

PUBLIC DISCLOSURE

March 7, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Royal Bank
Certificate Number: 13454

202 Main Street
Elroy, Wisconsin 53929

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs in the assessment areas.
- The bank originated a substantial majority of its home mortgage, small business, and small farm loans within the assessment areas.
- The geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the assessment areas, including in low- and moderate-income census tracts.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses and farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments and donations, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Royal Bank is headquartered in Elroy, Wisconsin and is wholly-owned by Royal Bancshares, Inc., a one-bank holding company. The bank operates 21 full-service offices. Two of the offices are new since the last evaluation and resulted from acquisitions by the bank in 2020. The new offices are located in Richland Center, Wisconsin in Richland County and Prairie du Chien, Wisconsin in Crawford County. Of the bank's office locations, two are located in Iowa County in Avoca and Cobb, Wisconsin in the Madison Metropolitan Statistical Area (MSA). The rest of the bank's office locations are not located in an MSA. The following are the locations of the bank's non-MSA offices.

- One in Adams County located in Adams, Wisconsin
- Two in Crawford County located in Gay Mills and Prairie de Chien, Wisconsin
- Three in Grant County located in Cassville, Dickeyville, and Lancaster, Wisconsin

- Four in Juneau County located in Elroy, Camp Douglas, Mauston, and New Lisbon, Wisconsin
- Two in Marquette County located in Endeavor and Oxford, Wisconsin
- Three in Richland County located in Cazenovia, Lone Rock, and Richland Center, Wisconsin
- Two in Sauk County located in La Valle and Spring Green, Wisconsin
- Two in Vernon County in Hillsboro and Viroqua, Wisconsin

Of these branch office locations, four are located in moderate-income census tracts, and the rest are located in middle-income census tracts.

Royal Bank received a Satisfactory rating based on Interagency Intermediate Small Institution Examination procedures as a result of the March 11, 2019 FDIC CRA performance evaluation. Consistent with the prior evaluation, the bank's primary business focus continues to be home mortgage, commercial, and farm lending.

The bank offers a variety of loan products including home mortgage, agricultural, commercial, and consumer loans. The bank offers long-term, fixed-rate home mortgage loans sold in the secondary market including through Wisconsin Housing and Economic Development Authority, Rural Development, Veterans Affairs, and Federal Home Loan Bank, including the Federal Home Loan Bank's Down Payment Plus Program targeted to low- and moderate-income borrowers. The bank also originates Small Business Administration (SBA) loans and Farm Service Agency (FSA) loans. The bank is an FSA preferred lender and also offered the SBA's new Paycheck Protection Program (PPP) loans.

Alternative banking services include internet banking, mobile banking, electronic bill pay, gift cards, free checking accounts, prepaid reloadable debit cards, and 19 bank-owned automated teller machines, of which 5 are in moderate-income census tracts.

The bank's assets totaled \$707.2 million as of December 31, 2021. As of the same financial date, the bank had total loans of \$453.6 million, securities totaling \$200.7 million, and deposits totaling \$626.6 million. Though total assets, loans and securities have increased considerably in dollar amount since the prior evaluation, the loan portfolio mix remains consistent. The bank's loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	13,008	2.9
Secured by Farmland	98,612	21.7
Secured by 1-4 Family Residential Properties	127,645	28.1
Secured by Multifamily (5 or more) Residential Properties	2,662	0.6
Secured by Nonfarm Nonresidential Properties	92,553	20.4
Total Real Estate Loans	334,480	73.7
Commercial and Industrial Loans	43,640	9.6
Agricultural Production and Other Loans to Farmers	29,870	6.6
Consumer Loans	20,448	4.5
Obligations of State and Political Subdivisions in the U.S.	25,107	5.5
Other Loans	94	<0.1
Less: Unearned Income	0	0.0
Total Loans	453,639	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. The bank has designated two assessment areas. One consists of nine counties that are not in an MSA, and the other consists of one county that is in the Madison MSA. Nineteen of the bank's offices are located in the non-MSA assessment area, and two are located in the Madison MSA assessment area. The assessment areas are unchanged since the previous evaluation. The following table provides more details of the bank's assessment areas. Additional details are discussed within the sections for each assessment area.

Description of Assessment Areas			
Assessment Area	Counties	# of CTs	# of Branches
Madison MSA	Iowa	6	2
Non-MSA	Monroe, Vernon, Crawford, Grant, Richland, Juneau, Adams, Sauk, and Marquette.	71	19
<i>Source: Bank Records</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 11, 2019, to the current evaluation dated March 7, 2022. Examiners used the Interagency Intermediate Small Institution

Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test and the Community Development Test. The performance criteria related to these tests are detailed in the Appendix. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

The non-MSA assessment area received a full scope review. Examiners weighed the bank's performance in the non-MSA assessment area more heavily than the bank's performance in the Madison MSA assessment area when determining conclusions and the overall rating. The non-MSA assessment area has the vast majority of the bank's loans, deposits, community development activities, and banking offices when compared to the Madison MSA assessment area. The Madison MSA assessment area received a full-scope review at the previous evaluation, but received a limited-scope review for the current evaluation due to the lower volume of loans, deposits, community development activities, and banking offices.

This evaluation does not include any lending activity performed by affiliates, given that the bank does not have any affiliates that are involved in any lending activities.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage, small business, and small farm loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage, small business, and small farm loans received equal weight in overall conclusions given relatively similar loan volume, and because of discussions about lending strategy with bank management. No other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not analyzed for this evaluation.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. This evaluation considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The bank reported 475 loans totaling \$61.4 million in 2019, 953 loans totaling \$146.0 million in 2020, and 772 loans totaling \$117.3 million in 2021. This evaluation presents information for 2019, 2020, and 2021. Aggregate data and 2015 American Community Survey (ACS) demographic data provided standards of comparison for the bank's home mortgage lending.

Examiners considered all small business loans originated in the period January 1, 2020, through December 31, 2021. The bank originated 573 small business loans totaling \$49.6 million in 2020 and 628 small business loans totaling \$63.8 million in 2021. For the Borrower Profile criterion, examiners reviewed a random sample of 65 small business loans totaling \$6.2 million for 2020 and 65 small business loans totaling \$6.2 million for 2021.

