

PUBLIC DISCLOSURE

November 9, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank Minnesota
Certificate Number: 8200

105 North Minnesota Street
New Ulm, Minnesota 56073

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Citizen Bank Minnesota's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs in the assessment areas.
- Citizens Bank Minnesota originated a majority of its small farm, home mortgage, and small business loans in its assessment areas.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the Lakeville Assessment Area.
- The distribution of borrowers reflects reasonable penetration of loans among farms and businesses of different revenue sizes, and individuals of different income levels.
- Citizens Bank Minnesota did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The bank demonstrated adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Citizens Bank Minnesota is headquartered in New Ulm, Minnesota, and is wholly owned by Citizens Bancorporation of New Ulm, Inc., a one-bank holding company based in New Ulm, Minnesota. Citizens Bank Minnesota acquired Farmers State Bank of Watkins on April 15, 2020, and Ormsby State Bank on January 25, 2021. These acquisitions encompassed offices in Watkins and Ormsby, Minnesota. The bank currently operates six offices in the following locations in Minnesota: Lafayette, Lakeville, La Salle, New Ulm, Ormsby, and Watkins. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated November 15, 2018, which was based on Intermediate Small Institution Examination Procedures.

Citizens Bank Minnesota's business focus continues to be agricultural lending, followed by home mortgage lending, and then commercial lending. The institution also offers a variety of consumer loan products. Citizens Bank Minnesota offers and originates secondary market residential loans and loan products through the Small Business Administration (SBA), Farm Service Agency, Minnesota Department of Agriculture, and other local government entities. Citizens Bank Minnesota also participated in the SBA Paycheck Protection Program (PPP). Additionally, the bank developed a first time homebuyer program with reduced closing costs and lower down payment requirements. These programs are designed to assist small farmers, small businesses, and individuals who may not qualify for loans through conventional financing methods.

Citizens Bank Minnesota provides a variety of deposit account services including checking, rewards checking, savings, money market, health savings, individual retirement accounts, and certificates of deposit. The bank also offers electronic banking services such as internet and mobile banking, mobile deposit, bill pay, electronic statements, and access to a network of ATMs. In addition, Citizens Bank Minnesota offers insurance and annuity services through an affiliate.

As of June 30, 2021, assets totaled approximately \$571.1 million, loans totaled \$326.8 million, and deposits totaled \$510.7 million. The loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of June 30, 2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	6,756	2.1
Secured by Farmland	98,120	30.0
Secured by 1-4 Family Residential Properties	99,290	30.4
Secured by Multifamily (5 or more) Residential Properties	2,396	0.7
Secured by Nonfarm Nonresidential Properties	24,558	7.5
Total Real Estate Loans	231,120	70.7
Commercial and Industrial Loans	34,581	10.6
Agricultural Production and Other Loans to Farmers	54,542	16.7
Consumer Loans	6,549	2.0
Other Loans	10	0.0
Total Loans	326,802	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any legal, financial, or other impediments that affect the bank’s ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Prior to the acquisitions of Farmers State Bank of Watkins and Ormsby State Bank, Citizens Bank Minnesota designated three assessment areas. The New Ulm Assessment Area contains portions of the nonmetropolitan areas of Minnesota, and was expanded to encompass the Ormsby State Bank acquisition. The Lafayette Assessment Area includes portions of the nonmetropolitan areas of Minnesota and the Mankato Metropolitan Statistical Area (MSA) and remains unchanged. The Lakeville Assessment Area contains portions of the Minneapolis-St. Paul-Bloomington MSA and remains unchanged. Due to the acquisition of Farmers State Bank of Watkins, Citizens Bank Minnesota added the Watkins Assessment Area, which is comprised of portions of the nonmetropolitan areas of Minnesota and the St. Cloud MSA. The following table describes the four assessment areas in more depth.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area*	# of Tracts	# of Branches
New Ulm	Brown, Cottonwood, Jackson, Martin, and Watonwan	14	3
Lafayette	Blue Earth, Nicollet, and Sibley	4	1
Lakeville	Dakota and Scott	74	1
Watkins	Meeker and Stearns	9	1
<i>*Actual bank’s delineation of assessment areas may include portions of counties listed above.</i>			

Additional details regarding assessment area demographics and other information can be found in the Conclusions on Performance section for each respective assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 15, 2018, to the current evaluation dated November 9, 2021. Examiners used the Intermediate Small Institution Examination Procedures to evaluate Citizens Bank Minnesota’s CRA performance. Intermediate small institutions are evaluated under the Lending Test and Community Development Test, which are described in the Appendices. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. The evaluation did not include any lending activity performed by affiliates.

Examiners determined it was most appropriate to complete full scope reviews of the New Ulm, Lafayette, and Lakeville assessment areas when considering the number of loans, deposits, and branches. Further, a full scope review of the Watkins Assessment Area was also completed, as it is a new assessment area since the previous evaluation. When reaching overall conclusions, the most weight was afforded to the New Ulm Assessment Area as this is where a majority of Citizens Bank Minnesota’s branches, loans, and deposits are located. The Lafayette and Lakeville assessment areas both equally received the second highest weight, followed by the Watkins Assessment Area.

