

PUBLIC DISCLOSURE

April 11, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Charter Bank
1010 West Clairemont Avenue
Eau Claire, Wisconsin 54701
RSSD 160650

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

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

TABLE OF CONTENTS

Institution

Institution’s CRA Rating	1
Scope of Evaluation	1
Description of Institution	3
Description of Assessment Areas	4
Conclusions with Respect to Performance Criteria	4
Fair Lending or Other Illegal Credit Practices Review.....	7

Wisconsin

CRA Rating for Wisconsin	8
Scope of Evaluation	8
Description of Institution’s Operations in Wisconsin.....	8
Conclusions with Respect to Performance Tests in Wisconsin	9
Wisconsin Metropolitan Area – Full Review	11
Description of Institution’s Operations in the Eau Claire MSA Assessment Area.....	11
Conclusions With Respect To Performance Criteria	14
Wisconsin Nonmetropolitan Area – Limited Review.....	23
Description of the Institution’s Operations in the Chetek Assessment Area	23

Minnesota

CRA Rating for Minnesota	24
Description of Institution’s Operations in the Chaska MSA Assessment Area.....	24
Conclusions with Respect to Performance Criteria	27
Appendix A - Glossary	33

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

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The Community Reinvestment Act (CRA) performance of Charter Bank, Eau Claire, Wisconsin, demonstrates reasonable responsiveness to the credit needs of its assessment areas and excellent responsiveness to the community development needs of its assessment areas. The CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

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

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

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

- The bank's level of community development lending is excellent and very responsive to community development needs in the assessment areas. In addition, the bank made an adequate level of qualified investments (including donations) and engaged in an adequate amount of community development services.

The bank received a Satisfactory rating at the previous evaluation dated August 20, 2018.

SCOPE OF EVALUATION

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. The analysis of the information from these sources as well as economic and demographic characteristics, competitive factors, and the size and financial condition of the bank assist in the understanding of the bank's performance. The CRA evaluation covers the period from the previous CRA evaluation dated August 20, 2018, to April 11, 2022.

For community contacts, examiners interviewed people familiar with the economic and demographic characteristics and community development opportunities in the bank's assessment areas. The full-scope assessment area sections of this evaluation include specific information obtained from these community contacts.

The bank has designated three assessment areas for CRA purposes: the Eau Claire Metropolitan Statistical Area (MSA) and the Chetek assessment areas in Wisconsin, and the Chaska MSA assessment area in Minnesota. The Chetek assessment area is new since the previous evaluation. In 2020, the bank acquired the building and deposits of the Chetek branch of Bank First, N.A., Manitowoc, Wisconsin. The acquisition added one full-service branch, located in Chetek, Wisconsin, and the new assessment area, the entirety of Barron County.

The bank originated 88.5% of its loans in the Eau Claire MSA assessment area, followed by 10.2% in the Chaska assessment area and 1.3% in the Chetek assessment area. Based on the June 30, 2021, FDIC Deposit Market Share Report, the majority of the bank’s deposits are in the Eau Claire MSA assessment area, at 69.8%. The Chaska MSA and Chetek assessment areas account for 25.8% and 4.5% of deposits, respectively.

The Intermediate Small Bank examination procedures require a rating for each state where an institution operates. Based on lending volume and deposit market share, examiners completed full-scope reviews of the Eau Claire MSA and the Chaska MSA assessment areas. Examiners completed a limited-scope review of the Chetek assessment area. The Wisconsin state rating is primarily based on the bank’s performance in the Eau Claire MSA assessment area, and the Minnesota rating is based solely on the bank’s performance in the Chaska MSA assessment area.

Examiners weighted the bank’s performance as follows to derive the overall rating:

- Examiners assigned more weight to the Lending Test than to the Community Development Test because the bank primarily serves its communities through its lending programs.
- Examiners placed the greatest weight on the bank’s activities in Wisconsin because a majority of the bank’s lending occurs in this state. During the evaluation period, the bank extended 89.8% of its HMDA and small business loans, by number, in the Wisconsin assessment areas. The comparative percentage for Minnesota was 10.2%.
- For the Lending Test, examiners assigned more weight to small business lending because the bank is primarily a commercial lender.
- For the Lending Test, examiners placed the greatest weight on loans to businesses of different sizes and to borrowers of different income levels, followed by the geographic distribution of loans. Examiners weighted the remaining criteria equally.

Lending Test Scope

The scope of the Lending Test covers the bank’s major product line, small business loans, as shown in the table below, as well as the bank’s HMDA loans.

Loan Originations From January 1, 2021, Through December 31, 2021¹				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Construction/Land Development	67	4.8	\$ 28,227,375	4.7
Consumer	101	7.2	4,246,342	0.7
Home Equity Lines of Credit	83	5.9	6,501,700	1.1
Letters of Credit	28	2.0	6,470,938	1.1
Residential Real Estate	310	22.2	75,214,514	12.4
Small Business (≤ \$1 million)	699	50.0	151,506,581	25.0
Commercial (> \$1 million)	101	7.2	325,962,347	53.9
Small Farm (≤ \$500,000)	1	0.1	271,467	0.0

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

Loan Originations From January 1, 2021, Through December 31, 2021¹				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Agricultural (> \$500,000)	2	0.1	3,160,000	0.5
Overdraft	6	0.4	6,500	0.0
Municipal	1	0.1	3,560,000	0.6
Total	1,399	100.0	\$605,127,764	100.0

Examiners analyzed a statistical sample of 128 small business loans originated between July 1, 2021, and December 31, 2021. Examiners also analyzed the bank’s HMDA lending, including home purchase, refinance, home improvement, and multifamily loans, originated in 2019 and 2020. Examiners reviewed 2018 HMDA data for consistency with 2019 and 2020 data but did not include a detailed analysis of the 2018 data in the evaluation. Examiners also reviewed HMDA data reported by aggregate lenders to assess the bank’s HMDA lending performance. The evaluation refers to this loan information as aggregate lending data.

The bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans were designed to help businesses keep their workforces employed during the COVID-19 pandemic. The bank originated 603 PPP loans (77.2% of which were extended in the bank’s assessment areas). Examiners considered the bank’s PPP loans primarily in their evaluation of the bank’s small business loans.²

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

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

Community Development Test Scope

Examiners reviewed the bank’s community development lending, qualified investments (including donations), and community development services since the previous evaluation for each assessment area and for larger regional or statewide areas. Examiners based the Community Development Test rating on the bank’s performance during the period of August 20, 2018, through April 11, 2022.

DESCRIPTION OF INSTITUTION

Structure. Charter Bank is headquartered in Eau Claire, Wisconsin, and is wholly owned by Charter Bancshares, Inc., Eau Claire, Wisconsin, a one-bank holding company.

Offices and Retail Delivery Systems. The bank’s main office is in Eau Claire, Wisconsin, and it has three full-service branches in the following locations: Chaska and Chanhassen, Minnesota, and Chetek, Wisconsin. The Chetek branch is new since the previous evaluation, resulting from the acquisition of Bank First’s Chetek branch and its deposits. Each office has drive-through facilities, and all but the

² Two PPP loans qualified as community development and were considered in the Community Development Test.

Chetek branch have a cash-dispensing-only ATM. Each office operates standard business hours on weekdays, and the Eau Claire office offers Saturday lobby and drive-through hours.

Loan Portfolio. According to the December 31, 2021, Report of Condition, the bank has total assets of \$1.1 billion. The bank's \$765.1 million loan portfolio consists of 73.8% commercial, 22.0% residential real estate, 2.9% other, 0.7% agricultural, and 0.5% consumer loans. Since the previous evaluation, the composition of the bank's loan portfolio has remained relatively unchanged. However, the bank's loan portfolio and assets grew by 16.2% and 30.1%, respectively, since the previous evaluation.

Credit Products. Charter Bank is primarily a commercial lender, though it offers a variety of loan products to meet the credit needs of residents and businesses in its assessment areas. In addition to conventional commercial loan products, such as lines of credit and term loans, the bank offers loans through the U.S. Small Business Administration. The bank also offers a variety of residential real estate credit products, including conventional mortgages, construction loans, and home equity lines of credit.

