

COMMUNITY FIRST BANK
MENAHA GA MN
SEBEKA MN

COMMUNITY REINVESTMENT
PUBLIC FILE

PUBLIC COMMENT FILE

CRA PERFORMANCE EVALUATION

PUBLIC DISCLOSURE

March 11, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community First Bank
Certificate Number: 5197

21 Main Street Northeast
Menahga, Minnesota 56464

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

Community First Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of its small farm, small business, and home mortgage loans within its assessment area.
- The geographic distribution of small farm, small business, and home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among farms and businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the time period from the prior evaluation dated June 20, 2011, to the current evaluation dated March 11, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate Community First Bank's CRA performance. These procedures considered the institution's performance according to the following Lending Test criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined that the bank's major product lines are agricultural, commercial, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Bank management indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners reviewed all small business, small farm, and home mortgage loans originated, renewed, or extended between January 1, 2018, and December 31, 2018 to evaluate the bank's assessment area concentration and geographic distribution. During the review period, the bank originated 104 small farm loans totaling \$3,393,000; 97 small business loans totaling \$6,155,000; and 33 home mortgage loans totaling \$3,554,000.

In addition, samples of small farm and small business loans were selected from the universes of loans located in the assessment area to analyze the bank's borrower profile performance as revenue and income data was not readily available. These samples included 47 small farm loans and 41 small business loans totaling \$1,506,000 and \$1,832,000, respectively. In addition, all home mortgage loans originated in the bank's assessment area were analyzed due to the smaller number of loans in the universe. These samples were considered representative of the bank's performance during the entire evaluation period. D&B data for 2018 provided a standard of comparison for the sampled small farm and business loans, while the 2015 American Community Survey (ACS) will serve as the standard of comparison for home mortgage loans. The bank's record of originating all three products contributed equal weight to overall conclusions as all three products are focuses of the bank's lending and comprise similar portions of the bank's lending activity when considering number and dollar volume.

While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms, businesses, and consumers served.

DESCRIPTION OF INSTITUTION

Background

Community First Bank is headquartered in Menahga, Minnesota and operates in the central portion of the state. Menahga Bancshares, Inc., a one-bank holding company also located in Menahga, owns the institution. The bank changed its name from First National Bank of Menahga & Sebeka since its last CRA Performance Evaluation. The name change was the result of the bank transitioning to a state-chartered institution as of August 1, 2017. First National Bank of Menahga & Sebeka received an Outstanding rating at its previous CRA Performance Evaluation conducted by the Office of the Comptroller of the Currency as of June 20, 2011. The evaluation was conducted using Interagency Small Institution Examination Procedures.

Operations

Community First Bank operates its main office in Menahga and a full-service branch office in Sebeka, Minnesota. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation. The bank offers agricultural, commercial, and consumer-purpose loan products, including home mortgage loans. Community First Bank's business focus is to offer a mixture of loan products in an effort to serve the community's credit needs. As a result, the bank's lending focus includes agricultural, commercial, and home mortgage loans. Community First Bank also participates in government-sponsored loan programs, including programs from the Farm Service Agency, Small Business Administration, and the Minnesota Department of Agriculture.

Community First Bank also provides a variety of deposit services, including checking, savings, certificates of deposit, individual retirement accounts, and health savings accounts. Alternative banking services include internet, mobile, and telephone banking; electronic bill pay services; and three cash-dispensing automated teller machines (ATMs).

