

PUBLIC DISCLOSURE

September 28, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples State Bank
Certificate Number: 18569

1905 West Stewart Avenue
Wausau, WI 54401

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 Lending Test is rated Satisfactory.

- **Loan-to-Deposit Ratio:** The average loan-to-deposit (LTD) ratio is reasonable given the institution's size and financial condition, as well as the credit needs of those residing and conducting business in the assessment areas (AAs).
- **Assessment Area Concentration:** A majority of small business and home mortgage loans have been originated in the AAs.
- **Borrower Distribution:** The distribution of small business and home mortgage loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels.
- **Geographic Distribution:** The geographic distribution of small business and home mortgage loans reflects reasonable dispersion throughout the AAs.
- **Consumer Complaints:** The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- **Community development activities,** including community development loans, qualified investments, and community development services, demonstrate adequate responsiveness to needs within the AAs considering the opportunities for such activities, as well as the bank's capacity and resources.

DESCRIPTION OF INSTITUTION

Peoples State Bank (PSB) is a full-service financial institution headquartered in Wausau, Wisconsin. In addition to its main office, PSB conducts business from nine branch offices located in north central Wisconsin, as well as the city of Milwaukee and the surrounding communities.

Since the prior Performance Evaluation, management has made several changes to the branch structure of the institution. In September 2019, PSB closed one of its branch offices in Rhinelander, Wisconsin, as this office was located less than a half mile from another branch office in the same city. The existing and closed Rhinelander branch offices are/were both located in moderate-income

census tracts. In March 2020, PSB established a branch office in a middle-income census tract in West Allis, Wisconsin. Finally, in February 2021, PSB merged with Sunset Bank & Savings (Sunset) in Waukesha, Wisconsin. As a result of this merger, a branch office previously owned by Sunset in a middle-income census tract was closed. PSB retained Sunset’s branch office in a moderate-income tract. In addition to these full-service office locations, PSB also maintains two Loan Production Offices (LPOs), one of which is located in Wauwatosa, the other in Stevens Point.

PSB is wholly owned by PSB Holdings, Incorporated, a one-bank holding company headquartered in Wausau, Wisconsin. PSB received a Satisfactory rating during its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated May 20, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

As of June 30, 2022, PSB maintained total assets of \$1.3 billion, total loans of \$938 million and total deposits of \$1.1 billion.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	75,661	8.0
Secured by Farmland	12,761	1.4
Secured by 1-4 Family Residential Properties	257,820	27.5
Secured by Multifamily (5 or more) Residential Properties	61,719	6.6
Secured by Nonfarm Nonresidential Properties	391,794	41.8
Total Real Estate Loans	799,755	85.3
Commercial and Industrial Loans	125,089	13.3
Agricultural Production and Other Loans to Farmers	500	.1
Consumer Loans	4,918	.5
Other Loans	7,659	.8
Total Loans	937,921	100.0
<i>Source: Reports of Condition and Income</i>		

PSB offers a variety of loan and deposit products, with a focus on commercial and residential lending activities. Customers can access PSB’s products and services through online, telephone and mobile banking platforms, as well as non-depository automated teller machines (ATMs) located at all but one branch location. The office in West Allis does not maintain an ATM.

PSB offers traditional loan products, such as fixed- and adjustable-rate home mortgage loans, home equity loans and lines of credit, small business and consumer loans. In addition, PSB offered the following loan products during the review period through and/or guaranteed by government agencies:

Small Business Administration

PSB offers two types of loans through the Small Business Administration (SBA). The SBA 7a Program is designed to help finance working capital and leasehold improvements that facilitate the operation, acquisition, or expansion of an existing small business. The SBA 504 Program offers long-term, fixed-rate financing to small businesses to acquire major fixed assets, such as buildings,

heavy machinery and equipment, for expansion and modernization. The 504 Program requires that a defined number of jobs be created based on the amount of loan funds received from the SBA.

United States Department of Agriculture

The United States Department of Agriculture's (USDA) Guaranteed Rural Housing loan program helps homebuyers obtain long-term, fixed-rate mortgage loans without the down payment typically required by conventional lenders and loan programs. Eligible borrowers must reside in rural communities with populations less than 20,000 and earn income below 115 percent of an area's median household income, as defined by the USDA.

Wisconsin Housing and Economic Development Authority

The Wisconsin Housing and Economic Development Authority's (WHEDA) First Time Home Buyer Advantage Program is designed to help first-time home buyers finance the acquisition of a home that will be occupied as their primary residence. Eligible applicants must earn an annual income below defined county limits and participate in home buyer education and counseling prior to origination.

PSB also offers WHEDA's Easy Close Advantage Down Payment Assistance Loan, a low-cost, fixed-rate second mortgage loan that can be used as the down payment on the purchase of a residence financed with a WHEDA First Time Home Buyer Advantage loan.

United States Department of Veterans Affairs

The United States Department of Veterans Affairs (VA) provides financing to service members, veterans and eligible surviving spouses for the purchase of a home. PSB finances up to 100 percent of the loan amount, of which the VA will guarantee up to 25 percent.

Federal Housing Administration

Mortgage loans guaranteed by the Federal Housing Administration (FHA) provide financing to borrowers with a credit score of 580 or higher and a down payment of just 3.50 percent.

Federal Home Loan Bank

PSB participates in the Federal Home Loan Bank's (FHLB) Downpayment Plus Program, through which the bank provides up to \$6,000 to eligible homebuyers in the form of a forgivable grant that can be applied against down payment and closing costs incurred while financing a home purchase.

MEDC

PSB participates in MEDC's Lender Capital Access Program (CAP). MEDC is a non-profit lender that leverages funds from private and public sources to finance projects or businesses in underserved markets. MEDC is also Community Development Financial Institution, SBA Community Advantage Lender and Community Development Block Grant Operator. Under the terms of CAP, the lender, the borrower and MEDC set aside matching funds for specific loan loss reserves that help reduce some of the credit risk associated with extending funds to non-profit, start-up and small businesses that may not be able to obtain conventional financing. Larger reserves are available for loans extended to minority-, women-, and Veteran owned businesses.

PSB also offered the following credit-related products and services during the review period:

PSB created in-house loan products and services designed to help meet the credit needs of their customers. In 2019, PSB established the Fresh Start Program. This program, which is available to all deposit customers, provides a repayment arrangement to individuals struggling to repay overdraft balances, while allowing them to maintain their existing checking account. The customer signs a note with an interest rate of 0 percent, requiring repayment of the overdraft balance within four months. During the four-month repayment period, the customer is free to use their checking account without penalty. During evaluation period, PSB established 93 Fresh Start loans totaling approximately \$82,000.