DESCRIPTION OF ASSESSMENT AREAS

The bank has three assessment areas: Eau Claire MSA, Chetek, Wisconsin, and Chaska MSA, Minnesota. The Chetek assessment area is new since the previous evaluation, resulting from the Bank First branch acquisition. The combined assessment areas consist of nine moderate-, 55 middle-, and 40 upper-income census tracts. None of the census tracts in the bank's nonmetropolitan statistical area assessment area (Chetek) are classified as distressed or underserved. Detailed descriptions of the bank's assessment areas can be found in the individual assessment area evaluations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

LENDING TEST

The Lending Test is rated Satisfactory. The factors supporting this rating include:

- Lending to businesses of different sizes and borrowers of different incomes levels is reasonable.
- The geographic distribution reflects a reasonable dispersion of loans throughout the assessment areas.
- The net loan-to-deposit ratio indicates a reasonable level of lending.
- The bank originated a majority of its loans within its assessment areas.

Because the bank has assessment areas in two states, examiners conducted a separate analysis for the bank's performance in each state. The bank's lending to businesses of different sizes and to borrowers of different income levels and the geographic distribution of the bank's loans are discussed in the individual state and assessment area sections. Examiners analyzed the bank's net loan-to-deposit ratio and its lending inside and outside the assessment areas at the institution level, as described below.

LOAN-TO-DEPOSIT RATIO ANALYSIS

This performance criterion evaluates the bank's average net loan-to-deposit (NLTDR) ratio to determine the reasonableness of lending in light of the bank's performance context, such as its capacity to lend, the

availability of lending opportunities, the demographic and economic factors present in the assessment areas, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and the area where they are located (operating within the assessment area).

The bank's NLTD ratio is reasonable. The bank's 14-quarter average NLTD ratio is 90.9%. At the previous evaluation, the bank's 13-quarter average NLTD ratio was 87.8%. Since then, the bank's NLTD ratio has ranged from 81.7% to 102.8%. Bank management stated that PPP lending in 2020 and 2021 resulted in an increase in deposits, which caused the NLTD ratio to decrease slightly.

The table below shows the 14-quarter average NLTD ratio compared to other institutions operating in its assessment areas. The bank's 14-quarter average NLTD ratio is comparable to competitor banks operating in its assessment areas.

14-Quarter Average Net Loan-to-Deposit Ratios		
Bank Name and Location	Assets as of March 31, 2022 (in thousands)	Average Net Loan-to-Deposit Ratio
Charter Bank, Eau Claire, WI	\$1,136,168	90.9%
Northwestern Bank, Chippewa Falls, WI	\$646,563	82.6%
Citizens Community Federal N.A., Altoona, WI	\$1,739,119	94.0%

As of December 31, 2021, the bank's NLTD ratio is 85.5%, which is above the peer group ratio of 72.1%. The peer group includes insured commercial banks having assets between \$1 and \$3 billion.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

This performance criterion evaluates the percentage of lending extended inside and outside of the assessment areas. The bank originated a majority of its loans, by number (74.7%) and dollars (74.6%), inside the assessment areas. The table below shows lending by loan type inside and outside of the assessment areas.

Lending Inside and Outside the Assessment Areas								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	11	91.7	\$1,097	92.0	1	8.3	\$95	8.0
Home Purchase - Conventional	159	70.4	\$28,856	63.3	67	29.6	\$16,701	36.7
Multi-Family Housing	41	75.9	\$60,855	85.8	13	24.1	\$10,088	14.2
Other Purpose Closed-End	3	100.0	\$1,153	100.0	0	0.0	\$0	0.0
Refinancing	72	72.7	\$12,873	57.5	27	27.3	\$9,519	42.5
Total HMDA related	286	72.6	\$104,834	74.2	108	27.4	\$36,403	25.8
Small Business	104	81.3	\$22,730	76.4	24	18.8	\$7,018	23.6
Total Small Business related	104	81.3	\$22,730	76.4	24	18.8	\$7,018	23.6
TOTAL LOANS	390	74.7	\$127,564	74.6	132	25.3	\$43,421	25.4

While 27.4% (108) of HMDA-related loans are outside the assessment area by number, 32.4% (35) of these loans were made to borrowers in counties adjacent to the bank's assessment areas. Further, while 25.8% of HMDA-related loans are outside the assessment areas by dollar, 12 of these loans are in the top 10% of the sample by dollar amount. With regard to small business loans, while 23.6% of these loans are outside the assessment areas by dollar amount, one of these loans is the largest loan in the sample, and another loan is the fourth largest loan in the sample. Finally, while 18.8% (24) of small business loans are outside the assessment areas by number, 62.5% (15) of the loans were made to borrowers in areas and counties adjacent to the bank's assessment areas. Overall, the data shows the bank's commitment to lending within its assessment areas.

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

Overall, the bank's lending to borrowers of different income levels and businesses of different sizes is excellent. The bank actively lends to businesses with gross annual revenues of \$1 million or less and to low- and moderate-income borrowers. This assessment includes a consideration of the bank's active PPP lending during the evaluation period. The individual assessment area sections provide more detailed information on borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of loans shows reasonable dispersion throughout the assessment areas. Lending patterns do not reveal any unexplained gaps in lending. Refer to the assessment area sections for a detailed discussion of the geographic distribution of loans.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test rating is Outstanding. The bank's community development activities demonstrate excellent responsiveness to the needs of the assessment areas. The bank engaged in community development lending, provided community development services, and made qualified investments in the form of securities and donations.

Community Development Loans. The bank's community development lending is excellent. During the evaluation period, the bank originated 50 community development loans totaling \$58.6 million that benefited its assessment areas or broader regional areas that include the assessment areas. Most loans benefited the Eau Claire MSA assessment area. The majority of loan dollars funded economic development or helped revitalize or stabilize low- or moderate-income geographies. Community development loans also funded affordable housing projects and helped organizations that provide community services to low- and moderate-income people.

Because the bank satisfactorily met the credit and community development needs in its assessment areas, examiners also considered community development activity outside of its assessment areas. The bank originated eight community development loans totaling \$20.3 million that benefited areas outside of the bank's assessment areas. Most of these loan dollars (\$15.8 million) helped fund affordable housing. Other

loans supported economic development and helped to revitalize or stabilize moderate-income geographies.

Qualified Investments. The bank's level of qualified investments, including donations, is adequate. During the evaluation period, the bank purchased five new investment securities totaling \$1.2 million that benefited its assessment areas. These investments supported affordable housing in the Chaska MSA assessment area, helped revitalize moderate-income geographies targeted for improvement in the Eau Claire MSA assessment area, and provided community services for low- and moderate-income students in the Chetek assessment area. The bank continued to hold five prior-period investments, totaling \$1.4 million (one matured during the evaluation period). The prior-period investments supported affordable housing in the Chaska MSA assessment area and revitalization efforts in the Eau Claire assessment area.

Examiners also considered investments made outside of the bank's assessment areas because the bank was responsive to the community development needs of its assessment areas. The bank purchased four new investments totaling \$1.5 million and continued to hold eight prior-period investments totaling \$2.2 million that benefited areas outside of the bank's assessment areas. These investments primarily supported affordable housing and community services for low- and moderate-income people, and they also helped revitalize or stabilize moderate-income or distressed geographies in Minnesota and Wisconsin.

The bank also made \$383,603 in donations that directly benefited its assessment areas or broader regional areas that include the assessment areas. Most donations (76.1%) benefited the Eau Claire MSA assessment area. The bank's donations primarily (73.8%) supported organizations that provide community services to low- and moderate-income people in the assessment areas. Notably, the bank donated over \$84,000 to food shelves, which was particularly responsive during the pandemic. Also, in response to the pandemic, the bank made a \$25,000 donation to a community quick response fund to help fund emergency activities. Finally, the bank donated to organizations that focus on revitalizing and stabilizing low- and moderate-income geographies, and those that promote economic development.

