

# **PUBLIC DISCLOSURE**

December 9, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Chippewa Valley Bank  
Certificate Number: 12322

15755 W County Road B  
Hayward, Wisconsin 54843

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.**

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank made a majority of home mortgage and small business loans in the AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive 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.**

The institution demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AAs.

## DESCRIPTION OF INSTITUTION

Chippewa Valley Bank (CVB) serves customers from its headquarters in Hayward, Wisconsin and 12 additional branch locations in the Wisconsin communities of Ashland, Bayfield, Bruce, Cable, Hurley, Iron River, Lac Du Flambeau, Lake Nebagamon, Radisson, Superior, Washburn, and Winter. Since the previous evaluation, the bank closed three offices that were located in three different middle-income census tracts (CTs). Two branches were closed in Bayfield County and one branch was closed in Rusk County. CVB is wholly owned by Chippewa Valley Agency, LTD., a one-bank holding company. CVB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated November 8, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

CVB offers traditional lending and deposit products and services for consumer, residential, farm, business, and municipal customers. The bank offers a variety of open- and closed-end loans for these customers. Management's lending focus continues to be residential and commercial lending. Deposit services include debit and merchant card, checking, savings, certificates of deposit,

individual retirement accounts, and health savings accounts. Alternative banking services include wire transfers, electronic bill-pay, mobile deposit, phone banking, person to person payments through Zelle, and a suite of online banking services.

As of September 30, 2024, CVB held total assets of approximately \$708.8 million, total deposits of \$528.5 million, and total loans of \$498.4 million. Assets grew from \$677.8 million since the previous evaluation; however, loan portfolio allocations by product, on a percentage basis, remained consistent with allocations at the prior evaluation. Additional loan portfolio detail is provided in the following table.

<b>Loan Portfolio Distribution as of 9/30/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	17,541	3.5
Secured by Farmland	2,327	0.5
Secured by 1-4 Family Residential Properties	89,978	18.1
Secured by Multifamily (5 or more) Residential Properties	18,970	3.8
Secured by Nonfarm Nonresidential Properties	57,028	11.4
<b>Total Real Estate Loans</b>	<b>185,844</b>	<b>37.3</b>
Commercial and Industrial Loans	56,227	11.3
Agricultural Production and Other Loans to Farmers	85	0.0
Consumer Loans	1,711	0.3
Obligations of State and Political Subdivisions in the U.S.	12,284	2.5
Loans to Non-Depository Financial Institutions and Other Loans	242,227	48.6
<b>Total Loans</b>	<b>498,378</b>	<b>100.0</b>
<i>Source: 9/30/2024 Report of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the AAs.

## **DESCRIPTION OF ASSESSMENT AREAS**

CVB has designated two contiguous areas consisting of a combined 58 CTs in Northern Wisconsin and the Upper Peninsula of Michigan as the bank's AAs. There have been no changes in the AAs since the previous evaluation. The largest AA is comprised of six Wisconsin counties and three CTs in Michigan's Gogebic County. This area is outside a metropolitan statistical area (MSA) and is referred to as the Non-MSA AA in the evaluation. The bank operates 11 offices within the Non-MSA AA. As described in further detail in the later sections of this Performance Evaluation, there are several tribal communities in the Non-MSA AA. The other AA includes all of Douglas County, Wisconsin which is part of the Duluth, MN-WI MSA, and is referred to in the evaluation as the MSA AA. The bank has two offices in the MSA AA.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners reviewed small business and home mortgage lending as well as community development activities since the last evaluation on November 8, 2021, utilizing Interagency Intermediate Small Institution Examination Procedures. Both AAs received full-scope reviews; however, more weight and consideration was placed on the bank's performance in the multi-county Non-MSA AA, commensurate with that area's overall population, geographic size, number of offices, deposits, and loan origination volumes.

### **Activities Reviewed**

Home mortgage loans and small business loans represent the primary CRA credit products based on CVB's business strategy, Call Report data, and the number and dollar volume of loans originated during the review period. Although the bank's portfolio includes a substantial percentage of loans to non-deposit financial institutions, this product is not a focus of the CRA regulations and was not reviewed. Finally, agriculture and consumer loans do not represent a substantial portion of the bank's loan portfolio; and therefore, these products were not selected for review. Examiners placed slightly more weight on home mortgage lending based on origination volume.

