

PUBLIC DISCLOSURE

January 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Manufacturers Bank & Trust Company
Certificate Number: 16307

245 East J Street
Forest City, Iowa 50436

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

Manufacturers Bank & Trust Company's (MBT Bank) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the rating. The following points summarize MBT Bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of small business, small farm, and home mortgage loans are inside the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion in the assessment areas reviewed.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of differing revenue sizes, as well as individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

MBT Bank is a community bank headquartered in Forest City, Iowa. The bank is wholly owned by MBT Corporation in Forest City, Iowa. MBT Bank received a “Satisfactory” rating at its February 4, 2021 FDIC CRA Performance Evaluation. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the bank’s performance at that evaluation. MBT Bank operates ten full-service offices in Iowa and Minnesota. There are no lending affiliates.

In September 2021, MBT Bank merged with Citizens State Bank of Hayfield, Minnesota, and Farmers and Merchants State Bank of Blooming Prairie, Minnesota, which resulted in the acquisition of five Minnesota branches. There have been no branch closings since the prior evaluation. The following table details the bank’s office locations.

MBT Bank Office Locations				
Location	Address	County	Census Tract	Income Category
Iowa				
Clear Lake	1919 Highway 18 East, Clear Lake, Iowa	Cerro Gordo	9508	Middle
Clear Lake	300 1 st Avenue North, Clear Lake, Iowa	Cerro Gordo	9508	Upper
Forest City (main)	245 East J Street, Forest City, Iowa	Winnebago	6803	Middle
Lake Mills	106 West Main Street, Lake Mills, Iowa	Winnebago	6801	Middle
Minnesota				
Austin*	607 North Main Street, Austin, Minnesota	Mower	4.10	Low
Blooming Prairie*	245 East Main Street, Blooming Prairie, Minnesota	Steele	9608	Middle
Dodge Center*	42 West Main Street, Dodge Center, Minnesota	Dodge	9502	Middle
Hayfield*	216 1st Avenue Northeast, Hayfield, Minnesota	Dodge	9504	Middle
Mantorville*	402 North Main Street, Mantorville, Minnesota	Dodge	9501	Upper
Rochester	4408 West Frontage Road, Rochester, Minnesota	Olmsted	14.02	Upper
*branch addition from mergers				

MBT Bank offers a variety of traditional credit products, including commercial, home mortgage, agricultural, and consumer loans. Commercial lending at 32.9 percent of the loan portfolio, agricultural lending at 30.3 percent, and residential loans at 26.0 percent are the bank’s primary focus. MBT Bank utilizes special financing alternatives offered through the Small Business Administration (SBA), U.S. Department of Agriculture, Farm Service Agency, Federal Housing Authority, Veterans Administration, Iowa Agricultural Development Authority, Fannie Mae, and the Federal Home Loan Bank. In response to the COVID-19 pandemic, MBT Bank participated in the SBA’s Paycheck Protection Program (PPP) to assist agricultural and business entities. A variety of deposit products are offered, including checking, savings, money market, certificate of deposit, individual retirement, and health savings accounts. Alternative banking products or services include internet and mobile banking, as well as full-service ATMs at the Forest City, Lake Mills, Clear Lake, Austin, Blooming Prairie, Hayfield, Dodge Center, and Mantorville locations.

As of the September 30, 2023 Reports of Condition and Income (Call Report), the institution reported total assets of \$743.5 million; total loans of \$513.2 million; and total deposits of \$611.2 million. Portfolio concentrations have remained generally consistent over the review period. The following table illustrates the composition of the loan portfolio.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	41,123	8.0
Secured by Farmland	90,771	17.7
Secured by 1-4 Family Residential Properties	99,799	19.5
Secured by Multifamily (5 or more) Residential Properties	33,281	6.5
Secured by Nonfarm Nonresidential Properties	86,142	16.8
Total Real Estate Loans	351,116	68.5
Commercial and Industrial Loans	82,579	16.1
Agricultural Production and Other Loans to Farmers	65,091	12.6
Consumer Loans	12,309	2.4
Obligations of State and Political Subdivisions in the U.S.	0	0
Other Loans	2,145	0.4
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	(12)	(0)
Total Loans	513,228	100
<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 the credit or community development needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. MBT Bank has designated three assessment areas, one in Iowa and two in Minnesota. The Iowa Assessment Area is located in northern Iowa; and the Rochester Metropolitan Statistical Area (MSA) Assessment Area and Nonmetropolitan Minnesota Assessment Area are both located in southeast Minnesota. The Iowa Assessment Area has not changed since the previous evaluation and continues to include all of Hancock and Winnebago counties, and portions of Cerro Gordo and Worth counties. However, the assessment areas in Minnesota changed as a result of the two mergers and acquisitions. Specifically, the Rochester MSA Assessment Area continues to consist of all of Olmsted County and was expanded to include all of Dodge County. The Nonmetropolitan Minnesota Assessment Area is new, and includes portions of Freeborn, Mower, and Steele counties. Refer to the discussion regarding each individual assessment area for detailed information.

The CRA also requires regulatory agencies to assign a rating in each state where the bank operates. Examiners assigned ratings for the states of Iowa and Minnesota. MBT Bank's state ratings were considered in assigning the overall CRA rating. The following table presents a brief description of each assessment area, showing the counties, number of census tracts, and number of offices. Refer to the rated areas and individual assessment areas for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Iowa	Cerro Gordo (portion), Hancock, Winnebago, Worth (portion)	11	4
Rochester MSA	Dodge, Olmsted	40	4
Nonmetropolitan Minnesota	Freeborn (portion), Mower (portion), Steele (portion)	11	2
Source: Bank Data			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated February 4, 2021, to the current evaluation dated January 18, 2024. Examiners used Intermediate Small Institution Examination Procedures, which includes a Lending Test and Community Development Test. Refer to the Appendices for a description of these tests.