Community Development Services. The bank's level of community development services is adequate. During the evaluation period, the bank provided 31 community development services that benefited the Eau Claire MSA (28) and the Chaska MSA (three) assessment areas. Thirteen bank officers and staff provided financial expertise on boards and committees, or taught financial literacy, for 16 organizations. Most of the services were with organizations that provide community services to low- and moderate-income people in the assessment areas. Lastly, a senior bank officer provided two services to an organization that serves low- and moderate-income people outside of the bank's assessment areas.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

WISCONSIN

CRA RATING FOR Wisconsin: Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting this rating include the following:

- Overall, lending to businesses of different sizes and to borrowers of different incomes is excellent.
- Overall, the geographic distribution of loans throughout the assessment areas is reasonable.
- Overall, the level of community development loans, qualified investments, and services in the Eau Claire MSA assessment area is excellent, considering the bank's capacity and needs in the assessment area.

SCOPE OF EVALUATION

Examiners completed a full-scope review of the Eau Claire MSA assessment area, and the state rating is based primarily on the bank's performance here. Examiners evaluated small business and HMDA loans. Examiners assessed the bank's performance using the following criteria: lending to businesses of different sizes and to borrowers of different income levels, and community development loans, investments, and services.

Examiners conducted a limited-scope review of the Chetek assessment area. Examiners evaluated whether the bank's performance in this assessment area was consistent with its performance at the state level for Wisconsin.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN

Assessment Area Information. The bank has two assessment areas in Wisconsin: the Eau Claire MSA and the Chetek assessment areas. At the previous evaluation, the bank had only the Eau Claire MSA assessment area in Wisconsin; this assessment area is unchanged. In 2020, the bank acquired Bank First's Chetek branch building and its deposits. The acquisition added one full-service branch to the bank and a new assessment area, which consists of Barron County. The bank operates its main office (Eau Claire) and one branch (Chetek) in Wisconsin; both have a drive-up, and the main office has a cash-dispensing-only ATM.

Based on 2021 Federal Financial Institutions Examination Council (FFIEC) adjusted census data, the Wisconsin assessment areas include 41 census tracts: seven moderate-, 31 middle-, and three upper-income tracts.

According to the June 30, 2021, FDIC Deposit Market Share Report, the bank is ranked 45th out of 210 FDIC-insured financial institutions in Wisconsin, with 0.3% of the state's deposits. The bank has \$620.6 million in deposits in Wisconsin. The bank operates in a competitive environment.

Population. According to the 2021 FFIEC adjusted census data, the total population of the Wisconsin assessment areas is 210,176. The data also indicates that 87.5% of families in the Wisconsin assessment areas reside in the middle- and upper-income census tracts, and that 13.2% of households are below the poverty level.

General Economic and Housing Characteristics. Bank management and a community contact stated that the economic conditions in Wisconsin are strong. Major industries include manufacturing, healthcare, retail, and education. Bank management and a community contact indicated that there are labor shortages. The state's unemployment rate increased during the pandemic from 3.2% in 2019 to 6.3% in 2020. It decreased to 3.8% in 2021. Even with the decrease in unemployment across the state, bank management and a community contact noted that there are many jobs available and not enough workers to fill them.

According to bank management and a community contact, housing availability is a concern. Specifically, bank management and a community contact indicated that there is a shortage of affordable housing for renters and buyers, and that homes sell quickly and for more than list price.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN

Examiners based the bank's Wisconsin evaluation on a full-scope review of the Eau Claire MSA assessment area and a limited-scope review of the Chetek assessment area. A detailed discussion of the bank's performance in the full-scope assessment area and a shorter discussion of the limited-scope review assessment area follow this section.

The overall CRA rating for Wisconsin is satisfactory, based on the bank's performance under the Lending and Community Development Tests.

The Lending Test rating is satisfactory. Overall, the bank's distribution of small business and HMDA loans by revenue size and income of borrowers is reasonable. Additionally, the geographic distribution of loans is reasonable.

The Community Development Test rating is outstanding. Overall, the bank made an excellent number of community development loans and an adequate level of qualified investments, including donations, and community development services in Wisconsin.

LENDING TEST

The Lending Test rating is satisfactory for Wisconsin. The Wisconsin assessment areas account for 89.7% by number and 90.1% by amount of the bank's lending activity during the evaluation period. Most of these loans (98.6%) were originated in the Eau Claire MSA assessment area.

Borrower and Geographic Distribution

Overall, the bank's distribution of loans among businesses of different sizes and borrowers of different income levels is reasonable. The bank extends loans to small businesses and to low- and moderate-income borrowers throughout the assessment areas. In addition, the geographic distribution and dispersion of loans is reasonable and does not reveal any unexplained gaps or patterns. For a detailed discussion of the borrower and geographic distribution of lending, see the Conclusions with Respect to Performance Criteria section for the Eau Claire MSA assessment area.

COMMUNITY DEVELOPMENT TEST

The Community Development Test rating is outstanding for Wisconsin.

Community Development Loans. The bank's community development lending in Wisconsin is excellent. The bank extended 38 community development loans totaling \$46.9 million that benefit the Wisconsin

assessment areas and a regional area that includes the Wisconsin assessment areas. Most community development loan dollars (84.1%) supported economic development and helped revitalize or stabilize moderate-income geographies in the Eau Claire MSA assessment area. The bank also extended loans to help provide affordable housing and community services to low- and moderate-income individuals.

Because the bank's community development lending in the Wisconsin assessment areas is at least satisfactory, examiners can also consider community development loans benefiting geographies outside the bank's assessment areas. The bank originated six loans totaling \$20.2 million that benefited areas outside of the Wisconsin assessment areas. These loans helped fund affordable housing and economic development efforts and helped revitalize or stabilize a moderate-income geography.

Qualified Investments. The level of qualified investments, including donations, is adequate. The bank purchased three new qualified investment securities totaling \$724,764 that benefited the Wisconsin assessment areas. The bank also continued to hold two prior-period investments totaling \$626,715. The investments primarily helped to revitalize and stabilize moderate-income geographies in the Eau Claire MSA assessment area.

Because the bank's community development investment activity is adequate in the Wisconsin assessment areas, examiners can also consider qualified investments benefiting geographies outside the bank's assessment areas. The bank purchased two new investments (one has matured) and continued to hold two prior-period investments totaling \$1.4 million that benefit areas outside of the Wisconsin assessment areas. The investments primarily helped to provide community services for low- and moderate-income individuals.

The bank also made qualifying donations totaling \$383,753 that benefited Wisconsin assessment areas and regional areas that include the assessment areas. Most donations (73.4%) benefited organizations that provide community services to low- and moderate-income people, which was particularly responsive during the pandemic. Of note are three \$25,000 donations the bank made to a regional food bank.

Community Development Services. The bank's level of community development services in Wisconsin is adequate. The bank provided 28 community development services that benefited the Eau Claire MSA assessment area. Twelve bank officers and staff provided financial expertise by serving on boards or teaching financial literacy to 14 organizations during the evaluation period. The organizations focus on providing community services to low- and moderate-income people and revitalizing or stabilizing low- and moderate-income or distressed and/or underserved geographies.

WISCONSIN METROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE EAU CLAIRE MSA ASSESSMENT AREA

Bank Information. The bank’s main office is in the Eau Claire MSA assessment area (in the city of Eau Claire). The main office has a cash-dispensing-only ATM and drive-through services. The bank offers extended weekday hours at the drive-through, and Saturday lobby and drive-through hours for customer convenience.

According to the June 30, 2021, FDIC Deposit Market Share Report, the bank has \$583.2 million in deposits in the assessment area, representing a market share of 15.0%. The bank ranks second out of 21 FDIC-insured institutions that operate in the area. The bank’s deposits in this assessment area represent 69.8% of its total deposits.

Assessment Area. The Eau Claire MSA assessment area includes all of Chippewa and Eau Claire counties. Chippewa County includes 11 census tracts: two moderate-income tracts, eight middle-income tracts, and one upper-income tract. Eau Claire County includes 20 census tracts: four moderate-income tracts, 14 middle-income tracts, and two upper-income tracts. The bank has not changed the assessment area and there have been no changes to census tract income designations since the previous evaluation.

The table below shows the demographic characteristics of the Eau Claire MSA assessment area based on 2021 FFIEC adjusted census data and 2021 Dun & Bradstreet data.

