

PUBLIC DISCLOSURE

June 11, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank Financial
401 Main Street
La Crosse, Wisconsin 54601
RSSD 2631172

**Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291**

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 the 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.

TABLE OF CONTENTS

Institution 1
 Institution’s CRA Rating..... 1
 Scope of Evaluation..... 1
 Description of Institution..... 3
 Description of Assessment Areas..... 4
 Conclusions with Respect to Performance Criteria..... 5
Multistate Metropolitan Area..... 9
 CRA Rating 9
 Description of Institution’s Operations in the La Crosse-Onalaska, Minnesota-Wisconsin MSA –
 Full Review 9
 Conclusions with Respect to Performance Criteria..... 12
Wisconsin – Nonmetropolitan Areas 18
 CRA Rating 18
 Description of Institution’s Operations in the Marshfield, Wisconsin, Assessment Area – Full
 Review 18
 Conclusions with Respect to Performance Criteria..... 20
 Description of Institution’s Operations in the Sparta, Wisconsin, Assessment Area – Limited
 Review 24
Appendix A: Glossary of Common CRA Terms 25

Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of State Bank Financial, La Crosse, Wisconsin, demonstrates the bank's responsiveness to the credit needs of its assessment areas and shows excellent responsiveness to the community development needs.

The bank's Lending Test performance is Satisfactory, based on the following criteria:

- The bank's lending to businesses of different sizes and to borrowers of different income levels is excellent.
- The geographic distribution of the bank's loans reflects a reasonable dispersion throughout the assessment areas.
- The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment areas' credit needs.
- The bank originated a majority of its loans within the assessment areas.

The bank's Community Development Test performance is Outstanding, based on the following criteria:

- Overall, the bank's performance demonstrates excellent responsiveness to the community development needs of its assessment areas. The bank's levels of community development loans, qualified investments (including qualified donations), and community development services are excellent, considering the bank's capacity and the need for and availability of such opportunities in its assessment areas.

Examiners evaluated the bank's performance using the Intermediate Small Bank CRA Examination Procedures. The bank received an Outstanding rating at the previous evaluation dated May 13, 2013.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources, the economic and demographic characteristics of the assessment areas, competitive factors, and the size and financial condition of the bank were analyzed to understand the bank's performance. This CRA evaluation generally covers the period from May 13, 2013, through June 11, 2018.

The bank designated three assessment areas in Wisconsin and Minnesota for CRA purposes. First, the La Crosse MSA assessment area consists of La Crosse County in Wisconsin and portions of Houston County in Minnesota. This assessment area includes part of the La Crosse-Onalaska, MN-WI Metropolitan Statistical Area (MSA). Second, the Marshfield assessment area consists of two census tracts in Marathon County, which are part of the Wausau, WI MSA, Clark County, and portions of Wood County, in Wisconsin. Third, the Sparta assessment area, which is new since the last evaluation, consists of Monroe and Vernon counties in Wisconsin. Previously, five census tracts of Monroe County were part of the La Crosse MSA assessment area. Based on the June 30, 2017, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report and lending data provided by the bank, the majority of the bank's activities take place in the La Crosse MSA assessment area. The Marshfield assessment area represents less than 1.0% of the bank's total deposits and the Sparta assessment area represents

approximately 4.2% of the bank's total deposits. Examiners performed a full-scope review of the La Crosse MSA and Marshfield assessment areas and a limited-scope review of the Sparta assessment area.

Examiners weighted the bank's performance as follows to determine the overall rating:

- The bank's performance in the La Crosse MSA assessment area received more weight than its performance in the Marshfield assessment area because the majority of the bank's lending activity and deposits are in this assessment area.
- The Community Development Test received greater weight in determining the overall CRA rating than the Lending Test. The bank engaged in an overall excellent level of community development activities in its assessment areas. The bank's community development activities show excellent responsiveness to identified community development needs.
- For the Lending and Community Development Tests, the bank's activities in the La Crosse MSA assessment area received the greatest weight. The weighting reflects the bank's concentration of lending and deposit activity and offices in this assessment area.
- For the Lending Test, the bank's small business lending received the most weight because the bank is primarily a commercial lender.
- For the Lending Test, the greatest weight was given to lending to businesses of different sizes and to borrowers of different income levels and the geographic distribution of loans. The remaining criteria were weighted equally.

Throughout this evaluation, demographic characteristics are used in evaluating the bank's record of lending in the individual assessment areas. Sources for demographic information are primarily the 2017 FFIEC adjusted census data and 2017 Dun & Bradstreet data. Assessment area demographics are useful in analyzing the bank's lending because they provide a means of estimating lending opportunities. For small business lending, self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses is used to understand loan demand and lending patterns. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

As part of this evaluation, examiners also contacted individuals familiar with economic and demographic characteristics and community development activities in the assessment areas. Examiners used information obtained to establish a performance context for the CRA evaluation. Specific information obtained from community contacts is discussed in the applicable sections of the evaluation for each assessment area. None of the contacts identified any unmet credit needs in the assessment areas.

Lending Test Scope

The scope of the evaluation covers the bank's major product line, small business loans, as shown in Table 1, as well as HMDA loans. The bank is required to report HMDA data because it has offices in an MSA. Examiners analyzed a statistical sample of 46 small business loans originated between July 1, 2017, and December 31, 2017. In addition, this evaluation includes the bank's HMDA lending, including home purchase, refinance, home improvement, and multifamily loans, originated in 2017 and 2016. Examiners reviewed 2015, 2014, and 2013 HMDA data for consistency with 2017 and 2016 data but did not include a detailed analysis of the 2015, 2014, and 2013 HMDA data in this evaluation for the borrower and geographic distribution of loan criteria. Examiners also reviewed HMDA data reported by aggregate lenders to better assess the bank's performance relative to other HMDA lenders in the bank's assessment areas. The evaluation refers to this loan information as aggregate lending data. At the time of this evaluation, aggregate lending data for 2017 was not available.

| <i>Loan Type</i> | <i>Number of Loans</i> | <i>Percentage of Total Number</i> | <i>Total Loan Dollars</i> | <i>Percentage of Total Dollars</i> |
|------------------------------------|------------------------|-----------------------------------|---------------------------|------------------------------------|
| Construction/Land Development | 12 | 3.1 | \$11,022,265 | 11.0 |
| Consumer | 40 | 10.4 | 460,414 | 0.5 |
| Consumer- Personal Lines of Credit | 10 | 2.6 | 17,800 | .02 |
| Home Equity Lines of Credit | 34 | 8.9 | 2,305,835 | 2.3 |
| Residential Real Estate | 48 | 12.5 | 6,844,740 | 6.8 |
| Small Business (≤ \$1 million) | 174 | 45.4 | 37,611,628 | 37.4 |
| Commercial (> \$1 million) | 13 | 3.4 | 23,565,000 | 23.4 |
| Small Farm (≤ \$500,000) | 39 | 10.2 | 7,565,655 | 7.5 |
| Agricultural (> \$500,000) | 13 | 3.4 | 11,230,570 | 11.2 |
| Total | 383 | 100.0 | \$100,623,907 | 100.0 |

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to businesses of different sizes and to borrowers of different income levels
- Geographic distribution of loans
- Net loan-to-deposit ratio
- Lending inside the assessment area
- Record of responding to complaints about the bank’s CRA performance

Community Development Scope

Examiners reviewed the bank’s community development lending, qualified investments, and community development services in its assessment areas or in a larger regional or statewide area. For CRA purposes, community development activities promote affordable housing, economic development, and services to low- and moderate-income individuals and revitalize or stabilize underserved and distressed census tracts or designated disaster areas. Examiners based the Community Development Test rating on the bank’s performance during the period of May 13, 2013, through June 11, 2018.

DESCRIPTION OF INSTITUTION

Offices. The bank, wholly owned by First Bancorporation, Inc., operates five full-service branches with drive-up facilities in La Crosse, Onalaska, Sparta, and Marshfield, which are all located in Wisconsin. All of the branches except Marshfield have a cash-dispensing-only ATM. In La Crosse, the bank’s main office is in a low-income census tract and its Shelby branch is in a moderate-income census tract. The other branches are located in middle- and upper-income census tracts. The bank’s hours of operation are appropriate for the communities it serves. All branches are open Monday through Friday, and all branches except Marshfield have extended drive-up hours during the week and Saturday morning hours.

