

PUBLIC DISCLOSURE

December 2, 2024

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 and Community Development Tests 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 small farm, home mortgage, and small business loans reflects reasonable dispersion throughout the assessment areas.
- 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 a full-service community bank headquartered in New Ulm, Minnesota. The bank is wholly owned by Citizens Bancorporation of New Ulm, Inc., a one-bank holding company also based in New Ulm. Citizens Bank Minnesota operates from six full-service locations including the main office in New Ulm and branches in Lafayette, Lakeville, La Salle, Ormsby, and Watkins, Minnesota. There have been no changes in branches since the prior evaluation. The institution received an overall Satisfactory rating at its previous FDIC Performance Evaluation

dated November 9, 2021, based on Interagency 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. Additionally, the bank developed a first-time homebuyer program with reduced closing costs and lower down payment requirements and participates in Freddie Mac’s Home Possible loan program. These loan 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.

According to the Consolidated Reports of Condition and Income (Reports of Condition) dated September 30, 2024, assets totaled approximately \$566.0 million, loans totaled \$384.9 million, and deposits totaled \$478.0 million. The bank’s loan portfolio distribution is illustrated in the following table.

| Loan Portfolio Distribution as of 9/30/2024 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 4,344 | 1.1 |
| Secured by Farmland | 119,464 | 31.0 |
| Secured by 1-4 Family Residential Properties | 134,283 | 34.9 |
| Secured by Multifamily (5 or more) Residential Properties | 9,751 | 2.5 |
| Secured by Nonfarm Nonresidential Properties | 27,170 | 7.1 |
| Total Real Estate Loans | 295,012 | 76.6 |
| Commercial and Industrial Loans | 26,162 | 6.8 |
| Agricultural Production and Other Loans to Farmers | 58,133 | 15.1 |
| Consumer Loans | 5,582 | 1.5 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 45 | <0.1 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 384,934 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |
| <i>Due to rounding totals may not equal 100.0%</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. Citizens Bank Minnesota has designated four assessment areas in Minnesota, which have changed slightly since the previous evaluation. Specifically, some of the assessment areas were expanded to include whole counties. The following table describes the delineation of the four assessment areas. Additional details regarding assessment area delineation, demographics and other information can be found in each respective assessment area section of this evaluation.

| Description of Assessment Areas | | | |
|---|----------------------------------|--------------------|---------------|
| Assessment Area | Counties in Assessment Area | # of Census Tracts | # of Branches |
| New Ulm | Brown, Martin, and Watonwan | 18 | 3 |
| Lafayette | Blue Earth, Nicollet, and Sibley | 27 | 1 |
| Lakeville | Dakota and Scott | 138 | 1 |
| Watkins | Meeker and Stearns (partial) | 12 | 1 |
| <i>Source: 2020 U.S. Census and Bank Data</i> | | | |

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 9, 2021, to the current evaluation dated December 2, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Citizens Bank Minnesota’s CRA performance. Intermediate small institutions are evaluated under the Lending and Community Development Tests, which are described in the Appendices. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Examiners evaluated the bank’s performance in each assessment area separately and determined it was appropriate to complete full scope reviews of each assessment area when considering the number of loans, deposits, and branches. When reaching overall conclusions, a majority of the weight was afforded to the New Ulm Assessment Area as it contains the largest distribution of loans, deposits, and branches. The Lafayette and Lakeville assessment areas both equally received the second highest weight, followed by the Watkins Assessment Area. The following table provides a breakdown of loans, deposits, and branches by assessment area.

| Assessment Area Breakdown of Loans, Deposits, and Branches | | | | | | |
|--|----------------|--------------|----------------|--------------|----------|--------------|
| Assessment Area | Loans | | Deposits | | Branches | |
| | \$(000s) | % | \$(000s) | % | # | % |
| New Ulm | 220,470 | 57.7 | 327,176 | 68.4 | 3 | 50.0 |
| Lafayette | 52,001 | 13.6 | 45,466 | 9.5 | 1 | 16.7 |
| Lakeville | 79,998 | 20.9 | 50,757 | 10.6 | 1 | 16.7 |
| Watkins | 29,682 | 7.8 | 54,586 | 11.4 | 1 | 16.7 |
| Total | 382,151 | 100.0 | 477,985 | 100.0 | 6 | 100.0 |
| <i>Source: Bank Data as of 9/30/2024</i> | | | | | | |
| <i>Due to rounding totals may not equal 100.0%</i> | | | | | | |

Activities Reviewed

Examiners determined that the bank's major product lines are agricultural lending followed by home mortgage lending, and then commercial lending. This conclusion considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of Reports of Condition data. As such, examiners reviewed small farm, small business, and home mortgage loans to evaluate the bank's lending performance. In the New Ulm, Lafayette, and Watkins Assessment Areas small farm lending was 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. Examiners did not present small farm lending in the Lakeville Assessment Area under the Geographic Distribution or Borrower Profile criteria as it is not a primary product or need in the assessment area and the bank only originated three small farm loans within the assessment area in 2023. In the Lakeville Assessment Area small business and home mortgage lending received equal weight considering the demographics and management's lending focus in this assessment area.

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, renewed, or extended in 2023, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2023 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 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Since examiners did not identify any trends between the institution's 2021, 2022, and 2023 lending data materially affecting conclusions, this performance evaluation only presents and discusses information for 2023, the most recent year for which aggregate data was available as of the evaluation date. The 2020 U.S. Census and 2021, 2022, and 2023 HMDA aggregate data provided a standard of comparison for the bank's home mortgage lending performance. When evaluating home mortgage lending performance, examiners primarily focused on the bank's lending in comparison to aggregate data.

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 random sample of small farm and small business loans originated inside the assessment areas and all home mortgage loans inside the assessment areas. Small farm and small business loans considered under the Community Development Test were excluded from the Lending Test review. The following table provides information on the number and dollar volume of loans reviewed.

| Loan Products Reviewed | | | | | | |
|---|-----------------|-----------------|------------------|-----------------|----------------|-----------------|
| Loan Category | Universe | | Reviewed* | | Sampled | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Small Farm 2023 | 217 | 32,402 | 192 | 28,452 | 51 | 8,143 |
| Home Mortgage | | | | | | |
| 2021 | 458 | 94,544 | 297 | 54,137 | -- | -- |
| 2022 | 224 | 49,341 | 147 | 26,821 | -- | -- |
| 2023 | 164 | 33,952 | 102 | 16,331 | -- | -- |
| Small Business 2023 | 157 | 15,624 | 123 | 9,546 | 47 | 4,413 |
| <i>Source: Bank Data; HMDA Reported Data</i> | | | | | | |
| <i>(*) Universe of loans made inside the assessment areas; (--) Not Sampled</i> | | | | | | |

