

# **PUBLIC DISCLOSURE**

May 15, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank of Southern Utah  
Certificate Number: 17964

377 North Main Street  
Cedar City, Utah 84721

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

25 Jessie Street at Ecker Square, Suite 2300  
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 CRA RATING:** This institution is rated **Satisfactory**.

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

**The Lending Test is rated High Satisfactory.**

Lending levels reflect excellent responsiveness to AA credit needs. A high percentage of loans are made within the bank's AAs. The geographic distribution reflects adequate penetration throughout the AAs and the distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses and farms of different sizes. The bank exhibits a good record of serving the credit needs of highly economically disadvantaged areas of the AA, low-income individuals, and very small businesses and farms, consistent with safe and sound banking practices. The bank is a leader in making community development (CD) loans and makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs.

**The Investment Test is rated Outstanding.**

State Bank of Southern Utah (SBSU) has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The bank exhibits excellent responsiveness to credit and CD needs and rarely uses innovative and/or complex investments to support CD initiatives.

**The Service Test is rated High Satisfactory.**

Delivery systems are reasonably accessible to essentially all portions of SBSU's AAs. SBSU did not open or close any branches during the review period; therefore, this criterion did not impact the Service Test conclusions. Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. The bank is a leader in providing CD services.

## DESCRIPTION OF INSTITUTION

SBSU is a full-service community bank established in 1957 and headquartered in Cedar City, Utah. The bank is wholly-owned by Southern Utah Bancorporation, a one-bank holding company also headquartered in Cedar City, Utah. SBSU received a CRA rating of “Outstanding” at the previous FDIC performance evaluation, dated May 17, 2021, using Interagency Intermediate Small Institution Examination Procedures.

SBSU operates 16 full-service branches throughout central and southern Utah. No branch changes or merger or acquisition activity have occurred since the previous evaluation. The bank offers traditional home mortgage, consumer, commercial, and agricultural loan products. Deposit services include consumer and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts.

SBSU’s assets totaled \$2.4 billion and deposits totaled \$2.0 billion as of March 31, 2024. The bank’s loans totaled \$1.5 billion and securities totaled \$737.6 million for the same time period. Total assets increased 28.9 percent, loans increased 50.6 percent, and deposits increased 20.4 percent over the review period. As illustrated in the following table, real estate secured loans account for 84.0 percent of the bank’s loan portfolio, with commercial real estate constituting the majority of all loans at 42.7 percent. SBSU originates a large number of home mortgage loans that are sold on the secondary market and are not reflected in Consolidated Reports of Condition and Income data.

<b>Loan Portfolio Distribution as of 3/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	307,699	20.8
Secured by Farmland	48,838	3.3
Secured by 1-4 Family Residential Properties	198,541	13.4
Secured by Multifamily (5 or more) Residential Properties	55,580	3.8
Secured by Nonfarm Nonresidential Properties	631,107	42.7
<b>Total Real Estate Loans</b>	<b>1,241,765</b>	<b>84.0</b>
Commercial and Industrial Loans	143,127	9.7
Agricultural Production and Other Loans to Farmers	33,303	2.3
Consumer Loans	43,488	3.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	14,776	1.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,476,459</b>	<b>100.0</b>
<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 the credit needs of its AAs.

## DESCRIPTION OF ASSESSMENT AREAS

SBSU delineated two AAs in the State of Utah, which represents one rated area in this evaluation. Each AA contains full counties, with the exception of Sanpete County, in the Utah Non-MSA. This county is comprised of only two census tracts (CTs), which form the City of Gunnison. The AAs have not changed since the previous evaluation and are summarized in the following table. Refer to the individual AAs for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Utah Non-MSA	Garfield, Iron, Kane, Millard, Piute, Sanpete, Sevier	27	12
St. George MSA	Washington	35	4
<b>Total</b>	<b>8</b>	<b>62</b>	<b>16</b>
<i>Source: Bank Data</i>			

## SCOPE OF EVALUATION

### General Information

Examiners evaluated SBSU's CRA performance using the Interagency Large Institution Examination Procedures. This evaluation covers the period from the prior evaluation, dated May 17, 2021, to the current evaluation, dated May 15, 2024. Examiners conducted full-scope evaluations of both the Utah Non-MSA and St. George MSA AAs. As detailed in the following table, a majority of SBSU's lending activity, branches, and deposits are within the Utah Non-MSA AA; therefore, the bank's performance in the Utah Non-MSA AA received the greatest weight in determining overall conclusions.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Utah Non-MSA	620,709	69.4	1,289,403	65.7	12	75.0
St. George MSA	274,313	30.6	672,073	34.3	4	25.0
<b>Total</b>	<b>895,022</b>	<b>100.0</b>	<b>1,961,476</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>
<i>Source: 2021, 2022, and 2023 Reported Loans; FDIC Summary of Deposits (6/30/2023); Bank Records</i>						

### Activities Reviewed

Considering SBSU's business strategy, loan portfolio composition, and lending activity during the evaluation period, examiners determined that the bank's primary product lines are small business, home mortgage, and small farm loans. SBSU did not request the inclusion of consumer loans as part of this evaluation; therefore, consumer loans were excluded from the analysis.

For the Lending Test, examiners reviewed the universe of home mortgage loans originated and purchased between January 1, 2021, and December 31, 2023, as reported pursuant to the HMDA. In 2021, SBSU was not a CRA reporter; therefore, bank records were validated and utilized to analyze the universe of small business and farm loans originated and purchased between January 1, 2021, and December 31, 2021. Examiners also reviewed the universe of small business and farm loans originated and purchased between January 1, 2022, and December 31, 2023, as reported pursuant to the CRA. Based on the number and dollar volume of loans originated, examiners placed greater weight on the bank’s small business then home mortgage lending performance when arriving at Lending Test conclusions, followed by small farm lending. The following table details the loans included in the scope of the evaluation.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	2,114	557,147	2,114	557,147
Small Business	3,391	397,032	3,391	397,032
Small Farm	847	83,798	847	83,798
<b>Total</b>	<b>6,352</b>	<b>1,037,977</b>	<b>6,352</b>	<b>1,037,977</b>
<i>Source: 2021, 2022, and 2023 Reported Loans</i>				

Examiners compared SBSU’s lending performance to the aggregate performance of other HMDA reporting lenders within each AA in 2021 and 2022. Aggregate data for 2023 was not available at the time of this evaluation. The bank’s lending performance was also compared to applicable demographic data. In 2021, demographic comparisons for home mortgage lending are based on 2015 ACS data, while demographic comparisons in 2022 and 2023 are based on 2020 U.S. Census data. Demographic comparisons for small business and small farm lending are based on annual D&B survey data in each applicable year. Because the bank was not a CRA reporter in 2021, the bank’s performance is not directly compared to aggregate lending data and is not included in the lending tables for that year. However, aggregate data may be used to provide additional context regarding opportunity and demand for originating small business and farm loans within the AAs. Examiners compared SBSU’s lending performance to the aggregate performance of other CRA reporting lenders within each AA in 2022. Aggregate data for 2023 was not available at the time of this evaluation. Greater weight is given to lending performance compared to aggregate data than demographic data, as aggregate data is a better indicator of actual credit demand. Additionally, while the evaluation presents the number and dollar volume of loans, examiners emphasize performance by number of loans, which better reflects the number of individuals, businesses, and farms served.

The evaluation of SBSU’s CD loans, investments, and services includes all qualified activities since the previous evaluation, dated May 17, 2021, through May 15, 2024. Examiners evaluated SBSU’s CD activities quantitatively based on the bank’s financial capacity, as well as qualitatively based upon the impact of those activities on the bank’s AAs.

The evaluation of CD investments includes both new and prior period investments with outstanding balances at the time of this evaluation. In addition to CD services, the Service Test considered alternative delivery systems for providing retail banking services, the impact of branch openings and closings during the evaluation period, and review of retail banking products and services targeted toward LMI individuals or small businesses and/or services targeted to AA needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test is rated “High Satisfactory.” The bank’s performance was consistent in each AA. Refer to each respective analysis for additional details.

#### **Lending Activity**

SBSU’s lending levels reflect excellent responsiveness to AA credit needs. During the review period, the bank originated 3,006 small business loans totaling \$350.2 million, 1,948 home mortgage loans totaling \$483.6 million, and 663 small farm loans totaling \$61.2 million. In the prior evaluation, the bank originated 2,477 small business loans totaling \$245.6 million, 1,204 home mortgage loans totaling \$274.4 million, and 403 small farm loans totaling \$35.1 million. Additional information regarding the institution’s market share ranking for each product type is included in each individual analysis.