On February 16, 2018, the bank closed one full-service branch in La Crescent, Minnesota. The La Crescent branch had a cash-dispensing-only ATM and was located in a middle-income census tract. The branch closure did not adversely affect credit availability in the La Crosse MSA assessment area.

¹Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

Alternative Delivery Methods. The bank offers online, mobile, and telephone banking, bill payment services, and access to a surcharge-free ATM network. Customers are able to review account information, transfer funds, make payments, and view periodic statements. Customers can also send online inquiries for home mortgage loans and home equity lines of credit.

Loan Portfolio. According to the March 31, 2018, Report of Condition, the bank's assets total \$316.2 million. The bank's \$171.2 million loan portfolio consists of 60.9% commercial, 16.5% residential real estate, 20.1% agricultural, 0.8% consumer, and 1.6% other loans. The overall composition of the loan portfolio has remained relatively consistent since the previous evaluation; however, the bank's agricultural loans have decreased roughly 23.4%, and commercial loans have decreased roughly 8.4%. The bank's total assets increased by 2.3% through organic growth.

Deposit Market Share. According to the June 30, 2017, FDIC Deposit Market Share Report, the bank ranks 7th of 17 FDIC-insured financial institutions in the La Crosse-Onalaska WI-MN MSA, with 7.2% of the total deposits. For the Marshfield assessment area, the bank ranked 27th out of 29 FDIC-insured financial institutions, with 0.2% of the total deposits in Clark, Marathon, and Wood counties. In the Sparta assessment area, the bank ranked 11th out of 15 FDIC-insured financial institutions with 4.2% of the total deposits.

Credit Products. The bank offers a wide variety of loan products to meet the credit needs of the residents and businesses in its assessment areas. Commercial lending is the bank's primary focus. In addition to conventional loan products, the bank actively participates in a variety of Small Business Administration (SBA) loan programs. For residential real estate loans, the bank offers conventional loans as well as programs to assist first-time homebuyers. The bank also participates in loan programs sponsored by the Wisconsin Housing and Economic Development Authority (WHEDA) and administers forgivable mortgage loan grants through a local nonprofit organization. These grants are for home rehabilitation and weatherization as well as down payment and closing cost assistance for income-eligible individuals. The bank also offers agricultural loans and traditional closed- and open-end consumer loans.

DESCRIPTION OF ASSESSMENT AREAS

Assessment Area Information. The bank has three assessment areas for CRA purposes. Since the previous evaluation, the bank added the third assessment area based on lending patterns. The La Crosse assessment area consists of a portion of the La Crosse-Onalaska, WI-MN MSA, which includes La Crosse County in Wisconsin and Houston County in Minnesota. The bank's assessment area includes the entirety of La Crosse County and two census tracts in Houston County. The assessment area has 27 tracts. For 2013 to 2016, the assessment area comprised one low-income, four moderate-income, 17 middle-income, and five upper-income tracts. In 2017, the census tract designations were changed, and the assessment area now consists of one low-income and one unknown-income tract, as well as four moderate-income, 16 middle-income, and five upper-income tracts. This assessment area previously included five census tracts in Monroe County, Wisconsin; however, those tracts are now part of the bank's Sparta assessment area.

The Marshfield assessment area consists of all of Clark County, eight tracts in Wood County, and two tracts in Marathon County. During the previous evaluation period, this assessment area included only a portion of Clark County. Marathon County is part of the Wausau, WI MSA. The assessment area has 18 tracts. In 2013, the assessment area comprised one moderate-income and 17 middle-income tracts. For 2014 to 2016, the assessment area comprised 17 middle-income tracts and one upper-income tract. In 2017, the census tract designations were updated and the assessment area now consists of 16 middle-income and two upper-income census tracts. This assessment area does not include any low- or moderate-income tracts.

The Sparta assessment area is new since the previous evaluation and consists of Monroe and Vernon counties. The income level designations of the census tracts in this assessment area remained the same throughout the evaluation period. The assessment area has 16 tracts: one moderate-income and 15 middle-income census tracts. It does not include any low-income tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is Outstanding. The rating is based on a Satisfactory rating for the Lending Test and an Outstanding rating for the Community Development Test.

LENDING TEST

The bank's Lending Test performance is rated Satisfactory. The major factors supporting the Lending Test rating include the following:

- The bank's lending to businesses of different sizes and to borrowers of different income levels is excellent.
- The geographic distribution of the bank's loans reflects a reasonable dispersion throughout the assessment areas.
- The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment areas' credit needs.
- The bank originated a majority of its loans within the assessment areas.

Since the bank has an assessment area in an MSA, the regulation requires a separate analysis of the bank's performance in the MSA. Detailed discussions of the bank's lending to businesses of different sizes and to borrowers of different income levels and the geographic distribution of the bank's loans are found in the individual assessment area sections of the evaluation. However, examiners analyzed the net loan-to-deposit ratio and the comparison of lending inside and outside the assessment area at the bank level, as discussed below.

NET LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs of the assessment areas. According to the March 31, 2018, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio is 62.5%, which is lower than the national peer group's net loan-to-deposit ratio at 81.8%. The bank's national peer group includes all insured commercial banks having assets between \$300 million and \$1 billion.

The 20-quarter average net loan-to-deposit ratio is 62.9%, which is lower than the bank's eight-quarter average net loan-to-deposit ratio of 71.7% at the previous evaluation. The bank's quarterly net loan-to-deposit ratio has ranged from 55.7 % to 75.8%.

The table below shows the bank's 20-quarter average net loan-to-deposit ratio compared to other institutions operating in its assessment areas. As shown, the bank's 20-quarter average net loan-to-deposit ratio is below the ratio for competitor banks of similar asset size operating in its assessment areas.

| <i>Bank</i> | <i>Total Assets as of March 31, 2018 (in thousands)</i> | <i>Average Net Loan-to-Deposit Ratio</i> |
|--|---|--|
| State Bank Financial La Crosse, Wisconsin | \$316,161 | 62.9% |
| Coulee Bank La Crosse, Wisconsin | \$363,882 | 88.9% |
| Citizens State Bank of La Crosse La Crosse, Wisconsin | \$248,911 | 109.3% |
| Forward Financial Bank Marshfield, Wisconsin | \$440,619 | 98.9% |
| River Bank Stoddard, Wisconsin | \$477,987 | 96.2% |
| First National Bank of Bangor Bangor, Wisconsin | \$224,366 | 85.2% |

Bank management indicated that competition is strong for all loan types, especially small business and HMDA loans, given the number of financial institutions operating in all three assessment areas. The bank competes with large national banks, regional banks, other community banks, credit unions, and mortgage companies. In addition, a number of mortgage companies operate in the assessment area. Bank management also stated that the net loan-to-deposit ratio reflects that some large credits came off the bank's balance sheet during the evaluation period.

The net loan-to-deposit ratio is reasonable, given the credit needs and opportunities in the assessment areas. In addition, community contacts did not identify any unmet credit needs in the assessment areas.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a majority of its loans within its assessment areas; overall, 71.4% of loans by number and 63.6% by dollar amount are in the bank's assessment areas. Table 3 shows lending activity by loan type inside and outside the assessment areas.

| <i>Loan Category</i> | <i>Inside</i> | | | | <i>Outside</i> | | | |
|-----------------------|---------------|-------------|-----------------|-------------|----------------|-------------|-----------------|-------------|
| | <i>#</i> | <i>%</i> | <i>\$(000s)</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>\$(000s)</i> | <i>%</i> |
| Home Purchase | 75 | 77.3 | 9,479 | 75.7 | 22 | 22.7 | 3,046 | 24.3 |
| Home Improvement | 51 | 86.4 | 3,199 | 88.9 | 8 | 13.6 | 400 | 11.1 |
| Multi-Family | 20 | 83.3 | 16,000 | 96.7 | 4 | 16.7 | 547 | 3.3 |
| Refinance | 141 | 61.8 | 32,305 | 49.7 | 87 | 38.2 | 32,672 | 50.3 |
| Total HMDA | 287 | 70.3 | 60,983 | 62.5 | 121 | 29.7 | 36,665 | 37.5 |
| Small Business | 37 | 80.4 | 8,007 | 74.1 | 9 | 19.6 | 2,792 | 25.9 |
| Total | 324 | 71.4 | 68,990 | 63.6 | 130 | 28.6 | 39,457 | 36.4 |