Examiners reviewed the number and dollar volume of small farm, home mortgage, and small business loans. 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 geographies, individuals, and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments and donations, and community development services from the prior evaluation date of November 9, 2021, to the current evaluation date of December 2, 2024. Examiners reviewed community development activity for the entire review period and presented the information for each year within this performance evaluation. Furthermore, qualified investments made prior to the evaluation period that remain outstanding were also considered.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Citizens Bank Minnesota demonstrated satisfactory performance under the Lending Test. The bank’s performance under all 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 Reports of Condition data, averaged 71.9 percent over the past 12 calendar quarters from December 31, 2021, to September 30, 2024. The ratio ranged from a low of 63.3 percent as of March 31, 2022, to a high of 80.3 percent as of June 30, 2024. The ratio steadily increased since the low point in March of 2022. Citizen Bank Minnesota’s ratio is similar to one comparable institution and significantly higher than the other comparable institutions as 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 9/30/2024 | Average Net Loan-to-Deposit Ratio |
| | (\$000s) | (%) |
| Citizens Bank Minnesota New Ulm, Minnesota | 564,982 | 71.9 |
| Castle Rock Bank Castle Rock, Minnesota | 271,731 | 44.4 |
| Pioneer Bank Mapleton, Minnesota | 852,506 | 74.7 |
| ProGrowth Bank Nicollet, Minnesota | 401,788 | 27.6 |

Source: Reports of Condition and Income 12/31/2021 – 9/30/2024

Assessment Area Concentration

Citizens Bank Minnesota originated a majority of its small farm, home mortgage, and small business loans, by number of loans, within its assessment areas. As noted in the table below, the bank made less than a majority of home mortgage loans, by dollar volume, in its assessment areas in 2023. This is attributed to a few large dollar home mortgage loans outside the assessment areas in 2023. Nonetheless, the bank made a majority of small farm and small business loans and 2021 and 2022 home mortgage loans, by dollar volume, in its assessment areas. Ultimately, the number of loans is emphasized, as it is a better reflection of the bank’s efforts to lend in their assessment areas.

| Lending Inside and Outside of the Assessment Areas | | | | | | | | | | |
|--|-----------------|-------------|------------|-------------|------------|-------------------------|-------------|---------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollars Amount of Loans | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$(000s) | % | \$(000s) | % | |
| Home Mortgage | | | | | | | | | | |
| 2021 | 297 | 64.8 | 161 | 35.2 | 458 | 54,137 | 57.3 | 40,407 | 42.7 | 94,544 |
| 2022 | 147 | 65.6 | 77 | 34.4 | 224 | 26,821 | 54.4 | 22,520 | 45.6 | 49,341 |
| 2023 | 102 | 62.2 | 62 | 37.8 | 164 | 16,331 | 48.1 | 17,621 | 51.9 | 33,952 |
| Subtotal | 546 | 64.5 | 300 | 35.5 | 846 | 97,288 | 54.7 | 80,549 | 55.3 | 177,837 |
| Small Farm 2023 | 192 | 88.5 | 25 | 11.5 | 217 | 28,452 | 87.8 | 3,950 | 12.2 | 32,402 |
| Small Business 2023 | 123 | 78.3 | 34 | 21.7 | 157 | 9,546 | 61.1 | 6,078 | 38.9 | 15,624 |

*Source: Bank Data; HMDA Reported Data
Due to rounding totals may not equal 100.0%*

Geographic Distribution

The geographic distribution of loans reflects reasonable penetration. This conclusion is based primarily on the bank’s performance in the New Ulm, Lafayette, and Lakeville Assessment Areas. Performance in each assessment area was consistent with overall conclusions. The Watkins Assessment Area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion in this area would not result in meaningful conclusions. Therefore, this criterion was not evaluated for the Watkins Assessment Area. Refer to comments specific to each assessment area later in this evaluation for further information.

Borrower Profile

The distribution of borrowers reflects reasonable lending penetration of loans overall. Reasonable performance in all four assessment areas supports this conclusion. Examiners focused on the percentage by number of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less and on home mortgage loans to low- and moderate-income borrowers. Refer to comments specific to each assessment area later in this evaluation for further information.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the 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.

Examiners also used comparable institutions in the analysis of the institution's community development activity to help provide perspective on the performance. For this evaluation, examiners reviewed the activities of two institutions that have operations in similar assessment areas as Citizens Bank Minnesota and were evaluated using Interagency Intermediate Small Institution Examination Procedures during the evaluation period. Both comparable institutions received Satisfactory ratings. 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; therefore, examiners considered community development activity that benefitted the broader statewide regional area.

Community Development Loans

Since the prior evaluation, the bank originated or renewed 71 community development loans totaling approximately \$7.1 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.

Citizens Bank Minnesota's volume of community development lending represented 1.3 percent of total assets and 1.9 percent of net loans as of September 30, 2024. At the previous evaluation, the bank received consideration for 531 community development loans totaling approximately \$35.9 million, which represented 6.3 percent of total assets and 11.1 percent of net loans. While the volume of community development lending decreased since the previous evaluation, the bank received consideration for 435 loans totaling \$25.4 million originated through the SBA Paycheck Protection Program at the previous evaluation.

Citizens Bank Minnesota’s community development lending ratios are lower than the ratios of the comparable institutions, whose community development loans equaled 4.9 and 5.1 percent of total assets and 5.9 and 8.0 percent of net loans. Although lower than comparable institutions, the bank’s community development lending shows adequate responsiveness to the assessment areas credit needs. The following tables provide a breakdown of the community development loans by area benefited and year for each community development purpose.

| Community Development Lending by Area | | | | | | | | | | |
|---------------------------------------|--------------------|----------|--------------------|----------|----------------------|--------------|-------------------------|----------|-----------|--------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| New Ulm | 0 | 0 | 0 | 0 | 40 | 4,570 | 0 | 0 | 40 | 4,570 |
| Lafayette | 0 | 0 | 0 | 0 | 6 | 643 | 0 | 0 | 6 | 643 |
| Lakeville | 0 | 0 | 0 | 0 | 1 | 130 | 0 | 0 | 1 | 130 |
| Watkins | 0 | 0 | 0 | 0 | 12 | 509 | 0 | 0 | 12 | 509 |
| Broader Statewide or Regional Area | 0 | 0 | 0 | 0 | 12 | 1,217 | 0 | 0 | 12 | 1,217 |
| Total | 0 | 0 | 0 | 0 | 71 | 7,069 | 0 | 0 | 71 | 7,069 |

Source: Bank Data

| Community Development Lending by Year | | | | | | | | | | |
|---------------------------------------|--------------------|----------|--------------------|----------|----------------------|--------------|-------------------------|----------|-----------|--------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2021 (Partial) | 0 | 0 | 0 | 0 | 1 | 55 | 0 | 0 | 1 | 55 |
| 2022 | 0 | 0 | 0 | 0 | 17 | 1,382 | 0 | 0 | 17 | 1,382 |
| 2023 | 0 | 0 | 0 | 0 | 29 | 2,177 | 0 | 0 | 29 | 2,177 |
| Year-to-Date 2024 | 0 | 0 | 0 | 0 | 24 | 3,455 | 0 | 0 | 24 | 3,455 |
| Total | 0 | 0 | 0 | 0 | 71 | 7,069 | 0 | 0 | 71 | 7,069 |

Source: Bank Data

Qualified Investments

Citizens Bank Minnesota received consideration for 160 qualified investments and donations totaling approximately \$5.2 million. This included 153 donations totaling approximately \$59,000. The bank’s qualified investments activity primarily supported affordable housing, revitalization and stabilization efforts, and organizations that provide community services to low- and moderate-income individuals. Further, a majority of the qualified investment activity by dollar volume included prior period investments that remain outstanding.

The bank’s qualified investments activity represented 0.9 percent of total assets and 3.6 percent of total securities as of September 30, 2024. This level of activity has slightly decreased since the previous evaluation when the bank received consideration for 201 qualified investments and donations totaling approximately \$8.3 million, which represented 1.5 percent of total assets and 4.9 percent of total securities.