PSB also granted deferred and interest-only loan payments during 2020 and 2021 in an effort to help borrowers negatively impacted by the COVID-19 pandemic and related economic recession. In total, PSB granted 176 consumer loan deferrals to borrowers with original loan balances of over \$25 million and 125 commercial loan deferrals to borrowers with original loan balances of over \$97 million.

No financial, legal, or other impediments limit PSB’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. PSB has defined three non-contiguous AAs consisting of 430 CTs. The Wausau-Weston MSA AA consists of all CTs in Marathon County. Marathon County is part of the Wausau-Weston MSA #48140. The Non-Metropolitan Statistical Area (MSA) AA consists of all CTs in Oneida and Vilas Counties. In 2020, PSB created a new AA after the West Allis branch office was opened. The newly created Waukesha-Milwaukee MSA AA consists of all CTs in Milwaukee and Waukesha Counties. These counties are part of the Milwaukee-Waukesha MSA #33340.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Wausau-Weston MSA	Marathon	27	5
Non-MSA	Oneida and Vilas	19	3
Waukesha-Milwaukee MSA	Waukesha and Milwaukee	384	2
<i>Source: Bank Data</i>			

The following sections provide further information related to each AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated May 20, 2019, to the current evaluation. Examiners used Interagency Intermediate Small Institution Examiner Procedures to assess PSB’s CRA performance. This includes evaluating the institution’s CRA performance based on its LTD ratio, AA concentration, geographic distribution, borrower profile, response to CRA-related complaints and community development activities. Refer to the Appendices for details.

Examiners conducted a full scope review of the Wausau-Weston MSA AA, as this AA includes the location of the main office, four branch offices and the majority of the institution’s deposits and home mortgage loan volume. They also conducted a full scope review of the Non-MSA AA, as this AA includes the location of three branch offices, the second largest volume of deposits, and home mortgage lending activity comparable to that originated in the Wausau-Weston MSA AA. Finally, examiners conducted a full scope review of the Waukesha-Milwaukee MSA AA, as this is a newly-created AA that did not exist during the prior evaluation. Due to the factors discussed above, examiners placed greater weight on the Wausau-Weston MSA AA and the Non-MSA AA when evaluating the institution’s CRA performance.

Activities Reviewed

Home mortgage and commercial loans continue to represent the bank’s major product lines. Examiners made this determination in consideration of PSB’s business strategy, as well as the number and dollar volume of loans originated during the evaluation period. As of June 30, 2022, home mortgage loans represented approximately 34 percent of the loan portfolio and commercial loans represented approximately 55 percent of the loan portfolio.

More specifically, examiners reviewed residential real estate loans recorded on the 2020 and 2021 Loan Application Registers reported under the Home Mortgage Disclosure Act (HMDA). Examiners also reviewed an expanded sample of small business loans originated in 2021 to ensure the analysis was reflective of commercial lending activity in the new Waukesha-Milwaukee MSA AA. Agricultural and consumer loans were not reviewed, as they represent nominal percentages of PSB’s loan portfolio.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$ (000s)	#	\$ (000s)
Home Mortgage 2020	1,320	279,834	1,320	279,834
Home Mortgage 2021	927	225,586	927	225,586
Small Business	712	93,679	214	28,342
<i>Source: 2020 and 2021 HMDA Loan Application Registers; Bank Data</i>				

Examiners placed slightly more weight on home mortgage lending activities based on the number and dollar volume of home mortgage loans, as well as PSB’s business strategy. Aggregate HMDA

data and 2015 American Community Survey (ACS) census data provided a standard of comparison for the bank’s home mortgage lending activity. D&B data from 2021 provided a standard of comparison for the bank’s small business lending activity.

Examiners evaluated PSB’s engagement in community development activities since the prior Performance Evaluation using data provided by bank management.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

PSB demonstrates reasonable performance under the Lending Test. The bank’s performance under the Geographic Distribution and Borrower Profile criterion, particularly in the Wausau-Weston MSA AA and the Non-MSA AA, primarily supports this conclusion.

Loan-to-Deposit Ratio

PSB’s LTD ratio reflects reasonable performance given the institution’s size and financial condition, as well as the credit needs within the AAs. PSB’s LTD ratio averaged 87 percent over the previous 13 quarters, with a low of 79 percent and a high of 94 percent. This ratio is comparable to that of similarly situated institutions whose average LTD ratios ranged from 78 percent to 89 percent over the same period. Examiners selected the comparable financial institutions based on geographic location, loan portfolio composition and asset size.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$ 000s)	Average Net LTD Ratio (%)
Peoples State Bank	1,304,327	87.1
Similarly-Situated Institution #1	1,778,224	88.7
Similarly-Situated Institution #2	655,249	79.0
Similarly-Situated Institution #3	626,335	83.4
Similarly-Situated Institution #4	622,847	78.5
<i>Source: Reports of Condition and Income 06/30/2019 – 6/30/2022</i>		

Assessment Area Concentration

PSB originated a majority of home mortgage and small business loans within its AAs.

Lending Inside and Outside of the AAs											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$ (000s)				Total \$ (000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2020	1,113	84.3	207	15.7	1,320	229,787	82.1	50,047	17.9	279,834	
2021	747	80.6	180	19.4	927	180,078	79.8	45,508	20.2	225,586	
Subtotal	1,860	82.8	387	17.2	2,247	409,865	81.1	95,555	18.9	505,420	
Small Business	177	82.7	37	17.3	214	18,789	66.3	9,553	33.7	28,342	
<i>Source: Bank Data</i>											

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AAs. The excellent dispersion of home mortgage loans in the Waukesha-Milwaukee MSA AA, as well as the reasonable dispersion of home mortgage and small business loans in all other AAs supports this conclusion.

Borrower Profile

The distribution of home mortgage and small business loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration throughout the AAs. The reasonable performance within the Non-MSA AA and Wausau-Weston MSA AA primarily supports this conclusion.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

PSB’s engagement in community development activities reflects an adequate responsiveness to the needs of its AAs, considering the opportunities for community development loans and investments, the composition of the AAs, and competition from other financial institutions.

