

Blue Grass Savings Bank

Community Reinvestment Act Public File 2024

Blue Grass Savings Bank
104 E Mayne Street
Blue Grass, IA 52726
www.bluegrassbank.com

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1. Community Reinvestment Act Notice

Community Reinvestment Act Notice

Under the Federal Community Reinvestment Act (CRA), the Federal Reserve Board evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The Board also takes this record into account when deciding on certain applications submitted by us. Your involvement is encouraged.

You are entitled to certain information about our operation and our performance under the CRA. You may review today the public section of our most recent CRA evaluation, prepared by the Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604, and a list of services provided at this branch. You may also have access to the following additional information, which we will make available to you at this branch within five calendar days after you make a request to us: (1) a map showing the assessment area containing this branch, which is the area in which the Board evaluates our CRA performance in this community; (2) information about our branches in this assessment area; (3) a list of services we provide at those locations; (4) data on our lending performance in this assessment area; and (5) copies of all written comments received by us that specifically relate to our CRA performance in this assessment area, and any responses we have made to those comments. If we are operating under an approved strategic plan, you may also have access to a copy of the plan.

At least 30 days before the beginning of each quarter, the Federal Reserve System publishes a list of the banks that are scheduled for CRA examination by the Reserve Bank in that quarter. This list is available from the Officer in Charge of Supervision, Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604. You may send written comments about our performance in helping meet community credit needs to Wayne Beck, President, 104 E Mayne Street PO Box 248 Blue Grass, IA 52726 and the Officer in Charge of Supervision, Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604. Your letter, together with any response by us, will be considered by the Federal Reserve System in evaluating our CRA performance and may be made public.

www.fdic.gov/regulations/cra

You may ask to look at any comments received by the Reserve Bank. You may also request from the Reserve Bank an announcement of our applications covered by the CRA filed with the Reserve Bank. We are an affiliate of Vogel Bancshares, Inc., a bank holding company. You may request from the Officer in Charge of Supervision, Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604 an announcement of applications covered by the CRA filed by bank holding companies.

2. 2023 FFIEC Census Report – Summary Demographic Information for CRA Area

State Code	County Code	Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2023 FFIEC Est MSA/MD non-MSA/MD Median Family Income	2023 Est Median Family Income	2020 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1 to 4 Family Units
19	139	0501.00	Middle	No	119.17	\$86,300	\$102,844	\$85,525	3586	8.56	307	1313	1615
19	163	0104.01	Middle	No	112.40	\$88,400	\$99,362	\$86,444	5324	7.49	399	2054	2515
19	163	0104.02	Upper	No	160.63	\$88,400	\$141,977	\$123,528	3153	7.61	240	1289	1422
19	163	0124.00	Middle	No	116.00	\$88,400	\$102,544	\$89,211	1281	14.36	184	472	630
19	163	0125.02	Middle	No	85.65	\$88,400	\$75,715	\$65,870	4079	24.96	1018	1121	1342
19	163	0125.01	Moderate	No	65.12	\$88,400	\$60,218	\$52,388	4089	30.96	1266	1201	1631
19	163	0126.01	Middle	No	84.84	\$88,400	\$74,999	\$65,246	5484	29.63	1625	1487	1802
19	163	0126.02	Middle	No	89.58	\$88,400	\$79,189	\$68,889	4202	34.96	1469	1035	1615
19	163	0127.01	Middle	No	104.22	\$88,400	\$92,130	\$80,152	3083	28.45	877	914	1107
19	163	0127.02	Middle	No	98.65	\$88,400	\$87,207	\$75,865	3335	18.29	610	886	1066
19	163	0118.00	Middle	No	98.50	\$88,400	\$87,074	\$75,750	2306	18.65	430	737	1016
19	163	0119.00	Moderate	No	77.61	\$88,400	\$68,607	\$59,668	2638	21.49	567	747	1091
19	163	0120.00	Middle	No	106.29	\$88,400	\$93,960	\$81,742	3527	23.31	822	1080	1388
19	163	0113.00	Middle	No	86.29	\$88,400	\$76,280	\$66,364	4025	35.40	1425	513	1028
19	163	0112.00	Moderate	No	66.26	\$88,400	\$58,574	\$50,958	2228	41.79	931	424	872
19	163	0111.00	Moderate	No	64.68	\$88,400	\$57,177	\$49,745	3215	20.68	665	803	1333
19	163	0121.00	Moderate	No	75.02	\$88,400	\$66,318	\$57,697	3482	22.86	796	1057	1379
19	163	0107.00	Moderate	No	52.14	\$88,400	\$46,092	\$40,102	1320	56.82	750	221	624
19	163	0108.00	Moderate	No	52.82	\$88,400	\$46,693	\$40,625	2871	47.89	1375	457	952
19	163	0109.00	Unknown	No	0.00	\$88,400	\$0.00	\$0.00	1912	39.33	752	74	389
19	163	0110.00	Moderate	No	51.03	\$88,400	\$45,111	\$39,250	2545	33.52	853	800	1145
19	163	0122.00	Moderate	No	66.98	\$88,400	\$59,210	\$51,513	2073	26.44	548	594	1006
19	163	0123.00	Moderate	No	63.64	\$88,400	\$56,248	\$48,947	1546	18.37	284	465	695

3. Assessment Area Description of Boundaries and Map Scott County and Muscatine County

Community Reinvestment Act

Census Tract Map Description Of Boundaries

Scope

The purpose of the Community Reinvestment Act (CRA) and its implementing regulations is to encourage financial institutions to help meet the credit needs of the local communities in which we are chartered, consistent with the safe and sound operation of the institution.

