

PUBLIC DISCLOSURE

February 23, 2026

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bridgewater Bank
Certificate Number: 58210

4450 Excelsior Boulevard
St. Louis Park, Minnesota 55416

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding 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	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
<i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

The following points summarize the bank’s Community Reinvestment Act (CRA) performance under the Lending, Investment, and Service Tests.

The Lending Test is rated Outstanding.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The institution originated a substantial majority of loans within its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects good penetration among businesses of different sizes.
- The institution exhibits a good 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 uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution is a leader in making community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community development needs.
- The institution makes significant use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's 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 portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The institution is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Bridgewater Bank (Bridgewater) is a full-service commercial bank headquartered in St. Louis Park, Minnesota. The bank is wholly owned by Bridgewater Bancshares, Inc., a publicly traded one-bank holding company also located in St. Louis Park, Minnesota. The bank is also affiliated with Bridgewater Investment Management, Inc., in Bloomington, Minnesota, a subsidiary established for the purpose of holding tax-exempt loans and investments. Bridgewater received an “Outstanding” rating at its January 31, 2023, FDIC Performance Evaluation based on Interagency Large Institution Examination Procedures.

Bridgewater operates nine full-service offices in Bloomington, Greenwood, Lake Elmo, Minneapolis (two), Minnetonka, Orono, St. Louis Park, and St. Paul, Minnesota. The bank also operates one limited-service office in Minneapolis and operates two onsite ATMs in Minneapolis and Minnetonka. Bridgewater relocated its downtown Minneapolis office in July 2023. In December 2024, the bank acquired First Minnetonka City Bank, which resulted in the acquisition of two full-service offices and ATMs in Minnetonka, Minnesota. Bridgewater subsequently closed one of these Minnetonka offices and an ATM in December 2025. In February 2026, Bridgewater opened its Lake Elmo office.

Bridgewater primarily offers commercial and residential lending, with an emphasis on investment property lending. The bank also offers some consumer lending products; however, on a limited basis. Since the previous evaluation, the bank entered into a referral arrangement to offer customers an option for long-term home mortgage loans and participates in various government-sponsored loan programs. Further details on loan programs that Bridgewater offers are presented in the Lending Test under the Innovative or Flexible Lending Practices section.

Bridgewater provides various consumer and commercial deposit products, including checking, savings, money market, individual retirement accounts, and certificates of deposit accounts. Alternative banking services include online banking, electronic bill pay and periodic statements, telephone banking, digital wallet, mobile banking, and a network of ATMs.

As of the December 31, 2025, Consolidated Reports of Condition and Income (Reports of Condition), the bank had total assets of approximately \$5.4 billion, total deposits of approximately \$4.3 billion, and total securities of approximately \$776.4 million. The bank’s loans totaled approximately \$4.3 billion, representing 79.7 percent of total assets. Total assets increased approximately 17.4 percent since the previous evaluation. Growth is primarily due to total loan growth, which increased approximately 17.0 percent since the previous evaluation.

Commercial loans, which include nonfarm nonresidential real estate loans and commercial and industrial loans, comprise 43.8 percent of the loan portfolio. Residential loans, which include 1-4 family and multifamily properties, comprise 46.7 percent of the loan portfolio. Commercial and residential loans were the primary drivers of the bank’s total loan growth. The following table illustrates the bank’s loan portfolio distribution.

Loan Portfolio Distribution as of December 31, 2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	230,484	5.4
Secured by Farmland	1,502	0.0
Secured by 1-4 Family Residential Properties	496,142	11.5
Secured by Multifamily (5 or more) Residential Properties	1,512,120	35.2
Secured by Nonfarm Nonresidential Properties	1,350,477	31.4
Total Real Estate Loans	3,590,725	83.5
Commercial and Industrial Loans	531,939	12.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	18,846	0.4
Obligations of State and Political Subdivisions in the U.S.	112,974	2.6
Other Loans	11,626	0.3
Lease Financing Receivable (net of unearned income)	43,407	1.0
Less: Unearned Income	(8,966)	(0.2)
Total Loans	4,300,551	100.0
<i>Source: Reports of Condition and Income</i>		

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 AREA

The CRA requires financial institutions to identify one or more assessment areas within which its CRA performance will be evaluated. Bridgewater continues to designate one assessment area comprised of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties in the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Metropolitan Statistical Area (MSA).

