

PUBLIC DISCLOSURE

June 7, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North American Banking Company
2230 Albert Street
Roseville, Minnesota 55113
RSSD 2631846

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

NOTE: 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 the 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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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The Community Reinvestment Act (CRA) performance of North American Banking Company, Roseville, Minnesota, demonstrates reasonable responsiveness to the credit needs of its assessment area and adequate responsiveness to community development needs. This CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

The Lending Test rating is Satisfactory, based on the following criteria:

- The bank's lending to businesses of different sizes and borrowers of different income levels is reasonable.
- Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area.
- The bank originated a majority of its loans within its assessment area.

The Community Development Test rating is Satisfactory, based on the following criteria:

- The bank's overall level of community development activities is adequate. The bank's qualified investments (including qualified donations) and services are adequate, and community development loans are excellent, considering the bank's capacity, competition, and the need for and availability of such opportunities in its assessment area.
- Overall, the bank's performance demonstrates adequate responsiveness to the community development needs of its assessment area. The bank originated numerous Small Business Administration (SBA) Payment Protection Program (PPP) loans, some of which qualified as community development loans; these loans provided essential funding to businesses during the pandemic.

The bank received a Satisfactory rating at the previous evaluation, dated December 4, 2017.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources, the economic and demographic characteristics of the assessment area, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance.

The bank's evaluation was based on the lending and community development activity in the bank's only assessment area, Roseville, which is comprised of a portion of the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (Minneapolis-St. Paul MSA).

For the Lending Test criteria, examiners placed the greatest weight on the bank's lending to businesses of different sizes, followed by the bank's geographic distribution of loans. The remaining criteria were weighted equally. The bank has not received any CRA-related complaints since the previous evaluation.

Examiners assigned more weight to the Lending Test than to the Community Development Test. This weighting recognizes that the bank is a full-service community bank and meets the needs of its assessment areas primarily through lending activities. In addition, the bank operates in a highly competitive banking environment, which includes strong competition for community development opportunities.

In this evaluation, examiners use demographic characteristics in evaluating the bank’s record of lending in its assessment area. Sources for demographic information are primarily the Federal Financial Institutions Examination Council (FFIEC) adjusted census data and 2020 Dun & Bradstreet data. Assessment area demographics are useful in analyzing the bank’s lending because they provide a means of estimating lending opportunities. Examiners use self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses to assess small business lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

For community contacts, examiners interviewed individuals familiar with economic and demographic characteristics, including community development opportunities, in the bank’s assessment area. The evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the assessment area.

Lending Test Scope

The scope of the Lending Test covers the bank’s major product line, commercial loans, and is based on a statistical sample of 47 small business loans originated from July 1, 2020, through December 31, 2020. Table 1 shows the bank’s lending activity by loan type for 2020.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Small Business (≤ \$1 million)	265	71.4	42,349,253	27.1
Commercial (> \$1 million)	31	8.4	63,688,351	40.7
Construction/Land Development	10	2.7	18,000,000	11.5
Residential Real Estate	21	5.7	7,609,950	4.9
Consumer	15	4.0	1,403,678	0.9
Home Equity Lines of Credit	13	3.5	1,487,750	1.0
Letters of Credit	4	1.1	944,251	0.6
Municipal	1	0.3	4,045,000	0.6
Total	371	100.0	156,470,793	100.0

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to businesses of different sizes.
- Geographic distribution of loans.
- Net loan-to-deposit ratio.

¹ Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

- Lending inside the assessment area.
- Record of responding to complaints about the bank's CRA performance.

Community Development Test Scope

Examiners reviewed the bank's community development lending, qualified investments, and community development services in its assessment area. Examiners based the Community Development Test rating on the bank's performance during the period of December 4, 2017, through June 6, 2021.

DESCRIPTION OF INSTITUTION

Structure. North American Banking Company is headquartered in Roseville and is wholly owned by N. A. Corporation, Roseville, Minnesota, a one-bank holding company.

Offices and Retail Delivery Systems. The bank's main office is in Roseville, with four full-service branches located in Hastings, Minneapolis, Shoreview, and Woodbury. The bank operates deposit-taking ATMs at each location. Except for the Minneapolis branch, all locations have a drive-up window with Saturday hours.

The bank also offers online and mobile banking, and customers can complete consumer and residential real estate loan applications from the bank's website.

