

PUBLIC DISCLOSURE

November 8, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chippewa Valley Bank
Certificate Number: 12322

15755 W County Road B
Hayward, WI 54843

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

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Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank made a majority of its small business and home mortgage loans in the AAs.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- 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 Satisfactory.

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

DESCRIPTION OF INSTITUTION

Chippewa Valley Bank (CVB) is a full-service financial institution headquartered in Hayward, Wisconsin. CVB also conducts business from 15 branch locations in northwestern Wisconsin in the communities of Ashland, Barnes, Bayfield, Bruce, Cable, Drummond, Hurley, Iron River, Lac Du Flambeau, Lake Nebagamon, Radisson, Superior, Washburn, Weyerhaeuser, and Winter. The institution is wholly owned by Chippewa Valley Agency, LTD., a one-bank holding company. CVB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated September 4, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

CVB offers various loan products including mortgage, commercial, agriculture, consumer, and municipal loans; however, management primarily focuses on business and home mortgage lending opportunities within their markets. During the review period, the bank also originated commercial loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP loans assist small businesses in keeping their workforce employed during the COVID-19 pandemic and are forgivable under SBA guidelines. CVB also provides a variety of deposit

services such as checking, savings, certificates of deposit, individual retirement accounts, and health savings accounts. Alternative banking services include wire transfers, electronic bill-pay, and online banking.

As of September 30, 2021, CVB held total assets of approximately \$678 million, total deposits of \$512 million, and total loans of \$415 million. Assets grew from \$395 million since the previous evaluation, but the general make-up of the loan portfolio is consistent with the prior examination. The loan portfolio is illustrated in the following table.

| Loan Portfolio Distribution as of 09/30/2021 | | |
|---|-----------------|----------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 27,767 | 6.7 |
| Secured by Farmland | 9,107 | 2.2 |
| Secured by 1-4 Family Residential Properties | 80,901 | 19.5 |
| Secured by Multifamily (5 or more) Residential Properties | 26,011 | 6.3 |
| Secured by Nonfarm Nonresidential Properties | 59,645 | 14.4 |
| Total Real Estate Loans | 203,431 | 49.0 |
| Commercial and Industrial Loans | 52,256 | 12.6 |
| Agricultural Production and Other Loans to Farmers | 40 | 0.0 |
| Consumer Loans | 1,844 | 0.4 |
| Obligations of State and Political Subdivisions in the U.S. | 16,325 | 3.9 |
| Other Loans | 141,587 | 34.1 |
| Lease Financing Receivable (net of unearned income) | - | 0.0 |
| Less: Unearned Income | - | 0.0 |
| Total Loans | 415,483 | 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 the credit needs of the AAs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. CVB has designated two contiguous AAs consisting of 48 census tracts (CTs). There have been no changes to the AAs since the previous evaluation. CVB's AAs are comprised of whole geographies and include the CTs in which the main and branch offices are located. The AAs do not arbitrarily exclude any low- or moderate-income CTs and conform to the CRA regulatory requirements. See the following table for a brief description of each AA. Greater details regarding each AA are included in the Description of Institution's Operations.

| Description of Assessment Areas | | | |
|--|--|-----------------|----------------------|
| Assessment Area | Counties in Assessment Area | # of CTs | # of Branches |
| Non-MSA | Ashland, Bayfield, Iron, Rusk, Sawyer, Vilas, Gogebic (MI) | 35 | 14 |
| Duluth MN-WI MSA | Douglas | 13 | 2 |
| <i>Source: Bank Data</i> | | | |

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 4, 2018, to the current evaluation dated November 8, 2021. Examiners used the Interagency Intermediate Small Institution Procedures to evaluate CVB’s performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. The Appendix details the performance criteria related to these tests. Banks must achieve at least a “Satisfactory” rating under each test to obtain an overall Satisfactory rating.

Examiners conducted a full scope review of the non-MSA AA based on the size of the AA, majority of branch locations, and majority of loan and deposit activity. The Duluth MN-WI MSA AA received a limited-scope review as its operations represent less lending volume and fewer office locations.

Activities Reviewed

Residential real estate and commercial loans continue to represent the major product lines based on the bank’s business strategy, Call Report data, and the number and dollar volume of loans originated during the evaluation period. Agriculture and consumer loans are not a business focus and do not represent a substantial portion of the bank’s loan portfolio, and are therefore not reviewed at the current evaluation. Examiners placed equal weight on home mortgage and small business lending based on loan portfolio composition and business focus.

