

PUBLIC DISCLOSURE

February 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

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

TABLE OF CONTENTS

Institution	1
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.....	6
Fair Lending or Other Illegal Credit Practices Review	7
Nonmetropolitan Area – Full Review	8
Description of the Truman Assessment Area	8
Conclusions with Respect to Performance Criteria	10
Nonmetropolitan Area – Limited Review.....	13
Description of the Owatonna Assessment Area.....	13
Metropolitan Area – Limited Review	14
Description of the Mankato Assessment Area.....	14
Appendix A.....	15

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

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Profinium, Inc., Truman, Minnesota, demonstrates reasonable responsiveness to the credit needs of its assessment areas and excellent responsiveness to community development needs.

Examiners evaluated the bank's CRA performance using the Intermediate Small Bank (ISB) Examination Procedures, which include a Lending Test and a Community Development Test for purposes of the CRA evaluation. The bank received an Outstanding rating at the previous evaluation dated January 13, 2014.

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

- The bank's lending to businesses and farms of different sizes and borrowers of different income levels is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The bank's loan-to-deposit ratio indicates a reasonable level of lending.
- The bank originated a majority of its loans by number inside the assessment areas.

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

- The bank's performance demonstrates excellent responsiveness to the community development needs of its assessment areas. Overall, the bank's level of qualified investments (including qualifying donations), and community development loans, and community development services is excellent, considering the bank's capacity and the need for and availability of such opportunities in each of the assessment areas.

SCOPE OF EVALUATION

Examiners evaluated the bank's CRA performance in part based on information provided by bank management and employees and by community contacts. Examiners also reviewed economic and demographic data, competitive factors, and the size and financial conditions of the bank to understand and evaluate the bank's CRA performance. The CRA evaluation covers the period from the previous CRA evaluation dated January 13, 2014, to February 3, 2019.

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

Based on lending data provided by the bank, the bank originated approximately 57.1% of its loans by number in the Truman assessment area, 27.2% in the Owatonna assessment area, and 15.7% in the Mankato assessment area. Based on the June 30, 2018, Federal Deposit Insurance Corporation (FDIC)

Deposit Market Share Report, 74.0% of the bank’s deposits are in the Truman assessment area,¹ 21.6% are in the Owatonna assessment area, and 4.4% are in the Mankato assessment area. Examiners conducted a full-scope review of the Truman assessment area and limited-scope reviews of the Owatonna and Mankato assessment areas based on the bank’s lending activity in its assessment areas.

For community contacts, examiners interviewed people familiar with the economic and demographic characteristics and community development opportunities in the bank’s Truman assessment area. The Truman assessment area section of this evaluation includes specific information obtained from these community contacts.

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

- Examiners assigned more weight to the bank’s Community Development Test than to the Lending Test. The bank engaged in an overall excellent level of community development activity and shows excellent responsiveness to community development needs.
- For the Lending Test in the Truman assessment area, examiners placed the most weight on the bank’s lending to businesses and farms of different sizes and to borrowers of different income levels. Examiners assigned equal weight to the remaining criteria.
- For the Lending Test in the Truman assessment area, examiners placed equal weight on the bank’s small business, small farm, and consumer lending.

Lending Test Scope

The scope of the Lending Test covers the bank’s major product lines, consisting of commercial, agricultural, and consumer loans.² Table 1 shows the bank’s lending activity by loan type for 2017.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	144	33.5	\$2,643,720	3.2
Residential Real Estate	83	19.3	16,340,452	19.6
Small Business (≤ \$1 million)	127	29.5	25,494,594	30.7
Commercial (> \$1 million)	10	2.3	17,870,990	30.7
Small Farm (≤ \$500,000)	57	13.3	6,581,051	7.9
Agricultural (> \$500,000)	9	2.1	14,259,000	17.1
Total	430	100.0	\$83,189,806	100.0

Examiners based the evaluation on statistical samples of the bank’s loans. The samples consisted of 71 consumer loans that originated between April 1, 2018, and September 30, 2018; and 91 small business and 81 small farm loans that originated between October 1, 2017, and September 30, 2018.

¹ The data for the Truman assessment area is for Martin and Watonwan counties in their entireties. FDIC Deposit Market Share is not available by census tract.

² In addition to reviewing 2017 lending activity, examiners also reviewed the bank’s lending activity from January 1, 2018, to September 30, 2018, to set the Lending Test Scope. During this timeframe, the bank’s small farm volume was 118 by number and \$16,645,180.

³Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

The bank is subject to the Home Mortgage Disclosure Act (HMDA) because of its asset size and because it has an office located in a metropolitan statistical area (MSA). The evaluation did not include HMDA loans, given the limited residential real estate lending activity, as shown in Table 1.

Examiners analyzed the following criteria to determine the 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 of the assessment areas.
- Record of responding to complaints about the bank's CRA performance.

Community Development Test Scope

Examiners reviewed the bank's community development lending, qualified investments, and community development services in each assessment area. Examiners based the Community Development Test rating on the bank's performance during the period from January 13, 2014, to February 3, 2019.

DESCRIPTION OF INSTITUTION

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

Offices and Retail Delivery System. The bank provides full-service banking through four offices in Minnesota. The bank's main office is located in Truman, and its three branches are located in Fairmont, Owatonna, and Mankato, Minnesota. On September 15, 2014, the bank closed its loan production office in Owatonna. In May 2015, the bank relocated its Mankato branch to its current location.

The Mankato and Owatonna branches are located in moderate-income census tracts. The Truman main office and Fairmont branch are located in underserved middle-income census tracts. All of the bank's offices have drive-up facilities. All offices offer weekend hours, except the Mankato branch. The Fairmont branch also offers extended weekday hours. The bank offers a cash-dispensing-only ATM at each branch. The bank also offers online and mobile banking.

Loan Portfolio. According to the September 30, 2018, Report of Condition, the bank has total assets of \$369.7 million. The bank's loan portfolio consists of 55.1% commercial, 25.2% agricultural, 16.5% residential real estate, 2.1% other loans, and 1.2% consumer loans. The bank's \$293.4 million loan portfolio increased 38.7% since the previous evaluation. The bank's residential real estate, commercial, and agricultural loans have increased 112.2%, 53.1%, and 9.2%, respectively. The bank's consumer and total other loans have decreased 46.4% and 32.0%.

Credit Products. Profinium, Inc. is primarily a commercial and agricultural lender but offers other traditional credit products to serve the needs of its assessment areas. The bank offers a variety of residential real estate loans, including conventional mortgages, home improvement loans, and temporary construction loans. Consumer loan products include vehicle-secured and unsecured closed-end loans, as well as home equity, personal, and overdraft protection lines of credit.

The bank offers loan programs sponsored by the Small Business Administration, Farm Service Agency, Federal Housing Administration, U.S. Department of Veterans Affairs, and U.S. Department of Agriculture Rural Development.

DESCRIPTION OF ASSESSMENT AREAS

The bank has three assessment areas for CRA purposes: Truman, Owatonna, and Mankato. The bank's Truman assessment area includes all of Martin County and two tracts in Watonwan County. The bank's Owatonna assessment area includes all of Steele County. The bank's Mankato assessment area is a portion of the Mankato-North Mankato MSA; it includes all of Blue Earth County and three census tracts in Nicollet County.

The bank has not changed its assessment areas since the previous evaluation. However, several income-census tract classifications have changed since the previous evaluation based on 2018 Federal Financial Institutions Examination Council (FFIEC) adjusted census data, which is discussed in each assessment area. For the Truman assessment area, Martin County consists of six middle-income census tracts and has been designated as underserved for the entire evaluation period. The two census tracts in Watonwan County are middle-income tracts and not designated as underserved or distressed for this evaluation period. The Owatonna assessment area consists of one moderate-income, four middle-income, and three upper-income census tracts. The Mankato assessment area consists of 4 moderate-income and 14 middle-income tracts and 1 upper-income census tract.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

LENDING TEST

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

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

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs of the assessment areas. The bank's September 30, 2018, net loan-to-deposit ratio was 94.1%. The net loan-to-deposit ratio for the bank's peer group was 83.2% as of September 30, 2018. The bank's peer group includes insured commercial banks having assets between \$300 million and \$1 billion. Since the bank's previous evaluation, the bank's quarterly net loan-to-deposit ratio ranged from 76.5% to 94.6%. The average net loan-to-deposit ratio for the past 20 quarters is 87.0%. The bank's 20-quarter average is reasonable. Table 2 shows the total assets and 20-quarter average net loan-to-deposit ratio for the bank and a similarly situated financial institution operating in the assessment areas.