Examiners used full-scope procedures to assess MBT Bank's performance in all three assessment areas. The Iowa and Rochester MSA assessment areas' performance conclusions received equal weight in the overall CRA evaluation, given loan volume, followed by the Nonmetropolitan Minnesota Assessment Area. The following table reflects the distribution of reported loans, deposits, and office locations in each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Iowa	227,044	43.6	355,721	55.1	4	40.0
Rochester MSA	221,413	42.5	191,178	29.7	4	40.0
Nonmetropolitan Minnesota	72,364	13.9	98,312	15.2	2	20.0
Minnesota Subtotal	293,777	56.4	289,490	44.9	6	60.0
Total	520,821	100.0	645,211	100.0	10	100.0
Source: Bank Data; FDIC Summary of Deposits 6/30/2023						

Activities Reviewed

MBT Bank's primary lending products are commercial, agricultural, and home mortgage loans. Examiners based this conclusion on the bank's business strategy, loan portfolio distribution, and number and dollar volume of loans originated or renewed during the evaluation period. As such, small business, small farm, and home mortgage lending were reviewed to evaluate the bank's performance. Other loan products, such as consumer loans, do not represent major product lines. Examiners did not review any other loan products, as they would not provide material support for conclusions or the rating.

Examiners reviewed all small business and small farm loans originated between January 1, 2022, and December 31, 2022, and all home mortgage loans reported on the bank's 2020, 2021, and 2022 HMDA Loan Application Registers. Although examiners reviewed all three years of HMDA data,

examiners did not note any material differences between the three years affecting conclusions. Therefore, this evaluation only presents the bank's 2022 HMDA data, the most recent year aggregate HMDA data is available.

For the Assessment Area Concentration analysis, examiners reviewed all small business, small farm, and home mortgage loans originated and purchased during 2022 based on the assessment areas in effect after the mergers and acquisitions. However, the analysis of home mortgage loans for 2020 and 2021 involved the assessment areas in effect prior to the mergers and acquisitions. For the Geographic Distribution analysis, examiners reviewed all small business, small farm, and home mortgage loans originated or purchased during 2022 in the two Minnesota assessment areas. The Iowa Assessment Area does not contain any low- or moderate-income census tracts so a Geographic Distribution analysis was not conducted. For the Borrower Profile analysis, examiners reviewed a sample of small business and small farm loans, and all home mortgage loans, originated or purchased during 2022 from inside the assessment areas. The following table provides universe and sample information.

Loan Products Reviewed						
Loan Category	Universe		Universe Inside Assessment Areas		Sample Inside Assessment Areas	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Small Farm	518	76,949	383	57,248	63	9,005
Small Business	567	56,676	461	47,463	65	7,136
Home Mortgage	1,181	210,915	840	150,190	N/A	N/A
<i>Source: Bank Data</i>						

Based on portfolio percentages, lending activity, and management's stated business focus, examiners placed equal weight on all three loan products across the three assessment areas when arriving at overall conclusions, except where noted. For small business and small farm conclusions, 2022 D&B data provided a standard of comparison. When arriving at home mortgage conclusions, 2020 U.S. Census data and HMDA aggregate data provided a standard of comparison. Examiners primarily focused on lending performance to aggregate data since it is typically a better indicator of market conditions and loan demand. Examiners obtained the data necessary for this evaluation from loan data, customer loan files, and interviews with bank management. Examiners analyzed lending performance by both the number and dollar volume of loans; however, the performance by number of loans was emphasized as it is generally a better indicator of the number of businesses, farms, and individuals served.

For the Community Development Test, examiners reviewed management-presented data on community development loans, qualified investments, and community development services provided since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MBT Bank demonstrated satisfactory performance under the Lending Test. The bank's reasonable Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile

performance supports this conclusion. Satisfactory Lending Test performances in Iowa and Minnesota also supports this conclusion.

Loan-to-Deposit Ratio

MBT Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. The ratio, calculated from Call Report data, averaged 73.2 percent from March 31, 2021, to September 30, 2023. The net loan-to-deposit ratio ranged from a high of 83.0 percent as of September 30, 2023, to a low of 65.5 percent as of June 30, 2022. The ratio generally declined from the beginning of the review period to early 2022, and then steadily rose to the end of the period. The growth rate of total deposits outpaced the loan growth during the first half of the evaluation period due to customers retaining PPP loans and stimulus funds.

Examiners compared MBT Bank's average net loan-to-deposit ratio with those of three similarly-situated institutions to evaluate the bank's performance. Examiners selected these institutions based on their similarities in lending focus, asset size, and markets served. As shown in the following table, the bank's ratio is in line with the selected banks.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
MBT Bank, Forest City, Iowa	743,497	73.2
Clear Lake Bank and Trust Company, Clear Lake, Iowa	550,990	72.7
NSB Bank, Mason City, Iowa	425,211	73.1
Premier Bank Minnesota, Hastings, Minnesota	646,388	83.9
<i>Source: Reports of Condition and Income 03/31/2021 – 09/30/2023</i>		

MBT Bank originates home mortgage loans that are subsequently sold through secondary market relationships; these loans are not included in the loan-to-deposit ratio. The bank sold 565 loans totaling approximately \$98.5 million on the secondary market during the evaluation period. While the sale of secondary market loans does not influence the average net loan-to-deposit ratio, this activity provides liquidity to originate additional home mortgage loans.

