

PUBLIC DISCLOSURE

September 30, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Prime Meridian Bank
Certificate Number: 58694

1471 Timberlane Rd
Tallahassee, Florida 32312

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

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition and assessment areas' credit needs.
- A majority of the reviewed loans are inside the institution's assessment areas.
- The geographic distribution of the reviewed loans reflects a reasonable dispersion throughout the assessment areas.
- The distribution of reviewed loans to borrowers reflects poor penetration of loans among borrowers of different incomes and businesses of different sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating

The Community Development Test is rated Satisfactory.

- The bank's community development performance demonstrates adequate responsiveness to community development needs in the assessment areas. The bank met these needs through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

DESCRIPTION OF INSTITUTION

Prime Meridian Bank is a state-chartered bank headquartered in Tallahassee, Florida, and is a wholly owned subsidiary of Prime Meridian Holding Company, a one-bank holding company, also located in Tallahassee, Florida. The bank received a Satisfactory rating at the previous FDIC CRA Performance Evaluation, dated August 24, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

Prime Meridian Bank operates four full-service offices in Florida. The bank's headquarters and one branch are located in Tallahassee, Leon County, Florida; one branch is in Crawfordville, Wakulla County, Florida; and one branch is in Lakeland, Polk County, Florida. No branches have been opened or closed and no merger or acquisition activities occurred since the prior CRA evaluation.

The bank offers a variety of deposit products, including checking, savings, certificates of deposit, and money market accounts. One of the bank's deposit accounts, Prime BankOn, is offered with no monthly maintenance fee or minimum daily balance, and a required \$25.00 minimum to open. The bank also offers a variety of loan products, including commercial real estate, construction, acquisition and development, and small business loans; home equity loans and lines of credit; residential mortgage loans; and personal loans and lines of credit. The bank also offers loans through the U.S. Small Business Administration (SBA), such as the 504 and 7(a) loan programs, and has originated one loan through each the Federal Home Loan Bank's Workforce Housing Plus program and First-time Homebuyer program, which support affordable housing. The bank's primary business focus has changed slightly from small business lending to home mortgage lending due to the increased demand for home mortgage loans during a period of low interest rates. Alternative banking services include internet, telephone, and mobile banking; bill pay services; remote deposit capture; treasury management services; and automated teller machines (ATMs) at each branch.

According to the June 30, 2024, Consolidated Reports of Condition and Income, Prime Meridian Bank had total assets of \$893.3 million, total deposits of \$791.9 million, and total loans of \$695.5 million. The loan portfolio is illustrated in the table on the following page.

Loan Portfolio Distribution as of 6/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	92,351	13.3
Secured by Farmland	2,519	0.4
Secured by 1-4 Family Residential Properties	249,910	35.9
Secured by Multifamily (5 or more) Residential Properties	41,437	6.0
Secured by Nonfarm Nonresidential Properties	212,711	30.6
Total Real Estate Loans	598,928	86.2
Commercial and Industrial Loans	72,504	10.4
Agricultural Production and Other Loans to Farmers	-	-
Consumer Loans	5,910	0.9
Obligations of State and Political Subdivisions in the U.S.	5,552	0.8
Other Loans	12,869	1.9
Lease Financing Receivable (net of unearned income)	-	-
Less: Unearned Income	(214)	(<0.1)
Total Loans	696,549	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%.</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Prime Meridian Bank has designated two assessment areas: one is the Tallahassee, Florida, Metropolitan Statistical Area (Tallahassee MSA), which remains unchanged since the previous evaluation and the second is 79 of the 174 census tracts in Polk County, which is part of the Lakeland-Winter Haven, Florida MSA (Lakeland MSA). Since the previous evaluation, the second assessment area was changed slightly in 2024 in order to include all census tracts within 10 miles of the bank’s branch. The following table provides a description of the assessment areas. Please refer to the individual assessment areas for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Tallahassee MSA	Gadsden, Jefferson, Leon, Wakulla	104	3
Lakeland MSA	Polk	79	1
<i>Source: Bank Data</i>			

