

PUBLIC DISCLOSURE

August 7, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Exchange Bank
Certificate Number: 1435

3110 2nd Ave
Kearney, Nebraska 68847

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 **Outstanding**.

An institution in this group has an outstanding 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.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment areas' credit needs.
- A majority of loans and other lending related activities are in the institution's assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution by borrowers reflects excellent penetration among businesses and farms of different sizes and individuals of different income levels.
- The institution did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

The Community Development Test is rated Outstanding.

The institution demonstrated excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity as well as the need and availability of community development activities inside the assessment areas.

DESCRIPTION OF INSTITUTION

Exchange Bank is headquartered in Kearney, Nebraska. Exchange Company, a one-bank holding company also located in Kearney, owns the institution. The bank received a CRA rating of “Outstanding” at its previous FDIC Performance Evaluation dated August 3, 2020, where examiners used Interagency Intermediate Small Institution Examination Procedures. The institution demonstrated satisfactory performance under the Lending and outstanding performance under the Community Development test at the previous evaluation.

The bank operates seven full service offices in Nebraska (5) and Kansas (2). Since the prior evaluation, the institution closed a branch in Grand Island, Nebraska. This branch was in close proximity to another branch in Grand Island and the closure did not adversely affect the assessment area.

Exchange Bank offers a variety of credit products, including construction and land development, commercial, agricultural, home mortgage, and consumer loans. In addition, the bank originates and sells home mortgage loans to secondary market investors and participates in various government-sponsored loan programs. The institution offers a full-line of traditional deposit services as well, including checking, savings, and certificate of deposit accounts. Alternative banking services include Internet and mobile banking, and 14 bank-owned ATMs.

The institution reported assets of \$1,369,885,000; total loans of \$980,707,000; and total deposits of \$1,044,569,000 on its June 30, 2023, Reports of Condition and Income. Commercial loans are the institution’s primary credit product, followed by home mortgage and agricultural loans. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of June 30, 2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	101,916	10.4
Secured by Farmland	91,253	9.3
Secured by 1-4 Family Residential Properties	198,998	20.3
Secured by Multi-family (5 or more) Residential Properties	113,469	11.6
Secured by Non-farm Non-Residential Properties	299,881	30.6
Total Real Estate Loans	805,517	82.2
Commercial and Industrial Loans	67,003	6.8
Agricultural Production and Other Loans to Farmers	67,519	6.9
Consumer	6,101	0.6
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	34,567	3.5
Less: Unearned Income	0	0.0
Total Loans	980,707	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 its assessment areas’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more assessment areas within which its performance will be evaluated. Performance ratings are assigned for each state in which the bank operates. Exchange Bank has designated the following assessment areas, all in the states of Nebraska and Kansas: 1) Nonmetropolitan Nebraska; 2) Grand Island Metropolitan; 3) Lincoln Metropolitan; 4) Omaha Metropolitan; 5) Manhattan Metropolitan; and 6) Nonmetropolitan Kansas. Performance ratings were assigned for the states of Nebraska and Kansas. Descriptions of the assessment areas and rated areas are presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 3, 2020, to the current evaluation dated August 7, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's performance. These procedures include two tests: 1) Lending Test and 2) Community Development Test. Refer to the Appendices for information on each test.

Examiners used full-scope examination procedures to assess Exchange Bank's performance in the Nonmetropolitan Nebraska, Grand Island Metropolitan, Lincoln Metropolitan, and Manhattan Metropolitan assessment areas and limited-scope procedures to evaluate the bank's performance in the Omaha Metropolitan and Nonmetropolitan Kansas assessment areas. Limited scope procedures were used in the last two areas since the bank has fewer loans, deposits, and facilities in these markets.

Exchange Bank's performance in Nebraska received more weight than its performance in Kansas when drawing conclusions, since the majority of its loans, deposits, and offices are located in Nebraska.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Rated Areas	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Nebraska Total	738,442	80.2	775,987	83.0	5	71.4
Nonmetropolitan Nebraska	207,802	22.6	270,519	28.9	2	28.5
Grand Island Metropolitan	241,462	26.2	270,692	28.9	1	14.3
Lincoln Metropolitan	191,015	20.7	184,623	19.8	1	14.3
Omaha Metropolitan	98,163	10.7	50,153	5.4	1	14.3
Kansas Total	181,870	19.8	159,291	17.0	2	28.6
Manhattan Metropolitan	134,161	14.6	78,908	8.4	1	14.3
Nonmetropolitan Kansas	47,709	5.2	80,383	8.6	1	14.3
Total	920,312	100.0	935,278	100.0	7	100.0
<i>Source: Bank Data; FDIC Summary of Deposits (6/30/2022). Loan totals are based on outstanding balances as of 4/24/2023.</i>						

Activities Reviewed

Examiners reviewed small business, home mortgage, and small farm loans to evaluate the bank's lending performance. However, the products reviewed for each assessment area varied based on the bank's lending focus in that area. Small farm loans were only reviewed in the Nonmetropolitan Nebraska Assessment Area because agricultural lending is not a significant focus in the other assessment areas. However, small business and home mortgage loans were reviewed in all assessment areas.

For the Lending Test, examiners reviewed all small business and small farm loans originated, renewed, extended or purchased in 2022 to evaluate the Assessment Area Concentration criterion. Examiners reviewed all small business loans inside the assessment areas and the small farm loans within the Nebraska Nonmetropolitan Assessment Area to evaluate the Geographic Distribution criterion. A sample of small business loans originated inside the Nebraska Nonmetropolitan and Grand Island Metropolitan Assessment Areas and a sample of small farm loans inside the Nebraska Nonmetropolitan Assessment Area was reviewed for Borrower Profile. In addition, the entire universe of small business loans originated in the Lincoln Metropolitan, Omaha Metropolitan, Manhattan Metropolitan, and the Kansas Nonmetropolitan Assessment Areas was reviewed for Borrower profile due to the limited volume. D&B data for 2022 provided a standard of comparison for the small business loans reviewed.

In addition, all HMDA loans from 2020, 2021, and 2022 were reviewed. Aggregate lending data for 2021, as well as 2015 American Community Survey data, provided a standard of comparison for the home mortgage loans reviewed. However, aggregate data received greater weight because it is typically a better indicator of market conditions and loan demand. Examiners did not identify any material performance differences between 2020, 2021, and 2022. Therefore, this evaluation only presents the 2021 HMDA data, or the most recent year for which aggregate data is available, within the Geographic Distribution and Borrower Profile analyses. The following table provides details.

Loan Products Reviewed						
Loan Category	Universe		Geographic Distribution		Borrower Profile Review	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Business	295	45,623	231	36,689	135	21,992
Home Mortgage	1,855	496,370	1,172	280,016	1,172	280,016
Small Farm	157	21,211	*48	*5,380	*31	*3,181
Source: Bank Data *Nonmetropolitan Nebraska Assessment Area only						

Bank management indicated that the loans reviewed were generally representative of the institution's performance during the entire evaluation period; however, the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans reduced the demand for traditional small business loans in 2020 and 2021. Bank management indicated there has been a return to more normalized lending in 2022; however, loan demand is lower than pre-pandemic levels.

Bank management stated that commercial lending is the bank's primary focus throughout all assessment areas; however, for purposes of this evaluation, home mortgage lending received slightly more weight when drawing conclusions. This is because the volume of home mortgage lending, by number and dollar volume, significantly exceeded the volume of small business lending. Small farm lending received the least amount of weight. Further, while examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation,

examiners emphasized performance by number of loans when conducting the Geographic Distribution and Borrower Profile analyses. This is because the number of loans is a better indicator of geographies and borrowers served.

For the Community Development Test, bank management provided examiners with data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated August 3, 2020. The bank did not present any qualified investments from the prior period for consideration.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Exchange Bank demonstrated outstanding performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion. The bank's outstanding Lending Test performance in Nebraska is consistent with this conclusion, while adequate performance was noted in Kansas.