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area includes 49 low-, 172 moderate-, 323 middle-, and 229 upper-income census tracts, in addition to 11 census tracts without an income designation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % 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	375,801	4.4	19.7	40.1	34.9	0.9
Farms by Geography	3,170	1.2	10.0	47.4	41.1	0.3
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 - Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA	\$103,977	Median Housing Value		\$291,527		
		Median Gross Rent		\$1,168		
		Families Below Poverty Level		5.3%		
<i>Source: 2020 U.S. 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%.</i>						

According to 2024 D&B data, non-classifiable establishments represent the largest portion of business operations at 26.4 percent; followed by professional, scientific, and technical services at 11.4 percent; and other services (except public administration) at 7.6 percent. Additionally, 64.5 percent of assessment area businesses employ 4 or fewer employees, and 93.5 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 certain community development activities. The low-, moderate-, middle-, and upper-income categories for the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper >= 120%
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
<i>Source: FFIEC</i>				

Competition

The assessment area is highly competitive for financial services. According to 2025 FDIC Deposit Market Share data, 102 financial institutions operate 622 offices within the assessment area, of which Bridgewater is ranked 9th with 1.9 percent of the deposit market share. Additionally, there is significant demand and competition for small business loans in the assessment area, as indicated by aggregate CRA data. Specifically, in 2024, 168 lenders reported 70,326 small business loans originated in the assessment area. Bridgewater ranked 18th with 0.6 percent of the market share by number of loans. Further, there is strong competition and demand for home mortgage loans in the assessment area. According to 2024 aggregate Home Mortgage Disclosure Act (HMDA) data, 662 lenders reported 74,308 home mortgage loans in the assessment area, of which Bridgewater ranked 81st with 0.2 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 needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners reviewed two recently completed community contacts with representatives of organizations familiar with the assessment area.

The first contact stated that after the pandemic, the local economy was stationary. This was due to businesses having an influx of funds; therefore, they were not aggressively borrowing for a few years. Demand for financing has been steadily on the rise with some disruption due to recent economic uncertainty. The contact indicated the area includes start-up businesses as well as existing businesses that are expanding. The contact also noted that lending standards, regulatory limits, and credit education are challenges businesses and consumers face in the community. The contact confirmed community banks have opportunities to get involved with small business lending and identified small business loans as the primary credit need within the area. In addition, the contact also noted that local lenders have been responsive in helping to meet the credit needs of the area.

The second contact stated that economic conditions range from stable to a slight decline. The economy is transitioning from a higher interest rate environment to some decreasing interest rates, which is helpful. The contact further noted that there are opportunities for financial institutions to participate in various lending programs throughout the area; however, banking competition is very high within Hennepin County. The contact stated that community banks are most responsive and helpful to the needs of local small businesses.

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 needs and opportunities. Examiners concluded that small business lending, including loans to start-up businesses, and home mortgage lending, including affordable housing, represent the primary credit needs of the assessment area. Further, there is ample demand for this financing.

The affordable housing needs are both credit and community development needs within the assessment area, especially when considering the median housing value of \$291,527. Examiners confirmed that based on calculations derived from the average median housing value within the assessment area and industry-standard underwriting criteria, low- and moderate-income individuals are less likely to qualify for home mortgage loans due to a monthly mortgage payment that typically exceeds 30 percent of earned family income in addition to the down-payment requirements. The assessment area's community development needs include initiatives to provide affordable housing, promote economic development, revitalize and/or stabilize the low- and moderate-income geographies, and provide community services to meet the needs of low- and moderate-income individuals and areas.

SCOPE OF EVALUATION

General Information

This evaluation covered the period from the previous evaluation dated January 31, 2023, to the current evaluation dated February 23, 2026. Examiners used the Interagency Large Institution Examination Procedures, and considered activities conducted through the affiliated Bridgewater Investment Management, Inc., to evaluate Bridgewater's CRA performance under Lending, Investment, and Service Tests, as appropriate. The criteria for these tests are outlined in the Appendices. Banks must achieve at least a Low Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating.

Activities Reviewed

Examiners determined that the bank's primary product lines are commercial and home mortgage lending, with the latter primarily comprised of investment property loans. 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 on the bank's 2022, 2023, and 2024 CRA Loan Registers, per CRA data collection requirements. In addition, examiners reviewed home mortgage loans reported on the bank's 2022, 2023, and 2024 HMDA Loan Application Registers (LARs). Small business and home mortgage lending received equal weight in forming conclusions, as commercial and home mortgage lending are both primary credit focuses of the institution. Bridgewater did not originate any small farm loans during the evaluation period and agricultural lending is not a business focus of the bank; therefore, this loan type was not reviewed. Total loans reported and reviewed are detailed in the following table.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business				
2022	551	172,932	509	156,221
2023	394	123,601	365	112,170
2024	438	150,619	405	138,061
Home Mortgage				
2022	435	694,706	359	532,872
2023	237	142,830	191	115,188
2024	173	185,948	142	139,865

Source: 2022-2024 CRA Loan Registers and 2022-2024 HMDA LARs

CRA aggregate lending and D&B data for 2022, 2023, and 2024 provided a standard of comparison for small business loans reviewed. Additionally, 2022, 2023, and 2024 HMDA aggregate lending data and 2020 U.S. Census data provided a standard of comparison for the home mortgage loans reviewed. 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. Further, although both the number and dollar volume of loans were reviewed, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served.

