

PUBLIC DISCLOSURE

November 2, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Northwestern Bank
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P.O. Box 49
Chippewa Falls, WI 54729
RSSD 153054

**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.

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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 The Northwestern Bank, Chippewa Falls, Wisconsin, demonstrates reasonable responsiveness to the credit needs of its assessment areas and excellent responsiveness to community development needs. This CRA evaluation uses the Intermediate Small Bank CRA Examination Procedures, which include a Lending Test and a Community Development Test.

The Lending Test rating is Satisfactory, based on the following criteria:

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

The Community Development Test rating is Outstanding, based on the following criteria:

- The level and nature of community development loans and donations are excellent, while community development services are adequate, given the bank's capacity and the need and availability of such opportunities.
- Community development activities overall show an excellent responsiveness to community development needs.

The bank received an Outstanding rating at the previous evaluation, dated February 13, 2017.

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 bank has designated two assessment areas in Wisconsin for CRA purposes: Chippewa Falls/Eau Claire and Thorp. The Chippewa Falls/Eau Claire assessment area is defined as the Eau Claire, Wisconsin, metropolitan statistical area (MSA), which consists of Chippewa and Eau Claire counties. The Thorp assessment area includes Taylor and Clark counties. The bank has not changed its assessment areas since the previous evaluation.

Based on the June 30, 2020, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report and lending data the bank provided, approximately 86.8% of the bank's total deposits and 91.5% of the bank's loans by number are in the Chippewa Falls/Eau Claire assessment area. Therefore, examiners performed a full-scope review of the Chippewa Falls/Eau Claire assessment area and a limited-scope review of the Thorp assessment area.

Examiners weighted the bank's performance as follows to determine the overall rating:

- The Lending Test receives greater weight than the Community Development Test. Overall, the bank meets the credit needs of the communities in its assessment areas primarily by actively originating small business and Home Mortgage Disclosure Act (HMDA)-related loans. The weighting also reflects the somewhat limited opportunities for community development activities, especially investments in the form of securities, in a competitive banking market. The bank has greater opportunities for making loans to small businesses and serving the mortgage needs of low- and moderate-income borrowers and neighborhoods.
- For the Lending Test, the bank's small business loans received more weight than HMDA loans because the bank is primarily a commercial lender.
- For the Lending Test performance criteria, examiners gave the greatest weight to the bank's lending to businesses of different revenue sizes and to borrowers of different income levels.

Throughout this evaluation, examiners use demographic characteristics in evaluating the bank's record of lending in the individual assessment areas. Sources for demographic information are primarily the Federal Financial Institutions Examination Council (FFIEC) adjusted census data and 2019 Dun & Bradstreet data. Assessment area demographics are useful in analyzing the bank's lending because they provide a means of estimating lending opportunities. Examiners use self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses to evaluate the bank's small business lending. The demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

For the community contacts, examiners interviewed individuals familiar with economic and demographic characteristics and community development opportunities in the bank's Chippewa Falls/Eau Claire assessment area. The Chippewa Falls/Eau Claire assessment area section of this evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in this assessment area.

In 2020, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans are designed to help businesses keep their workforces employed during the Coronavirus (COVID-19) crisis. The bank's PPP loans will be considered when evaluating performance and assigning ratings at the next CRA examination.

Lending Test Scope

The scope of the Lending Test covers the bank's major product lines, which are commercial loans and residential real estate loans. The table below shows the bank's lending activity by loan type for 2019.

Table 1 ¹ Loan Originations From January 1, 2019, Through December 31, 2019				
<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	53	6.9	\$ 29,050,643	15.4
Consumer	111	14.5	2,132,668	1.1
Home Equity Lines of Credit	60	7.8	4,513,200	2.4
Letters of Credit	18	2.4	1,609,800	0.9
Residential Real Estate	176	23.0	31,471,689	16.7
Small Business (\leq \$1 million)	277	36.2	42,087,252	22.4
Commercial ($>$ \$1 million)	24	3.1	71,416,185	38.0
Small Farm (\leq \$500,000)	44	5.8	2,422,197	1.3
Ag ($>$ \$500,000)	2	0.3	3,421,029	1.8
Total	765	100.0	\$188,124,663	100.0

The Lending Test is based on a statistical sample of the bank's small business loans. The loan sample includes 117 small business loans originated between January 1, 2019, and December 31, 2019. Because the bank has offices in an MSA and is required to report HMDA loans, examiners also analyzed the bank's 2016, 2017, 2018, and 2019 HMDA-reportable loans. Examiners reviewed the bank's 2016 data for consistency with its 2017 to 2019 data but did not include a detailed analysis of the 2016 data in this evaluation. Additionally, examiners reviewed HMDA data reported by aggregate lenders to better assess the bank's performance with respect to HMDA lending.

