PUBLIC DISCLOSURE

July 1, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community First Bank
Certificate Number: 34627

6401 W Clearwater Avenue
Kennewick, Washington 99336

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.

TABLE OF CONTENTS

INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs in the assessment area (AA).
- The bank originated a majority of its home mortgage and small business loans in its AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses 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 demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in the AA.

DESCRIPTION OF INSTITUTION

Community First Bank (CFB) is a state-chartered bank headquartered in Kennewick, Washington, and is wholly owned by Community First Bancorporation, Inc., a single-bank holding company also located in Kennewick. Additionally, HFG Trust, LLC, a wholly owned subsidiary provides wealth management services for the bank. On April 1, 2021, HFG Trust, LLC acquired Prime Wealth Management, Inc. Upon this acquisition, Prime Wealth Management, Inc. became a wholly owned subsidiary of HFG Trust, LLC. Prime Wealth Management, Inc., is an investment advisory firm with offices located in Berkeley, California, and Roseburg, Oregon. Effective April 1, 2022, the name changed from Prime Wealth Management, Inc. to HFG Advisors, Inc. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation, dated July 19, 2021, based on Interagency Small Institution Examination Procedures.

CFB operates five full-service branches within the State of Washington. The changes in the 2020 U.S. Census impacted the revision of census tracts (CTs) delineations and income designations. Since the changes to the 2020 U.S. Census, the Kennewick branch is located in a moderate-income CT, the Richland, Connell, and Grandridge branches are in a middle-income CT, and the Pasco branch is in an upper-income CT. In December 2021, the Richland branch relocated within the same middle-income CT from 1060 Jadwin Ave, Richland, Washington 99352 to 1007 Jadwin Ave, Richland, Washington 99352. As of April 2021, CFB opened two loan production offices in Lake Oswego and Kennewick, Oregon for mortgage loans.

CFB primarily focuses on commercial lending followed by home mortgages and construction loans, but to a slightly lesser extent. In 2022 and 2023, the Small Business Administration (SBA) awarded the institution for originating the most small business loans under $350,000 in the State of Washington's 4th congressional district.

CFB offers traditional deposit products that include business and personal checking and savings accounts. As previously indicated, the institution also offers a wide array of wealth management services through its HFG Trust subsidiary. Alternative banking services include internet and mobile banking, person-to-person transfers, and access to more than 40,000 surcharge-free ATMs through the nationwide MoneyPass network.

As of the March 31, 2024, Consolidated Report of Condition and Income (Call Report), the institution's assets totaled $591.5 million, loans totaled $349.8 million, deposits totaled $549.3 million, and securities totaled $144,474. Total loans represent 69.3 percent of the bank's total assets. CFB retains commercial loans originated in-house and sells a majority of originated home mortgage loans to the secondary market. As a result, the institution's portfolio reflects a higher percentage of commercial loans than home mortgage loans. The following table details the bank's originations by loan type over the most recent calendar year as of March 31, 2024.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	36,248	10.4
Secured by Farmland	3,776	1.1
Secured by 1-4 Family Residential Properties	84,395	24.1
Secured by Multifamily (5 or more) Residential Properties	13,031	3.7
Secured by Nonfarm Nonresidential Properties	162,065	46.3
Total Real Estate Loans	**299,515**	**85.6**
Commercial and Industrial Loans	39,410	11.3
Agricultural Production and Other Loans to Farmers	2,634	0.8
Consumer Loans	7,483	2.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	737	0.2
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**349,779**	**100.0**
Source: Call Report		

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. Bank management delineated a single AA that consists of Benton and Franklin Counties in Southeastern Washington. These two counties make up the Kennewick-Richland, Washington MSA #28420. The delineation of the AA is based on branch location, loan origination activity, and the ability to serve the needs of the communities in which the institution operates. CFB's AA has not changed since the previous evaluation; however, each AA reflected a slight change in the evaluation period due to the 2020 U.S. Census.

Economic and Demographic Data

According to the 2015 ACS, the AA consisted of 50 CTs: 1 low-, 15 moderate-, 16 middle-, and 16 upper-income, as well as 2 CTs without income designations. Based on the 2020 U.S. Census, the AA consisted of 67 CTs: 3 low-, 20 moderate-, 22 middle-, and 19 upper-income, as well as 3 CTs without income designations. The institution's AA meets the technical requirements of the CRA and does not reflect any illegal or arbitrary exclusion of any low- and moderate-income (LMI) areas.

