

PUBLIC DISCLOSURE

June 6, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Profinium, Inc.
414 North Fifth Avenue East
Truman, Minnesota 56088-0040
RSSD 865450

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

NOTE: 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 the 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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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Profinium, Inc., Truman, Minnesota, demonstrates reasonable responsiveness to the credit needs of its assessment areas (AA) and excellent responsiveness to community development needs of its AAs. The CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

The Lending Test rating is Satisfactory, based on the following criteria:

- Overall, the bank's lending to businesses and farms of different sizes is excellent.
- The bank's net loan-to-deposit ratio is reasonable, given the bank's asset size, its financial condition, and the credit needs of the AAs.
- The bank originated a majority of its loans within its AAs.
- The bank's geographic distribution of loans reflects a reasonable dispersion throughout the AAs.

The Community Development Test rating is Outstanding, based on the following criteria:

- Overall, the bank's performance demonstrates excellent responsiveness to the community development needs of its AAs. The bank's level of community development loans and community development services are excellent. The level of qualified investments and donations are adequate, considering the bank's capacity and the need for and availability of such opportunities in each of the AAs.

The bank received an Outstanding rating at the previous evaluation, dated February 4, 2019.

SCOPE OF EVALUATION

Examiners evaluated the bank's CRA performance in part based on information provided by bank management and by a community contact. Examiners also reviewed economic and demographic data, competitive factors, and the size and financial conditions of the bank to understand and evaluate the bank's CRA performance. The CRA evaluation covers the period from the previous CRA evaluation dated February 4, 2019, to June 5, 2022.

The bank has designated three AAs in Minnesota for CRA purposes: Truman, Owatonna, and Mankato. The bank has not made changes to its AAs since the previous evaluation. The Description of Assessment Areas section includes specific information about each area.

The bank originated 62.3% of its loan volume in the Truman AA, followed by 23.8% in the Mankato AA, and 13.8% in the Owatonna AA. Based on the June 30, 2021, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 62.1% of the bank's deposits are in the Truman AA, 23.6% area in the Owatonna AA, and 14.4% are in the Mankato AA. Based on lending volume and deposit market share, examiners conducted a full-scope review of the Truman AA and limited-scope reviews of the Owatonna and Mankato AAs.

Examiners interviewed a person familiar with the economic and demographic characteristics and community development opportunities in the bank's Truman AA. The Truman AA section of this

evaluation includes specific information obtained from this community contact.

Examiners weighted the bank’s performance as follows to derive the overall rating:

- Examiners assigned more weight to the Lending Test than to the Community Development Test because the bank primarily serves its communities through its lending programs.
- For the Lending Test, examiners placed the most weight on the bank’s lending to businesses and farms of different sizes, followed by the net loan to deposit ratio and lending inside the AAs, equally, then the geographic distribution of loans.
- For the Lending Test, examiners placed the most weight on the bank’s small business lending, followed by small farm lending.

Lending Test Scope

The scope of the Lending Test covers the bank’s major product lines, consisting of small business and small farm loans. The table below shows the bank’s lending activity by loan type for 2021.

Loan Originations from January 1, 2021, Through December 31, 2021¹				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	59	12.7	651,920	0.3
Home Equity Lines of Credit	34	9.7	2,905,250	1.5
Residential Real Estate	1	0.3	283,600	0.2
Small Business (≤ \$1 million)	272	46.0	53,557,394	27.9
Commercial (> \$1 million)	21	3.6	54,340,729	28.3
Small Farm (≤ \$500,000)	202	23.1	34,749,698	18.1
Agricultural (> \$500,000)	39	4.6	45,302,315	23.6
Total	628	100.0	\$191,790,906	100.0

The lending test is based on a statistical sample of the bank’s small business and small farm loans. The loan sample includes 58 small business loans originated between July 1, 2021, and December 31, 2021, and 109 small farm loans originated between January 1, 2021, and December 31, 2021.

