

PUBLIC DISCLOSURE

November 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Unison Bank
Certificate Number: 19396

401 1st Avenue South
Jamestown, North Dakota 58401

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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas.
- The bank made a substantial majority of its small business, small farm, and home mortgage loans within its assessment areas.
- The geographic distribution of small business, small farm, and home mortgage loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses and farms 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 Outstanding.

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

DESCRIPTION OF INSTITUTION

Unison Bank is headquartered in Jamestown, North Dakota, and is owned by North Star Holding Company, Inc., a one-bank holding company located in Jamestown. The institution is a part of a chain banking organization, which consists of three financial institutions operating in North Dakota. However, this evaluation does not include activities performed by any affiliated entities. Unison Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated November 30, 2020, which was based on Interagency Small Institution Examination Procedures. In addition to its main office in Jamestown, the bank operates two branches in North Dakota and one branch in Arizona. The branches in Linton and Wishek, North Dakota, were acquired in May 2021 when Unison Bank merged with the affiliated Security State Bank, Wishek, North Dakota.

Unison Bank offers traditional loan products, including commercial, agricultural, home mortgage, and consumer loans. Commercial and home mortgage loans are the bank's overall lending focuses, followed by agricultural lending. However, the lending focuses vary by assessment area. Unison Bank also participates in special loan programs designed to assist small businesses and farms, such as those through the Bank of North Dakota, Small Business Administration (SBA), and Farm Service Agency. In 2021, the bank originated 186 loans totaling \$9.3 million through the SBA's Paycheck Protection Program (PPP), which assisted small businesses and farms struggling with the impact of the Coronavirus pandemic. Further, in addition to originating short-term home mortgage loans, Unison Bank maintains third-party relationships to provide an avenue for longer-term home financing and special programs not offered by the institution. The bank also provides a variety of standard deposit products, including checking, savings, and individual retirement accounts, as well as certificates of deposit. Finally, alternative banking services include five cash-dispensing ATMs, online and mobile banking, mobile check deposit, and electronic bill pay.

As of September 30, 2023, Unison Bank reported total assets of \$580.6 million, total loans of \$396.8 million, and total deposits of \$494.8 million. The following table illustrates the loan portfolio distribution. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment areas.

Loan Portfolio Distribution as of September 30, 2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	58,987	14.9
Secured by Farmland	19,005	4.8
Secured by 1-4 Family Residential Properties	92,925	23.4
Secured by Multi-family (5 or more) Residential Properties	10,628	2.7
Secured by Nonfarm Nonresidential Properties	107,335	27.1
Total Real Estate Loans	288,880	72.8
Agricultural Production and Other Loans to Farmers	40,664	10.2
Commercial and Industrial Loans	21,285	5.4
Consumer Loans	45,243	11.4
Obligations of States and Political Subdivisions in the U.S.	589	0.1
Other Loans	28	<0.1
Lease Financing Receivable (net of unearned income)	76	<0.1
Less: Unearned Income	0	0.0
Total Loans	396,765	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more assessment areas within which their CRA performance will be evaluated. Unison Bank has designated three assessment areas, two in North Dakota and one in Arizona. Therefore, the bank will receive ratings for the State of North Dakota and the State of Arizona. The assessment areas are discussed in further detail under the applicable State sections of the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 30, 2020, to the current evaluation dated November 6, 2023. Examiners used Intermediate Small Institution Examination Procedures to evaluate Unison Bank's CRA performance. The institution became subject to the Intermediate Small Institution Examination Procedures since the prior evaluation. 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 each test.

Examiners used full-scope examination procedures to assess the bank's performance in each assessment area. To assess overall performance, examiners gave greater weight to the bank's performance in North Dakota, specifically the Jamestown Assessment Area, since this is where the majority of bank activity occurs. The following table provides a breakdown of loans, deposits, and branches by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Jamestown	136,615	34.5	295,843	59.8	1	25.0
Linton/Wishek	40,985	10.3	79,455	16.1	2	50.0
North Dakota	177,600	44.8	375,298	75.9	3	75.0
Arizona	219,165	55.2	119,486	24.1	1	25.0
Total	396,689	100.0	494,784	100.0	3	100.0
<i>Source: Bank Data</i>						

Activities Reviewed

Examiners reviewed small business, home mortgage, and small farm loans to evaluate the bank's lending performance given the bank's business strategy, the credit needs of the assessment areas, and the number and dollar volume of loans originated, renewed, or purchased during the evaluation period. Bank records and management indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. Small business and home mortgage loans were reviewed in all of the assessment areas. However, small farm loans were only reviewed in the North Dakota assessment areas because agricultural lending is not a focus in Arizona.

