PUBLIC DISCLOSURE

June 2, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Portage Bank
Certificate Number: 8197

880 108th Avenue NE
Bellevue, WA 98004

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

An institution in this group needs to improve its overall 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.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans and other lending related activities are in the institution's AA.
- The geographic distribution reflects poor penetration throughout the AA, particularly to low- or moderate-income (LMI) geographies.
- The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among individuals of different income levels and businesses of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Portage Bank (PB), a wholly-owned subsidiary of Portage Bancshares, Inc., is a Washington-chartered bank headquartered in Bellevue, Washington. PB has no affiliates or subsidiaries that affected this Performance Evaluation (PE) and did not engage in any merger activity since the prior evaluation. However, the bank was purchased, renamed, and relocated over the review period. In February 2019, the State Bank of Ceylon was sold, resulting in a change in ownership and control. In June 2021, the bank changed names from State Bank of Ceylon to Portage Bank. In May 2022, Portage Bank converted state charters, from Minnesota to Washington. As of that same date, the bank's existing loan production office (LPO) in Bellevue, Washington was converted to the bank's new headquarters location.

The prior FDIC CRA PE was conducted utilizing Interagency Small Bank Procedures for the State Bank of Ceylon and was dated February 4, 2019, resulted in a Satisfactory rating.

The bank operates from two branch locations: one in Bellevue, Washington, and the other in Ceylon, Minnesota. The bank also operates two LPOs: one in Spokane, Washington and the other in Snohomish, Washington. The bank offers a traditional array of commercial and consumer deposit and lending products. Alternative systems for delivering retail banking services include online and mobile banking.

The bank has grown exponentially since the acquisition, rebrand, and relocation to Washington State. At the last evaluation, assets, deposits, and loans totaled $11.9 million, $10.6 million, and $3.3 million, respectively. As of the March 31, 2025, Consolidated Reports of Condition and Income (CALL Report), bank assets totaled $80.7 million, including total loans of $59.6 million and total deposits of $63.8 billion. Lending focus also shifted post-acquisition; at the last examination farmland and agricultural loans made up over 56.2 percent of the loan portfolio while residential loans made up only 2.3 percent. However, as of March 31, 2025, residential lending makes up the majority of the portfolio and farm lending declined to less than one percent; see the following table, which reflects the loan portfolio distribution.

Loan Portfolio Distribution as of March 31, 2025		
Loan Category	**$(000s)**	**%**
Construction and Land Development	8,476	14.2
Secured by Farmland	223	0.4
Secured by 1-4 Family Residential Properties	33,022	55.4
Secured by Multifamily (5 or more) Residential Properties	5,940	10.0
Secured by Nonfarm Nonresidential Properties	8,438	14.2
Total Real Estate Loans	**56,099**	**94.2**
Commercial and Industrial Loans	2,698	4.5
Agricultural Loans	14	0.0
Consumer Loans	753	1.3
Other Loans	3	0.0
Less: Unearned Income	0	0.0
Total Loans	**59,567**	**100.0**
Source: 3/31/2025 Call Report		

Examiners did not identify any financial, legal, or other impediments that affected PB's ability to meet the credit needs of its AA over the review period.

DESCRIPTION OF ASSESSMENT AREAS

The bank's AAs are as follows:

Rated Area/Assessment Area	Counties in Assessment Area
Washington State/Seattle-Bellevue CSA	King, Snohomish
Minnesota State/Non-MSA	Martin

Each state represents a separate rated area. As previously discussed, the bank's presence in Washington State is new since the prior evaluation. Refer to the individual AAs for additional detail.

SCOPE OF EVALUATION

General Information

This evaluation was performed utilizing Interagency Small Bank Procedures and covers the period from the prior evaluation, dated February 4, 2019, to the current evaluation date of June 2, 2025. Full-scope procedures were utilized to document performance in both rated areas. Given the location of the bank's headquarters and the greater proportion of lending and deposit activity within Washington, the Washington rated area contributes substantially greater weight to the overall conclusions.

