

PUBLIC DISCLOSURE

February 13, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Luxemburg
Certificate Number: 13264

630 Main Street
Luxemburg, Wisconsin 54217

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.

- **Loan-to-Deposit Ratio (LTD):** The average LTD ratio is reasonable given the institution's size and financial condition, as well as the credit needs of those residing and conducting business in the assessment areas (AAs).
- **Assessment Area Concentration:** The bank originated a majority of its small business and home mortgage loans in the AAs.
- **Borrower Distribution:** The distribution of small business and home mortgage loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels.
- **Geographic Distribution:** The geographic distribution of small business and home mortgage loans reflects reasonable dispersion throughout the AAs.
- **Consumer Complaints:** The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments and community development services. Examiners considered the institution's capacity, as well as the availability of community development opportunities in the AAs.

DESCRIPTION OF INSTITUTION

Bank of Luxemburg (BOL), a full-service financial institution headquartered in Luxemburg, Wisconsin, is wholly owned by Luxemburg Bancshares, Incorporated, a one-bank holding company also headquartered in Luxemburg. BOL received a Satisfactory rating during its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated June 24, 2020, based on Interagency Small Institution Examination Procedures.

In addition to its main office, BOL conducts business from eight branch offices located in northeast Wisconsin. Since the prior Performance Evaluation, the bank opened two branch offices, while closing another. In May 2021, BOL opened a branch office in Fish Creek. In May 2022, the bank opened a branch office in Howard. In July 2020, BOL permanently closed the limited-service branch office in the Luxemburg IGA grocery store; however, BOL still maintains an interactive teller machine (ITM) at this location.

BOL offers a variety of loan and deposit products, with a focus on residential and commercial lending activities. Customers can access the bank’s products and services through telephone, online and mobile banking services, as well as seven non-depository automated teller machines (ATMs) and three deposit-taking ITMs. Drive up facilities and Saturday hours are available at most locations.

As of December 31, 2022, BOL reported total assets of \$580.4 million, total loans of \$421.0 million, and total deposits of \$512.4 million. Total assets have increased 43.9 percent since the previous evaluation due primarily to organic growth. During the COVID-19 pandemic, deposits grew \$173.4 million, while loans grew only \$97.3 million. The composition of the loan portfolio has remained relatively unchanged.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	34,996	8.3
Secured by Farmland	16,186	3.9
Secured by 1-4 Family Residential Properties	107,412	25.5
Secured by Multifamily (5 or more) Residential Properties	26,517	6.3
Secured by Nonfarm Nonresidential Properties	145,578	34.6
Total Real Estate Loans	330,689	78.6
Commercial and Industrial Loans	66,533	15.8
Agricultural Production and Other Loans to Farmers	3,873	.9
Consumer Loans	7,588	1.8
Other Loans	12,294	2.9
TOTAL LOANS	420,977	100.0
<i>Source: Reports of Condition and Income</i>		

BOL sells a sizeable portion of its residential real estate loans on the secondary market and, therefore, does not report this lending activity in Reports of Condition and Income. The following table reflects the volume of secondary market activity.

Secondary Market Residential Lending Activity				
Year	Freddie Mac		WHEDA	
	#	\$ (000)	#	\$ (000)
2020	596	101,946	1	76
2021	364	63,203	9	921
2022	71	16,452	1	115
TOTAL	1,031	181,601	11	1,112

Source: Bank Records

Additionally, in an effort to help meet the credit needs of small businesses, BOL originated commercial loans guaranteed by the Small Business Administration (SBA). The following table summarizes the number and dollar volume of loans originated through these programs.

SBA Lending Activity						
Year	7(a)		504		PPP	
	#	\$ (000)	#	\$ (000)	#	\$ (000)
2020					51	646
2021	1	700	6	7,422	527	14,433
2022	1	2,800				
2023 YTD	2	611				
TOTAL	4	4,111	6	7,422	578	15,079

Source: Bank Records

The 7(a) Loan Program is designed to help finance the establishment of a new business or assist in the operation, acquisition or expansion of an existing small business. The 504 Program offers long-term, fixed-rate financing to small businesses to acquire major fixed assets for expansion and modernization. The SBA designed the Paycheck Protection Program (PPP) to help businesses keep their workforce employed during the COVID-19 pandemic. These loans are forgivable under specific SBA guidelines. BOLs participation in these loan programs shows its willingness to assist small businesses obtain the financing they need.

The bank also participates in a number of down payment/grant programs that help individuals and families achieve homeownership. These include:

- Federal Home Loan Bank Downpayment Plus – Forgivable grants up to \$10,000 per homebuyer with income at or below 80 percent adjusted median income. BOL assisted borrowers obtain three grants totaling \$18,600 during the evaluation period.
- Housing Cost Reduction Initiatives (HCRI) Funds – The State of Wisconsin created HCRI to provide housing assistance to low- and moderate-income households seeking to own safe and affordable housing. BOL assisted borrowers obtain two grants totaling \$15,000 during the

evaluation period.