Assessment Area Concentration

MBT Bank extended a majority of its small business, small farm, and home mortgage loans inside its assessment areas, by number and dollar amount. These results reflect management's commitment to lend within the local communities. See the following table.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020*	380	70.8	157	29.2	537	65,150	70.6	27,165	29.4	92,315
2021*	269	70.6	112	29.4	381	52,585	73.4	19,070	26.6	71,655
2022	191	72.6	72	27.4	263	32,455	69.1	14,490	30.9	46,945
Subtotal	840	71.1	341	28.9	1,181	150,190	71.2	60,725	28.8	210,915
Small Business	461	81.3	106	18.7	567	47,463	83.7	9,213	16.3	56,676
Small Farm	383	73.9	135	26.1	518	57,248	74.4	19,701	25.6	76,949
Source: Bank Data. *2020-2021 based on assessment area delineations prior to the bank mergers. Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects overall reasonable dispersion throughout both Minnesota assessment areas. Examiners focus on the percentage by number of loans in low- and moderate-income census tracts in evaluating this criterion. No geographic analysis was conducted in the Iowa Assessment Area, as there are no low- or moderate-income census tracts. Refer to the Rochester MSA and Nonmetropolitan Minnesota sections for additional details on the bank's performance.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of differing revenue sizes, as well as individuals of different income levels. The institution's overall reasonable lending performance in the Iowa and Rochester MSA assessment areas primarily supports this conclusion. Examiners focused on the percentage, by number of loans, to businesses and farms with gross annual revenues of \$1 million or less, as well as low- and moderate-income home mortgage borrowers. Refer to each separately analyzed assessment area for additional details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

MBT Bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. MBT Bank's activities support community development primarily through economic development efforts; the bank also provided support for affordable housing, community services targeted to low- and moderate-income individuals, and efforts to revitalize or stabilize low- and moderate-income areas. Since the bank was responsive to the community development needs in its assessment areas, community development activities benefiting regional and statewide areas that included the bank's assessment areas were considered in the analysis.

Information from performance evaluations of six intermediate small institutions conducted during the evaluation period was used for comparative purposes under the Community Development Test. These institutions were chosen due to similarities in asset size, business focus, and types of areas served. Overall, MBT Bank's performance compared reasonably to the performance of these institutions when considering the community development opportunities in the assessment areas.

Community Development Loans

MBT Bank originated 720 community development loans totaling approximately \$35.7 million during the evaluation period. The majority of these loans resulted from lending conducted as part of the SBA's PPP, which helped businesses and farms as they struggled with the impact of the COVID-19 Pandemic. Specifically, 646 PPP loans totaling approximately \$13.2 million were extended during the review period. MBT Bank extended loans to entities in an effort to support economic development, revitalization and stabilization efforts, affordable housing, and community services.

MBT Bank's total community development loans represent 7.0 percent of net loans and 4.8 percent of total assets, as of September 30, 2023. Comparable institutions with PPP loans ranged from 6.2 percent to 15.9 percent of net loans, and 4.7 percent to 8.6 percent of total assets. MBT Bank's percentages are in line with the comparable banks. The following tables reflect the number and dollar volume of community development lending in each category by assessment area and activity year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Iowa	0	0	0	0	293	17,243	0	0	293	17,243
Rochester MSA	1	558	0	0	153	3,525	3	1,977	157	6,060
Nonmetropolitan Minnesota	4	2,095	1	173	136	5,340	1	44	142	7,652
Iowa Statewide	1	116	0	0	32	422	0	0	33	538
Minnesota Statewide	0	0	0	0	84	4,056	0	0	84	4,056
Regional	0	0	0	0	11	141	0	0	11	141
Total	6	2,769	1	173	709	30,727	4	2,021	720	35,690
<i>Source: Bank Data</i>										

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021 (Partial)	2	674	0	0	7	1,459	3	1,977	12	4,110
2022	3	1,995	0	0	666	20,391	0	0	669	22,386
2023	1	100	1	173	36	8,877	1	44	39	9,194
2024 (Year-to-Date)	0	0	0	0	0	0	0	0	0	0
Total	6	2,769	1	173	709	30,727	4	2,021	720	35,690
<i>Source: Bank Data</i>										

Qualified Investments

MBT Bank made 32 qualified investments totaling approximately \$4.3 million during the evaluation period. Qualified investment activity included 19 donations totaling approximately \$15,000, with the rest being comprised of qualifying bond purchases. The majority of the investment activity was centered in community services, as well as investments that provided affordable housing or helped revitalize or stabilize low- and moderate-income geographic areas. As the bank was responsive to the assessment areas' community development needs, regional and statewide activities received consideration. MBT Bank's qualified investments represent 0.6 percent of total assets and 2.5 percent of total securities as of September 30, 2023. Comparable institutions reported qualifying investment activity that ranged from 0.3 to 1.0 percent of total assets and 1.2 to 3.7 percent of total securities. MBT Bank's percentages are in line with the comparable banks. Since the bank adequately served its assessment areas, 13 qualifying investments from the broader statewide and regional areas were given consideration. See the following tables.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Iowa	6	5	4	3	0	0	0	0	10	8
Rochester MSA	0	0	6	6	0	0	0	0	6	6
Nonmetropolitan Minnesota	0	0	3	1	0	0	0	0	3	1
Iowa Statewide	0	0	10	3,304	0	0	0	0	10	3,304
Minnesota Statewide	1	445	1	295	0	0	0	0	2	740
Regional	0	0	0	0	0	0	1	230	1	230
Total	7	450	24	3,609	0	0	1	230	32	4,289
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	1	445	10	3,264	0	0	1	230	12	3,939
2021 (Partial)	0	0	1	335	0	0	0	0	1	335
Subtotal	1	445	11	3,599	0	0	1	230	13	4,274
Grants & Donations	6	5	13	10	0	0	0	0	19	15
Total	7	450	24	3,609	0	0	1	230	32	4,289
<i>Source: Bank Data</i>										

Community Development Services

MBT Bank provided 87 community development services that consisted of providing support to organizations that promote economic development, affordable housing, or community services efforts in the assessment areas. Personnel provided technical or financial expertise to 42 different over the review period, primarily in a Board or Executive member capacity. MBT Bank's performance compares favorably to the comparable institutions that range from 26 to 87 services. The following tables illustrate the bank's community development services by assessment area and activity year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Iowa	4	24	30	0	58
Rochester MSA	0	8	13	0	21
Nonmetropolitan Minnesota	0	2	6	0	8
Total	4	34	49	0	87
<i>Source: Bank Data</i>					