In 2020 and 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans were designed to help businesses keep their workforces employed during the COVID-19 pandemic. The bank originated 686 PPP loans, totaling \$41.4 million. Examiners considered the bank’s PPP loans primarily in their evaluation of the bank’s small business loans.²

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to businesses and farms of different sizes
- Geographic distribution of loans
- Net loan-to-deposit ratio

¹ Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

² Six PPP loans that qualified as community development loans were considered in the Community Development Test.

- Lending inside the AAs
- The bank's record of responding to complaints about its CRA performance

The bank has not received any CRA-related complaints since the previous evaluation.

Community Development Test Scope

Examiners reviewed the bank's community development lending, qualified investments (including donations), and community development services since the previous evaluation for each AA and for broader regional areas. Examiners based the Community Development Test rating on the bank's performance during the period of February 4, 2019, to February 24, 2022.

DESCRIPTION OF INSTITUTION

Structure. Profinium, Inc. is headquartered in Truman and is wholly owned by Profinium Financial Holdings, Inc., Fairmont, Minnesota, a one-bank holding company.

Offices and Retail Delivery Systems. The bank provides full-service banking through four offices in Minnesota. The bank's main office is in Truman, and its three branches are in Fairmont, Owatonna, and Mankato, Minnesota. The Owatonna and Mankato branches are in moderate-income census tracts. The Truman main office and Fairmont branch are in underserved middle-income census tracts. All of the bank's offices operate drive-up facilities and have reasonable hours. The bank offers a cash-dispensing-only ATM at each branch. The bank also offers online and mobile banking.

Loan Portfolio. According to the March 31, 2022, Report of Condition, the bank has total assets of \$487.5 million. Overall, this represents a 31.9% increase since the previous evaluation. The bank's \$340.8 million loan portfolio consists of 46.4% commercial, 38.9% agricultural, 13.7% residential real estate, 0.5% consumer, and 0.5% other loans. The loan portfolio increased by 14.9% since the previous evaluation. The bank's agricultural loans increased by 77.5%, and consumer loans decreased by 55.2%. The bank's commercial and residential real estate loans remained relatively unchanged.

Credit Products. Profinium, Inc. is primarily a commercial and agricultural lender but offers other traditional credit products to serve the needs of its AAs. The bank offers a variety of residential real estate loans, including conventional mortgages, home improvement loans, and temporary construction loans. Consumer loan products include vehicle-secured and unsecured closed-end loans, as well as home equity, personal, and overdraft protection lines of credit. The bank offers loan programs sponsored by the Small Business Administration, Farm Service Agency, Federal Housing Administration, U.S. Department of Veteran Affairs, and U.S. Department of Agricultural Rural Development. In addition to PPP loans, the bank also offered consumer and commercial loan extensions and accommodations, and an emergency consumer loan program for borrowers facing financial difficulties during the pandemic.

DESCRIPTION OF ASSESSMENT AREAS

The bank has three AAs for CRA purposes: Truman, Owatonna, and Mankato. The bank's Truman AA includes all of Martin County and part of Watonwan County. The bank's Owatonna AA includes all of Steele County. The bank's Mankato AA is a portion of the Mankato, MN Metropolitan Statistical Area (MSA); it includes all of Blue Earth County and part of Nicollet County. The bank has not changed its AAs since the previous evaluation, and none of the census tract income designations have changed since the previous evaluation. Detailed descriptions of the bank's AAs can be found in the individual AA sections of this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is Satisfactory. The rating is based on a Satisfactory rating for the Lending Test and an Outstanding rating for the Community Development Test.

LENDING TEST

Examiners rated the bank's Lending Test performance Satisfactory. The following factors support the Lending Test rating:

- Overall, the bank's lending to businesses and farms of different sizes is excellent.
- The bank's net loan-to-deposit ratio reflects a reasonable level of lending.
- The bank originated a majority of loans within its AA.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs.

