



PUBLIC DISCLOSURE

May 6, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heritage Bank, National Association
Charter Number 15401

120 South Street West, Spicer, MN 56288

Office of the Comptroller of the Currency
Sioux Falls Field Office
4900 S. Minnesota Avenue, Suite 300
Sioux Falls, SD 57108-2865

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The Community Development (CD) Test is rated: Outstanding.

The major factors that support this rating include:

- The Lending Test rating is based on conclusions from the state ratings, with the majority of the weight placed on the Minnesota Lending Test rating of Satisfactory. Iowa and South Dakota received Outstanding Lending Test ratings.
- A majority of loans are originated inside the bank's designated Assessment Areas (AAs).
- Average loan-to-deposit ratio of 98 percent is more than reasonable.
- The CD Test rating is based on conclusions from the state ratings, with the majority of the weight placed on the Minnesota CD Test rating. Minnesota CD activities reflect excellent responsiveness to AA needs. South Dakota CD activities reflect excellent responsiveness to AA needs and Iowa CD activities reflect adequate responsiveness to AA needs.
- CD loans and investments during the evaluation period totaled \$5.4 million, representing 14.2 percent of tier one capital as of December 31, 2018.
- Four of the bank's 13 branches and two of the bank's eight deposit-taking automated teller machines (ATMs) are located in low- or moderate-income census tracts (CTs) or underserved and/or distressed nonmetropolitan middle-income Census Tracts (CTs). An additional branch and two deposit-taking ATMs are located near and reasonably serve a moderate-income CT.
- Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's loan-to-deposit ratio (LTD) is more than reasonable.

Heritage Bank N.A.'s (Heritage or bank) quarterly average LTD ratio was 98.3 percent for the 15 quarters between March 31, 2015 and December 31, 2018. The ratio ranged from a quarterly low of 89.1 percent and a quarterly high of 106.7 percent over this period.

The bank's average LTD ratio compares favorably with other community banks operating in at least one of the bank's AAs. The comparison banks ranged in total asset size between \$152 million and \$790 million. The average LTD ratio of these 11 comparison community banks was 75.9 percent for the 15 quarters between December 31, 2015 and December 31, 2018. The ratio ranged from an average quarterly low of 36.6 percent and an average quarterly high of 95.2 percent.

Lending in Assessment Area

A majority of the bank's loans are inside its AAs.

The bank originated and purchased 70.9 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	710	71.4	285	28.6	995	114,219	64.8	62,018	35.2	176,237
Small Business	53	66.2	27	33.8	80	14,217	62.7	8,474	37.3	22,691
Small Farm	42	70.0	18	30.0	60	9,402	72.5	3,566	27.5	12,968
Total	805	70.9	330	29.1	1,135	137,838	65.0	74,058	35.0	211,896

Source: HMDA and Loan Sample Data

Description of Institution

Heritage is a multi-state financial institution headquartered in Spicer, Minnesota. As of December 31, 2018, Heritage had \$435 million in total assets. Heritage is a wholly owned subsidiary of Heritage Bancshares Group, Incorporated, a one-bank holding company located in Spicer, Minnesota with \$39 million in total assets as of December 31, 2018. Management operates 13 branches and eight deposit-taking hybrid ATMs in three states: Minnesota (four branches and four hybrid ATMs), Iowa (eight branches and three hybrid ATMs), and South Dakota (one branch and one hybrid ATM). Heritage also owns 36 cash-dispensing ATMs located in Casey's General Stores in cities where the bank has branches and in surrounding communities. Management designated four distinct AAs across these three states – the Minnesota Non-Metropolitan Statistical Area (MN Non-MSA) AA, the Iowa Non-MSA AA (IA Non-MSA), a portion of the Sioux City, Iowa-Nebraska-South Dakota MMSA (Sioux City MSA), and the Sioux Falls, SD MSA (Sioux Falls MSA). The AAs meet the requirements of the Community Reinvestment Act (CRA) and do not arbitrarily exclude low- or moderate-income CTs.

Management opened one new branch since the last CRA examination. The branch is located in Sioux Falls, South Dakota and was opened in late July 2017.

The bank offers traditional loan and deposit products and services to its customers throughout all AAs. As of the December 31, 2018 call report, net loans totaled \$339 million, representing 78 percent of total assets. The bank had the following outstanding loans by dollar volume: farm loans (38.7 percent), business loans (35.5 percent), home mortgage loans (22.5 percent), and consumer loans (3.3 percent). Heritage's tier one capital was \$38 million, or 9.0 percent of average total assets as of December 31, 2018.

Management's strategy is focused on meeting the needs of each area it serves. Management primarily focuses on home mortgage, business, and farm lending in rural Minnesota, farm loans in rural Iowa, and business loans in the Sioux City and Sioux Falls MSAs.

Heritage was rated Satisfactory at its last CRA examination dated May 11, 2015. There are no legal, financial, or other factors impeding Heritage's ability to meet the credit needs in its AAs during the evaluation period.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Heritage was evaluated under the Intermediate Small Bank examination procedures, which includes a Lending Test and a CD Test for the bank overall, the state of Minnesota, the state of Iowa, and the state of South Dakota.

The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates the bank's record of responding to CD needs in its AAs through CD lending, qualified investments, donations, and services. The evaluation period for both tests is January 1, 2016 to December 31, 2018 for all AAs, except the Sioux Falls MSA AA. The evaluation period for the Sioux Falls MSA AA is August 1, 2017 to December 31, 2018, beginning after the Sioux Falls branch was opened. Examiners evaluated loans originated in 2016 separately from loans originated in 2017 and 2018. Loans originated in 2016 are compared to 2006-2010 American Community Survey (2010 ACS) data and loans originated in 2017 and 2018 are compared to the 2011-2015 American Community Survey (2015 ACS) data.

