

# **PUBLIC DISCLOSURE**

January 13, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Pioneer Bank  
301 Main Street Northeast  
Mapleton, Minnesota 56065  
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.

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

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

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

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

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

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

- The bank's performance demonstrates excellent responsiveness to community development needs in its AAs. The bank's level of community development loans is excellent. The bank's qualified investments, including donations, and community development services are adequate.

The bank received an Outstanding rating at the previous evaluation on January 25, 2021.

## **SCOPE OF EVALUATION**

The bank's CRA performance evaluation is based in part on information provided by bank management and by community contacts. Examiners analyzed information from these sources, as well as the economic and demographic characteristics of the AAs, competitive factors, and the size and financial condition of the bank to understand and evaluate the bank's performance. The CRA evaluation covers the period from the previous CRA evaluation to January 13, 2025.

The bank designates two AAs in Minnesota for CRA purposes: the Mankato Metropolitan Statistical Area (MSA) and St. James. The bank did not make changes to its AAs since the previous evaluation.

Based on lending data provided by the bank, the bank originated a slight majority of its loans, 52.8% by number, in the St. James AA, followed by 47.2% in the Mankato AA. Based on the June 30, 2024, FDIC Deposit Market Share Report, 56.6% of the bank's deposits are in the Mankato MSA AA, followed by 43.4% in the St. James AA. Examiners conducted full-scope reviews of the Mankato MSA AA and the St. James AA. Detailed descriptions of the bank's AAs are in their respective sections.

Throughout this evaluation, examiners used demographic characteristics in evaluating the bank's record of lending in the AA. Sources for demographic information are primarily the 2021 and 2023 Federal Financial Institutions Examination Council (FFIEC) adjusted census data and the 2023 Dun & Bradstreet data. AA 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 lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

Examiners interviewed individuals familiar with economic and demographic characteristics as well as community development opportunities in the bank’s AAs. This evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the AAs.

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

- Examiners weighted the bank’s activities in the Mankato MSA AA more than the St. James AA, based on loan and community development activity volume.
- Examiners placed greater weight on the bank’s Community Development Test compared to the Lending Test. The bank engaged in an excellent level of community development lending that shows excellent responsiveness to community development needs.
- For the Lending Test performance criteria, examiners placed the greatest weight on the bank’s lending to businesses and farms of different sizes and borrowers of different income levels, followed by the geographic distribution of loans.
- For the Lending Test, by product type, examiners placed the greatest weight on the bank’s small business loans, followed by small farm loans and consumer loans, which were weighted equally. HMDA loans were weighted least.

### Lending Test Scope

The scope of the Lending Test covers the bank’s major product lines, consisting of small business, small farm, consumer, and residential real estate loans. The table below shows the composition of the bank’s loan portfolio as of September 30, 2024.

<b>Composition of Loan Portfolio as of September 30, 2024</b>		
<b>Loan Type</b>	<b>\$(000)</b>	<b>%</b>
Residential Real Estate	59,464	10.3
Commercial	304,844	52.6
Agricultural	180,428	31.1
Consumer	28,478	4.9
Other	6,453	1.1
<b>Total</b>	<b>579,667</b>	<b>100.0</b>
<i>Note: Percentages may not total 100.0 percent due to rounding.</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 72 small business and 89 consumer loans originated between July 1, 2023, and December 31, 2023. The sample also includes 86 small farm loans originated between January 1, 2023, and December 31, 2023. Because the bank has offices in an MSA and is therefore required to report HMDA loans, examiners also analyzed the bank’s 2021 and 2023 HMDA-reportable loans. Additionally, examiners compared the bank’s HMDA lending to that of aggregate lenders that originated or purchased HMDA loans in the AAs. The bank did not report HMDA loans in 2020 and 2022 because the lending volume did not meet the minimum threshold to report loans.

In 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans were designed to help businesses keep their workforces employed during the COVID-19 pandemic (pandemic). Examiners considered the bank's PPP loans primarily in their evaluation of the bank's small business and small farm loans.

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.
- Lending inside the AAs.
- Net loan-to-deposit ratio.
- The bank's record of responding to complaints about its CRA performance.

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

### **Community Development Test Scope**

Examiners reviewed the bank's community development lending, qualified investments (including donations), and community development services since the previous evaluation for each AA and for larger regional areas. Examiners based the Community Development Test rating on the bank's performance during the period of January 26, 2021, through January 13, 2025.

### **DESCRIPTION OF INSTITUTION**

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

*Offices and Retail Delivery Systems.* Pioneer Bank operates its main office in Mapleton and five full-service branches in Mankato, North Mankato, St. James, St. Peter, and Madelia, Minnesota. The bank also operates a loan production office (LPO) in Lake Crystal, Minnesota. Since the previous evaluation, the bank closed its Stadium Road branch in Mankato and its Lewisville, Minnesota, branch. The remaining Mankato branch on Adams Street has two deposit-taking ATMs. The St. James, St. Peter, and North Mankato branches each have a cash-dispensing-only ATM. All offices have drive-up services, which offer extended weekday and Saturday hours. Finally, the bank also offers services through telephone, online, and mobile banking.

*Loan Portfolio.* According to the September 30, 2024, Report of Condition, the bank's assets total approximately \$852.5 million, which is a 26.0% increase since the previous evaluation. The bank's \$579.7 million loan portfolio increased by 27.1% since the previous evaluation. Although the overall composition of the loan portfolio remained relatively consistent, commercial and consumer loans increased significantly.

*Credit Products.* Pioneer Bank offers commercial, agricultural, consumer, and residential real estate products to serve the needs of businesses and residents in its AAs. The bank offers a variety of residential real estate loans, including conventional mortgages, temporary construction loans, and home equity lines of credit. The bank also offers loans for first-time home buyers through the Federal Home Loan Bank of Des Moines. The bank continues to offer loans through various federal programs including the U.S. Small Business Administration and U.S. Department of Agriculture/Farm Service Agency. Finally, the bank partners with a local hospital in the St. James AA to offer consumer loans for medical expenses.

## DESCRIPTION OF ASSESSMENT AREAS

The bank has two AAs: Mankato MSA and St. James. The bank did not make changes to its AAs since the previous evaluation. The overall number and income classifications of several census tracts changed based on the 2020 U.S. Census. The combined AAs consist of 56 census tracts: no low-, nine moderate-, 42 middle-, and five upper-income census tracts. In the St. James AA, the middle-income tracts in Martin County are classified as underserved, and all tracts in Faribault County are classified as distressed. Detailed descriptions of the bank’s AAs can be found in the individual AA sections.

## 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 as well as an Outstanding rating for the Community Development Test.

## LENDING TEST

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

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

The AA sections of this evaluation include detailed discussions 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. Examiners analyzed the bank’s net loan-to-deposit ratio and its lending inside and outside the AAs at the institution level, as described below.

## LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank’s net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs and competition in the AAs. As of December 31, 2024, the bank’s net loan-to-deposit ratio is 74.7%, which is slightly below the national peer group’s net loan-to-deposit ratio of 78.4%. The bank’s national peer group includes all insured commercial banks with assets between \$300 million and \$1 billion. The table below shows 17-quarter average net loan-to-deposit ratios and asset sizes for the bank and similarly situated financial institutions operating in the bank’s AAs.

<b>17-Quarter Average Net Loan-to-Deposit Ratios</b>		
<b><i>Bank Name and Location</i></b>	<b><i>Assets as of 12/31/2024 (in millions)</i></b>	<b><i>Average Net Loan-to-Deposit Ratio</i></b>
Pioneer Bank, Mapleton, MN	\$858,902	73.6%
United Prairie Bank, Mountain Lake, MN	\$915,500	95.4%
Citizens Bank Minnesota, New Ulm, MN	\$570,697	70.8%
Profinium, Truman, MN	\$533,763	83.5%

The bank’s 17-quarter average net loan-to-deposit ratio of 73.6% is below the bank’s 12-quarter average net loan-to deposit ratio of 88.1% at the previous evaluation. The bank’s net loan-to-deposit ratio ranged from 69.3% to 79.4% since that evaluation. Bank management noted pandemic-related stimulus programs

were no longer impacting deposit growth. The decrease in loan demand over the evaluation period, due to the high interest rates and inflation, impacted business lines such as commercial and consumer lending.

**COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

The bank originated a majority of its loans, 84.7% by number and 82.5% by dollar, within its AAs. The table below shows lending activity by loan type within the AAs.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>
Total Consumer related	79	88.8	1,435	92.6	10	11.2	114	7.4
Total HMDA related	130	82.3	42,403	83.5	28	17.7	8,387	16.5
Total Small Business related	59	81.9	8,409	69.5	13	18.1	3,698	30.5
Total Small Farm related	75	87.2	12,608	89.3	11	12.8	1,515	10.7
<b>Total Loans</b>	<b>343</b>	<b>84.7</b>	<b>64,856</b>	<b>82.5</b>	<b>62</b>	<b>15.3</b>	<b>13,714</b>	<b>17.5</b>
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

Bank management focuses on lending to customers within its AAs but will also fund projects outside the AAs based on customer/lender relationships. Some of these loans are extended to customers in adjacent counties outside the bank’s AAs, but also to customers in Minneapolis and St. Paul. The bank’s lending reflects management’s commitment to meeting the credit needs of its community.

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

The overall 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. More detailed discussions of the borrower distribution of loans are provided in the specific AA sections.

The bank actively participated in the PPP lending, which began in April 2020. After two rounds of lending, the program ended on May 31, 2021. The PPP is an SBA-backed loan program that was designed to help businesses and farms keep their workforce employed during the pandemic. Examiners reviewed the bank’s 2020 PPP lending at the previous evaluation. Since then, the bank originated more than 650 PPP loans in its AAs, totaling approximately \$20.7 million.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs, including moderate-income census tracts. Lending patterns do not reveal any unexplained gaps in lending. The AA sections provide more detailed discussions 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.

## COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Outstanding. Overall, the bank's community development activities demonstrate excellent responsiveness to the needs of the AAs.

*Community Development Loans.* The bank's community development lending is excellent. During the evaluation period, the bank originated 39 loans with a community development purpose totaling \$30.1 million in the Mankato MSA and St. James AAs.<sup>1</sup> The majority of community development loan dollars (99.5%) supported efforts to promote economic development in the AAs. In addition, and of particular note, is the bank's response to a FEMA-declared disaster, which included all the counties in the bank's AAs. The bank created a special loan program to assist borrowers in their cleanup and recovery efforts after significant flooding. The bank originated 18 of these disaster relief loans, totaling \$139,000.

Given the bank's level of responsiveness in the AAs, examiners can also consider community development loans benefiting geographies outside the bank's AAs. The bank originated 16 loans totaling approximately \$24.3 million that promoted economic development initiatives in areas outside of the AAs.

Many of the bank's community development loans were extended using the SBA 504 loan program, which promotes job creation and business expansion by providing long-term, fixed-rate financing for small businesses. The bank also extended several SBA 7(a) loans, which helped create or retain jobs, including jobs for low- to moderate-income individuals or in low- or moderate-income geographies. The bank's active participation in these programs helps demonstrate its willingness to serve the credit needs of small businesses in the AAs.

*Qualified Investments, Including Donations.* The bank's qualified investments are adequate. The bank did not make any new securities investments since the previous evaluation, but it continued to hold six prior-period investments totaling \$1.6 million that benefit the AAs. The majority of investment dollars in the AAs support community services for low- and moderate-income people in the bank's AAs. Because the bank was responsive in meeting community development needs of its AAs, examiners also considered two prior-period investments that benefited an area outside the bank's AAs, totaling \$606,590. These investments helped fund improvements for schools that primarily serve kids from low- and moderate-income families.

The bank also made an adequate level of donations, totaling \$139,411 that directly benefit its AAs or broader regional areas that include the AAs. By dollar, the bank's donations primarily supported community services to low- and moderate-income individuals. The bank's donation dollars primarily benefited broader regional areas (50.4%), followed by the St. James AA (45.1%) and the Mankato MSA AA (4.4%).

*Community Development Services.* The bank's level of community development services is adequate. The bank provided 36 community development services in its AAs, as well as 14 community development services benefiting broader regional areas that include the AAs. Twelve employees provided financial expertise on boards and committees of 13 organizations. Most of the services focused on helping organizations promote economic development in the AAs. Services also supported organizations that focus on community services to low- to moderate-income individuals and on revitalization and stabilization of low- or moderate-income areas.

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<sup>1</sup> Community development loan totals include loans that were originated in one year and renewed or modified in subsequent years, all within the current evaluation period.



## **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 INSTITUTION’S OPERATIONS IN THE MANKATO MSA ASSESSMENT AREA

*Bank Information.* In the Mankato MSA AA, the bank operates its main office in Mapleton and three full-service branches in Mankato, North Mankato, and St. Peter. The Mankato branch has two deposit-taking ATMs, and the North Mankato and St. Peter branches have cashing-dispensing-only ATMs. Each office has a drive-thru facility, which offers extended weekday and Saturday hours. Finally, the bank operates an LPO, in Lake Crystal. Since the previous evaluation, the bank closed its Stadium Road branch in Mankato.

According to the June 30, 2024, FDIC Deposit Market Share Report, the bank ranked third out of 20 financial institutions operating in the Mankato, MN MSA, with a 12.0% deposit market share and \$404.3 million in deposits. The deposits in this AA represent 56.6% of the bank’s total deposits.

*Assessment Area.* The Mankato MSA AA includes Blue Earth and Nicollet counties. The bank has not changed the AA since the previous evaluation; however, the income classification of several tracts changed based on the 2020 census changes. The AA has no low-, six moderate-, 14 middle-, and three upper-income census tracts.<sup>2</sup>

The table below shows the demographic data for the AA based on 2023 FFIEC adjusted census data and 2023 Dun & Bradstreet Data.

2023 Mankato MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	4,894	20.5
Moderate	6	26.1	4,483	18.8	782	17.4	4,182	17.5
Middle	14	60.9	15,926	66.7	715	4.5	5,810	24.3
Upper	3	13.0	3,452	14.5	127	3.7	8,975	37.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>23</b>	<b>100.0</b>	<b>23,861</b>	<b>100.0</b>	<b>1,624</b>	<b>6.8</b>	<b>23,861</b>	<b>100.0</b>
	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	11,249	4,152	16.2	36.9	5,999	53.3	1,098	9.8
Middle	25,556	17,610	68.8	68.9	6,211	24.3	1,735	6.8

<sup>2</sup> At the previous evaluation, the AA consisted of four moderate-, 18 middle-, and one upper-income census tract.

2023 Mankato MSA AA Demographics								
Upper	5,586	3,828	15.0	68.5	1,411	25.3	347	6.2
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>42,391</b>	<b>25,590</b>	<b>100.0</b>	<b>60.4</b>	<b>13,621</b>	<b>32.1</b>	<b>3,180</b>	<b>7.5</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1,180	24.8	1,034	24.2	134	32.8	12	15.8
Middle	3,050	64.1	2,771	64.8	223	54.7	56	73.7
Upper	530	11.1	471	11.0	51	12.5	8	10.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>4,760</b>	<b>100.0</b>	<b>4,276</b>	<b>100.0</b>	<b>408</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.8</b>		<b>8.6</b>		<b>1.6</b>
	<b>Total Farms by Tract</b>		<b>Farms by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	16	3.1	16	3.1	0	0.0	0	0.0
Middle	491	95.0	482	94.9	9	100.0	0	0.0
Upper	10	1.9	10	2.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>517</b>	<b>100.0</b>	<b>508</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.3</b>		<b>1.7</b>		<b>0.0</b>
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

*Income.* For purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income for the Mankato MSA AA for the year of loan origination. The table below shows the 2021 and 2023 estimated income and range of the incomes for low-, moderate-, middle-, and upper-income borrowers.