The current level of lending is reflective of three years of loan data versus the two years analyzed in the prior evaluation. With the exception of small farm originations, lending levels have registered a decline since the prior evaluation. For instance, small business originations in 2022 and 2023 were less than half the number of loans originated for this product type in the prior two years, respectively. Bank management attributes the decline in part to long-term employees leaving the employment of the bank due to retirements and increased competition from financial technology companies and credit unions. Despite the total lending decrease since the prior evaluation, the bank’s performance is good. Refer to each respective analysis for additional information.

A decline was also noted in home mortgage lending levels from 2022 to 2023. Discussions with management revealed increasing interest rates reduced the number of requests for home refinances. In addition, the bank was not able to maintain competitive rates on their most common home mortgage offering, which was Fannie Mae loans with bank retained servicing. This is particularly important as Fannie Mae programs are offered throughout the bank’s AAs and help increase access to mortgage credit for affordable homeownership. The bank found it could offer lower rates by brokering loans to a mortgage company and retaining servicing to accommodate customers. These loans are technically not made by SBSU and therefore do not register on the institution’s HMDA LAR. In 2022, SBSU brokered eight loans totaling approximately \$2.2 million and in 2023, the bank brokered 45 loans totaling approximately \$16.5 million. Even with the challenges noted, the bank’s performance is good, which is reflected in the market share for home mortgage loans. Refer to each respective analysis for specific information.

**Assessment Area Concentration**

SBSU made a high percentage of loans in the bank’s AAs. This conclusion is based on a high percentage of home mortgage, small business, and small farm loans originated within the AAs by both number and dollar volume. Refer to the table on the following page.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans</b>				<b>Total \$</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Mortgage</b>										
2021	665	93.5	46	6.5	711	179,669	91.2	17,335	8.8	197,004
2022	779	89.9	88	10.2	867	169,923	76.9	51,095	23.1	221,018
2023	504	94.0	32	6.0	536	134,009	96.3	5,116	3.7	139,125
<b>Subtotal</b>	<b>1,948</b>	<b>92.1</b>	<b>166</b>	<b>7.9</b>	<b>2,114</b>	<b>483,601</b>	<b>86.8</b>	<b>73,546</b>	<b>13.2</b>	<b>557,147</b>
<b>Small Business</b>										
2021	1,534	88.2	205	11.8	1,739	145,440	87.6	20,497	12.4	165,937
2022	742	92.3	62	7.7	804	112,470	90.7	11,554	9.3	124,024
2023	730	86.1	118	13.9	848	92,254	86.2	14,817	13.8	107,071
<b>Subtotal</b>	<b>3,006</b>	<b>88.6</b>	<b>385</b>	<b>11.4</b>	<b>3,391</b>	<b>350,164</b>	<b>88.2</b>	<b>46,868</b>	<b>11.8</b>	<b>397,032</b>
<b>Small Farm</b>										
2021	213	77.7	61	22.3	274	18,863	72.4	7,204	27.6	26,067
2022	211	77.9	60	22.1	271	20,791	74.4	7,165	25.6	27,956
2023	239	79.1	63	20.9	302	21,603	72.6	8,172	27.4	29,775
<b>Subtotal</b>	<b>663</b>	<b>78.3</b>	<b>184</b>	<b>21.7</b>	<b>847</b>	<b>61,257</b>	<b>73.1</b>	<b>22,541</b>	<b>26.9</b>	<b>83,798</b>
<b>Total</b>	<b>5,617</b>	<b>88.4</b>	<b>735</b>	<b>11.6</b>	<b>6,352</b>	<b>895,022</b>	<b>86.2</b>	<b>142,955</b>	<b>13.8</b>	<b>1,037,977</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

SBSU’s geographic distribution of loans reflects adequate penetration throughout the AAs. The bank’s performance was consistent in each area. Refer to each specific analysis for additional details.

**Borrower Profile**

The bank’s distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses and farms of different sizes. The bank’s performance was consistent in each AA. Additional details are included in the analyses for the respective AAs.



### Innovative or Flexible Lending Practices

SBSU makes limited use of innovative or flexible lending practices in order to serve AA credit needs. SBSU participated in 1,202 flexible or innovative loans totaling approximately \$204.2 million during the review period. A comparison to the bank's prior performance is not available since this evaluation is the bank's first time being evaluated under the Interagency Large Institution Examination Procedures and this criterion was not part of the previous examination procedures. The table on the following page illustrates the bank's innovative or flexible lending programs over the review period. With the exception of United States Department of Agriculture (USDA) loans, the programs and products are applicable to operations throughout the institution's AAs and are not presented separately within each AA analysis.

Innovative or Flexible Lending Programs										
Type of Program	2021		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA Loans	82	52,293	40	43,767	39	27,496	11	12,006	172	135,562
FSA Loans	12	5,129	8	4,845	5	2,544	1	500	26	13,018
USDA Loans	0	0	0	0	1	288	0	0	1	288
PPP Loans	1,003	55,348	0	0	0	0	0	0	1,003	55,348
<b>Totals</b>	<b>1,097</b>	<b>112,770</b>	<b>48</b>	<b>48,612</b>	<b>45</b>	<b>30,328</b>	<b>12</b>	<b>12,506</b>	<b>1,202</b>	<b>204,216</b>

Source: Bank Data

The following are examples of notable innovative or flexible lending practices employed during the evaluation period.

- **Small Business Administration (SBA) Loans** – SBA loans are government-backed instruments with less stringent credit standards and lower down payments than conventional loans. Repayment terms may also be longer than traditional loans. These loans can help cover startup costs, working capital needs, expansions, and real estate purchases for small businesses. During the evaluation period, SBSU originated 172 such loans for a total of approximately \$135.6 million.
- **Farm Service Agency (FSA) Loans** – FSA Guaranteed Farm Loan Programs help family farmers and ranchers to obtain loans from USDA-approved commercial lenders at reasonable terms to buy farmland or refinance agricultural production. FSA will guarantee farm loans through a commercial lender up to approximately \$2.2 million. SBSU offers the following loan products through these programs: Guaranteed Farm Ownership, EZ Guaranteed Farm Ownership, Guaranteed Operating, EZ Guaranteed Operating, and Guaranteed Conservation Loans. SBSU originated 26 FSA loans totaling approximately \$13.0 million during the review period.
- **USDA Loans** – SBSU is an approved lender for originating USDA loans through the Single Family Housing Guaranteed Loan Program. This program assists the institution with providing LMI households the opportunity to own adequate, modest, decent, safe, and

sanitary dwellings as their primary residence in eligible urban areas. Applicants may purchase, build, rehabilitate, improve, or relocate a dwelling with 100 percent financing and zero down payment for qualifying applicants. This product is available in eligible rural areas only and applicable to the institution's operations in the Utah Non-MSA only. The institution made 1 loan for approximately \$288,000 during the review period.

- **Payment Protection Program (PPP) Loans** – PPP loans are an SBA-backed loan that helps businesses keep their workforce employed during the COVID-19 crisis. The program was available from April 3, 2020, through May 31, 2021. These loans can be used to help fund payroll costs, including benefits, and may also be used to pay for mortgage interest, rent, utilities, and worker protection costs related to COVID-19. No fees were charged to small businesses by the government or lenders and loan forgiveness is available if specific employee retention criteria are met. The bulk of SBU's PPP loans were originated prior to the review period when the program was first introduced. During the evaluation period, SBSU originated 1,003 PPP loans totaling approximately \$55.3 million.

### Community Development Loans

SBSU is a leader in making CD loans throughout the AAs. During the evaluation period, the bank originated 52 loans totaling nearly \$166 million. This level of activity represents 7.5 percent of average total assets and 13.3 percent of average total loans. All CD lending metrics increased since the previous evaluation, when the bank originated 21 loans totaling \$52.9 million, representing 3.8 percent of average total assets and 6.1 percent of average total loans.

