

PUBLIC DISCLOSURE

February 12, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American State Bank of Grygla
RSSD #21359

102 South Main Avenue
Grygla, MN 56727

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P. O. Box 291
Minneapolis, Minnesota 55480

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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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 C at the end of this performance evaluation.

INSTITUTION'S CRA RATING

American State Bank of Grygla (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment areas (AAs) credit needs.
- A majority of the bank's loans are originated inside the AAs.
- A reasonable dispersion of loans occurs throughout the bank's AAs.
- Lending reflects an excellent penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses and farms of different sizes.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) Interagency Examination Procedures for Small Institutions to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed in both of the bank's AAs: the Erskine AA, which is part of the Grand Forks, ND-MN Metropolitan Statistical Area (MSA), and the Grygla AA. Examiners reviewed the following data:

- The bank's 18-quarter average NLTD ratio.
- A statistical sample of 70 consumer loans originated between April 1, 2023, and September 30, 2023, as well as 61 small business and 53 small farm loans originated between October 1, 2022, and September 30, 2023.¹ Examiners analyzed small farm and consumer loans in the Grygla AA and small business and consumer loans in the Erskine AA, based on loan volume. Examiners placed greater weight on the bank's lending in the Grygla AA because 72.4 % of loan dollars were in this AA.

Of the five core criteria, examiners placed the greatest weight on the bank's lending to farms and businesses of different sizes as well as consumers of different income levels, followed by the geographic distribution of loans. The NLTD ratio and lending inside the AAs received lower but equal weight. By loan type, examiners placed the greatest weight on small farm loans in the Grygla AA given the bank's agricultural lending focus and lending activity. Examiners placed equal weight on the bank's small business and consumer loans in the Erskine AA based on lending activity.

¹ In 2020 and 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Small Business Administration (SBA). These loans were designed to help businesses keep their workforces employed during the COVID-19 pandemic. Examiners considered the bank's PPP loans in their evaluation of the bank's small business and small farm loans.

DESCRIPTION OF INSTITUTION

American State Bank of Grygla is a community bank headquartered in Grygla, Minnesota. The bank’s characteristics include:

- The bank is a wholly owned subsidiary of Grygla Financial Corporation.
- The bank owns American State Agency, an insurance agency that operates as a department at the bank’s Grygla location.
- The bank has total assets of \$74.7 million as of December 31, 2023.
- In addition to its main office in Grygla, the bank has one branch located in Erskine, Minnesota. Both offices have standard weekday business hours.
- The Erskine branch offers drive-up services and a cash-dispensing-only ATM.
- The bank’s primary business focus is agricultural lending, but it actively originates consumer and small business loans as well based on bank-provided lending activity data for 2022 and 2023. The overall composition of the loan portfolio has not changed significantly since the previous evaluation.

Table 1 Composition of Loan Portfolio as of December 31, 2023		
Loan Type	\$(000)	%
Agricultural	14,588	37.0
Commercial	10,535	26.7
Residential Real Estate	10,119	25.6
Consumer	4,183	10.6
Other	43	0.1
Gross Loans	39,468	100.0

Note: Percentages may not total 100.0 percent due to rounding.

The bank was rated Satisfactory under the CRA at its August 19, 2019, performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA requires a separate analysis for the bank’s performance in each AA. The separate AA sections of this evaluation contain detailed descriptions of the bank’s lending to farms and businesses of different sizes (as applicable) and to borrowers of different income levels and the geographic distribution of the bank’s loans. Examiners analyzed the NLTD ratio and the comparison of lending inside and outside of the AAs at the bank level. Examiners discuss these two criteria below.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AAs, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, portfolio composition, and the area where they are located.

The bank’s NLTD ratio is reasonable. The bank’s 18-quarter average NLTD ratio is 57.7%, which is lower than the 70.1% average NLTD ratio at the previous evaluation. Since then, the bank’s NLTD ratio has ranged from a high of 70.6% to a low of 44.6% during the evaluation period. It decreased primarily due to lower loan demand and an increase in deposits, especially during the pandemic, according to bank management. Further, bank management indicated that agricultural producers have had several years of good profits, which reduce financing needs. The bank’s NLTD has been generally increasing since the low point as of March 31, 2022.

