

# **PUBLIC DISCLOSURE**

June 21, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank of Chilton  
Certificate Number: 12331

26 East Main Street  
Chilton, WI 53014

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).
- **Assessment Area Concentration:** The bank originated a majority of home mortgage and small business loans within the AAs.
- **Geographic Distribution:** The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the AAs.
- **Borrower Profile:** Home mortgage and small business loans reflect reasonable distribution among individuals of different income levels and businesses 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

State Bank of Chilton (SBC) is a full-service financial institution headquartered in Chilton, Wisconsin. The bank is wholly-owned by Calumet Bancorporation, a one-bank holding company also headquartered in Chilton. The institution received a Satisfactory rating during its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated May 18, 2015, based on Interagency Small Institution Examination Procedures.

In addition to the main office, SBC operates four branches in the communities of Stockbridge, Brillion, Brookfield, and Sherwood, Wisconsin. In June 2016, SBC merged with Calumet County Bank, acquiring the Brillion and Sherwood offices. In August 2020, SBC relocated the Milwaukee branch office to Brookfield in order to reduce operating expenses, accommodate the geographical needs of customers in the area and facilitate anticipated growth from newly-hired lenders familiar with the Brookfield area. With the exception of the Brookfield office, which is in an upper-income census tract (CT), all other banking offices are located in middle-income CTs. The relocation of the Milwaukee office had minimal impact on residents and businesses within this tract, despite its proximity to low- and moderate-income CTs.

SBC offers a variety of loan and deposit products, with a focus on commercial and residential lending activities. Customers can access SBC’s products and services through online, telephone and mobile banking platforms, as well as depository and non-depository automated teller machines (ATMs) located at each branch location.

As of March 31, 2021, SBC maintained total assets of \$369 million, total loans of \$282 million, and total deposits of \$320 million.

<b>Loan Portfolio Distribution as of 03/31/21</b>		
<b>Loan Category</b>	<b>\$ (000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	14,105	5.0
Secured by Farmland	10,425	3.7
Secured by 1-4 Family Residential Properties	40,489	14.3
Secured by Multifamily (5 or more) Residential Properties	12,835	4.5
Secured by Nonfarm Nonresidential Properties	143,116	50.7
<b>Total Real Estate Loans</b>	<b>220,970</b>	<b>78.2</b>
Agricultural Loans	2,912	1.1
Commercial and Industrial Loans	50,505	17.9
Consumer Loans	3,193	1.1
Other Loans	4,888	1.7
<b>Subtotal</b>	<b>282,468</b>	<b>100.0</b>
Less: Unearned Income	1	0.0
<b>Total Loans</b>	<b>282,467</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

No financial, legal or other impediments limit SBC’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. SBC has defined two AAs consisting of 395 CTs. The Appleton MSA AA includes all CTs in Calumet County. In June 2016, management expanded this AA in response to the merger with Calumet County Bank. The second AA includes Milwaukee (298 CTs) and Waukesha (86 CTs) Counties in their entirety. In August 2020, management expanded this AA to include Waukesha County when they relocated the Milwaukee branch office to Brookfield. SBC’s AAs are comprised of whole geographies and include the CTs in which the main and branch offices are located. The AAs do not arbitrarily exclude any low- or moderate-income CTs and conform to 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 6/30/20		Evaluation Type
				\$ (000s)	%	
Appleton MSA AA	Calumet	11	4	287.5	95.0	Full Scope
Milwaukee MSA AA	Milwaukee, Waukesha	384	1	15.1	5.0	Full 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 May 18, 2015, to the current evaluation. Examiners used the Interagency Small Institution Examiner Procedures to assess SBC's CRA performance, including an evaluation of the institution's LTD ratio, AA concentration, geographic distribution, borrower profile and response to CRA-related complaints. They conducted a full scope review of both AAs, placing greater weight on the lending performance in the Appleton MSA AA, as it encompasses four of the five banking offices, 95 percent of the bank's total deposits and 71 percent of total loans analyzed during this Performance Evaluation.

