

PUBLIC DISCLOSURE

January 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pioneer Bank
301 Main Street Northeast
P.O. Box 306
Mapleton, MN 56065-0306
RSSD 920854

**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.

TABLE OF CONTENTS

Institution’s CRA Rating 1

Scope of Evaluation 1

Description of Institution 3

Description of Assessment Areas 4

Conclusions with Respect to Performance Criteria 4

Lending Test 4

Community Development Test 7

Fair Lending or Other Illegal Credit Practices Review..... 7

Metropolitan Area – Full Review 8

 Description of the Mankato Assessment Area..... 8

 Conclusions with Respect to Performance Criteria 11

Nonmetropolitan Area – Full Review 22

 Description of the St. James Assessment Area 22

 Conclusions with Respect to Performance Criteria 25

Appendix A – Glossary of Common CRA Terms 36

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 Outstanding.

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Pioneer Bank, Mapleton, Minnesota, demonstrates excellent responsiveness to the credit and community development needs of its assessment areas. Examiners evaluated the bank's CRA performance using the Intermediate Small Bank (ISB) Examination Procedures, which includes a Lending Test and a Community Development Test.

The bank's Lending Test rating is Outstanding based on the following criteria:

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

The bank's 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 assessment areas. The bank's level of community development loans, qualified investments and donations, and community development services are excellent, considering the bank's capacity and the need for and availability of such opportunities in each of the assessment areas.

The bank received an Outstanding rating at the previous evaluation dated October 30, 2017.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. The analysis of the information from these sources, as well as economic and demographic characteristics, competitive factors, and the size and financial condition of the bank, assist in understanding the bank's performance. The CRA evaluation covers the period from the previous CRA evaluation to January 25, 2021.

The bank has designated two assessment areas in Minnesota for CRA purposes: Mankato and St. James. The Mankato assessment area is defined as the Mankato–North Mankato, Minnesota, metropolitan statistical area (MSA), which consists of Blue Earth and Nicollet counties. The St. James assessment area includes Brown, Cottonwood, Faribault, Martin, Waseca, and Watonwan counties. In 2019, the bank acquired the assets and deposits of The Nicollet County Bank of Saint Peter (NCB). The acquisition did not alter the assessment areas, but with it, the bank acquired a branch in St. Peter, Minnesota, in the Mankato assessment area.

Based on lending data provided by the bank, the bank originated 53.0% of loans by number in the Mankato assessment area, and 47.0% in the St. James assessment area. Based on the June 30, 2020, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 59.5% of the bank's deposits are in the Mankato assessment area and 40.5% are in the St. James assessment area. Examiners conducted full-scope reviews of both assessment areas given similar lending and deposit activities.

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

- For the Lending Test, examiners placed more weight on the bank’s performance in the Mankato assessment area than the St. James assessment area. Although the bank originated a comparable number of loans in each assessment area, most loan dollars were originated in the Mankato assessment area (73.6%). For the Community Development Test, the assessment areas were weighted equally.
- For the Lending Test performance criteria, examiners gave the greatest weight to the bank’s lending to businesses and farms of different sizes and to borrowers of different income levels.
- For the Lending Test, the bank’s small business loans received the most weight, followed by small farm loans. Consumer and HMDA loans were weighted equally and least.

Throughout this evaluation, examiners used demographic characteristics in evaluating the bank’s record of lending in the individual assessment areas. Sources for demographic information are primarily the Federal Financial Institutions Examination Council (FFIEC) adjusted census data and 2020 Dun & Bradstreet data. Assessment area demographics are useful in analyzing the bank’s lending because they provide a means of estimating lending opportunities. Examiners used self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses to evaluate the bank’s small business and small farm lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

For the community contacts, examiners interviewed people familiar with the economic and demographic characteristics and community development opportunities in the bank’s assessment areas. The assessment area sections of this evaluation include specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the assessment areas.

LENDING TEST SCOPE

The scope of the Lending Test covers the bank’s major product lines, consisting of agriculture, commercial, residential real estate, and consumer loans. Table 1 shows the bank’s lending activity by loan type for 2019.

Table 1				
Loan Originations from January 1, 2019, Through December 31, 2019				
<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>
Construction/Land Development	17	0.9	\$6,948,237	2.6
Consumer	598	32.7	7,375,969	2.8
HELOCs	104	5.7	5,866,418	2.2
Letters of Credit	1	0.1	20,000	0.0
Residential Real Estate	164	9.0	21,254,262	8.0
Small Business (<=1 million)	382	20.9	44,866,496	17.0
Commercial (>1 million)	6	0.3	11,947,363	4.5
Small Farm (<=500,000)	468	25.6	67,566,153	25.6
Agriculture (>500,000)	87	4.8	98,510,343	37.3
Tax Exempt	1	0.1	10,000	0.0
Total	1,828	100.0	\$264,365,241	100.0
<i>Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.</i>				

The Lending Test is based on a statistical sample of the bank's small business, small farm, and consumer loans. The loan sample includes 106 consumer and 159 small business loans originated between April 1, 2020, and September 30, 2020, and 145 small farm loans originated between October 1, 2019, and September 30, 2020.

In 2020, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans are designed to help businesses keep their workforces employed during the COVID-19 pandemic. The bank originated over 700 PPP loans in 2020. Examiners considered the bank's PPP loans in their evaluation of the bank's small business loans.

Because the bank has offices in an MSA and is required to report HMDA loans, examiners also analyzed the bank's 2017, 2018, and 2019 HMDA-reportable loans. Examiners reviewed the bank's 2017 data for consistency with its 2018 to 2019 data but did not include a detailed analysis of the 2017 data in this evaluation. Examiners compared the bank's HMDA lending performance to that of aggregate lenders that reported HMDA loans originated or purchased in the assessment areas. The 2020 HMDA-reportable loans were not available at the time of the evaluation.

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

- Lending to businesses and farms of different sizes and to borrowers of different income levels
- Geographic distribution of loans
- Net loan-to-deposit ratio
- Lending inside the assessment areas
- The bank's record of responding to complaints about its CRA performance

COMMUNITY DEVELOPMENT TEST SCOPE

Examiners reviewed the bank's community development lending, qualified investments, and community development services since the previous evaluation for each assessment area. Examiners based the Community Development Test rating on the bank's performance during the period of October 31, 2017, through January 25, 2021.

DESCRIPTION OF INSTITUTION

Structure. Pioneer Bank is headquartered in Mapleton and is wholly owned by Citizens Bank Group, Inc., St. James, Minnesota, a one-bank holding company.

Offices and Retail Delivery Systems. The bank's main office is in Mapleton, with seven full-service branches: two in Mankato and one each in North Mankato, St. James, St. Peter, Madelia, and Lewisville. The bank also has a loan production office in Lake Crystal. The bank operates two deposit-taking ATMs (both at the Mankato Adams Street branch) and four cash-dispensing-only ATMs (one each at the St. James, St. Peter, North Mankato, and Mankato Stadium Street branches). Except for the Lewisville branch, all full-service locations have a drive-up window with extended weekday and Saturday hours.

The bank also offers online and mobile banking, and customers can print consumer and residential real estate loan applications from the bank's website. Finally, customers may use several non-proprietary ATMs located in communities throughout the assessment areas for free.

As mentioned, the bank acquired the assets and deposits of NCB in 2019; the acquisition added one full-service branch, located in St. Peter. In 2020, the bank opened its full-service branch on Adams Street in Mankato, Minnesota.

Loan Portfolio. According to the September 30, 2020, Report of Condition, the bank has total assets of \$676.5 million. The bank's \$456.0 million loan portfolio increased by 35.6% since the previous evaluation, and total assets increased by 65.3%, primarily because of the bank's acquisition of NCB. The bank's loan portfolio consists of 45.7% commercial, 37.1% agricultural, 14.9% residential real estate, 2.1% consumer, and 0.2% other loans. The overall composition of the loan portfolio has remained relatively consistent; however, commercial, consumer, and residential real estate loans increased significantly since the previous evaluation (by 62.3%, 59.7%, and 30.0%, respectively), and agricultural loans increased slightly (by 7.2%).

Credit Products. Pioneer Bank is primarily a commercial and agricultural lender but also offers other traditional credit products to serve the needs of its customer base. 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, the Farm Service Agency, and the Minnesota Department of Agriculture's Rural Finance Authority. The bank also offers U.S. Department of Agriculture Rural Development, Federal Housing Administration, U.S. Department of Veterans Affairs, and Minnesota Housing Finance Agency (MHFA) loans.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two assessment areas for CRA purposes: Mankato and St. James. The Mankato assessment area includes Nicollet and Blue Earth counties. The St. James assessment area includes Brown, Cottonwood, Faribault, Martin, Waseca, and Watonwan counties. The number of census tracts in each assessment area has not changed since the previous evaluation; however, the income classification of several tracts changed, as discussed in the individual assessment area sections of this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

LENDING TEST

The Lending Test is rated Outstanding. The factors supporting this rating include the following:

- Overall, the bank's lending to businesses and farms of different sizes and to borrowers of different income levels is excellent.
- The geographic distribution reflects an overall reasonable dispersion throughout the assessment areas.
- The net loan-to-deposit ratio indicates a reasonable level of lending.
- The bank originated a majority of its loans within its assessment areas.