Examiners reviewed home mortgage loan data reported by the bank pursuant to the Home Mortgage Disclosure Act (HMDA) for the 2022 and 2023 calendar years. In 2022, the bank originated 125 home mortgage loans totaling more than \$21.4 million. In 2023, the bank originated 101 home mortgage loans totaling over \$19.2 million. Within each AA, the bank's home mortgage performance was compared to the corresponding HMDA aggregate data. Aggregate HMDA data provides insight into actual loan demand for each borrower category.

Examiners also reviewed all small business loans originated in 2023. The 94 small business loans originated in 2023 totaling over \$14 million are representative of the performance over the entire review period. D&B data for 2023 provides a standard of comparison for small business performance.

Examiners reviewed all community development loans, qualified investments, and community development services identified by bank management since the previous evaluation. Examiners considered quantitative factors for these activities based on the bank's financial capacity, AA opportunities, and how the activities meet the needs of communities in the AAs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's performance under the Lending Test is Satisfactory. This conclusion is supported by the LTD ratio, AA Concentration, Borrower Profile, and Geographic Distribution analyses. Geographic performance in the lower weighted MSA AA was weaker than the bank's geographic performance in the Non-MSA AA.

## Loan-to-Deposit Ratio

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and AA credit needs. The bank's LTD ratio averaged 93.5 percent over the last 12 quarters from December 31, 2021, to September 30, 2024. The LTD ratio remained stable during the evaluation period. As shown in the table that follows, CVB maintained an LTD ratio that exceeded similarly situated institutions by more than 8 percentage points on the range’s high end, and by over 34 percentage points on the range’s low end. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets \$(000) as of 9/30/2024</b>	<b>Average Net LTD Ratio (%)</b>
Chippewa Valley Bank	708,820	93.5
Security Financial Bank	958,502	85.1
Shell Lake State Bank	350,660	75.6
Security State Bank	125,880	72.5
Great North Bank	174,821	67.1
Woodtrust Bank	658,507	64.3
Northern State Bank	307,342	59.5

*Source: Reports of Condition and Income 12/31/2021 – 9/30/2024*

## Assessment Area Concentration

As presented in the following table, a majority of home mortgage and small business loans are in the institution’s 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 \$</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										
2022	111	88.8	14	11.2	125	19,586	91.2	1,884	8.8	21,470
2023	85	84.2	16	15.8	101	14,834	77.0	4,438	23.0	19,272
<b>Subtotal</b>	<b>196</b>	<b>86.7</b>	<b>30</b>	<b>13.3</b>	<b>226</b>	<b>34,420</b>	<b>84.5</b>	<b>6,322</b>	<b>15.5</b>	<b>40,742</b>
Small Business										
2023	71	75.5	23	24.5	94	9,438	67.4	4,571	32.6	14,009

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

## Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Performance in the more heavily weighted Non-MSA AA was stronger than performance in the MSA AA.

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Performance is consistent throughout the AAs.

## **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**

The institution's community development performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs.

## **Community Development Loans**

CVB originated 40 community development loans totaling \$25.5 million during the evaluation period. This level of activity represents 3.6 percent of total assets and 5.7 percent of average net loans as of September 30, 2024. This level of community development lending is reasonable in comparison to banks evaluated under the Intermediate Small Institution Examination procedures in 2024 that operate in northwest Wisconsin or the Upper Peninsula of Michigan. The following two tables show the breakdown of community development loans by year, purpose, and AA.

<b>Community Development Lending by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021 (Nov/Dec)	-	-	-	-	2	1,040	3	1,017	5	2,057
2022	1	1,142	4	2,825	3	608	7	6,662	15	11,237
2023	1	708	3	1,089	-	-	8	6,486	12	8,283
2024 (YTD)	-	-	1	2,925	-	-	7	1,008	8	3,933
<b>Total</b>	<b>2</b>	<b>1,850</b>	<b>8</b>	<b>6,839</b>	<b>5</b>	<b>1,648</b>	<b>25</b>	<b>15,173</b>	<b>40</b>	<b>25,510</b>
<i>Source: Bank Data</i>										

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA	2	1,850	6	6,561	2	1,040	24	14,573	34	24,024
MSA	-	-	2	278	3	608	1	600	6	1,486
<b>Total</b>	<b>2</b>	<b>1,850</b>	<b>8</b>	<b>6,839</b>	<b>5</b>	<b>1,648</b>	<b>25</b>	<b>15,173</b>	<b>40</b>	<b>25,510</b>