The following table provides select economic and demographic information for the AA based on the 2020 U.S. Census data.

Demographic Information of the Assessment Area Assessment Area: Kennewick-Richland MSA						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	67	4.5	29.9	32.8	28.4	4.5
Population by Geography	303,622	2.5	27.4	37.2	32.0	0.9
Housing Units by Geography	106,104	2.4	29.2	35.9	31.5	1.0
Owner-Occupied Units by Geography	69,376	1.0	21.4	38.1	39.2	0.2
Occupied Rental Units by Geography	30,960	5.4	45.3	31.0	15.5	2.8
Vacant Units by Geography	5,768	3.6	36.5	35.4	24.5	0.0
Businesses by Geography	28,098	2.5	27.7	35.4	33.2	1.2
Farms by Geography	1,643	1.0	18.4	60.2	19.7	0.6
Family Distribution by Income Level	71,674	20.3	18.4	19.9	41.4	0.0
Household Distribution by Income Level	100,336	22.2	17.0	19.2	41.6	0.0
Median Family Income MSA - 28420 Kennewick-Richland, WA MSA		$80,918	Median Housing Value			$240,813
			Median Gross Rent			$1,023
			Families Below Poverty Level			8.5%

Source: 2020 U.S. Census and 2023 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.

Based on 2020 U.S. Census data, there was 106,104 housing units in the AA. Of these, 65.4 percent are owner-occupied, 29.2 percent are occupied rental units, and 5.4 percent are vacant. The median housing value of $240,813 reflects a home price below the state average and the national averages. Compared to the state and the nation, housing is relatively affordable in this area.

According to the 2023 D&B data, there were 29,741 businesses and farms operating in the AA. Service industries represent the largest portion of businesses at 34 percent; followed by non-classifiable establishments at 21 percent; finance, insurance, and real estate at 10 percent; and construction at 8.4 percent. Additionally, 65 percent of area businesses employ 4 or fewer employees, and 92.8 percent operate from a single location.

The Bureau of Labor Statistics (BLS) provides data on changes in unemployment rates. The unemployment rate in the State of Washington showed an increasing trend from 2021 through May 2024. The unemployment rate for the national average showed a generally increasing trend but was modestly below the State of Washington's rate. However, the unemployment rate for Franklin County was the highest in the State of Washington.

Unemployment Rates				
Area	2021	2022	2023	2024
	%	%	%	%
Benton County	4.7	5.4	5.4	4.6
Franklin County	6.0	7.2	7.2	5.6
State of Washington	4.1	4.2	4.4	4.9
National Average	3.9	3.5	3.7	3.9
Source: Bureau of Labor Statistics. Data for 2024 is through May 2024.				

According to Moody's Analytics as of June 2024, the economy has improved. Nonfarm payroll reflected growth and outperformed the nation since fall. Manufacturing, public sectors and healthcare providers also reported gains in employment. However, the construction industry continues to slow. Farming and food production is a key driver of gross domestic product for the area and food and beverage processing remains a key source of stability for the area, accounting for nearly two-thirds of all manufacturing jobs.

Strengths in the area include increased government expenditure into the Hanford Site, exposure to high technology research and engineer, below average cost of doing business, and strong migration patterns. Weaknesses include low diversity, above average employment volatility, and low incomes particularly Franklin County, due to the dependence on agriculture. The single-family home index indicates that houses in the area are highly overvalued, but appreciation gains were below the national average. The top five employers are Hanford Site, Battelle – Pacific Northwest National Laboratory, Kadlec Regional Medical Center, ConAgra – Lamb Weston, and Washington River Protection Solutions.

The Federal Financial Institutions Examination Council (FFIEC) updates median family income on an annual basis. The low-, moderate-, middle-, and upper-income levels for the AA are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Kennewick-Richland, WA MSA Median Family Income (28420)				
2023 ($101,700)	<$50,850	$50,850 to <$81,360	$81,360 to <$122,040	≥$122,040
Source: FFIEC				

Competition

According to the FDIC's June 30, 2023, Deposit Market Share Report, the AA contains 22 institutions operating a total of 45 branches. With 5 branches, the institution ranked second among these institutions with a 10.2 percent deposit market share. The top five institutions consist of three large national associations and two community institutions that include the bank. These 5 institutions account for 53 percent of the total market share and $2.5 billion in deposits in this AA.