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 areas.
- 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, and community development services since the previous evaluation for each assessment area and for larger regional areas. Examiners based the Community Development Test rating on the bank's performance during the period of February 13, 2017, through March 30, 2020.

DESCRIPTION OF INSTITUTION

Structure. The Northwestern Bank is a full-service financial institution wholly owned by NW Bancshares, Inc., Chippewa Falls, Wisconsin.

Office and Retail Delivery Systems. The bank continues to operate six offices in Wisconsin: the main office in Chippewa Falls, and one branch each in Altoona, Boyd, Cornell, Lafayette, and Thorp, Wisconsin. The bank also operates a separate drive-up facility near its main office. Most offices have

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

drive-up facilities. All offices' hours are reasonable for the communities they serve. The bank has not closed any branches since the previous evaluation.

The bank operates five cash-dispensing-only ATMs. The Altoona and Thorp branches each have an ATM. The remaining ATMs are located at the Chippewa Falls drive-up facility, and one each at grocery stores in Cornell and Lafayette. The bank offers alternative delivery methods to access services, such as online and mobile banking.

Loan Portfolio. According to the June 30, 2020, Report of Condition, the bank's total assets are \$492.7 million. The loan portfolio totals \$411.7 million and consists of 79.0% commercial, 10.1% residential real estate, 6.9% agricultural, 3.2% other purpose, and 0.8% consumer loans. Since the previous evaluation, total assets have increased by 17.4% and the loan portfolio has increased by 31.3%, but the overall composition of the loan portfolio has remained relatively consistent. Organic loan growth along with the strong economy in the Eau Claire market are the primary drivers of the increase in assets.

Credit Products. Commercial lending remains the bank's primary focus. The bank also offers residential real estate and consumer loans to serve the credit needs of its assessment areas. Residential real estate products include conventional mortgages as well as home-improvement, construction, and mobile home loans. Consumer loan products include general consumer-purpose loans and home equity lines of credit. The bank participates in SBA loan programs.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two assessment areas for CRA purposes: the Chippewa Falls/Eau Claire and Thorp. The Chippewa Falls/Eau Claire assessment area is defined as the Eau Claire, WI MSA, which consists of Chippewa and Eau Claire counties. The Thorp assessment area includes Taylor and Clark counties. The number of census tracts in each assessment area has not changed since the previous evaluation; however, the income classification of several tracts has changed, as discussed in the Chippewa Falls/Eau Claire assessment area section.

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:

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

Since the bank has an assessment area in an MSA, examiners conducted a separate analysis for the bank's performance in each assessment area. The Chippewa Falls/Eau Claire assessment area section includes a detailed analysis of the bank's lending to businesses of different sizes and to borrowers of different

income levels as well as the geographic distribution of loans. The nonmetropolitan area-limited review section details the conclusions for the Thorp assessment area. However, examiners analyzed the loan-to-deposit ratio and the comparison of lending inside and outside the assessment areas at the bank level, as described below.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable, given its asset size, financial condition, and the credit needs and competition in the bank's assessment areas. As of June 30, 2020, the net loan-to-deposit ratio for the bank is 93.0%. The bank's ratio is above the national peer group's net loan-to-deposit ratio of 80.9%. The national peer group consists of all insured commercial banks with assets between \$300 million and \$1 billion.

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio has ranged from 78.1% to 93.0%, with an average net loan-to-deposit ratio of 84.4% for the past 14 quarters. The bank's 12-quarter average net loan-to-deposit ratio was 74.3% at the previous evaluation. Loan demand has been favorable over the past three years according to bank management. Loan growth continues in the Eau Claire area, which has become a hub for technology and healthcare providers in western Wisconsin in recent years. A community contact also noted generally strong economic conditions in the region over the past few years.