Each financial institution is required to delineate one or more assessment areas. The assessment area is the geographic area within which one's institution's CRA performance is evaluated. The geographic assessment area must:

1. Consist generally of one or more MSAs or one or more contiguous political subdivisions, such as counties, cities, or towns; and
2. Include the geographies in which the institution has its main office, its branches, and its deposit-taking ATMs, as well as surrounding geographies in which the institution has originated or purchased a substantial portion of its loans.

An institution may adjust the boundary of its assessment area to include only the portion of a political subdivision that it reasonably can expect to serve. Each institution's assessment area:

1. Must consist only of whole geographies;
2. May not reflect illegal discrimination;
3. May not arbitrarily exclude low or moderate income geographies, taking into account the institution's size and financial condition; and
4. May not extend substantially beyond an MSA boundary or beyond a state boundary unless the assessment area is located in a multi-state MSA. If an institution serves a geographic area that extends substantially beyond a state boundary, the institution must delineate separate assessment areas for the areas in each state. If an institution serves a geographic area that extends substantially beyond an MSA boundary, the institution must delineate separate assessment areas for the areas inside and outside the MSA.

Description of Blue Grass Savings Bank's Assessment Area

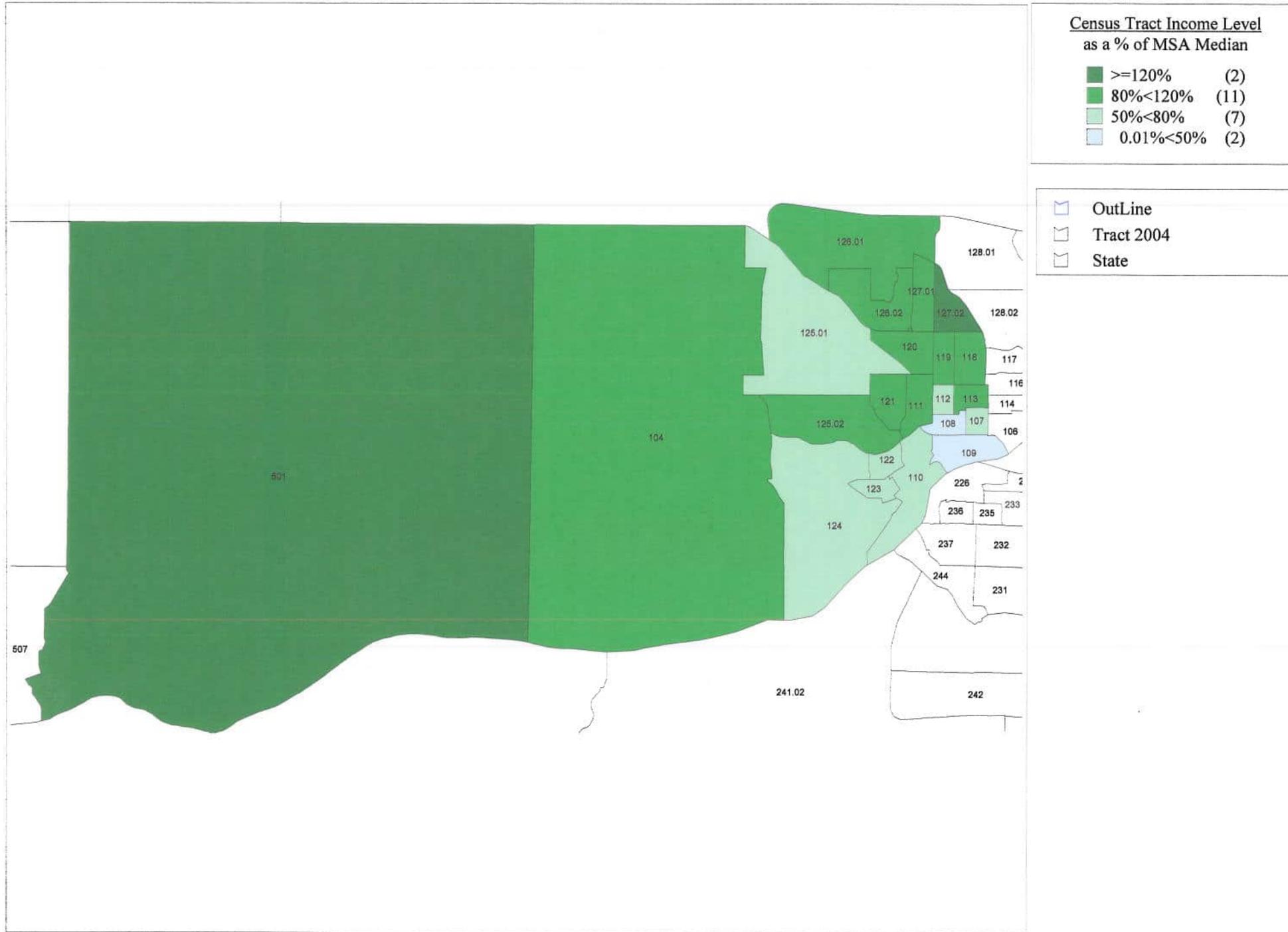
Blue Grass Savings Bank's assessment area consists of census tracts in the state of Iowa of which are in both Scott and Muscatine counties. The census tract numbers are:

Scott County:	104.01	104.02	107	108	109
	110	111	112	113	118
	119	120	121	122	123
	124	125.01	125.02	126.01	126.02
	127.01	127.02			

Muscatine County: 501

The boundaries extend as follows by streets and land marks: Starting in the Northwest corner of our assessment area, at the intersection of Taylor Ave and E Division Rd in the western part of Wilton, IA; extending due East (even with E Division Rd); running along the southern border of Norton Nature Area; then the southern portion of Durant, IA; meeting up with and continuing East along 200th St just outside of Durant, IA; running further East through the northern portion of Walcott, IA; turning Southeast where 200th St becomes Kimberly Rd just west of HWY 280; turning North at the intersection of Kimberly and HWY 280; follows HWY 280 North and curves East with HWY 280 and becomes HWY 80 running East; following HWY 80 East; turning South at the intersection of HWY 80 and N Division St in northwest Davenport, IA; following N Division St South; turning Southeast at the intersection of N Division St and Northwest Blvd; following Northwest Blvd southeast; Northwest Blvd turns into N Harrison St; following N Harrison St South; turning East at the intersection of N Harrison St and W Lombard St; turning South at the intersection of W Lombard St and N Main St; following N Main St South; turning East at the junction of N Main St and the railroad tracks (just South of W 5th St); following the railroad tracks East/Southeast; turning West/Southwest at the Iowa/Illinois border (Mississippi River); following the Iowa border South/Southwest past Davenport, Buffalo, and into Muscatine; turning North at the junction of the Mississippi River and Lock and Dam #16; head to the intersection of RT 22 and University Dr; turning East/Northeast on RT 22; turning North at the intersection of RT 22 and Solomon Ave; following Solomon Ave North; turning Northeast at the intersection of Solomon Ave and HWY 61; following HWY 61 Northeast; turning North at the intersection of HWY 61 and Taylor Ave; following Taylor Ave North back to our point of origin.

Blue Grass Savings Bank Assessment Area



4. Community Reinvestment Act Performance Evaluation –
July 2, 2018

PUBLIC DISCLOSURE

July 2, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Blue Grass Savings Bank
Certificate Number: 13753

104 East Mayne Street
Blue Grass, Iowa 52726

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

Blue Grass Savings Bank's (BGSB's) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The Loan-to-Deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of its AA.
- BGSB granted a majority, by number, of its small business, home mortgage, and small farm loans within the AA.
- The geographic distribution of loans reflects overall reasonable dispersion throughout the AA.
- The distribution of borrowers reflects overall reasonable penetration of loans among businesses and farms of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 30, 2012, to the current evaluation dated July 2, 2018. Examiners used the Interagency Small Institution Examination Procedures to evaluate BGSB's CRA performance. This evaluation does not include any lending activity performed by affiliates. The Lending Test considered the following performance criteria:

- LTD ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Loan reviews were conducted to arrive at conclusions relating to the bank's lending performance. Examiners determined that BGSB's major product lines are small business, home mortgage, and small farm loans. This conclusion considered business strategy, the number and dollar volume of loans granted during the evaluation period, and a review of the bank's Consolidated Reports of Condition and Income (Call Reports). Examiners did not evaluate consumer loans due to the limited volume and small portion of the loan portfolio these loans represent.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period, including the product concentration. There has been an increase in total loan volume in agricultural, commercial, construction/land development, and residential real estate lending. Specifically, agricultural increased 55.3 percent, commercial increased 6.5 percent, and residential real estate increased 131.4 percent. These percentages are reflective of certain internal loan re-classifications conducted since the previous evaluation.

All home mortgage loans recorded on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) were reviewed. In addition, examiners reviewed a sample of small business and small farms loans originated between January 1, 2017, and December 31, 2017. These samples were considered representative of the bank's performance during the entire evaluation period.