### Activities Reviewed

Commercial and home mortgage loans represent the bank's major product lines. Examiners made this determination in consideration of SBC's business strategy, as well as the number and dollar volume of loans originated during the evaluation period. As of March 31, 2021, home mortgage loans represented 19 percent of the loan portfolio, while commercial loans represented 69 percent of the loan portfolio. Small farm and consumer loans represent a nominal percentage of SBC'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 an expanded sample of small business loans originated in 2020 to ensure commercial lending activity included in the Performance Evaluation was representative of actual lending activity throughout the evaluation period.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$ (000s)	#	\$ (000s)
Home Mortgage 2019	139	26,389	139	26,389
Home Mortgage 2020	191	39,413	191	39,413
Small Business	637	70,092	213	26,052

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

Examiners placed greater weight on small business lending activity, as commercial lending represents the primary business focus of the bank and the largest segment of its loan portfolio. D&B data from 2020 provided a standard of comparison for the bank’s small business lending activity. Aggregate HMDA data for 2019 and 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

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

### Loan-to-Deposit Ratio

SBC’s LTD ratio reflects reasonable performance, given the institution’s size and financial condition, as well as the credit needs within the AAs. SBC’s ratio averaged 92 percent over the previous 24 quarters, with a high of 106 percent and a low of 82 percent. This ratio is comparable to that of similarly-situated institutions whose average LTD ratios ranged from 67 percent to 107 percent over the same period. Examiners selected the comparable financial institutions based on geographic location, loan portfolio composition and asset size.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets (\$ 000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>State Bank of Chilton</b>	<b>369,343</b>	<b>91.7</b>
Similarly-Situated Institution #1	327,631	95.9
Similarly-Situated Institution #2	536,008	67.4
Similarly-Situated Institution #3	240,737	106.8
Similarly-Situated Institution #4	359,450	103.8
<i>Source: Reports of Condition and Income 6/30/2015 –3/31/2021</i>		

**Assessment Area Concentration**

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

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$ (000s)</b>				<b>Total \$ (000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2019	100	71.9	39	28.1	139	16,136	61.1	10,253	38.9	26,389
2020	148	77.5	43	22.5	191	31,160	79.1	8,253	20.9	39,413
<b>Subtotal</b>	<b>248</b>	<b>75.2</b>	<b>82</b>	<b>24.8</b>	<b>330</b>	<b>47,296</b>	<b>71.9</b>	<b>18,506</b>	<b>28.1</b>	<b>65,802</b>
Small Business	164	77.0	49	23.0	213	19,665	75.5	6,387	24.5	26,052
<i>Source: 2019 and 2020 HMDA Data; Bank Data</i>										

**Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the AAs. The bank’s lending performance in the Milwaukee MSA supports this conclusion. The Appleton 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 and small business loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration throughout the AAs. SBC’s reasonable small business lending performance in both AAs and reasonable home mortgage lending performance in the Appleton MSA AA supports this conclusion

**Response to Complaints**

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

## APPLETON MSA AA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN APPLETON MSA AA

The Appleton MSA AA consists of all 11 CTs in Calumet County, including nine middle-income tracts and two 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 table below summarizes demographic characteristics of the Appleton MSA AA.

<b>Demographic Information of the Appleton MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	11	0.0	0.0	81.8	18.2	0.0
Population by Geography	49,678	0.0	0.0	83.8	16.2	0.0
Housing Units by Geography	19,898	0.0	0.0	86.7	13.3	0.0
Owner-Occupied Units by Geography	15,078	0.0	0.0	84.1	15.9	0.0
Occupied Rental Units by Geography	3,505	0.0	0.0	92.8	7.2	0.0
Vacant Units by Geography	1,315	0.0	0.0	99.1	0.9	0.0
Businesses by Geography	2,158	0.0	0.0	87.7	12.3	0.0
Farms by Geography	222	0.0	0.0	95.5	4.5	0.0
Family Distribution by Income Level	13,904	15.6	17.2	27.3	39.9	0.0
Household Distribution by Income Level	18,583	17.4	15.8	21.9	44.9	0.0
Median Family Income – 11540 Appleton, WI MSA		\$73,709	Median Housing Value Median Gross Rent Families Below Poverty Level			\$163,544 \$716 5.5%

*Source: 2015 ACS Data; 2019 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 Appleton MSA AA under the Borrower Profile criterion.

<b>Median Family Income Ranges – Appleton MSA AA</b>				
<b>Median Family Incomes</b>	<b>Low &lt; 50%</b>	<b>Moderate 50% to &lt; 80%</b>	<b>Middle 80% to &lt; 120%</b>	<b>Upper ≥ 120%</b>
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

*Source: FFIEC*

In 2015, the median family income for Calumet County was \$77,100. The 2020 median family income of \$86,400 represents a 12 percent increase since the last evaluation.