Examiners used data from Heritage's internal loan reports to determine the primary products for each AA. To evaluate lending performance for home mortgage loans, examiners relied on data submitted under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable prior to the start of the examination. To evaluate lending performance for farm and business loans, examiners selected an initial random sample of 20 loans originated and purchased during the evaluation for each primary loan product in each AA for 2016 and for 2017-18. Examiners selected additional loans as needed to have sufficient information to analyze borrower and geographic distributions within each AA. The 2017-18 Minnesota non-metropolitan statistical area (Non-MSA) AA and the 2017-18 Iowa Non-MSA AA farm loan samples were expanded to 60 loans to provide more comprehensive representation of the loan portfolio after the initial analysis did not result in conclusive findings.

Selection of Areas for Full-Scope Review

In each state where the bank has a branch, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each state rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the ratings. Examiners placed the most weight on the Minnesota state ratings to arrive at the overall bank conclusions. The majority of deposits and lending activity originate from Minnesota branches. Deposits from Minnesota branches represented 62 percent of the bank's total deposits as of June 30, 2018. Seventy-five percent of bank's total loan originations by number and 70 percent of the bank's total loan originations by dollar volume were originated in Minnesota. Additionally, Heritage's deposit market share is largest in the Minnesota AA compared to the other AAs, representing 12.3 percent of total deposits in the AA, which is the third largest deposit market share of the twenty-two banks in the AA. Examiners placed the least weight on the South Dakota rating because the deposits and loan originations from the state's only branch represent a low percentage of the bank's overall deposit and loan origination volume. As of June 30, 2018 South Dakota deposits represented one percent of total bank deposits. The branch originated two percent of total bank loans by number and five percent by dollar volume between August 1, 2017 and the end of the evaluation period of December 31, 2018, after the new branch was opened.

The state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Examiners presented the state ratings in the order of most impact to the bank's overall rating: Minnesota, Iowa, and South Dakota.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Minnesota

CRA rating for the State of Minnesota: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The bank exhibits reasonable geographic distribution of loans to geographies of different income levels.
- The bank exhibits reasonable borrower distribution of loans to individuals of different income levels and businesses and farms of different sizes.
- There were no CRA-related complaints received since the prior CRA examination.
- CD activities exhibit excellent responsiveness to AA needs considering the bank's capacity. Lenders originated four CD loans totaling \$4.5 million during the evaluation period.
- A branch and two hybrid deposit-taking ATMs are located near a moderate-income CT to reasonably serve the CT.

Description of Institution's Operations in Minnesota

There is one AA in the state of Minnesota: The MN Non-MSA AA. The MN Non-MSA AA consists of three whole counties: Chippewa, Kandiyohi, and Swift. All three counties are located in central Minnesota. Heritage operates four branches and four hybrid ATMs in the following cities: Pennock, Raymond, Spicer, and Willmar. The hybrid ATMs are placed at branch locations. The bank also operates an additional nine non-deposit taking ATMs in Minnesota.

The bank's designated AA complies with the CRA and does not arbitrarily exclude low- or moderate-income CTs from the AA. The AA consists of 20 CTs. In 2017-18, there were two moderate-income, 15 middle-income, and three upper-income CTs. In 2016, there was one moderate-income, 17 middle-income, and two upper-income CTs. There are no low-income CTs or underserved and/or distressed nonmetropolitan middle-income CTs in 2016 or 2017-18.

Management's lending strategy in the AA is home mortgage, farm, and business loans. Bank staff originated 3,057 loans totaling \$475 million between January 1, 2016 and December 31, 2018, which represents 75 percent of the bank's total originations by number of loans and 70 percent of total loans by dollar volume. Examiners determined primary loan products were home mortgage loans for both 2016 and 2017-18 testing periods, business loans for 2016, and farm loans for 2017-18 testing periods, based on Bank provided origination data.

As of June 30, 2018, \$228 million or 62 percent of the bank's total deposits were acquired from the four branches in this AA. Competition in the three-county area is robust. Heritage ranks third of the 22 banks operating in the AA with 12.3 percent of the deposit market share per the Federal Deposit Insurance

Corporation (FDIC) deposit market share report as of June 30, 2018. Citizens Alliance Bank, Bremer Bank N.A, Farm Credit Services, and some of the smaller community banks in the area provide the most competition.

The combined population of the CTs in this AA is 64,132 with 30,099 housing units, according to the 2015 ACS data. According to 2018 Federal Financial Institutions Examination Council (FFIEC) data, median family income is \$69,500. The weighted average median housing value for owner-occupied housing is \$44,133, according to 2015 ACS data, and 62 percent of all housing units are owner-occupied.

Economic conditions in the area are good and stable for most sectors, except agriculture. The agriculture economy continues to struggle from strained cash flow from low commodity prices and high input and rent prices. The major employment sectors in the area are health care, agriculture, retail trade, and manufacturing. A majority of the businesses and farms are considered small with 80 percent of businesses and farms reporting less than \$1 million in gross annual revenue. The United States Bureau of Labor Statistics (U.S. BLS) reports the 2018 average annual unemployment rates for Chippewa, Kandiyohi, and Swift counties are 3.2 percent, 2.9 percent, and 3.7 percent respectively. This compares favorably to the 2018 average national unemployment rate of 3.9 percent and is similar to the state unemployment rate of 3.0 percent, according to the U.S. BLS. Swift County has a higher unemployment rate than the state unemployment rate.