Lending, Deposit, and Branch Distribution by Rated Area						
Rated Area	**Loans**		**Deposits**		**Branches**	
	$(000s)	**%**	**$(000s)**	**%**	**#**	**%**
Washington State	26,057	99.4	43,746	80.8	1	50.0
Minnesota State	152	0.6	10,377	19.2	1	50.0
Total	**26,209**	**100.0**	**54,123**	**100.0**	**2**	**100.0**
Source: Bank Data, FDIC Summary of Deposit Share Data as of 06/30/24; Due to rounding, totals may not equal 100.0%						

<u>Activities Reviewed</u>
Product weighting varies by rated area. Based on bank focus and origination volume by number and dollar, home mortgage loans and small business loans represent the bank's primary products in the Washington rated area, with home mortgage loans contributing slightly more weight to overall conclusions. PB did not originate any home mortgage loans and only a few small business loans in the Minnesota rated area; therefore, these loan products were not evaluated as meaningful conclusions could not be determined. Consumer automobile loans represented a primary credit need in the city of Ceylon, which is in Martin County, Minnesota, in the non-rated AA. Therefore, consumer automobile loans were only included in the analysis for the Minnesota rated area. The bank did not originate a meaningful volume of small farm loans over the review period; thus, small farm lending is excluded from review for both rated areas. Refer to individual AAs for full detail on products and weighting.

Loan Products Reviewed				
Loan Category	**Universe**		**Reviewed**	
	#	**$(000s)**	**#**	**$(000s)**
Home Mortgage	44	21,281	44	21,281
Small Business	34	12,329	34	12,329
Consumer Loans	14	620	14	620
Source: 2023 and 2024 HMDA LARs and 2024 bank data				

The bank began reporting HMDA loans in 2023; therefore, all originated loans on the institution's 2023 and 2024 HMDA Loan Application Registers (LARs) were analyzed. Bank performance was compared to relevant demographic data based on 2020 U.S. Census data to form conclusions.

The bank is not required, and did not elect, to collect CRA data; therefore, small business loans for 2023 and 2024 were identified by examiners and analyzed via comparison to relevant D&B data to form relevant conclusions.

The bank originated two community development loans over the review period for consideration. Refer to the Washington rated area for specific details.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Lending Test performance is poor. Performance in the Washington rated area, which carries greater weight, is consistent with this conclusion. Performance in the Minnesota AA was better, but overall conclusions were unchanged.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. PB's net LTD ratio, calculated from Call Report data, averaged 87.7 percent over the past 25 calendar quarters since the last CRA PE, from December 31, 2018, to March 31, 2025. The ratio increased dramatically over the review period, from a low of 24.7 percent as of December 31, 2018, peaking at a high of 122.6 percent as of December 31, 2022, and ending at 92.4 percent as of March 31, 2025. The bank's performance is generally in line with comparable institutions, selected based on asset size, geographic location, and lending focus; see the following table.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	**Total Assets as of 03/31/2025 ($000s)**	**Average Net LTD Ratio (%)**
Portage Bank	**80,667**	**87.6**
Similarly Situated Institution #1	52,007	68.9
Similarly Situated Institution #2	331,165	93.1
Similarly Situated Institution #3	961,053	102.1
Similarly Situated Institution #4	265,327	86.3
Source: Reports of Condition and Income 12/31/2018 –3/31/2025		

Assessment Area Concentration

The bank made a majority of its loans within its AAs; see the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total #**	**Dollar Amount of Loans $(000)**				**Total $(000)**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**		**$**	**%**	**$**	**%**	
Home Mortgage										
2023	5	45.5	6	54.5	11	3,345	67.8	1,585	32.2	4,930
2024	21	63.6	12	36.4	33	12,597	77.0	3,754	23.0	16,351
Subtotal	**26**	**59.1**	**18**	**40.9**	**44**	**15,942**	**74.9**	**5,339**	**25.1**	**21,281**
Small Business										
2023	16	80.0	4	20.0	20	4,097	77.0	1,225	23.0	5,322
2024	11	78.6	3	21.4	14	5,977	85.3	1,030	14.7	7,007
Subtotal	**27**	**79.4**	**7**	**20.6**	**34**	**10,074**	**81.7**	**2,255**	**18.3**	**12,329**
Consumer										
2023	9	100.0	0	0.0	9	413	100.0	0	0.0	413
2024	2	40.0	3	60.0	5	119	57.5	88	42.5	207
Subtotal	**11**	**78.6**	**3**	**21.4**	**14**	**532**	**85.8**	**88**	**14.2**	**620**
Total	**64**	**69.6**	**28**	**30.4**	**92**	**26,548**	**77.6**	**7,682**	**22.4**	**34,230**
Source: Bank Data *Due to rounding, totals may not equal 100.0%.*										

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AA, particularly to LMI geographies in the AA. Performance in Washington, which carries greater weight, is consistent with this conclusion. Performance in Minnesota was better, but overall conclusions were unchanged due to the rated area's relatively low weighting.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and businesses of different revenue sizes. Performance in Washington, which carries greater weight, is consistent with this conclusion. Performance in Minnesota was better, but overall conclusions were unchanged due to the rated area's relatively low weighting.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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.

