows the overall distribution of branches, ATMs/ITMs, and the population by tract income level.

Branch and ATM/ITM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs/ITMs		Opened Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	6	2.1	20,409	1.8	0	0.0	1	2.9	1	33.3	1	33.3
Moderate	37	13.2	129,907	11.6	3	16.7	6	17.6	1	33.3	2	66.7
Middle	133	47.5	513,807	46.0	9	50.0	19	55.9	0	0.0	0	0.0
Upper	100	35.7	438,952	39.3	6	33.3	8	23.5	1	33.3	0	0.0
NA	4	1.4	14,132	1.3	0	0.0	0	0.0	0	0.0	0	0.0
Totals	280	100.0	1,117,207	100.0	18	100.0	34	100.0	3	100.0	3	100.0

*Source: 2020 U.S. Census & Bank Data
Due to rounding, totals may not equal 100.0%*

Alternate delivery systems are also available to enhance accessibility to financial services. The bank offers electronic delivery systems that include internet and mobile banking. The bank’s website contains information on its products and services, allows the user to open a deposit account or apply for a loan, and provides customers access to online banking services. Online banking services allow customers the ability to access detailed account information, transfer funds or make loan payments, view periodic statements, and pay bills. Mobile banking is available for customers to access account information, transfer funds, pay bills, make loan payments, and deposit checks.

Changes in Branch Locations

The bank’s record of closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Since the prior evaluation, the bank closed two branches, including one located in a low-income geography, and one located in a moderate-income geography. The bank also opened two new branches, including one located in a moderate-income geography, and one located in an upper-income geography. Additional details are included in the separate assessment area sections.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals. Further, branch hours and services are convenient and reasonable in comparison to other financial institutions operating in the assessment areas. Additionally, the

bank's ITMs provide extended banking hours for customers. Finally, Northwest Bank offers a wide variety of deposit and loan products, as well as other services, at all locations.

Community Development Services

Northwest Bank provides a relatively high level of community development services. Bank employees provided 160 instances of financial expertise or technical assistance to community development organizations in the rated areas, the majority of which benefited the state of Iowa. Although the community development services are not particularly innovative, they demonstrate the bank's responsiveness to community development needs considering its resources, business strategy, assessment area competition, and available opportunities.

The bank's level of community development services reasonably compares to similarly situated institutions whose community development services ranged from 85 to 305 instances. The following tables illustrate the bank's community development services by assessment area and by year. Further details are located in the separate assessment area sections of the evaluation.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Iowa Nonmetropolitan	8	68	7	11	94
Des Moines	7	12	0	1	20
Sioux City	1	21	0	0	22
Ames	1	7	2	0	10
Omaha	0	6	8	0	14
Total	17	114	17	12	160
<i>Source: Bank Data</i>					

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	6	1	0	7
2021	8	22	3	3	36
2022	7	40	4	6	57
YTD 2023	2	46	9	3	60
Total	17	114	17	12	160
<i>Source: Bank Data</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

IOWA

CRA RATING FOR IOWA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN IOWA

Northwest Bank maintains the following five assessment areas in Iowa: Spencer, Sioux Center, Des Moines, Sioux City, and Ames. However, as indicated earlier, examiners analyzed the Spencer and Sioux Center Assessment Areas separately, but combined and presented them as one area due to their similarities. This performance evaluation refers to the combined area as the Iowa Nonmetropolitan Assessment Area. The bank operates 15 offices and 31 ATMs/ITMs throughout the Iowa assessment areas. Details for the individual assessment areas are provided in subsequent sections.

SCOPE OF EVALUATION – IOWA

Examiners evaluated the bank's CRA performance for Iowa through full-scope reviews of the Iowa Nonmetropolitan, Des Moines, Sioux City, and Ames Assessment Areas. The greatest weight was given to the Iowa Nonmetropolitan Assessment Area when drawing conclusions for the state. Less but equal weight was given to the Des Moines, Sioux City, and Ames Assessment Areas. While only small business and home mortgage loans were reviewed in the Des Moines, Sioux City, and Ames Assessment Areas, examiners reviewed small business, home mortgage, and small farm loans in the Iowa Nonmetropolitan Assessment Area. When analyzing performance, examiners gave the greatest weight to small business lending in all assessment areas, followed by home mortgage lending. Small farm lending was given the least weight in the Iowa Nonmetropolitan Assessment Area. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN IOWA

LENDING TEST

Northwest Bank's Lending Test performance in Iowa is high satisfactory. This is consistent with the bank's performance in the Iowa Nonmetropolitan Assessment Area, which was given the greatest weight. Performance in the Des Moines, Sioux City, and Ames Assessment Areas was adequate. Details are discussed under each assessment area.

Lending Activity

The bank's lending activity reflects good responsiveness to the credit needs in Iowa. In 2021, the bank originated or purchased 4,820 small business, home mortgage, and small farm loans totaling

\$657.6 million in this rated area. These loans represent 91.2 percent of the bank's total lending activity. In comparison, 89.1 percent of the bank's deposits are in the Iowa assessment areas.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the Iowa assessment areas, which is supported by the Iowa Nonmetropolitan, Sioux City, and Ames Assessment Areas. Although the Des Moines Assessment Area's adequate performance is inconsistent with performance in the three separate assessment areas, the Iowa Nonmetropolitan Assessment Area carried the most weight. Details are discussed under each assessment area.

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and individuals of different income levels in Iowa. This conclusion is supported by the good performance in the Des Moines and Iowa Nonmetropolitan Assessment Area, which was given the greatest weight when assessing performance in the Iowa rated area. Performance in the Sioux City and Ames Assessment Areas was adequate. Details are discussed under each assessment area.

Community Development Loans

Northwest Bank made a relatively high level of community development loans in Iowa. The bank originated 41 community development loans totaling \$28.1 million in Iowa. This performance is consistent with the bank's performance in the more heavily weighted Iowa Nonmetropolitan Assessment Area. The bank's performance was adequate in the Des Moines, Sioux City, and Ames Assessment Areas. Details are discussed under each assessment area.

INVESTMENT TEST

Northwest Bank demonstrated high satisfactory performance under the Investment Test in Iowa. This is consistent with the bank's performance in the Des Moines, Sioux City, and Iowa Nonmetropolitan Assessment Area, which was given the greatest weight. Performance in the Ames Assessment Area was adequate. Details are discussed under each assessment area.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants in Iowa, the majority of which benefited the Iowa Nonmetropolitan Assessment Area. The bank made 62 investments totaling \$25.7 million in the Iowa assessment areas. Additionally, the bank made 331 donations totaling \$0.6 million in these assessment areas.

Responsiveness to Credit and Community Development Needs

Northwest Bank exhibits good responsiveness to credit and community development needs in Iowa considering the available opportunities and investment capacity of the bank. The bank is particularly responsive in efforts to invest in all aspects of the community including affordable housing, economic development, community services, and revitalizing and stabilizing the assessment areas.

Community Development Initiatives

Northwest Bank occasionally uses innovative or complex investments to support community development initiatives in Iowa. Refer to the individual assessment area sections for more information.