Examiners reviewed 2018, 2019, and 2020 home mortgage data reported pursuant to the Home Mortgage Disclosure Act (HMDA) requirements. Aggregate 2018, 2019, and 2020 HMDA data as well as 2015 US Census data served as a comparator for the bank’s performance. More weight was placed on the bank’s performance relative to the aggregate mortgage performance, as this is indicative of reporting lenders and prevailing market conditions in the AA. All years’ data are presented in the AA Concentration table. Given the relatively consistent performance throughout the review period, only 2020 HMDA data is presented in the Borrower Profile and Geographic Distribution analysis tables since this is the most recent year with aggregate data available.

Examiners also reviewed a sample of small business loans originated in 2020. D&B data for 2020 provides a standard of comparison for small business loan performance. Examiners reviewed a sample of the bank’s 2019 small business loans for a more comprehensive assessment under the Geographic Distribution criterion. The following provides additional review details.

| Loan Products Reviewed | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Loan Category | Universe | | Reviewed | |
| | # | \$(000s) | # | \$(000s) |
| Home Mortgage | | | | |
| 2018 | 180 | 23,659 | 180 | 23,659 |
| 2019 | 128 | 14,713 | 128 | 14,713 |
| 2020 | 134 | 21,503 | 134 | 21,503 |
| Small Business | | | | |
| 2019 | 358 | 59,683 | 58 | 7,207 |
| 2020 | 344 | 44,445 | 58 | 8,120 |
| <i>Source: Bank Data</i> | | | | |

When evaluating the Lending Test, examiners gave more weight to Borrower Profile performance than to performances under the Loan-to-Deposit Ratio, the AA Concentration, and the Geographic Distribution criteria. Borrower Profile directly identifies how well the bank serves the traditionally underserved segments of the population, including low- and moderate-income families and smaller businesses.

Examiners reviewed all the community development activities as it relates to community development loans, qualified investments, and community development services identified by bank management since the previous evaluation date. Examiners considered quantitative factors for these activities based on the bank’s financial capacity, assessment area opportunities, and how the activities meet the needs in the AAs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

A “Satisfactory” rating is assigned under the Lending Test. This conclusion is supported by the LTD ratio, AA Concentration, Geographic Distribution, and Borrower Profile analyses. Performance was consistent in both AAs.

Loan-to-Deposit Ratio

CVB’s LTD ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The bank’s LTD ratio averaged 92.9 percent over the last 12 quarters from September 30, 2018 to June 30, 2021. The LTD ratio has remained generally stable during the evaluation period. CVB maintained a LTD ratio that was in line with similarly-situated institutions as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location and lending focus.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|--|--|---------------------------------|
| Bank | Total Assets as of 06/30/2021 (\$000s) | Average Net LTD Ratio (%) |
| Chippewa Valley Bank | 706,489 | 92.9 |
| Security Financial Bank | 636,421 | 86.3 |
| National Bank of Commerce | 1,174,960 | 89.7 |
| Peoples State Bank | 1,253,710 | 90.0 |
| Gogebic Range Bank | 154,183 | 62.5 |
| Citizens Community Federal | 1,714,362 | 94.6 |
| <i>Source: Reports of Condition and Income 09/30/2018 – 06/30/2021</i> | | |

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans inside their AAs. Details are provided in the following table.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|-----------|-------------|------------|---------------------------------|-------------|--------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2018 | 160 | 88.9 | 20 | 11.1 | 180 | 18,845 | 79.7 | 4,814 | 20.3 | 23,659 |
| 2019 | 107 | 83.6 | 21 | 16.4 | 128 | 12,176 | 82.8 | 2,537 | 17.2 | 14,713 |
| 2020 | 117 | 87.3 | 17 | 12.7 | 134 | 19,384 | 90.1 | 2,119 | 9.9 | 21,503 |
| Subtotal | 384 | 86.9 | 58 | 13.1 | 442 | 50,406 | 84.2 | 9,470 | 15.8 | 59,876 |
| Small Business | | | | | | | | | | |
| 2019 | 53 | 91.4 | 5 | 8.6 | 58 | 6,865 | 95.3 | 342 | 4.7 | 7,207 |
| 2020 | 48 | 82.8 | 10 | 17.2 | 58 | 5,526 | 68.1 | 2,594 | 31.9 | 8,120 |
| Subtotal | 101 | 87.1 | 15 | 12.9 | 116 | 12,391 | 80.8 | 2,936 | 19.2 | 15,327 |
| <i>Source: Bank Data</i> | | | | | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | |

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AAs. Performance is reasonable in home mortgage lending and poor in small business lending in the most heavily weighted Non-MSA AA. The performance in the Duluth MN-WI MSA is consistent with performance in the Non-MSA.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes in both AAs. The performance in the Duluth MN-WI MSA is consistent with performance in the Non-MSA.