The bank’s NLTD ratio (56.5%) was below peer (65.2%) as of December 31, 2023. The bank’s national peer group includes insured commercial banks that have assets between \$50 million and \$100 million with two or fewer full-service banking offices and not located in an MSA. The bank operates in a competitive environment which includes branches of national and regional banks as well as credit unions. However, there are no similarly situated financial institution operating in the bank’s AAs for comparison purposes.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AAs. The bank originated a majority of its loans, by number and dollar, inside the AAs. The percentage of lending inside the AAs for small business loans is below that of the other loan products; bank management indicated that it has lending relationships with leasing companies in Fargo, North Dakota.

Table 2 Lending Inside and Outside the AAs								
Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Consumer Loans	64	91.4	892	92.2	6	8.6	76	7.8
Small Business	36	59.0	1,483	56.7	25	41.0	1,134	43.3
Small Farm	46	86.8	2,819	83.6	7	13.2	552	16.4
Total Loans	146	79.3	5,194	74.7	38	20.7	1,761	25.3
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Geographic and Borrower Distribution of Loans

The geographic distribution performance criterion evaluates the bank's distribution of lending within its AAs by income level of census tracts with consideration given to the dispersion of loans throughout the AAs. The bank's geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AAs.

The borrower distribution performance criterion evaluates the bank's lending to borrowers of different income levels, with an emphasis placed on lending to LMI individuals, as well as to businesses and farms of different revenue sizes, with an emphasis placed on lending to those with gross annual revenues of \$1 million or less. The bank's lending has an excellent penetration among individuals of different income levels and among farms and businesses of different sizes.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

NONMETROPOLITAN AREA
(Full Review)

DESCRIPTION OF THE GRYGLA ASSESSMENT AREA

The bank's Grygla AA consists of Pennington, Red Lake, and Roseau counties, as well as portions of Beltrami, Clearwater, Lake of the Woods, and Marshall counties (see Appendix A for an AA map and Appendix B for additional demographic data). This AA includes most of the Red Lake Indian Reservation (Reservation) based in Red Lake, Minnesota; the Reservation has several land parcels, with the largest in Beltrami and Clearwater counties.

- The Grygla AA includes 19 census tracts, with two moderate-income, 16 middle-income, and one upper-income tract. The AA previously included 20 census tracts composed of three moderate-income, 16 middle-income, and one upper-income tract.
- Since the previous evaluation, the bank has made changes to this AA. Specifically, a middle-income census tract (4604.00) in Lake of the Woods County split into two middle-income tracts (4604.01 and 4604.02) due to 2020 census changes, and bank management decided not to include the northernmost tract (4604.02) in its AA. Accordingly, the bank now designates only a portion of this county as part of the AA. The bank also decided not to include middle-income tract 4504.00 located in the southern portion of Beltrami County in this evaluation. According to bank management, the bank has had lending activity in these two tracts historically but has not for some time. There are no loans (in the samples) in either tract at present. Both tracts are geographically closer to other cities with available banking services. In addition, there is a large lake in tract 4604.02, which covers most of the land.
- Of the 16 middle-income tracts in the AA, 11 are classified as underserved and two as distressed and underserved. Since the previous evaluation, tract 0902.00 in Pennington County, which was designated as moderate income, is now classified as middle income.
- According to the June 30, 2023, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks fourth out of eight FDIC-insured financial institutions with offices in Marshall County, with 9.6% of deposits in the county.
- Examiners conducted two community contact interviews, both with representatives from organizations promoting economic development in the region.