TABLE 2		
20-Quarter Average Net Loan-to-Deposit Ratios		
<i>Bank</i>	<i>Total Assets as of September 30, 2018 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Profinium, Inc. Truman, Minnesota	\$369,650	87.0%
Pioneer Bank, Mapleton, Minnesota	\$447,431	96.1%

The bank’s net loan-to-deposit ratio demonstrates its willingness to meet the credit needs of businesses, farms, and individuals. The bank is an active lender in a highly competitive lending environment. Community contacts did not identify unmet credit needs in the assessment area.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank originated a majority of loans, 79.8% by number, within its assessment areas. Table 3 shows lending activity by loan type within the assessment areas.

Table 3								
Distribution of Loans Inside and Outside the Assessment Areas								
<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Small Business	63	69.2	8,576	65.5	28	30.8	4,524	34.5
Small Farm	70	86.4	8,594	82.5	11	13.6	1,822	17.5
Consumer	61	85.9	511	80.0	10	14.1	128	20.0
Total	194	79.8	17,681	50.4	49	20.2	6,474	26.8

Bank management stated that its focus is providing credit to borrowers within the bank’s assessment areas. Some customers maintain lending relationships with the bank even though they have moved from the area. Many of the loans that originated outside of the assessment areas were in adjacent counties or in the Minneapolis-St. Paul-Bloomington, MN-WI MSA. The bank’s lending shows its commitment to meeting credit needs within its assessment areas.

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

The bank’s lending to businesses and farms of different sizes and to borrowers of different income levels is reasonable. The bank actively lends to businesses and farms with gross annual revenues of \$1 million or less and to low- and moderate-income individuals. Refer to the Truman assessment area sections of this report for a more detailed discussion of the borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment areas and does not reveal any unexplained gaps in lending patterns. Refer to the Truman assessment area sections of this report for more detailed information on the geographic distribution of loans.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Outstanding. 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 bonds and donations. The level and nature of these activities are excellent considering the bank's size and capacity, as well as the strong local competition.

Community Development Loans. The bank's community development lending is excellent. The bank originated twelve community development loans for \$5.9 million that directly benefited its assessment areas. In the Truman assessment area, the bank originated one \$150,000 loan with an economic development purpose. In the Owatonna assessment area, the bank originated one \$350,000 loan that helped revitalize or stabilize a moderate-income area. In the Mankato assessment area, the bank originated \$4.7 million in loans that helped to promote affordable housing. Bank management and community contacts noted affordable housing as an ongoing concern.

The bank also originated two loans totaling \$9.6 million that impacted a broader regional area, as well as the bank's Truman assessment area, with the purpose of revitalizing or stabilizing distressed and underserved areas. The two loans were impactful to the Truman assessment area as they supported the purchase and renovation of senior living facilities in an area considered underserved. Lastly, the bank originated three economic development purpose loans totaling \$4.0 million outside of the bank's assessment areas.

Qualified Investments. The bank's level of qualified investments is excellent. The bank purchased four new securities in the form of bonds totaling \$1.3 million, which financed public schools in an area designated as underserved. The bank also made \$30,140 in qualified investments in the form of donations in its assessment areas. The donations were allocated as follows: \$6,760 to the Truman assessment area; \$11,865 to the Owatonna assessment area; and \$11,515 to the Mankato assessment area. The bank's donations help promote economic development, affordable housing, revitalization or stabilization of underserved middle-income tracts, and the provision of community services to low- and moderate-income people.

The bank also gave \$16,630 in donations to organizations that serve regional areas, which include the bank's assessment areas. Of those donations, \$16,030 was for economic development purposes.

Community Development Services. The bank's community development services are excellent. During the evaluation period, bank officers and staff provided 56 community development services; 31 services benefited its assessment areas and 25 services benefited a regional area that includes the bank's assessment areas. Bank employees serve in leadership positions for many of the organizations. They provide their financial expertise to organizations focused on affordable housing, community services to low- and moderate-income people, including financial literacy education, economic development, and revitalization or stabilization of underserved moderate-income census tracts.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NONMETROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE TRUMAN ASSESSMENT AREA

Bank Information. The bank operates its main office and one full-service branch in the Truman assessment area. The bank’s main office is located in Truman, in northeastern Martin County. The branch is located in Fairmont, which is approximately 15 miles south of Truman.