Examiners interviewed three community contacts with local economic development organizations. All contacts stated credit needs in the community are being met. The contacts stated local institutions are meeting the demands of the community by participating in small business loan funds and working with government agencies such as the Farm Service Agency. Affordable housing to accommodate the aging population and need for increased workforce, and continued technical assistance and funding for small businesses were identified as opportunities for CD.

Minnesota Non-MSA AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle% of #	Upper% of #	NA*% of #
Geographies (Census Tracts/BNAs)	20	0.00	10.00	75.00	15.00	0.00
Population by Geography	64,123	0.00	11.26	74.56	14.18	0.00
Housing Units by Geography	30,099	0.00	10.98	74.64	14.38	0.00
Owner-Occupied Housing by Geography	18,772	0.00	8.62	74.61	16.77	0.00
Vacant Units by Geography	4,131	0.00	9.97	70.54	19.49	0.00
Business by Geography	4,415	0.00	9.24	77.19	13.57	0.00
Farms by Geography	835	0.00	8.50	68.62	22.87	0.00
Family Distribution by Income Level	17,496	18.72	16.87	23.06	41.35	0.00
Household Distribution by Income Level	25,968	0.00	11.14	75.29	13.57	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,227	0.00	15.16	74.66	10.18	0.00
FFIEC Adjusted Median Family Income for 2018		69,500	Median Housing Value			144,133
Households Below Poverty Level		12.10%	Median Monthly Gross Rent			629
			Unemployment Rate (2018 BLS – average of 3 counties)			3.30%

Source: 2015 ACS US Census, 2018 FFIEC updated MFI, 2018 U.S. Bureau of Labor Statistics, and 2017 D&B Data.

Due to rounding, totals may not equal 100.00

(*) The NA category consists of geographies that have not been assigned an income classification.

Scope of Evaluation in Minnesota

The MN Non-MSA AA received a full-scope review because it is the only AA within the state of Minnesota. The AA includes three contiguous whole counties of Chippewa, Kandiyohi, and Swift.

The primary products in the MN Non-MSA AA are home, business, and farm loans. Examiners placed slightly more weight on home loans compared to business and farm loans because home loans were a primary product for both 2016 and 2017-2018 testing periods. Loan origination volumes by number and dollar volumes were similar between the three product types during the combined evaluation period of January 1, 2016 through December 31, 2018.

See Appendix A for more details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

LENDING TEST

The bank's performance under the Lending Test in Minnesota is rated Satisfactory.

Based on a full-scope review, the bank's lending performance in the state of Minnesota is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state.

Loans originated in 2016 are compared to 2010 ACS data and loans originated in 2017 and 2018 are compared to 2015 ACS data and, therefore, were evaluated separately.

Home Mortgage Loans

Refer to Table O in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans to CTs of different income levels is excellent. Heritage originated 14 percent of its home mortgage loans to borrowers located in moderate-income CTs in 2016 and 9 percent in 2017-18. 2010 ACS data indicates 6 percent of owner-occupied housing units are located in moderate-income CTs. 2015 ACS data indicates 9 percent of owner-occupied housing units are located in moderate-income CTs. Aggregate HMDA data indicates 8 percent of home mortgage loans within the AA were originated to borrowers located in moderate-income CTs in 2016 and 7 percent in 2017-18.

Loans to Small Businesses

Refer to Table Q in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The geographic distribution of business loans to CTs of different income levels is excellent. Heritage originated 15 percent of its business loans to businesses located in moderate-income CTs in 2016. 2010 ACS data indicates 8 percent of AA businesses are located in moderate-income CTs. Aggregate CRA data indicates 6 percent of AA businesses are located in moderate-income CTs.

Loans to Small Farms

Refer to Table S in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

The geographic distribution of farm loans to CTs of different income levels is poor. Heritage did not originate any farm loans to borrowers located in moderate-income CTs in 2017-18. 2015 ACS data indicates 9 percent of AA farms are located in moderate-income CTs. Aggregate CRA data indicates 13 percent of AA farms are located in moderate-income CTs. The rural moderate-income CT is located on the west side of Swift County, the furthest CT in the county from a bank branch located in Kandiyohi County east of Swift County. Eight financial institutions in or near the moderate-income CT in Swift County serve the moderate-income CT in the nearby cities of Appleton, Benson, Danvers, and Murdoc.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Loans originated in 2016 are compared to 2010 ACS data and loans originated in 2017 and 2018 are compared to 2015 ACS data and, therefore, were evaluated separately.

Home Mortgage Loans

Refer to Table P in the state of Minnesota section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of home mortgage loans to low-and moderate-income (LMI) families is reasonable. Examiners placed greater weight on loans originated in 2017-18 because there were more loans originated in 2017-18 than in 2016. Heritage originated 4 percent of mortgage loans to low-income families in 2016 and 8 percent in 2017-18. 2010 ACS data indicates 17 percent of AA families are low-income. 2015 ACS data indicates 19 percent of AA families are low-income. Aggregate HMDA data indicates 7 percent of home mortgage loans within the AA were originated to low-income families in 2016 and 9 percent in 2017-18.

Heritage originated 14 percent of home mortgage loans to moderate-income families in 2016 and 20 percent in 2017-18. 2010 ACS data indicates 19 percent of AA families are moderate-income. 2015 ACS census data indicates 17 percent of AA families are moderate-income. Aggregate HMDA data indicates 20 percent of home mortgage loans within the AA were originated to moderate-income families in 2016 and 2017-18.