Total CD loans consist of 12 CD loans totaling \$41.5 million in 2021, 16 CD loans totaling \$47.5 million in 2022, 18 CD loans totaling \$57.9 million in 2023, and 6 CD loans totaling \$18.9 million year-to-date in 2024. SBSU's performance was consistent between the institution's two AAs. Refer to each respective analysis for details. The institution primarily displayed responsiveness to its AAs through the origination of CD loans for economic development, which is a primary credit need identified by a community contact. Information provided by the contact expressed the need for commercial loans for construction, expanding, and purchasing existing buildings or operations. The following table presents the bank's CD loans by AA and CD purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Utah Non-MSA	1	1,239	-	-	16	58,342	4	12,226	21	71,807
St. George MSA	-	-	1	6,720	28	83,784	-	-	29	90,504
Regional Activities	-	-	-	-	2	3,653	-	-	2	3,653
<b>Total</b>	<b>1</b>	<b>1,239</b>	<b>1</b>	<b>6,720</b>	<b>46</b>	<b>145,779</b>	<b>4</b>	<b>12,226</b>	<b>52</b>	<b>165,964</b>

Source: Bank Data

The following are examples of qualified CD loans made to a larger regional area that include the institution's AA:

- In 2023, SBSU made an SBA 504 loan totaling \$1.5 million to an organization that provides health services throughout the institution’s AA. The loan will allow the business to further expand operations.
- In 2024, the institution funded an SBA loan for approximately \$2.1 million to an AA business for start-up costs and establish operations throughout SBSU’s broader regional area.

## INVESTMENT TEST

The Investment Test is rated “Outstanding.” The bank’s performance in each AA was consistent with this conclusion. Refer to each respective analysis for additional details.

### Investment and Grant Activity

SBSU has an excellent level of qualified CD investments and grants, particularly those not routinely provided by private investors, often in a leadership position. Total qualified investments represent 2.6 percent of average total assets and 7.6 percent of average total securities. This performance is similar to the previous evaluation, when the percentages were 1.8 percent and 8.6 percent, respectively. In addition, the volume of CD investments represents a significant increase from the previous evaluation’s approximate \$36.2 million in total qualified investments and grants when the bank was noted as displaying excellent responsiveness to CD needs despite operating in areas where there are not as many opportunities to participate in CD qualified activities.

Prior period investments retained across the rated areas totaled \$19.9 million. Of the total new qualified investments, \$8.9 million were made in 2021, \$3.2 million were made in 2022, and \$24.9 million were made in 2023. The following table details the bank’s qualified investments and grants by AA and CD purpose.

Qualified Investments										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	8	19,880	8	19,880
Utah Non-MSA	-	-	1	7,233	-	-	2	26,364	3	33,597
St. George MSA	-	-	1	1,701	-	-	-	-	1	1,701
Regional Activities	-	-	-	-	-	-	1	1,845	1	1,845
<b>Subtotal</b>	-	-	<b>2</b>	<b>8,934</b>	-	-	<b>11</b>	<b>48,089</b>	<b>13</b>	<b>57,023</b>
Qualified Grants & Donations	4	49	84	32	-	-	5	41	93	122
<b>Total</b>	<b>4</b>	<b>49</b>	<b>86</b>	<b>8,966</b>	-	-	<b>16</b>	<b>48,130</b>	<b>106</b>	<b>57,145</b>

Source: Bank Data

The following are examples of qualified investments and grants made to a larger regional area that include the institution's AA:

- In 2022, SBSU made an investment totaling approximately \$1.8 million. The investment consisted of a municipal bond to build an additional school in a district that is already home to two Title I elementary schools, which are part of a federal education program to support low-income students. The district borders Millard County, which is part of the institution's AA.
- In 2022, SBSU made a \$10,000 donation to an organization that supports affordable housing by promoting and providing education for pathways to home ownership, solutions for affordable housing, housing improvements and upgrades, and maintenance for rental properties.

### **Responsiveness to Credit and Community Development Needs**

SBSU exhibits excellent responsiveness to credit and CD needs. The investment strategy during the evaluation period focused on revitalization and stabilization initiatives. This demonstrates excellent responsiveness to CD credit needs within the institution's AAs, particularly in the Utah Non-MSA, where there are a number of distressed and underserved geographies. In addition, each of the institution's AAs received the benefit of investment and grant activity. Refer to each individual full-scope analysis for specific details.

### **Community Development Initiatives**

SBSU rarely uses innovative and/or complex investments to support CD initiatives. The institution's primary vehicle for qualified CD investments is through municipal bonds. These investments are not typically considered innovative or complex; however, they are impactful, given the CD needs in the institution's AAs. These investments were in support of various initiatives, including infrastructure improvements and funding for local school districts. All of the institution's prior period investments consist of municipal bonds, some of which are long-term, providing a lasting benefit.

### **SERVICE TEST**

SBSU's Service Test performance is rated "High Satisfactory." Performance in both AAs is consistent with this conclusion. Refer to each respective analysis for additional details.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the institution's AAs. SBSU operates 16 full-service branches throughout its AAs with 3 locations in moderate-income geographies and 13 locations in middle-income geographies. Of the 16 branches, 14 have 24-hour deposit-taking ATMs onsite. Branch and ATM distribution varies slightly between the AAs; refer to each respective analysis for details. Alternative systems for delivering retail banking services

improve accessibility to SBSU's products and services in all geographies, including LMI geographies and individuals. Alternative delivery systems include 24-hour telephone banking, online banking, bill pay services, and mobile banking, which include mobile deposit capabilities.

### **Changes in Branch Locations**

SBSU did not open or close any branches during the evaluation period; therefore, this criterion did not impact the overall Service Test performance conclusion. As a result, this criterion is not included in the analysis of the individual AAs.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Business hours vary slightly by branch according to AA needs; however, most branches offer lobby hours of 9:00 a.m. to 5:00 p.m. Monday to Friday and extended drive-up hours. Some branches offer limited drive-up availability on Saturdays; refer to each AA analysis for details.

SBSU offers a broad range of deposit and lending products to meet the needs of its AAs, including deposit products such as consumer and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. Loan products include home mortgage loans, home equity lines of credit, construction loans, commercial loans and lines of credit, agriculture loans, and secured and unsecured consumer loans. All branches offer the same products and services except for USDA Single-Family Housing Guaranteed Loans, which are only offered in branches located in rural areas eligible for the loan program, as defined by the USDA.

### **Community Development Services**

SBSU is a leader in providing CD services. Bank staff provided 1,433.5 hours of qualified CD services over the review period. Of the total CD service hours, 320 were provided in 2021, 517 were provided in 2022, 451.5 were provided in 2023, and 145 were provided in 2024. This level of activity represents 5.2 hours per full-time equivalent employee (FTE) as of the most recent Call Report. The level of service hour activity increased significantly from the previous evaluation when employees provided a total of 577 hours of service throughout the bank's AAs, representing a ratio of 2.3 hours per FTE. The majority of CD service hours benefited community services targeted to LMI individuals, which was identified as a primary CD need in both AAs. Refer to the respective analyses for notable examples of CD services provided over the review period.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Utah Non-MSA	100	667.5	154	116	<b>1,037.5</b>
St. George MSA	112	284	-	-	<b>396</b>
<b>Total</b>	<b>212</b>	<b>951.5</b>	<b>154</b>	<b>116</b>	<b>1,433.5</b>
<i>Source: Bank Data</i>					

## **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 Equal Credit Opportunity Act and the Fair Housing Act. Examiners did not identify any discriminatory or other illegal credit practices.

## UTAH Non-MSA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN UTAH NON-MSA

SBSU operates 12 full-services branches in the Utah Non-MSA AA, including its main office. The AA consists of the following contiguous counties in central and southern Utah: Garfield, Iron, Kane, Millard, Piute, and Sevier. The AA also includes two CTs in Sanpete County that compose the City of Gunnison.

#### **Economic and Demographic Data**

The AA changed slightly over the evaluation period with the 2020 U.S. Census, which resulted in revised CT delineations and income designations. In 2021, based on the 2015 ACS, the AA consisted of 23 CTs: 6 moderate- and 17 middle-income tracts. In 2022 and 2023, based on the 2020 U.S. Census, the AA consisted of 27 CTs: 1 low-, 6 moderate-, 19 middle-, and 1 upper-income tract. Additionally, the AA contains nine CTs designated as underserved middle-income CTs, two of which are also designated as distressed geographies due to high rates of unemployment. The following table provides select demographic characteristics of the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	27	3.7	22.2	70.4	3.7	0.0
Population by Geography	116,178	1.7	20.6	73.7	4.0	0.0
Housing Units by Geography	49,795	2.1	22.6	72.7	2.7	0.0
Owner-Occupied Units by Geography	26,635	0.8	18.2	76.7	4.3	0.0
Occupied Rental Units by Geography	10,501	6.3	28.7	63.8	1.2	0.0
Vacant Units by Geography	12,659	1.4	26.8	71.4	0.4	0.0
Businesses by Geography	17,083	3.7	21.4	71.2	3.8	0.0
Farms by Geography	900	1.7	17.4	79.0	1.9	0.0
Family Distribution by Income Level	27,553	22.7	21.0	24.4	31.9	0.0
Household Distribution by Income Level	37,136	26.8	20.0	20.5	32.8	0.0
Median Family Income Non-MSAs - UT		\$73,027	Median Housing Value			\$203,529
			Median Gross Rent			\$799
			Families Below Poverty Level			10.7%
<small>Source: 2020 U.S. Census and 2023 D&amp;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>						

Based on 2020 U.S. Census data, a total of 49,795 housing units exist in the AA. Of these units, 53.5 percent are owner-occupied, 21.1 percent are occupied rental units, and 25.4 percent are vacant. The median housing value of \$203,529 reflects a moderately priced area. According to 2023 D&B data, a total of 17,083 businesses and 900 farms are based in the AA. Service industries represent the largest portion of businesses at 29.1 percent; followed by non-classifiable establishments at 27.6 percent; finance, insurance, and real estate at 11.6 percent, and retail trade at 8.4 percent.