Assessment Area. The Truman assessment area includes all of Martin County and two of three census tracts in Watonwan County. Martin County consists of six middle-income tracts that were designated as underserved for the entire evaluation period. The two census tracts located in Watonwan County are middle-income census tracts and are not designated as underserved or distressed. The bank has not changed the Truman assessment area since the previous evaluation. However, some income census tract classifications have changed based on 2018 FFIEC adjusted census data. At the previous evaluation, the assessment area consisted of one moderate-income tract and seven middle-income census tracts.

Table 4 shows the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data⁴ and 2018 Dun & Bradstreet data.

TABLE 4								
Truman Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	1,421	18.6
Moderate Income	0	0.0	0	0.0	0	0.0	1,355	17.8
Middle Income	8	100.0	7,628	100.0	605	7.9	2,028	26.6
Upper Income	0	0.0	0	0.0	0	0.0	2,824	37.0
Total Assessment Area	8	100.0	7,628	100.0	605	7.9	7,628	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	13,411	8,735	100.0	65.1	3,133	23.4	1,543	11.5
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	13,411	8,435	100.0	65.1	3,133	23.4	1,543	11.5

⁴ The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the Office of Management and Budget’s metropolitan statistical area revisions.

TABLE 4
Truman Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	1,378	100.0	1,224	100.0	114	100.0	40	100.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,378	100.0	1,224	100.0	114	100.0	40	100.0
Percentage of Total Businesses:				88.8		8.3		2.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	414	100.0	409	100.0	5	100.0	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	414	100.0	409	100.0	5	100.0	0	100.0
Percentage of Total Farms:				98.8		1.2		0.0

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income. For borrowers in the nonmetropolitan areas of Minnesota, the figure is \$65,300 for 2017 and \$69,500 for 2018. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for nonmetropolitan Minnesota, which is \$63,182 for 2017 and 2018.

Population Characteristics. According to the 2018 FFIEC adjusted census data, the population in this assessment area is 27,756. The population has decreased by 2.6%, from the 2010 census data available at the time of the previous evaluation. The population in Martin County is 20,350, and the population for the two of the three census tracts in Watonwan County is 7,406. In the assessment area, 49.8% of the population is between 25 and 64 years old. The census data also indicates that 11.6% of the households in the assessment area are below the poverty level.

Economy. Bank management and community contacts stated that the economy in this assessment area is relatively stable. Agriculture continues to be the main industry and drives the overall economy in southern Minnesota. The agricultural industry has faced some recent challenges due to high rain levels, as well as international trade issues. According to a community contact, farmers have had a hard time being profitable the past few years. In the assessment area, the main livestock commodity is hogs and the main crops are soybean and corn. According to bank management, small businesses in the rural areas typically suffer when the agricultural economy faces challenges.

According to a community contact, the majority of farms in Martin County are small farms that are family-owned and have been passed down through generations. Available land to purchase for farming is limited, and land is expensive. The assessment area does not have many young, new farmers; however, most young farmers and their spouses have full-time jobs outside of the farm to help make ends meet.

Major employers in the assessment area include health-care facilities, local school districts, manufacturing (including meat processing and ethanol plants), county government, and service and retail businesses. According to a community contact, due to the rural area, job growth is harder to achieve because of the limited economy. Some residents of Martin and Watonwan counties commute to Mankato for jobs; however, jobs are available throughout Martin County.

According to the Bureau of Labor Statistics, the December 2018 non-seasonally adjusted unemployment rate for Martin County was 3.6% and Watonwan County was 4.1%. The unemployment rates are generally higher than the 3.2% statewide unemployment rate for Minnesota for the same period. During the evaluation period, the unemployment rate peaked in February 2014 for Martin County (6.1%) and Watonwan County (6.6%).

According to bank management, the Truman assessment area is a very competitive banking environment. The bank faces competition for all loan types.

Housing. According to community contacts, available and affordable housing for both homeowners and renters has been a concern for several years. A community contact familiar with housing conditions stated that Martin and Watonwan counties have inventory available; however, the units are not livable. Generally, the housing inventory is very old and dated. Landlords in the area are not interested in renovating rental units because of cost. Bank management noted that some new construction in Fairmont is related to the demolition of older homes on lake property to build new higher-value homes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank effectively meets the credit needs of the Truman assessment area. Overall, the bank's lending to small businesses, small farms, and low- and moderate-income borrowers is reasonable. Further, the geographic distribution of loans is reasonable and does not reveal any unexpected gaps in lending.