There are no similarly situated banks operating in the bank's assessment areas for comparison purposes. The majority of financial institutions in the area have asset sizes well above or below the bank or have different lending portfolios. Nevertheless, the bank's net loan-to-deposit ratio is reasonable, given the credit needs and opportunities in the assessment areas. The bank competes with a number of financial institutions, including large credit unions and national banks. In this highly competitive environment, the bank is an active lender. Community contacts did not identify any unmet credit needs.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a substantial majority of its loans within its assessment areas: 91.2% of loans by number and 87.0% by dollar amount. The table below shows lending activity by loan type within the assessment areas.

Table 2								
Lending Inside and Outside the Assessment Areas								
Loan Type	Inside				Outside			
	#	%	\$(000)	\$%	#	%	\$(000)	\$%
Home Improvement	35	94.6	4,395	87.0	2	5.4	659	13.0
Home Purchase—Conventional	310	88.1	53,814	87.8	42	11.9	7,448	12.2
Multi-Family Housing	12	92.3	7,864	57.1	1	7.7	5,900	42.9
Refinancing	193	93.7	33,396	92.8	13	6.3	2,585	7.2
Total HMDA Loans²	550	90.5	99,469	85.7	58	9.5	16,592	14.3
Small Business Loans	111	94.9	16,887	95.6	6	5.1	785	4.4
Total Loans	661	91.2	116,356	87.0	64	8.8	17,377	13.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

²The filer is partially exempt from filing the expanded fields and is also exempt from reporting open-end lines of credit (and the filer did not optionally report any open-ended loans). Originations with loan purpose "other" are excluded from this table.

Many of the loans originated outside of the assessment areas were to borrowers in adjacent counties. The bank's lending shows its commitment to meeting the credit needs of the businesses and residents within its assessment areas.

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

The bank's lending to businesses of different sizes and to borrowers of different income levels is reasonable. The bank lends to businesses with gross annual revenues of \$1 million or less and to low- and moderate-income individuals. Refer to the Chippewa Falls/Eau Claire assessment area section for a more detailed discussion of the borrower distribution of loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

The overall geographic distribution reflects a reasonable dispersion throughout the assessment areas, including moderate-income census tracts. There are no low-income tracts in either assessment area. Lending patterns do not reveal any unexplained gaps or inconsistencies. Refer to the Chippewa Falls/Eau Claire assessment area section for a more detailed discussion of 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 Community Development Test is rated Outstanding. The bank's community development activities demonstrate excellent responsiveness to identified needs. During the evaluation period, the bank engaged in community development lending, provided community development services, and made qualified investments in the form of donations. Overall, the level and nature of these activities are excellent, considering the bank's size and capacity and the availability of community development opportunities.

As at the previous evaluation, the Chippewa Falls/Eau Claire assessment area offers a greater number of community development opportunities for the bank. The majority of the bank's community development activities occurred in this assessment area, which is reasonable given its larger market presence in this assessment area and the limited number of opportunities in the Thorp assessment area. However, the bank did engage in some community development activities in the Thorp assessment area.

Community Development Loans. The level of community development lending is excellent. The bank originated 10 community development loans totaling \$16.1 million, which all directly benefit the Chippewa Falls/Eau Claire assessment area. Notably, the bank made several loans that help revitalize and stabilize a moderate-income area in downtown Eau Claire, which shows excellent responsiveness to local efforts to revitalize the downtown area. The bank also made loans that help organizations providing essential services, such as shelter, to low- and moderate-income individuals. In addition, the bank made a \$1.5 million community development loan to a local food bank that serves a regional area, which includes both of the bank's assessment areas. Community development lending opportunities in the Thorp assessment area were limited during the evaluation period.

Qualified Investments. The level of qualified investments in the form of donations is excellent. The bank donated \$206,133 that directly benefited its assessment areas; most of these donations (\$203,547)

benefited the bank's Chippewa Falls/Eau Claire assessment area. All of the bank's donations were to organizations that provide community services to low- and moderate-income families and individuals, such as health care, shelter, and food. The bank also made donations to organizations that serve primarily low- and moderate-income youth. The bank made \$2,586 in donations that benefit the Thorp assessment area. Finally, the bank made numerous donations totaling \$101,321 to the food bank that serves a regional area.