Since the bank has an assessment area in an MSA, examiners conducted a separate analysis for the bank's performance in each assessment area. The Mankato and St. James assessment area sections include a detailed analysis of the bank's lending to businesses and farms of different sizes and to borrowers of different income levels, as well as the geographic distribution of the bank's loans. However, examiners analyzed the net loan-to-deposit ratio and the comparison of lending inside and outside the assessment area at the bank 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 and competition of the assessment area. As of September 30, 2020, the net loan-to-deposit ratio for the bank is 75.8%, which is slightly below the national peer group’s net loan-to-deposit ratio of 80.0%. The bank’s national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion.

Since the previous evaluation, the bank’s quarterly net loan-to-deposit ratio ranged from 70.9% to 101.8% with an average of 88.1% for the past 12 quarters. The bank’s 17-quarter average net loan-to-deposit ratio at the previous evaluation was 95.3%. Table 2 shows the 12-quarter average net loan-to-deposit ratio of the bank and competitor banks operating in its assessment areas.

Table 2		
12-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank Name and Location</i>	<i>Assets as of 09/30/2020 (in millions)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Pioneer Bank, Mapleton, MN	\$676,506	88.1%
United Prairie Bank, Mountain Lake, MN	\$746,930	93.0%
Community Bank of Mankato, Vernon Center, MN	\$366,107	98.2%
Profinium, Truman, MN	\$486,739	89.9%
Citizens Bank of Minnesota, New Ulm, MN	\$535,716	81.4%

Prior to the purchase of NCB St. Peter, the bank’s loan-to-deposit generally exceeded that of competitor banks through the first five quarters. During that period, the bank’s net loan-to-deposit ratio ranged from 98.4% to 101.8%. After the purchase, and because of the associated deposit growth, the bank’s net loan-to-deposit ratio decreased to a range of 70.9% to 78.9%, which is consistent with the competitors.

The bank’s net loan-to-deposit ratio is reasonable, given the credit needs and opportunities in the assessment areas. The bank competes with several financial institutions, including large credit unions and national banks. The bank is an active lender in a highly competitive market. Community contacts did not identify any unmet credit needs in the assessment areas.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a majority of the loans within its assessment areas, specifically 82.5% by number and 79.2% by dollar amount. Table 3 shows lending activity by loan type within the assessment areas.

Table 3 Lending Inside and Outside the Assessment Areas								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer	91	85.8	1,076	81.6	15	14.2	242	18.4
Home Improvement	12	80.0	823	89.2	3	20.0	100	10.8
Home Purchase - Conventional	125	86.2	14,195	80.6	20	13.8	3,409	19.4
Multi-Family Housing	44	88.0	32,226	83.3	6	12.0	6,438	16.7
Refinancing	109	87.9	11,817	85.4	15	12.1	2,014	14.6
Total HMDA¹	290	86.8	59,061	83.2	44	13.2	11,961	16.8
Small Business	116	73.0	9,256	60.0	43	27.0	6,179	40.0
Small Farm	117	80.7	11,439	79.7	28	19.3	2,906	20.3
TOTAL LOANS	614	82.5	80,832	79.2	130	17.5	21,288	20.8

The percentage of small business loans by number and by dollar amount inside the assessment areas is lower than the percentage for the other loan categories. Several of the small business loans originated outside the bank’s assessment areas were in adjacent counties and based on relationships developed by the lending staff. In addition, of the small business loans originated outside the assessment area, nine of them account for most of those loan dollars (69.9%).

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 and to borrowers of different income levels is excellent. The bank actively lends to businesses and farms with gross annual revenues of \$1 million or less and to low- and moderate-income individuals. The assessment area sections provide more detailed information for borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

The overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas, including moderate-income census tracts. There are no low-income census tracts in the assessment areas. Lending patterns do not reveal any unexplained gaps in lending. Refer to the assessment area sections for a more detailed discussion of 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.

¹ The bank is partially exempt from filing the expanded fields and is also exempt from reporting open-end lines of credit (and filer did not optionally report any open-ended loans). Originations with loan purpose “other” are excluded from this table.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Outstanding. The bank's community development activities demonstrate excellent responsiveness to identified community development needs. The bank engaged in community development lending, provided community development services, and made qualified investments in the form of securities and donations.

Community Development Loans. The bank's community development lending is excellent. The bank originated two community development loans totaling \$11.2 million, which directly benefit the Mankato assessment area. These loans were part of a large SBA 504-funded construction project that expanded a manufacturing plant and created jobs.

The bank also originated eight community development loans totaling \$3.2 million that benefited areas outside of the bank's assessment areas. Seven of these loans helped create or retain jobs in low- or moderate-income geographies or for low- and moderate-income people. One loan helped revitalize and stabilize a moderate-income geography by funding a new business. All eight loans involved SBA financing with the purpose of impacting job growth or retention.

Qualified Investments. The bank's level of qualified investments is excellent. Six security investments, totaling approximately \$1.6 million, directly benefit the bank's assessment areas (including one prior period bond for \$455,000). Most of these investment dollars helped provide community services to low- and moderate-income people; the remaining investment dollars funded infrastructure improvements in a distressed geography. The bank also made two security investments totaling \$600,000 that benefited an area outside of the bank's assessment areas. These securities provided community services for low- and moderate-income people by financing school building improvements in a county that is adjacent to the St. James assessment area.

The bank's donations totaled \$50,650: \$33,293 benefited the Mankato assessment area, \$11,507 benefited the St. James assessment area, and \$5,850 benefited a broader regional area that included both assessment areas. Most donations (74.1%) supported community services for low- and moderate-income people. The remaining donations supported economic development efforts and helped revitalize and stabilize a designated disaster area. Of note is the bank's support of local schools during the pandemic. The bank donated 7,500 water bottles (costing over \$7,800) to area school children in response to the schools disabling water fountains as part of their pandemic mitigation practices. This donation was particularly responsive to community needs during the pandemic.

Community Development Services. The bank's level of community development service is excellent. During the evaluation period, the bank provided 72 community development services, which benefited both assessment areas. Many employees, including bank management, contributed their financial expertise to 16 organizations in the assessment areas. Bank employees volunteer at various organizations that provide essential community services to low- and moderate-income individuals, promote economic development, and focus on affordable housing. Bank employees serve as board and committee members for many of these organizations.

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.

METROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE MANKATO ASSESSMENT AREA

Bank Information. The bank operates its main office, four full-service branches and the LPO in the Mankato assessment area. All locations offer drive-up services, with extended weekday and Saturday hours at drive-ups. The Mankato Adams Street branch has two deposit-taking ATMs. The North Mankato, the Mankato Stadium Road, and St. Peter branches each have a cash-dispensing-only ATM.

According to the June 30, 2020, FDIC Deposit Market Share Report, the bank has \$355.8 million in deposits in the Mankato–North Mankato, MN MSA, representing a market share of 12.3%. Pioneer Bank ranks second out of 21 FDIC-insured intuitions with offices in the MSA. The bank’s deposits in this assessment area represent 59.5% of its total deposits.

Assessment Area. The Mankato assessment area includes Nicollet and Blue Earth counties, which form the Mankato–North Mankato, MN MSA. The bank has not changed the assessment area since the previous evaluation; however, the income classification of six tracts changed.² Previously, there were two moderate-income, 18 middle-income, and three upper-income census tracts in the assessment area. At this evaluation, there are four moderate-income, 18 middle-income, and one upper-income tracts.

Table 4 shows the demographic characteristics of the Mankato assessment area.

TABLE 4 MANKATO ASSESSMENT AREA 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	4,502	19.7
Moderate	4	17.4	1,749	7.7	262	15.0	4,025	17.6
Middle	18	78.3	19,970	87.5	1,532	7.7	5,445	23.9
Upper	1	4.3	1,106	4.8	46	4.2	8,853	38.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	23	100.0	22,825	100.0	1,840	8.1	22,825	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	5,715	1,933	7.7	33.8	3,288	57.5	494	8.6
Middle	32,803	22,065	87.3	67.3	8,812	26.9	1,926	5.9
Upper	1,456	1,268	5.0	87.1	110	7.6	78	5.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	39,974	25,266	100.0	63.2	12,210	30.5	2,498	6.2

² In Blue Earth County, tracts 1706.00, 1707.00, and 1711.01 changed from middle- to moderate-income, tract 1712.02 changed from moderate- to middle-income, and tract 1716.00 changed from upper- to middle-income. In Nicollet County, tract 4805.02 changed from upper- to middle-income.

TABLE 4 MANKATO ASSESSMENT AREA DEMOGRAPHICS								
	Total Businesses by Tract		Small 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	914	18.6	784	17.7	126	28.7	4	6.0
Middle	3,812	77.4	3,450	78.1	304	69.2	58	86.6
Upper	197	4.0	183	4.1	9	2.1	5	7.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4,923	100.0	4,417	100.0	439	100.0	67	100.0
Percentage of Total Businesses:				89.7		8.9		1.4
	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	8	1.5	8	1.5	0	0.0	0	0.0
Middle	461	87.3	453	87.3	8	88.9	0	0.0
Upper	59	11.2	58	11.2	1	11.1	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	528	100.0	519	100.0	9	100.0	0	0.0
Percentage of Total Farms:				98.3		1.7		0.0

Source: 2020 FFIEC Census Data and 2020 Dun & Bradstreet data
NOTE: Percentages may not add up to 100.0 due to rounding.

