

PUBLIC DISCLOSURE

July 8, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Waukesha State Bank
Certificate Number: 16160

151 East Saint Paul Avenue
Waukesha, Wisconsin 53188

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 **Outstanding**.

An institution in this group has an outstanding 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.

Waukesha State Bank's (WSB) Outstanding Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The distribution of loans to borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

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

DESCRIPTION OF INSTITUTION

WSB is headquartered in Waukesha, Wisconsin, and operates in the southeastern part of the state in Waukesha County. WSB is owned by Bank Street Capital Corporation, a one-bank holding company also in Waukesha. WSB owns three subsidiaries: WSB Community Development, LLC, to facilitate Federal tax credit transactions; Wabank & Co., LLC, to hold trust division securities; and NPA Investments, LLC, to hold Other Real Estate (ORE) properties. NPA Investments, LLC, is currently inactive, as the bank does not own any ORE properties. Qualified investments held by both Bank Street Capital Corporation and WSB Community Development, LLC, are included in this evaluation. The institution received an Outstanding rating at its previous FDIC Performance Evaluation, dated August 30, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

The bank operates from its main office in downtown Waukesha and 14 branches in Brookfield, Delafield, Menomonee Falls, Mukwonago, Muskego, New Berlin, Oconomowoc, Pewaukee, Sussex, and Waukesha (5). All branches have drive-thru accessibility and Saturday hours. The main office is located in a middle-income census tract adjacent to two moderate-income census tracts. One branch is located in a moderate-income census tract, and three additional branches are in close proximity to the moderate-income census tracts. The bank has 21 ATMs, which are all non-deposit taking. One ATM is located in a moderate-income census tract, and the rest are in middle- and upper-income census tracts. The bank opened one branch in a middle-income census tract in Waukesha in 2022. No branches were closed, and no merger or acquisition activities occurred during the evaluation period.

WSB offers loan products including home mortgage, commercial, consumer, and agricultural loans, primarily focusing on home mortgage and commercial lending. The bank offers many junior-lien mortgage products with flexible loan-to-value standards with no private mortgage insurance requirement. Additionally, the bank originates unsecured consumer loan products with no minimum loan amount requirement. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. The bank offers investment advisory and trust services. Alternative banking services include internet, telephone, and mobile banking services, including mobile deposit and mobile wallet, as well as online account opening and electronic bill pay services. In addition to the bank's 21 ATMs located throughout Waukesha County, WSB participates in the Wisconsin Bankers Association ATM Access Network, which offers surcharge-free withdrawals at over 800 ATMs in Wisconsin and Minnesota.

Bilingual employees are available to serve customers with language barriers. These employees assist customers with lending activities, deposit services, teller operations, customer service, personal banking, and loan servicing. The bank maintains a list of individuals with bilingual skills for easy identification of these employees.

Assets totaled \$1.5 billion as of March 31, 2024, which includes total loans of \$1.0 billion, total securities of \$300.1 million, and total equity capital of \$151.8 million. Total assets increased \$155.9 million, or 11.7 percent, since June 30, 2021. Total loans increased \$226.7 million, or 27.8 percent, and securities increased \$57.7 million, or 23.8 percent, over the same time period. Residential and commercial loans represent the largest concentrations of the bank's lending activity.

The following table shows that loans secured by 1-4 family and multifamily (5 or more) residential properties make up 57.3 percent of the loan portfolio, which is an increase from 37.8 percent of the portfolio on June 30, 2021. Loans secured by non-farm non-residential properties (commercial real estate) and commercial and industrial loans make up 34.0 percent of the loan portfolio, which is a decrease from 50.2 percent of the portfolio on June 30, 2021. This change in the composition of the loan portfolio is primarily the result of the bank’s participation in the Paycheck Protection Program (PPP) administered through the Small Business Administration (SBA) in 2020 and 2021. This program temporarily increased unsecured commercial loans at the prior evaluation. The SBA PPP loans have been paid and are no longer part of the loan portfolio.

The bank originates a majority of its home mortgage loans in the secondary market, which are not included in the following table. Home mortgage loans sold in the secondary market equal \$98.1 million (395 loans) in the last six months of 2021, \$58.0 million (215 loans) in 2022, \$45.2 million (171 loans) in 2023, and \$21.9 million (66 loans) in the first three months of 2024.

Loan Portfolio Distribution as of 3/31/24		
Loan Category	\$(000s)	%
Construction and Land Development	78,662	7.5
Secured by Farmland	275	0.0
Secured by 1-4 Family Residential Properties	438,503	42.1
Secured by Multifamily (5 or more) Residential Properties	158,404	15.2
Secured by Non-farm Non-residential Properties	266,203	25.5
Total Real Estate Loans	942,047	90.3
Commercial and Industrial Loans	88,215	8.5
Agricultural Loans	3,340	0.3
Consumer Loans	7,507	0.7
Other Loans	1,661	0.2
Less: Unearned Income	0	0.0
Total Loans	1,042,770	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 AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. WSB designated a single assessment area in the Milwaukee-Waukesha Metropolitan Statistical Area (MSA). The assessment area has not changed since the prior evaluation. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area includes all census tracts in Waukesha County. The number of census tracts based on the 2015 ACS five-year estimates is 86, as follows:

- 0 low-income census tracts,
- 3 moderate-income census tracts,
- 20 middle-income census tracts, and
- 63 upper-income census tracts.