Loan Portfolio. According to the March 31, 2021, Report of Condition, the bank has total assets of \$902.8 million, which is a 92.3% increase since the previous evaluation. The bank's \$495.6 million loan portfolio increased 63.3% since the previous evaluation. The overall composition of the loan portfolio has remained relatively consistent and consists of 78.9% commercial, 10.6% other, 9.6% residential real estate, 0.5% consumer, and 0.3% agriculture loans; however, residential real estate loans, as a portion of the portfolio, decreased slightly (by 4.5%) since the previous evaluation.

Credit Products. North American Banking Company is primarily a commercial lender but also offers other traditional credit products to serve the needs of its customer base. In addition to offering traditional commercial loan and leasing products, the bank actively participates in a variety of SBA loan programs. The bank offers a variety of residential real estate loans, including conventional mortgages, and offers loans through government-sponsored programs, including the Federal Housing Administration, U.S. Department of Veteran Affairs, U.S. Department of Agriculture, and construction loans. Consumer loan products include traditional closed- and open-end loans, including home equity and overdraft protection lines of credit.

Deposit Market Share. According to the June 30, 2020, FDIC Deposit Market Share Report, the bank has \$727.6 million in deposits in its Roseville assessment area, which consists of a portion of the Minneapolis-St. Paul MSA. The bank ranks 22nd of 105 financial institutions that have offices in the assessment area, with 0.4% of the market share.

DESCRIPTION OF ASSESSMENT AREA

Assessment Area. The bank has one assessment area that consists of Hennepin, Ramsey, Dakota, Washington, and Anoka counties in the Minneapolis-St. Paul MSA. The bank has not changed its assessment area since the previous evaluation.

Table 2 shows the demographic characteristics of the assessment area based on the 2020 Federal Financial Institutions Examination Council (FFIEC) adjusted census data² and 2020 Dun & Bradstreet data.

TABLE 2								
Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low	54	8.1	34,445	5.1	12,147	35.3	138,663	20.7
Moderate	154	23.2	128,359	19.2	18,090	14.1	112,893	16.9
Middle	274	41.3	283,962	42.4	13,599	4.8	144,068	21.5
Upper	175	26.4	221,880	33.2	6,023	2.7	273,457	40.9
Unknown	7	1.1	435	0.1	125	28.7	0	0.0
Total Assessment Area	664	100.0	669,081	100.0	49,984	7.5	669,081	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low	72,803	18,617	2.6	25.6	48,394	66.5	5,792	8.0
Moderate	243,720	120,506	16.8	49.4	109,902	45.1	13,312	5.5
Middle	477,723	324,069	45.1	67.8	132,355	27.7	21,299	4.5
Upper	323,640	255,179	35.5	78.8	56,138	17.3	12,323	3.8
Unknown	4,250	478	0.1	11.2	3,290	77.4	482	11.3
Total Assessment Area	1,122,136	718,849	100.0	64.1	350,079	31.2	53,208	4.7
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
	#	%	<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low	8,137	5.5	7,094	5.3	968	7.4	75	5.9
Moderate	26,916	18.1	23,952	17.8	2,757	21	207	16.2
Middle	64,118	43.1	57,556	42.8	6,067	46.1	495	38.8
Upper	49,155	33	45,359	33.8	3,306	25.1	490	38.4
Unknown	438	0.3	378	0.3	52	0.4	8	0.6
Total Assessment Area	148,764	100.0	134,339	100.0	13,150	100.0	1,275	100.0
Percentage of Total Businesses:				90.3		8.8		0.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
	#	%	<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low	19	1.4	19	1.4	0	0	0	0
Moderate	127	9.3	122	9.1	3	12.5	2	40
Middle	691	50.4	679	50.6	10	41.7	2	40
Upper	530	38.7	518	38.6	11	45.8	1	20
Unknown	3	0.2	3	0.2	0	0	0	0
Total Assessment Area	1,370	100.0	1,341	100.0	24	100.0	5	100.0
Percentage of Total Farms:				97.9		1.8		0.4

² The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the Office of Management and Budget's metropolitan statistical area revisions.

The number of census tracts in the assessment area has not changed since the previous evaluation; however, the income classification of tracts changed. Previously, there were 56 low-income, 160 moderate-income, 278 middle-income, and 163 upper-income census tracts in the assessment area. At this evaluation, there are 54 low-income, 154 moderate-income, 274 middle-income, and 175 upper-income census tracts.