Community Development Loans

PSB originated 145 community development loans totaling approximately \$55 million in the combined AAs. These loans represent approximately six percent of net loans, a slight increase from five percent at the previous Performance Evaluation. This level of lending activity is comparable to seven other financial institutions in Wisconsin whose CRA performance was evaluated using ISB Examination Procedures. These institutions have originated community development loans that represent two to 20 percent of their net loans.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	1	100	6	3,246	2	2,314	9	5,660
2020	9	5,457	40	120	17	8,649	0	0	66	14,226
2021	10	2,509	1	56	23	13,719	5	524	39	16,808
YTD 2022	7	5,880	3	5,944	21	6,934	0	0	31	18,758
TOTAL	26	13,846	45	6,220	67	32,548	7	2,838	145	55,452

Source: Bank Data

Qualified Investments

Community development investments represent approximately 1.7 percent of total securities and .4 percent of total assets, a slight increase from 0.8 percent of total securities and 0.1 percent of total assets during the prior Performance Evaluation. The level of investment activity is comparable to six other financial institutions in Wisconsin whose CRA performance was also evaluated using Intermediate Small Institution Examination Procedures. These institutions have invested 0.6 to 4.3 percent of their investment portfolios in community development transactions.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	0	0	0	0	1	300	1	300
2020	0	0	0	0	0	0	0	0	0	0
2021	2	3,261	0	0	0	0	0	0	2	3,261
YTD 2022	1	1,000	0	0	0	0	0	0	1	1,000
Subtotal	3	4,261	0	0	0	0	1	300	4	4,561
Qualified Grants & Donations	9	13	19	61	6	18	0	0	34	92
TOTAL	12	4,274	19	61	6	18	1	300	38	4,653

Source: Bank Data

In 2020, during the height of the COVID-19 pandemic, PSB invested \$27,000 in the purchase of personal protection equipment, including facemasks, hand sanitizers and Plexiglas partitions that the bank made available at no cost to customers throughout all AAs. This donation has been reflected in the chart above, but has not been reflected in the qualified investments and donations presented under each individual AA.

Community Development Services

Directors and employees have contributed 770 hours of community services within the bank’s AAs, the majority of which (51 percent) have benefitted the Wausau-Weston MSA AA. Approximately 31 percent of community development service hours have benefitted the Non-MSA AA, while the remainder have benefitted the newly delineated Waukesha-Milwaukee MSA AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total Hours
	Hours	Hours	Hours	Hours	
2019	2	97	79	0	178
2020	2	34	49	0	85
2021	99	83	124	0	306
YTD 2022	74	55	72	0	201
TOTAL	177	269	324	0	770

Source: Bank Data

In total, 25 organizations have benefitted from the technical expertise provided by PSB directors and employees. Service activities decreased in 2020 due to the COVID-19 pandemic; however, services provided by PSB employees in 2021 and year-to-date 2022 are comparable, in level and type, to those provided during the prior Performance Evaluation. Additionally, hours devoted to community development services are comparable to eight other financial institutions in Wisconsin whose CRA Performance was evaluated using Intermediate Small Bank Examination Procedures.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not affect the institution’s overall CRA rating.

WAUSAU-WESTON MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WAUSAU-WESTON MSA AA

The Wausau-Weston MSA AA consists of all 27 CTs in Marathon County. Sources of data used in this section include 2015 ACS census data, 2021 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 table below summarizes demographic characteristics of the Wausau-Weston MSA AA.

Demographic Information of the Wausau-Weston MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	14.8	66.7	14.8	0.0
Population by Geography	135,177	2.2	10.7	67.9	19.2	0.0
Housing Units by Geography	58,226	2.5	11.6	67.4	18.5	0.0
Owner-Occupied Units by Geography	39,406	0.9	9.1	69.1	20.9	0.0
Occupied Rental Units by Geography	14,442	6.1	18.2	65.1	10.6	0.0
Vacant Units by Geography	4,378	5.6	13.1	58.0	23.3	0.0
Businesses by Geography	7,939	6.5	10.5	64.7	18.3	0.0
Farms by Geography	585	0.2	3.2	82.4	14.2	0.0
Family Distribution by Income Level	36,303	18.4	18.9	23.0	39.7	0.0
Household Distribution by Income Level	53,848	23.2	16.3	19.4	41.2	0.0
Median Family Income MSA – 48140 Wausau-Weston, WI MSA		\$65,079	Median Housing Value			\$144,315
			Median Gross Rent			\$692
			Families Below Poverty Level			7.2%
<i>Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table below provides the 2019, 2020 and 2021 median family incomes and corresponding income levels used to analyze home mortgage lending activities in the Wausau-Weston MSA AA under the Borrower Profile criterion.

Median Family Income Ranges – Wausau-Weston MSA AA				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2019 (\$70,100)	< \$35,050	\$35,050 to < \$56,080	\$56,080 to < \$84,120	≥ \$84,120
2020 (\$74,600)	< \$37,300	\$37,300 to < \$59,680	\$59,680 to < \$89,520	≥ \$89,520
2021 (\$76,800)	< \$38,400	\$38,400 to < \$61,440	\$61,440 to < \$92,160	≥ \$92,160
<i>Source: FFIEC</i>				

The following table reflects the median home sales price in Marathon County compared to the State of Wisconsin during the evaluation period.

Median Home Sales Price				
Area	2019 (\$)	2020 (\$)	2021 (\$)	August 2022 (\$)
Marathon County	166,000	183,000	197,700	220,000
State of Wisconsin	198,000	220,000	240,000	265,000
<i>Source: Wisconsin Realtor's Association</i>				

Since the prior Performance Evaluation, the price of homes in Marathon County have increased approximately 33 percent.

The table below provides the annual unemployment rates in Marathon County compared to the State of Wisconsin during the evaluation period.

Unemployment Rates				
Area	2019 (%)	2020 (%)	2021 (%)	July 2022 (%)
Marathon County	2.8	5.0	3.0	2.6
State of Wisconsin	3.2	6.3	3.8	3.1
<i>Source: Bureau of Labor Statistics</i>				

The spike in the 2020 unemployment rate in Marathon County and the State of Wisconsin is largely due to the COVID-19 pandemic.

According to 2021 D&B data, 7,939 businesses operate within the AA, of which, 78 percent reported gross annual revenue (GAR) of \$1 million or less. Approximately 85 percent of businesses in the AA employ less than ten employees. Data from the Wisconsin Department of Workforce Development indicates that a majority of employment opportunities in the AA come from the retail trade and services industries. Large employers in the Wausau-Weston MSA AA include those providing health care services, such as Aspirus Wausau Hospital, Marshfield Clinic and North Central Health Care Facility; those providing manufacturing services, such as Apogee Wausau Group, Fiskars, Incorporated, Kolbe & Kolbe Millwork and Regal Rexnord; and those providing retail services, such as Footlocker.

Competition

The Wausau-Weston MSA AA is a competitive bank environment. According to the June 30, 2022 Deposit Market Share Report compiled by the FDIC, 18 financial institutions maintain 50 offices in the Wausau-Weston MSA AA. Three large national banks maintain approximately 44 percent of the deposit market share in this AA, while two large state banks maintain approximately 30 percent of the deposit market share. PSB ranks second with a deposit market share of approximately 17 percent.