Loan-to-Deposit Ratio

Exchange Bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs. The bank's net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 92.4 percent over the past 12 quarters from September 30, 2020, to June 30, 2023. Examiners compared Exchange Bank's average net loan-to-deposit ratio to five other institutions. The comparable institutions were selected based on their asset size, geographic location, and lending focus. As shown in the following table, Exchange Bank's average net loan-to-deposit ratio exceeds the ratios for four of the five comparable institutions, reflecting more than reasonable performance.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/23 \$(000s)	Average Net LTD Ratio (%)
Exchange Bank, Kearney, NE	1,369,885	92.4
Central National Bank, Junction City, KS	1,281,518	57.1
Five Points Bank, Grand Island, NE	1,948,655	61.7
Frontier Bank, Omaha, NE	1,239,670	109.2
Landmark National Bank, Manhattan, KS	1,534,954	64.6
Security First Bank, Lincoln, NE	1,788,925	80.4
<i>Source: Reports of Condition and Income 9/30/2020 through 6/30/2023</i>		

Examiners also considered the 1,556 secondary market loans totaling \$331.1 million, which were originated and subsequently sold on the secondary market since the previous CRA evaluation. These loans are not included in the figures above.

Assessment Area Concentration

A majority of small business and home mortgage loans reviewed, by number and dollar volume, were located inside the assessment areas. Although the majority of small farm lending was outside the assessment areas, most loans were originated immediately adjacent to the assessment areas. In addition, the least amount of weight was given to small farm lending performance. The following table also shows the majority of the 2020 HMDA lending is outside the assessment areas. However, the 2020 HMDA data was skewed due to the HMDA partial exemption, which did not require the bank to report geographic data for loans with property outside a metropolitan statistical area. As such, a significant number of loans were not geocoded and were considered outside the assessment areas. The following table provides details.

Lending Inside and Outside of the Assessment Areas										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business*	231	78.3	64	21.7	295	36,689	80.4	8,934	19.6	45,623
Home Mortgage										
2020	254	42.7	341	57.3	595	68,584	47.1	77,166	52.9	145,750
2021	478	74.6	163	25.4	641	115,955	62.3	70,201	37.7	186,156
2022	440	71.1	179	28.9	619	95,477	58.1	68,987	41.9	164,464
Small Farm*	70	44.6	87	55.4	157	8,541	40.3	12,670	59.7	21,211
<i>Source: 2020, 2021, and 2022 HMDA Reported Data, * 2022 Bank Data – All assessment areas</i>										

Geographic Distribution

Overall, the geographic distribution of loans reflects excellent dispersion. Excellent performance was noted in Nebraska, while reasonable performance was noted in Kansas. Examiners focused on the percentage of loans in low- and moderate-income census tracts, as applicable. Detailed discussion of the bank's performance is included in the state sections of the evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses and farms of different sizes and individuals of different income levels. Excellent performance was noted in Nebraska, whereas reasonable performance was noted in Kansas. Examiners focused on the percentage of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers. Detailed discussion of the bank's performance is included in the state sections of the evaluation.

Response to Complaints

The institution has not received any complaints regarding its CRA performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

COMMUNITY DEVELOPMENT TEST

Exchange Bank's performance under the Community Development Test is outstanding. The institution demonstrated an excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities. Since the bank was responsive to the community development needs of its assessment areas, community development activities benefitting broader statewide and regional areas were also included in the analysis. Exchange Bank's overall community development performance is consistent with the conclusions for Nebraska, which reflected outstanding performance, while reasonable performance was noted in Kansas.

Community Development Loans

Exchange Bank originated 787 community development loans totaling approximately \$99.0 million during the evaluation period. This includes 636 SBA PPP loans totaling approximately \$22.9 million. The volume of community development loans represented 7.2 percent of total assets and 10.3 percent of net loans as of June 30, 2023. At the last CRA evaluation on August 3, 2020, the bank had 730 community development loans totaling \$126.5 million.

Examiners compared the bank's level of community development lending to five similarly-situated institutions. These similarly-situated institutions' community development loans ranged from 2.2 percent to 7.8 percent of total assets and from 7.7 percent to 14.1 percent of net loans. All five similarly-situated institutions had a substantial volume of PPP loans. Exchange Bank's percentage of community development loans to net loans and to total assets compares very favorably to these institutions.

The above figures include community development loans extended outside the assessment areas, but in a broader statewide or regional area. These loans are included in the analysis since they meet the purpose of community development and the bank has appropriately addressed the community development needs within its assessment areas. The regional activities were loans extended under the PPP for economic development and revitalization and stabilization of the broader statewide or regional area.

The following tables illustrate community development loans by rated area, purpose, and year. Additional details on community development lending activities are located in the state sections of the evaluation.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Nebraska	145	55,219	1	90	355	15,437	28	4,332	529	75,078
State of Kansas	6	7,031	0	0	25	1,402	11	461	42	8,894
Regional Activities	11	6,360	0	0	141	7,543	64	1,075	216	14,978
Total	162	68,610	1	90	521	24,382	103	5,868	787	98,950
<i>Source: Bank Records</i>										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	16	9,980	0	0	11	4,604	0	0	27	14,584
2021	79	35,470	0	0	510	19,778	102	3,788	691	59,036
2022	63	21,976	1	90	0	0	1	2,080	65	24,146
2023 (YTD)	4	1,184	0	0	0	0	0	0	4	1,184
Total	162	68,610	1	90	521	24,382	103	5,868	787	98,950
<i>Source: Bank Records</i>										

Qualified Investments

Exchange Bank purchased, retained, or donated 49 qualified investments totaling approximately \$16.8 million during the evaluation period. The volume of qualified investments represented 1.2 percent of total assets and 5.3 percent of total securities as of June 30, 2023. Examiners compared the bank's level of qualified investments to five similarly-situated institutions. These institutions' qualified investments ranged from 0.1 percent to 1.0 percent of total assets and from 0.2 percent to 7.0 percent of total securities. Exchange Bank's percentage of community development investments to total assets and to total securities compares very favorably to these institutions. At the last CRA evaluation on August 3, 2020, the bank had 59 qualified investments totaling \$7.2 million, reflecting improved performance in this area by dollar volume.

The above figures include community development investments extended outside the assessment areas, but in a broader statewide or regional area. The investments are included in the analysis since they meet the purpose of community development and the bank has appropriately addressed the community development needs within its assessment areas. The regional activities were investments for affordable housing and economic development within the broader regional area.

The following tables illustrate the bank's qualified investments by rated area, purpose, and year. Details on the bank's qualified investment activities are located in the state sections of the evaluation.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Nebraska	0	0	16	2,683	7	144	4	504	27	3,331
State of Kansas	0	0	7	3	6	4	0	0	13	7
Regional Activities	3	5,925	2	6,000	0	0	4	1,555	9	13,480
Total	3	5,925	25	8,686	13	148	8	2,059	49	16,818
<i>Source: Bank Records</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (partial)	0	0	4	6,650	0	0	0	0	4	6,650
2021	2	3,820	0	0	0	0	1	500	3	4,320
2022	1	2,105	1	2,000	0	0	2	1,155	4	5,260
2023 (YTD)	0	0	0	0	0	0	2	400	2	400
Subtotal	3	5,925	5	8,650	0	0	5	2,055	13	16,630
Qualified Grants & Donations	0	0	20	36	13	148	3	4	36	188
Total	3	5,925	25	8,686	13	148	8	2,059	49	16,818
<i>Source: Bank Records</i>										

Community Development Services

Exchange Bank representatives provided 28 instances of financial expertise or technical assistance to various community development organizations during the evaluation period. Examiners compared the bank's level of community development services to five similarly-situated institutions. These institutions provided between 27 and 90 community development services. At the last CRA evaluation on August 3, 2020, the bank had 37 qualified services, reflecting similar performance.