For the Lending Test, examiners analyzed all small business and small farm loans originated, renewed, or purchased in 2022 for the Assessment Area Concentration analysis. Specifically, examiners reviewed 73 small business loans totaling \$13.6 million and 76 small farm loans totaling \$7.3 million. For the Geographic Distribution analysis, all small business and small farm loans located in the Jamestown Assessment Area were reviewed, as well as all small business loans in the Arizona Assessment Area. This criterion was not evaluated for the Linton/Wishek Assessment Area as it is comprised entirely of middle-income census tracts. For the Borrower Profile analysis, as revenue information was not readily available, examiners reviewed samples of small business and small farm loans made inside the Jamestown Assessment Area and a sample of small farm loans made inside the Linton/Wishek Assessment Area. Finally, all small business loans made inside the Linton/Wishek and Arizona assessment areas were reviewed for the Borrower Profile criterion due to low origination volume. D&B data for 2022 provided a standard of comparison for the bank's small business and small farm lending performance.

Examiners also reviewed Unison Bank's home mortgage loans reported on the 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The institution reported 308 loans totaling \$51.0 million on the 2020 LAR, 291 loans totaling \$44.3 million on the 2021 LAR, and 234 loans totaling \$45.3 million on the 2022 LAR. Examiners analyzed home mortgage lending performance using 2020 and 2021 aggregate lending data and 2015 American Community Survey (ACS) data when analyzing 2020 and 2021 data. Aggregate data for 2022 and 2020 U.S. Census data provided a standard of comparison for 2022 home mortgage lending performance. However, examiners placed more weight on the comparisons to aggregate lending data since it is typically a better indicator of market conditions and loan demand. Examiners did not identify any trends between the three years of HMDA data that materially affected overall conclusions. Therefore, this evaluation only presents information for 2022, the most recent year for which aggregate data is available, under the Geographic Distribution and Borrower Profile criteria.

Examiners reviewed home mortgage loans located inside the assessment areas to conduct the Geographic Distribution and Borrower Profile analyses. HMDA data from 2021 and 2022 was reviewed for all three assessment areas; however, HMDA data from 2020 was only reviewed for the Jamestown and Arizona assessment areas as the Linton/Wishek Assessment Area was not present until the merger in 2021. Furthermore, the geographic distribution of home mortgage loans from 2020 and 2021 was not analyzed for the Jamestown Assessment Area as the assessment area did not have any low- or moderate-income census tracts at the time. Similarly, this criterion was not analyzed for home mortgage loans from 2022 in the Linton/Wishek Assessment Area as it was comprised entirely of middle-income census tracts.

Since commercial and home mortgage loans are the bank's main lending focuses, small business and home mortgage lending performance received greater weight when forming overall conclusions. Further, while both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses, farms, 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. Furthermore, qualified investments made prior to the evaluation period that remain outstanding were also considered.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Unison Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion. The bank's performance was outstanding in Arizona; however, more weight was given to the bank's performance in North Dakota.

Loan-to-Deposit Ratio

Unison Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. As shown in the following table, the bank's net loan-to-deposit ratio averaged 78.2 percent over the past 12 calendar quarters. Unison Bank's net loan-to-deposit ratio is slightly lower than the ratios of similarly-situated institutions; however, it is considered reasonable. 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 9/30/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Unison Bank, Jamestown, North Dakota	580,594	78.2
Bank Forward, Fargo, North Dakota	977,929	88.3
Border Bank, Fargo, North Dakota	928,829	88.1
<i>Source: Reports of Condition and Income 12/31/2020 - 9/30/2023</i>		

Assessment Area Concentration

As detailed in the following table, Unison Bank made a substantial majority of its small business, small farm, and home mortgage loans within its assessment areas. As previously mentioned, 2020 HMDA data only includes the Jamestown and Arizona assessment areas, since the bank did not add the Linton/Wishek Assessment Area until 2021.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	280	90.9	28	9.1	308	45,172	88.5	5,855	11.5	51,027
2021	248	85.2	43	14.8	291	35,221	79.6	9,037	20.4	44,258
2022	203	86.8	31	13.2	234	37,154	82.0	8,173	18.0	45,327
Total	731	87.8	102	12.2	833	117,547	83.6	23,065	16.4	140,612
Small Business	63	86.3	10	13.7	73	10,282	75.6	3,311	24.4	13,593
Small Farm	72	94.7	4	5.3	76	6,701	91.9	590	8.1	7,291
Source: HMDA Data; 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 excellent performance in Arizona 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 businesses and farms of different sizes and individuals of different income levels. The bank's reasonable performance in North Dakota and excellent performance in Arizona supports this conclusion. Examiners focused on the percentage of loans to businesses and farms 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

Unison Bank's performance under the Community Development Test is Outstanding. The institution demonstrated excellent 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. Since the bank was responsive to the community development needs of its

assessment areas, community development activities benefitting broader statewide or regional areas were also considered in the analysis; however, these activities received less weight. The bank's overall performance is consistent with the performance in North Dakota, while the bank demonstrated adequate responsiveness in Arizona.

