PUBLIC DISCLOSURE

June 25, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tradition Capital Bank
Certificate Number: 58057

100 Lake Street W
Wayzata, Minnesota 55391

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

1100 Walnut St, 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.

TABLE OF CONTENTS

INSTITUTION RATING 1
DESCRIPTION OF INSTITUTION 2
DESCRIPTION OF ASSESSMENT AREAS 3
SCOPE OF EVALUATION 3
CONCLUSIONS ON PERFORMANCE CRITERIA 5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW 12
MINNESOTA 12
- DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA 12
- SCOPE OF EVALUATION – MINNESOTA 15
- CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA 15

ARIZONA 22
- DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA 22
- SCOPE OF EVALUATION – ARIZONA 24
- CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA 24

APPENDICES 31
- LARGE BANK PERFORMANCE CRITERIA 31
- SUMMARY OF RATINGS FOR RATED AREAS 33
- GLOSSARY 34

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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	**Investment Test**	**Service Test**
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			
** The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*			

The Lending Test is rated Low Satisfactory.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The institution made a substantial majority of loans in its assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects adequate penetration among businesses of different sizes and individuals of different income levels.
- The institution exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas, low-income individuals and/or very small businesses, consistent with safe and sound banking practices.
- The institution has made an a relatively high level of community development loans.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, occasionally in a leadership position.

- The institution exhibits good responsiveness to credit and community development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated <u>High Satisfactory</u>.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Tradition Capital Bank is headquartered in Wayzata, Minnesota, and is owned by Tradition Bancshares, Inc., a one-bank holding company also located in Wayzata. In addition to its main office, Tradition Capital Bank operates two full-service branches in Minnesota and one full-service branch in Arizona, which was opened since the previous evaluation. Additional details on branches and branching changes are included in the applicable rated area sections. Tradition Capital Bank received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated August 23, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

Tradition Capital Bank offers various loan products including commercial, home mortgage, and consumer loans. Commercial loans continue to represent the institution's primary business line, followed by home mortgage lending. Additionally, Tradition Capital Bank participates in loan programs offered through the Small Business Administration (SBA).

The institution provides a variety of deposit services including checking, savings, money market accounts, and certificates of deposits. Alternative banking services include online and mobile banking, electronic bill pay and periodic statements, person-to-person payments, external transfers, and mobile deposits. Further, Tradition Capital Bank participates in the MoneyPass ATM network, which allows customers to access thousands of surcharge-free ATMs nationwide.

According to the March 31, 2024, Consolidated Reports of Condition and Income (Report of Condition), Tradition Capital Bank's total assets were $2.5 billion, total loans were $2.1 billion, and total deposits were $1.6 billion. The bank has experienced significant growth since the previous evaluation. Specifically, total assets grew approximately 68.4 percent, loans grew approximately 85.6 percent, and deposits grew approximately 27.4 percent. Further, the institution's residential real estate and commercial loan portfolios grew substantially since the previous evaluation, primarily due to expanding networks, growing loan demand, and the previously low interest rate environment. The following table illustrates the bank's loan portfolio distribution.

Loan Portfolio Distribution as of March 31, 2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	360,454	17.3
Secured by Farmland	793	0.0
Secured by 1-4 Family Residential Properties	559,904	27.0
Secured by Multi-family (5 or more) Residential Properties	131,463	6.3
Secured by Non-farm Non-Residential Properties	597,500	28.7
Total Real Estate Loans	**1,650,114**	**79.3**
Commercial and Industrial Loans	296,528	14.3
Agricultural Production and Other Loans to Farmers	0	0
Consumer	7,714	0.4
Obligations of States and Political Subdivisions in the United States	871	0.0
Other Loans	124,062	6.0
Lease Financing Receivables (net of unearned income)	0	0
Less: Unearned Income	0	0
Total Loans	**2,079,289**	**100.0**
Source: Reports of Condition and Income, Due to rounding, totals may not equal 100.0		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to identify one or more assessment areas within which its CRA performance will be evaluated. Tradition Capital Bank has designated two assessment areas, the Minnesota Assessment Area and the Arizona Assessment Area. The Arizona Assessment Area is new since the previous evaluation and was created in conjunction with the bank opening a branch in Scottsdale, Arizona in 2022. Ratings are assigned to the states of Minnesota and Arizona; refer to the rated areas for additional information regarding the assessment areas.

SCOPE OF EVALUATION

General Information

This evaluation covered the period from the prior evaluation dated August 23, 2021, to the current evaluation dated June 25, 2024. Examiners used Interagency Large Institution Examination Procedures to evaluate Tradition Capital Bank's CRA performance using the Lending, Investment, and Service tests. The criteria for the tests are outlined in the Appendices. The tests are used to determine the bank's overall rating as well as its ratings in the states of Minnesota and Arizona. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating.

Examiners reviewed both assessment areas using full-scope examination procedures, as there is only one assessment area in each rated area. The greatest weight was given to the bank's

performance in Minnesota when arriving at overall conclusions, as the majority of lending, deposit, and branch activity occurs in this rated area. The following table reflects the distribution of loans reported since the previous evaluation, deposits, and branches by each rated area.

Rated Area Breakdown of Loans, Deposits, and Branches						
Rated Area	**Loans**		**Deposits**		**Branches**	
	$(000s)	**%**	**$(000s)**	**%**	**#**	**%**
Minnesota	942,025	91.7	1,508,387	96.5	3	75.0
Arizona	85,778	8.3	55,021	3.5	1	25.0
Total	**1,027,803**	**100.0**	**1,563,408**	**100.0**	**4**	**100.0**
Source: Bank Data; FDIC Summary of Deposits (6/30/2023)						

Activities Reviewed

Examiners determined that the bank's primary product lines are commercial and home mortgage lending. This conclusion considered Report of Condition data, the number and dollar volume of reported loans during the evaluation period, and the bank's business strategy.

This evaluation considered all small business loans reported under CRA data collection requirements for 2022 and 2023. For small business lending, the bank reported 235 loans totaling $90.8 million in 2022 and 354 loans totaling $106.2 million in 2023. Agricultural lending comprises less than 0.1 percent of the bank's overall loan portfolio, and Tradition Capital Bank did not report any small farm loans on its 2022 or 2023 CRA Loan Application Registers (LARs); therefore, this loan product was not reviewed. In addition, examiners reviewed home mortgage loans reported on the bank's 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) LARs. For home mortgage lending, Tradition Capital Bank reported 288 loans totaling $283.8 million in 2021, 376 loans totaling $499.4 million in 2022, and 134 loans totaling $167.0 million in 2023. Small business lending received the most weight in forming conclusions in each rated area, as commercial lending is the primary credit focus of the institution.

CRA aggregate lending data for 2022, which is the most recent year with available data, as well as D&B data for 2022 and 2023, provided a standard of comparison for the small business loans reviewed. HMDA aggregate lending data for 2021 and 2022, as well as 2015 ACS and 2020 U.S. Census data, provided a standard of comparison for the home mortgage loans reviewed. However, examiners placed more weight on the comparisons to the aggregate lending data since it is typically a better indicator of market conditions and loan demand.