Citizens Bank Minnesota’s qualified investments activity is comparable to the two comparable

institutions whose qualified investments to total assets ratios equaled 0.3 and 0.9 percent, and qualified investments to total investments ratios equaled 2.0 and 7.5 percent. The following tables illustrate the bank’s qualified investments by area benefited and year for each community development purpose.

| Community Development Qualified Investments by Area | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| New Ulm | 10 | 2 | 89 | 42 | 23 | 8 | 0 | 0 | 122 | 52 |
| Lafayette | 0 | 0 | 7 | 1 | 1 | <1 | 0 | 0 | 8 | 1 |
| Lakeville | 1 | 2,373 | 11 | 2 | 0 | 0 | 0 | 0 | 12 | 2,375 |
| Watkins | 0 | 0 | 10 | 3 | 2 | 1 | 0 | 0 | 12 | 4 |
| Broader Statewide or Regional Area | 0 | 0 | 3 | 1,363 | 0 | 0 | 3 | 1,422 | 6 | 2,785 |
| Total | 11 | 2,375 | 120 | 1,411 | 26 | 9 | 3 | 1,422 | 160 | 5,217 |

Source: Bank Data

| Community Development Qualified Investments by Year | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 1 | 2,373 | 3 | 1,363 | 0 | 0 | 3 | 1,422 | 7 | 5,158 |
| 2021 (Partial) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Year-to-Date 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 1 | 2,373 | 3 | 1,363 | 0 | 0 | 3 | 1,422 | 7 | 5,158 |
| Qualified Grants & Donations | 10 | 2 | 117 | 48 | 26 | 9 | 0 | 0 | 153 | 59 |
| Total | 11 | 2,375 | 120 | 1,411 | 26 | 9 | 3 | 1,422 | 160 | 5,217 |

Source: Bank Data

Community Development Services

Since the previous evaluation, bank employees devoted time to various organizations that primarily provide community services low- and moderate-income individuals or that support economic development. Citizens Bank Minnesota provided 144 instances of community development services during the evaluation period. This level of involvement is similar to the previous evaluation when the bank received consideration for 138 instances of community development services.

Citizens Bank Minnesota’s level of community development services is significantly higher than the comparable institutions who provided 19 and 64 qualified activities instances of community development services. The following tables illustrate the bank’s qualified services by area benefited and year for each community development purpose.

| Community Development Services by Assessment Area | | | | | |
|--|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| New Ulm | 1 | 73 | 48 | 0 | 122 |
| Lafayette | 0 | 1 | 0 | 0 | 1 |
| Lakeville | 0 | 13 | 4 | 0 | 17 |
| Watkins | 0 | 0 | 4 | 0 | 4 |
| Total | 1 | 87 | 56 | 0 | 144 |
| <i>Source: Bank Data</i> | | | | | |

| Community Development Services by Year | | | | | |
|---|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2021 (Partial) | 1 | 29 | 13 | 0 | 43 |
| 2022 | 0 | 20 | 19 | 0 | 39 |
| 2023 | 0 | 18 | 10 | 0 | 28 |
| Year-to-Date 2024 | 0 | 20 | 14 | 0 | 34 |
| Total | 1 | 87 | 56 | 0 | 144 |
| <i>Source: Bank Data</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. As discussed previously, the bank offers government guaranteed loan programs that benefit small farms and small businesses. This includes loans offered in conjunction with SBA, Farm Service Agency, and Minnesota Department of Agriculture. Additionally, the bank has a first-time homebuyer program with reduced closing costs and lower down payment requirements and participates in Freddie Mac’s Home Possible loan program, which is responsive to the needs of low- and moderate-income individuals. 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 and offers a variety of retail products and services for individuals, farms, and businesses throughout their assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

NEW ULM ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE NEW ULM ASSESSMENT AREA

The New Ulm Assessment Area is comprised of all of Brown, Martin, and Watonwan counties in nonmetropolitan areas of Minnesota. This is a change from the previous evaluation when the assessment area contained 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.

The number of census tracts as well as the income designations have been updated following the release of 2020 U.S. Census data and the revised assessment area delineation. Based on 2020 U.S. Census data, the assessment area now includes 18 census tracts and consists of 1 moderate-, 16 middle-, and 1 upper-income census tracts. According to Federal Financial Institutions Examination Council (FFIEC) data, census tracts 7901.00, 7902.00, 7903.00, 7904.00, and 7905.02 in Martin County were considered underserved nonmetropolitan middle-income geographies 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 in middle-income census tracts in Watonwan, Brown, and Martin counties, respectively.

Economic and Demographic Data

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

| Demographic Information of the New Ulm Assessment Area | | | | | | |
|--|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 18 | 0.0 | 5.6 | 88.9 | 5.6 | 0.0 |
| Population by Geography | 57,190 | 0.0 | 7.6 | 89.2 | 3.1 | 0.0 |
| Housing Units by Geography | 26,757 | 0.0 | 7.8 | 88.5 | 3.6 | 0.0 |
| Owner-Occupied Units by Geography | 18,000 | 0.0 | 5.4 | 91.0 | 3.7 | 0.0 |
| Occupied Rental Units by Geography | 5,838 | 0.0 | 17.6 | 80.1 | 2.3 | 0.0 |
| Vacant Units by Geography | 2,919 | 0.0 | 3.7 | 90.1 | 6.2 | 0.0 |
| Businesses by Geography | 5,425 | 0.0 | 10.8 | 86.2 | 3.0 | 0.0 |
| Farms by Geography | 1,053 | 0.0 | 1.8 | 96.1 | 2.1 | 0.0 |
| Family Distribution by Income Level | 15,184 | 19.0 | 19.0 | 22.7 | 39.2 | 0.0 |
| Household Distribution by Income Level | 23,838 | 22.6 | 18.8 | 19.1 | 39.5 | 0.0 |
| Median Family Income – Nonmetropolitan Minnesota | | \$74,737 | Median Housing Value | | | \$131,348 |
| | | | Median Gross Rent | | | \$679 |
| | | | Families Below Poverty Level | | | 7.4% |
| <i>Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

D&B data for 2023 indicates that service industries represent the largest portion of businesses in the assessment area at 29.4 percent; followed by agriculture, forestry, and fishing at 16.3 percent; non-classifiable establishments at 13.2 percent; retail trade at 9.7 percent; and finance, insurance, and

real estate at 9.3 percent. In addition, 69.1 percent of area businesses have four or fewer employees, and 88.5 percent operate from a single location.

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

| Nonmetropolitan Minnesota Median Family Income Ranges | | | | |
|--|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2021 (\$72,400) | <\$36,200 | \$36,200 to <\$57,920 | \$57,920 to <\$86,880 | ≥\$86,880 |
| 2022 (\$83,600) | <\$41,800 | \$41,800 to <\$66,880 | \$66,880 to <\$100,320 | ≥\$100,320 |
| 2023 (\$90,400) | <\$45,200 | \$45,200 to <\$72,320 | \$72,320 to <\$108,480 | ≥\$108,480 |
| 2024 (\$90,300) | <\$45,150 | \$45,150 to <\$72,240 | \$72,240 to <\$108,360 | ≥\$108,360 |
| <i>Source: FFIEC</i> | | | | |

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to Report of Condition data filed by financial institutions as of June 30, 2023, there are 23 financial institutions operating 36 locations within the assessment area. These institutions range from small to larger community and national banks. Citizens Bank Minnesota is ranked 2nd with 8.3 percent of the deposit market share.