Community Contacts

Examiners conducted an interview with an organization that promotes economic development in the AA. The organization provides resources generally targeting small businesses serving Benton and Franklin Counties. The contact indicated that the economic conditions are very positive and expanding. Furthermore, the COVID-19 pandemic did not affect the community. The area is also a recipient of government funding due to efforts to eradicate leftover nuclear waste from the 1940s. Thus, the community continues to receive a steady source of funding until the Department of Energy completes the project. Additionally, energy companies are investing and purchasing land in the area to form a renewable energy hub.

The contact indicated that a limited housing supply and higher interest rates affect loan demand. Furthermore, affordable housing is limited while apartments are expensive with low vacancy rates. The general population resides in rural areas and must travel a fair distance for work. During the COVID-19 pandemic, remote workers from technology companies moved into the area and investors purchased second homes as investments for Airbnb. These reasons caused the home values to rise and lower the housing stock. The contact also indicated that there is disparity of wealth in the area. The contact also noted that the credit unions and other small community banks such as CFB are meeting the needs of the area.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic data. Examiners determined that affordable housing and economic development are the primary credit needs as well as the community development needs for the AA. Also, the community contact indicated that the organization is seeking to partner with an institution to develop and offer a small dollar loan program.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated July 19, 2021, to the current evaluation dated July 1, 2024. Examiners used the Intermediate Small Bank Examination Procedures to evaluate the institution's CRA performance. Examiners relied on records provided by the institution, public financial and loan information, demographic data, community contacts, and reported loan information in completing the evaluation.

Activities Reviewed

For the Lending Test, the evaluation focused on the institution's small business and home mortgage loans as they comprise a significant majority of the lending activity. Small business loans were given more weight when developing the performance conclusions based upon the bank's total loan composition. Examiners did not evaluate small farm loans due to the limited number of loans originated during the review period. The institution also made consumer loans; however, the number and dollar volume are nominal and not considered a major product line. Therefore, consumer and small farm lending activities are not analyzed or presented in this evaluation.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. The following table provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	**Universe**		**Reviewed**	
	#	**$(000)**	**#**	**$(000)**
Small Business				
2023	178	31,075	51	9,970
Subtotal	**178**	**31,075**	**51**	**9,970**
Home Mortgage				
2021	98	34,830	-	-
2022	64	26,930	64	26,930
2023	77	32,665	-	-
Subtotal	**239**	**94,425**	**64**	**26,930**
Total Loans	**417**	**125,500**	**115**	**36,900**
Source: Bank Data				

The institution is not required or elected to collect and report small business data. Therefore, examiners used the institution's records to select a sample of small business loans and collected data from the most recent full calendar year (2023) for analysis and presentation in this evaluation for the Geographic Distribution and Borrower Profile criteria. Examiners confirmed with management that the one-year sample of small business loans is representative of the entire evaluation period. Examiners compared the small business lending performance with 2023 D&B Data. Although D&B Data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of small businesses that have limited or no credit needs. The D&B data is primarily considered an indicator of business demographics in the AA and is not considered an absolute distribution of credit needs or commercial lending opportunities.

Additionally, this evaluation considered all home mortgage loans reported in the Loan Application Registers from 2021, 2022, and 2023. Examiners analyzed the universe of home mortgage loans originated or purchased to determine whether anomalies exist. Bank management confirmed that no anomalies exist, lending level is consistent, and the lending performance in 2022 is representative of the activity across the review period. The home mortgage lending performance is compared with 2022 aggregate lending data and 2020 U.S. Census data. However, for comparison purposes, greater emphasis is placed on aggregate lending data rather than 2020 U.S. Census data.

While the analyses considered home mortgage and small business lending performance by both number and dollar volume of loans, emphasis is placed on the number of loans as it better reflects the number of individuals and businesses served.