Additionally, since the previous evaluation, the 2010 U.S. Census Bureau data was revised using the 2015 American Community Survey (ACS) data, which was later updated using the current 2020 census information. The 2015 ACS data covers lending analyzed for 2021, while the current 2020 census information covers lending analyzed for 2022 through 2024. Demographic information, including population and housing characteristics, were also updated. The update in the Lakeland MSA assessment area and the release of the 2020 census data resulted in a change of census tracts

in the bank's assessment areas from 138 total census tracts at the previous evaluation to 183 total tracts at the current evaluation. A discussion of each assessment area is provided in the relevant assessment area section.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated August 24, 2021, to the current evaluation dated September 30, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the CRA performance of Prime Meridian Bank. As described in the Appendices, these procedures include the Lending Test and the Community Development Test.

Both assessment areas will be reviewed using full-scope procedures. Examiners evaluate a bank's lending data, deposit activity, and number of offices to determine which rated areas will receive the most weight in assigning the overall rating. For this evaluation, performance in the Tallahassee MSA will receive the most weight in the overall conclusions. As reflected in the table below, the Tallahassee MSA accounted for 86.8 percent of bank-wide lending reviewed during this evaluation, 95.7 percent of bank-wide deposits, and 75.0 percent of branch locations. The following table shows the breakdown of activities in each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Tallahassee MSA	136,167	86.8	758,084	95.7	3	75.0
Lakeland MSA	20,724	13.2	33,849	4.3	1	25.0
Total	156,891	100.0	791,933	100.0	4	100.0

Source: Bank Records and FDIC Summary of Deposits (6/30/2024)

Activities Reviewed

The CRA regulation requires a review of lending performance with respect to small business, home mortgage, and small farm lending, if significant. Examiners determined the bank's major product line is home mortgage loans, followed by small business lending, based on the bank's business strategy, as well as the number and dollar volume of loans originated or purchased during the evaluation period from the bank's loan trial and Call Report data. Home mortgage lending will receive slightly more weight when determining the conclusions and overall ratings. Small farm loans were excluded from further analysis as this loan type is not a major product line and only three farm loans were originated in the most recent calendar year. Bank records and discussions with management indicate that the lending focus and product mix remained consistent throughout the evaluation period.

Examiners reviewed and presented the most recent full calendar year, 2023, of small business loan data. In 2023, the small business loan universe was 144 loans totaling \$29.6 million. Bank

management indicated that the data analyzed from 2023 was representative of the entire review period. The entire universe was analyzed for the Assessment Area Concentration and Geographic Distribution criterion and a sample of 47 loans totaling \$10.7 million was reviewed for the Borrower Profile criterion, as the bank does not collect or report gross annual revenue data. For comparison purposes, 2023 D&B data was used.

The bank is subject to the data collection and recording provisions of the Home Mortgage Disclosure Act (HMDA). Therefore, all full calendar years of home mortgage loans since the previous evaluation will be analyzed. Data from 2023 will be presented along with any anomalies in the data for the other years reviewed. Based on bank records, the bank originated or purchased 142 home mortgage loans totaling \$58.4 million in 2023, 165 home mortgage loans totaling \$67.2 million in 2022, and 172 home mortgage loans totaling \$82.8 million in 2021. The entire universe of home mortgage loans was analyzed since the bank collects and reports the data. The 2020 U.S. Census data provides a standard of comparison for the home mortgage loan performance in 2022 through 2023, while the 2015 ACS data provides a standard of comparison for the performance in 2021.

Examiners reviewed the number and dollar volume of the bank's loans. The tables presented in the evaluation represent both the number and dollar volume of loans. However, examiners emphasize performance by number of loans, as the number of loans is a better indicator of the number of businesses and individuals served as small businesses and low- and moderate-income individuals tend to borrow in smaller dollar amounts.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services provided by the bank since the previous evaluation. Additionally, any qualified investments that were purchased prior to, but still outstanding as of this evaluation date, were considered in the evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, Prime Meridian Bank demonstrated Satisfactory performance under the Lending Test. This rating is supported by a majority of loan made within the assessment areas, reasonable loan-to-deposit ratio, and reasonable geographic distribution of loans. However, the penetration of lending among individuals of different income levels and businesses of different sizes was poor. Lastly, no CRA-related complaints were received since the previous evaluation.