As illustrated in the following table, average annual unemployment rates in the AA counties were generally consistent with the State of Utah and below the national average over the review period except for Garfield and Piute Counties, where unemployment rates were higher.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Garfield County	6.8	6.4	6.8
Iron County	2.9	2.5	2.6
Kane County	3.0	2.6	2.8
Millard County	2.5	2.3	2.4
Piute County	4.5	4.1	4.9
Sanpete County	2.9	2.8	2.9
Sevier County	3.3	2.9	2.8
State of Utah	2.8	2.4	2.6
National Average	5.4	3.6	3.6

*Source: Bureau of Labor Statistics*

### **Competition**

The Utah Non-MSA AA has competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 7 FDIC-insured institutions share \$2.5 billion in total deposits in the AA. Of these institutions, SBSU ranks first in deposit market share, holding 51.6 percent of the AA's deposits.

### **Community Contacts**

Examiners spoke with a county government representative whose department oversees land use, environmental and sustainability planning, community engagement, and economic growth in the Utah Non-MSA AA. The contact identified the primary credit needs in the area as residential loans for new construction and purchases; and commercial loans for construction, expanding, and purchasing existing buildings or operations. According to the contact, opportunities also exist for financial institutions to support economic development and revitalization or stabilization efforts. The contact noted that the county seat's main street has many vacant and boarded up businesses, and a significant number of abandoned commercial and residential properties are seen throughout the county.



Examiners also spoke with a representative of an organization that provides community education, resources, and support programs primarily to LMI individuals in the AA. The organization recently completed a community needs assessment, which included surveying county residents. Primary needs included mental healthcare, employment opportunities, and youth and childcare services. Though affordable housing was not among the highest priority needs identified, the contact stated that many families and individuals come to the organization with difficulty finding affordable homes to buy or rent. The contact noted that a need also exists for financial education courses, particularly for LMI individuals with poor or no credit.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that the primary credit needs in the AA are residential real estate loans and small business loans. Primary CD needs are economic development, revitalization or stabilization, and community services. Also, the need exists for community services targeted to LMI individuals including childcare, job training, and financial education.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN UTAH NON-MSA**

### **LENDING TEST**

Lending levels reflect excellent responsiveness to AA credit needs. The geographic distribution reflects adequate penetration throughout the AA and the distribution of borrowers reflects adequate penetration. SBSU is a leader in making CD loans.

### **Lending Activity**

SBSU's lending levels reflect excellent responsiveness to AA credit needs. During the review period, SBSU originated 1,125 small business loans totaling \$91.8 million in 2021, 478 small business loans totaling \$70.6 million in 2022, and 495 small business loans totaling \$60.0 million in 2023. SBSU also originated 504 home mortgage loans totaling \$135.5 million in 2021, 588 home mortgage loans totaling \$119.4 million in 2022, and 394 home mortgage loans totaling \$83.7 million in 2023. Finally, SBSU originated 209 small farm loans totaling \$18.3 million in 2021, 205 small farm loans totaling \$20.3 million in 2022, and 237 small farm loans totaling \$21.2 million in 2023.

Since the bank was not subject to CRA reporting in 2021, market share data for small business and small farm lending is limited to 2022. HMDA market share information includes 2021 and 2022 for reported HMDA data. Market share data for 2023 was not available at the time of this evaluation.

Aggregate lending data from 2022 shows a total of 3,167 small business loans were originated or purchased by 71 lenders in the AA. SBSU ranked 2nd among this group, with 15.8 percent of the total market share.

In 2021, the bank ranked 3<sup>rd</sup> out of 253 lenders who reported 8,733 originated or purchased home mortgage loans in the AA, giving SBSU a market share of 5.7 percent. The top two lenders consist of large, regional and national lenders with a combined market share of 17.4 percent. In 2022, SBSU ranked 2nd among 261 lenders originating home mortgage loans. Peer mortgage data shows the bank with a total of nearly 9.8 percent of the 8,283 mortgage loans originated. A large, regional lender is ranked first with 16.7 percent of the total market share.

In addition, aggregate lending data from 2022 shows 15 lenders originated or purchased a total of 378 small farm loans. SBSU ranked 1st among this group, with a total of 54.2 percent market share.

### **Geographic Distribution**

The bank's geographic distribution of loans reflects adequate penetration throughout the AA. The AA did not contain any low-income geographies in 2021; therefore, examiners used the bank's performance in 2022 and 2023 to analyze lending in low-income CTs. Adequate small business and home mortgage performance and excellent small farm performance support this conclusion.

#### *Small Business*

The geographic distribution of small business loans reflects adequate penetration throughout the AA. The bank's lending to low-income geographies slightly trailed the data reported by aggregate lenders and was below demographics during the review period, but not to an unreasonable degree. In 2021, lending within moderate-income geographies was in alignment with demographic data and above the 27.4 percent rate reported by aggregate lenders. In 2022, SBSU's performance was above both comparators. In 2023, the banks performance aligned more closely with demographic data, where aggregate data was not available.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	0.0	--	0	0.0	0	0.0
2022	4.3	3.2	9	1.9	1,565	2.2
2023	3.7	--	8	1.6	1,131	1.9
<b>Moderate</b>						
2021	28.8	--	321	28.5	31,619	34.4
2022	21.8	22.9	133	27.8	17,047	24.1
2023	21.4	--	108	21.8	14,505	24.2
<b>Middle</b>						
2021	71.2	--	804	71.5	60,166	65.6
2022	70.1	71.1	330	69.0	51,638	73.1
2023	71.2	--	375	75.8	43,030	71.7
<b>Upper</b>						
2021	0.0	--	0	0.0	0	0.0
2022	3.8	2.9	6	1.3	364	0.5
2023	3.8	--	4	0.8	1,354	2.3
<b>Not Available</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>1,125</b>	<b>100.0</b>	<b>91,785</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>478</b>	<b>100.0</b>	<b>70,614</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>495</b>	<b>100.0</b>	<b>60,020</b>	<b>100.0</b>
<i>Source: 2021, 2022 &amp; 2023 D&amp;B Data; Bank Data; and 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### *Home Mortgage*

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. The bank's lending in low-income geographies was comparable to both demographic data and aggregate performance throughout the review period. Performance in moderate-income tracts also closely mirrored both of the comparators for each year.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.8	0.6	3	0.5	588	0.5
2023	0.8	--	4	1.0	333	0.4
<b>Moderate</b>						
2021	23.9	22.4	118	23.4	31,722	23.4
2022	18.2	20.0	111	18.9	21,017	17.6
2023	18.2	--	74	18.8	13,555	16.2
<b>Middle</b>						
2021	76.1	77.6	386	76.6	103,740	76.6
2022	76.7	74.3	426	72.4	83,156	69.7
2023	76.7	--	295	74.9	66,079	78.9
<b>Upper</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	4.3	5.1	48	8.2	14,598	12.2
2023	4.3	--	21	5.3	3,735	4.5
<b>Not Available</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>504</b>	<b>100.0</b>	<b>135,462</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>588</b>	<b>100.0</b>	<b>119,358</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>394</b>	<b>100.0</b>	<b>83,701</b>	<b>100.0</b>
<i>Source: 2010 and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### *Small Farm*

The geographic distribution of small farm loans reflects excellent penetration throughout the AA. This conclusion is primarily based on the bank's performance of lending in moderate-income CTs. Although SBSU did not originate any loans in low-income tracts during the evaluation period, demographic data and data reported by aggregate lenders shows very little opportunity to make loans in these geographies. In 2021, the bank's lending in moderate-income tracts is above demographic data and also well above the 11.8 percent rate achieved by aggregate lenders. In 2022 and 2023, SBSU's performance is also above both comparators and reflects excellent performance.