Table 3 Population Change			
Area	2015 Population	2020 Population	% Change
Beltrami County, MN	45,434	46,228	1.7
Clearwater County, MN	8,752	8,524	(2.6)
Lake of the Woods County, MN	3,949	3,763	(4.7)
Marshall County, MN	9,453	9,040	(4.4)
Pennington County, MN	14,110	13,992	(0.8)
Red Lake County, MN	4,061	3,935	(3.1)
Roseau County, MN	15,615	15,331	(1.8)
Non-MSA Minnesota	1,243,105	1,259,719	1.3
State of Minnesota	5,419,171	5,706,494	5.3

*Source: 2020 U.S. Census Bureau Decennial Census
 2011-2015 U.S. Census Bureau: American Community Survey*

- According to 2023 FFIEC adjusted census data, the population of the AA is 50,859, which is a decrease from the 2018 FFIEC adjusted census data population of 55,835.
- Beltrami County is the sole county in the bank’s AA with a population increase during the evaluation period. Beltrami County is home to Bemidji, the county seat, which has a state university and a technical college. All other counties listed in Table 3 experienced a decrease in population from 2015 to 2020.
- A community contact mentioned that the region has experienced a population decline over several years as people leave for college and do not return, or others leave as they prefer more populated areas as opposed to rural living.
- Both community contacts mentioned a lack of available workforce housing being a deterrent to attracting more people and small businesses to the region.

Table 4 Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	% Change
Beltrami County, MN	\$61,016	\$66,307	8.7
Clearwater County, MN	\$58,922	\$66,953	13.6
Lake of the Woods County, MN	\$68,189	\$68,264	0.1
Marshall County, MN	\$72,311	\$78,490	8.5
Pennington County, MN	\$71,001	\$76,580	7.9
Red Lake County, MN	\$71,993	\$81,917	13.8
Roseau County, MN	\$69,718	\$73,571	5.5
Non-MSA Minnesota	\$68,881	\$74,737	8.5
State of Minnesota	\$84,188	\$92,692	10.1

*Source: 2011 - 2015 U.S. Census Bureau American Community Survey
 2016 - 2020 U.S. Census Bureau American Community Survey
 Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.*

- The median family income for Marshall County is below that of the State of Minnesota, but both figures increased by a similar percentage. Each of the counties listed in Table 4 experienced an increase in median family income.
- Based on 2023 FFEIC adjusted census data, low- and moderate-income households comprise 40.2% of all households in the AA.
- A community contact noted that area wages tend to not to trend towards the high or low extremes, and instead are near the median.

Table 5				
Unemployment Rates (%)				
Area	2019	2020	2021	2022
Beltrami County, MN	4.3	6.4	4.0	3.3
Clearwater County, MN	8.3	9.8	6.5	6.6
Lake of the Woods County, MN	4.2	6.2	4.0	3.2
Marshall County, MN	5.9	6.6	4.5	4.0
Pennington County, MN	4.6	6.2	4.0	3.3
Red Lake County, MN	5.3	6.5	4.3	3.8
Roseau County, MN	3.9	5.8	3.2	2.6
Non-MSA Minnesota	4.0	6.0	3.9	3.1
State of Minnesota	3.3	6.3	3.8	2.7

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

- The unemployment rate for the counties in the bank’s AA as well as the state of Minnesota has improved since the increase in 2020 (due to the COVID-19 pandemic).
- Bank management indicated that overall, unemployment is low. While unemployment rates are low, they are generally higher than the statewide unemployment figures.
- Community contacts noted workforce housing as an impediment to attracting labor to the area. One contact also noted that affordable childcare and access to high-speed internet are barriers to economic development.
- The largest area employers include manufacturing companies, healthcare providers, and local government. Bank management indicated that a major employer on the Reservation is the casino; Red Lake National College also operates in Red Lake.
- Bank management indicated that agricultural conditions have been strong and that many producers in the region are self-funding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

The bank’s geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA.

Small Farm Lending

The geographic distribution of small farm lending is reasonable. The bank originated all of its small farm loans in middle-income census tracts in 2022 and 96.9% in 2023. This is consistent with demographics, as 94.0% of small farms are located in middle-income tracts. The bank did not originate any small farm loans in either moderate-income census tract in the AA, which is consistent with demographics, as only 1.2% of farms are located in these tracts, as shown in Table 6. According to bank management, other financial institutions are closer to borrowers in moderate-income tracts 9400.01 (Beltrami County) and 4603.00 (Lake of the Woods County). A large portion of the Reservation is in tract 9400.01; bank management noted that there is a large lake system in this tract as well as some forestland, which limits opportunities. There is also a sizeable state forest between the bank’s main office and tract 4603.00. The bank originated the majority of loans by dollar amount in Marshall County tract 0801.00, which is where the main office is located.