SERVICE TEST

Northwest Bank demonstrated high satisfactory performance under the Service Test in Iowa. This is consistent with the performance in the separate Iowa assessment areas, with the exception of the Ames Assessment Area where the bank's performance was strong.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are accessible to essentially all portions of the geographies and individuals of different income levels in the Iowa assessment areas, which is consistent with the bank's overall performance. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network, provide further access to bank services and are consistent with those discussed in the overall performance. Lastly, the bank has numerous ITMs throughout the Iowa assessment areas.

Changes in Branch Locations

Northwest Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems within Iowa, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Refer to the separate assessment area sections for additional information.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions the Iowa assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals. This performance is consistent with the bank's overall performance. Additionally, the bank's ITMs provide extended hours for customers.

Community Development Services

Northwest Bank provides a relatively high level of community development services in Iowa. The majority of the services were provided within the more heavily weighted Iowa Nonmetropolitan Assessment Area. A sufficient level of services were also provided within the other Iowa assessment areas. Bank employees provided 146 instances of community development services in Iowa during the evaluation period. Refer to the separate assessment area sections for additional information.

IOWA NONMETROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE IOWA NONMETROPOLITAN ASSESSMENT AREA

The Iowa Nonmetropolitan Assessment Area includes all of Clay, Dickinson, Emmet, Humboldt, Kossuth, Lyon, Plymouth, Sioux, and Webster counties. The assessment area changed since the previous evaluation to include Plymouth County. The change was completed because Plymouth County was removed from the Sioux City, Iowa-Nebraska-South Dakota MSA in 2018. Therefore, Plymouth County is now included in the Iowa Nonmetropolitan Assessment Area, rather than the Sioux City Assessment Area. According to 2020 U.S. Census data, the assessment area currently consists of 6 moderate-, 39 middle-, and 11 upper-income census tracts. The bank operates 10 branches in the assessment area, in which two branches are located in a moderate-income geography, 4 branches are located in a middle-income geography, and 4 branches are located in an upper-income geography. The assessment area also includes 23 of the bank’s ATMs/ITMs. Sioux and Kossuth counties were considered distressed and underserved in 2022; however, they were only designated underserved in 2020 and 2021.

Economic and Demographic Data

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Iowa Nonmetropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	51	0.0	15.7	60.8	23.5	0.0
Population by Geography	176,755	0.0	13.4	60.1	26.5	0.0
Housing Units by Geography	83,133	0.0	12.4	60.2	27.4	0.0
Owner-Occupied Units by Geography	53,896	0.0	9.8	61.4	28.8	0.0
Occupied Rental Units by Geography	17,523	0.0	22.2	55.9	21.9	0.0
Vacant Units by Geography	11,714	0.0	9.7	60.8	29.5	0.0
Businesses by Geography	18,723	0.0	13.3	62.0	24.7	0.0
Farms by Geography	3,626	0.0	2.7	77.4	19.9	0.0
Family Distribution by Income Level	47,587	16.6	17.4	23.0	42.9	0.0
Household Distribution by Income Level	71,419	21.6	15.8	18.5	44.1	0.0
Median Family Income Nonmetropolitan - IA	\$61,681	Median Housing Value				\$124,055
		Median Gross Rent				\$599
		Families Below Poverty Level				7.0%

*Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

The following table reflects the 2021 Federal Financial Institutions Examination Council (FFIEC)-estimated median family income levels for the Iowa Nonmetropolitan Assessment Area, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IA NA Median Family Income (99999)				
2021 (\$70,500)	<\$35,250	\$35,250 to <\$56,400	\$56,400 to <\$84,600	≥\$84,600
<i>Source: FFIEC</i>				

Competition

The Iowa Nonmetropolitan Assessment Area is highly competitive for financial services. According to Reports of Condition filed by financial institutions, 49 FDIC-insured financial institutions operate 117 offices within the assessment area. Northwest Bank ranked 1st with a deposit market share of 9.4 percent.

The institution also faces significant competition for small business loans in the assessment area as evidenced by 2021 CRA aggregate data, which shows that 82 lenders collectively reported 4,039 small business loans within the assessment area. Of these institutions, Northwest Bank ranked 1st with 33.7 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the assessment area.

Similarly, the bank faces competition for small farm loans as evidenced by the 2021 CRA aggregate data, which shows that 25 lenders collectively reported 1,783 small farm loans within the assessment area. Of these institutions, Northwest Bank ranked 1st with 33.8 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small farm lending data.

There is also significant competition for home mortgage loans within the assessment area. In 2021, 234 HMDA-reporting institutions originated or purchased 6,643 home mortgage loans in the assessment area. Northwest Bank ranked 1st with 21.6 percent of the market share by number. These figures do not include loans originated by non-HMDA reporters.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area's credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available.

Examiners contacted a person from an economic development organization that was familiar with the area. The contact stated that many younger residents are relocating out of the area to seek other employment opportunities after completing school. While there are plenty of job openings available in the local area, most of the positions have wages that are lower than many jobseekers will accept. Overall, the local economy and businesses have recovered from the COVID-19

pandemic, except for not being able to fill open positions. Small businesses are active with several locally owned businesses recently opening. The contact stated that the local housing stock is in short supply of homes considered to be affordable, although there is ample supply of higher-priced homes. The contact stated that the primary credit needs of the area are small business, small farm, and home mortgage loans, and that local financial institutions are meeting those needs by making credit readily available. The contact stated that affordable housing is the primary community development need in the area.

Credit and Community Development Needs and Opportunities

Examiners reviewed information from the community contact, bank management, and demographic and economic data to determine assessment area needs and opportunities. Examiners concluded that commercial, home mortgage, and agricultural lending represent the primary credit needs of the assessment area. The assessment area's community development needs are primarily related to affordable housing; however, community services, economic development, and revitalization and stabilization are needed as well.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE IOWA NONMETROPOLITAN ASSESSMENT AREA

LENDING TEST

Northwest Bank demonstrated good performance under the Lending Test in the Iowa Nonmetropolitan Assessment Area. Performance under Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Loans supports this conclusion.

Lending Activity

The bank's lending activity reflects good responsiveness to the credit needs of the Iowa Nonmetropolitan Assessment Area. In 2021, the bank originated or purchased 3,404 small business, small farm, and home mortgage loans totaling \$398.9 million in this assessment area. These loans represent 64.4 percent of the bank's total lending activity. In comparison, 64.2 percent of the bank's deposits are in the assessment area. Furthermore, the bank ranked first in market share for the number of small business, home mortgage, and small farm loans extended in this assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects good penetration throughout the assessment area. Although the home mortgage performance was adequate, the bank's good small business and small farm lending performance supports this conclusion. Examiners focused on the percentage of lending in moderate-income census tracts as the assessment area does not include any low-income census tracts.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. As indicated in the following table, the bank's record of originating small business loans in moderate-income geographies, by number, is comparable to aggregate data. Further, the

dollar volume of loans shows a sizeable percentage of small business loans extended to businesses in moderate-income geographies, which exceeds demographic data.