Loan-to-Deposit Ratio

Prime Meridian Bank's net loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and assessment areas' credit needs. The institution's net loan-to-deposit ratio, calculated from Call Report data, averaged 78.8 percent over the past 12 calendar quarters from September 30, 2021 to June 30, 2024. The net loan-to-deposit ratio ranged from a low of 62.2 percent, as of March 31, 2022, to a high of 89.0 percent as of March 31, 2024. Since the previous evaluation, the average net loan-to-deposit ratio has increased slightly from 78.0 percent and has fluctuated with no

consistent trend noted.

Similarly situated institutions are chosen based on asset size, geographic location, and/or lending focus. The analysis compared the banks' average net loan-to-deposit ratio during the same 12 calendar quarters. Prime Meridian Bank's net loan-to-deposit ratio is reasonable in comparison to three similarly situated institutions. The following table presents the average net loan-to-deposit ratio for Prime Meridian Bank as well as the similarly situated institutions.

Average Net Loan-to-Deposit (LTD) Ratio Comparison		
Bank Name and Location	Total Assets as of June 30, 2024 (\$000s)	Average Net LTD Ratio (%)
Prime Meridian Bank, Tallahassee, FL	893,283	78.8
SSI #1	865,954	42.1
SSI #2	913,975	82.3
SSI #3	1,218,124	91.3
<i>Source: Call Report 9/30/2021 to 6/30/2024</i>		

Assessment Area Concentration

Overall, a majority of loans by dollar volume and number were originated in the assessment areas. Refer to the following table for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	124	72.1	48	27.9	172	49,459	59.7	33,354	40.3	82,813
2022	119	72.1	46	27.9	165	41,989	62.5	25,175	37.5	67,164
2023	102	71.8	40	28.2	142	34,836	59.6	23,603	40.4	58,439
Subtotal	345	72.0	134	28.0	479	126,284	60.6	82,132	39.4	208,416
Small Business										
2023	112	77.8	32	22.2	144	20,707	70.0	8,872	30.0	29,579
Subtotal	112	77.8	32	22.2	144	20,707	70.0	8,872	30.0	29,579
Total	457	73.4	166	26.6	623	146,991	61.8	91,004	38.2	237,995
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable penetration throughout the assessment areas. The geographic distribution of lending is reasonable in the Tallahassee MSA. Given the limited number of loans originated within the Lakeland MSA assessment area, meaningful

conclusions could not be derived. The Tallahassee MSA assessment area lending performance influenced the overall conclusion, as the bank has most of its branches, lending, and deposits within this assessment area. Refer to the Geographic Distribution section of each assessment area for further details.

Borrower Profile

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes throughout the assessment areas. The Tallahassee MSA assessment area lending performance influenced the overall conclusion, as the bank has most of its branches, lending, and deposits within this assessment area. Refer to the Borrower Profile section of each assessment area for further details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates adequate responsiveness to community development needs in the assessment areas. The bank met these needs through community development loans, qualified investments, and community development services. Examiners consider the bank's capacity and the need and availability of such opportunities for community development in a bank's assessment areas.

Community Development Loans

Overall, Prime Meridian Bank originated 16 community development loans totaling \$9.9 million during the evaluation period, as detailed in the following table. The dollar amount of community development loans equates to 1.2 percent of average total assets and 1.7 percent of average total loans, as of June 30, 2024.

The following table details the bank's community development lending by activity year. All of the bank's community development loans were made in the Tallahassee MSA; therefore, the bank's performance in making community development loans is primarily based on its activity within the Tallahassee MSA. Please refer to the Community Development Test section of each assessment area for additional details on community development lending.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	-	-	1	100	-	-	-	-	1	100
2022	1	500	1	150	2	428	-	-	4	1,078
2023	-	-	2	430	2	644	2	5,472	6	6,546
2024 (YTD)	-	-	1	250	4	1,974	-	-	5	2,224
Total	1	500	5	930	8	3,046	2	5,472	16	9,948
<i>Source: Bank Records</i>										

Qualified Investments

Overall, Prime Meridian Bank made 64 qualified investments and donations totaling approximately \$1.7 million. Qualified investments and donations included one investment for \$1.4 million and 63 donations totaling approximately \$294,000. This dollar amount represents 0.2 percent of average total assets and 1.4 percent of average total securities since the previous evaluation.