The following tables illustrate the bank's community development services by rated area, purpose, and year. Details on the bank's community development services are located in the state sections of the evaluation.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Nebraska	1	12	4	0	17
State of Kansas	0	4	7	0	11
Total	1	16	11	0	28
<i>Source: Bank Records</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	5	3	0	8
2022	0	6	3	0	9
2023 (YTD)	1	5	5	0	11
Total	1	16	11	0	28
<i>Source: Bank Records</i>					

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout all assessment areas, including to low- and moderate-income individuals. These include services such as internet and mobile banking, mobile check deposit, bill pay, text banking, and electronic periodic statements. Further, the bank's Grand Island branch and two ATMs are in a moderate-income census tract and one ATM is located in a low-income census tract.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.

STATE OF NEBRASKA

CRA RATING FOR NEBRASKA: OUTSTANDING

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEBRASKA

Exchange Bank maintains four assessment areas in Nebraska: 1) Nonmetropolitan Nebraska, 2) Grand Island Metropolitan, 3) Lincoln Metropolitan, and 4) Omaha Metropolitan.

The bank operates five full-service offices and ten ATMs in these assessment areas. Descriptions of the institution's operations in these assessment areas are provided later in the evaluation.

SCOPE OF EVALUATION – NEBRASKA

Examiners reviewed small business and home mortgage loans in each of the Nebraska assessment areas. In addition, examiners reviewed small farm loans in the Nonmetropolitan Nebraska assessment area. Examiners did not review small farm loans in the other Nebraska assessment areas since these areas are primarily urban and the bank extends few small farm loans in those areas. Home mortgage loans received slightly more weight than small business loans when drawing conclusions. This is because there were significantly more home mortgage loans, by number and dollar volume, than small business loans. Further, the bank's performance in the Nonmetropolitan Nebraska, Grand Island Metropolitan, and Lincoln Metropolitan assessment areas received the most weight when drawing conclusions since there are more loans, deposits, and offices in those areas compared to the Omaha Metropolitan assessment area. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEBRASKA

LENDING TEST

Exchange Bank demonstrated excellent performance under the Lending Test in Nebraska. Excellent performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion. Excellent performance in the Nonmetropolitan Nebraska and Grand Island Metropolitan Assessment Areas support this conclusion. While performance was lower in the other assessment areas, these assessment areas carried less weight when determining overall conclusions.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Nebraska assessment areas. Excellent performance in all Nebraska assessment areas support this conclusion.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses and farms of different sizes and individuals of different income levels. Excellent performance in the Nonmetropolitan Nebraska and Grand Island Metropolitan assessment areas support this conclusion. While performance was lower in the other assessment areas, these assessment areas carried less weight when determining overall conclusions.

COMMUNITY DEVELOPMENT TEST

Exchange Bank's community development performance demonstrates excellent responsiveness to the community development needs of its Nebraska assessment areas through community development loans, qualified investments, and community services. Excellent performance was noted in all assessment areas.

Community Development Loans

The bank originated 529 community development loans totaling \$75.1 million in the Nebraska assessment areas. The vast majority of these loans helped provide affordable housing or economic development throughout the Nebraska assessment areas. The bank's lending activities were particularly responsive to the needs of the assessment areas and the state of Nebraska. Details on the bank's community development loans in the Nebraska assessment areas are provided later in the evaluation.

Qualified Investments

The bank made 27 qualified investments totaling \$3.3 million in the Nebraska assessment areas. The majority of the investments were for community services, which were targeted towards low- and moderate-income residents. Details on the bank's qualified investments in the Nebraska assessment areas are provided later in the evaluation.

Community Development Services

Bank representatives provided 17 instances of financial expertise or technical assistance to various individuals and community development organizations in the Nebraska assessment areas. Details regarding the bank's community development services in the Nebraska assessment areas are provided later in the evaluation.

NONMETROPOLITAN NEBRASKA ASSESSMENT AREA - Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMETROPOLITAN NEBRASKA ASSESSMENT AREA

The Nonmetropolitan Nebraska Assessment Area is comprised of Buffalo and Kearney counties. According to the 2020 Census, the assessment area contains one low-income, one moderate-income, eight middle-income, and three upper-income census tracts. The institution operates two full-service offices in this area, in Kearney and Gibbon. The Kearney facility is Exchange Bank's headquarters and located in an upper-income census tract, while the Gibbon office is located in a middle-income census tract. The bank also operates seven ATMs in this assessment area. One of the ATMs is located in a moderate-income census tract, five in middle-income census tracts, and one in an upper-income census tract.

Economic and Demographic Data

The following table provides select demographic data for the Nonmetropolitan Nebraska Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Nonmetropolitan Nebraska						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	7.7	7.7	61.5	23.1	0.0
Population by Geography	56,772	9.6	4.1	57.8	28.5	0.0
Housing Units by Geography	23,627	7.2	4.2	60.0	28.7	0.0
Owner-Occupied Units by Geography	14,561	3.9	4.4	61.0	30.6	0.0
Occupied Rental Units by Geography	7,146	13.5	4.5	55.1	26.9	0.0
Vacant Units by Geography	1,920	8.1	1.2	70.3	20.4	0.0
Businesses by Geography	5,399	3.5	2.6	64.2	29.7	0.0
Farms by Geography	713	0.8	1.3	84.2	13.7	0.0
Family Distribution by Income Level	13,672	16.5	13.8	22.3	47.4	0.0
Household Distribution by Income Level	21,707	21.3	15.2	16.6	47.0	0.0
Median Family Income Non-MSAs - NE		\$71,424	Median Housing Value			\$179,233
			Median Gross Rent			\$774
			Families Below Poverty Level			6.5%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%.						

Data from the 2020 Census reveals that the assessment area experienced growth since the 2015 ACS data, with the population increasing by 2,265 residents or 4.2 percent and housing increasing by 1,174 housing units. This growth is a result of people moving from rural to urban areas seeking higher paying jobs and greater amenities. Kearney is the largest community in the assessment area, with an estimated population of 33,959 for 2021. The community serves as a retail hub and provides ample employment opportunities. Area residents also find employment and services in Grand Island, which is located in Hall County and adjacent to the assessment area.

The assessment area contains a mixture of rural and urban areas. The three largest business segments are services, agriculture, and retail trade; representing 32.4, 11.7, and 10.8 of the businesses and farms in the assessment area. These businesses and farms are predominantly small operations; with 89.0 percent operating from a single location, and 65.7 percent employing less than five employees, according to 2022 D&B data.

Employment opportunities remain prevalent within or near the assessment area, accounting for the historically low unemployment levels during the vast majority of the evaluation period. The unemployment rates for counties included in the assessment area averaged 2.1 percent as of June 2023, which is comparable to the State of Nebraska's unemployment rate of 2.4 percent as of the same time.

The unemployment rates were higher throughout part of the evaluation period due to the COVID-19 pandemic, particular during 2020. However, labor statistic data confirms that rates have trended downward since the end of the COVID-19 pandemic and remain low.

Competition

The Nonmetropolitan Nebraska Assessment Area is very competitive for financial services. Per 2022 FDIC Deposit Market Share data, 20 financial institutions operate 31 offices in the counties that comprise the assessment area. Of these institutions, Exchange Bank ranked second with a deposit market share of 11.7 percent. Significant home mortgage loan competition exists as well, with 125 lenders reporting 2,075 home mortgage loans in the assessment area in 2021. The assessment area also contains significant competition for small farm and small business loans. Aggregate CRA data for 2021 showed 49 lenders reporting 1,258 small business loans, and 17 lenders reporting 389 small farm loans inside the assessment area.

Community Contacts

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

Examiners reviewed a community contact with a representative of a local economic development organization. The contact stated that the local economy is stable with several financing options for businesses in Kearney County including local banks, the Kearney County Economic Development Agency, which offers small business funding, and the Rural Enterprise Assistance Program. The contact indicated a need for additional housing in the area.

Examiners reviewed a second community contact with another representative of an economic development organization. The contact stated that the counties in the area have rebounded well from the pandemic. In addition, several existing businesses are in the process of expanding operations. The contact indicated the biggest need in the area is workforce housing. A recent survey of local businesses revealed the lack of availability workforce housing is a significant problem when trying to hire employees.