Community development lending, qualified investments, and community development services were considered from the prior evaluation dated August 23, 2021, through the date of the current evaluation. Investments that were made before the prior evaluation, and that remain outstanding, are included at the current book values as prior period investments. Examiners compared the bank's level of community development activity to two similarly situated institutions. Furthermore, delivery systems and retail banking products and services, including those targeted toward small businesses and low- and moderate-income individuals, were reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Tradition Capital Bank demonstrated low satisfactory performance under the Lending Test. While the bank's Lending Activity and Assessment Area Concentration criteria performance was excellent, the remaining criteria all support a low satisfactory assessment. Tradition Capital Bank's overall performance is consistent with the conclusions for both Minnesota and Arizona.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of the assessment areas. Tradition Capital Bank is an active lender, originating and purchasing a significant volume of small business and home mortgage loans. In the combined assessment areas, based on 2022 CRA aggregate data, Tradition Capital Bank ranked 47th, by number, out of 270 lenders for originating small business loans. In the combined assessment areas, based on 2022 HMDA aggregate data, the bank ranked 155th out of 1,164 lenders, by number, for originating and purchasing home mortgage loans. Further, Tradition Capital Bank's net loan-to-deposit ratio averaged 106.9 percent over the past 11 quarters since the previous evaluation. During the review period, the bank's net loan-to-deposit remained generally high, ranging from a high of 124.6 percent as of March 31, 2024, to a low of 73.6 percent as of December 31, 2021. Further, the bank's net loan-to-deposit ratio has remained consistently above 100.0 percent since June 30, 2022.

Assessment Area Concentration

As detailed in the table below, Tradition Capital Bank made a substantial majority of its loans inside the assessment areas, which demonstrates a strong commitment to meeting the credit needs of the assessment areas.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$	%	$	%	$
Home Mortgage										
2021	234	81.3	54	18.8	288	254,824	89.8	28,933	10.2	283,757
2022	334	88.8	42	11.2	376	453,283	90.8	46,067	9.2	499,350
2023	126	94.0	8	6.0	134	155,553	93.1	11,452	6.9	167,005
Subtotal	**694**	**87.0**	**104**	**13.0**	**798**	**863,660**	**91.0**	**86,452**	**9.0**	**950,112**
Small Business										
2022	207	88.1	28	11.9	235	79,917	88.0	10,923	12.0	90,840
2023	299	84.5	55	15.5	354	84,226	79.3	21,991	20.7	106,217
Subtotal	**506**	**85.9**	**83**	**14.1**	**589**	**164,143**	**83.3**	**32,914**	**16.7**	**197,057**

Source: Bank Data, Due to rounding, totals may not equal 100.0%
Dollar amounts for Small Business loans are multiplied by 1000.

Geographic Distribution

Overall, the geographic distribution of loans reflects adequate penetration throughout the institution's assessment areas. The bank's overall lending performance is consistent with the conclusions in both Minnesota and Arizona. Emphasis under the Geographic Distribution criterion is placed on the bank's record of lending in low- and moderate-income census tracts. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank's geographic distribution lending performance can be found in the separate rated area sections of this evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among businesses of different sizes and individuals of different income levels. Conclusions regarding the bank's overall lending performance is consistent with the conclusions in both Minnesota and Arizona. Examiners focused on the percentage by number of small business loans to businesses with gross annual revenues of $1 million or less and home mortgage loans to low- and moderate-income borrowers. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. A complete discussion of the bank's borrower profile lending performance can be found in the separate rated area sections of this evaluation.

Innovative or Flexible Lending Practices

Tradition Capital Bank uses innovative and/or flexible lending practices in order to serve the assessment areas' credit needs. These include various commercial and home mortgage loan programs and involve proprietary, state, and federal loan programs. Specifically, these programs help support financing for small businesses and affordable homeownership for low-and moderate-income individuals and in low- and moderate-income areas, which shows a responsiveness to identified credit needs in the assessment areas.

Small Business Line of Credit Program

In 2023, Tradition Capital Bank developed a Small Business Line of Credit Program, which provides a 1-year line of credit of up to $30,000 for businesses within the bank's assessment areas that have gross annual revenues of $1 million or less. This innovative and flexible program is offered in both the Minnesota and Arizona markets and provides below market interest rates to borrowers. Since its implementation, Tradition Capital Bank has originated 203 loans totaling approximately $4.8 million under this program, all in Minnesota.

Home Improvement Loan Program

Tradition Capital Bank developed a Home Improvement Loan Program in 2023, which provides a home mortgage loan secured by a subordinate lien for the purpose of making home improvements. To qualify for the program, borrowers must be low- or moderate-income or live in a low-or moderate-income area. This flexible program is offered in both the Minnesota and Arizona markets. Since its implementation, Tradition Capital Bank has originated 32 loans totaling approximately $175,000 under this program. Specifically, 29 loans totaling approximately $135,000 have been originated in Minnesota and 3 loans totaling $40,000 have been originated in Arizona.

Down Payment Assistance Program

In conjunction with non-profit entity Tradition Community Assistance, Tradition Capital Bank participates in a Down Payment Assistance Program, which offers up to $20,000 in down payment assistance to low- or moderate-income borrowers or to borrowers looking to purchase a home in a low- or moderate-income area. Tradition Capital Bank also provides financial support to Tradition Community Assistance to facilitate this innovative program. The Down Payment Assistance Program began in 2024 and is available in both the Minnesota and Arizona markets. To date, 14 loans have been originated under this program, all in Minnesota, totaling approximately $266,000.

State and Federal Small Business Loan Programs

Tradition Capital Bank has been approved to provide financing through the State Small Business Credit Initiative (SSBCI), which is a State of Minnesota-sponsored loan program that provides financing to small businesses using funds from the American Rescue Plan of 2021. Specifically, Tradition Capital Bank is approved to participate in the Automation Loan Participation Program and Growth Loan Fund. The Automation Loan Participation Program provides low-interest rate loans to Minnesota-based businesses with fewer than 500 employees and the Growth Loan Fund provides low-interest rate loans to early-stage Minnesota businesses looking to raise equity investments. However, management indicated that no loans have been originated under the SSBCI program to date.

Further, Tradition Capital Bank continues to participate in SBA loan programs. Government guaranteed SBA loans, which are available in both the Minnesota and Arizona markets, provide flexibility to eligible borrowers and support small businesses. Since the previous evaluation, Tradition Capital Bank has originated 4 loans under various SBA loan programs totaling approximately $4.6 million, all in Minnesota.

Community Development Loans

Tradition Capital Bank has made a relatively high level of community development loans. This conclusion is consistent with the bank's performance in Minnesota, which received the most weight in drawing conclusions. The bank's performance in Arizona was inconsistent; however, this did not impact the overall conclusion. Specifically, the institution originated 29 community development loans totaling approximately $147.4 million during the evaluation period. The bank's community development loan activity includes those related to financing affordable housing projects in the assessment areas, which is a need identified by the community contacts in both Minnesota and Arizona.

The volume of community development loans represents 5.8 percent of total assets and 7.2 percent of net loans as of March 31, 2024. These ratios decreased since the previous evaluation, when community development loans represented 15.8 percent of total assets and 21.2 percent of net loans. However, this is not unexpected as the previous evaluation included approximately $174.5 million in loans originated under the SBA's Paycheck Protection Program (PPP), which ceased in 2021. Tradition Capital Bank's community development loans to total assets ratio exceeds that of one of the two similarly situated institutions. The ratios of the similarly situated institution ranged from 3.9 to 11.2 percent of total assets. Additionally, the bank's community development loans to net

loans ratio exceeds one of the two similarly situated institutions' ratios, which ranged from 4.9 to 13.8 percent.