Geographic Distribution of Small Farm Loans						
Assessment Area: SBSU Utah Non-MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2021	0.0	--	0	0.0	0	0.0
2022	1.6	0.3	0	0.0	0	0.0
2023	1.7	--	0	0.0	0	0.0
<b>Moderate</b>						
2021	22.0	--	55	26.3	3,845	21.0
2022	18.1	23.2	56	27.3	5,262	26.0
2023	17.4	--	56	23.6	3,343	15.8
<b>Middle</b>						
2021	78.0	--	154	73.7	14,465	79.0
2022	78.4	75.6	148	72.2	14,954	73.8
2023	79.0	--	181	76.4	17,860	84.2
<b>Upper</b>						
2021	0.0	--	0	0.0	0	0.0
2022	2.0	0.9	1	0.5	40	0.2
2023	1.9	--	0	0.0	0	0.0
<b>Not Available</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
2021	100.0	--	209	100.0	18,310	100.0
2022	100.0	100.0	205	100.0	20,256	100.0
2023	100.0	--	237	100.0	21,203	100.0
Source: 2021, 2022 & 2023 D&B Data; Bank Data; and 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses and farms of different sizes. Adequate small business, adequate home mortgage, and excellent small farm lending performance support this conclusion.

#### *Small Business*

The distribution of borrowers reflects adequate penetration to businesses with gross annual revenues (GARs) of \$1 million or less. In 2021, SBSU's lending to small businesses was substantially above

the 52.5 percent rate reported by aggregate lenders and favorable in comparison to demographic data. The bank's performance registered a notable decline in the following year; however, it is still in alignment with the rate reported by aggregate lenders. In 2023, SBSU's performance registered a decline; however, aggregate data is not available for comparison. Additional details regarding factors impacting the bank's performance of small business lending are included at the institution level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	85.0	--	982	87.3	65,207	71.0
2022	88.8	50.9	230	48.1	29,808	42.2
2023	90.8	--	202	40.8	22,050	36.7
<b>&gt;\$1,000,000</b>						
2021	3.1	--	143	12.7	26,578	29.0
2022	2.2	--	212	44.4	36,478	51.7
2023	1.8	--	272	54.9	36,232	60.4
<b>Revenue Not Available</b>						
2021	11.9	--	0	0.0	0	0.0
2022	9.0	--	36	7.5	4,328	6.1
2023	7.5	--	21	4.2	1,738	2.9
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>1,125</b>	<b>100.0</b>	<b>91,785</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>478</b>	<b>100.0</b>	<b>70,614</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>495</b>	<b>100.0</b>	<b>60,020</b>	<b>100.0</b>
<i>Source: 2021, 2022 &amp; 2023 D&amp;B Data; Bank Data; and 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### *Home Mortgage*

The distribution of borrowers reflects adequate penetration to LMI borrowers. SBSU's lending to low-income borrowers was slightly below aggregate performance, but not to an unreasonable degree. In 2021, the bank's record of lending to moderate-income borrowers was favorable compared to both demographic and aggregate data. SBSU's performance declined in 2022, but demonstrated improvement in 2023. As discussed in the overall section, the bank stopped offering their Fannie Mae mortgage product during the review. Market conditions such as the rising interest rate environment made it challenging for the bank to maintain this product, and as a result lending to LMI borrowers in 2022 and 2023 decreased. Please refer to the overall lending activity section for additional context, such as the bank's referral arrangement for home mortgage applicants.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	25.3	6.7	29	5.8	3,377	2.5
2022	22.7	7.0	18	3.1	1,818	1.5
2023	22.7	--	23	5.8	1,677	2.0
<b>Moderate</b>						
2021	19.9	19.2	106	21.0	19,377	14.3
2022	21.0	19.7	89	15.1	12,466	10.4
2023	21.0	--	63	16.0	7,245	8.7
<b>Middle</b>						
2021	24.3	24.2	125	24.8	26,069	19.2
2022	24.4	25.5	137	23.3	20,195	16.9
2023	24.4	--	93	23.6	12,749	15.2
<b>Upper</b>						
2021	30.5	32.1	191	37.9	54,413	40.2
2022	31.9	35.0	287	48.8	71,840	60.2
2023	31.9	--	176	44.7	43,903	52.5
<b>Not Available</b>						
2021	0.0	17.7	53	10.5	32,226	23.8
2022	0.0	12.8	57	9.7	13,039	10.9
2023	0.0	--	39	9.9	18,127	21.7
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>504</b>	<b>100.0</b>	<b>135,462</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>588</b>	<b>100.0</b>	<b>119,358</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>394</b>	<b>100.0</b>	<b>83,701</b>	<b>100.0</b>

*Source: 2010 and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### *Small Farm*

The distribution of borrowers reflects excellent penetration to farms with GARs of \$1 million or less. SBSU's performance registered a downward trend during the review period; however, the institution's rate of lending to farms with GARs of \$1 million or less in 2021 was significantly higher than the 67.4 percent rate for aggregate lenders. SBSU's performance remained above aggregate in 2022 and was generally stable in the following year.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: SBSU Utah Non-MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	97.9	--	199	95.2	16,107	88.0
2022	98.2	76.2	161	78.5	13,135	64.8
2023	98.4	--	175	73.8	13,076	61.7
<b>&gt;\$1,000,000</b>						
2021	1.6	--	10	4.8	2,203	12.0
2022	1.4	--	24	11.7	5,237	25.9
2023	1.2	--	40	16.9	7,022	33.1
<b>Revenue Not Available</b>						
2021	0.5	--	0	0.0	0	0.0
2022	0.4	--	20	9.8	1,884	9.3
2023	0.3	--	22	9.3	1,105	5.2
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>209</b>	<b>100.0</b>	<b>18,310</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>205</b>	<b>100.0</b>	<b>20,256</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>237</b>	<b>100.0</b>	<b>21,203</b>	<b>100.0</b>
<i>Source: 2021, 2022 &amp; 2023 D&amp;B Data; Bank Data; and 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Community Development Loans**

SBSU is a leader in making CD loans throughout the Utah Non-MSA AA, where the bank originated 21 CD loans totaling \$71.8 million. This performance represents a substantial increase since the last examination, when the bank made 7 CD loans totaling approximately \$20.1 million. The majority of lending activity supported economic development initiatives and demonstrates a high level of responsiveness to a primary CD credit need in the AA. Notable examples of SBSU's CD loans in the Utah Non-MSA AA include:

- During the evaluation period, SBSU made 13 SBA 504 loans totaling approximately \$20.4 million. These loans are directly in support of economic development throughout the AA.
- In 2021, the institution funded a loan for \$8.5 million to build a multi-use commercial business that will serve as an anchor to help revitalize and stabilize an underserved geography in the AA. The business will provide numerous, permanent jobs within the retail and service industries.



- In 2023, SBSU made a \$13.5 million loan to construct a new hotel located in a low-income CT. The hotel will bring an estimated 25 permanent jobs to the AA.

## **INVESTMENT TEST**

SBSU has an excellent level of qualified CD investments and grants, particularly those not routinely provided by private investors, often in a leadership position. The bank exhibits excellent responsiveness to credit and CD needs and rarely uses innovative and/or complex investments to support CD initiatives.

### **Investment and Grant Activity**

SBSU has an excellent level of qualified CD investments and grants, particularly those not routinely provided by private investors, often in a leadership position. During the evaluation period, the institution made 3 investments totaling nearly \$33.6 million. The institution also made 67 qualified grants and donations that totaled an additional \$55,000. This AA also received the direct benefit of four prior period investments totaling \$6.5 million and four prior period investments totaling approximately \$13.3 million in the institution's larger, regional area. This performance marks an increase in the dollar amount of investments compared to the prior evaluation, when SBSU made 7 investments totaling approximately \$20.1 million. The following are notable examples of qualified CD investments over the evaluation period:

- In 2021, SBSU invested over \$7.2 million in a municipal bond that benefitted a local area school district. The purpose of the bond is to refund bonds originally issued for the construction of school buildings. The district is located in an area that has been designated as underserved and in which six of the nine elementary schools are designated as Title I schools. The refunding of the bonds was anticipated to generate a savings of \$84,821 to the school district.
- In 2022, SBSU made an investment for nearly \$1.4 million in a municipal bond to finance the development of a water and sewer system and road improvements in a city located in a moderate-income CT in the AA. This project will provide essential services of water and sewer and road improvements to the residents in this moderate-income geography.
- In 2023, the institution made an investment for approximately \$25 million in a municipal bond to finance the re-construction of an elementary school located in a low-income CT in the AA. More than 600 students attend this Title I school. The current building has outdated HVAC, mechanical, and electrical systems that are inefficient, inaccessible, and often require rerouting and costly maintenance. The proceeds will be used to construct a new school located on the same property.

