

PUBLIC DISCLOSURE

January 9, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank
Certificate Number: 2850

914 Main Street
Buhl, Idaho 83316

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

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San Francisco, California 94105

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

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INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (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 (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The institution originated a substantial majority of its small business and small farm loans within its AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes.
- The institution did not receive 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 institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such CD opportunities in the institution's AA.

DESCRIPTION OF INSTITUTION

Farmers Bank (FB) is a privately owned, state-chartered institution headquartered in Buhl, Idaho. FB is owned by Farmers Bancorporation, Inc., a one-bank holding company that is also located in Buhl. FB does not have any affiliates or subsidiaries. The institution received a Satisfactory rating at the prior FDIC CRA Performance Evaluation dated January 13, 2020, performed using the Interagency Intermediate Small Institution Examination Procedures.

The institution primarily focuses on small farm and small business lending. Small business lending significantly increased in 2020 and 2021 because of the bank offering SBA Paycheck Protection Program (PPP) loans to support businesses through the COVID-19 pandemic. Small business lending returned to normal volumes in 2022 with the discontinuation of the PPP lending program. The bank's business strategy also includes residential mortgage loans but to a much lesser degree. FB did not have any merger or acquisition activity since the prior evaluation and continues to operate six branches in south-central Idaho with no branch openings or closings during the evaluation period. FB offers secured and unsecured loans and lines of credit, auto loans, and credit cards. In addition, deposit products include checking, savings, certificates of deposit, and individual retirement accounts. Alternative delivery systems consist of mobile and online banking and bill pay. Customers may also conduct person-to-person payments and have access to interactive teller machines at each branch.

During 2020 and 2021, the institution participated in the SBA PPP and originated loans that helped businesses keep their workforce employed during the COVID-19 pandemic. The PPP loans provided economic relief to small businesses and other entities that were adversely impacted by the global pandemic. These businesses used the PPP loans to cover costs related to payroll and other operating expenses.

FB's assets totaled \$654 million as of September 30, 2022, with total loans of \$298 million. Deposits totaled \$594 million. Total real estate loans, including those secured by 1-4 family residential properties and multi-family properties, represent 50.9 percent of the loan portfolio. Commercial and industrial loans and agricultural loans represent the majority of the remaining percentage of the portfolio.

The institution sells most of its home mortgage loans on the secondary market. From 2020 through 2022, FB sold 552 home mortgage loans totaling \$138.3 million to investors. The institution sold 208 home mortgage loans totaling \$46.1 million in 2020, 202 home mortgage loans totaling \$50.2 million in 2021, and 142 home mortgage loans totaling \$42.0 million in 2022.

The loan portfolio is illustrated in the table on the following page.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	20,998	7.0
Secured by Farmland	52,585	17.7
Secured by 1-4 Family Residential Properties	37,844	12.7
Secured by Multifamily (5 or more) Residential Properties	3,460	1.2
Secured by Nonfarm Nonresidential Properties	36,677	12.3
Total Real Estate Loans	151,564	50.9
Commercial and Industrial Loans	60,495	20.3
Agricultural Production and Other Loans to Farmers	76,281	25.6
Consumer Loans	9,189	3.1
Obligations of State and Political Subdivisions in the U.S.	363	0.1
Other Loans	64	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	297,956	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. FB designated two contiguous AAs that encompass the full extent of the institution's branching in the State of Idaho. The first AA includes Twin Falls and Jerome Counties, which comprise the entirety of the Twin Falls, Idaho MSA. The second AA consists of Gooding County, Idaho, which will be referred to as the Idaho Non-MSA. The institution has not changed its AAs since the previous evaluation. However, the number of census tracts (CT) and their income classifications did change during the evaluation period due to the release of the 2020 U.S. Census data. The Twin Falls MSA increased from 19 CTs as of the 2015 ACS data to the current 23 CTs, and the Idaho Non-MSA increased from 2 CTs to the current 4 CTs. Refer to the individual AA's full- or limited-scope evaluations for further details on the change in income classifications.

