

# **PUBLIC DISCLOSURE**

September 28, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

ProGrowth Bank  
Certificate Number: 8536

703 North 3<sup>rd</sup> Street  
Nicollet, Minnesota 56074

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

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

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

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

ProGrowth Bank's satisfactory Community Reinvestment Act (CRA) performance under the applicable performance criteria supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment areas' credit needs.
- A majority of the small business, small farm, and home mortgage loans reviewed were located inside the assessment areas.
- The geographic distribution of small business, small farm, and home mortgage lending reflects reasonable dispersion throughout the Mankato Assessment Area.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different 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 rating.

## DESCRIPTION OF INSTITUTION

ProGrowth Bank is headquartered in Nicollet, Minnesota and is wholly owned by Progressive Growth Corporation, a one-bank holding company. In addition to its main office in Nicollet, the bank operates full-service offices in Gaylord and Mankato, Minnesota. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated January 4, 2016, based on Interagency Small Institution Examination Procedures.

ProGrowth Bank offers various loan products including commercial, agricultural, home mortgage, and consumer loans. Commercial and agricultural loans continue to represent the institution’s primary business lines, followed by home mortgage loans to a lesser degree. Additionally, ProGrowth Bank offers loans through the Small Business Administration (SBA) and participated in the SBA administered Paycheck Protection Program (PPP). The bank also originates secondary market mortgage loans, which provides qualified borrowers with long-term mortgage financing options.

The institution provides a variety of deposit services including checking, savings, individual retirement accounts, and certificates of deposit. In addition to traditional banking services, customers have access to ATMs; online banking, including electronic bill pay and online periodic statements; and mobile banking and mobile deposit.

As of June 30, 2021, assets totaled approximately \$231,595,000; loans totaled \$84,196,000; and deposits totaled \$198,252,000. The loan portfolio distribution is illustrated in the following table.

<b>Loan Portfolio Distribution as of June 30, 2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development, and Other Land Loans	792	0.9
Secured by Farmland	19,676	23.4
Secured by 1-4 Family Residential Properties	21,704	25.8
Secured by Multifamily (5 or more) Residential Properties	2,345	2.8
Secured by Nonfarm Nonresidential Properties	9,604	11.4
<b>Total Real Estate Loans</b>	<b>54,121</b>	<b>64.3</b>
Commercial and Industrial Loans	19,940	23.7
Agricultural Production and Other Loans to Farmers	8,801	10.5
Consumer Loans	1,330	1.6
Other Loans	4	0.0
<b>Total Loans</b>	<b>84,196</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet its assessment areas’ credit needs.

## 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. ProGrowth Bank designated two contiguous assessment areas, which will be referred to as the Gaylord Assessment Area and the Mankato Assessment Area. The Gaylord Assessment Area remains the same as the previous CRA evaluation and is comprised of all census tracts in Sibley County, which is part of the nonmetropolitan area of Minnesota. The Mankato Assessment Area expanded to include all census tracts in Blue Earth and Nicollet Counties, which are part of the Mankato Metropolitan Statistical Area (MSA). Additional details regarding assessment area demographics and other information can be found in the Conclusions on Performance section for each respective assessment area.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the previous evaluation dated January 4, 2016, to the current evaluation dated September 28, 2021. Examiners used Interagency Small Institution Examination Procedures to evaluate ProGrowth Bank's CRA performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Examiners determined it was most appropriate to complete full scope reviews of both assessment areas when considering lending opportunities and the volume of loan activity in the assessment areas. When reaching overall conclusions, the Mankato Assessment Area received more weight as this is where the majority of the bank's branches are located and where the majority of deposit activity occurs.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are small business and small farm loans followed by home mortgage loans. This conclusion considered discussions with management regarding the bank's business strategy, review of bank records of the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Report of Condition and Income (Report of Condition). Small business and small farm lending received the most, but equal, weight when deriving overall conclusions. This is consistent with the bank's loan portfolio composition, volume of loans recently originated, and management's stated business focus.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small business, small farm, and home mortgage loans originated or renewed in 2020, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2020 provided a standard of comparison for the bank's small business and small farm lending performance. The 2015 American Community Survey (ACS) data provided a standard of comparison for the bank's home mortgage lending performance.

Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans originated inside the Mankato assessment area were further reviewed to

evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small business, small farm, and home mortgage loans originated inside the assessment areas. The table below provides information on the number and dollar volume of loans reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	324	23,743	58	3,783
Small Farm	122	12,488	47	5,098
Home Mortgage	78	12,392	41	5,660
<i>Source: 2020 Bank Records</i>				

While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses, farms, and individuals served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

ProGrowth Bank demonstrated satisfactory performance under the Lending Test. The bank’s performance under all of the evaluated criteria supports this conclusion.

### **Loan-to-Deposit Ratio**

The average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs in the assessment areas. The bank’s ratio, calculated from Report of Condition data, averaged 66.9 percent over the past 22 calendar quarters from March 31, 2016, to June 30, 2021. The ratio ranged from a low of 42.0 percent as of June 30, 2021, to a high of 82.4 percent as of June 30, 2020.

Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. As illustrated in the following table, ProGrowth Bank’s average net loan-to-deposit ratio is lower than the comparable institutions; however, there are factors to consider in evaluating this performance. As previously stated, ProGrowth Bank originates secondary market loans to accommodate local home mortgage customers that desire a long-term mortgage, which ProGrowth Bank does not currently offer. These secondary market mortgage loans are not accounted for in the net loan-to-deposit ratio. Further, management stated while assets have grown since the previous evaluation, loans remained relatively stable, and there has been a large increase in deposits over the previous year. Examiners confirmed deposits have increased by approximately 67.1 percent from June 30, 2020, to June 30, 2021. Given these factors, performance is reasonable.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/21 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
Community Bank Mankato Vernon Center, Minnesota	392,133	97.3
First National Bank Minnesota Saint Peter, Minnesota	388,720	80.1
Minnstar Bank NA Lake Crystal, Minnesota	164,587	94.5
<b>ProGrowth Bank Nicollet, Minnesota</b>	<b>231,595</b>	<b>66.9</b>
<i>Source: Reports of Condition 3/31/2016 through 6/30/2021</i>		

### **Assessment Area Concentration**

ProGrowth Bank originated a majority of small business, small farm, and home mortgage loans within its assessment areas as shown in the following table.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business	274	84.6	50	15.4	324	17,445	73.5	6,298	26.5	23,743
Small Farm	117	95.9	5	4.1	122	11,838	94.8	650	5.2	12,488
Home Mortgage	65	83.3	13	16.7	78	9,629	77.7	2,763	22.3	12,392
<i>Source: 2020 Bank Records Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion overall. This conclusion is supported by performance within the bank's Mankato Assessment Area. When deriving conclusions for this criterion, examiners placed emphasis on lending in moderate-income geographies within the Mankato Assessment Area, which is further detailed later in this evaluation. The Gaylord Assessment Area does not include any low-or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for that area.

### **Borrower Profile**

The bank's lending performance demonstrates reasonable penetration of loans overall among businesses and farms of different sizes, and individuals of different income levels. This conclusion is supported by consistent performance within the bank's assessment areas. Refer to comments specific to each assessment area later in this evaluation for further information.

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation;

therefore, this criterion did not affect the rating.

## DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practice inconsistent with helping to meet the community credit needs.

### GAYLORD ASSESSMENT AREA – Full-Scope Review

#### DESCRIPTION OF INSTITUTION’S OPERATIONS IN GAYLORD ASSESSMENT AREA

The Gaylord Assessment Area contains all census tracts in Sibley County, which is part of nonmetropolitan Minnesota.

According to 2015 ACS data, all four census tracts in the assessment area are middle-income. ProGrowth Bank operates its Gaylord branch in this assessment area.

#### Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	15,021	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,538	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,732	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,282	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	524	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,057	0.0	0.0	100.0	0.0	0.0
Farms by Geography	295	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	4,122	25.3	25.6	26.4	22.7	0.0
Household Distribution by Income Level	6,014	28.8	19.6	22.4	29.2	0.0
Median Family Income Non-MSAs -MN		\$63,045	Median Housing Value			\$132,427
			Median Gross Rent			\$640
			Families Below Poverty Level			7.4%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						



According to 2020 D&B data, service industries represent the largest portion of business and farm operations in the assessment area at 26.4 percent; followed by agriculture, forestry and fishing at 21.8 percent; and non-classifiable establishments at 13.6 percent. Additionally, 71.5 percent of assessment area businesses and farms have 4 or fewer employees and 90.5 percent operate from a single location.