- HOME – A Federal grant designed to create affordable housing for low-income households. BOL assisted borrowers obtain two grants totaling \$15,000 during the evaluation period.
- NEW WI Region Community Development Block Grant Housing Loan – Federal funds provided to local communities to assist with a variety of needs, including down payment assistance. Loans are extended with no interest and deferred payment. BOL extended one loan through this program during the evaluation period totaling \$9,900.

Examiners did not identify any financial, legal or other impediments that would 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 AAs within which examiners will evaluate its CRA performance. BOL has designated two adjacent AAs in Northeast Wisconsin containing a combined 74 census tracts (CTs). The Green Bay Metropolitan Statistical Area (Green Bay MSA) AA includes all 58 CTs in Brown County and all six CTs in Kewaunee County. Brown County contains one low-income CT and 16 moderate-income CTs, while Kewaunee County is comprised entirely of middle-income geographies. The Non-MSA AA consists of all ten CTs in Door County, all of which are middle-income. Due to the establishment of two new offices in Howard (Brown County) and Fish Creek (Door County), BOL expanded both AAs to include all CTs in Brown and Door Counties. This resulted in the addition of nine moderate-income CTs to the combined AA.

The AAs do not arbitrarily exclude any low- or moderate-income CTs, do not reflect illegal discrimination and otherwise meet the requirements of the CRA regulations. The main office and a significant percentage of lending activities are in the Green Bay MSA AA. All bank offices are located in middle-income CTs.

Description of AAs						
Assessment Area	Counties	# CTs	# Branches	Deposits		Evaluation Type
				\$ (000s)	%	
Green Bay MSA AA	Brown, Kewaunee	64	7	418.0	84.9	Full Scope
Non-MSA AA	Door	10	2	74.3	15.1	Limited Scope

Source: Bank Data; Summary of Deposits as of June 30, 2022

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated June 24, 2020, to the current evaluation. Examiners used Interagency Intermediate Small Institution Procedures to evaluate BOL's CRA performance. These procedures include two tests: The CRA Small Bank 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 Green Bay MSA AA received a full-scope review and is weighed more heavily than the Non-MSA AA when drawing conclusions and determining the bank's overall rating. The Green Bay MSA AA includes a substantial majority of BOL's loans, deposits, community development activities and office locations when compared to the Non-MSA AA. The Non-MSA AA received a full-scope review at the previous evaluation, but received a limited scope review at this evaluation for the reasons discussed above.

Activities Reviewed

Home mortgage and commercial loans continue to represent the bank's major product lines. Examiners made this determination in consideration of BOL's business strategy, as well as the number and dollar volume of loans originated during the evaluation period. Agricultural and consumer loans are not a business focus, do not represent a substantial portion of the bank's loan portfolio and, therefore, were not reviewed during the current evaluation.

Examiners reviewed the universe of home mortgage loans recorded on the 2020, 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Examiners also reviewed the entire universe of small business loans originated in 2022 to ensure the analysis was reflective of commercial lending activity in both AAs.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$ (000s)	#	\$ (000s)
Home Mortgage 2020	754	132,515	754	132,515
Home Mortgage 2021	516	96,594	516	96,594
Home Mortgage 2022	322	86,897	322	86,897
Small Business	376	61,724	376	61,724

Source: 2020, 2021 and 2022 HMDA Loan Application Registers; Bank Data

Examiners placed equal weight on home mortgage and commercial loans when drawing conclusions based on the composition of the loan portfolio, the number and dollar volume of commercial loan originations and the bank's overall business strategy, which focuses on both home mortgage and commercial lending. Examiners analyzed lending performance by both number and dollar volume of loans; however, examiners emphasized performance by number of loans, as this is a better indicator of the number of small businesses and individuals served.

D&B data from 2022 provided a standard of comparison for the bank’s small business lending activity. Consistent with Federal Financial Institutions Examination Council (FFIEC) guidelines, examiners relied on American Community Survey (ACS) estimates when considering census demographics throughout this evaluation. For years 2021 and earlier, bank performance was evaluated relative to 2015 ACS data. For years 2022 and later, performance was evaluated relative to 2020 US Census data.

Examiners evaluated BOL’s engagement in community development activities since the prior Performance Evaluation, including community development loans, qualified investments and community development services. Examiners considered quantitative factors for these activities based on the bank’s financial capacity, as well as AA needs and opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

An overall “Satisfactory” rating is assigned under the Lending Test. The LTD Ratio, AA Concentration, Geographic Distribution and Borrower Profile support this conclusion.

Loan-to-Deposit Ratio

BOL’s LTD ratio reflects reasonable performance given the institution’s size, financial condition and AA credit needs. The bank’s ratio averaged 76 percent over the previous ten quarters, a decrease from the previous evaluation when the ratio averaged 89 percent. During the evaluation period, BOL’s LTD ratio ranged between 70 percent and 86 percent. As mentioned previously, the bank experienced a larger increase in deposits than loans during the review period, contributing to the lower average LTD ratio. Overall, the bank’s average LTD ratio is comparable to banks with similar size, location and product offerings.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2022 (\$000s)	Average Net LTD Ratio (%)
Bank of Luxemburg	574,240	75.9
Similarly-Situated Institution #1	518,565	61.2
Similarly-Situated Institution #2	360,222	91.5
Similarly-Situated Institution #3	446,344	65.6
<i>Source: Reports of Condition and Income 6/30/2020 through 9/30/2022</i>		

Assessment Area Concentration

BOL originated a majority of its small business and home mortgage loans within its AAs.

