

PUBLIC DISCLOSURE

September 20, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
Certificate Number: 15271

113 W. North Water Street
New London, Wisconsin 54961

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following points summarize the bank's Satisfactory Community Reinvestment Act (CRA) performance:

- **Loan-to-Deposit (LTD) Ratio:** The average LTD ratio reflects reasonable performance given the institution's size, financial condition, and credit needs of the assessment areas (AAs).
- **AAs Concentration:** The bank originated a majority of home mortgage, small business, and small farm loans within the AAs.
- **Geographic Distribution:** The geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the AAs.
- **Borrower Profile:** Home mortgage, small business, and small farm loans reflect reasonable distribution among individuals of different income levels, as well as businesses and farms of different sizes.
- **CRA-Related Complaints:** The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

First State Bank (FSB) is a full-service financial institution headquartered in New London, Wisconsin. The bank is wholly owned by First State Bancshares, Inc., a one-bank holding company also headquartered in New London. The institution received a Satisfactory rating during its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated February 21, 2018, based on Interagency Small Institution Examination Procedures.

In addition to the main office, FSB operates 12 branches in the communities of Auburndale, Cecil, Clintonville, Greenwood, Manawa, Marshfield, Rozellville, Rudolph, Stevens Point, Waupaca, Wisconsin Rapids, and Withee. In February 2020, FSB merged with Pioneer Bank in Auburndale, WI; acquiring the Auburndale, Greenwood, Marshfield, Rozellville, Stevens Point, Withee, and Wisconsin Rapids offices; and, in April 2019, the bank closed the Dale location, which was located in Outagamie County in the Appleton Metropolitan Statistical Area. This branch was very small and FSB closed it due to low activity. With the exception of the Marshfield and Rozellville offices, which are in upper-income census tracts (CT), all other banking offices are located in middle-income CTs.

FSB offers a variety of loan and deposit products, with a focus on commercial, agriculture, and residential lending activities. Non-deposit investment and insurance products are also offered through First State Investment Center. Customers can access FSB’s products and services through online, telephone, and mobile banking platforms, as well as drive-up facilities at all office locations. Automated teller machines are available at most branch offices, with two additional stand-alone locations in New London and Waupaca.

As of June 30, 2021, FSB maintained total assets of \$516 million, total loans of \$303 million, and total deposits of \$458 million.

Loan Portfolio Distribution as of 06/30/21		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	27,959	9.2
Secured by Farmland	55,113	18.2
Secured by 1-4 Family Residential Properties	69,149	22.8
Secured by Multifamily (5 or more) Residential Properties	11,880	3.9
Secured by Nonfarm Nonresidential Properties	57,206	18.9
Total Real Estate Loans	221,307	73.0
Agricultural Loans	20,301	6.7
Commercial and Industrial Loans	39,272	13.0
Consumer Loans	14,672	4.9
Other Loans	7,378	2.4
Subtotal	302,930	100.0
Less: Unearned Income	0	0
Total Loans	302,930	100.0
<i>Source: Reports of Condition and Income</i>		

No financial, legal, or other impediments limit FSB’s ability to meet the credit needs of its AAs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. FSB has defined two AAs consisting of 69 CTs. The Non MSA AA includes 65 CTs in the following counties: Clark (8 CTs), Portage (14 CTs), Outagamie (6 CTs), Shawano (8 CTs), Waupaca (12 CTs) and Wood (17 CTs). While Outagamie County is part of the Appleton MSA, it is included in the Non MSA AA as the tracts in Outagamie County do not extend substantially beyond the borders of the MSA. The second AA includes four CTs in Marathon County, which is part of the Wausau MSA. Since the last evaluation in 2018, the bank’s AAs have changed as follows: added all of the CTs in Clark County, four CTs in Marathon County, two CTs in Shawano County and the remaining CTs in Wood County (due to the purchase of the branches from Pioneer Bank); and deleted one CT from Outagamie County. FSBs AAs are comprised of whole geographies and include the CTs in which the main and branch offices are located. The AAs do not arbitrarily exclude any low- or moderate-income CTs and conform to CRA regulatory requirements. The

following table presents a brief description of each AA. Greater details regarding each AA are included in the Description of Institution’s Operations section.