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

The bank's lending to businesses and farms of different sizes and to borrowers of different income levels in the Truman assessment area is reasonable.

Small Business Lending. The bank's lending to small businesses is reasonable. Table 5 shows the bank's small business lending.

<i>Small Business Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $< \$500,000$ (Farm) $\leq \$1,000,000$ (Business)	<i>Total Originations</i>
Percentage of All Small Business Loans	80.6%	0.0%	19.4%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	90.9%	0.0%	9.1%	71.0%
Percentage of All Small Farm Loans	57.4%	29.5%	13.1%	100.0%
Percentage of Loans to Farms with Revenues of \$1 Million or Less	62.3%	28.3%	9.4%	86.9%

The bank originated 71.0% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 88.8% of businesses in the assessment area have gross annual revenues of \$1 million or less. The bank’s lending is below demographics but reasonable. Bank management indicated the bank has experienced lower loan demand. The bank operates in a very competitive banking environment. Financial institutions in the area are actively pursuing new customer relationships. In addition, 80.6% of the small business loans were in amounts of \$100,000 or less, which shows the bank’s willingness to serve the credit needs of small entities in the assessment area.

Small Farm Lending. The bank’s small farm lending, shown in Table 5, is reasonable. The bank originated 86.9% of its small farm loans to farms that have gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 98.8% of the farms in the assessment area have gross annual revenues of \$1 million or less. The bank’s lending is below demographics but reasonable. As noted above, the bank has experienced lower loan demand. The bank operates in a competitive banking environment for small farm loans as well. Of the bank’s small farm loans to farms with revenues of \$1 million or less, 62.3% were in amounts of \$100,000 or less, which indicates a willingness to serve the credit needs of smaller entities.

Consumer Lending. The bank’s consumer lending to low- and moderate-income borrowers is excellent. As shown in Table 6, the bank originated 34.0% of its consumer loans to low-income borrowers, which exceeds the percentage of low-income households in the assessment area. Demographic data indicates 23.3% of the households in the assessment area are low income and 15.9% are moderate income. Similarly, the bank originated 25.5% of its consumer loans to moderate-income borrowers, which exceeds the percentage of moderate-income households in the assessment area. Bank management indicated that the bank faces strong competition for consumer loans from banks, credit unions, and dealer financing options within the assessment area.

TABLE 6								
Distribution of Consumer Loans by Borrower Income Level*								
Truman Assessment Area								
<i>Loan Type Sample</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$	#	\$	#	\$
Consumer Loans	34.0%	34.2%	25.5%	10.5%	27.7%	34.4%	12.8%	20.9%
Demographic Data								
Percentage of Households**	23.3%		15.9%		20.3%		40.6%	
*Median family income for the assessment area was \$63,182 for 2018.								
**Based on 2018 FFIEC census data.								

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution and dispersion of the bank’s loans in the Truman assessment area is reasonable. This assessment area consists of eight middle-income census tracts. The bank’s main office and Fairmont branch are located in this assessment area. The bank originated small business, small farm, and consumer loans in all but one census tract (9502) in this assessment area. This is reasonable since the City of St. James is located in this census tract and has financial institutions operating in the city.

COMMUNITY DEVELOPMENT TEST

The bank’s community development activity shows excellent responsiveness to community development needs in the Truman assessment area. The bank engages in community development lending and services and made qualified investments in the form of bonds and donations.

Qualified Investments. The bank’s qualified investments in the Truman assessment area are excellent. Since the last evaluation, the bank purchased \$1.3 million in qualified bonds that provide essential community services by helping revitalize and stabilize public schools in an area designated as underserved. The bank also made qualified investments in the form of donations totaling \$6,760 that benefited the Truman assessment area. The bank’s donations were focused on organizations that help revitalize or stabilize underserved middle-income census tracts and provide essential community development services to low- and moderate-income individuals, including youth.

Community Development Loans. The bank’s community development lending in the Truman assessment area is excellent. The bank originated one community development loan totaling \$150,000 in the assessment area during this evaluation period. The loan helped an existing business located in the assessment area expand and create jobs. As mentioned in the Institution section, the bank also originated two loans totaling \$9.6 million that provided a direct impact to the revitalization and stabilization of the Truman assessment area.