Source: Bank Data

## Qualified Investments

CVB's qualified investments equaled nearly \$1.5 million which includes two prior period investments totaling slightly over \$1.4 million. Slightly more than \$72,000 of the prior period investments were regional. This level of qualified investments represents 0.6 percent of total assets, 1.3 percent of total securities, and 2.4 percent of equity capital as of September 30, 2024. This level of community development investments is reasonable in comparison to banks evaluated under the Intermediate Small Institution examination procedures in 2024 that are headquartered in Wisconsin or the Upper Peninsula of Michigan. The following two tables show the breakdown of community development investments by year, purpose, and AA.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	2	1,413	2	1,413
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
YTD 2024	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,413</b>	<b>2</b>	<b>1,413</b>
Qualified Grants & Donations	-	-	44	61	-	-	6	4	50	65
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>1,417</b>	<b>52</b>	<b>1,478</b>

Source: Bank Data

Qualified Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non MSA	-	-	42	58	-	-	7	1,344	49	1,402
MSA	-	-	1	<1	-	-	-	-	1	<1
Regional Activities	-	-	1	3	-	-	1	73	2	75
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>1,417</b>	<b>52</b>	<b>1,478</b>

Source: Bank Data

**Community Development Services**

CVB participated in 42 community development services during the evaluation period. This level of community development services is reasonable in comparison to banks evaluated under the Intermediate Small Institution CRA examination procedures in 2024 that are headquartered in Wisconsin or the Upper Peninsula of Michigan. The following two tables show the breakdown of community development services by year, purpose, and AA.

<b>Community Development Services by Year</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
2021 (Nov/Dec)	--	2	1	--	<b>3</b>
2022	--	5	2	1	<b>8</b>
2023	--	3	3	--	<b>6</b>
2024 (YTD)	--	23	2	--	<b>25</b>
<b>Total</b>	--	<b>33</b>	<b>8</b>	<b>1</b>	<b>42</b>
<i>Source: Bank Data</i>					

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
Non-MSA	--	29	2	1	<b>32</b>
Duluth MN-WI MSA	--	1	3	--	<b>4</b>
Statewide Activities	--	3	3	--	<b>6</b>
<b>Total</b>	--	<b>33</b>	<b>8</b>	<b>1</b>	<b>42</b>
<i>Source: Bank Data</i>					

In addition to the community development services provided, the bank also offers retail banking services that provide benefit to low- or moderate-income individuals such as branches and facilities in the moderate-income CTs, distressed CTs, or underserved CTs of the AA. Specifically, the bank operates six full-service branches and one off-site non-deposit taking ATM in moderate-income CTs within the AAs. Further, there are six full-service branches and three off-site non-deposit taking ATMs located in middle-income distressed or underserved CTs.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## **NON-MSA ASSESSMENT AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA ASSESSMENT AREA**

The Non-MSA AA, as discussed previously, is the largest and most heavily weighted AA, and is comprised of six Wisconsin counties (Ashland, Bayfield, Iron, Rusk, Sawyer, and Vilas) as well as three CTs in Michigan’s Gogebic County. The three Michigan CTs make up the municipal boundaries of Bessemer and Ironwood. The northernmost portion of Bayfield, Ashland, and Iron County are bounded by Lake Superior’s shoreline.

Within the Non-MSA AA are four tribal reservations. Specifically, the Red Cliff Reservation, located in Bayfield County, the Bad River Reservation in Ashland County, the Lac Courte Oreilles Reservation in Sawyer County, and the Lac du Flambeau Reservation, straddling Iron and Vilas counties. These tribal communities are approved under the Housing and Urban Development’s (HUD) Section 184 Lending Program on Trust Land. Most tribal lands are held in trust for the benefit of a particular tribe or individual Native American. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive approval from the Bureau of Indian Affairs (BIA), before a lien may be placed on the property. However, pursuant to HUD’s Section 184 program, a tribal member of a participating tribe may lease tribal land held in trust for 50 years. The home and leasehold interest may be mortgaged with BIA’s consent under this program.

Approximately 67 percent of the 43 CTs in the Non-MSA AA are designated as either moderate-income CTs or middle-income distressed or underserved CTs. Specifically, this AA has 8 moderate-income CTs, and 32 middle-income CTs. Of the 32 middle-income CTs, 21 are designated distressed or underserved. The bank operates 11 offices in this AA. Specifically, the bank has offices in the communities of Ashland, Bayfield, Bruce, Cable, Hayward, Hurley, Iron River, Lac Du Flambeau, Radisson, Washburn, and Winter. The bank’s Hurley, Lac Du Flambeau, and Raddison offices are in moderate-income CTs. The bank’s Ashland, Hayward, and Winter offices are in middle-income distressed or underserved CTs. There are no upper- or low-income CTs in this AA.