Bank competition is also evidenced by aggregate 2020 HMDA data (the most recent available), which indicates that over 7,000 financial institutions originated or purchased at least one or more reportable home mortgage loans in the Wausau-Weston MSA AA. PSB ranked second in its home mortgage loan originations with a market share of seven percent. Only one large credit union maintained a market share greater than PSB.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit needs. This information helps determine whether local financial institutions

are responsive to these needs. Examiners used previously collected information from a representative of a local economic development agency that serves Marathon County. According to this contact, there continues to be a need for affordable housing, particularly for those individuals in need of assisted living facilities, as well as younger individuals and families looking to purchase their first home. The contact stated that banks are generally meeting the needs of the community; however, there is additional need for outreach and credit programs for low- and moderate-income individuals and families.

Credit Needs

According to economic and demographic data, as well as community contact information, affordable housing represents the primary credit need of the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WAUSAU-WESTON MSA AA

PSB demonstrates reasonable performance under the Lending Test. PSB's performance under the Geographic Distribution and Borrower Profile criterion support this conclusion.

Geographic Distribution

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

Home Mortgage

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

Geographic Distribution of Home Mortgage Loans – Wausau-Weston MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	0.9	0.9	11	2.2	1,203	1.2
2021	0.9	--	5	1.5	901	1.0
Moderate						
2020	9.1	7.6	43	8.1	4,350	4.0
2021	9.1	--	26	7.9	3,794	4.4
Middle						
2020	69.1	65.6	315	59.5	65,610	61.0
2021	69.1	--	213	64.5	63,442	73.6
Upper						
2020	20.9	25.9	160	30.2	36,380	33.8
2021	20.9	--	86	26.1	18,080	21.0
TOTAL						
2020	100.0	100.0	529	100.0	107,543	100.0
2021	100.0	100.0	330	100.0	86,217	100.0
<i>Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data</i>						

The distribution of home mortgage loans in low- and moderate-income CTs is reflective of peer performance and demographic data.

Small Business

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

Geographic Distribution of Small Business Loans – Wausau-Weston MSA AA					
Tract Income Level	% of Businesses	#	%	\$ (000s)	%
Low	6.5	4	4.8	790	9.3
Moderate	10.5	9	10.8	413	4.8
Middle	64.7	56	67.5	5,243	61.4
Upper	18.3	14	16.9	2,093	24.5
TOTAL	100.0	83	100.0	8,539	100.0
<i>Source: 2021 D&B Data; Bank Data</i>					

The distribution of small business loans in low- and moderate-income CTs is generally reflective of demographic data.

Borrower Profile

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

Home Mortgage

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

Distribution of Home Mortgage Loans by Borrower Income Level – Wausau-Weston MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	18.4	6.6	26	4.9	2,371	2.2
2021	18.4	--	21	6.4	2,799	3.2
Moderate						
2020	18.9	17.9	71	13.5	9,899	9.2
2021	18.9	--	43	13.0	5,160	6.0
Middle						
2020	23.0	23.0	116	21.9	16,989	15.8
2021	23.0	--	66	20.0	10,373	12.0
Upper						
2020	39.7	39.8	253	47.8	57,039	53.0
2021	39.7	--	167	50.6	40,844	47.4
Not Available						
2020	0.0	12.7	63	11.9	21,245	19.8
2021	0.0	--	33	10.0	27,041	31.4
TOTAL						
2020	100.0	100.0	529	100.0	107,543	100.0
2021	100.0	--	330	100.0	86,217	100.0
<i>Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data</i>						

The distribution of home mortgage loans among low-income individuals is reflective of peer performance. However, the concentration of home mortgage loans among moderate-income individuals slightly lags peer performance. Despite this lag, PSB's performance is reasonable in consideration of home mortgage lending activities in the AA which are not recorded on the institution's Loan Application Registers.

PSB participates in WHEDA's First Time Home Buyer Advantage Program, but does not retain or service these loans. Consequently, loans originated under this program are not included in the chart above. Nonetheless, during 2019, 2020 and 2021, PSB facilitated the origination of 40 First Time Home Buyer Advantage loans in excess of \$5.1 million dollars to borrowers in the Wausau-Weston MSA AA, 65 percent of which, by number, were extended to low- and moderate-income borrowers.

PSB also originates loans through the VA and FHA. Similar to WHEDA loans, VA and FHA loans are not retained by the bank after origination. During the evaluation period, PSB originated seven such loans for over \$1.4 million.

Finally, PSB helped 18 borrowers obtain \$108,000 in grants from the FHLB under their Downpayment Plus Program. Borrowers were able to apply these grants, in whole or in part, against down payment and closing costs incurred while financing a home purchase. These lending activities, as well as those recorded on the bank’s Loan Application Registers, evidence PSB’s efforts to meet the credit needs of low- and moderate-income individuals residing in the AA.

Small Business

The distribution of small business loans reflects reasonable penetration among businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category – Wausau-Weston MSA AA					
Gross Annual Revenue Level	% of Businesses	#	%	\$ (000s)	%
≤ \$1,000,000	78.0	62	74.7	5,197	60.9
> \$1,000,000	7.5	14	16.9	2,412	28.2
Revenue Not Available	14.5	7	8.4	930	10.9
TOTAL	100.0	83	100.0	8,539	100.0
<i>Source: 2021 D&B Data; Bank Data</i>					

PSB’s distribution of commercial loans among small businesses in the Wausau-Weston MSA AA is reflective of demographic data.

COMMUNITY DEVELOPMENT TEST

PSB’s engagement in community development activities reflects an adequate responsiveness to the needs of those residing in the Wausau-Weston MSA AA.

Community Development Loans

PSB originated 75 community development loans totaling approximately \$30 million in the Wausau-Weston MSA AA. The level of community development lending has increased significantly since the prior Performance Evaluation, when PSB had extended 14 community development loans totaling \$12 million throughout the AA.

Community Development Lending in the Wausau-Weston MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	1	100	4	1,219	0	0	5	1,319
2020	2	2,713	28	84	11	7,019	0	0	41	9,816
2021	0	0	0	0	14	8,562	0	0	14	8,562
YTD 2022	1	5,000	0	0	14	5,540	0	0	15	10,540
TOTAL	3	7,713	29	184	43	22,340	0	0	75	30,237

Source: Bank Data

During the evaluation period, PSB originated, refinanced or renewed ten commercial loans totaling approximately \$5.1 million in Tax Increment Financing (TIF) districts in the Wausau-Weston MSA AA. TIF Districts offer favorable tax treatment to entities conducting business in the district in an effort to stimulate economic growth and development. These entities may borrow funds that are repaid by future increased property tax revenues. Additional community development loans include 13 loans totaling approximately \$11.2 million originated through the SBA 504 Loan Program; 13 loans totaling approximately \$5.2 million originated through the SBA 7a Loan Program; and two loans totaling \$350,000 through the MEDC CAP.