Income. For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income. For borrowers in the Minneapolis-St. Paul MSA, this figure was \$89,800 for 2017, \$93,600 for 2018, \$93,000 for 2019, and \$97,300 for 2020. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for the Minneapolis-St. Paul MSA, which was \$61,492 in 2017 and 2018 and \$68,345 in 2019 and 2020.

Population Characteristics. The population in the Roseville assessment area is 2,719,077. Table 3 shows the population change from the 2010 census to the 2015 U.S. Census Bureau American Community Survey (ACS). The population growth in the Roseville assessment area is greater than the state of Minnesota growth. According to U.S. Census Bureau estimates, the 2019 population of Minneapolis, the largest city in the assessment area, is 429,606 (an increase of 12.3% since the 2010 census). The largest group, 55.3% of the assessment area population, is 25 to 64 years of age. The remaining population by age is as follows: 23.6% of residents are 17 years of age and younger, 9.1% are 18 to 24 years of age, and 12.1% are 65 and over.

Table 3 Total Population			
Area	2010 Population	2015 Population	%Change
Roseville AA	2,628,597	2,719,077	3.4%
Anoka County, MN	330,844	338,764	2.4%
Dakota County, MN	398,552	408,456	2.5%
Hennepin County, MN	1,152,425	1,197,776	3.9%
Ramsey County, MN	508,640	527,411	3.7%
Washington County, MN	238,136	246,670	3.6%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	3,333,633	3,443,769	3.3%
Minnesota	5,303,925	5,419,171	2.2%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Economy. According to bank management, the assessment area has a diverse economy, comprised of a variety of industries and business sizes, from small businesses to Fortune 500 and 1000 companies as well as businesses and industries that provide services and materials to those companies. According to a community contact, some major sources of employment include healthcare, followed by educational services, manufacturing, retail trade, and government. Community contacts and bank management identified varying characteristics of the economy during the evaluation period. Prior to the pandemic, businesses were expanding and new businesses came to the area; a contact indicated there was a shortage of skilled workers during the time, which was challenging. Bank management stated that unemployment was low and that the overall economy was good.

After the onset of the pandemic, unemployment increased due to the limited business operations or closures but is slowly declining. According to bank management, various industries, including service, hospitality, manufacturing, and health care, are having a hard time filling their workforce. Bank management indicated that both unskilled laborers (such as staff for certain jobs in the retail and service industries) and skilled laborers are hard to find. As a result of the pandemic, employers are facing expectations to raise wages and offer sign-on bonuses to entice laborers. Bank management also noted that the increased cost of consumer goods, such as food, as well as increases in housing costs are putting pressure on wages. In addition, small businesses have been hesitant to expand during the pandemic, which has impacted loan demand.

The unemployment rate in the assessment area fluctuated slightly from 2017 to 2019 and fluctuated significantly in 2020, reaching 6.5%. These changes are comparable to the changes at the county, MSA, and state level during that time. Table 4 shows the unemployment rates for the bank’s assessment area, the counties in the assessment area, the Minneapolis-St. Paul MSA, and the state of Minnesota for a recent four-year period.

Table 4 Unemployment Rates				
Area	2017	2018	2019	2020
Roseville AA	3.1%	2.7%	2.8%	6.5%
Anoka County, MN	3.3%	2.9%	3.0%	6.3%
Dakota County, MN	3.0%	2.6%	2.8%	6.2%
Hennepin County, MN	3.0%	2.6%	2.7%	6.6%
Ramsey County, MN	3.2%	2.8%	2.9%	6.9%
Washington County, MN	3.0%	2.6%	2.8%	5.6%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	3.2%	2.8%	2.9%	6.4%
Minnesota	3.4%	3.0%	3.2%	6.2%

Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s CRA rating is Satisfactory. We rated the bank’s performance under the Lending Test as Satisfactory and its performance under the Community Development Test as Satisfactory.

LENDING TEST

Examiners rated the bank’s performance under the Lending Test as Satisfactory. The following factors support this rating:

- The bank’s lending to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects an overall reasonable dispersion of lending throughout the assessment area.
- The net loan-to-deposit ratio indicates a reasonable level of lending.
- The bank originated a majority of its loans within its assessment area.

Examiners evaluated the bank’s performance in the bank’s only full-scope assessment area, Roseville. Examiners analyzed the bank’s lending to businesses of different sizes as well as the geographic

distribution of loans at the assessment area level. Examiners analyzed the bank’s net loan-to-deposit ratio and its lending inside and outside the assessment area at the institution level, as described below.

LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank’s small business lending in the assessment area is reasonable. Table 5 shows the bank’s small business lending, as well as demographic data.