Geographic Distribution of Small Business Loans						
Assessment Area: Iowa Nonmetropolitan						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	13.3	12.1	141	10.3	15,454	19.3
Middle	62.0	64.1	846	62.1	43,672	54.4
Upper	24.7	23.9	376	27.6	21,098	26.3
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	1,363	100.0	80,224	100.0

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. As indicated in the following table, the bank’s record of originating home mortgage loans in moderate-income geographies is comparable to demographic and aggregate data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Iowa Nonmetropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	9.8	8.9	107	7.4	10,849	4.8
Middle	61.4	56.6	859	59.7	136,880	60.0
Upper	28.8	34.5	472	32.8	80,357	35.2
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	1,438	100.0	228,086	100.0

*Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the assessment area. As shown in the following table, the bank’s lending performance in moderate-income geographies slightly exceeds aggregate data.

Geographic Distribution of Small Farm Loans						
Assessment Area: Iowa Nonmetropolitan						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	2.7	1.1	11	1.8	642	0.7
Middle	77.4	81.2	450	74.6	67,272	74.2
Upper	19.9	17.8	142	23.5	22,702	25.1
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	603	100.0	90,616	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among business and farm customers of different sizes and individuals of different income levels. The bank's small business, home mortgage, and small farm lending performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects a good penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank's percentage of lending to businesses with revenues of \$1 million or less lags both aggregate and demographic data. However, revenue information was not available for 74.4 percent of the originated small business loans, which skews the analysis.

The large percentage of loans without revenue information is a result of the bank's participation in the SBA's PPP, which did not required the collection of revenue information. Therefore, examiners recalculated the distribution using only the loans with reported revenue information to provide a more meaningful analysis. The new distribution revealed that the bank extended 74.1 percent of the loans to businesses with revenues of \$1 million or less, which exceeds aggregate data. Further, the bank's 2022 loan data analysis revealed the bank originated 69.8 percent of loans to businesses with revenues of \$1 million or less, also revealing a good penetration of lending. Lastly, 95.8 percent of the PPP loans were in the amount of \$100,000 or less. Using the loan size as a surrogate for business size, it is likely that a large portion of the PPP loans were extended to small businesses and were responsive to their needs during the COVID-19 pandemic.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Iowa Nonmetropolitan						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	83.7	43.8	260	19.1	26,025	32.4
>\$1,000,000	5.1	--	89	6.5	26,655	33.2
Revenue Not Available	11.3	--	1,014	74.4	27,544	34.3
Totals	100.0	100.0	1,363	100.0	80,224	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As noted in the following table, the distribution of borrowers reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank's performance of lending to low-income borrowers mirrors aggregate data, while the bank's performance to moderate-income borrowers slightly exceeds aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Iowa Nonmetropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	16.6	7.7	109	7.6	7,741	3.4
Moderate	17.4	20.5	307	21.3	34,022	14.9
Middle	23.0	20.8	314	21.8	41,283	18.1
Upper	42.9	35.3	619	43.0	132,089	57.9
Not Available	0.0	15.7	89	6.2	12,951	5.7
Totals	100.0	100.0	1,438	100.0	228,086	100.0
<i>Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The distribution of borrowers reflects good penetration among farms with revenues of \$1 million or less. As indicated in the following table, the bank's performance exceeds aggregate data in this revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Iowa Nonmetropolitan						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	97.8	56.1	389	64.5	52,394	57.8
>\$1,000,000	1.5	--	214	35.5	38,222	42.2
Revenue Not Available	0.7	--	0	0.0	0	0.0
Totals	100.0	100.0	603	100.0	90,616	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

Northwest Bank made a relatively high level of community development loans in the Iowa Nonmetropolitan Assessment Area. The bank originated 22 community development loans totaling \$11.6 million in the assessment area. The loans support affordable housing, economic development, and revitalization and stabilization efforts. The bank is particularly responsive to the affordable housing needs in the area, with 17 loans totaling 3.9 million to entities that provided rental housing that either was below fair market rents or was deemed affordable for low- and moderate-income individuals.

INVESTMENT TEST

Northwest Bank demonstrated good performance under the Investment Test in the Iowa Nonmetropolitan Assessment Area. This conclusion is primarily based on the good level of investment and grant activity and responsiveness described below.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants in the Iowa Nonmetropolitan Assessment Area. The bank had 251 qualified investments totaling \$11.1 million, of which 14 totaling \$4.4 million are prior period investments. The vast majority of the qualified investments support the revitalization and stabilization of the moderate-income and distressed/underserved middle-income geographies. The small remaining portion were donations that provided community services to low- and moderate-income individuals or promoted economic development.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs in the Iowa Nonmetropolitan Assessment Area, which is reflected through investments that support revitalization and/or stabilization, community services, and economic development, all of which are identified needs in the area.

Community Development Initiatives

Northwest Bank occasionally uses innovative and/or complex investments to support community development initiatives in the Iowa Nonmetropolitan Assessment Area.

SERVICE TEST

Northwest Bank demonstrated good performance under the Service Test in the Iowa Nonmetropolitan Assessment Area. This conclusion is primarily based on the accessibility of delivery systems, changes in branches, reasonableness of business hours and services, and investment and grant activity and responsiveness.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are accessible to essentially all portions of the assessment area. The bank's branches are located in moderate-, middle-, and upper-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network, provide further access to bank services and are consistent with those discussed in the overall performance. Additionally, the bank has 18 ITMs in the assessment area.

Changes in Branch Locations

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and to low- and moderate-income individuals. The bank closed a location in Fort Dodge in a moderate-income census tract in 2021. However, the census tract changed to a middle-income census tract with the 2020 U.S. Census. Lastly, there is minimal impact since the other Fort Dodge location is only two miles away.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies and low- and moderate-income individuals, and are consistent with the bank's overall performance. Additionally, the bank's ITMs provide extended hours for customers.

Community Development Services

The institution provides a relatively high level of community development services within the Iowa Nonmetropolitan Assessment Area. The bank provided 94 services to 39 different organizations. The majority of activities involved agencies that provide community services to low- and moderate-income individuals.

DES MOINES ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DES MOINES ASSESSMENT AREA

The Des Moines Assessment Area consists of the central portion of the Des Moines-West Des Moines, Iowa MSA. The bank expanded this assessment area since the prior evaluation, and the area is now comprised of west central Polk and southeastern Dallas counties. According to 2020 U.S. Census data, the assessment area currently consists of 3 low-income tracts, 13 moderate-income tracts, 35 middle-income tracts, 22 upper-income tracts, and 1 tract with no income designation. The bank operates 3 offices and 4 ITMs in this assessment area, which are all located in middle-income geographies.