According to 2022 aggregate CRA data (most recent available), 21 CRA data reporters collectively reported 260 small farm loans within the counties in the assessment area. These figures do not include loans originated by smaller institutions, including Citizens Bank Minnesota, as these institutions are not required to report small farm and business lending data but operate within the assessment area. Nonetheless, aggregate data reflects the competition and demand for these types of loans in the assessment area. The overall volume of small farm lending in the assessment area reflects a moderately competitive market. According to 2022 aggregate CRA data, 22 CRA data reporters collectively reported 730 small business loans within the counties in the assessment area. The overall volume of small business lending in the assessment area reflects a moderately competitive market.

According to 2023 aggregate HMDA data, 85 HMDA-reporting institutions originated or purchased 789 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 3rd with 7.0 percent market share by number. The top two lenders included a credit union and a large national institution. These figures do not include the number of loans originated by smaller institutions that are not required to report HMDA lending data but operate within the assessment area. The overall volume of home mortgage lending reflects a highly competitive market.

Community Contact

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 referenced a community contact interview previously conducted with an economic development corporation that serves portions of the assessment area.

The contact noted that the labor supply shortage and rising costs of doing business have been issues for local companies. Businesses are still performing well considering costs; however, there is still a demand for business financing. The contact stated that it is a competitive market with many businesses seeking alternate financing given the high-interest rate environment. Regarding housing, single-family homes are limited and there is a shortage of new developments. The contact further noted that the average starter home price is around \$350,000 making it difficult for lower-income borrowers to purchase homes. Regarding competition, the contact stated that there are numerous institutions within the area and businesses are not typically loyal to one institution. Borrowers will move from lender to lender when seeking financing and there are plenty of subsidized financing programs available. Overall, the contact believes that there are opportunities to lend in the area and local banks are meeting credit needs.

Credit and Community Development Needs and Opportunities

Considering information from bank management, 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 contact, 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, and community services for low- and moderate-income individuals. In addition, revitalization and stabilization needs and opportunities exist given the moderate-income census tract as well as the presence of underserved nonmetropolitan middle-income census tracts.

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 reasonable performance under Geographic Distribution and Borrower Profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the New Ulm Assessment Area. The reasonable small farm, home mortgage, and small business lending supports this conclusion.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. While the bank did not originate any small farm loans in the sole moderate-income census tract, there is a very small percentage of farms operating in this tract as illustrated in the following table. As such, opportunities to originate small farm loans in the moderate-income tract are limited. Further, the moderate-income census tract is located in the City of Fairmont,

which is approximately 25 miles from the bank’s nearest branch in Ormsby. Considering demographic data and the proximity of Citizens Bank Minnesota’s branches to the moderate-income tract, overall performance is reasonable.

| Geographic Distribution of Small Farm Loans New Ulm Assessment Area | | | | | |
|--|-------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Farms | # | % | \$(000s) | % |
| Moderate | 1.8 | 0 | 0.0 | 0 | 0.0 |
| Middle | 96.1 | 92 | 100.0 | 15,250 | 100.0 |
| Upper | 2.1 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 92 | 100.0 | 15,250 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any home mortgage loans in the sole moderate-income census tract, which is lower than aggregate data. However, there is a limited number of owner-occupied housing units within this tract as shown in the following table. As previously mentioned, the moderate-income census tract is in Fairmount, which is 25 miles from the bank’s nearest branch. In addition, there is a number of financial institutions operating in the Fairmount market according to deposit and branch share data derived from the Reports of Condition. Considering these factors, performance is reasonable.

| Geographic Distribution of Home Mortgage Loans New Ulm Assessment Area | | | | | | |
|---|--|-------------------------------------|-----------|---------------|-----------------|---------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 5.4 | 7.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 91.0 | 90.5 | 55 | 100.0 | 8,272 | 100.0 |
| Upper | 3.7 | 2.5 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 100.0 | 55 | 100.00 | 8,272 | 100.00 |
| <i>Source: 2020 U.S. Census, 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in the sole moderate-income census tract; however, a small percentage of businesses operate in this census tract as illustrated in the following table. Further, as mentioned previously, there are other financial institutions operating in this area and it is 25 miles from the bank’s nearest branch. Considering these factors, performance is reasonable.

| Geographic Distribution of Small Business Loans New Ulm Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Moderate | 5.6 | 0 | 0.0 | 0 | 0.0 |
| Middle | 88.9 | 42 | 100.0 | 4,370 | 100.0 |
| Upper | 5.6 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 42 | 100.0 | 4,370 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The distribution by borrowers reflects reasonable penetration overall in the New Ulm Assessment Area. The reasonable penetration among farms and businesses of different revenue sizes and individuals of different income levels supports this conclusion.

Small Farm Loans

The distribution of small farm borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank's lending to farms with gross annual revenues of less than or equal to \$1 million is comparable to demographic data.

| Distribution of Small Farm Loans by Gross Annual Revenue Category New Ulm Assessment Area | | | | | |
|--|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 98.2 | 24 | 96.0 | 4,708 | 90.4 |
| > \$1,000,000 | 1.0 | 1 | 4.0 | 500 | 9.6 |
| Revenue Not Available | 0.8 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 25 | 100.0 | 5,208 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The distribution of home mortgage borrowers reflects reasonable penetration among individuals of different income levels. As shown in the following table, the bank's lending performance to both low- and moderate-income borrowers is comparable to aggregate data.

| Distribution of Home Mortgage Loans by Borrower Income Level New Ulm Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 19.0 | 13.2 | 7 | 12.7 | 746 | 9.0 |
| Moderate | 19.0 | 32.6 | 17 | 30.9 | 2,174 | 26.3 |
| Middle | 22.7 | 22.9 | 12 | 21.9 | 1,208 | 14.6 |
| Upper | 39.2 | 23.6 | 15 | 27.3 | 3,315 | 40.1 |
| Not Available | 0.0 | 7.7 | 4 | 7.3 | 829 | 10.0 |
| Total | 100.0 | 100.0 | 55 | 100.0 | 8,272 | 100.0 |
| <i>Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The distribution of small business borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank’s lending to businesses with gross annual revenues of \$1 million or less trails demographic data. Although performance is lower than demographics, Citizens Bank Minnesota is an SBA lender and participates in loan programs to assist with small business financing, illustrating the bank’s willingness to lend to businesses of all different sizes including smaller businesses. Further, management stated that the bank has relationships with commercial customers in this market that started out small and now have annual revenues greater than \$1 million. Further, the community contact noted that local financial institutions are meeting credit needs within this market. Considering these factors, the bank’s performance is reasonable.

| Distribution of Small Business Loans by Gross Annual Revenue Category New Ulm Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 82.3 | 16 | 66.7 | 1,656 | 71.8 |
| > \$1,000,000 | 4.7 | 8 | 33.3 | 650 | 28.2 |
| Revenue Not Available | 13.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 24 | 100.0 | 2,306 | 100.0 |
| <i>Source: 2023 D&B Data; 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 40 community development loans totaling \$4.6 million in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota made 122 donations totaling approximately \$52,406 to organizations that promote economic development, provide affordable housing, and provide community services to low-and moderate-income individuals.