The AAs contain whole geographies, do not reflect illegal discrimination, and do not arbitrarily exclude any LMI geographies. Moreover, the delineated AAs did not contain any CTs designated as distressed or underserved throughout the review period. The table on the following page details the institution's current AAs.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Twin Falls MSA	Twin Falls County, Jerome County	23	5
Idaho Non-MSA	Gooding County	4	1

Source: Bank Data

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the previous Performance Evaluation dated January 13, 2020, to the current evaluation dated January 9, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the CRA performance of FB. These procedures include two tests: the Lending Test and the CD Test. Institutions must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. Examiners performed the evaluation onsite at FB's main office in Buhl, Idaho. Examiners also relied upon the institution's records and reports, publicly available financial and loan information, demographic data, and community contact interviews.

Examiners reviewed both delineated AAs. The Twin Falls MSA received a full-scope review and the Idaho Non-MSA received a limited-scope review since a majority of the institution's loans, deposits, and branch operations are in the Twin Falls MSA. Therefore, the Twin Falls MSA contributed more weight than the Idaho Non-MSA in determining overall conclusions.

Activities Reviewed

Examiners determined that the institution's major product lines are small business and small farm loans. This conclusion considered business strategy and loan originations by number and dollar volume during the review period. No other loan types, such as residential mortgage or consumer loans, represent a major product line; therefore, these loan types provide no material support for conclusions and are not presented in this evaluation.

FB's participation in the SBA PPP supported businesses during the COVID-19 pandemic and caused a temporary elevation in small business loan volume; however, the one-time nature of these loans means the increased volume will discontinue as shown in the bank's return to normal small business lending levels in 2022. Therefore, small business and small farm loans contributed equal weight to overall conclusions after considering the institution's lending strategy and lending volumes.

Small business and small farm loan analysis considered performance from 2020, 2021, and 2022. Small business data used in this evaluation comprises 1,611 small business loans totaling \$134.2 million during the review period while small farm data used in the evaluation comprises 1,085 small business loans totaling \$124.1 million during the review period. Furthermore, the small business universe includes 409 PPP loans totaling \$28.9 million in 2020 and 250 PPP loans totaling \$7.6 million in 2021. The institution is exempt from reporting small business and small farm loan data as it meets the CRA regulation's definition of an intermediate small institution.

Examiners compared small business and small farm lending in each year to the corresponding D&B demographic data. Moreover, the analysis of small business or small farm loans under the Lending Test does not include direct comparisons to aggregate data since FB did not report its CRA small business or small farm data.

Except for the PPP lending previously described in 2020 and 2021, management indicated the lending focus and product mix remained consistent throughout the review period. Therefore, lending performance in this evaluation presents 2022 data for comparison purposes in the Geographic Distribution and Borrower Profile sections. Also, while the evaluation presents the number and dollar volume of loans, examiners focused on performance by number of loans under the Geographic Distribution and Borrower Profile sections because the number of loans is a better indicator of the number of individuals and businesses served.

Furthermore, in consideration for the CD Test, bank management provided data on CD loans, qualified investments and donations, and CD services since the date of the previous CRA Performance Evaluation dated January 13, 2020, through the current evaluation date of January 9, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FB demonstrated reasonable performance under the Lending Test. The performance in the Geographic Distribution and Borrower Profile sections primarily supports this conclusion. This section of the evaluation demonstrates the overall performance of the institution in its AAs. Individual AA evaluations follow this section.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The table on the following page shows the net LTD ratio, calculated from Call Report data, as it averaged 51.8 percent over the 11 calendar quarters from March 31, 2020, to September 30, 2022. The ratio ranged from a high of 66.7 percent as of June 30, 2020, to a low of 41.2 percent as of March 31, 2022.

As noted in the following table, FB trailed the net LTD ratios of similarly-situated institutions, which were selected based on asset size, geographic location, and lending focus. The decrease in the net LTD ratio since the previous evaluation is attributable to sustained deposit growth during the COVID-19 pandemic years, which outpaced the bank's net loan volume over the same period. While FB's LTD ratio lagged behind, the trend indicates that similarly-situated institutions accepted deposits and made loans comparably throughout the review period.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2022 (\$000s)	Average Net LTD Ratio (%)
Farmers Bank	654,231	51.8
Similarly-Situated Institution #1	360,347	62.3
Similarly-Situated Institution #2	232,056	72.9
Similarly-Situated Institution #3	711,801	69.6

Source: Reports of Condition and Income 3/31/2020 - 9/30/2022

As added context, the institution sells the majority of its home mortgage loans on the secondary market, which is not reflected in the net LTD ratio. From 2020 through 2022, FB originated and sold 552 home mortgage loans totaling \$138.3 million.