Description of Assessment Areas						
Assessment Area	Counties	# Census Tracts	# Branches	Deposits as of 6/30/21		Evaluation Type
				\$ (000s)	%	
Non MSA AA	Clark, Outagamie, Portage, Shawano, Waupaca, Wood	65	12	441.5	96.5	Full Scope
Wausau MSA AA	Marathon	4	1	16.1	3.5	Limited Scope

Source: Bank Data; Summary of Deposits as of June 30, 2020

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated February 21, 2018, to the current evaluation. Examiners used the Interagency Small Institution Examination Procedures to assess FSB’s CRA performance, including an evaluation of the institution’s LTD ratio, AA concentration, geographic distribution, and borrower profile. Examiners conducted a full scope review of the Non MSA AA, as it encompasses 12 of the 13 banking offices, more than 96 percent of the bank’s total deposits, and 73 percent of total loans analyzed during this evaluation. For the reasons previously mentioned, examiners placed greater weight on the bank’s lending performance in the Non MSA AA when determining the overall rating.

Activities Reviewed

Commercial, agriculture, and home mortgage loans represent the bank’s major product lines. Examiners made this determination in consideration of FSB’s business strategy, as well as the number and dollar volume of loans originated during the evaluation period. As of June 30, 2021, home mortgage loans represented 26.7 percent of the loan portfolio, agriculture loans represented 24.9 percent of the loan portfolio, and commercial loans represented 31.8 percent of the loan portfolio. Consumer loans represent a nominal percentage of FSB’s loan portfolio; therefore, examiners did not analyze them as part of this evaluation.

Specifically, examiners reviewed residential real estate loans recorded on the 2019 and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. Examiners also reviewed a random sample of small business and small farm loans originated in 2020. These small business and small farm loan samples are representative of the bank’s lending during the entire evaluation period.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$ (000s)	#	\$ (000s)
Home Mortgage 2019	67	18,317	67	18,317
Home Mortgage 2020	102	15,707	102	15,707
Small Business	699	61,063	63	5,863
Small Farm	294	46,603	58	6,214

Source: 2019 and 2020 HMDA Loan Application Registers; Bank Data

Examiners placed equal weight on the three loan products analyzed. D&B data from 2020 provided a standard of comparison for the bank’s small business and small farm activity. Aggregate HMDA data for 2019 and 2020, as well as 2015 American Community Survey (ACS) census data provided a standard of comparison for the bank’s home mortgage lending activity.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FSB demonstrates reasonable performance under the Lending Test. The distribution of home mortgage, small business, and small farm loans among geographies of different income levels, borrowers of different income levels, and businesses and farms of different sizes primarily supports this conclusion.

Loan-to-Deposit Ratio

FSB’s LTD ratio reflects reasonable performance given the institution’s size and financial condition, as well as the credit needs within the AAs. FSB’s LTD ratio averaged 64.5 percent over the previous 14 quarters. This ratio significantly improved from the last evaluation when it averaged 51.6 percent, and is generally in line with that of similarly situated institutions, whose average LTD ratios ranged from 69.2 to 89.1 percent over the same period. The bank’s LTD ratio has ranged from a low of 55.4 percent in March 2018 to a high of 73.5 percent in March 2020. FSB has historically had a more difficult time obtaining loan growth due to strong competitive factors in and around the markets within which they operate. However, management continues to encourage relationship banking to increase lending and, since the merger, focuses on name brand recognition within the new markets to lead to new loan relationships. Examiners selected similarly situated institutions based on geographic location, loan portfolio composition, and asset size.

LTD Ratio Comparison		
Bank	Total Assets as of 06/30/2021 (\$000s)	Average Net LTD Ratio (%)
First State Bank	\$515,808	64.5
Similarly-Situated Institution #1	\$277,020	69.2
Similarly-Situated Institution #2	\$182,693	71.1
Similarly-Situated Institution #3	\$247,651	79.1
Similarly-Situated Institution #4	\$419,245	74.2
Similarly-Situated Institution #5	\$806,705	89.1
<i>Source: Reports of Condition and Income 03/31/2018 – 06/30/2021</i>		

Assessment Area Concentration

FSB originated a majority of home mortgage, small business, and small farm loans in its AAs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	50	74.6	17	25.4	67	10,654	58.2	7,663	41.8	18,317
2020	88	86.3	14	13.7	102	13,913	88.6	1,794	11.4	15,707
Subtotal	138	81.7	31	18.3	169	24,567	72.2	9,457	27.8	34,024
Small Business	56	88.9	7	11.1	63	5,268	89.9	595	10.1	5,863
Small Farm	54	93.1	4	6.9	58	5,453	87.8	761	12.2	6,214
<i>Source: HMDA Reported Data; Bank Data</i>										

Geographic Distribution

The geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the AAs. The bank's lending performance in the Non MSA AA supports this conclusion. The Wausau MSA AA does not contain any low- or moderate-income CTs; therefore, examiners did not evaluate the geographic distribution of loans in this AA, as it would not yield meaningful conclusions.