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the assessment area are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>MN NA Median Family Income (99999)</b>				
2020 (\$70,900)	<\$35,450	\$35,450 to <\$56,720	\$56,720 to <\$85,080	≥\$85,080
<i>Source: FFIEC</i>				

**Competition**

The assessment area is a moderately competitive market for credit products and financial services. According to Reports of Condition filed by financial institutions, 10 financial institutions operate either a main or branch office in the assessment area and hold deposits between \$3.4 million and \$62.5 million within the area. These institutions include small community banks, and larger national financial institutions. ProGrowth Bank ranked 3rd with 17.2 percent of the deposit market share.

**Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners reviewed a recently completed interview with a representative of a local government organization familiar with the assessment area.

The contact stated that overall the area economy is good, and people do not struggle to find employment. One of the larger businesses in the area is expanding, although a few small local businesses are struggling due to the pandemic. The contact mentioned that due to population growth, there is a shortage of housing of any type, and particularly low- and moderate-income housing. The contact noted that banks are willing to make loans in the community and are involved in community-oriented events. Lastly, the contact mentioned that small business, agricultural, and home mortgage loans are the predominant credit needs in the area.

**Credit Needs**

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that small business, small farm, and home mortgage lending represent the primary credit needs of the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN GAYLORD ASSESSMENT AREA

### LENDING TEST

ProGrowth Bank demonstrated reasonable performance under the Lending Test in the Gaylord Assessment Area. The bank’s Borrower Profile performance supports this conclusion.

#### **Geographic Distribution**

ProGrowth Bank’s assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

#### **Borrower Profile**

The bank’s lending performance demonstrates an overall reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. The bank’s reasonable small business and home mortgage lending performance primarily supports this conclusion, but the excellent small farm lending performance was also considered. Examiners focused on the percentage of lending to businesses and farms with gross annual revenues of \$1 million or less. Examiners also focused on the percentage of home mortgage loans to low- and moderate-income borrowers.

#### ***Small Business Loans***

The distribution of sampled small business loans reflects reasonable lending penetration to businesses with gross annual revenues of \$1 million or less. The bank’s record of lending to small businesses exceeds, but is still considered comparable to, demographic data, as illustrated in the table below.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	84.2	19	90.5	563	75.6
>1,000,000	3.9	1	4.8	100	13.4
Revenue Not Available	11.9	1	4.8	82	11.0
<b>Total</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>745</b>	<b>100.0</b>
<small>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</small>					

#### ***Small Farm Loans***

The distribution of sampled small farm loans reflects excellent lending penetration to farms with gross annual revenues of \$1 million or less. The bank originated all 26 small farm loans located within its assessment area to farms with gross annual revenues of \$1 million or less. D&B data for 2020 noted that 96.6 percent of farms fell into that revenue category.

### ***Home Mortgage Loans***

The distribution of sampled home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank's lending performance to low- income borrowers lags demographics while lending to moderate-income borrowers reasonably compares to demographics. There are additional factors to consider while evaluating this performance. The community contact noted that, there is a shortage of low- and moderate-income housing. This limits the opportunities for the bank to lend to low- and moderate-income borrowers within the assessment area. Lastly, the bank does provide secondary market loans that include low down-payment options, which are particularly helpful for low- and moderate-income individuals, which are not included in the analysis. Considering these factors and that home mortgage lending is not a primary business focus, the bank's performance is reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	25.3	1	7.7	75	4.5
Moderate	25.6	3	23.1	200	11.9
Middle	26.4	5	38.5	467	27.7
Upper	22.7	4	30.8	942	55.9
<b>Total</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>1,684</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

## MANKATO ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN MANKATO ASSESSMENT AREA

The Mankato Assessment Area contains all census tracts in Blue Earth and Nicollet Counties, which are part of the Mankato MSA.