The number of census tracts based on the 2020 U.S. Census is 98, an increase of 12 census tracts including one more moderate-income census tract, as follows:

- 0 low-income census tracts,
- 4 moderate-income census tracts,
- 30 middle-income census tracts, and
- 64 upper-income census tracts.

The City of Waukesha contains one Opportunity Zone located in one of the four moderate-income census tracts in the downtown area. In addition, the assessment area contains several tax increment financing (TIF) districts. These areas are targeted for economic development, revitalization and stabilization, and other community improvement projects. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Waukesha County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	98	0.0	4.1	30.6	65.3	0.0
Population by Geography	406,978	0.0	3.2	26.5	70.3	0.0
Housing Units by Geography	166,703	0.0	4.2	28.8	67.0	0.0
Owner-Occupied Units by Geography	121,773	0.0	2.1	24.0	74.0	0.0
Occupied Rental Units by Geography	38,007	0.0	11.2	45.1	43.7	0.0
Vacant Units by Geography	6,923	0.0	4.5	23.5	72.0	0.0
Businesses by Geography	45,234	0.0	2.8	27.1	70.2	0.0
Farms by Geography	1,149	0.0	2.0	24.5	73.5	0.0
Family Distribution by Income Level	111,102	11.7	13.1	19.8	55.3	0.0
Household Distribution by Income Level	159,780	15.1	12.2	15.6	57.1	0.0
Median Family Income Milwaukee-Waukesha, WI MSA		\$84,829	Median Housing Value			\$295,536
			Median Gross Rent			\$1,108
			Families Below Poverty Level			3.2%

*Source: 2020 U.S. Census and 2023 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.*

The main office and five branches are located in the City of Waukesha, and nine branches are located throughout Waukesha County. According to the US Census Bureau website for 2020, the population estimates for the bank locations are 41,464 residents in Brookfield, 7,185 residents in Delafield, 38,527 residents in Menomonee Falls, 8,262 residents in Mukwonago, 25,032 residents in Muskego, 40,451 residents in New Berlin, 18,203 residents in Oconomowoc, 15,914 residents in Pewaukee, 11,487 residents in Sussex, and 71,158 residents in Waukesha. Waukesha County is the third-most populous county in Wisconsin with 406,978 residents.

There are 166,703 housing units in the assessment area, with 73.0 percent owner-occupied, 22.8 percent occupied rental, and 4.2 percent vacant. Type of housing is 81.5 percent 1-4 family, 18.0 percent multifamily (five or more units), and 0.5 percent mobile homes. This data provides insight into the potential credit needs and opportunities for various types of residential lending.

The median home sales price increased during the evaluation period in the assessment area and statewide while the number of home sales declined, as shown in the following table. This information indicates that housing affordability may be challenging for low- and moderate-income individuals.

Year	Waukesha County Number of Home Sales	Waukesha County Median Sales Price	Wisconsin Number of Home Sales	Wisconsin Median Sales Price
2021	6,382	369,250	91,226	241,000
2022	5,444	405,000	77,998	265,000
2023	4,570	431,000	64,482	285,000

Source: Wisconsin Realtors Association

Examiners rely on the Federal Financial Institution Examination Council (FFIEC) estimated median family income levels to analyze the home mortgage loans under the Borrower Profile criterion. The FFIEC bases its annual estimates on the most recent U.S. Census or ACS data, and factors in inflation and other economic variables to arrive at a median family income that more closely reflects current economic conditions. The following table presents the low-, moderate-, middle-, and upper-income levels for the MSA.

Median Family Income Ranges in the Milwaukee-Waukesha WI MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$84,400)	<\$42,200	\$42,200 to <\$67,520	\$67,520 to <\$101,280	≥\$101,280
2022 (\$96,100)	<\$48,050	\$48,050 to <\$76,880	\$76,880 to <\$115,320	≥\$115,320
2023 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720

Source: FFIEC

Data obtained from the U. S. Bureau of Labor Statistics indicates that the June 2024 unemployment rate was 3.0 percent for Waukesha County. The highest unemployment rate during the evaluation period was 3.2 percent in both June and August 2023, and the lowest unemployment rate was 1.9 percent in December 2021.

According to 2023 D&B data, there were 45,234 businesses. Gross annual revenues for these businesses are as follows:

- 86.0 percent have \$1 million or less,
- 5.7 percent have more than \$1 million, and
- 8.3 percent have revenues that were not reported.

Excluding the 3,760 businesses with revenues that were not reported, the 38,910 businesses with revenues of \$1 million or less reflect 93.8 percent and the 2,564 businesses with revenues more than \$1 million reflect 6.2 percent of businesses who did report revenues. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by revenue level.

Service industries represent the largest portion of businesses at 45.1 percent; followed by finance, insurance, and real estate (15.6 percent); retail trade (11.7 percent); and construction (8.6 percent). In addition, 57.7 percent of assessment area businesses have four or fewer employees, and 91.4 percent operate from a single location.

Waukesha County's largest employers are Milwaukee Electric Tool Corporation, a power tool manufacturer; Kohl's Corporation, a department store chain; ProHealth Care, a health care provider; Quad/Graphics, a commercial printing company; General Electric Healthcare, a medical imaging device manufacturer; and Roundy's Supermarket, a leading grocer in the Midwest. Of these employers, two have corporate headquarters in the assessment area: Kohl's (Menomonee Falls) and Quad/Graphics (Sussex).