Borrower Profile

The distribution of home mortgage, small business, and small farm loans to borrowers of different income levels and businesses and farms of different sizes reflects reasonable penetration throughout the AAs. FSBs excellent home mortgage and reasonable small business and small farm performance in the Non MSA AA support this conclusion.

Response to Complaints

FSB has not received any CRA-related complaints since the previous evaluation. Accordingly, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

NON MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON MSA AA

The Non MSA AA consists of 65 CTs in Clark, Outagamie, Portage, Shawano, Waupaca, and Wood Counties, including three moderate-income, 53 middle-income, and nine upper-income tracts. Sources of data used in this section include 2015 ACS census data, 2020 D&B data, the Federal Financial Institution Examiner Council (FFIEC), the Wisconsin Realtor’s Association, the U.S. Bureau of Labor Statistics and the Wisconsin Department of Workforce Development.

Economic and Demographic Data

The following table summarizes demographic characteristics of the Non MSA AA.

Demographic Information of the Non MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	65	0.0	4.6	81.5	13.8	0.0
Population by Geography	294,851	0.0	3.4	81.3	15.3	0.0
Housing Units by Geography	133,154	0.0	4.2	81.2	14.6	0.0
Owner-Occupied Units by Geography	88,904	0.0	2.7	80.5	16.8	0.0
Occupied Rental Units by Geography	29,719	0.0	7.5	82.4	10.1	0.0
Vacant Units by Geography	14,531	0.0	7.0	82.7	10.3	0.0
Businesses by Geography	16,197	0.0	2.4	82.0	15.6	0.0
Farms by Geography	1,626	0.0	0.7	87.6	11.7	0.0
Family Distribution by Income Level	78,161	17.1	18.6	23.7	40.6	0.0
Household Distribution by Income Level	118,623	21.3	16.8	18.7	43.2	0.0
Median Family Income – 11540 Appleton, WI MSA		\$73,709	Median Housing Value			\$139,344
Median Family Income Non MSAs – WI		\$60,742	Median Gross Rent			\$651
			Families Below Poverty Level			7.3%

Source: 2015 ACS Data; 2020 D&B Data; FFIEC Estimated Median Family Income

The table below provides the 2019 and 2020 median family income and corresponding income levels used to analyze home mortgage lending activities in the Non MSA AA under the Borrower Profile criterion. Corresponding data for the Appleton MSA is also included as the Non MSA AA includes six CTs from Outagamie County.

Median Family Income Ranges – Non MSA AA				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2019 (\$65,900)	< \$32,950	\$32,950 to < \$52,720	\$52,720 to < \$79,080	≥ \$79,080
2020 (\$68,000)	<\$34,000	\$34,000 to < \$54,400	\$54,400 to < \$81,600	≥ \$81,600
Median Family Income Ranges – Appleton MSA AA				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2019 (\$83,800)	< \$41,900	\$41,900 to < \$67,040	\$67,040 to < \$100,560	≥ \$100,560
2020 (\$86,400)	<\$43,200	\$43,200 to < \$69,120	\$69,120 to < \$103,680	≥ \$103,680

In 2018, the median family income for the Non MSA portions of Wisconsin was \$67,800, while in Outagamie County it was \$77,900. The 2020 median family income of \$68,000 and \$86,400 represent an increase of 0.29 percent and 10.9 percent, respectively since the last evaluation.

Information obtained from the Wisconsin Realtors Association shows that all counties in the Non MSA AA have experienced an increase in the median sales price of homes since year-end 2018. The table shows the increase and percentage change during the evaluation period.

Home Prices			
County	Median Price		% Change
	2018	2020	
Clark County	\$103,090	\$119,950	+16.4
Shawano County	\$119,000	\$142,000	+ 19.3
Waupaca County	\$136,000	\$159,650	+ 17.4
Portage County	\$169,000	\$200,000	+ 18.3
Wood County	\$122,500	\$134,400	+ 9.7
Outagamie County	\$174,000	\$205,000	+ 17.8
<i>Source: Wisconsin Realtors' Association; "+"increase</i>			

The greater increase in housing prices, as compared to median family income levels, suggests that low- and moderate-income families may have difficulty purchasing a home.

