

# **PUBLIC DISCLOSURE**

April 5, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Currie State Bank  
Certificate Number: 8833

141 Mill Street  
Currie, Minnesota 56123

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.

Satisfactory performance under the Lending Test supports the rating. The following points summarize the bank's performance:

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small farm loans were located inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

### Background

Currie State Bank is a community bank headquartered in Currie, Minnesota. Currie Bancorporation, Inc., Currie, Minnesota, a one-bank holding company, owns 100 percent of the institution. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated May 4, 2015, based on Small Institution Examination Procedures.

### Operations

Currie State Bank operates a full-service facility in the rural community of Currie, Minnesota, and an additional full-service branch in Okabena, Minnesota. The bank acquired the branch in Okabena on December 16, 2016, through the acquisition of First State Bank of Okabena. Currie State Bank continues to offer traditional credit products including agricultural, commercial, residential real estate, and consumer loans, with agricultural lending being its primary focus. The bank also offers government guaranteed loans such as those offered by the Small Business Administration and Farm Service Agency and for first time home buyers. Additionally, the bank assists with Payroll Protection Program loans due to the Covid-19 pandemic. The institution also offers basic deposit products including checking, savings, and certificate of deposit accounts. The bank provides its customers online and mobile banking options as alternative retail channels. Additionally, the bank operates three cash-dispensing ATMs.

### Ability and Capacity

Assets totaled approximately \$92.7 million as of December 31, 2020, and included loans of \$80.7 million. Total deposits equaled \$82.5 million as of the same date. The following table reflects the bank's loan portfolio composition.

Loan Portfolio Distribution as of 12/31/2020		
Loan Category	\$(000s)	%
Construction and Land Development	160	0.2
Secured by Farmland	32,224	39.9
Secured by 1-4 Family Residential Properties	5,565	6.9
Secured by Nonfarm Nonresidential Properties	5,424	6.7
<b>Total Real Estate Loans</b>	<b>43,373</b>	<b>53.7</b>
Commercial and Industrial Loans	6,084	7.5
Agricultural Loans	29,005	35.9
Obligations of States and Political Subdivisions in the United States	735	0.9
Consumer Loans	1,337	1.7
Other Loans	154	0.2
<b>Total Loans</b>	<b>80,728</b>	<b>100.0</b>

*Source: Reports of Condition and Income (Call Report)  
Due to rounding, totals may not equal 100%*

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment area's credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Currie State Bank designated a single assessment area in nonmetropolitan Minnesota in the southwestern portion of the state. The assessment area includes all of Lyon and Murray counties, as well as portions of the following counties: Cottonwood - census tracts 2702 and 2703; Jackson – census tracts 4802 and 4803; Lincoln – census tract 2010.02; Nobles – 1051, 1052, 1054, 1055, and 1056; Pipestone – 4601 and 4605. The institution’s main office is in Murray County in census tract 9001, and its branch office is located in Jackson County in census tract 4802.

### **Economic and Demographic Data**

According to the 2015 American Community Survey (ACS), the assessment area contains three moderate-income census tracts, 17 middle-income tracts, and two upper-income tracts. The following table provides select demographic characteristics for the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	22	0.0	13.6	77.3	9.1	0.0
Population by Geography	70,236	0.0	15.8	72.2	12.0	0.0
Housing Units by Geography	31,208	0.0	13.4	75.3	11.3	0.0
Owner-Occupied Units by Geography	20,276	0.0	9.6	78.7	11.7	0.0
Occupied Rental Units by Geography	7,206	0.0	24.8	64.1	11.1	0.0
Vacant Units by Geography	3,726	0.0	11.6	78.8	9.6	0.0
Businesses by Geography	5,394	0.0	17.0	72.6	10.4	0.0
Farms by Geography	1,201	0.0	3.0	88.5	8.5	0.0
Family Distribution by Income Level	18,067	18.9	17.5	22.8	40.8	0.0
Household Distribution by Income Level	27,482	23.5	15.8	18.8	42.0	0.0
Median Family Income Non-MSAs - MN		\$63,045	Median Housing Value			\$116,169
			Median Gross Rent			\$600
			Families Below Poverty Level			8.8%

*Source: 2015 ACS and 2020 D&B Data*

*Due to rounding, totals may not equal 100.0%*

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

The largest towns in the assessment area are Marshall and Worthington with populations of approximately 13,680 and 12,764 persons, respectively. D&B data from 2020 indicates that the service industry represents the largest portion of employment at 30.4 percent, followed by agricultural at 18.2 percent. In addition, 68.2 percent of area businesses and farms have four or fewer employees, and 87.0 percent operate from a single location.

In early 2020, the COVID-19 pandemic began to spread, resulting in government-mandated business closings across the country. However, due to a lag in published data, the economic impact on the assessment area is unknown.

### **Competition**

The assessment area is moderately competitive for financial services. According to the 2020 FDIC Deposit Market Share report, 31 financial institutions operate 60 offices in the seven counties included in the bank's assessment area. This figure is somewhat skewed since the bulk of those institutions are located within Marshall, Minnesota. When specifically evaluating Murray and Jackson counties, the location of Currie State Bank's two branches, there are 11 financial institutions operating 16 offices. Of these institutions, Currie State Bank ranked 4th in deposit market share at 11.7 percent.