Credit and Community Development Needs and Opportunities

Considering information from bank management, and demographic and economic data, examiners determined that home mortgage and small business loans are the primary credit needs in the urban areas, followed by agricultural loans in the assessment area's rural areas. Community development needs are primarily related to economic development and affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NONMETROPOLITAN NEBRASKA ASSESSMENT AREA

LENDING TEST

Exchange Bank demonstrated excellent performance under the Lending Test in the Nonmetropolitan Nebraska Assessment Area. Excellent performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion. As previously mentioned, home mortgage performance received slightly more weight due to the larger number and dollar volume of home mortgage loans when compared to small business loans.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Nonmetropolitan Nebraska Assessment Area. Reasonable small business, excellent home mortgage, and reasonable small farm lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans is reasonable throughout this assessment area. The bank's lending is slightly less than the comparable D&B data in low-income geographies but slightly exceeds the comparable data in moderate-income geographies. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Nonmetropolitan Nebraska					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.5	1	0.8	192	1.1
Moderate	2.6	4	3.1	773	4.3
Middle	64.2	87	68.5	8,707	48.5
Upper	29.7	35	27.6	8,281	46.1
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	127	100.0	17,953	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Specifically, the percentage of home mortgage loans, by number, in moderate-income census tracts significantly exceeds the aggregate performance and the percent of owner-occupied housing units. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Nonmetropolitan Nebraska						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	7.8	7.6	18	13.2	2,140	8.4
Middle	53.6	49.0	67	49.3	10,006	39.2
Upper	38.7	43.4	51	37.5	13,380	52.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	136	100.0	25,526	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Small Farm Loans

The geographic distribution of small farm loans is reasonable. None of the small farm loans were located in the Nonmetropolitan Nebraska Assessment Area's low- or moderate-income census tracts; however, 2022 D&B data reveals that only 15 farms, equaling 2.1 percent of the assessment area's farms, are located in these census tracts. The low- and moderate-income census tracts are located within the city of Kearney, which limits the opportunities for small farm lending.

Geographic Distribution of Small Farm Loans					
Assessment Area: Nonmetropolitan Nebraska					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.8	0	0.0	0	0.0
Moderate	1.3	0	0.0	0	0.0
Middle	84.2	45	93.8	5,170	96.1
Upper	13.7	3	6.3	210	3.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	48	100.0	5,380	100.0

Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses and farms of different sizes and individuals of different income levels in the Nonmetropolitan Nebraska Assessment Area. Reasonable small business and small farm lending performance and excellent home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The percentage by number of small business loans to businesses with gross annual revenues of \$1 million or less is consistent with the D&B data. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Nonmetropolitan Nebraska					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.2	38	79.2	4,703	80.9
>\$1,000,000	4.8	10	20.8	1,114	19.1
Revenues Not Available	12.0	0	0.0	0	0.0
Totals	100.0	48	100.0	5,817	100.0

Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Lending to low- and moderate-income borrowers noticeably exceeds the aggregate performance data.

This is particularly impressive considering 6.5 percent of the families in this assessment area are below the poverty level, which makes qualifying for a home loan very difficult for those families. In addition, there are a high number of loans, which were largely nonowner occupied rental properties, that did not report income, which slightly skews the data. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Nonmetropolitan Nebraska						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	13.9	4.0	10	7.4	1,138	4.5
Moderate	16.5	14.4	27	19.9	3,963	15.5
Middle	22.4	21.4	28	20.6	4,684	18.4
Upper	47.2	38.9	28	20.6	5,884	23.1
Not available	0.0	21.3	43	31.6	9,856	38.6
Totals	100.0	100.0	136	100.0	25,526	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Nonmetropolitan Nebraska					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.6	29	93.5	3,031	95.3
>\$1,000,000	2.4	2	6.5	150	4.7
Revenue Not Available	1.0	0	0.0	0	0.0
Totals	100.0	31	100.0	3,181	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

Exchange Bank demonstrated excellent responsiveness to the community development needs of the Nonmetropolitan Nebraska Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 215 community development loans totaling \$7.9 million in the Nonmetropolitan Nebraska Assessment Area. The loans were particularly responsive to the assessment area's affordable housing and economic development needs. The affordable housing loans were used to finance apartment buildings and single-family units with rents designed to be affordable to low- and moderate-income individuals. All of the economic development loans were SBA PPP loans. This program was developed in response to the government mandated shutdowns

due to the COVID-19 pandemic. The funds helped businesses retain employees and lessen the negative consequences of the pandemic. The following table illustrates the community development loans by year and purpose.

Nonmetropolitan Nebraska Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	4	2,355	0	0	204	5,340	4	49	212	7,744
2022	2	90	1	90	0	0	0	0	3	180
Total	6	2,445	1	90	204	5,340	4	49	215	7,924
<i>Source: Bank Records</i>										

Qualified Investments

The bank made 11 qualified investments totaling \$11 thousand in the Nonmetropolitan Nebraska Assessment Area, all of which were donations. The following table illustrates the bank's qualified investments by purpose.

Nonmetropolitan Nebraska Assessment Area Qualified Investments										
Activity	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	0	0	7	7	4	4	0	0	11	11
<i>Source: Bank Records</i>										

Community Development Services

Bank personnel provided 12 instances of financial expertise or technical assistance to community development organizations in the Nonmetropolitan Nebraska Assessment Area. The majority of these were community services targeted to low- and moderate-income individuals. The following table illustrates the bank's community development services by year and purpose.

Nonmetropolitan Nebraska Assessment Area Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	3	0	0	3
2022	0	3	0	0	3
2023 (YTD)	1	4	1	0	6
Total	1	10	1	0	12
<i>Source: Bank Records</i>					

GRAND ISLAND METROPOLITAN ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GRAND ISLAND METROPOLITAN ASSESSMENT AREA

The Grand Island Metropolitan Assessment Area consists of Hall County, which is one of three counties representing the Grand Island, Nebraska Metropolitan Statistical Area (MSA). According to the 2020 Census, the assessment area contains three moderate-income, eight middle-income, and three upper-income census tracts. Exchange Bank operates one full-service office in this assessment area in a moderate-income census tract. The bank also operates one ATM in this assessment area, which is located in a moderate-income census tract.

Economic and Demographic Data

The following table provides select demographic data on the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Grand Island Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	21.4	57.1	21.4	0.0
Population by Geography	62,895	0.0	23.9	55.1	21.0	0.0
Housing Units by Geography	25,022	0.0	24.0	54.9	21.0	0.0
Owner-Occupied Units by Geography	14,585	0.0	19.4	57.4	23.2	0.0
Occupied Rental Units by Geography	8,911	0.0	32.2	49.2	18.6	0.0
Vacant Units by Geography	1,526	0.0	21.2	64.1	14.7	0.0
Businesses by Geography	4,959	0.0	21.0	53.6	25.4	0.0
Farms by Geography	383	0.0	9.1	74.2	16.7	0.0
Family Distribution by Income Level	15,947	19.3	19.2	22.7	38.8	0.0
Household Distribution by Income Level	23,496	21.8	17.5	19.8	40.9	0.0
Median Family Income MSA - 24260 Grand Island, NE MSA		\$70,828	Median Housing Value			\$156,652
			Median Gross Rent			\$757
			Families Below Poverty Level			8.6%

Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%.

Data from the 2020 Census reveals that the assessment area experienced growth since the 2015 ACS, with the population increasing by 2,103 residents or 3.5 percent, and housing increasing by 1,040 units. The growth is a result of people moving from rural to urban areas seeking higher paying jobs and greater amenities. Grand Island is the largest community in the assessment area, with an estimated population of 52,335 for 2021. Over 80 percent of the assessment area’s residents reside in Grand Island.

Since the vast majority of Hall County's residents reside in Grand Island, the assessment area is largely urban in nature. The three largest business segments are services, retail trade, and finance and insurance representing 34.1, 13.8, and 9.5 of the businesses and farms in the assessment area. According to 2022 D&B data, 85.5 of the businesses and farms operate from a single location and 64.4 percent employ less than five employees.