Examiners considered all small farm loans originated in the period January 1, 2020, through December 31, 2021. The bank originated 596 small farm loans totaling \$45.5 million in 2020 and 763 small farm loans totaling \$64.8 million in 2021. For the Borrower Profile criterion, examiners

reviewed a random sample of 65 small farm loans totaling \$6.5 million for 2020 and 65 small farm loans totaling \$4.3 million for 2021.

This evaluation presents small business and small farm information for 2020 and 2021. Dun and Bradstreet (D&B) data provided a standard of comparison for small business and small farm lending.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated March 11, 2019. Prior period qualified investments that remained outstanding as of the evaluation date are included at current book value.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. Loan-to-deposit ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance supports this conclusion.

Loan-to-Deposit Ratio

The bank’s net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area needs. The average net loan-to-deposit ratio is 78.6 percent, based on the 12 quarters since the previous evaluation dated March 11, 2019. The ratio has steadily declined over the evaluation period, ranging from a high of 86.6 percent on September 30, 2019, to its current level at 71.3 percent as of December 31, 2021. All but one of the below similarly situated banks experienced a similar declining trend. Despite the bank’s declining trend, the bank maintained a ratio in line with loan-to-deposit ratios of similarly situated institutions, as shown in the following table.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
Royal Bank	707,159	78.6
Mound City Bank	449,561	87.2
Community First Bank	575,615	78.3
Peoples State Bank	949,364	72.3
River Bank	1,052,811	109.0
<i>Source: Reports of Condition and Income 3/31/2019 - 12/31/2021</i>		

Assessment Area Concentration

The bank made a substantial majority of home mortgage, small business, and small farm loans, by number and dollar volume, within its assessment areas. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2019	430	90.5	45	9.5	475	53,384	86.8	8,085	13.2	61,470
2020	858	90.0	95	10.0	953	126,338	86.5	19,692	13.5	146,030
2021	704	91.2	68	8.8	772	104,153	88.8	13,182	11.2	117,335
Subtotal	1,992	90.5	208	9.5	2,200	283,875	87.4	40,959	12.6	324,835
Small Business										
2020	513	89.5	60	10.5	573	44,782	90.3	4,785	9.7	49,567
2021	562	89.5	66	10.5	628	57,516	90.1	6,298	9.9	63,814
Subtotal	1,075	89.5	126	10.5	1,201	102,298	90.2	11,083	9.8	113,381
Small Farm										
2020	580	97.3	16	2.7	596	43,855	96.4	1,626	3.6	45,481
2021	729	95.5	34	4.5	763	60,353	93.1	4,493	6.9	64,846
Subtotal	1,309	96.3	50	3.7	1,359	104,208	94.5	6,119	5.5	110,327
Total	4,376	91.9	384	8.1	4,760	490,381	89.4	58,161	10.6	548,543
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. Examiners based this conclusion primarily on the reasonable dispersion of the small business and home mortgage loans in the non-MSA assessment area. For this performance criterion, examiners focus on the percentage of loans by number originated within low- and moderate-income census tracts, as applicable. Examiners evaluate only loans originated within the bank's assessment areas. The bank's lending performance in the Madison MSA assessment area was stronger than the performance in the non-MSA assessment area; however, it does not change the overall assessment.

Borrower Profile

The distribution of borrowers reflects reasonable penetration. Examiners based this conclusion primarily on the excellent distribution of small business loans, reasonable distribution of small farm loans, and reasonable distribution of home mortgage loans in the non-MSA assessment area. Examiners focused on the percentage, by number, of small business and small farm loans to entities with gross annual revenues of \$1 million or less and number of home mortgage loans to low- and moderate-income borrowers. Examiners reviewed only those loans extended within the assessment areas to perform this analysis. The bank's lending performance in the Madison MSA assessment area is relatively consistent with the performance in the non-MSA assessment area.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Quantitative consideration is given to these activities based on the bank's financial capacity, and qualitative consideration is given based on opportunity and how the activities meet the needs in the assessment areas.

Community Development Loans

The bank originated 1,563 community development loans totaling \$80.6 million during the evaluation period, which includes 73 community development loans totaling \$2.0 million not in the assessment areas, but within the broader statewide area. Number and dollar amount of community development loans in the broader statewide or regional area are considered for this evaluation because the bank has been responsive to the community development needs and opportunities in the assessment areas. This level of activity represents 21.5 percent of average net loans and 14.4 percent of average total assets.

Of the 1,563 community development loans, 1,533 totaling \$58.6 million were for economic development purposes. 1,521 of these loans were SBA PPP loans made in the assessment areas and in the broader statewide or regional area. These loans demonstrate the bank's responsiveness to a primary community development need during the current evaluation period. Not including PPP loans, the bank originated 42 loans for \$36.9 million, representing 9.8 percent of average net loans and 6.6 percent of average total assets.

The bank's community development lending performance is comparable to the performance of similarly situated banks in Wisconsin evaluated under Interagency Intermediate Small Institution Examination Procedures and receiving Satisfactory ratings in the Community Development Test. This comparison was made with and without PPP loans as not all the similarly situated bank's evaluations occurred when PPP loans were available or for the entire time the PPP loan program was in place.

With PPP loans, three similarly situated banks made between 9.3 percent and 18.4 percent of average net loans and between 6.3 percent and 15.9 percent of average total assets. Without PPP loans, four similarly situated banks made between 3.5 percent and 10.6 percent of average net loans and between 2.3 percent and 9.1 percent of average total assets. The bank's performance with PPP loans is above similarly situated banks by average net loans and in line by average assets. When analyzing performance without PPP loans, Royal Bank performs in line with similarly situated banks by average net loans and average assets, reflecting reasonable responsiveness to assessment areas' needs.

The following tables illustrate the bank's community development lending by assessment area, year, and purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Madison MSA	0	0	4	360	174	5,457	0	0	178	5,817
Non-MSA	1	400	15	16,256	1,286	51,078	10	5,017	1,312	72,751
Statewide Activities	0	0	0	0	73	2,016	0	0	73	2,016
Total	1	400	19	16,616	1,533	58,551	10	5,017	1,563	80,584
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	0	0	6	3,217	5	4,129	0	0	11	7,346
2020	0	0	7	6,149	523	28,565	8	3,767	538	38,481
2021	1	400	6	7,250	1,004	24,112	2	1,250	1,013	33,012
YTD 2022	0	0	0	0	1	1,745	0	0	1	1,745
Total	1	400	19	16,616	1,533	58,551	10	5,017	1,563	80,584
<i>Source: Bank Data</i>										

Examiners noted that all of the statewide community development loans outside of the designated assessment area were PPP loans that promoted economic development by retaining jobs.