Housing costs in the AA are generally modest. According to the Wisconsin Realtors Association, the median sales price of homes ranged from \$159,700 at year-end 2015 to \$218,000 at year-end 2020, an increase of 36 percent. This compared to a statewide median sales price of \$155,000 at year-end 2015 and \$220,000 at year-end 2020. 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, 2,158 businesses operate within the AA, of which 79 percent reported gross annual revenues (GARs) of \$1 million or less. Additionally, 64 percent of these businesses employ less than five employees, while 86 percent operate from a single location. The manufacturing and trade, transportation and utility industries supply the largest number of jobs in the AA, accounting for 50 percent of total employment. According to bank management, the largest employers in Calumet County include Ariens Company (a manufacturer of outdoor power equipment); Briess Malt and Ingredients Company; Kaytee Products, Incorporated (a manufacturer of food and care products for birds and small animals) and Endries International (a manufacturer of fasteners).

The unemployment rate for Calumet County, as reported by the U.S. Bureau of Labor Statistics, was 2.9 percent as of May 2021, compared to 8.2 percent as of May 2020. Similarly, the unemployment rate for the State of Wisconsin was 3.9 percent as of May 2020 and 10.4 percent as of May 2020. The higher unemployment rates in 2020 were the result of the COVID-19 pandemic.

### **Competition**

Bank competition in Calumet County is modest. According to the FDIC's June 30, 2020 Deposit Market Share Report, eight financial institutions maintain 12 offices in Calumet County. SBC retains the largest deposit market share at 46.7 percent, with two large national banks retaining an additional combined deposit market share of 35.9 percent.

### **Community Contact(s)**

According to a representative of a local economic development organization, the economic conditions in Northeast Wisconsin are rebounding, with unemployment rates nearing pre-pandemic numbers. However, there are significant job shortages in the area that are impacting smaller businesses. The contact further indicated that there are small business lending opportunities, particularly to entities impacted by COVID-19. County and state programs are starting to offer programs to meet these needs.

### **Credit Needs**

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

## CONCLUSIONS ON PERFORMANCE CRITERIA IN APPLETON MSA AA

### LENDING TEST

SBC demonstrates reasonable performance under the Lending Test in the Appleton MSA AA. The distribution of loans to borrowers of different income levels and entities of different sizes supports this conclusion.

### Geographic Distribution

Since the AA does not include any low- or moderate-income CTs, an analysis of the geographic distribution of loans would not yield any meaningful conclusions. Accordingly, examiners did not evaluate the geographic distribution of loans in the Appleton MSA AA.

### Borrower Profile

SBC has reasonably distributed loans among borrowers of different income levels and businesses of different sizes.

#### Small Business

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

<b>Distribution of Small Business Loans by Gross Annual Revenue – Appleton MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
≤ \$1,000,000	79.4	57	60.0	2,925	37.8
> \$1,000,000	5.9	30	31.6	4,677	60.5
Revenue Not Available	14.7	8	8.4	131	1.7
<b>Total</b>	<b>100.0</b>	<b>95</b>	<b>100.0</b>	<b>7,733</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data*

SBC's distribution of loans among small businesses with GARs of \$1 million or less is not reflective of demographic data. Nonetheless, examiners consider the bank's performance reasonable. Demographic data provided by D&B represents the percentage of businesses operating within the AA. It does not represent the percentage of businesses that are seeking traditional bank financing. Furthermore, 15 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.

Although SBC does not report small business lending data under the CRA, a comparison of the bank's performance to 2018 and 2019 aggregate data shows that 52 percent and 50 percent of reporting banks' small business loan originations, respectively, were to entities with GARs of \$1 million or less. SBC's performance exceeds this aggregate data.

Examiners also compared the bank’s performance to the small business lending performance of a local financial institution, as reported in its most recent CRA Performance Evaluation. While SBC’s concentration of loans among small businesses with GAR of \$1 million or less (60 percent) is slightly below the comparison bank’s performance of 65 percent, examiners considered the bank’s performance reasonable.

Home Mortgage

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels in the Appleton MSA AA.