**Mankato MSA AA Borrower Income Levels\***

FFIEC Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2021</b>	<b>\$80,300</b>	0 - \$40,149	\$40,150 - \$64,239	\$64,240 - \$96,359	\$96,360 - & above
<b>2023</b>	<b>\$99,100</b>	0 - \$49,549	\$49,550 - \$79,279	\$79,280 - \$118,919	\$118,920 - & above

\*Income levels listed for years in which examiners evaluated loans.

For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the Mankato MSA AA, which was \$71,814 for 2021 and \$83,590 for 2023.

The table below shows the median family income for the Mankato MSA AA, the counties in the AA, and the state of Minnesota, based on census data. The median family income for the AA increased from 2015 to 2020. The 2020 median family income for the AA is lower than the 2020 median family income for the state of Minnesota, and it increased at a slightly slower rate than the state of Minnesota.

<b>Mankato MSA AA Median Family Income Change</b>			
<b>Area</b>	<b>2015 Median Family Income</b>	<b>2020 Median Family Income</b>	<b>Percent Change</b>
Mankato MSA AA	\$78,462	\$83,590	6.5%
Blue Earth County, MN	\$78,155	\$80,300	2.7%
Nicollet County, MN	\$79,072	\$88,651	12.1%
Minnesota	\$84,188	\$92,692	10.1%
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

*Population Characteristics.* The population of the Mankato MSA AA is 103,566. The table below shows the population change from 2015 to 2020.

<b>Mankato MSA AA Population Change</b>			
<b>Area</b>	<b>2015 Population</b>	<b>2020 Population</b>	<b>Percent Change</b>
Mankato MSA AA	98,211	103,566	5.5%
Blue Earth County, MN	65,125	69,112	6.1%
Nicollet County, MN	33,086	34,454	4.1%
Minnesota	5,419,171	5,706,494	5.3%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

The population growth in the Mankato MSA AA was comparable to the growth in the state of Minnesota. In the AA, the population growth mostly occurred in Blue Earth County.

*Economy.* Manufacturing, health care, higher education, retail, hospitality, and agriculture are the major industries in the Mankato MSA AA. Bank management commented that Mankato is the center of commerce for neighboring counties and noted that unemployment has been low. Wages have stabilized but are not keeping up with inflation. While the economy is overall stable, there are still challenges in the area. A community contact noted that affordable childcare is an issue. The economy is also impacted by agriculture, which has struggled in recent years due to weather, low yields, and high input costs.

The table below shows the Mankato MSA AA unemployment rate during the evaluation period. The unemployment rate in the AA has decreased since the pandemic (from 5.3% in 2020).

<b>Mankato MSA AA Unemployment Rates</b>			
Area	2021	2022	2023
Mankato MSA AA	3.2%	2.1%	2.3%
Blue Earth County, MN	3.3%	2.1%	2.3%
Nicollet County, MN	3.0%	1.9%	2.2%
Minnesota	3.7%	2.6%	2.8%

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

*Housing.* Community contacts and bank management indicated that there are affordable housing challenges in the AA. A limited supply of affordable homes for purchase makes it difficult for new homebuyers. While there has been some development of housing in the area, it does not meet the demand. New construction homes are typically too expensive for most people to afford. Finally, high interest rates have discouraged many prospective borrowers.

The table below shows the housing cost burden faced by renters and homeowners in the Mankato MSA AA. The U.S. Department of Housing and Urban Development defines cost-burdened families as follows: Those who pay more than 30.0% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. As shown in the table below, the overall housing cost burden for low-income renters and low-income homeowners in the AA is significant. However, the overall burden for all renters and homeowners in the AA is generally comparable to the burden for those statewide.

<b>Mankato MSA AA Housing Cost Burden</b>						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Mankato MSA AA	77.9%	28.7%	43.0%	67.0%	28.2%	16.5%
Blue Earth County, MN	78.1%	29.4%	44.7%	67.0%	30.5%	17.2%
Nicollet County, MN	77.5%	26.6%	38.0%	66.8%	23.9%	15.3%
Minnesota	72.7%	30.1%	41.5%	61.2%	29.0%	16.7%

*Cost Burden is housing cost that equals 30 percent or more of household income*  
*Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy*

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE MANKATO MSA AA**

The borrower income/revenue distribution of loans in the AA is excellent, and the geographic distribution of loans is reasonable. The bank’s overall Community Development Test performance in this AA demonstrates excellent responsiveness to community development needs. This AA accounts for approximately 52.8% of the bank’s lending.

### **LENDING TEST**

The bank meets the credit needs of businesses, farms, and residents in the Mankato MSA AA. Overall, the bank’s lending to businesses and farms of different sizes and to borrowers of different incomes is excellent. In addition, the overall geographic distribution of loans reflects reasonable dispersion throughout the AA.

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

*Small Business Lending.* The bank’s lending to small businesses in the Mankato MSA AA is excellent. The table below shows the bank’s small business lending by business revenue and loan size.

<b>Distribution of 2023 Small Business Lending By Revenue Size of Businesses Mankato MSA AA 2023</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	24	72.7	2,629	61.3	89.8
<b>Over \$1 Million</b>	9	27.3	1,659	38.7	8.6
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.6
<b>Total</b>	33	100.0	4,288	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	20	60.6	1,062	24.8	
<b>\$100,001 - \$250,000</b>	9	27.3	1,766	41.2	
<b>\$250,001 - \$1 Million</b>	4	12.1	1,461	34.1	
<b>Total</b>	33	100.0	4,288	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	15	62.5	749	28.5	
<b>\$100,001 - \$250,000</b>	7	29.2	1,325	50.4	
<b>\$250,001 - \$1 Million</b>	2	8.3	555	21.1	
<b>Total</b>	24	100.0	2,629	100.0	
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 72.7% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to 2023 Dun & Bradstreet data, 89.8% of businesses in the AA are small businesses. The bank’s lending is below demographics; however, the lending is excellent given the performance context. The bank operates in an area with strong competition, particularly for commercial real estate loans. The bank competes with larger national and regional banks, as well as other local banks in the AA.

In addition, the bank actively extended PPP loans in the Mankato MSA AA. In 2021, the bank originated 250 PPP loans to small businesses in the AA, totaling approximately \$10.8 million. Of these loans, 74.8% were for \$25,000 or less. This level of responsiveness to credit needs enhances the bank’s small business lending.

*Small Farm Lending.* The bank’s lending to small farms in the Mankato MSA AA is excellent. The table below shows the bank’s small farm lending by farm revenue and loan size.

<b>Distribution of 2023 Small Farm Lending By Revenue Size of Farms Mankato MSA AA 2023</b>					
	<b>Bank Loans</b>				<b>Total Farms %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	35	81.4	5,191	85.2	98.3
<b>Over \$1 Million</b>	7	16.3	860	14.1	1.7
<b>Revenue Unknown</b>	1	2.3	38	0.6	0.0
<b>Total</b>	43	100.0	6,090	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	24	55.8	1,215	20.0	
<b>\$100,001 - \$250,000</b>	12	27.9	2,435	40.0	
<b>\$250,001 - \$500,000</b>	7	16.3	2,439	40.0	
<b>Total</b>	43	100.0	6,090	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	18	51.4	817	15.7	
<b>\$100,001 - \$250,000</b>	11	31.4	2,235	43.1	
<b>\$250,001 - \$500,000</b>	6	17.1	2,139	41.2	
<b>Total</b>	35	100.0	5,191	100.0	
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 81.4% of its small farm loans to farms with gross annual revenues of \$1 million or less. According to 2023 Dun & Bradstreet data, 98.3% of farms in the AA are small farms. The bank originated 51.4% of its loans to small farms for less than \$100,000 indicating responsiveness to the credit needs of small farms. A contact noted the bank is a leader in farm lending and actively works with small specialty crop farmers. The bank’s lending is below demographics; however, the lending is excellent given the performance context.

As mentioned, the bank actively extended PPP loans in the AA. In 2021, the bank originated over 170 PPP loans to small farms, totaling approximately \$3.4 million. Of these loans, 93.6% were for \$25,000 or less. This level of responsiveness to credit needs enhances the bank’s small farm lending.