The bank did not purchase any CRA-eligible securities, which is reasonable because the opportunity to purchase new investments in the form of securities was limited and the competition for such securities was strong.

Community Development Services. The level of community development services is adequate. During the evaluation period, the bank provided 20 community development services, which all benefited the Chippewa Falls/Eau Claire assessment area. Employees, including senior management, contributed their financial expertise to nine organizations. The bank's president provided a number of services, including serving in a leadership role for organizations that help low- and moderate-income persons. The concentration of community development services in the Chippewa Falls/Eau Claire area is reasonable, based on the limited opportunities in the rural Thorp assessment area and the bank's smaller market presence in this area.

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 and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

METROPOLITAN AREA—FULL REVIEW

DESCRIPTION OF CHIPPEWA FALLS/EAU CLAIRE ASSESSMENT AREA

Bank Information. The bank has five offices, including its main office, in the Chippewa Falls/Eau Claire assessment area: in Chippewa Falls, Altoona, Boyd, Cornell, and Lafayette. The bank also operates a separate drive-up facility near its main office. The Altoona, Cornell, and Lafayette branches have drive-up facilities. The bank operates cash-dispensing-only ATMs at the Altoona branch, the separate drive-up facility, and one each at grocery stores in Cornell and Lafayette. All offices' hours are reasonable for the communities they serve. Each office and the separate drive-up facility offer weekend hours. The separate drive-up facility and the Lafayette branch offer extended hours.

According to the June 30 2020, FDIC Deposit Market Share Report, the bank has \$374.0 million in deposits in the Eau Claire, WI MSA, representing a market share of 11.4%. The bank is ranked second out of 21 FDIC-insured institutions with offices in the Eau Claire MSA. The bank's deposits in this assessment area represent 86.8% of its total deposits.

Assessment Area. The Chippewa Falls/Eau Claire assessment area includes Chippewa and Eau Claire counties, which comprise the Eau Claire, WI MSA. The bank has not changed the assessment area since the previous evaluation; however, the income classification of several tracts changed.³ Previously, there were five moderate-income, 21 middle-income, and five upper-income census tracts in the assessment area. At this evaluation, there are six moderate-income, 22 middle-income, and three upper-income tracts.

The table below illustrates the demographic characteristics of the assessment area, based on 2019 FFIEC adjusted census data⁴ and 2019 Dun & Bradstreet data.

Table 3 Chippewa Falls/Eau Claire Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	7,454	18.6
Moderate-income	6	19.4	5,193	13.0	874	16.8	7,431	18.5
Middle-income	22	71.0	30,201	75.3	1,837	6.1	9,689	24.2
Upper-income	3	9.7	4,706	11.7	169	3.6	15,526	38.7
Unknown-income	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

³Tracts 8.02, 9.00, and 16.00 changed from upper income to middle income; tracts 105.00 and 12.00 changed from middle income to moderate income; tract 101.00 changed from moderate income to middle income; finally, tract 107.00 changed from middle income to upper income.

⁴The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the Office of Management and Budget's metropolitan statistical area revisions.

Table 3 Chippewa Falls/Eau Claire Assessment Area Demographics								
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	12,620	4,865	11.4	38.5	6,263	49.6	1,492	11.8
Middle-income	50,019	33,027	77.3	66.0	13,340	26.7	3,652	7.3
Upper-income	7,599	4,810	11.3	63.3	2,461	32.4	328	4.3
Unknown-income	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
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,366	18.8	1,227	18.8	129	20.6	10	11.8
Middle-income	5,130	70.7	4,628	70.7	436	69.8	66	77.6
Upper-income	756	10.4	687	10.5	60	9.6	9	10.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7,252	100.0	6,542	100.0	625	100.0	85	100.0
	Percentage of Total Businesses:			90.2		8.6		1.2
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	70	12.7	69	12.8	1	9.1	0	0.0
Middle-income	442	80.2	432	80.0	10	90.9	0	0.0
Upper-income	39	7.1	39	7.2	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	551	100.0	540	100.0	11	100.0	0	0.0
	Percentage of Total Farms:			98.0		2.0		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the FFIEC estimated median family income for the Eau Claire MSA for the year of loan origination. This figure was \$68,800 in 2016, \$67,400 in 2017, \$72,000 in 2018, and \$73,300 in 2019. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for the Eau Claire MSA, which was \$62,064 in 2016 and \$66,688 for the remaining years in the evaluation period.

