PUBLIC DISCLOSURE

February 18, 2025

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Bank Forward
Certificate Number: 8941

5650 37th Avenue South
Fargo, North Dakota 58104

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

TABLE OF CONTENTS

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **<u>Satisfactory</u>**.

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

The following points summarize the bank's Community Reinvestment Act (CRA) performance:

The Lending Test is rated <u>Satisfactory</u>.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and credit needs of the assessment areas.

- The institution made a substantial majority of its small farm, small business, and home mortgage loans in its assessment areas.

- The geographic distribution of small farm, small business, and home mortgage loans reflects reasonable dispersion throughout the assessment areas.

- The distribution of borrowers reflects reasonable penetration of loans among farms and businesses of different revenue sizes and individuals of different income levels.

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

The Community Development Test is rated <u>Satisfactory</u>.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Bank Forward is owned by Security State Bank Holding Company, a one-bank holding company located in Fargo, North Dakota. In addition to its main office in Fargo, Bank Forward operates 11 branches in eastern North Dakota and northwestern Minnesota. The institution also maintains three wholly-owned subsidiaries: Insure Forward, Invest Forward, and Tax Forward. Further, the bank is affiliated with the Forward Foundation through common ownership. Bank Forward received a Satisfactory rating at the previous FDIC Performance Evaluation, dated February 28, 2022, based on Interagency Intermediate Small Institution Examination Procedures.

Bank Forward offers a variety of traditional credit products including agricultural, commercial, home mortgage, and consumer loans. However, agricultural lending continues to be the institution's primary lending focus, followed by commercial and home mortgage lending. In addition to in-house mortgage products, the bank originates home loans and sells them to secondary market investors. This provides qualified borrowers with access to long-term financing options and special programs. Specifically, in 2022 and 2023, the bank originated and sold 73 home mortgage loans totaling approximately $14.0 million and 49 home mortgage loans totaling approximately $10.3 million, respectively. The bank also takes part in various government-sponsored loan programs through entities such as the Small Business Administration, Farm Service Agency, U.S. Department of Agriculture, and U.S. Department of Commerce. Bank Forward participates in state programs through Bank of North Dakota as well, including the Beginning Entrepreneur Loan Guarantee and the PACE Program.

The institution provides a full line of standard deposit products, including checking, savings, health savings, and individual retirement accounts, as well as certificates of deposit. In addition to traditional banking services, Bank Forward offers gift, travel, and reloadable prepaid cards and digital banking, including online and mobile banking, bill payment, peer-to-peer transfers, mobile check deposit, and electronic periodic statements. Further, the bank owns and operates nine ATMs within the assessment areas; six of which accept deposits. Finally, Bank Forward provides access to the MoneyPass network, which offers a surcharge-free ATM experience for cardholders.

As of December 31, 2024, Bank Forward reported total assets of approximately $1.0 billion, total loans of $857.5 million, and total deposits of $861.7 million. The following table illustrates the loan portfolio. Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment areas.

Loan Portfolio Distribution as of December 31, 2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	103,858	12.1
Secured by Farmland	113,500	13.2
Secured by 1-4 Family Residential Properties	133,321	15.6
Secured by Multifamily (5 or more) Residential Properties	114,149	13.3
Secured by Nonfarm Nonresidential Properties	160,180	18.7
Total Real Estate Loans	**625,008**	**72.9**
Agricultural Production and Other Loans to Farmers	166,077	19.4
Commercial and Industrial Loans	36,544	4.3
Consumer Loans	24,957	2.9
Obligations of States and Political Subdivisions in the U.S.	227	<0.1
Other Loans	4,636	0.5
Lease Financing Receivables (net of unearned income)	88	<0.1
Less: Unearned Income	(0)	(0.0)
Total Loans	**857,537**	**100.0**
Source: Reports of Condition and Income		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Bank Forward has designated four assessment areas, three in North Dakota and one in Minnesota. Therefore, the bank receives State ratings for both North Dakota and Minnesota. The assessment areas in North Dakota include Nonmetropolitan North Dakota, Fargo, and Grand Forks. The Nonmetropolitan Minnesota Assessment Area is the sole assessment area in Minnesota. The assessment areas are discussed in further detail under the applicable State sections of this evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 28, 2022, to the current evaluation dated February 18, 2025. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate Bank Forward's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. Refer to the Appendices for information on the performance criteria for each test. This evaluation does not include any lending activity performed by affiliates or subsidiaries; however, community development services conducted on behalf of these entities were considered as requested.

Examiners used full-scope examination procedures to evaluate the bank's performance in each of the assessment areas. To assess overall performance, examiners gave greater weight to the bank's performance in North Dakota, specifically the Nonmetropolitan North Dakota Assessment Area, since this is where most of the activity occurs.

Activities Reviewed

As noted earlier, the bank's primary lending focus is agricultural lending, followed by commercial and home mortgage lending. This conclusion considered the bank's business strategy, lending activity during the evaluation period, and Reports of Condition and Income data. Bank records and discussions with management revealed that the lending focus and product mix remained relatively consistent throughout the evaluation period. Therefore, examiners selected 2024, the most recent calendar year, as the review period. Management confirmed that this timeframe is representative of the bank's performance during the entire evaluation period.

Examiners analyzed small farm and small business loans originated, renewed, extended, or purchased in 2024, including those that were subsequently paid off in 2024. However, the review excluded small farm or small business loans that management requested to have considered under the Community Development Test. D&B data from 2024 provided a standard of comparison for the bank's small farm and small business lending performance. Examiners also considered aggregate data; however, there is distortion in comparing a non-reporter, like Bank Forward, to data from reporting institutions. Therefore, this information is only used as a general indicator of loan demand.

Examiners reviewed all small farm and small business loans to assess the bank's performance under the Assessment Area Concentration criterion. Specifically, examiners reviewed 645 small farm loans totaling $100.3 million and 230 small business loans totaling $42.2 million. Only small farm loans that were originated in the Nonmetropolitan North Dakota Assessment Area were further reviewed for the Geographic Distribution and Borrower Profile criteria since agricultural lending is not a focus in the other assessment areas. Specifically, all small farm loans in the Nonmetropolitan North Dakota Assessment Area were reviewed for Geographic Distribution and a sample of 63 small farm loans totaling $8.9 million were reviewed for Borrower Profile. In addition, all small business loans located within the assessment areas were reviewed for Geographic Distribution, and a sample of 126 small business loans totaling $24.6 million were reviewed for Borrower Profile. Samples were taken for the Borrower Profile criterion as revenue information was not readily available. The small business loan samples were selected randomly at the assessment area level to ensure they were large enough to draw meaningful conclusions. However, due to lower origination numbers, examiners reviewed the full universe of small business loans originated in the Fargo Assessment Area and the Nonmetropolitan Minnesota Assessment Area.

Examiners also reviewed all home mortgage loans reported as originated or purchased on the bank's 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 382 loans totaling $168.0 million, 298 loans totaling $317.4 million, and 168 loans totaling $110.9 million in 2021, 2022, and 2023, respectively. Home mortgage lending performance was analyzed for all four assessment areas. The bank's home mortgage lending was compared to 2021, 2022, and 2023 aggregate lending data, 2015 American Community Survey data, and 2020 U.S. Census data. However, examiners placed greater weight on the comparisons to aggregate lending data since this data is typically a better indicator of market conditions and loan demand within the assessment areas. Examiners did not identify any trends between the 2021, 2022, and 2023 HMDA data that materially affected conclusions. Therefore, this evaluation only presents loans reported on the 2023 HMDA LAR for the Geographic Distribution and Borrower Profile criterion.