#### **Economic and Demographic Data**

The following table shows select demographic data for the Non-MSA AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Non-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)	43	0.0	18.6	74.4	0.0	7.0
Population by Geography	101,050	0.0	22.4	77.6	0.0	0.0
Housing Units by Geography	85,717	0.0	17.8	82.2	0.0	0.0
Owner-Occupied Units by Geography	34,685	0.0	19.1	80.9	0.0	0.0
Occupied Rental Units by Geography	10,701	0.0	34.8	65.2	0.0	0.0
Vacant Units by Geography	40,331	0.0	12.3	87.7	0.0	0.0
Businesses by Geography	11,160	0.0	20.5	79.5	0.0	0.0
Farms by Geography	576	0.0	9.9	90.1	0.0	0.0
Family Distribution by Income Level	27,709	23.7	20.6	22.9	32.8	0.0
Household Distribution by Income Level	45,386	28.4	18.2	18.9	34.5	0.0
Median Family Income Non-MSAs – MI		\$63,042	Median Housing Value			\$176,268
Median Family Income Non-MSAs – WI		\$71,403	Median Gross Rent			\$633
			Families Below Poverty Level			9.1%
<i>Sources: 2020 U.S. Census and 2024 D&amp;B Data</i>						
<i>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>						

There are 85,717 housing units in the Non-MSA AA of which 40 percent are owner-occupied, 12.5 percent are occupied rental units, and 47.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. Wisconsin and Michigan low-, moderate-, middle- and upper -income borrower categories for areas outside of an MSA, by calendar year, are shown in the following table.

<b>Median Family Income Ranges</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>
<b>MI NA Median Family Income (99999)</b>				
2022 (\$71,500)	<\$35,750	\$35,750 to <\$57,200	\$57,200 to <\$85,800	≥\$85,800
2023 (\$79,800)	<\$39,900	\$39,900 to <\$63,840	\$63,840 to <\$95,760	≥\$95,760
2024 (\$78,300)	<\$39,150	\$39,150 to <\$62,640	\$62,640 to <\$93,960	≥\$93,960
<b>WI NA Median Family Income (99999)</b>				
2022 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
2023 (\$86,000)	<\$43,000	\$43,000 to <\$68,800	\$68,800 to <\$103,200	≥\$103,200
2024 (\$86,700)	<\$43,350	\$43,350 to <\$69,360	\$69,360 to <\$104,040	≥\$104,040
<i>Source: FFIEC</i>				

A review of unemployment data from the U.S. Bureau of Labor Statistics, reveals that unemployment rates in the Wisconsin portion of the AA were generally higher than State and National unemployment rates for the 2022 and 2023 calendar years. However, by September 2024,

AA unemployment rates dropped below the national rate reflecting improved employment conditions. Pertinent county, statewide, and national unemployment rates prevailing during the review period are presented in the following table.

Unemployment Rates			
Area	2022	2023	Sept 2024
	%	%	%
Ashland County	3.9	3.7	2.4
Bayfield County	4.8	4.5	2.5
Iron County	5.2	5.5	3.4
Rusk County	3.7	3.7	3.0
Sawyer County	4.0	4.2	2.5
Vilas County	3.9	3.9	2.5
Wisconsin	2.9	3.0	2.5
National Average	3.6	3.7	3.9

*Source: Bureau of Labor Statistics*

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR). According to 2024 D&B data, there were 11,160 businesses operating in the AA with GARs shown below.

- 86.7 percent have GARs \$1 million or less;
- 3.4 percent have GARs more than \$1 million; and
- 9.9 percent have unknown revenues.

Service industries represent the largest portion of businesses at 31.7 percent; followed by retail trade (12.4 percent); and construction (8.5 percent). In addition, 61.8 percent of area businesses have four or fewer employees, and 91.1 percent operate from a single location. The demographic data demonstrates that small businesses represent a significant portion of overall business in the AA.

### **Competition**

The Non-MSA AA is moderately competitive for financial services. According to the June 30, 2024, FDIC Summary of Deposit data, 22 financial institutions operate 50 full-service branches in the AA. Of these institutions, CVB ranked first maintaining 16.3 percent market share of the \$2.8 billion in AA deposits.