Bank management stated that its focus is to provide loans to customers in and near its assessment areas. The bank will originate loans for current customers, even if the customers are outside the assessment areas. Also, during the evaluation period, new bank employees brought some client relationships from outside the assessment areas. The bank's lending shows its commitment to meeting the credit needs of the businesses and residents within its assessment areas.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND BORROWERS OF DIFFERENT INCOME LEVELS

Overall, the bank's lending to businesses of different sizes and to borrowers of different income levels is excellent. The bank actively lends to businesses with gross annual revenues of \$1 million or less and makes loans to low- and moderate-income individuals. The Conclusions with Respect to Performance Criteria section for the La Crosse MSA and Marshfield assessment areas include a detailed discussion of the borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of the bank's small business and residential real estate loans shows a reasonable dispersion of loans throughout the assessment areas. Lending patterns do not reveal any unexplained gaps in lending. The Conclusions with Respect to Performance Criteria section for the La Crosse MSA and Marshfield assessment areas include a detailed discussion of the geographic distribution of loans.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

COMMUNITY DEVELOPMENT TEST

The level and nature of community development activities are excellent, given the availability of opportunities, the strong competition, and the bank's market presence and size. The bank engaged in community development lending and services and made qualified investments in the form of securities and donations. Based on information obtained from the bank and community contacts, the primary community development needs in the assessment areas are activities that promote small business economic development, affordable housing, and community services targeted to low- and moderate-income people. The bank's community development activities were very responsive to these needs.

Community Development Loans. The bank's community development lending is excellent. During the evaluation period, the bank originated eight community development loans totaling \$2.7 million. These loans benefited the bank's La Crosse MSA assessment area, where there was the most opportunity for community development loans. Two loans, one for interim financing and one for permanent financing, were part of an SBA 504 loan transaction that supports economic development. Two loans were to a nonprofit that works to provide affordable housing. The remaining loans were to nonprofits that provide community services to low- and moderate-income individuals.

Qualified Investments. The bank's level of qualified investments in the form of CRA-eligible securities and donations is excellent. The bank has four qualified investments in the form of securities totaling \$560,350. During the evaluation period, the bank purchased one \$200,000 investment, which was outside its assessment areas. The bank had limited opportunities to purchase investments inside its assessment area during the evaluation period. Because the bank was responsive to the needs of its assessment areas

by holding its prior period investment as well as making new donations, examiners also considered the investments outside the assessment areas. The new investment benefits schools with Title-1 programs in a school district in Wisconsin outside of the bank's assessment areas. The bank also continues to hold three prior-period investments. Two of the prior-period investments benefit the bank's Marshfield assessment area and support infrastructure improvement in an area previously designated as distressed. The other prior-period investment supports the renovation of a courthouse in an area of the state outside of its assessment area, consisting of moderate-income and distressed and underserved middle-income census tracts.

The bank made an excellent level of donations during the evaluation period. The bank donated \$10,735 that directly benefited its assessment areas. These donations support organizations that serve low- and moderate-income individuals. In addition, the bank donated \$83,600 to regional organizations with an economic development purpose that benefit both the La Crosse and Sparta assessment areas. The bank's economic development donations support a long-term study that focuses on economic markers in order to assist decision makers with tools for strategic planning.

Community Development Services. The bank's level of community development services is excellent. The bank provided 35 community development services during the evaluation period. A number of bank employees, including bank management, contributed their financial expertise to 12 organizations by serving on the board of directors or committees and also promoted financial literacy by providing financial education to elementary, middle, and high school students.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B – Equal Credit Opportunity Act, Regulation C – Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

MULTISTATE METROPOLITAN AREA

CRA RATING FOR LA CROSSE-ONALASKA, MINNESOTA-WISCONSIN MSA

ASSESSMENT AREA: Outstanding

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LA CROSSE-ONALASKA, MINNESOTA-WISCONSIN MSA ASSESSMENT AREA – FULL REVIEW

Bank Information. The bank operates three full-service branches with drive-up facilities in the La Crosse MSA assessment area, two in La Crosse (one is referred to as the Shelby branch) and one in Onalaska. All three branches offer extended drive-up hours on the weekdays and Saturday hours; the hours of operation are reasonable. The bank closed the La Crescent, Minnesota, branch on February 16, 2018. The branch closure did not adversely affect the La Crosse MSA assessment area. The Sparta branch and ATM were previously in this assessment area; however, with the delineation of the new Sparta assessment area, the Sparta branch and ATM are now in the Sparta assessment area.

According to the June 30, 2017, FDIC Deposit Market Share Report, the bank ranks 7th of 17 FDIC-insured financial institutions in the La Crosse-Onalaska WI-MN MSA, with 7.2% of the total deposits.

Assessment Area. The La Crosse MSA assessment area changed since the previous evaluation. The La Crosse MSA assessment area includes all of La Crosse County and two census tracts in Houston County. Previously, the assessment area also included five tracts in Monroe County; however, those tracts are now included in the new Sparta assessment area. During the evaluation period, the census tract demographics changed in the assessment area. For 2013 to 2016, the La Crosse MSA assessment area contained one low-income, four moderate-income, 17 middle-income, and five upper-income census tracts. For 2017, the La Crosse MSA assessment area contains one low-income and one unknown-income tract, as well as four moderate-income, 16 middle-income, and five upper-income census tracts. The unknown census tract includes the University of Wisconsin – La Crosse.

Table 4 shows the demographic characteristics of the assessment area based on the 2017 Federal Financial Institutions Examination Council (FFIEC) adjusted census data² and 2017 Dun & Bradstreet data.

| <i>Income Categories</i> | <i>Tract Distribution</i> | | <i>Families by Tract Income</i> | | <i>Families < Poverty Level as % of Families by Tract</i> | | <i>Families by Family Income</i> | |
|------------------------------|---------------------------|--------------|---------------------------------|--------------|--|------------|----------------------------------|--------------|
| | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> |
| Low Income | 1 | 3.7 | 302 | 1.0 | 60 | 19.9 | 5,678 | 18.5 |
| Moderate Income | 4 | 14.8 | 2,890 | 9.4 | 476 | 16.5 | 5,779 | 18.8 |
| Middle Income | 16 | 59.3 | 21,579 | 70.1 | 1,424 | 6.6 | 6,877 | 22.3 |
| Upper Income | 5 | 18.5 | 5,857 | 19.0 | 92 | 1.6 | 12,441 | 40.4 |
| Unknown Income | 1 | 3.7 | 147 | 0.5 | 60 | 40.8 | 0 | 0.0 |
| Total Assessment Area | 27 | 100.0 | 30,775 | 100.0 | 2,112 | 6.9 | 30,775 | 100.0 |

²The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data and reflects the Office of Management and Budget's metropolitan statistical area revisions.

TABLE 4
La Crosse MSA Assessment Area Demographics

| Income Categories | Housing Units by Tract | Housing Types by Tract | | | | | | |
|--|---------------------------|--------------------------------------|--------------|---------------|---------------|----------------------|--------------|--------------|
| | | Owner-Occupied | | Rental | | Vacant | | |
| | | # | % | % | # | % | # | % |
| Low Income | 1,313 | 115 | 0.3 | 8.8 | 1,005 | 76.5 | 193 | 14.7 |
| Moderate Income | 8,571 | 2,344 | 7.0 | 27.3 | 5,491 | 64.1 | 736 | 8.6 |
| Middle Income | 33,731 | 23,730 | 71.2 | 70.4 | 8,422 | 25.0 | 1,579 | 4.7 |
| Upper Income | 8,749 | 6,990 | 21.0 | 79.9 | 1,419 | 16.2 | 340 | 3.9 |
| Unknown Income | 791 | 129 | 0.4 | 16.3 | 662 | 83.7 | 0 | 0.0 |
| Total Assessment Area | 53,155 | 33,308 | 100.0 | 62.7 | 16,999 | 32.0 | 2,848 | 100.0 |
| Income Categories | Total Businesses by Tract | Businesses by Tract and Revenue Size | | | | | | |
| | | ≤ \$1 Million | | > \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low Income | 443 | 11.0 | 355 | 10.2 | 86 | 16.3 | 2 | 6.3 |
| Moderate Income | 669 | 16.6 | 553 | 15.9 | 115 | 21.9 | 1 | 3.1 |
| Middle Income | 2,421 | 59.9 | 2,110 | 60.6 | 283 | 53.8 | 28 | 87.5 |
| Upper Income | 485 | 12.0 | 446 | 12.8 | 39 | 7.4 | 0 | 0.0 |
| Unknown Income | 24 | 0.6 | 20 | 0.6 | 3 | 0.6 | 1 | 3.1 |
| Total Assessment Area | 4,042 | 100.0 | 3,484 | 100.0 | 526 | 100.0 | 32 | 100.0 |
| Percentage of Total Businesses: | | | | 86.2 | | 13.0 | | 0.8 |
| Income Categories | Total Farms by Tract | Farms by Tract and Revenue Size | | | | | | |
| | | ≤ \$1 Million | | > \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | |
| Low Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate Income | 3 | 1.6 | 3 | 1.6 | 0 | 0.0 | 0 | 0.0 |
| Middle Income | 169 | 89.9 | 169 | 89.9 | 0 | 0.0 | 0 | 0.0 |
| Upper Income | 15 | 8.0 | 15 | 8.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown Income | 1 | 0.5 | 1 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 188 | 100.0 | 188 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 100.0 | | 0.0 | | 0.0 |