The bank's lending to businesses and farms of different sizes and the geographic distribution of the bank's loans are discussed in the full-scope Truman AA section. Examiners analyzed the bank's net loan-to-deposit ratio and its lending inside and outside the AAs at the institution level, as described below.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs of the AAs. As of March 31, 2022, the bank's net loan-to-deposit ratio was 78.6%, which is above the national peer group's net loan-to-deposit ratio of 66.5%. The bank's national peer group includes all insured commercial banks having assets between \$300 million and \$1 billion.

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 68.4% to 95.4%, with an average of 81.9% for the past 14 quarters. The bank's 20-quarter average net loan-to-deposit ratio at the previous evaluation was 87.0%. The following table shows the 14-quarter average net loan-to-deposit ratio of the bank and a competitor bank operating in its AAs.

14-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank Name and Location</i>	<i>Assets as of March 31, 2022 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Profinium, Inc. Truman, Minnesota	\$487,487	81.9%
Pioneer Bank, Mapleton, Minnesota	\$761,684	76.5%

The bank's net loan-to-deposit ratio is reasonable, given the credit needs and opportunities in the AAs. The bank competes with several financial institutions, including national banks. The bank is an active lender in a highly competitive market. The community contact did not identify any unmet credit needs in the AAs.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank originated a majority of loans in its AAs. As shown in the following table, 77.8% of loans by number and 77.5% by dollar amount were originated within the AAs.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	#%	\$(000)	%	#	#%	\$(000)	%
Small Business	46	79.3	\$5,755	78.4	12	20.7	\$1,590	21.6
Total Small Business related	46	79.3	\$5,755	78.4	12	20.7	\$1,590	21.6
Small Farm	84	77.1	\$12,945	77.1	25	22.9	\$3,841	22.9
Total Small Farm related	84	77.1	\$12,945	77.1	25	22.9	\$3,841	22.9
Total Loans	130	77.8	\$18,700	77.5	37	22.2	\$5,432	22.5

Note: Percentages may not total 100.0 percent due to rounding.

Bank management stated that the bank focuses on lending to customers within its AAs. Many of the loans originated outside of the AAs were in adjacent counties or in the Minneapolis St. Paul Bloomington, MN WI MSA. Additionally, bank management explained that most of the loans originated outside of the AAs were to customers with whom the bank had a previous relationship. Finally, several of the loans originated outside of the AA were multiple loans to a few borrowers.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES (AND FARMS) OF DIFFERENT SIZES

Overall, the bank’s lending to businesses and farms of different sizes is excellent. The bank actively lends to businesses and farms with gross annual revenues of \$1 million or less. Refer to the Truman AA section of this report for a more detailed discussion of the borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

The overall geographic distribution of loans reflects reasonable dispersion throughout the AAs and does not reveal any unexplained gaps in lending. Refer to the Truman AA section of this report for more detailed information on the geographic distribution of loans.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test rating is Outstanding. Overall, the bank’s community development activities demonstrate excellent responsiveness to the needs of the AAs. The bank engaged in community development lending, provided services, and made qualified investments (including donations). Based on the bank’s size and capacity as well as strong competition in the AAs, the overall level and nature of the bank’s community development activities are excellent.

Community Development Loans. The level of community development lending is excellent. The bank originated 18 community development loans totaling \$7.9 million during the evaluation period that directly benefited its AAs. Most of these loan dollars (including \$6.1 million in PPP loans) helped to revitalize or stabilize low- or moderate-income, or underserved geographies in the bank’s AAs. Community development loans also fostered economic development and funded an organization that provides community services to low- and moderate-income people in the AAs.

Because the bank is responsive in meeting credit and community development needs of its AAs, examiners also considered community development activity outside of its AAs. The bank originated two community development loans totaling \$3.1 million that benefited an area outside of the bank's AAs. These loans were PPP loans and helped revitalize or stabilize a moderate-income geography.