*Consumer Lending.* The bank’s consumer lending to low- and moderate-income borrowers in the Mankato MSA AA is excellent. The table below shows the bank’s consumer lending by household income.

Distribution of 2023 Consumer Lending By Borrower Income Level Mankato MSA AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
Low	9	31.0	153	15.9	23.3
Moderate	10	34.5	123	12.8	17.0
Middle	2	6.9	9	0.9	17.8
Upper	3	10.3	46	4.8	41.8
Unknown	5	17.2	632	65.6	0.0
<b>Total</b>	<b>29</b>	<b>100.0</b>	<b>963</b>	<b>100.0</b>	<b>100.0</b>

Source: 2023 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

The bank originated 31.0% of its consumer loans to low-income borrowers and 34.5% to moderate-income borrowers. According to 2023 FFIEC adjusted census data, 23.3% of households in the AA are low income and 17.0% are moderate income. The bank’s overall lending to low- and moderate-income borrowers is significantly above demographics and reflects strong lending despite factors such as high interest rates, inflation, and competition from other financial institutions and credit unions.

*Residential Real Estate Lending.* The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. The tables below show the bank’s HMDA lending by borrower income levels for 2021 and 2023. The tables also include the same information for aggregate lenders, as well as demographic data.

Distribution of 2021 Home Mortgage Lending By Borrower Income Level Mankato MSA AA							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	4	8.9	7.7	374	1.9	4.6	19.7
Moderate	2	4.4	24.0	402	2.1	17.9	17.6
Middle	5	11.1	23.7	510	2.6	21.2	23.9
Upper	10	22.2	29.7	9,217	47.8	36.1	38.8
Unknown	24	53.3	14.9	8,788	45.6	20.2	0.0
<b>Total</b>	<b>45</b>	<b>100.0</b>	<b>100.0</b>	<b>19,291</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2011-2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.  
Multifamily loans are not included in the borrower distribution analysis.

In 2021 the bank originated 8.9% of its HMDA loans to low-income borrowers and 4.4% to moderate-income borrowers. According to 2021 FFIEC adjusted census data, 19.7% of families in the AA are low income and 17.6% are moderate income. The bank’s lending to low- and moderate-income borrowers was lower than demographics. The bank’s lending to low-income borrowers is comparable to aggregate lenders’ performance (7.7%) and its lending to moderate-income borrowers is much lower than aggregate lenders’ performance (24.0%).



Distribution of 2023 Home Mortgage Lending By Borrower Income Level Mankato MSA AA							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	2	6.5	9.7	152	0.9	5.0	20.5
Moderate	2	6.5	24.3	274	1.6	17.5	17.5
Middle	7	22.6	24.9	1,140	6.6	20.2	24.3
Upper	9	29.0	27.5	8,933	51.5	34.0	37.6
Unknown	11	35.5	13.6	6,836	35.5	23.3	0.0
<b>Total</b>	<b>31</b>	<b>100.0</b>	<b>100.0</b>	<b>17,335</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2023 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.  
Multifamily loans are not included in the borrower distribution analysis.

In 2023, the bank originated 6.5% of its HMDA loans to low-income borrowers and 6.5% to moderate-income borrowers. According to 2023 FFIEC adjusted census data, 20.5% of families in the AA are low income and 17.5% are moderate income. The bank’s lending to low- and moderate-income borrowers was lower than demographics. The bank’s lending to low-income borrowers is slightly lower than aggregate lenders’ performance (9.7%) and its lending to moderate-income borrowers is much lower than aggregate lenders’ performance (24.3%).

For both years, bank management indicated that its HMDA loans reported with unknown incomes are typically loans made to bank employees or commercial borrowers.

As discussed previously, the housing cost burden for low- and moderate-income residents in the AA is significant. Using the assumption that a borrower can afford a home for approximately three times his or her annual income, an individual with the highest income in the low-income bracket (\$49,549) could afford a \$148,647 home, based on 2023 FFIEC estimated median family income for the Mankato MSA AA. Using the same assumption for a borrower with the highest income in the moderate-income bracket (\$79,279), a borrower could afford a \$237,837 home. According to the Minnesota Realtors’ 2024 annual housing market report, the 2023 median price for homes in Blue Earth and Nicollet counties was \$285,600 and \$277,500, respectively. Based on this data, homeownership is likely challenging for many low-income and moderate-income individuals.

Community contacts noted that the area lacks affordable starter homes and most new developments are higher-end homes, which could make home purchases difficult for low- and moderate-income people. Finally, the bank operates in a competitive HMDA lending environment. In 2021, the bank ranked 21st out of 220 HMDA reporters in the AA and captured only 1.0% of all HMDA loans reported. In 2023, the bank ranked 14th of 146 reporters and captured only 1.9% of all HMDA loans reported in the AA. Overall, the bank’s HMDA lending to low- and moderate-income borrowers is reasonable, given the performance context.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution and dispersion of the bank’s small business, small farm, consumer, and HMDA loans in the Mankato MSA AA is reasonable, and there are no unexplained gaps in lending. The AA includes no low-, six moderate-, 14 middle- and three upper-income tracts.

*Small Business Lending.* The geographic distribution and dispersion of small business lending in the Mankato MSA AA is reasonable. The table below shows the bank’s small business lending by census tract income level, as well as demographic data.

<b>Distribution of 2023 Small Business Lending By Income Level of Geography</b>					
<b>Mankato MSA AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	5	15.2	906	21.1	24.8
<b>Middle</b>	21	63.6	2,651	61.8	64.1
<b>Upper</b>	7	21.2	732	17.1	11.1
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0	0.0	
<b>Total</b>	33	100.0	4,288	100.0	100.0

*Source: 2023 FFIEC Census Data  
2023 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey*

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

The bank originated 15.2% of its small business loans in the moderate-income tracts, which is below demographics. According to 2023 Dun & Bradstreet data, 24.8% of the AA’s businesses are in the moderate-income tracts. The bank did not originate any small business loans in three of the moderate-income tracts. The tracts include downtown areas of Mankato and St. Peter, where there is heavy competition. In addition, some of the moderate-income tracts include a university and industrial areas. The bank’s lending in these tracts is reasonable given demographics and the competitive banking environment. The overall dispersion of small business loans in the AA does not reveal any unexplained gaps in lending.

*Small Farm Lending.* The geographic distribution and dispersion of small farm lending in the Mankato MSA AA is reasonable. The table below shows the bank’s small farm lending by census tract income level, as well as demographic data.

<b>Distribution of 2023 Small Farm Lending By Income Level of Geography</b>					
<b>Mankato MSA AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Farms %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	0	0.0	0	0.0	3.1
<b>Middle</b>	41	95.3	5,800	95.2	95.0
<b>Upper</b>	2	4.7	290	4.8	1.9

Distribution of 2023 Small Farm Lending By Income Level of Geography					
Mankato MSA AA					
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	43	100.0	6,090	100.0	100.0
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank did not originate any small farm loans in the moderate-income tracts. According to 2023 Dun & Bradstreet data, only 3.1% of the AA’s farms are in the moderate-income tracts. As mentioned previously, the moderate-income tracts are primarily in non-rural areas, which could result in lower agricultural loan demand and make farm lending difficult. The overall dispersion of small farm loans in the AA does not reveal any unexplained gaps in lending.

*Consumer Lending.* The geographic distribution and dispersion of consumer lending in the Mankato MSA AA is reasonable. The table below shows the bank’s consumer lending by census tract income level, as well as demographic data.

Distribution of 2023 Consumer Lending By Income Level of Geography					
Mankato MSA AA					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	8	27.6	71	7.4	25.9
Middle	18	62.1	885	91.9	60.8
Upper	3	10.3	8	0.8	13.4
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	29	100.0	963	100.0	100.0
<i>Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 27.6% of its consumer loans in the moderate-income tracts. According to 2023 Dun & Bradstreet data, 25.9% of the AA’s households are in the moderate-income tracts. The bank’s consumer lending in the moderate-income tracts is comparable to demographics. The bank’s lending in these tracts is reasonable given demographics and the competitive banking environment.