Activities Reviewed

Examiners determined that the bank’s major product lines are small farm followed by home mortgage, and then small business loans. This conclusion considered the bank’s business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Report of Condition and Income (Report of Condition). Small farm lending will be afforded the greatest weight, followed by home mortgage lending, and then by small business lending based on the loan portfolio composition and the bank’s business focus.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small farm and small business loans originated or renewed in 2020, as this period was considered representative of the bank’s performance during the entire evaluation period. D&B data for 2020 provided a standard of comparison for the bank’s small farm and small business lending performance. Additionally, examiners reviewed home mortgage loans reported on the bank’s 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The 2015 American Community Survey (ACS) data and 2018, 2019, and 2020 HMDA aggregate data provided a standard of comparison for home mortgage lending.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans inside the assessment areas were further reviewed to evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small farm and small business loans originated inside the assessment areas and all home mortgage loans inside the assessment areas. Examiners did not present small farm lending performance for the Lakeville and Watkins Assessment Areas or home mortgage lending performance for the Watkins Assessment Area as these products are not a business focus in these assessment areas, and the low volume of loans originated would not provide meaningful conclusions. Small farm and small business loans considered under the Community Development Test were excluded from the Lending Test review. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Farm	227	31,351	172	22,409
Home Mortgage				
2018	193	30,925	130	16,956
2019	231	38,905	149	20,189
2020	477	91,052	278	49,702
Small Business	314	15,761	277	13,180
<i>Source: 2020 Bank Records, HMDA Records</i>				
<i>Note: The small farm and small business loan universe excluded loans that the bank opted to have considered as community development loans.</i>				

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

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from the prior

evaluation date of November 15, 2018, to the current evaluation date of November 9, 2021. Examiners reviewed community development activity for the entire review period and presented the information for each year within this performance evaluation. Three comparable institutions are referenced for performance context within the Community Development Test discussion.

CONCLUSIONS ON PERFORMANCE CRITERIA (BANKWIDE)

LENDING TEST

Citizens Bank Minnesota demonstrated satisfactory performance under the Lending Test. The bank’s performance under all of the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and credit needs in the assessment areas. The bank’s ratio, calculated from Report of Condition data, averaged 75.2 percent over the past 11 calendar quarters from December 31, 2018, to June 30, 2021. The ratio ranged from a high of 83.2 percent as of March 31, 2019, to its current low of 63.5 percent as of June 30, 2021. The loan-to-deposit ratio has slightly decreased from 2020-2021, which management attributed to an influx of deposits due to uncertainties surrounding the global pandemic. Examiners confirmed deposits have increased by approximately 39.2 percent from December 31, 2019, to June 30, 2021. Overall, Citizens Bank Minnesota maintained a ratio that is slightly lower; however, reasonably compares to the similarly situated institutions shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/21 \$(000s)	Average Net LTD Ratio (%)
Citizens Bank Minnesota New Ulm, MN	571,147	75.2
Community Bank Mankato Vernon Center, MN	392,133	95.0
Pioneer Bank Mapleton, MN	716,494	79.1
Vermillion State Bank Vermillion, MN	764,478	59.7
United Prairie Bank Mountain Lake, MN	754,625	93.1
<i>Source: Reports of Condition 12/31/2018 through 6/30/2021</i>		

Assessment Area Concentration

Citizens Bank Minnesota originated a majority of its small farm, home mortgage, and small business loans within its assessment areas, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Farm	172	75.8	55	24.2	227	22,409	71.5	8,942	28.5	31,351
Home Mortgage										
2018	130	67.4	63	32.6	193	16,956	54.8	13,969	45.2	30,925
2019	149	64.5	82	35.5	231	20,189	51.9	18,716	48.1	38,905
2020	278	58.3	199	41.7	477	49,702	54.6	41,350	45.4	91,052
Subtotal	557	61.8	344	38.2	901	86,847	54.0	74,034	46.0	160,881
Small Business	277	88.2	37	11.8	314	13,180	83.6	2,581	16.4	15,761
<i>Source: 2020 Bank Records; HMDA Records Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion overall, indicating the bank’s willingness to extend home mortgage and small business loans throughout its Lakeville Assessment Area. The New Ulm, Lafayette, and Watkins assessment areas do not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for these assessment areas. Refer to comments specific to each assessment area later in this evaluation for further information.

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans overall. Reasonable performance in the New Ulm, Lafayette, and Lakeville Assessment Areas primarily supports this conclusion. The Watkins Assessment Area performance was excellent. However, examiners gave the least amount of weight to this assessment area. Refer to comments specific to each assessment area later in this evaluation for further information.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Citizens Bank Minnesota demonstrated satisfactory performance under the Community Development Test. The bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered Citizens Bank Minnesota’s capacity and the need and availability of such opportunities within the assessment areas.

Comparable institutions are also used in the analysis of a financial institution to help provide perspective on a bank’s performance. For this evaluation, examiners reviewed the activities of three

institutions that have operations in similar assessment areas as Citizens Bank Minnesota, and were evaluated using Interagency Intermediate Small Institution Examination Procedures since June 1, 2020. Citizens Bank Minnesota’s overall community development performance compares reasonably to these institutions.

Citizens Bank Minnesota was responsive to the community development needs of its assessment areas as identified through the community contacts comments and by the demographic and economic data; therefore, community development activity that benefitted a broader statewide area was also considered.

Community Development Loans

Since the prior evaluation, the bank originated or renewed 531 community development loans totaling approximately \$35.9 million throughout its assessment areas and broader statewide regional area. The bank extended loans in an effort to promote economic development by supporting permanent job creation or retention and improvement to low- and moderate-income persons; supporting affordable housing; and supporting the revitalization and stabilization of moderate-income geographies.

Community development lending activity includes 435 SBA PPP loans totaling approximately \$25.4 million originated from April 13, 2020, to the date of this evaluation. These loans helped to promote economic development by financing small businesses or farms as they struggle with the impact of the Coronavirus pandemic. Of the \$25.4 million in PPP funds provided, \$4.6 million benefitted areas outside of the bank’s assessment areas. The bank’s community development loans to total assets (6.3 percent) and community development loans to net loans (11.1 percent) compare reasonably to the ratios of comparable institutions, which ranged from 5.3 to 20.1 percent and 8.6 to 40.7 percent, respectively. The bank’s community development ratios are within the range of the comparable institutions’ ratios, which also included PPP loans.