Loans to Small Businesses

Refer to Table R in the state of Minnesota section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of business loans to businesses with gross annual revenues of \$1 million or less is excellent. Heritage originated 70 percent of its business loans to small businesses with gross annual revenues of \$1 million or less in 2016. 2010 ACS data indicates 79 percent of AA businesses have gross annual revenues of \$1 million or less. Aggregate CRA data indicates 46 percent of small loans to businesses within the AA were originated to businesses with gross annual revenues of \$1 million or less in 2016.

Loans to Small Farms

Refer to Table T in the state of Minnesota section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

The distribution of farm loans to farms with gross annual revenues of \$1 million or less is reasonable. Heritage originated 73 percent of its farm loans to small farms with gross annual revenues of \$1 million or less in 2017-18. 2015 ACS data indicates 96 percent of AA farms have gross annual revenues of \$1 million or less. Aggregate CRA data indicates 53 percent of small loans to farms within the AA were originated to farms with gross annual revenues of \$1 million or less in 2017-18. The aggregate and ACS data vary significantly because the ACS data includes very small farms operations, which typically have limited lending needs. Very small farms are typically self-funded with off-farm income. The 2017 United States Department of Agriculture (USDA) Agriculture Census reported 37 percent of farms in the AA are very small with gross annual revenues of less than \$2,500.

Responses to Complaints

Heritage staff and the OCC did not receive any CRA-related complaints during the evaluations period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in the state of Minnesota is rated Outstanding.

Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in the state through CD loans, qualified investments, and CD services considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

Number and Amount of Community Development Loans

Heritage provided an excellent level of CD loans in the state of Minnesota during the evaluation period.

Heritage originated four CD-qualified loans totaling \$4.5 million. Most notably, Heritage originated a \$3 million loan to fund a nursing home and assisted living facility primarily serving LMI individuals and providing affordable housing. Community contacts identified a need to provide more affordable housing, including housing for an aging population. Two additional loans totaling \$1.4 million provided economic development to a small business that created or retained jobs in the AA. Heritage also

originated a \$65 thousand loan to an organization that primarily serves LMI individuals through services and transitional housing.

Number and Amount of Qualified Investments

Heritage did not make any prior or current period qualified investments.

Extent to Which the Bank Provides Community Development Services

Heritage provided a reasonable level of CD services during the evaluation period. Four employees provided 153 service hours to CD-qualified organizations. Notably, one employee provided technical assistance for applicants to facilitate an affordable housing rental program.

State Rating

State of Iowa

CRA rating for the State of Iowa: Satisfactory

The Lending Test is rated: Outstanding

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The bank exhibits reasonable geographic distribution of loans to geographies of different income levels.
- The bank exhibits excellent borrower distribution of loans to farms and businesses of different sizes.
- There were no CRA-related complaints received since the prior CRA examination.
- CD activities exhibit reasonable responsiveness to AA needs considering the bank's capacity.
- Three of the eight Iowa branches are located in low-income or underserved and/or distressed nonmetropolitan middle-income CTs.

Description of Institution's Operations in Iowa

There are two AAs in the state of Iowa: The IA Non-MSA and a portion of the Sioux City MSA AA. The Sioux City MSA is not included as a separate rating area because the bank's AA only includes one Iowa county and no counties in Nebraska or South Dakota.

IA Non-MSA

The IA Non-MSA consists of three whole counties: Cherokee, Ida, and Sac and two partial counties: Buena Vista and Calhoun. Heritage operates four branches and three hybrid ATMs in the following cities: Alta, Aurelia, Holstein, and Lytton. The hybrid ATMs are placed at branch locations. The bank also operates an additional nine non-deposit taking ATMs in rural Iowa.

The bank's designated AA complies with the CRA and does not arbitrarily exclude low- or moderate-income CTs from the AA. The AA consists of 18 CTs. In 2017-18, there was one moderate-income, 16 middle-income, and one upper-income CTs. In 2016, there were 16 middle-income, and two upper-income CTs. Nine middle-income CTs are underserved and/or distressed. There are no low-income CTs in 2016 or 2017-18 and no moderate-income CTs in 2016.

Management's lending strategy in the AA is farm loans. Bank staff originated 465 loans totaling \$83.1 million, representing 11 percent by number and 12 percent by dollar volume of all bank loans originated during the evaluation period. Origination volume represented 48 percent by number and 49 percent by dollar volume of all loans originated in Iowa during the evaluation period. Examiners determined primary loan products were farm loans for both 2016 and 2017-18 testing periods, based on bank provided origination data.

As of June 30, 2018, \$97 million representing 27 percent of total bank deposits and 72 percent of the bank's Iowa state deposits are attributed to the four branches and three deposit-taking ATMs in this AA. Competition in the AA is robust. Heritage ranks eighth of 25 banks operating in the AA with 4.1 percent of the deposit market share per the FDIC deposit market share report as of June 30, 2018. United Bank of Iowa, Central Bank, Cherokee State Bank, The Citizens First National Bank of Storm Lake, and other community banks provide the most competition

The combined population of the CTs in this AA is 53,468 with 24,936 housing units, according to the 2015 ACS data. According to the 2018 FFIEC data, median family income is \$67,800. The weighted average median housing value for owner-occupied housing is \$90,452, according to 2015 ACS data and 66 percent of all housing units are owner-occupied.

Economic conditions in the area are strong and stable for most sectors. The major employment sectors in the area are agriculture, health care, and retail trade. A majority of the businesses and farms are considered small with 82 percent of businesses and farms reporting less than \$1 million in gross annual revenues. The U.S. BLS reports the 2018 average annual unemployment rates for Buena Vista, Calhoun, Cherokee, Ida, and Sac Counties are 2.1 percent, 2.5 percent, 2.2 percent, 2.0 percent, and 2.4 percent, respectively. This compares favorably to the 2018 average national unemployment rate of 3.9 percent and is favorable or similar to the state unemployment rate of 2.5 percent, according to the U.S. BLS.