The following table shows the bank’s donation totals by assessment area. As noted, all but three donations totaling less than \$1,000, were in the Tallahassee MSA; therefore, the bank’s performance in making qualified investments is primarily based on its activity within the Tallahassee MSA. Please refer to the Community Development Test section of each assessment area for additional details on qualified investments.

Qualified Donations by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Tallahassee MSA	5	16	50	259	3	4	2	15	60	294
Lakeland MSA	2	<1	1	<1	-	-	-	-	3	<1
Total	7	16	51	259	3	4	2	15	63	294
<i>Source: Bank Data</i>										

Community Development Services

Overall, Prime Meridian Bank provided 27 community development services to 8 organizations throughout the assessment areas. The performance is similar to the last evaluation where the bank had 30 services. Directors, officers, and employees provided financial services and technical assistance to organizations with a community development mission. The table on the following page provides a list of community service totals by activity year. All of the bank’s community development services were in the Tallahassee MSA; therefore, the bank’s performance in providing community development services is primarily based on its activity within the Tallahassee MSA. Please refer to the Community Development Test section within each assessment area for further details on community development services.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	1	3	1	-	5
2022	3	5	2	-	10
2023	1	4	2	-	7
2024 (YTD)	1	2	2	-	5
Total	6	14	7	-	27
<i>Source: Bank Records</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

TALLAHASSEE MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TALLAHASSEE MSA

Prime Meridian Bank delineated the Tallahassee MSA as an assessment area. There are four counties (Gadsden, Jefferson, Leon, and Wakulla) in the Tallahassee MSA. The bank operates its main office and two branch offices in this assessment area, which accounts for 75.0 percent of banking locations. The assessment area also accounts for 86.8 percent of loans by dollar volume and 95.7 percent of bank-wide deposits.

Due to the release of 2020 census data, the assessment area structure and demographics changed since the previous evaluation. The previous 2015 American Community Survey (ACS) data covered lending analyzed prior to 2022, while the current 2020 census information covers lending analyzed since 2022. Demographic information, including population and housing characteristics, were also updated. This update resulted in a change in the number of census tracts in the bank's assessment area from 86 to 104. The percentage of low-income census tracts decreased slightly from 16.3 percent at the previous evaluation to 13.5 percent at the current evaluation. Moderate-income census tracts also decreased slightly from 24.4 percent to 21.2 percent, limiting the bank’s ability to lend in these census tracts. The percentage of businesses, families, and households in low- and moderate-income census tracts remained similar to the previous evaluation and the percentage of small businesses increased slightly.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Tallahassee MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	104	13.5	21.2	32.7	26.0	6.7
Population by Geography	384,298	12.4	20.5	35.5	27.1	4.6
Housing Units by Geography	172,558	13.4	22.1	37.9	24.8	1.8
Owner-Occupied Units by Geography	87,763	4.4	17.1	40.5	38.0	0.0
Occupied Rental Units by Geography	63,099	23.6	27.9	33.6	11.0	3.9
Vacant Units by Geography	21,696	19.9	25.3	40.1	11.5	3.2
Businesses by Geography	75,064	8.0	17.7	42.6	29.9	1.8
Farms by Geography	2,379	4.7	18.3	46.6	30.0	0.4
Family Distribution by Income Level	85,387	22.2	16.7	19.9	41.2	0.0
Household Distribution by Income Level	150,862	25.1	15.8	16.9	42.2	0.0
Median Family Income MSA - 45220 Tallahassee, FL MSA		\$72,943	Median Housing Value			\$172,008
			Median Gross Rent			\$993
			Families Below Poverty Level			10.2%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the Federal Financial Institution Examination Council’s (FFIEC’s) updated median family income (MFI) figures to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects the low-, moderate-, middle-, and upper-income MFI categories in the Tallahassee, FL MSA for 2023, 2022, and 2021.