Tradition Capital Bank demonstrated responsiveness to the community development needs of its assessment areas; therefore, the institution also received credit for two qualified loans totaling $3.9 million that were made in a broader statewide or regional area (BSRA) that includes the Minnesota Assessment Area. Further details regarding qualified loans made in each assessment area are discussed in the applicable rated areas sections of the evaluation. The following tables illustrate the bank's community development loans by area benefited, purpose, and year.

Community Development Lending										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Minnesota	12	43,419	7	17,650	3	5,896	4	75,280	**26**	**142,245**
BSRA-Minnesota	2	3,940	0	0	0	0	0	0	**2**	**3,940**
Minnesota Total	**14**	**47,359**	**7**	**17,650**	**3**	**5,896**	**4**	**75,280**	**28**	**146,185**
Arizona	1	1,175	0	0	0	0	0	0	**1**	**1,175**
Total	**15**	**48,534**	**7**	**17,650**	**3**	**5,896**	**4**	**75,280**	**29**	**147,360**
Source: Bank Data										

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2021	0	0	0	0	0	0	0	0	**0**	**0**
2022	9	37,415	2	250	0	0	3	72,280	**14**	**109,945**
2023	4	7,519	4	17,200	3	5,896	1	3,000	**12**	**33,615**
Year-to-Date 2024	2	3,600	1	200	0	0	0	0	**3**	**3,800**
Total	**15**	**48,534**	**7**	**17,650**	**3**	**5,896**	**4**	**75,280**	**29**	**147,360**
Source: Bank Data										

INVESTMENT TEST

Tradition Capital Bank demonstrated high satisfactory performance under the Investment Test. This conclusion is consistent with the bank's performance in Minnesota, which received the most weight in drawing conclusions. The bank's performance in Arizona was inconsistent; however, this did not impact the overall conclusion. The bank's performance under Investment and Grant Activity and Responsiveness to Credit and Community Development needs support this conclusion.

Investment and Grant Activity

Tradition Capital Bank's level of qualified community development investments and grants is significant and includes those that are not routinely provided by private investors. Tradition Capital Bank made or retained 124 qualified investments totaling approximately $26.8 million during the evaluation period. The volume of qualified investments represented 1.1 percent of total assets and

8.9 percent of total securities, as of March 31, 2024. These ratios are comparable to those at the previous evaluation, when qualified investments represented 0.9 percent of total assets and 8.2 percent of total securities. Tradition Capital Bank's performance is comparable to the performance of the similarly situated institutions, which represented 0.6 to 1.5 percent of total assets and 4.2 to 8.9 percent of total securities.

Of the 124 qualified investments, 16 totaling $7.3 million were made during prior evaluation periods, but remained outstanding as of the current evaluation period; 12 totaling $18.3 million are newly purchased investments; and 96 totaling $1.2 million are donations. Tradition Capital Bank demonstrated a responsiveness to the community development needs of its assessment areas; therefore, the institution also received credit for 11 investments totaling approximately $2.6 million that benefited BSRAs that include the bank's Minnesota and Arizona assessment areas. Further details regarding qualified investments made in each assessment area are discussed in the applicable rated area sections of the evaluation. The following tables illustrate the bank's qualified investments by area benefited, purpose, and year.

Community Development Qualified Investments										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Minnesota	18	16,007	76	1,589	3	372	0	0	**97**	**17,968**
BSRA-Minnesota	2	756	2	101	5	1,203	0	0	**9**	**2,060**
Minnesota Total	**20**	**16,763**	**78**	**1,690**	**8**	**1,575**	**0**	**0**	**106**	**20,028**
Arizona	5	6,186	9	75	2	3	0	0	**16**	**6,264**
BSRA- Arizona	0	0	1	<1	1	500	0	0	**2**	**500**
Arizona Total	**5**	**6,186**	**10**	**75**	**3**	**503**	**0**	**0**	**18**	**6,764**
Total	**25**	**22,949**	**88**	**1,765**	**11**	**2,078**	**0**	**0**	**124**	**26,792**
Source: Bank Data										

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	8	5,093	2	617	6	1,555	0	0	**16**	**7,265**
2021	0	0	0	0	1	500	0	0	**1**	**500**
2022	7	8,332	0	0	0	0	0	0	**7**	**8,332**
2023	3	7,854	0	0	0	0	0	0	**3**	**7,854**
Year-to-Date 2024	1	1,631	0	0	0	0	0	0	**1**	**1,631**
Subtotal	**19**	**22,910**	**2**	**617**	**7**	**2,055**	**0**	**0**	**28**	**25,582**
Qualified Grants & Donations	6	39	86	1,148	4	23	0	0	**96**	**1,210**
Total	**25**	**22,949**	**88**	**1,765**	**11**	**2,078**	**0**	**0**	**124**	**26,792**
Source: Bank Data										

Responsiveness to Credit and Community Development Needs

Tradition Capital Bank exhibits good responsiveness to credit and community development needs. The bank's qualified investment activity addressed identified community development needs identified by community contacts, including the continued commitment to supporting affordable housing initiatives throughout the assessment areas. Additionally, qualified investments and donations made since the previous evaluation benefitted organizations that provide community services targeted to low- and moderate-income individuals and promoted economic development in the assessment areas.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments for community development initiatives. The investments made during the evaluation period include some that are not routinely provided by private investors and are discussed in more detail under the applicable rated areas.

SERVICE TEST

Tradition Capital Bank demonstrated high satisfactory performance under the Service Test. This is consistent with the bank's performance in Minnesota, which received the most weight in drawing conclusions. The bank's performance in Arizona was inconsistent; however, this did not impact the overall conclusion. The relatively high level of community development services received the most consideration when determining the overall Service Test performance rating.

Accessibility of Delivery Systems

Tradition Capital Bank's delivery systems are reasonably accessible to essentially all portions of the institution's assessment areas. As discussed previously, the bank operates four full-service offices throughout its two assessment areas. This includes one office in a moderate-income census tract. The bank's alternate delivery systems include online and mobile banking, person-to-person payments, mobile deposits, and e-statements. These systems assist in making financial services more accessible to all individuals throughout the assessment areas. Further, the bank's continued agreement with the MoneyPass ATM network increases accessibility, as surcharge-free MoneyPass ATMs can be found nationwide, including throughout low-and moderate-income geographies within the assessment areas. The following table outlines the distribution of offices throughout the assessment areas in comparison to the census tracts and population based on tract income level.