Community Development Loans

Unison Bank originated 43 community development loans totaling \$65.5 million during the evaluation period. Bank management chose to include PPP loans in the Lending Test, rather than evaluating them as part of the Community Development Test. The volume of community development loans represents 11.3 percent of total assets and 16.8 percent of net loans as of September 30, 2023.

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 exceed that of the comparable institutions. For comparison purposes, PPP loans were excluded, and the community development loans for the comparable banks ranged from 2.2 percent to 5.2 percent of total assets and 3.1 percent to 6.4 percent of net loans.

Unison Bank's community development lending activity includes loans that benefited a broader regional area outside of its assessment areas. These loans are included in the analysis since the bank was responsive to the community development needs within its assessment areas. The following tables show community development lending activity by rated area, purpose, and year.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
North Dakota	2	787	1	2,000	7	4,514	8	7,397	18	14,698
Arizona	2	883	0	0	15	36,439	5	10,759	22	48,081
Regional Activities	0	0	0	0	3	2,685	0	0	3	2,685
Total	4	1,670	1	2,000	25	43,638	13	18,156	43	65,464
<i>Source: Bank Data</i>										

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	0	0	1	833	0	0	1	833
2021	4	1,670	1	2,000	10	9,427	3	1,316	18	14,413
2022	0	0	0	0	5	19,270	4	8,688	9	27,958
YTD 2023	0	0	0	0	9	14,108	6	8,152	15	22,260
Total	4	1,670	1	2,000	25	43,638	13	18,156	43	65,464
<i>Source: Bank Data</i>										

Qualified Investments

Unison Bank made 58 qualified investments totaling \$20.1 million during the evaluation period, representing 3.5 percent of total assets and 16.9 percent of total securities as of September 30, 2023. Of the 58 qualified investments, 11 investments totaling \$8.6 million were made during a prior evaluation period but were outstanding at the start of this evaluation. In addition, 41 qualified investments were donations totaling \$653,000. The bank's qualified investment activity includes 10 qualified investments totaling \$6.4 million that benefited a broader regional area outside of its assessment areas.

Examiners compared the bank's level of qualified investments to three similarly situated institutions. The qualified investments of these institutions ranged from 0.4 percent to 0.7 percent of total assets and 4.5 to 10.3 percent of total securities. Unison Bank's ratio of qualified investments to total assets exceeds the ratios of the similarly-situated institutions, even when prior period investments and those benefiting a broader regional area are not considered. When excluding prior period investments and those benefiting a broader regional area outside of its assessment areas, Unison Bank's qualifying investments were 1.5 percent of total assets and 7.3 percent of total securities. The following tables show the bank's qualified investments by rated area, purpose, and year.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
North Dakota	4	5,602	7	3	3	2,623	30	4,470	44	12,698
Arizona	2	30	2	950	0	0	0	0	4	980
Regional Activities	0	0	0	0	0	0	10	6,390	10	6,390
Total	6	5,632	9	953	3	2,623	40	10,860	58	20,068
<i>Source: Bank Data</i>										

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	2,602	0	0	1	2,473	8	3,480	11	8,555
2020	0	0	0	0	0	0	0	0	0	0
2021	2	3,000	1	950	0	0	0	0	3	3,950
2022	0	0	0	0	0	0	3	6,910	3	6,910
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	4	5,602	1	950	1	2,473	11	10,390	17	19,415
Qualified Grants & Donations	2	30	8	3	2	150	29	470	41	653
Total	6	5,632	9	953	3	2,623	40	10,860	58	20,068
<i>Source: Bank Data</i>										

Community Development Services

Unison Bank representatives provided 22 instances of financial expertise or technical assistance to various community development-related organizations during the evaluation period. When comparing this activity to other banks, considering the opportunities available and branch structure, Unison Bank's performance demonstrates adequate responsiveness to the needs of its assessment areas. The bank's level of community development services is less than the level of the three comparable institutions, which reported between 42 and 126 community development services during similar evaluation periods. However, the similarly-situated institutions operate between 10 and 12 locations, while Unison Bank operates from 4 locations and only had 2 locations for a portion of the evaluation period. The tables below summarize the distribution of community development services by rated area, purpose, and year.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
North Dakota	0	5	10	0	15
Arizona	0	0	7	0	7
Total	0	5	17	0	22
<i>Source: Bank Data</i>					

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	0	2	0	2
2021	0	1	5	0	6
2022	0	2	5	0	7
YTD 2023	0	2	5	0	7
Total	0	5	17	0	22
<i>Source: Bank Data</i>					

