



PUBLIC DISCLOSURE

October 4, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Stearns Bank Holdingford National Association
Charter # 23457

580 Main St
Holdingford, MN 56340

Office of the Comptroller of the Currency

222 South Ninth Street
Suite 800
Minneapolis, MN 55402-3393

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 major factors that support this rating include:

- The distribution of consumer loans to individuals of different income levels is excellent.
- The bank originated or purchased a majority of its loans, primarily business loans, outside its assessment area (AA). The bank originated consumer loans primarily inside its assessment area.
- The bank's loan-to-deposit (LTD) ratio is more than reasonable.
- The bank has received no CRA related complaints.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio is more than reasonable.

Stearns Bank Holdingford National Association's (Stearns Bank Holdingford) LTD ratio averaged 101.88 percent over the 23 quarters since the previous CRA evaluation. The bank's quarterly LTD ratio as of June 30, 2021 is the lowest it has been since the previous evaluation. The ratio reached a high of 112.83 percent in the first quarter of 2016. Stearns Bank Holdingford ranks first when compared to six other similarity situated institutions. Similarly situated institutions include institutions operating in or near the bank's AA with total assets between \$75 million and \$194 million. The following shows the bank's LTD ratio compared to similarly situated institutions:

Institution (Headquarters)	Total Assets as of 6/30/2021 (000s)	Average LTD Ratio (%)
Stearns Bank Holdingford National Association (Holdingford, MN)	\$102,333	101.88
Bonanza Valley State Bank (Brooten, MN)	\$75,390	91.97
Granite Community Bank (Cold Spring, MN)	\$141,979	91.35
Freeport State Bank (Freeport, MN)	\$137,420	85.76
Harvest Bank (Kimball, MN)	\$193,517	78.21
First State Bank of Sauk Centre (Sauk Centre, MN)	\$138,053	77.23
State Bank of Cold Spring (Cold Spring, MN)	\$79,659	58.71

Lending in Assessment Area

The bank originated and purchased a substantial majority of its total loans outside the bank’s AA during the evaluation period. Nearly all the bank’s loans during the evaluation period consist of business loans purchased from an affiliate as part of a national lending program. Our sample of business loans resulted in no loans being located inside the AA. To evaluate the bank’s lending inside and outside its assessment area, we selected a sample of 20 business loans and 20 consumer loans. In total, 30 percent of loans sampled were made inside the AA. Consumer lending is the bank’s primary lending strategy in the market. The consumer loan portfolio consists of traditional loans originated by the bank and is reflective of meeting the consumer credit needs of the AA. Our sample of consumer loans showed 60 percent of loans were originated within the AA.

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 Business	0	0.0	20	100.0	20	0	0.0	635,608	100.0	635,608
Consumer	12	60.0	8	40.0	20	130,974	72.3	50,252	27.7	181,226
Total	12	30.0	28	70.0	40	130,974	16.0	685,860	84.0	816,834

Description of Institution

Stearns Bank Holdingford is a \$102 million institution headquartered in Holdingford, Minnesota (MN). Stearns Bank Holdingford does not operate any subsidiaries and did not elect to have affiliate activity considered in this evaluation. Stearns Bank Holdingford is wholly owned by Stearns Financial Services, Inc. Employee Stock Ownership Plan, a multi-bank holding company, headquartered in Saint Cloud, MN. Stearns Bank Holdingford did not have merger or acquisition activity during the evaluation period.

Stearns Bank Holdingford is a single-state institution with one full-service location in Holdingford, MN. Stearns Bank Holdingford operates one cash-dispensing ATM located on-site. For CRA purposes, Stearns Bank Holdingford has one rating area, which consists of the state of Minnesota. The MN rating area consists entirely of the Holdingford AA, which includes four Stearns County census tracts (CT) that are part of the St. Cloud metropolitan statistical area (MSA).