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income for the Mankato–North Mankato, MN MSA, for the year of loan origination. This figure was \$78,000 for 2017, \$75,000 for 2018, \$78,500 for 2019, and \$86,200 for 2020. For purposes of classifying census tracts by income level, the evaluation uses the FFIEC adjusted census data median family income for the Mankato-North Mankato, MN MSA, which was \$71,814 for each year in the evaluation period.

Population Characteristics. The population in the Mankato assessment area is 98,211. Table 5 shows the population change from the 2010 census to the 2015 U.S. Census Bureau American Community Survey (ACS). The population growth in the Mankato assessment area is less than the state of Minnesota growth. According to U.S. Census Bureau estimates, the 2019 population of Mankato, the largest city in the assessment area, is 42,931 (an increase of 7.7% since the 2010 census). The largest group, 47.2%, of the assessment area population are 25 to 64 years of age. The remaining population by age is as follows: 20.5% of residents are 17 years of age and younger, 19.5% are 18 to 24 years of age, and 12.8% are 65 and over.

Table 5 Total Population			
Area	2010 Population	2015 Population	% Change
Mankato AA	96,740	98,211	1.5
Blue Earth County, MN	64,013	65,125	1.7
Nicollet County, MN	32,727	33,086	1.1
Minnesota	5,303,925	5,419,171	2.2

Source: 2010 U.S. Census Bureau Decennial Census
2011 - 2015 U.S. Census Bureau American Community Survey

Of the 37,476 households in the assessment area, 24.1% are low income and 16.5% are moderate income. The percentages of low- and moderate-income households in the assessment area are consistent with the statewide percentages at 23.6% and 16.1%, respectively. In addition, 15.2% of the households in the assessment area have incomes below the poverty level, which is higher than the statewide percentage at 10.8%.

Economy. According to community contacts, the economy of the greater Mankato area is diverse and performing well. Major industries include manufacturing, health care, post-secondary education, retail, agriculture, and hospitality services. The contacts described Mankato as the hub for the neighboring counties with people commuting 30 or more miles daily for employment in Mankato. The higher wages are a draw for many skilled and semi-skilled workers. Community contacts indicate the wage of \$17.00 for workers with limited skills is an incentive to commute. The agriculture sector is not as strong as it once was because of a decline in commodity prices, though prices are starting to rebound.

Table 6 shows the unemployment rates for the Mankato assessment area and the state for a recent three-year period. The unemployment rate in the assessment area fluctuated slightly during this period and was lower than the statewide rate. A community contact indicated that there are more jobs than people to fill them in the greater Mankato area.

Table 6 Unemployment Rates			
Area	2017	2018	2019
2020 Mankato AA	2.7%	2.4%	2.7%
Blue Earth County, MN	2.9%	2.5%	2.8%
Nicollet County, MN	2.5%	2.2%	2.5%
Minnesota	3.4%	2.9%	3.2%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>			

Housing. According to community contacts, the primary housing concern in the assessment area is the availability of affordable housing for people earning less than minimum wage. Affordable housing is an issue for both renters and homeowners. Local developers seek out tax credit incentives to enhance the risk rewards for affordable housing. However, developers have found it more lucrative to focus on market-rate apartments and higher-priced housing.

A community contact also stated that the housing market for single-family homes is competitive due to low inventory. Starter homes with a value of \$250,000 or less sell quickly due to the tight housing market. Builders are unable to keep up with the demand for single-family home construction because of the area’s population growth. The contact indicated families are living further outside of the greater Mankato area due to the shortage of housing and population growth.

According to 2020 FFIEC adjusted census data, the assessment area has 39,974 housing units: 63.2% are owner occupied, 30.5% are rental, and 6.3% are vacant. The median age of the housing stock is 47 years, which is slightly higher than the statewide median of 40 years. The median housing value for the assessment area is \$165,496 and the affordability ratio is 32.1, compared to \$186,200 and 33.0 for the state, respectively. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. This ratio suggests that, overall, housing in the Mankato assessment area is slightly less affordable than in other areas of the state.

Community contacts indicate housing is more affordable today than in the past due to lower interest rates, which enable borrowers to qualify for loans based on current employment, cash for closing, and a decent credit score. While affordability is positive, the availability of housing is tight. Housing prices have doubled over a twenty-year period because of material and labor costs. This increase year over year hinders low- to moderate-income individuals from locating and finding affordable housing or rental units.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank’s performance in the Mankato assessment area is excellent. The bank’s lending and community development activity demonstrates excellent responsiveness to credit and community development needs in the Mankato assessment area.

LENDING TEST

Overall, the bank’s lending to businesses and farms of different sizes and to borrowers of different income levels is excellent, and the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and does not reveal unexplained gaps in lending.

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

Small Business Lending. The bank’s small business lending in the assessment area is excellent. Table 7 shows the bank’s small business lending. The bank originated 27.0% of its small business loans to entities with gross annual revenues of \$1 million or less (defined as small businesses). The bank’s lending is below demographics, which indicate that 89.7% of businesses in the assessment area have gross annual revenues of \$1 million or less. Overall, 77.0% of the loans were for \$100,000 or less, which indicates the bank’s willingness to serve the credit needs of smaller entities.

<p align="center">Table 7 Small Business Lending by Revenue & Loan Size Assessment Area: 2020 Mankato MSA</p>							
Product Type		Bank & Demographic Comparison					
		Count		Dollar		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	20	27.0	725	11.7	89.7
		Over \$1 Million or Unknown	54	73.0	5,458	88.3	10.3
		Total	74	100.0	6,183	100.0	100.0
	Loan Size	\$100,000 or Less	57	77.0	1,578	25.5	
		\$100,001 - \$250,000	10	13.5	1,521	24.6	
		\$250,001 - \$1 Million	7	9.5	3,084	49.9	
		Total	74	100.0	6,183	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	18	90.0	504	69.5	
		\$100,001 - \$250,000	2	10.0	221	30.5	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
Total		20	100.0	725	100.0		

Originations & Purchases
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

While the bank’s lending to small businesses is below demographics, a significant percentage of the small business loans (63.5%) were extended to borrowers through the PPP loan program, which allows lenders to approve and originate loans without documenting the revenue of applicants. Of these loans, 80.9% were for \$100,000 or less, and 63.8% were for \$50,000 or less. The bank’s active engagement in the PPP loan program is particularly responsive to credit needs of small businesses.

Small Farm Lending. The bank’s small farm lending in the assessment area is reasonable. Table 8 shows the bank’s small farm lending. The bank originated 68,1% of small farm loans to farms that have gross annual revenues of \$1 million or less.

Table 8							
Small Farm Lending by Revenue & Loan Size							
Assessment Areas: 2019 & 2020 Mankato MSA							
Product Type		Bank & Demographic Comparison					
		Count		Dollar		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	47	68.1	5,088	82.1	98.3
		Over \$1 Million or Unknown	22	31.9	1,106	17.9	1.7
		Total	69	100.0	6,194	100.0	100.0
	Loan Size	\$100,000 or Less	51	73.9	1,484	24.0	
		\$100,001 - \$250,000	9	13.0	1,502	24.2	
		\$250,001 - \$500,000	9	13.0	3,209	51.8	
		Total	69	100.0	6,195	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	31	66.0	1,005	19.8	
		\$100,001 - \$250,000	8	17.0	1,374	27.0	
		\$250,001 - \$500,000	8	17.0	2,709	53.2	
		Total	47	100.0	5,088	100.0	
	Originations & Purchases						
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

The bank’s lending to small farms is below demographics, however, 23.2% of the small farm loans originated in the assessment area were PPP loans, and therefore were reported without borrower revenue information. Of these loans, 93.8% were for \$100,000 or less, and 81.3% were for \$50,000 or less. The bank’s lending indicates its willingness to serve the needs of small farms in the assessment area.

Residential Real Estate Lending. The bank’s lending to low- and moderate-income borrowers is reasonable. Tables 9 and 10 show the bank’s HMDA lending by borrower income levels for 2019 and 2018. The tables also include the same information for aggregate lenders.

The bank ranked 17th out of 194 HMDA reporters in 2019, and 10th out of 171 in 2018. The bank’s HMDA loans represent a small percentage of the total HMDA loans reported in the assessment area: 1.2% in 2019 and 2.3% in 2018. The top two HMDA reporters for both years are large national banks.

Low- and moderate-income families make up 19.7% and 17.6% of families in the assessment area, respectively, according to FFIEC adjusted census data for 2019 and 2018.³

³ These demographics were also the same in 2017.