### **Community Contacts**

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners utilized an existing interview with a representative from an area government agency. The contact noted that the local economy is largely dependent on agriculture with a mix of small and large farm operations. The contact stated that farmers do not have a strong market position due to low commodity prices, which may negatively affect farmers with a high debt load. In addition, the majority of small farms have off-farm income to support their operations. Primary credit needs include agricultural loans to finance land purchases, farm equipment, and grain storage facilities. Overall, the contact indicated that banks are meeting the credit needs of the area.

### **Credit Needs**

Considering information from the community contact, bank management, demographic, and economic data, examiners determined that small farm lending is the assessment area's primary credit need.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated May 4, 2015, to the current evaluation dated April 5, 2021. Examiners used Interagency Small Institution Examination Procedures to conduct the evaluation, which includes a Lending Test. Refer to the Appendices for the description of the test.

### **Activities Reviewed**

Examiners determined the bank's major product line to be small farm loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Small business and home mortgage loans were not reviewed since they are not a primary product line for the institution and do not represent a significant portion of the loan portfolio.

Examiners reviewed all small farm originated in 2020 for the Assessment Area Concentration analysis. This consisted of 321 farm loans totaling approximately \$40.5 million. For the Geographic Distribution analysis, examiners analyzed all small farm loans from inside the assessment area. The Borrower Profile analysis evaluated a sample of small farm loans originated in 2020 that were located within the bank’s assessment area. Specifically, examiners reviewed 58 small farm loans totaling approximately \$6.6 million. D&B data for 2020 provided a standard of comparison for the small farm loans. When conducting the Assessment Area Concentration, Geographic Distribution, and Borrower Profile analyses, examiners placed greater weight on the number of loans than the dollar volume of loans as it is a better indicator of the small farms served.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Currie State Bank demonstrated satisfactory performance under the Lending Test. The bank’s performance under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports this conclusion.

### **Loan-to-Deposit Ratio**

Currie State Bank’s net loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and assessment area credit needs. This ratio, calculated from Call Report data, averaged 105.5 percent over the past 23 calendar quarters. The bank’s net loan-to-deposit ratio ranged from 95.0 percent to 114.8 percent during the evaluation period. Examiners compared Currie State Bank’s average net loan-to-deposit ratio to three other financial institutions as shown below. The comparable institutions were selected based on their asset size, lending focus, and geographic location.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net Loan-To-Deposit Ratio (%)</b>
<b>Currie State Bank, Currie, MN</b>	<b>92,671</b>	<b>105.5</b>
State Bank of Lismore, Lismore, MN	66,407	114.7
Adrian State Bank, Adrian, MN	56,389	86.3
State Bank of Chandler, Chandler, MN	52,320	83.4
<i>Source: Reports of Condition and Income 6/30/2015 – 12/31/2020</i>		

### **Assessment Area Concentration**

As detailed in the table below, Currie State Bank made a majority of small farm loans, by number and dollar volume, within its assessment area.

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		
	#	%	#	%		\$	%	\$	%	
Small Farm	263	81.9	58	18.1	321	33,174	81.9	7,311	18.1	40,485
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's small farm lending performance support this conclusion.

#### ***Small Farm Lending***

There are three moderate-income census tracts, and no low-income census tracts within the assessment area. D&B data indicates that only 3 percent of farms in the assessment area are located in these census tracts. Furthermore, the three moderate-income census tracts are located in the towns of Marshall, Tracy, and Worthington. D&B data indicates there are only 36 farms in these census tracts, which provides a limited opportunity to originate small farm loans. Several financial institutions are located in the towns and census tracts referenced. Given the demographic data and location of the census tracts, the bank's performance is reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	3.0	0	0.0	0	0.0
Middle	88.5	248	94.3	30,866	93.0
Upper	8.5	15	5.7	2,308	7.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>263</b>	<b>100.0</b>	<b>33,174</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data.</i> <i>Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Examiners focused on the percentage of loans, by number, to farms with gross annual revenues of \$1 million or less.

#### ***Small Farm Lending***

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although the bank's lending to farms with gross revenue of \$1 million or less lags D&B data, additional factors were considered. For example, many local farmers do not borrow. According to the 2017 Census of Agriculture, 44 percent of farm operations in the seven counties that make up the assessment area did not report interest expense. In addition, 46 percent of



producers in the seven counties that make up the assessment area do not report farming as their principal occupation, indicating farming is more of a hobby. After considering these factors, examiners concluded that the bank’s record of lending to farms of different sizes is reasonable. The following table provides details.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	98.4	33	56.9	2,921	44.3
>1,000,000	0.7	25	43.1	3,669	55.7
Revenue Not Available	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>6,590</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

**Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, examiners did not evaluate the bank’s record of responding to CRA-related complaints.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution’s CRA rating.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

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

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

## GLOSSARY

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

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

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

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

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

**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.

**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.

**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.

**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 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.

**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.