According to 2015 ACS data, the assessment area includes 4 moderate-income, 18 middle-income, and 1 upper-income census tracts. ProGrowth Bank operates its Nicollet and Mankato branches in this assessment area, which are both located in a middle-income census tract.

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

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	0.0	17.4	78.3	4.3	0.0
Population by Geography	98,211	0.0	15.0	81.2	3.9	0.0
Housing Units by Geography	39,974	0.0	14.3	82.1	3.6	0.0
Owner-Occupied Units by Geography	25,266	0.0	7.7	87.3	5.0	0.0
Occupied Rental Units by Geography	12,210	0.0	26.9	72.2	0.9	0.0
Vacant Units by Geography	2,498	0.0	19.8	77.1	3.1	0.0
Businesses by Geography	7,861	0.0	18.7	77.7	3.7	0.0
Farms by Geography	730	0.0	2.6	86.4	11.0	0.0
Family Distribution by Income Level	22,825	19.7	17.6	23.8	38.8	0.0
Household Distribution by Income Level	37,476	24.1	16.5	17.7	41.7	0.0
Median Family Income MSA - 31860 Mankato, MN MSA	\$71,814		Median Housing Value			\$165,158
			Median Gross Rent			\$745
			Families Below Poverty Level			8.1%
<small>Source: 2015 ACS and 2020 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to 2020 D&B data, service industries represent the largest portion of business and farm operations at 33.8 percent; followed by non-classifiable establishments at 14.9 percent; and retail trade at 11.6 percent. Additionally, 63.9 percent of assessment area businesses and farms have 4 or fewer employees, and 87.9 percent operate from a single location.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the assessment area are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Mankato, MN MSA Median Family Income (31860)</b>				
2020 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
<i>Source: FFIEC</i>				

**Competition**

The assessment area is a highly competitive market for credit products and financial services. According to Reports of Condition data filed by financial institutions, 23 financial institutions operate either a main or branch office in the assessment area and hold deposits between \$3.2 million and \$678.8 million within the area. These institutions include credit unions, small community banks, and larger national financial institutions. ProGrowth Bank ranked 13th with 2.2 percent of the deposit market share.

ProGrowth Bank is not required to collect or report small business CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank’s small business lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small business loans and the level of competition within the assessment area. According to 2019 aggregate CRA data (most recent available), 54 CRA data reporters collectively reported 1,707 small business loans originated within the assessment area. These figures do not include the number of loans originated by smaller institutions that are not required to report small business lending data but operate within the assessment area. The overall volume of small business lending in the assessment area reflects a competitive market.

**Community Contacts**

Examiners reviewed two recently conducted interviews of assessment area representatives. One of the interviewees was a representative of a business association, and the other interviewee was a representative of an economic development organization.

One contact indicated that the area economy is diverse and doing well, local businesses are expanding, and some new businesses are relocating to the area. The contact also noted that agriculture continues as the main industry in the rural counties surrounding the city of Mankato. One contact mentioned that many small business closures were a result of the pandemic, and that many business owners had dipped into their personal assets and resources before closing. The contacted further stated that for many of the smallest businesses it may not have been easy to obtain a PPP loan, and that the small town retail and food sector was hardest hit by the pandemic. The contact also noted that the unemployment rate in the area is low, that businesses are seeking financing now, and business requests are on the rise. One contact stated that although the housing market is strong due to low interest rates, there is a shortage of affordable housing in the area. The contact also stated that new banks are entering the market, and the banking environment is competitive. One contact mentioned that micro-lending for the smallest businesses is the most pressing need, but that community banks generally do a better job at meeting the needs of local businesses. Both contacts indicated that local banks have been responsive to the credit needs of the assessment area.

**Credit Needs**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business, small farm, and home mortgage lending represent the primary credit needs of the assessment area.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN MANKATO ASSESSMENT AREA**

**LENDING TEST**

ProGrowth Bank demonstrated reasonable performance under the Lending Test in the Mankato Assessment Area. The bank’s Geographic Distribution and Borrower Profile performance supports this conclusion.

**Geographic Distribution**

The geographic distribution of loans reflects overall reasonable dispersion throughout the assessment area. The bank’s reasonable small business, small farm, and home mortgage lending performance supports this conclusion.