Community Development Services

During the evaluation period, institution employees provided 122 instances of financial expertise or technical assistance that benefited the New Ulm Assessment Area. Services were provided to various organizations that provide affordable housing, community services to low- and moderate-income individuals, and support economic development within the assessment area.

As previously indicated, the bank operates three offices in middle-income census tracts in the New Ulm Assessment Area. The Ormsby office is located in an underserved nonmetropolitan middle-

income census tract, which benefits individuals and businesses in this area. The locations also provide ease of access to low- and moderate-income residents. All locations have flexible hours to serve the community.

LAFAYETTE ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE LAFAYETTE ASSESSMENT AREA

The Lafayette Assessment Area is comprised of Blue Earth, Nicollet, and Sibley counties in Minnesota. This is a change from the previous evaluation when the assessment area contained 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. The assessment area is made up of both metropolitan and nonmetropolitan areas as Blue Earth and Nicollet counties are part of the Mankato, Minnesota Metropolitan Statistical Area (MSA), and Sibley County is part of the nonmetropolitan area of Minnesota. However, examiners analyzed all census tracts as one assessment area since it is contiguous, and the bank’s only operations within the assessment area is the Lafayette branch in Nicollet County.

Census tracts have also been updated based on 2020 U.S. Census data and the revised assessment area delineation. Based on 2020 U.S. Census data, the assessment area includes 27 census tracts and is comprised of 6 moderate-, 17 middle-, and 4 upper-income census tracts.

Economic and Demographic Data

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

| Demographic Information of the Lafayette Assessment Area | | | | | | |
|---|----------|------------------------------|----------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 27 | 0.0 | 22.2 | 63.0 | 14.8 | 0.0 |
| Population by Geography | 118,402 | 0.0 | 22.2 | 62.0 | 15.8 | 0.0 |
| Housing Units by Geography | 48,997 | 0.0 | 23.0 | 62.0 | 15.0 | 0.0 |
| Owner-Occupied Units by Geography | 30,326 | 0.0 | 13.7 | 68.9 | 17.4 | 0.0 |
| Occupied Rental Units by Geography | 14,900 | 0.0 | 40.3 | 48.8 | 10.9 | 0.0 |
| Vacant Units by Geography | 3,771 | 0.0 | 29.1 | 58.9 | 12.0 | 0.0 |
| Businesses by Geography | 10,689 | 0.0 | 21.3 | 63.9 | 14.8 | 0.0 |
| Farms by Geography | 1,204 | 0.0 | 3.6 | 85.6 | 10.8 | 0.0 |
| Family Distribution by Income Level | 27,783 | 19.9 | 17.5 | 24.3 | 38.4 | 0.0 |
| Household Distribution by Income Level | 45,226 | 22.7 | 17.2 | 17.8 | 42.3 | 0.0 |
| Median Family Income – Mankato, Minnesota MSA | \$83,590 | Median Housing Value | | \$196,809 | | |
| | | Median Gross Rent | | \$897 | | |
| Median Family Income – Nonmetropolitan Minnesota | \$74,737 | Families Below Poverty Level | | 6.3% | | |
| <i>Source: 2020 U.S. Census and 2023 D&B Data</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |

D&B data for 2023 indicates that the service industry represents the largest portion of businesses in

the assessment area at 32.2 percent, followed by non-classifiable establishments at 15.4 percent and finance, insurance, and real estate at 11.5 percent. In addition, 66.9 percent of area businesses have four or fewer employees, and 89.7 percent operate from a single location.

The FFIEC updated median family 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, Minnesota MSA | | | | |
| 2021 (\$80,300) | <\$40,150 | \$40,150 to <\$64,240 | \$64,240 to <\$96,360 | ≥\$96,360 |
| 2022 (\$94,900) | <\$47,450 | \$47,450 to <\$75,920 | \$75,920 to <\$113,880 | ≥\$113,880 |
| 2023 (\$99,100) | <\$49,550 | \$49,550 to <\$79,280 | \$79,280 to <\$118,920 | ≥\$118,920 |
| 2024 (\$100,600) | <\$50,300 | \$50,300 to <\$80,480 | \$80,480 to <\$120,720 | ≥120,720 |
| Nonmetropolitan Minnesota | | | | |
| 2021 (\$72,400) | <\$36,200 | \$36,200 to <\$57,920 | \$57,920 to <\$86,880 | ≥\$86,880 |
| 2022 (\$83,600) | <\$41,800 | \$41,800 to <\$66,880 | \$66,880 to <\$100,320 | ≥\$100,320 |
| 2023 (\$90,400) | <\$45,200 | \$45,200 to <\$72,320 | \$72,320 to <\$108,480 | ≥\$108,480 |
| 2024 (\$90,300) | <\$45,150 | \$45,150 to <\$72,240 | \$72,240 to <\$108,360 | ≥\$108,360 |

Source: FFIEC

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to Reports of Condition data filed by financial institutions as of June 30, 2023, there are 29 financial institutions operating 46 locations within the assessment area. These institutions range from small to larger community and national banks. Citizens Bank Minnesota is ranked 20th with 1.3 percent of the deposit market share.

According to 2022 aggregate CRA data, 17 CRA data reporters collectively reported 282 small farm loans within the counties in the assessment area. The overall volume of small farm lending in the assessment area reflects a moderately competitive market. According to 2022 aggregate CRA data, 62 CRA data reporters collectively reported 1,895 small business loans within the counties in the assessment area. The overall volume of small business lending in the assessment area reflects a highly competitive market.

According to 2023 aggregate HMDA data, 170 HMDA-reporting institutions originated or purchased 1,968 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 27th with 0.9 percent market share by number. The top three lenders included a mortgage company, credit union, and large national institution, which accounted for 24.4 percent of the market share. The overall volume of home mortgage lending reflects a highly competitive market.

Community Contacts

Examiners referenced a community contact interview previously conducted with an economic development corporation that serves the assessment area. See the Description of Institution’s Operations in the New Ulm Assessment Area for additional information.

Credit and Community Development Needs and Opportunities

Considering information from bank management, 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 contact, opportunity exists for originating these loans in the assessment area. In addition, there are community development opportunities in the assessment area including affordable housing, economic development, 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 Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Lafayette Assessment Area. The reasonable small farm, home mortgage, and small business lending supports this conclusion.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Lafayette Assessment Area. The following table shows that the bank's lending performance in the moderate-income census tracts is comparable to demographic data.

| Geographic Distribution of Small Farm Loans Lafayette Assessment Area | | | | | |
|--|-------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Farms | # | % | \$(000s) | % |
| Moderate | 3.6 | 2 | 3.2 | 195 | 2.0 |
| Middle | 85.6 | 59 | 95.2 | 9,141 | 93.4 |
| Upper | 10.8 | 1 | 1.6 | 450 | 4.6 |
| Total | 100.0 | 62 | 100.0 | 9,786 | 100.0 |
| <small>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</small> | | | | | |

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank did not originate any home mortgage loans in any of the six moderate-income census tracts in the assessment area, which is lower than aggregate and demographic data. The moderate-income census tracts are located primarily in the City of Mankato, which is approximately 30 miles from the bank's nearest location in New Ulm. Deposit and home mortgage market share reports confirm that there are several other financial institutions operating in