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

The institution’s community development performance demonstrates adequate responsiveness to community development needs in its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s AAs.

Community Development Loans

CVB originated 551 community development loans totaling \$52 million during the evaluation period. This level of activity represents 7.7 percent of total assets and 12.7 percent of net loans as of September 30, 2021, which is greater than 7.2 percent of total assets and 9.2 percent of loans at the prior evaluation. This level of lending includes loans originated under the SBA PPP. PPP loans account for 308 loans totaling \$30.4 million in 2020 and 177 loans totaling \$7.3 million in 2021. Excluding PPP loans, the remaining community development loans represent 2.1 percent of total assets and 3.5 percent of net loans. This level of community development lending compares to similarly-situated intermediate small banks that operate in northwest Wisconsin. The following two tables show the breakdown of community development loans by year and by AA.

| Community Development Lending by Year | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2019 | - | - | 1 | 300 | 1 | 375 | 1 | 425 | 3 | 1,100 |
| 2020 | - | - | 2 | 2,100 | 317 | 35,394 | 3 | 2,104 | 322 | 39,598 |
| 2021 (YTD) | - | - | 1 | 1,140 | 182 | 9,504 | 3 | 929 | 186 | 11,573 |
| Total | - | - | 4 | 3,540 | 500 | 45,273 | 7 | 3,458 | 511 | 52,271 |

Source: Bank Data

| Community Development Lending by Assessment Area | | | | | | | | | | |
|--|--------------------|----------|--------------------|--------------|----------------------|---------------|-------------------------|--------------|------------|---------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA | - | - | 4 | 3,540 | 373 | 33,080 | 6 | 3,285 | 383 | 39,905 |
| Duluth MN-WI MSA | - | - | - | - | 83 | 5,994 | - | - | 83 | 5,994 |
| Statewide Activities | - | - | - | - | 44 | 6,199 | 1 | 173 | 45 | 6,372 |
| Total | - | - | 4 | 3,540 | 500 | 45,273 | 7 | 3,458 | 511 | 52,271 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

A majority of the statewide community development lending activities were PPP loans to support economic development.

Qualified Investments

CVB's qualified investments equaled \$3.9 million during the evaluation period, which is slightly above the \$2.3 million at the previous evaluation. The dollar amount of qualified investments equates to 0.6 percent of total assets, 3.7 percent of total securities, and 7.8 percent of equity capital as of September 30, 2021. This level of community development investing compares to similarly-situated intermediate small banks in Wisconsin. The following two tables show the breakdown of community development investments first by year and then by AA.

| Qualified Investments by Year | | | | | | | | | | |
|--|--------------------|----------|--------------------|--------------|----------------------|----------|-------------------------|--------------|-----------|--------------|
| Activity Year* | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | - | - | 2 | 1,846 | - | - | 2 | 187 | 4 | 2,032 |
| 2018 (Partial) | - | - | - | - | - | - | 1 | 1,825 | 1 | 1,825 |
| Subtotal | - | - | 2 | 1,846 | - | - | 3 | 2,012 | 5 | 3,857 |
| Qualified Grants & Donations | - | - | 21 | 12 | - | - | - | - | 21 | 12 |
| Total | - | - | 23 | 1,858 | - | - | 3 | 2,012 | 26 | 3,870 |
| <i>Source: Bank Data, *no investment were made in 2019, 2020 or YTD 2021</i> | | | | | | | | | | |

| Qualified Investments by Assessment Area | | | | | | | | | | |
|--|--------------------|----------|--------------------|--------------|----------------------|----------|-------------------------|--------------|-----------|--------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA | - | - | 22 | 153 | - | - | 1 | 1,825 | 23 | 1,978 |
| Duluth MN-WI MSA | - | - | - | - | - | - | - | - | - | - |
| Statewide Activities | - | - | 1 | 1,705 | - | - | 2 | 187 | 3 | 1,892 |
| Total | - | - | 23 | 1,858 | - | - | 3 | 2,012 | 26 | 3,870 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Statewide investment activities were all prior period bond investments for which the bank maintains a book value. These include the following:

- A bond to support school improvements and make updates to equipment and technology. The school district includes mostly schools located in moderate-income CTs.
- A bond for construction and equipment of a municipal complex located in a Tax Increment Financing (TIF) District.
- A bond to support revitalization and stabilization in a village's TIF district.