For the Lending Test, examiners reviewed the number and dollar volume of loans. Although both the number and dollar volume of loans are presented, examiners emphasize performance by number of loans since this is a better indicator of the number of farms, businesses, and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior evaluation. Qualified investments made prior to the evaluation period that remain outstanding were also considered. To provide perspective on Bank Forward's performance, examiners reviewed community development activities for three comparable institutions based on factors such as asset size, number and location of assessment areas, and branching structure.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Bank Forward demonstrated satisfactory performance under the Lending Test. The bank's combined performance in all applicable criteria supports this conclusion. The bank's overall performance was consistent with the conclusions for both rated areas.

Loan-to-Deposit Ratio
The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and the credit needs of the assessment areas. The bank's loan-to-deposit ratio, which is calculated from Reports of Condition and Income data, is shown in the following table. Bank Forward's ratio averaged 95.3 percent over the past 12 calendar quarters and is in line with the ratios of similarly situated institutions. The comparable institutions were selected based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 12/31/2024 ($000s)**	**Average Net LTD Ratio (%)**
American Federal Bank, Fargo, North Dakota	794,850	100.1
Bank Forward, Fargo, North Dakota	**1,036,320**	**95.3**
KodaBank, Drayton, North Dakota	508,058	88.0
United Valley Bank, Cavalier, North Dakota	669,851	75.6
Source: Reports of Condition and Income 3/31/2022 – 12/31/2024; alphabetical by bank name		

Assessment Area Concentration
As detailed in the following table, Bank Forward made a substantial majority of its small farm, small business, and home mortgage loans, by number and dollar volume, within its assessment areas. While most home mortgage loans, by dollar volume, were outside of the assessment areas in 2023, it is not concerning. As indicated earlier, greater weight was given to the number of loans rather than dollar volume. Furthermore, examiners placed greater weight on small farm and small business lending as these are the bank's primary lending focuses.

Lending Inside and Outside of the Assessment Areas										
	Number of Loans					Dollar Amount of Loans $(000s)				
Loan Category	Inside		Outside		Total		Inside		Outside		Total
	#	%	#	%	#		$	%	$	%	$
Small Farm	604	93.6	41	6.4	645		93,806	93.5	6,534	6.5	100,340
Small Business	212	92.2	18	7.8	230		37,762	89.5	4,427	10.5	42,189
Home Mortgage											
2021	319	83.5	63	16.5	382		141,390	84.1	26,664	15.9	168,054
2022	233	78.2	65	21.8	298		175,681	55.3	141,758	44.7	317,439
2023	132	78.6	36	21.4	168		47,784	43.1	63,071	56.9	110,855
Source: Bank Data											

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The bank's reasonable performance in North Dakota and Minnesota supports this conclusion. Examiners focused on the percentage of loans in the low- and moderate-income census tracts, as applicable. Detailed discussion of the bank's performance under this criterion is included in the rated areas and individual assessment areas sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. The bank's reasonable performance in North Dakota and Minnesota supports this conclusion. Examiners focused on the percentage of loans to farms and businesses with gross annual revenues of $1 million or less and home mortgage loans to low- and moderate-income borrowers. Detailed discussion of the bank's performance under this criterion is included in the rated areas and individual assessment areas sections of this evaluation.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Bank Forward's overall performance under the Community Development Test is satisfactory. The institution demonstrated adequate responsiveness to the community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities.

Community Development Loans

Bank Forward originated 24 community development loans totaling $62.5 million during the evaluation period. The volume of community development loans represents 6.0 percent of total assets and 7.3 percent of net loans as of December 31, 2024, which is a decrease from the last evaluation at which time community development loans reflected 8.2 percent of total assets and 11.1 percent of net loans. However, the ratios from the last evaluation are skewed since community development loan activity included numerous Paycheck Protection Program (PPP) loans originated in conjunction with the COVID-19 pandemic. When excluding those, community development loans to total assets and net loans was 2.2 and 3.1 percent, respectively, thus representing an increase from the prior evaluation.

Examiners compared the bank's level of community development lending to three similarly situated institutions, which revealed that the bank's level of community development loans is reasonable in comparison to these institutions. The comparable banks' community development loans, with the exclusion of PPP loans, ranged from 3.4 to 14.1 percent of total assets and 4.2 to 20.5 percent of net loans.

Since Bank Forward has been responsive to the community development needs of its assessment areas, the institution received credit for a community development loan that benefited a broader statewide area, which is discussed under the applicable State section of the evaluation. The following tables show community development lending activity by assessment area and by year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Nonmetropolitan North Dakota	0	0	0	0	1	480	7	2,695	**8**	**3,175**
Fargo	3	13,500	0	0	0	0	5	18,401	**8**	**31,901**
Grand Forks	0	0	0	0	1	2,250	3	17,775	**4**	**20,025**
Nonmetropolitan Minnesota	3	3,425	0	0	0	0	0	0	**3**	**3,425**
Broader Statewide Area	0	0	0	0	0	0	1	4,000	**1**	**4,000**
Total	**6**	**16,925**	**0**	**0**	**2**	**2,730**	**16**	**42,871**	**24**	**62,526**
Source: Bank Data										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2022	6	16,925	0	0	0	0	9	34,296	**15**	**51,221**
2023	0	0	0	0	0	0	5	1,775	**5**	**1,775**
2024	0	0	0	0	2	2,730	2	6,800	**4**	**9,530**
YTD 2025	0	0	0	0	0	0	0	0	**0**	**0**
Total	**6**	**16,925**	**0**	**0**	**2**	**2,730**	**16**	**42,871**	**24**	**62,526**
Source: Bank Data										

Qualified Investments

Bank Forward made 52 qualified investments totaling $5.9 million during the evaluation period. The volume of qualified investments represents 0.6 percent of total assets and 12.5 percent of total securities as of December 31, 2024. This is similar to the prior evaluation at which time qualified investments reflected 0.7 percent of total assets and 10.3 percent of total securities.

Of the 52 qualified investments, 13 investments totaling $4.2 million were made during a prior evaluation period but were outstanding at the start of this evaluation. This number is somewhat skewed as it includes some prior period investments that were not considered at the prior evaluation since supporting documentation was not provided at that time. Finally, the total includes 34 qualified donations totaling $152,000. Examiners compared the bank's level of qualified investments to three similarly situated institutions. The comparable institutions' qualified investments ranged from 0.4 percent to 2.1 percent of total assets and 4.5 to 12.4 percent of total securities. Examiners included the total securities ratio strictly as a measurement since this comparison can vary between institutions based on investment strategies.

Since the institution has been responsive to the community development needs of its assessment areas, it received credit for qualified investments that were made in a broader statewide area, which are discussed under the applicable State sections of the evaluation. The following tables show the bank's qualified investments by assessment area and by year.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Nonmetropolitan North Dakota	0	0	7	3	0	0	24	2,249	31	2,252
Fargo	0	0	4	27	3	427	2	773	9	1,227
Grand Forks	0	0	2	<1	0	0	1	290	3	290
Nonmetropolitan Minnesota	0	0	2	1	1	5	1	260	4	265
Broader Statewide Area	2	1,194	0	0	0	0	3	664	5	1,858
Total	**2**	**1,194**	**15**	**31**	**4**	**432**	**31**	**4,235**	**52**	**5,892**
Source: Bank Data										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	2	1,194	0	0	0	0	11	3,027	13	4,221
2022	0	0	0	0	3	427	0	0	3	427
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	2	1,092	2	1,092
YTD 2025	0	0	0	0	0	0	0	0	0	0
Subtotal	**2**	**1,194**	**0**	**0**	**3**	**427**	**13**	**4,119**	**18**	**5,740**
Qualified Grants & Donations	0	0	15	31	1	5	18	116	34	152
Total	**2**	**1,194**	**15**	**31**	**4**	**432**	**31**	**4,235**	**52**	**5,892**
Source: Bank Data										

Community Development Services

During the evaluation period, employees provided 28 instances of financial expertise or technical assistance to various community development organizations. This represents a decrease from the previous evaluation, at which time the bank provided 42 community development services. However, Bank Forward's activity is generally in line with two similarly situated institutions that provided 39 and 48 community development services, respectively. The following tables illustrate the bank's community development services by assessment area and by year.