Qualified Investments

The bank made 250 qualified investments for \$5.6 million, which includes 2 qualified investments totaling \$2.4 million not in the assessment areas but within the broader statewide area. Of these investments and donations, 56.4 percent were for community service purposes. These investments and donations demonstrate the bank's responsiveness to the primary community development needs during the current evaluation period.

The dollar amount of qualified investments equates to 1.0 percent of average total assets, 9.8 percent of average equity capital, and 4.8 percent of average total securities in the 12 quarters since the prior evaluation. The bank's performance is slightly below what it was at the last evaluation when its performance was 1.2 percent of assets, 11.7 percent of equity capital, and 7.0 percent of total securities.

The bank's community development investment performance is comparable to the performance of similarly situated banks in Wisconsin evaluated under Interagency Intermediate Small Institution Examination Procedures and receiving Satisfactory ratings in the Community Development Test. Four similarly situated banks made between 2.9 percent and 14.5 percent of average securities, between 2.9 percent and 11.1 percent of average total equity capital, and between 0.3 percent and 1.2 percent of average total assets. The bank is in line with the similarly situated banks for each ratio, reflecting reasonable responsiveness to assessment areas' needs. The following tables illustrate the bank's qualified investments by assessment area, year, and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Madison MSA	0	0	27	10	2	<1	0	0	29	10
Non-MSA	0	0	132	3,181	74	17	13	3	219	3,201
Statewide Activities	2	2,439	0	0	0	0	0	0	2	2,439
Total	2	2,439	159	3,191	76	17	13	3	250	5,650
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	231	0	0	0	0	1	231
2019 (Partial)	0	0	3	557	0	0	0	0	3	557
2020	0	0	3	596	0	0	0	0	3	596
2021	2	2,439	6	1,731	0	0	0	0	8	4,170
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	2	2,439	13	3,115	0	0	0	0	15	5,554
Qualified Donations	0	0	146	76	76	17	13	3	235	96
Total	2	2,439	159	3,191	76	17	13	3	250	5,650
<i>Source: Bank Data</i>										

The bank participated in two affordable housing investments in the broader statewide region. These include investments in mortgage-backed securities consisting of loans to low- and moderate income borrowers in the State of Wisconsin.

Community Development Services

During the evaluation period, bank employees provided 69 instances of financial expertise or technical assistance. All of the instances of financial expertise or technical assistance were for community service or economic development purposes. These services demonstrate the bank's responsiveness to the primary community development needs during the current evaluation period.

In addition to these services, the bank participated in the Federal Home Loan Bank of Chicago's (FHLBC) Targeted Impact Fund, which resulted in three community development organizations receiving grants. Further, the bank participated in the FHLBC COVID-19 Relief Funds that benefitted 21 food banks. The bank also offers free checking in moderate-income and underserved census tracts. Further, the bank has four branches in moderate-income census tracts and two branches in underserved census tracts. Additionally, the bank offers down payment plus loans through the FHLBC that benefitted 41 low- and moderate-income borrowers since the last evaluation.

The bank's community development lending performance is comparable to the performance of similarly situated banks in Wisconsin evaluated under Interagency Intermediate Small Institution

Examination Procedures and receiving Satisfactory ratings in the Community Development Test. The bank’s community development services are in line with four similarly situated banks whose services ranged from 49 to 181 total community development services, indicating that the bank has been responsive to assessment areas’ needs. The following tables illustrate the bank’s community development services by assessment area, year, and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Madison MSA	0	16	2	0	18
Non-MSA	0	21	30	0	51
Total	0	37	32	0	69
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Partial)	0	32	18	0	50
2020	0	3	9	0	12
2021	0	2	5	0	7
YTD 2022	0	0	0	0	0
Total	0	37	32	0	69
<i>Source: Bank Data</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA ASSESSMENT AREA

The non-MSA assessment area has 71 census tracts and contains nine counties: Adams, Crawford, Grant, Juneau, Marquette, Monroe, Richland, Sauk, and Vernon. This assessment area is unchanged from the previous evaluation. Sources of the data used in this section are as follows: Federal Financial Institutions Examination Council (FFIEC), 2015 ACS, 2010 U.S. Census, D&B, U.S. Bureau of Labor Statistics, Wisconsin Realtors Association, and Wisconsin Department of Workforce Development.

Economic and Demographic Data

Six of the census tracts are moderate-income, 63 are middle-income, and two are upper-income. The census tracts in Marquette County have been underserved nonmetropolitan middle-income tracts since the previous evaluation. These census tract designations are the same as the last evaluation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	71	0.0	8.5	88.7	2.8	0.0
Population by Geography	286,348	0.0	8.9	87.3	3.8	0.0
Housing Units by Geography	144,556	0.0	9.4	88.2	2.3	0.0
Owner-Occupied Units by Geography	82,365	0.0	7.2	90.3	2.5	0.0
Occupied Rental Units by Geography	30,237	0.0	14.9	81.2	3.9	0.0
Vacant Units by Geography	31,954	0.0	10.0	89.5	0.5	0.0
Businesses by Geography	16,468	0.0	10.8	86.3	2.9	0.0
Farms by Geography	2,300	0.0	3.1	95.9	1.0	0.0
Family Distribution by Income Level	73,202	19.6	18.9	24.2	37.3	0.0
Household Distribution by Income Level	112,602	23.2	17.0	19.9	40.0	0.0
Median Family Income Non-MSAs – WI		\$60,742	Median Housing Value			\$138,886
			Median Gross Rent			\$698
			Families Below Poverty Level			9.2%
<i>Source: 2015 ACS and 2021 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>						

The 2019, 2020, and 2021 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
WI NA Median Family Income (99999)				
2019 (\$65,900)	<\$32,950	\$32,950 to <\$52,720	\$52,720 to <\$79,080	≥\$79,080
2020 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2021 (\$69,600)	<\$34,800	\$34,800 to <\$55,680	\$55,680 to <\$83,520	≥\$83,520
<i>Source: FFIEC</i>				

According to 2015 ACS data, there are 144,556 housing units in the assessment area. Of housing units in the assessment area, 57.0 percent are owner-occupied, 20.9 percent are occupied rental units, and 22.1 percent are vacant.