For CRA evaluation purposes, small farm and small business loans are defined using the Call Report definitions. These definitions, as well as that for home mortgage loans, are detailed in the Glossary at the end of this document. The following table provides the number and dollar volume of the universe of loans and of the loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business	103	11,992	33	3,409
Home Mortgage	179	21,758	179	21,758
Small Farm	107	6,010	33	2,163

Sources: Bank Records from 1/1/2017 through 12/31/2017 for small farm and small business loans; 2016 and 2017 HMDA reported data for home mortgage loans.

Management reports that BGSB’s lending focus encompasses commercial, home mortgage, and agricultural credits, with no particular emphasis on one product over another. Considering loan portfolio percentages, lending activity, and management’s reported business strategies during the evaluation period, when drawing conclusions, examiners placed the most weight on small business, home mortgage, and then small farm loans, sequentially.

Examiners reviewed the number and dollar volume of small business, home mortgage, and small farm loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses, individuals, and farms served. To measure BGSB’s performance, examiners used 2010 U.S. Census Bureau data, 2015 American Community Survey (ACS) data, and 2017 D&B business and farm demographic data for comparison purposes. Specific to home mortgage lending, the 2010 U.S. Census data is applied to 2016 loan transactions, and the 2015 ACS data is applied to 2017 loan transactions. When arriving at conclusions related to home mortgage loans, examiners placed greater weight on the bank’s performance in comparison to aggregate data than demographic data.

DESCRIPTION OF INSTITUTION

Background

BGSB is a subsidiary of EMF Corporation, Woodway, Washington, a one-bank holding company. The institution is a commercial bank headquartered in Blue Grass, Iowa. BGSB received a “Satisfactory” rating at its July 30, 2012 FDIC Performance Evaluation based on Interagency Small Institution Examination Procedures.

Operations

The bank operates two full-service banking offices. The main office is located in upper-income Scott County census tract (CT) 104.01 in Blue Grass, Iowa. The bank opened a branch office in June 2017. This branch is located in middle-income Scott County CT 121 in Davenport, Iowa. An automated teller machine is located at each facility. The bank’s office locations are reasonably accessible to all segments of its AA. The bank has not closed any branches since the previous evaluation, and no merger or acquisition activities have occurred.

The bank offers various loan products including commercial, agricultural, home mortgage, and consumer loans. Government loan programs through the Small Business Administration are also offered; however, the bank has not extended any loans through this program since the prior

evaluation. A variety of deposit-related products are offered, including checking, savings, money market accounts, and certificates of deposit. Alternative services include Internet and electronic bill payment and statements.

Ability and Capacity

Assets totaled \$195,970,000 as of March 31, 2018, representing an increase of 5.4 percent since the September 30, 2012 Call Report. Total deposits equaled \$153,449,000, evidencing a 1.4 percent increase, and total loans equaled \$101,144,000, reflecting a 43.5 percent increase for the same period.

A review of the bank’s loan portfolio since the prior CRA evaluation reveals growth in agricultural, commercial, construction/land development, and residential real estate lending. The loan portfolio, as of March 31, 2018, is itemized by loan type in the following table.

Loan Portfolio Distribution as of 3/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	2,444	2.4
Secured by Farmland	12,963	12.8
1-4 Family Residential	30,300	30.0
Multi-family (5 or more) Residential	3,827	3.8
Commercial Real Estate	23,364	23.1
Total Real Estate Loans	72,898	72.1
Commercial and Industrial	16,465	16.3
Agricultural	7,390	7.3
Consumer	1,811	1.8
Other	2,580	2.5
Less: Unearned Income	(0)	(0.0)
Total Loans	101,144	100.0
<i>Source: 03/31/2018 Call Report</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. BGSB’s AA is contiguous and includes portions of Scott and Muscatine counties, both in eastern Iowa. Scott County is part of the Davenport-Moline-Rock Island, Iowa-Illinois Metropolitan Statistical Area (MSA). Muscatine County, adjacent to Scott County, is located just outside the MSA. Examiners concluded that the defined area does not extend substantially beyond the boundaries of the MSA, and is consistent with the designation of a single AA. The delineated area encompasses BGSB’s offices and remains unchanged since the prior evaluation.

Economic and Demographic Data

The AA is comprised of 23 geographies; 22 in Scott County and 1 in Muscatine County. The Scott County consists of the following CTs: 104.01, 104.02, 107-113, 118-124, 125.01, 125.02, 126.01, 126.02, 127.01, and 127.02. The Muscatine County geography consists of CT 501. According to 2015 ACS data, 1 CT is low income, 9 CTs are moderate income, 11 CTs are middle income, and 2 CTs are upper income. The LMI CTs are located in, and near, downtown Davenport, Iowa. The Muscatine County CT is an upper-income geography.