Assessment Area Concentration

The institution originated a substantial majority of its small business and small farm loans inside the designated AAs during the evaluation period. FB originated 88.4 percent of its loans inside the designated AAs compared to 88.3 percent at the prior evaluation. The following table details this performance over the three-year period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	611	90.5	64	9.5	675	52,366	91.2	5,030	8.8	57,396
2021	507	90.4	54	9.6	561	31,694	89.5	3,721	10.5	35,415
2022	330	88.0	45	12.0	375	35,927	86.8	5,484	13.2	41,411
Subtotal	1,448	89.9	163	10.1	1,611	119,987	89.4	14,235	10.6	134,222
Small Farm										
2020	352	87.8	49	12.2	401	39,664	85.5	6,752	14.5	46,416
2021	267	84.0	51	16.0	318	31,091	85.4	5,331	14.6	36,422
2022	317	86.6	49	13.4	366	34,541	83.7	6,715	16.3	41,256
Subtotal	936	86.3	149	13.7	1,085	105,296	84.9	18,798	15.1	124,094
Total	2,384	88.4	312	11.6	2,696	225,283	87.2	33,033	12.8	258,316

Source: Bank Data
Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the designated AAs. The reasonable performance of both small business and small farm lending supports this

conclusion. Examiners focused on the percentage of loans in the moderate-income CTs, since both the Twin Falls MSA and the Idaho Non-MSA do not contain any low-income geographies. Moreover, the bank's performance in the Idaho Non-MSA only considered lending in 2022 since the AA also did not include any moderate-income geographies prior to 2022. The bank's overall geographic distribution performance was consistent throughout both AAs. Refer to each respective AA analysis for further details.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different revenue sizes, given the demographics of the AAs. The reasonable performance of small business lending and excellent performance of small farm lending support this conclusion. Examiners focused on the percentage of small business and small farm loans, by number, to businesses with gross annual revenues (GARs) of \$1 million or less. The performance is consistent between the two AAs. Refer to each respective AA analysis for further details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution's CD performance demonstrates adequate responsiveness to CD needs in each AA through CD loans, qualified investments, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. Performance in both the Twin Falls MSA and the Idaho Non-MSA increased significantly since the prior evaluation and is comparable to similarly-situated institutions with adequate responsiveness.

Community Development Loans

FB made 21 CD loans totaling \$24.5 million during this evaluation period, representing 4.4 percent of average total assets and 8.7 percent of average total loans. This compares favorably to the 14 CD loans totaling \$4.6 million reported at the prior evaluation that represented 1.0 percent of average total assets and 2.0 percent of average total loans. Performance is comparable to similarly-situated institutions. Refer to each respective AA analysis for further details.

Community Development Lending – Idaho										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Twin Falls MSA	1	2,585	3	380	12	16,910	1	500	17	20,375
Idaho Non-MSA	2	1,761	--	--	1	1,907	1	500	4	4,168
Total	3	4,346	3	380	13	18,817	2	1,000	21	24,543

Source: Bank Data

Refer to the full-scope analysis of the Twin Falls MSA for examples of CD loans provided by the bank during the evaluation period.

Qualified Investments

FB provided \$4.2 million in qualified investments and grants during the evaluation period representing 0.8 percent of average total assets and 1.8 percent of average total investments. This level remained consistent with the prior evaluation of \$4.4 million in qualified investments and donations, which represented 1.0 percent of average total assets and 2.3 percent of average total investments. This performance lagged behind similarly-situated institutions. All qualified investments were prior period investments as the bank experienced limited CD investment opportunities during the review period.

Similar to the previous evaluation, management continues to support affordable housing needs. The majority of qualified investments benefited affordable housing, followed by community services. The following table details qualified investments and grants by AA and CD type.