<b>Distribution of Home Mortgage Loans by Borrower Income Level – Appleton MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Low</b>						
2019	15.6	7.7	13	17.1	1,413	13.4
2020	15.6	--	13	10.7	1,293	5.9
<b>Moderate</b>						
2019	17.2	22.7	24	31.6	2,766	26.2
2020	17.2	--	31	25.6	4,322	19.6
<b>Middle</b>						
2019	27.3	25.3	17	22.4	2,749	26.0
2020	27.3	--	33	27.3	5,564	25.2
<b>Upper</b>						
2019	39.9	33.9	21	27.6	3,582	33.9
2020	39.9	--	37	30.6	8,451	38.3
<b>Income Not Available</b>						
2019	0.0	10.4	1	1.3	62	0.5
2020	0.0	--	7	5.8	2,454	11.0
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>10,572</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>121</b>	<b>100.0</b>	<b>22,084</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Data; HMDA Aggregate Data; "--" data not available</i>						

SBC’s distribution of 2019 home mortgage loans to low- and moderate-income borrowers significantly exceeds peer performance and demographic data. Furthermore, while the concentration of 2020 home mortgage loans to low- and moderate-income borrowers declined from 2019 levels and trails demographic data, the bank’s performance still exceeds 2019 aggregate data. Finally, approximately six percent of the families in the Appleton MSA AA 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. After removing the percentage of families below the poverty level, SBC’s 2020 performance to low-income borrowers mirrors demographic data, providing further support for an excellent rating.

## MILWAUKEE MSA AA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN MILWAUKEE MSA AA

The Milwaukee MSA AA consists of 298 CTs in Milwaukee County and 86 CTs in Waukesha County. The AA includes 99 low-income tracts; 68 moderate-income tracts; 111 middle-income tracts; 104 upper-income tracts; and two tracts for which an income classification was not assigned. With the exception of three moderate-income tracts in Waukesha County, all low- and moderate-income tracts are located in Milwaukee County. 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 table below summarizes demographic characteristics of the Milwaukee MSA AA.

<b>Demographic Information of the Milwaukee MSA Assessment Area</b>						
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	44.6	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	78,162	12.8	14.1	31.5	41.5	0.0
Farms by Geography	1,408	8.4	10.4	29.0	52.2	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	17.0	40.3	0.0
Median Family Income MSA – 33340 Milwaukee-Waukesha, WI MSA		\$71,764	Median Housing Value Median Gross Rent Families Below Poverty Level			\$179,269 \$840 12.6%

*Source: 2015 ACS Data; 2019 D&B Data; FFIEC Estimated Median Family Income; (\*) - geographies not assigned an income classification.*

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

<b>Median Family Income Ranges – Milwaukee MSA AA</b>				
Median Family Incomes	Low < 50%	Moderate 50% to < 80%	Middle 80% to < 120%	Upper ≥ 120%
2019 (\$82,300)	< \$41,150	\$41,150 to < \$65,840	\$65,840 to < \$ 98,760	≥ \$98,760
2020 (\$83,800)	<\$41,900	\$41,900 to < \$67,040	\$67,040 to < \$100,560	≥ \$100,56

*Source: FFIEC*

The 2015 median family income in the Milwaukee MSA was \$73,300. The 2020 median family income represents a 14.3 percent increase since the last evaluation.

Housing affordability varies greatly between Waukesha and Milwaukee County. According to the Wisconsin Realtors Association, the median sales price of homes in Milwaukee County ranged from \$132,500 at year-end 2015 to \$187,000 at year-end 2020, an increase of 41 percent. Conversely, the median sales price of homes in the more affluent Waukesha County was \$337,500 at year-end 2020, while the statewide median sales price at year-end 2020 was \$220,000. The increasing price of homes, as compared to median family incomes, suggests that low- and moderate-income families may have difficulty purchasing a home.

According to 2020 demographic data provided by D&B, 78,162 businesses operate within the AA, of which 80 percent reported GARs of \$1 million or less. Additionally, 59 percent of these businesses employ less than five employees, while 87 percent operate from a single location. Major industries in both counties include education and health, as well as trade, transportation and utilities, accounting for 61 percent of total employment in Milwaukee County and 55 percent of total employment in Waukesha County. Large employers in the Milwaukee MSA AA include Aurora Health Care, Kroger Company/Roundys, Kohls and the Medical College of Wisconsin.