Community Development Services

CVB participated in 20 community development services during the evaluation period. This is less than the 76 community development services during the last evaluation. Bank management noted that the COVID-19 pandemic has affected their participation in programs due to business closures, program suspensions and social distancing restrictions imposed by local and state governments. The following two tables show the breakdown of community development services by year and by AA.

| Community Development Services by Year | | | | | |
|--|--------------------|--------------------|----------------------|-------------------------|-----------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2019 | - | - | 7 | - | 7 |
| 2020 | - | - | 7 | - | 7 |
| 2021 | - | 1 | 5 | - | 6 |
| Total | - | 1 | 19 | - | 20 |
| <i>Source: Bank Data</i> | | | | | |

| Community Development Services by Assessment Area | | | | | |
|--|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| Non-MSA | - | 1 | 16 | - | 17 |
| Duluth MN-WI MSA | - | - | 3 | - | 3 |
| Total | - | 1 | 19 | - | 20 |
| <i>Source: Bank Data</i> | | | | | |

In addition to the community development services provided, the bank also offers retail banking services that provide benefit to low- or moderate-income individuals such as branches and facilities in the moderate-income CTs, distressed CTs, or underserved CTs of the AA. Specifically, the bank operates six full service branches and one off-site non-deposit taking ATM in moderate-income CTs within the AA. Further, there are six full service branches and three off-site non-deposit taking ATMs located in middle-income distressed tracts and one branch located in a middle income CT designated as underserved.

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.

NON-MSA ASSESSMENT AREA – Full-Scope Review

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

The Non-MSA AA includes the whole counties of Ashland, Bayfield, Iron, Rusk, Sawyer, and Vilas in Northern Wisconsin, as well as 3 bordering CTs in Gogebic County, Michigan. Of the 35 CTs in the AA, there are 13 moderate-income CTs and no low-income CTs. A large portion of the AA has been declared distressed and/or underserved. Seven CTs in Bayfield and Iron counties are distressed as a result of unemployment and population loss. Twelve CTs in Ashland, Iron, Sawyer and Vilas counties are underserved.

Economic and Demographic Data

The following table illustrates demographic characteristics of the AA.

| Demographic Information of the Assessment Area | | | | | | |
|--|--------|------------|------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 35 | 0.0 | 37.1 | 60.0 | 0.0 | 2.9 |
| Population by Geography | 96,750 | 0.0 | 37.4 | 62.6 | 0.0 | 0.0 |
| Housing Units by Geography | 83,897 | 0.0 | 33.4 | 66.6 | 0.0 | 0.0 |
| Owner-Occupied Units by Geography | 33,696 | 0.0 | 33.9 | 66.1 | 0.0 | 0.0 |
| Occupied Rental Units by Geography | 10,692 | 0.0 | 48.0 | 52.0 | 0.0 | 0.0 |
| Vacant Units by Geography | 39,509 | 0.0 | 29.0 | 71.0 | 0.0 | 0.0 |
| Businesses by Geography | 7,297 | 0.0 | 34.9 | 65.1 | 0.0 | 0.0 |
| Farms by Geography | 440 | 0.0 | 32.5 | 67.5 | 0.0 | 0.0 |
| Family Distribution by Income Level | 27,710 | 23.4 | 23.7 | 22.4 | 30.6 | 0.0 |
| Household Distribution by Income Level | 44,388 | 28.4 | 18.9 | 19.6 | 33.0 | 0.0 |
| Median Family Income Non-MSAs – MI | | \$53,628 | Median Housing Value | | | \$158,733 |
| Median Family Income Non-MSAs – WI | | \$60,742 | Median Gross Rent | | | \$621 |
| | | | Families Below Poverty Level | | | 10.6% |
| <i>Source: 2015 ACS and 2020 D&B Data</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |
| <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

There are about 83,900 housing units in the AA of which 40 percent are owner-occupied, 13 percent are occupied rental units, and 47 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are displayed in the following table.

| Median Family Income Ranges | | | | |
|---|-----------|-----------------------|-----------------------|-------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| MI NA Median Family Income (99999) | | | | |
| 2019 (\$58,600) | <\$29,300 | \$29,300 to <\$46,880 | \$46,880 to <\$70,320 | ≥\$70,320 |
| 2020 (\$60,900) | <\$30,450 | \$30,450 to <\$48,720 | \$48,720 to <\$73,080 | ≥\$73,080 |
| WI NA Median Family Income (99999) | | | | |
| 2019 (\$65,900) | <\$32,950 | \$32,950 to <\$52,720 | \$52,720 to <\$79,080 | ≥\$79,080 |
| 2020 (\$68,000) | <\$34,000 | \$34,000 to <\$54,400 | \$54,400 to <\$81,600 | ≥\$81,600 |
| <i>Source: FFIEC</i> | | | | |

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in the Non-MSA AA remained relatively stable until an increase in unemployment in 2020. The COVID-