Population. According to 2019 FFIEC census data, the population of the assessment area is 164,490. The majority of the residents (101,281) live in Eau Claire County. The City of Eau Claire is the county seat of Eau Claire County. In the assessment area, 50.7% of the population is 25 to 64 years of age, 21.5% is 17 years and younger, 14.4% is 65 and older, and 13.4% is 18 to 24 years of age. A community contact

indicated that a number of young, college-educated residents have moved to the area or have remained in the area after completing post-secondary education at the local university in Eau Claire.

Economy. The convergence of healthcare facilities, higher education, and a number of aerospace engineering and manufacturing businesses provides stability for the local economy. A community contact noted until the recent COVID-19 pandemic, the economy performed very well. Major employers in the area include healthcare providers, state and local government, the university system, the headquarters of a major home improvement chain, and hospitality and tourism. The downtown Eau Claire area continues to be the focus of revitalization efforts by local government as part of a redevelopment zone. However, a community contact indicated that a number of community development projects in this area are on hold due to the pandemic.

The Bureau of Labor Statistics reports that the annual, non-seasonally adjusted unemployment rate for the Eau Claire MSA in 2019 was 3.3%. While this rate increased markedly during the first two quarters of 2020, reaching a high of 12.3% in April, the preliminary rate for October was 4.1%. The state of Wisconsin's annual, non-seasonally adjusted unemployment rate in 2019 was also 3.3% and the October 2020 unemployment rate was 5.2%.

Housing. According to community contacts, home sales and construction have been active, but the area continues to experience a housing shortage for all income brackets. Affordable housing, including rental units, is also a concern, given high prices. One contact indicated that houses that list between \$250,000 and \$400,000 in the Eau Claire area will typically sell in under 36 hours. If a listing is below \$250,000, it will likely not last more than 24 hours. Another contact indicated that starter homes have lower prices in smaller communities, ranging from \$100,000 to \$120,000. However, the homes often require rehabilitation to make them safe, which contributes to the overall cost.

There are 70,238 housing units in the assessment area, according to 2019 FFIEC adjusted census data. Of those units, 60.8% are owner-occupied, 31.4% are rental units, and 7.8% are vacant. The median age of the housing stock is 46 years. The median housing value is \$150,591 for the assessment area and \$165,800 for the state of Wisconsin. The affordability ratio for the assessment area is 33.6, and the ratio for the state is 32.2. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. The assessment area ratio suggests that, overall, housing in this assessment area is as affordable as in other areas of the state.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the Chippewa Falls/Eau Claire assessment area is reasonable. This assessment area accounts for the majority of the bank's lending activity and community development activities. The bank's overall community development performance demonstrates excellent responsiveness to community development needs.

LENDING TEST

The bank's lending to businesses of different sizes and borrowers of different income levels is reasonable. Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

Small Business Lending. The bank's small business lending in the assessment area is reasonable. The table below shows the bank's small business lending.

Table 4 Small Business Lending Chippewa Falls/Eau Claire Assessment Area				
<i>Small Business Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$1,000,000$	<i>Total Originations</i>
Percentage of All Small Business Loans	56.9%	25.5%	17.6%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	63.5%	25.7%	10.8%	72.5%

The bank originated 72.5% of its small business loans to entities with gross annual revenues of \$1 million or less (defined as small businesses). According to 2019 Dun & Bradstreet data, 90.2% of the businesses in the assessment area are small businesses. The bank's performance is lower than demographics; however, it is reasonable for several reasons. First, the bank extended multiple loans to several borrowers with gross annual revenues greater than \$1 million, which affects the analysis. Second, the bank is primarily a commercial lender, and it makes loans to large businesses as well as small businesses. Third, bank management indicated that it faces strong competition from credit unions for commercial loans. The majority of the bank's small business loans were for \$100,000 or less, which indicates a willingness to serve the needs of small businesses in the assessment area.