### Responsiveness to Credit and Community Development Needs

SBSU exhibits excellent responsiveness to credit and CD needs. The institution targeted the Utah Non-MSA AA for the bulk of investments during the evaluation period. This strategy primarily supports revitalization and stabilization efforts in underserved and distressed geographies in the bank's AA and is in alignment with identified CD credit needs.

### Community Development Initiatives

SBSU rarely uses innovative and/or complex investments to support CD initiatives. Refer to the discussion at the institution level for additional details.

### **SERVICE TEST**

Delivery systems are reasonably accessible to essentially all portions of the institution's AA; services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals; and the bank is a leader in providing CD services.

### Accessibility of Delivery Systems

Overall, delivery systems are reasonably accessible to essentially all portions of the institution's AA. SBSU has no branches in the AA's one low-income CT, which is below area demographics as well as the 6.7 percent of branches operated in the geography by other financial institutions, according to 2023 peer branch and deposit data. However, the bank's main branch and Cedar South Interchange branch locations are approximately 0.2 and 1.3 miles away from the low-income CT, respectively. The proximity of those branches to the low-income CT ensures reasonable access for individuals living in the area to access SBSU's retail banking services. At 25.0 percent, SBSU's distribution of branches in moderate-income CTs compares favorably to area demographics, and is slightly below the 30.0 percent of branches operated in these geographies by all area institutions. The following table details SBSU's distribution of branches and ATMs in the AA by CT income level.

<b>Branch and ATM Distribution by Geography Income Level – Utah Non-MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	3.7	1,980	1.7	-	-	-	-
Moderate	6	22.2	23,948	20.6	3	25.0	4	36.4
Middle	19	70.4	85,605	73.7	9	75.0	7	63.6
Upper	1	3.7	4,645	4.0	-	-	-	-
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>116,178</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>

*Source: 2020 U.S. Census Data; Bank Data*

**Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Hours and services are generally consistent with those hours and services discussed at the institution level. Three branches offer longer lobby hours: the Circleville branch is open from 8:30 a.m. to 5:00 p.m., the Parowan branch is open from 9:00 a.m. to 6:00 p.m. on Fridays, and the Cedar South Interchange branch is open from 9:00 a.m. to 7:00 p.m. The Circleville and Parowan branches are located in moderate-income CTs, and the Cedar South Interchange branch is located in a middle-income CT approximately 1.3 miles from the AA’s one low-income CT. One branch has shorter lobby hours: the Escalante branch, located in a middle-income CT, is open from 10:00 a.m. to 4:00 p.m. All branches offer drive-up banking, and the bank’s main office and Cedar South Interchange branch offer limited drive-up hours on Saturdays. All three branches in moderate-income CTs offer 24-hour deposit-taking ATMs onsite. USDA Single-Family Housing Guaranteed Loans are offered in all branches except for the main office and Cedar South Interchange branch, which are located in areas ineligible for the program, as defined by the USDA.

**Community Development Services**

SBSU is a leader in providing CD services. During the evaluation period, bank staff provided 1,037.5 hours of qualified CD services benefitting the Utah Non-MSA AA. Total CD service hours increased 221.2 percent from the previous evaluation, where employees provided 323 hours of service. The majority of CD service hours supported community services targeted to LMI individuals, which was identified as a CD need in the AA. Additionally, the bank completed an expansion to its main office in 2023, which included a conference room that is available for use by local community organizations. The provision of a shared space in a moderate-income geography adjacent to a low-income geography also demonstrates the bank’s support of CD initiatives in its community.

<b>Community Development Services – Utah Non-MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021	47	88	50	-	185
2022	53	265	50	40	408
2023	-	258.5	54	40	352.5
YTD 2024	-	56	-	36	92
<b>Total</b>	<b>100</b>	<b>667.5</b>	<b>154</b>	<b>116</b>	<b>1,037.5</b>
<i>Source: Bank Data</i>					

The following are notable examples of CD services provided by bank employees over the evaluation period:

- Between 2022 and 2024, 13 employees provided a total of 49.5 hours of CD service by teaching financial education courses targeted to LMI attendees. Of the total CD service

hours, 11 hours were provided to LMI persons as part of a comprehensive education program for incarcerated individuals.

- In 2022 and 2023, an employee provided a total of 80 hours of CD service as the treasurer of an organization that supports water infrastructure for a part of the AA composed primarily of LMI geographies.
- Between 2021 and 2023, employees supported economic development efforts by providing 150 hours of CD service to prepare and participate in an event connecting start-ups and recently formed businesses with grants and technical assistance.

## ST. GEORGE MSA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN ST. GEORGE MSA

SBSU operates 4 branches in the St. George MSA AA, which is located in the southwest corner of Utah. The AA consists of Washington County, which comprises the St. George MSA in its entirety.

#### Economic and Demographic Data

The AA changed slightly over the evaluation period with the 2020 U.S. Census, which resulted in revised CT delineations and income designations. In 2021, based on the 2015 ACS, the AA consisted of 21 CTs: 3 moderate-, 16 middle, and 2 upper-income tracts. In 2022 and 2023, based on the 2020 U.S. Census, the AA consisted of 35 CTs: 5 moderate-, 24 middle-, and 6 upper-income tracts. The following table provides select demographic characteristics of the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SBSU St George MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	35	0.0	14.3	68.6	17.1	0.0
Population by Geography	180,279	0.0	15.3	62.8	21.9	0.0
Housing Units by Geography	71,482	0.0	15.4	67.7	16.9	0.0
Owner-Occupied Units by Geography	41,927	0.0	12.3	68.3	19.4	0.0
Occupied Rental Units by Geography	17,772	0.0	24.8	64.6	10.5	0.0
Vacant Units by Geography	11,783	0.0	12.2	70.1	17.7	0.0
Businesses by Geography	36,488	0.0	12.8	63.2	24.0	0.0
Farms by Geography	852	0.0	12.7	69.4	18.0	0.0
Family Distribution by Income Level	44,865	18.1	20.3	21.2	40.3	0.0
Household Distribution by Income Level	59,699	21.2	17.1	20.4	41.3	0.0
Median Family Income MSA - 41100 St. George, UT MSA		\$72,683	Median Housing Value			\$312,335
			Median Gross Rent			\$1,153
			Families Below Poverty Level			7.2%
<small>Source: 2020 U.S. Census and 2023 D&amp;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>						

Based on 2020 U.S. Census data, a total of 71,482 housing units exist in the AA. Of these units, 58.7 percent are owner-occupied, 24.9 percent are occupied rental units, and 16.5 percent are vacant. The median housing value of \$312,335 reflects a moderately priced area. According to 2023 D&B data, a total of 36,488 businesses and 852 farms are based in the AA. Service industries represent the largest portion of businesses at 32.4 percent; followed by non-classifiable

establishments at 31.0 percent; finance, insurance, and real estate at 12.4 percent; and construction at 7.2 percent. According to Moody’s Analytics, as of March 2024, economic strengths of the area include strong net migration and a high rate of business formation. Area weaknesses include a high reliance on the tourism industry, which makes employment volatile and leaves the economy vulnerable to economic downturns.

As illustrated in the following table, the AA’s average annual unemployment rate was slightly higher than the State of Utah and below the national average over the review period.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Washington County	3.0	2.6	2.8
State of Utah	2.8	2.4	2.6
National Average	5.4	3.6	3.6

*Source: Bureau of Labor Statistics*

**Competition**

The St. George MSA AA has competition for financial services. According to the June 30, 2023, FDIC Deposit Market Share Report, 10 FDIC-insured institutions share \$3.7 billion in total deposits in the AA. Of these institutions, SBSU ranks 2nd in deposit market share, holding 18.1 percent of the AA’s deposits.

**Community Contact**

Examiners spoke with the executive director of an affordable housing organization. The contact expressed a need in the community for consumer real estate loans, as well as funding for multifamily residential properties. Consistently long wait lists exist for housing choice vouchers and units in the affordable housing property managed by the contact’s organization. The contact noted that the local homeless shelter is completely full, and that annual counts of homeless individuals have increased in the years since the COVID-19 pandemic. Additionally, the contact described an opportunity to support job placement and job interview preparation services, particularly for LMI individuals.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that the primary CD needs in the AA are affordable housing and community services targeted to LMI individuals.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ST. GEORGE MSA**

### **LENDING TEST**

Lending levels reflect good responsiveness to AA credit needs. The geographic distribution of loans reflects adequate penetration throughout the AA and the distribution of borrowers reflects adequate penetration. SBSU is a leader in making CD loans in the AA.