Table 9 Borrower Distribution of HMDA Reportable Loans Assessment Area: 2019 Mankato MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count			Dollar			
		Bank #	Bank %	Agg %	Bank \$(000s)	Bank \$ %	Agg \$ %	
Home Purchase	Low	2	12.5	11.3	333	12.4	6.9	19.7
	Moderate	0	0.0	25.2	0	0.0	20.3	17.6
	Middle	2	12.5	22.9	243	9.0	22.9	23.9
	Upper	6	37.5	25.4	798	29.6	35.3	38.8
	Unknown	6	37.5	15.2	1,318	49.0	14.6	0.0
	Total	16	100.0	100.0	2,692	100.0	100.0	100.0
Refinance	Low	2	13.3	5.9	244	11.6	3.4	19.7
	Moderate	2	13.3	18.6	257	12.2	12.9	17.6
	Middle	1	6.7	23.9	36	1.7	22.0	23.9
	Upper	4	26.7	35.6	441	21.0	44.0	38.8
	Unknown	6	40.0	15.9	1,123	53.5	17.7	0.0
	Total	15	100.0	100.0	2,101	100.0	100.0	100.0
Home Improvement	Low	0	0.0	6.0	0	0.0	3.9	19.7
	Moderate	0	0.0	12.0	0	0.0	8.4	17.6
	Middle	2	66.7	27.7	186	53.4	24.0	23.9
	Upper	0	0.0	42.2	0	0.0	41.1	38.8
	Unknown	1	33.3	12.0	162	46.6	22.6	0.0
	Total	3	100.0	100.0	348	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.7
	Moderate	0	0.0	1.8	0	0.0	0.1	17.6
	Middle	0	0.0	0.0	0	0.0	0.0	23.9
	Upper	1	25.0	7.3	140	10.7	0.9	38.8
	Unknown	3	75.0	90.9	1,172	89.3	99.0	0.0
	Total	4	100.0	100.0	1,312	100.0	100.0	100.0
HMDA Totals	Low	4	10.5	8.7	577	8.9	4.4	19.7
	Moderate	2	5.3	21.7	257	4.0	13.9	17.6
	Middle	5	13.2	23.0	465	7.2	18.3	23.9
	Upper	11	28.9	29.7	1,379	21.4	32.0	38.8
	Unknown	16	42.1	16.8	3,775	58.5	31.4	0.0
	Total	38	100.0	100.0	6,453	100.0	100.0	100.0
Originations & Purchases 2019 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2019 the bank originated 10.5% of its HMDA loans to low-income borrowers and 5.3% to moderate-income borrowers. The bank's lending is below demographics. The bank's lending to low-income borrowers is above aggregate lenders, at 8.7%, and its lending to moderate-income borrowers is below aggregate lenders, at 21.7%. Several of the bank's HMDA loans (42.1%) were made to borrowers with unknown income; these loans are mainly extended to investors.

Table 10 Borrower Distribution of HMDA Reportable Loans Assessment Area: 2018 Mankato MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count			Dollar			
		Bank #	Bank %	Agg %	Bank \$(000s)	Bank \$ %	Agg \$ %	
Home Purchase	Low	1	5.9	10.5	36	1.5	6.7	19.7
	Moderate	1	5.9	22.4	82	3.4	17.5	17.6
	Middle	3	17.6	23.5	248	10.4	22.9	23.9
	Upper	6	35.3	28.4	1,082	45.2	38.6	38.8
	Unknown	6	35.3	15.1	948	39.6	14.3	0.0
	Total	17	100.0	100.0	2,396	100.0	100.0	100.0
Refinance	Low	1	5.6	9.4	74	4.7	5.7	19.7
	Moderate	1	5.6	20.1	120	7.6	15.7	17.6
	Middle	2	11.1	22.7	239	15.2	23.0	23.9
	Upper	2	11.1	33.3	174	11.1	41.3	38.8
	Unknown	12	66.7	14.5	967	61.4	14.2	0.0
	Total	18	100.0	100.0	1,574	100.0	100.0	100.0
Home Improvement	Low	0	0.0	5.3	0	0.0	2.5	19.7
	Moderate	0	0.0	9.3	0	0.0	5.4	17.6
	Middle	1	50.0	18.7	12	7.8	16.9	23.9
	Upper	0	0.0	45.3	0	0.0	52.9	38.8
	Unknown	1	50.0	21.3	141	92.2	22.3	0.0
	Total	2	100.0	100.0	153	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.7
	Moderate	0	0.0	1.9	0	0.0	0.1	17.6
	Middle	0	0.0	0.0	0	0.0	0.0	23.9
	Upper	6	25.0	13.2	2,855	14.4	7.1	38.8
	Unknown	18	75.0	84.9	16,905	85.6	92.8	0.0
	Total	24	100.0	100.0	19,760	100.0	100.0	100.0
HMDA Totals	Low	2	3.3	9.9	110	0.5	5.5	19.7
	Moderate	2	3.3	21.0	202	0.8	14.7	17.6
	Middle	6	9.8	22.6	499	2.1	19.9	23.9
	Upper	14	23.0	29.9	4,111	17.2	35.2	38.8
	Unknown	37	60.7	16.6	18,961	79.4	24.7	0.0
	Total	61	100.0	100.0	23,883	100.0	100.0	100.0
Originations & Purchases 2018 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2018, the bank’s lending to low- to moderate-income borrowers is below demographics and aggregate lenders, which originated 9.9% of loans to low-income borrowers and 21.0% to moderate-income borrowers. The unknown-income percent of 60.7% for 2018 is a significant number and represents investors purchasing properties for rental or other purposes.

The demographic data suggests that the 2020 FFIEC census data median housing value of \$165,496 would not be affordable for many low-income borrowers but might be more affordable for moderate-

income borrowers. Using the assumptions that a borrower could afford a home that costs approximately three times gross annual income, based on the 2019 FFIEC estimated median family income for the Mankato MSA of \$78,500, a person at the highest level of the low-income bracket (\$39,249) would be able to afford a \$117,747 home. A person in the highest level of the moderate-income bracket (\$62,799) would be able to afford a \$188,397 home.

Overall, the bank’s performance is reasonable based on the performance context. The bank is primarily a commercial and agricultural lender, and competition for residential real estate loans is high. Community contacts indicated that the cost of starter homes has increased in recent years and that affordable workforce housing is needed.

Finally, examiners evaluated the bank’s 2017 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2018 and 2019. In 2017, the bank extended 10.2% of its loans to low-income borrowers and 4.1% to moderate-income borrowers. Aggregate lenders extended 9.6% of loans to low-income borrowers and 24.2% to moderate-income borrowers.

Consumer Lending. The bank’s lending to low- and moderate-income borrowers is excellent. As shown in Table 11, the bank originated 32.4% of its consumer loans to low-income borrowers and 32.4% to moderate-income borrowers. The bank’s lending significantly exceeds demographics, which indicate that 24.1% of the households in the assessment area are low income and 16.5% are moderate income.

Table 11						
Borrower Distribution of Consumer Loans						
Assessment Area: 2020 Mankato MSA						
	Borrower Income Levels	Bank & Demographic Comparison				Households by Household Income
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	11	32.4	103	19.4	24.1
	Moderate	11	32.4	91	17.2	16.5
	Middle	6	17.6	69	13.0	17.7
	Upper	4	11.8	87	16.4	41.7
	Unknown	2	5.9	180	34.0	
	Total		34	100.0	530	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s loans in the Mankato assessment area is reasonable and does not reveal any unexplainable gaps in lending. The assessment area does not include any low-income census tracts. Its four moderate-income tracts are in Blue Earth County. These tracts are in the city of Mankato; they include the downtown and surrounding areas as well as industrial areas on the north end of town.

Small Business Lending. The geographic distribution of small business loans is reasonable. Table 12 shows the distribution of the bank’s small business loans by census tract income level.

Table 12						
Geographic Distribution of Small Business Loans						
Assessment Area: 2020 Mankato MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count		Dollar		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	14	18.9	1,236	20.0	18.4
	Middle	58	78.4	4,818	77.9	77.6
	Upper	2	2.7	129	2.1	4.0
	Unknown	0	0.0	0	0.0	0.0
	Total	74	100.0	6,183	100.0	100.0
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>						

The bank’s lending in the moderate-income tracts, at 18.9%, is comparable to demographics, which indicate that 18.4% of assessment area businesses are in the moderate-income tracts. The bank did not originate small business loans in one of the moderate-income tracts (1711.01), which is reasonable since most of this tract is occupied by the Minnesota State University campus. The bank originated small business loans in the upper-income tract and all but two of the middle-income tracts (both have communities with several banking options); the bank extended most of the small business loans in the middle-income tracts surrounding the Mankato and North Mankato branches.

Small Farm Lending. The geographic distribution of small farm loans is reasonable. Table 13 shows the bank’s small farm lending by census tract income level.

Table 13						
Geographic Distribution of Small Farm Loans						
Assessment Area: 2020 & 2019 Mankato MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count		Dollar		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	1.7
	Middle	69	100.0	6,194	100.0	86.9
	Upper	0	0.0	0	0.0	11.4
	Unknown	0	0.0	0	0.0	0.0
	Total	69	100.0	6,194	100.0	100.0
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>						

The bank did not originate any small farm loans in the moderate-income tracts, which is reasonable given that these tracts are in the city of Mankato and include the downtown areas, the university, and an

industrial area. The bank made small farm loans in most of the middle-income tracts. However, the bank did not extend any small farm loans in a few middle-income tracts in the cities of Mankato and North Mankato, nor did it make any in the upper-income tract (which includes portions of wildlife management areas). Overall, the dispersion of small farm loans throughout the assessment area is reasonable.

Real Estate Lending. The geographic distribution of the bank’s 2019 and 2018 HMDA loans is reasonable. Tables 14 and 15 show the distribution of the bank’s HMDA loans by census-tract income level. The tables also include the same information for aggregate lenders.