Qualified Investments – Idaho										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Twin Falls MSA	9	2,815	97	62	--	--	--	--	106	2,877
Idaho Non-MSA	2	1,220	52	110	--	--	--	--	54	1,330
Total	11	4,035	149	172	--	--	--	--	160	4,207

Source: Bank Data

Refer to the full-scope analysis of the Twin Falls MSA for additional details and examples of investments specific to the AA.

Community Development Services

FB continues to actively provide CD services in the AAs. Bank officers provided 1,686 hours of qualified CD services during the evaluation period, representing 20.0 hours per average full-time employee. This level is an increase from the prior evaluation when 534 service hours were delivered. Bank management made a concerted effort to continue and expand service hours despite

difficulties for in-person meetings during the COVID-19 pandemic. FB's CD services performance compares favorably with similarly-situated institutions.

Community Development Services – Idaho					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Twin Falls MSA	216	722	192	--	1,130
Idaho Non-MSA	45	415	96	--	556
Total	261	1,137	288	--	1,686
<i>Source: Bank Records</i>					

Refer to the full-scope analysis of the Twin Falls MSA for examples of CD services provided by the bank during the evaluation period.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

TWIN FALLS MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN TWIN FALLS MSA

The Twin Falls MSA is located in south-central Idaho. The AA comprises the entirety of the adjacent Twin Falls and Jerome Counties. FB operates five branches in the AA including four branches in middle-income CTs and one branch in an upper-income CT.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Twin Falls MSA.

Demographic Information of the Assessment Area						
Assessment Area: Twin Falls MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	0.0	13.0	73.9	13.0	0.0
Population by Geography	114,283	0.0	10.8	76.2	13.0	0.0
Housing Units by Geography	42,375	0.0	12.5	75.9	11.7	0.0
Owner-Occupied Units by Geography	27,556	0.0	9.2	77.2	13.6	0.0
Occupied Rental Units by Geography	12,206	0.0	20.6	71.3	8.1	0.0
Vacant Units by Geography	2,613	0.0	9.1	82.7	8.2	0.0
Businesses by Geography	13,035	0.0	15.8	67.0	17.2	0.0
Farms by Geography	1,097	0.0	5.0	80.2	14.8	0.0
Family Distribution by Income Level	27,949	18.7	17.8	23.4	40.1	0.0
Household Distribution by Income Level	39,762	21.8	17.6	20.1	40.5	0.0
Median Family Income MSA - 46300 Twin Falls, ID MSA		\$62,242	Median Housing Value			\$187,354
			Median Gross Rent			\$814
			Families Below Poverty Level			10.0%
<small>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to Moody’s Analytics, the AA’s principal economic industries include manufacturing, education and health services, and government. Food processors and farms are the primary drivers of the region’s economy, and the largest employers are St. Luke’s Magic Valley Regional Medical Center, College of Southern Idaho, Personnel Plus, and ConAgra Foods, Inc.

According to the 2020 U.S. Census, the Twin Falls MSA includes 3 moderate-income CTs, 17 middle-income CTs, and 3 upper-income CTs with no low-income or NA CTs. Thus, with no low-income geographies, the geographic distribution analysis focuses on performance in moderate-income CTs. The AA previously contained 19 total CTs with no low-income CTs and only 1

moderate-income CTs as evaluated by the 2015 ACS Survey. Examiners evaluated the institution's 2020 and 2021 performance with these 2015 ACS delineations.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the employment opportunities in the Twin Falls MSA trend in-line with the state of Idaho and ahead of the nation. The table below depicts unemployment statistics for the counties of the Twin Falls MSA, the state of Idaho, and the country.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Twin Falls County	5.3	3.6	2.7
Jerome County	4.1	3.3	2.6
State of Idaho	5.5	3.6	2.9
National Average	8.1	5.3	3.6

Source: Bureau of Labor Statistics

Competition

According to the June 30, 2022, FDIC Deposit Market Share Report, FB faces moderate competition from 11 other FDIC-insured financial institutions in the Twin Falls MSA for deposit market share. Including FB, the 12 FDIC-insured institutions account for 34 banking offices and over \$2.6 billion in total deposits within the AA. FB ranks 2nd in market share with 17.1 percent of the AA's deposits. In addition, local state and federal banks hold the highest three market shares in the AA totaling a combined 61.0 percent, while multiple national banks trail behind with a less significant market presence. These competitor branch figures do not include credit unions that add competition in the local marketplace.