Ability and Capacity

As of December 31, 2018, Community First Bank reported total assets of \$88,272,000, net loans of \$49,602,000, and total deposits of \$74,610,000. Since June 30, 2011, total assets have increased by 12.5 percent, net loans have increased by 3.2 percent, and total deposits have increased by 10.6 percent. The bank's loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of December 31, 2018		
Loan Category	\$(000s)	%
Construction and Land Development	922	1.8
Secured by Farmland	4,584	9.1
Secured by 1-4 Family Residential Properties	15,723	31.3
Secured by Multifamily (5 or more) Residential Properties	457	0.9
Secured by Nonfarm Nonresidential Properties	11,436	22.8
Total Real Estate Loans	33,122	65.9
Commercial and Industrial Loans	7,691	15.3
Agricultural Loans	5,468	10.9
Consumer Loans	3,844	7.6
Other Loans	130	0.3
Less: Unearned Income	0	0.0
Total Loans	50,255	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 each financial institution to define one or more assessment areas within which its CRA performance is evaluated. Community First Bank has designated a single assessment area that includes a nonmetropolitan portion of Minnesota.

Community First Bank's assessment area is comprised of the southeast portion of Becker County, the southern portion of Hubbard County, the northeast portion of Otter Tail County, and all of Wadena County. The bank's assessment area has changed slightly since the last evaluation as one of the census tracts that comprised part of the Otter Tail County portion of the assessment area was split into two census tracts. As a result, the bank decided to only keep the eastern census tract as the western census tract is a significant distance from the bank's offices and is located closer to the community of Detroit Lakes, Minnesota, which has a number of financial institutions. Both of the bank's offices, which each include an onsite ATM, are located in middle-income census tracts in Wadena County, while the third ATM is located in a middle-income census tract in Becker County.

Economic and Demographic Data

According to the 2015 ACS data, the assessment area's 10 census tracts include 1 moderate-income census tract and 9 middle-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	10.0	90.0	0.0	0.0
Population by Geography	35,557	0.0	13.3	86.7	0.0	0.0
Housing Units by Geography	19,670	0.0	11.5	88.5	0.0	0.0
Owner-Occupied Units by Geography	11,333	0.0	12.7	87.3	0.0	0.0
Occupied Rental Units by Geography	3,260	0.0	20.0	80.0	0.0	0.0
Vacant Units by Geography	5,077	0.0	3.5	96.5	0.0	0.0
Businesses by Geography	2,763	0.0	16.0	84.0	0.0	0.0
Farms by Geography	309	0.0	6.5	93.5	0.0	0.0
Family Distribution by Income Level	9,553	21.4	18.5	25.9	34.1	0.0
Household Distribution by Income Level	14,593	27.3	16.0	18.7	38.1	0.0
Median Family Income: Nonmetropolitan Minnesota		\$63,182	Median Housing Value			\$154,695
			Median Gross Rent			\$611
			Families Below Poverty Level			8.6%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small farm and small business loans under the borrower profile criterion compares the distribution of farms and businesses by gross annual revenue level. According to 2018 D&B data, there were 309 farms and 2,763 businesses in the assessment area.

The economy of the area is dependent on tourism and agriculture. The agricultural economy includes a number of dairy farms, some beef cow operations, and a smaller number of crop operations. According to bank management, the primary crops in the area include potatoes, hay, alfalfa, soybeans, corn, and canola. Low commodity prices have impacted the agricultural industry. Nevertheless, bank management stated that local operators are tenured and have been able to manage the low commodity prices.

Service industries represent the largest portion of businesses at 36.5 percent; followed by retail trade at 13.3 percent; and agriculture, forestry, and fishing at 10.1 percent. Major employers in the area include Gateway Manufacturing, LLC; Vercon, Inc.; the Menahga School District, and agriculture and agriculture-related businesses. Data obtained from the U.S. Bureau of Labor and Statistics revealed that as of November 2018, the unemployment rate for Becker, Hubbard, Otter Tail, and Wadena counties was 2.7, 4.4, 2.8, and 4.3 percent, respectively. The comparable figures for the entire U.S. and the State of Minnesota were 3.7 and 2.3 percent, respectively. In addition, management noted that the majority of farms have off-farm employment, which helps obtain employment-related benefits, such as health insurance.