Stearns Bank Holdingford is a full-service commercial bank offering a variety of loan and deposit products. When considering all lending activity, the bank’s primary focus is business loans; however, this primarily consists of loan purchases from affiliate Stearns Bank N.A. Consumer loans account for the majority of loans underwritten and originated at Stearns Bank Holdingford. Stearns Bank Holdingford purchases sales contracts through Stearns Bank NA’s as part of a nationwide lending program. The program is directed towards small businesses, although most are located outside of the Holdingford AA. By number, 99 percent of business loans are in the amount of \$100 thousand or less.

Net loans and leases represent 68 percent of total assets as of June 30, 2021. The loan portfolio is comprised of 93.4 percent commercial loans, 5.6 percent residential real estate loans, 0.6 percent consumer loans, and 0.4 percent commercial loans, based on dollar volume. Tier one capital was \$19 million or 18.6 percent of total assets at the end of the evaluation period.

There are no known financial, legal, or other factors that impede Stearns Bank Holdingford’s ability to meet the credit needs of its AA during the evaluation period. Stearns Bank Holdingford received an Outstanding rating at the last CRA examination dated November 30, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated Stearns Bank Holdingford’s CRA performance utilizing small bank performance standards. The evaluation period for the LTD ratio analysis and complaint review covered December 31, 2015 to June 30, 2021. We analyzed the bank’s primary loan products for the Lending Test, which were determined based on loan originations and purchases from January 1, 2018 to December 31, 2020. The table below reflects only loan originations during the evaluation period. Consumer loans represented the largest volume of loan originations by both dollar and number.

Loan Originations 2018-2020				
	Dollar of Loans		Number of Loans	
	\$	%	#	%
Consumer	882,836	49.1	30	68.2
Farm	484,455	27.0	6	13.6
Business	104,646	5.8	3	6.8
Home Mortgage	325,000	18.1	5	11.4
Total	1,796,937	100.0	44	100.0

The table below shows loan originations and purchases during the evaluation period. By comparison, this data includes purchased business and farm loans from the affiliate’s national lending program not shown above. Purchased loan volume is significant and accounts for most of the bank’s overall lending activity during the evaluation period.

Loan Originations and Purchases 2018-2020				
	Dollar of Loans		Number of Loans	
	\$	%	#	%
Business	123,094,379	92.4	4,056	91.1
Farm	8,963,433	6.7	362	8.1
Consumer	882,836	0.7	30	0.7
Home Mortgage	325,000	0.2	5	0.1
Total	133,265,648	100.0	4,453	100.0

For purposes of this evaluation, the bank's primary products are consumer and business loans. Consumer loans were included as a primary product since it represents the largest origination volume by number and dollar when considering only the loans made at Stearns Bank Holdingford. Business loans were selected as a primary product since it represents the largest loan volume by dollar and number when considering total loan originations and purchases.

Demographic data is used in part to determine the bank's lending performance. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS). The loans in our sample were compared to 2015 ACS data.

Ratings

Stearns Bank Holdingford's overall rating is based on the bank's lending performance within the state of Minnesota. We evaluated lending performance using four performance criteria: the LTD ratio, lending in the AA, lending to borrowers of different income levels, and responses to CRA-related complaints. We did not assess the distribution of loans to geographies of different income levels. The AA consists only of middle-income and upper-income geographies and the geographical distribution would not provide a meaningful analysis. Consumer and business loans received equal weight in the Lending Test. While consumer loans represent a smaller portion of lending activity, these loans are the primary product underwritten by the bank. Nearly all business loans are underwritten by an affiliate as part of a national lending program and subsequently purchased by Stearns Bank Holdingford. Business loans are still weighted equally based on volume.

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 major factors that support this rating include:

- The distribution of consumer loans to individuals of different income levels is excellent.
- The bank originated or purchased a majority of its loans, primarily business loans, outside its AA. The bank originated consumer loans primarily inside its assessment area.
- The bank's LTD ratio is more than reasonable.
- The bank has received no CRA related complaints.