Community Contacts

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

Examiners conducted three community contact interviews with economic development organizations in the Twin Falls MSA. The contacts detailed how the economy has been recovering from the COVID-19 pandemic, yet businesses are concerned with rising inflationary pressures. In addition, the contacts stated that new growth has created an increase in job supply, an increase in affordable housing projects, and availability for farm financing. However, one contact emphasized how available housing continues to be a large credit need in the AA due to the lack of affordable housing.

Credit and Community Development Needs and Opportunities

In consideration of the information derived from community contacts, institution management, and demographic and economic data, examiners determined that the primary needs in the Twin Falls MSA include affordable housing units and additional small business and small farm financing options.

CONCLUSIONS ON PERFORMANCE CRITERIA IN TWIN FALLS MSA

LENDING TEST

FB demonstrates satisfactory responsiveness to community credit needs in the Twin Falls MSA, considering the institution's capacity and resources. The geographic distribution of small business and small farm loans reflects reasonable dispersion throughout the AA. Additionally, the distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses and farms of different revenue sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. This conclusion is supported by a distribution of small business and small farm loans that reflect reasonable penetration throughout the moderate-income tracts in the AA.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA as detailed in the table on the following page. In 2022, the distribution of small business loans exceeded the percentage of businesses in moderate-income geographies by both number and dollar. This performance indicates improvement over 2020 and 2021 performance when the institution slightly trailed the percentage of businesses. Overall, the institution's small business lending shows reasonable dispersion throughout the Twin Falls MSA over the review period.

Geographic Distribution of Small Business Loans						
Assessment Area: Twin Falls MSA						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Low						
	2022	0.0	0	0.0	0	0.0
Moderate						
	2022	15.8	47	18.4	6,274	20.9
Middle						
	2022	67.0	173	67.6	16,411	54.7
Upper						
	2022	17.2	36	14.1	7,314	24.4
Not Available						
	2022	0.0	0	0.0	0	0.0
Totals						
	2022	100.0	256	100.0	29,999	100.0
<i>Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the AA. Although FB made only one small farm loan in a moderate-income CT during the review period, this performance is not unreasonable. D&B data shows that only 5.0 percent of farms in the AA are located in one of the three moderate-income CTs. A deeper look into those three CTs reveals that all three are also centrally located in Twin Falls, the MSA's largest city, whereas farms are typically located in more rural areas. Thus, small farm loan demand for the 5.0 percent of farms in the moderate-income CTs is limited.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among small businesses and excellent penetration of small farms of different sizes, given the demographics of the AA.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes as listed in the tables on the following pages. In 2022, the lending performance to small businesses with revenues of \$1 million or less trailed demographic data. However, the percentage of businesses in the AA that reported revenues of \$1 million or less includes all small businesses, not just those businesses seeking traditional commercial financing. Therefore, actual small business lending opportunities tend to fall below demographic data. The institution's 2020 and 2021 small business lending also trails the percentage of businesses for those

years; however, increased levels of small business lending due to the institution's participation in the PPP provides further performance context.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Twin Falls MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	89.0	159	62.1	12,978	43.3
>\$1,000,000					
2022	2.6	92	35.9	16,656	55.5
Revenue Not Available					
2022	8.4	5	2.0	365	1.2
Totals					
2022	100.0	256	100.0	29,999	100.0

*Source: 2022 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Examiners evaluated PPP loans using loan size as a proxy for those small business loans with revenues not available. A substantial majority of 2020 and 2021 PPP loans, by number, had loan sizes of \$100,000 or less, indicating the institution's willingness to serve the needs of small businesses in the AA. The significant amount of PPP loans with loan amounts less than \$100,000 in both 2020 and 2021 reflects positively on FB's borrower profile performance. Therefore, FB's overall distribution of small business loans to businesses of different sizes in the Twin Falls MSA reflects reasonable penetration. Refer to the following two tables for further details.