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. This information, which follows, provides insight into the housing market availability and credit needs, as well as the potential affordability of the housing to low- and moderate-income borrowers. As the following table illustrates, the median home prices for the counties within the assessment area generally increased from 2020 to 2021.

County Housing Sales and Median Prices			
County	Year-End	Sales	Median Home Price
Sauk			
	2020	1,042	\$226,000
	2021	1,012	\$242,500
Vernon			
	2020	339	\$185,900
	2021	323	\$180,000
Crawford			
	2020	216	\$143,450
	2021	181	\$165,000
Grant			
	2020	480	\$144,750
	2021	487	\$155,000
Richland			
	2020	157	\$160,000
	2021	182	\$170,000
Juneau			
	2020	460	\$154,250
	2021	425	\$169,000
Adams			
	2020	654	\$160,000
	2021	654	\$185,250
Marquette			
	2020	274	\$163,250
	2021	288	\$200,000
Monroe			
	2020	614	\$175,000
	2021	588	\$190,000

Source: Wisconsin Realtors Association

According to 2015 ACS data, 14.0 percent of housing units had monthly owner costs over 30.0 percent of income and 8.1 percent had monthly renter costs over 30.0 percent of income. The above data indicates that housing prices and costs in the assessment area creates barriers to low- and moderate-income applicants due to the increasing median housing prices

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by gross annual revenues (GARs) levels. The tables for the Borrower Profile criterion contain the distributions by GARs reported by D&B in 2020 and 2021. Service industries represent the largest portion of businesses at 34.4 percent, followed by retail trade

at 14.5 percent, and agriculture, forestry, and fishing at 12.3 percent. In addition, 67.9 percent of area businesses have four or fewer employees, and 85.9 percent of businesses operate from a single location. The demographic data illustrates that there is a significant presence of small farms and small businesses operating within the assessment area. In 2021, D&B reported that there were 2,300 farms and 16,468 non-farm businesses in the assessment area.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in the assessment area counties were continuously improving throughout most of the evaluation period, but sharply increased in the second quarter of 2020 and subsequently steadily declined. The following table shows the unemployment rates for the assessment area counties, state, and nationwide.

Unemployment Rates			
Area	2019	2020	Dec 2021
	%	%	%
Adams County	5.0	9.5	3.8
Crawford County	4.1	7.3	2.7
Grant County	3.2	5.3	1.5
Juneau County	3.2	7.2	2.3
Marquette County	3.8	6.7	2.7
Monroe County	2.9	5.5	1.7
Vernon County	3.2	5.2	1.7
Richland County	3.1	5.1	1.8
Sauk County	2.9	7.5	2.1
Statewide	3.0	6.3	2.0
Nationwide	3.7	8.1	3.7

Source: Bureau of Labor Statistics.

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data, as of June 2021, 39 financial institutions operated 144 branches within the assessment area. Of these institutions, the bank ranked third with a 7.4 percent deposit market share.

There is a moderate level of competition in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2019, 397 lenders reported 11,548 HMDA loans. The bank ranked fourth with a market share of 4.2 percent. In 2020, 438 lenders reported 16,717 HMDA loans. The bank ranked second with a market share of 5.7 percent.

The bank is not required to collect or report small farm or small business data, and it has elected not to do so. Therefore, the analysis of these loan types under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for lending. Aggregate data for 2020 shows 82 lenders reported 2,720 small business loans and 25 lenders reported 780 small farm loans. Aforementioned aggregate data indicates a moderate degree

of competition in both products. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate data reflects.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs.

Examiners used information from a small business development center that serves Buffalo, Jackson, Juneau, La Crosse, Monroe, Trempealeau, and Vernon Counties. The small business center provides no- or low-cost consulting, advising, and educational services to SBA defined small businesses, including entrepreneurs and start-ups. Examiners also used information from a non-profit organization that serves low-income families and small businesses in Crawford, La Crosse, Monroe, and Vernon Counties.

Both contacts noted that Monroe and Vernon Counties are predominately rural, sparsely populated, and have an aging population. One contact noted that prior to the COVID-19 pandemic "baby boomer" business owners were transitioning focus to succession planning and retirement. The contact stated that those business owners were finally getting to point of normalization after the recession in the late 2000s, but then were adversely affected by the COVID-19 pandemic. The contact said that SBA PPP and SBA Economic Injury Disaster loans assisted these business owners to get through the business interruptions caused by the pandemic. However, now many of these business owners are no longer willing to make further investments into their businesses and are even more ready to transition to succession planning and retirement.

The other contact noted that the Wisconsin Economic Development Corporation Main Street Bounceback Grant program has allowed new or existing businesses and non-profit organizations to move into vacant properties in Wisconsin downtown and commercial corridors. The contact went on to say that these programs along with job uncertainty caused by the COVID-19 pandemic started a trend of individuals that were previously in the traditional workforce to leave and start their own businesses.

Both contacts noted needs for prospective business owners, entrepreneurs, and start-up businesses in the area. One of the contacts said that many business owners who have received grant money are able to get their businesses up and running, but after about a year they need a traditional business loan. Traditional loans are difficult for the start-ups to obtain as these businesses are either just breaking even or not profitable after just one year. Making use of flexible lending programs would allow prospective borrowers to improve creditworthiness and ultimately allow banks to extend more credit to small businesses. Notably, one contact said that the restaurant industry has a significant presence in the area; however, financial institutions typically have more stringent underwriting standards for this industry which creates an extra obstacle for these small business owners to obtain credit.

In regards to the housing market, one contact noted that the availability of affordable housing, rental properties, and market rate housing is extremely low. In addition, the housing stock in Monroe and Vernon Counties is aging and a large portion does not meet U.S. Department of Housing and Urban

Development physical condition quality standards. Consequently, the contact stated there is a significant need for new affordable housing projects and rehabilitation of existing housing stock.