The 2018 FFIEC-updated median family income levels for nonmetropolitan Minnesota were used to analyze home mortgage lending under the borrower profile criterion and 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%
2018 (\$69,500)	<\$34,750	\$34,750 to <\$55,600	\$55,600 to <\$83,400	≥\$83,400
<i>Source: FFIEC</i>				

Competition

The assessment area is competitive for financial services. According to June 30, 2018 FDIC Deposit Market Share data, there were 27 FDIC-insured financial institutions operating 51 offices within the assessment area's counties. Of these institutions, Community First Bank ranked 11th with a deposit market share of 2.8 percent. Bremer Bank, National Association maintained the largest deposit market share with 12.3 percent, followed by Midwest Bank and The Citizens National Bank of Park Rapids at 10.2 and 9.0 percent, respectively.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps to determine what credit opportunities are available and whether local financial institutions are responsive to credit needs.

Examiners reviewed three community contacts that were recently completed with three individuals involved in economic development and housing activities throughout the assessment area. The community contacts indicated that the primary credit needs of the assessment area include commercial, agricultural, and home mortgage loans. The contacts noted that the economy is stable and improving in some areas. Finally, all three contacts stated that local financial institutions are meeting the credit needs of the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Community First Bank demonstrated satisfactory performance under the Lending Test.

Loan-to-Deposit Ratio

The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Community First Bank's net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 61.7 percent over the past 30 calendar quarter ends from June 30, 2011 to December 31, 2018. The bank's net loan-to-deposit ratio ranged from a low of 57.1 percent as of December 31, 2012, to a high of 71.3 percent as of June 30, 2011. As shown

in the following table, Community First Bank’s average net loan-to-deposit ratio is similar to the comparable institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2018 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Community First Bank Menahga, Minnesota	88,272	61.7
Farmers & Merchants State Bank of New York Mills New York Mills, Minnesota	61,696	57.6
Northwoods Bank of Minnesota* Park Rapids, Minnesota	120,476	65.6
Wadena State Bank Wadena, Minnesota	168,252	66.0

*Source: Reports of Condition and Income 6/30/11 through 12/31/18.
Reports of Condition and Income 3/31/12 through 12/31/18 due to availability of data.

Assessment Area Concentration

As previously stated, all of the small farm, small business, and home mortgage loans originated, extended, or renewed during calendar year 2018 were analyzed to determine the bank’s level of lending within the assessment area. As detailed in the following table, the bank originated a substantial majority of its small farm, small business, and home mortgage loans, by both number and dollar volume within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm	103	99.0	1	1.0	104	3,383	99.7	10	0.3	3,393
Small Business	84	86.6	13	13.4	97	4,497	73.1	1,658	26.9	6,155
Home Mortgage	29	87.9	4	12.1	33	3,046	85.7	508	14.3	3,554

Source: 1/1/2018 - 12/31/2018 Bank Data

Geographic Distribution

Similar to the review of assessment area concentration, all of the small farm, small business, and home mortgage loans originated, extended, or renewed during calendar year 2018 in the assessment area were analyzed to determine the bank’s lending geographic distribution performance. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the performance by number of loans in the one moderate-income census tract located in the bank’s assessment area.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. As illustrated below, the bank did not originate any small farm loans in the one moderate-income census tract located in the assessment area. However, this is partially mitigated by only 6.5 percent of the farms in the assessment area being located in this sole moderate-income census tract. In addition, the one moderate-income census tract is located in the southwest corner of Wadena County and includes the community of Wadena, Minnesota, which is larger than Menahga, offers more services, and has multiple financial institutions. Further, Wadena is located approximately 15 miles from the bank’s closest office in Sebeka and it is unlikely residents of this census tract would bypass the various financial institutions in closer proximity to reach a Community First Bank location. Therefore, the bank’s performance is considered reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	6.5	0	0.0	0	0.0
Middle	93.5	103	100.0	3,383	100.0
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	103	100.0	3,383	100.0