WASHINGTON STATE – Full-Scope Review

CRA RATING FOR WASHINGTON: NEEDS TO IMPROVE

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WASHINGTON

The bank's Washington AA consists of King and Snohomish Counties, which are both part of the Seattle-Bellevue CSA. As previously discussed, the bank's operations in Washington State are new since the prior evaluation. The bank's single branch in the AA is located in a middle-income census tract (CT).

The following sections provide select economic and demographic information, based on U.S. Census Data, D&B business data, labor statistics, and information from Moody's Analytics.

Economic and Demographic Data
The following table summarizes key demographic data for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**N/A* % of #**
Geographies (CTs)	670	5.5	20.3	41.2	30.6	2.4
Population by Geography	3,097,632	5.5	21.0	41.9	30.1	1.5
Housing Units by Geography	1,266,434	5.6	20.1	42.3	30.4	1.7
Owner-Occupied Units by Geography	711,666	2.9	17.2	44.7	34.6	0.5
Occupied Rental Units by Geography	487,210	9.5	24.2	38.7	24.3	3.3
Vacant Units by Geography	67,558	6.1	20.3	42.9	28.5	2.2
Businesses by Geography	469,205	6.0	17.0	41.0	34.5	1.5
Farms by Geography	2,898	2.0	15.7	44.6	37.0	0.7
Family Distribution by Income Level	741,356	20.6	17.8	21.2	40.4	0.0
Household Distribution by Income Level	1,198,876	23.4	16.8	18.3	41.5	0.0
Median Family Income MD - 42644 Seattle-Bellevue-Kent, WA MD		$116,853	Median Housing Value			$ 581,125
			Median Gross Rent			$1,668
			Families Below Poverty Level			5.0%
Source: 2020 Census And 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

Unemployment rates increased slightly over the review period, which mirrors the trends for state and national averages over the same period; see the following table.

Seattle-Tacoma CSA WA AA - Unemployment Rates			
Area	**2022**	**2023**	**2024**
	%	**%**	**%**
King County	3.5	3.9	4.1
Snohomish County	4.0	4.0	4.2
Washington State Average	4.1	4.2	4.5
National Average	3.7	3.6	4.0
Source: Bureau of Labor Statistics			

According to Moody's Analytics data, the AA's main economic drivers are manufacturing, high-tech, and logistics. The Tacoma area of the AA also benefits from a nearby military base. The metropolitan area is a global center for cloud computing and software development, having a highly trained and well-educated workforce, and a relatively high per capita income. However, weaknesses such as the tech industry's exposure to discretionary spending and high business costs compared to emerging tech hubs limit growth. Top employers are Amazon, Boeing, Microsoft Corporation, University of Washington, and Providence Health & Services. Housing costs are very high in comparison to median family incomes and shortages in stock continue to be an issue creating challenges for affordable home ownership.

Competition

There is a very high level of competition for financial services in the AA. According to the June 30, 2024, FDIC Deposit Market Share Report, 43 institutions operate 592 branches in the AA. Of these institutions, PB ranked 39th, with a deposit market share of less than 0.1 percent. Large, national bank associations claim the top five spots with a combined market share of 72.1 percent.

According to peer home mortgage lending data for 2023, the most recent year of data available as of the date of this PE, the bank ranks 347th out of 568 lenders in the AA, with a market share of less than 0.1 percent by number.

Community Contact(s)

Examiners reviewed a recent community contact conducted with an individual from an economic development organization in the AA. The organization serves as an advocate for small businesses with a focus on retention and expansion to promote growth in the local area. The contact reported similar information to the Moody's report when it came to major employers in the area and highlighted aerospace as a major contributor to the local economy. The contact emphasized a need for funding business startups and noted that some clients avoid traditional funding sources because of the higher rates.