During the COVID-19 pandemic, PSB also created the Hope Loan, a short-term, unsecured loan with an interest rate of 3.99 percent. The first payment due under this loan product was deferred for 90 days without penalty in an effort to help borrowers maintain cash flow during the pandemic. During 2020, PSB originated 28 Hope Loans totaling \$84,000 in the Wausau-Weston MSA AA.

Qualified Investments

Qualified investments in the Wausau-Weston MSA AA consist entirely of donations made to organizations that promote economic development, provide affordable housing and address necessary community services.

Qualified Investments in the Wausau-Weston MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	2	4	7	18	1	15	0	0	10	37
TOTAL	2	4	7	18	1	15	0	0	10	37

Source: Bank Data

The dollar volume of donations has increased since the prior Performance Evaluation when total donations in the AA approximated \$16,000.

Community Development Services

Directors and employees of PSB have provided 390 hours of community development services to 14 organizations in the Wausau-Weston MSA since the prior evaluation. The majority of these services are concentrated among financial literacy and home buying education programs, such as those offered through the Get Smart Wausau Coalition and Catholic Charities, and financial education presentations/events at schools that qualify for free or reduced lunches.

Directors and employees also serve on several organizations created to promote economic growth and development, such as the Greater Wausau Prosperity Partnership, area business associations and chambers of commerce.

Service hours in the Wausau-Weston MSA AA have increased significantly since the prior Performance Evaluation when only 22 hours of community development services were recorded.

Community Development Services in the Wausau-Weston MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	2	81	33	0	116
2020	0	32	15	0	47
2021	0	63	77	0	140
YTD 2022	4	46	37	0	87
TOTAL	6	222	162	0	390
<i>Source: Bank Data</i>					

PSB also created two new deposit-related products during the evaluation period to help customers maintain affordable checking accounts. In 2022, Afghan Refugee Accounts were created in partnership with the Ethiopian Community Development Council to provide resettled Afghan refugees with a checking account and corresponding account education. Account holders do not incur any fees for checks and are provided temporary reloadable access cards at no charge. PSB has established 12 Afghan Refugee Accounts to date.

NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA AA

The Non-MSA AA consists of all 19 CTs in Oneida and Vilas Counties. Sources of data used in this section include 2015 ACS census data, 2021 D&B data, the 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 table below 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)	19	0.0	26.3	68.4	5.3	0.0
Population by Geography	57,008	0.0	34.4	62.2	3.4	0.0
Housing Units by Geography	55,659	0.0	28.1	69.8	2.1	0.0
Owner-Occupied Units by Geography	20,595	0.0	30.3	66.4	3.3	0.0
Occupied Rental Units by Geography	5,095	0.0	58.2	39.8	2.0	0.0
Vacant Units by Geography	29,969	0.0	21.5	77.2	1.3	0.0
Businesses by Geography	4,865	0.0	40.6	56.6	2.8	0.0
Farms by Geography	178	0.0	21.9	71.9	6.2	0.0
Family Distribution by Income Level	16,379	20.3	22.0	22.2	35.5	0.0
Household Distribution by Income Level	25,690	25.0	19.2	18.9	36.9	0.0
Median Family Income Non-MSAs - Wisconsin		\$60,742	Median Housing Value			\$192,964
			Median Gross Rent			\$701
			Families Below Poverty Level			8.0%
<i>Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table below provides the 2019, 2020 and 2021 median family incomes and corresponding income levels used to analyze home mortgage lending activities in the Non-MSA AA under the Borrower Profile criterion.

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
2021 (\$69,600)	< \$34,800	\$34,800 to < \$55,680	\$55,680 to < \$83,520	≥ \$83,520
<i>Source: FFIEC</i>				

The table below reflects the median home sales price in Oneida and Vilas Counties compared to the State of Wisconsin during the evaluation period.

Median Home Sales Price				
Area	2019 (\$)	2020 (\$)	2021 (\$)	August 2022 (\$)
Oneida County	184,900	218,000	241,750	260,000
Vilas County	227,000	258,000	282,000	352,000
State of Wisconsin	198,000	220,000	240,000	265,000
<i>Source: Wisconsin Realtor's Association</i>				

Home prices in Oneida County increased approximately 41 percent since the prior evaluation, while home prices in Vilas County increased 55 percent.

The table below provides the annual unemployment rates in Oneida and Vilas Counties compared to the State of Wisconsin during the evaluation period.

Unemployment Rates				
Area	2019 (%)	2020 (%)	2021 (%)	July 2022 (%)
Oneida County	4.1	7.3	4.3	4.4
Vilas County	4.0	7.2	4.7	4.5
State of Wisconsin	3.2	6.3	3.8	3.1
<i>Source: Bureau of Labor Statistics</i>				

The spike in the 2020 unemployment rate in Vilas and Oneida Counties and the State of Wisconsin is largely due to the COVID-19 pandemic.

According to 2021 D&B data, 4,865 businesses operate within the AA, of which, 82 percent reported gross annual revenue (GAR) of \$1 million or less. Approximately 87 percent of these businesses employ less than ten employees. Data from the Wisconsin Department of Workforce Development indicates that a majority of employment opportunities in the AA come from the retail trade, health care and social assistance services, and manufacturing industries. Information from community contacts confirmed that the county governments, Howard Young Health Care Center and Northland Pines School District provide the largest number of jobs in the AA.

Competition

The Non-MSA AA is a competitive bank environment. According to the June 30, 2022 Deposit Market Share Report compiled by the FDIC, ten financial institutions maintain 24 offices in Oneida and Vilas Counties. Three large national banks maintain approximately 56 percent of the deposit market share in these counties, while two large state banks maintain approximately 28 percent of the deposit market share. PSB ranks fifth with a deposit market share of approximately 14 percent.

Bank competition is also evidenced by aggregate 2020 HMDA data (the most recent available), which indicates that over 5,000 financial institutions originated or purchased at least one or more reportable home mortgage loans in the Non-MSA AA. PSB ranked first in its home mortgage loan originations with a market share of ten percent.

Community Contact(s)

Examiners used previously collected information from a representative of the Eagle River Chamber of Commerce. The contact stated that there continues to be a need for affordable housing, particularly for seasonal workers who are looking for a place to live during the peak vacation months in the summer. She also believes there is a need for small business development and trade education. The contact stated that banks are meeting the needs of the community. She believes the “considerable” amount of competition among banking organizations in the area has benefitted individuals and businesses seeking financial resources.

Credit Needs

According to economic and demographic data, as well as community contact information, the primary credit needs of the community appear to be affordable housing and small business development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

PSB demonstrates reasonable performance under the Lending Test. PSB’s performance under the Geographic Distribution and Borrower Profile criterion support this conclusion.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AA. This analysis is based entirely on lending activity in moderate-income CTs, as there are no low-income CTs in the Non-MSA AA.