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income for the La Crosse MSA, for the year of loan origination. This figure is \$69,200 for 2013, \$66,300 for 2014, \$70,700 for 2015, \$67,700 for 2016, and \$72,000 for 2017. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for the La Crosse MSA, which is \$65,427 for 2013 through 2016 and \$68,531 for 2017.

Population. According to the 2010 U.S. Census, the population of the assessment area is 123,943. Over 92.6% of the population lives in La Crosse County and about 44.0% lives in the city of La Crosse. The populations of La Crosse and Houston counties are also 90.6% and 96.7% white, non-Hispanic respectively. In this assessment area, 49.3% of the population is 25 to 64 years of age, 20.6% is 17 years and younger, 15.7 % is 18 to 24 years of age, and 14.4% is 65 and older.

Economy. Bank management and community contacts stated that the economy in La Crosse is strong and stable. The area is diverse and home to a number of large and small businesses. Major employers in La Crosse include Logistics Health Incorporated, Gundersen Health System, Mayo Clinic Health System – Franciscan Healthcare, University of Wisconsin – La Crosse, Viterbo University, Western Technical College, and Kwik Trip, Inc. Contacts stated that there are also a number of startup businesses

in the La Crosse MSA assessment area. According to bank management, a major industry in La Crosse County is dairy farming.

Economic development in the city of La Crosse has impacts on the region. The cities of Holmen and Onalaska are experiencing population growth as bedroom communities for people who work in the city of La Crosse. Some employers allow employees to telecommute in order to attract qualified workers.

According to the Bureau of Labor Statistics, the April 2018 nonseasonally adjusted unemployment rate was 2.3% for the La Crosse MSA, which is lower than the 2.7% unemployment rate for the state of Wisconsin and the 3.7% national unemployment rate for the same period. Bank management and community contacts indicated that the area is experiencing a workforce shortage and that many businesses are understaffed or are unable to expand because of workforce shortages. In addition, community contacts said that the unemployment rate does not account for people who have stopped looking for work or people who are underemployed. Stagnant wages in the assessment area cannot cover the increasing costs for housing, good and services. Contacts said that in Wisconsin, approximately 42.0% of people cannot afford basic cost of living expenses and that this percentage is similar in the La Crosse MSA assessment area. Many people who work in the assessment area still need services provided by local nonprofits to make ends meet.

While there is demand for all loan types in the assessment area, bank management and community contacts stated that there is also significant competition. Numerous financial institutions, including large national banks, regional banks, credit unions, and mortgage companies operate in La Crosse and the surrounding areas. Borrowers can be selective and shop around for the most competitive loans. Community contacts did not identify any unmet credit needs in the assessment area.

Housing. According to community contacts, affordable housing is a major concern in the assessment area. In the downtown and northern areas of La Crosse, where the low- and moderate-income census tracts are located, the housing stock is generally older and in poor condition. Even if home purchase prices seem affordable, the rehabilitation costs to update these homes to acceptable standards are significant and ultimately make them unaffordable. In addition, many of the homes in these areas are rental properties, including student rentals. According to contacts, investors try to purchase homes when they come on the market to turn them into rental properties. Investment property owners have the incentive to rent to students because they are able to charge higher rent on a per-room basis. This limits the housing available for other individuals and families in parts of the assessment area. Housing prices are rising across La Crosse County. According to data from the Wisconsin Realtors Association,³ from December 2015 to December 2017, the median home price rose \$25,750 to \$183,250 in La Crosse County.

According to 2017 FFIEC adjusted census data, this assessment area has 53,155 housing units: 62.7% are owner occupied, 32.0% are rental units, and 5.4% are vacant. The median age of the housing stock is 46 years; however, in low- and moderate-income census tracts, the median age is 50 years. The median age of the housing stock in the state of Wisconsin is 43 years. The housing in the low- and moderate-income tracts is older than in the middle- and upper-income census tracts in the assessment area and in the state. The median housing value for the assessment area is \$158,516 and the affordability ratio is 32.3, compared to \$165,800 and 32.2 for the state, respectively. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. This assessment area ratio suggests that, overall, housing in this assessment area is as affordable as in other areas of the state.

³Wisconsin Realtors Association (2018), "Wisconsin Housing Statistics," https://www.wra.org/Resources/Property/Wisconsin_Housing_Statistics (accessed August 14, 2018).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s Lending Test performance in the La Crosse MSA assessment area is reasonable. The bank’s Community Development Test performance demonstrates excellent responsiveness to the community development needs of the area.

LENDING TEST

Overall, the bank’s lending shows an excellent distribution of loans among businesses of different sizes and reasonable distribution among individuals of different income levels. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOME LEVELS

Small Business Lending. The bank’s lending to small businesses is excellent. Table 5 shows the bank’s small business lending.

| TABLE 5 Small Business Lending La Crosse Assessment Area | | | | |
|---|---------------------------|---|---|--------------------------------------|
| <i>Small Business Loan Originations</i> | <i>≤ \$100,000</i> | <i>> \$100,000 to ≤ \$250,000</i> | <i>> \$250,000 to ≤ \$1,000,000</i> | <i>Total Originations</i> |
| Percentage of Small Business Loans | 47.4% | 26.3% | 26.3% | 100.0% |
| Percentage of Loans to Businesses with Revenues of \$1 Million or Less | 60.0% | 10.0% | 30.0% | 52.6% |

The bank originated 52.6% of its small business loans to entities with gross annual revenues of \$1 million or less. According to 2017 Dun & Bradstreet data, 86.2% of businesses in the assessment area are small businesses. The bank’s performance is lower than demographics; however, the performance is excellent given the performance context discussed below.

The bank originated a majority of its loans to small businesses (60.0%) for amounts under \$100,000. Of those loans, more than half were for loans under \$50,000. This demonstrates the bank’s commitment to lend to small businesses, as they typically request small-dollar loans. In addition, the bank hired a lender knowledgeable about SBA loans during the evaluation period. In 2017 and 2018, the bank originated 15 SBA 7(a) loans for \$2.3 million; some of these loans are in the small business loan sample. These loans demonstrate the bank’s commitment to lend to businesses of all sizes; the businesses that receive these loans are considered small businesses based on SBA size standards. Finally, in 2017, the bank was recognized as the number one Wisconsin SBA Volume Lender for financial institutions with assets of \$300 million to \$400 million. Bank management and community contacts commented that there is a high level of competition for small business loans in the La Crosse MSA assessment area. The high level of competition, coupled with the bank’s performance in originating SBA and small-dollar loans, makes its performance in originating small business loans excellent.

Residential Real Estate Lending. The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. Table 6 shows the bank’s HMDA lending by borrower income levels for 2017 and 2016.