Qualified Investments. The level of qualified investments (including qualifying donations) is adequate. During the evaluation period, the bank continued to hold four prior-period investment securities totaling \$1.3 million in its AAs. These securities are in the form of bonds and financed public schools in an underserved area.

The bank made an adequate level of donations during the evaluation period. The bank made \$54,815 in donations that directly benefit its AAs or broader regional areas that include the AAs. Most donations (58.4%) helped organizations that focus on economic development. The bank also made donations to organizations that provide community services to low- and moderate-income people, as well as to organizations that focus on affordable housing and revitalizing or stabilizing low- or moderate-income geographies. Finally, the bank made donations that were specifically targeted to pandemic relief. By AA, the bank donated \$12,520 in the Mankato AA, \$6,570 in the Owatonna AA, and \$1,375 in the Truman AA. The bank also donated \$34,350 to organizations that serve broader regional areas that include the AAs.

Community Development Services. The bank's level of community development services is excellent. During the evaluation period, the bank provided 62 services in the AAs or in regional areas that include the bank's AAs. Twenty employees, including senior management, provided financial expertise on boards and committees of 24 organizations. A significant number of services (43.5%) were to organizations that provide assistance to low- and moderate-income people. Services also supported organizations that facilitate economic development, focus on revitalization and stabilization of underserved areas, and support affordable housing initiatives. Finally, a bank officer served on the board of an organization that set up a community response fund for pandemic relief.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

NONMETROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE TRUMAN ASSESSMENT AREA

Bank Information. The bank operates its main office (in Truman) and one full-service branch (in Fairmont) in the Truman AA. The main office and branch are in Martin County and within 15 miles of each other. Each office has a drive-up window and a cash-dispensing-only ATM.

Assessment Area. The Truman AA includes all of Martin County and two of three census tracts in Watonwan County. Martin County consists of six middle-income tracts designated as underserved for the entire evaluation period. The two census tracts located in Watonwan County are middle-income census tracts and are not designated as underserved or distressed. The bank has not changed the Truman AA since the previous evaluation, and none of the census tract income classifications have changed based on 2021 FFIEC census data.

The table below shows the demographic characteristics of the AA based on the 2021 FFIEC census data and 2021 Dun & Bradstreet data.

TRUMAN AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,416	18.6
Moderate	0	0.0	0	0.0	0	0.0	1,351	17.7
Middle	8	100.0	7,628	100.0	605	7.9	2,029	26.6
Upper	0	0.0	0	0.0	0	0.0	2,832	37.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	8	100.0	7,628	100.0	605	7.9	7,628	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	13,411	8,735	100.0	65.1	3,133	23.4	1,543	11.5
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	13,411	8,735	100.0	65.1	3,133	23.4	1,543	11.5
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,384	100.0	1,236	100.0	108	100.0	40	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,384	100.0	1,236	100.0	108	100.0	40	100.0
Percentage of Total Businesses:				89.3		7.8		2.9

TRUMAN AA DEMOGRAPHICS								
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	379	100.0	375	100.0	4	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	379	100.0	375	100.0	4	100.0	0	0.0
Percentage of Total Farms:					98.9		1.1	0.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet data 2011-2015 U.S. Census Bureau: American Community Survey NOTE: Percentages may not add up to 100.0 due to rounding.</i>								

Income. For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for NonMSA Minnesota, which was \$63,045 for 2021.

The table below shows the median family income in the AA and different geographic regions of Minnesota, based on U.S. Census Bureau data.

Truman AA Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Truman AA	\$61,420	\$62,923	2.4%
Martin County, MN	\$62,222	\$62,397	0.3%
Watonwan County, MN	\$60,006	\$61,773	2.9%
NonMSA Minnesota	\$61,945	\$63,045	1.8%
Minnesota	\$77,650	\$77,055	-0.8%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

The 2015 median family income in the AA slightly increased since the 2010 census. It is comparable to that of NonMSA areas of Minnesota and is less than the statewide income.