Economic and Demographic Data

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Des Moines						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	60	11.7	15.0	38.3	35.0	0.0
Population by Geography	306,556	7.7	12.0	34.4	45.9	0.0
Housing Units by Geography	125,070	6.6	12.1	36.8	44.5	0.0
Owner-Occupied Units by Geography	83,205	3.6	10.4	36.0	50.0	0.0
Occupied Rental Units by Geography	34,864	11.9	15.0	38.9	34.2	0.0
Vacant Units by Geography	7,001	16.0	18.8	35.8	29.4	0.0
Businesses by Geography	38,908	4.7	8.3	38.5	48.6	0.0
Farms by Geography	1,095	2.3	6.7	31.3	59.7	0.0
Family Distribution by Income Level	78,447	17.8	15.8	21.1	45.3	0.0
Household Distribution by Income Level	118,069	19.6	15.5	19.2	45.7	0.0
Median Family Income MSA - 19780 Des Moines-West Des Moines, IA MSA		\$75,653	Median Housing Value			\$177,841
			Median Gross Rent			\$877
			Families Below Poverty Level			7.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The following table reflects the 2021 FFIEC-estimated median family income levels for the Des Moines-West Des Moines, Iowa MSA, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Des Moines-West Des Moines, IA MSA Median Family Income (19780)				
2021 (\$86,700)	<\$43,350	\$43,350 to <\$69,360	\$69,360 to <\$104,040	≥\$104,040
<i>Source: FFIEC</i>				

Competition

The Des Moines Assessment Area is highly competitive for financial services. According to Reports of Condition filed by financial institutions, 52 FDIC-insured financial institutions operate 112 offices within the assessment area. Northwest Bank ranked 11th with a deposit market share of 2.4 percent.

The institution also faces significant competition for small business loans in the assessment area as evidenced by 2021 CRA aggregate data, which shows that 132 lenders collectively reported 12,680 small business loans within the assessment area. Of these institutions, Northwest Bank ranked 6th with 13.9 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data but that operate within the MSA.

There is also significant competition for home mortgage loans within the assessment area. In 2021, 354 HMDA-reporting institutions originated or purchased 26,019 home mortgage loans in the assessment area. Northwest Bank ranked 16th with 2.2 percent of the market share by number. These figures do not include loans originated by non-HMDA reporters.

Credit and Community Development Needs and Opportunities

After reviewing information from bank management and demographic and economic data, examiners determined commercial and home mortgage lending are the primary credit needs of the assessment area. Community development needs are primarily related to affordable housing, revitalization and stabilization of low- and moderate-geographies and individuals, and community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DES MOINES ASSESMENT AREA

LENDING TEST

Northwest Bank demonstrated adequate performance under the Lending Test in the Des Moines Assessment Area. Although the Borrower Profile performance was good, performance under Lending Activity, Geographic Distribution, and Community Development Loans supports this conclusion.

Lending Activity

The institution's lending activity reflects adequate responsiveness to the credit needs of the Des Moines assessment area. In 2021, the bank originated or purchased 966 small business and home mortgage loans totaling \$188.5 million in the assessment area. These loans account for 18.3 percent of the total number of small business and home mortgage loans originated by the bank in 2021. In comparison, 16.7 percent of the bank's deposits were from the assessment area.

Geographic Distribution

The geographic distribution reflects adequate distribution throughout the assessment area. The bank's adequate small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. The bank's lending performance in both low- and moderate-income census tracts is slightly lower than aggregate and demographic data. The bank's performance is reasonable considering the significant level of competition in the assessment area.

Geographic Distribution of Small Business Loans						
Assessment Area: Des Moines						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.7	3.3	10	2.5	1,300	2.2
Moderate	8.3	7.1	20	5.1	3,513	5.8
Middle	38.5	37.7	177	44.7	28,823	47.8
Upper	48.6	51.8	189	47.7	26,652	44.2
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	396	100.0	60,288	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. The bank's lending performance in the low- and moderate-income census tracts is lower than aggregate and demographic data. The bank's performance is reasonable considering the significant level of competition in the assessment area.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Des Moines						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.6	2.0	6	1.1	664	0.5
Moderate	10.4	7.3	20	3.5	3,023	2.4
Middle	36.0	28.8	138	24.2	25,620	20.0
Upper	50.0	61.8	406	71.2	98,915	77.1
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	570	100.0	128,223	100.0

Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

Overall, the distribution of borrowers reflects good penetration among business customers of different sizes and individuals of different income levels. Although the home mortgage performance was adequate, the bank's good small business lending performance is the driver for this conclusion.

Small Business Loans

The distribution of small business loans reflects a good penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank's percentage of lending to businesses with revenues of \$1 million or less lags both the aggregate and demographic data.

However, revenue information was not available for 54.0 percent of the originated small business loans, which skews the analysis.

The large percentage of loans without revenue information is a result of the bank’s participation in the SBA’s PPP. Therefore, examiners recalculated the distribution using only the loans with reported revenue information. The new distribution revealed that 56.0 percent of the loans were extended to businesses with revenues of \$1 million or less, which exceeds aggregate data. Further, the bank’s 2022 loan data analysis revealed the bank originated 59.9 percent of loans to businesses with revenues of \$1 million or less, also revealing a good penetration of lending. Lastly, 87.3 percent of the PPP loans were in the amount of \$100,000 or less. Using the loan size as a surrogate for business size, it is likely that a large portion of the PPP loans were extended to small businesses and were responsive to their lending needs.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Des Moines						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.6	46.8	103	26.0	17,934	29.7
>\$1,000,000	3.9	--	79	19.9	29,272	48.6
Revenue Not Available	8.5	--	214	54.0	13,082	21.7
Totals	100.0	100.0	396	100.0	60,288	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As depicted in the following table, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank’s performance to low-income borrowers lags aggregate data. However, the bank’s performance to moderate-income borrows is comparable to aggregate data. Given the bank’s overall performance and the significant competition for home mortgage lending in the assessment area, the bank’s performance is adequate.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Des Moines						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.8	7.2	24	4.2	2,752	2.1
Moderate	15.8	17.8	100	17.5	17,181	13.4
Middle	21.1	20.8	125	21.9	27,955	21.8
Upper	45.3	34.4	293	51.4	74,686	58.2
Not Available	0.0	19.8	28	4.9	5,649	4.4
Totals	100.0	100.0	570	100.0	128,223	100.0

*Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Community Development Loans

Northwest Bank made an adequate level of community development loans in the Des Moines Assessment Area. The bank originated six community development loans totaling \$3.4 million in the assessment area. All of the loans support affordable housing efforts in the assessment area.

INVESTMENT TEST

Northwest Bank demonstrated good performance under the Investment Test in the Des Moines Assessment Area. This conclusion is primarily based on the investment and grant activity and responsiveness to community development needs.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants in the Des Moines Assessment Area. The bank made 66 qualified activities totaling \$9.9 million. These investments are comprised of 51 donations totaling \$0.1 million that provided affordable housing initiatives and community services, and 15 investments totaling \$9.8 million that supported affordable housing initiatives and revitalizing and stabilizing low- and moderate-income geographies.

Responsiveness to Credit and Community Development Needs

Northwest Bank exhibits good responsiveness to credit and community development needs in the Des Moines Assessment Area, which is reflected through the bank's investments that support affordable housing initiatives and revitalizing and stabilizing low- and moderate-income geographies.

Community Development Initiatives

Northwest Bank does not use innovative and/or complex investments to support community development initiatives in the Des Moines Assessment Area. While the bank's investments are beneficial to assessment area needs, they are not necessarily considered innovative or complex.

SERVICE TEST

Northwest Bank demonstrated good performance under the Service Test in the Des Moines Assessment Area. This conclusion is primarily based on the accessibility of delivery systems and reasonableness of business hours and services.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are accessible to essentially all portions of the assessment area. The bank's branches are located in middle-income geographies; however, the locations are also close to low- and moderate-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network, provide further access to bank services and are consistent with those discussed in the overall performance. Lastly, the bank has an ITM at each branch location.