Competition

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 34 financial institutions that operated 149 full-service branches within the bank's assessment area. WSB ranked 6th with 6.8 percent of the \$17.0 billion in total deposits. Only one of the top five financial institutions in the assessment area is considered a community bank. The other top-ranked banks have a regional or nationwide presence.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the market. In 2022, 371 lenders originated or purchased 16,110 home mortgage loans in the assessment area, and 88 lenders reported 348 loans in the moderate-income census tracts in the assessment area. WSB ranked 4th with a market share of 4.3 percent in the assessment area, and ranked 3rd with a market share of 8.6 percent in the moderate-income census tracts in the assessment area. The three most prominent home mortgage lenders accounted for 31.2 percent of total market share in the assessment area and include Landmark Credit Union, Summit Credit Union, and UW Credit Union. The top lender in the moderate-income census tracts was Landmark Credit Union with 14.1 percent market share.

While not required to do so, the bank has elected to collect but not report its small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included here. Aggregate data for 2022 shows that 103

institutions reported 11,001 small business loans in the assessment area, indicating a moderate degree of competition for this product. Aggregate data for 2023 is not yet available. The top five lenders are nationwide credit card lenders with average loan sizes of \$6,000 to \$21,000.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to these needs. Examiners reviewed a recently completed community contact with a representative of a housing organization that provides services to Milwaukee and Waukesha Counties.

The contact stated that the need for affordable housing is great due to increasing home values in the area. In addition, the construction of affordable housing is low due to the increasing cost of construction. Both issues have made homeownership difficult for low- and moderate-income individuals. The contact stated that financial institutions should participate more in down-payment assistance programs, offer more products for rehabilitation loans, and utilize nontraditional credit standards to evaluate low- and moderate-income applicants. Furthermore, the contact said there is a need for banks to offer small-dollar loans to help individuals who might otherwise pay higher interest rates and fees with a payday lender.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and economic and demographic data, examiners determined that small business loans represent a primary credit need for the assessment area. Small business loans, particularly those for start-up businesses, are in high demand. The significant percentage of businesses with revenues of \$1 million or less (93.8 percent of those reporting income in 2023) and the large number of businesses with four or fewer employees (57.7 percent in 2023) support this conclusion. Small business lending opportunities and demand are significant throughout the assessment area. Furthermore, as indicated by community contact information and economic and demographic data, the assessment area has community development needs for affordable housing.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 30, 2021, to the current evaluation dated July 8, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate WSB's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test, as detailed in the Appendix. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activities performed by affiliates; but does include investment activities by the bank's holding company and a subsidiary, Bank Street Capital Corporation and WSB Community Development, LLC, respectively.

Examiners relied on the American Community Survey (ACS) estimates that are updated every five years when considering census demographics throughout this evaluation. For 2021, bank performance was evaluated relative to 2015 ACS data, which was released in 2017 and reflects data collected from 2011 through 2015. For 2022 and 2023, bank performance was evaluated relative to a combination of the 2020 U.S. Census data and the 2020 ACS data. In addition, examiners relied upon records provided by the bank, D&B business demographic data, community contacts, and loan information reported under the Home Mortgage Disclosure Act (HMDA) and the CRA. WSB's CRA performance was analyzed in relation to the bank's performance context, which includes (but is not limited to) bank size and structure, financial condition, loan mix, resources, limitations, assessment area demographics, economic factors, competition, loan demand, and available opportunities. Examiners used information obtained from a community contact interview to help establish the performance context for this CRA evaluation. The community contact interviewee is a representative in the assessment area and is not affiliated with the bank.

Activities Reviewed

The CRA evaluation is based upon a review of home mortgage and small business loans. These loan products are the primary business focus of the bank. Consumer installment and agricultural loans are not a business focus of the bank, comprise a small portion of the loan portfolio, and were not considered in this evaluation. This conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. Please refer to the Glossary for definitions of the loan products.

The bank is required to collect and report home mortgage loan data pursuant to the requirements of HMDA, and the bank optionally collects small business loan data pursuant to the data collection requirements of CRA. Examiners reviewed home mortgage and small business loans reported under HMDA and CRA for 2021, 2022, and 2023. These loans are shown in the following table. In developing conclusions, examiners gave greater weight to the performance in home mortgage loans due to the greater number and dollar volume of these loans.

Loan Products Reviewed						
	Home Mortgage		Small Business		Total	
Year	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	612	122,234	522	102,043	1,134	224,277
2022	461	106,264	360	84,287	821	190,551
2023	359	84,473	277	61,745	636	146,218
Total	1,432	312,971	1,159	248,075	2,591	561,046

Source: Bank Records

When determining the Lending Test rating, examiners gave more weight to borrowers' profile and the geographic distribution of loans than loan-to-deposit ratio and assessment area concentration. These two factors are more important because they most directly identify how well the bank serves the traditionally underserved segments of the population (including low- and moderate-income individuals and geographies, and small businesses). Aggregate and demographic data are used as measures of comparison with more weight generally given to aggregate data. Examiners reviewed the number and dollar volume of loans. While number and dollar volume of loans are presented,

examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of people and businesses served.

When determining the Community Development Test rating, examiners evaluated the bank’s community development loans, qualified investments, and community development services in the context of available bank resources and opportunities in the assessment area, with no type of community development activity receiving more weight than another. Community development loans, investments, and services since July 1, 2021 were reviewed and are included in this evaluation, as the prior evaluation considered these activities through June 30, 2021. Examiners considered these activities through March 31, 2024, as management opted to have activities from April 1, 2024 forward included in the next evaluation. Investments made before the prior evaluation that remain outstanding as of the current evaluation date are included as prior period investments at the current book values.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

An “Outstanding” rating is assigned under the Lending Test. WSB demonstrated excellent performance under the geographic distribution and borrower profile, and adequate performance under loan-to-deposit ratio and assessment area concentration.