Community development lending, qualified investments, and community development services were considered from the previous evaluation dated January 31, 2023, through the date of the current evaluation. Additionally, qualified investments made prior to the previous examination and still outstanding as of the current evaluation were considered. Examiners compared the bank’s level of community development activity to three similarly-situated institutions. Furthermore, delivery systems and retail banking services, including those targeting low- and moderate-income individuals, were reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Bridgewater demonstrated outstanding performance under the Lending Test. The bank’s performance under Lending Activity, Assessment Area Concentration, and Community Development Lending, with a significant emphasis on the bank’s continued focus on financing affordable housing, primarily supports this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. Bridgewater continues to be an active lender by originating a high volume of small business and home mortgage loans. Overall, the bank ranked 18th in market share among 168 small business lenders and 81st in market share among 662 home mortgage lenders according to 2024 CRA and HMDA aggregate lending data, respectively. Further review of 2024 HMDA aggregate lending data revealed that

Bridgewater ranked 4th in market share among 330 home mortgage lenders reporting investment property loans. The top three lenders are national mortgage companies.

Bridgewater is a leader in financing investment properties in which a significant amount provides affordable housing to low- and moderate-income individuals. Specifically, examiners’ review of Bridgewater’s 2024 HMDA data revealed that 40 percent, by dollar volume, of all HMDA lending represented multi-family loans that provide affordable housing to low- and moderate-income individuals. Additionally, more information on the bank’s significant affordable housing impact is discussed in the Community Development Lending section.

Bridgewater’s net loan-to-deposit ratio averaged 97.7 percent over the past 12 quarters from March 31, 2023, to December 31, 2025. The bank’s quarterly ratio remained consistently high throughout the review period, with some slight fluctuations, with its low ranging from 92.8 percent to its high at 105.2 percent. The average net loan-to-deposit ratio has increased since the previous evaluation when it was calculated at 95.0 percent.

Assessment Area Concentration

As detailed in the table below, Bridgewater makes a substantial majority of its loans inside the assessment area, which demonstrates a strong commitment to meeting the credit needs of the assessment area.

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		
	#	%	#	%		\$	%	\$	%	
Small Business										
2022	509	92.4	42	7.6	551	156,221	90.3	16,711	9.7	172,932
2023	365	92.6	29	7.4	394	112,170	90.8	11,431	9.2	123,601
2024	405	92.5	33	7.5	438	138,061	91.7	12,558	8.3	150,619
Subtotal	1,279	92.5	104	7.5	1,383	406,452	90.9	40,700	9.1	447,152
Home Mortgage										
2022	359	82.5	76	17.5	435	532,872	76.7	161,834	23.3	694,706
2023	191	80.6	46	19.4	237	115,188	80.6	27,642	19.4	142,830
2024	142	82.1	31	17.9	173	139,865	75.2	46,083	24.8	185,948
Subtotal	692	81.9	153	18.1	845	787,925	77.0	235,559	23.0	1,023,484
<i>Source: 2022-2024 CRA Loan Registers and 2022-2024 HMDA LARs Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the institution’s assessment area. While the bank’s home mortgage lending performance is good, examiners considered the bank’s adequate small business lending performance to determine the overall adequate conclusion under this criterion. Examiners focused on the percentage of lending by number of loans in low- and moderate-income geographies within the assessment area.