According to 2020 demographic data provided by D&B, 16,197 businesses operate within the AA, of which 79 percent reported gross annual revenues (GARs) of \$1 million or less. Additionally, 65 percent of these businesses employ less than five employees, while 86 percent operate from a single location. Additionally, there are 1,626 farms in the AA, of which 95 percent report GARs of \$1 million or less.

The economy of each county in this AA is dependent on the geographic and demographic composition of that county. Outagamie County, located in northeast Wisconsin and part of the Appleton MSA, is dependent on the trade, transportation and utilities; education and health; and the manufacturing industries to support its economy. Large employers in Outagamie County include medical centers such as ThedaCare and Affinity Health Systems and manufacturing companies such as Kimberly Clark and Pierce Manufacturing.

Waupaca and Shawano counties are located to the west and north of Outagamie County, respectively. These counties, which include five of the bank’s office locations, are similarly dependent on the health and education; manufacturing; trade, transportation and utilities; and the leisure and hospitality industries to sustain their economies. However, the communities in these two counties are more rural in nature, employing a smaller number of individuals. Large employers in Waupaca County include the Waupaca Foundry, the Wisconsin Veterans Home, and the Waupaca School District. Large employers in Shawano County include Arrowcast Incorporated, a steel foundry.

Wood, Portage, and Clark counties are located in central Wisconsin, west of Waupaca County. These three counties maintain an economic base similar to Waupaca and Shawano counties, with trade, transportation and utilities; manufacturing; and health and education industries providing the greatest employment opportunities. In Wood County, large employers include Marshfield Clinic, Ho Chunk Gaming, and Roehl Transport, Inc.; in Portage County Del Monte Corporation, McCain Foods, and Sentry Insurance, provide a significant number of jobs; while in Clark County, Grassland Dairy Products, Inc. and Abbyland Pork Pack, Inc. are some of the largest employers. The following table shows the changes in the average annual unemployment rates of each county in the AA since the prior Performance Evaluation. With the exception of Wood County, all other counties in this AA have unemployment rates, which are typically lower than the state average. The increase in unemployment rates in 2020 is due to the COVID pandemic.

Average Annual Unemployment Rates			
Area	2018 (%)	2019 (%)	2020 (%)
Clark County	2.8	3.4	4.6
Portage County	2.6	3.2	4.8
Shawano County	2.7	3.2	5.0
Waupaca County	2.7	3.3	5.0
Wood County	3.1	3.7	6.2
State of Wisconsin	3.0	3.3	6.3
<i>Source: US Bureau of Labor Statistics</i>			

Competition

Bank competition within this AA is strong. According to the FDIC’s June 30, 2021 Deposit Market Share Report, 32 financial institutions maintain 96 offices in the Non MSA AA. FSB ranks sixth with a market share of 3.94 percent. Higher ranked institutions include four large national or regional banks with a total market share of 42 percent. Excluding Outagamie County, in which the bank does not have a branch anymore, the bank’s market share increases to 6.51 percent with a ranking of four.

Community Contact

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

A representative from a non-profit organization active in Clark, Marathon, Portage, and Wood counties provided information on the economic conditions and opportunities in this part of the AA. According to the contact, there is an aging population within these counties, with a significant percentage of the population over 50, many of whom are living on fixed incomes. The contact stated that although the existing housing stock is in good condition, there is a significant demand for new housing. The contact also noted that the lack of industrial parks to accommodate businesses in manufacturing and healthcare has limited new business formation and growth as much as the pandemic-related pressures in filling employment positions.

Credit Needs

Based on discussion with the community contact and local economic conditions, there is a need for housing and small business lending. The limited housing stock, competitive market, and increasing housing values support the need for affordable housing and lending to create affordable housing stock. Many small businesses have struggled financially within the last 12-20 months due to strains from the COVID-19 pandemic. Payroll Protection Plan (PPP) lending, which FSB has heavily embraced, has assisted in meeting small business lending needs in 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON MSA AA

LENDING TEST

FSB demonstrates reasonable performance under the Lending Test in the Non MSA AA. The distribution of loans to borrowers of different income levels and entities of different sizes, as well as the geographic distribution of home mortgage, small business, and small farm loans supports this conclusion.

Geographic Distribution

The geographic distribution of small business, small farm, and home mortgage loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance with all three products supports this conclusion. Examiners focused on the percentage of loans, by number, in the moderate-income census tracts, as there are no low-income census tracts in the AA.

Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. As reflected in the table, FSB's performance in the moderate-income CTs is 3.5 percent higher than the percentage of businesses in the moderate-income tracts in this AA.

Geographic Distribution of Small Business Loans – Non MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	2.4	3	5.9	213	4.7
Middle	82.0	43	84.3	3,959	87.4
Upper	15.6	5	9.8	356	7.9
Total	100.0	51	100.0	4,528	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Small Farm

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

Geographic Distribution of Small Farm Loans – Non MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	0.7	0	0	0	0
Middle	87.6	50	98.0	4,905	97.2
Upper	11.7	1	2.0	140	2.8
Total	100.0	51	100.0	5,045	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Although the bank did not originate any of the sampled small farm loans in the moderate-income tracts in 2020, this performance is in line with demographic data, which shows that only 0.7 percent of small farms are located in the moderate-income tracts.

Home Mortgage

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

Geographic Distribution of Home Mortgage Loans – Non MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	2.7	2.4	0	0.0	0	0.0
2020	2.7	2.6	2	2.4	372	2.8
Middle						
2019	80.5	81.0	43	86.0	9,304	87.3
2020	80.5	79.3	68	81.0	11,126	82.2
Upper						
2019	16.8	16.6	7	14.0	1,350	12.7
2020	16.8	18.2	14	16.7	2,038	15.1
Totals						
2019	100.0	100.0	50	100.0	10,654	100.0
2020	100.0	100.0	84	100.0	13,536	100.0
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

As reflected in the table, in 2019, the bank did not originate any home mortgage loans in moderate-income tracts; however, this performance increased in 2020 and is similar to demographic and aggregate performance. Overall performance during the rating period is reasonable considering the significant competition from numerous financial institutions located in and around the moderate-income census tracts.

Borrower Profile

The distribution of home mortgage, small business, and small farm loans reflects reasonable penetration among individuals of different income levels, as well as businesses and farms of different sizes.

Small Business

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. FSB’s distribution of small business loans to businesses with GARs of \$1 million or less is slightly higher than demographic data, supporting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category – Non MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	79.4	42	82.3	2,305	50.9
> \$1,000,000	6.4	6	11.8	1,258	27.8
Revenue Not Available	14.2	3	5.9	965	21.3
Total	100.0	51	100.0	4,528	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Small Farm

The distribution of small farm loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows the percentage of loans originated to farms with GARs of \$1 million or less is comparable to the percentage of farms in this revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category – Non MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000	95.4	48	94.1	4,835	95.8
> \$1,000,000	3.2	3	5.9	210	4.2
Revenue Not Available	1.4	0	0.0	0	0.0
Total	100.0	51	100.0	5,045	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Home Mortgage

The distribution of home mortgage loans reflects excellent penetration among borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level – Non MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	17.1	7.1	8	16.0	514	4.8
2020	17.1	5.8	13	15.5	620	4.6
Moderate						
2019	18.6	19.4	7	14.0	581	5.5
2020	18.6	18.1	20	23.8	1,721	12.7
Middle						
2019	23.7	23.5	7	14.0	873	8.2
2020	23.7	23.6	12	14.3	1,087	8.0
Upper						
2019	40.6	35.5	19	38.0	3,124	29.3
2020	40.6	39.2	31	36.9	5,579	41.2
Income Not Available						
2019	0.0	14.5	9	18.0	5,562	52.2
2020	0.0	13.3	8	9.5	4,529	33.5
Total						
2019	100.0	100.0	50	100.0	10,654	100.0
2020	100.0	100.0	84	100.0	13,536	100.0
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

FSB’s distribution of home mortgage loans to low-income borrowers significantly exceeds peer performance, but slightly lags the demographic composition of the AA. However, seven percent of low-income families earn an income below the poverty level, lacking the financial resources to obtain a home mortgage loan and limiting a financial institution’s opportunity to lend to these borrowers. Considering the percentage of families below the poverty level, FSB’s distribution of home mortgage loans to low-income borrowers also significantly exceeds demographic data.

FSB’s distribution of home mortgage loans to moderate-income borrowers reflects excellent penetration among moderate-income borrowers. While the bank’s performance in 2019 lags both peer and demographic performance, it rebounds in 2020, exceeding peer and demographic performance by six and five percent, respectively.

WAUSAU MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN (ASSESSMENT AREA)

The Wausau MSA AA consists of four census tracts in the southwest portion of Marathon County. The AA contains no low- or moderate-income census tracts.

Economic and Demographic Data

The table below summarizes demographic characteristics of the Wausau MSA AA.