TABLE 6
La Crosse Assessment Area

| 2017 HMDA Loans by Income Level of Borrower | | | | | | | | | | |
|--|------------|------------|-----------------|------------|---------------|-------------|--------------|-------------|----------------|-------------|
| <i>Income Level of Borrower</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| <i>Loan Type</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> |
| Home Purchase | 0 | 0.0 | 0 | 0.0 | 1 | 20.0 | 1 | 20.0 | 3 | 60.0 |
| Refinance | 1 | 8.3 | 1 | 8.3 | 2 | 16.7 | 3 | 25.0 | 5 | 41.7 |
| Home Improvement | 1 | 33.3 | 0 | 0.0 | 1 | 33.3 | 1 | 33.3 | 0 | 0.0 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 2 | 100.0 |
| Total 2017 HMDA Loans | 2 | 9.1 | 1 | 4.5 | 4 | 18.2 | 5 | 22.7 | 10 | 45.5 |
| 2016 HMDA Loans by Income Level of Borrower | | | | | | | | | | |
| <i>Income Level of Borrower</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| <i>Loan Type</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> |
| Home Purchase | 2 | 20.0 | 1 | 10.0 | 1 | 10.0 | 3 | 30.0 | 3 | 30.0 |
| Refinance | 1 | 6.3 | 1 | 6.3 | 1 | 6.3 | 2 | 12.5 | 11 | 68.8 |
| Home Improvement | 0 | 0.0 | 0 | 0.0 | 1 | 33.3 | 0 | 0.0 | 2 | 66.7 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 3 | 100.0 |
| Total 2016 HMDA Loans | 3 | 9.4 | 2 | 6.3 | 3 | 9.4 | 5 | 15.6 | 19 | 59.4 |
| Total HMDA Loans | 5 | 9.3 | 3 | 5.6 | 7 | 13.0 | 10 | 18.5 | 29 | 53.7 |

The bank's HMDA lending in the assessment area is relatively limited. In addition, for HMDA loans originated to commercial borrowers, the bank does not report income information, and these loans are not considered in the borrower distribution. Therefore, the bank's percentage of HMDA loans to low- and moderate-income borrowers is based on a relatively small number of HMDA loans.

The bank ranked 25th out of 180 HMDA reporters in 2016. The bank's HMDA lending is a small percentage of all HMDA loans reported in the assessment area: approximately 0.8%. The leading HMDA reporters are federal credit unions, regional and national banks, and mortgage loan companies. Aggregate lending data for 2017 was not available at the time of this evaluation.

In 2017, the bank originated 9.1% of its HMDA loans to low-income borrowers and 4.5% to moderate-income borrowers. According to 2017 FFIEC adjusted census data, 18.5% of the families in the assessment area are low income and 18.8% are moderate income. The bank's performance is below demographics for both low- and moderate-income borrowers.

In 2016, the bank originated 9.4% of its loans to low-income borrowers and 6.3% to moderate-income borrowers. According to FFIEC adjusted census data for 2016, 17.9% of the families in the assessment area are low income and 18.5% are moderate income. Aggregate lenders extended 7.0% of their HMDA loans to low-income borrowers and 19.1% to moderate-income borrowers. The bank's performance is lower than demographics and aggregate lenders for moderate-income borrowers; however, it is generally comparable to aggregate lenders for low-income borrowers.

Using the assumption that a borrower can obtain a loan for approximately three times the borrower's annual income, based on the 2017 FFIEC estimated median family income of \$72,000 for the La Crosse-Onalaska, WI-MN MSA, an individual with the highest income in the low-income bracket (\$35,999) could afford a \$107,997 home. Using the same assumption for borrowers with the highest income in the

moderate-income bracket (\$57,599), a borrower could afford a \$172,797 home. According to the 2017 FFIEC adjusted census data, the median housing value in the La Crosse MSA is \$157,083. This data suggests that homeownership would not be affordable for many low-income and some moderate-income residents in the assessment area.

Although the bank’s performance is below demographics, its performance is reasonable given the performance context. First, as mentioned, the bank is primarily a commercial lender and operates in a competitive banking environment. Second, the bank uses a flexible loan program offered through WHEDA to assist first-time homebuyers. In addition, the bank works with a local nonprofit and the Federal Home Loan Bank of Seattle to administer grants to homeowners who need assistance with home rehabilitation and improvements.

Examiners also evaluated the bank’s 2015, 2014, and 2013 HMDA lending activities. The distribution of HMDA loans by borrower income level for 2015, 2014, and 2013 is generally comparable to 2017 and 2016 performance. In 2015, the bank originated 7.9% and 5.3% of its HMDA loans to low- and moderate-income borrowers, respectively, while aggregate lenders originated 9.2% and 20.7%, respectively. In 2014, the bank originated 6.3% and 2.1% of its HMDA loans to low- and moderate-income borrowers, respectively, while aggregate lenders originated 9.4% and 20.2%, respectively. In 2013, the bank originated 14.3% and 16.1% of its HMDA loans to low- and moderate-income borrowers, respectively, while aggregate lenders originated 10.0% and 23.4%, respectively.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s small business and HMDA loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending.

Small Business Lending. The geographic distribution and dispersion of the bank’s small business loans throughout the assessment area is reasonable. Table 7 shows the geographic distribution of the bank’s small business lending by census tract income level for 2017.

| TABLE 7 | | | | | | | | | | | | | | | | | | | | |
|--|-------|------|------|------|----------|------|-----|------|--------|------|-------|------|-------|------|-----|-----|---------|-----|----|-----|
| Geographic Distribution of Small Business Loans in the La Crosse Assessment Area by Census Tract Income Level* | | | | | | | | | | | | | | | | | | | | |
| Loan Type | Low | | | | Moderate | | | | Middle | | | | Upper | | | | Unknown | | | |
| | # | % | \$** | % | # | % | \$ | % | # | % | \$ | % | # | % | \$ | % | # | % | \$ | % |
| Small Business | 5 | 26.3 | 798 | 18.6 | 3 | 15.8 | 657 | 15.3 | 9 | 47.4 | 2,658 | 61.8 | 2 | 10.5 | 190 | 4.4 | 0 | 0.0 | 0 | 0.0 |
| Demographic Data | | | | | | | | | | | | | | | | | | | | |
| Number of Census Tracts | 1 | | | | 4 | | | | 16 | | | | 5 | | | | 1 | | | |
| Percentage of Census Tracts | 3.7% | | | | 14.8% | | | | 59.3% | | | | 18.5% | | | | 3.7% | | | |
| Percentage of Businesses*** | 11.0% | | | | 16.6% | | | | 59.9% | | | | 12.0% | | | | 0.6% | | | |
| *Income classification of census tracts based on 2017 FFIEC census data. | | | | | | | | | | | | | | | | | | | | |
| ** Dollars listed in thousands | | | | | | | | | | | | | | | | | | | | |
| *** Percentages are based on 2017 Dun & Bradstreet data. | | | | | | | | | | | | | | | | | | | | |

As indicated in Table 7, 11.0% of businesses are located in the low-income census tract and 16.6% are located in the moderate-income census tracts, according to 2017 Dun & Bradstreet data. The bank’s lending in the low-income census tract (26.3%) is higher than demographics in the low-income tract. The

bank’s lending in the moderate-income census tracts (15.8%) is on par with demographics in the moderate-income tracts. The majority of the bank’s lending is in the middle-income tracts, which is reasonable because the majority of small businesses are located in these tracts.

The bank’s lending is dispersed throughout the assessment area. While the bank did not originate small business loans in all census tracts in the assessment area, including all of the moderate-income tracts or the unknown-income tract, this is reasonable given the performance context. Portions of the bank’s assessment area do not offer much opportunity for small business lending. For example, near the Shelby branch, bank management said there are a number of large, national chains; these businesses would not be considered small businesses. In addition, the unknown-income tract includes the University of Wisconsin- La Crosse. Lastly, there are numerous financial institutions in the assessment area, which makes the lending environment highly competitive for small business loans.