Table 6									
Distribution of 2022 and 2023 Small Farm Lending By Income Level of Geography									
Assessment Area: Grygla									
Geographic Income Level	Bank Loans By Year								Total Farms %
	2022				2023				
	#	%	\$(000)	%	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	1.2
Middle	8	100.0	450	100.0	31	96.9	1,914	98.5	94.0
Upper	0	0.0	0	0.0	1	3.1	30	1.5	4.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	450	100.0	32	100.0	1,944	100.0	100.0

*Source: 2023 FFIEC Census Data
 2023 Dun & Bradstreet Data
 2016-2020 U.S. Census Bureau: American Community Survey*

Note: Percentages may not total 100.0 percent due to rounding.

Consumer Lending

The geographic distribution of consumer lending is reasonable. The bank extended all of its consumer loans in middle-income census tracts. More loans by number and total dollars were originated in Marshall County tract 0801.00 than any other tract. As mentioned above, the bank’s main office is located in this tract. The bank did not extend consumer loans to residents of the two moderate-income tracts, which is reasonable, given the performance context noted above.

Table 7					
Distribution of 2023 Consumer Lending By Income Level of Geography					
Assessment Area: Grygla					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	10.6
Middle	30	100.0	462	100.0	85.6
Upper	0	0.0	0	0.0	3.8
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0.0
Total	30	100.0	462	100.0	100.0

*Source: 2023 FFIEC Census Data
 2016-2020 U.S. Census Bureau: American Community Survey
 Note: Percentages may not total 100.0 percent due to rounding.*

Lending to Borrowers of Different Income Levels and to Farms of Different Sizes

The bank’s lending has an excellent distribution among individuals of different income levels and farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is excellent. The bank originated 39 of 40 small farm loans to farms with gross annual revenues of \$1 million or less. This is consistent with demographics as 2022 Dun & Bradstreet data indicates 99.5% of farms in the Grygla AA are small farms. Of the 39 loans to these small farms, 84.6% were in amounts of \$100,000 or less, indicating a willingness to serve the credit needs of smaller entities.

Additionally, the bank participated in the PPP lending program between April 2020 and May 2021. The bank originated 160 PPP small farm loans totaling more than \$2.6 million in all but one county (Lake of the Woods County) in the Grygla AA, with a majority of these loans made for an amount less than \$25,000. The bank’s extension of PPP loans during the COVID-19 pandemic was responsive to the credit needs of small farms and enhances the bank’s small farm lending performance.

Table 8 Distribution of 2022 and 2023 Small Farm Lending By Revenue Size of Farms Assessment Area: Grygla									
	Bank Loans By Year								Total Farms %
	2022				2023				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	8	100.0	450	100.0	31	96.9	1,494	76.9	99.5
Over \$1 Million	0	0.0	0	0.0	1	3.1	450	23.1	0.4
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.2
Total	8	100.0	450	100.0	32	100.0	1,944	100.0	100.0
By Loan Size									
\$100,000 or Less	7	87.5	183	40.7	26	81.3	674	34.7	
\$100,001 - \$250,000	0	0.0	0	0.0	5	15.6	820	42.2	
\$250,001 - \$500,000	1	12.5	267	59.3	1	3.1	450	23.1	
Total	8	100.0	450	100.0	32	100.0	1,944	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	7	87.5	183	40.7	26	83.9	674	45.1	
\$100,001 - \$250,000	0	0.0	0	0.0	5	16.1	820	54.9	
\$250,001 - \$500,000	1	12.5	267	59.3	0	0.0	0	0.0	
Total	8	100.0	450	100.0	31	100.0	1,494	100.0	
Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Consumer Lending

The borrower distribution of consumer lending is excellent. The bank originated 60.0% of its loans to low-income borrowers and 30.0% to moderate-income borrowers; both figures exceed demographics, as shown in Table 9. Overall, the bank extended 90.0% of its loans to LMI borrowers, which greatly exceeds the percentage of LMI households in the Grygla AA (40.2%).