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table indicates that the bank’s lending performance in the moderate-income census tracts was generally comparable to demographic data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	18.7	30	16.5	3,188	22.3
Middle	77.7	151	83.0	11,123	77.7
Upper	3.6	1	0.5	7	0.0
<b>Total</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>14,318</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding totals may not equal 100%</i>					

***Small Farm Loans***

The geographic distribution of small farm loans reflects reasonable dispersion. ProGrowth Bank did not originate any small farm loans in the moderate-income census tracts. However, very few small farms are located in these tracts, as indicated by 2020 D&B data that notes only 2.6 percent of farms are located in those areas. Further, management stated that local competition affects lending opportunities in these moderate-income areas, which are located in North Mankato, Minnesota where ProGrowth Bank does not operate a branch. One community contact also stated, and deposit market share data confirmed, that the banking environment in the assessment area is competitive. Considering these factors, the bank’s performance is reasonable.

### ***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 performance in the moderate-income census tracts is comparable to demographic data.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	7.7	4	8.5	363	5.1
Middle	87.3	40	85.1	6,372	88.8
Upper	5.0	3	6.4	439	6.1
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>7,174</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; 2020 Bank Data Due to rounding totals may not equal 100%</i>					

### **Borrower Profile**

The distribution of borrowers reflects overall reasonable penetration among businesses of different revenue sizes and individuals of different income levels. The bank’s reasonable small business, small farm and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of lending to businesses and farms with gross annual revenues of \$1 million or less. They also focused on the percentage of home mortgage loans to low- and moderate-income borrowers.

### ***Small Business Loans***

The distribution of sampled small business loans reflects reasonable lending penetration to businesses with gross annual revenues of \$1 million or less. The following table indicates that the bank’s lending performance to businesses with gross annual revenues of \$1 million or less is lower than demographic data. Management stated, and CRA aggregate data and the community contact confirmed, there is significant competition for small business loans in the assessment area. Further, the table illustrating performance includes four loans to borrowers in which revenues were not available. These loans were originated as part of the SBA’s PPP loan program and revenue information for these loan types is not required to be collected. All four loans were originated to customers with loan sizes of \$100,000 or less, indicating the bank’s willingness to serve the needs of smaller businesses. Considering these factors, performance is reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	82.1	21	56.8	1,344	44.2
>1,000,000	5.7	12	32.4	1,518	50.0
Revenue Not Available	12.2	4	10.8	176	5.8
<b>Total</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>3,038</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

### ***Small Farm Loans***

The distribution of sampled small farm loans reflects reasonable lending penetration to farms with gross annual revenues of \$1 million or less. The following table indicates that the bank’s lending performance to farms with gross annual revenues of \$1 million or less is lower than demographic data. Management stated there has been a decrease in loan demand as farms experienced improved profitability and are not utilizing operating loans. Examiners reviewed the 2017 Agricultural Census data, the most recent available, and 46.2 percent of farms in Blue Earth and Nicollet counties did not report interest expenses, indicating that they do not borrow funds for their operations. Considering these factors, performance is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	96.8	17	81.0	1,745	85.7
>1,000,000	1.8	4	19.0	292	14.3
Revenue Not Available	1.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>2,037</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

### ***Home Mortgage Loans***

The distribution of sampled home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. As shown in the following table, the bank’s lending performance to low- and moderate-income borrowers is less than demographic data. However, as previously discussed, the bank’s primary business focus is commercial and agricultural lending and the majority of home mortgage loans originated were to investors and have no reported income. As a result, examiners can only draw limited conclusions from the small volume of loans with reported incomes originated during the review period. The bank offers secondary market loans that include low down-payment options, which are particularly helpful for low- and moderate-income individuals and are not accounted for in the following table. In addition, the community contact commented about the need for affordable housing in the area, which limits opportunities to lend to low- and moderate-income borrowers. Given these factors, performance is reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	19.7	1	3.6	107	2.7
Moderate	17.6	3	10.7	111	2.8
Middle	23.8	2	7.1	201	5.1
Upper	38.8	5	17.9	1,016	25.6
Not Available	0.0	17	60.7	2,541	63.9
<b>Total</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>3,976</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					



## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution'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).

## 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 institution 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.

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**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 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.

**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.