Source: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As illustrated below, the bank originated 1.2 percent of its small business loans in the sole moderate-income tract located in the assessment area. This is below 2018 D&B data, which indicates that 16.0 percent of businesses are located in the moderate-income census tract. As noted above, this census tract includes the community of Wadena, which has numerous financial institutions that are better situated to serve residents of this census tract due to accessibility. Therefore, the bank’s performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	16.0	1	1.2	87	1.9
Middle	84.0	83	98.8	4,410	98.1
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	84	100.0	4,497	100.0

Source: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As illustrated below, the bank did not originate any home mortgage loans in the lone moderate-income tract located in the assessment area. This is less than the comparable 2015 ACS data, which indicates that 12.7 percent of owner-occupied housing units are located in the moderate-income census tract. Nevertheless, this performance is mitigated due to the distance this census tract is from the bank's offices and the competition from financial institutions located in Wadena. Overall, the bank's performance is considered reasonable.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	12.7	0	0.0	0	0.0
Middle	87.3	29	100.0	3,046	100.0
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	29	100.0	3,046	100.0

Source: 2015 ACS Census, 1/1/2018 - 12/31/2018 Bank Data

Borrower Profile

As previously stated, samples of small farm and small business loans were selected from the universes of loans located in the assessment area to analyze the bank's borrower profile lending performance as revenue/income data was not readily available. In addition, all of the home mortgage loans originated in the bank's assessment area were reviewed. The distribution of borrowers reflects excellent penetration among farms and businesses of different sizes and home mortgage borrowers of different income levels. Examiners focused on the performance by number loans to farms and businesses with gross annual revenues of \$1 million or less and low- and moderate-income home mortgage borrowers.

Small Farm Loans

The distribution of borrowers reflects excellent penetration among farms of different sizes. All of the 47 sampled small farm loans were originated to farms with gross annual revenues of \$1 million or less. This performance exceeds the comparable D&B data of 96.4 percent.

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. The following table illustrates that 97.6 percent of the sampled loans, by number were originated to businesses with gross annual revenues of \$1 million or less. This performance significantly exceeds comparable D&B data, which indicates that 82.9 percent of businesses in the assessment area have revenues of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.9	40	97.6	1,784	97.4
>1,000,000	5.4	1	2.4	48	2.6
Revenue Not Available	11.7	0	0.0	0	0.0
Total	100.0	41	100.0	1,832	100.0

Source: 2018 D&B Data, 1/1/2018 - 12/31/2018 Bank Data.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among low- and moderate-income home mortgage borrowers. The following table illustrates that 37.9 percent of home mortgage loans, by number were originated to low-income home mortgage borrowers. This is significantly higher than comparable 2015 ACS data, which indicates that 21.4 percent of the families in the assessment area are low income. In addition, the bank's performance of lending to moderate-income home mortgage borrowers is comparable to the 2015 ACS data.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	21.4	11	37.9	500	16.4
Moderate	18.5	5	17.2	420	13.8
Middle	25.9	4	13.8	284	9.3
Upper	34.1	9	31.0	1,842	60.5
Not Available	0.0	0	0.0	0	0.0
Total	100.0	29	100.0	3,046	100.0

*Source: 2015 ACS Census; 1/1/2018 - 12/31/2018 Bank Data
Due to rounding, totals may not equal 100.0*

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution's CRA rating.

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.

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.

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

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

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

Family Income: Includes the income of all members of a family that are age 15 and older.