Eau Claire MSA Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,454	18.6
Moderate	6	19.4	5,193	13.0	874	16.8	7,431	18.5
Middle	22	71.0	30,201	75.3	1,837	6.1	9,689	24.2
Upper	3	9.7	4,706	11.7	169	3.6	15,526	38.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	31	100.0	40,100	100.0	2,880	7.2	40,100	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	12,620	4,865	11.4	38.5	6,263	49.6	1,492	11.8
Middle	50,019	33,027	77.3	66.0	13,340	26.7	3,652	7.3
Upper	7,599	4,810	11.3	63.3	2,461	32.4	328	4.3
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	70,238	42,702	100.0	60.8	22,064	31.4	5,472	7.8

Eau Claire MSA Assessment Area Demographics								
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1,314	18.6	1,183	18.6	119	20.3	12	13.5
Middle	4,978	70.7	4,495	70.6	415	70.7	68	76.4
Upper	754	10.7	692	10.9	53	9.0	9	10.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7,046	100.0	6,370	100.0	587	100.0	89	100.0
Percentage of Total Businesses:				90.4		8.3		1.3
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	66	12.7	65	12.8	1	10.0	0	0.0
Middle	412	79.5	403	79.3	9	90.0	0	0.0
Upper	40	7.7	40	7.9	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	518	100.0	508	100.0	10	100.0	0	0.0
Percentage of Total Farms:				98.1		1.9		0.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet data 2011 – 2015 U.S. Census Bureau: American Community Survey Note: Percentages may not add up to 100.0 due to rounding.</i>								

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income. For borrowers in the Eau Claire MSA assessment area, the median family income was \$72,000 for 2018, \$73,300 for 2019, \$76,700 for 2020, and \$80,000 for 2021. For purposes of classifying tracts by income level, this evaluation uses the FFIEC census data median family income for the Eau Claire MSA, which was \$66,688 for 2018, 2019, 2020, and 2021.

The table below shows the median family income in the assessment area and different geographic regions of Wisconsin.

Eau Claire MSA Assessment Area Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Eau Claire MSA Assessment Area 2020	\$67,585	\$66,688	-1.3%
Chippewa County, WI	\$64,208	\$64,388	0.3%
Eau Claire County, WI	\$70,245	\$68,478	-2.5%
Wisconsin	\$70,639	\$68,064	-3.6%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Population Characteristics. According to 2015 census data, the population of the assessment area is 164,490. The table below describes the population growth of 2.1% in the assessment area based on the 2011–2015 U.S. Census Bureau American Community Survey. The growth is greater than the state of Wisconsin as a whole at 1.0%. In this assessment area, 50.7% of the population is 25 to 64 years of age,

21.5% is 17 years and younger, 14.3% is 65 and older, and 13.4% is 18 to 24 years of age.

Eau Claire MSA Assessment Area Population Change			
Area	2010 Population	2015 Population	% Change
Eau Claire assessment area 2020	161,151	164,490	2.1%
Chippewa County, WI	62,415	63,209	1.3%
Eau Claire County, WI	98,736	101,281	2.6%
Wisconsin	5,686,986	5,742,117	1.0%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Economy. According to bank management and a community contact, the economy of Eau Claire and the surrounding area is strong. Business development is robust, and local businesses are experiencing growth. Major industries include manufacturing, healthcare, retail, and education. Bank management and a community contact indicated that Eau Claire and the surrounding area is experiencing workforce shortages; as a result, local businesses have difficulty hiring employees. A community contact noted that large employers in Eau Claire and the surrounding area are able to offer new employees \$25 hourly, and that smaller businesses cannot compete with these wages.

According to the Bureau of Labor Statistics, the 2021 unemployment rate for the Eau Claire MSA assessment area was 3.5%. The rate was lower than the statewide unemployment rate for Wisconsin for the same period. During the evaluation period, the unemployment rate for the Eau Claire MSA assessment area ranged from 2.8% in 2018 to 5.8% in 2020. Bank management and a community contact stated that the current unemployment rate is low.

Eau Claire MSA Assessment Area Unemployment Rates				
Area	2018	2019	2020	2021
Eau Claire MSA Assessment Area	2.8%	3.2%	5.8%	3.5%
Chippewa County, WI	3.3%	3.6%	6.3%	3.9%
Eau Claire County, WI	2.6%	2.9%	5.6%	3.2%
Wisconsin	3.0%	3.2%	6.3%	3.8%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>				

Housing. According to bank management and a community contact, housing availability is a significant concern in the assessment area. There is a shortage of affordable housing and single-family homes. Homes sell quickly and for more than list price. Affordable housing, for renters and buyers, is difficult to find. A community contact stated that there is limited affordable housing stock for rent. Further, the contact stated that fewer affordable homes are for sale because the owners of these homes are retaining them and reinvesting funds in improvements. The contact also stated that housing developers do not want to build affordable housing because it is not lucrative and is very restrictive.

The table below shows the housing cost burden faced by renters and homeowners in the Eau Claire MSA assessment area. The U.S. Department of Housing and Urban Development (HUD) defines cost-burdened families as follows: Those who pay more than 30% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The overall burden for renters in the assessment area is comparable to the burden for renters in statewide Wisconsin. Overall, homeowners fare better, but low-income homeowners have a significant burden.

Eau Claire MSA Assessment Area Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Eau Claire MSA Assessment Area 2021	76%	37%	41%	68%	30%	18%
Chippewa County, WI	74%	34%	37%	61%	28%	18%
Eau Claire County, WI	77%	39%	42%	73%	32%	18%
Wisconsin	76%	31%	40%	69%	35%	19%

*Cost Burden is housing cost that equals 30 percent or more of household income
Source: HUD 2014-2018 Comprehensive Housing Affordability Strategy*

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE EAU CLAIRE MSA ASSESSMENT AREA

The bank’s Lending Test performance in the Eau Claire MSA assessment area is reasonable. The bank’s Community Development Test performance is excellent. This assessment area accounts for a majority of the bank’s lending and a significant portion of community development activities.

LENDING TEST

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

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

Small Business Lending. The bank’s small business lending in the Eau Claire MSA assessment area is excellent. The table below shows the bank’s small business lending as well as demographic data.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Eau Claire MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
By Revenue					
\$1 Million or Less	63	70.8	11,582	61.8	90.4
Over \$1 Million	26	29.2	7,171	38.2	8.3
Revenue Unknown	0	0.0	0	0.0	1.3
Total	89	100.0	18,753	100.0	100.0
By Loan Size					
\$100,000 or Less	30	33.7	1,618	8.6	
\$100,001 - \$250,000	31	34.8	5,093	27.2	
\$250,001 - \$1 Million	28	31.5	12,042	64.2	
Total	89	100.0	18,753	100.0	

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Eau Claire MSA					
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	22	34.9	1,036	8.9	
\$100,001 - \$250,000	25	39.7	4,070	35.1	
\$250,001 - \$1 Million	16	25.4	6,476	55.9	
Total	63	100.0	11,582	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank made 70.8% of its small business loans to businesses with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 90.4% of businesses in the assessment area are small businesses. While the bank’s performance is below demographics, it is reasonable given the performance context. First, the bank originated 34.9% of its small business loans for \$100,000 or less, which indicates a willingness to meet the needs of small businesses in the assessment area. Second, bank management stated that there is considerable competition for small business loans in the Eau Claire MSA assessment area. These two factors make the bank’s performance reasonable.

Between April 2020 and May 2021, the bank originated 306 PPP loans in the Eau Claire MSA assessment area, totaling \$34.1 million. Of these loans, 56.9% were for amounts of \$50,000 or less, and 40.2% were for less than \$25,000. This level of responsiveness during a challenging time enhances the bank’s small business lending performance.

Residential Real Estate Lending. The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. The tables below show the bank’s HMDA lending by borrower income level for 2019 and 2020.³

Distribution of 2019 and 2020 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Eau Claire MSA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2019						2020						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	6	11.8	9.0	709	9.1	5.1	3	6.7	10.3	288	3.0	6.1	18.6
Moderate	5	9.8	25.0	665	8.5	18.7	3	6.7	25.8	239	2.5	20.6	18.5
Middle	7	13.7	24.7	1,003	12.9	23.1	3	6.7	24.6	495	5.1	23.9	24.2
Upper	15	29.4	32.5	3,247	41.6	44.3	14	31.1	30.1	5,028	51.7	40.5	38.7
Unknown	18	35.3	8.9	2,176	27.9	8.8	22	48.9	9.3	3,667	37.7	8.9	0.0
Total	51	100.0	100.0	7,800	100.0	100.0	45	100.0	100.0	9,717	100.0	100.0	100.0

³ Examiners did not evaluate the following categories of HMDA loans: other purpose, other purpose lines of credit, and loans with a purpose not applicable.