According to FFIEC adjusted census data for 2019 and 2018, 7.7% of owner-occupied housing units in the assessment area are in the moderate-income tracts

Table 14								
Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2019 Mankato MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Agg \$ %		
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	2	12.5	11.4	529	19.7	8.7	7.7
	Middle	14	87.5	86.2	2,163	80.3	88.5	87.3
	Upper	0	0.0	2.5	0	0.0	2.9	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	16	100.0	100.0	2,692	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	4	26.7	6.6	905	43.1	5.0	7.7
	Middle	11	73.3	87.5	1,196	56.9	88.0	87.3
	Upper	0	0.0	5.8	0	0.0	7.0	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	15	100.0	100.0	2,101	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	13.3	0	0.0	6.2	7.7
	Middle	2	66.7	80.7	186	53.4	79.6	87.3
	Upper	1	33.3	6.0	162	46.6	14.2	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	3	100.0	100.0	348	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	2	50.0	27.3	898	68.4	5.6	29.4
	Middle	2	50.0	72.7	414	31.6	94.4	70.1
	Upper	0	0.0	0.0	0	0.0	0.0	0.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	4	100.0	100.0	1,312	100.0	100.0	100.0

Table 14 Geographic Distribution of HMDA Reportable Loans Assessment Area: 2019 Mankato MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count			Dollar			
		Bank		Agg	Bank		Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	8	21.1	9.8	2,332	36.1	6.8	7.7
	Middle	29	76.3	86.3	3,959	61.4	89.3	87.3
	Upper	1	2.6	3.9	162	2.5	3.9	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	38	100.0	100.0	6,453	100.0	100.0	100.0
Originations & Purchases 2019 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2019, the bank originated 21.1% of its HMDA loans in moderate-income tracts. The bank’s performance exceeds aggregate lenders, which originated 9.8% of HMDA loans in moderate-income tracts. By loan type, the bank is comparable to aggregate lenders in originating purchase loans in the moderate-income tracts and exceeds aggregate lenders for refinance loans. The bank originated HMDA loans in all four moderate-income tracts. The bank also extended HMDA loans in the upper-income tract and in most of the middle-income tracts. The tracts without any HMDA loans have lower owner-occupancy rates, have small percentages of the assessment area’s families, or are located closer to banking options that are likely more convenient than the bank’s branches; lack of lending here is reasonable, given the context.

Table 15 Geographic Distribution of HMDA Reportable Loans Assessment Area: 2018 Mankato MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count			Dollar			
		Bank		Agg	Bank		Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	4	23.5	12.3	380	15.9	8.9	7.7
	Middle	12	70.6	84.4	1,906	79.5	86.9	87.3
	Upper	1	5.9	3.3	110	4.6	4.3	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	17	100.0	100.0	2,396	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	5	27.8	11.2	546	34.7	8.7	7.7
	Middle	12	66.7	82.8	954	60.6	83.1	87.3
	Upper	1	5.6	6.0	74	4.7	8.1	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	18	100.0	100.0	1,574	100.0	100.0	100.0

Table 15 Geographic Distribution of HMDA Reportable Loans Assessment Area: 2018 Mankato MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Agg \$ %		
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	50.0	12.0	141	92.2	11.6	7.7
	Middle	1	50.0	84.0	12	7.8	84.8	87.3
	Upper	0	0.0	4.0	0	0.0	3.6	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	153	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	2	8.3	18.9	2,838	14.4	11.3	29.4
	Middle	22	91.7	81.1	16,922	85.6	88.7	70.1
	Upper	0	0.0	0.0	0	0.0	0.0	0.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	24	100.0	100.0	19,760	100.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	19.7	12.1	3,905	16.4	9.2	7.7
	Middle	47	77.0	83.9	19,794	82.9	86.3	87.3
	Upper	2	3.3	3.9	184	0.8	4.5	5.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	61	100.0	100.0	23,883	100.0	100.0	100.0
Originations & Purchases 2018 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2018, the bank originated 19.7% of HMDA loans in moderate income tracts. The bank’s performance exceeds aggregate lenders, which originated 12.1% of HMDA loans in moderate-income tracts. By loan type, the bank significantly exceeded the aggregate lenders for home purchase and refinance loans in the moderate-income tracts. The bank extended loans in the upper-income tract and in most of the middle-income tracts. As in 2019, the tracts without any HMDA loans in 2018 have lower owner-occupancy rates, have smaller percentages of the assessment area families, or are closer to other banking options.

Overall, the bank’s HMDA lending performance in the moderate-income tracts for 2019 and 2018 exceeds aggregate lenders and the owner-occupied demographic and is reasonable. Even with strong competition, the bank originates loans in the moderate-income tracts at a higher level than aggregate lenders.

Examiners also evaluated the bank’s 2017 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2018 and 2019. In 2017, the bank originated 12.2% of HMDA loans in moderate-income tracts. The bank’s performance is higher than aggregate lenders who originated 10.3% of HMDA loans in moderate-income tracts.

Consumer Lending. The geographic distribution of consumer loans is reasonable. Table 16 shows the distribution of consumer loans by census tract income level.

Table 16 Geographic Distribution of Consumer Loans Assessment Area: 2020 Mankato MSA						
	Tract Income Levels	Bank & Demographic Comparison				Households %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	3	8.8	20	3.8	13.9
	Middle	30	88.2	473	89.4	82.4
	Upper	1	2.9	36	6.8	3.7
	Unknown	0	0.0	0	0.0	0.0
	Total	34	100.0	529	100.0	100.0
2020 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

The bank originated 8.8% of its consumer loans in the moderate-income tracts. The bank’s lending is below demographics, which indicates that 13.9% of households in the assessment area are in the moderate-income tracts. Although there are some residential areas in the moderate-income tracts, three of the tracts also include downtown Mankato and surrounding commercial areas, Minnesota State University, and Bethany Lutheran College. The fourth moderate-income tract (1703.00, where the bank did not origination any consumer loans) has transportation infrastructure, including railroads and interstates, and other industrial areas. The bank originated consumer loans in the upper-income tract and most of the middle-income tracts (those without consumer loans include part of the state university, a mall, or other commercial areas, or are not close to the bank’s branches). Overall, the dispersion of the bank’s consumer loans is reasonable.

COMMUNITY DEVELOPMENT TEST

Overall, the bank’s community development activity shows excellent responsiveness to community development needs in the Mankato assessment area, given the limited opportunities, strong competition, and the bank’s size and market presence. The bank engaged in community development lending and services and made qualified investments in the form of securities and donations.

Community Development Lending. The bank’s community development lending in the Mankato assessment area is excellent. The bank originated two large community development loans totaling \$11.2 million during the evaluation period. The loans helped finance a large SBA 504 construction project; the loans promote economic development and job expansion for a business in Mankato.

Qualified Investments. The bank’s qualified investments in the Mankato assessment area are excellent. The bank purchased a \$300,000 security investment, which supports community services for low- and moderate-income people. The investment financed improvements to a health-care facility serving area seniors. The bank donated \$33,293 to organizations in the assessment area. Most of the donations helped organizations that provide services to low-and moderate-income people. As mentioned previously, the bank’s support of local schools during the pandemic was particularly responsive to community needs. The

Mankato assessment area donations included over \$4,000 to purchase water bottles for schools in this area.

Community Development Services. Bank employees provided 18 community development services in the assessment area during the evaluation period, which is adequate. Employees provided financial expertise on boards and committees of local organizations that focus on economic development, services for low- and moderate-income people, and affordable housing.

NONMETROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE ST. JAMES ASSESSMENT AREA

Bank Information. The bank operates three full-service branches in the St. James assessment area, all in Watonwan County. The branches are in St. James, Madelia, and Lewisville. The St. James and Madelia branches have a drive-up facility, where the bank offers extended weekday and Saturday hours. In addition, the St. James branch has a cash-dispensing-only ATM.

According to the June 30, 2020, FDIC Deposit Market Share Report, the bank has \$242.0 million in deposits in the St. James assessment area, representing a market share of 6.8%. The bank is ranked fourth out of 36 FDIC-insured institutions with offices in the assessment area. The bank’s deposits in this assessment area represent 40.5% of its total deposits. The bank operates in a highly competitive market with other community banks, regional banks, large national banks, credit unions, a specialized agricultural lender, and an implement dealer.

Assessment Area. The St. James assessment area includes Brown, Cottonwood, Faribault, Martin, Waseca, and Watonwan counties. The bank has not changed the assessment area since the previous evaluation; however, the income classifications of three tracts have changed.⁴ Previously, the assessment area had three moderate-income, 28 middle-income, and one upper-income census tracts. At this evaluation, the assessment area has one moderate-income, 29 middle-income, and two upper-income census tracts. During the evaluation period, the tracts in Martin County were designated as underserved and the tracts in Faribault County were designated as distressed.

Table 17 shows the demographic characteristics of the St. James assessment area.

TABLE 17 ST. JAMES ASSESSMENT AREA 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	5,026	18.3
Moderate	1	3.1	695	2.5	146	21.0	5,009	18.2
Middle	29	90.6	24,770	90.0	1,863	7.5	6,791	24.7
Upper	2	6.3	2,072	7.5	57	2.8	10,711	38.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	32	100.0	27,537	100.0	2,066	7.5	27,537	100.0

⁴ In Brown County, tract 9602.00 changed from middle- to upper-income, and tract 9603.00 changed from moderate- to middle-income. In Martin County, tract 7906.00 changed from moderate- to middle-income.