The bank did not originate consumer loans in four of the moderate-income tracts; these tracts are in Mankato. As mentioned, the tracts here are in the downtown and industrial areas. Bank management noted that the banking environment is competitive, particularly for consumer loans. Several banks and credit unions operate branches in Mankato. The overall dispersion of consumer loans in the AA does not reveal any unexplained gaps in lending.

*Residential Real Estate Lending.* The bank’s geographic distribution of 2021 and 2023 HMDA loans is reasonable. For 2021, the AA consisted of four moderate-, 18 middle-, and one upper-income census tracts. For 2023, the AA consisted of six moderate-, 14 middle-, and three upper-income tracts. The tables below show the distribution of the bank’s 2021 and 2023 HMDA loans by census tract income level, as well as aggregate lending and demographic data.

<b>Distribution of 2021 Home Mortgage Lending By Income Level of Geography</b>							
<b>Mankato MSA AA</b>							
<b>Geographic Income Level</b>	<b>Bank And Aggregate Loans</b>						<b>Owner Occupied Units %</b>
	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>		<b>Agg</b>	
	<b>#</b>	<b>#%</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>	
<b>Low</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Moderate</b>	3	6.7	8.4	430	2.2	6.6	7.7
<b>Middle</b>	41	91.1	87.7	18,524	96.0	89.3	87.3
<b>Upper</b>	1	2.2	3.9	337	1.7	4.1	5.0
<b>Unknown</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	45	100.0	100.0	19,291	100.0	100.0	100.0

*Source: 2021 FFIEC Census Data*  
*2011-2015 U.S. Census Bureau: American Community Survey*  
*Note: Percentages may not total 100.0 percent due to rounding.*

In 2021, the bank originated 6.7% of its HMDA loans in the moderate-income tracts. The bank’s lending is generally comparable to both owner-occupied demographics (at 7.7%) and aggregate lending (at 8.4% in the moderate-income tracts). The bank did not extend HMDA loans in two of the moderate-income tracts. Both tracts are in/near Mankato’s downtown area; one has a low owner-occupancy rate, and the other includes parks and industrial/commercial areas. Finally, as previously mentioned, competition for HMDA loans in the AA is strong; several financial institutions operated branches in or near the moderate-income tracts.

<b>Distribution of 2023 Home Mortgage Lending By Income Level of Geography</b>							
<b>Mankato MSA AA</b>							
<b>Geographic Income Level</b>	<b>Bank And Aggregate Loans</b>						<b>Owner Occupied Units %</b>
	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>		<b>Agg</b>	
	<b>#</b>	<b>#%</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>	
<b>Low</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Moderate</b>	11	35.5	19.8	6,854	39.5	18.6	16.2
<b>Middle</b>	18	58.1	66.5	10,332	59.6	66.6	68.8
<b>Upper</b>	2	6.5	13.8	149	0.9	14.8	15.0
<b>Unknown</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	31	100.0	100.0	17,335	100.0	100.0	100.0

*Source: 2023 FFIEC Census Data*  
*2016-2020 U.S. Census Bureau: American Community Survey*  
*Note: Percentages may not total 100.0 percent due to rounding.*

In 2023, the bank originated 35.5% of its HMDA loans in the moderate-income tracts, which is significantly above both owner-occupied demographics (at 16.2%) and aggregate lending (at 19.8% in the moderate-income tracts). The bank did not extend HMDA loans in two moderate-income tracts; the tracts are in/near downtown Mankato and both have low owner-occupancy rates. Bank management noted lending opportunities are few in the moderate-income tracts. Given the performance context, the bank's geographic distribution of HMDA loans is reasonable, and the overall dispersion of loans does not reveal any unexplained gaps in lending.

## **COMMUNITY DEVELOPMENT TEST**

Overall, the bank's community development activities in the Mankato MSA AA demonstrate excellent responsiveness to community development needs in the AA.

*Community Development Loans.* Community development lending in the Mankato MSA AA is excellent. Since the previous evaluation, the bank originated 27 community development loans totaling approximately \$26.5 million, which directly benefit the Mankato MSA AA.<sup>3</sup> The majority of loan dollars (99.7%) supported economic development initiatives by funding business expansion and/or job creation or retention for low- and moderate-income individuals. The bank also originated 10 loans totaling \$84,000 in the AA as part of its Community Disaster Loan program, which helped businesses and individuals recover from the June 2024 flooding in the AA. The bank implemented the program quickly, which shows the bank is proactive in addressing community needs. Overall, the bank's community development lending shows excellent responsiveness to the needs of the community.

*Qualified Investments.* The bank's level of qualified investments in the Mankato MSA AA is adequate. The bank did not purchase a new security investment since the previous examination. The bank continues to hold a prior-period investment totaling \$300,000 that supports a community service initiative for low- and moderate-income people in the AA. The bank also made \$6,174 in donations that directly benefited this AA. The donations were to organizations that provide community services to low- and moderate-income individuals, such as food and clothing for children.

*Community Development Services.* The level of community development services in the Mankato MSA AA is adequate. Five bank employees provided 14 community development services that benefited this AA. These employees provided financial expertise as board and committee members to organizations that promote economic development and focus on community services to low- and moderate-income individuals.

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<sup>3</sup> Community development loan totals include loans that were originated in one year and renewed or modified in subsequent years, all within the current evaluation period.

## NONMETROPOLITAN AREA – FULL REVIEW

### DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE ST. JAMES ASSESSMENT AREA

*Bank Information.* In the St. James AA, the bank operates two branches: one in St. James and one in Madelia, Minnesota. The St. James branch offers a cashing-dispensing-only ATM. Each office has a drive-thru facility, which offers extended weekday and Saturday hours. Since the previous evaluation, the bank closed its branch in Lewisville, Minnesota.

According to the June 30, 2024, FDIC Deposit Market Share Report, the bank ranked fourth out of 35 financial institutions operating in the St. James AA, with a 7.8% deposit market share and \$404.4 million in deposits. The deposits in this AA represent 43.4% of the bank’s total deposits.

*Assessment Area.* The St. James AA includes all of Brown, Cottonwood, Faribault, Martin, Watonwan, and Waseca counties in Minnesota. The bank has not changed its AA since the previous evaluation; however, the number of tracts and the income classification of some tracts changed based on the 2020 census changes. The AA has no low-, three moderate-, 28 middle-, and two upper-income census tracts.<sup>4</sup>

The table below shows the demographic data for the AA based on 2023 FFIEC adjusted census data and 2023 Dun & Bradstreet Data.

2023 St. James AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,307	19.7
Moderate	3	9.1	2,518	9.3	403	16.0	5,224	19.3
Middle	28	84.8	22,969	85.0	1,543	6.7	6,232	23.1
Upper	2	6.1	1,520	5.6	22	1.4	10,244	37.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>33</b>	<b>100.0</b>	<b>27,007</b>	<b>100.0</b>	<b>1,968</b>	<b>7.3</b>	<b>27,007</b>	<b>100.0</b>
	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	4,810	2,705	8.4	56.2	1,746	36.3	359	7.5
Middle	39,978	27,809	85.9	69.6	8,017	20.1	4,152	10.4
Upper	2,354	1,875	5.8	79.7	222	9.4	257	10.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>47,142</b>	<b>32,389</b>	<b>100.0</b>	<b>68.7</b>	<b>9,985</b>	<b>21.2</b>	<b>4,768</b>	<b>10.1</b>

<sup>4</sup> At the previous evaluation, the AA consisted of one moderate-, 29 middle-, and two upper-income census tracts.