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	2	7	12	0	21
2022	0	13	19	0	32
2023	2	14	18	0	34
2024 (Year-to-Date)	0	0	0	0	0
Total	4	34	49	0	87
<i>Source: Bank Data</i>					

MBT Bank offers alternative banking services that are readily available throughout the assessment areas, including to low- and moderate-income individuals. These include services such as online

and mobile banking, bill pay, and electronic statements. Additionally, the bank introduced a new “GoSimple” no- or low-fee checking account. The bank utilizes special financing alternatives through multiple government programs. These programs are generally designed to assist small business, small farm, and individuals that may not qualify for loans through conventional financing methods. Lastly, the Austin, Dodge Center, and Rochester offices are located in or nearby low- or moderate-income areas. Retail banking services and loan programs are consistent amongst all of MBT Bank’s assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF IOWA – Full-Scope Review

CRA RATING FOR IOWA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN IOWA ASSESSMENT AREA

The Iowa Assessment Area is nonmetropolitan and includes all of Hancock and Winnebago counties, and a portion of Cerro Gordo and Worth counties. MBT Bank operates four full-service offices within the Iowa Assessment Area, which are located in Clear Lake (two branches), Forest City, and Lake Mills.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area consists of 11 census tracts, which include nine middle- and two upper-income census tracts. The following table illustrates the selected demographic characteristics of this assessment area.

Demographic Information of the Iowa Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	0.0	81.8	18.2	0.0
Population by Geography	34,168	0.0	0.0	81.1	18.9	0.0
Housing Units by Geography	17,911	0.0	0.0	77.0	23.0	0.0
Owner-Occupied Units by Geography	11,665	0.0	0.0	81.4	18.6	0.0
Occupied Rental Units by Geography	3,323	0.0	0.0	76.0	24.0	0.0
Vacant Units by Geography	2,923	0.0	0.0	60.5	39.5	0.0
Businesses by Geography	4,427	0.0	0.0	76.8	23.2	0.0
Farms by Geography	777	0.0	0.0	79.2	20.8	0.0
Family Distribution by Income Level	9,550	16.1	18.5	22.6	42.8	0.0
Household Distribution by Income Level	14,988	20.6	16.6	18.1	44.8	0.0
Median Family Income - Nonmetropolitan Iowa		\$71,763	Median Housing Value			\$133,875
			Median Gross Rent			\$633
			Families Below Poverty Level			5.6%
Source: 2020 U.S. Census and 2022 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%						

According to D&B data, service industries represent the largest portion of businesses, by number, at 28.8 percent; followed by non-classifiable establishments at 19.4 percent; and agriculture, forestry, and fishing at 14.9 percent. Additionally, 67.2 percent of businesses in the assessment area have four or fewer employees, and 91.8 percent operate from a single location. The assessment area is primarily commercial and agricultural in nature and serves to support management's emphasis on commercial and agricultural lending.

The 2022 Federal Financial Institutions Examination Council (FFIEC)-estimated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion, and to analyze certain community development activities. The following table details the low-, moderate-, middle, and upper-income categories for nonmetropolitan Iowa.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680
Source: FFIEC				

Competition

The Iowa Assessment Area is highly competitive for financial services. The FDIC Deposit Market Share Report as of June 30, 2023, reflects that in addition to MBT Bank, 13 other institutions operate from 37 offices within the counties that make up the assessment area. MBT Bank ranked 3rd in terms of deposit market share, with 12.2 percent of the deposits. Aggregate HMDA lending

data for 2022, the most recent data available, reflects 98 lenders reporting 457 home mortgage loans in the assessment area. Of these, MBT Bank ranked 1st with a mortgage market share of 21.23 percent.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs and economic conditions of the community. This information helps determine whether local financial institutions are responsive to community credit needs and provides context regarding available opportunities for area financial institutions. Examiners interviewed a representative from a community development organization familiar with the Iowa Assessment Area.

The representative said that the area has a variety of demographics including both younger and older communities. The area predominantly includes middle- to high-income individuals, with some low- and moderate-income individuals as well. There are several new manufacturing employers, large retail stores, and several small businesses. A high percentage of the population is comprised of local workers, but some individuals commute from smaller surrounding towns. Small businesses have been well maintained. Some have adjusted hours or menus due to workforce shortages. There is an abundance of available jobs in the area. Regarding agriculture, there is heavy competition among banks and credit unions. Drought conditions negatively impacted farmers this year and many broke even or lost money this year as a result. The contact indicated that the drought was worse closer to Winnebago County, but southern Cerro Gordo County was slightly better. Affordable housing is the greatest need within the area. Available houses include both older and newer homes that sell quickly due to lack of inventory. Higher interest rates has limited home lending. This has impacted competition as financial institutions can only go so low with the current interest rates.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, as well as demographic and economic data, examiners determined that small business, home mortgage, and small farm loans are primary credit needs of the assessment area. Call Reports filed by area financial institutions also support this assertion. Further, opportunities for community development exist in the area.

SCOPE OF EVALUATION – IOWA

Examiners evaluated the bank's CRA performance for the State of Iowa through a full-scope review of the Iowa Assessment Area. Small business, small farm, and home mortgage loans were given equal weighting when evaluating performance in the State of Iowa. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE IOWA ASSESSMENT AREA

LENDING TEST

MBT Bank demonstrated reasonable performance under the Lending Test in the Iowa Assessment Area, which is supported by the Borrower Profile criterion conclusion.

Geographic Distribution

As noted previously, the Iowa Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects overall reasonable penetration among businesses and farms of different revenue sizes and borrowers of different incomes. Reasonable small business and home mortgage lending performance primarily supports this conclusion.