The contacts indicated that financial institutions have been responsive to the credit needs in the area as a whole. However, they stated there is always a need for more small business educational programs and consulting services for new and prospective business owners and entrepreneurs, including education on obtaining credit.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the assessment area. There is a particular need for covering the funding gaps that start-up and other small businesses experience due to the amount of funds local financial institutions are typically capable of lending to them. The significant percentage of businesses with GARs of \$1 million or less and the percentage of businesses with four or fewer employees support this conclusion.

Additionally, there is a significant community development need for affordable housing and home rehabilitation in the assessment area. The median housing values for the area and the low availability and low quality of housing stock support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA ASSESSMENT AREA

LENDING TEST

The bank demonstrated adequate performance under the Lending Test. Geographic distribution and borrower profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including the assessment area moderate-income geographies. The bank's reasonable performance for home mortgage and small business loans supports this conclusion. Examiners compared the bank's small business and small farm lending performances to the available D&B data, and home mortgage lending performance to aggregate and demographic data. The following data and analyses only include loans originated within the bank's non-MSA assessment area.

Home Mortgage Loans

The bank's geographic distribution of reported home mortgage loans throughout the assessment area reflects reasonable dispersion among census tracts of various income levels. In all three years, the bank's performance by number exceeded aggregate or demographics. In 2019, the bank's performance exceeded aggregate by 2.8 percentage points and demographics by 4.5 percentage points. In 2020, the bank's performance exceeded aggregate by 0.8 percentage points and demographics by 1.4 percentage points. In 2021, the bank's performance exceeded demographics

by 2.7 percentage points. Based this performance for all three years, the bank’s performance is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	7.2	8.9	47	11.7	4,976	10.2
2020	7.2	7.8	68	8.6	8,497	7.4
2021	7.2	--	63	9.9	8,305	8.7
Middle						
2019	90.3	87.5	354	87.8	43,625	89.0
2020	90.3	88.9	715	90.7	105,506	91.9
2021	90.3	--	571	89.4	86,381	90.8
Upper						
2019	2.5	3.7	2	0.5	391	0.8
2020	2.5	3.3	5	0.6	781	0.7
2021	2.5	--	5	0.8	494	0.5
Totals						
2019	100.0	100.0	403	100.0	48,992	100.0
2020	100.0	100.0	788	100.0	114,784	100.0
2021	100.0	--	639	100.0	95,180	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The bank’s geographic distribution of small business loans throughout the assessment area reflects reasonable dispersion among census tracts of various income levels. Although the bank’s performance in lending to moderate-income census tracts was 4.1 percentage points below demographics in 2020, its performance improved by 2.3 percentage points in 2021 is considered to be in line with demographics.

Further, although the bank is not a CRA reporter, aggregate data helps to provide an idea of the level of demand for loans in the moderate-income census tracts. For the most recent year’s aggregate data available in 2020, aggregate performance was 9.8 percent, slightly trailing the demographic. Based on the bank’s improved performance in 2021, which is relatively close to demographics, the bank’s performance is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	10.9	32	6.8	2,665	6.4
2021	10.8	47	9.1	4,592	9.0
Middle					
2020	86.3	438	93.2	39,043	93.6
2021	86.3	470	90.9	46,385	91.0
Upper					
2020	2.8	0	0.0	0	0.0
2021	2.9	0	0.0	0	0.0
Totals					
2020	100.0	470	100.0	41,708	100.0
2021	100.0	517	100.0	50,977	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The bank's geographic distribution of small farm loans throughout the assessment area reflects poor dispersion among census tracts of various income levels. In 2020, the bank's performance was below demographics by 2.1 percentage points. In 2021, its performance declined 0.6 percentage points and was 2.9 percentage points below demographics. Further, although the bank is not a CRA reporter, aggregate data helps to provide an idea of the level of demand for loans in the moderate-income census tracts. For the most recent year's aggregate data available in 2020, aggregate performance was 1.7 percent. The bank's performance was below this number in both years reviewed. Examiners noted that there are a limited number of farms located in these moderate-income census tracts, as at the last evaluation. However, the bank's performance declined from the last examination when it made 1.5 percent of its loans in moderate-income census tracts. As a result, after taking into consideration all these factors, the bank's performance is poor.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2020	2.9	4	0.8	240	0.6
2021	3.1	1	0.2	220	0.4
Middle					
2020	96.2	514	99.0	38,369	99.2
2021	95.9	649	99.4	53,644	98.9
Upper					
2020	0.9	1	0.2	80	0.2
2021	1.0	3	0.5	400	0.7
Totals					
2020	100.0	519	100.0	38,689	100.0
2021	100.0	653	100.0	54,263	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of loans to borrowers within the assessment area reflects reasonable penetration among individuals of various income levels, and businesses and farms of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and comparison to aggregate data. Examiners also focused on the percentage by number of small business and small farm loans to businesses and farms with GARs of \$1 million or less. For these loan categories, examiners compared the bank’s performance to available D&B data. The presented data and analyses only include reviewed loans originated within the bank’s non-MSA assessment area. See the below analyses for each reviewed loan category.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

In 2019, by number, the bank’s level of lending to low-income borrowers is above aggregate performance by 0.9 percentage points. In 2020, the bank’s performance declined but was still slightly above and in-line with aggregate performance. In 2021, the bank’s performance improved by 3.8 percentage points. The bank’s performance was below demographics for all three years. However, factoring in the assessment area families below the poverty level (at 9.2 percent) results in bank performance to low-income borrowers more in line with the demographics. Furthermore, it is unlikely that low-income borrowers (including those at poverty level) can afford home ownership in the area given the high housing costs noted previously.

The bank’s performance in lending to moderate-income borrowers exceeded both aggregate and demographics for each year. The bank’s performance exceeded aggregate by 4.9 percentage points

and demographics by 3.9 percentage points in 2019. The bank's performance exceeded aggregate by 3.8 percentage points and demographics by 1.4 percentage points in 2020. The bank's performance exceeded demographics by 6.0 percentage points in 2021.