According to 2023 HMDA aggregate data, 357 lenders originated 3,641 HMDA-reportable loans in the Non-MSA AA. CVB ranked 9<sup>th</sup> based on number of originations, a volume equivalent to 2.5 percent of the HMDA-reportable originations in the AA.

### **Community Contacts**

As part of the evaluation process, examiners contacted a third party active in the AA to assist in identifying AA credit and community development needs. This information helps determine

whether local financial institutions are responsive to these needs and the level of credit and community development opportunities that are available.

A representative from an area housing organization in the Non-MSA AA provided insights on housing costs and conditions in the area. According to the contact, there is insufficient affordable housing to meet demand. The contact noted that lake-side communities such as Hayward have seen the availability of rental housing decrease dramatically after COVID. The contact noted that most of the remaining affordable housing stock needs significant repair and many former Section 8 eligible rental properties have upgraded and sold to command rent that is out of reach for low- and moderate-income tenants. Moreover, new affordable housing stock is difficult to construct, primarily due to a lack of builder interest and increased construction costs.

The contact stated that local financial institutions have been helpful in meeting credit needs in the community and that financing is generally available for owner-occupied and tenant-occupied properties that meet underwriting requirements.

### **Credit and Community Development Needs and Opportunities**

Based on discussions with the community contact and local economic conditions, there is a need for affordable housing and small business start-up financing.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA ASSESSMENT AREA**

### **LENDING TEST**

CVB's performance under the Lending Test in the Non-MSA AA is reasonable. Performance under the Borrower Profile and Geographic Distribution criteria for both reviewed credit products 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. The following table shows the bank's performance in the AA's moderate-income CTs is consistent with or better than aggregate performance for both calendar years. In 2022, CVB's performance slightly trails the aggregate by 1.3 percentage points; however, in 2023, the bank's performance exceeds the aggregate by 2.5 percentage points.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Non-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>
Moderate						
2022	19.1	17.5	16	16.2	1,781	9.9
2023	19.1	17.8	14	20.3	2,307	17.8
Middle						
2022	80.9	82.5	83	83.8	16,172	90.1
2023	80.9	82.2	55	79.7	10,644	82.2
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>17,953</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>12,951</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; Bank Data, 2022 &amp; 2023 HMDA Aggregate Data.</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business***

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. As reflected in the following table, the bank's 2023 performance in the moderate-income CTs is consistent with the AA demographics. Specifically, while the bank's performance trails slightly by number of originations, performance exceeds the demographic based on dollar volume.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Non-MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	19.8	11	17.5	2,286	25.9
Middle	80.2	52	82.5	6,556	74.1
<b>Totals</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>8,842</b>	<b>100.0</b>
<i>Sources: 2023 D&amp;B Data; Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. This conclusion is supported by reasonable performance for both products reviewed.

### ***Home Mortgage***

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels. As reflected in the following table, the bank exceeded the aggregate by 7.2 percentage points in 2022 and by 2.4 percentage points in 2023 to low-income borrowers. This reflects strong segment performance.

The bank’s performance in the moderate-income segment is reasonable. The bank’s moderate-income borrower segment performance trailed the aggregate by 2.9 percentage points in 2022 and exceeded the aggregate by 7.8 percentage points in 2023. Considering both years of performance for low- and moderate-income borrowers, the bank’s performance is reasonable overall.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Non-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>
Low						
2022	23.9	10.0	17	17.2	1,890	10.5
2023	23.9	9.2	8	11.6	508	3.9
Moderate						
2022	20.7	18.1	15	15.2	1,174	6.5
2023	20.7	18.3	18	26.1	1,631	12.6
Middle						
2022	22.9	18.0	14	14.1	1,621	9.0
2023	22.9	19.8	14	20.3	2,482	19.2
Upper						
2022	32.5	42.7	28	28.3	6,307	35.1
2023	32.5	42.6	17	24.6	5,339	41.2
Not Available						
2022	0.0	11.1	25	25.3	6,961	38.8
2023	0.0	10.1	12	17.4	2,992	23.1
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>17,953</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>12,951</b>	<b>100.0</b>

*Sources: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%*

***Small Business***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As presented in the following table, the bank’s performance by number of originations to businesses with GARs at or below \$1 million, is comparable to the D&B demographic data.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Non-MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	86.2	54	85.7	6,531	73.9
>\$1,000,000	3.6	9	14.3	2,311	26.1
Revenue Not Available	10.2	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>8,842</b>	<b>100.0</b>

*Source: 2023 D&B Data; Bank Data.  
Due to rounding, totals may not equal 100.0%*

## **COMMUNITY DEVELOPMENT TEST**

The institution's community development performance demonstrates adequate responsiveness to the community development needs of the Non-MSA AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the AA.