Table 5					
Distribution of 2020 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Roseville					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	25	62.5	5,509	66.7	90.3
Over \$1 Million	15	37.5	2,751	33.3	8.8
Revenue Unknown	0	0.0	0	0.0	0.9
Total	40	100.0	8,260	100.0	100.0
By Loan Size					
\$100,000 or Less	19	47.5	926	11.2	
\$100,001 - \$250,000	12	30.0	1,745	21.1	
\$250,001 - \$1 Million	9	22.5	5,588	67.7	
Total	40	100.0	8,260	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	11	44.0	445	8.1	
\$100,001 - \$250,000	8	32.0	1,288	23.4	
\$250,001 - \$1 Million	6	24.0	3,776	68.5	
Total	25	100.0	5,509	100.0	
<i>Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 62.5% of its small business loans to entities with gross annual revenues of \$1 million or less (defined as small businesses). The bank’s lending is below demographics (90.3%) but is reasonable given the assessment area’s very competitive banking environment, which includes increased competition from credit unions during the evaluation period. In addition, management explained that in 2020, there was a decrease in small business loan demand, due to uncertainty and concerns related to the pandemic. A community contact mentioned there is a need for small business loans but many small businesses have looked to grants to fund operations during the pandemic.

Of the bank’s small business loans to businesses with revenues of under \$1 million, 76.0% of the loans were in amounts of \$250,000 or less. These smaller loans indicate the bank’s willingness to serve the credit needs of smaller entities. Also, the bank actively originated SBA 504 loans. The SBA 504 loan program promotes business growth and job creation by providing long-term, fixed-rate financing for small businesses. The bank’s active participation in the SBA 504 program demonstrates another way the bank serves the credit needs of small businesses.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s small business loans throughout the assessment area is reasonable. Table 6 shows the distribution of the bank’s small business loans by census tract income level, as well as demographic data.

Table 6					
Distribution of 2020 Small Business Lending By Income Level of Geography					
Assessment Area: Roseville					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	5.5
Moderate	1	2.5	61	0.7	18.1
Middle	24	60.0	3,730	45.2	43.1
Upper	15	37.5	4,469	54.1	33.0
Unknown	0	0.0	0	0.0	0.3
Tract Unknown	0	0.0	0	0.0	0.0
Total	40	100.0	8,260	100.0	100.0
<i>Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank’s lending is below demographics in moderate-income census tracts; 18.1% of businesses are located in these tracts. The bank did not make loans in low-income tracts; 5.5% of businesses are located in these tracts. Also, the bank did not originate small business loans in many of the 664 census tracts in the assessment area, including many low- and moderate-income tracts.

Given the performance context, the bank’s geographic distribution and dispersion of lending in the assessment area is reasonable. As noted, the bank faces strong competition. The bank has a relatively small presence (0.4% of the deposit market share) in a geographically large and very active banking market. Most of the bank’s lending is in the middle-income census tracts, where the largest percentage of small businesses in the assessment area are located. The majority of the low- and moderate-income census tracts are located in the cities of Minneapolis and St. Paul, where many financial institutions are accessible to businesses. Lastly, while the bank doesn’t lend in each of the numerous tracts, the bank’s lending is dispersed throughout the assessment area, as management strives to meet the credit demand in the bank’s market.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank’s net loan-to-deposit ratio is reasonable given its asset size, financial condition, assessment area credit needs, and competition. As of March 31, 2021, the bank’s net loan-to-deposit ratio is 58.2%, which is lower than the net loan-to-deposit ratio for the peer group, 72.3%. The bank’s national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. As shown in Table 7, the bank’s average net loan-to-deposit ratio is below a similarly situated financial institution.

TABLE 7		
14-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank Name and Location</i>	<i>Assets as of March 31, 2021 (in millions)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
North American Banking Company, Roseville, Minnesota	\$902,797	68.7%
Premier Bank, Maplewood, Minnesota	\$975,945	84.1%

The bank’s 14-quarter average net loan-to-deposit ratio is 68.7%. At the previous evaluation, the bank’s 16-quarter average loan-to-deposit ratio was 80.0%. Since the previous evaluation, the bank’s quarterly net loan-to-deposit ratio has ranged from 58.2% to 77.2%. The bank’s net loan-to-deposit ratio reflects cyclical loan demand and as discussed below, increased deposits.