In addition to community development services, Unison Bank offers alternative banking services that are readily accessible throughout the assessment areas and benefit low- and moderate-income individuals. These include services such as online and mobile banking, mobile check deposit, and bill pay, among others. Further, the bank's main office in Jamestown and 3 ATMs are located in moderate-income census tracts. Finally, the Linton and Wishek branches and 1 ATM are located 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

CRA RATING FOR NORTH DAKOTA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH DAKOTA

Unison Bank has designated two assessment areas in North Dakota, the Jamestown Assessment Area and the Linton/Wishek Assessment Area. The Linton/Wishek Assessment Area is new since the May 2021 merger. These areas are described in further detail within the individual assessment area sections that follow.

SCOPE OF EVALUATION – NORTH DAKOTA

Examiners reviewed the bank's small business, small farm, and home mortgage lending performance, as well as community development activities, for both North Dakota assessment areas. As noted previously, the Jamestown Assessment Area received more 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

Unison Bank demonstrated reasonable performance under the Lending Test in North Dakota. The bank's geographic distribution and borrower profile performance support this conclusion. Further, the bank's performance is consistent with the conclusions for both assessment areas.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout North Dakota. Reasonable performance was noted in the Jamestown Assessment Area. The Linton/Wishek Assessment Area does not include any low- or moderate-income census tracts, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for the Linton/Wishek Assessment Area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Reasonable performance was noted in both assessment areas.

COMMUNITY DEVELOPMENT TEST

Unison Bank demonstrated excellent responsiveness to the community development needs in North Dakota through community development loans, qualified investments, and community services, considering the institution's capacity and the need and availability of such opportunities in the assessment areas. This conclusion is primarily supported by the bank's performance in the Jamestown Assessment Area, which was given the greatest weight. Although the levels of

community development investments and services in the Linton/Wishek Assessment Area were low, opportunities are limited.

Community Development Loans

The institution originated 18 community development loans totaling \$14.7 million in the North Dakota assessment areas. The table below shows the level of community development lending for both assessment areas in North Dakota.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jamestown	2	787	1	2,000	7	4,514	2	4,000	12	11,301
Linton/Wishek	0	0	0	0	0	0	6	3,397	6	3,397
Total	2	787	1	2,000	7	4,514	8	7,397	18	14,698
<i>Source: Bank Data</i>										

Qualified Investments

The bank made 44 qualified investments totaling approximately \$12.7 million in North Dakota. This includes 6 investments totaling \$9.6 million that benefited North Dakota statewide. Details are provided in the following table.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jamestown	0	0	5	3	3	2,623	24	457	32	3,083
Linton/Wishek	0	0	1	0	0	0	5	13	6	13
North Dakota Statewide	4	5,602	1	0	0	0	1	4,000	6	9,602
Total	4	5,602	7	3	3	2,623	30	4,470	44	12,698
<i>Source: Bank Data</i>										

Community Development Services

Bank representatives provided 15 instances of financial expertise or technical assistance to community development organizations in North Dakota. This includes two community development services that benefited North Dakota statewide. A majority of Unison Bank's community development services benefited North Dakota. Details regarding the level of community development services for each assessment area within North Dakota are provided in the table below.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Jamestown	0	5	7	0	12
Linton/Wishek	0	0	1	0	1
North Dakota Statewide	0	0	2	0	2
Total	0	5	10	0	15
<i>Source: Bank Data</i>					

JAMESTOWN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN JAMESTOWN ASSESSMENT AREA

The Jamestown Assessment Area is comprised of all of Stutsman County in nonmetropolitan North Dakota. According to the 2020 U.S. Census, the assessment area consists of 3 moderate-income, 2 middle-income, and 2 upper-income census tracts. Based on 2015 ACS data, the assessment area consisted of 5 middle-income and 1 upper-income census tracts. The bank’s main office in Jamestown and 3 ATMs are located in moderate-income census tracts in this assessment area.

Economic and Demographic Data

The following table provides select demographic data for the Jamestown Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	42.9	28.6	28.6	0.0
Population by Geography	21,593	0.0	43.1	31.1	25.9	0.0
Housing Units by Geography	10,253	0.0	45.5	30.4	24.0	0.0
Owner-Occupied Units by Geography	5,607	0.0	39.8	31.8	28.4	0.0
Occupied Rental Units by Geography	3,370	0.0	58.9	24.3	16.8	0.0
Vacant Units by Geography	1,276	0.0	35.5	40.3	24.2	0.0
Businesses by Geography	2,273	0.0	46.0	28.6	25.3	0.0
Farms by Geography	312	0.0	11.9	43.6	44.6	0.0
Family Distribution by Income Level	4,680	24.5	19.6	23.5	32.4	0.0
Household Distribution by Income Level	8,977	30.3	17.8	18.1	33.9	0.0
Median Family Income – Nonmetropolitan North Dakota		\$82,366	Median Housing Value			\$166,425
Families Below Poverty Level		8.1%	Median Gross Rent			\$696
Source: 2020 U.S. Census and 2022 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.						