Branch Distribution by Geography Income Level						
Tract Income Level	**Census Tracts**		**Population**		**Branches**	
	#	**%**	**#**	**%**	**#**	**%**
Low	117	6.2	457,532	5.7	0	0.0
Moderate	466	24.7	1,910,932	23.9	1	25.0
Middle	685	36.3	2,997,850	37.4	0	0.0
Upper	583	30.9	2,579,285	32.2	3	75.0
NA	37	1.9	63,337	0.8	0	0
Total	**1,888**	**100.0**	**8,008,936**	**100.0**	**4**	**100.0**
Source: 2020 U.S. Census Data; Bank Data						

Changes in Branch Locations

The bank's record of closing and opening of branches has not adversely affected the accessibility of its delivery systems, particularly for low- and moderate-income geographies and low- and moderate- income individuals. Since the prior examination, the bank opened one new location in an upper-income census tract and later relocated it a short distance away. These changes are discussed in more detail in the applicable rated area section. Tradition Capital Bank has not closed any offices since the previous examination.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of its assessment areas, particularly for low- and moderate-income geographies and low- and moderate-income individuals. Branch hours and services do not vary and are considered convenient and generally comparable to other financial institutions operating in the assessment areas. However, Tradition Capital Bank's locations are closed on Saturdays.

Tradition Capital Bank continues to participate in the Interest on Lawyer's Trust Account (IOLTA) and Interest on Real Estate Trust Accounts (IORETA) programs, which permits lawyers and real estate brokers to deposit funds into interest-bearing trust accounts. In Minnesota and Arizona, interest generated from IOLTAs is donated to the Minnesota Lawyer Trust Account Board and the Arizona Foundation for Legal Services & Education, as applicable, which both assist in providing legal assistance to low- and moderate-income individuals. In Minnesota, the interest generated from IORETAs is donated to the Minnesota Housing Trust Fund to provide housing assistance to low- and moderate-income individuals. As of the examination date, Tradition Capital Bank had 17 IOLTAs and 16 IORETAs benefitting the State of Minnesota and 2 IOLTAs benefitting the State of Arizona.

Community Development Services

Tradition Capital Bank provides a relatively high level of community development services. While most of the community development services are not particularly innovative, these services demonstrate the bank's responsiveness to community development needs considering its resources, business strategy, area competition, and available opportunities. Further, Tradition Capital Bank's Keystone Program encourages employees to actively participate in community services and allows employees to volunteer in their local communities during the workday.

Since the previous evaluation, bank employees provided 101 instances of financial expertise or technical assistance to community development organizations in the assessment area. This number of community development services is generally comparable to that of the similarly situated institutions', whose community development services ranged from 110 to 145 qualified activities. The following tables illustrate the bank's qualified services by area benefited, purpose, and year.

Community Development Services by Assessment Area					
Assessment Area	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
Minnesota	13	69	5	0	87
Arizona	0	13	1	0	14
Total	**13**	**82**	**6**	**0**	**101**
Source: Bank Data					

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
2021	3	8	1	0	**12**
2022	4	11	0	0	**15**
2023	3	32	2	0	**37**
Year-to-Date 2024	3	31	3	0	**37**
Total	**13**	**82**	**6**	**0**	**101**
Source: Bank Data					

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.

MINNESOTA

CRA RATING FOR MINNESOTA: SATISFACTORY

The Lending Test is rated: Low Satisfactory
The Investment Test is rated: High Satisfactory
The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

The Minnesota Assessment Area is the sole assessment area in Minnesota and is comprised of the following counties in the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (MSA): Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The overall delineation of the assessment area has not changed since the previous evaluation. Tradition Capital Bank operates its main office in Wayzata and two branch offices in Edina and North Oaks in this assessment area. Per 2020 U.S. Census data, the bank's Edina office is located in a moderate-income census tract and both the main and North Oaks offices are located in upper-income census tracts.

Economic and Demographic Data

According to 2015 ACS data, the assessment area included 54 low-income, 157 moderate-income, 291 middle-income, 195 upper-income census tracts, and 7 census tracts without an income designation. Per 2020 U.S. Census data, the assessment area now includes 49 low-income, 172 moderate-income, 323 middle-income, 229 upper-income census tracts, and 11 census tracts without an income designation. The following table illustrates select demographic characteristics of the assessment area as of 2023.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	784	6.3	21.9	41.2	29.2	1.4
Population by Geography	3,163,104	5.8	20.7	41.9	30.7	0.9
Housing Units by Geography	1,252,503	5.4	21.1	42.7	30.1	0.7
Owner-Occupied Units by Geography	825,889	2.6	17.0	45.6	34.8	0.1
Occupied Rental Units by Geography	374,867	11.3	30.0	37.0	19.8	1.9
Vacant Units by Geography	51,747	8.4	22.2	38.0	30.3	1.1
Businesses by Geography	369,811	4.3	18.0	40.2	36.7	0.8
Farms by Geography	8,013	2.1	14.1	46.1	37.5	0.2
Family Distribution by Income Level	754,097	19.6	17.7	22.3	40.4	0.0
Household Distribution by Income Level	1,200,756	23.2	16.7	18.8	41.3	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA		$103,977	Median Housing Value			$291,527
			Median Gross Rent			$1,168
			Families Below Poverty Level			5.3%

Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2023 D&B data, the service industry represents the largest portion of business operations at 39.4 percent; followed by non-classifiable establishments at 20.0 percent; and finance, insurance, and real estate at 11.9 percent. Additionally, 65.4 percent of assessment area businesses employ 4 or fewer employees, and 92.8 percent operate from a single location.

Examiners used the Federal Financial Institutions Examination Council (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion and activities under the Community Development Test. The low-, moderate-, middle-, and upper-income categories for the Minneapolis-St. Paul-Bloomington, MN-WI MSA for 2021 through 2024 are presented in the following table.

Minneapolis-St. Paul-Bloomington, MN-WI MSA Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
2021 ($100,600)	<$50,300	$50,300 to <$80,480	$80,480 to <$120,720	≥$120,720
2022 ($117,800)	<$58,900	$58,900 to <$94,240	$94,240 to <$141,360	≥$141,360
2023 ($124,300)	<$62,150	$62,150 to <$99,440	$99,440 to <$149,160	≥$149,160
2024 ($123,700)	<$61,850	$61,850 to <$98,960	$98,960 to <$148,440	≥$148,440
Source: FFIEC				

Competition

The assessment area is highly competitive for financial services. According to Reports of Condition filed by financial institutions, 157 financial institutions operate 647 offices within the assessment area, of which Tradition Capital Bank is ranked 18th with 0.6 percent of the deposit market share. Additionally, there is very strong demand and competition for small business loans in the assessment area, as indicated by aggregate CRA data. Specifically, in 2022, 166 lenders reported 72,357 small business loans originated in the assessment area. Tradition Capital Bank ranked 27th, with 0.3 percent of the market share by number of loans. Finally, there is substantial competition and demand for home mortgage loans in the assessment area. According to 2022 aggregate HMDA data, 678 lenders reported 103,338 home mortgage loans in the assessment area. Tradition Capital Bank ranked 24th, with 1.1 percent of the market share by number of loans.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs, and what credit and community development opportunities may be available. Examiners referenced three recently conducted community contact interviews with representatives from two economic development entities active in the assessment area and from one community service organization that provides financial education to area residents.