Small Business

The distribution of borrowers reflects reasonable penetration among businesses of different sizes when considering additional factors. As shown in the following table, MBT Bank's level of lending in the \$1 million or less category is significantly lower than the benchmark data. Management noted that economic conditions, including interest rates have impacted small business lending. Some businesses in the area held off on pursuing projects while waiting for rates to decline. Staffing shortages and supply chain issues have impacted businesses in the area. Further, management indicated that there is strong competition in the area for small business lending. Examiners also considered 2021 reported CRA aggregated data to assess the actual demand for small business lending in the assessment area. Aggregate data showed that 49.6 percent of small business loans in this assessment area were originated to businesses with gross annual revenues at or below \$1 million, which is lower than MBT Bank's performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Iowa Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.6	15	60.0	809	37.5
>\$1,000,000	3.7	7	28.0	714	33.1
Revenue Not Available	9.7	3	12.0	633	29.4
Total	100.0	25	100.0	2,156	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Farm

MBT Bank's performance in extending small farm loans to entities of differing revenue levels is excellent. All 33 loans sampled, totaling \$5,094,000, were to small farm borrowers with \$1 million

or less in gross annual revenues. D&B data shows 99.0 percent of farms are within this revenue category. Management noted that small farm lending within Iowa is a key focus.

Home Mortgage

MBT Bank's lending performance to low- and moderate-income borrowers is reasonable. As shown in the next table, the bank's lending to low- and moderate-income individuals is similar to the aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level Iowa Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	16.1	11.8	12	12.4	1,020	6.6
Moderate	18.5	22.8	24	24.7	2,690	17.5
Middle	22.6	21.7	20	20.6	2,690	17.5
Upper	42.8	32.6	29	29.9	6,975	45.3
Not Available	0.0	11.2	12	12.4	2,020	13.1
Total	100.0	100.0	97	100.0	15,395	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

The institution's performance regarding community development demonstrates adequate responsiveness to the needs of this assessment area, considering the institution's capacity, as well as the need and availability of such community development opportunities.

Community Development Loans

MBT Bank originated 293 community development loans totaling approximately \$17.2 million in this assessment area. The bulk of the institution's community development lending helped to provide or retain employment for low- and moderate-income individuals and provided vital operating funds for qualifying operations through the SBA PPP, thus promoting economic development. Overall, the institution was responsive to assessment area needs.

Qualified Investments

MBT Bank made ten qualifying investments totaling approximately \$8,000 in the Iowa Assessment Area during the review period. A majority of investments and donations were to organizations that provide community services benefiting low- and moderate-income individuals in the assessment area, as well as organizations that provide affordable housing for low- or moderate-income individuals.

Community Development Services

MBT Bank received consideration for a total of 58 community development services in the Iowa Assessment Area that consisted of institution personnel providing financial expertise to organizations involved with providing affordable housing or community services to low- and moderate-income

individuals, and economic development by creating or retaining low- or moderate-income jobs. Activities included institution personnel using their skills as Board members for these organizations.

STATE OF MINNESOTA

CRA RATING FOR MINNESOTA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

The Minnesota assessment areas changed as a result of the mergers in September 2021. The Rochester MSA Assessment Area consists of all of Dodge and Olmsted counties; Dodge County was added with the merger. The Nonmetropolitan Minnesota Assessment Area was added with the merger, and contains portions of Freeborn, Mower, and Steele counties. MBT Bank operates six full-service branches in Minnesota, located in Austin, Blooming Prairie, Dodge Center, Hayfield, Mantorville, and Rochester. Refer to the Rochester MSA and Nonmetropolitan Minnesota assessment area sections for more information on each assessment area.

SCOPE OF EVALUATION - MINNESOTA

Examiners reviewed small business, small farm, and home mortgage loans in the Rochester MSA and Nonmetropolitan Minnesota assessment areas. Loan products received equal weighting when drawing conclusions in both assessment areas with the exception of the Rochester MSA Assessment Area, where small farm lending is not a primary focus. MBT Bank's performance in the Rochester MSA Assessment Area received more weight than the Nonmetropolitan Assessment Area when drawing conclusions in Minnesota due to loan volume, branching structure, and recent acquisition of the Nonmetropolitan Minnesota market. Refer to the overall Scope of Evaluation section for additional information.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MINNESOTA

LENDING TEST

MBT Bank demonstrated satisfactory performance under the Lending Test in the State of Minnesota. Reasonable performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion. The bank's lending performance is consistent in both assessment areas.

Geographic Distribution

The geographic distribution reflects reasonable dispersion throughout the two Minnesota assessment areas. Performance is consistent in both Minnesota assessment areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels throughout the Minnesota assessment areas. Performance is consistent in both Minnesota assessment areas.

COMMUNITY DEVELOPMENT TEST

MBT Bank demonstrated adequate performance under the Community Development Test in the State of Minnesota. This conclusion is supported by adequate performance in both Minnesota assessment areas, considering the institution's capacity, as well as the need and availability of such community development opportunities.

Community Development Loans

The bank originated 299 community development loans totaling approximately \$13.7 million in the State of Minnesota. A majority of the institution's community development lending in Minnesota helped to provide or retain employment for low- and moderate-income individuals and provided vital operating funds for qualifying operations through the SBA PPP, thus promoting economic development. Other community development loans provided affordable housing or revitalized and stabilized low- and moderate-income geographies. Overall, MBT Bank was responsive to community development needs in Minnesota.

Qualified Investments

MBT Bank made nine qualifying investments totaling approximately \$7,000 in the State of Minnesota. These were all in the form of donations to qualifying community development organizations that provided community services to low- and moderate-income individuals in the State of Minnesota.

Community Development Services

MBT Bank received consideration for 29 community development services in the State of Minnesota that consisted of personnel providing financial expertise to organizations involved with providing community services to low- and moderate-income individuals and economic development by creating or retaining low- or moderate-income jobs in the State of Minnesota. Bank officials used their skills as Board members for these organizations.