Distribution of 2019 and 2020 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Eau Claire MSA													
Refinance Loans													
Low	2	11.8	8.4	169	5.5	4.4	5	17.2	6.7	361	8.0	3.6	18.6
Moderate	4	23.5	19.8	585	19.2	13.8	3	10.3	18.0	388	8.6	12.9	18.5
Middle	2	11.8	20.8	334	11.0	17.9	1	3.4	23.9	266	5.9	21.4	24.2
Upper	6	35.3	36.4	1,430	46.9	46.9	6	20.7	39.2	1,880	41.7	48.9	38.7
Unknown	3	17.6	14.7	528	17.3	17.1	14	48.3	12.2	1,611	35.8	13.1	0.0
Total	17	100.0	100.0	3,046	100.0	100.0	29	100.0	100.0	4,506	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	7.1	0	0.0	5.1	0	0.0	7.5	0	0.0	5.4	18.6
Moderate	0	0.0	14.7	0	0.0	11.7	0	0.0	17.8	0	0.0	16.0	18.5
Middle	0	0.0	24.1	0	0.0	18.7	0	0.0	26.0	0	0.0	26.0	24.2
Upper	1	25.0	45.4	55	16.3	51.0	0	0.0	44.0	0	0.0	48.4	38.7
Unknown	3	75.0	8.7	282	83.7	13.5	0	0.0	4.6	0	0.0	4.3	0.0
Total	4	100.0	100.0	337	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													
Low	8	11.1	8.4	878	7.9	4.8	8	10.7	7.9	649	4.5	4.6	18.6
Moderate	9	12.5	21.4	1,250	11.2	16.3	6	8.0	20.6	627	4.4	15.8	18.5
Middle	9	12.5	23.1	1,337	12.0	20.7	4	5.3	24.4	761	5.3	22.7	24.2
Upper	22	30.6	36.3	4,732	42.3	46.0	21	28.0	36.2	6,983	48.8	45.5	38.7
Unknown	24	33.3	10.8	2,986	26.7	12.1	36	48.0	11.0	5,278	36.9	11.5	0.0
Total	72	100.0	100.0	11,183	100.0	100.0	75	100.0	100.0	14,298	100.0	100.0	100.0
Source: 2020 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Distribution of 2019 and 2020 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Eau Claire MSA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2019						2020						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	##%	##%	\$(000)	\$%	\$%	#	##%	##%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	7.6	0	0.0	5.3	0	0.0	7.8	0	0.0	5.3	18.6
Moderate	0	0.0	18.2	0	0.0	14.2	0	0.0	19.7	0	0.0	14.0	18.5
Middle	0	0.0	23.9	0	0.0	21.9	0	0.0	23.3	0	0.0	19.2	24.2
Upper	0	0.0	45.2	0	0.0	53.8	0	0.0	44.6	0	0.0	57.9	38.7
Unknown	0	0.0	5.1	0	0.0	4.9	0	0.0	4.6	0	0.0	3.6	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0

Distribution of 2019 and 2020 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Eau Claire MSA													
Other Purpose Closed/Exempt													
Low	0	0.0	7.2	0	0.0	5.5	0	0.0	7.6	0	0.0	4.0	18.6
Moderate	0	0.0	18.3	0	0.0	15.2	0	0.0	21.3	0	0.0	17.5	18.5
Middle	0	0.0	22.2	0	0.0	17.9	0	0.0	34.1	0	0.0	34.9	24.2
Upper	0	0.0	47.7	0	0.0	57.7	1	100.0	32.7	75	100.0	39.5	38.7
Unknown	0	0.0	4.6	0	0.0	3.6	0	0.0	4.4	0	0.0	4.1	0.0
Total	0	0.0	100.0	0	0.0	100.0	1	100.0	100.0	75	100.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	18.6
Moderate	0	0.0	2.4	0	0.0	5.4	0	0.0	0.0	0	0.0	0.0	18.5
Middle	0	0.0	2.4	0	0.0	3.0	0	0.0	0.0	0	0.0	0.0	24.2
Upper	0	0.0	2.4	0	0.0	4.5	0	0.0	0.0	0	0.0	0.0	38.7
Unknown	0	0.0	92.7	0	0.0	87.0	0	0.0	100.0	0	0.0	100.0	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
<i>Source: 2020 FFIEC Census Data</i>													
<i>2011-2015 U.S. Census Bureau: American Community Survey</i>													
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>													

The bank’s HMDA lending in the assessment area is reasonable. According to 2021 FFIEC census data, 18.6% of families in the assessment area are low income and 18.5% of families are moderate income. In 2019, the bank originated 11.1% and 12.5% of its HMDA loans to low- and moderate-income borrowers, respectively. In 2019, aggregate lenders originated 8.4% and 21.4% of their HMDA loans to low- and moderate-income borrowers, respectively. In 2020, the bank originated 10.7% of its HMDA loans to low-income borrowers and 8.0% of its HMDA loans to moderate-income borrowers. In 2020, aggregate lenders originated 7.9% of their HMDA loans to low-income borrowers and 20.6% of their HMDA loans to moderate-income borrowers. The bank’s performance in 2019 and 2020 was below demographics and above aggregate lenders for HMDA loans made to low-income borrowers, and its performance was below demographics and aggregate lenders for HMDA loans made to moderate-income borrowers.

This is reasonable given the performance context. First, the bank is primarily a commercial lender. Second, bank management commented that there is significant competition in the assessment area for HMDA loans.

As mentioned, the bank operates in a competitive environment in this assessment area. In 2019, the bank ranked 16th out of 245 HMDA reporters; the bank’s lending accounted for only 1.3% of all HMDA loans reported by aggregate lenders in the assessment area that year. In 2020, the bank ranked 20th out of 287 HMDA reporters; the bank’s lending accounted for only 0.9% of all HMDA loans reported by aggregate lenders in the assessment area that year.

Examiners also evaluated the bank’s 2018 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2019 and 2020.

GEOGRAPHIC DISTRIBUTION OF LOANS

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

Small Business Lending. The geographic distribution and dispersion of small business lending is reasonable. The table below shows the geographic distribution of the bank’s small business lending by census tract income level for 2021.

Distribution of 2021 Small Business Lending By Income Level of Geography Assessment Area: Eau Claire MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	8	9.0	1,909	10.2	18.6
Middle	59	66.3	11,895	63.4	70.7
Upper	22	24.7	4,948	26.4	10.7
Unknown	0	0.0	0	0.0	0.0
Total	89	100.0	18,753	100.0	100.0
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

According to Dun & Bradstreet data, 18.6% of small businesses in the assessment area are located in moderate-income tracts. The bank’s small business lending is below demographics by number (9%) and total dollars (10.2%). The bank originated eight small business loans in moderate-income tracts, all of which were originated in two of the three moderate-income tracts located nearest to the bank’s main office. The majority of the bank’s lending by number (66.3%) and total dollars (63.4%) is in middle-income tracts, which is reasonable because the majority of small businesses are located in these tracts (70.7%).

The bank’s lending is reasonably dispersed throughout the assessment area. Though the bank did not originate small business loans in four of the moderate-income tracts in its assessment area, this is reasonable given the performance context. Two of these tracts are on the eastern edge of the assessment area; they are rural and more than 20 miles from the bank’s office. One tract is in the city of Chippewa Falls, Wisconsin, where competition is strong. Finally, the fourth tract is in the downtown business district of Eau Claire, and large regional and national banks have branches in this tract.

Residential Real Estate Lending. The bank’s geographic distribution and dispersion of 2019 and 2020 HMDA loans throughout the assessment area is excellent. The tables below show the geographic distribution of the bank’s HMDA loans by census tract income level for 2019 and 2020.