Agriculture remains the primary driver of the economy in this assessment area. Overall, the agricultural economy has been fairly strong in the past few years. In addition to agriculture and related businesses, the area benefits from other industries such as manufacturing, healthcare, and education. The population remains steady, and the assessment area has a significant workforce shortage. Furthermore, management stated there is a high demand for housing; however, the area has a lack of home builders, as there is greater demand in larger cities such as Fargo and Bismarck. The following table presents the FFIEC-estimated median family income levels in nonmetropolitan North Dakota for 2022.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$93,100)	<\$46,550	\$46,550 to <\$74,480	\$74,480 to <\$111,720	≥\$111,720
<i>Source: FFIEC</i>				

Competition

The assessment area is relatively competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, there were 7 FDIC-insured financial institutions operating 8 offices within Stutsman County. Of these institutions, Unison Bank ranked first with 37.1 percent deposit market share. Management indicated there is also competition from non-FDIC insured entities operating in the assessment area, such as credit unions and AgCountry Farm Credit Services.

There is also a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 66 lenders reported 475 residential mortgage loans originated or purchased. Unison Bank ranked second, with a market share of 17.1 percent. However, it should be noted that since Stutsman County is a nonmetropolitan area, not all lenders operating in the assessment area are required to report home mortgage loans under HMDA. Therefore, not all home mortgage loans originated in the assessment area are captured in these market share totals.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. Examiners conducted an interview with a representative of a local economic development organization. The contact indicated the industry is primarily driven by agriculture; however, manufacturing and energy industries also affect the area. Primary needs in the assessment area are related to workforce development; infrastructure, including housing; and business development. Furthermore, the contact opined that credit needs include agricultural, small business, and home mortgage lending.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business, small farm, and home mortgage lending

all represent credit needs within the assessment area. Furthermore, community development needs are related to economic development, revitalization or stabilization, and affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN JAMESTOWN ASSESSMENT AREA

LENDING TEST

Unison Bank demonstrated reasonable performance under the Lending Test in the Jamestown 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 assessment area. Excellent small business and reasonable home mortgage and small farm lending performance support this conclusion. Examiners focused on the percentage of lending by number of loans in the moderate-income census tracts in the assessment area.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion. The following table indicates that the bank's lending performance in moderate-income census tracts exceeds D&B data.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	46.0	25	58.1	2,954	69.0
Middle	28.6	9	20.9	301	7.0
Upper	25.3	9	20.9	1,028	24.0
Total	100.0	43	100.0	4,283	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank's performance in the moderate-income census tracts is similar to aggregate data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	39.8	44.4	33	40.7	4,880	29.1
Middle	31.8	33.1	27	33.3	4,830	28.8
Upper	28.4	22.5	21	25.9	7,086	42.2
Total	100.0	100.0	81	100.0	16,796	100.0
Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion. The following table shows that the bank's performance in moderate-income census tracts is less than D&B data; however, these geographies comprise the City of Jamestown. Farm operations located in this urban area include smaller hobby-type farms, which often do not need credit. Therefore, financing opportunities in the moderate-income census tracts are limited.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	11.9	2	4.5	473	12.1
Middle	43.6	20	45.5	1,252	32.0
Upper	44.6	22	50.0	2,185	55.9
Total	100.0	44	100.0	3,910	100.0
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

Borrower Profile

Unison Bank lending performance demonstrates a reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. Reasonable small business, home mortgage, and small farm lending performance support this conclusion. 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 penetration among businesses of different revenue sizes. The following table indicates that the bank's lending performance to businesses with gross annual revenues of \$1 million or less is comparable to D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	82.9	22	73.3	1,349	57.0
>\$1,000,000	3.9	8	26.7	1,018	43.0
Revenue Not Available	13.2	0	0.0	0	0.0
Total	100.0	30	100.0	2,367	100.0
Source: 2022 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, including low- and moderate-income borrowers, when compared to aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.5	11.6	15	18.5	1,027	6.1
Moderate	19.6	20.2	12	14.8	1,211	7.2
Middle	23.5	23.2	17	21.0	1,921	11.4
Upper	32.4	29.9	31	38.3	10,974	65.3
Not Available	0.0	15.2	6	7.4	1,662	9.9
Total	100.0	100.0	81	100.0	16,796	100.0
Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

Small Farm Loans

As shown in the following table, the distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less when compared to D&B data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	97.1	18	90.0	1,712	90.0
>\$1,000,000	2.6	2	10.0	190	10.0
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	20	100.0	1,902	100.0
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

COMMUNITY DEVELOPMENT TEST

Unison Bank demonstrated excellent responsiveness to the community development needs of the Jamestown Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

Unison Bank originated 12 community development loans totaling \$11.3 million in the Jamestown Assessment Area. The majority of the loans provided economic development and revitalization/stabilization to the area. Refer to the State of North Dakota section for additional information.