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 lending in low-income geographies is comparable to or slightly lower than demographic and aggregate data, while the bank's lending in moderate-income geographies is lower than both demographic and aggregate data. The distance from Bridgewater's offices to many of the low- and moderate-income geographies within the assessment area limits the bank's ability to penetrate these areas, especially when considering the level of competition already present. Specifically, examiners' review of Reports of Condition data filed by financial institutions confirmed that 156 financial institutions operate 25 offices in low-income geographies and 166 offices in moderate-income geographies within Bridgewater's assessment area. Further, examiners' review of 2024 CRA aggregate data confirmed that competing financial institutions with the highest market share of small business lending activity in low- and moderate-income geographies within Bridgewater's assessment area were large national banks. Despite strong competition, Bridgewater ranked 23rd in small business lending in low- and moderate-income geographies among 105 CRA data reporters according to 2024 CRA aggregate data. Examiners' review of 2023 and 2022 CRA aggregate data also revealed that Bridgewater ranked in the top 25 financial institutions for originating small business loans in low- and moderate-income geographies within its assessment area. Considering these factors, the bank's performance is adequate.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	CRA Aggregate % of #	#	%	\$(000s)	%
Low						
2022	4.4	3.7	8	1.6	2,782	1.8
2023	4.5	3.6	11	3.0	2,848	2.5
2024	4.4	3.3	8	2.0	3,274	2.4
Moderate						
2022	18.8	17.2	49	9.6	17,221	11.0
2023	19.3	17.3	40	11.0	13,631	12.2
2024	19.7	17.0	42	10.4	15,193	11.0
Middle						
2022	40.7	41.1	191	37.5	59,306	38.0
2023	40.5	40.5	113	31.0	34,659	30.9
2024	40.1	40.0	144	35.6	48,762	35.3
Upper						
2022	35.4	37.3	252	49.5	74,727	47.8
2023	34.8	37.9	193	52.9	59,362	52.9
2024	34.9	39.0	204	50.4	69,075	50.0
NA						
2022	0.8	0.7	9	1.8	2,185	1.4
2023	0.9	0.7	8	2.2	1,670	1.5
2024	0.9	0.7	7	1.7	1,757	1.3
Total						
2022	100.0	100.0	509	100.0	156,221	100.0
2023	100.0	100.0	365	100.0	112,170	100.0
2024	100.0	100.0	405	100.0	138,061	100.0
<i>Source: 2022-2024 CRA Loan Registers; 2022-2024 D&B Data; 2022-2024 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. This is supported through an analysis of the bank's non-owner occupied home mortgage lending, which comprises a significant portion of the bank's home mortgage lending activity. Specifically, of the bank's total 2022, 2023, and 2024 home mortgage lending, 98.1 percent, 94.2 percent, and 91.5 percent, respectively, were loans secured by non-owner occupied properties and/or extended to limited-liability corporations. As such, a review of owner-occupied home mortgage loan distribution would not result in meaningful conclusions given the limited number of loans. Therefore, examiners presented only non-owner occupied home mortgage loan performance.

The geographic distribution of non-owner occupied home mortgage loans reflects good penetration throughout the assessment area. Examiners measured the bank's performance against the percentage of occupied rental housing units (demographic data) and aggregate lending data of home mortgage loans secured by non-owner occupied properties in the assessment area.

As shown in the following table, the bank's home mortgage lending performance in both low- and moderate-income geographies is comparable to aggregate data, although slightly lower than demographic data. As stated previously, the bank's lending opportunities in low- and moderate-income geographies are impacted given the bank's office locations are distant to many of the assessment area's low- and moderate-income geographies, and there is strong competition as evidenced through review of Reports of Condition data. Despite strong competition, Bridgewater ranked 2nd, 2nd, and 4th, in non-owner occupied home mortgage lending in low- and moderate-income geographies according to 2022, 2023, and 2024 HMDA aggregate data, respectively. Bridgewater's high market share ranking further indicates the bank's commitment to lending in low- and moderate-income geographies in comparison to aggregate and was consistent throughout the evaluation period. Considering these factors, the bank's performance is good.

Geographic Distribution of Non-Owner Occupied Home Mortgage Loans						
Tract Income Level	% of Rental Occupied Housing Units	HMDA Aggregate % of #	#	%	\$(000s)	%
Low						
2022	11.3	7.6	23	6.5	34,649	6.6
2023	11.3	7.4	13	7.2	3,253	3.0
2024	11.3	7.7	11	8.5	8,633	6.7
Moderate						
2022	30.0	28.2	88	25.0	171,355	32.5
2023	30.0	26.0	45	25.0	16,204	14.9
2024	30.0	24.7	28	21.5	15,756	12.3
Middle						
2022	37.0	37.7	141	40.1	191,158	36.3
2023	37.0	39.8	73	40.6	24,471	22.4
2024	37.0	38.0	51	39.2	36,841	28.7
Upper						
2022	19.8	24.9	92	26.1	126,407	24.0
2023	19.8	25.7	48	26.7	65,136	59.7
2024	19.8	28.6	38	29.2	46,845	36.6
NA						
2022	1.9	1.7	8	2.3	3,548	0.7
2023	1.9	1.2	1	0.6	59	0.1
2024	1.9	1.0	2	1.5	20,090	15.7
Total						
2022	100.0	100.0	352	100.0	527,117	100.0
2023	100.0	100.0	180	100.0	109,123	100.0
2024	100.0	100.0	130	100.0	128,165	100.0
<i>Source: 2020 Census; 2022-2024 HMDA LARs(HMDA Filters: Occupancy Type=Investment Property); 2022-2024 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among businesses of different sizes throughout the institution’s assessment area. The bank’s small business lending performance primarily supports this conclusion as the home mortgage loan analysis did not result in meaningful conclusions. Examiners focused on the percentage of loans to businesses with gross annual revenues of \$1 million or less.