Tallahassee, FL MSA Median Family Income 45220)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$91,700)	<\$45,850	\$45,850 to <\$73,360	\$73,360 to <\$110,040	≥\$110,040
2022 (\$81,400)	<\$40,700	\$40,700 to <\$65,120	\$65,120 to <\$97,680	≥\$97,680
2021 (\$75,900)	<\$37,950	\$37,950 to <\$60,720	\$60,720 to <\$91,080	≥\$91,080
<i>Source: FFIEC</i>				

According to 2023 D&B data, there were 75,064 businesses in the assessment area. The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. The following reflects GARs for these businesses: 91.9 percent had \$1.0 million or less, 1.7 percent had more than \$1.0 million, and 6.4 percent had unknown revenues.

Service industries represent the largest sector of businesses in the assessment area at 37.1 percent followed by retail trade at 9.0 percent; and finance, insurance, and real estate at 8.8 percent. According to the Tallahassee-Leon County Office of Economic Vitality and the City of Tallahassee, major employers in the Tallahassee MSA include Florida State University, Tallahassee Memorial, Florida A&M University, Tallahassee Community College, and Capital Regional Medical Center.

Data obtained from the U.S. Bureau of Labor Statistics indicates the unemployment rate changed during the evaluation period. As illustrated in the following table, the unemployment rate in the United States; Florida; and Gadsden, Jefferson, Leon, and Wakulla Counties generally decreased from 2021 through 2023, but increased in 2024. Gadsden County’s unemployment rate was generally above the state and national rates; Jefferson and Leon Counties’ unemployment rate has been above the state rate since 2022 but was below the national rate; and Wakulla County’s unemployment rate was below the state and national rates throughout the evaluation period.

Unemployment Rates				
Area	2021	2022	2023	2024 (August)
	%	%	%	%
Gadsden County	5.7	4.1	3.9	4.0
Jefferson County	4.4	3.4	3.2	3.6
Leon County	4.3	3.1	3.1	3.6
Wakulla County	3.3	2.6	2.7	2.9
Florida	4.7	3.0	2.9	3.3
National	5.4	3.6	3.6	4.2
<i>Source: Bureau of Labor Statistics</i>				

Competition

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, Prime Meridian Bank competes with local banks, credit unions, and finance companies, which are not included in the market share data. According to the FDIC’s June 30, 2024, Deposit Market Share data, 19 FDIC-insured financial institutions are located in the assessment area, with a total of 72 offices. Ranked by deposits, Prime Meridian Bank ranks 6th with 8.0 percent of the deposit market share. The top three banks in this market are Capital City Bank with a 17.0 percent deposit market share; Wells Fargo Bank, National Association with a 15.0 percent deposit market share; and Bank of America, National Association with a 13.0 percent market share.

Community Contacts

As part of the CRA evaluation process, examiners typically contact community organizations, or utilize existing community contacts, to gain insight regarding the credit needs and economic conditions of an assessment area. For this evaluation, examiners reviewed two recently conducted community contacts. One contact noted that student housing for Florida State University is taking over many previously low- and moderate-income communities and there is an insufficient level of affordable housing in the area. Another contact noted a need for affordable housing and brick and mortar banks to provide banking services to low- and moderate-income individuals without access to the internet. The contact also noted a need for small dollar loans for small businesses.

Credit and Community Development Needs and Opportunities

Based on demographic and economic data, some conclusions regarding the credit and community needs of the assessment area can be derived. First, small business loans are needed since a significant percentage of businesses have GARs of \$1.0 million or less, at 91.9 percent. This was also noted by a community contact. The high percentage of low- and moderate-income families, at 38.9 percent, and community contact comments indicate a need for affordable housing. Further, given the high level of low- and moderate-income families, opportunities for providing community services are present within the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TALLAHASSEE MSA

LENDING TEST

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

Geographic Distribution

The geographic distribution of the home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Only loans extended within the bank’s assessment area are considered for this performance category.