HMDA Lending. The bank's HMDA lending to low- and moderate-income borrowers is reasonable. The table below shows the bank's HMDA lending by borrower income level for 2019, 2018, and 2017.

Table 5 HMDA Lending Chippewa Falls/Eau Claire Assessment Area										
2019 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	9	11.0	21	25.6	10	12.2	35	42.7	7	8.5
Refinance	7	10.3	11	16.2	24	35.3	21	30.9	5	7.4
Home Improvement	1	50.0	1	50.0	0	0.0	0	0.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	5	100.0
Other Purpose Closed/Exempt	2	40.0	1	20.0	0	0.0	2	40.0	0	0.0
Total 2019 HMDA Loans	19	11.7	34	21.0	34	21.0	58	35.8	17	10.5

Table 5 HMDA Lending Chippewa Falls/Eau Claire Assessment Area										
2018 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	9	10.5	13	15.1	17	19.8	38	44.2	9	10.5
Refinance	2	5.0	5	12.5	11	27.5	20	50.0	2	5.0
Home Improvement	1	16.7	1	16.7	1	16.7	1	16.7	2	33.3
Multifamily	0	0.0	0	0.0	0	0.0	1	33.3	2	66.7
Other Purpose Closed/Exempt	0	0.0	0	0.0	0	0.0	2	100.0	0	0.0
Total 2018 HMDA Loans	12	8.8	19	13.9	29	21.2	62	45.3	15	10.9
2017 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	2	2.9	11	15.9	21	30.4	26	37.7	9	13.0
Refinance	2	6.9	3	10.3	4	13.8	19	65.5	1	3.4
Home Improvement	2	22.2	0	0.0	1	11.1	5	55.6	1	11.1
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0
Total 2017 HMDA Loans	6	5.6	14	13.0	26	24.1	50	46.3	12	11.1

The bank ranked eighth out of 245 HMDA reporters in the assessment area in 2019, seventh out of 216 in 2018, and 11th out of 227 in 2017. Although the bank ranks high relative to most other HMDA reporters, its HMDA loans represent a small percentage of the total HMDA loans reported in the assessment area: 2.5% in 2019, 2.6% in 2018, and 2.4% in 2017. The leading HMDA reporter each year is a regional credit union based in Eau Claire.

Low- and moderate-income families make up 18.6% and 18.5% of families in the assessment area, respectively, according to FFIEC adjusted census data for 2019, 2018, and 2017.

In 2019, the bank originated 11.7% of its HMDA loans to low-income borrowers and 21.0% to moderate-income borrowers. The bank's lending to low-income borrowers is below demographics but is slightly above aggregate lenders (8.3%). The bank's lending to moderate-income borrowers slightly exceeds demographics and is generally consistent with aggregate lenders (21.2%).

In 2018, the bank originated 8.8% of its HMDA loans to low-income borrowers and 13.9% to moderate-income borrowers. While the bank's lending to low-income borrowers is below demographics, it is comparable to aggregate lenders (8.5%). The bank's lending to moderate-income borrowers is below demographics and aggregate lenders (21.9%).

In 2017, the bank originated 5.6% of its HMDA loans to low-income borrowers and 13.0% to moderate-income borrowers. This performance is below demographics and aggregate lenders, who extended 8.2% of loans to low-income borrowers and 20.1% to moderate-income borrowers.

Overall, the bank's performance is reasonable based on the performance context. The bank is primarily a commercial lender and competition for residential real estate loans is high. A community contact indicated that housing inventory has been low and that affordable housing is a concern for the area.

Finally, examiners evaluated the bank's 2016 HMDA lending activity and determined that the bank's performance was generally consistent with that of 2017, 2018, and 2019. In 2016, the bank extended 6.7% of its loans to low-income borrowers and 20.2% to moderate-income borrowers. Aggregate lenders extended 9.3% of loans to low-income borrowers and 22.3% to moderate-income borrowers.

GEOGRAPHIC DISTRIBUTION OF LOANS

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

Two of the six moderate-income tracts in the assessment area are in Chippewa County and four are in Eau Claire County. In Chippewa County, one of the moderate-income tracts is in an industrial area and the other tract is primarily in the northeastern portion of the county, in a rural and less populated area near the Cornell and Boyd branches. In Eau Claire County, one of the moderate-income tracts is located in the eastern portion of the county. This area is rural, less populated, and near a major interstate route. The remaining three moderate-income tracts are located in downtown Eau Claire.