Loan-to-Deposit Ratio

WSB’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The average net loan-to-deposit ratio is 76.2 percent, based on Call Report data for the 12 quarters from September 30, 2021 to June 30, 2024. The ratio varied from a low of 61.3 percent as of March 31, 2022, to a high of 88.8 percent as of June 30, 2024.

Examiners evaluated WSB’s average net loan-to-deposit ratio by comparing it to similarly-situated banks. Examiners selected the similarly-situated banks based on asset size, geographic location, and lending focus. The following table shows that WSB’s average net loan-to-deposit is in line with the similarly-situated banks. Loans sold in the secondary market are not considered in the loan-to-deposit ratios.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2024 (\$000s)	Average Net Loan-to- Deposit Ratio (%)
Waukesha State Bank, Waukesha, WI	1,457,868	76.2
First National Bank & Trust Company, Beloit, WI	1,546,249	69.7
Horicon Bank, Horicon, WI	1,534,018	84.0
National Bank of Commerce, Superior, WI	1,411,200	91.6
Peoples State Bank, Wausau, WI	1,485,932	86.5
The Park Bank, Madison, WI	1,488,383	103.3
<i>Source: Reports of Condition and Income 9/30/2021 - 6/30/2024</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans by number within the assessment area as reflected in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans (000s)				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	1,059	64.9	574	35.1	1,633	237,489	60.7	153,861	39.3	391,350
2022	695	60.4	455	39.6	1,150	165,121	47.2	184,821	52.8	349,942
2023	428	58.8	300	41.2	728	142,639	61.4	89,698	38.6	232,337
Subtotal	2,182	62.1	1,329	37.9	3,511	545,249	56.0	428,380	44.0	973,629
Small Business										
2021	366	70.1	156	29.9	522	68,824	67.4	33,219	32.6	102,043
2022	273	75.8	87	24.2	360	58,105	68.9	26,182	31.1	84,287
2023	219	79.1	58	20.9	277	44,157	71.5	17,588	28.5	61,745
Subtotal	858	74.0	301	26.0	1,159	171,086	69.0	76,989	31.0	248,075
Total	3,040	65.1	1,630	34.9	4,670	716,335	58.6	505,369	41.4	1,221,704
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank’s excellent performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank’s performance by number of loans in all three years exceeds both aggregate and demographic data in the moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans in the Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2021	2.5	2.4	46	4.3	5,987	2.5
2022	2.1	2.2	30	4.3	5,566	3.4
2023	2.1	2.3	14	3.3	1,695	1.2
Middle						
2021	17.2	16.0	208	19.6	33,446	14.1
2022	24.0	22.9	171	24.6	36,038	21.8
2023	24.0	23.5	107	25.0	27,210	19.1
Upper						
2021	80.3	81.6	805	76.0	198,056	83.4
2022	74.0	75.0	494	71.1	123,517	74.8
2023	74.0	74.2	307	71.7	113,735	79.7
Totals						
2021	100.0	100.0	1,059	100.0	237,489	100.0
2022	100.0	100.0	695	100.0	165,121	100.0
2023	100.0	100.0	428	100.0	142,639	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data; 2021, 2022, and 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Small Business

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The bank's performance in the moderate-income census tracts exceeds both demographic and aggregate data in 2021 and 2022. In 2023, the bank's performance exceeds demographic data and is higher than the previous two years' performance. Aggregate small business data for 2023 is not yet available.

Geographic Distribution of Small Business Loans in the Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2021	2.7	2.0	17	4.6	3,118	4.5
2022	2.9	2.5	11	4.0	2,470	4.3
2023	2.8	--	11	5.0	3,227	7.3
Middle						
2021	24.2	20.9	144	39.3	30,220	43.9
2022	28.6	25.9	116	42.5	31,100	53.5
2023	27.1	--	96	43.8	22,339	50.6
Upper						
2021	73.1	77.1	205	56.0	35,486	51.6
2022	68.5	71.6	146	53.5	24,535	42.2
2023	70.2	--	112	51.1	18,591	42.1
Totals						
2021	100.0	100.0	366	100.0	68,824	100.0
2022	100.0	100.0	273	100.0	58,105	100.0
2023	100.0	--	219	100.0	44,157	100.0
<i>Source: 2021, 2022, and 2023 D&B Data; Bank Data; 2021 and 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of loans in the assessment area reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance of home mortgage loans and reasonable performance of small business loans support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. They also focused on the percentage by number of small business loans to businesses with revenues of \$1 million or less. The bank continues to offer several loan programs with more flexible underwriting standards than conventional financing. These programs are detailed in both the home mortgage and small business sections as applicable. These programs provide additional support for the excellent performance.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. The bank's performance to low- and moderate-income individuals exceeds aggregate data in all three years.

For low-income individuals in all three years, the bank's performance is below the percentage of families that are low-income (11.1 percent in 2021 and 11.7 percent in 2022 and 2023). A low-

income family with an income of \$50,300 in 2023 would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$431,000 in Waukesha County in 2023. Therefore, the demand and opportunity for lending to low-income families are relatively limited. For this reason, more emphasis is given to the comparison with aggregate data. As previously stated, the bank’s performance to low- and moderate-income individuals exceeds aggregate data, which is reflective of excellent performance.