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

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

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

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

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

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: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

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

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

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

**BANK LOCATIONS
AND
SERVICES PROVIDED**

COMMUNITY FIRST BANK

Locations:

Main office located at 21 Main St NE
Menahga MN 56464
218-564-4171
Census tract 4801

Hours of operation in Menahga:

Lobby: M-Th 8:30 AM to 3 PM
Friday 8:30 AM to 5 PM

Drive-up: M-Th 7 AM to 4 PM
Friday 7 AM to 5 PM

Walkup: M-Th 7 AM to 8:30 AM
And 3 to 4 PM
Friday 7 AM to 8:30 AM

Second office located at 115 Minnesota Ave W
Sebeka MN 56477
218-837-5171
Census tract 4802

Hours of operation in Sebeka:

Lobby: M-Th 8:30 AM to 3 PM
Friday 8:30 AM to 5 PM

Drive-up: M-Th 8 AM to 4 PM
Friday 8 AM to 5 PM

Community First Bank
LIST OF SERVICES

The following services are available in both the Menahga and the Sebeka locations.

Checking Accounts:

- Liberty Checking (Safekept free checking)
- Executive Checking (Interest-bearing Now account)
- Executive Checking Gold Club
- Basic Checking
- Celebrity 55 Club Checking
- Student Checking
- Business Checking (Analysis)
- Business Checking (Regular)
- Money Market Deposit Account

Saving Accounts:

- Passbook Savings
- Executive Money Market Savings
- Thrift Savings
- IRA (Traditional, Roth, Education, SEP, SIMPLE)
- HSA

Certificate of Deposits:

- 3 month
- 6 month
- 12 month
- 18-24 month
- 30-36 month
- 42-48 month
- 54-60 month
- sometimes a special CD

Teller Services:

- Coin & Currency services and Canadian Exchange
- Cashiers Checks and Money Orders
- Safe Deposit Boxes
- Night Depository
- Wire Transfer services
- Bank by mail
- Accept utility payments
- Direct Deposit
- Walk-up/Drive-up Banking (walkup only in Menahga)
- Telephone transfers
- Saving Bond Redemption
- Cash advances on Credit cards

Bookkeeping:

- Overdraft protection transfers from savings

Lending Services:

- Residential loans for 1 to 4 family dwelling units
- Residential loans for over 5 family dwelling units
- Home equity loans
- FHA & VA residential loans
- Construction Loans
- Farm real estate loans
- Business and industrial real estate loans
 - Farm loans for the purchase of machinery and equipment, livestock, and/or planting crops and other working capital requirements
- Business loans for the purchase of machinery and equipment, furniture and fixtures, and other working capital needs
- Consumer loans for Vehicles, Mobile homes, Recreational equipment, other consumer goods, purchase money, unsecured loans, overdraft protection from credit line loans
- Credit cards
- FSA Guaranteed Loans
- SBA Loans
- ARC loans
- AgBMP loans
- Secondary Market Loans

Misc. loans:

- Low income housing (Pine Villa)
- Local churches
- Line of credit to school

ATMs:

- 21 Main St NE, Menahga MN 56464, Census Tract 4801
- 115 Minnesota Ave W, Sebeka MN 56477, Census Tract 4802
- 13 1st Se NE, Menahga MN 56464, Census Tract 4801
- 120 N Manninen Ave, Wolf Lake MN 56464, Census Tract 4501

- ATM Cards
- Check Cards (debit)

Insurance Agency

- First National Insurance Agency
- Offices in both Menahga & Sebeka

- Mobile Banking
- Mobile Deposit
- Remote Deposit Capture

Website:

- Internet Banking
- Bill Pay

- Gift Cards
- Access Cards

MAP OF ASSESSMENT AREA

COMMUNITY FIRST BANK

ASSESSMENT AREA

Community First Bank's CRA assessment area is as follows:

The assessment area consists of Census Tracts from a four county area. Menahga and Sebeka are located in Wadena County and Census Tracts 4801, 4802, and 4803 are included in the bank's assessment area. Hubbard County borders Wadena County to the north and Census Tracts 705, 706, and 707 are included in the bank's assessment area. Becker County borders the northwest corner of Wadena County and Census Tracts 4501 and 4502 are included in the bank's assessment area. Otter Tail County borders Wadena County to the southwest and Census Tracts 9601.02 and 9605 are included in the bank's assessment area. (Previously, 9601.02 and 9601.03 were combined into one area numbered 9601. We decided to delete the western most 9601.03 from our area since there were very few loans in that section.)