Small Business Loans

The distribution of borrowers reflects good penetration among businesses with gross annual revenues of \$1 million or less when compared to aggregate data, as illustrated in the following table. Bridgewater’s lending performance to businesses with gross annual revenues of \$1 million or

less was comparable to aggregate data throughout the evaluation period. Further, Bridgewater ranks 13th out of 117 CRA data reporters for loans originated to businesses with gross annual revenues of \$1 million or less according to 2024 CRA aggregate data. Additionally, the bank maintained a market share ranking within the top 15.0 percent of all CRA reporters for lending to businesses in this revenue category over the entire evaluation period. Review of CRA aggregate data over the evaluation period revealed that most of the CRA reporters that ranked higher than Bridgewater were large national institutions and credit card lenders. Considering lending is comparable to aggregate data and the bank’s consistent high market share ranking, overall performance is considered good.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	CRA Aggregate % of #	#	%	\$(000s)	%
<= \$1,000,000						
2022	90.0	50.0	256	50.3	72,500	46.4
2023	91.0	50.5	177	48.5	44,370	39.6
2024	90.3	50.0	202	49.9	61,585	44.6
> \$1,000,000						
2022	3.6	--	246	48.3	82,052	52.5
2023	3.3	--	182	49.9	65,457	58.4
2024	3.0	--	200	49.4	74,276	53.8
Revenue Not Available						
2022	6.5	--	7	1.4	1,669	1.1
2023	5.8	--	6	1.6	2,343	2.1
2024	6.7	--	3	0.7	2,200	1.6
Total						
2022	100.0	100.0	509	100.0	156,221	100.0
2023	100.0	100.0	365	100.0	112,170	100.0
2024	100.0	100.0	405	100.0	138,061	100.0
<i>Source: 2022-2024 D&B Data; 2022-2024 CRA Loan Registers; 2022-2024 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Home Mortgage Loans

Examiners use the Borrower Profile criterion to show the dispersion of loans to individuals of low-, moderate-, middle-, and upper-income. As previously stated, Bridgewater’s home mortgage lending focus is primarily for investment properties; therefore, a majority of the home mortgage loans were made to businesses and not consumers. According to the bank’s HMDA data from 2022-2024, only 52 loans in the combined universe of loans were to natural persons. Of these loans, 9 were low-income borrowers, 3 were moderate-income borrowers, 8 were middle-income borrowers, and 32 were upper-income borrowers. Since a majority of the loans are to businesses and there are a minimal number of loans to individuals of different income levels with regards to the universe, a review of the borrower profile criterion for home mortgage loans would not result in meaningful conclusions.

Innovative or Flexible Lending Practices

Bridgewater makes use of innovative and/or flexible lending practices in order to serve the assessment area's credit needs. The bank's programs primarily consist of flexible lending to aid small businesses through U.S. Small Business Administration (SBA) loan programs and increasing the availability of affordable housing units for low- and moderate-income individuals. Many of these programs require extra effort by bank personnel compared to conventional loans, ultimately assisting borrowers who might not otherwise qualify for credit through traditional banking products.

Small Business Loans & SBA Programs

Bridgewater continues to be an SBA Preferred Lender and originates loans under the SBA 7(a) loan program that provides flexibility to eligible borrowers and supports small businesses. This program includes flexible lending terms to assist start-up operations, expand operations, and foster job creation in the bank's assessment area. Oftentimes, these loans require extra effort and expertise by bank personnel. The bank originated 18 SBA loans totaling approximately \$12.5 million during the evaluation period.

Low Income Housing Tax Credits (LIHTC)

The bank continues to support lending for affordable housing projects throughout the assessment area through LIHTC funding. LIHTC funding helps the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. The bank originated 50 loans that qualified for LIHTCs totaling approximately \$460.6 million.

Forward Commitment Loan Program

This innovative program provides commercial borrowers with a commitment of permanent financing, upon the completion of construction of an affordable multi-family housing property. Loans originated through this program involve projects that qualify for LIHTCs. Under this program, borrowers are able to lock the interest rate and terms for the permanent financing phase, two years prior to permanent financing, as long as specified conditions are met. The bank originated 4 forward commitment loans totaling approximately \$40.1 million. The program requires significant effort and expertise by bank personnel.

Project GAP

The bank partners with the City of Minneapolis to offer gap financing to construct houses and townhomes. The program provides funds to close the gap between the total development cost and the fair market value once the project is completed and is secured by enrolling the property in a City-approved Perpetually Affordable Housing program or through a recapture note and mortgage. Upon completion of the project, the gap financing is forgiven. The bank originated 9 Project GAP-related loans totaling approximately \$1.3 million.