Distribution of Home Mortgage Loans by Borrower Income Level in the Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	11.1	3.8	72	6.8	9,165	3.9
2022	11.7	4.9	41	5.9	5,057	3.1
2023	11.7	3.7	20	4.7	1,655	1.2
Moderate						
2021	13.0	14.0	150	14.2	22,687	9.6
2022	13.1	15.0	108	15.5	17,961	10.9
2023	13.1	14.2	66	15.4	8,736	6.1
Middle						
2021	19.8	21.8	223	21.1	42,387	17.8
2022	19.8	23.1	153	22.0	29,593	17.9
2023	19.8	22.0	78	18.2	15,031	10.5
Upper						
2021	56.1	48.8	557	52.6	132,686	55.9
2022	55.3	48.3	344	49.5	101,117	61.2
2023	55.3	50.4	229	53.5	61,068	42.8
Not Available						
2021	0.0	11.7	57	5.4	30,565	12.9
2022	0.0	8.8	49	7.1	11,393	6.9
2023	0.0	9.6	35	8.2	56,149	39.4
Totals						
2021	100.0	100.0	1,059	100.0	237,489	100.0
2022	100.0	100.0	695	100.0	165,121	100.0
2023	100.0	100.0	428	100.0	142,639	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data; 2021, 2022, and 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

Wisconsin Housing and Economic Development Authority (WHEDA) Mortgage Loans

Further strengthening the home mortgage borrower profile performance, the bank originates mortgage products through WHEDA homeownership loan programs which are not reflected in the prior loan tables. These loan programs offer lower down

payment requirements and more flexible underwriting standards to first-time homebuyers and low- and moderate-income borrowers who likely will not be able to qualify for a conventional mortgage. For the period from July 1, 2021 to March 31, 2024, the bank originated 45 WHEDA loans totaling \$8.9 million.

Individual Taxpayer Identification Number (ITIN) Mortgage Loans

WSB originates ITIN mortgage loans which are designed for individuals that earn an income in the United States, but do not qualify for a social security number. This loan program provides loans to individuals with an ITIN who typically are not able to obtain a conventional mortgage loan. For the period from July 1, 2021 to March 31, 2024, the bank originated 71 ITIN mortgage loans totaling \$13.8 million.

Federal Housing Administration (FHA) Mortgage Loans

WSB was approved as a delegated FHA Title 2 supervised institution lender in early 2023. WSB is one of only a few community banks in southeastern Wisconsin with this designation. These loans are insured by the FHA and designed to make homeownership more accessible, particularly for first-time homebuyers and those with lower credit scores and limited down payment capabilities. FHA loans are more flexible than conventional loans regarding debt-to-income, credit history, and down payment. These criteria are often the barriers to getting conventional approval and help to expand the bank's outreach to low- and moderate-income homebuyers. By lowering some of these barriers to homeownership, FHA loans help to achieve the bank's overall goal of revitalizing their local neighborhoods and promoting overall community stability. For the period from July 1, 2021 to March 31, 2024, the bank made 24 FHA loans totaling \$6.3 million.

Veterans Administration (VA) Mortgage Loan Program

VA helps veterans, service members, and eligible surviving spouses become homeowners. VA provides a home loan guaranty benefit and other housing-related programs to help them buy, build, repair, retain, or adapt a home for their personal occupancy. VA home loans are provided by private lenders like WSB. VA guarantees a portion of the loan, which enables WSB to offer more favorable terms. For the period from July 1, 2021 to March 31, 2024, the bank made 13 VA loans totaling \$4.1 million.

Federal National Mortgage Association (FNMA) Home Ready Program

The HomeReady mortgage is a conventional mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria. With a low-down payment and expanded financing flexibility, HomeReady offers an ideal solution that works for creditworthy low-income borrowers. A new benefit of a \$2,500 credit for very low-income borrowers can help overcome two of the greatest barriers to homeownership, which are down payment and closing costs. For the period from July 1, 2021 to March 31, 2024, the bank made four HomeReady loans totaling \$742,000.

Federal Home Loan Mortgage Corporation (FHLMC) Home Possible Program

The Home Possible mortgage is a conventional mortgage with down payment requirements as low as 3 percent and other underwriting flexibilities for low- and

moderate-income individuals. Income from co-borrowers who do not live in the home can be included in the underwriting calculations for the borrower’s purchase of a single-family residence. For the period from July 1, 2021 to March 31, 2024, the bank made one loan for \$175,000 through this program.

Federal Home Loan Bank (FHLB) of Chicago’s Affordable Housing Reimbursable Grant Program

The bank participated in this program by making a \$900,000 loan to a developer for an affordable housing project. The bank’s loan was repaid from the grant funds. The project consisted of a 74-unit apartment complex for elderly and handicapped individuals and qualified under Section 8 of the U.S. Department of Housing and Urban Development (HUD). The grant was awarded in 2021 but did not close until 2023.