Overall, considering the assessment area demographics and housing costs, aggregate performance, credit needs, opportunities, and competition, the bank's distribution of home mortgage loans to borrowers of different income levels is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.6	5.3	25	6.2	1,508	3.1
2020	19.6	4.1	34	4.3	2,485	2.2
2021	19.6	--	52	8.1	3,873	4.1
Moderate						
2019	18.9	17.9	92	22.8	7,968	16.3
2020	18.9	16.5	160	20.3	16,184	14.1
2021	18.9	--	159	24.9	16,521	17.4
Middle						
2019	24.2	23.7	89	22.1	9,021	18.4
2020	24.2	21.2	185	23.5	26,067	22.7
2021	24.2	--	151	23.6	21,894	23.0
Upper						
2019	37.3	40.8	168	41.7	27,005	55.1
2020	37.3	44.4	370	47.0	64,284	56.0
2021	37.3	--	239	37.4	46,558	48.9
Not Available						
2019	0.0	12.4	29	7.2	3,491	7.1
2020	0.0	13.7	39	4.9	5,766	5.0
2021	0.0	--	38	5.9	6,333	6.7
Totals						
2019	100.0	100.0	403	100.0	48,992	100.0
2020	100.0	100.0	788	100.0	114,784	100.0
2021	100.0	--	639	100.0	95,180	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank’s percentage of sampled loans originated to businesses with GARs of \$1 million or less exceeds the percentage of businesses in this revenue category by 8.1 percent in 2020 and 7.3 percent in 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	78.6	52	86.7	3,860	64.8
2021	78.4	54	85.7	3,490	59.6
>\$1,000,000					
2020	5.9	8	13.3	2,093	35.2
2021	5.8	9	14.3	2,366	40.4
Revenue Not Available					
2020	15.5	0	0.0	0	0.0
2021	15.8	0	0.0	0	0.0
Totals					
2020	100.0	60	100.0	5,953	100.0
2021	100.0	63	100.0	5,856	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of \$1 million or less. The following table shows that the bank’s percentage, by number, of sampled loans to farms with GARs of \$1 million exceeded the percentage of farms in this revenue category by 3.1 percentage points in 2020 and was below it by 5.5 percentage points in 2021. Taken together, the bank’s performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2020	96.9	57	100.0	5,591	100.0
2021	97.0	54	91.5	3,617	86.0
>\$1,000,000					
2020	1.9	0	0.0	0	0.0
2021	2.0	4	6.8	583	13.9
Revenue Not Available					
2020	1.2	0	0.0	0	0.0
2021	1.0	1	1.7	4	0.1
Totals					
2020	100.0	57	100.0	5,591	100.0
2021	100.0	59	100.0	4,204	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The bank demonstrated adequate responsiveness to the community development needs of the non-MSA assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank's community development lending in the non-MSA assessment area increased from 45 community development loans totaling \$20.6 million at the previous evaluation to 1,310 community development loans totaling \$72.8 million at the current evaluation. A large portion of the community development lending consists of SBA PPP loans, offered during 2020 and 2021. During the evaluation period, the bank made 1,277 PPP loans totaling \$36.4 million in the non-MSA assessment area. The PPP activity significantly increased the amount of community development lending during the review period, an anomaly noted for other similarly situated banks. While this activity demonstrates responsiveness, the PPP lending is not reflective of the lending performance for the entire evaluation period and will likely not be sustained going forward. Not including the PPP lending activity, the bank originated 33 community development loans totaling \$36.4 million in the non-MSA assessment area. Community development loans by type and year are outlined in the following table.

Community Development Lending – Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	0	0	2	2,955	2	3,942	0	0	4	6,897
2020	0	0	5	6,051	427	23,652	8	3,767	440	33,470
2021	1	400	6	7,250	856	21,738	2	1,250	865	30,638
YTD 2022	0	0	0	0	1	1,745	0	0	1	1,745
Total	1	400	13	16,256	1,286	51,077	10	5,017	1,310	72,750
<i>Source: Bank Data</i>										

Notable examples of community development lending in the assessment area include the following.

- The bank made a revitalization/stabilization loan in the underserved Marquette County to construct a road in the county.
- The bank made a revitalization/stabilization loan in the underserved Marquette County to install fiber optic internet cables in the county.
- The bank made a community service loan in a moderate-income census tract to repair a sewer for a local community.

Qualified Investments

The bank made 219 qualified investments and donations for \$3.2 million in the non-MSA assessment area, which is above the 170 qualified investments and donations for \$0.8 million made in the non-MSA assessment area at the last evaluation. Qualified investments in the non-MSA assessment area included 206 donations for almost \$86 thousand and 13 investments for \$3.1 million. The following table shows the breakdown of qualified investments by year.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	231	0	0	0	0	1	231
2019 (Partial)	0	0	3	557	0	0	0	0	3	557
2020	0	0	3	596	0	0	0	0	3	596
2021	0	0	6	1,731	0	0	0	0	6	1,731
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	13	3,115	0	0	0	0	13	3,115
Qualified Donations	0	0	119	66	74	17	13	3	206	86
Total	0	0	132	3,181	74	17	13	3	219	3,201
<i>Source: Bank Data</i>										

The following summarizes a few notable examples of qualified investments during the review period.

- A revitalization/stabilization donation to a local community to purchase bottled water for residents whose water was considered unsafe to drink.

- Two donations to a local organization for a toy collection fundraiser to provide toys to children low-income families in a local community.
- The bank made investments in school district bonds to various local communities where more than 50 percent of the students were eligible for free or reduced-priced lunches.

Community Development Services

The bank’s employees provided 51 community development services in the non-MSA assessment area during the evaluation period. The following table shows the breakdown of community development services by year.

Community Development Services – Non MSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Partial)	0	18	17	0	35
2020	0	2	9	0	11
2021	0	1	4	0	5
YTD 2022	0	0	0	0	0
Total	0	21	30	0	51
<i>Source: Bank Data</i>					

The following summarizes a few notable examples of community development services offered during the review period.

- Employees provided financial literacy presentations to low- and moderate-income students at local schools.
- An employee served on the Board of a local nonprofit that promotes innovative and supplemental education programs for low- and moderate-income students at a local school district. This employee lent their financial expertise to the organization.

MADISON MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MADISON MSA ASSESSMENT AREA

The Madison MSA assessment area consists of six contiguous census tracts in Iowa County. This assessment area is unchanged from the previous evaluation.