The evaluation of Community Development Test activities includes all qualified activities between

July 19, 2021, and July 1, 2024. Examiners reviewed the community development activities for the entire review period and presented the information for each year within this performance evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The institution demonstrates a satisfactory performance in the Lending Test. A reasonable LTD ratio, a majority of lending in the AA, reasonable dispersion of small business lending, and reasonable penetration of business of different revenue sizes support this conclusion

Loan-to-Deposit Ratio

The institution's LTD ratio is reasonable given its asset size, financial condition, and AA credit needs. Examiners compared the institution's average LTD performance to similar institutions based on asset size, geographic location, and lending focus. The net LTD ratio averaged 57.7 percent over the previous 11 quarters from March 31, 2024, to September 30, 2021. The LTD ratio ranged from a low of 49.1 percent as of March 31, 2022, to a high of 63 percent as of March 31, 2024. The LTD ratio generally reflected a modest upward trend throughout the review period. Despite a downward trend in the total deposits and an elevated interest rate environment, the total loans continued to grow. A larger institution that operates in the institution AA also reflected similar trends. Nevertheless, as detailed in the following table, the institution's average LTD ratio was higher than its peers over the evaluation period.

LTD Ratio Comparison		
Bank	**Total Assets as of March 31, 2024 ($000s)**	**Average Net LTD Ratio (%)**
CFB	**591,543**	**57.7**
Similarly-Situated Institution #1	708,522	51.8
Similarly-Situated Institution #2	551,255	27.3
Source: Call Report 9/30/2021 - 3/31/2024		

Assessment Area Concentration

The institution originated a majority of its loans within its AA. Compared to the previous evaluation, the small business and home mortgage lending in the AA decreased where the bank originated 97.1 percent and 86 percent, by number respectively. The following table includes the total small business loans for 2023 and home mortgage loans originated during 2021, 2022 and 2023.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans				Total
	Inside		Outside		#	Inside		Outside		$(000)
	#	%	#	%		$(000)	%	$(000)	%	
Home Mortgage										
2021	78	79.6	20	20.4	98	25,740	73.9	9,090	26.1	34,830
2022	57	89.1	7	10.9	64	22,565	83.8	4,365	16.2	26,930
2023	58	75.3	19	24.7	77	24,890	76.2	7,775	23.8	32,665
Subtotal	**193**	**80.8**	**46**	**19.2**	**239**	**73,195**	**77.5**	**21,230**	**22.5**	**94,425**
Small Business										
2023	142	79.8	36	20.2	178	22,815	73.4	8,260	26.6	31,075
Subtotal	**142**	**79.8**	**36**	**20.2**	**178**	**22,815**	**73.4**	**8,260**	**26.6**	**31,075**
Total	**335**	**80.3**	**82**	**19.7**	**417**	**96,010**	**76.5**	**29,490**	**23.5**	**125,500**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution reflects reasonable dispersion throughout the AA. This conclusion is supported by reasonable performance of both small business and home mortgage lending.

Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration. The dispersion of small business loans in low-income geographies was comparable with the percentage of businesses. However, the distribution of small business loans in moderate-income geographies is below the percentage of businesses. The institution's lending performance is not unreasonable in comparison to the percentage of businesses operating in moderate-income geographies. The area is dependent on the agriculture, and food and beverage industries. Additionally, there are three large moderate-income CTs located along the western edge of Benton County. These three moderate-income tracts are comprised of farmland for wineries. Moreover, a few of the moderate-income CTs are generally comprised of residential neighborhoods. Since the pandemic the Federal Reserve rapidly increased interest rates to control inflation, thus affecting small business loan demand. The institution also operates in a highly competitive market for small business loans. The top five banks have a nationwide branch network and accounts for 59.7 percent of the market share for small business loans. Despite these circumstances, the institution received an SBA award in 2022 and 2023 for originating the most small business loans under $350,000 in the State of Washington's 4th congressional district.

The following table shows the geographic distribution of small business loans by year.