Blue Earth and Nicollet counties. Considering local competition and proximity of branch locations to the moderate-income tracts, overall performance is considered reasonable.

| Geographic Distribution of Home Mortgage Loans Lafayette Assessment Area | | | | | | |
|---|--|-------------------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 13.7 | 16.4 | 0 | 0.0 | 0 | 0.0 |
| Middle | 68.9 | 66.0 | 18 | 100.0 | 2,309 | 100.0 |
| Upper | 17.4 | 17.6 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 100.0 | 18 | 100.0 | 2,309 | 100.0 |
| <i>Source: 2020 U.S. Census, 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank did not originate any small business loans in the six moderate-income census tracts, which is lower than demographic data. However, as previously mentioned, the moderate-income census tracts are located primarily in the City of Mankato, which is approximately 30 miles from the bank’s nearest location in New Ulm. Additionally, deposit market share reports confirm that there are several other financial institutions operating in Blue Earth and Nicollet counties. Considering local competition and proximity of branch locations to the moderate-income tracts, overall performance is considered reasonable.

| Geographic Distribution of Small Business Loans Lafayette Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Moderate | 21.3 | 0 | 0.0 | 0 | 0.0 |
| Middle | 63.9 | 18 | 40.0 | 1,174 | 75.7 |
| Upper | 14.8 | 27 | 60.0 | 377 | 24.3 |
| Total | 100.0 | 45 | 100.0 | 1,551 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The distribution by borrowers reflects reasonable penetration overall in the Lafayette Assessment Area. The reasonable penetration among farms of different revenues and individuals of different income levels as well as the excellent penetration among businesses of different revenue sizes supports this conclusion. Although small business lending was excellent, it carried less weight when deriving conclusions; therefore, overall performance is considered reasonable.

Small Farm Loans

The distribution of small farm borrowers reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank’s lending to farms with gross annual revenues of less than or equal to \$1 million is comparable to demographic data.

| Distribution of Small Farm Loans by Gross Annual Revenue Category Lafayette Assessment Area | | | | | |
|--|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 97.4 | 13 | 92.9 | 2,059 | 90.7 |
| > \$1,000,000 | 1.7 | 1 | 7.1 | 210 | 9.3 |
| Revenue Not Available | 0.9 | 0 | 0 | 0 | 0.0 |
| Total | 100.0 | 14 | 100.0 | 2,269 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The distribution of home mortgage borrowers reflects reasonable penetration among individuals of different income levels. As shown in the following table, the bank’s lending performance to low-income borrowers was slightly lower than aggregate data, while lending to moderate-income borrowers greatly exceeded aggregate. Overall performance is considered reasonable.

| Distribution of Home Mortgage Loans by Borrower Income Level Lafayette Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 19.9 | 9.2 | 1 | 5.6 | 110 | 4.8 |
| Moderate | 17.5 | 25.8 | 7 | 38.9 | 619 | 26.8 |
| Middle | 24.3 | 24.8 | 4 | 22.2 | 376 | 16.3 |
| Upper | 38.4 | 27.2 | 4 | 22.2 | 1,079 | 46.7 |
| Not Available | 0.0 | 13.0 | 2 | 11.1 | 125 | 5.4 |
| Total | 100.0 | 100.0 | 18 | 100.0 | 2,309 | 100.0 |
| <i>Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The distribution of small business borrowers reflects excellent penetration among businesses of different sizes. Of the six sampled small business loans in this assessment area, all were made to businesses with gross annual revenues of \$1 million or less. D&B Data for 2023 notes that 84.5 percent of assessment area businesses fall into this revenue category.

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 six loans totaling \$642,701 in the assessment area for economic development.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota made eight donations totaling \$950 to organizations that provide community services to low- and moderate-income individuals and to an organization that supports economic development in the assessment area.

Community Development Services

During the evaluation period, institution employees provided one instance of financial expertise and technical assistance that benefited the Lafayette Assessment Area, which was provided to an organization that provides community services to low- and moderate-income individuals. 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 THE INSTITUTION’S OPERATIONS IN THE LAKEVILLE ASSESSMENT AREA

The Lakeville Assessment Area is comprised of all of Dakota and Scott counties, Minnesota. Both counties are in the southern part of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA. This is a change from the previous evaluation when the assessment area contained census tracts 607.09-607.14; 607.31-607.48; 608.05-610.09; and 615.01 in Dakota County and census tracts 801.00-812.00 in Scott County.

Census tracts have also been updated based on 2020 U.S. Census data and the revised assessment area delineation. Based on 2020 U.S. Census data, the assessment area now includes 138 census tracts and is comprised of 22 moderate-, 74 middle-, and 42 upper-income census tracts. The Lakeville office is in an upper-income census tract in Dakota County.

Economic and Demographic Data

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

| Demographic Information of the Lakeville Assessment Area | | | | | | |
|--|-----------|------------------------------|--------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 138 | 0.0 | 15.9 | 53.6 | 30.4 | 0.0 |
| Population by Geography | 590,810 | 0.0 | 14.6 | 52.5 | 32.9 | 0.0 |
| Housing Units by Geography | 220,323 | 0.0 | 16.5 | 53.0 | 30.5 | 0.0 |
| Owner-Occupied Units by Geography | 164,961 | 0.0 | 12.1 | 52.5 | 35.4 | 0.0 |
| Occupied Rental Units by Geography | 48,989 | 0.0 | 30.6 | 54.6 | 14.8 | 0.0 |
| Vacant Units by Geography | 6,373 | 0.0 | 22.2 | 52.7 | 25.1 | 0.0 |
| Businesses by Geography | 58,703 | 0.0 | 14.8 | 52.3 | 32.9 | 0.0 |
| Farms by Geography | 1,891 | 0.0 | 10.2 | 58.5 | 31.3 | 0.0 |
| Family Distribution by Income Level | 151,725 | 16.7 | 17.0 | 24.3 | 42.0 | 0.0 |
| Household Distribution by Income Level | 213,950 | 19.2 | 15.7 | 19.3 | 45.8 | 0.0 |
| Median Family Income – Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA | \$103,977 | Median Housing Value | | | | \$292,859 |
| | | Median Gross Rent | | | | \$1,212 |
| | | Families Below Poverty Level | | | | 3.6% |
| <i>Source: 2020 U.S. Census and 2023 D&B Data</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |

D&B data for 2023 indicates that the service industry represents the largest portion of businesses in the assessment area at 37.5 percent, followed by non-classifiable establishments at 18.2 percent, and finance, insurance, and real estate at 11.1 percent. In addition, 67.9 percent of area businesses have four or fewer employees, and 92.7 percent operate from a single location.

The FFIEC provides updated median family income categories for the evaluation period are presented in the following table.

| Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin MSA Median Family Income Ranges | | | | |
|---|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2021 (\$100,600) | <\$50,300 | \$50,300 to <\$80,480 | \$80,480 to <\$120,720 | ≥\$120,720 |
| 2022 (\$117,800) | <\$58,900 | \$58,900 to <\$94,240 | \$94,240 to <\$141,360 | ≥\$141,360 |
| 2023 (\$124,300) | <\$62,150 | \$62,150 to <\$99,440 | \$99,440 to <\$149,160 | ≥\$149,160 |
| 2024 (\$123,700) | <\$61,850 | \$61,850 to <\$98,960 | \$98,960 to <\$148,440 | ≥\$148,440 |
| <i>Source: FFIEC</i> | | | | |

Competition

The assessment area is a highly competitive market for credit products and financial services. According to Reports of Condition data filed by financial institutions as of June 30, 2023, there are 56 financial institutions operating 126 locations within the assessment area. These institutions range from small to larger community and national banks. Citizens Bank Minnesota is ranked 36th with 0.8 percent of the deposit market share.