Community Development Services by Assessment Area					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
Nonmetropolitan North Dakota	0	9	6	8	**23**
Fargo	0	0	0	3	**3**
Grand Forks	0	1	0	0	**1**
Nonmetropolitan Minnesota	0	1	0	0	**1**
Total	**0**	**11**	**6**	**11**	**28**
Source: Bank Data					

Community Development Services by Year					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
2022	0	5	3	3	**11**
2023	0	2	2	3	**7**
2024	0	4	1	5	**10**
YTD 2025	0	0	0	0	**0**
Total	**0**	**11**	**6**	**11**	**28**
Source: Bank Data					

In addition to community development services, the bank offers alternative banking services that are readily accessible throughout all assessment areas, including to low- and moderate-income individuals. As previously described, Bank Forward offers digital banking, including online and mobile banking, bill payment, peer-to-peer transfers, mobile check deposit, and electronic periodic statements, among other services. Further, the bank operates two branches and two deposit-taking ATMs in moderate-income census tracts and five branches and three ATMs (including one that accepts deposits) in distressed and underserved census tracts.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NORTH DAKOTA – Full-Scope Review

CRA RATING FOR NORTH DAKOTA: <u>SATISFACTORY</u>

The Lending Test is rated: <u>Satisfactory</u>
The Community Development Test is rated: <u>Satisfactory</u>

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA

Bank Forward has designated three assessment areas in North Dakota: the Nonmetropolitan North Dakota, Fargo, and Grand Forks assessment areas. The bank operates ten branches and seven ATMs in North Dakota. Details for the individual assessment areas are provided in subsequent sections.

SCOPE OF EVALUATION – NORTH DAKOTA

Examiners reviewed small farm lending in the Nonmetropolitan North Dakota Assessment Area and small business and home mortgage lending in all three North Dakota assessment areas. Small farm lending received greater weight when drawing conclusions as agricultural lending is the bank's primary lending focus, followed by small business lending. Home mortgage lending received the least weight in each of the assessment areas. Finally, the Nonmetropolitan North Dakota Assessment Area received the most weight when arriving at the State rating. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH DAKOTA

LENDING TEST

Bank Forward demonstrated satisfactory performance under the Lending Test in North Dakota. The bank's reasonable Geographic Distribution and Borrower Profile performance support this conclusion. Further, the bank's North Dakota performance is consistent with the conclusions for all three North Dakota assessment areas. Detailed discussion of the bank's performance is included in the individual assessment area sections of this evaluation.

<u>Geographic Distribution</u>
The geographic distribution of loans reflects reasonable dispersion throughout the North Dakota assessment areas. Reasonable performance was noted in all three North Dakota assessment areas.

<u>Borrower Profile</u>
The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. While poor performance was noted in the Fargo Assessment Area, reasonable performance was observed in the other two North Dakota Assessment Areas, compensating for that poor performance.

COMMUNITY DEVELOPMENT TEST

Bank Forward demonstrated adequate responsiveness to the community development needs in the North Dakota assessment areas through community development loans, qualified investments, and community services.

Community Development Loans

The institution originated 21 community development loans totaling $59.1 million in the North Dakota assessment areas and broader statewide area, which accounts for a majority of the bank's community development lending at 94.5 percent by dollar. Details regarding the level of community development lending activity for each assessment area within North Dakota are provided under the individual assessment area sections.

Qualified Investments

The bank made 45 qualified investments totaling $4.0 million in North Dakota, which represents 68.1 percent, by dollar, of all qualified investments. This includes 1 qualified investment totaling $231,000 that promoted affordable housing and 1 donation totaling $12,500 that supported revitalization or revitalization in the broader statewide area. Of the 45 qualified investments, 10 were prior period investments totaling $2.6 million, 4 were current period investments totaling $1.3 million, and 31 were donations totaling $146,500. Details regarding the level of qualified investment activity for each assessment area within North Dakota are provided under the individual assessment area sections.

Community Development Services

Bank representatives provided 27 instances of financial expertise or technical assistance to community development organizations in the North Dakota assessment areas, which represents 96.4 percent of all community development services. Details regarding the level of community development services for each assessment area within North Dakota are provided under the individual assessment area sections that follow.

NONMETROPOLITAN NORTH DAKOTA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMETROPOLITAN NORTH DAKOTA ASSESSMENT AREA

The Nonmetropolitan North Dakota Assessment Area is located in east central North Dakota and is comprised of the entirety of Barnes, Eddy, Foster, Griggs, LaMoure, Sheridan, Steele, Stutsman, and Wells counties. The assessment area changed in conjunction with the 2020 U.S. Census. At the prior evaluation, per 2015 American Community Survey (ACS) data, the assessment area included 19 census tracts with the following income designations: 3 moderate-income, 15 middle-income, and 1 upper-income. The assessment area is now made up of 20 census tracts, including 4 moderate-income, 13 middle-income, and 3 upper-income. Further, nine of the middle-income census tracts were designated as distressed and underserved throughout the entire evaluation period. Bank Forward continues to operate eight offices in the following towns: Bowden, Carrington, Cooperstown, Hannaford, Jamestown, New Rockford, Valley City, and Wimbledon. The Jamestown branch is located in a moderate-income census tract, while the remaining seven branches are located in middle-income census tracts. Finally, the bank operates five ATMs in this assessment area; two of the ATMs are cash dispensing (Carrington and Cooperstown) and three accept deposits (New Rockford, Jamestown, and Valley City).

Economic and Demographic Data

The economy in the Nonmetropolitan North Dakota Assessment Area continues to be dependent upon agriculture and related industries. The agricultural economy has been stable over the past several years. Management noted that recent yields have been excellent and local livestock operations are thriving due to record high prices. In addition, management indicated that a significant number of

spouses work off-farm for benefits. Many farmers themselves are also seeking outside employment due to technology advances improving productivity and decreasing the amount of time requiring direct involvement in operations.

Management stated that the overall economy in the Nonmetropolitan North Dakota Assessment Area has been stable. In addition to agriculture, major employers include manufacturing, education, and medical facilities. The population is stable, and local school enrollment is increasing. Management noted that the area's unemployment rate is low, and all small towns have demand for workers. Though main street businesses are generally doing well, the labor shortage is an ongoing problem. Many individuals from smaller communities commute to Jamestown or Valley City, while residents of Valley City commute to Fargo for employment. Finally, housing remains a challenge in this assessment area. The supply of homes, including affordable housing, is limited. Bank management indicated that there have been studies done to determine the best locations to build but no new development has occurred due to prohibitive costs. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.0	20.0	65.0	15.0	0.0
Population by Geography	51,634	0.0	23.4	62.3	14.3	0.0
Housing Units by Geography	27,688	0.0	22.2	64.7	13.2	0.0
Owner-Occupied Units by Geography	15,919	0.0	18.3	67.6	14.0	0.0
Occupied Rental Units by Geography	6,955	0.0	37.7	51.8	10.4	0.0
Vacant Units by Geography	4,814	0.0	12.3	73.4	14.2	0.0
Businesses by Geography	6,822	0.0	22.1	64.8	13.1	0.0
Farms by Geography	1,453	0.0	4.0	79.6	16.4	0.0
Family Distribution by Income Level	12,882	21.1	18.9	24.0	35.9	0.0
Household Distribution by Income Level	22,874	28.6	16.8	18.6	36.0	0.0
Median Family Income Nonmetropolitan North Dakota		$81,182	Median Housing Value			$134,298
Families Below Poverty Level		7.3%	Median Gross Rent			$668
Source: 2020 U.S. Census and 2024 D&B Data; Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2024 D&B data, service industries represent the largest portion of business operations within the assessment area at 30.1 percent; followed by agriculture, forestry, and fishing at 17.6 percent. Area businesses are predominantly small operations; per 2024 D&B data, 90.2 percent of the assessment area's businesses operate from a single location and 72.7 percent have four or fewer employees.