Examiners interviewed three community contacts with local economic development organizations in Ida and Sac counties. All contacts stated credit needs in the community are largely being met. The primary credit need is agricultural lending, but there are opportunities to provide financing related to workforce development (affordable housing and CD infrastructure projects). The contacts stated local institutions are meeting the demands of the community by participating with government agencies. One contact stated local banks could do more to partner with local economic development and non-profit entities to increase infrastructure programs and provide technical assistance to small businesses. Affordable housing to accommodate the aging and attract an increased workforce, and continued technical assistance and funding for small businesses were identified as opportunities for CD.

Sioux City MSA

The Sioux City MSA consists of one whole county within the Sioux City MSA: Woodbury County, Iowa. Heritage operates four branches and one hybrid ATM in the following cities: Anthon, Cushing, and Sioux City (two branches). The hybrid ATM is placed at a Sioux City branch location. The bank also operates an additional eleven non-deposit taking ATMs in the Sioux City area.

The bank's designated AA complies with the CRA and does not arbitrarily exclude low- or moderate-income CTs from the AA. The AA consists of 26 CTs. In 2017-18, there were two low-income, eight moderate-income, nine middle-income, and six upper-income CTs. One CT in the AA does not have a designated income level. In 2016, there was one low-income, six moderate-income, 14 middle-income, and four upper-income CTs. One CT in the AA does not have a designated income level.

Management's lending strategy in the AA is business loans. Bank staff originated 510 loans totaling \$85.5 million, representing 13 percent by number and 10 percent by dollar volume of all bank loans originated during the evaluation period. Origination volume represented 52 percent by number and 51 percent by dollar volume of all loans originated in Iowa during the evaluation period. Examiners determined primary loan products were business loans for both 2016 and 2017-18 testing periods, based on bank-provided origination data.

As of June 30, 2018, \$38 million representing 10 percent of total bank deposits and 28 percent of the bank's Iowa deposits are attributed to the four branches and one deposit-taking ATM in this AA. Competition in the AA is robust. Heritage ranks fifteenth of 21 banks operating in the AA with 1.6 percent of the deposit market share per the FDIC deposit market share report as of June 30, 2018. Regional and megabanks provide the most competition.

Examiners completed a limited-scope review of the Sioux City MSA and did not analyze any additional performance context.

IA Non-MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Iowa Non-MSA AA 2015 ACS U.S. Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle% of #	Upper% of #	NA*% of #
Geographies (Census Tracts/BNAs)	18	0.00	5.56	88.88	5.56	0.00
Population by Geography	53,466	0.00	11.61	85.34	3.06	0.00
Housing Units by Geography	24,936	0.00	9.67	86.89	3.44	0.00
Owner-Occupied Housing by Geography	16,351	0.00	7.81	88.91	3.28	0.00
Vacant Units by Geography	2,738	0.00	8.14	86.6	5.26	0.00
Business by Geography	4,109	0.00	11.05	85.57	3.38	0.00
Farms by Geography	1,166	0.00	2.57	89.28	8.15	0.00
Family Distribution by Income Level	14,381	18.57	18.51	25.28	37.65	0.00
Household Distribution by Income Level	22,198	23.30	16.69	21.07	38.94	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	5,332	0.00	14.16	83.44	2.40	0.00
FFIEC Adjusted Median Family Income for 2018		67,800	Median Housing Value			90,452
Households Below Poverty Level		12.17%	Median Monthly Gross Rent			532
			Unemployment Rate (2018 BLS – average of 5 counties)			2.24%

Scope of Evaluation in Iowa

The IA Non-MSA AA received a full-scope review because it represents the majority of deposits within Iowa and nearly half of the state's lending activity. The Sioux City MSA AA received a limited-scope review. The IA Non-MSA AA includes contiguous CTs across five rural Iowa counties: Buena Vista, Calhoun, Cherokee, Ida, and Sac. The primary product in the IA Non-MSA AA is farm loans.

See Appendix A for more details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA

LENDING TEST

The bank's performance under the Lending Test in Iowa is rated Outstanding.

Based on full- and limited-scope reviews, the bank's lending performance in the state of Iowa is excellent. Examiners put more weight on the borrower distribution because there were more opportunities to lend to small borrowers than there were opportunities to lend to moderate-income CTs.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state. A geographic distribution analysis in 2016 was not meaningful. The IA Non-MSA AA did not have any low- or moderate-income CTs in 2016.

Loans to Small Farms

Refer to Table S in the state of Iowa section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

The geographic distribution of farm loans to CTs of different income levels is reasonable. Heritage did not originate any farm loans to borrowers located in moderate-income CTs in 2017-18. 2015 ACS data indicates 3 percent of AA farms are located in moderate-income CTs. Aggregate CRA data indicates less than one percent of AA farms are located in moderate-income CTs. The bank's performance is reasonable because the rural moderate-income CT is near the city of Storm Lake in Buena Vista County and is small. There are only 26 farms located in the moderate-income CT per the 2015 ACS data.

Distribution of Loans by Income Level of the Borrower

The bank exhibits excellent distribution of loans to farms of different sizes, given the product lines offered by the bank.