Table 9 Distribution of 2023 Consumer Lending By Borrower Income Level Assessment Area: Grygla 2023 AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
Low	18	60.0	218	47.2	22.4
Moderate	9	30.0	156	33.8	17.8
Middle	2	6.7	69	14.9	19.5
Upper	1	3.3	20	4.3	40.3
Unknown	0	0.0	0	0.0	0.0
Total	30	100.0	462	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

METROPOLITAN AREA
 (Full Review)

DESCRIPTION OF THE ERSKINE ASSESSMENT AREA

The Erskine AA is comprised of three census tracts in Polk County, which is part of the Grand Forks, ND-MN MSA (see Appendix A for an AA map).

- The Erskine AA consists of three middle-income census tracts (see Appendix B for additional demographic information). Since the previous evaluation, the income classification of one census tract (210.00) changed from moderate income to middle income.
- According to the June 30, 2023, FDIC Deposit Market Share Report, the bank ranks seventh out of 10 FDIC-insured financial institutions with offices in Polk County, with 3.3% of deposits in the county.
- Examiners conducted a community contact interview with a representative from an organization promoting economic development in the area.

Table 10			
Population Change			
Area	2015 Population	2020 Population	% Change
Polk County	31,547	31,192	(1.1)
Grand Forks, ND-MN MSA	100,526	104,362	3.8
State of Minnesota	5,419,171	5,706,494	5.3

*Source: 2020 U.S. Census Bureau Decennial Census
 2011-2015 U.S. Census Bureau: American Community Survey*

- According to the 2023 FFIEC adjusted census data, the population of the Erskine AA is 9,363, which is a slight decrease from the 2018 FFIEC adjusted census data population of 9,735. As shown in Table 10, the population of the state of Minnesota and the Grand Forks, ND-MN MSA increased slightly, while the Polk County population decreased by 1.1%.
- A community contact mentioned declining populations, with challenges in housing, affordable childcare, and high-speed internet availability.

Table 11			
Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	% Change
Polk County	\$78,790	\$82,842	5.1
Grand Forks, ND-MN MSA	\$77,384	\$82,257	6.3
State of Minnesota	\$84,188	\$92,692	10.1

*Source: 2011-2015 U.S. Census Bureau: American Community Survey
 2016-2020 U.S. Census Bureau: American Community Survey
 Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.*

- The median family income for Polk County is in line with that of the Grand Forks, ND-MN MSA but below that of the state of Minnesota. It has increased by 5.1% as seen in Table 11.
- A community contact mentioned strong overall wages, given the cost of living in the area.

Region	2019	2020	2021	2022
Polk County	4.0%	5.7%	4.2%	3.0%
Grand Forks, ND-MN MSA	2.5%	4.9%	3.1%	2.2%
State of Minnesota	3.3%	6.3%	3.8%	2.7%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- The unemployment rate has improved in Polk County, as well as the Grand Forks, ND-MN MSA and the state of Minnesota, since the increase in 2020 (primarily due to the COVID-19 pandemic).
- As mentioned, the AA is part of the Grand Forks, ND-MN MSA, with diverse job opportunities located in larger communities such as Grand Forks, North Dakota, and East Grand Forks, Minnesota. A community contact noted that the University of Minnesota Crookston is a major area employer.
- Bank management noted strong agricultural conditions and several profitable years for producers with crops, including sugar beets, corn, soybeans, and wheat.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

The bank’s geographic distribution and dispersion of the bank’s small business and consumer loans in the Erskine AA is reasonable and does not reveal any unexplained gaps in lending. As mentioned previously, the AA is comprised solely of three middle-income census tracts. The bank made most of its small business and consumer loans in tract 209.00, which is reasonable as the bank’s Erskine branch is located in this tract. The bank also made small business and consumer loans in most tracts during the evaluation period. Further analysis is not meaningful.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and farms of different revenue sizes. The bank’s lending has an excellent penetration among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is excellent. The bank originated all of its small business loans in the sample to businesses with revenues of \$1 million or less, as shown in

Table 13. The bank’s lending exceeds demographics, as 90.3% of businesses in the AA are small businesses. All of the loans in the sample were made in amounts of \$100,000 or less, which indicates a willingness to serve the credit needs of smaller borrowers.