The Federal Financial Institutions Examination Council (FFIEC) median family income is used to analyze home mortgage loans under the Borrower Profile criterion as well as for community development activities. The following table illustrates the 2024 median family income ranges for the nonmetropolitan portion of North Dakota.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2024 ($98,800)	<$49,400	$49,400 to <$79,040	$79,040 to <$118,560	≥$118,560
Source: FFIEC				

Competition

The Nonmetropolitan North Dakota Assessment Area is competitive for financial services. According to Reports of Condition and Income data, 22 financial institutions operate 41 offices in this assessment area. Of these institutions, Bank Forward ranked 2nd with a deposit market share of 15.2 percent. Additionally, there is a moderate level of competition for home mortgage loans amongst banks, credit unions, and non-depository mortgage lenders. In 2023, 89 lenders reported 715 home mortgage loans originated or purchased within the assessment area. Bank Forward ranked 5th of the 89 lenders, with a market share of 5.5 percent by number of loans.

Finally, there is a moderate level of demand and competition for small farm and small business loans in the assessment area, as evidenced by 2023 aggregate CRA data, which is the most recent year available. Bank Forward is not required to collect or report its small farm and small business loan data and has elected not to do so. As such, the analysis of small farm and small business loans does not include comparisons against aggregate data. However, the aggregate data is included to illustrate the level of demand and competition for small farm and small business loans. In 2023, 23 lenders reported 975 small farm loans, and 51 lenders reported 788 small business loans. Bank management noted that AgCountry Farm Credit Services is also a competitor for small farm loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what opportunities are available. For this evaluation, examiners reviewed a community contact interview previously conducted with an individual familiar with agricultural activity in the assessment area.

The community contact indicated that the area's general economy is relatively strong, similar to the overall economy of the State of North Dakota. The contact noted that the local economy is highly dependent on agriculture and related businesses. Area producers have been faring well during the past several growing seasons, with average yields and decent prices. The community contact also stated that livestock operations have been very successful due to record-breaking prices. The contact opined that agricultural loans are the primary credit need in the area, although there is also a need for home mortgage loans. Finally, the contact implied that affordable housing is a community development need within the area.

Credit and Community Development Needs and Opportunities

Considering information from bank management and the community contact, as well as demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area, followed by commercial and home mortgage lending. Community development needs are primarily related to affordable housing, community services targeted to low- and moderate-income individuals, and revitalization or stabilization of low- and moderate-income census tracts and distressed and underserved areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN NORTH DAKOTA

LENDING TEST

Bank Forward demonstrated reasonable performance under the Lending Test in the Nonmetropolitan North Dakota Assessment Area. The bank's Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Nonmetropolitan North Dakota Assessment Area. The bank's reasonable small farm, small business, and home mortgage lending performance support this conclusion.

Small Farm Loans

As indicated in the following table, the geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	$(000s)	%
Moderate	4.0	17	2.9	2,986	3.4
Middle	79.6	475	82.2	73,793	83.3
Upper	16.4	86	14.9	11,797	13.3
Total	**100.0**	**578**	**100.0**	**88,576**	**100.0**
Source: 2024 D&B Data; Bank Data					

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As illustrated in the following table, Bank Forward's performance mirrors D&B data in the moderate-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate	22.1	27	22.1	4,034	24.7
Middle	64.8	86	70.5	10,489	64.3
Upper	13.1	9	7.4	1,782	10.9
Total	**100.0**	**122**	**100.0**	**16,305**	**100.0**
Source: 2024 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table indicates that the bank's lending in moderate-income census tracts is lower than aggregate performance. However, there is a significant level of competition for home mortgage loans within the assessment area. As noted earlier, 89 lenders reported home mortgage loans originated or purchased within the assessment area in 2023. Furthermore, the bank's performance is generally in line with census data. Given this information, the bank's performance is considered reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Moderate	18.3	27.7	5	13.2	575	9.1
Middle	71.7	59.9	31	81.6	5,432	86.0
Upper	10.0	12.4	2	5.3	311	4.9
Total	**100.0**	**100.0**	**38**	**100.0**	**6,318**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects reasonable penetration amongst farms and businesses of different revenue sizes and individuals of different income levels within the Nonmetropolitan North Dakota Assessment Area. This conclusion is primarily supported by the bank's reasonable small farm lending performance, which was given the greatest weight in the assessment area. The bank's small business lending performance was excellent, while home mortgage lending performance was reasonable.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable penetration to farm operations with gross annual revenues of $1 million or less. As shown in the following table, the bank's lending is lower than demographic data; however, there are several mitigating factors explaining the shortfall. Specifically, the 2022 Census of Agriculture reveals that in Barnes, Eddy, Foster, Griggs, LaMoure, Sheridan, Steele, Stutsman, and Wells counties, 49.7, 55.7, 39.5, 51.7, 43.2, 45.7, 36.0, 48.8, and 42.1 percent of producers do not list farming as their primary occupation. This information confirms bank management's statement that many producers are seeking employment outside of the farm operation. Further, 50.9, 49.8, 39.1, 53.6, 44.2, 51.6, 43.0, 45.6, and 44.1 percent of farm operations in the aforementioned counties did not report interest expense. Accordingly, there is less opportunity for Bank Forward to lend to smaller farm operations within its assessment area. Finally, as described earlier, there is local competition for small farm loans from other community banks and AgCountry Farm Credit Services. Considering these factors, the institution's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	$(000s)	%
≤$1,000,000	98.2	55	87.3	7,535	84.4
>$1,000,000	1.4	8	12.7	1,392	15.6
Revenue Not Available	0.4	0	0.0	0	0.0
Total	**100.0**	**63**	**100.0**	**8,927**	**100.0**
Source: 2024 D&B Data; Bank Data					

Small Business Loans

The distribution of borrowers reflects excellent penetration to businesses with gross annual revenues of $1 million or less. As shown in the following table, the bank's performance exceeds comparable D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
≤$1,000,000	83.0	44	93.6	4,609	88.2
>$1,000,000	3.7	3	6.4	615	11.8
Revenue Not Available	13.3	0	0.0	0	0.0
Total	**100.0**	**47**	**100.0**	**5,224**	**100.0**
Source: 2024 D&B Data; Bank Data					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. Refer to the table that follows.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low	21.6	11.9	4	10.5	203	3.2
Moderate	19.1	27.6	9	23.7	962	15.2
Middle	24.4	18.2	6	15.8	765	12.1
Upper	34.8	27.6	13	34.2	3,576	56.6
Not Available	0.0	14.8	6	15.8	813	12.9
Total	**100.0**	**100.0**	**38**	**100.0**	**6,318**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

COMMUNITY DEVELOPMENT TEST

Ba0nk Forward demonstrated adequate responsiveness to the community development needs in the Nonmetropolitan North Dakota Assessment Area through community development loans, qualified investments, and community services.

Community Development Loans

Bank Forward originated 8 community development loans totaling approximately $3.2 million in the Nonmetropolitan North Dakota Assessment Area, which accounts for 5.1 percent of the institution's community development lending by dollar. One loan totaling $480,000 promoted economic development, while the other 7 loans totaling $2.7 million provided revitalization or stabilization to the assessment area.

Qualified Investments

The bank made 31 qualified investments totaling approximately $2.3 million in the Nonmetropolitan North Dakota Assessment Area, including 6 prior period investments totaling $1.3 million; 1 current period investment totaling $830,500; and 24 donations totaling $106,800. Of these qualified investments, 24 totaling $2.2 million were to organizations that provided revitalization or stabilization for the assessment area and 7 totaling $3,000 were to organizations that provide community services to low- and moderate-income individuals. The level of qualified investments in the Nonmetropolitan North Dakota Assessment represents 38.2 percent, by dollar, of all qualified investments.