TABLE 17
ST. JAMES ASSESSMENT AREA DEMOGRAPHICS

	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	1,407	869	2.7	61.8	333	23.7	205	14.6
Middle	42,514	29,076	89.6	68.4	9,422	22.2	4,016	9.4
Upper	2,961	2,503	7.7	84.5	235	7.9	223	7.5
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	46,882	32,448	100.0	69.2	9,990	21.3	4,444	9.5
	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	224	4.3	202	4.3	18	4.4	4	3.6
Middle	4,680	89.9	4,205	89.6	371	91.6	104	92.9
Upper	304	5.8	284	6.1	16	4.0	4	3.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	5,208	100.0	4,691	100.0	405	100.0	112	100.0
Percentage of Total Businesses:				90.1		7.8		2.2
	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	32	2.3	30	2.2	2	12.5	0	0.0
Middle	1,300	92.3	1,285	92.3	14	87.5	1	100.0
Upper	77	5.5	77	5.5	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,409	100.0	1,392	100.0	16	100.0	1	100.0
Percentage of Total Farms:				98.8		1.1		0.1

Source: 2020 FFIEC Census Data and 2020 Dun & Bradstreet data
NOTE: Percentages may not add up to 100.0 due to rounding.

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income for the nonmetropolitan areas of Minnesota, for the year of loan origination. This figure was \$65,300 for 2017, \$69,500 for 2018, \$68,800 for 2019, and \$70,900 for 2020. For purposes of classifying census tracts by income level, the evaluation uses the FFIEC adjusted census data median family income for the nonmetropolitan Minnesota, which was \$63,182 for 2017 and 2018, and \$63,045 for 2019 and 2020.

Population Characteristics. The population in this assessment area is 101,733. The bank’s three branches in the St. James assessment area are in Watonwan County with a 2015 population of 11,054. Most of the assessment area’s population, 49.9%, are 25 to 64 years of age. The remaining population by age is as follows: 7.7% are 18 to 24 year of age, 22.5% are 17 years of age and younger, and 19.9% are 65 and over. A community contact mentioned that there is a large Hispanic population in St. James and the surrounding areas due to available work and programs to welcome immigrants to the area.

Table 18 shows the population change from the 2010 census to the 2015 ACS survey. Overall, the population throughout the assessment area declined slightly, while the state’s population grew slightly.

Table 18 Total Population			
Area	2010 Population	2015 Population	% Change
2020 St. James AA	103,320	101,733	-1.5
Brown County, MN	25,893	25,391	-1.9
Cottonwood County, MN	11,687	11,632	-0.5
Faribault County, MN	14,553	14,230	-2.2
Martin County, MN	20,840	20,350	-2.3
Waseca County, MN	19,136	19,076	-0.3
Watonwan County, MN	11,211	11,054	-1.4
Non-MSA 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>			

Of the 42,438 households in the assessment area, 23.1% are low income and 16.8% are moderate income. The percentages of low- and moderate-income households in the assessment area are consistent with the statewide percentages, at 23.6% and 16.1%, respectively. In addition, 11.1% of the households in the assessment area have incomes below the poverty level, which is comparable to the statewide percentage of 10.8%.

Economy. Community contacts and bank management stated that the economy in the St. James area is stable. The major industry in the assessment area is agriculture. Commodity prices have improved in recent years but are still not high enough for producers to profit. Major employers in the assessment area include health-care facilities, local school districts, local city and county governments, poultry and beef processing plants, manufacturing companies, and retail businesses. A contact indicated the closing of a printing operation in Waseca resulted in a community loss of 350 jobs; the building has since been repurposed, which has replaced a portion of the jobs lost.

Table 19 shows the unemployment rates for the St. James assessment area and the state for a recent three-year period. The unemployment rate in the assessment area fluctuated slightly during this period and was higher than the statewide rate.

Table 19 Unemployment Rates			
Area	2017	2018	2019
2020 St James AA	3.9%	3.5%	3.8%
Brown County, MN	3.7%	3.4%	3.6%
Cottonwood County, MN	5.1%	3.6%	3.7%
Faribault County, MN	4.1%	3.5%	4.2%
Martin County, MN	3.4%	3.2%	3.8%
Waseca County, MN	3.8%	4.1%	3.9%
Watonwan County, MN	4.2%	3.5%	4.0%
Non-MSA Minnesota	4.1%	3.6%	4.0%
Minnesota	3.4%	2.9%	3.2%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>			

For most counties in the assessment area, the unemployment rate was highest in 2017. Overall, the trend was decreasing.

Housing. According to a community contact, homes on the market in the St. James assessment area are lower-priced and take longer to sell than in the Mankato market. For example, a home that would sell in the Mankato market for approximately \$165,000 would sell in nearby non-metropolitan areas for approximately \$110,000. Bank management and a community contact indicated that developers are not building affordable rental housing because construction costs are too expensive to make it affordable for renters and profitable for developers.

A community contact familiar with housing conditions stated that older homes in good condition are affordable for many younger families and first-time homebuyers. The housing market is currently strong due to low interest rates, which allow more families to purchase homes. Another community contact indicated that housing is generally affordable and available.

According to 2020 FFIEC adjusted census data, the St. James assessment area has 46,882 housing units: 69.2% are owner occupied, 21.3% are rental, and 9.5% are vacant. The median age of the housing stock is 61 years, which is higher than the statewide median of 40 years. The median housing value for the assessment area is \$111,774, and the affordability ratio is 45.7, compared to \$186,200 and an affordability ratio of 33.0 for the state. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. The ratio suggests that, overall, housing in this assessment area is more affordable than in other areas of the state.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank's lending performance in the St. James assessment area is excellent. The bank's community development performance demonstrates excellent responsiveness to community development needs of the St. James assessment area.

LENDING TEST

Overall, the bank's lending to businesses and farms of different sizes and to borrowers of different income levels is excellent. Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and does not reveal unexplained gaps in lending.

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

Small Business Lending. The bank's small business lending in the assessment area is excellent. Table 20 shows the bank's small business lending. The bank originated 59.5% of its small business loans to small businesses with gross annual revenues of \$1 million or less (defined as small businesses). While the bank's lending is below demographics, which indicate that 90.1% of businesses in the assessment area are small businesses, it is reasonable. Overall, 76.2% of the small business loans were for \$100,000 or less, which indicates the bank's willingness to serve the credit needs of smaller entities.

Table 20 Small Business Lending by Revenue & Loan Size Assessment Area: 2020 St. James							
Product Type		Bank & Demographic Comparison					
		Count		Dollar		Total Businesses	
		#	%	\$(000s)	\$ %	%	
Small Business	Revenue	\$1 Million or Less	25	59.5	1,790	58.2	90.1
		Over \$1 Million or Unknown	17	40.5	1,283	41.8	9.9
		Total	42	100.0	3,073	100.0	100.0
	Loan Size	\$100,000 or Less	32	76.2	573	18.7	
		\$100,001 - \$250,000	5	11.9	650	21.2	
		\$250,001 - \$1 Million	5	11.9	1,849	60.2	
		Total	42	100.0	3,072	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	19	76.0	409	22.8	
		\$100,001 - \$250,000	3	12.0	356	19.9	
		\$250,001 - \$1 Million	3	12.0	1,025	57.3	
		Total	25	100.0	1,790	100.0	
	Originations & Purchases						
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Of the small business loans originated in the assessment area, 33.3% were PPP loans, and therefore were reported without borrower revenue information. Of these loans, 92.9% were for \$50,000 or less. The bank’s active engagement in the PPP loan program is particularly responsive to credit needs of small businesses.

Small Farm Lending. The bank’s small farm lending is reasonable. Table 21 shows the bank’s small farm lending. The bank originated 60.4% of its small farm loans to farms that have gross annual revenues of \$1 million or less. The bank’s lending is below demographics but reasonable. Of the loans made to larger farms, the bank made multiple loans to three borrowers.

Table 21 Small Farm Lending by Revenue & Loan Size Assessment Area: 2019 & 2020 St. James							
Product Type		Bank & Demographic Comparison					
		Count		Dollar		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	29	60.4	3,142	59.9	98.8
		Over \$1 Million or Unknown	19	39.6	2,102	40.1	1.2
		Total	48	100.0	5,244	100.0	100.0
	Loan Size	\$100,000 or Less	33	68.8	1,153	22.0	
		\$100,001 - \$250,000	7	14.6	1,325	25.3	
		\$250,001 - \$500,000	8	16.7	2,767	52.8	
		Total	48	100.0	5,245	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	20	69.0	655	20.8	
		\$100,001 - \$250,000	4	13.8	675	21.5	
		\$250,001 - \$500,000	5	17.2	1,812	57.7	
		Total	29	100.0	3,142	100.0	
	Originations & Purchases 2019 & 2020 FFIEC Census Data & 2019 & 2020 Dun & Bradstreet information according to 2015 ACS <i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Management indicated there are several larger farm operations in the assessment area and that competition for small farm loans is strong, particularly with a specialized agricultural lender. Finally, bank management indicated that farmers are cautious about requesting loans due to the general agricultural economic conditions. Of the bank’s small farm loans to farms with gross annual revenues of \$1 million or less, 69% were in amounts of \$100,000 or less, which indicates a willingness to serve the credit needs of smaller farms.