Qualified Investments

The bank made 32 qualified investments totaling approximately \$3.1 million in the Jamestown Assessment Area. Of the 32 qualified investments, 1 investment totaling \$2.5 million was made prior to the evaluation period but was outstanding at the start of this evaluation and 31 were donations totaling \$609,000. Refer to the State of North Dakota section for additional information.

Community Development Services

Bank representatives provided 12 instances of financial expertise or technical assistance to community development organizations that benefit community services and economic development in the Jamestown Assessment Area. Refer to the State of North Dakota section for additional information.

LINTON/WISHEK ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN LINTON/WISHEK ASSESSMENT AREA

The Linton/Wishek Assessment Area consists of Emmons and McIntosh counties in nonmetropolitan North Dakota. The assessment area is new since the May 2021 merger with Security State Bank. According to the 2020 U.S. Census, the assessment area consists of 2 middle-income census tracts. The census tract in Emmons County was designated as distressed and underserved in 2022 and 2023, while the census tract in McIntosh County was designated as distressed and underserved throughout the review period. The bank has a full-service branch in Linton, as well as a full-service branch and an ATM in Wishek.

Economic and Demographic Data

The following table provides select demographic data for the Linton/Wishek Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	0.0	100.0	0.0	0.0
Population by Geography	5,831	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,986	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,167	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	671	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	1,148	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	874	0.0	0.0	100.0	0.0	0.0
Farms by Geography	218	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,611	27.1	18.7	27.5	26.7	0.0
Household Distribution by Income Level	2,838	32.0	18.4	17.4	32.2	0.0
Median Family Income – Nonmetropolitan North Dakota		\$82,366	Median Housing Value			\$85,855
Families Below Poverty Level		7.2%	Median Gross Rent			\$495
Source: 2020 U.S. Census and 2022 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.						

Agriculture is the primary driver of the economy in the assessment area. The agricultural economy has been fairly strong in recent years. Management stated that the area has a significant workforce shortage, as well as a demand for housing. The 2022 FFIEC-estimated median family income levels for nonmetropolitan North Dakota that were provided under the Jamestown Assessment Area section on page 13 are also applicable for the Linton/Wishek Assessment Area.

Competition

The assessment area is relatively competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, there are 5 FDIC-insured financial institutions operating 7 offices within Emmons and McIntosh counties. Of these institutions, Unison Bank ranked third with 21.0 percent deposit market share. There are also other non-FDIC insured entities operating in the assessment area, such as credit unions and AgCountry Farm Credit Services.

There is also a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 33 lenders reported 98 residential mortgage loans originated or purchased. Unison Bank ranked third, with a market share of 13.3 percent by number. However, since the assessment area is in a nonmetropolitan area, not all lenders operating in the assessment area are required to report home mortgage loans under HMDA. Therefore, not all home mortgage loans originated in the assessment area are included in these market share totals.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that agricultural lending represents the primary credit need in the assessment area followed by home mortgage and commercial lending. Furthermore, community development needs are related to economic development, revitalization or stabilization, and affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LINTON/WISHEK ASSESSMENT AREA

LENDING TEST

Unison Bank demonstrated reasonable performance under the Lending Test in the Linton/Wishek Assessment Area. The bank's borrower profile performance supports this conclusion.

Geographic Distribution

The geographic distribution criterion was not evaluated for the Linton/Wishek Assessment Area as it does not include any low- or moderate-income census tracts, and a review of this criterion would not result in meaningful conclusions.

Borrower Profile

Unison Bank demonstrates a reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. This conclusion is supported by the bank's excellent small business lending performance and reasonable home mortgage and small farm lending performance. 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 small business loans reflects excellent penetration among businesses of different revenue sizes. The following table shows that all five of the small business loans made within this assessment area were to businesses with gross annual revenues of \$1 million or less, which exceeds D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	82.8	5	100.0	255	100.0
>\$1,000,000	4.8	0	0.0	0	0.0
Revenue Not Available	12.4	0	0.0	0	0.0
Total	100.0	5	100.0	255	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

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.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	27.1	16.3	1	7.7	38	2.9
Moderate	18.7	29.6	4	30.8	186	14.5
Middle	27.5	23.5	4	30.8	343	26.7
Upper	26.7	21.4	3	23.1	611	47.6
Not Available	0.0	9.2	1	7.7	106	8.2
Total	100.0	100.0	13	100.0	1,283	100.0
Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

Small Farm Loans

As shown in the following table, the distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less when compared to D&B data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	98.2	14	87.5	904	72.7
>\$1,000,000	0.9	2	12.5	340	27.3
Revenue Not Available	0.9	0	0.0	0	0.0
Total	100.0	16	100.0	1,244	100.0
Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%					

COMMUNITY DEVELOPMENT TEST

Unison Bank demonstrated adequate responsiveness to the community development needs of the Linton/Wishek Assessment Area. This conclusion is primarily supported by the bank's community development lending performance. The level of community development investments and services were low; however, opportunities are limited.