19 pandemic has impacted employment opportunities and explains the increased unemployment rates in 2020. The following table shows the unemployment rates of Wisconsin Non-MSA AA counties between 2017 and 2020 exceeded the corresponding statewide rate. Similarly, the unemployment rate in Gogebic County, during the same period, exceeded the corresponding Michigan statewide rate.

| Unemployment Rates | | | | |
|-----------------------|------|------|------|------|
| Area | 2017 | 2018 | 2019 | 2020 |
| | % | % | % | % |
| Ashland County | 4.5 | 4.3 | 4.7 | 8.5 |
| Bayfield County | 5.2 | 4.9 | 5.5 | 9.3 |
| Iron County | 6.2 | 5.8 | 5.9 | 11.2 |
| Rusk County | 4.4 | 4.0 | 4.8 | 6.6 |
| Sawyer County | 4.6 | 4.3 | 4.6 | 7.9 |
| Vilas County | 4.3 | 4.0 | 4.1 | 7.2 |
| Wisconsin – Statewide | 3.3 | 3.0 | 3.3 | 6.3 |
| Gogebic County | 5.9 | 5.1 | 5.0 | 7.7 |
| Michigan – Statewide | 4.6 | 4.2 | 4.1 | 9.9 |

Source: Bureau of Labor Statistics

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR). According to 2020 D&B data, there were 7,297 businesses operating in the AA. A summary of these entities’ GARs are shown below.

- 81.0 percent have GARs \$1 million or less
- 5.4 percent have GARs more than \$1 million
- 13.6 percent have unknown revenues

Service industries represent the largest portion of businesses at 37 percent; followed by retail trade (16 percent); and construction (10 percent). In addition, 66 percent of area businesses have four or fewer employees, and 87 percent operate from a single location. The demographic data demonstrates small businesses represent a significant portion of overall business in the AA.

Competition

The AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, 20 financial institutions operate 51 full service branches in the Non-MSA AA. Of these institutions, CVB ranked first with a deposit market share of 20 percent.

There is competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2020, 486 lenders reported 8,424 residential mortgage loans originated or purchased. CVB ranked 15th among these home mortgage lenders. The five most prominent home mortgage lenders accounted for 22 percent of the total market share.

Community Contact

As part of the evaluation process, examiners contact a third party active in the AA to assist in identifying its credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs and shows what credit and community development opportunities are available.

A representative from an economic development organization in the Non-MSA AA provided information on the economic conditions and opportunities in the AA. The contact noted that the economic conditions have deteriorated due to the COVID-19 pandemic. Businesses are struggling to find employees and there is a shortage of affordable and quality housing. The community contact noted that there is a need for commercial infrastructure in rural communities. Building costs are high and similar to urban areas, which make rural areas less attractive for development and profitability. Lower infrastructure costs could create more opportunities for business development and housing. Finally, the contact stated that local financial institutions have done a good job addressing credit needs in the community. The contact noted that the AA could benefit from financial institutions having more technical involvement in housing development formation, small business start-ups, and financial education programs in area schools.

Credit and Community Development Needs and Opportunities

Based on discussions with the community contact and local economic conditions, there is a need for affordable housing and infrastructure investments. Employers are seeking candidates outside of the area but are not able to secure affordable housing within the AA. Affordable housing may alleviate reluctance for employees to relocate to the Non-MSA AA for employment opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

CVB demonstrates reasonable performance under the Lending Test in the Non-MSA AA. The bank's performance under the Borrower Profile criterion for home mortgage and small business lending and the Geographic Distribution of home mortgage loans supports this rating.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA AA. The bank's reasonable performance of home mortgage supports this conclusion. Examiners focused on the percentage of loans, by number, in the moderate-income CTs, as there are no low-income CTs tracts in the AA.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The following table shows the bank's percentage of loans originated in moderate-income CTs

exceeded the aggregate by 7.6 percentage points in 2020. This level of lending reflects reasonable performance in the moderate-income CTs.

| Geographic Distribution of Home Mortgage Loans | | | | | | | |
|--|-------------|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | | | | | | | |
| | 2020 | 33.9 | 29.5 | 39 | 37.1 | 7,110 | 40.5 |
| Middle | | | | | | | |
| | 2020 | 66.1 | 70.5 | 66 | 62.9 | 10,437 | 59.5 |
| Totals | | | | | | | |
| | 2020 | 100.0 | 100.0 | 105 | 100.0 | 17,547 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data</i> | | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | | |

Small Business

The geographic distribution of small business loans reflects poor dispersion in the Non-MSA AA. The following table shows the bank’s percentage by number of loans originated in moderate-income CTs lags the demographic by 14 percentage points in 2019 and 11.1 percentage points in 2020. Though competition from other financial institutions inside and outside of the AA has impacted the bank’s ability to lend to small businesses in the moderate-income tracts, this level of lending reflects poor penetration, particularly given the fact that the bank does operate branches within moderate-income CTs.