Economic and Demographic Data

Two of the census tracts are moderate-income and four are middle-income. These census tract designations are the same as the last evaluation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0.0	33.3	66.7	0.0	0.0
Population by Geography	23,769	0.0	26.5	73.5	0.0	0.0
Housing Units by Geography	10,764	0.0	27.4	72.6	0.0	0.0
Owner-Occupied Units by Geography	7,452	0.0	27.4	72.6	0.0	0.0
Occupied Rental Units by Geography	2,237	0.0	24.3	75.7	0.0	0.0
Vacant Units by Geography	1,075	0.0	33.5	66.5	0.0	0.0
Businesses by Geography	1,559	0.0	22.2	77.8	0.0	0.0
Farms by Geography	296	0.0	36.5	63.5	0.0	0.0
Family Distribution by Income Level	6,486	24.7	21.1	25.0	29.2	0.0
Household Distribution by Income Level	9,689	25.5	19.2	19.5	35.8	0.0
Median Family Income MSA - 31540 Madison, WI MSA		\$81,321	Median Housing Value			\$164,578
			Median Gross Rent			\$691
			Families Below Poverty Level			6.5%
<i>Source: 2015 ACS and 2021 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>						

The 2019, 2020, and 2021 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Madison, WI MSA Median Family Income (31540)				
2019 (\$94,200)	<\$47,100	\$47,100 to <\$75,360	\$75,360 to <\$113,040	≥\$113,040
2020 (\$96,600)	<\$48,300	\$48,300 to <\$77,280	\$77,280 to <\$115,920	≥\$115,920
2021 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800
<i>Source: FFIEC</i>				

According to 2015 ACS data, there are 10,764 housing units in the assessment area. Of housing units in the assessment area, 69.2 percent are owner-occupied, 20.8 percent are occupied rental units, and 10.0 percent are vacant.

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. This information, which follows, provides insight into the housing market availability and credit needs, as well as the potential affordability of the housing to low- and

moderate-income borrowers. As the following table illustrates, the median home prices for the counties within the assessment area increased from 2020 to 2021.

Iowa County Housing Sales and Median Prices		
Year-End	Sales	Median Home Price
2020	278	\$214,950
2021	283	\$220,000
<i>Source: Wisconsin Realtors Association</i>		

According to 2015 ACS data, 18.2 percent of housing units had monthly owner costs over 30.0 percent of income and 7.1 percent had monthly renter costs over 30.0 percent of income. The above data indicates that housing prices and costs in the assessment area creates barriers to low- and moderate-income applicants due to the increasing median housing prices

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by GARs. The tables for the Borrower Profile criterion contain the distributions by GARs reported by D&B in 2020 and 2021. Service industries represent the largest portion of businesses at 32.9 percent, followed by agriculture, forestry, and fishing at 16.0 percent, and retail trade at 12.6 percent. In addition, 73.1 percent of area businesses have four or fewer employees, and 87.3 percent of businesses operate from a single location. The demographic data illustrates that there is a significant presence of small farms and small businesses operating within the assessment area. In 2021, D&B reported that there were 296 farms and 1,559 non-farm businesses in the assessment area.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in Iowa County continuously improved throughout most of the evaluation period, but sharply increased in the second quarter of 2020 and subsequently steadily declined. The following table shows the unemployment rates for the assessment area county, state, and nationwide.

Unemployment Rates			
Area	2019	2020	Dec 2021
	%	%	%
Iowa County	2.8	6.1	1.6
Statewide	3.0	6.3	2.0
Nationwide	3.7	8.1	3.7
<i>Source: Bureau of Labor Statistics.</i>			

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2021, 7 financial institutions operated 13 branches within the assessment area. Of these institutions, the bank ranked second with a 12.7 percent deposit market share.

There is a moderate level of competition in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2019, 125 lenders reported 1,121 HMDA loans. The bank ranked 11th with a market share of 2.9 percent. In 2020, 142 lenders reported 1,870 HMDA loans. The bank ranked sixth with a market share of 4.4 percent.

The bank is not required to collect or report small farm or small business data, and it has elected not to do so. Therefore, the analysis of these loan types under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for lending. Aggregate data for 2020 shows 37 lenders reported 247 small business loans and 13 lenders reported 76 small farm loans. Aforementioned aggregate data indicates a moderate degree of competition in both products. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate data reflects.

Community Contact

As part of the evaluation process, examiners use information obtained from third parties active in the assessment area to assist in identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to these needs. Examiners used information from a government-planning agency that serves Iowa County.

The contact commented that the area economy was stable prior to the pandemic, with low unemployment rates and some business and economic growth. During the pandemic, the county's unemployment rate had dramatically and suddenly increased, which affected current businesses (closures, employee layoffs, and/or restricted services), and stagnated new business development. The economy has started to recover; however, the contact mentioned that there is currently very little economic and residential development occurring in Iowa County. There are opportunities for business development in any of the several industrial parks throughout Iowa County, as well as room for residential development. However, the contact said that developers are not as willing to develop in the rural areas, as they would in the more metropolitan areas, primarily due to costs, lack of qualified labor, and business/financing risks.

The contact said that small business start-ups struggle to obtain financing and flexible funding that would work for their needs. The area needs more small business start-up, capital funding, along with flexible financing with less paper work involved (which is a common deterrent). The contact further noted that labor shortages (lack of qualified labor force) are a hindrance for the county in attracting new business or for current business expansions.

The contact also stated that housing stock in the area is very limited, and that there is a need for more housing of all sizes and values in the county, especially for affordable housing. Housing costs are high in the county, and people of low- or moderate-income status are typically not able to afford current higher-end housing stock or new construction.

The contact stressed that Iowa County is predominantly rural, and has a limited population overall (around 24,000 people). The area is home to a good number of farms, predominantly dairy. The contact stated that land values have increased significantly, and are around \$10,000 per acre. COVID-19 had a detrimental impact on many farmers in the area, with meat packing plant closures,

and commodity prices taking a dive. However, dairy and other commodities have rebounded. In addition, Iowa County farms are benefiting from a significant shift to leasing land for renewable energy efforts, giving rise to increased revenue streams for those participating. The contact noted that a trend is for retiring farmers to sell to neighboring farms, since the younger generation is less disposed to taking over the family farm. This has resulted in larger farms over the past few years.