The bank’s net loan-to-deposit ratio was at its lowest points during the most recent two quarters of the evaluation period, which is reasonable given performance context. As mentioned, the bank participated in PPP lending. Management indicated many borrowers left PPP loan proceeds in deposit accounts for a variety of reasons, resulting in higher deposit balances. In addition, bank management noted that deposits have been high due to minimum deposit requirements for certain banking relationships.

The bank’s net loan-to-deposit ratio is reasonable, given the credit needs and opportunities in the assessment area. The bank is an active lender in a highly competitive market.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

Overall, the bank originated a majority of its loans within its assessment area, specifically 85.1% by number and 76.4% by total dollar amount. Table 8 shows lending activity by loan type within the assessment area.

Table 8												
Lending Inside and Outside the Assessment Area												
Loan Type	Inside				Outside				Total			
	#	##%	\$(000s)	%	#	##%	\$(000s)	%	#	##%	\$(000s)	%
Small Business	40	85.1	8,260	76.4	7	14.9	2,553	23.6	47	100.0	10,813	100.0
Total Small Bus. related	40	85.1	8,260	76.4	7	14.9	2,553	23.6	47	100.0	10,813	100.0
Total Loans	40	85.1	8,260	76.4	7	14.9	2,553	23.6	47	100.0	10,813	100.0

The bank focuses on lending in its assessment area but on occasion may make loans outside of the assessment area, typically to maintain customer relationships. The bank’s lending reflects management’s commitment to meeting the credit needs of the businesses in its assessment area.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test rating is Satisfactory. Overall, the bank’s community development activities demonstrate adequate responsiveness to the needs of the assessment area. The

bank engaged in community development lending, provided services, and made qualified investments (including donations). Based on the bank's size and capacity as well as strong competition in the assessment area, the overall level and nature of the bank's community development activities are adequate.

Community Development Loans. The level of community development lending is excellent. The bank originated 22 community development loans totaling \$35.6 million during the evaluation period that benefit the assessment area. Of those loans, 10 loans totaling \$14.2 million were PPP loans that supported economic development or revitalization and stabilization of low- and moderate-income tracts. Nine of the remaining loans, totaling \$7.5 million, supported economic development by financing small businesses (including SBA 504 loan related transactions). The bank also made two loans totaling \$13.8 million that funded affordable housing in the assessment area. The remaining \$200,000 loan supported revitalization and/or stabilization in a low-income tract by funding operating costs of a business occupying commercial property in that tract.

The bank also made two community development loans totaling \$5.5 million that supported economic development and affordable housing outside the bank's assessment area.

Qualified Investments. The level of qualified investments, including donations, is adequate. The bank purchased two new qualified investments in the evaluation period totaling approximately \$1.3 million in the assessment area. With one investment, the bank supported revitalization and stabilization in a low-income tract by funding a non-profit organization that provides health and social services, as well as housing assistance. The other investment funded improvements to a school that primarily serves low- and moderate-income children. In addition, the bank continued to hold two prior-period investments, totaling \$884,729, that benefit the assessment area. The prior-period investments supported the construction, renovation, and expansion of schools that serve low- and moderate-income students.

The bank also committed to one new qualified investment for \$1.0 million. The investment is in a Small Business Investment Company (SBIC) capital fund that is able to provide funding to small businesses, including businesses in the assessment area and in a broader regional area. Lastly, the bank holds one prior-period investment in another SBIC fund that invests in small businesses in the state of Minnesota, as well as other areas in the United States.

The bank made an excellent level of donations during the evaluation period. The bank made \$107,072 in donations that directly benefits its assessment area. The bank primarily made donations to support organizations that serve low- and moderate-income individuals, followed by donations to support revitalization and stabilization of moderate-income census tracts and to support economic development in the assessment area, which is particularly responsive due to difficulties from the pandemic.

Community Development Services. The bank's level of community development services is adequate. The bank provided 42 community development services in the assessment area during the evaluation period. Five employees, including senior management, provided financial expertise on board and committees of seven local organizations. Most of the services focused on helping organizations that provide assistance to low- and moderate-income individuals, including children, as well as organizations that facilitate economic development. Some services also focused on organizations that support affordable housing and revitalization or stabilization of a low-income area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

Appendix A

Glossary of Common CRA Terms

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 statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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.

Distressed nonmetropolitan middle-income census tract: A middle-income, nonmetropolitan census tract 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 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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

Limited-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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

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

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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 MSA. 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 MSA, the institution will receive a rating for the multistate metropolitan area.

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

Small loan to farm: 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 or classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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 more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)