Description of Institution's Operations in Minnesota

The Holdingford AA consists of the northeast portion of Stearns County. Stearns Bank Holdingford operates a single location with one cash-dispensing ATM in the Holdingford AA. According to the 2015 American Community Survey (ACS) data, the Holdingford AA includes four CTs, three of which are middle-income CTs and one upper-income CT. The Holdingford AA did not include any low- or moderate-income CTs during the evaluation period.

The June 30, 2021 FDIC Deposit Market Share Report indicated that the bank had \$82 million in deposits. Stearns Bank Holdingford ranks 19th out of 28 deposit-taking institutions in Stearns County with a deposit market share of 1.34%. The top five institutions in Stearns County are Stearns Bank, Bremer Bank, US Bank, Wells Fargo, and Falcon National Bank. Combined, the top five institutions have 56.4 percent of deposits in the county.

We completed one community contact with a local chamber of commerce in the MSA as part of this examination. The organization is located in St. Cloud and serves as a representative network of the business community within the St. Cloud area. The community contact stated that the local area has seen an increase in businesses moving to the area the last few years. The community has fared well during the pandemic with more businesses opening than closing. The contact stated that credit needs of local businesses are being met but there are opportunities for participation in funding the ongoing of business development.

The following table provides information on the demographic composition of the Holdingford AA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Stearns Holdingford MN AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	16,939	0.0	0.0	65.1	34.9	0.0
Housing Units by Geography	6,780	0.0	0.0	66.8	33.2	0.0
Owner-Occupied Units by Geography	5,557	0.0	0.0	63.0	37.0	0.0
Occupied Rental Units by Geography	774	0.0	0.0	80.5	19.5	0.0
Vacant Units by Geography	449	0.0	0.0	90.0	10.0	0.0
Businesses by Geography	1,252	0.0	0.0	64.3	35.7	0.0
Farms by Geography	175	0.0	0.0	71.4	28.6	0.0
Family Distribution by Income Level	4,755	12.5	16.7	25.0	45.9	0.0
Household Distribution by Income Level	6,331	15.7	13.5	19.6	51.3	0.0
Median Family Income MSA – 41060 St. Cloud, MN MSA		\$69,359	Median Housing Value			\$186,036
			Median Gross Rent			\$677
			Families Below Poverty Level			3.2%
<i>Source: 2015 ACS Census and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Minnesota

The rating for the state of Minnesota is based wholly on the performance of the Holdingford AA as it is the only AA in the state. The Holdingford AA received a full-scope review.

Refer to Appendix A for additional information on the AA under review.

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 Borrower

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

Consumer Loans

Refer to Table V in the state of Minnesota section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations.

The distribution of consumer loans to individuals of different income levels is excellent. The bank's distribution of consumer loans to low- and moderate-income (LMI) borrowers significantly exceeded the percentage of LMI households.

Small Loans to Businesses

There was an insufficient number of business loans located in the AA to perform a meaningful analysis.

Responses to Complaints

During the evaluation period, Stearns Bank Holdingford did not receive any complaints related to their performance in meeting the AA's credit needs.

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 MSAs and non-MSAs 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:	1/1/2018 – 12/31/2020	
Bank Products Reviewed:	Small business and consumer loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Minnesota		
Stearns Bank Holdingford AA	Full-Scope	Stearns County CTs: 102.00, 104.01, 104.02, and 104.03

Appendix B: Summary of MMSA and State Ratings

RATINGS – Stearns Bank Holdingford, N.A.	
Overall Bank:	Lending Test Rating
Stearns Bank Holdingford National Association	Satisfactory
State:	
Minnesota	Satisfactory

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/assessment area.

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/assessment area.

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/assessment area. 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 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/assessment area.

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2018-2020	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Steams	19	701,095	100.0	15.7	26.3	13.5	52.6	19.6	21.1	51.3	0.0	0.0	0.0	
<i>Source: 2015 U.S Census; 01/01/2018 - 12/31/2020 Bank Data. Due to rounding, totals may not equal 100.0</i>														