The unemployment rate in the Milwaukee MSA was 4.7 percent as of May 2021, compared to 11.8 percent as of May 2020. Similarly, the unemployment rate for the State of Wisconsin was 3.9 percent as of May 2020 and 10.4 percent as of May 2020. Higher unemployment rates in 2020 were the result of the COVID-19 pandemic.

### **Competition**

Bank competition in the Milwaukee MSA is high. According to FDIC Deposit Market Share data as of June 30, 2020, 29 financial institutions operate 232 full-service branches within Milwaukee County. Of these institutions, SBC ranks 27th with a deposit market share of 0.03 percent. Examiners did not analyze SBC's deposit market share in Waukesha County, as this county was not included in the bank's AA until August 2020.

### **Community Contact(s)**

Examiners contacted a representative from a not-for-profit organization that focuses on economic development in Milwaukee, Ozaukee and Waukesha Counties. According to this contact, the overall economy had been stable and consistently improving in the decade since the 2008 recession, but showed signs of slowing down in the fourth quarter of 2019 and the first quarter of 2020. The contact further stated that the economy was hardest hit in April and May 2020 due to the COVID-19 pandemic. Although there has been gradual economic improvement in the third quarter of 2020, that improvement has since plateaued. The contact added that the leisure and hospitality industries have been hit the hardest by the COVID-19 pandemic and are still under mandated restrictions that limit their operations and earning power. The contact doesn't believe there have been a significant number of permanent business closures; however, several restaurants and bars have reduced their hours or closed entirely. The contact believes Milwaukee County will likely see a slower recovery than the United States as a whole.

## **Credit Needs**

Small business loans represent a primary credit need in the AA considering information obtained from the community contact, bank management and economic data. Small business loans, particularly those that cover business interruption costs due to the COVID-19 pandemic, are in high demand.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN MILWAUKEE MSA AA

### LENDING TEST

SBC demonstrates reasonable performance under the Lending Test in the Milwaukee MSA AA. The distribution of loans among geographies and borrowers of different income levels, as well as businesses of different sizes, supports this conclusion.

#### Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AA. SBCs excellent distribution of small business loans and reasonable distribution of home mortgage loans supports this conclusion. Examiners focused on the bank’s lending performance in low- and moderate-income CTs.

#### Small Business

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

<b>Geographic Distribution of Small Business Loans – Milwaukee MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	12.9	26	37.7	3,404	28.5
Moderate	13.9	9	13.1	1,548	13.0
Middle	31.4	21	30.4	4,374	36.7
Upper	41.7	13	18.8	2,606	21.8
NA	0.1	0	0	0	0
<b>Total</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>11,932</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; Bank Data</i>					

The distribution of small business loans in low-income tracts significantly exceeds demographic data, while lending in moderate-income tracts is consistent with demographic data.

## Home Mortgage

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

<b>Geographic Distribution of Home Mortgage Loans – Milwaukee MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner- Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>Low</b>						
2019	8.9	4.4	2	8.4	255	4.6
2020	8.9	--	2	7.4	328	3.6
<b>Moderate</b>						
2019	14.5	12.0	5	20.8	1,352	24.3
2020	14.5	--	2	7.4	470	5.2
<b>Middle</b>						
2019	32.0	31.0	9	37.5	1,456	26.2
2020	32.0	--	12	44.4	3,904	43.0
<b>Upper</b>						
2019	44.6	52.6	8	33.3	2,501	44.9
2020	44.6	--	11	40.8	4,374	48.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>5,564</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>9,076</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

SBC's distribution of home mortgage loans is reasonable. The concentration of 2019 home mortgage loans in low-income tracts is reflective of demographic data and exceeds the performance of peer institutions. The concentration of 2019 home mortgage loans in moderate-income tracts exceeds both demographic data and peer performance; however, in 2020, the bank's concentration in moderate-income tracts declined significantly and is much lower than demographic data. The volume of home mortgage lending activity in this AA is lower than that in the Appleton MSA AA, with home mortgage loans typically extended as an accommodation for business customers or to finance multi-family rental properties. To date, home mortgage lending activity has been a lower priority within this AA.

## Borrower Profile

Overall, SBC has reasonably distributed loans among borrowers of different incomes and entities of different sizes. Examiners based this conclusion on the distribution of small business loans to entities of different sizes, as the distribution of home mortgage loans to borrowers of different income levels is poor. Examiners placed more weight on small business loan performance, given the bank's overall lending strategies, as well as the low volume of mortgage loan originations with reported income information.