Employment opportunities remain prevalent within or near the assessment area, accounting for the historically low unemployment levels during the vast majority of the evaluation period. The unemployment rate for Hall County was 2.4 percent as of June 2023, which mirrored the State of Nebraska's unemployment rate of 2.4 percent as of the same time. The unemployment rates were higher throughout part of the evaluation period due to the COVID-19 pandemic, particular during 2020. However, labor statistic data confirms that rates have trended downward since the end of the COVID-19 pandemic and remain low.

Competition

The Grand Island Metropolitan Assessment Area is very competitive for financial services. Per 2022 FDIC Deposit Market Share data, 17 financial institutions operate 35 offices in Hall County. Of these institutions, Exchange Bank ranked fourth with a deposit market share of 9.3 percent. Significant home mortgage loan competition exists as well, with 115 lenders reporting 2,562 home mortgage loans in the assessment area in 2021. Exchange Bank ranked 11th with a 3.6 percent market share. The assessment area also contains high demand and competition for small business loans. Aggregate CRA data for 2021 showed 51 lenders reporting 1,280 small business loans in this assessment area.

Community Contacts

Examiners reviewed a community contact with a representative from an economic development organization who indicated the local economy remained stable throughout the pandemic and retail stores and restaurants were able to stay open and thrive. However, local stores and restaurants are now struggling to find employees. The contact stated that loan demand from small businesses has remained stable, but many new business owners and non-US citizens are unable to obtain start-up funds due to stringent underwriting criteria. However, these types of businesses are able to obtain financing through other avenues such as the Nebraska Business Development Center.

The contact stated that single-family housing is much needed in the area. There are a lot of rentals and multi-family homes; however, the inventory of 1-4 family homes is limited. In addition, many of the 'affordable' homes are outdated and in dire need of repair.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent the assessment area's primary credit needs. Community development needs are primarily related to affordable housing and economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GRAND ISLAND METROPOLITAN ASSESSMENT AREA

LENDING TEST

Exchange Bank demonstrated excellent performance under the Lending Test in the Grand Island Metropolitan Assessment Area. Excellent performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion. As previously mentioned, home mortgage performance received slightly more weight due to the large number and dollar volume of home mortgage loans when compared to small business loans.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Grand Island Metropolitan Assessment Area. Reasonable small business and excellent home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Grand Island Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	21.0	8	16.7	890	14.0
Middle	53.6	29	60.4	2,773	43.6
Upper	25.4	11	22.9	2,699	42.4
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	48	100.0	6,362	100.0
Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As described earlier, the assessment area also contains significant home mortgage lending competition. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Grand Island Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	29.3	29.0	41	44.6	12,810	50.8
Middle	28.2	29.0	30	32.6	8,711	34.5
Upper	42.5	42.0	21	22.8	3,703	14.7
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	92	100.0	25,224	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different sizes and individuals of different income levels. Excellent small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. The percentage of small business loans to businesses with gross annual revenues of \$1 million or less significantly exceeds the 2022 D&B demographic data. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Grand Island Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	81.2	30	96.8	3,656	96.2
>\$1,000,000	5.3	1	3.2	145	3.8
Revenue Not Available	13.5	0	0.0	0	0.0
Totals	100.0	31	100.0	3,801	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Lending to low-income borrowers exceeds the aggregate performance data but lending to moderate-income borrowers slightly lags the aggregate performance data. However, this data is skewed by the high number of nonowner occupied rental property loans without reported incomes. If those loans are excluded from the analysis, the bank's lending to low- and moderate-income borrowers increases to 23.7 and 28.9 percent, respectively. This is particularly impressive considering 8.6 percent of the families in this assessment area are below the poverty level, which makes qualifying for a home loan very difficult for those families.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Grand Island Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.7	5.1	9	9.8	992	3.9
Moderate	19.0	18.3	11	12.0	937	3.7
Middle	23.7	20.8	5	5.4	790	3.1
Upper	37.6	31.2	13	14.1	2,450	9.7
Not Available	0.0	24.6	54	58.7	20,056	79.5
Totals	100.0	100.0	92	100.0	25,224	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

Exchange Bank demonstrated excellent responsiveness to the community development needs of the Grand Island Metropolitan Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 171 community development loans totaling \$27.4 million in this assessment area. The loans were particularly responsive to the assessment area's affordable housing needs. Specifically, the affordable housing loans were used to construct affordable single-family units in a redevelopment zone. The city of Grand Island designated the area for redevelopment after concluding it was blighted. The following table illustrates the bank's community development loans by year and purpose.

Grand Island Metropolitan Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	10	1,750	0	0	0	0	0	0	10	1,750
2021	40	13,146	0	0	69	1,959	8	1,014	117	16,118
2022	42	9,095	0	0	0	0	0	0	42	9,095
2023 (YTD)	2	400	0	0	0	0	0	0	2	400
Total	94	24,391	0	0	69	1,959	8	1,014	171	27,363
Source: Bank Records										

Qualified Investments

The bank made 11 qualified investments totaling \$816 thousand in the Grand Island Metropolitan Assessment Area. Nine of the investments were donations totaling \$166 thousand. The equity investments were used to help a school district serving low- and moderate-income students. The following table illustrates the bank's qualified investments by year and purpose.

Grand Island Metropolitan Assessment Area Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	2	650	0	0	0	0	2	650
Qualified Grants & Donations	0	0	6	26	0	0	0	0	9	166
Total	0	0	8	676	0	0	0	0	11	816
<i>Source: Bank Records</i>										

Community Development Services

Bank personnel provided two instances of financial expertise or technical assistance to community development organizations in the assessment area. Both of these were community services targeted to low- or moderate-income individuals. The following table illustrates the bank's community development services by year and purpose.

Grand Island Metropolitan Assessment Area Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	0	1	0	0	1
2023 (YTD)	0	1	0	0	1
Total	0	2	0	0	2
<i>Source: Bank Records</i>					

LINCOLN METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LINCOLN METROPOLITAN ASSESSMENT AREA

The Lincoln Metropolitan Assessment Area is comprised of all of Lancaster County, except for the following four census tracts: 0101.00, 0102.02, 0103.00, and 0104.00. Lancaster County is one of two counties that comprise the Lincoln Nebraska Metropolitan Statistical Area. According to the 2020 Census, the assessment area contains 6 low-income, 17 moderate-income, 26 middle-income, and 22 upper-income census tracts, as well as 5 tracts without an income designation. The institution operates one full-service office and one ATM in this assessment area. The office and ATM are located in an upper-income census tract within the city limits of Lincoln.

Economic and Demographic Data

The following table provides select demographic data on the Lincoln Metropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Lincoln Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	76	7.9	22.4	32.9	30.3	6.6
Population by Geography	295,961	6.7	22.5	37.6	29.5	3.6
Housing Units by Geography	123,992	9.1	24.9	37.6	27.5	1.0
Owner-Occupied Units by Geography	66,982	2.5	17.5	43.7	36.1	0.2
Occupied Rental Units by Geography	50,817	16.7	34.3	29.4	17.7	1.9
Vacant Units by Geography	6,193	16.5	27.4	38.2	15.0	3.0
Businesses by Geography	24,361	5.2	19.0	34.0	38.8	3.0
Farms by Geography	750	2.9	14.4	34.5	47.1	1.1
Family Distribution by Income Level	68,885	20.2	19.1	22.4	38.3	0.0
Household Distribution by Income Level	117,799	23.8	17.5	19.8	38.9	0.0
Median Family Income MSA - 30700 Lincoln, NE MSA		\$82,381	Median Housing Value			\$186,237
			Median Gross Rent			\$877
			Families Below Poverty Level			7.3%
Source: 2020 U.S. Census and 2022 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.						

Data from the 2020 Census reveals the Lincoln Metropolitan Assessment Area experienced growth since the 2015 ACS, with its population increasing by 21,232 residents or 7.7 percent and housing increasing by 9,024 units. The growth is a result of people moving from rural to urban areas seeking higher paying jobs and greater amenities. Lincoln is the largest community in the assessment area, with an estimated population of 292,657 for 2021. Over 90 percent of the assessment area's residents reside in Lincoln.