Lending Inside and Outside of the AAs										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$ (000s)				Total \$ (000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage 2020	675	89.5	79	10.5	754	118,529	89.4	13,986	10.6	132,515
Home Mortgage 2021	443	85.9	73	14.1	516	75,676	78.3	20,918	21.7	96,594
Home Mortgage 2022	265	82.3	57	17.7	322	73,023	84.0	13,874	16.0	86,897
Subtotal	1,383	86.9	209	13.1	1,592	267,228	84.6	48,778	15.4	316,006
Small Business	303	80.6	73	19.4	376	49,099	79.5	12,625	20.5	61,724

Source: Bank Data

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AAs. This conclusion is supported by reasonable dispersion of home mortgage and small business loans in the Green Bay MSA AA. Examiners did not evaluate the geographic distribution of loans in the Non-MSA AA, as all CTs are middle-income, thus a review would not result in meaningful conclusions.

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. This conclusion is supported by reasonable dispersion of home mortgage and small business loans in the Green Bay MSA AA. Lending performance was consistent in the Non-MSA AA.

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

BOL’s engagement in community development activities reflects adequate responsiveness to the community development needs in its AAs, considering the opportunities for community development loans and investments, the composition of the AAs and competition from other financial institutions.

Community Development Loans

BOL originated 615 community development loans totaling \$63 million during the evaluation period. This level of lending activity includes PPP loans originated through the SBA and represents 10.8 percent of total assets and 15.0 percent of net loans. BOL’s community development lending activity is comparable to six similarly situated financial institutions in Wisconsin that originated community development loans representing 2.0 percent to 15.0 percent of their total assets and 3.1 percent to 20.2 percent of their net loans.

SBA PPP loans originated in response to the COVID-19 pandemic significantly increased overall community development lending activity. BOL originated 51 qualifying PPP loans totaling \$646,000 in 2020 and an additional 527 loans totaling \$14.4 million in 2021. These loans demonstrate the bank’s responsiveness to a primary community development need during the evaluation period.

Excluding PPP loans, the remaining community development loans represent 8.2 percent of total assets and 11.4 percent of net loans. This level of community development lending compares favorably to the level of five similarly situated institutions who also received satisfactory ratings in the Community Development Test, whose community development loans to total assets ranged from 1.4 percent to 7.2 percent and community development loans to net loans ranged from 2.2 percent to 9.0 percent.

Community Development Lending by AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Green Bay MSA	1	8,500	1	280	414	26,896	1	2,800	417	38,476
Non-MSA					121	3,689			121	3,689
Statewide Activities	1	3,000			76	17,474			77	20,474
TOTAL	2	11,500	1	280	611	48,059	1	2,800	615	62,639

Source: Bank Data

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)	1	3,000	1	280	52	1,186			54	4,466
2021					546	31,899			546	31,899
2022	1	8,500			11	12,543	1	2,800	13	23,843
YTD 2023					2	2,431			2	2,431
TOTAL	2	11,500	1	280	611	48,059	1	2,800	615	62,639

Source: Bank Data

Qualified Investments

BOL made 17 qualified investments totaling \$237,000 in the AAs and 4 qualified investments totaling \$1.07 million in the broader statewide area during the evaluation period. These investments demonstrate the bank’s responsiveness to primary community development needs during the evaluation period.

Qualified investments equate to 0.2 percent of total assets, 3.4 percent of total equity capital and 1.1 percent of total securities. This level of investment exceeds the bank’s performance during the prior evaluation when 13 qualified investments totaling \$34,000 represented 0.09 percent of equity capital and 0.06 percent of total securities. BOL’s investment performance is comparable to the performance of similarly situated banks who also received satisfactory ratings in the Community Development Test. Community Development investments for similarly situated financial institutions ranged from 0.2 percent to 1.1 percent of total assets and from 2.3 percent to 9.9 percent of total securities.

Community Development Qualified Investments by AA										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Green Bay MSA	1	1	6	15	5	210			12	226
Non-MSA	1	1	4	10					5	11
Statewide Activities	1	1,063	3	7					4	1,070
TOTAL	3	1,065	13	32	5	210			21	1,307

Source: Bank Data

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)	1	1,063			1	200			2	1,263
2021										
2022										
Subtotal	1	1,063			1	200			2	1,263
Qualified Grants & Donations	2	2	13	32	4	10			19	44
TOTAL	3	1,065	13	32	5	210			21	1,307

Source: Bank Data

Community Development Services

Bank employees provided 27 instances of financial expertise or technical assistance to nine different organizations in the AAs. Organizations that benefitted from this expertise and assistance included those involved in the provision of affordable housing, community services or economic development. These services demonstrate BOL’s responsiveness to primary community

development needs during the current evaluation period and are comparable to the 34 community development services performed during the previous evaluation period. Similarly situated financial institutions examined using Interagency Intermediate Small Institution Examination Procedures provided 12 to 66 services.