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						
2020	30.3	26.2	157	29.5	28,635	26.6
2021	30.3	--	109	32.5	17,946	26.9
Middle						
2020	66.4	71.2	354	66.4	74,421	69.2
2021	66.4	--	214	63.9	45,965	68.8
Upper						
2020	3.3	2.7	22	4.1	4,467	4.2
2021	3.3	--	12	3.6	2,850	4.3
TOTAL						
2020	100.0	100.0	533	100.0	107,523	100.0
2021	100.0	--	335	100.0	66,761	100.0
<i>Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data</i>						

The distribution of home mortgage loans in moderate-income CTs is slightly above peer and reflective of demographic data.

Small Business

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

Geographic Distribution of Small Business Loans – Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$ (000s)	%
Moderate	40.6	23	50.0	1,501	40.3
Middle	56.6	18	39.1	2,086	56.0
Upper	2.8	5	10.9	139	3.7
TOTAL	100.0	46	100.0	3,726	100.0
<i>Source: 2021 D&B Data; Bank Data</i>					

The distribution of small business loans in moderate-income CTs exceeds demographic data, due in part, to the location of three branch offices in moderate-income CTs, as well as an established lending presence in this market.

Borrower Profile

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

Home Mortgage

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

Distribution of Home Mortgage Loans by Borrower Income Level – Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	20.3	4.2	23	4.3	2,348	2.2
2021	20.3	--	19	5.7	2,307	3.5
Moderate						
2020	22.0	12.0	65	12.2	9,209	8.6
2021	22.0	--	59	17.6	8,016	12.0
Middle						
2020	22.2	17.8	119	22.3	18,524	17.2
2021	22.2	--	76	22.7	11,929	17.9
Upper						
2020	35.5	55.2	310	58.2	73,506	68.4
2021	35.5	--	158	47.2	39,993	59.9
Not Available						
2020	0.0	10.8	16	3.0	3,936	3.6
2021	0.0	--	23	6.8	4,516	6.7
TOTAL						
2020	100.0	100.0	533	100.0	107,523	100.0
2021	100.0	--	335	100.0	66,761	100.0

Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data

The distribution of home mortgage loans in low- and moderate-income CTs is reflective of peer performance and demonstrates an increasing trend from 2020 to 2021.

As was the case in the Wausau-Weston MSA AA, the chart above does not reflect PSB's lending activities in the AA through WHEDA, the VA, the FHA or the FHLB. During 2019, PSB facilitated the origination of two First Time Home Buyer Advantage loans for approximately \$122,000 to low- and moderate-income borrowers in the AA. PSB also originated seven loans through the VA and FHA totaling approximately \$628,000 during the evaluation period. Finally, PSB helped two borrowers obtain \$12,000 in grants from the FHLB under their Downpayment Plus Program. These off-balance sheet lending activities, as well as those recorded on the bank's Loan Application Registers, evidence PSB's efforts to meet the credit needs of low- and moderate-income individuals residing in the Non-MSA AA.

Small Business

The distribution of small business loans reflects reasonable penetration among businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category – Non MSA AA					
Gross Annual Revenue Level	% of Businesses	#	%	\$ (000s)	%
≤ \$1,000,000	82.2	37	80.4	3,100	83.2
> \$1,000,000	5.2	8	17.4	578	15.5
Revenue Not Available	12.6	1	2.2	48	1.3
TOTAL	100.0	46	100.0	3,726	100.0

Source: 2021 D&B Data; Bank Data

PSB’s distribution of commercial loans among small businesses in the Non-MSA AA is reflective of demographic data.

COMMUNITY DEVELOPMENT TEST

PSB’s engagement in community development activities reflects an adequate responsiveness to the needs of those residing in the Non-MSA AA.

Community Development Loans

PSB originated 37 community development loans totaling over \$6 million in the Non-MSA AA. The volume of community development lending has decreased slightly since the prior Performance Evaluation, when PSB had extended 14 community development loans totaling \$8 million in the AA.

Community Development Lending in the Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	0	0	1	103	2	2,314	3	2,417
2020	1	95	12	36	3	607	0	0	16	738
2021	1	280	1	56	3	549	5	524	10	1,409
YTD 2022	4	648	0	0	4	952	0	0	8	1,600
TOTAL	6	1,023	13	92	11	2,211	7	2,838	37	6,164

Source: Bank Data

Community development loans in the Non-MSA AA consist primarily of \$2.5 million in municipal loans, the funds of which were used to support improvements in public schools and infrastructure in rural and underserved communities; \$1.4 million in SBA 504 loans; \$557,000 in SBA 7a loans; and \$320,000 to entities conducting business in TIF districts.

During 2020, PSB originated 12 Hope Loans totaling \$36,000 in the Non-MSA AA.

Qualified Investments

Qualified investments in the Non-MSA AA consist of a \$1 million investment in a limited liability partnership designed to facilitate the construction of a multi-family apartment complex in a rural and underserved community in Vilas County. PSB also purchased a \$300,000 municipal bond from the City of Eagle River, another rural and underserved community, to provide financing for electric utility projects. Remaining investments consist of donations to several economic development corporations, housing organizations and food pantries within Vilas and Oneida Counties.

Qualified Investments in the Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	0	0	0	0	1	300	1	300
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	1	1,000	0	0	0	0	0	0	1	1,000
Subtotal	1	1,000	0	0	0	0	1	300	2	1,300
Qualified Grants & Donations	6	6	6	6	5	3	0	0	17	15
TOTAL	7	1,006	6	6	5	3	1	300	19	1,315

Source: Bank Data

The dollar volume of investments and donations has increased significantly since the prior Performance Evaluation when total investments and donations in the AA totaled approximately \$305,000.

Community Development Services

Directors and employees of PSB have provided 239 hours of community development services to nine organizations in the Non-MSA AA, representing a significant increase since the prior Performance Evaluation when only 18 hours of community development services were recorded.

Community Development Services in the Non-MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	16	46	0	62
2020	0	2	34	0	36
2021	59	0	47	0	106
YTD 2022	0	1	34	0	35
TOTAL	59	19	161	0	239

Source: Bank Data

The majority of community development services are concentrated among organizations created to promote economic growth and development, such as the Oneida and Vilas Counties Economic Development Corporations, as well as area chambers of commerce. Directors and employees have also contributed their technical expertise while serving and assisting affordable housing organizations, such as Habitat for Humanity, as well as financial literacy programs and food pantries.