<u>**Community Development Services**</u>
Bank Forward representatives provided 23 instances of financial expertise or technical assistance to community development organizations in the Nonmetropolitan North Dakota Assessment Area. Of these services, nine were to organizations that provide community services to low- and moderate-income individuals, six were to organizations that promote economic development, and eight were to organizations that assist in revitalizing or stabilizing the area. The number of community development services decreased from the prior evaluation, at which time Bank Forward reported 34 community development services.

Bank Forward operates one branch and deposit-taking ATM in a moderate-income census tract. The institution also maintains five branches and three ATMs in distressed and underserved census tracts in the assessment area.

FARGO ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FARGO ASSESSMENT AREA

The Fargo Assessment Area is located in east central North Dakota and is comprised of Cass County, which is part of the Fargo, ND-MN Metropolitan Statistical Area (MSA). The assessment area changed in conjunction with the 2020 U.S. Census. At the prior evaluation, per 2015 ACS data, the assessment area included 33 census tracts with the following income designations: 9 moderate-income, 15 middle-income, and 8 upper-income, as well as 1 census tract that did not have an income designation. The assessment area is now made up of 44 census tracts, including 4 low-income, 9 moderate-income, 18 middle-income, and 13 upper-income. Bank Forward operates its main office and a deposit-taking ATM in a middle-income census tract in the assessment area.

<u>**Economic and Demographic Data**</u>
The Fargo Assessment Area benefits from a diverse economy, which has been stable. Bank management stated that many large employers bring jobs to the area, and the local colleges provide the workforce. The population is growing, and unemployment rates are low and stable. Management estimates that 65.0 percent of the population rents and the 1-4 family rental market has been strong. Although some homebuilders focus on rental properties, construction is currently a challenge due to high land and input costs and the interest rate environment. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	44	9.1	20.5	40.9	29.5	0.0
Population by Geography	184,525	6.3	18.6	42.4	32.6	0.0
Housing Units by Geography	83,604	8.6	23.4	43.8	24.2	0.0
Owner-Occupied Units by Geography	40,437	1.9	13.2	49.0	35.9	0.0
Occupied Rental Units by Geography	36,590	13.8	33.6	39.0	13.6	0.0
Vacant Units by Geography	6,577	21.2	29.7	37.9	11.2	0.0
Businesses by Geography	26,343	10.7	23.1	38.5	27.6	0.0
Farms by Geography	1,013	3.7	10.2	57.8	28.3	0.0
Family Distribution by Income Level	43,034	18.4	18.5	22.7	40.4	0.0
Household Distribution by Income Level	77,027	23.1	16.1	19.1	41.7	0.0
Median Family Income Fargo, ND-MN MSA		$90,450	Median Housing Value			$230,391
Families Below Poverty Level		6.0%	Median Gross Rent			$830
Source: 2020 U.S. Census and 2024 D&B Data; Due to rounding, totals may not equal 100.0% *(*) The NA category consists of geographies that have not been assigned an income classification.*						

According to 2024 D&B data, service industries represent the largest portion of business operations within the assessment area at 34.9 percent; followed by finance, insurance, and real estate at 19.9 percent. Area businesses are predominantly small operations; per 2024 D&B data, 92.4 percent of the assessment area's businesses operate from a single location and 70.7 percent have four or fewer employees.

The following table illustrates the FFIEC-estimated median family income ranges for the Fargo, ND-MN MSA in 2024.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
2024 ($105,900)	<$52,950	$52,950 to <$84,720	$84,720 to <$127,080	≥$127,080
Source: FFIEC				

Competition
The Fargo Assessment Area is highly competitive for financial services. According to Reports of Condition and Income data, 39 financial institutions operate 84 offices in this assessment area. Of these institutions, Bank Forward ranked 19th with a deposit market share of 0.5 percent. Additionally, there is a significant level of competition for home mortgage loans amongst banks, credit unions, and non-depository mortgage lenders. In 2023, 155 lenders reported 4,074 home mortgage loans originated or purchased within the assessment area. Bank Forward ranked 31st of the 89 lenders, with a market share of 0.6 percent by number of loans.

Finally, there is a high level of demand and competition for small business loans within the assessment area. Specifically, 2023 aggregate CRA data reveals that 71 lenders reported 4,571 small business loans originated or purchased within Cass County. As previously noted, Bank Forward is not required to collect or report its small business loan data and has chosen not to do so. However, the aggregate data is included to demonstrate the level of demand for small business loans.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that commercial lending represents the primary credit need in the assessment area, followed by home mortgage lending. The assessment area's community development needs primarily involve affordable housing, economic development, and community services targeted to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FARGO ASSESSMENT AREA

LENDING TEST

Bank Forward demonstrated reasonable performance under the Lending Test in the Fargo Assessment Area. The bank's Geographic Distribution performance primarily supports this conclusion. Despite poor Borrower Profile performance, this did not affect the Lending Test conclusion in the Fargo Assessment Area when considering other factors that are described in that section.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Fargo Assessment Area. The bank's reasonable small business and excellent home mortgage lending performance support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area when compared to D&B data. See the following table for details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Low	10.7	2	6.7	410	3.3
Moderate	23.1	6	20.0	3,137	25.2
Middle	38.5	10	33.3	3,830	30.8
Upper	27.6	12	40.0	5,061	40.7
Total	**100.0**	**30**	**100.0**	**12,438**	**100.0**
Source: 2024 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank's performance in the low-income census tracts significantly exceeds aggregate data, while lending in the moderate-income census tracts lags aggregate data. However, this appears to be an anomaly. Examiners determined that of the seven loans in the low-income tracts, three were refinances of rental properties and three were originated to the same entity for a new multifamily property. As a result, the data for 2023 is somewhat skewed. A review of lending activity in 2021 and 2022 revealed that the bank's performance exceeded demographic and aggregate data in both the low- and moderate-income census tracts. Given this information, the bank's performance is excellent.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Low	1.9	2.9	7	26.9	18,484	71.2
Moderate	13.2	10.1	1	3.8	140	0.5
Middle	49.0	38.5	1	3.8	45	0.2
Upper	35.9	48.5	17	65.4	7,282	28.1
Total	**100.0**	**100.0**	**26**	**100.0**	**25,950**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

Borrower Profile

Overall, the distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels. This conclusion is primarily supported by the bank's poor small business lending performance, which was given the greatest weight in the Fargo Assessment Area. However, the bank's home mortgage lending performance was reasonable.

Small Business Loans

The distribution of small business loans reflects poor penetration to businesses with gross annual revenues of $1 million or less. As shown in the following table, the bank's lending to businesses with revenues of $1 million or less is significantly lower than D&B data. However, as demographic data is from a voluntary survey request to businesses, it is only used as a general indicator of business demographics within the assessment area. In addition, the Fargo Assessment Area is highly competitive for small business loans. Further, 5 of the 19 loans to businesses with revenues greater than $1 million were to the same entity, resulting in data that is somewhat skewed. Nonetheless, the bank's performance has declined substantially since the previous evaluation, at which time it was reasonable. Specifically, the prior evaluation indicated that 77.8 percent of the bank's lending was to businesses with gross annual revenues of $1 million or less compared to demographic data of 84.3 percent in the same revenue category. Finally, examiners considered aggregate data even though the bank is not a reporter. Aggregate data for 2023 indicates that 48.8 percent of small business loans were made to businesses with gross annual revenues of $1 million or less. Although this is not a direct comparison, Bank Forward's lending performance lags aggregate data as well.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
≤$1,000,000	88.0	10	33.3	3,129	25.2
>$1,000,000	3.8	19	63.3	9,287	74.7
Revenue Not Available	8.1	1	3.3	22	0.2
Total	**100.0**	**30**	**100.0**	**12,438**	**100.0**
Source: 2024 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As reflected in the following table, the bank's lending to low- and moderate-income borrowers is lower than aggregate data. However, the table also shows that the bank reported a majority of its home mortgage loans in the Fargo Assessment Area with income as "Not Available." This category includes loans originated to businesses, multifamily rental properties, or loans to employees. Since a

significant portion of the bank's loans did not have a classified income available, the data is somewhat skewed. Further, home mortgage lending is not the bank's primary focus within the Fargo Assessment Area. Given this information, and considering the level of local competition, the bank's performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low	18.4	6.7	0	0.0	0	0.0
Moderate	18.5	18.9	3	11.5	562	2.2
Middle	22.7	22.1	1	3.8	46	0.2
Upper	40.4	33.3	2	7.7	407	1.6
Not Available	0.0	19.1	20	76.9	24,936	96.1
Total	**100.0**	**100.0**	**26**	**100.0**	**25,950**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