One contact stated that the local economy is doing well, and that the area's diversification of industries has helped protect it from economic downturns. Another contact noted that the area has experienced post-pandemic population growth, an increase in commercial and multi-family building developments, expansion of large businesses, and an increase of new small businesses. Two contacts identified several large companies headquartered in the assessment area and one noted there are numerous job opportunities in both the hospitality and technology industries. One contact noted that there are multiple banking options available in the assessment area, including small community banks, larger national banks, and credit unions. However, this contact indicated there is an unbanked population in the area and that culturally specific financial institutions are needed to meet these diverse needs. Two contacts also identified affordable housing as a significant need in the assessment area. One of these contacts stated there is demand for affordable starter homes, as market prices are still high and older homes need renovations, which makes them unaffordable. Another contact identified a need for financing for small businesses, including for start-ups. The third contact noted a need for affordable small dollar consumer loans, including unsecured credit

builder loans and flexible, short-term loans for those facing financial instability. Finally, one contact noted that a new small business center in the southern metro will provide future opportunities for financial institutions to act as guarantors, assist with grants, and provide other sources of funding and support to small businesses in the assessment area.

Credit and Community Development Needs and Opportunities

Examiners reviewed information from the community contacts, bank management, and demographic and economic data to determine assessment area credit needs and opportunities. Examiners concluded that commercial lending, including to small businesses, and home mortgage lending represent the primary credit needs of the assessment area. Additionally, the assessment area's community development needs and opportunities include those related to affordable housing, economic development, and serving the needs of low- and moderate-income individuals and geographies. Tradition Capital Bank has actively responded to community development opportunities in Minnesota through its various lending, investment, and service activities.

SCOPE OF EVALUATION – MINNESOTA

Examiners reviewed small business and home mortgage lending in the Minnesota Assessment Area. Refer to the overall Scope of Evaluation section for information about the review procedures used for the assessment area and the weighting of the products.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

Tradition Capital Bank demonstrated low satisfactory performance under the Lending Test in Minnesota. While the bank demonstrated excellent lending activity and a relatively high level of community development loans in the Minnesota Assessment Area, the bank's adequate geographic distribution and borrower profile performance primarily supports this conclusion.

Lending Activity

The bank's lending activity reflects excellent responsiveness to the credit needs of the Minnesota Assessment Area. In 2023, the bank originated 85.5 percent, by number, of loans reviewed in this assessment area, whereas, according to the 2023 Deposit Market Share report, 96.5 percent of the bank's deposits came from the assessment area. The bank reported 438 small business and home mortgage loans totaling $218.2 million in the Minnesota Assessment Area in 2023. Further, as previously noted, Tradition Capital Bank ranked 27th and 24th, by number, in originating and purchasing small business and home mortgage loans in the assessment area per aggregate data, respectively.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's small business and home mortgage lending performance supports this conclusion.

Small Business Loans

The geographic distribution of small business lending reflects adequate penetration throughout the assessment area. As shown in the following table, the bank's lending performance in both low- and moderate-income geographies slightly lags, but is still comparable aggregate data in 2022 and 2023.

Geographic Distribution of Small Business Loans						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	4.4	3.7	3	1.5	2,000	2.6
2023	4.3	--	4	1.4	1,035	1.3
Moderate						
2022	18.3	17.2	33	16.6	14,059	18.2
2023	18.0	--	41	14.5	13,381	16.8
Middle						
2022	40.3	41.1	44	22.1	17,495	22.7
2023	40.2	--	76	27.0	18,970	23.8
Upper						
2022	36.2	37.3	101	50.8	37,106	48.1
2023	36.7	--	153	54.3	46,189	57.9
Not Available						
2022	0.9	0.7	18	9.0	6,529	8.5
2023	0.8	--	8	2.8	240	0.3
Totals						
2022	**100.0**	**100.0**	**199**	**100.0**	**77,189**	**100.0**
2023	**100.0**	**--**	**282**	**100.0**	**79,815**	**100.0**

Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. As shown in the following table, the bank's lending performance in low-income census tracts is slightly below, but comparable to aggregate data for 2021 and 2022 and comparable in 2023. Tradition Capital Bank's home mortgage lending performance in the moderate-income census tracts however was much lower than aggregate data in 2021 and 2022, but significantly increased and was more comparable in 2023. Considering the comparable performance to aggregate in low-income census tracts and the improvement in lending in moderate-income census tracts in 2023, overall performance is adequate.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	2.4	2.6	3	1.3	1,074	0.4
2022	2.6	3.3	3	1.0	8,800	2.1
2023	2.6	--	4	3.5	577	0.5
Moderate						
2021	15.6	14.2	9	4.0	11,884	4.8
2022	17.0	17.9	10	3.2	55,610	13.4
2023	17.0	--	23	20.4	4,511	3.7
Middle						
2021	45.2	43.9	58	25.6	90,799	36.8
2022	45.6	43.6	78	25.3	90,750	21.9
2023	45.6	--	42	37.2	53,508	43.5
Upper						
2021	36.9	39.2	156	68.7	142,816	57.8
2022	34.8	35.0	217	70.5	259,865	62.6
2023	34.8	--	44	38.9	64,505	52.4
Not Available						
2021	0.1	0.1	1	0.4	323	0.1
2022	0.1	0.2	0	0.0	0	0.0
2023	0.1	--	0	0.0	0	0.0
Totals						
2021	**100.0**	**100.0**	**227**	**100.0**	**246,897**	**100.0**
2022	**100.0**	**100.0**	**308**	**100.0**	**415,025**	**100.0**
2023	**100.0**	**--**	**113**	**100.0**	**123,101**	**100.0**
Source: 2015 ACS, 2020 U.S. Census, Bank Data, 2021 & 2022 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Borrower Profile

The distribution of borrowers reflects adequate penetration among businesses of different sizes and individuals of different income levels in the assessment area. The bank's adequate small business lending performance primarily supports this conclusion. The bank's home mortgage performance is poor; however, it carried less weight when deriving overall conclusions.

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses with gross annual revenues of $1 million or less. As illustrated in the following table, the bank's record of lending to businesses with gross annual revenues of $1 million or less significantly lagged aggregate data in 2022. However, the bank's performance of lending to businesses with gross annual revenues of $1 million or less nearly doubled in 2023. Management attributed this increase to the implementation

of the Small Business Line of Credit program, which was discussed in detail previously in this evaluation. In 2023, Tradition Capital Bank originated 68 loans totaling approximately $1.8 million under the Small Business Line of Credit Program. The development of this program, in addition to the bank being an SBA lender, illustrates Tradition Capital Bank's willingness to extend loans to businesses of all sizes, including smaller businesses. Considering these factors, the bank's performance is adequate.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	89.6	50.0	51	25.6	14,993	19.4
2023	89.1	--	137	48.6	21,209	26.6
>$1,000,000						
2022	3.7	--	147	73.9	61,711	79.9
2023	3.8	--	144	51.1	58,406	73.2
Revenue Not Available						
2022	6.7	--	1	0.5	485	0.6
2023	7.0	--	1	0.4	200	0.3
Totals						
2022	**100.0**	**100.0**	**199**	**100.0**	**77,189**	**100.0**
2023	**100.0**	**--**	**282**	**100.0**	**79,815**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Home Mortgage Loans