Home Mortgage Loans

The geographic distribution of the home mortgage loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, lending in low-income census tracts slightly exceeds the percentage of owner-occupied housing units in those tracts and is equivalent to aggregate performance. Lending in moderate-income census tracts is in line with both, the percentage of owner-occupied housing units in those tracts and aggregate performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.4	5.4	5	5.4	1,273	4.1
Moderate	17.1	15.6	15	16.1	2,213	7.1
Middle	40.5	46.0	32	34.4	9,183	29.6
Upper	38.0	32.8	38	40.9	17,724	57.1
Not Available	0.0	0.3	3	3.2	664	2.1
Totals	100.0	100.0	93	100.0	31,057	100.0

Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%.

Small Business Loans

The geographic distribution of the small business loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, lending in low-income and moderate-income census tracts is below the percentage of businesses in those tracts. However, given the level of competition within the assessment area, lending performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	8.0	6	5.5	2,049	10.0
Moderate	17.7	12	11.0	1,897	9.3
Middle	42.6	43	39.5	9,209	45.1
Upper	29.9	47	43.1	7,198	35.2
Not Available	1.8	1	0.9	80	0.4
Totals	100.0	109	100.0	20,433	100.0

Source: 2023 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of loans reflects, given the demographics of the assessment area, poor penetration among individuals of different income levels and businesses of different sizes.

Home Mortgage Loans

The distribution of borrowers reflects poor penetration among individuals of different income levels. As illustrated in the following table, the bank originated no home mortgage loans to low-income borrowers. Further, lending to moderate-income borrowers is below the percentage families that are moderate-income and aggregate performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.2	6.3	0	0.0	0	0.0
Moderate	16.7	19.2	11	11.8	1,861	6.0
Middle	19.9	20.1	14	15.1	3,110	10.0
Upper	41.2	29.2	60	64.5	24,503	78.9
Not Available	0.0	25.2	8	8.6	1,583	5.1
Totals	100.0	100.0	93	100.0	31,057	100.0

Source: 2020 U.S. Census; Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different sizes. As shown in the following table, lending to businesses with gross annual revenues of \$1.0 million or less is below the percentage of small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	91.9	17	44.7	2,224	28.9
>\$1,000,000	1.7	16	42.1	4,278	55.5
Revenue Not Available	6.4	5	13.2	1,202	15.6
Totals	100.0	38	100.0	7,704	100.0

*Source: 2023 D&B Data; Bank Data; "-" data not available.
Due to rounding, totals may not equal 100.0%.*

COMMUNITY DEVELOPMENT TEST

Community development performance in the Tallahassee MSA assessment area demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

The bank originated 16 community development loans totaling \$9.9 million in the Tallahassee MSA. Examples of community development loans follow.

- In 2023, the bank originated a loan for \$4.8 million to purchase a shopping center in a moderate-income census tract. The loan allows the borrower to continue to operate an anchor business, a grocery store, that provides low-cost food to area families.
- In 2024, the bank originated two loans totaling \$1.4 million to a local daycare to fund expansion. The loan was made through the SBA's 504 Certified Development Company loan program.
- In 2023, the bank made a loan for \$672,425 to fund improvements to a restaurant in a low-income census tract. The loan was made to a business that also received a grant as part of a city plan to redevelop the low-income area.

Qualified Investments

Qualified investments totaled \$1.7 million and represent almost all bank-wide qualified investments. The bank made 60 donations totaling approximately \$294,000. Of the donations, most benefitted community services, followed by affordable housing, revitalization and stabilization, and economic development. The following table illustrates the bank's qualified community development investments in this assessment area by year and purpose.

Qualified Investments and Donations by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	-	-	-	-	-	-	-	-	-	-
2022	1	3	16	101	1	1	1	8	19	113
2023	3	9	18	90	2	2	1	8	24	109
2024 (YTD)	1	4	16	68	-	-	-	-	17	72
Total	5	16	50	259	3	3	2	16	60	294

Source: Bank Records

The following are notable examples of the bank’s qualified investment activities in the assessment area.

- In 2024, the bank made its only investment totaling approximately \$1.4 million through the Federal Home Loan Mortgage Corporation. The investment provided financing for a multifamily affordable housing development in the Tallahassee MSA.
- In 2022 through 2024, the bank made three donations totaling approximately \$101,000 to an organization that provides low- and moderate-income children with mentoring services.
- In 2022 through 2023, the bank made two donations totaling \$24,000 to an organization that provides life skills and job training to low- and moderate-income youth through partnerships with other community organizations and schools.