2023 St. James AA Demographics								
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
<b>Low</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Moderate</b>	637	12.9	558	12.6	70	18.2	9	7.1
<b>Middle</b>	4,089	82.6	3,673	82.7	301	78.2	115	91.3
<b>Upper</b>	226	4.6	210	4.7	14	3.6	2	1.6
<b>Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>4,952</b>	<b>100.0</b>	<b>4,441</b>	<b>100.0</b>	<b>385</b>	<b>100.0</b>	<b>126</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.7</b>		<b>7.8</b>		<b>2.5</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
<b>Low</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Moderate</b>	47	3.6	45	3.4	1	7.1	1	100.0
<b>Middle</b>	1,197	90.5	1,184	90.6	13	92.9	0	0.0
<b>Upper</b>	78	5.9	78	6.0	0	0.0	0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,322</b>	<b>100.0</b>	<b>1,307</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<b>Percentage of Total Farms:</b>				<b>98.9</b>		<b>1.1</b>		<b>0.1</b>
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>								

*Income.* For purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income for the St. James AA for the year of loan origination. The table below shows the 2021 and 2023 estimated income and range of the incomes for low-, moderate-, middle-, and upper-income borrowers.

**St. James AA Borrower Income Levels\***

FFIEC Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2021</b>	<b>\$72,400</b>	0 - \$36,199	\$36,200 - \$57,919	\$57,920 - \$86,879	\$86,880 - & above
<b>2023</b>	<b>\$90,400</b>	0 - \$45,199	\$45,200 - \$72,319	\$72,320 - \$108,479	\$108,480 - & above

\*Income levels listed for years in which examiners evaluated loans.

For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the nonmetropolitan areas of the state, which was \$63,045 for 2021 and \$74,737 for 2023.

The table below shows the median family income for the St. James AA, the counties in the AA, and the state of Minnesota, based on census data. The median family income for the overall AA increased from 2015 to 2020, though it decreased slightly in Waseca County. The 2020 median family income for the AA is lower than the 2020 median family income for the state of Minnesota, and it increased at a slower rate.

<b>St. James AA Median Family Income Change</b>			
<b>Area</b>	<b>2015 Median Family Income</b>	<b>2020 Median Family Income</b>	<b>Percent Change</b>
St. James AA	\$69,171	\$72,896	5.4%
Brown County, MN	\$72,912	\$78,012	7.0%
Cottonwood County, MN	\$61,835	\$68,162	10.2%
Faribault County, MN	\$63,744	\$71,931	12.8%
Martin County, MN	\$68,174	\$71,626	5.1%
Waseca County, MN	\$76,558	\$74,505	-2.7%
Watonwan County, MN	\$67,492	\$71,735	6.3%
NonMSA Minnesota	\$68,881	\$74,737	8.5%
Minnesota	\$84,188	\$92,692	10.1%

*Source: 2011 - 2015 U.S. Census Bureau American Community Survey  
2016 - 2020 U.S. Census Bureau American Community Survey  
Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.*

*Population Characteristics.* The population in the St. James AA is 101,596. The table below shows the population change from 2015 to 2020.

<b>St. James AA Population Change</b>			
<b>Area</b>	<b>2015 Population</b>	<b>2020 Population</b>	<b>Percent Change</b>
St. James AA	101,733	101,596	-0.1%
Brown County, MN	25,391	25,912	2.1%
Cottonwood County, MN	11,632	11,517	-1.0%
Faribault County, MN	14,230	13,921	-2.2%
Martin County, MN	20,350	20,025	-1.6%
Waseca County, MN	19,076	18,968	-0.6%
Watonwan County, MN	11,054	11,253	1.8%
NonMSA Minnesota	1,243,105	1,259,719	1.3%
Minnesota	5,419,171	5,706,494	5.3%

*Source: 2011-2015 U.S. Census Bureau American Community Survey  
2020 U.S. Census Bureau Decennial Census*

The slight population decline in the St. James AA contrasts with the growth in the state of Minnesota. In the AA, the population growth mostly occurred in Brown County and decreased the most in Faribault County.



*Economy.* Agriculture is the primary industry in the St. James AA. Most producers grow crops, primarily corn and soybeans, but there are also livestock producers in the AA. Agriculture-related businesses include large food plants to process poultry, beef, and pork. Bank management noted that during the pandemic, producers had more cash due to CARES Act funding, as well as higher yields and lower input costs. More recently, farm input costs have been very high, and farmers are still recovering from poor weather conditions and poor yields in recent years. A contact noted input costs are typically too high for a new or emerging farmer.

In addition to agriculture, bank management commented that health care, schools, local government, and some manufacturing are secondary industries in the AA. Bank management noted that unemployment has been low, and inflation is still high. A contact also noted the challenge of obtaining affordable childcare, particularly in rural communities.

The table below shows the St. James AA unemployment rates during the evaluation period. The unemployment rate in the AA has come down since the pandemic (from an average of 5.4% for the combined counties in the AA in 2020).

<b>St. James AA Unemployment Rates</b>			
<b>Area</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
St. James AA	3.6%	2.7%	3.3%
Brown County, MN	3.3%	2.6%	2.9%
Cottonwood County, MN	3.6%	2.7%	4.6%
Faribault County, MN	4.0%	3.0%	3.1%
Martin County, MN	3.5%	2.6%	2.8%
Waseca County, MN	4.2%	3.3%	3.9%
Watonwan County, MN	3.2%	2.4%	2.9%
NonMSA Minnesota	3.8%	2.9%	3.3%
Minnesota	3.7%	2.6%	2.8%

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

*Housing.* Community contacts and bank management indicated that the area needs affordable housing. While there has been some development of affordable housing in the area, many prospective homebuyers cannot purchase a home because inventory is low. Typical homeowners are staying in their units longer because it is too expensive to upgrade into a larger or new home.

The table below shows the housing cost burden faced by renters and homeowners in the St. James AA. The overall housing cost burden for low-income renters and low-income homeowners in the St. James AA is significant. However, the overall cost burden for all renters and homeowners in the AA is generally lower than the burden statewide.

<b>St. James AA Housing Cost Burden</b>						
<b>Area</b>	<b>Cost Burden - Renters</b>			<b>Cost Burden - Owners</b>		
	<b>Low Income</b>	<b>Moderate Income</b>	<b>All Renters</b>	<b>Low Income</b>	<b>Moderate Income</b>	<b>All Owners</b>
St. James AA	57.1%	25.1%	33.5%	54.1%	18.6%	14.1%
Brown County, MN	61.5%	23.6%	32.7%	47.8%	17.8%	11.9%
Cottonwood County, MN	42.5%	8.9%	23.0%	58.1%	20.0%	16.2%
Faribault County, MN	56.9%	20.0%	33.7%	44.2%	11.1%	12.2%

<b>St. James AA Housing Cost Burden</b>						
Martin County, MN	61.0%	25.6%	35.3%	57.9%	14.0%	15.2%
Waseca County, MN	61.1%	49.2%	41.1%	75.2%	31.1%	17.4%
Watonwan County, MN	46.6%	17.8%	30.7%	42.0%	15.1%	12.1%
NonMSA Minnesota	64.8%	23.8%	37.5%	56.9%	24.6%	16.9%
Minnesota	72.7%	30.1%	41.5%	61.2%	29.0%	16.7%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy</i>						

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE ST. JAMES AA**

The borrower income/revenue distribution of loans in the AA is excellent, and the geographic distribution of loans is reasonable.. The bank’s overall Community Development Test performance in this AA demonstrates excellent responsiveness to community development needs. This AA accounts for approximately 47.2% of the bank’s lending.

LENDING TEST

The bank meets the credit needs of businesses, farms, and residents in the St. James AA. Overall, the bank’s lending to businesses and farms of different sizes and to borrowers of different incomes is excellent. In addition, the overall geographic distribution of loans reflects reasonable dispersion throughout the AA.

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

*Small Business Lending.* The bank’s lending to small businesses in the St. James AA is excellent. The table below shows the bank’s small business lending by business revenue and loan size.