Population Characteristics. The 2015 population of the Truman AA is 31,404. The table below shows the population change from the 2010 census to the 2015 U.S. Census Bureau American Community Survey (ACS). The population in the Truman AA has decreased. Bank management and the community contact identify population loss as a concern in this area, which presents challenges in attracting and retaining businesses and a workforce.

Truman AA Population Change			
Area	2010 Population	2015 Population	Percent Change
Truman AA	32,051	31,404	-2.0%
Martin County, MN	20,840	20,350	-2.4%
Watonwan County, MN	11,211	11,054	-1.4%
NonMSA Minnesota	1,246,842	1,243,105	-0.3%
Minnesota	5,303,925	5,419,171	2.2%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Economy. The pandemic has influenced local businesses since the previous evaluation. Bank management explained that small businesses pivoted to accommodate new safety regulations, and some shut down for an extended period due to outbreak concerns or a lack of job-seeking candidates to fill positions. The table below shows the unemployment rate from 2019 to 2021 in the Truman AA. As businesses shut down, due to regulations, health concerns, and staffing shortages, the unemployment rate jumped to 5.2% in 2020. It improved in 2021 and is lower than the rate of NonMSA Minnesota as a whole.

Truman AA Unemployment Rates			
Area	2019	2020	2021
Truman 2021	4.1%	5.2%	3.1%
Martin County, MN	4.0%	5.5%	3.2%
Watonwan County, MN	4.3%	4.8%	3.0%
NonMSA Minnesota	4.3%	6.1%	3.6%
Minnesota	3.4%	6.3%	3.4%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>			

Bank management stated there are concerns with access to healthcare and childcare in the area. Specifically, some local healthcare providers are leaving the area, either due to relocation or retirement, and there is a critical need for childcare in the area, including in the formal education setting. Another challenge a local contact noted is that individuals desire to work remotely, placing additional strain on employers' ability to hire people. Additionally, both bank management and the community contact explained that the pandemic exacerbated the continued need for skilled labor positions, but there are also needs for unskilled and professional labor. Wages in the area have increased significantly since the previous evaluation. Management stated that higher entry level wages, some as high as \$17-\$25 per hour, impact every industry. According to bank management and a community contact, this AA is also experiencing the same effects of supply chain issues, inflation, and labor shortages that many other areas are experiencing.

Agriculture continues to be the main industry in the AA. Management describes the agriculture economy as excellent over the last few years, as producers experienced increased revenues due to good yields and higher commodity prices. Additionally, most producers supplement their incomes through other means, including, for example, barn rental. While agriculture producers have fared well during recent years, management explained that hog producing facilities experienced challenges during the pandemic, including closures due to health concerns and workforce shortages.

Housing. The housing market has been active in recent years. However, many homes currently on the market are priced too high for many buyers, according to the community contact. Bank management and the community contact indicated there are limited houses for sale, and those that are available sell fast and sometimes for over the asking price.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN TRUMAN AA

The bank's overall performance under the Lending Test in the Truman AA is reasonable. The bank's overall Community Development Test performance in this AA demonstrates excellent responsiveness to community development needs. This AA accounts for a majority of the bank's lending and a significant portion of community development activities.

LENDING TEST

The bank meets the credit needs of businesses and farms in the Truman AA. Overall, the bank's lending to businesses and farms of different sizes is excellent, based on the weighting for small business lending. The geographic distribution and dispersion of loans is reasonable and does not reveal any unexplained gaps in lending.

LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES

Small Farm Lending. The bank's small farm lending is reasonable. The bank originated 66.1% of its small farm loans to farms that have gross annual revenues of \$1 million or less. According to Dun & Bradstreet data³, 98.9% of the farms in the AA have gross annual revenues of \$1 million or less. The bank's lending is below demographics but reasonable and explainable.