Changes in Branch Locations

The bank did not open or close any branch locations in the Des Moines Assessment Area.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals, and are consistent with the bank's overall performance. Additionally, the bank's ITMs provide extended hours for customers.

Community Development Services

The institution provides an adequate level of community development services within the Des Moines Assessment Area. Bank employees provided 20 instances of financial expertise or technical assistance to entities that promote community services, affordable housing, and revitalization and stabilization low- and moderate-income geographies.

SIOUX CITY ASSESMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SIOUX CITY ASSESMENT AREA

The Sioux City Assessment Area consists of the entirety of Woodbury County, which is part of the Sioux City, Iowa-Nebraska-South Dakota MSA. The assessment area previously included Plymouth County, which was removed from the MSA in 2018. According to 2020 U.S Census data, the assessment area currently consists of 2 low-income tracts, 8 moderate-income tracts, 12 middle-income tracts, 6 upper-income tracts, and 1 tract with no income designation. The bank operates 1 office and 2 ITMs in the assessment area. The branch and one of the ITMs are located in an upper-income census tract, while the other ITM is located in a moderate-income census tract.

Economic and Demographic Data

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Sioux City						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	7.7	26.9	30.8	30.8	3.8
Population by Geography	102,530	5.0	23.5	33.9	37.6	0.0
Housing Units by Geography	41,488	5.7	22.1	34.5	37.7	0.0
Owner-Occupied Units by Geography	26,098	1.6	17.8	33.8	46.8	0.0
Occupied Rental Units by Geography	12,558	13.6	29.2	37.5	19.6	0.0
Vacant Units by Geography	2,832	8.5	29.1	27.8	34.6	0.0
Businesses by Geography	8,623	21.4	13.8	23.8	41.0	0.0
Farms by Geography	535	3.6	6.2	31.8	58.5	0.0
Family Distribution by Income Level	25,533	22.1	18.7	22.7	36.6	0.0
Household Distribution by Income Level	38,656	25.3	18.0	18.4	38.3	0.0
Median Family Income MSA - 43580 Sioux City, IA-NE-SD MSA		\$59,402	Median Housing Value			\$102,663
			Median Gross Rent			\$657
			Families Below Poverty Level			10.8%

Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

The following table reflects the 2021 FFIEC-estimated median family income levels for the Sioux City Assessment Area, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Sioux City, IA-NE-SD MSA Median Family Income (43580)				
2021 (\$70,300)	<\$35,150	\$35,150 to <\$56,240	\$56,240 to <\$84,360	≥\$84,360

Source: FFIEC

Competition

The Sioux City Assessment Area is competitive for financial services. According to Reports of Condition filed by financial institutions, 24 FDIC-insured financial institutions operate 46 offices within the assessment area. Northwest Bank ranked 7th with a deposit market share of 4.0 percent.

There is also a high level of demand and competition for small business loans in the assessment area as evidenced by 2021 CRA aggregate data, which shows that 59 lenders collectively reported 1,548 small business loans within the assessment area. Of these institutions, Northwest Bank ranked 7th with 7.0 percent of the market share by number. These figures do not include loans originated by smaller institutions that operate within the metropolitan area.

There is also significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2021, 165 HMDA-reporting institutions originated or purchased 3,492 home mortgage loans in the assessment area. Northwest Bank ranked 3rd with 6.9 percent of the market share by number. These figures do not include loans originated or purchased by non-HMDA reporters.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial and home mortgage loans represent the primary credit needs in the assessment area. Community development needs of the area are affordable housing, economic development, and community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SIOUX CITY ASSESSMENT AREA

LENDING TEST

Northwest Bank demonstrated adequate performance under the Lending Test in the Sioux City Assessment Area. Performance under Lending Activity, Borrower Profile, and Community Development Loans primarily supports this conclusion. The bank's performance under Geographic Distribution was good, but it did not enhance the overall Lending Test conclusion for this area.

Lending Activity

The bank's lending activity reflects adequate responsiveness to the credit needs of the Sioux City Assessment Area. In 2021, the bank originated or purchased 351 small business and home mortgage loans totaling \$48.5 million in this assessment area. These loans represent 6.6 percent of the bank's total lending activity. In comparison, 7.1 percent of the bank's deposits were from this assessment area.

Geographic Distribution

Overall, the geographic distribution of loans reflects good penetration throughout the assessment area. This is supported by the bank's excellent small business lending and adequate home mortgage lending.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As noted in the following table, the bank's record of originating small business loans in low-income geographies exceeds both demographic and aggregate data. Additionally, the bank's record of originating small businesses loans in moderate-income geographies mirrors both demographic and aggregate data.

Geographic Distribution of Small Business Loans						
Assessment Area: Sioux City						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.4	15.9	26	23.9	4,795	37.1
Moderate	13.8	13.4	15	13.8	2,646	20.5
Middle	23.8	29.6	25	22.9	1,622	12.5
Upper	41.0	41.0	43	39.4	3,867	29.9
Not Available	0.0	0.1	0	0.0	0	0.0
Totals	100.0	100.0	109	100.0	12,930	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. As indicated in the following table, the bank's record of originating home mortgage loans in low-income geographies lags aggregate data. However, the bank's record of originating home mortgage loans in moderate-income geographies is higher than aggregate data. Overall, the bank is providing financing to individuals in low- and moderate-income geographies. As previously mentioned, there is competition for home loans in the assessment area.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Sioux City						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	1.7	1	0.4	353	1.0
Moderate	17.8	12.4	34	14.1	3,631	10.2
Middle	33.8	34.5	88	36.4	11,496	32.3
Upper	46.8	51.4	119	49.2	20,060	56.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	242	100.0	35,540	100.0

Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among small businesses of different sizes and individuals of different income levels. Although the home mortgage lending performance is good, the bank's adequate small business lending performance is the driver for this conclusion.

Small Business Loans

The distribution of small business loans reflects an adequate penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank's percentage of lending to businesses with revenues of \$1 million or less lags both the aggregate and demographic data. However, revenue information was not available for 66.1 percent of the originated small business loans, which skews the analysis.

The large percentage of loans without revenue information is a result of the bank's participation in the SBA's PPP. Therefore, examiners recalculated the distribution using only the loans with reported revenue information. The new distribution revealed that 56.1 percent of the loans were extended to businesses with revenues of \$1 million or less, which is comparable to aggregate data. Further, the bank's 2022 loan data analysis revealed the bank originated 46.9 percent of loans to businesses with revenues of \$1 million or less, also revealing a good penetration of lending. Lastly, 75.0 percent of the PPP loans were in the amount of \$100,000 or less. Using the loan size as a surrogate for business size, it is likely that a large portion of the PPP loans were extended to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Sioux City						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	82.6	53.5	23	21.1	3,148	24.3
>\$1,000,000	5.1	--	14	12.8	4,229	32.7
Revenue Not Available	12.2	--	72	66.1	5,553	42.9
Totals	100.0	100.0	109	100.0	12,930	100.0

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

As depicted in the following table, the distribution of borrowers reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. Specifically, the bank's lending performance to both the low- and moderate-income borrowers exceeds aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Sioux City						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	7.8	27	11.2	2,421	6.8
Moderate	18.7	23.5	74	30.6	9,437	26.6
Middle	22.7	23.6	66	27.3	9,176	25.8
Upper	36.6	29.3	62	25.6	12,747	35.9
Not Available	0.0	15.8	13	5.4	1,759	4.9
Totals	100.0	100.0	242	100.0	35,540	100.0

*Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Community Development Loans

Northwest Bank made an adequate level of community development loans in the Sioux City Assessment Area. The bank originated nine community development loans totaling \$8.7 million in the assessment area. These loans were responsive to affordable housing, community service, economic development, and revitalization and stabilization needs in the assessment area.