Loans to Small Farms

Refer to Table T in the state of Iowa section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

The distribution of farm loans to farms with gross annual revenues of \$1 million or less is reasonable. Heritage originated 90 percent of its farm loans to small farms with gross annual revenues of \$1 million or less in 2016 and 85 percent in 2017-18. 2010 and 2015 ACS data indicates 99 percent of AA farms have gross annual revenues of \$1 million or less. Aggregate CRA data indicates 63 percent of small loans to farms within the AA were originated to farms with gross annual revenues of \$1 million or less in 2016 and 64 percent in 2017-18. Examiners evenly weighted ACS and aggregate data.

Responses to Complaints

Heritage staff and the OCC did not receive any CRA-related complaints during the evaluations period.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank’s performance under the Lending Test in the Sioux City MSA AA is consistent with the bank’s overall performance under the Lending Test in the full scope area.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD Test in the state of Iowa is rated Satisfactory.

Based on full-scope and limited-scope reviews, the bank exhibits adequate responsiveness to CD needs in the state through CD loans, qualified investments, and CD services considering the bank’s capacity and the need and availability of such opportunities for CD in the bank’s AAs. The conclusion in the limited-scope AA improved the state’s overall CD test rating from needs improvement to satisfactory. The Sioux City MSA CD activity below was included because it contributed to the CD Test rating for the state of Iowa.

Number and Amount of Community Development Loans

IA Non-MSA

Heritage did not originate any CD loans in the IA Non-MSA AA. This reflects poor performance relative the opportunities to participate in CD-qualified lending.

Sioux City MSA

Heritage originated two multifamily affordable housing loans totaling \$725 thousand in the Sioux City MSA AA.

Number and Amount of Qualified Investments

IA Non-MSA

Heritage invested in a low volume of current period donations benefitting two CD-qualified organizations in the IA Non-MSA AA.

Sioux City MSA

Heritage did not have any investments in the Sioux City MSA AA.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
IA Non-MSA	0	0	2	5	2	100.0	5	100.0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

Extent to Which the Bank Provides Community Development Services

IA Non-MSA

Heritage provided a reasonable level of CD services during the evaluation period. Two employees provided 51 service hours to CD-qualified organizations in the IA Non-MSA AA to an affordable housing organization and an organization focusing on revitalizing and stabilizing underserved non-metropolitan middle-income CTs.

Sioux City MSA

Heritage provided a reasonable level of CD services during the evaluation period. Three employees provided 130 service hours to CD-qualified organizations in the Sioux City MSA AA to an affordable housing organization and an organization primarily serving LMI individuals.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the CD Test in the Sioux City MSA AA is stronger than the bank's overall performance under the CD Test in the full scope area. The stronger performance resulted in a change in the Iowa state CD lending test rating because there are more opportunities in the Sioux City MSA AA to provide CD activities. Additionally, CD activities in the state of Iowa overall are adequate given the percentage of bank deposits in relationship with the bank's capital levels.

State of South Dakota

CRA rating for the State of South Dakota: Outstanding

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The bank exhibits excellent geographic distribution of loans to geographies of different income levels.
- The bank exhibits excellent borrower distribution of loans to borrowers of different income levels.
- There were no CRA-related complaints received since the prior CRA examination.
- CD activities exhibited excellent responsiveness to AA needs and considering the bank's capacity.
- The state's only branch and hybrid deposit-taking ATM are located in a moderate-income CT.

Description of Institution's Operations in South Dakota

There is one AA in the state of South Dakota: Sioux Falls MSA AA. The Sioux Falls MSA AA consists of one whole county within the Sioux Falls MSA: Minnehaha County. Heritage operates one branch and one hybrid ATM in the city of Sioux Falls. The hybrid ATM is placed at the branch location. Heritage also operates seven non-deposit taking ATMs in Sioux Falls. The Sioux Falls branch was opened in late July 2017 and we considered all activity from the branch as of August 1, 2017.

The bank's designated AA complies with the CRA and does not arbitrarily exclude low- or moderate-income CTs from the AA. The AA consists of 42 CTs. In 2017 and 2018, there were 17 moderate-income, 18 middle-income, and seven upper-income CTs. There are no low-income CTs.

Management's lending strategy in the AA is business loans. Bank staff originated 64 loans totaling \$36.6 million between August 1, 2017 and December 31, 2018, which represents two percent of the bank's total originations by number of loans and five percent of total loans by dollar volume during the entire CRA evaluation period. We determined business loans are the primary loan product in the Sioux Falls MSA AA, representing 91 percent of loans originated in the AA by dollar volume and 73 percent by number.

As of June 30, 2018, \$2.6 million or one percent of the bank's total deposits are attributed to the one branch and one deposit-taking ATM in this AA. Competition in the AA is strong. Heritage ranks last of the 26 banks operating in the AA with 0 percent of the deposit market share per the FDIC deposit market share report as of June 30, 2018. Two megabanks with nationwide footprints capture 99 percent of the AA's total deposits.

The combined population of the CTs in this AA is 178,942 with 74,752 housing units, according to the 2015 ACS data. According to the 2018 FFIEC data, median family income is \$78,700. The weighted

average median housing value for owner-occupied housing is \$148,825, according to 2015 ACS data, and 60 percent of all housing units are owner-occupied.

Economic conditions in the area are good and stable. Major industries include health care, retail, finance and banking, manufacturing, transportation and warehousing, and data centers. A majority of the businesses and farms are considered small with 80 percent of businesses and farms reporting less than \$1 million in gross annual revenues. The U.S. BLS reports the 2018 average annual unemployment rate for Minnehaha County is 2.6 percent. This compares favorably to the 2018 average national unemployment rate of 3.9 percent and the state unemployment rate of 2.9 percent.