Distribution of PPP Loans by Loan Size (2020)				
Assessment Area: Twin Falls MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000	254	83.3	7,037	35.5
\$100,000 - \$249,999	37	12.1	5,790	29.2
\$250,000 - \$1,000,000	14	4.6	6,982	35.2
Total	305	100.0	19,809	100.0

Source: 1/1/2020 – 12/31/2020 Bank Data

Distribution of PPP Loans by Loan Size (2021)				
Assessment Area: Twin Falls MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000	184	95.8	3,677	61.1
\$100,000 - \$249,999	5	2.6	723	12.0
\$250,000 - \$1,000,000	3	1.6	1,616	26.9
Total	192	100.0	6,016	100.0

Source: 1/1/2021 – 12/31/2021 Bank Data

Small Farm Loans

The distribution of small farm loans reflects excellent penetration among farms of different revenue sizes. In 2022, the lending performance to small farms with revenues of \$1 million or less trailed demographic data as shown in the table below. However, the percentage of farms that reported revenues of \$1 million or less included all small farms, not just those farms that sought traditional agricultural financing. Additionally, the inconsistent and varied nature of farm lending due to seasonal and annual crop and cattle availability means that actual small farm lending opportunities tend to significantly fall below demographic data. In 2020, FB originated small farm loans to farms with revenues of \$1 million or less at a rate of 89.5 percent compared with the demographic showing 92.4 percent of farms in the AA. In 2021, FB originated small farm loans to farms with revenues of \$1 million or less at a rate of 92.0 percent compared with the demographic showing 93.7 percent of farms in the AA. Overall, this performance indicates a significant willingness to lend to small farms with revenues of \$1 million or less and reflects excellent penetration.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Twin Falls MSA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2022	94.8	233	84.7	23,586	79.0
>\$1,000,000					
2022	3.6	41	14.9	6,116	20.5
Revenue Not Available					
2022	1.6	1	0.4	150	0.5
Totals					
2022	100.0	275	100.0	29,852	100.0

*Source: 2022 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

COMMUNITY DEVELOPMENT TEST

FB's performance demonstrates adequate responsiveness to the CD needs in the Twin Falls MSA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the availability and need of such opportunities for CD within the AA.

Community Development Loans

The institution made 17 CD loans totaling \$20.4 million during the evaluation period, a significant increase from the 5 CD loans totaling \$1.7 million made during the prior evaluation period. Refer to the bank-wide section on Community Development Loans for detailed information on the institution's CD lending. The following activities are notable examples of CD loans made within the AA:

- FB funded a \$5 million loan in 2021 for the economic development of a large parcel of land that created new business opportunities and offered over 25 new full-time positions.
- FB made a \$2.6 million loan in 2021 to fund a 28-unit, multi-family housing project for LMI families.

Qualified Investments

All 9 qualified investments totaling \$2.8 million accounted for prior period investments, and are comprised of municipal bonds that support school districts in the AA. This level is a decrease from the prior evaluation of 11 qualified investments, totaling \$3.4 million. In addition, the bank provided \$62,000 in grants in this AA during the evaluation period, an increase compared to the prior evaluation of \$30,000 in donations. Donations include funding for services to organizations that provide emergency shelter and other resources for LMI individuals. Refer to the bank-wide section on Qualified Investments for detailed information on the institution's qualified investments and CD donations. The following activities are examples of the bank's qualified investments and CD donations in the Twin Falls MSA since the previous evaluation:

- FB held 9 separate municipal bonds totaling \$2.8 that support the school districts in the AA. The majority of students in the district qualify for the free- and reduced-price lunch program.
- The bank provided donations totaling \$50,000 that benefited various local non-profit organizations that provided support to LMI individuals and families in the AA.

Community Development Services

The bank provided 1,130 hours of CD services during the evaluation period, an increase from the 534 total hours reported at the prior evaluation. The increased hours are notable compared to other institutions that lowered service hours in the past two years due to complications with in-person meetings during the COVID-19 pandemic. Refer to the bank-wide section on Community Development Services for detailed information on the institution's CD service activity. Notable services included:

- Bank officers provided over 700 hours serving on the Board and various financial committees of different community service organizations that provide financial literacy and assistance to LMI families.
- Bank officers provided over 200 hours serving on the Board of an affordable housing organization that reviews the investment proposals targeted for development of LMI housing.