INVESTMENT TEST

Northwest Bank demonstrated good performance under the Investment Test in the Sioux City Assessment Area. This conclusion is primarily based on the bank's level of investment and grant activity and responsiveness.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants in the Sioux City Assessment Area. The bank made 50 qualified investments totaling \$3.7 million in the assessment area during the evaluation period. These totals included 6 prior period investments totaling \$2.5 million that were used to support economic development. The remaining qualified investments were all donations that promoted community services, economic development, and affordable housing.

Responsiveness to Credit and Community Development Needs

Northwest Bank exhibits good responsiveness to credit and community development needs in the Sioux City Assessment Area. This is reflected through the bank's investments and grants that support community services targeted to low- and moderate-income individuals, and activities that promote economic development and affordable housing.

Community Development Initiatives

Northwest Bank does not use innovative and/or complex investments to support community development initiatives in the Sioux City Assessment Area.

SERVICE TEST

Northwest Bank demonstrated good performance under the Service Test in the Sioux City Assessment Area. The factors discussed below support this conclusion.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are accessible to all portions of the assessment area. The bank's branch is located in an upper-income geography; however, this office is also located in close proximity to moderate-income geographies. Alternate delivery systems, particularly ATMs through the MoneyPass network, provide access to bank services and are consistent with those discussed in the overall performance. Finally, the bank has two ITMs located in moderate-income census tracts in the assessment area.

Changes in Branch Locations

The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. As indicated earlier, the bank closed its branch in Sioux City in 2022. The branch was located in a low-income geography; however, the geography was reclassified as moderate-income based on 2020 U.S. Census data. The bank's remaining branch office in this assessment area is relatively close in proximity, as it is located approximately eight miles away from the closed branch. Therefore, the remaining branch will serve customers impacted by the closure.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals, and are consistent with the bank's overall performance. Additionally, the bank's ITMs provide extended hours for customers.

Community Development Services

The institution provides an adequate level of community development services within the Sioux City Assessment Area. Bank employees provided 22 instances of financial expertise or technical assistance. The services were primarily to entities that provide community services as well as one entity that promotes affordable housing.

AMES ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE AMES ASSESSMENT AREA

As previously noted, this assessment area is new to the bank as it was added in July 2020 when the bank opened a branch office in Ames, Iowa. The assessment area includes all of Story County. According to the 2020 U.S. Census data, the assessment area currently consists of 1 low-income tract, 2 moderate-income tracts, 13 middle-income tracts, 9 upper-income tracts, and 1 tract with no income designation. This is a change from the 2015 ACS data when the assessment area consisted of 2 low-income tracts, 14 middle-income tracts, 3 upper-income tracts, and 1 tract with no income designation. The bank’s new branch office and ITM are located in a moderate-income census tract.

Economic and Demographic Data

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Ames						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	10.0	0.0	70.0	15.0	5.0
Population by Geography	93,586	8.7	0.0	66.5	18.9	5.8
Housing Units by Geography	37,688	9.7	0.0	72.6	17.8	0.0
Owner-Occupied Units by Geography	19,186	3.0	0.0	76.4	20.6	0.0
Occupied Rental Units by Geography	16,715	17.3	0.0	67.8	14.8	0.0
Vacant Units by Geography	1,787	10.1	0.0	75.8	14.1	0.0
Businesses by Geography	8,480	9.9	0.0	65.8	22.8	1.5
Farms by Geography	703	3.7	0.0	76.8	19.3	0.1
Family Distribution by Income Level	18,895	18.6	17.7	24.9	38.8	0.0
Household Distribution by Income Level	35,901	28.0	13.4	16.0	42.6	0.0
Median Family Income MSA - 11180 Ames, IA MSA	\$74,380		Median Housing Value			\$160,985
			Median Gross Rent			\$764
			Families Below Poverty Level			6.2%
<small>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

The following table reflects the 2021 FFIEC-estimated median family income levels for the Ames Assessment Area, which are utilized in the Borrower Profile analysis.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Ames, IA MSA Median Family Income (11180)				
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
<i>Source: FFIEC</i>				

Competition

The Ames Assessment Area is competitive for financial services. According to Reports of Condition filed by financial institutions, 21 FDIC-insured financial institutions operate 37 offices within the assessment area. Northwest Bank ranked 21st with a deposit market share of 0.2 percent.

There is also a high level of demand and competition for small business loans in the assessment area as evidenced by 2021 CRA aggregate data, which shows that 59 lenders collectively reported 1,390 small business loans within the assessment area. Of these institutions, Northwest Bank ranked 13th with 2.2 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data.

There is also significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2021, 202 HMDA-reporting institutions originated or purchased 4,005 home mortgage loans in the assessment area. Northwest Bank ranked 21st with 1.7 percent of the market share by number. These figures do not include loans originated or purchased by non-HMDA reporters.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial and home mortgage lending represent the primary credit needs in the assessment area. Community development needs of this assessment area are affordable housing, community services, and economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE AMES ASSESSMENT AREA

LENDING TEST

Northwest Bank demonstrated adequate performance under the Lending Test in Ames Assessment Area. Although the Geographic Distribution performance was good, the bank's adequate performance under Lending Activity, Borrower Profile, and Community Development Loans primarily supports this conclusion.

Lending Activity

The bank's lending activity reflects adequate responsiveness to the credit needs of the Ames Assessment Area. In 2021, the bank originated or purchased 99 small business and home mortgage loans totaling \$21.7 million in the assessment area. These loans represent 3.0 percent of the bank's

total lending activity. In comparison, less than one percent of the bank’s deposits were from this assessment area. As previously mentioned, this is a new assessment area for the bank, which had minimal staffing until 2022, and therefore lending activity was low.

Geographic Distribution

The geographic distribution of loans reflects a good dispersion of loans throughout the assessment area. This is supported by the bank’s excellent small business lending and adequate home mortgage lending performance. Examiners focused on the percentage of lending in low-income census tracts as the assessment area did not include any moderate-income census tracts in 2021.

Small Business Loans

The geographic distribution of small business loans reflects an excellent dispersion throughout the assessment area. As noted in the following table, the bank’s record of originating small business loans in the low-income census tracts significantly exceeds both demographic and aggregate data.