Finally, the contact mentioned that the western half of Iowa County is more rural, predominantly farmland, and having very little business districts and employment opportunities in the smaller communities located there. For this reason, non-farm residents tend to commute to other communities inside and outside the county for employment, and for convenience, tend to conduct their banking business in the community where they work.

Credit and Community Development Needs and Opportunities

Considering information from bank management, the community contact, as well as assessment area demographic and economic data, examiners determined that there are credit and community development needs for affordable housing and small businesses in the assessment area, including start-up business financing and more flexible loan programs. The median housing values for the area support the need for more affordable housing. Additionally, the significant percentages of businesses with GARs of \$1 million or less and the large number of businesses with ten or fewer employees support the need for small business lending. The COVID-19 pandemic and related impacts to the area also support the need for more flexible business lending programs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MSA ASSESSMENT AREA

LENDING TEST

The lending performance in the assessment area is consistent with the lending performance of the non-MSA assessment area; however, it does not change the overall rating. As stated previously, the bank operates two branches in this assessment area. During the review period, the bank originated far fewer loans within this particular assessment area. Therefore, performance in the non-MSA carries the greatest weight in conclusions.

Geographic Distribution

The geographic distribution in the assessment area is above the lending performance in the non-MSA assessment area however, it does not change the overall assessment.

Home Mortgage Loans

The bank's home mortgage lending performance in the assessment area is stronger than the lending performance in the non-MSA assessment area. The bank's performance was above aggregate and demographics for all three years.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	27.4	16.9	17	63.0	2,297	52.3
2020	27.4	15.9	48	68.6	7,350	63.6
2021	27.4	--	44	67.7	6,238	69.5
Middle						
2019	72.6	83.1	10	37.0	2,095	47.7
2020	72.6	84.1	22	31.4	4,204	36.4
2021	72.6	--	21	32.3	2,736	30.5
Totals						
2019	100.0	100.0	27	100.0	4,393	100.0
2020	100.0	100.0	70	100.0	11,554	100.0
2021	100.0	--	65	100.0	8,974	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The bank's small business lending performance in the assessment area is stronger than the lending performance in the non-MSA assessment area. The bank's performance was above demographics for both years.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	22.3	28	65.1	1,530	49.8
2021	22.2	35	77.8	4,577	70.0
Middle					
2020	77.7	15	34.9	1,544	50.2
2021	77.8	10	22.2	1,963	30.0
Totals					
2020	100.0	43	100.0	3,074	100.0
2021	100.0	45	100.0	6,540	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The bank's small farm lending performance in the assessment area is stronger than the lending performance in the non-MSA assessment area. The bank's performance was above demographics for both years.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2020	34.4	52	85.3	3,778	73.1
2021	36.5	59	77.6	3,893	63.9
Middle					
2020	65.6	9	14.8	1,388	26.9
2021	63.5	17	22.4	2,197	36.1
Totals					
2020	100.0	61	100.1	5,166	100.0
2021	100.0	76	100.0	6,090	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The borrower profile distribution in the MSA assessment area is consistent with the lending performance in the non-MSA assessment area. This performance does not change the overall conclusion for this criterion.

Home Mortgage Loans

The bank's home lending performance in the MSA assessment area is consistent with the lending performance in the non-MSA assessment area. For 2019 and 2020, the bank's performance to low-income families was comparable to aggregate performance. The 2021 performance was comparable to the demographic. Similar performance was noted for moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	24.7	14.6	3	11.1	314	7.1
2020	24.7	11.4	9	12.9	943	8.2
2021	24.7	--	17	26.2	1,628	18.1
Moderate						
2019	21.1	28.7	9	33.3	973	22.1
2020	21.1	25.7	16	22.9	1,856	16.1
2021	21.1	--	11	16.9	1,347	15.0
Middle						
2019	25.0	25.0	7	25.9	1,071	24.4
2020	25.0	28.0	21	30.0	3,814	33.0
2021	25.0	--	16	24.6	1,752	19.5
Upper						
2019	29.2	25.3	8	29.6	2,036	46.3
2020	29.2	27.2	21	30.0	4,608	39.9
2021	29.2	--	18	27.7	3,843	42.8
Not Available						
2019	0.0	6.4	0	0.0	0	0.0
2020	0.0	7.7	3	4.3	333	2.9
2021	0.0	--	3	4.6	404	4.5
Totals						
2019	100.0	100.0	27	100.0	4,393	100.0
2020	100.0	100.0	70	100.0	11,554	100.0
2021	100.0	--	65	100.0	8,974	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The small business performance in the MSA assessment area is weaker than the lending performance in the non-MSA assessment area. By number, 40.0 percent of loans in 2020 and 50.0 percent in 2021 were to businesses with GARs of \$1 million or less. Compared to D&B demographic data for 2020 and 2021, the disparity of lending to small businesses with revenue of \$1 million or less is 39.8 percentage points and 29.7 percentage points, respectively.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	79.8	2	40.0	86	39.8
2021	79.7	1	50.0	64	20.4
>\$1,000,000					
2020	5.0	2	40.0	90	41.7
2021	5.1	1	50.0	250	79.6
Revenue Not Available					
2020	15.2	1	20.0	40	18.5
2021	15.1	0	0.0	0	0.0
Totals					
2020	100.0	5	100.0	216	100.0
2021	100.0	2	100.0	314	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

The small farm performance in the assessment area is consistent with the lending performance in the non-MSA assessment area. By number, 100.0 percent of loans in 2020 and 83.3 percent in 2021 were to farms with GARs of \$1 million or less. Compared to D&B demographic data, the bank's lending to small farms with GARs of \$1 million or less is 1.8 percentage points above demographics in 2020 and 15.3 percentage points below demographics in 2021.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2020	98.2	8	100.0	920	100.0
2021	98.6	5	83.3	99	79.2
>\$1,000,000					
2020	1.4	0	0.0	0	0.0
2021	1.0	0	0.0	0	0.0
Revenue Not Available					
2020	0.4	0	0.0	0	0.0
2021	0.3	1	16.7	26	20.8
Totals					
2020	100.0	8	100.0	920	100.0
2021	100.0	6	100.0	125	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The bank's community development performance in the Madison MSA assessment area is consistent with the community development performance in the non-MSA assessment area that was reviewed using full-scope examination procedures. The bank's performance is adequate as shown in the tables for the overall institution.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

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

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.