Community Development Services. The bank’s level of providing community development services in the Truman assessment area is excellent. Bank employees provided 19 community development services in the Truman assessment area. In most cases, the bank employees served as a board member or in a leadership position. The bank provided community development services to organizations that revitalize or stabilize underserved middle-income areas, promote affordable housing, and provide community services to primarily low- and moderate-income individuals, including youth.

NONMETROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE OWATONNA ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank’s CRA performance in the Owatonna assessment area. They determined that the bank’s performance in this assessment area is consistent with the performance in the Truman assessment area, with the exception of community development lending and investments. The bank’s community development lending and investments are below the performance in the Truman assessment area due to a lower volume of activity. Examiners analyzed the bank’s small business loans and community development activities. Examiners did not review small farm and consumer loans due to low volume in this assessment area.

The bank has limited loan volume in this assessment area. According to information provided by the bank, it originated 27.2% of loans by number and 31.6% by dollar amount in the Owatonna assessment area during the evaluation period. According to the June 30, 2018, FDIC Deposit Market Share Report, the bank had 21.6% of its deposits in the Owatonna assessment area, which is 9.7% of the market share. The bank ranks fourth out of 13 financial institutions in the assessment area.

The bank operates one full-service branch in Owatonna, which is located in the moderate-income census tract. The branch has a cash-dispensing-only ATM and a drive-up facility offering weekday and Saturday hours. On September 15, 2014, the bank closed its loan production office in Owatonna.

The Owatonna assessment area consists of all of Steele County, a total of eight tracts. The bank has not changed the assessment area since the previous evaluation. However, some income census tract classifications have changed based on FFIEC adjusted census data. At the previous evaluation, the assessment area consisted of five middle-income census tracts and three upper-income census tracts. The assessment area now consists of one moderate-, four middle-, and three upper-income census tracts. The population of the assessment area is 36,523, according to 2018 FFIEC adjusted census data.

Table 7 provides information regarding the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data.

Table 7				
Assessment Area Demographics – Owatonna Assessment Area				
<i>Income Category</i>	<i>Tract Distribution</i>		<i>Percentage of Families by Tract</i>	<i>Percentage of Families by Income Level</i>
	<i>#</i>	<i>%</i>		
Low Income	0	0.0	0.0	16.3
Moderate Income	1	12.5	10.5	14.0
Middle Income	4	50.0	41.1	22.7
Upper Income	3	37.5	48.3	47.0
Total	8	100.0	100.0	100.0

METROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE MANKATO ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank’s CRA performance in the Mankato assessment area. They determined that the bank’s performance in this assessment area is consistent with the performance in the Truman assessment area, with the exception of community development investments and services. The bank’s community development investments and services are below the performance in the Truman assessment area due to a lower volume of activity. Examiners analyzed the bank’s small business and community development activities. Examiners did not review small farm and consumer loans due to low volume in this assessment area.

The bank has limited loan volume in this assessment area. According to information provided by the bank, it originated 15.7% of loans by number and 32.3% by dollar amount in this assessment area. According to the June 30, 2018, FDIC Deposit Market Share Report, the bank had 4.4% of its deposits in the Mankato assessment area, which is 0.6% of the market share. The bank ranks 21st out of 21 financial institutions in the assessment area.

The bank operates one full-service branch with a cash-dispensing-only ATM in Mankato. The branch is located in a moderate-income census tract. The Mankato branch has weekday lobby and drive-up hours. In May 2015, the bank relocated its Mankato branch to its current location.

The Mankato assessment area is a portion of the Mankato-North Mankato, MN MSA, which consists of all of Blue Earth County and three census tracts in Nicollet County. The bank has not changed its assessment area since the previous examination. However, some income classifications have changed based on FFIEC adjusted census data. At the previous evaluation, the assessment area consisted of 19 tracts: 2 moderate, 14 middle, and 3 upper income. The assessment now consists of 4 moderate, 14 middle, and 1 upper income. The population in the assessment area is 78,541, according to 2018 FFIEC adjusted census data.

Table 8 provides information regarding the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data.

<i>Income Category</i>	<i>Tract Distribution</i>		<i>Percentage of Families by Tract</i>	<i>Percentage of Families by Income Level</i>
	<i>#</i>	<i>%</i>		
Low Income	0	0.0	0.0	20.5
Moderate Income	4	21.1	9.6	18.0
Middle Income	14	73.7	84.3	22.9
Upper Income	1	5.3	6.1	38.6
Total	19	100.0	100.0	100.0

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.)