Residential Real Estate Lending. The bank’s lending to low- and moderate-income borrowers is reasonable. Tables 22 and 23 show the bank’s HMDA lending by borrower income levels for 2019 and 2018. The tables also include the same information for aggregate lenders.

The bank ranked 18th out of 183 HMDA reporters in 2019, and 16th out of 178 HMDA reporters in 2018. The bank’s HMDA loans represent a small percentage of all HMDA loans reported in the assessment area: 1.7% in 2019 and 1.9% in 2018. The top three HMDA reporters for both years include a regional credit union and two large national banks.

Low- and moderate-income families make up 18.3% and 18.2% of families in the assessment area, respectively, according to FFIEC adjusted census data for 2019 and 2018.⁵

⁵ These demographics were also the same in 2017.

Table 22 Borrower Distribution of HMDA Reportable Loans Assessment Area: 2019 St. James								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count		2019				
		#	%	Agg %	Dollar		Agg \$ %	
Bank \$ (000s)	Bank \$ %							
Home Purchase	Low	2	11.1	12.3	53	5.5	7.1	18.3
	Moderate	1	5.6	27.4	28	2.9	22.7	18.2
	Middle	3	16.7	22.0	365	37.9	22.4	24.7
	Upper	1	5.6	22.1	73	7.6	33.2	38.9
	Unknown	11	61.1	16.3	445	46.2	14.6	0.0
	Total	18	100.0	100.0	964	100.0	100.0	100.0
Refinance	Low	5	26.3	8.6	220	19.9	4.6	18.3
	Moderate	3	15.8	19.3	125	11.3	14.2	18.2
	Middle	3	15.8	25.8	239	21.6	22.4	24.7
	Upper	5	26.3	32.8	359	32.4	42.2	38.9
	Unknown	3	15.8	13.5	165	14.9	16.5	0.0
	Total	19	100.0	100.0	1,108	100.0	100.0	100.0
Home Improvement	Low	1	33.3	5.6	160	84.7	6.6	18.3
	Moderate	0	0.0	20.8	0	0.0	17.6	18.2
	Middle	1	33.3	16.7	22	11.6	13.9	24.7
	Upper	0	0.0	48.6	0	0.0	48.5	38.9
	Unknown	1	33.3	8.3	7	3.7	13.4	0.0
	Total	3	100.0	100.0	189	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	18.3
	Moderate	0	0.0	0.0	0	0.0	0.0	18.2
	Middle	0	0.0	0.0	0	0.0	0.0	24.7
	Upper	0	0.0	0.0	0	0.0	0.0	38.9
	Unknown	2	100.0	100.0	433	100.0	100.0	0.0
	Total	2	100.0	100.0	433	100.0	100.0	100.0
HMDA Totals	Low	8	19.0	10.7	433	16.1	6.0	18.3
	Moderate	4	9.5	24.2	153	5.7	18.8	18.2
	Middle	7	16.7	23.0	626	23.2	21.3	24.7
	Upper	6	14.3	26.4	432	16.0	34.9	38.9
	Unknown	17	40.5	15.7	1,050	39.0	19.0	0.0
	Total	42	100.0	100.0	2,694	100.0	100.0	100.0
Originations & Purchases 2019 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2019, the bank originated 19.0% of its HMDA loans to low-income borrowers and 9.5% to moderate-income borrowers, totaling 28.5%. The bank’s lending to low-income borrowers is comparable to demographics, at 18.3%, but below demographics (18.2%) in lending to moderate-income borrowers. The bank’s overall lending to low-income borrowers is above aggregate lenders, at 10.7%, and its lending to

moderate-income borrowers is below aggregate lenders, at 24.2%. By product type, the bank’s refinance lending to low-income borrowers significantly exceeds aggregate lenders. Several of the bank’s HMDA loans (40.5%) were made to borrowers with unknown income; these loans are mainly extended to investors purchasing properties for rental or other purposes.

Table 23 Borrower Distribution of HMDA Reportable Loans Assessment Area: 2018 St. James								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count		2018				
		Bank #	Agg %	Dollar		Agg \$ %		
Bank %	Bank \$(000s)			Agg \$ %				
Home Purchase	Low	4	14.8	14.6	139	6.8	9.0	18.3
	Moderate	4	14.8	27.7	342	16.8	23.4	18.2
	Middle	2	7.4	18.9	150	7.4	21.8	24.7
	Upper	6	22.2	19.9	739	36.4	29.2	38.8
	Unknown	11	40.7	18.8	662	32.6	16.6	0.0
	Total	27	100.0	100.0	2,032	100.0	100.0	100.0
Refinance	Low	2	15.4	10.2	53	5.9	6.2	18.3
	Moderate	3	23.1	26.1	241	26.7	21.0	18.2
	Middle	1	7.7	22.6	32	3.5	22.0	24.7
	Upper	2	15.4	30.1	291	32.2	38.7	38.8
	Unknown	5	38.5	11.0	286	31.7	12.0	0.0
	Total	13	100.0	100.0	903	100.0	100.0	100.0
Home Improvement	Low	0	0.0	10.8	0	0.0	5.8	18.3
	Moderate	1	50.0	23.0	15	33.3	24.7	18.2
	Middle	1	50.0	24.3	30	66.7	27.4	24.7
	Upper	0	0.0	36.5	0	0.0	35.1	38.8
	Unknown	0	0.0	5.4	0	0.0	7.0	0.0
	Total	2	100.0	100.0	45	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	18.3
	Moderate	0	0.0	0.0	0	0.0	0.0	18.2
	Middle	0	0.0	0.0	0	0.0	0.0	24.7
	Upper	0	0.0	0.0	0	0.0	0.0	38.8
	Unknown	1	100.0	100.0	480	100.0	100.0	0.0
	Total	1	100.0	100.0	480	100.0	100.0	100.0
HMDA Totals	Low	6	14.0	13.3	192	5.5	8.1	18.3
	Moderate	8	18.6	27.0	598	17.3	22.3	18.2
	Middle	4	9.3	19.9	212	6.1	21.5	24.7
	Upper	8	18.6	22.9	1,030	29.8	30.8	38.8
	Unknown	17	39.5	16.8	1,428	41.3	17.2	0.0
	Total	43	100.0	100.0	3,460	100.0	100.0	100.0
Originations & Purchases 2018 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2018, the bank originated 14.0% of its HMDA loans to low-income borrowers and 18.6% to moderate-income borrowers. The bank’s lending is below demographics for low-income borrowers, and comparable to demographics for moderate-income borrowers. The bank’s lending to low-income borrowers is slightly above aggregate lenders, at 13.3%, and its lending to moderate-income borrowers is below aggregate, at 27.0%. Again, several of the bank’s HMDA loans (39.5%) were made to borrowers with unknown income; these loans are mainly extended to investors.

The bank’s HMDA lending to low- and moderate-income borrowers is reasonable, given the performance context. The bank is primarily an agricultural and commercial lender, and it faces considerable competition from larger national and regional banks, credit unions, and mortgage companies for HMDA loans in this assessment area.

Finally, examiners evaluated the bank’s 2017 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2018 and 2019 for lending to low- and moderate-income borrowers combined. By individual income categories however, the bank extended HMDA loans to low-income borrowers at a higher level in 2017 than in the other two years. In 2017, the bank extended 35.1% of its loans to low-income borrowers and 8.8% to moderate-income borrowers. Aggregate lenders extended 10.9% of loans to low-income borrowers and 25.8% to moderate-income borrowers.

Consumer Lending. The bank’s consumer lending to low- and moderate-income borrowers is excellent. As shown in Table 24, the bank originated 40.4% of its consumer loans to low-income borrowers, which significantly exceeds the percentage of low-income households (23.3 %) in the assessment area. The bank originated 19.3% of its consumer loans to moderate-income borrowers, which is above the percentage of moderate-income households (16.2%) in the assessment area.

Table 24						
Borrower Distribution of Consumer Loans						
Assessment Area: 2020 St. James						
	Borrower Income Levels	Bank & Demographic Comparison				Households by Household Income
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	23	40.4	177	32.4	23.3
	Moderate	11	19.3	79	14.5	16.2
	Middle	13	22.8	182	33.3	19.3
	Upper	9	15.8	58	10.6	41.2
	Unknown	1	1.8	50	9.2	
	Total		57	100.0	546	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

In addition, the bank originated 19.3% of its consumer loans for \$3,000 or less. Of these loans, 90.9% were extended to low- and moderate-income borrowers, which indicates the bank’s willingness to meet small dollar credit needs.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of the bank’s loans in the St. James assessment area is reasonable and does not reveal any unexplained gaps in lending. The assessment area does not include any low-income census

tracts. Its only moderate-income tract is in the southeast corner of Cottonwood County. The St. James assessment area is geographically large, and the bank’s three branches are in Watonwan County, which consists of middle-income tracts.

Small Business Lending. The geographic distribution of small business loans is reasonable. Table 25 shows the bank’s small business lending by census tract income level.