According to 2023 aggregate HMDA data, 401 HMDA-reporting institutions originated or purchased 14,353 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 119th with 0.1 percent market share by number. The top three lenders accounted for 18.0 percent of the market share by number and included a national bank and two credit unions. The overall

volume of home mortgage lending reflects an extremely competitive market.

According to 2022 aggregate CRA data, 107 CRA data reporters collectively reported 12,737 small business loans within the counties in the assessment area. The overall volume of small business lending in the assessment area reflects an extremely competitive market.

Community Contacts

Examiners referenced a community contact interview previously conducted with an economic development corporation that serves the assessment area. The contact noted that the area economy is in good shape, the cities have good bond ratings, and unemployment is typically lower than the state. The area is home to wide variety of businesses, from small businesses to Fortune 500 companies. The contact noted the housing market continues to shift based on interest rates. The area is still in need of starter and affordable homes, as the existing market is priced high and older homes need renovations, which makes them unaffordable. The contact noted that there is significant competition for banking needs, from small local banks to the five large national banks. The contact further noted local banks are competitive, but there continues to be opportunities. The contact identified start-up and micro-lending to small businesses and affordable housing as the primary credit needs in the area.

Credit and Community Development Needs and Opportunities

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that home mortgage, including affordable housing, and small business loans, represent primary credit needs for the assessment area. According to management and the community contact, 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 low- and moderate-income geographies, and community services for 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 Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Lakeville Assessment Area. The reasonable home mortgage, small business, and small farm lending performance supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any home mortgage loans in moderate-income census tracts, which is lower than aggregate data. However, the moderate-income census tracts are located

primarily in Burnsville, Eagan, Shakopee, and St. Paul and not near the bank’s sole location in this market in Lakeville. Deposit and HMDA market share reports and the community contact confirm that are several other financial institutions operating in Dakota and Scott counties and it is a highly competitive market. Considering local competition and proximity of the branch location to the moderate-income tracts, overall performance is reasonable.

| Geographic Distribution of Home Mortgage Loans Lakeville Assessment Area | | | | | | |
|---|--|-------------------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 12.1 | 11.9 | 0 | 0.0 | 0 | 0.0 |
| Middle | 52.5 | 53.5 | 5 | 38.5 | 1,141 | 28.6 |
| Upper | 35.4 | 34.7 | 8 | 61.5 | 2,844 | 71.4 |
| Total | 100.0 | 100.0 | 13 | 100.0 | 3,985 | 100.0 |
| <i>Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank did not originate any small business loans in moderate-income census tracts, which is lower than demographic data. As previously mentioned, the moderate-income census tracts are located primarily in Burnsville, Eagan, Shakopee, and St. Paul and not near the bank’s sole location in this market in Lakeville. Further, deposit market share reports and aggregate CRA small business lending data confirm that there are several other financial institutions operating in Dakota and Scott counties. Considering local competition and proximity of branch locations to the moderate-income tracts, overall performance is reasonable.

| Geographic Distribution of Small Business Loans Lakeville Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Moderate | 14.8 | 0 | 0.0 | 0 | 0.0 |
| Middle | 52.3 | 5 | 25.0 | 525 | 18.4 |
| Upper | 32.9 | 15 | 75.0 | 2,331 | 81.6 |
| Total | 100.0 | 20 | 100.0 | 2,856 | 100.0 |
| <i>Source: 2023 D&B Data; 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 reasonable lending penetration among individuals of different income levels and businesses of different revenue sizes supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage borrowers reflects reasonable penetration among individuals of different income levels. The following table shows that the bank’s lending to low-income borrowers is comparable to aggregate data. Although the bank’s lending to moderate-income borrowers lags aggregate data it is comparable to the percentage of families that are moderate-

income and living in the assessment area. Additionally, as mentioned previously, the bank offers special loan programs to assist low- and moderate-income borrowers. Considering these factors, overall performance is reasonable.

| Distribution of Home Mortgage Loans by Borrower Income Level Lakeville Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 16.7 | 9.1 | 1 | 7.7 | 236 | 5.9 |
| Moderate | 17.0 | 25.7 | 2 | 15.4 | 401 | 10.1 |
| Middle | 24.3 | 24.6 | 2 | 15.4 | 293 | 7.4 |
| Upper | 42.0 | 27.4 | 5 | 38.5 | 2,526 | 63.4 |
| Not Available | 0.0 | 13.1 | 3 | 23.1 | 529 | 13.3 |
| Total | 100.0 | 100.0 | 13 | 100.0 | 3,985 | 100.0 |
| <i>Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The distribution of small business borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank’s lending to businesses gross annual revenues of less than or equal to \$1 million is comparable to demographic data.

| Distribution of Small Business Loans by Gross Annual Revenue Category Lakeville Assessment Area | | | | | |
|--|------------------------|----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 89.3 | 6 | 85.7 | 1,176 | 97.1 |
| > \$1,000,000 | 3.4 | 1 | 14.3 | 35 | 2.9 |
| Revenue Not Available | 7.2 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 7 | 100.0 | 1,211 | 100.0 |
| <i>Source: 2023 D&B Data; 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 one loan totaling \$130,037 for economic development in the assessment area.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota retained one qualified prior period investment totaling \$2.4 million that provided affordable housing for low- and moderate-income

borrowers. The bank also made 22 donations totaling approximately \$1,952, 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 17 instances of financial expertise or technical assistance that benefited the Lakeville Assessment Area. Services were provided to organizations that provide community services to low- and moderate-income individuals and organizations that promote economic development 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 THE INSTITUTION’S OPERATIONS IN THE
WATKINS ASSESSMENT AREA**

The Watkins Assessment Area is comprised of all of Meeker County and census tracts 110-113.02 in Stearns County. This is a change from the previous evaluation when the assessment area contained census tracts 5601.00-5605.00 in Meeker County and census tracts 110.00-112.00 and 113.02 in Stearns County. The assessment area is made up of both metropolitan and nonmetropolitan areas as Meeker County is located in the nonmetropolitan area of Minnesota and Stearns County is located in the St. Cloud, Minnesota MSA. However, examiners analyzed all census tracts as one assessment area since it is contiguous, and the bank’s only operations within the assessment area is the Watkins branch in Meeker County.

Census tracts have also been updated based on 2020 U.S. Census data and the revised assessment area delineation. Based on 2020 U.S. Census data, the assessment area now includes 12 middle-income census tracts.