Community Development Services by AA					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	TOTALS
	#	#	#	#	#
Green Bay MSA	1	8	4		13
Non-MSA	7	2	4		13
Statewide Activities			1		1
TOTAL	8	10	9		27

Source: Bank Data

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	TOTALS
	#	#	#	#	#
2020 (Partial)	1	2	2		5
2021	2	2	2		6
2022	4	3	2		9
YTD 2023	1	3	3		7
TOTAL	8	10	9		27

Source: Bank Data

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

GREEN BAY MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GREEN BAY MSA AA

The Green Bay MSA AA consists of 64 CTs. Since the previous evaluation, the AA expanded to include all 58 CTs in Brown County and all six CTs in Kewaunee County, adding 36 additional tracts to the AA. The AA includes whole geographies and does not arbitrarily exclude low- or moderate-income tracts. Sources of data used in this section include 2015 ACS US Census data, 2020 US Census data, 2022 D&B data, the Federal Financial Institution Examination Council (FFIEC), the Wisconsin Realtor’s Association, the U.S. Bureau of Labor Statistics, and the Wisconsin Department of Workforce Development.

Economic and Demographic Data

According to the 2020 US Census, the Green Bay MSA AA now includes one low-income CT and 16 moderate-income CTs, representing a change from the prior Performance Evaluation when the AA included two low-income CTs and seven moderate-income CTs.

Demographic Information of the Green Bay MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	64	1.6	25.0	51.6	18.8	3.1
Population by Geography	289,303	0.6	22.3	54.7	22.1	0.4
Housing Units by Geography	119,856	0.6	24.0	54.2	21.2	0.0
Owner-Occupied Units by Geography	75,451	0.2	16.5	58.3	25.0	0.0
Occupied Rental Units by Geography	38,829	1.1	37.5	46.4	15.0	0.0
Vacant Units by Geography	5,576	2.5	31.1	52.2	14.2	0.0
Businesses by Geography	19,775	1.6	22.7	51.1	24.6	0.0
Farms by Geography	844	0.1	8.1	69.4	22.4	0.0
Family Distribution by Income Level	72,723	19.0	18.8	23.1	39.1	0.0
Household Distribution by Income Level	114,280	22.3	17.3	19.3	41.0	0.0
Median Family Income MSA - 24580 Green Bay, WI MSA		\$81,870	Median Housing Value			\$182,984
			Median Gross Rent			\$799
			Families Below Poverty Level			6.7%

Source: 2020 U.S. Census and 2022 D&B Data

Approximately 63 percent of housing units in the Green Bay MSA AA are owner-occupied, 32.4 percent are occupied rental units and 4.7 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Median housing prices have steadily increased in the AA, as well as the State of Wisconsin, since the previous evaluation. These increasing prices, when compared to income levels, indicate that families earning a low- or moderate-income may find it difficult to purchase a home.

Median Housing Costs				
Area	2020	2021	YTD 2022	Increase (%)
Brown County	\$220,000	\$245,000	\$270,000	22.7
Kewaunee County	\$165,000	\$180,000	\$219,500	33.0
State of Wisconsin	\$220,000	\$240,000	\$265,000	20.5

Source: Wisconsin Realtors Association

Examiners used 2020, 2021 and 2022 FFIEC median family income levels to analyze home mortgage lending activities under the Borrower Profile criterion.

Median Family Income Ranges				
Median Family Income	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2020 (\$81,600)	< \$40,800	\$40,800 to < \$65,280	\$65,280 to < \$ 97,920	≥ \$ 97,920
2021 (\$80,100)	< \$40,050	\$40,050 to < \$64,080	\$64,080 to < \$ 96,120	≥ \$ 96,120
2022 (\$90,700)	< \$45,350	\$45,350 to < \$72,560	\$72,560 to < \$108,840	≥ \$108,840

Source: FFIEC

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) levels. According to 2022 D&B data, there are 19,775 businesses in the AA, 83.0 percent of which have GARs of \$1 million or less. Additionally, 61.1 percent of businesses have four or fewer employees and 88.1 percent of businesses operate from a single location. The demographic data demonstrates that, while large businesses do exist, small entities represent a significant portion of overall business in the AA. Service industries represent the largest portion of the businesses at 35.7 percent, followed by non-classifiable establishments at 17 percent and retail trade at 12.8 percent.

The table below provides the annual unemployment rates of Brown and Kewaunee Counties compared to the State of Wisconsin during the evaluation period. The trend in unemployment rates in each county is consistent with the State of Wisconsin. In 2020, county and statewide unemployment rates increased significantly due to the COVID-19 pandemic, peaking in April 2020. Since then, unemployment rates have decreased significantly and stabilized around pre-pandemic levels.

Annual Unemployment Rates			
Year	Brown County (%)	Kewaunee County (%)	State of Wisconsin (%)
2020	6.1	4.6	6.3
2021	3.4	2.8	3.8
December 2022	2.0	2.0	2.3

Source: U.S. Bureau of Labor Statistics

According to the Wisconsin Department of Workforce Development, major employers in this AA are located in the city of Green Bay and include Koch Industries Incorporated, Schneider National Incorporated, HSHS St. Vincent Children's Hospital, Humana Incorporated and Bellin Health.