### **Community Development Loans**

As shown in the following table, the bank originated 34 community development loans totaling over \$24 million in the Non-MSA AA during the evaluation period.

<b>Community Development Lending (Non-MSA AA)</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021 (Nov/Dec)	-	-	-	-	2	1,040	3	1,017	5	2,057
2022	1	1,142	3	2,801	-	-	7	6,662	11	10,605
2023	1	708	2	835	-	-	7	5,886	10	7,429
2024 (YTD)	-	-	1	2,925	-	-	7	1,008	8	3,933
<b>Total</b>	<b>2</b>	<b>1,850</b>	<b>6</b>	<b>6,561</b>	<b>2</b>	<b>1,040</b>	<b>24</b>	<b>14,573</b>	<b>34</b>	<b>24,024</b>

*Source: Bank Data*

Notable community development loans include:

- A loan for over \$700,000 to assist with purchasing an 18-unit low-income housing project.
- Two Small Business Administration (SBA) 504 program loans totaling more than \$1 million.
- Six loans totaling nearly \$5 million to businesses and local community governments to revitalize and stabilize communities located in moderate-income CTs and middle-income distressed or underserved CTs.

**Qualified Investments**

As shown in the table that follows, the bank made 48 donations totaling over \$61,000 and held a prior period qualified investment of \$1.3 million within the Non-MSA AA.

<b>Qualified Investments (Non-MSA AA)</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	-	-	-	-	-	-	1	1,340	1	1,340
Qualified Grants & Donations	-	-	42	58	-	-	6	4	48	62
<b>Total</b>	-	-	<b>42</b>	<b>58</b>	-	-	<b>7</b>	<b>1,344</b>	<b>49</b>	<b>1,402</b>
<i>Source: Bank Data</i>										

Notable donations include:

- A \$1,000 donation to an economic development corporation in a middle-income distressed or underserved CT.
- Thirteen donations totaling more than \$17,000 to qualified school districts.

**Community Development Services**

During the review period, the bank provided 32 community services to organizations as shown in the following table.

<b>Community Development Services (Non-MSA AA)</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (Nov/Dec)	--	2	--	--	2
2022	--	4	--	1	5
2023	--	2	1	--	3
2024 (YTD)	--	21	1	--	22
<b>Total</b>	--	<b>29</b>	<b>2</b>	<b>1</b>	<b>32</b>
<i>Source: Bank Data</i>					

Notable community development service examples include:

- Bank staff conducted 11 financial literacy classes and one accounting class to schools located in moderate-income CTs.
- Bank staff conducted 5 financial literacy and fraud prevention classes to low- and moderate-income seniors and retirees.
- A bank employee provided credit and budget planning for low-income individuals who are seeking to acquire a home.

## MSA ASSESSMENT AREA – Full-Scope Review

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

The MSA AA, as discussed previously, is the smallest and least weighted AA consisting of all 15 CTs in Douglas County, Wisconsin. Douglas County is part of the Duluth, MN-WI MSA. The MSA AA is flanked to the East by Bayfield County and is bounded to the North by Lake Superior’s shoreline and the Minnesota boarder to the West. The bank has two offices in the AA, in the communities of Lake Nebagamon and one on the perimeter of Superior. The AA has one low-income and two moderate-income CTs which are clustered in the port area of downtown Superior. One CT located Southeast of the Lake Nebagamon office changed to a middle-income CT designation in 2024; however, this CT was designated as moderate-income for the years analyzed for this evaluation.

#### Economic and Demographic Data

The following table shows select demographic data for the MSA AA displaying CT delineations as of January 1, 2024.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: 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)	15	6.7	13.3	73.3	0.0	6.7
Population by Geography	44,295	4.8	16.1	79.0	0.0	0.0
Housing Units by Geography	23,263	4.9	14.4	80.7	0.0	0.0
Owner-Occupied Units by Geography	13,014	1.8	8.9	89.3	0.0	0.0
Occupied Rental Units by Geography	5,980	14.5	33.4	52.1	0.0	0.0
Vacant Units by Geography	4,269	0.7	4.6	94.6	0.0	0.0
Businesses by Geography	3,528	15.9	16.0	68.1	0.0	0.0
Farms by Geography	94	6.4	4.3	89.4	0.0	0.0
Family Distribution by Income Level	11,423	20.8	18.4	24.1	36.7	0.0
Household Distribution by Income Level	18,994	24.5	17.4	17.4	40.6	0.0
Median Family Income MSA - 20260 Duluth, MN- WI MSA		\$77,539	Median Housing Value			\$146,748
			Median Gross Rent			\$787
			Families Below Poverty Level			7.8%
<i>Sources: 2020 U.S. Census and 2024 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There 23,263 housing units in the AA, 55.9 percent of which are owner-occupied, 25.7 percent are rental units, and 18.4 percent are vacant. Almost half (or 48 percent) of AA rental units are in the low- and moderate-income CTs in downtown Superior. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper -income borrower categories are broken out in the following table.