Cass County borders Wadena County to the east. The area around Highway 64 in Cass County has a low population. That is why there are very few loans in that area and that is why those Census Tracts are not included in the bank's assessment area.

Our Menahga bank is located at 21 Main Street NE in Menahga MN in Census Tract #4801.

Our Sebeka bank is located at 115 Minnesota Ave W in Sebeka MN in Census Tract #4802.

03/24

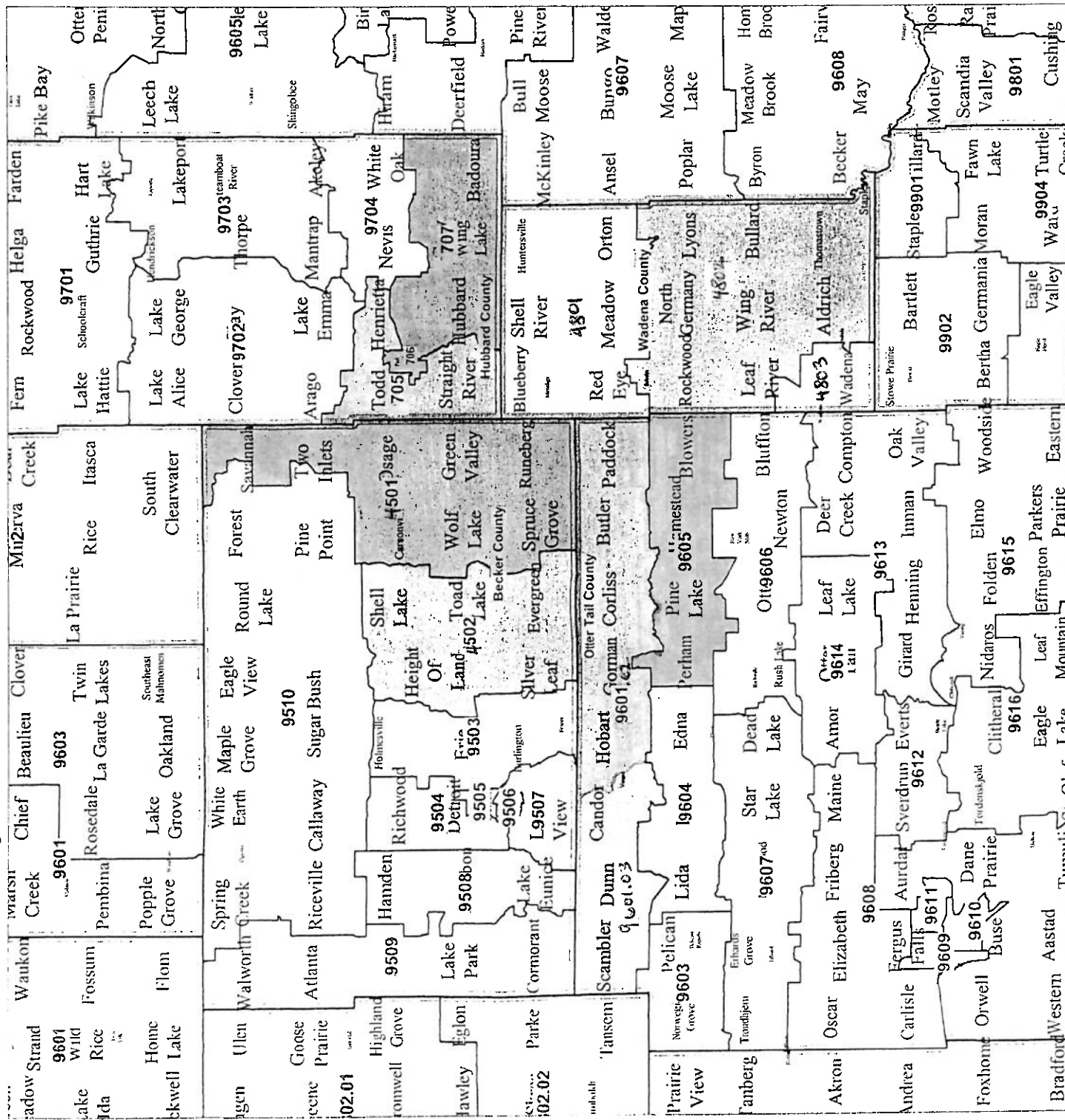
MARCH 2023 THROUGH FEBRUARY 2024

	Current Loans <u># of loans</u>	% of total	Current Denials <u># of loans</u>	% of total
4801.00 Wadena	448	33%	7	24%
4501.00 E Becker	216	16%	2	7%
4802.00 Wadena	186	14%	11	38%
705.00 Hubbard	65	5%	0	0%
4502.00 E Becker	38	3%	0	0%
9601.02 Otter Tail	38	3%	0	0%
707.00 Hubbard	12	1%	0	0%
706.00 Hubbard	18	1%	1	3%
9605.00 Otter Tail	20	1%	1	3%
4803.00 Wadena	17	1%	2	7%
Outside of area	310	23%	5	17%
Total of loans	1368		29	

MEDIAN INCOME
As of 2020 Census

Wadena County	\$ 46,178.00
4801.00	
4802.00	
4803.00	
Hubbard County	\$ 58,475.00
705.00	
706.00	
707.00	
Becker County	\$ 60,508.00
4501.00	
4502.00	
Otter Tail County	\$ 59,456.00
9601.02	
9605.00	

*Actual number of current open loans

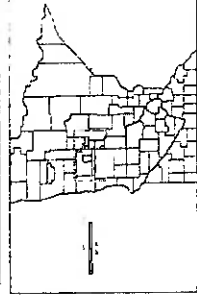


Tract Income

- County Boundaries
- MSA Boundaries
- Town Boundary
- Census Tract Boundary
- Zip Boundary
- Block Group Boundary

Census Tract Income Level as a % of MSA Median

- 0.01 < 50% (0)
- 50% < 80% (2)
- 80% < 120% (6)
- >= 120% (0)



CRA NOTICE

Community Reinvestment Act Notice