ROCHESTER MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ROCHESTER MSA ASSESSMENT AREA

The Rochester MSA Assessment Area consists of all five census tracts in Dodge County and all 35 census tracts in Olmsted County. MBT Bank operates four full-service branches in this assessment area, located in Rochester, Dodge Center, Hayfield, and Mantorville.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area consists of two low-, seven moderate-, 18 middle-, and 13 upper-income census tracts. The following table provides select demographic data for the Rochester MSA Assessment Area.

Demographic Information of the Rochester MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	40	5.0	17.5	45.0	32.5	0.0
Population by Geography	183,714	5.7	13.4	43.5	37.3	0.0
Housing Units by Geography	75,005	5.4	16.4	43.5	34.7	0.0
Owner-Occupied Units by Geography	52,537	3.4	10.5	46.6	39.5	0.0
Occupied Rental Units by Geography	18,800	9.9	30.8	35.4	23.9	0.0
Vacant Units by Geography	3,668	12.0	27.7	39.6	20.6	0.0
Businesses by Geography	16,439	3.4	18.3	42.4	36.0	0.0
Farms by Geography	904	1.3	7.9	60.8	30.0	0.0
Family Distribution by Income Level	46,620	16.9	18.2	22.9	42.0	0.0
Household Distribution by Income Level	71,337	20.9	16.6	19.3	43.2	0.0
Median Family Income - Rochester, Minnesota MSA		\$94,698	Median Housing Value			\$236,656
			Median Gross Rent			\$1,035
			Families Below Poverty Level			4.6%

Source: 2020 U.S. Census and 2022 D&B Data. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%*

According to 2022 D&B data, service industries represent the largest portion of businesses and farms in the assessment area at 36.1 percent; followed by non-classifiable establishments at 15.8 percent; retail trade at 11.4 percent, and agriculture, forestry, and fishing at 5.4 percent. Additionally, 90.6 percent of businesses in the assessment area operate from a single location, and 67.9 percent have four or fewer employees.

The 2022 FFIEC-estimated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion, and to analyze certain community development activities. The median family income data for the Rochester, Minnesota MSA is provided in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$109,000)	<\$54,500	\$54,500 to <\$87,200	\$87,200 to <\$130,800	≥\$130,800

Source: FFIEC

Competition

The Rochester MSA Assessment Area is highly competitive for financial services. The FDIC Deposit Market Share Report as of June 2023 reflects that in addition to MBT Bank, 21 other institutions operate from 53 offices within the Rochester MSA Assessment Area. These institutions range in size from small community banks to larger financial institutions with branch locations in the assessment area. MBT Bank ranked 8th in terms of deposit market share, with 3.4 percent of the deposits. Aggregate HMDA lending data for 2022, the most recent data available, reflects 261 lenders reporting 5,352 home mortgage loans in the assessment area. Of these, MBT Bank ranked 25th with a mortgage market share of just under one percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management, and demographic and economic data, examiners concluded that home mortgage loans and small business loans represent the assessment area's primary credit need. Furthermore, community development needs include affordable housing, economic development, and revitalizing/stabilizing low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ROCHESTER MSA ASSESSMENT AREA

LENDING TEST

MBT Bank demonstrated reasonable performance under the Lending Test in the Rochester MSA Assessment Area. Reasonable Geographic Distribution and Borrower Profile performance supports this conclusion.

Geographic Distribution

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

Small Business Loans

The geographic distribution of small business loans in the Rochester MSA Assessment Area is reasonable when considering other factors. As shown in the following table, no loans were originated in low-income areas. However, 2022 D&B data reported just 3.4 percent of businesses are in the low-income census tracts. The bank's level of lending in moderate-income areas falls slightly under D&B data. Management indicated there is heavy competition for small business loans. Further, MBT Bank continues to offer SBA loan programs to better meet the credit needs of small businesses.

Geographic Distribution of Small Business Loans Rochester MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	3.4	0	0.0	0	0.0
Moderate	18.3	22	13.6	4,108	18.1
Middle	42.4	108	66.7	12,152	53.6
Upper	36.0	32	19.8	6,423	28.3
Totals	100.0	162	100.0	22,683	100.0
Source: 2022 D&B; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The geographic distribution of small farm loans in the Rochester MSA Assessment Area is reasonable. As shown in the next table, the bank did not lend in the low-income area, which is similar to D&B data, and the bank's level of lending is lower than D&B data in the moderate-income areas. The moderate-income census tracts are primarily located in the City of Rochester, where few farming operations are located.

Geographic Distribution of Small Farm Loans Rochester MSA Assessment Area					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	1.3	0	0.0	0	0.0
Moderate	7.9	1	1.1	15	0.1
Middle	60.8	79	85.9	9,443	83.1
Upper	30.0	12	13.0	1,901	16.7
Totals	100.0	92	100.0	11,359	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Rochester MSA Assessment Area is reasonable. While the bank's performance of lending in low-income census tracts is slightly below aggregate lending data, lending performance in moderate-income census tracts exceeds aggregate lending data. See the following table.

Geographic Distribution of Home Mortgage Loans Rochester MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.4	4.0	1	2.2	175	1.8
Moderate	10.5	11.4	8	17.4	1,700	17.7
Middle	46.6	45.1	29	63.0	5,385	56.1
Upper	39.5	39.6	8	17.4	2,340	24.4
Totals	100.0	100.0	46	100.0	9,600	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; 2022 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels in the Rochester MSA Assessment Area. The bank's reasonable small business, small farm, and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes when considering other factors. As shown in the next table, the bank's level of lending in the \$1 million or less category is below D&B data. Management indicated that there is strong competition for small business loans in this assessment area. Further, the bank offers SBA loan programs to better meet the credit needs of small businesses. Examiners also considered 2021 reported CRA aggregated data to assess the actual demand for small business lending in the assessment area. Aggregate data showed that 57.4 percent of small business loans in this assessment area were originated to businesses with gross annual revenues at or below \$1 million, which is similar to the bank's performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Rochester MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.5	12	52.2	803	21.2
>\$1,000,000	3.3	11	47.8	2,978	78.8
Revenue Not Available	9.2	0	0.0	0	0.0
Total	100.0	23	100.0	3,781	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different revenue sizes. As shown in the following table, the bank's level of lending to small farms with revenues of \$1 million or less is just below the comparable D&B data. The 2017 Agriculture Census revealed that 54.5 percent of producers in the assessment area do not list farming as their primary occupation, and 35.6 percent of the farming operations did not report interest expense. These suggest there is limited farm credit demand. Management indicated that agricultural lending is not a primary focus in the Rochester MSA Assessment Area.