Historical Tax Credit

The bank continues to originate loans qualified for Historical Tax Credits. Historical tax credits encourage the preservation of historic buildings through tax laws that benefit qualifying historic preservation projects. Properties that qualify are those that are certified as a historic structure and meet the "substantial rehabilitation test." The bank originated 5 loans that qualified for Historical Tax Credits totaling approximately \$20.6 million.

Tax Increment Financing (TIF)

The bank partners with local governments to offer TIF loans to attract and retain economic development projects and businesses. The local TIF district designations help to attract and retain businesses, create jobs, foster infrastructure investment, and redevelop blighted areas. The bank originated 3 TIF loans totaling approximately \$19.7 million.

Community Development Loans

Bridgewater is a leader in community development lending. Specifically, the bank made 146 community development loans totaling \$533.8 million during the evaluation period. A majority of the community development loans were to promote affordable housing, as Bridgewater specializes in affordable housing initiatives throughout Minnesota, and is widely known as an industry leader in this area. The bank's community development lending continued to increase from the previous evaluation when the bank made 87 community development loans totaling \$486.0 million, of which \$34.8 million were SBA Paycheck Protection Program loans. Overall, Bridgewater's level of community development lending is significant and had significant impact on the Lending Test rating.

The dollar volume of the bank's community development loans represented 9.9 percent of its total assets and 12.6 percent of its net loans, as of December 31, 2025. Examiners compared the institution's ratio to three other large institutions with similar asset sizes and operations based in Minnesota; however, these institutions also operate outside of Minnesota and have more assessment area opportunities. The ratios of comparable institutions ranged from 5.8 to 20.6 percent of community development loans to total assets, and 7.2 to 28.3 percent of community development loans to net loans. Bridgewater's overall community development lending performance is within range of comparable institutions. However, Bridgewater's volume of community development lending was the highest by a significant margin with regards to the comparable banks' community development lending in Minnesota only. Specifically, when comparing the Minneapolis-St. Paul MSA assessment area community development totals, two of the comparable bank's community development lending ranged from \$142.2 to \$157.5 million in their respective similar Minneapolis-St. Paul MSA assessment areas. The third comparable bank provided only overall State of Minnesota community development loan figures, which totaled approximately \$284.2 million. This comparison further demonstrates Bridgewater's leadership and excellent responsiveness to the community development lending needs and opportunities in its assessment area and broader statewide area, particularly considering critical needs for affordable housing.

Bridgewater's community development lending by assessment area, loan purpose, and year are illustrated in the following tables. The tables include 29 loans totaling \$115.5 million that benefited the broader statewide or regional area. The bank received credit for these loans because it demonstrated excellent responsiveness to the assessment area credit needs. Some examples of regional community development lending include a \$23.5 million loan to finance the purchase of a 240-unit affordable housing complex in Wisconsin, and two loans totaling \$5.3 million for a 96-unit affordable housing complex in South Dakota. The South Dakota project, among others financed by Bridgewater, is through the LIHTC program.

Community Development Lending by Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	116	416,207	0	0	1	2,050	0	0	117	418,257
Broader Statewide or Regional Area	29	115,519	0	0	0	0	0	0	29	115,519
Total	145	531,726	0	0	1	2,050	0	0	146	533,776
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2023	25	41,574	0	0	0	0	0	0	25	41,574
2024	51	197,847	0	0	1	2,050	0	0	52	199,897
2025	68	291,213	0	0	0	0	0	0	68	291,213
2026 Year-to-Date	1	1,092	0	0	0	0	0	0	1	1,092
Total	145	531,726	0	0	1	2,050	0	0	146	533,776
<i>Source: Bank Data</i>										

The following are some examples of the bank’s community development lending within its assessment area.

- In 2024, the bank originated an approximate \$2.0 million dollar SBA 7(a) loan to purchase a health care business with locations in Minnesota and Wisconsin. This financing helps promote economic development in the assessment area by supporting a small business and facilitating job retention and creation for low- and moderate-income individuals.
- In 2024, the bank originated three loans totaling approximately \$39.5 million to finance the acquisition, rehabilitation, and construction of a 253-unit affordable housing project in Minneapolis. This project was 100 percent LIHTC-eligible, and all units have income restrictions, including some designated as Housing Support Units, and others designated as Section 8. This loan helps create and maintain affordable housing in the assessment area and is also located in a low-income census tract.
- In 2025, the bank originated two loans totaling approximately \$10.1 to finance the purchase and rehabilitation of a 128-unit and a 72-unit affordable housing apartment complex in Minneapolis, Minnesota. All of the units have designated rents below the U.S. Department of Housing and Urban Development’s Fair Market Rents. These loans help create affordable housing in the assessment area and the housing units are also located in a moderate-income census tract.