Community Development Services

Prime Meridian Bank personnel provided 27 community development services to 8 organizations in the Tallahassee MSA. The activities supported affordable housing and community services for low- and moderate-income individuals and families, as well as economic development for small businesses. Examples of the community development services include:

- In 2021 through 2022, an employee served on the Board of Directors of an organization that works to improve the ability of low- and moderate-income individuals in retaining affordable housing through creating housing, providing education, and providing access to affordable financing. Another employee served on the Advisory Board of the organization in 2022.
- In 2021 through 2024, an employee served on the Board of Directors of an organization that provides mentoring services for low- and moderate-income youths. Another employee served on the Board of Directors of the organization in 2022 through 2024.
- In 2022 through 2024, an employee served as the Director of Financial Empowerment and BankOn Tallahassee Program Expert for an organization that provides economic development, education, and advocacy services to small businesses in the assessment area.

LAKELAND MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LAKELAND MSA ASSESSMENT AREA

Prime Meridian Bank delineated a portion of Polk County, which is part of the Lakeland MSA, as the assessment area. The delineated assessment area includes 79 of the 174 census tracts that make up Polk County. The assessment area includes all census tracts within 10 miles of the bank’s branch and does not arbitrarily exclude low- or moderate-income census tracts. The bank operates one branch office in this assessment area, which accounts for 25.0 percent of banking locations. The assessment area also accounts for 13.2 percent of loans by dollar volume and 4.3 percent of bank-wide deposits.

Due to the release of 2020 census data, the assessment area structure and demographics changed since the previous evaluation. This update along with the bank’s slight changes to the assessment area resulted in a change in the number of census tracts in the assessment area from 52 to 79. The percentage of low-income census tracts decreased. Specifically, at the previous evaluation, 7.7 percent of the census tracts were low-income; however, there are no longer any low-income census tracts in the assessment area. The percentage of moderate-income census tracts remained similar to the previous evaluation. The percentage of businesses, families, and households in low- and moderate-income census tracts decreased slightly since the previous evaluation and the percentage of small businesses increased slightly.

Economic and Demographic Data

The table on the following page illustrates select demographic characteristics of the assessment area.

Demographic Information of the Lakeland Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	0.0	25.3	38.0	35.4	1.3
Population by Geography	318,696	0.0	22.3	40.5	36.7	0.5
Housing Units by Geography	130,126	0.0	23.0	40.8	35.7	0.6
Owner-Occupied Units by Geography	73,987	0.0	17.5	38.6	43.7	0.2
Occupied Rental Units by Geography	36,510	0.0	32.4	43.9	22.5	1.3
Vacant Units by Geography	19,629	0.0	26.5	43.1	29.9	0.5
Businesses by Geography	51,502	0.0	23.7	35.8	40.0	0.4
Farms by Geography	1,777	0.0	20.7	40.0	38.9	0.3
Family Distribution by Income Level	74,566	18.1	17.3	19.9	44.6	0.0
Household Distribution by Income Level	110,497	21.1	17.0	18.0	43.9	0.0
			Median Gross Rent			\$1,036
			Families Below Poverty Level			11.0%
Median Family Income MSA - 29460 Lakeland-Winter Haven, FL MSA		\$59,623	Median Housing Value			\$150,883
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The following table reflects the low-, moderate-, middle-, and upper-income MFI categories in the Lakeland MSA for 2023, 2022, and 2021.

Lakeland-Winter Haven MSA Median Family Income (29460)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$74,300)	<\$37,150	\$37,150 to <\$59,440	\$59,440 to <\$89,160	≥\$89,160
2022 (\$67,500)	<\$33,750	\$33,750 to <\$54,000	\$54,000 to <\$81,000	≥\$81,000
2021 (\$62,100)	<\$31,050	\$31,050 to <\$49,680	\$49,680 to <\$74,520	≥\$74,520
<i>Source: FFIEC</i>				

According to 2023 D&B data, there were 51,502 businesses in the assessment area. The following reflects GARs for these businesses: 91.9 percent had \$1.0 million or less, 1.9 percent had more than \$1.0 million, and 6.2 percent had unknown revenues. Service industries represent the largest sector of businesses in the assessment area at 34.9 percent followed by retail trade at 9.3 percent and finance, insurance, and real estate at 8.4 percent. According to the Central Florida Development Council, major employers in the Lakeland MSA include Publix Supermarkets Inc., Lakeland Regional Medical Center, Walmart, Amazon Air Hub and Distribution, and GEICO.