Additionally, the bank participated in the PPP lending program between April 2020 and May 2021. The bank originated 66 PPP loans totaling more than \$1.3 million in Polk County, with 48 of these loans being made for amounts less than \$25,000. The bank’s extension of PPP loans during the COVID-19 pandemic was responsive to the credit needs of small businesses and enhances the bank’s small business lending performance.

Table 13									
Distribution of 2022 and 2023 Small Business Lending By Revenue Size of Businesses									
Assessment Area: Erskine partial Grand Forks MSA									
	Bank Loans By Year								Total Businesses %
	2022				2023				
	#	%	\$(000)	\$%	#	%	\$(000)	\$%	
By Revenue									
\$1 Million or Less	8	100.0	173	100.0	17	100.0	402	100.0	90.3
Over \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	6.6
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	3.1
Total	8	100.0	173	100.0	17	100.0	402	100.0	100.0
By Loan Size									
\$100,000 or Less	8	100.0	173	100.0	17	100.0	402	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	173	100.0	17	100.0	402	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	8	100.0	173	100.0	17	100.0	402	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	173	100.0	17	100.0	402	100.0	
<i>Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>									
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>									

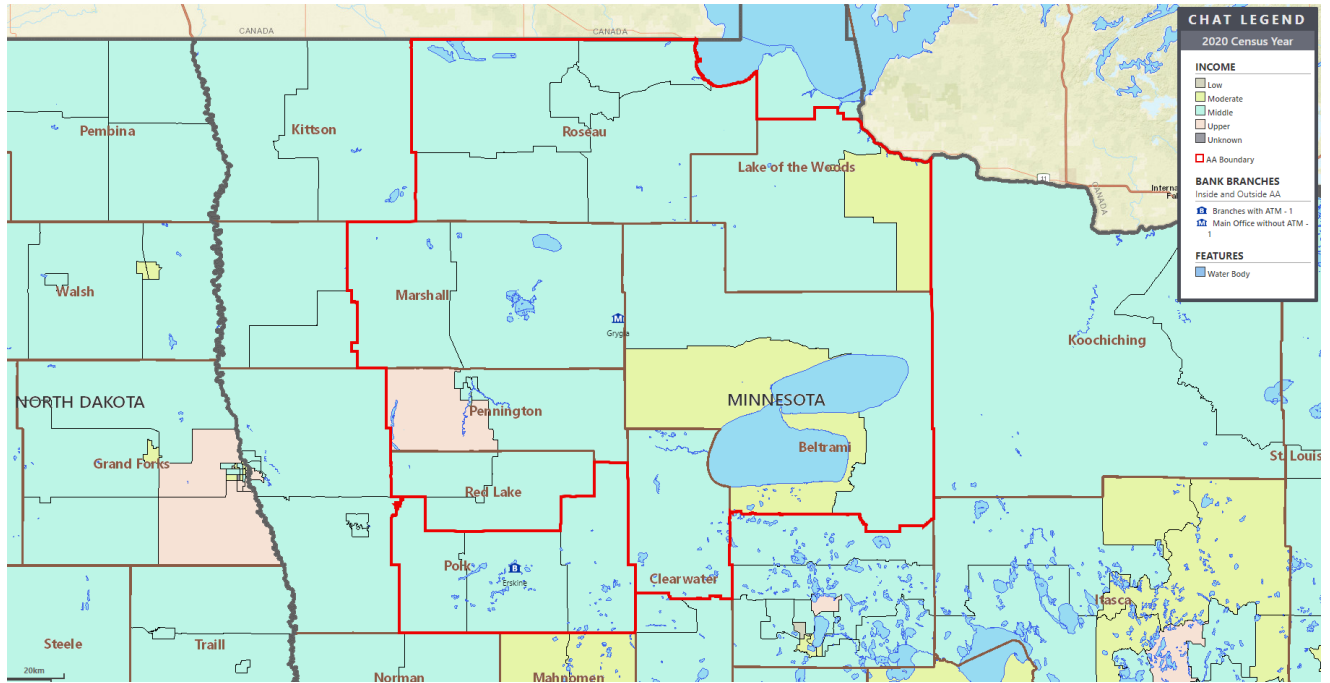
Consumer Lending

The borrower distribution of consumer lending is excellent. The bank made a total of 88.2% of its loans to LMI borrowers, which greatly exceeds the combined household demographics of 37.9%, as shown in Table 14. The bank extended 58.8% of its loans to low-income borrowers, compared to demographics of 24.1%, and 29.4% of its loans to moderate-income borrowers, compared to demographics of 13.8%.

Table 14 Distribution of 2023 Consumer Lending By Borrower Income Level Assessment Area: Erskine partial Grand Forks MSA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	\$%	
Low	20	58.8	216	50.2	24.1
Moderate	10	29.4	115	26.7	13.8
Middle	3	8.8	83	19.3	18.8
Upper	1	2.9	16	3.7	43.3
Unknown	0	0.0	0	0.0	0.0
Total	34	100.0	430	100.0	100.0

Source: 2023 FFIEC Census Data
 2016-2020 U.S. Census Bureau: American Community Survey
 Note: Percentages may not total 100.0 percent due to rounding.

APPENDIX A – MAP OF THE ASSESSMENT AREAS



APPENDIX B – DEMOGRAPHIC INFORMATION

Table 15 2023 Grygla AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,728	20.7
Moderate	2	10.5	1,477	11.2	372	25.2	2,586	19.7
Middle	16	84.2	11,087	84.3	733	6.6	2,999	22.8