Credit Needs

Considering information from community contacts, bank management and demographic data, flexible small business lending is a credit need in the AA. There are also opportunities to provide economic development and financial education to entrepreneurs and small business startups. The high cost of the AA's housing and shortage of available stock also indicate a credit need for additional resources for affordable housing initiatives. Demographic and economic data support this conclusion.

SCOPE OF EVALUATION – WASHINGTON

PB's home mortgage and small business performance was evaluated to form Lending Test conclusions within the State of Washington. These products contributed roughly equal weight to the conclusions, with home mortgage loans carrying slightly more weight due to the more significant volume by dollar volume when compared to small business lending volume.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WASHINGTON

LENDING TEST

Lending test performance in Washington is poor. To help mitigate poor retail home mortgage lending performance, the bank provided two affordable housing community development loans for consideration. The first was a $475,000 loan to purchase a mixed-use building that included a residential unit; the rent at this unit is considered affordable based on Housing and Urban Development (HUD) fair market rents for the AA. The second loan was a $2.2 million construction loan to finance the building of four new single-family residences and remodel a fifth single-family residence in the AA. The projected sale price of these homes is below the median home price for the Seattle MSA. The location of the units for both of these loans is in low-income CTs. While these projects reflects positively on the bank's performance, overall, home mortgage lending performance remains poor.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AA, particularly to LMI geographies in the AA.

Home Mortgage

The bank did not originate any home mortgage loans to LMI geographies over the review period; see the following table. This performance is poor and not comparable to aggregate data during the review period. As discussed above, the bank helped to support affordable housing initiatives in the AA via two community development loans located in low-income CTs. However, this additional lending is not significant enough to help mitigate the bank's poor penetration of lending to LMI geographies.

Geographic Distribution of Home Mortgage Loans PB WA AA						
Tract Income Level	**% of Owner Occupied Housing Units**	**HMDA Aggregate % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2023	2.5	2.8	0	0.0	0	0.0
2024	2.9	3.1	0	0.0	0	0.0
Moderate						
2023	18.8	20.5	0	0.0	0	0.0
2024	17.2	18.2	0	0.0	0	0.0
Middle						
2023	42.4	43.8	1	20.0	640	19.1
2024	44.7	45.7	10	47.6	5,670	45.0
Upper						
2023	35.8	32.4	4	80.0	2,705	80.9
2024	34.7	32.4	11	52.4	6,927	55.0
NA						
2023	0.5	0.6	0	0.0	0	0.0
2024	0.5	0.6	0	0.0	0	0.0
Total						
2023	**100.0**	**100.0**	**5**	**100.0**	**3,345**	**100.0**
2024	**100.0**	**100.0**	**21**	**100.0**	**12,597**	**100.0**
Source: 2020 Census; Bank Data; 2023 2024 HMDA Aggregate Data *Due to rounding, totals may not equal 100.0%.*						

Small Business

The bank originated only one small business loan to LMI geographies over the review period; see the following table. This performance is poor and not comparable to the D&B demographic data.

Geographic Distribution of Small Business Loans PB WA AA					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2023	5.3	0	0.0	0	0.0
2024	6.0	0	0.0	0	0.0
Moderate					
2023	17.8	1	7.7	664	16.6
2024	17.0	0	0.0	0	0.0
Middle					
2023	37.8	3	23.1	1,329	33.2
2024	41.0	6	54.6	2,662	44.5
Upper					
2023	37.6	9	69.2	2,012	50.2
2024	34.5	5	45.5	3,315	55.5
NA					
2023	1.5	0	0.0	0	0.0
2024	1.5	0	0.0	0	0.0
Total					
2023	**100.0**	**13**	**100.0**	**4,005**	**100.0**
2024	**100.0**	**11**	**100.0**	**5,977**	**100.0**
Source: 2023 & 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.					

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and businesses of different revenue sizes. This conclusion is based on poor home mortgage lending performance and reasonable small business lending performance.