Since the vast majority of Lancaster County's residents reside in Lincoln, the assessment area is largely urban in nature. The three largest business segments are services, finance and insurance, and retail trade representing 39.5, 11.9, and 10.4 percent of the businesses and farms in the assessment area. According to 2022 D&B data, 88.7 of the businesses and farms operate from a single location and 63.1 percent employ less than five employees.

Employment opportunities remain prevalent within or near the assessment area, accounting for the historically low unemployment levels during the vast majority of the evaluation period. The unemployment rate for Lancaster County was 2.4 percent as of June 2023, which mirrored the State of Nebraska's unemployment rate of 2.4 percent as of the same time. The unemployment rates were higher throughout part of the evaluation period due to the COVID-19 pandemic, particular during 2020. However, labor statistic data confirms that rates have trended downward since the end of the COVID-19 pandemic and remain low.

Competition

The Lincoln Metropolitan Assessment Area is very competitive for financial services. Per 2022 FDIC Deposit Market Share data, 29 financial institutions operate 122 offices in Lancaster County. Of these institutions, Exchange Bank ranked 13th with a deposit market share of 1.5 percent. Significant home mortgage loan competition exists as well, with 249 lenders reporting 17,289 home mortgage loans in the assessment area in 2021. Exchange Bank ranked 32nd with a 0.6 percent market share. The assessment area also contains significant competition for small business loans. Aggregate CRA data for 2021 showed 81 lenders reporting 6,642 small business loans in this assessment area.

Community Contacts

Examiners reviewed a community contact with a representative of a local housing authority. The contact stated that the Lincoln economy is stable and the area weathered the pandemic. There is a low unemployment rate in the county, which creates issues for employers. Affordable housing for low- and moderate-income earners continues to be an issue. There is still a critical shortage of decent and affordable housing in the city. In addition, a lot of the affordable housing units in the area are in disrepair. Further, housing values have increased and new construction in the newer developments are higher-end homes. The contact stated that business growth and higher wages will help the economy and potentially help with the increased housing needs. There is also opportunity for small business growth in the area, although the pandemic has slowed that growth.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that home mortgage and small business loans are the primary credit needs in the assessment area. Community development needs are primarily related to economic development and affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LINCOLN METROPOLITAN ASSESSMENT AREA

LENDING TEST

Overall, Exchange Bank demonstrated reasonable performance under the Lending Test in the Lincoln Metropolitan Assessment Area. Excellent performance under the Geographic Distribution and reasonable performance under the Borrower Profile criteria supports this conclusion. As previously mentioned, home mortgage performance received slightly more weight due to the large number and dollar volume of home mortgage loans when compared to small business loans.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Lincoln Metropolitan Assessment Area. Reasonable small business and excellent home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Although there were no small business loans originated in the six low-income census tracts, the D&B data shows only 5.1 percent of the small businesses in this assessment area are located in low-income census tracts, which limits the bank's opportunities. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Lincoln Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.1	0	0.0	0	0.0
Moderate	18.8	4	13.3	1,185	16.5
Middle	35.3	9	30.0	2,265	31.5
Upper	37.8	17	56.7	3,732	52.0
Not Available	3.0	0	0.0	0	0.0
Totals	100.0	30	100.0	7,182	100.0
<i>Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Specifically, the percentage by number of mortgage loans in low- and moderate-income census tracts noticeably exceeds the aggregate performance data. Further, the assessment area contains significant home mortgage lending competition. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Lincoln Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.8	2.1	16	16.2	4,396	19.6
Moderate	21.7	19.0	37	37.4	8,744	39.0
Middle	42.8	40.2	31	31.3	5,900	26.3
Upper	33.5	38.6	12	12.1	2,359	10.5
Not Available	0.2	0.2	3	3.0	1,012	4.5
Totals	100.0	100.0	99	100.0	22,410	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Lincoln Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	23	76.7	5,480	76.3
>\$1,000,000	4.6	7	23.3	1,702	23.7
Revenue Not Available	10.6	0	0.0	0	0.0
Totals	100.0	30	100.0	7,182	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As shown in the table below, the bank's performance appears to lag the aggregate performance data; however, this data is skewed by the high number of loans without reported incomes. If those loans are excluded from the analysis, the bank's lending to low- and moderate-income borrowers increases to 6.4 and 8.5 percent, respectively. In addition, 7.3 percent of the families in this assessment area are below the poverty level, which makes qualifying for a home loan very difficult for those families. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Lincoln Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.5	8.4	3	3.0	310	1.4
Moderate	17.6	20.9	4	4.0	471	2.1
Middle	21.2	22.3	12	12.1	1,687	7.5
Upper	38.8	28.5	28	28.3	5,319	23.7
Not Available	0.0	19.9	52	52.5	14,623	65.3
Totals	100.0	100.0	99	100.0	22,410	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

Exchange Bank demonstrated excellent responsiveness to the community development needs of the Lincoln Metropolitan Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 110 community development loans totaling \$22.3 million in this assessment area. The loans were particularly responsive to the assessment area's affordable housing and economic development needs. Specifically, the affordable housing loans were used to purchase or refinance affordable housing units. The vast majority of the economic development loans were PPP loans. The following table illustrates the bank's community development loans by year and purpose.

Lincoln Metropolitan Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	2	600	0	0	1	4,550	0	0	3	5,150
2021	17	6,452	0	0	64	3,200	11	1,075	92	10,727
2022	13	5,613	0	0	0	0	0	0	13	5,613
2023 (YTD)	2	784	0	0	0	0	0	0	2	784
Total	34	13,449	0	0	65	7,750	11	1,075	110	22,274
<i>Source: Bank Records</i>										

Qualified Investments

The bank made three qualified investments totaling \$4 thousand in the Lincoln Metropolitan Assessment Area. All of the investments were donations. The following table illustrates the bank's qualified investments by year and purpose.

Lincoln Metropolitan Assessment Area Qualified Investments										
Activity	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	0	0	0	0	0	0	3	4	3	4
Total	0	0	0	0	0	0	3	4	3	4
<i>Source: Bank Records</i>										

Community Development Services

Bank personnel provided three instances of financial expertise or technical assistance to economic development organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Lincoln Metropolitan Assessment Area Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	0	1	0	1
2022	0	0	1	0	1
2023	0	0	1	0	1
Total	0	0	3	0	3
<i>Source: Bank Records</i>					

OMAHA METROPOLITAN ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN OMAHA METROPOLITAN ASSESSMENT AREA

The Omaha Metropolitan Assessment Area is comprised of all of Douglas County. According to the 2020 Census, the assessment area contains 16 low-income, 45 moderate-income, 56 middle-income, and 46 upper-income census tracts. Exchange Bank operates a single full-service office and one ATM in this assessment area. Both are located in as upper-income census tracts within the city limits of Omaha.

Economic and Demographic Data

The following table provides select demographic data for the Omaha Metropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Omaha Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	163	9.8	27.6	34.4	28.2	0.0
Population by Geography	584,526	7.2	25.7	35.0	32.1	0.0
Housing Units by Geography	236,936	6.8	26.4	38.6	28.3	0.0
Owner-Occupied Units by Geography	137,435	4.1	19.8	38.7	37.4	0.0
Occupied Rental Units by Geography	84,016	10.0	36.0	38.5	15.5	0.0
Vacant Units by Geography	15,485	12.7	32.1	37.9	17.4	0.0
Businesses by Geography	55,139	3.7	19.7	39.6	37.0	0.0
Farms by Geography	1,576	2.9	15.8	40.0	41.4	0.0
Family Distribution by Income Level	136,534	20.5	18.4	22.0	39.1	0.0
Household Distribution by Income Level	221,451	24.4	17.2	18.7	39.7	0.0
Median Family Income MSA - 36540 Omaha-Council Bluffs, NE-IA MSA		\$87,733	Median Housing Value			\$187,288
			Median Gross Rent			\$967
			Families Below Poverty Level			7.0%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%.						