Upper	1	5.3	594	4.5	4	0.7	4,845	36.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	19	100.0	13,158	100.0	1,109	8.4	13,158	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	2,651	1,403	8.8	52.9	752	28.4	496	18.7
Middle	22,035	13,828	86.7	62.8	3,531	16.0	4,676	21.2
Upper	834	713	4.5	85.5	51	6.1	70	8.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	25,520	15,944	100.0	62.5	4,334	17.0	5,242	20.5
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	163	7.0	139	6.8	15	8.5	9	10.3
Middle	2,080	89.7	1,846	89.8	159	89.8	75	86.2
Upper	76	3.3	70	3.4	3	1.7	3	3.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	2,319	100.0	2,055	100.0	177	100.0	87	100.0
Percentage of Total Businesses:				88.6	7.6	3.8		
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	7	1.2	7	1.2	0	0.0	0	0.0
Middle	535	94.0	532	94.0	2	100.0	1	100.0
Upper	27	4.7	27	4.8	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	569	100.0	566	100.0	2	100.0	1	100.0
Percentage of Total Farms:				99.5	0.4	0.2		
Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Table 16 2023 Erskine partial Grand Forks MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	465	20.0
Moderate	0	0.0	0	0.0	0	0.0	462	19.8
Middle	3	100.0	2,329	100.0	129	5.5	583	25.0
Upper	0	0.0	0	0.0	0	0.0	819	35.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3	100.0	2,329	100.0	129	5.5	2,329	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	5,318	2,948	100.0	55.4	779	14.6	1,591	29.9
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	5,318	2,948	100.0	55.4	779	14.6	1,591	29.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	648	100.0	585	100.0	43	100.0	20	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	648	100.0	585	100.0	43	100.0	20	100.0
Percentage of Total Businesses:			90.3		6.6		3.1	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	164	100.0	159	100.0	5	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	164	100.0	159	100.0	5	100.0	0	0.0
Percentage of Total Farms:			97.0		3.0		0.0	
Source: 2023 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

APPENDIX C – 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract 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 upon 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: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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.

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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of

their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and 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 (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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 a geography.