MILWAUKEE-WAUKESHA MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WAUKESHA-MILWAUKEE MSA AA

The Waukesha-Milwaukee MSA AA consists of all 298 CTs in Milwaukee County and all 86 CTs in Waukesha County. Sources of data used in this section include 2015 ACS census data, 2021 D&B data, the 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 table below summarizes demographic characteristics of the Waukesha-Milwaukee MSA AA.

Demographic Information of the Waukesha-Milwaukee MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	384	25.8	17.7	28.9	27.1	0.5
Population by Geography	1,349,812	19.4	17.3	29.7	33.6	0.0
Housing Units by Geography	579,579	18.6	17.5	31.5	32.3	0.0
Owner-Occupied Units by Geography	308,791	8.9	14.5	32.0	44.5	0.0
Occupied Rental Units by Geography	227,915	27.8	21.7	32.7	17.7	0.0
Vacant Units by Geography	42,873	39.6	16.9	21.2	22.3	0.0
Businesses by Geography	79,737	13.7	14.2	31.3	40.8	0.1
Farms by Geography	1,496	9.2	10.7	28.5	51.6	0.0
Family Distribution by Income Level	325,894	25.7	16.3	19.0	39.0	0.0
Household Distribution by Income Level	536,706	26.9	15.8	17	40.3	0.0
Median Family Income MSA – 33340 Milwaukee-Waukesha, WI MSA		\$71,764	Median Housing Value			\$179,269
			Median Gross Rent			\$840
			Families Below Poverty Level			12.6%
<i>Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table below provides the 2020 and 2021 median family incomes and corresponding income levels used to analyze home mortgage lending activities in the Waukesha-Milwaukee MSA AA under the Borrower Profile criterion.

Median Family Income Ranges – Waukesha-Milwaukee MSA AA				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2020 (\$83,800)	< \$41,900	\$41,900 to < \$67,040	\$67,040 to < \$100,560	≥ \$100,560
2021 (\$84,400)	< \$42,200	\$42,200 to < \$67,520	\$67,520 to < \$101,280	≥ \$101,280

Source: FFIEC

The table below reflects the median home sales price in Milwaukee and Waukesha County compared to the State of Wisconsin during the evaluation period.

Median Home Sales Price				
Area	2019 (\$)	2020 (\$)	2021 (\$)	August 2022 (\$)
Milwaukee County	170,000	186,400	207,500	223,950
Waukesha County	308,500	337,500	368,950	405,000
State of Wisconsin	198,000	220,000	240,000	265,000

Source: Wisconsin Realtor's Association

The median sales prices of homes in both counties has increased approximately 31 percent since the prior Performance Evaluation.

The table below provides the annual unemployment rates in Milwaukee and Waukesha County compared to the State of Wisconsin during the evaluation period.

Unemployment Rates				
Area	2019 (%)	2020 (%)	2021 (%)	July 2022 (%)
Milwaukee County	3.8	8.3	5.4	4.1
Waukesha County	2.8	5.6	3.1	2.5
State of Wisconsin	3.2	6.3	3.8	3.1

Source: Bureau of Labor Statistics

The spike in the 2020 unemployment rate in Milwaukee and Waukesha Counties, as well as the State of Wisconsin, is largely due to the COVID-19 pandemic.

According to 2021 D&B data, 79,737 businesses operate within the AA, of which, 81 percent reported gross annual revenue (GAR) of \$1 million or less. Approximately 85 percent of businesses in the AA employ less than ten employees. Data from the Wisconsin Department of Workforce Development indicates that a majority of employment opportunities in the AA come from the retail trade and services industries.

Competition

The Milwaukee-Waukesha MSA AA is a very competitive bank environment. According to the June 30, 2022 Deposit Market Share Report compiled by the FDIC, 41 financial institutions

maintain 371 offices in Milwaukee and Waukesha Counties. Large national banks dominate with the market, retaining over 65 percent of the deposit market share in this MSA. PSB ranks 29th with a deposit market share of approximately 0.2 percent.

Bank competition is also evidenced by aggregate 2020 HMDA data (the most recent available), which indicates that over 76,000 financial institutions originated or purchased at least one or more reportable home mortgage loans in the Non-MSA AA. PSB ranked 126 in its home mortgage loan originations with a market share of 0.07 percent.

Community Contact(s)

According to a representative of a housing organization in Milwaukee County, there is a lack of affordable housing inventory in the area. Nonetheless, financial institutions in the area are meeting the demand for home mortgage loans, particularly those financial institutions that offer flexible loan products, terms and underwriting guidelines, as well as those that work in conjunction with public and private support programs. The contact believes there is a need for small dollar loan products, as many low- and moderate-income clients of the housing organization typically obtain loans from payday lenders who charge higher interest rates and fees than traditional lenders.

Credit Needs

According to economic and demographic data, as well as community contact information, affordable housing appears to be the primary credit need of the community.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WAUKESHA-MILWAUKEE MSA AA

PSB demonstrates reasonable performance under the Lending Test. PSB's geographic distribution of home mortgage and small business loans, as well as its dispersion of commercial loans among businesses of different sizes, support this conclusion.

Geographic Distribution

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

Home Mortgage

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

Geographic Distribution of Home Mortgage Loans – Waukesha-Milwaukee MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	8.9	3.4	8	15.7	2,086	14.2
2021	8.9	--	10	12.2	3,077	11.4
Moderate						
2020	14.5	10.1	6	11.8	1,321	9.0
2021	14.5	--	20	24.4	5,672	20.9
Middle						
2020	32.0	29.7	14	27.5	3,570	24.3
2021	32.0	--	20	24.4	4,317	15.9
Upper						
2020	44.6	56.8	23	45.0	7,744	52.5
2021	44.6	--	32	39.0	14,034	51.8
TOTAL						
2020	100.0	100.0	51	100.0	14,721	100.0
2021	100.0	100.0	82	100.0	27,100	100.0
<i>Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data</i>						

The distribution of home mortgage loans in low- and moderate-income CTs exceeds peer performance and demographic data. This concentration of lending activity is primarily attributable to PSB’s lending niche in the Waukesha-Milwaukee MSA AA, which has resulted in several multi-family home loans to real estate investors to obtain, refinance or improve investment properties in low- and moderate-income CTs.

Small Business

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

Geographic Distribution of Small Business Loans – Waukesha-Milwaukee MSA AA					
Tract Income Level	% of Businesses	#	%	\$ (000s)	%
Low	13.7	8	16.7	1,176	18.0
Moderate	14.2	10	20.8	1,432	21.9
Middle	31.3	17	35.4	1,988	30.5
Upper	40.8	13	27.1	1,928	29.6
TOTAL	100.0	48	100.0	6,524	100.0
<i>Source: 2021 D&B Data; Bank Data</i>					

The distribution of small business loans in low- and moderate-income CTs is reflective of demographic data.