Small Business

The distribution of small business loans reflects reasonable penetration of loans to businesses with revenues of \$1 million or less. The bank’s performance is generally in line with aggregate data in 2021 and 2022, and the 2023 performance continues at a similar level.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2021	78.1	52.4	155	42.4	21,980	31.9
2022	83.1	52.6	160	58.6	22,883	39.4
2023	86.0	--	122	55.7	17,796	40.3
>\$1,000,000						
2021	9.9	--	211	57.7	46,844	68.1
2022	7.4	--	113	41.4	35,222	60.6
2023	5.7	--	97	44.3	26,361	59.7
Revenue Not Available						
2021	11.9	--	0	0.0	0	0.0
2022	9.5	--	0	0.0	0	0.0
2023	8.3	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	366	100.0	68,824	100.0
2022	100.0	100.0	273	100.0	58,105	100.0
2023	100.0	--	219	100.0	44,157	100.0
<i>Source: 2021, 2022, and 2023 D&B Data; Bank Data; 2021 and 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

FHLB of Chicago's Community Small Business Advance Program

This program allows the bank to borrow from the FHLB at zero percent interest, and then that advance is loaned to a small business located in low- and moderate-income census tracts in Wisconsin or Illinois. The loan must be at least \$100,000, have a term of one to ten years, and not exceed a 4.5 percent interest rate. The loan is not guaranteed, so the bank assumes all credit risk of the loan. The benefits of this program are to provide lower cost of funds for the bank and to encourage lending to small businesses in disadvantaged areas. The bank made two loans totaling \$1.4 million in 2023 and one loan for \$984,000 in 2024 through this program.

Small Business Administration (SBA) Loan Program

WSB originates government-guaranteed SBA loans. SBA borrowers must meet requirements relating to business size, type of business, use of proceeds, and availability of other capital. In return, the bank receives a guaranty from the SBA for a portion of the loan. WSB is designated as a preferred lender under the SBA's Preferred Lender Program. Institutions are nominated as preferred lenders based on their proficiency in processing and servicing SBA-guaranteed loans. For the period from July 1, 2021 to March 31, 2024, the bank originated 100 SBA loans totaling \$77.8 million.

United States Department of Agriculture (USDA) Rural Development Business and Industry Guaranteed Loan Program

This USDA loan guarantee program is designed to assist creditworthy rural businesses obtain credit for any legal business purpose. The intent is to create and retain jobs in rural America. WSB purchased two USDA loans totaling \$3.5 million in 2022.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

An "Outstanding" rating is assigned under the Community Development Test. WSB demonstrated excellent responsiveness to the community development needs and opportunities of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities. The bank's community development activities were evaluated for the period from July 1, 2021 to March 31, 2024. The community development performance is consistent with the performance of similarly-situated banks in Wisconsin that were evaluated under the Interagency Intermediate Small Institution Examination Procedures and that were assigned Outstanding ratings under the Community Development Test. In addition to the quantitative consideration given to the volume of activities, examiners gave qualitative consideration to the impact that these activities have on the community and how the activities meet the needs in the assessment area.

Community Development Loans

WSB originated or renewed 184 community development loans totaling \$40.3 million in the assessment area and 149 community development loans totaling \$79.6 million throughout the broader statewide or regional area during the evaluation period. The total level of activity (\$119.9 million) represents 8.1 percent of average total assets and 13.2 percent of average net loans in the ten quarters since the prior evaluation. This performance compares favorably to the prior evaluation's total level of activity (\$84.4 million) which represented 7.6 percent of average total assets and 11.3 percent of average net loans. Examiners considered community development loans in the broader statewide or regional area because WSB has been responsive to the community development needs and opportunities in the assessment area.

Examiners compared WSB's performance quantitatively with three banks in Wisconsin that were assessed during the evaluation period under Interagency Intermediate Small Institution Examination Procedures and rated Outstanding in the Community Development Test. Examiners compared the bank's performance to these banks without the community development loans made through the SBA Paycheck Protection Program (PPP). The SBA PPP program began as a result of the pandemic and related lockdowns. Since the SBA PPP program was only offered in 2020 and 2021, and not within WSB's current evaluation period. WSB's performance as a percent of average assets and of average net loans exceeded that of two of the similarly-situated banks, whose performance represented 7.9 and 7.6 percent of average assets and 11.4 and 11.8 percent of average net loans, respectively; but was below that of the third similarly-situated bank, whose performance represented 21.6 percent of average assets and 29.4 percent of average net loans

WSB's community development loans primarily consist of loans for affordable housing and economic development. The affordable housing category consists of 72 loans totaling \$58.8 million for projects where a majority of the housing units have rents that are below the HUD fair market rents for that geographic area. These loans demonstrate responsiveness to the community development needs identified by a community contact. The economic development category includes 227 Milwaukee Economic Development Corporation Capital Access Program (MEDC CAP) loans totaling \$26.6 million. This loan program provides financing for start-ups and small businesses through a flexible loan-loss reserve that allows WSB to fund loans to businesses that would typically not qualify for conventional lending. In addition to the MEDC CAP loans, the bank made 20 loans totaling \$18.5 million under the SBA 504 loan program. This is a specialized loan program offered through the SBA to businesses that meet specific eligibility requirements and use the funds as dictated. Lastly, this category includes five loans totaling \$11.8 million through the New Markets Tax Credit (NMTC) program. These loans are related to the NMTC projects that are highlighted under the qualified investment section.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021*	18	4,014	1	354	50	22,232	-	-	69	26,600
2022	36	44,123	3	1,769	92	20,525	-	-	131	66,417
2023	17	10,464	4	1,153	92	12,820	-	-	113	24,437
2024**	1	156	-	-	18	1,346	1	984	20	2,486
Total	72	58,757	8	3,276	252	56,923	1	984	333	119,940
<i>Source: Bank Data; *July 1 to December 31; **January 1 to March 31 Includes 149 loans for \$79.6 million in the broader statewide or regional area since bank has been responsive to the Assessment Area</i>										

Notable examples of the bank’s community development loans are highlighted below.