INVESTMENT TEST

Bridgewater demonstrated high satisfactory performance under the Investment Test, which is supported by the bank’s performance under all evaluated criteria.

Investment and Grant Activity

Bridgewater made a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. Specifically, Bridgewater made 108 qualified investments totaling approximately \$33.8 million. This total includes 34 qualified equity investments of approximately \$33.0 million and 74 donations totaling approximately \$712,000. The bank’s investments increased by dollar amount from the previous evaluation, during which time the bank made 125 qualified investments totaling approximately \$24.6 million. Specifically, Bridgewater’s qualified investments increased 37.2 percent by dollar volume, which is more than double the percentage increase in the bank’s total assets of 17.4 percent.

In total, the bank’s investments represent 0.6 percent of total assets and 4.4 percent of total securities. The ratios of comparable institutions ranged from 0.7 to 1.1 percent of community development investments to total assets, and 3.3 to 8.9 percent of community development investments to total securities. While Bridgewater’s performance as a percentage of total assets is the lowest of the comparables, its performance as a percentage of total securities is within range of the comparables. Overall, Bridgewater’s level of qualified community development investments and grants is considered significant as the dollar amount increased since the previous evaluation, and performance is considered similar to the comparable institutions, especially considering the comparables’ additional assessment area opportunities.

Of the 108 qualified investments and donations, 22 totaling approximately \$9.5 million benefited a broader statewide or regional area. An example of qualified investments that benefited the broader statewide area include 3 municipal bonds totaling approximately \$2.7 million to fund improvements for a school district that primarily serves low- and moderate-income families. The following tables illustrate the community development investments by assessment area, purpose, and year.

Community Development Qualified Investments by Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	37	11,964	40	703	6	11,000	3	630	86	24,297
Broader Statewide or Regional Area	9	1,282	5	3,173	2	2,000	6	3,027	22	9,482
Total	46	13,246	45	3,876	8	13,000	9	3,657	108	33,779
<i>Source: Bank Data</i>										

Community Development Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	12	7,629	1	367	6	8,000	6	2,925	25	18,921
2023	0	0	0	0	1	2,000	0	0	1	2,000
2024	1	5,250	1	429	0	0	2	727	4	6,406
2025	0	0	3	2,740	0	0	0	0	3	2,740
2026 Year-to-Date	0	0	0	0	1	3,000	0	0	1	3,000
Subtotal	13	12,879	5	3,536	8	13,000	8	3,652	34	33,067
Qualified Grants & Donations	33	367	40	340	0	0	1	5	74	712
Total	46	13,246	45	3,876	8	13,000	9	3,657	108	33,779

Source: Bank Data

The following are some examples of the bank’s qualified community development investments within its assessment area.

Equity Investments

- *Affordable Housing Fund* – In 2024, the bank committed \$5.3 million of equity capital financing into an affordable housing fund. The fund is a program that aims to retain and maintain affordable housing so that residents will continue to have a safe and affordable place to live, and to prevent an increase in homelessness. Buildings must be multi-family with at least 4 housing units and have rent that is affordable to very low-income individuals, focusing on designating a majority of the units for households earning less than 60 percent of the Area Median Income. Bridgewater’s investment in this innovative housing program is designed to finance the acquisition of properties and preserve long-term affordability.
- *Small Business Investment Corporation (SBIC) Investment* – In 2026, the bank invested \$3.0 million into a local Minnetonka, Minnesota capital company that invests in SBICs. This investment helps promote economic development through job growth for small businesses.

Donations

- *Community Services Nonprofit Organization* – The community services nonprofit organization is the largest and most comprehensive family-focused homeless shelters located in Minneapolis, Minnesota. This nonprofit organization focuses on supporting families who are experiencing housing instability by providing shelter, early childhood education, housing stabilization, and systems change. The organization helps provide community services for low- and moderate-income individuals and families. The bank made multiple donations totaling \$23,000 to this organization during the evaluation period.
- *Affordable Housing Nonprofit Organization* – This Twin Cities organization supports affordable housing for low- and moderate-income individuals and families in the assessment

area. The bank made multiple donations totaling over \$50,000 to this organization during the evaluation period.

Responsiveness to Credit and Community Development Needs

Bridgewater exhibits overall good responsiveness to credit and community development needs through investment activity. The bank made significant investments in affordable housing and economic development initiatives throughout its assessment area and broader statewide or regional area. The bank also donated to community service organizations and provided investments that revitalize and stabilize low- and moderate-income neighborhoods.