Demographic Information of the Wausau MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	19,904	0.0	0.0	73.3	26.7	0.0
Housing Units by Geography	8,274	0.0	0.0	70.6	29.4	0.0
Owner-Occupied Units by Geography	6,400	0.0	0.0	70.7	29.3	0.0
Occupied Rental Units by Geography	1,226	0.0	0.0	84.7	15.3	0.0
Vacant Units by Geography	648	0.0	0.0	43.4	56.6	0.0
Businesses by Geography	981	0.0	0.0	74.0	26.0	0.0
Farms by Geography	143	0.0	0.0	69.2	30.8	0.0
Family Distribution by Income Level	5,545	16.2	18.4	23.5	41.9	0.0
Household Distribution by Income Level	7,626	20.1	16.3	18.0	45.5	0.0
Median Family Income – 48140 Wausau-Weston WI MSA		\$73,709	Median Housing Value Median Gross Rent Families Below Poverty Level			\$62,188 \$663 4.2%

Source: 2015 ACS Data; 2020 D&B Data; FFIEC Estimated Median Family Income

The following table provides the 2020 median family income and corresponding income levels used to analyze home mortgage lending activities in the Wausau MSA AA for the Borrower Profile criterion.

Median Family Income Ranges – Wausau MSA AA				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2020 (\$74,600)	< \$37,300	\$37,300 to < \$59,680	\$59,680 to < \$89,520	≥ \$89,520

Source: FFIEC

According to the Wisconsin Realtor’s Association, the median home sales price in Marathon County was \$182,500 in 2020, up 18 percent from year-end 2018. Further, the unemployment rate for Marathon County ranged from 2.2 percent at year-end 2018 to 4.1 percent at year-end 2020. Both figures increased significantly due to the impact of the COVID-19 pandemic.

According to 2020 D&B data, 981 businesses operate within the AA, of which 79 percent reported GARs of \$1 million or less. In addition, 143 farms operate within the AA, of which 96 percent reported GARs of \$1 million or less. Approximately 88 percent of businesses and farms that operate within the AA employ less than ten employees. According to the Wisconsin Department of Workforce Development, 65 percent of employment opportunities come from the manufacturing; trade, transportation, and utilities; and education and health industries. Major employers in the AA include Aspirus Wausau Hospital, Kolbe & Kolbe Millwork, and Northcentral Technical College.

Competition

The Wausau MSA AA is a competitive environment. According to the June 30, 2021 Deposit Market Share Report compiled by the FDIC, 19 financial institutions maintain 54 offices in Marathon County. One large national bank maintains 26 percent of the deposit market share while two large local institutions maintain an additional deposit market share of 28 percent. FSB ranks 17th with a deposit market share of less than one percent.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WAUSAU MSA AA

LENDING TEST

FSB's performance under the Lending Test in the Wausau MSA AA is consistent with the bank's performance in the Non MSA AA.

Geographic Distribution

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

Borrower Profile

Lending within this AA is minimal. FSB originated only four home mortgage loans, five sampled small business loans, and three sampled small farm loans in this AA.

Of the four home mortgage loans extended in this AA (all in 2020), two loans totaling \$138,000 were originated to low-income borrowers, while the remaining two totaling \$240,000 were originated to upper-income borrowers. Further, of the three sampled small farm loans, 100 percent (\$408,000) were to farms with GARs of \$1 million or less.

Of the five-sampled small business loans extended in this AA, 60 percent were to businesses with GARs of \$1 million or less, compared to demographic data, which suggests that 79.2 percent of the businesses earned GARs of \$1 million or less. Although FSB's performance is not reflective of demographic data, examiners considered it to be reasonable for a number of reasons. The D&B demographic data represents the percentage of businesses of different sizes operating within the AA and does not represent the percentage of businesses that are seeking traditional bank financing. Furthermore, 13.0 percent of the businesses did not report revenue information, which could impact the actual composition of businesses in the AA. Lastly, many of the smallest businesses tend to finance their business needs with credit cards, home equity lines of credit, or personal consumer loans, further impacting the demand for bank financing.

Distribution of Small Business Loans by Gross Annual Revenue Category – Wausau MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	79.2	3	60.0	263	35.5
> \$1,000,000	7.8	2	40.0	477	64.5
Revenue Not Available	13.0	0	0.0	0	0.0
Total	100.0	5	100.0	740	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

Rural Area: Territories, populations, and housing units that are not classified as urban.

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

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

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.