IDAHO NON-MSA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN IDAHO NON-MSA

The Idaho Non-MSA consists of the entirety of Gooding County in south-central Idaho and sits adjacent to the Twin Falls MSA. The county seat is Gooding. FB operates one branch in the AA located in the city of Wendell in a middle-income CT.

The following table shows select demographics of the Idaho Non-MSA.

Demographic Information of the Assessment Area						
Assessment Area: Idaho Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	25.0	75.0	0.0	0.0
Population by Geography	15,598	0.0	25.2	74.8	0.0	0.0
Housing Units by Geography	6,248	0.0	26.9	73.1	0.0	0.0
Owner-Occupied Units by Geography	3,912	0.0	25.5	74.5	0.0	0.0
Occupied Rental Units by Geography	1,703	0.0	33.6	66.4	0.0	0.0
Vacant Units by Geography	633	0.0	17.5	82.5	0.0	0.0
Businesses by Geography	1,441	0.0	25.1	74.9	0.0	0.0
Farms by Geography	267	0.0	7.9	92.1	0.0	0.0
Family Distribution by Income Level	3,840	21.1	21.7	23.8	33.3	0.0
Household Distribution by Income Level	5,615	20.8	19.6	16.3	43.3	0.0
Median Family Income Non-MSAs - ID		\$62,532	Median Housing Value			\$159,350
			Median Gross Rent			\$748
			Families Below Poverty Level			13.5%
<small>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to the 2020 U.S. Census, the population in the AA is 15,598 persons with a low poverty level. The AA contains a total of 4 CTs with no low-income CTs, 1 moderate-income CT, 3 middle-income CTs, and no upper-income or NA CTs. Gooding County previously contained only two CTs, both middle-income, as of the 2015 ACS Survey results. Thus, with no LMI geographies, the distribution analysis was not performed for 2020 and 2021.

The table above shows that businesses are located in the moderate-income CT as prevalently as in the middle-income CTs; however, farms are primarily located in the middle-income CTs with only 7.9 percent of farms located in the moderate-income CT.

According to the Idaho Department of Labor, as of 2021, the three largest employers in the AA are Glanbia Foods, North Canyon Medical Center, and Bettencourt Dairies. Furthermore, the most prevalent industries are natural resources and mining, education and health services, and manufacturing.

Data from the U.S. Bureau of Labor Statistics shows stronger employment trends throughout the review period in the Idaho Non-MSA than in the State of Idaho or the country. The table below depicts unemployment statistics for the Idaho Non-MSA, the State of Idaho, and the country.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Idaho Non-MSA	3.9	3.1	2.3
State of Idaho	5.5	3.6	2.9
National Average	8.1	5.3	3.6

Source: Bureau of Labor Statistics

CONCLUSIONS ON PERFORMANCE CRITERIA IN IDAHO NON-MSA

LENDING TEST

FB’s lending performance in the Idaho Non-MSA is consistent with the institution’s lending performance in the Twin Falls MSA. In 2022, FB originated 74 small business loans totaling \$5.9 million in the AA. A total of 7 small business loans totaling \$1.4 million were originated in the moderate-income CT, while a total of 36 small business loans totaling \$2.2 million were made to businesses with GARs of \$1 million or less, where business revenue data was available. FB also originated 42 small farm loans in 2022 totaling \$4.7 million in the AA. While none of the small farm loans originated were located in the moderate-income CT, 30 small farm loans totaling \$3.2 million were made to farms with GARs of \$1 million or less.

COMMUNITY DEVELOPMENT TEST

FB’s CD performance in the Idaho Non-MSA is consistent with the institution’s CD performance in the Twin Falls MSA. The CD performance in the AA during the evaluation period included 4 CD loans totaling \$4.2 million, no new qualified investments, 2 prior period investments totaling \$1.2 million, 52 donations totaling \$110,000, and CD service activity totaling 556 hours. Tables with detailed CD information for the Idaho Non-MSA are presented in the bank-wide Community Development Test section.

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.