Data obtained from the U.S. Bureau of Labor Statistics indicates the unemployment rate changed during the evaluation period. As illustrated in the following table, the unemployment rate in the United States, Florida, and Polk County decreased from 2021 until 2023, but then increased in

2024. Polk County’s unemployment rate was above the state rates and similar to the national rates throughout the evaluation period.

Unemployment Rates				
Area	2021	2022	2023	2024 (August)
	%	%	%	%
Polk County	5.5	3.6	3.6	4.2
Florida	4.7	3.0	2.9	3.3
National	5.4	3.6	3.6	4.2
<i>Source: Bureau of Labor Statistics</i>				

Competition

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, Prime Meridian Bank competes with local banks, credit unions, and finance companies, which are not included in the market share data below. According to the FDIC’s June 30, 2024, Deposit Market Share data, 16 FDIC-insured financial institutions are located in Polk County, with a total of 79 offices. Ranked by deposits, Prime Meridian Bank ranks 15th with 0.3 percent of the deposit market share. The top three banks in this market are SouthState Bank, National Association with a 28.4 percent deposit market share; Truist Bank with a 17.1 percent deposit market share; and Wells Fargo Bank, National Association with a 12.2 percent deposit market share.

Credit and Community Development Needs and Opportunities

Based on demographic and economic data, some conclusions regarding the credit needs of the assessment area can be derived. Small business loans are needed in this assessment area since a significant percentage of businesses have GARs of \$1.0 million or less, at 91.9 percent. The high percentage of low- and moderate-income families, at 35.4 percent, indicates a need for affordable housing. The level of low- and moderate-income families indicates an opportunity for community services for these individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LAKELAND MSA ASSESSMENT AREA

LENDING TEST

The bank originated a limited number of loans within this assessment area; therefore, meaningful conclusions could not be derived in relation to Geographic Distribution and Borrower Profile.

Geographic Distribution

Given the limited number of loans originated within this assessment areas, meaningful conclusions could not be derived.

Home Mortgage Loans

Given the low volume of home mortgage lending in this assessment area, at nine loans totaling approximately \$3.8 million, meaningful conclusions could not be drawn. For informational purposes, the bank originated one loan totaling \$75,000 in a moderate-income census tract.

Small Business Loans

Given the low volume of small business lending in this assessment area, at only three loans totaling \$274,000 in 2023, meaningful conclusions could not be drawn. However, for informational purposes, the bank originated no small business loans in moderate-income census tracts in 2023.

Borrower Profile

Given the limited number of loans originated within this assessment area, meaningful conclusions could not be derived.

Home Mortgage Loans

Given the low volume of home mortgage lending in this assessment area, at nine loans totaling approximately \$3.8 million, meaningful conclusions could not be drawn. For informational purposes, the bank originated one loan totaling \$205,000 to a moderate-income individual.

Small Business Loans

Given the low volume of small business lending in this assessment area, meaningful conclusions could not be drawn. However, for informational purposes, of the sampled loans, the bank originated one small business loan totaling \$75,000 in this assessment area, which was to a business with gross annual revenues of less than \$1 million.

COMMUNITY DEVELOPMENT TEST

Community development performance in the Lakeland MSA assessment area demonstrates poor responsiveness to community development needs through community development loans, qualified investments, and community development services considering the bank's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

The bank originated no community development loans in this assessment area.

Qualified Investments

The three donations in this assessment area, totaling \$602, represent less than 1 percent of bank-wide qualified investments by dollar. Of the donations, \$402 benefitted affordable housing and \$200 benefitted community services for low- and moderate-income individuals. The donations

assisted in providing housing to low- and moderate-income seniors and services for homeless individuals in the assessment area.

Community Development Services

The bank originated no community development services in this assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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