The following tables provide a breakdown of the community development loans by area benefitted and activities by year for each community development purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
New Ulm	1	77	0	0	213	22,182	2	42	216	22,301
Lafayette	0	0	0	0	63	1,657	0	0	63	1,657
Lakeville	0	0	0	0	56	2,963	6	339	62	3,302
Watkins	0	0	0	0	59	1,809	0	0	59	1,809
Broader Statewide / Regional Area	1	840	0	0	112	5,565	18	457	131	6,862
Total	2	917	0	0	503	34,176	26	838	531	35,931

Source: Bank Records

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	6	485	0	0	6	485
2019	0	0	0	0	20	2,736	0	0	20	2,736
2020	1	77	0	0	126	18,436	6	271	133	18,784
YTD 2021	1	840	0	0	351	12,519	20	567	372	13,926
Total	2	917	0	0	503	34,176	26	838	531	35,931

Source: Bank Records

Qualified Investments

Qualified investments and donations funded since the previous evaluation were considered under this criterion. Citizens Bank Minnesota received consideration for 201 qualified investments totaling approximately \$8.3 million. This total included 184 donations totaling approximately \$60,000, primarily promoting community development by donating to organizations that provide community services to low- and moderate-income persons.

When aggregated for the evaluation period, the bank’s qualified investments to total assets ratio was 1.5 percent and represents 4.9 percent of total investments. Citizens Bank Minnesota’s qualified investments to total assets ratio is comparable to the three peer institutions whose qualified investments to total assets ratios ranged from 0.2 to 2.2 percent, and qualified investments to total investments ratio ranged from 1.8 to 10.1 percent. Overall, Citizens Bank Minnesota’s community development investment and donation activity is responsive to the needs within the assessment areas over the evaluation period and within the ranges of comparable institutions.

The following tables illustrate the bank’s qualified investments by area benefited and activities by years for each community development purpose.

Qualified Investments by Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
New Ulm	12	3	104	31	18	15	3	519	137	568
Lafayette	0	0	16	3	0	0	0	0	16	3
Lakeville	1	3,200	22	438	1	0	0	0	24	3,638
Watkins	0	0	12	4	0	0	0	0	12	4
Broader Statewide / Regional Area	0	0	4	1,624	0	0	8	2,467	12	4,091
Total	13	3,203	158	2,100	19	15	11	2,986	201	8,304

Source: Bank Records

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	0	0	5	2,058	0	0	8	1,763	13	3,821
YTD 2021	1	3,200	0	0	0	0	3	1,223	4	4,423
Subtotal	1	3,200	5	2,058	0	0	11	2,986	17	8,244
Qualified Grants & Donations	12	3	153	42	19	15	0	0	184	60
Total	13	3,203	158	2,100	19	15	11	2,986	201	8,304

Source: Bank Records

Community Development Services

Since the previous evaluation, bank employees devoted time to various organizations that primarily provide community services to low- and moderate-income individuals within the assessment areas. Citizens Bank Minnesota provided 138 services that meet the definition of community development under the CRA. This level of involvement indicates the bank's commitment to helping the communities in which it serves.

Citizens Bank Minnesota's level of community development services is the highest of the comparable institutions whose total reported community development services ranged from 21 to 57 qualified activities.

The following tables illustrate the bank's qualified services by area benefited and activities by years for each community development purpose.

Community Development Services by Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
New Ulm	5	70	35	0	110
Lafayette	0	3	0	0	3
Lakeville	0	19	3	0	22
Watkins	0	0	2	0	2
Broader Statewide / Regional Area	0	1	0	0	1
Total	5	93	40	0	138

Source: Bank Records

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	6	2	0	8
2019	2	29	11	0	42
2020	2	28	12	0	42
YTD 2021	1	30	15	0	46
Total	5	93	40	0	138
<i>Source: Bank Records</i>					

In addition to the services noted above, Citizens Bank Minnesota waives surcharges and bank fees at Money Pass network ATMs, offers free checking and savings accounts, and provides no cost electronic and mobile banking services. The bank also waived debit card qualification requirements for rewards checking from April 2, 2020, through June 1, 2020 due to the Coronavirus pandemic. Lastly, the branch locations are centrally located throughout the assessment areas and hours provide ease of access to all residents including low- and moderate-income individuals. Overall, Citizens Bank Minnesota provides reasonable access to banking services for individuals throughout the assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NEW ULM ASSESSMENT AREA
Full-Scope Review

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NEW ULM
ASSESSMENT AREA**

The New Ulm Assessment Area contains all census tracts in Brown County besides 9606.00, census tract 2704.00 in Cottonwood County, census tracts 4801.00 and 4804.00 in Jackson County, census tract 7901.00 in Martin County, and census tracts 9501.00-9503.00 in Watonwan County. All counties are part of the nonmetropolitan areas of Minnesota. The assessment area expanded since the previous evaluation due to the acquisition of Ormsby State Bank. These additional census tracts included 7901.00 in Martin County, 2704.00 in Cottonwood County, and 4801.00 and 4804.00 in Jackson County.

According to 2015 ACS data, the assessment area includes 14 census tracts and is comprised of 1 moderate-income, 11 middle-income, and 2 upper-income census tracts. Census tract 2704.00 in Cottonwood County, which was added due to the acquisition of Ormsby State Bank in 2021, is the only moderate-income census tract. According to FFIEC data, census tract 7901.00 in Martin County, which was also added as part of the Ormsby State Bank acquisition, is considered an underserved nonmetropolitan middle-income geography during the evaluation period. A definition of underserved middle-income nonmetropolitan geographies is located in the Appendices. The La Salle, New Ulm, and Ormsby offices are located in this assessment area, in middle-income census tracts.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	78.6	14.3	0.0
Population by Geography	44,838	0.0	6.2	78.1	15.7	0.0
Housing Units by Geography	20,739	0.0	6.8	79.7	13.6	0.0
Owner-Occupied Units by Geography	14,199	0.0	6.1	77.8	16.1	0.0
Occupied Rental Units by Geography	4,530	0.0	7.4	87.0	5.6	0.0
Vacant Units by Geography	2,010	0.0	10.2	76.0	13.8	0.0
Businesses by Geography	3,645	0.0	9.7	78.2	12.0	0.0
Farms by Geography	746	0.0	5.9	77.7	16.4	0.0
Family Distribution by Income Level	12,056	18.0	18.2	24.6	39.2	0.0
Household Distribution by Income Level	18,729	23.0	16.2	19.8	41.0	0.0
Median Family Income Nonmetropolitan MN	\$63,045	Median Housing Value		\$114,537		
		Median Gross Rent		\$593		
		Families Below Poverty Level		7.3%		

*Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

D&B data for 2020 indicates that service industries represent the largest portion of businesses in the assessment area at 30.5 percent; followed by agriculture, forestry, and fishing (17.0 percent); non-classifiable establishments (10.8 percent); and retail trade (10.5 percent). In addition, 67.7 percent of area businesses have 4 or fewer employees, and 86.5 percent operate from a single location.