The distribution of borrowers reflects poor penetration to individuals of different income levels, including low-and moderate-income borrowers. As shown in the following table, the bank did not originate any home mortgage loans to low-income borrowers in 2021 and its performance in 2022 was below that of aggregate lenders. Additionally, the bank's record of lending to moderate-income borrowers notably lagged aggregate data in both 2021 and 2022. While the bank's performance of lending to low- and moderate-income borrowers significantly improved in 2023, this does not negate the limited number of loans originated to these borrowers in the prior two years. Given this information, the overall distribution of lending to borrowers of various income levels is poor.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	20.4	8.7	0	0.0	0	0.0
2022	19.6	11.0	10	3.2	1,836	0.4
2023	19.6	--	27	23.9	3,441	2.8
Moderate						
2021	17.0	20.8	6	2.6	1,710	0.7
2022	17.7	23.4	14	4.5	3,757	0.9
2023	17.7	--	39	34.5	5,569	4.5
Middle						
2021	21.7	21.3	2	0.9	867	0.4
2022	22.3	21.3	22	7.1	10,660	2.6
2023	22.3	--	13	11.5	3,727	3.0
Upper						
2021	41.0	32.5	186	81.9	183,308	74.2
2022	40.4	28.4	223	72.4	206,098	49.7
2023	40.4	--	26	23.0	17,711	14.4
Not Available						
2021	0.0	16.7	33	14.5	61,012	24.7
2022	0.0	15.9	39	12.7	192,674	46.4
2023	0.0	--	8	7.1	92,653	75.3
Totals						
2021	**100.0**	**100.0**	**227**	**100.0**	**246,897**	**100.0**
2022	**100.0**	**100.0**	**308**	**100.0**	**415,025**	**100.0**
2023	**100.0**	**--**	**113**	**100.0**	**123,101**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Innovative or Flexible Lending Practices

Consistent with the information presented at the institution level, Tradition Capital Bank makes use of innovative and/or flexible lending practices in order to serve credit needs in Minnesota. These programs help meet the credit needs of smaller businesses and low- and moderate-income individuals and geographies throughout the Minnesota Assessment Area.

Community Development Loans

Tradition Capital Bank made a relatively high level of community development loans in the Minnesota Assessment Area. Nearly all the bank's community development loan activity, 99.2 percent by dollar volume, occurred in Minnesota. Specifically, the bank originated 26 community development loans totaling $142.2 million in the assessment area during the evaluation period. An additional 2 loans totaling $3.9 million benefited the broader statewide or regional area. Of the 26

community development loans, 14 loans, totaling $47.4 million, promoted affordable housing, which demonstrates the bank's responsiveness to an identified community development need in the assessment area. Further, 7 loans totaling $17.7 million benefited low- and moderate-income individuals in the assessment area, 3 loans totaling $5.9 million promoted economic development, and 4 loans totaling $75.3 million promoted the revitalization or stabilization of low- and moderate-income geographies. The bank's level of community development loans in the assessment area decreased from the previous evaluation, when it received credit for 314 loans totaling $219.4 million. However, as noted previously, the prior evaluation included PPP loans, which significantly increased the volume of community development loans.

INVESTMENT TEST

Tradition Capital Bank demonstrated high satisfactory performance under the Investment Test in Minnesota. The significant level of community development investments and grant activity received the most consideration when determining the overall Investment Test performance rating.

Investment and Grant Activity

Tradition Capital Bank has a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, occasionally in a leadership position. The majority of the bank's qualified investment activity, 67.1 percent by dollar volume, occurred in the Minnesota Assessment Area. Specifically, Tradition Capital Bank made 97 qualified investments totaling approximately $18.0 million in the assessment area. This included 6 newly purchased investments totaling $11.6 million, 10 prior period investments totaling $5.3 million, and 81 donations totaling $1.0 million. Additionally, the bank received credit for 9 qualified investments totaling approximately $2.1 million that benefitted a broader statewide or regional area that includes the Minnesota Assessment Area. This included 6 prior period investments totaling $1.9 million and 3 donations totaling $106,250.

Of the 106 qualified investments made in Minnesota, 20 totaling $16.8 million were to organizations that promote affordable housing, 78 totaling approximately $1.7 million were to organizations that provide community services to low -and moderate -income individuals, and 8 totaling approximately $1.6 million were to organizations that promote economic development.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community development needs, considering the available opportunities in Minnesota and the investment capacity of the bank.

Community Development Initiatives

Tradition Capital Bank occasionally uses innovative and/or complex investments for community development initiatives in the Minnesota Assessment Area. The investments made during the evaluation period include some that are not routinely provided by private investors, including providing a considerable donation that allowed a non-profit that serves homeless veterans to build a new facility.

SERVICE TEST

Tradition Capital Bank demonstrated high satisfactory performance under the Service Test in Minnesota. The bank's relatively high level of community development services primarily supports this conclusion.

Accessibility of Delivery Systems

The institution's delivery systems are reasonably accessible to essentially all portions of the Minnesota Assessment Area. Tradition Capital Bank operates three offices in the assessment area, including one in a moderate-income census tract, providing access to banking services for low- and moderate-income individuals. Furthermore, alternate delivery systems are consistent with those discussed in the bank's overall performance.

Changes in Branch Locations

No changes were made to Tradition Capital Bank's branching structure in the Minnesota Assessment Area during the evaluation period. Therefore, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals and are consistent with the bank's overall performance.

Community Development Services

Tradition Capital Bank provided a relatively high level of community development services in the Minnesota Assessment Area. During the evaluation period, employees provided 87 instances of financial expertise or technical assistance to organizations that serve the assessment area. Of these services, 13 were to organizations that promote affordable housing, 69 were to those that provide community services for low- and moderate-income individuals, and 5 were to organizations that promote economic development in the assessment area. Specifically, several employees serve on the Board of Directors and/or are actively involved with various affordable housing organizations throughout the assessment area; these organizations assist in meeting an identified community development need.

ARIZONA

CRA RATING FOR ARIZONA: SATISFACTORY

The Lending Test is rated: Low Satisfactory
The Investment Test is rated: Low Satisfactory
The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

The Arizona Assessment Area, which comprises the entirety of the Phoenix-Mesa-Chandler, AZ MSA, is new since the previous evaluation and is the sole assessment area in Arizona. Tradition Capital Bank opened its Scottsdale branch office in this assessment area on April 1, 2022. Per 2020 U.S. Census data, the office is located in an upper-income census tract.

Economic and Demographic Data

According to 2015 ACS data, the assessment area included 110 low-income, 231 moderate-income, 326 middle-income, 311 upper-income census tracts, and 13 census tracts without an income designation. Per 2020 U.S. Census data, the assessment area now includes 68 low-income, 294 moderate-income, 362 middle-income, 354 upper-income census tracts, and 26 census tracts without an income designation. The following table illustrates select demographic characteristics of the assessment area as of 2023.

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	1,093,286	3.9	18.6	29.8	47.2	0.5
Farms by Geography	18,983	4.2	21.7	32.4	41.0	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 MSA - 38060 Phoenix-Mesa-Chandler, AZ MSA		$78,930	Median Housing Value			$282,615
			Median Gross Rent			$1,210
			Families Below Poverty Level			9.1%

Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2023 D&B data, the service industry represents the largest portion of business operations at 35.4 percent; followed by non-classifiable establishments at 28.4 percent; and finance, insurance, and real estate at 13.5 percent. Additionally, 63.6 percent of assessment area businesses employ 4 or fewer employees, and 96.7 percent operate from a single location.

The FFIEC's updated median family income levels for the Phoenix-Mesa-Chandler, AZ MSA for 2021 through 2024 are presented in the following table.