<b>Distribution of 2023 Small Business Lending By Revenue Size of Businesses</b>					
<b>St. James AA</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	17	65.4	1,267	30.7	89.7
<b>Over \$1 Million</b>	9	34.6	2,854	69.3	7.8
<b>Revenue Unknown</b>	0	0.0	0	0.0	2.5
<b>Total</b>	26	100.0	4,121	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	17	65.4	727	17.6	
<b>\$100,001 - \$250,000</b>	2	7.7	480	11.6	
<b>\$250,001 - \$1 Million</b>	7	26.9	2,914	70.7	
<b>Total</b>	26	100.0	4,121	100.0	

Distribution of 2023 Small Business Lending By Revenue Size of Businesses St. James AA					
By Loan Size and Revenues \$1 Million or Less					
<b>\$100,000 or Less</b>	14	82.4	533	42.1	
<b>\$100,001 - \$250,000</b>	2	11.8	480	37.9	
<b>\$250,001 - \$1 Million</b>	1	5.9	254	20.0	
<b>Total</b>	17	100.0	1,267	100.0	
<i>Source: 2023 FFIEC Census Data 2023 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank originated 65.4% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to 2023 Dun & Bradstreet data, 89.7% of businesses in the AA are small businesses. The bank’s lending is below demographics; however, the lending is excellent given the performance context. The bank operates in an area with larger regional banks, as well as other local banks. A community contact noted that the size of commercial loans in the AA is typically smaller in the St. James AA compared to the Mankato MSA AA; the contact also stated that the bank is an active commercial lender.

In addition, the bank actively extended PPP loans in the St. James AA. In 2021, the bank originated over 100 PPP loans to small businesses in the AA, totaling \$3.4 million. Of these loans, 71.8% were for \$25,000 or less. This level of responsiveness to credit needs enhances the bank’s small business lending.

*Small Farm Lending.* The bank’s lending to small farms in the Mankato MSA AA is reasonable. The table below shows the bank’s small farm lending by farm revenue and loan size.

Distribution of 2023 Small Farm Lending By Revenue Size of Farms St. James AA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	17	53.1	2,108	32.3	98.9
<b>Over \$1 Million</b>	14	43.8	4,035	61.9	1.1
<b>Revenue Unknown</b>	1	3.1	375	5.8	0.1
<b>Total</b>	32	100.0	6,518	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	13	40.6	703	10.8	
<b>\$100,001 - \$250,000</b>	8	25.0	1,626	24.9	
<b>\$250,001 - \$500,000</b>	11	34.4	4,189	64.3	
<b>Total</b>	32	100.0	6,518	100.0	

Distribution of 2023 Small Farm Lending By Revenue Size of Farms St. James AA					
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	11	64.7	618	29.3	
\$100,001 - \$250,000	4	23.5	825	39.1	
\$250,001 - \$500,000	2	11.8	665	31.5	
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>2,108</b>	<b>100.0</b>	

Source: 2023 FFIEC Census Data  
2023 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

The bank originated 53.1% of its small farm loans to farms with gross annual revenues of \$1 million or less. According to 2023 Dun & Bradstreet data, 98.9% of farms in the AA are small farms. The bank originated 64.7% of its loans to small farms for less than \$100,000 indicating responsiveness to the credit needs of small farms. The bank’s lending is below demographics; however, the lending is reasonable given the performance context. A contact noted depressed market conditions, high interest rates, and lower production due to poor weather conditions have impacted opportunities and credit demand. This might lead farmers to find alternative financing. Another contact stated that there are fewer small farms in the AA because costs are so high.

In addition, the bank actively extended PPP loans in the St. James AA. In 2021, the bank originated over 170 PPP loans to small farms in the AA, totaling \$3.1 million. Of these loans, 97.1% were for \$25,000 or less.

*Consumer Lending.* The bank’s consumer lending to low- and moderate-income borrowers in the St. James AA is excellent. The table below shows the bank’s consumer lending by household income.

Distribution of 2023 Consumer Lending By Borrower Income Level St. James AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
<b>Low</b>	18	36.0	105	22.2	23.1
<b>Moderate</b>	10	20.0	103	21.8	18.6
<b>Middle</b>	8	16.0	79	16.7	19.2
<b>Upper</b>	3	6.0	38	8.1	39.1
<b>Unknown</b>	11	22.0	147	31.1	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>	<b>100.0</b>

Source: 2023 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

The bank originated 36.0% of its consumer loans to low-income borrowers and 20.0% to moderate-income borrowers. According to 2023 Dun & Bradstreet data, 23.1% of households in the AA are low income and 18.6% are moderate income. The bank’s overall lending to low- and moderate-income borrowers is significantly above demographics and reflects strong lending despite factors such as high interest rates, inflation, and competition from other financial institutions.

*Residential Real Estate Lending.* The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. The tables below show the bank’s HMDA lending by borrower income levels for 2021 and 2023. The tables also include the same information for aggregate lenders, as well as demographic data.

<b>Distribution of 2021 Home Mortgage Lending By Borrower Income Level</b>							
<b>2021 St. James</b>							
<b>Borrower Income Level</b>	<b>Bank And Aggregate Loans</b>						<b>Families by Family Income %</b>
	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>		<b>Agg</b>	
	<b>#</b>	<b>#%</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>	
<b>Low</b>	3	9.4	10.3	135	4.0	6.0	18.3
<b>Moderate</b>	7	21.9	24.0	471	13.8	19.2	18.2
<b>Middle</b>	3	9.4	22.3	104	3.1	21.2	24.7
<b>Upper</b>	13	40.6	27.5	1,396	41.0	35.2	38.9
<b>Unknown</b>	6	18.8	15.8	1,299	38.1	18.3	0.0
<b>Total</b>	32	100.0	100.0	3,405	100.0	100.0	100.0

*Source: 2021 FFIEC Census Data  
2011-2015 U.S. Census Bureau: American Community Survey*

*Note: Percentages may not total 100.0 percent due to rounding.  
Multifamily loans are not included in the borrower distribution analysis.*

In 2021 the bank originated 9.4% of its HMDA loans to low-income borrowers and 21.9% to moderate-income borrowers. According to 2021 FFIEC adjusted census data, 18.3% of families in the AA are low income and 18.2% are moderate income. The bank’s lending to low-income borrowers is below demographics and its lending to moderate-income borrowers is slightly above demographics. The bank’s lending to low- and moderate-income borrowers is comparable to aggregate lenders’ performance (at 10.3% and 24.0%, respectively).

<b>Distribution of 2023 Home Mortgage Lending By Borrower Income Level</b>							
<b>St. James AA</b>							
<b>Borrower Income Level</b>	<b>Bank And Aggregate Loans</b>						<b>Families by Family Income %</b>
	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>		<b>Agg</b>	
	<b>#</b>	<b>#%</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>	
<b>Low</b>	2	9.1	14.6	91	3.8	9.5	19.7
<b>Moderate</b>	4	18.2	31.4	457	19.3	27.5	19.3
<b>Middle</b>	3	13.6	23.4	324	13.7	24.7	23.1
<b>Upper</b>	9	40.9	21.4	791	33.3	27.8	37.9
<b>Unknown</b>	4	18.2	9.2	709	29.9	10.5	0.0
<b>Total</b>	22	100.0	100.0	2,372	100.0	100.0	100.0

*Source: 2023 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey*

*Note: Percentages may not total 100.0 percent due to rounding.  
Multifamily loans are not included in the borrower distribution analysis.*

In 2023, the bank originated 9.1% of its HMDA loans to low-income borrowers and 18.2% to moderate-income borrowers. According to 2023 FFIEC adjusted census data, 19.7% of families in the AA are low income and 19.3% are moderate income. The bank’s lending to low-income borrowers is below

demographics and its lending to moderate-income borrowers is comparable to demographics. The bank’s lending to low- and moderate-income borrowers is below aggregate lenders’ performance (14.6% and 31.4%, respectively). For both years, bank management indicated that its HMDA loans reported with unknown incomes are typically loans made to bank employees or commercial borrowers.

As discussed before, the housing cost burden for residents in the AA is significant, particularly for low-income residents. Using the assumption that a borrower can afford a home for approximately three times his or her annual income, an individual with the highest income in the low-income bracket (\$45,199) could afford a \$135,597 home, based on 2023 FFIEC estimated median family income for the St. James AA. Using the same assumption for a borrower with the highest income in the moderate-income bracket (\$72,319), a borrower could afford a \$216,957 home. By county, Brown County has the highest number of housing units in the AA, followed by Martin County. According to the Minnesota Realtors’ 2024 annual housing market report, the 2023 median price for homes in Brown and Martin counties was \$192,450 and \$159,900, respectively. Based on this data, homeownership is likely challenging for many low-income and some moderate-income individuals.