Geographic Distribution of Small Business Loans Assessment Area: Kennewick-Richland MSA					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2023	2.5	1	2.3	668	9.5
Moderate					
2023	27.7	9	20.9	1,456	20.7
Middle					
2023	35.4	15	34.9	2,402	34.2
Upper					
2023	33.2	18	41.9	2,505	35.6
Not Available					
2023	1.2	0	0.0	0	0.0
Totals					
2023	**100.0**	**43**	**100.0**	**7,031**	**100.0**
Source: 2023 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0*					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable penetration. The institution did not make any loans in low-income geographies. This performance is reasonable given that there are only three low-income tracts within the AA. Additionally, the percentage of loans originated by aggregate lenders further demonstrate that lending opportunities in low-income geographies are limited. Moreover, the institution's lending performance in moderate-income geographies slightly exceeded the aggregate lenders. As previously indicated, many of the moderate-income CTs comprise of residential neighborhoods. Slightly outperforming the peer lenders demonstrates the bank's efforts to meet the credit needs in LMI geographies.

The following table shows the geographic distribution of home mortgage loans by year.

Geographic Distribution of Home Mortgage Loans Assessment Area: Kennewick-Richland MSA						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	1.0	1.0	0	0.0	0	0.0
Moderate						
2022	21.4	18.8	11	19.3	4,555	20.2
Middle						
2022	38.1	37.0	20	35.1	6,200	27.5
Upper						
2022	39.2	43.0	26	45.6	11,810	52.3
Not Available						
2022	0.2	0.2	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**57**	**100.0**	**22,565**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes, given the demographics of the AA. This conclusion results from a distribution of both small business and home mortgage loans that reflects reasonable penetration.

Small Business Loans

The distribution of small business borrowers reflects reasonable penetration among businesses of different revenue sizes. The institution's lending performance to businesses with gross annual revenues of $1 million or less is below the percentage of businesses. The demographic data does not provide a representation of actual credit demand from qualified borrowers. The area's businesses have experienced an excess supply of goods which has exerted downward pressures on prices and profitability. For example, wine producers encountered challenges as goods are accumulating and are not being sold. Weak economic conditions impacted small business loan demand. Additionally, the institution received an SBA award in 2022 and 2023 for originating the most small business loans under $350,000 in State of Washington's 4th congressional district. Therefore, considering these factors, the institution has made reasonable efforts in meeting the credit needs of the community.

The following table details CFB's rate of lending to businesses with gross annual revenues of $1 million or less compared to the distribution of businesses by revenue level estimated by D&B.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Kennewick-Richland MSA					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2023	89.9	28	65.1	4,854	69.0
>$1,000,000					
2023	2.3	15	34.9	2,177	31.0
Revenue Not Available					
2023	7.7	0	0.0	0	0.0
Totals					
2023	**100.0**	**43**	**100.0**	**7,031**	**100.0**
Source: 2023 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Home Mortgage Loans

The distribution of home mortgage borrowers of different income reflects reasonable penetration. The lending performance to low-income borrowers is slightly below but comparable with aggregate lenders. However, lending performance to moderate-income borrowers is below the aggregate lending percentages. Higher interest rates curbed loan demand thus affecting home purchase and refinancing transactions. Additionally, the area's homes are highly overvalued. The elevated interest rates and overvalued home prices affect LMI individuals' ability to qualify for home mortgage loans. Moreover, the institution is not a market leader in making home mortgage loans. CFB competes with nationwide mortgage lenders, few large regional banks, and credit unions that can offer interest rates that are more competitive. Therefore, considering these factors, the institution has made reasonable efforts in meeting the credit needs of the community.

The following table details CFB's distribution of loans by borrower income level over the review period compared to the market. The percentage of families by income level is included for demographic reference.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Kennewick-Richland MSA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	20.3	4.7	2	3.5	130	0.6
Moderate						
2022	18.4	15.6	4	7.0	930	4.1
Middle						
2022	19.9	26.9	5	8.8	1,695	7.5
Upper						
2022	41.4	42.3	35	61.4	13,965	61.9
Not Available						
2022	0.0	10.4	11	19.3	5,845	25.9
Totals						
2022	**100.0**	**100.0**	**57**	**100.0**	**22,565**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments and donations, and community development services. Examiners considered the institution's capacity and the availability and need of such opportunities. The institution's focus on various activities that support community development services primarily support this conclusion. The following provides additional information to support the Community Development Test conclusion.