Competition

The Green Bay MSA AA is a moderately competitive market. According to the FDIC Deposit Market Share data as of June 2022, 17 financial institutions operated 71 full-service branches in Brown and Kewaunee Counties. Of these institutions, BOL ranked seventh with a market share of 3.9 percent. Higher ranked institutions include four large national banks, a large regional bank and a local institution that has since merged with another bank.

There is a high level of competition among banks, credit unions and non-depository mortgage lenders for home mortgage loans in the Green Bay MSA AA. In 2021, 248 lenders reported 16,112 HMDA-reportable loans in the Green Bay MSA AA. BOL ranked 16th, with a market share of 2.1 percent.

BOL is not required to and does not collect or report small business data. 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 commercial loans. Aggregate data for 2021 shows 96 lenders reported 5,966 small business loans in Brown and Kewaunee Counties. Aforementioned aggregate data indicates a higher degree of competition. Many institutions are not required to report lending data; therefore, competition for small business loans is greater than the aggregate data reflects.

Community Contacts

As part of the evaluation process, examiners contacted a representative of a local organization with the primary goal of enhancing economic and workforce development in the Green Bay MSA AA. The contact believes the Green Bay economy weathered the COVID-19 pandemic fairly well and continues to experience growth in major industries. The contact feels local financial institutions are adequately engaged; however, she expressed a need for more programs to help small businesses and entrepreneurs acquire the capital necessary to meet current credit standards. The contact also noted that this is especially true for minority-owned businesses that may face additional barriers. Finally, the contact noted that housing remains limited and the existing housing stock is aging beyond HUD physical condition quality standards.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, demographic statistics and economic data, examiners determined that small business loan financing represents a primary credit need in the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GREEN BAY MSA AA

LENDING TEST

BOL demonstrates reasonable performance under the Lending Test in the Green Bay MSA AA. The institution's performance under the Geographic Distribution and Borrower Profile criterion for home mortgage and small business lending supports this conclusion.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AA.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA.

Geographic Distribution of Home Mortgage Loans in the Green Bay MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	1.1	0.9	6	1.2	476	0.6
2021	1.1	1.2	10	3.0	978	1.7
2022	0.2	--	1	0.5	95	0.2
Moderate						
2020	19.5	15.5	55	10.8	8,164	9.5
2021	19.5	18.1	43	12.8	6,982	12.2
2022	16.5	--	44	21.9	19,236	32.1
Middle						
2020	54.6	50.4	408	80.0	65,972	76.8
2021	54.6	50.4	258	76.8	43,447	75.8
2022	58.4	--	145	72.1	37,523	62.6
Upper						
2020	24.9	33.1	41	8.0	11,250	13.1
2021	24.9	30.4	25	7.4	5,873	10.3
2022	25.0	--	11	5.5	3,049	5.1
TOTAL						
2020	100.0	100.0	510	100.0	85,862	100.0
2021	100.0	100.0	336	100.0	57,280	100.0
2022	100.0	--	201	100.0	59,903	100.0
<i>Source: 2015 ACS Data; 2020 US Census Data; HMDA Reported Data; HMDA Aggregate Data</i>						

The percentage of home mortgage loans in the low-income CT is similar to and slightly better than demographic and aggregate data. While BOL’s lending performance in moderate-income geographies trailed demographic and aggregate data in 2020 and 2021, the bank’s 2022 performance improved and exceeded demographic data.

Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA.

Geographic Distribution of Small Business Loans in the Green Bay MSA AA					
Tract Income Level	% of Businesses	#	%	\$ (000s)	%
Low Income	1.6	2	0.9	1,075	2.9
Moderate Income	22.7	29	13.1	4,560	12.3
Middle Income	51.1	177	80.1	26,853	72.8
Upper Income	24.6	13	5.9	4,450	12.0
TOTAL	100.0	221	100.0	36,938	100.0
<i>Source: 2022 D&B Data; Bank Data</i>					

BOL’s lending performance in the low-income CT is reflective of demographic data, but lags demographic data in moderate-income CTs by 9.6 percent. Examiners consider the institution’s performance in moderate-income CTs reasonable for a number of reasons. Only two of BOL’s offices (Howard and Bellevue) are located in close proximity to a moderate-income CT. Further, competition in Brown County as a whole, and Bellevue and Howard, more specifically, is strong, with no less than six financial institutions located near each of these two BOL offices. In total, 71 bank offices compete for loans in Brown and Kewaunee Counties, a number of which maintain a physical presence in or near the moderate income CTs.

During the evaluation, bank management provided a list of nine small business loans totaling \$1.3 million that were not included in the small business data or reported on the HMDA LAR, but were originated in moderate-income geographies. Further, a review of the bank’s HMDA LAR showed the recordation of 133 investment property loans, 126 of which had a commercial purpose and 36 of which were originated in moderate-income tracts. These investment property loans are included in the home mortgage analysis, as they are rental properties; however, these originations, along with the nine small business loans not included in the small business data, provides further evidence that BOL is adequately meeting the financial needs of small businesses in moderate-income CTs.

Borrower Profile

The distribution of home mortgage and small business loans reflects reasonable dispersion among borrowers of different income levels, including low- and moderate-income, as well as businesses of different sizes. The reasonable performance in home mortgage and small business lending supports this conclusion.