#### **Lending Activity**

SBSU's lending levels reflect good responsiveness to AA credit needs. During the review period, SBSU originated 409 small business loans totaling \$53.7 million in 2021, 264 small business loans totaling \$41.9 million, and 235 small business loans totaling \$32.2 million in 2023. SBSU also originated 161 home mortgage loans totaling \$44.2 million in 2021, 191 home mortgage loans totaling \$50.6 million in 2022, and 110 home mortgage loans in 2023 totaling \$50.3 million. Finally, SBSU originated 4 small farm loans totaling \$553,000 in 2021, 6 small farm loans totaling \$535,000 in 2022, and 2 small farm loans totaling \$400,000 in 2023.

As noted previously, market share for small business and farm lending only includes data from 2022. HMDA market share information includes 2021 and 2022 for reported HMDA data. Market share data for 2023 was not available at the time of this evaluation.

Aggregate lending data from 2022 shows a total of 5,773 small business loans were originated or purchased by 75 lenders in the AA. SBSU ranked 5th among this group, with 4.9 percent of the total market share. However, the AA has a high level of competition. The top four lenders in the AA consist of large, national associations and claim 61.5 percent of the total market share.

In 2021, the bank ranked 30<sup>th</sup> out of 321 lenders who reported 20,260 originated or purchased home mortgage loans in the AA, giving the bank a market share of 0.7 percent. The top three lenders consist of large, regional and national lenders with a combined market share of 18.5 percent. In 2022, SBSU ranked 18th among 353 lenders originating home mortgage loans. Peer mortgage data shows the bank with a total of 1.5 percent of the 16,080 mortgage loans originated.

In addition, aggregate lending data from 2022 shows 9 lenders originated or purchased a total of 44 small farm loans. SBSU ranked 3rd among this group, with a total of 11.3 percent market share.

#### **Geographic Distribution**

The bank's geographic distribution of loans reflects adequate penetration throughout the AA. Poor small business lending and excellent home mortgage performance provide the primary support for performance conclusions. Small farm lending performance reflects adequate performance. The AA does not include any low-income geographies; therefore, examiners relied on the bank's performance in moderate-income tracts to form conclusions.

*Small Business*

The geographic distribution of small business loans reflects poor penetration throughout the AA. In 2021, the bank's lending to moderate-income geographies was higher than both demographic data and the rate achieved by aggregate lenders. In the following year, SBSU's performance slightly trailed the data reported by aggregate lenders. In 2023, SBSU's performance declined, and no comparison exists for aggregate data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: SBSU St George MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Moderate</b>						
2021	6.5	--	27	6.6	3,621	6.7
2022	12.8	11.9	20	7.6	1,997	4.8
2023	12.8	--	11	4.7	782	2.4
<b>Middle</b>						
2021	82.0	--	356	87.0	48,115	89.7
2022	63.9	60.7	189	71.6	32,506	77.7
2023	63.2	--	139	59.1	22,990	71.3
<b>Upper</b>						
2021	11.6	--	26	6.4	1,919	3.6
2022	23.3	27.4	55	20.8	7,353	17.6
2023	24.0	--	85	36.2	8,462	26.3
<b>Not Available</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>409</b>	<b>100.0</b>	<b>53,655</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>264</b>	<b>100.0</b>	<b>41,856</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>235</b>	<b>100.0</b>	<b>32,234</b>	<b>100.0</b>

*Source: 2021 and 2022 & 2023 D&B Data; Bank Data; and 2022 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*



*Home Mortgage*

The geographic distribution of home mortgage loans reflects excellent penetration throughout the AA. In 2021, the bank's lending in moderate-income geographies was significantly higher than demographic data and the rate achieved by aggregate lenders. SBSU's performance improved the following year and exceeded demographic data again. SBSU's performance in 2023 declined slightly, but not by an unreasonable amount. The extent to which the institution's performance exceeded demographic and aggregate data is indicative of excellent performance.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: St George MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Moderate</b>						
2021	5.5	3.9	17	10.6	5,237	11.8
2022	12.3	11.1	24	12.6	6,046	12.0
2023	12.3	--	11	10.0	2,944	5.9
<b>Middle</b>						
2021	82.1	84.9	129	80.1	33,809	76.5
2022	68.3	58.6	126	66.0	32,899	65.1
2023	68.3	--	72	65.5	17,293	34.4
<b>Upper</b>						
2021	12.4	11.2	15	9.3	5,162	11.7
2022	19.4	30.3	41	21.5	11,621	23.0
2023	19.4	--	27	24.5	30,071	59.8
<b>Not Available</b>						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>161</b>	<b>100.0</b>	<b>44,207</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>191</b>	<b>100.0</b>	<b>50,565</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>110</b>	<b>100.0</b>	<b>50,308</b>	<b>100.0</b>

*Source: 2010 and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

### *Small Farm*

The geographic distribution of small farm loans reflects adequate penetration throughout the AA. SBSU did not originate any loans in moderate-income tracts in 2021 and 2022, which is reflective in part, of the very low number of overall originations. In 2023, a total of 1 loan, or 50.0 percent of originations was in a moderate-income geography. While lending levels are low, please refer to the lending activity section which demonstrates the bank is the top farm lender and is meeting the needs of the AA.

Geographic Distribution of Small Farm Loans						
Assessment Area: SBSU St George MSA						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Moderate</b>						
2021	9.5	--	0	0.0	0	0.0
2022	13.9	7.1	0	0.0	0	0.0
2023	12.7	--	1	50.0	375	93.8
<b>Middle</b>						
2021	78.2	--	4	100.0	553	100.0
2022	67.5	76.2	6	100.0	535	100.0
2023	69.4	--	1	50.0	25	6.3
<b>Upper</b>						
2021	12.3	--	0	0.0	0	0.0
2022	18.6	16.7	0	0.0	0	0.0
2023	18.0	--	0	0.0	0	0.0
<b>Not Available</b>						
2021	0.0	--	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>4</b>	<b>100.0</b>	<b>553</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>535</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>2</b>	<b>100.0</b>	<b>400</b>	<b>100.0</b>

Source: 2021, 2022 & 2023 D&B Data; Bank Data; and 2022 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses and farms of different sizes. Adequate small business and home mortgage lending primarily support this conclusion. Small farm lending reflected excellent performance.

*Small Business*

The distribution of borrowers reflects adequate penetration to businesses with GARs of \$1 million or less. SBSU’s lending to small businesses was substantially above the 52.2 percent rate reported by aggregate lenders in 2021. In 2022, the bank’s performance declined, but more closely resembled aggregate performance. In 2023, the bank’s performance declined. Management noted the revenue growth of small businesses in the area. In addition, market share information demonstrates that competition for small business lending is high. Although SBSU is ranked fifth for small business lending, the institution’s total market share is low in comparison to the four top lenders that claim the bulk of the AA’s market share. These factors in conjunction with the staffing challenges noted previously, attributed to the bank’s decline in performance in 2023.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: SBSU St George MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	89.6	--	323	79.0	34,746	64.8
2022	92.3	48.6	110	41.7	11,699	28.0
2023	93.7	--	60	25.5	4,639	14.4
<b>&gt;\$1,000,000</b>						
2021	2.4	--	86	21.0	18,909	35.2
2022	1.7	--	139	52.7	28,762	68.7
2023	1.4	--	167	71.1	26,079	80.9
<b>Revenue Not Available</b>						
2021	8.0	--	0	0.0	0	0.0
2022	6.0	--	15	5.7	1,395	3.3
2023	4.9	--	8	3.4	1,516	4.7
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>409</b>	<b>100.0</b>	<b>53,655</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>264</b>	<b>100.0</b>	<b>41,856</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>235</b>	<b>100.0</b>	<b>32,234</b>	<b>100.0</b>
<i>Source: 2021, 2022 &amp; 2023 D&amp;B Data; Bank Data; and 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