Community Development Loans

Unison Bank originated 6 community development loans totaling \$3.4 million that supported revitalization/stabilization in the Linton/Wishek Assessment Area.

Qualified Investments

The bank made 6 qualified investments totaling \$13,000 in the Linton/Wishek Assessment Area. All of the qualified investments were donations and primarily provided revitalization/stabilization to the area. Although the bank did not add this assessment area until May 2021, the level of qualified investments is considered low. Refer to the State of North Dakota section for additional details.

Community Development Services

Bank representatives only provided 1 instance of financial expertise or technical assistance to a community development organization that supports economic development in the Linton/Wishek Assessment Area. While this assessment area is new as of May 2021, the level of community development services is low. Refer to the State of North Dakota section for additional information.

ARIZONA

CRA RATING FOR ARIZONA: SATISFACTORY

The Lending Test is rated: Outstanding

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

Unison Bank has designated one assessment area in Arizona. The Arizona Assessment Area includes all of Maricopa and Pinal counties, which comprise the Phoenix-Mesa-Chandler, AZ Metropolitan Statistical Area (MSA). According to the 2020 U.S. Census, the assessment area consists of 1104 census tracts including 68 low-income, 294 moderate-income, 362 middle-income, and 354 upper-income geographies. In addition, 26 census tracts do not have an income designation. Within this assessment area, the bank operates one full-service branch and one ATM in an upper-income census tract in Gilbert.

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)	1,104	6.2	26.6	32.8	32.1	2.4
Population by Geography	4,845,832	5.7	25.9	34.5	33.2	0.7
Housing Units by Geography	1,943,813	5.2	27.2	35.2	32.1	0.4
Owner-Occupied Units by Geography	1,123,410	2.6	21.7	36.8	38.8	0.2
Occupied Rental Units by Geography	621,809	9.9	35.9	32.3	21.2	0.7
Vacant Units by Geography	198,594	5.1	31.1	34.9	28.2	0.6
Businesses by Geography	976,037	3.9	18.6	29.5	47.4	0.5
Farms by Geography	16,243	4.3	21.4	32.1	41.5	0.7
Family Distribution by Income Level	1,153,885	20.6	18.3	20.3	40.9	0.0
Household Distribution by Income Level	1,745,219	22.6	17.0	18.6	41.8	0.0
Median Family Income – Phoenix-Mesa-Chandler, AZ MSA		\$78,930	Median Housing Value			\$282,615
Families Below Poverty Level		9.1%	Median Gross Rent			\$1,210
Source: 2020 U.S. Census and 2022 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.						

Bank management stated that the Phoenix-Mesa-Chandler, AZ MSA continues to experience population growth, and there is a significant housing shortage, including affordable housing. The following table illustrates the 2022 median family income ranges for the MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$88,800)	<\$44,400	\$44,400 to <\$71,040	\$71,040 to <\$106,560	≥\$106,560
<i>Source: FFIEC</i>				

Competition

The assessment area is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, there were 58 FDIC-insured financial institutions operating 680 offices within Maricopa and Pinal counties. Of these institutions, Unison Bank ranked 45th with approximately 0.1 percent deposit market share. It should be noted that 4 financial institutions control a combined 79.0 percent of the deposit market share and operate 327 offices in the assessment area. Furthermore, bank management stated that a regional credit union has a significant presence in the assessment area, with over 50 locations.

Competition for home mortgage loans is also exceptionally high among banks, credit unions, and non-depository mortgage lenders. In 2022, 1,001 lenders reported 212,314 home mortgage loans originated or purchased. Unison Bank ranked 222nd with a market share of 0.1 percent by number. Bank management also indicated that national homebuilders offer home mortgage loans as well, which creates even more competition.