The bank has experienced lower loan demand and operates in a competitive banking environment for small farm loans. Of the loans made to larger farms, 68.5% were multiple loans made to five borrowers; the bank maintains lending relationships with some larger farms. Additionally, bank management believes the Dun & Bradstreet farm size demographic is overstated and estimates that only 30-40% of farms in the AA had gross annual revenues of \$1 million or less during this evaluation period. Credit needs for farmers in the AA have significantly changed since the previous evaluation period. With rising prices and good yields, farmers generally seek credit to finance larger purchases, such as real estate or higher-priced equipment, instead of daily operations. Of the bank's small farm loans to farms with revenues of \$1 million or less, 59.9% were in amounts of \$100,000, which indicates a willingness to serve the credit needs of smaller entities.

³ Dun & Bradstreet demographic data is based on voluntary self-reported information from farms and businesses in the AA.

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Truman					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	37	66.1	4,396	44.0	98.9
Over \$1 Million	19	33.9	5,603	56.0	1.1
Revenue Unknown	0	0.0	0	0.0	0.0
Total	56	100.0	9,998	100.0	100.0
By Loan Size					
\$100,000 or Less	25	44.6	1,097	11.0	
\$100,001 - \$250,000	16	28.6	2,993	29.9	
\$250,001 - \$500,000	15	26.8	5,908	59.1	
Total	56	100.0	9,998	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	22	59.5	843	19.2	
\$100,001 - \$250,000	9	24.3	1,510	34.3	
\$250,001 - \$500,000	6	16.2	2,043	46.5	
Total	37	100.0	4,396	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

Small Business Lending. Small business lending in the Truman AA is excellent. The table below shows the bank's small business lending as well as demographic data.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Truman					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	21	84.0	2,093	82.0	89.3
Over \$1 Million	4	16.0	459	18.0	7.8
Revenue Unknown	0	0.0	0	0.0	2.9
Total	25	100.0	2,552	100.0	100.0
By Loan Size					
\$100,000 or Less	18	72.0	724	28.4	
\$100,001 - \$250,000	4	16.0	661	25.9	
\$250,001 - \$1 Million	3	12.0	1,167	45.7	
Total	25	100.0	2,552	100.0	

Distribution of 2021 Small Business Lending By Revenue Size of Businesses				
Assessment Area: Truman				
By Loan Size and Revenues \$1 Million or Less				
\$100,000 or Less	16	76.2	590	28.2
\$100,001 - \$250,000	2	9.5	336	16.1
\$250,001 - \$1 Million	3	14.3	1,167	55.8
Total	21	100.0	2,093	100.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>				
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>				

The bank originated 84.0% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to the 2021 Dun & Bradstreet data, 89.4% of businesses in the AA are small businesses. The bank’s lending is slightly below demographics; however, it is explainable. The bank faces strong commercial loan competition in the AA. The bank originated 72.0% of its loans in amounts of \$100,000 or less, indicating a willingness to lend to small businesses in the community.

In addition, the bank’s PPP lending in the Truman AA is significant. Bank management commented that some financial institutions were not able to help their own small business customers, and as a result, these customers turned to Profinium, Inc. for help. The bank extended 305 PPP loans in the Truman AA, totaling \$12.7 million. Of these loans, 79.3% were for less than \$25,000. This level of responsiveness enhances the bank’s small business lending.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution and dispersion of the bank’s loans in the Truman AA is reasonable. This AA consists of eight middle-income census tracts. The bank originated small business and small farms loans in all but one census tract (9502.00 in Watonwan County). This is reasonable since the City of St. James is in this census tract and other financial institutions operate in the city.

COMMUNITY DEVELOPMENT TEST

Community Development Loans. The bank’s community development lending in the Truman AA is excellent. The bank originated 13 community development loans totaling \$2.1 million that benefited the AA. Three loans totaling \$362,500 helped revitalize and stabilize underserved areas by funding township infrastructure improvements or maintenance. Eight loans totaling \$616,600 for economic development purposes helped small businesses or farms create or retain low- and moderate-income jobs in the AA. One loan provided funding for a local athletic program serving low- and moderate-income youth in the AA. Finally, one loan was a PPP loan greater than \$1 million, which provided a small business in an underserved geography with funds to help retain its workforce.