Examiners reviewed two community contacts for Sioux Falls. The first community contact was an executive director for a local planning and development district. The contact stated the Sioux Falls economy continues to grow and remains strong. The contact identified affordable housing as a primary credit need in Sioux Falls. The second community contact was a farm loan manager for a local governmental agency. The contact stated Sioux Falls' non-farm economy is booming, which is resulting in new jobs and construction of new business locations and housing. Within Sioux Falls, the contact identified commercial loans and home mortgage loans as the primary credit needs. In communities outside of Sioux Falls, the contact identified agricultural lending and home mortgage loans as the primary credit needs.

Sioux Falls MSA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Sioux Falls MSA AA 2015 ACS U.S. Census						
Demographic Characteristics	#	Low % of #	Moderate of #	Middle% of #	Upper% of #	NA*% of #
Geographies (Census Tracts/BNAs)	42	0.00	40.48	42.85	16.67	0.00
Population by Geography	178,942	0.00	37.67	45.54	16.79	0.00
Housing Units by Geography	74,752	0.00	40.95	43.41	15.64	0.00
Owner-Occupied Housing by Geography	44,644	0.00	28.29	50.64	21.07	0.00
Vacant Units by Geography	4,612	0.00	50.78	35.41	13.81	0.00
Business by Geography	12,374	0.00	50.40	35.03	14.57	0.00
Farms by Geography	648	0.00	13.27	65.59	21.14	0.00
Family Distribution by Income Level	44,325	20.99	19.27	24.20	35.54	0.00
Household Distribution by Income Level	70,140	24.15	19.11	19.18	37.56	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	17,845	0.00	50.55	40.44	9.01	0.00
FFIEC Adjusted Median Family Income for 2018 Households Below Poverty Level		78,700 11.41%	Median Housing Value Median Monthly Gross Rent Unemployment Rate (2018 BLS)			148,825 716 2.6%

Source: 2015 ACS US Census, 2018 FFIEC updated MFI, 2018 U.S. Bureau of Labor Statistics, and 2017 D&B Data.

Due to rounding, totals may not equal 100.00

(*) The NA category consists of geographies that have not been assigned an income classification.

Scope of Evaluation in South Dakota

The Sioux Falls MSA AA will receive a full-scope review because it is the only AA within the state of South Dakota. The AA includes a portion of the Sioux Falls MSA: all of Minnehaha County. The primary product in the Sioux Falls MSA AA is business loans. The Sioux Falls branch was opened late July 2017. Examiners evaluated branch activity beginning August 1, 2017 through December 31, 2018.

See Appendix A for more details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

LENDING TEST

The bank's performance under the Lending Test in South Dakota is rated Outstanding.

Based on a full-scope review, the bank's lending performance in the state of South Dakota is excellent. Examiners gave equal weight to the geographic and borrower distribution. The bank's geographic distribution of loans exceeded the average ACS data and aggregate data by a higher percentage than the bank's borrower distribution of loans was lower than the average ACS data and aggregate data.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the state.

Loans to Small Businesses

Refer to Table Q in the state of South Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The geographic distribution of business loans to CTs of different income levels is excellent. Heritage originated 50 percent of its business loans to businesses located in moderate-income CTs in 2017-18. 2015 ACS data indicates 50 percent of AA businesses are located in moderate-income CTs. Aggregate CRA data indicates 52 percent of AA businesses are located in moderate-income CTs in 2017-18.

Distribution of Loans by Income Level of the Borrower

The bank exhibits excellent distribution of loans to businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

Refer to Table R in the state of the South Dakota section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of business loans to businesses with gross annual revenues of \$1 million or less is excellent. Heritage originated 60 percent of its business loans to small businesses with gross annual

revenues of \$1 million or less in 2017-18. 2015 ACS data indicates 79 percent of AA businesses have gross annual revenues of \$1 million or less. Aggregate CRA data indicates 53 percent of small loans to businesses within the AA were originated to businesses with gross annual revenues of \$1 million or less in 2017-18.

Responses to Complaints

Heritage staff and the OCC did not receive any CRA-related complaints during the evaluations period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in the state of South Dakota is rated Outstanding.

Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in the MSA through CD loans, qualified investments, and CD services considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA. Examiners considered the state of South Dakota's very low deposit and loan volume and the shorter time the branch was open to arrive at the state CD rating conclusions.

Number and Amount of Community Development Loans

Heritage provided an excellent level of CD loans in the state of South Dakota during the evaluation period. Heritage originated one economic development loan totaling \$194 thousand to fund a small business with a guarantee from the Small Business Administration's 504 loan program. A community contact identified business loans as a primary need within Sioux Falls.

Number and Amount of Qualified Investments

Heritage did not make any prior or current period qualified investments. The lack of investments is reasonable given the state's very low percentage of total bank deposits and loan volume and the shorter evaluation period with the branch opening in July 2017.

Extent to Which the Bank Provides Community Development Services

Heritage employees from the one branch in the AA did not provide any service hours in the AA.

The state's only branch and deposit-taking ATM is located in a moderate-income CT.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope.”