<b>Median Family Income Ranges</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>
<b>Duluth, MN-WI MSA Median Family Income (20260)</b>				
2022 (\$88,200)	<\$44,100	\$44,100 to <\$70,560	\$70,560 to <\$105,840	≥\$105,840
2023 (\$93,900)	<\$46,950	\$46,950 to <\$75,120	\$75,120 to <\$112,680	≥\$112,680
2024 (\$94,700)	<\$47,350	\$47,350 to <\$75,760	\$75,760 to <\$113,640	≥\$113,640

According to U.S. Bureau of Labor Statistics, Douglas County unemployment rates in the MSA AA trended consistent with statewide unemployment rates. Specifically, Douglas County’s unemployment rate increased from 4.1 percent in 2022, to 4.3 percent in 2023, and then fell to 2.7 percent in September 2024. During the same period statewide unemployment rates increased from 2.9 percent in 2022 to 3.0 percent in 2023 and fell to 2.5 percent September 2024.

According to 2024 D&B data, there were 3,528 businesses operating in the MSA AA with GARs follows.

- 83.5 percent have GARs \$1 million or less;
- 4.8 percent have GARs more than \$1 million; and
- 11.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 32.3 percent; followed by retail trade (12.1 percent); and finance, insurance and real estate (8.9 percent). In addition, 58.7 percent of area businesses have four or fewer employees, and 88.9 percent operate from a single location.

**Competition**

The MSA AA has modest competition for financial services. According to the June 30, 2024, FDIC Summary of Deposit data, 6 financial institutions operate 10 full-service branches in the AA. Of these institutions, CVB ranked fourth with a deposit market share of 5.1 percent of the AA’s \$921 million in bank deposits.

According to 2023 HMDA aggregate data, 151 lenders originated 1,472 HMDA-reportable loans in the MSA AA. CVB ranked 19<sup>th</sup> based number of originations, a volume equivalent to 0.9 percent of all HMDA originations in the AA.

**Community Contact**

Examiners contacted the Director of a local housing organization that focuses on low-, and moderate-income housing. According to the contact, the existing housing stock available for low- and moderate-income individuals is insufficient to meet demand. According to the contact, high

construction costs and valuations are major obstacles to adding new affordable housing units and providing needed upgrades and repairs to existing affordable housing stock. According to the contact, low-income housing tax credit projects are nearly the only viable path to new affordable housing for residents.

### **Credit and Community Development Needs and Opportunities**

Based on discussions with the community contact, and local economic conditions, there is a need for affordable housing and small business start-up financing in the MSA AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MSA ASSESSMENT AREA**

### **LENDING TEST**

CVB's performance under the Lending Test in the MSA AA is reasonable. Performance under the Borrower Profile for both reviewed credit products support this conclusion.

### **Geographic Distribution**

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

#### ***Home Mortgage***

As shown in the following table, the bank did not make any home mortgage loans in the low-income CT in downtown Superior and trails the aggregate by 1.5 percentage points in 2022 and 2.2 percentage points in 2023. The performance is not wholly unreasonable given the limited opportunities. There are four competing bank branches in the low-income CT and five additional competing bank offices more conveniently located to the low-income CT. Additionally, less than two percent of owner-occupied housing units are in the low-income CT reflecting ownership opportunities for low-income borrowers in the City of Superior is marginal.