Home Mortgage

The bank originated only one loan to LMI borrowers over the review period; see the following table. This performance is poor and not comparable to the percent of families or aggregate data during the review period. As previously discussed, the bank made two community development loans that supported affordable housing initiatives in the AA over the review period. The residential units created or maintained by these loans are likely to benefit LMI borrowers based on median home values and HUD fair market rents, respectively. However, this additional lending is not significant enough to help mitigate the bank's poor penetration of lending to LMI borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level PB WA AA						
Borrower Income Level	**% of Families**	**HMDA Aggregate % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2023	20.6	5.4	0	0.0	0	0.0
2024	20.8	5.6	0	0.0	0	0.0
Moderate						
2023	17.8	15.5	0	0.0	0	0.0
2024	17.9	13.4	1	4.8	535	4.3
Middle						
2023	21.2	23.5	1	20.0	640	19.1
2024	21.5	22.5	2	9.5	1,012	8.0
Upper						
2023	40.4	42.7	2	40.0	805	24.1
2024	39.8	44.8	12	57.1	7,983	63.4
NA						
2023	0.0	12.9	2	40.0	1,900	56.8
2024	0.0	13.7	6	28.6	3,067	24.4
Total						
2023	**100.0**	**100.0**	**5**	**100.0**	**3,345**	**100.0**
2024	**100.0**	**100.0**	**21**	**100.0**	**12,597**	**100.0**
Source: 2020 Census; Bank Data; 2023 2024 HMDA Aggregate Data *Due to rounding, totals may not equal 100.0%.*						

Small Business

As the following table demonstrates, the bank's lending to businesses with gross annual revenues of $1.0 million or less was below demographic indicators. However, D&B demographic data includes a significant proportion of very small businesses that are not credit-seeking or credit-worthy. Therefore, aggregate data for 2023 was referenced to obtain an understanding of actual credit opportunity within the AA. The bank's performance is generally in line with the level of penetration to small businesses that aggregate was able to attain; therefore, overall performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category PB WA AA					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<= $1,000,000					
2023	92.2	6	46.2	1,301	32.5
2024	92.2	7	63.6	4,176	69.9
> $1,000,000					
2023	2.4	7	53.9	2,704	67.5
2024	2.4	3	27.3	1,737	29.1
Revenue Not Available					
2023	5.4	0	0.0	0	0.0
2024	5.4	1	9.1	64	1.1
Total					
2023	**100.0**	**13**	**100.0**	**4,005**	**100.0**
2024	**100.0**	**11**	**100.0**	**5,977**	**100.0**

Source: 2023 & 2024 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.

MINNESOTA STATE – Full-Scope Review

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

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

The bank's Minnesota AA consists of Martin County, a Non-MSA, rural area in south-central Minnesota. The AA is unchanged from the prior evaluation. The bank's AA contains a single branch located in a middle-income CT.

The following sections provide select economic and demographic information, based on U.S. Census Data, D&B business data, labor statistics, and information from Moody's Analytics.

<u>Economic and Demographic Data</u>
The following table provides key demographic data for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**N/A* % of #**
Geographies (CTs)	7	0.0	14.3	71.4	14.3	0.0
Population by Geography	20,025	0.0	21.8	69.3	9.0	0.0
Housing Units by Geography	9,953	0.0	21.1	69.1	9.8	0.0
Owner-Occupied Units by Geography	6,484	0.0	14.9	74.9	10.2	0.0
Occupied Rental Units by Geography	2,340	0.0	43.9	50.4	5.7	0.0
Vacant Units by Geography	1,129	0.0	9.7	74.3	16.0	0.0
Businesses by Geography	2,202	0.0	28.8	62.9	8.2	0.0
Farms by Geography	419	0.0	4.5	90.2	5.3	0.0
Family Distribution by Income Level	5,452	19.6	21.0	22.0	37.4	0.0
Household Distribution by Income Level	8,824	23.8	19.3	18.7	38.2	0.0
Minnesota Non-MSA Median Family Income		74,737	Median Housing Value			$ 121,745
			Median Gross Rent			$670
			Families Below Poverty Level			9.2%
Source: 2020 Census And 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

According to D&B data, the AA's main economic drivers are agriculture, retail trade, public and healthcare services, and construction. The majority of businesses are small, operating from a single location with four or fewer employees. The area has a relatively low cost of living; however, limited opportunities in the area have resulted in a declining population in recent years. The area is designated as underserved/rural.

Unemployment in the AA has increased slightly over the review period and is generally in line with Minnesota's statewide averages, but below the national levels.