The Federal Financial Institutions Examination Council (FFIEC) provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion as well as community development activities. The low-, moderate-, middle-, and upper-income categories for the evaluation period are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Nonmetropolitan MN Median Family Income (99999)				
2018 (\$69,500)	<\$34,750	\$34,750 to <\$55,600	\$55,600 to <\$83,400	≥\$83,400
2019 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
2020 (\$70,900)	<\$35,450	\$35,450 to <\$56,720	\$56,720 to <\$85,080	≥\$85,080

Source: FFIEC

Competition

The assessment area is a moderately competitive market for credit products and financial services. Competing institutions range from small community banks to larger national financial institutions. According to Report of Condition data filed by financial institutions, 20 financial institutions operate either a main or branch office in the assessment area and hold deposits of between \$17.6 million and \$353.8 million within the assessment area. Citizens Bank Minnesota ranked 3rd with approximately 15.3 percent of the deposit market share.

Citizens Bank Minnesota faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 129 HMDA-reporting institutions originated or purchased 1,632 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 2nd with a 9.3 percent market share by number.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. For this evaluation, examiners utilized two existing contacts from individuals that serve community development organizations operating within the assessment area.

The first contact noted that there were many small business closures as a result of the pandemic. These small town retail food businesses and food sectors were hit hardest by the pandemic, with their profit margins being affected. The contact further noted that there were five times as many grant applicants than grants available for assistance. Although businesses were hit hard, the contact noted that unemployment in this area has been historically lower than the state rate and national rate. In terms of credit needs, the biggest needs are technical assistance for small businesses and childcare.

The second contact noted that there is a housing and daycare shortage, with a need for lower-income housing. The existing housing stock is aging, and new construction costs are high. The contact also noted that farmers are doing better than previous years due to the availability of PPP and United States Department of Agriculture funds.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, and demographic and economic data, examiners determined that small farm, home mortgage, including affordable housing, and small business loans, represent primary credit needs for the assessment area. According to management and the community contacts, opportunity exists for originating these loans in the assessment area. In addition, there are opportunities in the assessment area for community development activities including affordable housing, economic development, revitalization and stabilization of applicable geographies, and community services for low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NEW ULM ASSESSMENT AREA

LENDING TEST

Citizens Bank Minnesota demonstrated reasonable performance under the Lending Test in the New Ulm Assessment Area. The bank’s Borrower Profile performance supports this conclusion.

Geographic Distribution

The New Ulm Assessment Area did not include any low- or moderate-income geographies during the loan product review period, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for this assessment area. The one moderate-income census tract was not added until the acquisition of Ormsby State Bank on January 25, 2021, which was not within the loan product review period.

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall in the New Ulm Assessment Area. The bank’s reasonable lending performance to farms with gross annual revenues of \$1 million or less and home mortgage lending to low- and moderate-income individuals primarily supports this conclusion. The bank’s lending performance to businesses with gross annual revenues of \$1 million or less is excellent; however, carries the least amount of weight in determining overall conclusions.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable lending penetration to farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s lending performance to farms with gross annual revenues of \$1 million or less slightly lags demographic data. Management stated, and market share data confirmed, that there is competition in the assessment area for small farm loans, including alternative financing. Additionally, Citizens Bank Minnesota is involved with Farm Service Agency, including Beginning Farmer Loans, and the Minnesota Department of Agriculture loan programs. These programs assist small farmers who may not qualify for loans through conventional financing methods. Considering these factors, performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.2	81	89.0	8,964	86.2
>1,000,000	1.6	10	11.0	1,434	13.8
Revenue Not Available	1.2	0	0.0	0	0.0
Total	100.0	91	100.0	10,398	100.0
<small>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</small>					

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As illustrated in the following table, Citizens Bank Minnesota’s lending performance among low- and moderate-income borrowers fluctuated throughout the evaluation period, although is generally comparable to aggregate and demographic data overall.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	18.0	10.9	12	14.1	776	9.3
2019	18.0	9.9	10	9.6	749	6.0
2020	18.0	8.6	12	7.9	937	4.4
Moderate						
2018	18.2	29.3	23	27.1	1,954	23.3
2019	18.2	22.8	25	24.0	2,443	19.4
2020	18.2	21.2	29	19.1	3,048	14.4
Middle						
2018	24.6	20.8	23	27.1	2,467	29.4
2019	24.6	23.3	18	17.3	2,058	16.4
2020	24.6	23.0	33	21.7	4,366	20.6
Upper						
2018	39.2	22.2	21	24.7	2,840	33.9
2019	39.2	27.9	42	40.4	6,066	48.2
2020	39.2	29.8	59	38.8	10,066	47.5
Not Available						
2018	0.0	16.8	6	7.1	348	4.2
2019	0.0	16.2	9	8.7	1,269	10.1
2020	0.0	17.3	19	12.5	2,797	13.2
Totals						
2018	100.0	100.0	85	100.0	8,386	100.0
2019	100.0	100.0	104	100.0	12,585	100.0
2020	100.0	100.0	152	100.0	21,214	100.0
<i>Source: 2015 ACS; Bank Data; 2018, 2019, & 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of sampled small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, Citizens Bank Minnesota’s lending performance to businesses with gross annual revenues of \$1 million or less significantly exceeds demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	78.9	92	91.1	3,492	73.3
>1,000,000	5.7	9	8.9	1,273	26.7
Revenue Not Available	15.4	0	0.0	0	0.0
Total	100.0	101	100.0	4,765	100.0
<i>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Citizens Bank Minnesota’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area, considering the institution’s capacity, as well as the need and availability of community development opportunities in the assessment area.