| Geographic Distribution of Small Business Loans | | | | | | |
|--|-------------|-----------------|-----------|--------------|--------------|--------------|
| Tract Income Level | | % of Businesses | # | % | \$(000s) | % |
| Moderate | | | | | | |
| | 2019 | 34.9 | 9 | 20.9 | 1,791 | 31.2 |
| | 2020 | 34.9 | 10 | 23.8 | 1,719 | 33.7 |
| Middle | | | | | | |
| | 2019 | 65.1 | 34 | 79.1 | 3,958 | 68.8 |
| | 2020 | 65.1 | 32 | 76.2 | 3,382 | 66.3 |
| Totals | | | | | | |
| | 2019 | 100.0 | 43 | 100.0 | 5,749 | 100.0 |
| | 2020 | 100.0 | 42 | 100.0 | 5,101 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available.</i> | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals and businesses of different sizes. The reasonable performance in home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and aggregate comparisons. They also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels including low- and moderate-income individuals. The following table shows the bank’s percentage by number of loans originated to low- and moderate-income borrowers exceeds aggregate performance in 2020. While the bank’s performance exceeds the aggregate data, it trails the demographic comparator (percentage of families) in the low-income segment. Families below poverty included in the low-income borrower segment (10.6 percentage points) face increased challenges in qualifying for conventional mortgage loans. The bank trails the adjusted low-income borrower demographic by only 3.3 percentage points. This level of lending is reasonable.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 23.4 | 5.0 | 10 | 9.5 | 476 | 2.7 |
| Moderate | | | | | | |
| 2020 | 23.7 | 13.5 | 17 | 16.2 | 1,436 | 8.2 |
| Middle | | | | | | |
| 2020 | 22.4 | 17.1 | 19 | 18.1 | 2,751 | 15.7 |
| Upper | | | | | | |
| 2020 | 30.6 | 52.1 | 46 | 43.8 | 9,632 | 54.9 |
| Not Available | | | | | | |
| 2020 | 0.0 | 12.3 | 13 | 12.4 | 3,252 | 18.5 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 105 | 100.0 | 17,547 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows the bank’s percentage of loans originated to small businesses with GARs \$1 million or less exceeds demographic data by 7.1 percentage points.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|-----------------|-----------|--------------|--------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2020 | 81.0 | 37 | 88.1 | 4,190 | 82.1 |
| >\$1,000,000 | | | | | |
| 2020 | 5.4 | 5 | 11.9 | 911 | 17.9 |
| Revenue Not Available | | | | | |
| 2020 | 13.7 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2020 | 100.0 | 42 | 100.0 | 5,101 | 100.0 |
| <i>Source: 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

COMMUNITY DEVELOPMENT TEST

CVB demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

CVB originated 383 community development loans totaling \$39.9 million in the Non-MSA AA during the evaluation period. This includes lending under the PPP loan program. PPP loans account for 221 loans totaling \$21 million in 2020 and 137 loans totaling \$4.3 million in 2021.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|--------------------|----------|--------------------|--------------|----------------------|---------------|-------------------------|--------------|------------|---------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2019 | - | - | 1 | 300 | 1 | 375 | 1 | 425 | 3 | 1,100 |
| 2020 | - | - | 2 | 2,100 | 230 | 26,105 | 2 | 1,930 | 234 | 30,135 |
| YTD 2021 | - | - | 1 | 1,140 | 142 | 6,600 | 3 | 929 | 146 | 8,670 |
| Total | - | - | 4 | 3,540 | 373 | 33,080 | 6 | 3,284 | 383 | 39,905 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Below are notable examples of the bank's community development loans:

- CVB made three loans totaling approximately \$1.6 million under the SBA 504 program. This is a specialized loan program offered through the SBA to businesses that meet specific eligibility requirements. SBA 504 lending supports business growth and job creation.

- In 2020, the bank made a \$1.8 million loan to expand a local non-profit health clinic that serves low-income residents in a distressed CT.
- In 2021, the bank originated two loans totaling \$629 thousand to construct a new cabinet manufacturing facility that will create 10 new jobs in a distressed area.