Small Business Lending. The distribution of small business loans in the assessment area is reasonable. The table below shows the distribution of the bank's small business loans by census tract income level.

Table 6 Geographic Distribution of Small Business Loans by Income Level of Census Tract* Chippewa Falls/Eau Claire Assessment Area						
Loan Type Sample	Moderate Income		Middle Income		Upper Income	
	#%	\$%	#%	\$%	#%	\$%
Small Business	13.7	10.2	70.6	69.8	15.7	20.0
Demographic Data						
Number of Census Tracts	6		22		3	
Percentage of Census Tracts	19.4		71.0		9.7	
Percentage of Businesses**	18.8		70.7		10.4	
*Income classification of census tracts is based on the 2019 FFIEC adjusted census data.						
**Percentages are based on 2019 Dun & Bradstreet data.						

According to 2019 Dun & Bradstreet data, 18.8% of businesses are located in the moderate-income census tracts. The bank's lending in the moderate-income tracts (13.7%) is below demographics but is reasonable when considering performance context, as described further below. The majority of the bank's lending is in the middle-income tracts, similar to the location of most businesses based on demographics.

The bank's lending is reasonably dispersed throughout the assessment area. The bank originated small business loans in a majority of census tracts (21 of 31) in 2019, including two moderate-income tracts in rural portions of the assessment area, one moderate-income tract within the city limits of Eau Claire, and one moderate-income tract in the city limits of Chippewa Falls. Overall, the bank extended small business loans in four of the six moderate-income tracts in the assessment area. While the bank did not extend any small business loans in two moderate-income tracts in the city limits of Eau Claire, this is explainable. Competition is strong for commercial lending in the Eau Claire area. A large regional credit union is

located in and near the moderate-income tracts where the bank did not extend any small business loans, as are a number of other financial institutions. The bank's only branch in Eau Claire County is also located in Altoona, in a middle-income tract adjacent to downtown Eau Claire.

HMDA Lending. The geographic distribution of the bank's 2019, 2018, and 2017 HMDA loans is excellent. The table below displays the distribution of the bank's HMDA loans by census tract income level.

Table 7 HMDA Lending Chippewa Falls/Eau Claire Assessment Area						
2019 HMDA Loans by Census Tract Income Level						
	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	16	19.5	51	62.2	15	18.3
Refinance	11	16.2	49	72.1	8	11.8
Home Improvement	0	0.0	2	100.0	0	0.0
Multifamily	3	60.0	1	20.0	1	20.0
Other Purpose Closed/Exempt	1	20.0	3	60.0	1	20.0
Total 2019 HMDA Loans	31	19.1	106	65.4	25	15.4
2018 HMDA Loans by Census Tract Income Level						
	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	13	15.1	68	79.1	5	5.8
Refinance	6	15.0	31	77.5	3	7.5
Home Improvement	0	0.0	6	100.0	0	0.0
Multifamily	0	0.0	2	66.7	1	33.3
Other Purpose Closed/Exempt	1	50.0	1	50.0	0	0.0
Total 2018 HMDA Loans	20	14.6	108	78.8	9	6.6
2017 HMDA Loans by Census Tract Income Level						
	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	12	17.4	46	66.7	11	15.9
Refinance	1	3.4	24	82.8	4	13.8
Home Improvement	3	33.3	2	22.2	4	44.4
Multifamily	0	0.0	1	100.0	0	0.0
Total 2017 HMDA Loans	16	14.8	73	67.6	19	17.6

The bank originated 19.1% of its HMDA loans to borrowers in moderate-income census tracts in 2019, 14.6% in 2018, and 14.8% in 2017. According to FFIEC adjusted census data for 2019, 2018, and 2017, 13.0% of families reside in moderate-income tracts. Aggregate lenders originated 11.5% of their HMDA loans to borrowers in moderate-income tracts in 2019, 13.0% in 2018, and 13% in 2017. The bank's performance exceeds both aggregate lenders and demographics in 2019 and slightly exceeds them in 2018 and 2017; overall, this performance is strong, given that the bank is primarily a commercial lender.