Community Contact

Examiners conducted a community contact interview with a representative of a local economic development organization. The contact stated that the Phoenix-Mesa-Chandler, AZ MSA continues to experience significant growth. The contact indicated that residential rental prices are extremely high. Housing sale prices are starting to level out; however, the current interest rates are much higher than previous years. The contact noted that the elevated rental rates along with other living expenses are affecting families. Furthermore, there has been a recent increase in start-up businesses in the area, as well as some business expansions. The contact indicated that commercial and home mortgage loans are the primary lending needs in the area, and specifically noted the need for lending to small businesses and start-up companies. Lastly, the contact opined that there are various opportunities and community development needs in the area, including: economic development, affordable housing, community services targeted to low- and moderate-income individuals, and revitalization or stabilization of low- and moderate-income areas and other areas needing re-development.

Credit and Community Development Needs and Opportunities

Examiners determined that commercial and home mortgage loans represent the primary credit needs in the assessment area considering information from the community contact, bank management, and demographic and economic data. Furthermore, the assessment area's community development needs are related to affordable housing, community services, economic development, and revitalization/stabilization.

SCOPE OF EVALUATION – ARIZONA

For the Lending Test, examiners reviewed small business and home mortgage lending in the Arizona Assessment Area. Small farm loans were not reviewed as demand for this product is limited and it is not a lending focus within the assessment area. In drawing conclusions, examiners gave greater weight to home mortgage lending as this represents the primary lending focus in the assessment area. In addition, examiners reviewed community development activities for the Community Development Test. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA

LENDING TEST

Unison Bank demonstrated outstanding performance under the Lending Test in the Arizona Assessment Area. The institution's performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Excellent home mortgage and reasonable small business lending performance supports this conclusion. Examiners focused on the percentage of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows that the bank's lending performance in low-income census tracts is similar to aggregate data and lending in moderate-income census tracts significantly exceeds aggregate data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.6	2.2	5	4.6	229	1.2
Moderate	21.7	18.6	51	46.8	4,749	24.9
Middle	36.8	39.9	45	41.3	4,599	24.1
Upper	38.8	39.3	7	6.4	9,457	49.6
Not Available	0.2	0.1	1	0.9	43	0.2
Total	100.0	100.0	109	100.0	19,076	100.0
<i>Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. As noted in the table below, the bank's lending performance in moderate-income census tracts is similar to D&B data, but none of the small business loans were located in low-income census tracts. However, the dispersion is reasonable considering the significant number of financial institutions in closer proximity to the low-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.9	0	0.0	0	0.0
Moderate	18.6	3	20.0	456	7.9
Middle	29.5	4	26.7	2,675	46.6
Upper	47.4	8	53.3	2,613	45.5
Not Available	0.5	0	0.0	0	0.0
Total	100.0	15	100.0	5,744	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

Unison Bank's lending performance demonstrates excellent penetration among individuals of different income levels and businesses of different revenue sizes. Excellent home mortgage and reasonable small business lending performance support this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of loans to businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. The bank's lending performance to low-income borrowers is comparable to aggregate data, while lending to moderate-income borrowers exceeds aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.6	6.9	6	5.5	229	1.2
Moderate	18.3	16.3	33	30.3	1,819	9.5
Middle	20.3	21.2	27	24.8	2,568	13.5
Upper	40.9	38.6	40	36.7	6,669	35.0
Not Available	0.0	17.0	3	2.8	7,791	40.8
Total	100.0	100.0	109	100.0	19,076	100.0
<i>Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration among businesses of different revenue sizes. The following table indicates that the bank's lending performance to businesses with gross annual revenues of \$1 million or less lags the percentage of businesses reporting revenues in this category. However, it is reasonable when considering the significant competition for small business loans. Furthermore, management indicated that businesses in the lower revenue category would include some small businesses that may have less demand for credit. D&B data from 2022 indicates that 58.1 percent of businesses in the area have 4 or fewer employees, and 96.4 percent operate from a single location. Lastly, 20.0 percent of businesses reported gross annual revenue less than \$50,000. Considering these factors, 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	93.0	12	80.0	4,459	77.6
>\$1,000,000	1.5	3	20.0	1,285	22.4
Revenue Not Available	5.5	0	0.0	0	0.0
Total	100.0	15	100.0	5,744	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Unison Bank demonstrated adequate responsiveness to the community development needs of the Arizona Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 22 community development loans totaling \$48.1 million in the Arizona Assessment Area, which represents a majority of the bank's overall community development lending by number and dollar volume. The loans were particularly responsive to the economic development needs and to support revitalization or stabilization of low- and moderate-income census tracts.

Qualified Investments

The bank made 4 qualified investments totaling \$980,000 in the Arizona Assessment Area. Of the qualified investments, 2 totaling \$950,000 supported community services targeted to low- and moderate-income individuals and 2 totaling \$30,000 benefited affordable housing initiatives.

Community Development Services

Bank personnel provided 7 instances of financial expertise or technical assistance to economic development organizations in the assessment area.

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 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 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	Outstanding	Satisfactory
Arizona	Outstanding	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 multi-family dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.