*Home Mortgage*

The distribution of borrowers reflects adequate penetration to LMI borrowers. SBSU’s lending to low-income borrowers was generally comparable to the rates achieved by aggregate during the review period. The bank’s record of lending to moderate-income borrowers was also aligned with peer performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: St George MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2021	17.7	3.3	8	5.0	729	1.6
2022	18.1	5.0	6	3.1	642	1.3
2023	18.1	--	3	2.7	175	0.3
<b>Moderate</b>						
2021	19.6	12.2	19	11.8	3,742	8.5
2022	20.3	13.2	27	14.1	4,538	9.0
2023	20.3	--	11	10.0	1,338	2.7
<b>Middle</b>						
2021	23.3	20.0	50	31.1	11,575	26.2
2022	21.2	19.6	38	19.9	6,371	12.6
2023	21.2	--	19	17.3	4,863	9.7
<b>Upper</b>						
2021	39.3	43.6	69	42.9	22,541	51.0
2022	40.3	44.5	107	56.0	34,478	68.2
2023	40.3	--	59	53.6	16,847	33.5
<b>Not Available</b>						
2021	0.0	20.9	15	9.3	5,620	12.7
2022	0.0	17.6	13	6.8	4,537	9.0
2023	0.0	--	18	16.4	27,085	53.8
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>161</b>	<b>100.0</b>	<b>44,207</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>191</b>	<b>100.0</b>	<b>50,565</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>110</b>	<b>100.0</b>	<b>50,308</b>	<b>100.0</b>

Source: 2010 and 2020 U.S. Census; Bank Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

### Small Farm

The distribution of borrowers reflects excellent penetration to farms with GARs of \$1 million or less. With the exception of 2022, the bank originated every loan to farms with GARs of \$1 million or less. In 2022, SBSU originated half of its small farm loans to farms of these revenue sizes. Examiners considered the bank's performance context in the analysis to determine the small number of originations skews the bank's performance to a large degree in all years and concluded performance in 2022 is not representative of other years in the evaluation period.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: SBSU St George MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2021	98.1	--	4	100.0	553	100.0
2022	98.4	71.4	3	50.0	190	35.5
2023	98.7	--	2	100.0	400	100.0
<b>&gt;\$1,000,000</b>						
2021	1.1	--	0	0.0	0	0.0
2022	0.9	--	0	0.0	0	0.0
2023	0.7	--	0	0.0	0	0.0
<b>Revenue Not Available</b>						
2021	0.8	--	0	0.0	0	0.0
2022	0.7	--	3	50.0	345	64.5
2023	0.6	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>4</b>	<b>100.0</b>	<b>553</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>535</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>2</b>	<b>100.0</b>	<b>400</b>	<b>100.0</b>
<i>Source: 202, 2022 &amp; 2023 D&amp;B Data; Bank Data; and 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Community Development Loans**

SBSU is a leader in making CD loans throughout the St. George MSA AA, where the bank originated 29 CD loans totaling \$90.5 million. This performance represents a notable increase since the last examination, when the bank made 12 CD loans totaling approximately \$27.3 million. The majority of lending activity supported economic development initiatives and demonstrates a high level of responsiveness to a primary CD credit need in the AA. Notable examples of SBSU's CD loans in the St. George MSA include:

- During the evaluation period, SBSU made 27 SBA 504 loans totaling approximately \$82.1 million. These loans are directly in support of economic development throughout the St. George MSA.
- In 2023, SBSU funded a loan for more than \$6.7 million to a Native American Tribe in the AA. The funds will be used by the Tribal Government to expand reservation land in support of activities that will create jobs.

- In 2023, the institution made a loan for \$3.0 million to a start-up business located in a moderate-income geography. The business will bring six permanent jobs to the local area.

## **INVESTMENT TEST**

SBSU has an excellent level of qualified CD investments and grants, particularly those not routinely provided by private investors, often in a leadership position. The bank exhibits excellent responsiveness to credit and CD needs and rarely uses innovative and/or complex investments to support CD initiatives.

### **Investment and Grant Activity**

SBSU has an excellent level of qualified CD investments and grants, particularly those not routinely provided by private investors, often in a leadership position. During the evaluation period, the institution made 1 investment totaling just over \$1.7 million. SBSU also made 23 qualified grants and donations that totaled an additional \$34,000. This AA also received the benefit of four prior period investments totaling approximately \$13.3 million that were made in the institution's larger, regional area. This performance is a significant increase in the number and dollar amount of investments compared to the prior evaluation, when SBSU's investment and grant activity consisted of 11 donations totaling \$27,000. The following items are notable examples of qualified CD investments and grants over the evaluation period:

- In 2021, SBSU made a \$30,000 donation to a foundation that focuses on supporting the area's identified health priorities by improving access to healthcare services for uninsured or medically-underserved populations in the St. George MSA.
- During the evaluation period, SBSU made 7 separate donations totaling more than \$2,100 to local area schools for academic scholarships. These scholarships are awarded to LMI students that will be attending college.

### **Responsiveness to Credit and Community Development Needs**

SBSU exhibits excellent responsiveness to credit and CD needs. The institution focused on investments that supported community services targeted to LMI individuals and underserved populations.

### **Community Development Initiatives**

SBSU rarely uses innovative and/or complex investments to support CD initiatives. Refer to the discussion at the institution level for additional details.

## SERVICE TEST

Delivery systems are reasonably accessible to essentially all portions of the institution's AA; services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals; and the bank provides a relatively high level of CD services.

### Accessibility of Delivery Systems

Overall, delivery systems are reasonably accessible to essentially all portions of the institution's AA. SBSU has no branches in the AA's moderate-income CTs, which compares unfavorably to the area's demographics as well as the 12.5 percent of branches that operate in those geographies by all other financial institutions. However, all 4 of SBSU's branches are between approximately 0.3 and 1.5 miles from at least 1 moderate-income CT. The following table details SBSU's distribution of branches and ATMs in the AA by CT income level.

Branch and ATM Distribution by Geography Income Level – St. George MSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	-	-	-	-	-	-	-	-
Moderate	5	14.3	27,625	15.3	-	-	-	-
Middle	24	68.6	113,176	62.8	4	100.0	4	100.0
Upper	6	17.1	39,478	21.9	-	-	-	-
<b>Total</b>	<b>35</b>	<b>100.0</b>	<b>180,279</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2020 U.S. Census Data; Bank Data*

### Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Hours and services are consistent with those discussed at the institution level. All four branches offer the same lobby and drive-up hours, including limited drive-up hours on Saturdays. All branches have 24-hour deposit-taking ATMs onsite and offer the same services and alternative systems for delivering retail banking services discussed at the overall institution level. USDA Single-Family Housing Guaranteed Loans are only offered at the bank's Hurricane branch, which is the only branch located in a rural area eligible for the program, as defined by the USDA.

### Community Development Services

SBSU provides a relatively high level of CD services. During the evaluation period, bank staff provided 396 hours of qualified CD services benefitting the St. George MSA AA. Total CD service hours increased slightly from the previous evaluation, when employees provided 254 hours of service. Qualified service hours supported affordable housing and community service initiatives, which were both identified as primary CD needs in the AAs.



<b>Community Development Services – St. George MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021	20	115	-	-	<b>135</b>
2022	20	89	-	-	<b>109</b>
2023	34	65	-	-	<b>99</b>
YTD 2024	38	15	-	-	<b>53</b>
<b>Total</b>	<b>112</b>	<b>284</b>	<b>-</b>	<b>-</b>	<b>396</b>
<i>Source: Bank Data</i>					

The following are notable examples of CD services provided by bank employees over the evaluation period:

- Between 2021 and 2023, an employee provided a total of 105 CD service hours as the treasurer of an organization that provides child healthcare and developmental support services for LMI families.
- In 2023 and 2024, an employee provided 23 hours of service on the Board of an organization that advocates for increasing the availability and attainability of affordable housing in the AA.
- Over the review period, 2 employees provided a total of 64 CD service hours serving on the Board of an organization that provides counseling to LMI individuals looking to become homeowners. The organization also improves the quality of existing affordable housing properties to promote neighborhood unity and pride.

## APPENDICES

### LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals;
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

#### Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

## Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

## SCOPE OF EVALUATION

<b>State Bank of Southern Utah</b>	
<b>Scope of Examination:</b> Full scope reviews were performed on the following assessment areas within the noted rated areas: State of Utah: Utah Non-MSA Assessment Area St. George MSA Assessment Area	
<b>Time Period Reviewed:</b>	01/01/21 to 12/31/23
<b>Products Reviewed:</b> [Home Mortgage]: [time period reviewed (01/01/21 – 12/31/23)] [Small Business]: [time period reviewed (01/01/21 – 12/31/23)] [Small Farm]: [time period reviewed (01/01/21 – 12/31/23)]	

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that:

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

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;

- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

**Nonmetropolitan Area (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.