Finally, the bank operates in a competitive HMDA lending environment. In 2021, the bank ranked 22nd out of 194 HMDA reporters in the AA and captured only 0.9% of all HMDA loans reported. In 2023, the bank ranked 15th of 158 reporters and captured only 1.6% of all HMDA loans reported in the AA. Overall, the bank’s HMDA lending to low- and moderate-income borrowers is reasonable, given the performance context.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Overall, the geographic distribution and dispersion of the bank’s small business, small farm, consumer and HMDA loans in the St. James AA is reasonable, and there are no unexplained gaps in lending. For 2023, the AA includes no low-, three moderate-, 28 middle-, and two upper-income census tracts.

*Small Business Lending.* The geographic distribution and dispersion of small business lending in the St. James AA is reasonable. The table below shows the bank’s small business lending by census tract income level, as well as demographic data.

<b>Distribution of 2023 Small Business Lending By Income Level of Geography</b>					
<b>St. James AA</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	2	7.7	631	15.3	12.9
<b>Middle</b>	24	92.3	3,490	84.7	82.6
<b>Upper</b>	0	0.0	0	0.0	4.6
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0	0.0	
<b>Total</b>	26	100.0	4,121	100.0	100.0

*Source: 2023 FFIEC Census Data  
2023 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey*

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

The bank originated 7.7% of its small business loans in the moderate-income tracts. According to 2023 Dun & Bradstreet data, only 12.9% of the AA’s businesses are in moderate-income tracts. The bank did not extend any small business loans in two of the moderate-income tracts; the tracts are in Waseca and Fairmont, Minnesota, where several other banks operate branches. The bank’s lending in the moderate-income tracts is reasonable given demographics and the competitive banking environment. The overall dispersion of small business loans throughout the AA does not reveal any unexplained gaps in lending.

*Small Farm Lending.* The geographic distribution and dispersion of small farm lending in the St. James AA is reasonable. The table below shows the bank’s small farm lending by census tract income level, as well as demographic data.

Distribution of 2023 Small Farm Lending By Income Level of Geography					
St. James AA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	3.6
Middle	32	100.0	6,518	100.0	90.5
Upper	0	0.0	0	0.0	5.9
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>6,518</b>	<b>100.0</b>	<b>100.0</b>

Source: 2023 FFIEC Census Data  
2023 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

The bank did not originate any small farm loans in the moderate-income tracts. According to 2023 Dun & Bradstreet data, only 3.6% of the AA’s farms are in the moderate-income tracts. As mentioned previously, the moderate-income tracts include or are near small cities where several financial institutions operate branches. In addition, these tracts are 15 to 20 miles from the bank’s branches. The overall dispersion of small farm loans in the AA does not reveal any unexplained gaps in lending.

*Consumer Lending.* The geographic distribution and dispersion of consumer lending in the St. James AA is reasonable. The table below shows the bank’s consumer lending by census tract income level, as well as demographic data.

Distribution of 2023 Consumer Lending By Income Level of Geography					
St. James AA					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	5	10.0	17	3.6	10.5
Middle	45	90.0	455	96.4	84.5
Upper	0	0.0	0	0.0	4.9

Distribution of 2023 Consumer Lending By Income Level of Geography					
St. James AA					
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	50	100.0	472	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.					

The bank originated 10.0% of its consumer loans in the moderate-income tracts, which is comparable to demographics. According to 2023 Dun & Bradstreet data, 10.5% of the AA’s households are in the moderate-income tracts. The bank extended consumer loans in all three moderate-income tracts. Bank management noted that competition for consumer loans in the AA is strong. The overall dispersion of consumer loans in the AA does not reveal any unexplained gaps in lending.

*Residential Real Estate Lending.* The bank’s geographic distribution for 2021 and 2023 HMDA loans is reasonable. For 2021, the AA consisted of one moderate-, 29 middle-, and two upper-income census tracts. For 2023, the AA consisted of three moderate-, 28 middle-, and two upper-income tracts. The tables below show the distribution of the bank’s 2021 and 2023 HMDA loans by census tract income level, as well as aggregate lending and demographic data.

Distribution of 2021 Home Mortgage Lending By Income Level of Geography							
St. James AA							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	2.1	0	0.0	2.6	2.7
Middle	32	100.0	88.4	3,405	100.0	86.0	89.6
Upper	0	0.0	9.6	0	0.0	11.4	7.7
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	32	100.0	100.0	3,405	100.0	100.0	100.0
Source: 2021 FFIEC Census Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.							

In 2021, the bank did not originate any HMDA loans in the moderate-income tract. Demographics indicate that only 2.7% of the AA’s owner-occupied units are in this tract. Aggregate lenders originated 2.1% of their loans in the moderate-income tract. The bank’s lending is below demographics and aggregate lending. As previously mentioned, competition for HMDA loans in the AA is strong. Finally, the moderate-income tract includes (or partially includes) two towns where a larger regional bank and a local bank operate branches.



Distribution of 2023 Home Mortgage Lending By Income Level of Geography St. James AA							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
<b>Low</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Moderate</b>	3	13.6	11.0	487	20.5	10.9	8.4
<b>Middle</b>	19	86.4	85.1	1,885	79.5	84.0	85.9
<b>Upper</b>	0	0.0	3.8	0	0.0	5.1	5.8
<b>Unknown</b>	0	0.0	0.0	0	0.0	0.0	0.0
<b>Tract- Unk</b>	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	22	100.0	100.0	2,372	100.0	100.0	100.0

Source: 2023 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

In 2023, the bank originated 13.6% of its HMDA loans in the moderate-income tracts. The bank’s lending is above demographics, which indicate that only 8.4% of the AA’s owner-occupied units are in these tracts. The bank’s lending is generally comparable to aggregate lenders, which originated 11.0% of their loans in the moderate-income tracts. The bank did not originate any HMDA loans in two of the moderate-income tracts. These tracts are more than 20 miles from the closest of the bank’s branches and are in Fairmont and Waseca, where local and larger regional banks operate branches. The overall dispersion of the bank’s HMDA loans in both years does not reveal any unexplained gaps in lending.

### COMMUNITY DEVELOPMENT TEST

Overall, the bank’s community development activities in the St. James AA demonstrate excellent responsiveness to community development needs in the AA.

*Community Development Loans.* Community development lending in the St. James AA is excellent. Since the previous evaluation, the bank originated 12 community development loans totaling approximately \$3.7 million, which directly benefit the AA. The bank made four loans totaling \$3.6 million that promoted economic development by funding projects that supported business expansion and permanent job creation or retention (including jobs for low- and moderate-income people). Similar to the Mankato MSA AA, the bank originated eight loans totaling \$55,000 in the AA as part of its Community Disaster Loan program, which was particularly responsive to community needs. Overall, the bank’s community development lending shows excellent responsiveness to the needs of the community.

*Qualified Investments.* The bank’s level of qualified investments in the St. James AA is adequate. The bank did not purchase any new security investments since the previous evaluation. The bank continues to hold five prior-period investments totaling approximately \$1.3 million that support community service initiatives for low- and moderate-income people and that help revitalize and stabilize a distressed area in the AA.

The bank made \$62,929 in donations that directly benefited this AA. A majority of donations (93.6%) were to organizations that provide community services to low- and moderate-income individuals, such as clothing for school-aged children, food pantries, and financial literacy programs.

*Community Development Services.* The level of community development services in the St. James AA is adequate. Six bank employees provided 22 community development services that benefited this AA. These employees provided financial expertise as board and committee members to organizations that promote economic development and provide community services to low- and moderate-income people in the AA.

## Appendix A

### Glossary of Common CRA Terms

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

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

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

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

**Distressed nonmetropolitan middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

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

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

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

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

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

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

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

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

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

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

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

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

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

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

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

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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

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