Some of the CT income designations changed between the 2000 U.S. Census and the 2010 U.S. Census; however, there were no changes between the 2010 U.S. Census and the 2015 ACS. Specifically, the 2000 U.S. Census (used at the last CRA evaluation) had classified the CTs as follows: 3 low income, 6 moderate income, 11 middle income, and 3 upper income. Also the number of CTs increased from 22 at the prior evaluation as the 2010 U.S. Census split 1CT into 2 separate tracts.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	23	4.3	39.1	47.8	8.7	0.0
Population by Geography	73,473	2.6	32.0	53.3	12.1	0.0
Housing Units by Geography	31,003	3.4	30.7	53.7	12.2	0.0
Owner-Occupied Units by Geography	19,932	0.4	26.5	57.0	16.1	0.0
Occupied Rental Units by Geography	8,678	8.7	37.0	50.6	3.7	0.0
Vacant Units by Geography	2,393	8.8	42.8	37.5	10.9	0.0
Businesses by Geography	3,638	16.9	23.1	45.9	14.1	0.0
Farms by Geography	205	1.0	7.3	39.0	52.7	0.0
Family Distribution by Income Level	18,147	23.3	19.6	23.0	34.1	0.0
Household Distribution by Income Level	28,610	25.9	16.5	20.2	37.4	0.0
Median Family Income- Davenport-Moline-Rock Island, Iowa-Illinois MSA		\$66,600	Median Housing Value			\$118,953
Median Family Income – Nonmetropolitan Iowa		\$61,934	Median Gross Rent			\$781
			Families Below Poverty Level			11.4%

Source: 2015 ACS and 2017 D&B Data; () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0*

According to 2017 D&B data, there were 3,638 businesses and 205 farms in the AA. Gross annual revenues (GARs) for these businesses and farms are listed below. The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by GAR level.

Businesses

- 81.7 percent reported GARs of \$1,000,000 or less.
- 6.3 percent reported GARs of more than \$1,000,000.
- 12.0 percent have unknown revenues.

Farms

- 96.1 percent reported GARs of \$1,000,000 or less.
- 2.0 percent reported GARs of more \$1,000,000.
- 1.9 percent have unknown revenues.

Further, according to 2017 D&B data, service industries represent the largest portion of businesses and farms at 42.5 percent, followed by retail trade (13.7); construction (9.1); and finance, insurance, and real estate (7.7). Additionally, 69.3 percent of AA businesses and farms have four or fewer employees, and 87.2 percent operate from a single location.

A comparison of 2007 and 2012 Census of Agriculture reports revealed that the number of Scott County farms decreased by 12.0 percent, while the average size of operations increased by 1.0 percent. Under the same measurement of comparison, in Muscatine County, the number of farms decreased 6.0 percent, while the average size of operations increased 3.0 percent. For the same period, the State of Iowa reported a 4.5 percent decrease in the number of farms and a 4.2 percent increase in the average size of farms.

The 2017 Federal Financial Institution Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table for the AA. Refer to the Glossary for definitions of the income designations used in this evaluation.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Davenport-Moline-Rock Island, Iowa-Illinois MSA Median Family Income				
2016 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
2017 (\$67,100)	<\$33,550	\$33,550 to <\$53,680	\$53,680 to <\$80,520	≥\$80,520
Nonmetropolitan Iowa Median Family Income				
2016 (\$63,300)	<\$31,650	\$31,650 to <\$50,640	\$50,640 to <\$75,960	≥\$75,960
2017 (\$63,900)	<\$31,950	\$31,950 to <\$51,120	\$51,120 to <\$76,680	≥\$76,680
<i>Source: FFIEC</i>				

Based upon 2015 ACS data, there are 31,003 housing units in the AA. Of these, 64.3 percent are owner-occupied, 28.0 percent are occupied rental units, and 7.7 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

According to information reported by Iowa Workforce Development, the unemployment rate in Scott County was 2.7 percent as of May 2018. Scott County showed a decrease in the unemployment rate in comparison to the unemployment rate of 3.5 percent reported in May 2017. Muscatine County's unemployment rate for the same time period was 2.5 percent, down from 3.1 percent in May 2017. The State of Iowa reported an overall unemployment rate of 2.7 percent in May 2018, which was a decrease from the 3.2 percent rate in May 2017.

Competition

The FDIC Deposit Market Share Report as of June 2017 reflects 14 FDIC-insured institutions operating from 19 locations within the bank's AA. These institutions range from small community banks to larger financial institutions operating branch locations in the area. BGSB ranks 3rd with 9.6 percent of deposit market share within this area. Agricultural financing competition also comes from non-bank entities with options for operating, machinery, and land loans. Overall, the AA is considered extremely competitive.

There is also a high level of competition for home mortgage loans in the AA among banks, credit unions, and non-depository mortgage lenders. Based on 2016 HMDA data, 161 lenders reported a total of 2,535 residential mortgage loans originated or purchased. BGSB ranked 22nd holding a 1.3 percent market share. The institutions with higher market shares include larger credit unions and banks.

Community Contact

As part of the evaluation process, examiners conducted an interview with a community contact with an individual that has expertise and knowledge about the AA to assist in identifying the area's credit needs. This information helps determine whether local financial institutions are responsive to area needs.