The banks performance in the moderate-income CTs trails the aggregate by 12.2 percentage points in 2022 and 0.3 percentage points in 2023. Residents in the moderate CTs located in Superior are more conveniently serviced by nine other competing bank offices and therefore limited opportunity exists for the bank to penetrate these CTs as well.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 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>						
2022	1.8	1.5	0	0.0	0	0.0
2023	1.8	2.2	0	0.0	0	0.0
<b>Moderate</b>						
2022	15.5	20.5	1	8.3	155	9.5
2023	15.5	19.1	3	18.8	514	27.3
<b>Middle</b>						
2022	82.7	78.0	11	91.7	1,478	90.5
2023	82.7	78.7	13	81.3	1,369	72.7
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1,633</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>1,883</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; Bank Data, 2022 &amp; 2023 HMDA Aggregate Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

***Small Business***

As shown in the table that follows, the bank did not originate loans to any of the 15.7 percent of businesses in the low-income CT. While the D&B demographic shows the percentage of CT businesses in the low-income CT, it does not reflect actual demand. Moreover, many small business owners will draw down personal lines of credit for short term financing needs and seek more traditional financing when planning an expansion or making significant equipment investments not financed by the manufacturer. Finally, there are nine competing bank offices more conveniently located to the port area of Superior; however, competition is more muted for the businesses located in the 2022-2023 moderate-income CT near the Lake Nebagamon branch. The bank’s performance which trails D&B demographic by 9.8 percent in the moderate-income CTs reflects poor performance.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	15.7	0	0.0	0	0.0
Moderate	22.3	1	12.5	118	19.8
Middle	62.1	7	87.5	478	80.2
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>596</b>	<b>100.0</b>
<i>Sources: 2023 D&amp;B Data; Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals and businesses of different sizes. The bank's performance in home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and number of small business loans to businesses with GARs of \$1 million or less.

#### ***Home Mortgage***

As shown in the table that follows, the bank's performance exceeded aggregate in the low-income segment by nearly five percentage points in 2022 and trailed the aggregate by less than 4 percentage points in 2023. Overall, this borrower segment performance reflects reasonable performance.

Moderate-income borrower segment performance trailed the aggregate by 15.1 percentage points in 2022. While performance improved in 2023, it continues to trail aggregate by 6.3 percentage points. This segment performance is reasonable given the year over year improvement.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: 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>						
2022	20.9	12.0	2	16.7	85	5.2
2023	20.9	10.2	1	6.3	42	2.2
<b>Moderate</b>						
2022	18.5	23.4	1	8.3	60	3.7
2023	18.5	25.1	3	18.8	430	22.8
<b>Middle</b>						
2022	24.2	22.2	7	58.3	1,006	61.6
2023	24.2	22.6	4	25.0	662	35.1
<b>Upper</b>						
2022	36.4	26.1	1	8.3	328	20.1
2023	36.4	29.0	3	18.8	180	9.6
<b>Not Available</b>						
2022	0.0	16.4	1	8.3	155	9.5
2023	0.0	13.1	5	31.3	569	30.2
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>1,633</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>1,883</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; Bank Data, 2022 &amp; 2023 HMDA Aggregate Data.</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business***

As shown in the following table, all small business loans were to small business borrowers with GARs at or below \$1 million, reflecting excellent performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2023	83.2	8	100.0	596	100.0
<b>&gt;\$1,000,000</b>					
2023	4.9	0	0.0	0	0.0
<b>Revenue Not Available</b>					
2023	11.9	0	0.0	0	0.0
<b>Totals</b>					
<b>2023</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>596</b>	<b>100.0</b>
<i>Sources: 2023 D&amp;B Data; Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

**COMMUNITY DEVELOPMENT TEST**

CVB demonstrates adequate responsiveness to the community development needs of the AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

**Community Development Loans**

As shown in the following table, during the review period the bank originated slightly over \$1.4 million in community development loans in the MSA AA.

<b>Community Development Lending (MSA AA)</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2021 (Nov/Dec)	-	-	-	-	-	-	-	-	-	-
2022	-	-	1	25	3	608	-	-	4	633
2023	-	-	1	253	-	-	1	600	2	853
2024 (YTD)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>2</b>	<b>278</b>	<b>3</b>	<b>608</b>	<b>1</b>	<b>600</b>	<b>6</b>	<b>1,486</b>
<i>Source: Bank Data</i>										

Notable community development loans include:

- Two SBA 504 loans totaling \$598,500.
- A \$600,000 loan to a construction company working out of a low-income CT revitalizing and stabilizing the area.

**Qualified Investments**

During the review period the bank donated \$100 to an organization located in the AA’s low-income CT that provides transportation, and health and human services to individuals aged 60 and over as well as persons with disabilities.

**Community Development Services**

Between 2021 and 2023 a member of management served as a Board member on a county-wide economic development organization assisting with a revolving loan fund. Additionally, in 2024 staff presented a financial literacy and fraud prevention class to residents of the AA’s low-income CT.

## 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.