Distribution of Small Farm Loans by Gross Annual Revenue Category Rochester MSA Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.3	12	92.3	1,755	93.3
>\$1,000,000	1.4	1	7.7	127	6.7
Revenue Not Available	1.2	0	0.0	0	0.0
Total	100.0	13	100.0	1,882	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels when considering other factors. As shown in the next table, the bank's level of lending to low- and moderate-income individuals is lower than the aggregate. Almost half of the bank's loans were for rental properties that report no income. MBT Bank offers first-time homebuyer lending and grant programs, which are sold to the secondary market. These loans help meet the credit needs of low- and moderate-income home mortgage borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level Rochester MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.0	11.8	3	6.5	375	3.9
Moderate	18.2	25.5	5	10.9	775	8.1
Middle	22.9	20.6	7	15.2	1,305	13.6
Upper	42.0	27.8	10	21.7	3,080	32.1
Not Available	0.0	14.2	21	45.7	4,065	42.3
Total	100.0	100.0	46	100.0	9,600	100.0
Source: 2020 U.S. Census; 2022 HMDA Data; 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

COMMUNITY DEVELOPMENT TEST

MBT Bank demonstrated adequate responsiveness to the community development needs of the Rochester MSA Assessment Area. The quantity and responsiveness of community development loans and qualified investments primarily supports this conclusion.

Community Development Loans

The bank originated 157 community development loans totaling \$6.1 million in the Rochester MSA Assessment Area. Of these loans, 148 loans totaling over \$2.5 million were made as part of the SBA's PPP. The bank made loans that provided affordable housing, supported economic development, and revitalized/stabilized the Rochester MSA Assessment Area.

Qualified Investments

The bank made six qualified investments totaling \$6,000 in the Rochester MSA Assessment Area. All of the investments made were for community services benefiting low- and moderate-income individuals.

Community Development Services

Bank representatives provided 21 instances of financial expertise or technical assistance to various community development organizations in the Rochester MSA Assessment Area. These services included providing financial expertise to organizations that provide community services to low- and moderate-income individuals and support economic development.

**NONMETROPOLITAN MINNESOTA ASSESSMENT AREA – Full-Scope
Review****DESCRIPTION OF INSTITUTION’S OPERATIONS IN
NONMETROPOLITAN MINNESOTA ASSESSMENT AREA**

The Nonmetropolitan Minnesota Assessment Area is new since the previous evaluation and consists of one census tract in southeast Steele County, one census tract in northeast Freeborn County, and nine census tracts in Mower County. These areas all represent portions of their respective counties due to competition and distance from branch locations. MBT Bank operates two full-service offices within this assessment area, which are located in Austin and Blooming Prairie.

Economic and Demographic Data

According to 2020 U.S. Census data, the assessment area consists of one low-, one moderate-, and nine middle-income census tracts. The following table provides select demographic data for the Nonmetropolitan Minnesota Assessment Area.

Demographic Information of the Assessment Area Nonmetropolitan Minnesota						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	9.1	9.1	81.8	0.0	0.0
Population by Geography	38,706	12.6	13.3	74.1	0.0	0.0
Housing Units by Geography	16,561	14.0	12.1	73.9	0.0	0.0
Owner-Occupied Units by Geography	11,008	5.5	8.4	86.1	0.0	0.0
Occupied Rental Units by Geography	4,221	32.9	19.8	47.3	0.0	0.0
Vacant Units by Geography	1,332	24.4	18.2	57.4	0.0	0.0
Businesses by Geography	2,516	17.8	9.2	73.0	0.0	0.0
Farms by Geography	253	1.2	0.4	98.4	0.0	0.0
Family Distribution by Income Level	9,904	22.3	19.5	23.1	35.1	0.0
Household Distribution by Income Level	15,229	24.5	18.6	18.0	38.8	0.0
Median Family Income - Nonmetropolitan Minnesota		\$74,737	Median Housing Value			\$124,700
			Median Gross Rent			\$754
			Families Below Poverty Level			8.6%
Source: 2020 U.S. Census and 2022 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%						

According to 2022 D&B data, service industries represent the largest portion of businesses and farms in the assessment area at 33.7 percent; followed by retail trade at 12.9 percent; non-classifiable establishments at 12.8 percent; and agriculture, forestry, and fishing at 9.5 percent. Additionally, 88.4 percent of businesses in the assessment area operate from a single location, and 68.5 percent have four or fewer employees.

The 2022 FFIEC-estimated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion, and to analyze certain community development activities. The median family income data for nonmetropolitan Minnesota is provided in the following table for reference.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
Source: FFIEC				

Competition

The Nonmetropolitan Minnesota Assessment Area assessment area is highly competitive for financial services. The FDIC Deposit Market Share Report as of June 2023 reflects that in addition to MBT Bank, 25 other institutions operate from 47 offices within the counties that make up the Nonmetropolitan Minnesota Assessment Area. MBT Bank ranked 11th in terms of deposit market share, with 3.8 percent of the deposits. Aggregate HMDA lending data for 2022, the most recent

data available, reflects 131 lenders reporting 1,039 home mortgage loans in the assessment area. Of these, MBT Bank ranked 4th with a mortgage market share of 4.6 percent.

Community Contact

Examiners referenced a previously conducted interview with a representative of a government organization that serves a portion of this assessment area.