Phoenix-Mesa-Chandler, AZ MSA Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
2021 ($79,000)	<$39,500	$39,500 to <$63,200	$63,200 to <$94,800	≥$94,800
2022 ($88,800)	<$44,400	$44,400 to <$71,040	$71,040 to <$106,560	≥$106,560
2023 ($99,000)	<$49,500	$49,500 to <$79,200	$79,200 to <$118,800	≥$118,800
2024 ($101,300)	<$50,650	$50,650 to <$81,040	$81,040 to <$121,560	≥$121,560
Source: FFIEC				

Competition

The assessment area is significantly competitive for financial services. According to Reports of Condition filed by financial institutions, 97 financial institutions operate 693 offices within the assessment area, of which Tradition Capital Bank is ranked 63rd with less than 0.1 percent of the deposit market share. Additionally, there is high demand and competition for small business loans in the assessment area, as indicated by 2022 aggregate CRA data. Specifically, 241 lenders reported 141,443 small business loans originated in the assessment area. Tradition Capital Bank ranked 99th with less than 0.1 percent of the market share by number of loans. Finally, there is substantial competition and demand for home mortgage loans in the assessment area. According to 2022 aggregate HMDA data, 1,001 lenders reported 212,314 home mortgage loans in the assessment area. Tradition Capital Bank ranked 375th with less than 0.1 percent of the market share by number of loans.

Community Contact

Examiners conducted a community contact interview with a representative from an economic development organization active in the Arizona Assessment Area. The contact indicated that the local economy is doing well, and that the area continues to grow. The contact stated that during the COVID-19 pandemic, the Phoenix-Mesa-Chandler, AZ MSA experienced population growth as many individuals moved to the area to take advantage of the ability to be outside much of the year. Further, the contact noted that tourism, which is a primary industry, continues to boom and even the typically slower months, such as summer, have seen an increase in tourists. The contact felt that the area used to have more income diversity; however, due to rising housing costs, that gap is closing, and Scottsdale tends to have a larger concentration of high wealth residents. The contact indicated there is a need for affordable housing, as the average housing price is approaching $900,000, which has made it difficult for individuals with entry-level jobs, recent graduates, and even those in healthcare and public service to find housing. The contact also noted that rental prices have increased, which makes it difficult for individuals with lower paying jobs to afford to live in Scottsdale. Therefore, many individuals working in Scottsdale commute from Mesa, Tempe, and

Phoenix. The contact felt that financial institutions are willing to finance multi-family projects, with many new projects proposed; however, residents and local elected officials have expressed apprehension with multi-family developments in their neighborhoods due to density concerns. Therefore, these proposed projects have stalled. Finally, the contact identified small business financing and access to capital for start-ups as a primary credit need and community development opportunity in the assessment area.

Credit and Community Development Needs and Opportunities

Examiners determined that commercial lending, including to small businesses, and home mortgage lending represent the primary credit needs of the assessment area. Additionally, the assessment area's community development needs and opportunities include those related to affordable housing, economic development, and to serving the needs of low- and moderate-income individuals and geographies. Tradition Capital Bank has adequately responded to community development opportunities in Arizona through its lending, investment, and service activities.

SCOPE OF EVALUATION – ARIZONA

Examiners reviewed small business and home mortgage lending in the Arizona Assessment Area. Refer to the overall Scope of Evaluation section for information about the review procedures used for the assessment area and the weighting of the products.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ARIZONA

LENDING TEST

Tradition Capital Bank demonstrated low satisfactory performance under the Lending Test in Arizona. The bank's adequate lending activity, geographic distribution, and borrower profile performance primarily supports this conclusion.

Lending Activity

Tradition Capital Bank's lending activity reflects adequate responsiveness to the credit needs of the Arizona Assessment Area. In 2023, the bank originated 14.5 percent, by number, of loans reviewed in this assessment area, whereas, according to the 2023 Deposit Market Share report, only 3.5 percent of the bank's deposits came from the Arizona Assessment Area. The bank reported 30 small business and home mortgage loans totaling $36.9 million in the assessment area in 2023. Further, as previously noted, Tradition Capital Bank ranked 99th and 375th, by number, in originating small business and home mortgage loans in the assessment area per aggregate data, respectively. Given this is a new market for the institution, this performance is considered adequate.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's adequate small business lending primarily supports this conclusion. The bank's home mortgage performance is poor; however, it carried less weight when deriving overall conclusions.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. As shown in the following table, the bank's performance of originating small business loans in the low- and moderate-income census tracts exceeded the comparable aggregate data in 2022; however, there were minimal loans originated overall. In 2023, the bank did not originate any small business loans in the low-income census tracts in the assessment area and originated two loans in moderate-income census tracts. Given the limited volume of loans and variation among performance in each year in the low- and moderate-income census tracts, overall performance is considered adequate.

Geographic Distribution of Small Business Loans						
Tract Income Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	3.9	3.5	1	12.5	698	25.6
2023	3.9	--	0	0.0	0	0.0
Moderate						
2022	18.6	18.4	2	25.0	630	23.1
2023	18.6	--	2	11.8	381	8.6
Middle						
2022	29.5	30.0	0	0.0	0	0.0
2023	29.8	--	4	23.5	1,840	41.7
Upper						
2022	47.4	47.5	5	62.5	1,400	51.3
2023	47.2	--	11	64.7	2,190	49.6
Not Available						
2022	0.5	0.6	0	0.0	0	0.0
2023	0.5	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**8**	**100.0**	**2,728**	**100.0**
2023	**100.0**	**--**	**17**	**100.0**	**4,411**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. As shown in the following table, the bank did not originate any home mortgage loans in low-income census tracts in 2021 and 2023. In 2022, the bank originated one home mortgage loan in a low-income census tract, which was comparable to aggregate data. Further, Tradition Capital Bank did not originate any home mortgage loans in moderate-income census tracts in 2021 or 2022 and originated only two loans in moderate-income census tracts in 2023. While there is significant competition for home mortgage loans in the assessment area, the bank's limited lending activity in low- and moderate-income geographies reflects poor penetration overall.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	4.5	3.3	0	0.0	0	0.0
2022	2.6	2.2	1	3.8	525	1.4
2023	2.6	--	0	0.0	0	0.0
Moderate						
2021	19.6	14.6	0	0.0	0	0.0
2022	21.7	18.6	0	0.0	0	0.0
2023	21.7	--	2	15.4	6,425	19.8
Middle						
2021	37.1	39.4	1	14.3	298	3.8
2022	36.8	39.9	2	7.7	1,350	3.5
2023	36.8	--	0	0.0	0	0.0
Upper						
2021	38.7	42.2	6	85.7	7,630	96.2
2022	38.8	39.3	23	88.5	36,383	95.1
2023	38.8	--	11	84.6	26,028	80.2
Not Available						
2021	0.0	0.5	0	0.0	0	0.0
2022	0.2	0.1	0	0.0	0	0.0
2023	0.2	--	0	0.0	0	0.0
Totals						
2021	**100.0**	**100.0**	**7**	**100.0**	**7,928**	**100.0**
2022	**100.0**	**100.0**	**26**	**100.0**	**38,258**	**100.0**
2023	**100.0**	**--**	**13**	**100.0**	**32,453**	**100.0**
Source: 2015 ACS, 2020 U.S. Census, Bank Data, 2021 & 2022 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Borrower Profile

The distribution of borrowers reflects adequate penetration among businesses of different sizes and individuals of different income levels. The bank's good small business lending primarily supports this conclusion. However, the bank's home mortgage lending performance is very poor, which resulted in overall performance assessed as adequate.