Qualified Investments, Including Donations. The level of qualified investments in the Truman AA is adequate. The bank did not purchase any new qualified investments in the form of securities during the evaluation period. However, the bank continued to hold four prior-period investments totaling \$1.3 million. The prior-period investments helped revitalize and stabilize an underserved area by funding public schools.

The bank made donations totaling \$1,375 that directly benefited the Truman AA. The donations supported organizations that provide community services to low- and moderate-income individuals, including children, as well as organizations that help revitalize or stabilize underserved areas.

Community Development Services. The bank provided an excellent level of services in the Truman AA. Bank officers and staff provided 26 community development services to 11 organizations. Bank officers and staff provided financial expertise to organizations that help revitalize or stabilize underserved areas, provide community services to low- and moderate-income people, foster affordable housing efforts, and promote economic development.

NONMETROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE OWATONNA ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Owatonna AA. They determined that the bank's performance in this AA is consistent with the performance in the Truman AA. Examiners analyzed the bank's small business loans and community development activities. Examiners did not review small farm loans due to low volume in this AA.

The bank has limited loan volume in this AA. During the sample period the bank's lending in this AA represented 13.8% of the bank's total lending in its AAs. According to the June 30, 2021, FDIC Deposit Market Share Report, the bank had 23.6% of its deposits in the Owatonna AA, which is 10.9% of the market share. The bank ranks fourth out of 14 financial institutions in the AA.

The Owatonna AA consists of all of Steele County, a total of eight tracts. The bank has not changed the AA, and none of the income tract designations have changed since the previous evaluation. The AA consists of one moderate-, four middle-, and three upper-income census tracts. The population of the AA is 36,523, according to the 2021 FFIEC census data.

The bank operates one full-service branch in Owatonna, which is in the moderate-income census tract. The bank has a cash-dispensing-only ATM and a drive-up facility and offers reasonable weekday hours.

METROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE MANKATO ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Mankato AA. They determined that the bank's performance in this AA is consistent with the performance in the Truman AA.⁴ Examiners analyzed the bank's small farm loans and community development activities. Examiners did not review small business loans due to low volume in this AA.

The bank has limited loan volume in this AA. During the sample period, the bank's lending in this AA represented 23.8% of the bank's total lending in its AAs. According to the June 30, 2021, FDIC Deposit Market Share Report, the bank had 14.4% of its deposits in the Mankato AA, which is 2.0% of the market share. The bank ranks 13th out of 20 financial institutions in the Mankato, MN MSA.

The Mankato AA is a portion of the Mankato, MN MSA, and consists of all of Blue Earth County and three census tracts in Nicollet County, totaling 19 tracts. The bank has not changed the AA, and none of the income tract designations have changed since the previous evaluation. The AA consists of four moderate-, 14 middle-, and one upper-income census tracts. The population of the AA is 78,541, according to the 2021 FFIEC census data.

The bank operates one full-service branch in Mankato, which is in a moderate-income census tract. The bank has a cash-dispensing-only ATM and a drive-up facility and offers reasonable weekday hours.

⁴ Examiners determined that there was no state or regional activity that would impact the institution's rating, which is based primarily on the bank's performance in the full-scope Truman NonMSA AA. Therefore, examiners compared the bank's performance in the Mankato MSA AA to that in the Truman AA.

Appendix A

Glossary of Common CRA Terms

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 statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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.

Distressed nonmetropolitan middle-income census tract: A middle-income, nonmetropolitan census tract 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 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of 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.

Limited-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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 statistical area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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 MSA. 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 MSA, the institution will receive a rating for the multistate metropolitan area.

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

Small loan to farm: 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 or classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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 more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)