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE OMAHA METROPOLITAN ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the Omaha Metropolitan Assessment Area is below its lending performance in the state of Nebraska. The following tables detail the Geographic Distribution and Borrower Profile of small business and home mortgage loans.

Geographic Distribution of Small Business Loans					
Assessment Area: Omaha Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.7	0	0.0	0	0.0
Moderate	19.7	0	0.0	0	0.0
Middle	39.6	2	33.3	1,475	65.3
Upper	37.0	4	66.7	784	34.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	6	100.0	2,259	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.					

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Omaha Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	7.6	4.8	11	21.6	6,159	36.4
Moderate	21.8	17.1	18	35.3	4,641	27.4
Middle	37.0	35.0	13	25.5	3,757	22.2
Upper	33.5	43.1	9	17.6	2,381	14.1
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	51	100.0	16,938	100.0
Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.						

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Omaha Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.3	4	66.7	1,236	54.7
>\$1,000,000	4.9	2	33.3	1,023	45.3
Revenue Not Available	8.8	0	0.0	0	0.0
Totals	100.0	6	100.0	2,259	100.0
Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.					

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Omaha Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.0	7.7	0	0.0	0	0.0
Moderate	17.8	19.1	5	9.8	837	4.9
Middle	19.7	19.7	4	7.8	977	5.8
Upper	39.5	32.7	7	13.7	1,758	10.4
Not Available	0.0	20.8	35	68.6	13,366	78.9
Totals	100.0	100.0	51	100.0	16,938	100.0
Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.						

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Omaha Metropolitan Assessment Area is consistent with its community development performance in the state of Nebraska. The following tables detail the community development loans and qualified investments in this assessment area. The bank did not have any community development service activity in this assessment area during the evaluation period.

Omaha Metropolitan Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	3	7,215	0	0	6	37	0	0	9	7,252
2021	6	2,906	0	0	11	351	4	114	21	3,372
2022	2	4,813	0	0	0	0	1	2,080	3	6,893
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Total	11	14,935	0	0	17	388	5	2,194	33	17,517
Source: Bank Records										

Omaha Metropolitan Assessment Area Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022	0	0	1	2,000	0	0	0	0	1	2,000
2023 (YTD)	0	0	0	0	0	0	1	500	1	500
Total	0	0	1	2,000	0	0	1	500	2	2,500
Source: Bank Records										

STATE OF KANSAS

CRA RATING FOR KANSAS: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KANSAS

Exchange Bank maintains the following assessment areas in the state of Kansas: 1) Manhattan Metropolitan and 2) Nonmetropolitan Kansas. The bank operates two full-service offices and four ATMs in these assessment areas. A description of the institution's operations in each assessment area is provided later in the evaluation.

SCOPE OF EVALUATION – KANSAS

Examiners reviewed small business and home loans in the bank's two Kansas assessment areas to evaluate its performance. Small farm loans were not reviewed because the assessment areas are primarily urban, and Exchange Bank extends few agricultural loans in these areas. Home mortgage loans received slightly more weight than small business loans when drawing conclusions. This is because there were significantly more home mortgage loans, by number and dollar volume, than small business loans. The bank's performance in the Manhattan Metropolitan Assessment Area received the most weight when drawing conclusions since the institution has more loans and deposits in this area compared to the Nonmetropolitan Kansas Assessment Area. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KANSAS

LENDING TEST

Exchange Bank demonstrated reasonable performance under the Lending Test in the state of Kansas. Reasonable performance under the Geographic Distribution and Borrower Profile criterion supports this conclusion. The bank's lending performance was consistent across both assessment areas.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout each assessment area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels throughout each assessment area.

COMMUNITY DEVELOPMENT TEST

Exchange Bank's community development performance demonstrates reasonable responsiveness to the community development needs of its Kansas assessment areas through community development loans, qualified investments, and community services. Reasonable performance was noted in both assessment areas.

Community Development Loans

The bank originated 42 community development loans totaling \$8.9 million in the two Kansas assessment areas. The loans helped provide affordable housing or revitalized/stabilized the assessment areas. In addition, the loans were responsive to the needs of the assessment areas and state of Kansas. Details regarding the bank's community development loans in the Kansas assessment areas are provided later in the evaluation.

Qualified Investments

The bank made 13 qualified donations totaling \$7 thousand in the Kansas assessment areas. Details regarding the bank's qualified investments in the Kansas assessment areas are provided later in the evaluation.

Community Development Services

Bank representatives provided 11 instances of financial expertise or technical assistance to various individuals and community development organizations in the Kansas assessment areas. Details regarding the bank's services in the Kansas assessment areas are provided later in the evaluation.

MANHATTAN METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MANHATTAN METROPOLITAN ASSESSMENT AREA

The Manhattan Metropolitan Assessment Area consists of Geary County, which is one of three counties within the Manhattan, Kansas MSA. According to the 2020 Census, the assessment area contains two low-income, two moderate-income, six middle-income, and one upper-income census tracts. Exchange Bank operates a single office in this assessment area in a middle-income census tract in Junction City. The bank also operates three ATMs in this assessment area. One of the ATMs is in a low-income census tract and two are in middle-income census tracts.

Economic and Demographic Data

The following table provides select demographic data for the Manhattan Metropolitan Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Manhattan Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	18.2	18.2	54.5	9.1	0.0
Population by Geography	36,739	13.0	22.9	59.6	4.5	0.0
Housing Units by Geography	15,331	16.8	18.0	59.7	5.5	0.0
Owner-Occupied Units by Geography	5,362	12.7	11.0	67.2	9.1	0.0
Occupied Rental Units by Geography	7,504	18.1	24.3	54.1	3.5	0.0
Vacant Units by Geography	2,465	21.4	14.1	60.6	3.9	0.0
Businesses by Geography	1,706	21.8	11.4	64.1	2.7	0.0
Farms by Geography	93	5.4	44.1	49.5	1.1	0.0
Family Distribution by Income Level	9,035	29.0	18.5	23.3	29.1	0.0
Household Distribution by Income Level	12,866	22.0	18.7	22.7	36.6	0.0
Median Family Income MSA - 31740 Manhattan, KS MSA		\$70,357	Median Housing Value			\$117,708
			Median Gross Rent			\$951
			Families Below Poverty Level			14.5%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%.						

Data from the 2020 Census reveals the Manhattan Metropolitan Assessment Area population decreased by 48 residents and housing increased by 322 units since the 215 ACS. Junction City is the largest community in the assessment area, with an estimated population of 22,429 for 2021. Over 65 percent of Geary County's residents live in Junction City, which provides several employment opportunities. Manhattan and Fort Riley are located approximately 20 and 17 miles respectively from Junction City, providing additional employment opportunities.

The assessment area contains a mixture of rural and urban areas. The three largest business segments are services, retail trade, and finance and insurance representing 38.5, 16.2, and 8.5 percent, respectively, of the businesses and farms in the assessment area. These businesses and farms are predominantly small operations; with 82.2 percent operating from a single location, and 63.3 percent employing less than five employees, according to 2022 D&B data.

Employment opportunities remain prevalent within or near the assessment area, accounting for the historically low unemployment levels during the vast majority of the evaluation period. The unemployment rates for Geary County was 4.2 percent as of June 2023, which was higher than the State of Kansas's unemployment rate of 3.0 percent as of the same time. The unemployment rates were higher throughout part of the evaluation period due to the COVID-19 pandemic, particular during 2020. However, labor statistic data confirms that rates have trended downward since the end of the COVID-19 pandemic and remain low.

Competition

The Manhattan Metropolitan Assessment Area is moderately competitive for financial services. Per 2022 FDIC Deposit Market Share data, 7 financial institutions operate 13 offices in Geary County. Of these institutions, Exchange Bank ranked 3rd with a deposit market share of 13.1 percent.