Distribution of 2019 and 2020 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Eau Claire MSA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2019						2020						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	9	17.6	12.9	1,063	13.6	9.5	11	24.4	12.5	974	10.0	9.6	11.4
Middle	36	70.6	76.1	5,574	71.5	76.3	32	71.1	75.9	8,592	88.4	75.7	77.3
Upper	6	11.8	11.0	1,163	14.9	14.2	2	4.4	11.6	151	1.6	14.7	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	51	100.0	100.0	7,800	100.0	100.0	45	100.0	100.0	9,717	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	5	29.4	10.1	356	11.7	8.1	5	17.2	10.0	429	9.5	8.5	11.4
Middle	10	58.8	76.7	2,346	77.0	74.6	20	69.0	76.8	3,218	71.4	75.5	77.3
Upper	2	11.8	13.2	344	11.3	17.3	4	13.8	13.2	859	19.1	16.0	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	17	100.0	100.0	3,046	100.0	100.0	29	100.0	100.0	4,506	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	3	75.0	9.1	282	83.7	8.0	0	0.0	8.3	0	0.0	6.3	11.4
Middle	1	25.0	78.6	55	16.3	75.8	0	0.0	77.6	0	0.0	79.2	77.3
Upper	0	0.0	12.3	0	0.0	16.2	0	0.0	14.1	0	0.0	14.6	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	4	100.0	100.0	337	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	10.0	35.6	600	7.0	43.9	3	21.4	30.0	1,509	6.3	25.2	29.6
Middle	9	90.0	59.3	7,912	93.0	51.9	5	35.7	58.9	12,169	50.8	50.0	59.9
Upper	0	0.0	5.1	0	0.0	4.1	6	42.9	11.1	10,283	42.9	24.8	10.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	10	100.0	100.0	8,512	100.0	100.0	14	100.0	100.0	23,961	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	18	22.0	11.5	2,301	11.7	11.8	19	21.3	10.7	2,912	7.6	10.1	11.4
Middle	56	68.3	76.4	15,887	80.7	73.6	57	64.0	76.6	23,979	62.7	73.6	77.3

Distribution of 2019 and 2020 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Eau Claire MSA													
Upper	8	9.8	12.1	1,507	7.7	14.6	13	14.6	12.8	11,368	29.7	16.3	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	82	100.0	100.0	19,695	100.0	100.0	89	100.0	100.0	38,259	100.0	100.0	100.0

Source: 2020 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2019 and 2020 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Eau Claire MSA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2019						2020						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Other Purpose LOC													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	9.7	0	0.0	9.5	0	0.0	5.5	0	0.0	5.4	11.4
Middle	0	0.0	76.6	0	0.0	74.2	0	0.0	78.5	0	0.0	78.0	77.3
Upper	0	0.0	13.8	0	0.0	16.4	0	0.0	16.0	0	0.0	16.6	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	8.5	0	0.0	6.2	0	0.0	7.6	0	0.0	6.3	11.4
Middle	0	0.0	78.4	0	0.0	76.8	0	0.0	79.0	0	0.0	77.7	77.3
Upper	0	0.0	13.1	0	0.0	17.0	1	100.0	13.4	75	100.0	16.0	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	1	100.0	100.0	75	100.0	100.0	100.0
Purpose Not Applicable													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	22.0	0	0.0	22.9	0	0.0	14.5	0	0.0	12.0	11.4
Middle	0	0.0	75.6	0	0.0	75.0	0	0.0	78.9	0	0.0	81.3	77.3
Upper	0	0.0	2.4	0	0.0	2.0	0	0.0	6.6	0	0.0	6.8	11.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0

Source: 2020 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

According to 2020 FFIEC census data, 13.0% of families in the assessment area reside in moderate-income tracts. In 2019, the bank originated 22% of its HMDA loans in moderate-income tracts. In 2020, the bank originated 21.3% of its HMDA loans in moderate-income tracts. Aggregate lenders made 11.5% and 10.7% of loans in moderate-income tracts in 2019 and 2020, respectively. The bank's performance significantly exceeded demographics and aggregate lenders in both years.

Though the bank did not originate HMDA loans in all of the moderate- and middle-income tracts in its assessment area, this is reasonable given the performance context. In 2019, the bank did not originate HMDA loans in the moderate-income tract that is in the northeast corner of the assessment area; the tract is rural, more than 20 miles from the main office, and a few smaller towns here have banks that are likely more convenient for residents. In 2020, the bank did not originate HMDA loans in two of the moderate-income tracts: the tract in the northeast corner of the assessment area and the tract in the southeast corner of the assessment area. As mentioned, these tracts are located outside of the Eau Claire city limits and are more than 20 miles from the main office. Finally, there are many competing financial institutions in the assessment area.

Examiners also evaluated the bank's 2018 HMDA lending activities and determined that the bank's performance was generally consistent with that of 2019 and 2020.

COMMUNITY DEVELOPMENT TEST

Overall, the bank's community development activity shows excellent responsiveness to community development needs in the Eau Claire MSA assessment area. The bank engaged in community development lending and services and made qualified investments in the form of securities and donations.

Community Development Loans. The bank's community development lending in the Eau Claire MSA assessment area is excellent. During the evaluation period, the bank originated 35 community development loans totaling \$43.6 million in the assessment area. This lending is significantly higher than at the previous evaluation. The bank originated 17 loans totaling approximately \$21.8 million that supported economic development in the Eau Claire MSA assessment area. These loans helped businesses retain and create jobs and helped fund business expansion or operation. Additionally, the bank originated 12 loans totaling approximately \$17.6 million that helped to revitalize or stabilize moderate-income geographies in the assessment area. Finally, the bank originated four loans totaling approximately \$2.7 million that helped to provide affordable housing and two loans totaling approximately \$1.4 million that provided community services to low- and moderate-income individuals. Overall, these loans were very responsive to community development needs in the assessment area.

Qualified Investments. The bank's level of CRA-eligible securities and donations is adequate. The bank purchased two new investment securities in the Eau Claire MSA assessment area for \$509,013 and continued to hold two prior-period investments for \$626,715. Three investments in Eau Claire funded infrastructure improvements, which helped revitalize and stabilize moderate-income census tracts, and one investment supported improvements to a fire station in Chippewa Falls.

The bank also made qualified donations in the amount of \$295,573. Donations primarily supported organizations that provide community services to low- and moderate-income people. Notably, the bank made large donations to a free clinic, which was particularly responsive during the pandemic. Other donations supported economic development, and helped revitalize and stabilize moderate-income tracts. Finally, the bank donated \$25,000 to a community foundation's pandemic relief program.

Community Development Services. The bank's level of community development services in the assessment area is adequate. The bank provided 24 community development services that benefited the Eau Claire MSA assessment area. Twelve bank officers and staff provided financial expertise by serving on boards or teaching financial literacy to 14 organizations during the evaluation period. The organizations focus on providing community services to low- and moderate-income people and revitalizing or stabilizing low- and moderate-income or distressed and/or underserved geographies.

WISCONSIN NONMETROPOLITAN AREA – LIMITED REVIEW

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE CHETEK ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank's CRA performance in the Chetek assessment area. Examiners did not analyze small business or HMDA loans in this assessment area because of low volume.⁴ Examiners evaluated community development activities to ascertain consistency with the state of Wisconsin and determined that the bank's performance in this assessment area was below the performance in Wisconsin. However, this performance does not change the conclusion for the state of Wisconsin.

The Chetek assessment area is new since the previous evaluations, because of the bank's purchase of Bank First's Chetek branch and its deposits. The assessment area includes all of Barron County and consists of 10 census tracts: one moderate- and nine middle-income tracts. According to 2021 adjusted census data, the population of the assessment area is 45,686.

The bank has one full-service branch, with a drive-through facility, in the assessment area (in Chetek).

According to the June 30, 2021, FDIC Deposit Market Share Report, the bank ranks eighth out of 10 FDIC-insured financial institutions in the Chetek assessment area, with 2.9% of total deposits. During the evaluation period, the bank's lending in the Chetek assessment area represented 1.3% of the bank's total lending in its assessment areas.

⁴ The bank originated only three HMDA loans in the assessment area in 2020. In addition, of the small business loan sample analyzed for the bank, only two of these loans were originated in the Chetek assessment area.