Small Business

The distribution of small business loans to entities of different sizes is reasonable, despite lending performance that is not reflective of demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category – Milwaukee MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
≤ \$1,000,000	80.4	41	59.4	9,319	78.1
> \$1,000,000	8.1	18	26.1	1,550	13.0
Revenue Not Available	11.5	10	14.5	1,063	8.9
<b>Total</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>11,932</b>	<b>100.0</b>

*Source: 2020 D&B Data; Bank Data*

Similar to the Appleton MSA AA, many of the smallest borrowers in the Milwaukee MSA AA tend to rely on financing other than conventional business loans to meet their credit needs, including use of HELOCs, credit cards and personal loans.

Further, although SBC does not report small business lending data under the CRA, a comparison of the bank’s performance to 2018 and 2019 aggregate data shows that 44 percent and 47 percent of reporting banks’ small business loan originations, respectively, were to entities with GARs of \$1 million or less. SBC’s performance significantly exceeds this aggregate data.

Finally, examiners compared SBC’s small business lending performance in this AA to that of other lenders operating in the Milwaukee MSA. The following table shows the small business lending performance of several lenders in the Milwaukee MSA, as reported in their most recent CRA Performance Evaluations.

<b>Borrower Profile Criterion Comparison in Milwaukee MSA</b>						
<b>Bank Name</b>	<b>Assessment Area</b>	<b>Loans to Entities with GAR ≤ \$1 Million</b>				<b>Description of Performance</b>
		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
<b>State Bank of Chilton</b> <i>Evaluation dated 6/21/2021</i>	<b>Milwaukee &amp; Waukesha Co.</b>	-	-	-	<b>59.4</b>	<b>Reasonable</b>
Port Washington State Bank <i>Evaluation dated 9/21/2020</i>	Ozaukee Co.	-	54.1	62.7	-	Reasonable
Bank Five Nine <i>Evaluation dated 1/19/2021</i>	Milwaukee MSA	42.8	42.3	41.4	-	Adequate
Commerce State Bank <i>Evaluation dated 12/2/2019</i>	Milwaukee MSA	37.0	43.1	-	-	Reasonable
CIBM Bank <i>Evaluation dated 5/20/2019</i>	Milwaukee MSA	39.4	52.9	-	-	Reasonable
Westbury Bank <i>Evaluation dated 5/11/2020</i>	Washington & Waukesha Co.	-	32.9	26.5	-	Poor
First Business Bank <i>Evaluation dated 5/11/2020</i>	Milwaukee & Waukesha Co.	12.4	12.2	15.1	-	Very Poor

*Source: Bank Records. “-” = Not included in most recent CRA performance evaluation*

SBC’s performance exceeds that of other lenders operating in the Milwaukee MSA, many of whom received a reasonable assessment of their small business loan distribution.

### Home Mortgage Loans

The distribution of home mortgage loans reflects poor dispersion among borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level – Milwaukee MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2019	25.7	7.4	0	0	0	0
2020	25.7	--	0	0	0	0
Moderate						
2019	16.3	18.3	1	4.2	128	2.3
2020	16.3	--	0	0	0	0
Middle						
2019	19.0	22.3	0	0	0	0
2020	19.0	--	0	0	0	0
Upper						
2019	39.0	40.3	2	8.3	635	11.4
2020	39.0	--	5	18.5	1,896	20.9
Income Not Available						
2019	0.0	11.7	21	87.5	4,801	86.3
2020	0.0	--	22	81.5	7,180	79.1
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>5,564</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>9,076</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

SBC originated only one home mortgage loan to low- and moderate-income borrowers in 2019, with performance significantly below demographic and aggregate data. In 2020, SBC did not originate any loans to low- or moderate-income borrowers. Home mortgage lending activity is not a lending focus in this AA. SBC typically originates loans for owner-occupied properties in this AA as an accommodation for business borrowers. Furthermore, a significant majority of the bank's HMDA-reportable loans in this AA were recorded on the Loan Application Register with Income Not Available. These loans are typically multi-family housing loans for which income is not collected. The bank's distribution of home mortgage loans among borrowers of different income levels in the Milwaukee MSA AA is poor; however, examiners gave little weight to the home mortgage lending performance in this AA given the low volume of lending activity and the number of loans for which income was not collected.

## 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.