Overall, the contact noted that the agricultural economy of Mower County is excellent. With regards to the farming demographics, the contact noted that the population is getting older; however, there have been more new producers starting in the last few years. The contact discussed that larger farms have excellent profitability, while small and medium farms need and rely on off-farm income. The contact further stated that operating-related financing is transitioning to larger national outfits that use crop insurance to guarantee the loan. Overall, the contact indicated that local bank performance pertaining to agricultural lending has been good.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners concluded that small farm loans represent the assessment area's primary credit need. Furthermore, community development needs include affordable housing, economic development, and providing community services to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN MINNESOTA ASSESSMENT AREA

LENDING TEST

MBT Bank demonstrated reasonable performance under the Lending Test in the Nonmetropolitan Minnesota Assessment Area. Reasonable Geographic Distribution and Borrower Profile performance supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's small business and small farm lending performance primarily supports this conclusion.

Small Business Loans

The geographic distribution of small business loans in the Nonmetropolitan Minnesota Assessment Area is reasonable. As shown in the following table, while lending in the low-income census tract was slightly lower than demographic data, lending in the moderate-income census tract mirrors demographic data.

Geographic Distribution of Small Business Loans Nonmetropolitan Minnesota Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	17.8	15	11.5	1,240	11.4
Moderate	9.2	12	9.2	673	6.2
Middle	73.0	103	79.2	8,931	82.4
Totals	100.0	130	100.0	10,844	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The geographic distribution of small farm loans in the Nonmetropolitan Minnesota Assessment Area is reasonable when considering other factors. The bank did not originate any farm loans in the low- or moderate- income areas. This is similar to the D&B data that shows only 1.2 percent of farms are in the low-income census tract; and 0.4 percent of farms are in the moderate-income census tract. Management also noted that there were staffing limitations in the assessment area shortly after the merger that impacted the ability to generate small farm loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans in the Nonmetropolitan Minnesota Assessment Area is excellent. The bank's record of home mortgage lending in the low-income census tract significantly exceeds aggregate data. The bank also offers first-time homebuyer loan programs and grants. See the following table.

Geographic Distribution of Home Mortgage Loans Nonmetropolitan Minnesota Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.5	11.0	12	25.0	980	13.1
Moderate	8.4	12.8	6	12.5	1,670	22.4
Middle	86.1	76.2	30	62.5	4,810	64.5
Total	100.0	100.0	48	100.0	7,460	100.0
Source: 2020 U.S. Census; 2022 HMDA Data; 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels in the Nonmetropolitan Minnesota Assessment Area. The bank's reasonable small business, small farm, and home mortgage lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes when considering other factors. As shown in the next table, the bank's level of lending to businesses with revenues of \$1 million or less lags D&B data. As mentioned earlier, the assessment

area is highly competitive for financial services. Further, the bank offers loan programs through the SBA to better meet small business credit needs. Examiners also considered 2021 reported CRA aggregated data to assess the actual demand for small business lending in the assessment area. Aggregate data showed that 54.8 percent of business loans in this assessment area were originated to businesses with gross annual revenues at or below \$1 million, which is below the bank's performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Nonmetropolitan Minnesota Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.6	12	70.6	720	60.1
>\$1,000,000	4.5	5	29.4	479	39.9
Revenue Not Available	11.8	0	0.0	0	0.0
Total	100.0	17	100.0	1,199	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes when considering other factors. As shown in the next table, the bank's lending to farms with revenues of \$1 million or less is below the demographic data. Agriculture Census data from 2017 revealed that 50.7 percent of producers in the counties that make up the assessment area do not list farming as their primary occupation. Furthermore, the census data revealed that 49.3 percent of the farming operations did not report interest expense. Consequently, many assessment area farmers have off-farm income and do not rely on credit to support their operations, which suggests there are limited borrowing needs.

Distribution of Small Farm Loans by Gross Annual Revenue Category Nonmetropolitan Minnesota Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.2	14	82.4	1,714	84.5
>\$1,000,000	1.6	2	11.8	297	14.6
Revenue Not Available	1.2	1	5.9	18	0.9
Total	100.0	17	100.0	2,029	100.0
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels when considering other factors. As shown in the following table, the bank's lending performance to low- and moderate-income borrowers is below aggregate lending data. However, 27.1 percent of the loans reviewed were for rental properties with no reported income.

Additionally, the bank offers first-time homebuyer loan and grant programs to benefit low- and moderate-income borrowers that are sold to the secondary market.

Distribution of Home Mortgage Loans by Borrower Income Level Nonmetropolitan Minnesota Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.3	14.6	4	8.3	370	5.0
Moderate	19.5	26.9	8	16.7	870	11.7
Middle	23.1	20.5	3	6.3	385	5.2
Upper	35.1	16.5	20	41.7	2,660	35.7
Not Available	0.0	21.5	13	27.1	3,175	42.5
Total	100.0	100.0	48	100.0	7,460	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

COMMUNITY DEVELOPMENT TEST

MBT Bank demonstrated adequate responsiveness to the community development needs of the Nonmetropolitan Minnesota Assessment Area. The quantity and responsiveness of community development loans and qualified investments primarily supports this conclusion.

Community Development Loans

The bank originated 142 community development loans totaling approximately \$7.7 million in the Nonmetropolitan Minnesota Assessment Area. The loans were particularly responsive to the assessment area's economic development needs. The bank's lending also contributed to affordable housing needs, provided community services to low- and moderate-income individuals, and revitalized and stabilized low- and moderate-income areas.

Qualified Investments

The bank made three qualified donations totaling approximately \$1,000 in the assessment area. All three of these donations provided community services for low- and moderate-income individuals.

Community Development Services

Bank personnel provided eight instances of financial expertise or technical assistance to community development organizations in the Nonmetropolitan Minnesota Assessment Area. These activities provided community services to low- and moderate-income individuals as well as providing economic development opportunities.

APPENDICES

INTERMEDIATE 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 bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
IOWA	Satisfactory	Satisfactory	Satisfactory
MINNESOTA	Satisfactory	Satisfactory	Satisfactory

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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