MINNESOTA

CRA RATING FOR MINNESOTA: Satisfactory.⁵

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE CHASKA MSA ASSESSMENT AREA

Bank Information. The bank has two full-service branches, each with a drive-through facility, in the Chaska MSA assessment area, located in Chanhassen and Chaska, Minnesota. The hours of operation are reasonable.

According to the June 30, 2021, FDIC Deposit Market Share Report, the bank ranks 32nd of 83 FDIC-insured financial institutions in Carver, Hennepin, and Scott counties, with 0.2% of the deposit market share. The bank’s deposits in this assessment area represent 25.8% of its total deposits.

The Chaska MSA assessment area accounts for a very small percentage of loan originations. During the evaluation period, the bank’s lending in the Chaska MSA assessment area represented 10.2% of the bank’s total lending in its assessment areas.

Assessment Area. The Chaska MSA assessment area includes all of Carver County and parts of Hennepin and Scott counties. The assessment area consists of 63 census tracts: two moderate-, 24 middle-, and 37 upper-income. The moderate-income tracts are in Scott County. The bank has not changed the assessment area since the previous evaluation. However, in 2019, the income classification of one tract in Hennepin County changed from middle income to upper income.

The table below shows the demographic characteristics of the assessment area based on 2021 FFIEC census data and 2021 Dun & Bradstreet data.

Chaska MSA Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	11,043	12.5
Moderate	2	3.2	1,364	1.5	174	12.8	12,612	14.3
Middle	24	38.1	34,485	39.1	1,444	4.2	17,353	19.7
Upper	37	58.7	52,262	59.3	1,487	2.8	47,103	53.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	63	100.0	88,111	100.0	3,105	3.5	88,111	100.0

⁵ The rating for the state of Minnesota is based on the bank’s performance in the Chaska MSA assessment area, the only assessment area in the state. Therefore, the Chaska MSA evaluation serves as the state evaluation.

Chaska MSA Assessment Area Demographics								
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	2,509	1,305	1.4	52.0	995	39.7	209	8.3
Middle	54,069	35,667	37.3	66.0	15,755	29.1	2,647	4.9
Upper	70,871	58,631	61.3	82.7	9,538	13.5	2,702	3.8
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	127,449	95,603	100.0	75.0	26,288	20.6	5,558	4.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	315	1.5	282	1.5	28	1.7	5	1.9
Middle	8,102	38.8	7,412	38.9	584	36.5	106	41.2
Upper	12,478	59.7	11,343	59.6	989	61.8	146	56.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	20,895	100.0	19,037	100.0	1,601	100.0	257	100.0
Percentage of Total Businesses:				91.1		7.7		1.2
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4	0.8	4	0.9	0	0.0	0	0.0
Middle	267	55.7	264	56.2	3	37.5	0	0.0
Upper	208	43.4	202	43.0	5	62.5	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	479	100.0	470	100.0	8	100.0	1	100.0
Percentage of Total Farms:				98.1		1.7		0.2
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet data 2011 – 2015 U.S. Census Bureau: American Community Survey NOTE: Percentages may not add up to 100.0 due to rounding.</i>								

Income. For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income. For borrowers in the Chaska MSA assessment area, the median family income was \$93,600 for 2018, \$93,000 for 2019, \$97,300 for 2020, and \$100,600 for 2021. For purposes of classifying tracts by income level, this evaluation uses the FFIEC census data median family income for the Minneapolis MSA, which was \$85,636 for 2018 and \$84,589 for 2019, 2020, and 2021.

The table below shows the median family income in the assessment area and different geographic regions of Minnesota.

Chaska MSA Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	% Change
Chaska MSA	\$89,687	\$89,063	-0.7%
Carver County, MN	\$100,632	\$101,963	1.3%
Hennepin County, MN	\$88,252	\$87,230	-1.2%
Scott County, MN	\$100,628	\$100,000	-0.6%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	\$86,229	\$84,589	-1.9%
Minnesota	\$77,650	\$77,055	-0.8%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Population Characteristics. According to 2015 FFIEC adjusted census data, the population of the assessment area is 327,421. In this assessment area, 55.5% of the population is 25 to 64 years of age, 26.6% is 17 years and younger, 11.1% is 65 and older, and 6.8% is 18 to 24 years of age.

Chaska MSA Population Change			
Area	2010 Population	2015 Population	% Change
Carver County, MN	91,042	95,715	5.1%
Hennepin County, MN	1,152,425	1,197,776	3.9%
Scott County, MN	129,928	137,322	5.7%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	3,333,633	3,443,769	3.3%
Minnesota	5,303,925	5,419,171	2.2%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Economy. Bank management and a community contact describe the local economy as rebounding. The Coronavirus (COVID-19) pandemic negatively impacted many local small businesses; many of these businesses are still in operation, but the vitality of the economy is not what it was prior to the pandemic. Major industries include manufacturing, healthcare, and service businesses. Bank management and a community contact indicated that there is a workforce shortage in the assessment area and that businesses have difficulty finding and hiring employees.

According to the Bureau of Labor Statistics, the 2021 unemployment rate for the assessment area was 3.3%. This rate is slightly higher than the statewide unemployment rate for Minnesota for the same period. During the evaluation period, the unemployment rate for the assessment area ranged from 2.7% in 2018 to 6.5% in 2020. Bank management and a community contact stated that the current unemployment rate is low and that there is a labor supply shortage, which makes it difficult for businesses to hire employees.

Chaska MSA Unemployment Rates				
Area	2018	2019	2020	2021
Chaska MSA	2.7%	3.0%	6.5%	3.3%
Carver County, MN	2.6%	2.9%	5.3%	2.7%
Hennepin County, MN	2.7%	3.0%	6.7%	3.4%
Scott County, MN	2.7%	2.9%	6.0%	3.0%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	2.9%	3.1%	6.5%	3.4%
Minnesota	3.1%	3.4%	6.3%	3.4%

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Housing. According to bank management and a community contact, housing in the assessment area is expensive. A community contact indicated that there is a misalignment between the income levels of the employees working in the assessment area and the housing that is available; the community contact stated that, for example, a first-year teacher at a school in Carver likely would not be able to afford to live there.

The table below shows the housing cost burden faced by renters and homeowners in the Chaska MSA assessment area. The overall burden for renters in the assessment area is comparable to the burden for renters in statewide Minnesota but is significantly higher than the burden for homeowners. Overall, homeowners fare better, but low-income homeowners have a significant burden.

Chaska MSA Assessment Area Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden – Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Chaska MSA Assessment Area	76%	37%	43%	68%	40%	19%
Carver County, MN	72%	36%	38%	67%	37%	16%
Hennepin County, MN	76%	38%	43%	68%	40%	19%
Scott County, MN	77%	30%	43%	69%	43%	18%
Minneapolis-St. Paul-Bloomington, MN-WI MSA	76%	33%	43%	65%	36%	18%
Minnesota	73%	32%	42%	62%	33%	18%

Cost Burden is housing cost that equals 30 percent or more of household income
Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE CHASKA MSA ASSESSMENT AREA

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

LENDING TEST

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

dispersion throughout the assessment area.

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

Small Business Lending. The bank’s small business lending is excellent. The table below shows the bank’s small business lending.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Chaska MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	7	53.8	1,006	27.9	91.1
Over \$1 Million	6	46.2	2,597	72.1	7.7
Revenue Unknown	0	0.0	0	0.0	1.2
Total	13	100.0	3,603	100.0	100.0
By Loan Size					
\$100,000 or Less	6	46.2	448	12.4	
\$100,001 - \$250,000	2	15.4	393	10.9	
\$250,001 - \$1 Million	5	38.5	2,762	76.7	
Total	13	100.0	3,603	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	5	71.4	413	41.1	
\$100,001 - \$250,000	1	14.3	193	19.2	
\$250,001 - \$1 Million	1	14.3	400	39.8	
Total	7	100.0	1,006	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

The bank’s small business lending in the assessment area is very limited. Though the bank is primarily a commercial lender, the Chaska MSA assessment area accounts for a very small percentage of small business loan originations compared to the Eau Claire MSA assessment area.