Strong home mortgage loan competition exists as well, with 134 lenders reporting 1,482 home mortgage loans in the assessment area in 2021. The assessment area also contains demand and competition for small business loans. Aggregate CRA data for 2021 showed 31 lenders reporting 278 small business loans in Geary County.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MANHATTAN METROPOLITAN ASSESSMENT AREA

LENDING TEST

Exchange Bank demonstrated reasonable performance under the Lending Test in the Manhattan Metropolitan Assessment Area. Reasonable performance under the Geographic Distribution and the Borrower Profile criteria supports this conclusion. As previously mentioned, home mortgage loans received slightly more weight than small business loans when drawing conclusions. This is because there were significantly more home mortgage loans, by number and dollar volume, than small business loans.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Manhattan Metropolitan Assessment Area. Reasonable small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The percentage of small business loans, by number, in low- and moderate-income census tracts is less than the percentage of businesses; however, it is still considered reasonable. However, the low number of small business loans limited the ability to draw meaningful conclusions in this assessment area. The following table provides details.

Geographic Distribution of Small Business Loans					
Assessment Area: Manhattan Metropolitan					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	21.8	1	9.1	200	12.2
Moderate	11.4	1	9.1	135	8.2
Middle	64.1	9	81.8	1,310	79.6
Upper	2.7	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	11	100.0	1,645	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion in the Manhattan Metropolitan Assessment Area. The percentage of the number of mortgage loans in moderate-income census tracts is slightly less than the aggregate performance data, but is still reasonable. The following table provides details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Manhattan Metropolitan						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	55.1	47.9	26	40.6	6,131	45.4
Middle	19.6	18.0	12	18.8	1,594	11.8
Upper	25.3	34.1	26	40.6	5,786	42.8
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	64	100.0	13,510	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the Manhattan Metropolitan Assessment Area. Excellent small business and reasonable home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. All of the small business loans reviewed were to businesses with gross annual revenues of \$1 million or less. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Manhattan Metropolitan					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	79.0	11	100.00	1,645	100.0
>\$1,000,000	2.5	0	0.0	0	0.0
Revenue Not Available	18.5	0	0.0	0	0.0
Totals	100.0	11	100.0	1,645	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As illustrated below, lending to low-income borrowers slightly lags the aggregate performance data. Conversely, lending to moderate-income borrowers exceeds the aggregate performance data. However, the aggregated data included a significant number of borrowers that did not report incomes, which skews the analysis. When adjusting for this variable, the bank's performance is similar to aggregate data, reflecting reasonable performance. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Manhattan Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.4	3.6	2	3.1	231	1.7
Moderate	30.0	17.0	19	29.7	3,117	23.1
Middle	20.2	25.1	21	32.8	3,594	26.6
Upper	32.4	17.5	18	28.1	4,051	30.0
Not Available	0.0	36.8	4	6.3	2,517	18.6
Totals	100.0	100.0	64	100.0	13,510	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

Exchange Bank demonstrated reasonable responsiveness to the community development needs of the Manhattan Metropolitan Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 22 community development loans totaling \$343 thousand in this assessment area. The bank's community development loans were particularly responsive to the assessment area's economic development needs. The following table illustrates the bank's community development loans by year and purpose.

Manhattan Metropolitan Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	0	0	1	8	0	0	1	8
2021	0	0	0	0	14	234	7	101	21	335
Total	0	0	0	0	15	242	7	101	22	343
<i>Source: Bank Records</i>										

Qualified Investments

The bank made seven qualified donations totaling \$6 thousand in the assessment area. The following table illustrates the bank's qualified investments by year and purpose.

Manhattan Metropolitan Assessment Area Qualified Investments										
Activity	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	0	0	6	3	1	3	0	0	7	6
<i>Source: Bank Records</i>										

Community Development Services

Bank personnel provided three instances of financial expertise or technical assistance to individuals and community development organizations in the assessment area. All three of these were community services targeted to low- and moderate-income individuals. The following table illustrates the bank's community development services by year and purpose.

Manhattan Metropolitan Assessment Area Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	1	0	0	1
2022	0	1	0	0	1
2023	0	1	0	0	1
Total	0	3	0	0	3
<i>Source: Bank Records</i>					

NONMETROPOLITAN KANSAS ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NONMETROPOLITAN KANSAS ASSESSMENT AREA

The Nonmetropolitan Kansas Assessment Area is comprised of all of Saline County, minus census tracts 0011.00 and 0012.00. According to the 2020 Census, the assessment area contains five moderate-income, four middle-income, and two upper-income census tracts. Exchange Bank operates a single full-service office and one ATM in this assessment area. Both are located in a middle-income census tract within the city limits of Salina.

Economic and Demographic Data

The following table provides select demographic data for the Nonmetropolitan Kansas Assessment Area.

Demographic Information of the Assessment Area						
Assessment Area: Nonmetropolitan Kansas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	45.5	36.4	18.2	0.0
Population by Geography	46,963	0.0	32.6	42.0	25.3	0.0
Housing Units by Geography	21,090	0.0	37.1	39.7	23.2	0.0
Owner-Occupied Units by Geography	11,922	0.0	23.8	44.0	32.2	0.0
Occupied Rental Units by Geography	7,358	0.0	51.9	36.6	11.4	0.0
Vacant Units by Geography	1,810	0.0	64.1	23.4	12.5	0.0
Businesses by Geography	3,135	0.0	50.9	26.7	22.4	0.0
Farms by Geography	102	0.0	44.1	24.5	31.4	0.0
Family Distribution by Income Level	11,171	18.3	17.1	22.4	42.2	0.0
Household Distribution by Income Level	19,280	23.5	18.6	18.5	39.4	0.0
Median Family Income Non-MSAs - KS		\$65,467	Median Housing Value			\$126,734
			Median Gross Rent			\$768
			Families Below Poverty Level			7.7%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%.						

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN KANSAS ASSESSMENT AREA

LENDING TEST

The institution's overall lending performance in the Nonmetropolitan Kansas Assessment Area is consistent with its lending performance in the state of Kansas. The following tables detail the Geographic Distribution and Borrower Profile of small business and home mortgage loans.

Geographic Distribution of Small Business Loans					
Assessment Area: Nonmetropolitan Kansas					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	50.9	3	33.3	947	73.5
Middle	26.7	4	44.4	222	17.2
Upper	22.4	2	22.2	119	9.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	9	100.0	1,288	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Nonmetropolitan Kansas						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	32.1	24.7	14	38.9	4,887	39.6
Middle	26.9	27.6	11	30.6	1,302	10.5
Upper	41.0	47.7	11	30.6	6,159	49.9
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	36	100.0	12,347	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Nonmetropolitan Kansas					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	76.9	8	88.9	1,158	89.9
>\$1,000,000	6.8	1	11.1	130	10.1
Revenue Not Available	16.3	0	0.0	0	0.0
Totals	100.0	9	100.0	1,288	100.0
<i>Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Nonmetropolitan Kansas						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.7	6.2	0	0.0	0	0.0
Moderate	17.9	17.2	8	22.2	729	5.9
Middle	21.6	19.9	1	2.8	50	0.4
Upper	39.8	27.2	12	33.3	1,827	14.8
Not Available	0.0	29.5	15	41.7	9,742	78.9
2021	100.0	100.0	36	100.0	12,347	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Nonmetropolitan Kansas Assessment Area is consistent with its community development performance in the state of Kansas. The following tables detail the community development loans, qualified investments, and community development services in this assessment area.

Nonmetropolitan Kansas Assessment Area Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	5	5,951	0	0	10	1,161	4	359	19	7,471
2022	1	1,080	0	0	0	0	0	0	1	1,080
Total	6	7,031	0	0	10	1,161	4	359	20	8,551
Source: Bank Records										

Nonmetropolitan Kansas Assessment Area Qualified Investments										
Activity	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	0	0	1	<1	5	1	0	0	6	1
Source: Bank Records										

Nonmetropolitan Kansas Assessment Area Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	0	2	0	2
2022	0	1	2	0	3
2023	0	0	3	0	3
Total	0	1	7	0	8
Source: Bank Records					

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
Institution	Outstanding	Outstanding	Outstanding
State of Nebraska	Outstanding	Outstanding	Outstanding
State of Kansas	Satisfactory	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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

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

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

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

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

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

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

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

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

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

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

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

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

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

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

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

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages,

boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

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