Residential Real Estate Lending. The bank’s geographic distribution and dispersion of 2017 and 2016 HMDA loans throughout the assessment area is reasonable. Table 8 shows the geographic distribution of the bank’s HMDA loans by census tract income level for 2017 and 2016.

| TABLE 8 | | | | | | | | | | |
|---|------------|------------|-----------------|------------|---------------|-------------|--------------|-------------|----------------|------------|
| La Crosse Assessment Area | | | | | | | | | | |
| 2017 HMDA Loans by Census Tract Income Level | | | | | | | | | | |
| <i>Loan Type</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| | # | % | # | % | # | % | # | % | # | % |
| Home Purchase | 0 | 0.0 | 0 | 0.0 | 4 | 80.0 | 1 | 20.0 | 0 | 0.0 |
| Refinance | 0 | 0.0 | 1 | 8.3 | 10 | 83.3 | 1 | 8.3 | 0 | 0.0 |
| Home Improvement | 0 | 0.0 | 0 | 0.0 | 3 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 1 | 50.0 | 1 | 50.0 | 0 | 0.0 |
| Total 2017 HMDA Loans | 0 | 0.0 | 1 | 4.5 | 18 | 81.8 | 3 | 13.6 | 0 | 0.0 |
| 2016 HMDA Loans by Census Tract Income Level | | | | | | | | | | |
| <i>Loan Type</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| | # | % | # | % | # | % | # | % | # | % |
| Home Purchase | 0 | 0.0 | 2 | 20.0 | 5 | 50.0 | 3 | 30.0 | 0 | 0.0 |
| Refinance | 0 | 0.0 | 1 | 6.3 | 15 | 93.8 | 0 | 0.0 | 0 | 0.0 |
| Home Improvement | 2 | 66.7 | 0 | 0.0 | 1 | 33.3 | 0 | 0.0 | 0 | 0.0 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 2 | 66.7 | 1 | 33.3 | 0 | 0.0 |
| Total 2016 HMDA Loans | 2 | 6.3 | 3 | 9.4 | 23 | 71.9 | 4 | 12.5 | 0 | 0.0 |
| Total HMDA Loans | 2 | 3.7 | 4 | 7.4 | 41 | 75.9 | 7 | 13.0 | 0 | 0.0 |

As shown in Table 8, in 2017, the bank made 4.5% of its HMDA loans in the moderate-income census tracts. According to 2017 FFIEC census data, 1.0% of families are located in the low-income tract and 9.4% of families are located in the moderate-income census tracts. The bank’s performance is relatively comparable to low-income demographics and below moderate-income demographics in 2017. The bank did not make HMDA loans in the low-income census tract, which is reasonable given that it is located in downtown La Crosse and includes many businesses.

In 2016, the bank made 6.3% of its HMDA loans in the low-income tract and 9.4% in the moderate-income tracts. According to 2016 FFIEC census data, 1.3% of families are located in the low-income tract and 6.6% of families are located in the moderate-income census tracts. In 2016, aggregate lenders made 1.2% and 4.9% of loans in the low- and moderate-income tracts, respectively. The bank’s performance is higher than demographics in 2016. In addition, in 2016, the bank’s performance in low-

income tracts is higher than aggregate lenders, and the performance in moderate-income tracts is lower than aggregate lenders.

The bank did not originate HMDA loans in all census tracts in the assessment area; however, this dispersion of loans is reasonable based on the performance context. The bank operates in a competitive banking environment in this assessment area. With respect to low- and moderate-income tracts, the demographic data indicates there are limited opportunities to lend in those tracts. According to 2017 FFIEC census data, only 8.8% of owner-occupied housing units are located in the low-income tract and 27.3% are located in the moderate-income tracts. In addition, 14.7% of the units are vacant in the low-income tracts and 8.6% in the moderate-income tracts. According to 2016 FFIEC census data, 9.2% of owner-occupied housing units are located in the low-income tract and 22.9% are located in the moderate-income tracts. In addition, 7.4% of the units are vacant in the low-income tracts and 8.6% in the moderate-income tracts. In addition, the unknown-income census tract in the assessment area has limited opportunities for HMDA lending; this tract includes the University of Wisconsin – La Crosse, and according to 2017 FFIEC adjusted census data, 83.7% of the housing are rental units.

During the evaluation period, the bank originated one loan using the La Crosse Promise program. This program focuses on homeownership and redevelopment in some of the La Crosse MSA assessment area's moderate-income census tracts. Participation in this program demonstrates the bank's commitment to lend in all areas of the La Crosse MSA assessment area.

Examiners also evaluated the bank's 2015, 2014, and 2013 HMDA lending activities. The distribution of HMDA loans by census tract for 2015, 2014, and 2013 is generally consistent with 2017 and 2016 performance. In 2015, the bank originated 2.6% and 7.9% of its HMDA loans in low- and moderate-income census tracts, respectively, while aggregate lenders originated 1.4% and 5.7%, respectively. In 2014, the bank originated 2.1% and 12.5% of its HMDA loans in low- and moderate-income census tracts, respectively, while aggregate lenders originated 1.5% and 6.3%, respectively. In 2013, the bank originated 1.8% and 5.4% of its HMDA loans in low- and moderate-income census tracts, respectively, while aggregate lenders originated 1.4% and 5.4%, respectively.

COMMUNITY DEVELOPMENT TEST

The level of community development activities in the La Crosse MSA assessment area is excellent. The bank engaged in community development activities, including community development loans and services, and made qualified investments in the form of securities and donations. The bank's community development activity demonstrates excellent responsiveness to community needs.

Community Development Loans. The bank's community development lending is excellent. During the evaluation period, the bank originated eight community development loans totaling \$2.7 million. Two loans totaling \$423,000 were part of an SBA 504 loan package for economic development. Specifically, these loans helped finance an addition on its commercial property. In addition, three loans were to a local nonprofit that provides affordable housing for low- and moderate-income individuals, two loans were to a local nonprofit that provides community services targeted to low- and moderate-income individuals, and one loan was to help a local nonprofit finance an addition to its La Crosse office.

Qualified Investments. The bank's level of qualified investments in the form of CRA-eligible securities and donations is excellent. The bank did not have the opportunity to purchase any qualified investments in the La Crosse MSA assessment area during the evaluation period.

The bank's donation activity during the evaluation period was excellent. The bank donated \$9,536 that directly benefited the La Crosse assessment area. These donations were to organizations that serve low-

and moderate-income individuals, including donations that help provide financial education and help meet basic essential needs. In addition, the bank donated \$83,600 that benefited this assessment area as well as the bank's Sparta assessment area. These donations supported economic development by funding a long-term study focusing on the areas' economic indicators, in order to assist decision makers with the tools for strategic planning.

Community Development Services. The bank's level of community development services is excellent. The bank provided 20 community development services in the La Crosse MSA assessment area during the evaluation period. A number of bank employees, including bank management, contributed their financial expertise to eight organizations by serving on the board of directors or committees as well as teaching financial education to elementary, middle, and high school students. In addition to these services, the bank works with a local nonprofit and the Federal Home Loan Bank of Seattle to administer grants to homeowners who need assistance with home rehabilitation and improvements. The bank's participation in the grant program is particularly responsive to assessment area needs; community contacts stated that the cost of home rehabilitation is a deterrent to owning a home, especially for low- and moderate-income individuals. Many of the more affordable homes in the assessment area are in need of significant repairs.

WISCONSIN – NONMETROPOLITAN AREAS

CRA RATING FOR WISCONSIN: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MARSHFIELD, WISCONSIN, ASSESSMENT AREA – FULL REVIEW

Bank Information. The bank operates one full-service branch with a drive-up facility in the city of Marshfield. The branch does not have an ATM. Its hours of operation are reasonable for the area it serves.

According to the June 30, 2017, FDIC Deposit Market Share Report, the bank ranks 27th out of 29 FDIC-insured financial institutions in Clark, Marathon, and Wood counties, with 0.2% of the total deposits.

Assessment Area. The Marshfield assessment area changed since the previous evaluation. The Marshfield assessment area, located in central Wisconsin, includes two tracts in Marathon County (which are part of the Wausau, WI MSA), all of Clark County, and eight census tracts in Wood County. During the previous evaluation period, this assessment area included the same tracts in Marathon and Wood counties but only five census tracts in Clark County. The assessment area consists of 16 middle-income tracts and two upper-income tracts. There are no low-income, moderate-income, or distressed and/or underserved middle-income census tracts in this assessment area.

Table 9 shows the demographic characteristics of the assessment area based on the 2017 FFIEC adjusted census data⁴ and 2017 Dun & Bradstreet data.

| <i>Income Categories</i> | <i>Tract Distribution</i> | | <i>Families by Tract Income</i> | | <i>Families < Poverty Level as % of Families by Tract</i> | | <i>Families by Family Income</i> | |
|------------------------------|-------------------------------|-------------------------------|---------------------------------|--------------|--|-------------|----------------------------------|--------------|
| | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> |
| Low Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle Income | 16 | 88.9 | 17,898 | 87.2 | 1,617 | 9.0 | 4,896 | 23.8 |
| Upper Income | 2 | 11.1 | 2,631 | 12.8 | 171 | 6.5 | 7,777 | 37.9 |
| Unknown Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 18 | 100.0 | 20,529 | 100.0 | 1,788 | 8.7 | 20,529 | 100.0 |
| <i>Income Categories</i> | <i>Housing Units by Tract</i> | <i>Housing Types by Tract</i> | | | | | | |
| | | <i>Owner-Occupied</i> | | | <i>Rental</i> | | <i>Vacant</i> | |
| | | <i>#</i> | <i>%</i> | <i>%</i> | <i>#</i> | <i>%</i> | <i>#</i> | <i>%</i> |
| Low Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle Income | 29,625 | 20,053 | 87.4 | 67.7 | 6,275 | 21.2 | 3,297 | 11.1 |
| Upper Income | 4,286 | 2,893 | 12.6 | 67.5 | 1,168 | 27.3 | 225 | 5.2 |
| Unknown Income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 33,911 | 22,946 | 100.0 | 67.7 | 7,443 | 21.9 | 3,522 | 10.4 |

⁴The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data and reflects the Office of Management and Budget’s metropolitan statistical area revisions.