Under the federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The FDIC also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the FDIC; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the FDIC publishes a nationwide list of the banks that are scheduled for CRA examination in that quarter. This list is available from the Regional Director, FDIC, 1100 Walnut Street, Suite 2100, Kansas City, MO 64106. You may send written comments about our performance in helping to meet community credit needs to R.P. Day, President Community First Bank and FDIC Regional Director. You may also submit comments electronically through the FDIC's Web site at www.fdic.gov/regulations/cra. Your letter, together with any response by us, will be considered by the FDIC in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA filed with the FDIC. We are an affiliate of Menahga Bancshares, a bank holding company. You may request from the Officer in charge of Supervision at Federal Reserve Bank of Minneapolis, P.O. Box 291, Minneapolis, MN 55480-0291, an announcement of applications covered by the CRA filed by bank holding companies.

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LOAN TO DEPOSIT RATIO

CFB COMMUNITY FIRST BANK

Last exam

9-30-23

CRA COMPLIANCE

LOAN TO DEPOSIT RATIO

1st Qtr 2023	<u>63.62</u>
2nd Qtr 2023	<u>63.80</u>
3rd Qtr 2023	<u>66.40</u>
4th Qtr 2023	<u>65.80</u>

Average = 64.91

0.0

0.0

66.4 *

65.8 *

132.26 *

132.2 =

2. =

66.1 *

27.24
ap

Today's date 27-24

ap

10

8-564-5125

menahga@communityfirstbankmn.com

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