Geographic Distribution of Small Business Loans						
Assessment Area: Ames						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	9.9	11.0	6	19.4	997	16.6
Middle	65.8	63.8	16	51.6	2,557	42.6
Upper	22.8	24.9	9	29.0	2,455	40.9
Not Available	1.5	0.2	0	0.0	0	0.0
Totals	100.0	100.0	31	100.0	6,009	100.0

*Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. As depicted in the following table, the bank did not originate any loans in the low-income geographies. However, there is significant competition for home loans in the assessment area. Additionally, only 3.0 percent of owner-occupied housing units are located in the low-income census tracts, and aggregate data indicates peer lenders only extended 1.7 percent of their loans in these geographies. Given this information, the bank’s home mortgage loan dispersion is adequate.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Ames						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.0	1.7	0	0.0	0	0.0
Moderate	0.0	0.0	0	0.0	0	0.0
Middle	76.4	75.6	45	66.2	9,737	61.9
Upper	20.6	22.6	23	33.8	5,984	38.1
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	68	100.0	15,721	100.0

*Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of borrowers reflects adequate penetration among business customers of different sizes and individuals of different income levels. The bank's adequate small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects an adequate penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank's percentage of lending to businesses with revenues of \$1 million or less lags both aggregate and demographic data. However, revenue information was not available for 38.7 percent of the originated small business loans, which skews the analysis.

The large percentage of loans without revenue information is a result of the bank's participation in the SBA's PPP. Therefore, examiners recalculated the distribution using only the loans with reported revenue information. The new distribution revealed that 52.6 percent of the loans were extended to businesses with revenues of \$1 million or less, which is comparable to aggregate data. Further, the bank's 2022 loan data analysis revealed the bank originated 71.4 percent of loans to businesses with revenues of \$1 million or less, also revealing a good penetration lending. Lastly, 83.3 percent of the PPP loans were in the amount of \$100,000 or less. Using the loan size as a surrogate for business size, it is likely that a large portion of the PPP loans were extended to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Ames						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	85.3	56.1	10	32.3	1,814	30.2
>\$1,000,000	3.9	--	9	29.0	2,950	49.1
Revenue Not Available	10.8	--	12	38.7	1,245	20.7
Totals	100.0	100.0	31	100.0	6,009	100.0
<i>Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

As depicted in the following table, the distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank's lending performance to both low- and moderate-income borrowers is slightly below aggregate data. However, as previously mentioned, this area has significant competition for home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Ames						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.6	6.6	4	5.9	681	4.3
Moderate	17.7	18.2	9	13.2	1,734	11.0
Middle	24.9	22.6	16	23.5	3,724	23.7
Upper	38.8	34.5	32	47.1	7,320	46.6
Not Available	0.0	18.1	7	10.3	2,263	14.4
Totals	100.0	100.0	68	100.0	15,721	100.0
<i>Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

Northwest Bank made an adequate level of community development loans in the Ames Assessment Area. The bank originated four community development loans totaling \$4.4 million in the assessment area, providing affordable housing, economic development, and revitalization and stabilization of the area.

INVESTMENT TEST

Northwest Bank demonstrated adequate performance under the Investment Test in the Ames Assessment Area. This conclusion is based on the adequate level of investment and grant activity.

Investment and Grant Activity

Northwest Bank has an adequate level of qualified community development investments and grants in the Ames Assessment Area. The bank made 26 qualified investments totaling \$1.5 million in the assessment area during the evaluation period. The activity consisted of four investments totaling \$1.4 million for revitalization or stabilization. The remaining qualified investments were donations that promoted community services, economic development, or revitalization and stabilization of the area.

Responsiveness to Credit and Community Development Needs

The bank exhibits good responsiveness to credit and community development needs in the assessment area. This is reflected through investments and grants that support community services targeted to low- and moderate-income individuals, activities that promote economic development, and activities that revitalize or stabilize low- and moderate-income geographies.

Community Development Initiatives

Northwest Bank does not use innovative and/or complex investments to support community development initiatives in the Ames Assessment Area.

SERVICE TEST

Northwest Bank demonstrated strong performance under the Service Test in the Ames Assessment Area. This conclusion is primarily based on the accessibility of delivery systems described below.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are readily accessible to geographies and individuals of different income levels in this assessment area. The bank's branch is located in a moderate-income geography. Alternate delivery systems, particularly ATMs through the MoneyPass network, provide further access to bank services and are consistent with those discussed in the overall performance. Additionally, the bank maintains an ITM in a moderate-income geography.

Changes in Branch Locations

The institution's opening of a branch office has improved accessibility of its delivery systems, particularly to low- or moderate-income geographies and to low- and moderate-income individuals. As indicated earlier, the bank opened a new branch office in a moderate-income census tract.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals, and are consistent with the bank's overall performance. Additionally, the bank's ITM provides extended hours for customers.

Community Development Services

The institution provides an adequate level of community development services within the Ames Assessment Area. Bank employees provided 10 instances of financial expertise or technical assistance. The services were to entities that provide community services as well as those that promote economic development and affordable housing initiatives.

NEBRASKA

CRA RATING FOR NEBRASKA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA

The bank continues to delineate one assessment area in Nebraska, which includes a portion of the Omaha-Council Bluffs, Nebraska-Iowa MSA. The assessment area consists of portions of Douglas and Sarpy counties. Since the prior evaluation, the bank expanded the assessment area by 10 census tracts in northern Douglas County. According to 2020 U.S. Census data, the assessment area currently consists of 8 moderate-income tracts, 34 middle-income tracts, and 52 upper-income tracts. The bank operates 3 branch offices in the assessment area, including 1 office in a middle-income geography, and 2 offices in upper-income geographies. The bank also operates an ITM at each branch location.

Economic and Demographic Data

The following table illustrates demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Omaha						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	87	0.0	9.2	42.5	48.3	0.0
Population by Geography	336,418	0.0	8.1	39.8	52.2	0.0
Housing Units by Geography	133,252	0.0	8.5	43.7	47.8	0.0
Owner-Occupied Units by Geography	91,032	0.0	7.1	37.1	55.8	0.0
Occupied Rental Units by Geography	37,038	0.0	12.2	59.2	28.6	0.0
Vacant Units by Geography	5,182	0.0	6.5	47.9	45.6	0.0
Businesses by Geography	32,633	0.0	5.8	43.9	50.3	0.0
Farms by Geography	1,077	0.0	4.5	39.8	55.7	0.0
Family Distribution by Income Level	89,205	11.4	14.8	21.6	52.2	0.0
Household Distribution by Income Level	128,070	13.9	13.9	18.0	54.2	0.0
Median Family Income MSA - 36540 Omaha-Council Bluffs, NE-IA MSA		\$73,632	Median Housing Value			\$186,288
			Median Gross Rent			\$907
			Families Below Poverty Level			3.9%

*Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.*

The following table reflects the FFIEC-estimated median family income levels for the Omaha-Council Bluffs Nebraska-Iowa MSA for 2021.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Omaha-Council Bluffs, NE-IA MSA Median Family Income (36540)				
2021 (\$87,700)	<\$43,850	\$43,850 to <\$70,160	\$70,160 to <\$105,240	≥\$105,240
<i>Source: FFIEC</i>				

Competition

The Omaha Assessment Area is highly competitive for financial services. According to Reports of Condition filed by financial institutions, 50 FDIC-insured financial institutions operate 128 offices within the assessment area. Northwest Bank ranked 17th with a deposit market share of 1.2 percent.