TABLE 9
Marshfield Assessment Area Demographics

| Income Categories | Total Businesses by Tract | | Businesses by Tract and Revenue Size | | | | | |
|--|------------------------------|--------------|--------------------------------------|--------------|---------------|--------------|----------------------|--------------|
| | | | ≤ \$1 Million | | > \$1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle Income | 2,067 | 82.2 | 1,744 | 81.5 | 266 | 84.4 | 57 | 95.0 |
| Upper Income | 448 | 17.8 | 396 | 18.5 | 49 | 15.6 | 3 | 5.0 |
| Unknown Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 2,515 | 100.0 | 2,140 | 100.0 | 315 | 100.0 | 60 | 100.0 |
| Percentage of Total Businesses: | | | | 85.1 | | 12.5 | | 2.4 |
| Income Categories | Total Farms by Tract | | Farms by Tract and Revenue Size | | | | | |
| | | | ≤ \$1 Million | | > \$1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle Income | 459 | 92.9 | 446 | 93.1 | 13 | 86.7 | 0 | 0.0 |
| Upper Income | 35 | 7.1 | 33 | 6.9 | 2 | 13.3 | 0 | 0.0 |
| Unknown Income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 494 | 100.0 | 479 | 100.0 | 15 | 0.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | | 97.0 | | 3.0 | | 0.0 |

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income. For the nonmetropolitan parts of Wisconsin, this figure is \$60,200 for 2016 and \$62,600 for 2017.⁵ For residents of Marathon County, which is part of the Wausau MSA, this evaluation uses the estimated median family income for the MSA. This figure is \$65,400 for 2016 and \$72,600 for 2017.⁶ For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for nonmetropolitan Wisconsin, which is \$57,384 for 2013 through 2016 and \$60,911 for 2017. For the Wausau MSA, the adjusted census data median family income is \$65,566 for 2013 through 2016 and \$66,112 for 2017.

Population. According to the 2010 U.S. Census, the population of the assessment area is 77,429. Roughly 35,000 residents live in Clark County. The population of the assessment area is 94.3% white, non-Hispanic. In addition, 49.8% of the population is 25 to 64 years of age, 26.3% is 17 years and younger, 16.2% is 65 years of age and older, and 7.8% is 18 to 24 years of age.

Economy. Bank management stated that the economy in the Marshfield assessment area has been stable during the evaluation period. The economy in the assessment area is diverse. Employment in the area is heavily focused in the medical industry at the hospital and clinics. There is also a significant presence of manufacturing businesses that provide jobs, including Masonite and stainless steel manufacturers. Other major employers include a rail transportation and logistics company, a dairy distributor, the public schools, and a mail-order food and gift distributor. Bank management indicated dairy farming is also a major industry in Clark and Marathon counties; these are two of the largest dairy counties in Wisconsin. Many of the small businesses in the area support health care and dairy farming.

⁵This figure is \$58,600 for 2013, \$60,600 for 2014, and \$61,500 for 2015.

⁶This figure is \$65,200 for 2013, \$65,400 for 2014, and \$63,300 for 2015.

According to the Bureau of Labor Statistics, the April 2018 nonseasonally adjusted unemployment rate was 3.0% for Clark County, 2.5% for Marathon County, and 3.3% for Wood County. Marathon County's unemployment rate is lower than the 2.7% unemployment rate for the state of Wisconsin, and the unemployment rate for all three counties is lower than the 3.7% national unemployment rate for the same period. Bank management and the community contact indicated that the area is experiencing a workforce shortage; many businesses are understaffed. This shortage limits the expansion opportunities for small businesses, as it is difficult to find qualified workers.

While there is demand for all loan types in the assessment area, bank management stated that there is also significant competition. Numerous financial institutions, including large national banks, regional banks, credit unions, and mortgage companies, operate in Marshfield and the surrounding area. The community contact did not identify any unmet credit needs in the assessment area.

Housing. According to the community contact, the area has a shortage of available single-family homes. In addition, the contact stated there is a need for improvements to substandard housing. Housing in downtown Marshfield tends to be older and in need of rehabilitation. Currently there are not many homes for sale in and around Marshfield. According to the community contact, there are very few homes on the market and available homes do not stay on the market for long. In addition, there are not many lots remaining to be developed; environmental challenges, such as marshlands and flood plains, also make development difficult. The community contact also indicated that housing values in the area have not appreciated as much as homeowners would like to see. This perceived limited appreciation in values makes renovating homes less appealing, as homeowners do not receive an adequate return on their investment. According to data from the Wisconsin Realtors Association,⁷ from December 2015 to December 2017 the median home price in Clark County increased \$44,000, to \$110,000. In Marathon County, the median home price increased \$11,450, to \$137,450. In Wood County, the median home price increased \$13,750, to \$111,750.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's Lending Test performance in the Marshfield assessment area is reasonable. The bank's Community Development Test performance demonstrates excellent responsiveness to the community development needs of the assessment area.

LENDING TEST

The bank's Lending Test performance reflects reasonable lending to businesses of different sizes and to individuals of different income levels. The geographic distribution of loans also reflects reasonable dispersion throughout the assessment area. Of total loans reviewed that the bank originated within its assessment areas, the bank originated 14.8% of the loans by number and 13.4% by dollar amount in the Marshfield assessment area.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOME LEVELS

Small Business Lending. The bank's lending to small businesses is reasonable. Table 10 shows the bank's small business lending.

⁷Wisconsin Realtors Association (2018), "Wisconsin Housing Statistics," https://www.wra.org/Resources/Property/Wisconsin_Housing_Statistics (accessed August 28, 2018).

| <i>Small Business Loan Originations</i> | <i>≤ \$100,000</i> | <i>> \$100,000 to ≤ \$250,000</i> | <i>> \$250,000 to ≤ \$1,000,000</i> | <i>Total Originations</i> |
|--|--------------------|--|--|-------------------------------|
| Percentage of Small Business Loans | 62.5% | 12.5% | 25.0% | 100.0% |
| Percentage of Loans to Businesses with Revenues of \$1 Million or Less | 66.7% | 16.7% | 16.7% | 75.0% |

The bank originated 75.0% of its small business loans to entities with gross annual revenues of \$1 million or less. According to 2017 Dun & Bradstreet data, 85.1% of businesses in the assessment area are small businesses. The bank’s performance is lower than demographics, but it is reasonable given the performance context discussed below.

The bank originated a majority of its loans (66.7%) for amounts under \$100,000. Of those loans, 60.0% were loans under \$50,000. This demonstrates the bank’s commitment to lend to small businesses, as they typically request small-dollar loans. In addition, the bank hired a small business lender in the assessment area toward the end of the evaluation period. Bank management indicated that there is strong competition for small business loans in the Marshfield assessment area. This high level of competition, coupled with the bank’s willingness to originate small-dollar loans, makes its performance originating small business loans reasonable.