COMMUNITY DEVELOPMENT TEST

Bank Forward demonstrated adequate responsiveness to the community development needs in the Fargo Assessment Area through community development loans, qualified investments, and community services.

Community Development Loans
Bank Forward originated 8 community development loans totaling approximately $31.9 million in the Fargo Assessment Area, which accounts for 51.0 percent of the institution's community development lending by dollar. Three loans totaling $13.5 million promoted affordable housing and 5 loans totaling $18.4 million provided revitalization or stabilization to the assessment area.

Qualified Investments
The bank made 9 qualified investments totaling approximately $1.2 million in the Fargo Assessment Area, including 2 prior period investments totaling $773,000; 3 current period investments totaling $427,000; and 4 donations totaling $27,000. Of these qualified investments, 3 totaling $427,000 were to organizations that promote economic development, 2 totaling $773,000 were to organizations that provided revitalization or stabilization for the assessment area, and 4 totaling $27,000 were to organizations that provide community services to low- and moderate-income individuals. The level of qualified investments in the Fargo Assessment Area represents 20.8 percent, by dollar, of all qualified investments.

Community Development Services
A Bank Forward representative provided three instances of financial expertise to a community development organization in the Fargo Assessment Area. The services were to an organization that promotes revitalization and stabilization in the assessment area.

GRAND FORKS ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GRAND FORKS ASSESSMENT AREA

The Grand Forks Assessment Area includes Grand Forks County in North Dakota and the western half of Polk County in Minnesota, which comprise a portion of the Grand Forks, ND-MN MSA. The assessment area changed in conjunction with the 2020 U.S. Census. At the prior evaluation, per 2015 ACS data, the assessment area included 25 census tracts with the following income designations: 1 low-income, 4 moderate-income, 16 middle-income, and 4 upper-income. The assessment area is now made up of 29 census tracts, including 1 low-income, 7 moderate-income, 14 middle-income, and 6 upper-income, as well as 1 census tract that does not have an income designation. Bank Forward operates one branch and deposit-taking ATM in this assessment area, which are located in an upper-income census tract in Grand Forks.

Economic and Demographic Data

Bank management indicated that the agricultural economy, which is strong, continues to affect the overall economy of the assessment area. Aside from agriculture and related businesses, the area's primary industries include education and healthcare. The population has been slowly growing, in part due to the expansion of the Grand Forks Air Force Base. However, commercial and residential real estate activity has declined because of the current rate environment and increasing input and land costs. As a result, the area struggles to maintain an adequate supply of housing. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	29	3.4	24.1	48.3	20.7	3.4
Population by Geography	94,999	2.5	20.1	48.5	26.4	2.5
Housing Units by Geography	42,969	1.7	21.3	51.0	22.8	3.2
Owner-Occupied Units by Geography	21,027	0.0	12.8	52.8	31.7	2.7
Occupied Rental Units by Geography	18,644	3.1	31.4	46.6	14.8	4.1
Vacant Units by Geography	3,298	4.9	18.7	64.3	10.7	1.4
Businesses by Geography	9,325	0.4	21.5	47.0	29.3	1.8
Farms by Geography	884	0.0	5.2	66.4	28.1	0.3
Family Distribution by Income Level	21,023	22.3	15.2	22.6	39.8	0.0
Household Distribution by Income Level	39,671	25.1	15.1	16.7	43.0	0.0
Median Family Income Grand Forks, ND-MN MSA		$82,257	Median Housing Value			$192,305
Families Below Poverty Level		7.7%	Median Gross Rent			$820
Source: 2020 U.S. Census and 2024 D&B Data; Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2024 D&B data, service industries represent the largest portion of business operations within the assessment area at 34.3 percent; followed by non-classifiable establishments at 14.1 percent and finance, insurance, and real estate at 13.1 percent. Area businesses are predominantly small operations; per 2024 D&B data, 88.4 percent of the assessment area's businesses operate from a single location and 67.2 percent have four or fewer employees.

The following table illustrates the FFIEC-estimated median family income ranges for the Grand Forks, ND-MN MSA in 2024.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2024 ($104,300)	<$52,150	$52,150 to <$83,440	$83,440 to <$125,160	≥$125,160
Source: FFIEC				

Competition
The Grand Forks Assessment Area is moderately competitive for financial services. According to Reports of Condition and Income data, 24 financial institutions operate 36 offices in this assessment area. Of these institutions, Bank Forward ranked 12th with a deposit market share of 1.9 percent. Additionally, there is a significant level of competition for home mortgage loans amongst banks, credit unions, and non-depository mortgage lenders. In 2023, 118 lenders reported 1,570 home mortgage loans originated or purchased within the assessment area. Bank Forward ranked 21st of the 118 lenders, with a market share of 1.2 percent by number of loans.

Finally, there is a high level of demand and competition for small business loans within the assessment area. Specifically, 2023 aggregate CRA data reveals that 56 lenders reported 1,864 small business loans originated or purchased within Grand Forks and Polk counties. As previously noted, Bank Forward is not required to collect or report its small business loan data and has chosen not to do so. However, the aggregate data is included to demonstrate the level of demand for small business loans.

Community Contact
Examiners reviewed a community contact interview previously conducted with a representative from an organization promoting economic development in the assessment area. The organization focuses on business retention and expansion and provides assistance to new businesses. The community contact stated that the area has experienced some shifts in population over the past several years. There has been an influx of individuals seeking employment, but the population increase has not been sufficient to meet the workforce demand. The contact indicated that their organization's current focus is job retention, as attracting new businesses to the area has been difficult. The community contact implied that commercial loans are the primary credit need in the area, followed by home mortgage loans. The contact noted their entity has close working relationships with local banks that are helping to meet the assessment area's need for commercial loans. Finally, the contact inferred that affordable housing and community services targeted to low- and moderate-income individuals are community development needs within the area.

Credit and Community Development Needs and Opportunities
Considering information from bank management and the community contact, as well as demographic and economic data, examiners determined that commercial lending represents the primary credit need in the assessment area, followed by home mortgage lending. Community development needs are primarily related to affordable housing and economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GRAND FORKS ASSESSMENT AREA

LENDING TEST

Bank Forward demonstrated reasonable performance under the Lending Test in the Grand Forks Assessment Area. The bank's Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Grand Forks Assessment Area. The bank's reasonable small business and home mortgage lending performance support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, Bank Forward did not originate any small business loans to entities operating in the low-income census tract; however, very few businesses are located in this tract. The low-income census tract includes the University of North Dakota campus. As such, the low-income census tract provides limited small business lending opportunities.