Time Period Reviewed:	01/01/16 to 12/31/18	
Bank Products Reviewed:	Home mortgage, small business, and small farm loans Community development loans, qualified investments, and community development services	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Minnesota		
MN Non-MSA	Full-scope	Counties of Chippewa, Kandiyohi, and Swift Includes Pennock, Raymond, Spicer, and Willmar branches Primary products include home loans (2016 and 2017-2018), business loans (2016), and farm loans (2017-2018)
Iowa		
IA Non-MSA	Full-scope	Counties of Cherokee, Ida, and Sac; Partial Counties of Buena Vista and Calhoun. Includes Alta, Aurelia, Holstein, and Lytton branches Primary product is farm loans
Sioux City MMSA #43580	Limited-scope	County of Woodbury, IA; Partial City of Sioux City MMSA. Includes Anthon, Cushing, Sioux City Downtown, and Sioux City Singing Hills branches Primary product is business loans
South Dakota		
Sioux Falls MSA #43620	Full-scope	County of Minnehaha; Partial City of Sioux Falls; branch opened late July. Includes Sioux Falls branch. Considered branch activity beginning August 1, 2017. Primary product is business loans

Appendix B: Summary of State Ratings

RATINGS HERITAGE BANK, NA			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
HERITAGE BANK, NA	Satisfactory	Outstanding	Satisfactory
State			
MINNESOTA	Satisfactory	Outstanding	Satisfactory
IOWA	Outstanding	Satisfactory	Satisfactory
SOUTH DAKOTA	Outstanding	Outstanding	Outstanding

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/AA.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, other secured consumer loans, and other unsecured consumer loans.

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, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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 percent and less than 120 percent, in the case of a geography

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

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

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

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

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/AA. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/AA. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s AA.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/AA.

STATE OF MINNESOTA

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2016
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
MN Non-MSA	231	32,727	100.0	0.0	0.0	0.0	5.8	13.9	8.2	81.3	65.8	75.3	12.9	20.3	16.5	0.0	0.0	0.0
<i>Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0</i>																		

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																		2017-2018
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
MN Non-MSA	332	50,073	100.0	0.0	0.0	0.0	8.6	8.7	7.1	74.6	74.7	75.8	16.8	16.6	17.1	0.0	0.0	0.0
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>																		

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2016

Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$(000)s	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
MN Non-MSA	231	32,727	100.0	16.8	3.5	7.2	18.5	13.9	19.5	24.1	22.9	21.0	40.5	51.9	35.0	0.0	7.8	17.3

Source: 2010 U.S. Census ; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-2018

Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$(000)s	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
MN Non-MSA	332	50,073	100.0	18.7	7.5	8.9	16.9	19.6	19.8	23.1	29.2	8.9	41.3	41.6	30.7	0.0	2.1	18.9

Source: 2015 ACS Census ; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2016

Assessment Area:	Total Loans in Business Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
MN Non-MSA	20	2,853	9.3	0.0	0.0	0.0	7.8	15.0	5.7	81.0	75.0	83.5	11.2	10.0	10.8	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2016

Assessment Area:	Total Loans in Business Sample			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
MN Non-MSA	20	2,853	9.3	78.8	70.0	46.0	7.4	30.0	13.8	0.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0.

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography 2017-2018

Assessment Area:	Total Loans in Farm Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
MN Non-MSA	60	11,739	10.9	0.0	0.0	0.0	8.7	0.0	12.8	68.9	88.3	65.8	22.4	11.7	21.4	0.0	0.0	0.0

Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0. Expanded to 60 loans inside the AA

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues 2017-2018

Assessment Area:	Total Loans in Farm Sample			Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$(000)s	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
MN Non-MSA	60	11,739	10.9	96.0	73.3	53.0	2.0	26.7	2.0	0.0

Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0; Expanded to 60 loans inside the AA

STATE OF IOWA

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2016

Assessment Area:	Total Loans in Business Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Sioux City MSA	20	5,248	28.2	2.1	0.0	2.1	30.4	40.0	34.9	43.6	40.0	38.5	23.9	20.0	24.5	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography 2017-2018

Assessment Area:	Total Loans in Business Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Sioux City MSA	20	359	13.7	21.4	10.0	23.8	16.3	30.0	19.2	29.5	55.0	26.3	32.9	5.0	30.7	0.0	0.0	0.0

Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2016

Assessment Area:	Total Loans in Business Sample			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Sioux City	20	5,248	28.2	77.5	70.0	47.1	7.1	25.0	15.4	5.0

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2017-2018

Assessment Area:	Total Loans in Business Sample			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Sioux City	20	359	13.7	77.3	85.0	48.6	7.1	15.0	15.6	0.0

Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography 2017-2018

Assessment Area:	Total Loans in Farm Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$(000)s	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
IA Non-MSA	60	19,850	39.7	0.0	0.0	0.0	2.6	0.0	0.5	89.1	98.3	96.6	8.3	1.7	2.9	0.0	0.0	0.0

Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0; Expanded to 60 loans inside the AA

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues										2016	
Assessment Area:	Total Loans in Farm Sample			Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$(000)s	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
IA Non-MSA	20	4,767	17.7	98.7	90.0	63.2	0.6	5.0	0.7	5.0	
<i>Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data</i> <i>Due to rounding, totals may not equal 100.0</i>											

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues										2017-2018	
Assessment Area:	Total Loans in Farm Sample			Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available		
	#	\$(000)s	% of Total	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans	
IA Non-MSA	60	19,850	39.7	98.6	85.0	64.3	0.7	13.3	0.7	1.7	
<i>Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data</i> <i>Due to rounding, totals may not equal 100.0; Expanded to 60 loans inside the AA</i>											

STATE OF SOUTH DAKOTA

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																	2017-2018		
Assessment Area:	Total Loans in Business Sample			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Sioux Falls MSA	20	13,314	42.6	0.0	0.0	0.0	50.4	50.0	51.7	35.2	40.0	32.8	14.4	10.0	15.6	0.0	0.0	0.0	
<i>Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data</i> <i>Due to rounding, totals may not equal 100.0</i>																			

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2017-2018**

Assessment Area:	Total Loans in Business Sample			Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$(000)s	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Sioux Falls MSA	20	13,314	42.6	79.0	60.0	53.0	7.6	35.0	13.4	5.0

*Source: 2017 and 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*