Community Development Initiatives

Bridgewater makes significant use of innovative or complex investments to support community development initiatives. The bank is active in generating affordable housing in the assessment area through various municipal bond investments and by making a noteworthy investment into an affordable housing equity fund, which is both an innovative and complex investment. Additionally, Bridgewater extensively supports SBICs through local capital company investments, which helps provide financing for small businesses in an innovative way. Further, the bank was a major contributor to the Federal Home Loan Bank (FHLB) Impact Fund, a matching grant initiative focused on strengthening affordable housing and community development efforts in Minnesota. Bridgewater continues to make annual contributions to this fund to various community development-focused nonprofits. The Member Impact Fund provides \$3 in matching funds to every \$1 contributed. In 2025, Bridgewater in partnership with FHLB awarded over \$800,000 to 23 local nonprofits in Minnesota.

SERVICE TEST

Bridgewater demonstrated high satisfactory performance under the Service Test. The combined performance under Accessibility of Delivery Systems, Reasonableness of Business Hours and Services, and Community Development Services supports this assessment.

Accessibility of Delivery Systems

Bridgewater's delivery systems are reasonably accessible to essentially all geographies and individuals of different income levels in its assessment area. The bank's delivery systems include nine full-service facilities, one detached limited-service facility, two on-premises ATMs, as well as alternative delivery methods, as described previously. The detached limited-service facility in Minneapolis is in a moderate-income geography, which is also adjacent to a Minneapolis branch near the moderate-income geography. The bank continues to be part of the MoneyPass Program. This program provides customers with access to a network of nationwide surcharge-free ATMs, of which many ATMs are available throughout the bank's assessment area, including in low- and moderate-income geographies.

Bridgewater offers a no-cost checking account and a lower-cost savings account with low or no monthly service fees, which is particularly beneficial for low- and moderate-income individuals. The bank also offers a checking account for nonprofit organizations that has no minimum balance requirement, no monthly maintenance fee, and no cash processing fees. The following table

outlines the distribution of branches and the bank-owned ATMs throughout the assessment area in comparison to the census tracts and population based on tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches*		ATMs	
	#	%	#	%	#	%	#	%
Low	49	6.3	182,113	5.8	0	0.0	0	0.0
Moderate	172	21.9	656,171	20.7	1	10.0	0	0.0
Middle	323	41.2	1,324,486	41.9	3	30.0	0	0.0
Upper	229	29.2	972,099	30.7	6	60.0	2	100.0
NA	11	1.4	28,235	0.9	0	0.0	0	0.0
Total	784	100.0	3,163,104	100.0	10	100.0	2	100.0

*Source: 2020 U.S. Census Data; Bank Data. *Includes full-service and limited-service deposit-taking facilities*

Changes in Branch Locations

To the extent changes have been made, 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 to low- and moderate-income individuals. Since the previous evaluation, the bank acquired two branches and ATMs in Minnetonka through a bank acquisition, which were located in middle- or upper-income geographies, and one of which was subsequently closed. Additionally, the bank opened a new branch in Lake Elmo in a middle-income geography. Lastly, the bank relocated a Minneapolis branch a very short distance of approximately 1,000 feet. Overall, these changes did not adversely affect the accessibility of the bank’s delivery systems due to the close proximity of the other branches.

Reasonableness of Business Hours and Services

Overall, services do not vary in a way that inconveniences the bank’s assessment area, particularly low- and moderate-income geographies and individuals. Branch hours provide easy access to personalized services, while electronic and telephone banking provide convenient 24-hour access to account information. Although Bridgewater does not have office hours on Saturdays, lobby hours are generally comparable to other financial institutions operating in the assessment area.

Bridgewater 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. The interest generated from IOLTAs is donated to the Minnesota Lawyer Trust Account Board to provide legal assistance to low- and moderate-income individuals. 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, Bridgewater had a total of 65 IOLTAs and 81 IORETAs benefiting the State of Minnesota.

Community Development Services

Bridgewater is a leader in providing community development services. The bank continues to provide community development services primarily through teaching financial literacy courses at

schools where the majority of students qualify to receive free- or reduced-cost lunch. Further, several employees serve on the Board of Directors and various committees for affordable housing or community service organizations throughout the assessment area. These organizations assist in meeting identified community development needs.

Since the previous evaluation, bank employees provided 216 instances of financial expertise or technical assistance totaling over 2,000 hours to community development organizations in the assessment area. The number of community development services has increased since the previous evaluation, during which time the bank reported 145 community development services. Additionally, Bridgewater’s level of community development services exceeded all of the comparable institutions with services ranging from 101 to 187 qualified activities. The following table illustrates the bank’s qualified services by purpose and year, all of which were within the bank’s assessment area.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2023	1	54	0	32	87
2024	1	120	0	0	121
2025	2	6	0	0	8
Total	4	180	0	32	216
<i>Source: Bank Data</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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.

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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

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

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

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

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

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

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.