Community Development Loans

Citizens Bank Minnesota extended loans in the assessment area primarily for economic development. Specifically, the bank originated 216 loans, including 161 PPP loans, totaling \$22.3 million in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota purchased 3 equity investments totaling approximately \$519,044 and made 134 donations totaling approximately \$48,251 to organizations that promote economic development, provide affordable housing and community services to low- and moderate-income individuals, and help to revitalize and stabilize moderate-income areas in the assessment area.

Community Development Services

During the evaluation period, institution employees provided 110 instances of financial expertise or technical assistance that benefited the New Ulm Assessment Area. Services were provided to various organizations that provide affordable housing, economic development, and community services to low- and moderate-income individuals within the assessment area.

The bank operates three offices in middle-income census tracts in the New Ulm Assessment Area. Additionally, the branch structure and locations provide ease of access to low- and moderate-income residents. All of the office locations have flexible hours to serve the community.

LAFAYETTE ASSESSMENT AREA
Full Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LAFAYETTE ASSESSMENT AREA

The Lafayette Assessment Area contains census tract 1709.00 in Blue Earth County, census tract 4801.00 in Nicollet County, and census tracts 1702.00 and 1703.00 in Sibley County. Blue Earth and Nicollet counties are part of the Mankato MSA, and Sibley County is part of the nonmetropolitan areas of Minnesota. There have been no changes to the assessment area since the previous evaluation.

According to 2015 ACS data, the assessment area includes 4 middle-income census tracts. The Lafayette office is located in census tract 4801.00 in the Mankato MSA.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	13,344	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,805	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,315	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,044	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	446	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	991	0.0	0.0	100.0	0.0	0.0
Farms by Geography	321	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,779	21.8	22.4	26.1	29.8	0.0
Household Distribution by Income Level	5,359	22.4	18.9	21.5	37.2	0.0
Median Family Income MSA - 31860 Mankato, MN MSA	\$71,814		Median Housing Value			\$137,512
Median Family Income Nonmetropolitan MN	\$63,045		Median Gross Rent			\$672
				Families Below Poverty Level		

*Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

D&B data for 2020 indicates that agriculture, forestry, and fishing industries represent the largest portion of businesses in the assessment area at 24.5 percent; followed by services (22.9 percent); non-classifiable establishments (12.9 percent); and construction (9.0 percent). In addition, 70.3 percent of area businesses have 4 or fewer employees, and 90.4 percent operate from a single

location.

The FFIEC provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion as well as community development activities. The low-, moderate-, middle-, and upper-income categories for the evaluation period are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Mankato-North Mankato, MN MSA Median Family Income (31860)				
2018 (\$75,000)	<\$37,500	\$37,500 to <\$60,000	\$60,000 to <\$90,000	≥\$90,000
Mankato, MN MSA Median Family Income (31860)				
2019 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2020 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
Nonmetropolitan MN Median Family Income (99999)				
2018 (\$69,500)	<\$34,750	\$34,750 to <\$55,600	\$55,600 to <\$83,400	≥\$83,400
2019 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
2020 (\$70,900)	<\$35,450	\$35,450 to <\$56,720	\$56,720 to <\$85,080	≥\$85,080
<i>Source: FFIEC</i>				

Competition

The assessment area is a moderately competitive market for credit products and financial services. Competing institutions are primarily small community banks. According to Report of Condition data filed by financial institutions, 7 financial institutions operate either a main or branch office in the assessment area and hold deposits of between \$16.4 million and \$62.5 million within the area. Citizens Bank Minnesota ranked 3rd with approximately 17.6 percent of the deposit market share.

Citizens Bank Minnesota is not required to collect or report small farm CRA loan data and has elected not to do so. Therefore, examiners did not compare the bank’s small farm lending performance to aggregate CRA data within this evaluation. However, the aggregate CRA data provides an indication of the level of demand for small farm loans and the level of competition within the assessment area. According to 2019 aggregate CRA data (the most recent available), 17 CRA data reporters collectively reported 314 small farm loans originated within the counties of this assessment area. The top CRA reporter for small farm loan market share was John Deere Financial, FSB, with 42.0 percent of the market share by number. These figures do not include the number of loans originated by smaller institutions that are not required to report small farm lending data but operate within the assessment area. The overall volume of small farm lending in the assessment area reflects a competitive market.

Citizens Bank Minnesota faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 92 HMDA-reporting institutions originated or purchased 559 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 2nd with a 7.2 percent market share by number.

Community Contact

Examiners utilized an existing contact with an individual that serves as a representative of a real estate organization located in the assessment area. The contact stated that the economy is doing quite well, is diverse, and businesses are expanding and relocating from the Twin Cities area. The area is primarily manufacturing in Mankato, and agricultural in the surrounding rural counties. The contact further stated that outside the Mankato MSA, housing sales are slower due to limited demand and age of property. Construction costs also continue to rise. The contact noted that affordable housing is needed to meet the demands of the new hires in the area. The contact further noted that credit needs are being met, and new banks are entering the already competitive bank environment.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that small farm, home mortgage, including affordable housing, and small business loans represent the primary credit needs within the assessment area. Further, there are community development opportunities, which include economic development as well as affordable housing and community services for low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LAFAYETTE ASSESSMENT AREA

LENDING TEST

Citizens Bank Minnesota demonstrated reasonable performance under the Lending Test in the Lafayette Assessment Area. The bank's Borrower Profile performance supports this conclusion.