The institution also faces significant competition for small business loans in the assessment area. The 2021 CRA aggregate data shows that 127 reporters collectively reported 17,106 small business loans within the assessment area. Of these institutions, Northwest Bank ranked 10th with 2.1 percent of the market share by number. These figures do not include loans originated by smaller institutions that are not required to report small business lending data.

There is also a high level of competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2021, 337 HMDA-reporting institutions originated or purchased 28,818 home mortgage loans in the assessment area. Northwest Bank ranked 39th with 0.6 percent of the market share by number. These figures do not include loans originated or purchased by non-HMDA reporters.

Credit and Community Development Needs and Opportunities

Based on information from bank management, as well as considering pertinent demographic and economic data, examiners concluded that commercial and home mortgage loans represent the primary credit needs of the assessment area. The assessment area’s community development needs are primarily related to affordable housing. There are also opportunities for revitalization and stabilization, economic development, and community services.

SCOPE OF EVALUATION – NEBRASKA

Examiners reviewed small business and home mortgage lending in this assessment area. When analyzing performance, examiners gave greater weight to small business lending. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEBRASKA

LENDING TEST

Northwest Bank’s Lending Test performance in the state of Nebraska is assigned a rating of high satisfactory. The bank’s performance under Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Loans supports this conclusion.

Lending Activity

The institution’s lending activity reflects good responsiveness to the credit needs of the Omaha Assessment Area. In 2021, the bank originated or purchased 464 small business and home mortgage loans totaling \$72.7 million in this assessment area. These loans represent 8.8 percent of the bank’s total lending activity. In comparison, 10.9 percent of the bank’s deposits were from this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area. The bank’s small business and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of lending in moderate-income census tracts as the assessment area does not include any low-income census tracts.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area when compared to aggregate data. As indicated in the following table, the bank’s record of originating small business loans, by number, in moderate-income geographies is similar to aggregate data. Further, the bank extended a sizable portion of its small business loans, by dollar volume, to businesses in moderate-income geographies.

Geographic Distribution of Small Business Loans						
Assessment Area: Omaha						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	5.8	4.7	11	4.1	2,419	7.0
Middle	43.9	43.4	145	54.5	21,834	63.1
Upper	50.3	51.9	110	41.4	10,362	29.9
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	266	100.0	34,615	100.0

Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

As depicted in the following table, the geographic distribution of home mortgage loans reflects good penetration throughout the assessment area when compared to aggregate data. Specifically, the bank’s performance slightly exceeds aggregate data in the moderate-income geographies.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Omaha						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	7.1	4.8	11	5.6	1,539	4.0
Middle	37.1	31.2	54	27.3	10,712	28.1
Upper	55.8	64.0	133	67.2	25,808	67.8
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	198	100.0	38,060	100.0
<i>Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among business customers of different sizes and individuals of different income levels. Although the home mortgage performance is adequate, the bank's small business lending performance supports this conclusion.

Small Business Loans

The distribution of small business loans reflects a good penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank's percentage of lending to businesses with revenues of \$1 million or less lags both aggregate and demographic data. However, revenue information was not available for 53.8 percent of the originated small business loans, which skews the analysis.

The large percentage of loans without revenue information is a result of the bank's participation in the SBA's PPP. Therefore, examiners recalculated the distribution using only the loans with reported revenue information. The new distribution revealed that 62.9 percent of the loans were extended to businesses with revenues of \$1 million or less, which exceeds aggregate data. Further, the bank's 2022 loan data analysis revealed the bank originated 60.4 percent of loans to borrowers with revenues of \$1 million or less, also revealing a good penetration of lending. Lastly, 95.8 percent of the PPP loans were in the amount of \$100,000 or less. Using the loan size as a surrogate for business size, it is likely that a large portion of the PPP loans were extended to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Omaha						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	85.2	55.2	78	29.3	12,872	37.2
>\$1,000,000	5.5	--	45	16.9	12,849	37.1
Revenue Not Available	9.4	--	143	53.8	8,894	25.7
Totals	100.0	100.0	266	100.0	34,615	100.0
Source: 2021 D&B Data; Bank Data; 2021 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Loans

As shown in the following table, the distribution of borrowers reflects adequate penetration among low- and moderate-income borrowers when compared to aggregate data. The bank's lending performance to low-income borrowers is consistent with aggregate data, and the bank's lending performance to moderate-income borrowers is slightly below aggregate data. Given the bank's overall home mortgage lending, the bank's performance is adequate.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Omaha						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	11.4	3.8	8	4.0	907	2.4
Moderate	14.8	15.5	28	14.1	4,157	10.9
Middle	21.6	21.3	35	17.7	5,682	14.9
Upper	52.2	39.1	105	53.0	22,372	58.8
Not Available	0.0	20.3	22	11.1	4,942	13.0
Totals	100.0	100.0	198	100.0	38,060	100.0
Source: 2015 ACS; Bank Data; 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Community Development Loans

Northwest Bank made a relatively high level of community development loans in the Omaha Assessment Area. The bank originated 26 community development loans totaling \$19.1 million in the assessment area. The majority of this lending promoted affordable housing. The remaining loans promoted economic development and revitalization and stabilization of low- and moderate-income geographies.

INVESTMENT TEST

Northwest Bank's Investment Test performance in the state of Nebraska is high satisfactory. This conclusion is primarily based on the level of investment and grant activity and responsiveness to community development needs.

Investment and Grant Activity

Northwest Bank has a significant level of qualified community development investments and grants in the Omaha Assessment Area. The bank made 28 qualified investments totaling \$4.8 million with the purpose of improving the availability of affordable housing.

Responsiveness to Credit and Community Development Needs

Northwest Bank exhibits good responsiveness to credit and community development needs in the Omaha Assessment Area, as demonstrated through qualified investments that support affordable housing.

Community Development Initiatives

Northwest Bank occasionally uses innovative and/or complex investments to support community development initiatives in the assessment area.

SERVICE TEST

Northwest Bank demonstrated high satisfactory performance under the Service Test in the state of Nebraska. This conclusion is primarily based on the accessibility of delivery systems, changes in branches locations, and reasonableness of business hours.

Accessibility of Delivery Systems

Northwest Bank's delivery systems are accessible to essentially all portions of the assessment area. The bank's branches are located in middle- and upper-income geographies, but they are also close to moderate-income geographies. Furthermore, alternate delivery systems, particularly ATMs through the MoneyPass network, provide further access to bank services and are consistent with those discussed in the overall performance. Additionally, the bank has an ITM located at each branch location.

Changes in Branch Locations

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. The bank opened one branch in October 2021 in an upper-income geography. However, two of the bank's branches are in close proximity of moderate-income geographies

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals, and are consistent with the bank's overall performance. Additionally, the bank's ITMs provide extended hours for customers.

Community Development Services

The institution provides an adequate level of community development services within the Omaha Assessment Area. Bank employees provided 14 instances of financial expertise or technical assistance. The services promoted community services and economic development.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Iowa	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Nebraska	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.