- WSB made six loans totaling \$3.1 million to a non-profit organization to move their Weatherization Division into a building in Waukesha. The Weatherization program assists qualified low-income residential households in Jefferson, Milwaukee, and Waukesha Counties by identifying energy waste and providing cost effective, energy saving measures and education. Services are provided at no cost to low-income owners and renters.
- WSB made one loan for \$984,000 to a church located in a moderate-income census tract and within a tax financing district. This loan helps to revitalize and stabilize that area.

Qualified Investments

WSB made 111 qualified investments totaling \$330,000 in the assessment area and 22 qualified investments totaling \$29.7 million in the broader statewide or regional area in the evaluation period. The total level of activity (\$30.0 million) represents 2.0 percent of average assets, 21.6 percent of average equity capital, and 8.5 percent of average securities in the ten quarters since the prior evaluation. This performance compares favorably to the prior evaluation’s total level of activity (\$1.7 million) which represented 0.2 percent of average assets, 1.3 percent of average equity capital, and 0.8 percent of average securities. Examiners considered qualified investments in the broader statewide or regional area because WSB has been responsive to the community development needs and opportunities in the assessment area.

Examiners compared WSB’s performance quantitatively with three similarly-situated banks in Wisconsin that were assessed during the evaluation period under Interagency Intermediate Small Institution Examination Procedures and rated Outstanding in the Community Development Test. WSB’s qualified investment performance exceeds or compares to the performance of these banks, whose total activity ranged from 0.0 to 1.6 percent of average assets, 0.5 to 17.2 percent of average equity capital, and 0.6 to 8.9 percent of average securities.

The following table illustrates the bank’s qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	4	785	-	-	-	-	4	785
2021*	-	-	3	725	1	19,380	-	-	4	20,105
2022	-	-	5	1,205	1	4,120	-	-	6	5,325
2023	1	1,000	5	1,205	-	-	-	-	6	2,205
2024**	1	1,000	1	240	-	-	-	-	2	1,240
Subtotal	2	2,000	18	4,160	2	23,500	-	-	22	29,660
Qualified Grants & Donations	4	4	77	280	30	46	-	-	111	330
Total	6	2,004	95	4,440	32	23,546	-	-	133	29,990

*Source: Bank Data; *July 1 to December 31; **January 1 to March 31*

Notable examples of the bank’s qualified investments are highlighted below.

- The bank’s subsidiary, WSB Community Development, LLC, invested in two projects in the NMTC Program totaling \$23.5 million. Through the NMTC program, the Community Development Financial Institution Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which private capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities on better rates and terms and more flexible features. In exchange for investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is claimed over a seven-year period. The two specific projects WSB Community Development, LLC, invested in are a hotel and a grocery store located in moderate-income census tracts in Milwaukee.
- WSB and its holding company purchased or renewed 14 certificates of deposit totaling \$3.4 million with two Wisconsin banks and one Illinois bank designated as community development financial institutions (CDFIs) and minority-owned depository institutions (MDIs). CDFIs provide credit and financial services to underserved markets and populations. MDIs focus on addressing financial service needs in minority communities. WSB is supporting these banks with their mission to serve their communities.
- Prior period investments consist of four school bonds totaling \$785,000 where the goal is to increase graduation rates at schools containing a significant portion of students from low- and moderate-income families.
- WSB purchased two mortgage-backed securities totaling \$2.0 million with the underlying mortgage loans for multifamily housing projects with a majority of renters consisting of low- and moderate-income individuals.

Community Development Services

Bank representatives (bank officers, employees, and board members) provided 115 community development services to various community development-related organizations during the evaluation

period. This level of performance compares favorably to that of the last evaluation when bank representatives provided 103 community development services. All but two of the services are recurring activities as president, treasurer, board member, or committee member of the qualifying organization.

Examiners compared WSB’s performance quantitatively with three similarly-situated banks in Wisconsin that were assessed during the evaluation period under Interagency Intermediate Small Institution Examination Procedures and rated Outstanding in the Community Development Test. WSB’s performance exceeded the performance of two of these banks who provided 80 to 86 community development services but is below that of the third similarly-situated bank who provided 160 community development services.

The following two tables illustrate WSB’s community development services by year and purpose, first by number of activities and second by number of hours spent on those activities.

Community Development Services by Activities					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021*	2	21	18	-	41
2022	2	22	12	-	36
2023	2	20	8	-	30
2024**	-	6	2	-	8
Total	6	69	40	-	115

*Source: Bank Data; *July 1 to December 31; **January 1 to March 31*

Community Development Services by Hours					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021*	69	479	342	-	890
2022	96	619	236	-	951
2023	84	454	181	-	719
2024**	-	34	26	-	60
Total	249	1,586	785	-	2,620

*Source: Bank Data; *July 1 to December 31; **January 1 to March 31*

Notable examples of WSB’s community development services are highlighted below.

- Bank representatives served as a board member and members of six different committees in 2021, 2022, and 2023 of a non-profit organization that supports small business development.
- One bank representative served as board member and treasurer in 2021 and 2022 of an organization that serves homeless and low-income individuals throughout Waukesha County.
- Bank representatives served as board member, treasurer, finance and executive committee member, and advisory committee member in 2021 and 2022 of an organization that provides

basic services to low- and moderate-income individuals.