Home Mortgage

The distribution of home mortgage loans reflects reasonable dispersion among individuals of different income levels, including low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level in the Green Bay MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	19.6	8.0	40	7.8	3,870	4.5
2021	19.6	8.8	25	7.4	2,352	4.1
2022	19.0	--	18	9.0	1,258	2.1
Moderate						
2020	18.2	21.5	99	19.4	11,817	13.8
2021	18.2	21.2	66	19.6	8,264	14.4
2022	18.8	--	28	13.9	3,676	6.1
Middle						
2020	21.7	22.5	119	23.3	18,097	21.1
2021	21.7	22.8	69	20.5	10,383	18.1
2022	23.1	--	37	18.4	7,099	11.9
Upper						
2020	40.5	35.0	192	37.6	38,827	45.2
2021	40.5	34.5	104	31.0	21,366	37.3
2022	39.1	--	55	27.4	14,001	23.4
Income Not Available						
2020	0.0	13.0	60	11.9	13,251	15.4
2021	0.0	12.7	72	21.5	14,915	26.1
2022	0.0	--	63	31.3	33,869	56.5
TOTAL						
2020	100.0	100.0	510	100.0	85,862	100.0
2021	100.0	100.0	336	100.0	57,280	100.0
2022	100.0	--	201	100.0	59,903	100.0

Source: 2015 ACS Data; 2020 US Census Data; HMDA Reported Data; HMDA Aggregate Data

BOLs lending activity among low-income families is reflective of aggregate lending data, but lower than demographic data. This disparity is largely attributed to poverty rates between 6.7 and 8.3 percent. A low-income family in the AA, with an income of less than \$45,350 in 2022, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of approximately \$182,984. Therefore, the demand and opportunity for lending to low-income borrowers is limited.

Despite a decrease in loan performance among moderate-income borrowers from 2021 to 2022, BOL's performance among moderate-income borrowers is still reasonable. In 2020 and 2021, the bank's performance was similar to aggregate data and exceeded demographic data. Further, with the steady decline in the number of HMDA reportable loan originations during the review period, the volume of investment property loans for which income is typically not reported, now account for a greater percentage of total HMDA reportable mortgage loans. Eliminating these loans from the analysis would increase the bank's lending performance among moderate-income borrowers to

22.0, 25.0 and 20.3 percent in 2020, 2021 and 2022, respectively. Overall, BOL is making a reasonable effort to lend to low- and moderate-income borrowers.

Small Business

The distribution of small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Green Bay MSA AA					
Gross Annual Revenue Level	% of Businesses	#	%	\$ (000s)	%
≤ \$1,000,000	83.0	158	71.5	23,666	64.1
> \$1,000,000	6.2	63	28.5	13,272	35.9
Revenue Not Available	10.9				
TOTAL	100.0	221	100.0	36,938	100.0

Source: 2022 D&B Data; Bank Data

The percentage of small business loans originated to entities with GARs of \$1 million or less lags demographic data. Nonetheless, examiners consider the bank’s performance reasonable. The demographic data represents the percentage of businesses operating within the AA. It does not represent the percentage of businesses seeking traditional bank financing. Furthermore, many of the smallest businesses finance their operations with credit cards, negatively affecting the demand for bank financing. Lastly, as previously noted, there is a high level of competition for small business loans from large national and regional banks with more lending and marketing resources, as well as large regional credit unions. This level of competition affects BOLs ability to lend to the smallest businesses in the Green Bay MSA AA.

Even though BOL does not report CRA data, a comparison of the bank’s performance to 2021 aggregate data, which is the most recent available, shows that 54 percent of the reporting competitor banks’ small business loan originations were extended to entities with GARs of \$1 million or less. The bank’s performance is significantly higher than this at 71.5 percent. In addition, the bank’s performance is in line with that of two similarly situated banks who received reasonable ratings for their small business profile. These institutions lagged demographic data by 5.6 percent and 11.0 percent among businesses with GARS of \$1 million or less.

COMMUNITY DEVELOPMENT TEST

BOL demonstrates adequate responsiveness to the community development needs of the Green Bay MSA AA through community development loans, qualified investments and community development services. Examiners considered the institution’s capacity, as well as the need and availability of such opportunities.

Community Development Loans

BOL’s community development lending activity in the Green Bay MSA AA consisted of 417 community development loans totaling \$38.5 million. This level of lending activity is comparable to 417 community development loans totaling \$38.1 million during the previous evaluation.

As mentioned previously, BOL’s community development lending activity includes a significant number of SBA PPP loans. During the evaluation period, BOL made 389 PPP loans totaling \$9.6 million in the Green Bay MSA AA, significantly increasing the amount of community development loans during the review period. While this activity demonstrates responsiveness to community needs, PPP lending activity is not reflective of the lending performance for the entire evaluation period and will not be sustained in the future. Excluding PPP lending activity, BOL originated 28 community development loans totaling \$28.9 million in the Green Bay MSA AA.