Qualified Investments

CVB made 23 qualified investments totaling approximately \$1.9 million. Of these, 21 were donations to local non-profits and schools with the primary purpose of community services. The following table illustrates the bank’s community development 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 | - | - | 1 | 141 | - | - | - | - | 1 | 141 |
| 2018 (Partial) | - | - | - | - | - | - | 1 | 1,825 | 1 | 1,825 |
| Subtotal | - | - | 1 | 141 | - | - | 1 | 1,825 | 2 | 1,966 |
| Qualified Grants & Donations | - | - | 21 | 12 | - | - | - | - | 21 | 12 |
| Total | - | - | 22 | 153 | - | - | 1 | 1,825 | 23 | 1,978 |

Source: Bank Data

Below are notable examples of the bank’s qualified investments and donations:

- In 2018, the bank purchased a 15-year bond worth \$1.825 million from the City of Washburn for infrastructure improvements. Washburn is located in a distressed CT.
- The bank has made 20 different donations totaling \$11,360 to different school districts where a majority of students receive free or reduced lunches.

Community Development Services

CVB employees provided 17 instances of financial expertise or technical assistance to 7 different community organizations in the Non-MSA AA. The number of services decreased since the last evaluation due to limitations related to the COVID-19 pandemic social distancing restrictions. The following table illustrates the bank’s community development services by year and purpose.

| Community Development Services | | | | | |
|---------------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2019 | - | - | 6 | - | 6 |
| 2020 | - | - | 6 | - | 6 |
| YTD 2021 | - | 1 | 4 | - | 5 |
| Total | - | 1 | 16 | - | 17 |
| <i>Source: Bank Data</i> | | | | | |

Below are notable examples of the bank’s community development services:

- One bank employee is a committee member of the Wisconsin Native Loan fund that provides credit counseling, homebuyer education, down payment assistance, and loans to tribal members in Wisconsin.
- One bank employee is a director of the Northwest Wisconsin Business Development Corporation Revolving Loan Fund. Revolving loans help fund start-up costs of new businesses and the expansion of existing businesses.

DULUTH MN-WI MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN DULUTH MN-WI MSA ASSESSMENT AREA

CVB’s Duluth MN-WI MSA AA consists of 13 CTs in Douglas County. The following table illustrates the demographic characteristics of the AA.

| Demographic Information of the Assessment Area | | | | | | |
|--|--------|------------|------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 13 | 15.4 | 15.4 | 46.2 | 15.4 | 7.7 |
| Population by Geography | 43,799 | 11.9 | 14.5 | 57.1 | 16.5 | 0.0 |
| Housing Units by Geography | 22,887 | 11.3 | 13.5 | 60.8 | 14.4 | 0.0 |
| Owner-Occupied Units by Geography | 12,670 | 5.8 | 10.8 | 65.0 | 18.4 | 0.0 |
| Occupied Rental Units by Geography | 5,911 | 27.1 | 25.4 | 33.5 | 13.9 | 0.0 |
| Vacant Units by Geography | 4,306 | 5.7 | 5.3 | 85.7 | 3.3 | 0.0 |
| Businesses by Geography | 2,334 | 29.0 | 9.2 | 49.6 | 12.1 | 0.0 |
| Farms by Geography | 55 | 5.5 | 7.3 | 85.5 | 1.8 | 0.0 |
| Family Distribution by Income Level | 11,377 | 22.5 | 18.8 | 22.6 | 36.1 | 0.0 |
| Household Distribution by Income Level | 18,581 | 24.7 | 17.5 | 17.6 | 40.2 | 0.0 |
| Median Family Income MSA - 20260 Duluth, MN-WI MSA | | \$64,033 | Median Housing Value | | | \$133,905 |
| | | | Median Gross Rent | | | \$675 |
| | | | Families Below Poverty Level | | | 11.7% |
| <i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

There are over 22,800 housing units in the assessment area, of which 55 percent are owner occupied, 26 percent are occupied rental units, and 19 percent are vacant units. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

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

| Median Family Income Ranges | | | | |
|---|-----------|-----------------------|-----------------------|-------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Duluth, MN-WI MSA Median Family Income (20260) | | | | |
| 2019 (\$69,500) | <\$34,750 | \$34,750 to <\$55,600 | \$55,600 to <\$83,400 | ≥\$83,400 |
| 2020 (\$72,700) | <\$36,350 | \$36,350 to <\$58,160 | \$58,160 to <\$87,240 | ≥\$87,240 |
| <i>Source: FFIEC</i> | | | | |

Data obtained from the U.S Bureau of Labor Statistics indicates that the unemployment rates in the Duluth MN-WI MSA have remained relatively stable until an increase in unemployment in 2020 due to the effects of the pandemic.

| Unemployment Rates | | | | |
|---------------------------|-------------|-------------|-------------|-------------|
| Area | 2017 | 2018 | 2019 | 2020 |
| | % | % | % | % |
| Duluth MN-WI MSA | 4.6 | 3.9 | 4.0 | 7.5 |
| Wisconsin – Statewide | 3.3 | 3.0 | 3.3 | 6.3 |

Source: Bureau of Labor Statistics

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR. According to 2020 D&B data, there were 2,334 businesses operating in the MSA AA. A summary of these entities’ GARs are shown below.