Borrower Profile

The overall borrower profile in the Waukesha-Milwaukee MSA AA is reasonable, based largely on the distribution of commercial loan to entities of different sizes.

Home Mortgage

The distribution of home mortgage loans among individuals of different income levels, particularly those earning a moderate-income, reflects poor dispersion throughout the AA.

Distribution of Home Mortgage Loans by Borrower Income Level – Waukesha-Milwaukee MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	25.7	5.1	0	0.0	0	0.0
2021	25.7	--	3	3.7	420	1.6
Moderate						
2020	16.3	17.6	3	5.9	581	3.9
2021	16.3	--	5	6.1	888	3.3
Middle						
2020	19.0	21.9	4	7.8	608	4.1
2021	19.0	--	8	9.8	1,602	5.9
Upper						
2020	39.0	42.9	25	49.0	8,976	61.0
2021	39.0	--	29	35.4	8,165	30.1
Not Available						
2020	0.0	12.5	19	37.3	4,556	31.0
2021	0.0	--	37	45.0	16,025	59.1
TOTAL						
2020	100.0	100.0	51	100.0	14,721	100.0
2021	100.0	--	82	100.0	27,100	100.0
<i>Source: 2015 ACS; 2020 HMDA Aggregate Data; 2020 & 2021 HMDA Reported Data</i>						

During 2020 and 2021, PSB's concentration of home mortgage loans among low- and moderate-income borrowers lagged demographic data and peer performance. In total, PSB has only originated six percent and ten percent of 2020 and 2021 home loan originations, respectively and by number, to low- and moderate-income borrowers. In comparison, peer financial institutions have extended 23 percent of their 2020 home mortgage loans to low- and moderate-income borrowers.

PSB's poor loan dispersion among low- and moderate-income borrowers is largely due to the COVID-19 Pandemic. Almost immediately upon establishing the West Allis branch in March 2020, management was forced to close the office to the general public and postponed any advertising efforts in the AA. Management has also struggled to hire and retain productive mortgage loan originators in this office since its establishment. They are aware of the need to increase the bank's concentration of lending activity among low- and moderate-income borrowers

in the AA and are regularly reviewing alternative lending strategies to achieve that goal. Since opening the West Allis branch, PSB has originated two VA loans and one FHA loan for approximately \$671,000.

Small Business

The distribution of small business loans among businesses of different sizes is reasonable, despite lending activity that is not reflective of demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category – Waukesha-Milwaukee MSA AA					
Gross Annual Revenue Level	% of Businesses	#	%	\$ (000s)	%
≤ \$1,000,000	80.6	28	58.4	3,819	58.6
> \$1,000,000	7.8	10	20.8	2,383	36.5
Revenue Not Available	11.6	10	20.8	322	4.9
TOTAL	100.0	48	100.0	6,524	100.0

Source: 2021 D&B Data; Bank Data

Although PSB does not report small business lending data under the CRA, a comparison of the bank’s performance to 2019 and 2020 aggregate data shows that 47 percent and 37 percent of reporting banks’ small business loan originations, respectively, were to entities with GARs of \$1 million or less. PSB’s performance exceeds this aggregate data.

Additionally, examiners compared PSB’s small business lending performance in this AA to that of other lenders operating in the Waukesha-Milwaukee MSA. PSB’s performance is comparable to five other lenders operating in the AA, whose 2020 lending to businesses with gross annual revenues of \$1 million dollars or less ranged from 43.1 to 61.3 percent, as reported in their most recent CRA Performance Evaluations.

COMMUNITY DEVELOPMENT TEST

PSB’s engagement in community development activities reflects an adequate responsiveness to the needs of those residing in the Waukesha-Milwaukee MSA AA.

Community Development Loans

PSB has originated 33 community development loans totaling over \$19 million in the Waukesha-Milwaukee MSA AA.

Community Development Lending in the Milwaukee-Waukesha MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2019	0	0	0	0	1	1,924	0	0	1	1,924
2020	6	2,649	0	0	3	1,023	0	0	9	3,672
2021	9	2,229	0	0	6	4,608	0	0	15	6,837
YTD 2022	2	232	3	5,944	3	442	0	0	8	6,618
TOTAL	17	5,110	3	5,944	13	7,997	0	0	33	19,051

Source: Bank Data

Community development loans in the Waukesha-Milwaukee MSA AA consist of affordable housing loans that financed the acquisition and/or improvement of several multi-family rental properties in low- and moderate-income areas, as well as loans to organizations that provide temporary housing to low- and moderate-income individuals. PSB also originated two commercial totaling approximately \$563,000 in TIF districts; two SBA 504 loans totaling approximately \$2 million; two SBA 7(a) loans totaling approximately \$604,000; and four MEDC CAP loans totaling \$492,000.

Qualified Investments

Qualified investments in the Waukesha-Milwaukee AA consist primarily of two mortgage-backed securities collateralized by single-family home loans extended to moderate-income borrowers in Milwaukee County. PSB has also donated to food pantries and organizations that provide affordable housing and financial literacy education.

Qualified Investments in the Waukesha-Milwaukee MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2020	0	0	0	0	0	0	0	0	0	0
2021	2	3,261	0	0	0	0	0	0	2	3,261
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	2	3,261	0	0	0	0	0	0	2	3,261
Qualified Grants & Donations	1	3	5	10	0	0	0	0	6	13
TOTAL	3	3,264	5	10	0	0	0	0	8	3,274

Source: Bank Data

PSB continues to maintain a \$950,000 prior-period investment in a Solomon Hess SBA Loan Fund (not included above). This investment was made in February 2013 to fund community development loans guaranteed by the SBA. At the time of origination, PSB requested that the underlying collateral be located in the Wausau-Weston MSA AA or the Non-MSA AA. Since May 2019, three new community development loans have been allocated to PSB within Solomon Hess SBA Loan Fund, all of which are located in low- or moderate-income tracts in Milwaukee. These underlying

loans were extended under the SBA 7a loan program and, according to borrower reports, created or helped retained 32 jobs, in aggregate.

Community Development Services

Directors and employees of PSB have provided 141 hours of community development services to four organizations in the Waukesha-Milwaukee MSA since this AA was established. The majority of these services are concentrated among organizations designed to address affordable housing needs in the community, such as Habitat for Humanity, the Waukesha County Community Foundation and LaCasa de Esperanza.

Community Development Services in the Milwaukee-Waukesha MSA AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	2	0	0	0	2
2021	40	20	0	0	60
YTD 2022	70	8	1	0	79
TOTAL	112	28	1	0	141
<i>Source: Bank Data</i>					

Employees also serve on the board of Secure Future Money Coach Program designed to teach financial literacy to teens in under-resourced communities.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

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

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

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

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