Table 25						
Geographic Distribution of Small Business Loans						
Assessment Area: 2020 St. James						
	Tract Income Levels	Bank & Demographic Comparison 2020				
		Count		Dollar		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	3	7.1	187	6.1	4.3
	Middle	39	92.9	2,886	93.9	89.9
	Upper	0	0.0	0	0.0	5.8
	Unknown	0	0.0	0	0.0	0.0
	Total	42	100.0	3,073	100.0	100.0
2020 FFIEC Census Data and 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

The bank originated 7.1% of small business loans in the moderate-income census tract. The bank’s lending is above demographics, which indicate that 4.3% of businesses in the assessment area are in the moderate-income tract. Most of the small business loans (73.8%) were originated in the three middle-income tracts in Watonwan County, where the assessment area’s only branches are located. In the other counties of the assessment area, the bank did not extend any small business loans in the upper-income tracts and in several of the middle-income tracts. However, the bank’s lack of lending here is reasonable. Most of these tracts are closer to other banking options in communities throughout those counties.

Small Farm Lending. The geographic distribution of small farm loans is reasonable. Table 26 shows the bank’s small farm lending by census tract income level.

Table 26						
Geographic Distribution of Small Farm Loans						
Assessment Area: 2019 & 2020 St. James						
	Tract Income Levels	Bank & Demographic Comparison				
		Count		Dollar		Total Farms
		#	%	\$ 000s	\$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	1	2.1	400	7.6	2.4
	Middle	47	97.9	4,844	92.4	92.0
	Upper	0	0.0	0	0.0	5.6
	Unknown	0	0.0	0	0.0	0.0
	Total	48	100.0	5,244	100.0	100.0
2019 & 2020 FFIEC Census Data and 2019 & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

The bank originated one small farm loan (2.1%) in the moderate-income tract. The bank’s lending in this tract is comparable to demographics, which indicate 2.4% of the farms in the assessment area are in the moderate-income tract. Like the small business loan concentration, the bank extended the majority (70.8%) of the small farm loans in the middle-income tracts in Watonwan County.

Residential Real Estate Lending. The geographic distribution of the bank’s 2019 and 2018 HMDA loans is reasonable. Tables 27 and 28 show the distribution of the bank’s HMDA loans by census tract income. The tables also include the same information for aggregate lenders.

According to 2020 FFIEC adjusted census data, 2.5% of assessment area families reside in the moderate-income tract and 2.7% of the owner-occupied housing units in the assessment area are in this tract.

Table 27							
Geographic Distribution of HMDA Reportable Loans							
Assessment Area: 2019 St. James AA							
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units
		2019					
		Count		Agg %	Dollar		
		#	%	%	Bank \$ (000s)	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	1	5.6	2.8	57	5.9	2.7
	Middle	17	94.4	89.2	907	94.1	89.6
	Upper	0	0.0	8.0	0	0.0	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total		18	100.0	100.0	964	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	1.9	0	0.0	2.7
	Middle	19	100.0	84.8	1,108	100.0	89.6
	Upper	0	0.0	13.2	0	0.0	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total		19	100.0	100.0	1,108	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	0	0.0	1.4	0	0.0	2.7
	Middle	3	100.0	84.7	189	100.0	89.6
	Upper	0	0.0	13.9	0	0.0	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total		3	100.0	100.0	189	100.0
Multifamily	Low	0	0.0	0.0	0	0.0	Multifamily 0.0
	Moderate	0	0.0	5.9	0	0.0	2.4
	Middle	2	100.0	94.1	433	100.0	96.2
	Upper	0	0.0	0.0	0	0.0	1.3
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total		2	100.0	100.0	433	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0
	Moderate	1	2.4	2.5	57	2.1	2.7
	Middle	41	97.6	87.6	2,637	97.9	89.6
	Upper	0	0.0	9.9	0	0.0	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0
	Total		42	100.0	100.0	2,694	100.0
Originations & Purchases 2018 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

In 2019, the bank originated 2.4% of HMDA loans in the moderate-income tract, which is comparable to aggregate lenders, at 2.5 %. The bank’s lending is also comparable to demographics. The bank originated most of the HMDA loans (64.3%) in Watonwan County’s middle-income tracts.

Table 28 Geographic Distribution of HMDA Reportable Loans Assessment Area: 2018 St. James								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison 2018						Owner Occupied % of Units
		Count			Dollar			
		Bank #	Bank %	Agg %	Bank \$ (000s)	Bank \$ %	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	3.7	3.4	32	1.6	2.4	2.7
	Middle	26	96.3	87.1	2,000	98.4	86.4	89.6
	Upper	0	0.0	9.5	0	0.0	11.2	7.7
	Unknown	0	0.0	0.1	0	0.0	0.0	0.0
	Total	27	100.0	100.0	2,032	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	4.2	0	0.0	4.1	2.7
	Middle	13	100.0	88.4	903	100.0	87.9	89.6
	Upper	0	0.0	7.4	0	0.0	8.1	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	13	100.0	100.0	903	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	1.4	0	0.0	0.5	2.7
	Middle	2	100.0	83.8	45	100.0	81.0	89.6
	Upper	0	0.0	14.9	0	0.0	18.5	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	45	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multifamily 0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	2.4
	Middle	1	100.0	100.0	480	100.0	100.0	96.2
	Upper	0	0.0	0.0	0	0.0	0.0	1.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	1	100.0	100.0	480	100.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	2.3	3.5	32	0.9	2.7	2.7
	Middle	42	97.7	87.4	3,428	99.1	86.9	89.6
	Upper	0	0.0	9.1	0	0.0	10.4	7.7
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	43	100.0	100.0	3,460	100.0	100.0	100.0
Originations & Purchases 2018 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

In 2018, the bank originated 2.3% of HMDA loans in the moderate-income tract, which is slightly below aggregate lenders (at 3.5 %) and demographics (at 2.7%). Like 2019, in 2018 the bank originated most of the HMDA loans (51.2%) in Watonwan County’s three middle-income tracts.

In both years, the bank did not originate any HMDA loans in the upper-income tract and in several of the middle-income tracts. The bank’s lack of lending here is reasonable given the context. As mentioned, competition for HMDA loans is strong. In addition, outside of Watonwan County, there are many communities throughout the assessment area that have several banking options for residents. Overall, the dispersion of the bank’s HMDA loans is reasonable.

Finally, examiners evaluated the bank’s 2017 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2018 and 2019. In 2017, the bank originated 3.5% of HMDA loans in the moderate-income tract. The bank’s performance is comparable to aggregate lenders who originated 3.5% of HMDA loans in moderate-income tracts.

Consumer Lending. The geographic distribution of consumer loans is reasonable. Table 29 shows the distribution of consumer loans by census tract income.

Table 29						
Geographic Distribution of Consumer Loans						
Assessment Area: 2020 St. James						
	Tract Income Levels	Bank & Demographic Comparison				Households
		Count		2020 Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	2.8
	Middle	57	100.0	546	100.0	90.7
	Upper	0	0.0	0	0.0	6.5
	Unknown	0	0.0	0	0.0	0.0
	Total	57	100.0	546	100.0	100.0
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Although the bank did not originate any consumer loans in the moderate-income tract, the lack of lending here is reasonable. As mentioned, the moderate-income tract is in the southeast corner of Cottonwood County. There are several financial institutions and credit unions operating in communities throughout the county, which likely provide more convenient banking options for residents. In addition, the poverty level in this tract is high, at 25.6%, which could affect loan demand. Most of the consumer loans (82.5%) were originated to borrowers in Watonwan County. The bank did not originate consumer loans in the upper-income tract and in several of the middle-income tracts; as mentioned, there are many banking options throughout the other five counties that are likely more convenient for borrowers there. Overall, the dispersion of consumer loans is reasonable.

COMMUNITY DEVELOPMENT TEST

Overall, the bank’s community development activity shows excellent responsiveness to community development needs in the St. James assessment area. The bank made qualified investments in the form of securities and donations and provided community development services. Given the limited number of community development opportunities in this rural area and the strong competition, the bank’s community development performance is excellent.

Community Development Loans. The bank did not originate community development loans in the assessment area, which is explainable, given the limited opportunities and competition.

Qualified Investments. The level of qualified investments and donations in the St. James assessment area is excellent. During the evaluation period, the bank made four new qualified investments in the form of bonds totaling \$824,491. Two of these bonds provide community services for low- and moderate-income people by funding school improvements, and the other two bonds help revitalize and stabilize a distressed area by funding infrastructure improvements. The bank also continues to hold one prior period bond for \$455,000 that supports community services for low- and moderate-income people.

The bank made a good level of qualified investments in the form of donations totaling \$11,507 that benefited the St. James assessment area. Most of the donations (69.2%) were made to organizations that provide essential services to low- and moderate-income individuals, including children. As mentioned previously, the bank's support of local schools during the pandemic was particularly responsive to community needs. The St. James assessment area donations included over \$3,500 to purchase water bottles for schools in this assessment area.

Community Development Services. The bank provided 46 community development services in the St. James assessment area, which is excellent. Several bank employees and officers provided financial expertise to organizations that primarily serve low- and moderate-income individuals, including youth. Of note is the bank's commitment to financial education: bank staff served as presenters for area schools' financial literacy programs. Bank officers also served as board and committee members for organizations that promote economic development in the assessment area.

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.)