- 75.8 percent have GARs \$1 million or less
- 7.5 percent have GARs more than \$1 million
- 16.7 percent have unknown revenues

Service industries represent the largest portion of businesses at 37 percent; followed by retail trade (16 percent); and construction (8 percent). In addition, 60 percent of area businesses have four or fewer employees, and 84 percent operate from a single location. The demographic data demonstrates small businesses represent a significant portion of overall business in the AA.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN DULUTH MN-WI
MSA ASSESSMENT AREA**

LENDING TEST

The institution’s lending performance in the Duluth MN-WI MSA AA is consistent with the institution’s lending performance in the Non-MSA AA that was reviewed using full-scope examination procedures.

Geographic Distribution

The bank’s geographic distribution performance in the Duluth MN-WI MSA AA is consistent with the performance in the Non-MSA AA. Geographic distribution data for both products follows.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|-----------------------------------|------------------------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 5.8 | 4.5 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2020 | 10.8 | 11.2 | 1 | 8.3 | 366 | 19.9 |
| Middle | | | | | | |
| 2020 | 65.0 | 64.4 | 11 | 91.7 | 1,471 | 80.1 |
| Upper | | | | | | |
| 2020 | 18.4 | 19.9 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 12 | 100.0 | 1,837 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

| Geographic Distribution of Small Business Loans | | | | | |
|---|-----------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2019 | 28.3 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 29.0 | 1 | 16.7 | 60 | 14.1 |
| Moderate | | | | | |
| 2019 | 8.7 | 1 | 10.0 | 142 | 12.7 |
| 2020 | 9.2 | 1 | 16.7 | 125 | 29.4 |
| Middle | | | | | |
| 2019 | 51.2 | 8 | 80.0 | 924 | 82.8 |
| 2020 | 49.6 | 4 | 66.7 | 240 | 56.5 |
| Upper | | | | | |
| 2019 | 11.8 | 1 | 10.0 | 50 | 4.5 |
| 2020 | 12.1 | 0 | 0.0 | 0 | 0.0 |
| Not Available | | | | | |
| 2019 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2019 | 100.0 | 10 | 100.0 | 1,116 | 100.0 |
| 2020 | 100.0 | 6 | 100.0 | 425 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The bank's borrower profile performance in the Duluth MN-WI MSA AA is consistent with the performance in the Non-MSA AA. Borrower distribution data for home mortgage and small business lending follows.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 22.5 | 6.2 | 1 | 8.3 | 77 | 4.2 |
| Moderate | | | | | | |
| 2020 | 18.8 | 17.5 | 2 | 16.7 | 147 | 8.0 |
| Middle | | | | | | |
| 2020 | 22.6 | 20.0 | 0 | 0.0 | 0 | 0.0 |
| Upper | | | | | | |
| 2020 | 36.1 | 34.0 | 8 | 66.7 | 1,548 | 84.3 |
| Not Available | | | | | | |
| 2020 | 0.0 | 22.3 | 1 | 8.3 | 65 | 3.5 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 12 | 100.0 | 1,837 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i> | | | | | | |

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2020 | 75.8 | 5 | 83.3 | 365 | 85.9 |
| >\$1,000,000 | | | | | |
| 2020 | 7.5 | 1 | 16.7 | 60 | 14.1 |
| Revenue Not Available | | | | | |
| 2020 | 16.7 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2020 | 100.0 | 6 | 100.0 | 425 | 100.0 |
| <i>Source: 2020 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | |

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Duluth MN-WI MSA AA is consistent with the community development performance in the Non-MSA AA. The following tables provide additional detail regarding community development loans and services in the MSA.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|--------------------|----------|--------------------|----------|----------------------|--------------|-------------------------|----------|-----------|--------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2019 | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | 57 | 3,607 | - | - | 57 | 3,607 |
| YTD 2021 | - | - | - | - | 26 | 2,387 | - | - | 26 | 2,387 |
| Total | - | - | - | - | 83 | 5,994 | - | - | 83 | 5,994 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

| Community Development Services | | | | | |
|--------------------------------|--------------------|--------------------|----------------------|-------------------------|----------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2019 | - | - | 1 | - | 1 |
| 2020 | - | - | 1 | - | 1 |
| YTD 2021 | - | - | 1 | - | 1 |
| Total | - | - | 3 | - | 3 |
| <i>Source: Bank Data</i> | | | | | |

The bank did not purchase any community development investments in the Duluth MN-WI MSA AA during this evaluation period.

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.