Examiners performed an interview with a government organization operating within BGSB's AA. The contact stated that programs to assist small businesses are a need in the AA. The contact reported that the majority of the business demographics in the area reflect manufacturing and services industries. The contact stated that local businesses report difficulties in obtaining financing, especially since the financial crisis. Businesses report there are too many requirements, and that many are seeking assistance from larger banks, oftentimes outside of the region for borrowing needs. The contact observed that there may be opportunities for education as many new and established businesses are unaware of various financial options available. The contact stated that businesses are seeking financial institutions to "partner" with them to accomplish goals and strengthen the local business community. The contact indicated that financial institutions appear to be meeting many of the credit needs in the area; however, the referenced outreach effort from local banks, and educational programs would be beneficial.

Based on information from the community contact, bank management, and demographic and economic data, examiners determined that commercial loans are a primary credit need for the AA, with an emphasis on smaller operations.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BGSB demonstrated reasonable performance under the Lending Test. As indicated under “Scope of Evaluation,” greater weight is given to small business, home mortgage, and small farm lending, sequentially. The following is a discussion of each performance criterion and how it supports the bank’s overall rating.

LTD Ratio

BGSB’s average net LTD ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The LTD ratio is also reasonable when compared to similarly-situated institutions. BGSB’s average net LTD ratio was compared to those of three similar institutions operating in or near the bank’s AA. These financial institutions were considered comparable due to similarities in business focus, resources, markets served, market conditions, and/or product mix. Information pertaining to this review appears in the next table; selected institutions are listed alphabetically by location of their main office.

LTD Ratio Comparison		
Bank	Total Assets as of 03/31/2018 \$(000s)	Average Net LTD Ratio (%)
Blue Grass Savings Bank, Blue Grass	195,970	58.4
Liberty Trust & Savings Bank, Durant	152,081	60.0
Community Bank and Trust Company, Muscatine	247,200	68.2
Walcott Trust & Savings Bank, Walcott	123,010	82.4
<i>Sources: 09/30/2012 through 03/31/2018 Call Reports</i>		

As demonstrated above, the bank’s average net LTD ratio is 58.4 percent, which compares reasonably to the listed similarly-situated institutions. BGSB’s average net LTD ratio was 45.4 percent at the July 2012 evaluation. As of March 31, 2018, BGSB’s net LTD ratio was 64.4 percent, one of the three highest ratios since the prior evaluation. The opening of the new branch office in Davenport enhances management’s efforts to expand the loan portfolio, and likely reflects positively on the LTD ratio. Overall, the bank’s average net LTD ratio compares reasonably to similarly-situated institutions in the AA when considering trends and performance context factors.

AA Concentration

Overall, a majority of loans are in the institution’s AA. Refer to the following table.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	20	60.6	13	39.4	33	1,810	53.1	1,599	46.9	3,409
Home Mortgage										
2016	32	47.8	35	52.2	67	3,864	46.6	4,433	53.4	8,297
2017	48	42.9	64	57.1	112	4,960	36.9	8,501	63.1	13,461
Subtotal	80	44.7	99	55.3	179	8,824	40.6	12,934	59.4	21,758
Small Farm	25	75.8	8	24.2	33	1,789	82.7	374	17.3	2,163

Source: 1/1/2017 - 12/31/2017 Bank Data; 2016 and 2017 HMDA LARs. Due to rounding, totals may not equal 100.0

As shown in the table, a majority of the sampled small business loans, by both number of loans and dollar amount, are inside the bank’s AA. This performance has improved since the prior evaluation when 41 percent by number and 38 percent by dollar amount of loans were originated or purchased within the AA. As previously mentioned, small business lending contributed more weight to overall conclusions compared to the other two products reviewed. The sampled small farm loans also had a majority originated within the AA. However, a majority of all home mortgage loans were originated or purchased outside of BGSB’s AA. Management stated that, along with the opening of the Davenport branch, the bank originates more loans primarily to the east of the AA. Examiners validated that several loans have been originated just outside the AA, including several in Illinois. Additionally, management stated that two lenders have been hired in recent years, both of which have increased the bank’s customer base with borrowers outside of the AA. As such, management stated that an evaluation of the defined AA will be conducted to ascertain if the current boundaries are commensurate with the bank’s current lending patterns.

Overall, the AA concentration is considered reasonable; however, it is understood that regulatory requirements state that the AA should be defined by where the financial institution has originated or purchased a substantial portion of its loans.

Geographic Distribution

The geographic distribution of loans reflects overall reasonable dispersion throughout the AA. The bank’s reasonable small business and small farm lending performance primarily supports this conclusion. Examiners focused on the percentage by number of loans in LMI CTs. Only loans originated inside the AA were used in this review.