The bank originated 53.8% of its small business loans to entities with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data, 91.1% of businesses in the assessment area are small businesses. Though the bank’s performance is below demographics, it is explainable given the performance context. The bank originated 71.4% of its loans to small businesses for amounts of \$100,000 or less, which demonstrates its willingness to meet the needs of small businesses in the assessment area. Bank management stated that the bank operates in a competitive environment; several financial institutions operate in Carver, Hennepin, and Scott counties.

Between April 2020 and May 2021, the bank originated 147 PPP loans in the Chaska MSA assessment area, totaling \$22.7 million. Of these loans, 50.3% were for amounts less than \$25,000 and 63.9% were

for amounts of less than \$50,000. This level of responsiveness during a challenging time enhances the bank’s small business lending.

Residential Real Estate Lending. The borrower distribution of HMDA lending is reasonable. The table below shows the bank’s HMDA lending by borrower income levels for 2019 and 2020.

Assessment Area: Chaska MSA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2019						2020						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Low	0	0.0	3.7	0	0.0	1.9	0	0.0	3.7	0	0.0	1.9	12.5
Moderate	1	10.0	14.9	174	7.3	9.8	0	0.0	14.5	0	0.0	10.1	14.3
Middle	1	10.0	20.4	324	13.6	16.2	0	0.0	20.9	0	0.0	17.9	19.7
Upper	5	50.0	47.2	1,360	57.2	57.9	6	60.0	48.0	3,397	84.4	57.2	53.5
Unknown	3	30.0	13.7	519	21.8	14.2	4	40.0	13.0	628	15.6	13.0	0.0
Total	10	100.0	100.0	2,377	100.0	100.0	10	100.0	100.0	4,025	100.0	100.0	100.0

*Source: 2020 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.*

The bank’s HMDA lending in the assessment area is very limited. In 2019, the bank ranked 95th out of 435 HMDA reporters; the bank’s HMDA lending was 0.05% of all HMDA loans reported by aggregate lenders in the assessment area that year. In 2020, the bank ranked 120th out of 482 reporters; the bank’s HMDA lending was 0.03% of all HMDA loans reported by aggregate lenders in the assessment area that year.

According to 2020 FFIEC census data, 12.5% of families in the assessment area are low income and 14.3% of families are moderate income. In 2019, the bank originated 0.0% and 10.0% of its HMDA loans to low- and moderate-income borrowers, respectively. In 2019, aggregate lenders originated 3.7% and 14.9% of their HMDA loans to low- and moderate-income borrowers, respectively. In 2020, the bank did not originate any HMDA loans to low- and moderate-income borrowers. In 2020, aggregate lenders originated 3.7% of their HMDA loans to low-income borrowers and 14.5% of their HMDA loans to moderate-income borrowers. Though the bank’s performance is below demographics and aggregate lenders for low- and moderate-income borrowers for 2019 and 2020, comparisons are not meaningful because the bank originated so few HMDA loans each year. Given the bank’s small HMDA presence in this market and the affordability issues, the bank’s performance is reasonable.

Examiners evaluated the bank’s 2018 HMDA lending activities and determined that the bank’s performance was generally consistent with its 2019 and 2020 lending performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

Small Business Lending. The geographic distribution and dispersion of the bank’s small business loans

throughout the assessment area is reasonable. The table below shows the geographic distribution of the bank’s small business lending by census tract income level for 2021.

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: Chaska MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	1.5
Middle	4	30.8	1,570	43.6	38.8
Upper	9	69.2	2,033	56.4	59.7
Unknown	0	0.0	0	0.0	0.0
Total	13	100.0	3,603	100.0	100.0

Source: 2021 FFIEC Census Data
2021 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

According to Dun & Bradstreet data, 1.5% of small businesses in the assessment area are located in moderate-income tracts. The bank did not make any loans in moderate-income tracts. The bank’s lack of lending here is explainable. The two moderate-income census tracts are in the city of Shakopee. Although the bank’s Chaska branch is less than five miles from these tracts, it is across the Minnesota River and several other financial institutions offer services in or very nearby these tracts. The majority of the bank’s lending by number (69.2%) and total dollars (56.4%) is in upper-income tracts, which is reasonable because the majority of small businesses are located in these tracts (59.7%).

Residential Real Estate Lending. The bank’s geographic distribution and dispersion of 2019 and 2020 HMDA loans through the assessment area is reasonable. The table below shows the bank’s geographic distribution of HMDA lending by census tract income levels.

Distribution of 2019 and 2020 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Chaska MSA													
Geographic Income Level	Bank And Aggregate Loans By Year											Owner Occupied Units %	
	2019						2020						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank			Agg
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%		\$%
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	1.3	0	0.0	1.0	0	0.0	1.0	0	0.0	0.6	1.4
Middle	4	40.0	36.5	958	40.3	30.9	2	20.0	35.8	198	4.9	31.9	37.3
Upper	6	60.0	62.2	1,419	59.7	68.1	8	80.0	63.2	3,827	95.1	67.5	61.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Total	10	100.0	100.0	2,377	100.0	100.0	10	100.0	100.0	4,025	100.0	100.0	100.0

Source: 2020 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

According to 2019 and 2020 FFIEC census data, 1.5% of families in the assessment area reside in low-income tracts. Aggregate lenders originated 1.3% of HMDA loans in the moderate-income tracts in 2019 and 1.0% in 2020. In 2019 and 2020, the bank did not originate any HMDA loans in the moderate-income census tracts. As mentioned, the bank operates in a competitive environment and there are other financial institutions operating in or near these tracts; these institutions are likely more convenient for borrowers here. Though the bank's performance is lower than demographics and aggregate lenders, these comparisons are not meaningful because of the bank's low volume of HMDA lending.

Examiners evaluated the bank's 2018 HMDA lending activities and determined that the bank's performance was generally consistent with its 2019 and 2020 performance.

COMMUNITY DEVELOPMENT TEST

Overall, the bank's community development activity shows excellent responsiveness to community development needs in the Chaska MSA assessment area. The bank engaged in community development lending and services and made qualified investments in the form of securities and donations. Notably, the bank's community development lending levels were high and particularly responsive to community credit needs.

Community Development Loans. The bank's level of community development lending demonstrates excellent responsiveness to community needs. During the evaluation period, the bank originated 12 community development loans in the Chaska MSA assessment area, totaling \$11.7 million. All loans helped promote economic development in the assessment area. Notably, the bank originated two loans totaling approximately \$5.1 million that helped fund a real estate construction project in the assessment area. In addition, the bank actively partnered with the SBA to finance loans that helped create jobs.

The bank also originated two loans totaling \$150,000 that benefited an area of Minnesota that did not include the bank's assessment area; these loans helped to revitalize or stabilize a moderate-income census tract.

Qualified Investments. The bank's level of securities and donations is adequate. The bank purchased two new investment securities totaling \$487,805 and continued to hold three prior-period investments totaling \$755,000 in the Chaska MSA assessment area. These investments supported affordable housing projects in Carver and Scott counties.

Examiners also considered investments outside of the bank's assessment area because the bank was responsive to the community development needs of its assessment area. The bank made eight investments totaling \$2.3 million that benefited other areas of Minnesota that did not include the bank's assessment area. These investments supported affordable housing for low- and moderate-income individuals, revitalization and stabilization of moderate-income census tracts, and community services to low- and moderate-income individuals.

The bank's level of donations in the assessment area is adequate. The bank donated \$4,350, which supported organizations that provide community services to low- and moderate-income individuals. The majority of donations supported food shelves, which was particularly responsive during the pandemic. The bank also made a \$500 donation benefiting a broader regional area that includes the Chaska assessment area; the donation supported community services for low- and moderate-income people.

Community Development Services. The bank's level of community development services is adequate given the bank's presence in the market and staffing levels. The bank provided three services to

organizations serving the Chaska MSA assessment area. A bank officer provided financial expertise for two organizations that provide community services for low- and moderate-income individuals. In addition, another bank officer served on the board for two years for an organization serving an area outside of the bank's assessment area; the organization provides community services to low- and moderate-income individuals.

Appendix A

Glossary of Common CRA Terms

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

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

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

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

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

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

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

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

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

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

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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

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

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

Multifamily: Refers to a residential structure that contains five or more units.

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

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

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

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

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

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

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

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

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