Although the bank's small business lending in the moderate-income census tracts is also less than comparable D&B data, there are seven moderate-income census tracts within the Grand Forks Assessment Area with certain lending limitations present. One moderate-income tract encompasses the Grand Forks Air Force Base. Lending opportunities in this area are limited. Further, two moderate-income tracts include residential neighborhoods, and another moderate-income tract comprises a portion of the University of North Dakota campus. Of the remaining three moderate-income census tracts in the assessment area, two consist primarily of big box stores, which limits small business lending opportunities, while the other moderate-income tract comprises a portion of downtown Grand Forks. Although there may be some small business lending opportunities present in the downtown area, it is likely that some of the businesses are well-established and do not require financing. Finally, competition for small business loans is a factor in this assessment area. Considering this performance context, the bank's lending is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Low	0.4	0	0.0	0	0.0
Moderate	21.5	4	9.8	469	8.0
Middle	47.0	14	34.1	2,174	37.2
Upper	29.3	23	56.1	3,194	54.7
Not Available	1.8	0	0.0	0	0.0
Total	**100.0**	**41**	**100.0**	**5,837**	**100.0**
Source: 2024 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area when comparted to demographic and aggregate data. See the following table.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	12.8	13.8	2	11.1	274	7.2
Middle	52.8	49.3	8	44.4	1,308	34.6
Upper	31.7	35.0	8	44.4	2,197	58.1
Not Available	2.7	1.9	0	0.0	0	0.0
Total	**100.0**	**100.0**	**18**	**100.0**	**3,778**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects reasonable penetration amongst businesses of different revenue sizes and individuals of different income levels within the Grand Forks Assessment Area. This conclusion is supported by the bank's reasonable small business and home mortgage lending performance.

Small Business Loans

The distribution of borrowers reflects reasonable penetration to businesses with gross annual revenues of $1 million or less. As shown in the following table, the bank's performance is less than comparable demographic data. However, D&B data includes all businesses in the assessment area that voluntarily respond to a survey request, including some very small entities that have limited or no credit needs. Management indicated the larger businesses in the area generally have the most need for financing compared to some of the smaller established businesses. Moreover, the big box stores in the area combined with the convenience of online shopping have made it more challenging for start-up businesses to survive, also limiting small business lending opportunities. Although the bank is not required to collect or report its small business loan data and has not elected to do so, aggregate data can be used to provide context about the size of businesses to which other banks are lending. Aggregate data for 2023 reveals that 46.8 percent of small business loans in Grand Forks and Polk counties were to businesses with gross annual revenues of $1 million or less, leaving 53.2 percent of small business loans to businesses with gross annual revenues greater than $1 million. Further, 7 of the 15 sampled loans to businesses with gross annual revenues of greater than $1 million were to 3 businesses, which skews percentages for those with gross annual revenues of $1 million or less. Finally, competition for small business loans is a factor in this assessment area. Given this additional information, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
≤$1,000,000	83.4	15	50.0	1,374	37.0
>$1,000,000	4.3	15	50.0	2,342	63.0
Revenue Not Available	12.3	0	0.0	0	0.0
Total	**100.0**	**30**	**100.0**	**3,716**	**100.0**
Source: 2024 D&B Data; Bank Data					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As detailed in the table that follows, the bank's lending to low-income borrowers is less than aggregate and demographic data, yet the bank's performance exceeds aggregate and demographic data for moderate-income borrowers. However, the table also shows that the bank reported 33.3 percent of its home mortgage loans in the Grand Forks Assessment Area with income as "Not Available." As previously mentioned, this category includes loans for commercial purposes, such as multifamily and rental properties, or loans to employees. Since a significant portion of the bank's loans did not have a classified income available, the data for all income levels is skewed. Further, there is a high level of competition in the assessment area. Given this information, along with the percent of households that live below the poverty level (7.7 percent) that likely do not qualify for home mortgage financing, the bank's performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low	22.3	6.8	0	0.0	0	0.0
Moderate	15.2	20.6	4	22.2	552	14.6
Middle	22.6	22.7	0	0.0	0	0.0
Upper	39.8	32.7	8	44.4	2,241	59.3
Not Available	0.0	17.1	6	33.3	985	26.1
Total	**100.0**	**100.0**	**18**	**100.0**	**3,778**	**100.0**

Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

Bank Forward demonstrated adequate responsiveness to the community development needs in the Grand Forks Assessment Area through community development loans, qualified investments, and community services.

Community Development Loans

Bank Forward originated 4 community development loans totaling approximately $20.0 million in the Grand Forks Assessment Area, which accounts for 32.0 percent of the institution's community development lending by dollar. One loan totaling $2.2 million promoted economic development and 3 loans totaling $17.8 million provided revitalization or stabilization to the assessment area.

Qualified Investments

The bank made 3 qualified investments totaling approximately $290,000 in the Grand Forks Assessment Area, including 1 prior period investment totaling $289,500 and 2 donations totaling $200. The prior period investment was to an organization that provided revitalization or stabilization for the assessment area, while the donations were to organizations that provide community services to low- and moderate-income individuals. The level of qualified investments in the Grand Forks Assessment Area represents 4.9 percent, by dollar, of all qualified investments.

Community Development Services

A Bank Forward representative provided one instance of financial expertise in the Grand Forks Assessment Area, which provided a community service to low- and moderate-income individuals.

MINNESOTA – Full-Scope Review

CRA RATING FOR MINNESOTA: <u>SATISFACTORY</u>

The Lending Test is rated: <u>Satisfactory</u>
The Community Development Test is rated: <u>Satisfactory</u>

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

Bank Forward has designated one assessment area in Minnesota, the Nonmetropolitan Minnesota Assessment Area, which has changed slightly since the prior evaluation. In June 2023, the bank added the northern portion of Beltrami County (Census Tracts 4505 and 9400.01) and Census Tract 9601 in eastern Cass County to the assessment area. As such, the Nonmetropolitan Minnesota Assessment Area is now comprised of all of Beltrami County, the northern portion of Cass County, and the northern portion of Hubbard County. The assessment area consists of 26 census tracts, including the following: 1 low-, 9 moderate-, 15 middle-, and 1 upper-income tract. None of these census tracts were designated as distressed or underserved during the evaluation period. The bank continues to operate two branches and ATMs in this assessment area. The Bemidji office and a deposit-taking ATM are located in a moderate-income census tract, and the Walker office and a cash-dispensing ATM are located in a middle-income census tract.

Economic and Demographic Data
Tourism continues to be the main industry in the Nonmetropolitan Minnesota Assessment Area. Bank management noted that the economy in the area is strong, and restaurants and resorts are doing well. However, businesses remain impacted by the ongoing staffing shortage. The population in Bemidji and Walker fluctuates seasonally. Walker experiences a spike during the summer months, while Bemidji's population trends downward in the summer when college is not in session. Bank management also indicated that local growth has slowed due to high interest rates. The rate environment has led to a shortage in the housing market, as homeowners are not interested in refinancing or selling. Further, high input costs have resulted in less new construction. Finally, the assessment area includes portions of the Leech Lake Reservation and the Red Lake Reservation. Management stated that land within the reservations is commonly held by the Tribes, which limits the bank's ability to make mortgage loans in this area. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	3.8	34.6	57.7	3.8	0.0
Population by Geography	80,293	2.4	39.8	55.9	1.9	0.0
Housing Units by Geography	51,830	2.3	38.3	58.1	1.3	0.0
Owner-Occupied Units by Geography	24,453	0.5	34.4	62.9	2.2	0.0
Occupied Rental Units by Geography	8,377	12.4	53.9	32.9	0.9	0.0
Vacant Units by Geography	19,000	0.3	36.4	63.0	0.3	0.0
Businesses by Geography	8,437	3.3	36.2	58.7	1.8	0.0
Farms by Geography	462	1.1	34.6	63.0	1.3	0.0
Family Distribution by Income Level	20,587	24.9	20.8	21.1	33.1	0.0
Household Distribution by Income Level	32,830	25.9	18.8	19.0	36.3	0.0
Median Family Income Nonmetropolitan Minnesota		$74,710	Median Housing Value			$186,379
Families Below Poverty Level		10.4%	Median Gross Rent			$798
Source: 2020 U.S. Census; 2024 D&B Data; Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2024 D&B data, service industries represent the largest portion of business operations within the assessment area at 31.9 percent; followed by non-classifiable establishments at 20.3 percent; retail trade at 10.6 percent; and finance, insurance, and real estate at 10.1 percent. Area businesses are predominantly small operations; per 2024 D&B data, 93.0 percent of the assessment area's businesses operate from a single location and 65.2 percent have four or fewer employees.