Geographic Distribution

The Lafayette Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for that area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall in the Lafayette Assessment Area. The bank's reasonable lending performance to farms with gross annual revenues of \$1 million or less and home mortgage lending to low- and moderate-income individuals primarily supports this conclusion. The lending performance to businesses with gross annual revenues of \$1 million or less is excellent, although carries the least amount of weight in determining overall conclusions.

Small Farm Loans

The distribution of sampled small farm loans reflects reasonable lending penetration to farms with gross annual revenues of \$1 million or less. As shown in the following table, the bank's lending performance to farms with gross annual revenues of \$1 million or less slightly lags demographic data. Management stated, and examiners confirmed, that there is strong competition for small farm loans, including from alternative agricultural financing available within the area as noted in the Competition section on page 18. Further, Citizens Bank Minnesota offers additional small farm

financing programs through the Farm Service Agency and Minnesota Department of Agriculture. Considering these factors, performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.2	45	86.5	5,741	74.2
>1,000,000	1.6	7	13.5	2,000	25.8
Revenue Not Available	1.2	0	0.0	0	0.0
Total	100.0	52	100.0	7,741	100.0
<i>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As illustrated in the following table, Citizens Bank Minnesota’s lending performance among low- and moderate-income borrowers varied throughout the years but is reasonably comparable to aggregate data. Additionally, market share data and the community contact indicated that the home mortgage lending market is competitive within the assessment area. The community contact further indicated there’s an affordable housing need. Considering these factors, performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	21.8	21.2	3	16.7	261	10.0
2019	21.8	9.0	4	19.0	321	11.4
2020	21.8	6.4	4	10.0	546	8.4
Moderate						
2018	22.4	19.0	2	11.1	239	9.1
2019	22.4	24.7	5	23.8	653	23.3
2020	22.4	22.9	6	15.0	666	10.2
Middle						
2018	26.1	23.4	7	38.9	1,138	43.4
2019	26.1	25.3	5	23.8	926	33.1
2020	26.1	27.0	7	17.5	928	14.2
Upper						
2018	29.8	21.9	5	27.8	744	28.4
2019	29.8	25.8	5	23.8	364	13.0
2020	29.8	27.4	19	47.5	3,310	50.8
Not Available						
2018	0.0	14.6	1	5.6	240	9.2
2019	0.0	15.2	2	9.5	536	19.2
2020	0.0	16.3	4	10.0	1,066	16.4
Totals						
2018	100.0	100.0	18	100.0	2,621	100.0
2019	100.0	100.0	21	100.0	2,801	100.0
2020	100.0	100.0	40	100.0	6,515	100.0
<i>Source: 2015 ACS; Bank Data; 2018, 2019, & 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of sampled small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, Citizens Bank Minnesota’s lending performance to businesses with gross annual revenues of \$1 million or less significantly exceeds demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	81.6	18	94.7	225	68.2
>1,000,000	6.3	1	5.3	105	31.8
Revenue Not Available	12.1	0	0.0	0	0.0
Total	100.0	19	100.0	330	100.0
<i>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Although limited, Citizens Bank Minnesota’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area, considering the institution’s capacity, as well as the need and availability of community development opportunities in the assessment area.

Community Development Loans

Citizens Bank Minnesota extended loans in the assessment area for economic development. Specifically, the bank originated 63 loans, including 56 PPP loans, totaling \$1.7 million in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota made 16 donations totaling approximately \$2,380 to organizations that provide community services to low- and moderate-income individuals.

Community Development Services

During the evaluation period, institution employees provided three instances of financial expertise or technical assistance that benefited the Lafayette Assessment Area. Services were provided to an organization that provides community services to low- and moderate-income individuals within the assessment area.

Additionally, the Lafayette office is centrally located in the assessment area for low- and moderate-income individuals and has flexible hours to serve the community.

LAKEVILLE ASSESSMENT AREA Full Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LAKEVILLE ASSESSMENT AREA

The Lakeville Assessment Area contains a majority of Dakota and Scott counties, which are both part of the Minneapolis-St. Paul-Bloomington MSA. Specifically, Dakota County census tracts included in the assessment area include the following: 607.09-607.14; 607.31-607.48; 608.05-610.09; and 615.01. Scott County census tracts included in the assessment area are census tracts 801-812. According to 2015 ACS data, the assessment area includes 74 census tracts and is comprised of 11 moderate-income, 34 middle-income, and 29 upper-income census tracts. The Lakeville office is located in Dakota County in an upper-income census tract.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	74	0.0	14.9	45.9	39.2	0.0
Population by Geography	378,550	0.0	11.1	45.7	43.2	0.0
Housing Units by Geography	140,622	0.0	12.7	47.4	40.0	0.0
Owner-Occupied Units by Geography	108,852	0.0	8.4	45.4	46.3	0.0
Occupied Rental Units by Geography	27,156	0.0	29.1	54.6	16.4	0.0
Vacant Units by Geography	4,614	0.0	18.2	52.0	29.8	0.0
Businesses by Geography	34,186	0.0	12.4	44.7	42.8	0.0
Farms by Geography	1,066	0.0	7.5	48.4	44.1	0.0
Family Distribution by Income Level	100,515	14.4	15.7	23.5	46.4	0.0
Household Distribution by Income Level	136,008	15.9	13.6	19.0	51.4	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$84,589	Median Housing Value				\$235,077
		Median Gross Rent				\$1,078
		Families Below Poverty Level				4.5%
<i>Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

D&B data for 2020 indicates that service industries represent the largest portion of businesses in the assessment area at 36.9 percent; followed by non-classifiable establishments (21.2 percent); construction (9.7); and retail trade (9.5 percent). In addition, 65.0 percent of area businesses have 4 or fewer employees, and 93.5 percent operate from a single location.