Economic and Demographic Data

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

| Demographic Information of the Watkins Assessment Area | | | | | | |
|--|----------|------------------------------|--------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 12 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Population by Geography | 47,589 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Housing Units by Geography | 22,483 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Owner-Occupied Units by Geography | 15,851 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Occupied Rental Units by Geography | 2,898 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Vacant Units by Geography | 3,734 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Businesses by Geography | 4,594 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Farms by Geography | 665 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 |
| Family Distribution by Income Level | 13,131 | 15.5 | 17.3 | 24.8 | 42.3 | 0.0 |
| Household Distribution by Income Level | 18,749 | 18.4 | 14.7 | 19.0 | 47.8 | 0.0 |
| Median Family Income – St. Cloud, Minnesota MSA | \$80,403 | Median Housing Value | | \$205,083 | | |
| | | Median Gross Rent | | \$748 | | |
| Median Family Income – Nonmetropolitan Minnesota | \$74,737 | Families Below Poverty Level | | 3.8% | | |
| <i>Source: 2020 U.S. Census and 2023 D&B Data</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |

D&B data for 2023 indicates that the service industry represents the largest portion of businesses in the assessment area at 29.8 percent, followed by non-classifiable establishments at 16.1 percent, and agriculture, forestry, and fishing at 12.6 percent. In addition, 70.4 percent of area businesses have four or fewer employees, and 93.3 percent operate from a single location.

The FFIEC provides updated median family 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 Minnesota | | | | |
| 2021 (\$72,400) | <\$36,200 | \$36,200 to <\$57,920 | \$57,920 to <\$86,880 | ≥\$86,880 |
| 2022 (\$83,600) | <\$41,800 | \$41,800 to <\$66,880 | \$66,880 to <\$100,320 | ≥\$100,320 |
| 2023 (\$90,400) | <\$45,200 | \$45,200 to <\$72,320 | \$72,320 to <\$108,480 | ≥\$108,480 |
| 2024 (\$90,300) | <\$45,150 | \$45,150 to <\$72,240 | \$72,240 to <\$108,360 | ≥\$108,360 |
| St. Cloud, Minnesota MSA | | | | |
| 2021 (\$79,000) | <\$39,500 | \$39,500 to <\$63,200 | \$63,200 to <\$94,800 | ≥\$94,800 |
| 2022 (\$88,500) | <\$44,250 | \$44,250 to <\$70,800 | \$70,800 to <\$106,200 | ≥\$106,200 |
| 2023 (\$95,600) | <\$47,800 | \$47,800 to <\$76,480 | \$76,480 to <\$114,720 | ≥\$114,720 |
| 2024 (\$97,800) | <\$48,900 | \$48,900 to <\$78,240 | \$78,240 to <\$117,360 | ≥\$117,360 |
| <i>Source: FFIEC</i> | | | | |

Competition

The assessment area is a moderately competitive market for credit products and financial services. According to Reports of Condition data filed by financial institutions as of June 30, 2023, there are 15 financial institutions operating 17 locations within the assessment area. These institutions range

from small to larger community and national banks. Citizens Bank Minnesota is ranked 10th with 4.0 percent of the deposit market share.

According to 2022 aggregate CRA data, 17 CRA data reporters collectively reported 187 small farm loans within the counties in the assessment area. The overall volume of small farm lending in the assessment area reflects a moderately competitive market. According to 2022 aggregate CRA data, 68 CRA data reporters collectively reported 2,943 small business loans within the counties in the assessment area. The overall volume of small business lending in the assessment area reflects a highly competitive market.

According to 2023 aggregate HMDA data, 152 HMDA-reporting institutions originated or purchased 949 home mortgage loans in the assessment area. Citizens Bank Minnesota ranked 17th with 1.7 percent market share by number. The top four lenders accounted for 25.9 percent of the market share by number and included a credit union, mortgage companies, and a national bank. The overall volume of home mortgage lending reflects a highly competitive market.

Community Contacts

Examiners referenced a community contact interview previously conducted with an economic development corporation that serves the assessment area. The contact identified farming as the largest industry in the area. The contact also stated that there is a high demand for business loans which they have not since prior to the coronavirus pandemic and emphasized that microloans have been valuable to businesses given the additional technical assistance and training they provide to borrowers. Regarding competition, the contact indicated there are numerous banks within the area, and community development organizations that provide borrowers alternative financing opportunities.

Credit and Community Development Needs and Opportunities

Considering information from bank management, 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 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 reasonable performance under the Lending Test in the Watkins Assessment Area. The performance under the Borrower Profile criterion supports this conclusion.

Geographic Distribution

As noted previously, the Watkins Assessment Area does not include any low- or moderate-income geographies; therefore, an analysis of geographic distribution does not provide for a meaningful conclusion. As such, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall in the Watkins Assessment Area. The reasonable lending penetration among farms of different revenue sizes and excellent lending penetration among businesses of different revenue sizes and individuals of different income levels supports this conclusion. Although home mortgage and small business lending performance was excellent, small farm lending received more weight when deriving conclusions. As such, overall performance is considered reasonable.

Small Farm Loans

The distribution of small farm borrowers in the Watkins Assessment Area reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank's lending to farms with gross annual revenues of \$1 million or less is significantly lower than demographic data. Although performance is lower than demographic data, Citizens Bank Minnesota participates in loan programs through the Farm Service Agency and the State of Minnesota to assist with small farm financing, illustrating the bank's willingness to lend to farms of all different sizes including smaller operations. Additionally, 2022 U.S. Census of Agriculture data shows that farming is not the primary occupation for 54.8 percent of farmers in Meeker and Stearns counties and 59.7 percent of farmers in these counties have no interest expense. Further, management stated that the bank has relationships with farm customers in this market that started out small and now have annual revenues greater than \$1 million due to consolidation as former generations transition to retirement. Considering these factors, the bank's performance is considered reasonable.

| Distribution of Small Farm Loans by Gross Annual Revenue Category Watkins Assessment Area | | | | | |
|--|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 98.6 | 6 | 54.5 | 211 | 37.3 |
| > \$1,000,000 | 1.2 | 5 | 44.5 | 355 | 62.7 |
| Revenue Not Available | 0.2 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 11 | 100.0 | 566 | 100.0 |
| <i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels. As illustrated in the following table, Citizens Bank Minnesota's lending performance to both low- and moderate-income income borrowers exceeds aggregate data.

| Distribution of Home Mortgage Loans by Borrower Income Level Watkins Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 15.5 | 6.5 | 3 | 18.8 | 203 | 11.5 |
| Moderate | 17.3 | 24.6 | 5 | 31.3 | 244 | 13.8 |
| Middle | 24.8 | 25.0 | 4 | 25.0 | 854 | 48.4 |
| Upper | 42.3 | 33.2 | 4 | 25.0 | 465 | 26.3 |
| Not Available | 0.0 | 10.7 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 100.0 | 16 | 100.0 | 1,765 | 100.0 |
| <i>Source: 2020 U.S. Census; 2023 HMDA Aggregate Data; 2023 HMDA Reported Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The distribution of small business borrowers in the Watkins Assessment Area reflects excellent penetration among businesses of different sizes. Of the sampled small business loans in this assessment area, all were made to businesses with gross annual revenues of \$1 million or less. D&B Data for 2023 notes that 88.49 percent of assessment area businesses fall into the revenue category.

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 12 loans totaling \$508,723 in the assessment area that promoted economic development.

Qualified Investments

During the evaluation period, Citizens Bank Minnesota made 12 donations totaling approximately \$4,000 in the Watkins Assessment Area. Ten donations totaling \$3,515 were to organizations that provide community services to low- and moderate-income individuals and two donations totaling \$550 were to organizations that support economic development in the assessment area.

Community Development Services

During the evaluation period, institution employees provided four instances of financial expertise or technical assistance that benefited the Watkins Assessment Area. Services were provided to an organization that supports economic development within the assessment area. 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 geographic distribution of the bank's loans;
- 4) 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; 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 community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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.