The following table illustrates the FFIEC-estimated median family income ranges for the nonmetropolitan portion of Minnesota in 2024.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2024 ($90,300)	<$45,150	$45,150 to <$72,240	$72,240 to <$108,360	≥$108,360
Source: FFIEC				

Competition
The Nonmetropolitan Minnesota Assessment Area is a highly competitive market for financial services. According to Reports of Condition and Income data, 17 financial institutions operate 24 offices in this assessment area. Of these institutions, Bank Forward ranked 7th with a deposit market share of 4.3 percent. Additionally, there is a high level of competition for home mortgage loans amongst banks, credit unions, and non-depository mortgage lenders. In 2023, 201 lenders reported 1,251 home mortgage loans originated or purchased within the assessment area. Bank Forward ranked 6th of the 201 lenders, with a market share of 4.0 percent by number of loans.

Finally, there is a high level of demand and competition for small business loans within the assessment area. Specifically, 2023 aggregate CRA data reveals that 51 lenders reported 1,077 small business loans originated or purchased within Beltrami, Cass, and Hubbard counties. As previously noted, Bank Forward is not required to collect or report its small business loan data and has chosen not to do

so. However, the aggregate data is included to demonstrate the level of demand for small business loans.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that home mortgage lending represents the primary credit need in the assessment area, followed by commercial lending. Community development needs are primarily related to affordable housing, revitalization and stabilization of low- and moderate-income census tracts, and community services targeted to low- and moderate-income individuals.

SCOPE OF EVALUATION – MINNESOTA

Examiners reviewed the bank's home mortgage and small business lending performance in the Nonmetropolitan Minnesota Assessment Area as these products are lending focuses in the assessment area. When drawing overall conclusions, home mortgage lending received the most weight, followed by small business lending. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

Bank Forward demonstrated reasonable performance under the Lending Test in the Nonmetropolitan Minnesota Assessment Area. The bank's Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Nonmetropolitan Minnesota Assessment Area. The bank's reasonable home mortgage and small business lending performance support this conclusion.

Home Mortgage Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's lending to low- and moderate-income census tracts is lower than aggregate performance. However, the Leech Lake and Red Lake reservations comprise large portions of the assessment area's moderate-income census tracts. As noted earlier, reservation land is held by the Tribes, limiting the bank's ability to make mortgage loans in those areas. Further, there is a significant level of competition for home mortgage loans within the assessment area. Given this information, the bank's performance is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	0.5	0.5	0	0.0	0	0.0
Moderate	34.4	34.4	9	18.0	1,422	12.1
Middle	62.9	63.1	39	78.0	9,821	83.7
Upper	2.2	2.1	2	4.0	495	4.2
Total	**100.0**	**100.0**	**50**	**100.0**	**11,738**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As illustrated in the table that follows, Bank Forward originated only three loans in the moderate-income census tracts, and none in the low-income tract, which lags D&B data. However, there is a significant level of competition for small business loans in the assessment area. Further, the Leech Lake and Red Lake reservations comprise large portions of the assessment area's moderate-income census tracts. The Leech Lake Reservation Tribal Development Division and the Red Lake Nation Economic Development & Planning Department offer various programs to assist small businesses. Services available include technical assistance, education, and low-interest financing. In addition, businesses located in the moderate-income tracts in Cass County may be more likely to obtain banking services in Grand Rapids, which serves as an economic hub, or in other towns in closer proximity. Finally, D&B data indicates that 39.0 percent of businesses in the low-income census tract and 56.9 percent of businesses in the moderate-income census tracts have gross annual revenues of less than $100,000. These businesses likely have less need for operating loans. Considering these factors, the bank's performance is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low	3.3	0	0.0	0	0.0
Moderate	36.2	3	15.8	202	6.3
Middle	58.7	16	84.2	2,980	93.7
Upper	1.8	0	0.0	0	0.0
Total	**100.0**	**19**	**100.0**	**3,182**	**100.0**
Source: 2024 D&B Data; Bank Data					

Borrower Profile

The distribution of borrowers reflects reasonable penetration amongst individuals of different income levels and businesses of different revenue sizes within the Nonmetropolitan Minnesota Assessment Area. The bank's reasonable home mortgage and small business lending performance support this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, when compared to aggregate data. Refer to the table that follows.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low	21.6	11.9	4	10.5	203	3.2
Moderate	19.1	27.6	9	23.7	962	15.2
Middle	24.4	18.2	6	15.8	765	12.1
Upper	34.8	27.6	13	34.2	3,576	56.6
Not Available	0.0	14.8	6	15.8	813	12.9
Total	**100.0**	**100.0**	**38**	**100.0**	**6,318**	**100.0**
Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; Bank Data; Due to rounding, totals may not equal 100.0%						

Small Business Loans

The distribution of borrowers reflects reasonable penetration to businesses with gross annual revenues of $1 million or less. As shown in the following table, the bank's performance is less than comparable D&B data. However, aggregate data provided an indicator of loan demand in the assessment area. Specifically, 2023 aggregate data shows that 54.1 percent of small business loans were made to businesses with gross annual revenues of $1 million or less. Given this information, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
≤$1,000,000	89.1	15	78.9	1,792	56.3
>$1,000,000	3.0	4	21.1	1,390	43.7
Revenue Not Available	7.9	0	0.0	0	0.0
Total	**100.0**	**19**	**100.0**	**3,182**	**100.0**
Source: 2024 D&B Data; Bank Data					

COMMUNITY DEVELOPMENT TEST

Bank Forward demonstrated adequate responsiveness to the community development needs in the Nonmetropolitan Minnesota Assessment Area through community development loans, qualified investments, and community services.

Community Development Loans

Bank Forward originated 3 community development loans totaling approximately $3.4 million in the Nonmetropolitan Minnesota Assessment Area, which accounts for 5.5 percent of the institution's community development lending by dollar. The three loans supported affordable housing.

Qualified Investments

The bank made 4 qualified investments totaling $265,405 in the Nonmetropolitan Minnesota Assessment Area, including 1 prior period investment for $259,655 and 3 donations totaling $5,750. Of these qualified investments, 1 totaling $259,655 was to revitalize or stabilize the area, 1 totaling $5,000 promoted economic development, and 2 totaling $750 supported community services targeted to low- and moderate-income individuals. The level of qualified investments in the Nonmetropolitan Minnesota Assessment represents 4.5 percent, by dollar, of all qualified investments. Bank Forward

also had 2 prior period investments for approximately $1.4 million and 1 new investment totaling approximately $262,000 that supported affordable housing and revitalized or stabilized the broader statewide area in Minnesota.

Community Development Services
A Bank Forward representative provided one instance of financial expertise to a community development organization in the Nonmetropolitan Minnesota Assessment Area that supported community services targeted to low- and moderate-income individuals. In addition, the Bemidji branch and deposit-taking ATM are located in a moderate-income census tract.

APPENDICES

INTERMEDIATE SMALL INSTITUTION PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:
1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary market, community development loans, or qualified investments;
2) The percentage of loans and, as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:
1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
NORTH DAKOTA	Satisfactory	Satisfactory	Satisfactory
MINNESOTA	Satisfactory	Satisfactory	Satisfactory

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 <u>financial</u> 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 that update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

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

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

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

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

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

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

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

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

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

Multifamily: 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 that 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.