Community Development Loans

During the evaluation period, the institution made 20 community development loans totaling $26.3 million. This performance level represents 4.4 percent of average total assets and 8.1 percent of average total loans. The current community development lending performance reflected a significant increase compared to the prior evaluation totaling $8.6 million and represented 1.5 percent of the institution's average total assets and 2.8 percent of average total loans. The institution's activity exceeds the performance level of similarly situated banks.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021	2	5,133	1	5,000	2	932	0	0	**5**	**11,065**
2022	5	3,919	0	0	4	1,198	0	0	**9**	**5,117**
2023	2	2,845	0	0	3	2,700	0	0	**5**	**5,545**
YTD 2024	0	0	1	4,600	0	0	0	0	**1**	**4,600**
Total	**9**	**11,897**	**2**	**9,600**	**9**	**4,830**	**0**	**0**	**20**	**26,327**
Source: Bank Data										

The following are examples of community development loans benefitting the AA over the evaluation period:

- In 2021, the institution made a $5 million loan to finance the construction of a donation center. This non-profit entity that operates the donation center creates permanent jobs and provides skills training for LMI individuals.
- In 2021, the institution made SBA 504 loans totaling $546,403 to finance the purchase of a commercial property. The subject property will be owner-occupied for the expansion of their restaurant business.
- In 2022, the institution made a $4.7 million loan to finance the completion of a multifamily complex. The subject property is comprised of 36 units designated for LMI individuals.

<u>Qualified Investments</u>

The institution made 9 new qualified investments totaling $8 million that consisted of school bonds that benefited community service initiatives. The institution also provided $139,000 in qualified donations to various organizations that primarily benefited community services. This level of qualified investments and donations represents 1.3 percent of average total assets and 4.2 percent of average total securities. The current performance level reflected an increase compared to the prior evaluation amount of $1.7 million, which represented 0.2 percent of average total assets and 0.9 percent of average total securities. However, the institution’s activity is below the performance level of similarly situated banks.

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	0	0	0	0	0	0	**0**	**0**
2021	0	0	0	0	0	0	0	0	**0**	**0**
2022	0	0	4	5,291	0	0	0	0	**4**	**5,291**
2023	0	0	3	2,365	0	0	0	0	**3**	**2,365**
2024	0	0	2	353	0	0	0	0	**2**	**353**
Subtotal	**0**	**0**	**9**	**8,009**	**0**	**0**	**0**	**0**	**9**	**8,009**
Qualified Grants & Donations	0	0	89	136	8	3	0	0	**97**	**139**
Total	**0**	**0**	**98**	**8,145**	**8**	**3**	**0**	**0**	**106**	**8,148**
Source: Bank Data										

The following are examples of qualified investments and donations that benefited the AA over the evaluation period:

- In 2022, the institution purchased a $1.8 million school bond that benefited the Benton County Unified School District. More than 50 percent of the students are on free or reduced priced lunch (FRPL).
- In 2023, the institution purchased a $211,875 school bond that benefited the Franklin County Unified School District. More than 50 percent of the students are on FRPL.
- In 2024, the institution made donations totaling $2,000 to a non-profit community service organization that provides free children's books and literacy programs. The programs target pre-K children and are designed to assist at-risk families, such as those facing poverty and children in foster care, in order to provide equal access to tools that reduce potential barriers for success.

Community Development Services

The institution's employees provided 1,117 hours of financial expertise and technical assistance to various community development-related organizations. A majority of the services benefited community service initiatives. This performance level is comparable with the prior evaluation totaling 965 hours. The institution's performance level is consistent with similarly situated banks.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	107	58	0	**165**
2022	0	237	166	0	**403**
2023	0	220	166	0	**386**
2024	0	121	42	0	**163**
Total	**0**	**685**	**432**	**0**	**1,117**
Source: Bank Data					

The following are examples of CFB's community development services that benefited the AA over the evaluation period:

- Throughout the evaluation period, an officer of the bank serves as a Board member and treasurer of a non-profit community development organization that provides services tailored to the needs of at-risk and LMI youths in the AA, including support for general, post-secondary, and financial education.
- Throughout the evaluation period, an officer of the bank serves as chair on the Board of Directors of an area organization that provides free resources and technical expertise for small businesses.
- An employee of the bank serves on the Board of Directors for a non-profit community service organization that provides afterschool and summer enrichment programs primarily for low-income, at-risk youth.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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 <u>financial</u> 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.