Small Business Loans

The distribution of borrowers reflects good penetration among businesses with gross annual revenues of $1 million or less. As illustrated in the following table, the bank's lending to businesses with gross annual revenues of $1 million is comparable to the aggregate data in 2022 and increased significantly in 2023.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	**% of Businesses**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000						
2022	93.0	54.3	4	50.0	1,080	39.6
2023	93.8	--	13	76.5	2,011	45.6
>$1,000,000						
2022	1.5	--	4	50.0	1,648	60.4
2023	1.3	--	4	23.5	2,400	54.4
Revenue Not Available						
2022	5.5	--	0	0.0	0	0.0
2023	4.8	--	0	0.0	0	0.0
Totals						
2022	**100.0**	**100.0**	**8**	**100.0**	**2,728**	**100.0**
2023	**100.0**	**--**	**17**	**100.0**	**4,411**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Home Mortgage Loans

The distribution of borrowers reflects very poor penetration to individuals of different income levels, including low-and moderate-income borrowers. As shown in the following table, the bank did not originate any home mortgage loans to low-income borrowers in 2021 and 2022. In 2023, the bank originated one home mortgage loan to a low-income borrower. Further, Tradition Capital Bank did not originate any home mortgage loans to moderate-income borrowers in any of the three years. The bank's extremely limited lending activity to low- and moderate-income borrowers reflects very poor penetration to borrowers of different income levels overall.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	21.9	5.3	0	0.0	0	0.0
2022	20.6	6.9	0	0.0	0	0.0
2023	20.6	--	1	7.7	342	1.1
Moderate						
2021	17.3	16.6	0	0.0	0	0.0
2022	18.3	16.3	0	0.0	0	0.0
2023	18.3	--	0	0.0	0	0.0
Middle						
2021	19.5	20.5	0	0.0	0	0.0
2022	20.3	21.2	1	3.8	350	0.9
2023	20.3	--	1	7.7	1,620	5.0
Upper						
2021	41.3	38.5	6	85.7	3,578	45.1
2022	40.9	38.6	17	65.4	27,818	72.7
2023	40.9	--	3	23.1	6,248	19.3
Not Available						
2021	0.0	19.0	1	14.3	4,350	54.9
2022	0.0	17.0	8	30.8	10,090	26.4
2023	0.0	--	8	61.5	24,243	74.7
Totals						
2021	**100.0**	**100.0**	**7**	**100.0**	**7,928**	**100.0**
2022	**100.0**	**100.0**	**26**	**100.0**	**38,258**	**100.0**
2023	**100.0**	**--**	**13**	**100.0**	**32,453**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Innovative or Flexible Lending Practices

Tradition Capital Bank makes limited use of innovative and/or flexible lending practices to in order serve credit needs in Arizona. While all but one of the bank's loan programs are available in the Arizona market, these programs have not been widely utilized in the Arizona Assessment Area as of the evaluation date.

Community Development Loans

Tradition Capital Bank made few community development loans in the Arizona Assessment Area. During the evaluation period, the bank originated one community development loan totaling $1.2 million that promoted affordable housing in the assessment area. Nevertheless, opportunities do exist for community development loans as identified through the community contact, such as through providing support to start-ups and small businesses and funding affordable housing

projects. Additionally, 9.1 percent of families live below the poverty line and there are numerous low- and moderate-income census tracts throughout the assessment area. Therefore, it appears opportunities exist for the bank to support entities that provide services to low- and moderate-income individuals and geographies in the assessment area.

INVESTMENT TEST

Tradition Capital Bank demonstrated low satisfactory performance under the Investment Test in Arizona, primarily supported by an adequate level of community development investments and grant activity.

Investment and Grant Activity

Tradition Capital Bank has an adequate level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Tradition Capital Bank made 16 qualified investments totaling approximately $6.3 million in the Arizona Assessment Area. This included 5 newly purchased investments totaling $6.2 million and 11 donations totaling $78,020. Additionally, the bank received credit for 1 qualified investment totaling $500,000 and 1 donation of $100 that benefitted a broader statewide or regional area that includes the Arizona Assessment Area. Of the 18 qualified investments made in Arizona, 5 totaling $6.2 million were to organizations that promote affordable housing, 10 totaling $75,000 were to organizations that provide community services to low-and moderate-income individuals, and 3 totaling $503,000 were to organizations that promote economic development.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs, considering the available opportunities in Arizona and the investment capacity of the bank.

Community Development Initiatives

Tradition Capital Bank occasionally uses innovative and/or complex investments for community development initiatives. The investments made during the evaluation period include some that are not routinely provided by private investors, including an investment in a Community Development Financial Institution that focuses on lending to low- and moderate-income borrowers, in low- and moderate-income areas, and to first-time homebuyers.

SERVICE TEST

Tradition Capital Bank demonstrated low satisfactory performance under the Service Test in Arizona. The bank's adequate level of community development services primarily supports this conclusion.

Accessibility of Delivery Systems

The institution's delivery systems are reasonably accessible to essentially all portions of the Arizona Assessment Area. Tradition Capital Bank operates one office in an upper-income census tract in Arizona. However, alternate delivery systems provide further access to bank services and are consistent with those discussed in the bank's overall performance.

Changes in Branch Locations

The institution's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly for low- and moderate-income geographies and low- and moderate- income individuals. As previously mentioned, Tradition Capital Bank opened a branch in Scottsdale, Arizona on April 1, 2022. On June 13, 2023, the bank relocated the Scottsdale office to a new location approximately 0.2 miles away and within the same census tract. Due to the close proximity of the new office, this was not considered an office closure and did not adversely affect the accessibility of the bank's delivery systems.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals and are consistent with the bank's overall performance.

Community Development Services

Tradition Capital Bank provided an adequate level of community development services in the Arizona Assessment Area. During the evaluation period, employees provided 14 instances of financial expertise or technical assistance to organizations that serve the assessment area. Of these services, 13 were to organizations that provide community services for low- and moderate-income individuals and 1 was to an organization that promotes economic development in the assessment area. Specifically, an employee serves on the planning committee for an economic development organization that provides grant support services to start-ups and small businesses, which addresses a community development need identified by the community contact.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
    i. The proportion of the bank's lending in the bank's assessment area(s);
    ii. The dispersion of lending in the bank's assessment areas(s); and
    iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
    i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
    ii. Small business and small farm loans to businesses and farms with gross annual revenues of $1 million or less;
    iii. Small business and small farm loans by loan amount at origination; and
    iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

1) The dollar amount of qualified investments;
2) The innovativeness or complexity of qualified investments;
3) The responsiveness of qualified investments to available opportunities; and
4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.,* RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

1) The extent to which the bank provides community development services; and
2) The innovativeness and responsiveness of community development services.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
MINNESOTA	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
ARIZONA	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

(1) Has as its primary purpose community development;

(2) Is related to the provision of 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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of 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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.