Small Business Loans

The geographic distribution of the sampled small business loans reflects reasonable dispersion. The following table exhibits that, according to 2017 D&B data, 16.9 percent of businesses in the

AA are located in the sole low-income CT, and 23.1 percent are located in the moderate-income CTs. BGSB extended 25.0 percent of sampled small business loans in the low-income CT, and 15.0 percent in the moderate-income CTs. Overall, BGSB’s level of lending to businesses located in LMI geographies is comparable to the demographics.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	16.9	5	25.0	254	14.0
Moderate	23.1	3	15.0	61	3.4
Middle	45.9	4	20.0	228	12.6
Upper	14.1	8	40.0	1,267	70.0
Totals	100.0	20	100.0	1,810	100.0
<i>Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects an overall excellent dispersion. The following table exhibits that, in 2016, BGSB originated 6.3 percent of its home mortgage loans to borrowers located in the low-income CT. BGSB’s performance exceeds both 2016 HMDA Aggregate Lending data, which shows that 2.7 percent of reported loans were extended to borrowers located in the low-income CT, and 2010 U.S. Census data, which indicates that 4.3 percent of owner-occupied housing units in the AA are located in the low-income geography. BGSB’s 2016 performance in the moderate-income CTs, at 25.0 percent, also surpassed demographic data of 20.1 percent and aggregate data of 17.6 percent.

Further, the following table reflects that in 2017, BGSB originated 2.1 percent of its home mortgage loans to borrowers located in the low-income CT, which is higher than the percentage of owner-occupied housing units at .4 percent. BGSB’s 2017 performance in the moderate-income CTs significantly increased to 41.7 percent, surpassing demographic data of 26.5 percent.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	4.3	2.7	2	6.3	309	8.0
2017	0.4	--	1	2.1	925	18.6
Moderate						
2016	20.1	17.6	8	25.0	542	14.0
2017	26.5	--	20	41.7	1,092	22.0
Middle						
2016	56.4	60.4	14	43.8	2,247	58.2
2017	57.0	--	14	29.2	1,597	32.2
Upper						
2016	19.1	19.3	8	25.0	766	19.8
2017	16.1	--	13	27.1	1,346	27.1
Totals						
2016	100.0	100.0	32	100.0	3,864	100.0
2017	100.0	--	48	100.0	4,960	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Data; 2016 and 2017 HMDA LARs; 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Farm Loans

The geographic distribution of the sampled small farm loans reflects reasonable dispersion. The following table exhibits that 1.0 percent of farms are located in the low-income CT and 7.3 percent of farms are located in moderate-income CTs. The sample of BGSB's small farm loans did not include any originations to farms operating in LMI CTs. Although the bank's level of lending is less than demographic data, performance is considered reasonable because the LMI CTs are located inside, or near, the City of Davenport where fewer agricultural lending opportunities are available.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	1.0	0	0.0	0	0.0
Moderate	7.3	0	0.0	0	0.0
Middle	39.0	5	20.0	651	36.4
Upper	52.7	20	80.0	1,138	63.6
Totals	100.0	25	100.0	1,789	100.0
<i>Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration of loans among businesses and farms of different revenue sizes and individuals of different income levels in the AA. The bank's reasonable small business and small farm lending performance primarily supports this conclusion. This data includes only those loans granted inside the AA. Examiners focused primarily on the percentage, by number, of small business and small farm loans to entities with GARs equal to or less than \$1 million, and the percentage, by number, of home mortgage loans to LMI borrowers.

Small Business Loans

The distribution of small business loans among businesses with GARs of \$1 million or less reflects reasonable penetration. See the following table.

Distribution of Small Business Loans by GAR Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	81.7	13	65.0	741	40.9
>1,000,000	6.3	7	35.0	1,069	59.1
Revenue Not Available	12.0	0	0.0	0	0.0
Totals	100.0	20	100.0	1,810	100.0

*Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data.
Due to rounding, totals may not equal 100.0*

BGSB extended 65 percent, by number of loans, to businesses with GARs of \$1 million or less. This performance is below D&B data, which shows that 81.7 percent of AA businesses reported revenues of less than or equal to \$1,000,000. It is also noted that 12.0 percent of businesses did not report revenue information, which may impact results. However, BGSB's performance is considered reasonable given that the majority of its lending is to small businesses, evidencing intent to originate such loans. Further, as previously stated, a community contact knowledgeable of the business demographics in the AA stated that financing for smaller operations is a credit need in the area, but also indicated that credit standards are tight. Increased outreach efforts and small business financial counseling, including educating business owners about available credit options, may generate demand for additional small business loans.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, is poor. Examiners focused on the comparison to HMDA Aggregate Lending data for 2016 lending and demographic data for 2017 lending. While the bank's distribution of home mortgage loans to LMI individuals is considered poor, it did not significantly impact overall conclusions based on additional performance context factors and product weighting. See the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	26.0	12.0	2	6.3	85	2.2
2017	23.3	--	0	0.0	0	0.0
Moderate						
2016	20.9	22.7	2	6.3	159	4.1
2017	19.6	--	6	12.5	514	10.4
Middle						
2016	21.1	22.4	3	9.4	342	8.9
2017	23.0	--	4	8.3	279	5.6
Upper						
2016	32.0	24.5	3	9.4	222	5.7
2017	34.1	--	10	20.8	1,526	30.8
Not Available						
2016	0.0	18.4	22	68.8	3,056	79.1
2017	0.0	--	28	58.3	2,641	53.2
Totals						
2016	100.0	100.0	32	100.0	3,864	100.0
2017	100.0	--	48	100.0	4,960	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Data; 2016 and 2017 HMDA LARs; 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