Community Development Lending in the Green Bay MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)			1	280	36	1,056			37	1,336
2021					371	19,376			371	19,376
2022	1	8,500			6	4,172	1	2,800	8	15,472
YTD 2023					1	2,292			1	2,292
TOTAL	1	8,500	1	280	414	26,896	1	2,800	417	38,476

Source: Bank Data

Notable examples of community development loans include the following.

- BOL made or renewed six SBA 504 loans totaling \$4.2 million in the Green Bay MSA AA. This program is promotes business growth and job creation for businesses that meet specific eligibility requirements.
- BOL extended a loan totaling \$8.5 million to a housing organization in Green Bay that provides homeownership preparation services, down payment and closing cost assistance, community-interest real estate development, and other services that address the needs of low- and moderate-income individuals.

Qualified Investments

BOL’s qualified investments of \$226,400 in the Green Bay MSA AA represents a significant increase from \$19,485 in donations at the prior evaluation. Qualified investments consist of one investment in a minority-owned financial institution located in Green Bay and 11 donations totaling \$26,400 to entities that provide affordable housing, community services and/or or economic development.

Qualified Investments in the Green Bay MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)					1	200			1	200
2021										
2022										
Subtotal					1	200			1	200
Qualified Grants and Donations	1	1	6	15	4	10			11	26
TOTAL	1	1	6	15	5	210			12	226

Source: Bank Data

Community Development Services

BOL staff provided 13 community development services in the Green Bay MSA AA, a decrease from 20 services provided during the prior evaluation. The COVID-19 pandemic affected community involvement, reducing opportunities to help community development organizations.

Community Development Services in the Green Bay MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)		2	1		3
2021		2	1		3
2022	1	2	1		4
YTD 2023		2	1		3
TOTAL	1	8	4		13

Source: Bank Data

Notable examples of community development services offered during the review period include the following.

- Bank employees served on the Boards of three economic development organizations that focus on addressing the needs of small businesses and low- and moderate-income individuals in the Green Bay MSA AA. These employees lent their financial expertise to the organizations.
- BOL hosted a First Time Homebuyer Workshop where two mortgage lenders provided expertise to first time homebuyers in the Green Bay MSA AA.

NON MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA AA

Since the prior evaluation, the Non-MSA AA expanded to include all ten CTs in Door County. Management expanded this AA when they opened a branch office in northern Door County. Sources of data used in this section include 2015 ACS US Census data, 2020 US Census data, 2022 D&B data, the Federal Financial Institution Examiner Council (FFIEC), the Wisconsin Realtor’s Association, the U.S. Bureau of Labor Statistics, and the Wisconsin Department of Workforce Development.

Economic and Demographic Data

According to the 2020 US Census, nine of ten CTs in the Non-MSA AA are designated as middle-income. The remaining CT is undesignated as it is located over water.

Demographic Information of the Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	0.0	90.0	0.0	10.0
Population by Geography	30,066	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	25,024	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	10,680	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	2,749	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	11,595	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	3,392	0.0	0.0	100.0	0.0	0.0
Farms by Geography	252	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	8,816	14.8	18.3	24.1	42.8	0.0
Household Distribution by Income Level	13,429	18.3	17.4	20.6	43.7	0.0
Median Family Income Non-MSAs - WI		\$71,740	Median Housing Value			\$251,469
			Median Gross Rent			\$822
			Families Below Poverty Level			5.0%

Source: 2020 U.S. Census and 2022 D&B Data
 (*) The NA category consists of geographies that have not been assigned an income classification.

Approximately 42.7 percent of the housing units in the Non-MSA AA are owner-occupied, 11.0 percent are occupied rental units and 46.3 percent are vacant. Door County is a popular vacation destination and, as such, maintains a high percentage of vacation rentals. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Median housing prices have steadily increased in the AA, as well as the State of Wisconsin, since the previous evaluation. As with the Green Bay MSA AA, the increasing prices, when compared to income levels, indicate that families earning a low- or moderate-income may find it difficult to purchase a home.

Median Housing Costs				
Area	2020	2021	2022	Increase (%)
Door County	\$279,000	\$315,000	\$374,950	34.4
State of Wisconsin	\$220,000	\$240,000	\$265,000	20.5

Source: Wisconsin Realtor Association

Examiners used 2020, 2021 and 2022 FFIEC median family income levels below to analyze home mortgage lending activities under the Borrower Profile criterion.

Median Family Income Ranges				
Median Family Income	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
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
2022 (\$81,500)	< \$40,750	\$40,750 to < \$65,200	\$65,200 to < \$97,800	≥ \$97,800

Source: FFIEC

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR levels. According to 2022 D&B data, there are 3,392 businesses in the AA, 87.6 percent of which maintain GARs of \$1 million or less. Additionally, 60.9 percent of area businesses have four or fewer employees, and 92.2 percent of businesses operate from a single location. Service industries represent the largest category of businesses in the AA at 34.2 percent, followed by non-classifiable establishments at 18.8 percent and retail trade at 14.5 percent.

The trend in Door County’s unemployment rates is slightly higher than the State of Wisconsin. In 2020, county and statewide unemployment rates increased significantly due to the COVID-19 pandemic, peaking in April 2020. Since then, unemployment rates have decreased significantly and stabilized around pre-pandemic levels.