The bank originated HMDA loans in the majority of moderate-income tracts each year. The performance context helps explain the lack of loans in certain moderate-income tracts. Specifically, for all three years, the bank did not extend any HMDA loans in tract 11.01 in Eau Claire County. In one year, the bank did not extend any HMDA loans in tract 6.00 in Eau Claire County. These two tracts are in the predominantly commercial downtown area of Eau Claire. Further, competition for residential real estate loans in Eau Claire is high and the bank's branch in Eau Claire County is located in Altoona. Lastly, in one year, the bank did not extend any HMDA loans in tract 1.00 (eastern Eau Claire County), which is not as close to the bank's Altoona branch as the other moderate-income tracts in this county. The area is also forested and less populous than other parts of the assessment area.

Examiners also evaluated the bank's 2016 HMDA lending. In 2016, the assessment area included five moderate-income tracts. The bank originated 5.8% of its HMDA loans to borrowers in these tracts. This performance is below aggregate lenders, who originated 11.1% of HMDA loans in moderate-income tracts, and below the percentage of families in moderate-income tracts (11.8%).⁵ The bank's performance for this year is reasonable.

COMMUNITY DEVELOPMENT TEST

Overall, the level and nature of community development activities in the Chippewa Falls/Eau Claire assessment area are excellent, given the bank's size, market share, and the availability of opportunities. During the evaluation period, the bank engaged in community development lending and services and made qualified investments in the form of donations. The community development activities reflect excellent responsiveness overall to identified community development needs in the Chippewa Falls/Eau Claire assessment area.

Community Development Loans. Community development lending in this assessment area is excellent. The bank originated 10 community development loans totaling \$16.1 million. The loans support revitalization and stabilization efforts in downtown Eau Claire, which the city government and other groups have targeted for redevelopment in recent years. The loans also help organizations that provide essential services, such as shelter, to low- and moderate-income individuals.

Qualified Investments. The level of qualified investments, specifically donations, in the Chippewa Falls/Eau Claire assessment area is excellent. While the bank did not purchase any qualified investments in the form of securities during the evaluation period, bank management indicated that opportunities for new CRA-eligible securities were limited.

The bank made donations totaling \$203,547 that directly benefited this assessment area. All of the bank's donations were to organizations that provide community services to low- and moderate-income families and individuals, such as health care, shelter, and food. The bank also made donations to organizations that serve primarily low- and moderate-income youth.

Community Development Services. Bank employees provided 20 community development services in this assessment area during the evaluation period, which is adequate. Employees, including senior management, provided financial expertise on the boards and committees of area nonprofit organizations. While the number of qualifying services is less than at the previous evaluation, notable services involve organizations that focus on helping at-risk children and youth and those that provide shelter and meals to individuals in need.

⁵Of the four years of the bank's HMDA data, 2016 was the year with the lowest HMDA volume by number and 2019 had the most HMDA loans by number.

NONMETROPOLITAN AREA—LIMITED REVIEW

DESCRIPTION OF THORP ASSESSMENT AREA

The bank's lending and community development performance in the Thorp assessment area is generally consistent with the institution's performance overall. Examiners analyzed the bank's 2019, 2018, 2017, and 2016 HMDA loans and small business loans and reviewed the bank's community development activities in this assessment area. The HMDA data and the small business loan sample included a limited number of loans originated in this assessment area.

The bank's activity in this assessment area accounts for 13.2% of total deposits and 8.5% of total loans. According to the June 30, 2020, FDIC Deposit Market Share Report, the bank ranks seventh out of 10 FDIC-insured institutions with offices in this assessment area, with only 5.9% of the market.

The Thorp assessment area includes Clark and Taylor counties, which consist of a total of 14 middle-income census tracts (none of which are designated as distressed or underserved). The bank operates one full-service office in the town of Thorp, with a drive-through and cash-dispensing-only ATM. The branch offers weekend hours. Very small parcels of Ho-Chunk Nation tribal land are located in Clark County.

During the evaluation period, the bank made \$2,586 in qualifying donations in the Thorp assessment area that benefited at-risk, low- and moderate-income youth and provided food to those in need.

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.)