The FFIEC provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion as well as community development activities. The low-, moderate-, middle-, and upper-income categories for the evaluation period are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Minneapolis-St. Paul-Bloomington, MN-WI MSA Median Family Income (33460)				
2018 (\$93,600)	<\$46,800	\$46,800 to <\$74,880	\$74,880 to <\$112,320	≥\$112,320
2019 (\$93,000)	<\$46,500	\$46,500 to <\$74,400	\$74,400 to <\$111,600	≥\$111,600
2020 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
<i>Source: FFIEC</i>				

Competition

The assessment area is a highly competitive market for credit products and financial services. Competing institutions range from large national institutions to small community banks. According to Report of Condition data filed by financial institutions, 30 financial institutions operate either a main or branch office in the assessment area and hold deposits of between \$9.9 million and \$5.1 billion within the area. Citizens Bank Minnesota ranked 24th with approximately 0.4 percent of the deposit market share.

Citizens Bank Minnesota faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 474 HMDA-reporting institutions originated or purchased 36,402 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 78th with a 0.2 percent market share by number.

Community Contact

Examiners utilized a previous interview with a representative of a community organization familiar with the assessment area. The contact noted that the area is generally affluent; however, there are pockets of lower-income individuals living throughout the area. The pandemic has significantly affected area businesses, and retail businesses are changing and restructuring to single locations. Overall, the contact noted the economy remains favorable with government assistance programs helping limit the effect of the pandemic. In regards to housing, the contact noted that the supply of affordable housing is limited with approximately three people competing for every one affordable housing unit. The contact further noted that small businesses lack basic financial knowledge and how to obtain credit, and turn to alternative sources of credit such as credit cards and home equity lines of credit as a result.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and home mortgage lending, including affordable housing, are the assessment area's primary credit needs. Further, there are community development opportunities including economic development, revitalization and stabilization of

moderate-income areas, and for affordable housing and community services to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LAKEVILLE ASSESSMENT AREA

LENDING TEST

Citizens Bank Minnesota demonstrated reasonable performance under the Lending Test in the Lakeville Assessment Area. The bank's Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small business and home mortgage lending performance supports the overall conclusion. There are no low-income census tracts in the Lakeville Assessment Area; therefore, examiners focused on the percentage by number of loans in the moderate-income tracts in the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that Citizen Bank Minnesota's home mortgage lending performance in moderate-income census tracts was comparable to demographic and aggregate lending data in 2018 and 2019, although lower than demographic and aggregate data in 2020. Discussions with management indicated that significant competition is present, which was confirmed by market share data and the community contact. Overall, the bank's performance is generally comparable to aggregate data throughout the review period and competition is significant. Considering these factors, performance is considered reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2018	8.4	7.8	2	7.7	385	6.7
2019	8.4	7.4	2	8.3	338	7.0
2020	8.4	6.1	2	2.4	535	2.5
Middle						
2018	47.1	48.5	11	42.3	2,016	35.1
2019	45.4	45.9	10	41.7	1,374	28.6
2020	45.4	44.9	28	32.9	5,426	24.9
Upper						
2018	44.5	43.7	13	50.0	3,341	58.2
2019	46.3	46.8	12	50.0	3,092	64.4
2020	46.3	49.0	55	64.7	15,806	72.6
Totals						
2018	100.0	100.0	26	100.0	5,742	100.0
2019	100.0	100.0	24	100.0	4,804	100.0
2020	100.0	100.0	85	100.0	21,767	100.0
<i>Source: 2015 ACS; Bank Data; 2018, 2019, & 2020 HMDA Aggregate Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table indicates that the bank's lending performance in moderate-income census tracts is lower than demographic data. As stated previously, competition for small business loans is significant and affects lending opportunities in these areas. The community contact also noted that small business owners utilize alternative financing measures, including credit cards and home equity lines of credit. The distance from the bank's office in Lakeville to these moderate-income areas also limits the bank's ability to penetrate these areas, especially when considering the level of competition already present. Examiners' review of Report of Condition data filed by financial institutions confirmed that 7 competing financial institutions operate 11 offices in these moderate-income geographies and engage in small business lending. Considering these factors, performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	12.4	1	2.0	114	4.4
Middle	44.7	14	28.0	325	12.5
Upper	42.9	35	70.0	2,157	83.1
Totals	100.0	50	100.0	2,596	100.0
<i>Source: 2020 D&B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall in the Lakeville Assessment Area. The bank's reasonable home mortgage lending primarily supports this conclusion. The bank's lending performance to businesses with gross annual revenues of \$1 million or less is excellent, although carries the least amount of weight in determining overall conclusions.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As illustrated in the following table, Citizens Bank Minnesota's lending performance among low-income borrowers is higher than aggregate data. However, lending among moderate-income borrowers is lower than aggregate data. Comments from the community contact revealed that there is a lack of affordable housing in the area. In addition, Citizens Bank Minnesota's first time homebuyer program provides benefits to low- and moderate-income individuals with reduced closing costs and lower down payment requirements. Further, significant competition exists within the assessment area and the community contact stated there are no unmet credit needs. Considering these factors and the bank's level of lending to low-income borrowers, performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	14.4	7.0	2	7.7	206	3.6
2019	14.4	5.4	2	8.3	285	5.9
2020	14.4	5.0	7	8.2	633	2.9
Moderate						
2018	15.7	20.7	1	3.8	350	6.1
2019	15.7	19.1	2	8.3	220	4.6
2020	15.7	18.1	9	10.6	1,660	7.6
Middle						
2018	23.5	23.9	3	11.5	1,004	17.5
2019	23.5	24.2	4	16.7	697	14.5
2020	23.5	23.7	17	20.0	4,628	21.3
Upper						
2018	46.4	31.8	13	50.0	3,226	56.2
2019	46.4	35.4	6	25.0	2,141	44.6
2020	46.4	37.2	40	47.1	11,320	52.0
Not Available						
2018	0.0	16.6	7	26.9	955	16.6
2019	0.0	15.9	10	41.7	1,461	30.4
2020	0.0	16.1	12	14.1	3,527	16.2
Totals						
2018	100.0	100.0	26	100.0	5,741	100.0
2019	100.0	100.0	24	100.0	4,804	100.0
2020	100.0	100.0	85	100.0	21,767	100.0
<i>Source: 2015 ACS; Bank Data; 2018, 2019, & 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of sampled small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, Citizens Bank Minnesota’s lending performance to businesses with gross annual revenues of \$1 million or less exceeds demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	90.1	26	96.3	1,079	73.8
>1,000,000	3.5	1	3.7	384	26.2
Revenue Not Available	6.4	0	0.0	0	0.0
Total	100.0	27	100.0	1,463	100.0
<i>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Citizens Bank Minnesota’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area, considering the institution’s capacity, as well as the need and availability of community development opportunities in the assessment area.