Minnesota Rated Area - Unemployment Rates			
Area	**2022**	**2023**	**2024**
	%	**%**	**%**
Martin County	2.4	2.8	2.9
Minnesota State Average	2.5	2.8	3.0
National Average	3.7	3.6	4.0
Source: Bureau of Labor Statistics			

Competition
There is a relatively low level of competition for financial services in the AA. According to the June 30, 2024, FDIC Deposit Market Share Report, 11 institutions operate 14 branches in the AA. Of these institutions, PB ranked last, with a deposit market share of 1.1 percent.

Credit Needs
Considering information from bank management and demographic data, small dollar consumer loans and flexible small farm and small business lending represent primary credit needs in the AA. Credit activities that support the provision of social services to the AA are also a need. Home lending does not represent a primary credit need of the AA.

SCOPE OF EVALUATION – MINNESOTA

As discussed under the overall Scope of Evaluation, home mortgage, small business, and consumer automobile loans were evaluated to develop Lending Test conclusions for the State of Minnesota. PB did not originate any home mortgage loans in the AA over the review period and only originated three small business loans in the AA in 2023 and no small business loans in the AA in 2024. This volume is insufficient to draw meaningful Lending Test conclusions for either the geographic distribution or borrower profile criteria. Also, opportunities for lending and the bank's strategic focus and operations in the AA are limited. Although Martin County and the City of Ceylon are small and rural communities in Minnesota, the primary credit need in the AA are consumer loans along with some limited demand for flexible small business loans. However, only consumer loans were evaluated in this AA

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

Lending test performance in Minnesota is reasonable; see the following sections for detail. Since the bank originated only one automobile loan in 2024, conclusions are based primarily on 2023 lending. After considering the credit needs of the AA and the number of consumer automobile loans originated in the AA, consumer automobile loans contribute all of the weight for the rated area's conclusions. The bank's lack of residential lending and minimal small business lending did not adversely impact the overall conclusions as there are limited opportunities for these types of loan products within the AA.

Geographic Distribution

As the table below demonstrates, only one automobile loan was originated within LMI geographies over the review period. This penetration is generally in line with demographic indicators. Additionally, the loans originated in middle-income tracts of the geography reflect favorably on the bank due to the middle-income CTs' designation as underserved. Overall, this performance is adequate.

Geographic Distribution of Consumer Loans PB MN AA					
Tract Income Level	**% of Households**	**#**	**%**	**$(000s)**	**%**
Low					
2023	0.0	0	0.0	0	0.0
2024	0.0	0	0.0	0	0.0
Moderate					
2023	22.6	1	16.7	12	20.3
2024	22.6	0	0.0	0	0.0
Middle					
2023	68.4	5	83.3	47	79.7
2024	68.4	1	100.0	23	100.0
Upper					
2023	9.0	0	0.0	0	0.0
2024	9.0	0	0.0	0	0.0
NA					
2023	0.0	0	0.0	0	0.0
2024	0.0	0	0.0	0	0.0
Total					
2023	**100.0**	**6**	**100.0**	**59**	**100.0**
2024	**100.0**	**1**	**100.0**	**23**	**100.0**
Source: 2020 Census; Bank Data. Due to rounding, totals may not equal 100.0%.					

Borrower Profile

As the below table demonstrates, the bank's 2023 penetration to low-income borrowers exceeded demographic indicators and penetration to moderate-income borrowers was in line with demographic indicators. This performance is adequate.

Distribution of Consumer Loans by Borrower Income Level PB MN AA					
Borrower Income Level	**% of Households**	**#**	**%**	**$(000s)**	**%**
Low					
2023	23.8	2	33.3	17	28.8
2024	23.7	0	0.0	0	0.0
Moderate					
2023	19.3	1	16.7	10	17.0
2024	19.3	0	0.0	0	0.0
Middle					
2023	18.7	3	50.0	32	54.2
2024	18.7	1	100.0	23	100.0
Upper					
2023	38.2	0	0.0	0	0.0
2024	38.3	0	0.0	0	0.0
NA					
2023	0.0	0	0.0	0	0.0
2024	0.0	0	0.0	0	0.0
Total					
2023	**100.0**	**6**	**100.0**	**59**	**100.0**
2024	**100.0**	**1**	**100.0**	**23**	**100.0**
Source: 2020 Census; Bank Data. *Due to rounding, totals may not equal 100.0%.*					

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Rating
Washington	Needs to Improve
Minnesota	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 institution under the requirements of the Community Reinvestment Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.
Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

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