- Bank representatives served as board members, advisory board members, village chairman, and on various committees in 2021, 2022, 2023, and 2024 of an organization that provides employment assistance to low-income individuals seeking economic self-sufficiency, affordable apartments to low-income seniors and disabled individuals, a weatherization program to low-income residents, and other services primarily benefiting low- and moderate-income individuals. Bank representatives also served as board members in 2021, 2022, and 2023 and board president in 2021 of this organization's related foundation that raises funds to support operating costs and eliminate capital debt.

The following are other programs, wire remittance services, and other banking services that qualify as community development services and are not included in the tables of community development services on the previous page.

Life Navigators Trusts for Special Needs Individuals

Life Navigators provides comprehensive and individualized services to improve the quality of life for individuals with intellectual disabilities and their families. Over 80 percent of those served are low-income. WSB has partnered with Life Navigators since 2007 as trustee of the Life Navigators Community and Pooled Trust programs. As of May 16, 2024, the WSB Trust Department managed 232 Life Navigator trusts with a total market value of \$26.1 million. WSB does not have a minimum dollar size for the Life Navigator trusts. For a Life Navigator trust funded with less than \$25,000, WSB's fee is \$150 per year. For comparison, WSB charges a \$4,500 annual minimum fee for a stand-alone/individual drafted special needs trust.

ITIN Registration Services

WSB offers ITIN registration services at the main office. An ITIN is a processing tax number issued by the Internal Revenue Service (IRS). The IRS issues ITINs to individuals who require an identification number for tax purposes in the United States but do not have or are not eligible to obtain a social security number from the Social Security Administration. The bank helped 82 individuals obtain an ITIN number during the evaluation period.

FHLB of Chicago's Community First Accelerate Grant Program

Bank employees applied for and obtained a \$25,000 grant from the FHLB for a small business located in a moderate-income census tract in Waukesha. This small business is expected to use the grant funds to install an Americans with Disabilities Act-accessible ramp and invest in parking lot resurfacing to better assist clients with disabilities.

FHLB of Chicago's Down-Payment Plus Program

The FHLB's Down-Payment Plus Program provided down payment and closing cost assistance for income-eligible homebuyers. The assistance is provided in the form of a forgivable grant paid on behalf of the borrower at the time the borrower closes on a mortgage with a participating FHLB member financial institution, like WSB. Grants are forgiven on a monthly basis over a five-year retention period. Bank employees assist customers with the completion and submission of the application for grant funds of up to \$10,000 per household. The bank assisted 38 borrowers with obtaining \$288,000 through this grant program during the evaluation period.

HOME Consortium's Down-Payment Assistance Loan Program

Bank employees help customers qualify for loans through the HOME Consortium Down-Payment Assistance Loan Program, which receives funding from HUD. This program improves an applicant's eligibility and creditworthiness and ultimately allows the bank to originate more mortgages to low- and moderate-income individuals. Bank employees assist with completion and submission of the application for the income-eligible homebuyers. The program is limited to households with incomes of 80 percent or less of area median income in participating counties. WSB assisted one borrower with obtaining a \$2,000 forgivable loan through this program during the evaluation period.

Housing Cost Reduction Initiative (HCRI) Program

Bank employees help customers apply for grants through the HCRI program. The State sets aside funds to provide housing assistance to low- and moderate-income households seeking to own decent, safe, and affordable housing. HCRI grants can be used for acquisition costs or foreclosure prevention. WSB assisted seven borrowers with obtaining a total of \$25,000 through this grant program during the evaluation period.

Directo a México International Automated Clearing House (ACH) Program

The bank participates in the Directo a México International ACH program, a joint program between the Federal Reserve Banks and Banco de México. The program provides a reasonably priced international remittance service for bank customers transferring money to México. The fee for the service is only \$5.00 for next day credit, whereas traditional wire services customarily have a higher fee of \$40 or more. The fee for this service is set by each bank and not the Federal Reserve. WSB initiated 683 wires totaling \$1.3 million through this program during the evaluation period.

Providing Financial Expertise to a Minority Depository Institution (MDI)

WSB provided financial expertise on several occasions to a MDI that serves the City of Milwaukee. This financial expertise related to retail staffing and operations, retail lending, reciprocal deposits, and capital structure.

Interest on Lawyer Trust Accounts (IOLTAs)

These accounts are a unique and innovative way to increase access to justice for individuals and families living in poverty. The earned interest on certain lawyer trust accounts, together with state and federal appropriations and private grants and donations, enable nonprofit legal aid providers to help low-income people with civil legal matters such as landlord/tenant issues, child custody disputes, and advocacy for those with disabilities. WSB opened six IOLTAs and remitted \$19,720 in interest on these accounts during the evaluation period.

Interest Bearing Real Estate Trust Accounts (IBRETAs)

Wisconsin requires real estate brokers to establish IBRETAs for the deposit of all down payments, earnest money, and other trust funds received by the broker and related to the conveyance of real estate. Banks and other depository institutions remit the interest from the IBRETAs to the State. These funds are used to augment existing emergency and transitional homeless programs. IBRETA dollars partially fund grants to organizations that provide shelter or services to homeless individuals. WSB opened six IBRETAs and remitted \$6,000 in interest on these accounts during the evaluation period.

Cristo Rey High School Milwaukee Work Study Program

Cristo Rey High School Milwaukee's mission is to provide quality, college preparatory education to young people with limited financial resources. The work study program is a cornerstone of this mission, integrating academic learning with professional work experience. Corporate partners, such as WSB, pay \$34,000 for this program, which helps fund private education for four students. Four students joined WSB in September 2023 through this program.

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.

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.