Community Development Loans

Citizens Bank Minnesota extended loans in the assessment area primarily for economic development but also in an effort to revitalize and stabilize moderate-income geographies. Specifically, the bank originated 62 loans, including 57 PPP loans, totaling \$3.3 million in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota purchased 2 qualified investments totaling approximately \$3.6 million that provided community services and affordable housing for low- and moderate-income borrowers. The bank also made 22 donations totaling approximately \$4,747, to an organization that promotes economic development, and to organizations that provide community services to low- and moderate-income individuals in the assessment area.

Community Development Services

During the evaluation period, bank employees provided 22 instances of financial expertise or technical assistance that benefited the Lakeville Assessment Area. Services were provided to organizations that promote economic development, and to organizations that provide community services to low- and moderate-income individuals in the assessment area.

Additionally, the Lakeville office is centrally located in the assessment area for low- and moderate-income individuals and has flexible hours to serve the community.

WATKINS ASSESSMENT AREA
Full Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WATKINS ASSESSMENT AREA

The Watkins Assessment Area contains census tracts 5601.00-5605.00 in Meeker County and census tracts 110.00-112.00 and 113.02 in Stearns County. Meeker County is located in the nonmetropolitan area of Minnesota and Stearns County is located in the St. Cloud MSA. This assessment area was added since the previous evaluation due to the acquisition of Farmers State Bank of Watkins.

According to 2015 ACS data, the assessment area includes 9 middle-income census tracts. The bank’s office in Watkins is located in Meeker County in a middle-income census tract.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	100.0	0.0	0.0
Population by Geography	44,777	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	20,873	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	14,723	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	2,926	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	3,224	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	3,541	0.0	0.0	100.0	0.0	0.0
Farms by Geography	536	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	12,447	16.2	17.2	25.8	40.8	0.0
Household Distribution by Income Level	17,649	20.2	14.3	20.2	45.3	0.0
Median Family Income MSA - 41060 St. Cloud, MN MSA	\$69,359		Median Housing Value			\$173,693
Median Family Income Nonmetropolitan MN	\$63,045		Median Gross Rent			\$676
				Families Below Poverty Level		6.0%
<small>Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

D&B data for 2020 indicates that service industries represent the largest portion of businesses in the assessment area at 29.6 percent; followed by non-classifiable establishments (15.1 percent); agriculture, forestry, and fishing (13.2 percent); and construction (12.6 percent). In addition, 69.0 percent of area businesses have 4 or fewer employees, and 92.6 percent operate from a single

location.

Competition

The assessment area is a moderately competitive market for credit products and financial services. Competing institutions range from large national institutions to small community banks. According to Report of Condition data filed by financial institutions, 13 financial institutions operate either a main or branch office in the assessment area and hold deposits of between \$19.8 million and \$168.1 million within the area. Citizens Bank Minnesota ranked 9th with approximately 5.0 percent of the deposit market share.

Community Contact

Examiners utilized an existing contact with an individual that serves as a representative of a development corporation located in the assessment area. The contact stated that the St. Cloud area has a diverse economic base and has weathered the pandemic better than other areas, including lower job losses. The area is mainly comprised of manufacturing, education, and health care sectors whose revenues tend to exceed \$1 million. In terms of housing, the contact noted a shift in the market with an influx of multifamily apartment permits. The majority of current multifamily apartments and projects do not meet the needs of low- and moderate-income individuals. The contact also noted that start-up businesses need access to capital, especially considering the large immigrant population in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and demographic and economic data, examiners determined that home mortgage, including affordable housing, and small business loans represent the primary credit needs within the assessment area. Further, there are community development opportunities including economic development, affordable housing, and community services for low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WATKINS ASSESSMENT AREA

LENDING TEST

Citizens Bank Minnesota demonstrated excellent performance under the Lending Test in the Watkins Assessment Area. The bank's Borrower Profile performance supports this conclusion.

Geographic Distribution

The Watkins Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated for that area.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes. The bank's excellent lending performance to businesses with gross annual revenues of \$1 million or less supports this conclusion.

Small Business Loans

The distribution of sampled small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, all of Citizens Bank Minnesota’s sampled small business loans were to businesses with gross annual revenues of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.1	15	100.0	467	100.0
>1,000,000	4.6	0	0.0	0.0	0.0
Revenue Not Available	8.3	0	0.0	0.0	0.0
Total	100.0	15	100.0	467	100.0
<i>Source: 2020 D&B Data, 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

Although limited, Citizens Bank Minnesota’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area, considering the institution’s capacity, as well as the need and availability of community development opportunities in the assessment area.

Community Development Loans

Citizens Bank Minnesota extended loans in the assessment area for economic development. Specifically, the bank originated 59 loans, including 47 PPP loans, totaling \$1.8 million in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota made 12 donations totaling approximately \$4,123 to organizations that provide community services to low- and moderate-income individuals.

Community Development Services

During the evaluation period, institution employees provided two instances of financial expertise or technical assistance that benefited the Watkins Assessment Area. Services were provided to an organization that provides economic development for small businesses.

Additionally, the Watkins office is centrally located in the assessment area for low- and moderate-income individuals and has flexible hours to serve the community.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

GLOSSARY

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan

funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography 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 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent 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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

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

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and

rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

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

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

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