The bank's lending to low-income borrowers at 6.3 percent in 2016 is significantly less than HMDA Aggregate Lending level of 12.0 percent. In 2017, BGSB did not originate any home mortgage loans to low-income individuals. Similarly, BGSB's lending to moderate-income borrowers at 6.3 percent in 2016 is significantly less than aggregate lending performance of 22.7 percent. In 2017, BGSB's lending to moderate-income individuals at 12.5 percent is less than demographic data of 19.6 percent.

The bank does not offer any forms of secondary market financing. In an effort to assist in meeting the needs of borrowers desiring long-term home mortgage financing, BGSB informally refers applicants to other lenders that offer these terms. Management reports that approximately 30 referrals in recent years have been made in an effort to assist consumers in obtaining long-term financing. Additionally, management stated that BGSB recently obtained Federal Home Loan Bank funds to provide fixed-rate, long-term financing to qualified mortgage borrowers. These loans will not be sold and will remain on the bank's books.

It should be noted however that since the prior evaluation, there has been an increased focus on originating home mortgage loans for business purposes. These loans are secured by non-owner

occupied investment properties, and are reported on the bank’s HMDA LARs as having incomes as “not applicable”. As shown in the table, 68.8 percent of 2016 loans and 58.3 percent of 2017 loans have incomes reported as “not applicable.” The high percentage of borrowers without reported income artificially deflates the percentages of lending in the other income categories.

Small Farm Loans

The distribution of small farm loans among farms with GARs of \$1 million or less reflects reasonable penetration. See the following table.

Distribution of Small Farm Loans by GAR Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.1	23	92.0	1,421	79.4
>1,000,000	2.0	2	8.0	368	20.6
Revenue Not Available	1.9	0	0.0	0	0.0
Totals	100.0	25	100.0	1,789	100.0
<i>Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>					

The table shows that BGSB extended 92.0 percent of small farm loans in the AA to operations with GARs of \$1 million or less. This is comparable to D&B data, which states that 96.1 percent of AA farms with reported revenues generated GARs of \$1 million or less. The bank’s reasonable performance is further supported by the 2012 Census of Agriculture data, which reveals that 55.3 percent of the farms in Scott County, and 51.4 percent of the farms in Muscatine County, are considered hobby farms. The same data also shows that 51.5 percent of Scott County farms and 48.1 percent of Muscatine County farms reported incurring no interest expense, indicating little or no borrowing needs.

Response to Complaints

The institution has not received any CRA-related complaints since the prior evaluation dated July 30, 2012; therefore, this factor did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this area of review did not affect the institution’s overall CRA rating.

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.

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.

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.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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

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

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

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

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

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

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

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

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

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

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

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

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

Nonmetropolitan Area: 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.

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 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.

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.

5. Bank Products and Services

- Consumer Loans
- Commercial Loans
- Agricultural Loans
- Checking and Savings Accounts
- Paper Statements or E-Statements
- Safe Deposit Boxes
- Automated Teller Machine (ATM)
- Night Deposit Drop
- Certificate of Deposits
- IRA Accounts
- 24 hour Telephone Banking
- Internet Banking / Online Bill Pay Services / Mobile Banking
- Money Orders & Cashier's Checks
- Debit Card Services
- Gift Cards
- Friendly Customer Service

6. Loan to Deposit Ration Quarter 1-4, 2023

- As of March 31, 2023: 57.42%
- As of June 30, 2023: 55.69%
- As Of September 30, 2023: 57.04%
- As Of December 31, 2023: 58.61%

7. Bank Locations and Hours of Operations

List of branches currently open or closed within the prior two years:

Bank Headquarters:

Blue Grass, Iowa

Blue Grass Savings Bank

104 E Mayne St

Blue Grass, IA 52726

Scott County, Iowa

Branches:

Davenport, Iowa

Blue Grass Savings Bank

2722 W Locust St

Davenport, IA 52804

Scott County, Iowa

- Hours of Operation:
 - Lobby: Monday-Thursday 8:30am-4:00pm
Friday 8:30am-5:00pm, Saturday 8:30am-12:00pm
 - Drive-Up: Monday-Thursday 8:30am-4:30pm
Friday 8:30am-5:00pm, Saturday 8:30am-12:00pm

8. Public Comments

Blue Grass Savings Bank did not receive written comments in the prior two calendar related to the Bank's CRA Performance.