Residential Real Estate Lending. The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. Table 11 shows the bank’s HMDA lending by borrower income levels for 2017 and 2016.

| 2017 HMDA Loans by Income Level of Borrower | | | | | | | | | | |
|--|------------|-------------|-----------------|------------|---------------|------------|--------------|-------------|----------------|-------------|
| <i>Income Level of Borrower</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| <i>Loan Type</i> | # | % | # | % | # | % | # | % | # | % |
| Home Purchase | 1 | 25.0 | 0 | 0.0 | 0 | 0.0 | 1 | 25.0 | 2 | 50.0 |
| Refinance | 1 | 14.3 | 0 | 0.0 | 1 | 14.3 | 0 | 0.0 | 5 | 71.4 |
| Home Improvement | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1 | 100.0 | 0 | 0.0 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1 | 100.0 |
| Total 2017 HMDA Loans | 2 | 15.4 | 0 | 0.0 | 1 | 7.7 | 2 | 15.4 | 8 | 61.5 |
| 2016 HMDA Loans by Income Level of Borrower | | | | | | | | | | |
| <i>Income Level of Borrower</i> | <i>Low</i> | | <i>Moderate</i> | | <i>Middle</i> | | <i>Upper</i> | | <i>Unknown</i> | |
| <i>Loan Type</i> | # | % | # | % | # | % | # | % | # | % |
| Home Purchase | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 2 | 100.0 |
| Refinance | 2 | 50.0 | 0 | 0.0 | 0 | 0.0 | 1 | 25.0 | 1 | 25.0 |
| Home Improvement | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Multi-Family | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1 | 100.0 |
| Total 2016 HMDA Loans | 2 | 28.6 | 0 | 0.0 | 0 | 0.0 | 1 | 14.3 | 4 | 57.1 |
| Total HMDA Loans | 4 | 20.0 | 0 | 0.0 | 1 | 5.0 | 3 | 15.0 | 12 | 60.0 |

The bank's HMDA lending in the assessment area is limited. In addition, for HMDA loans originated to commercial borrowers, the bank does not report income information, and these loans are not considered in the borrower distribution. Therefore, the bank's percentage of HMDA loans to low- and moderate-income borrowers is based on a small number of HMDA loans.

The bank ranked 27th out of 682 HMDA reporters in 2016. The bank's HMDA lending is a small percentage of all HMDA loans reported in the assessment area, approximately 0.4%. The leading HMDA reporters are regional and national banks, federal credit unions, and mortgage loan companies. Aggregate lending data for 2017 was not available at the time of this evaluation.

In 2017, the bank originated 15.4% of its HMDA loans to low-income borrowers and 0.0% to moderate-income borrowers. According to 2017 FFIEC adjusted census data, 18.9% of families in the assessment area are low income and 19.3% are moderate income. The bank's performance is below demographics for both low- and moderate-income borrowers.

In 2016, the bank originated 28.6% of its HMDA loans to low-income borrowers and 0.0% to moderate-income borrowers. According to 2016 FFIEC adjusted census data, 17.9% of families in the assessment area are low income and 20.1% are moderate income. Aggregate lenders extended 8.9% of their HMDA loans to low-income borrowers and 18.7% to moderate-income borrowers. The bank's performance is lower than demographics and aggregate lenders for moderate-income borrowers; however, it exceeds demographics and aggregate lenders for low-income borrowers.

Using the assumption that a borrower can obtain a loan for approximately three times the borrower's annual income, based on the 2017 FFIEC estimated median family income of \$65,300 for nonmetropolitan Wisconsin, an individual with the highest income in the low-income bracket (\$32,649) could afford a \$97,947 home. Using the same assumption for borrowers with the highest income in the moderate-income bracket (\$52,239), a borrower could afford a \$156,717 home. According to the 2017 FFIEC adjusted census data, the median housing value in the Marshfield assessment area is \$131,535. This data suggests that homeownership would not be affordable for many low-income and some moderate-income residents in the assessment area.

Although the bank's performance is below demographics, its performance is reasonable given the performance context. First, as mentioned, the bank is primarily a commercial lender and operates in a competitive banking environment. Second, the bank is not an active HMDA lender in this assessment area and generally originates HMDA loans for the convenience of its commercial and agricultural customers.

Examiners also evaluated the bank's 2015, 2014, and 2013 HMDA lending activities. The distribution of HMDA loans by borrower income level for 2015, 2014, and 2013 is generally comparable to 2017 and 2016 performance. In 2015, the bank did not originate HMDA loans to low-income or moderate-income borrowers, while aggregate lenders originated 8.9% and 21.6%, and respectively. In 2014, the bank originated 12.5% of its HMDA loans to low-income borrowers and 12.5% to moderate-income borrowers, while aggregate lenders originated 12.2% and 21.5%, respectively. In 2013, the bank did not originate HMDA loans to low- and moderate-income borrowers, while aggregate lenders originated 10.4% and 21.2%, respectively. The lack of lending to low- and moderate-income borrowers in 2013 and 2015 is generally consistent with the other years in the evaluation, given the overall low volume of HMDA loans in this assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans in the assessment area is reasonable and does not reveal any unexplained gaps in lending patterns. As indicated in Table 9, the assessment area contains 16 middle-income tracts and two upper-income tracts.⁸ The bank did not lend in all of the census tracts during the evaluation period, but this is reasonable. Lending was concentrated in the more densely populated areas close to Marshfield and the bank's branch. The census tracts on the edge of the assessment area had the least amount of lending; they are farther away from the bank office and are less populated, given the number of large dairy farms in this assessment area. Overall, the geographic dispersion of the bank's small business and HMDA loans is reasonable.

COMMUNITY DEVELOPMENT TEST

The bank's level of community development activities in the Marshfield assessment area is adequate, given the opportunities, the bank's smaller presence, and the competition among financial institutions. The bank engaged in community development services, made qualified investments in the form of donations, and held prior-period investments. The bank's community development activities support efforts that revitalize and stabilize distressed middle-income census tracts, provide essential services to low- and moderate-income individuals, and promote affordable housing. The bank's activities show good responsiveness to the needs of its assessment area.

Community Development Loans. The bank's community development lending is adequate. During the evaluation period, the bank did not originate a community development loan. However, this is reasonable, as there is significant competition for community development loans in the assessment area and the bank has a small presence, which makes it more difficult to compete for these loans.

Qualified Investments. The bank's level of qualified investments in the form of CRA-eligible securities and donations is adequate. The bank did not have the opportunity to purchase any qualified investments in the Marshfield assessment area during the evaluation period; however, the bank continues to hold investments totaling \$260,350 from the prior evaluation period that benefited the assessment area through infrastructure improvements in an area previously designated as distressed.

The bank's donation activity during the evaluation period was adequate. The bank donated \$830 to organizations that serve low- and moderate-income individuals, particularly a food pantry and the United Way. While this amount is relatively low, the Marshfield assessment area is the bank's smallest market based on loan and deposit data.

Community Development Services. The bank's level of community development services is excellent. The bank provided eight community development services in the Marshfield assessment area during the evaluation period. Two members of bank management contributed their financial expertise to four organizations by serving on the board of directors or on fundraising and selection committees for affordable housing and community service organizations. This is notable, given some staffing turnover at the Marshfield branch.

⁸In 2013, this assessment area included one moderate-income and 17 middle-income census tracts; the 2013 performance was analyzed but is not detailed in this report.

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SPARTA, WISCONSIN,
ASSESSMENT AREA – LIMITED REVIEW**

Examiners conducted a limited-scope review of the bank’s CRA performance in the Sparta assessment area. They determined that the bank’s lending and community development performance in this assessment area is generally consistent with the performance in the full-scope assessment areas. The loans reviewed for this evaluation included 51 HMDA loans from the years 2013 to 2017 and a sample of 10 small business loans from 2017.

The Sparta assessment area is new since the previous evaluation. This assessment area, located in western Wisconsin, includes all of Monroe and Vernon counties. Previously, the bank included five tracts of Monroe County in the La Crosse MSA assessment area. The Sparta assessment area consists of one moderate-income tract and 15 middle-income tracts. There are no low-income census tracts or distressed and/or underserved middle-income tracts in this assessment area. The bank has one full-service branch located in Sparta, with a cash-dispensing-only ATM.

The following table provides information regarding the demographic characteristics of the assessment area, based on 2017 FFIEC adjusted census data.

| <i>Income Category</i> | <i>Tract Distribution</i> | | <i>Percentage of Population by Tract</i> | <i>Percentage of Families by Income Level</i> |
|------------------------|---------------------------|--------------|--|---|
| | <i>#</i> | <i>%</i> | | |
| Low Income | 0 | 0.0 | 0.0 | 20.4 |
| Moderate Income | 1 | 6.3 | 4.4 | 17.9 |
| Middle Income | 15 | 93.8 | 95.6 | 23.6 |
| Upper Income | 0 | 0.0 | 0.0 | 38.0 |
| Total | 16 | 100.0 | 100.0 | 100.0 |

Appendix A

Glossary of Common CRA Terms

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 statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It 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.

Distressed nonmetropolitan middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives 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 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., 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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 is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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 statistical area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA 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 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.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Rated area: A rated area is a state or multistate MSA. 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 MSA, the institution will receive a rating for the multistate metropolitan area.

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

Small loan to farm: 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 classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)