Annual Unemployment Rates in the Non-MSA AA		
Year	Door County (%)	State of Wisconsin (%)
2020	6.8	6.3
2021	4.4	3.8
December 2022	2.9	2.3

Source: US Department of Labor Statistics

According to the Wisconsin Department of Workforce Development, major employers in Door County are located in Sturgeon Bay and include Door County Medical Center, Fincantieri Bay Shipbuilding and the Door County Government Center.

Competition

The Non-MSA AA is a competitive market. According to the FDIC Deposit Market Share data as of June 2022, there are four financial institutions operating 12 full-service branches in Door County. BOL ranks fourth with a market share of 6.7 percent, while two large national banks maintain 83.4 percent of the market share.

There is a moderate level of competition in the Non-MSA AA for home mortgage loans among banks, credit unions and non-depository mortgage lenders. In 2021, 165 lenders reported 2,206 HMDA-reportable loans in the Non-MSA AA. BOL ranked fifth with a market share of 4.9 percent.

BOL is not required to and has not collected or reported small business data. Therefore, the analysis of business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for commercial loans. Aggregate data for 2021 shows 47 lenders originated 1,596 small business loans in Door County. Aforementioned aggregate data indicates a moderate degree of competition. Many institutions are not required to report lending data; therefore, competition for small business loans is greater than the aggregate data reflects.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

BOL's lending performance in the Non MSA AA is consistent with the institution's lending performance in the Green Bay MSA AA.

Geographic Distribution

There are no low- or moderate-income CTs in this AA. Therefore, examiners did not analyze the geographic distribution of home mortgage and small business loans, as it would not result in meaningful conclusions.

Borrower Profile

BOL's borrower profile performance in the Non MSA AA is consistent with the performance in the Green Bay MSA AA. The bank's home mortgage and small business lending performance support this conclusion.

While the distribution of home mortgage loans to low- and moderate-income borrowers is reasonable, the distribution of small business loans to businesses with GARs of \$1 million or less lags demographic data by almost 17 percent. Nonetheless, examiners consider the bank's small business performance reasonable for the same reasons discussed in the Green Bay MSA AA. Competition in this AA for any type of lending is strong, with one large regional and one large national bank

dominating the market. A regional credit union also maintains a significant presence in Door County and has become a strong competitor for both home mortgage and small business loans.

Even though the bank does not report CRA data, a comparison of the bank’s small business performance to 2021 aggregate data shows that reporting banks extended 70.0 percent of their small business loans to entities with GARs of \$1 million or less. The bank’s performance is reflective of aggregate data at 70.7 percent. Overall, the bank's performance in lending to the smallest businesses is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level in the Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	14.3	3.3	4	2.4	336	1.0
2021	14.3	4.2	6	5.6	497	2.7
2022	14.8	--	4	6.3	465	3.5
Moderate						
2020	17.8	12.9	32	19.4	4,146	12.7
2021	17.8	12.6	16	15.0	2,358	12.8
2022	18.3	--	13	20.3	1,865	14.2
Middle						
2020	26.2	15.9	30	18.2	4,518	13.8
2021	26.2	18.9	25	23.4	3,386	18.4
2022	24.1	--	13	20.3	2,383	18.2
Upper						
2020	41.7	60.1	90	54.5	22,296	68.3
2021	41.7	55.3	53	49.5	10,655	57.9
2022	42.8	--	32	50.0	7,678	58.5
Income Not Available						
2020	0.0	7.8	9	5.5	1,371	4.2
2021	0.0	9.0	7	6.5	1,500	8.2
2022	0.0	--	2	3.1	729	5.6
Total						
2020	100.0	100.0	165	100.0	32,667	100.0
2021	100.0	100.0	107	100.0	18,396	100.0
2022	100.0	--	64	100.0	13,120	100.0
<i>Source: 2015 ACS Data; 2020 US Census Data; HMDA Reported Data; HMDA Aggregate Data</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category in the Non-MSA AA					
Gross Annual Revenue Level	% of Businesses	#	%	\$ (000s)	%
≤ \$1,000,000	87.6	58	70.7	6,642	54.6
> \$1,000,000	4.7	24	29.3	5,519	45.4
Revenue Not Available	7.7				
TOTAL	100.0	82	100.0	12,161	100.0

Source: 2022 D&B Data; Bank Data

COMMUNITY DEVELOPMENT TEST

BOL's community development performance in the Non-MSA AA is generally consistent with the performance in the Green Bay MSA AA. The following tables provide additional detail regarding community development loans, investments and services in the Non MSA AA.

Community Development Lending in the Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)					10	87			10	87
2021					110	3,450			110	3,450
2022					1	152			1	152
YTD 2023										
TOTAL					121	3,689			121	3,689

Source: Bank Data

Qualified Investments in the Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		TOTALS	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020 (Partial)										
2021										
2022										
Subtotal										
Qualified Grants and Donations	1	1	4	10					5	11
TOTAL	1	1	4	10					5	11

Source: Bank Data

Community Development Services in the Non-MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	TOTALS
2020 (Partial)	1		1		2
2021	2		1		3
2022	3	1	1		5
YTD 2023	1	1	1		3
TOTAL	7	2	4		13
<i>Source: Bank Data</i>					

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.