

# **PUBLIC DISCLOSURE**

November 27, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

PremierBank  
Certificate Number: 5295

70 N Main St  
Fort Atkinson, Wisconsin 53538

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 areas (AAs), 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 reasonable given the institution's size, financial condition, and the credit needs of the AAs.
- The bank made a majority of its home mortgage and small business loans, by number and dollar amount, in the AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects reasonable penetration of loans 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 rating.

**The Community Development Test is rated Satisfactory.**

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments and donations, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

## DESCRIPTION OF INSTITUTION

PremierBank is a full-service community bank that operates in portions of Jefferson, Walworth, and Rock Counties in south-central Wisconsin. Two offices, including the main office, are located in Fort Atkinson, with five additional branches in Jefferson, Whitewater, Johnson Creek, Janesville, and Sullivan. Additionally, the bank has two limited-service drive-thru facilities in Fort Atkinson. The drive-through facilities do not offer account opening or loan application services but are available for deposits, withdrawals, and payment acceptance. First American Bankshares, Inc., a one-bank holding company also located in Fort Atkinson, wholly owns PremierBank. The bank has a subsidiary offering investment products, First American Investment Co., located in Las Vegas, Nevada. No merger or acquisition activities have occurred since the previous evaluation. Based on the Interagency Intermediate Small Institution Examination Procedures, the bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated November 30, 2020.

PremierBank offers traditional consumer and commercial deposit and credit products. The bank's primary business strategy focuses on one to four-family residential and commercial lending. The institution offers loan products, which include home mortgage, consumer, commercial, and agricultural loans. In addition, the bank offers different government loan programs, including rural housing loans provided through the United States Department of Agriculture (USDA), mortgage loans through the Wisconsin Housing and Economic Development Authority (WHEDA), and small business loans through the Small Business Administration (SBA). In 2020 and 2021, to aid small businesses impacted by the COVID-19 pandemic, the bank participated in the U.S. SBA Paycheck Protection Program (PPP), which was part of the Coronavirus Aid, Relief, and Economic Security Act. These loans assisted businesses negatively impacted by the pandemic in retaining workforces. Further, PremierBank offered deferrals and forbearance programs to both consumer and business customers in response to the COVID-19 pandemic.

The institution provides various deposit services, including savings, checking, money market deposit accounts, individual retirement, health savings accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, mobile check deposit, account-to-account transfer abilities, and online deposit account opening. The bank also maintains ten proprietary automated teller machines (ATMs), the majority of which are located at the bank's branches or drive-thru locations. The bank has two standalone ATMs in Whitewater, Wisconsin, located in Walmart and Casey's Gas Station. Additional access to ATMs is available through the Access Network, a service that allows bank customers surcharge-free access to designated ATMs throughout Wisconsin and Minnesota.

PremierBank's assets total \$535.6 million as of September 30, 2023. As of the same financial date, the bank had total loans of \$321.5 million, securities totaling \$159.5 million, and deposits totaling \$435.3 million. Assets increased by \$46.4 million from the previous evaluation's September 30, 2020, financial date. This increase primarily resulted from a \$62.4 million increase in total loans. Management stated that loan growth is mostly organic but was further encouraged by the recent hiring of a new lender in Janesville. Deposits increased by \$70.5 million from the previous evaluation. Management stated that the deposit growth was primarily due to economic impact payments.

The following table shows the distribution for each loan category by dollar volume.

<b>Loan Portfolio Distribution as of 9/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	18,557	5.8
Secured by Farmland	17,174	5.3
Secured by 1-4 Family Residential Properties	105,583	32.8
Secured by Multifamily (5 or more) Residential Properties	32,462	10.1
Secured by Nonfarm Nonresidential Properties	103,430	32.2
<b>Total Real Estate Loans</b>	<b>277,206</b>	<b>86.2</b>
Commercial and Industrial Loans	31,715	9.9
Agricultural Production and Other Loans to Farmers	3,386	1.1
Consumer Loans	4,670	1.5
Obligations of State and Political Subdivisions in the U.S.	4,482	1.4
Other Loans	90	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>321,549</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%</i>		

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

## **DESCRIPTION OF ASSESSMENT AREAS**

CRA requires each financial institution to define one or more AAs within which examiners will evaluate the bank's performance. The bank has two AAs. One is located in non-Metropolitan Statistical Area (MSA) counties and consists of all of the census tracts in Jefferson and Walworth Counties. Examiners will refer to this as the Wisconsin non-MSA AA. The other AA is in the Janesville-Beloit MSA and contains all of Rock County. Examiners will refer to this as the Janesville-Beloit MSA AA. The AAs have not changed since the last examination. All of the census tracts within the AAs are contiguous. The bank's AAs do not arbitrarily exclude any low- or moderate-income census tracts, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA regulation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated November 30, 2020, to the current evaluation date of November 27, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. The procedures consist of the Lending Test and the Community Development Test. Examiners performed a full-scope review of both of the bank's AAs. The Wisconsin non-MSA AA carried more weight in the conclusions and overall rating due to the greater level of lending and community development activity in this AA compared to the MSA AA. The Appendix details the performance criteria for

this test, while the Glossary provides pertinent definitions. This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgages and small business loans. This conclusion considered the bank's business strategy, Call Report data, and the number and dollar volume of loans originated during the evaluation period. Bank records and discussions with management indicate that the lending focus and product mix remained consistent throughout the evaluation period as the bank continues to focus on home mortgage lending. No other loan types, such as agriculture or consumer loans, represent a major product line. Therefore, these products provided no material support for conclusions or ratings and were not included in the analysis.

Given the number and dollar volume, the bank has a larger record of originating home mortgage loans. Therefore, examiners gave heavier consideration to the home mortgage lending performance in arriving at overall conclusions, followed by consideration of small business lending performance.

Examiners reviewed the universe of home mortgage loans recorded on the 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. PremierBank originated or purchased 500 home mortgage loans totaling \$92.3 million in 2021. In 2022, PremierBank originated or purchased 292 home mortgage loans totaling \$69.8 million.

Examiners reviewed small business loans originated during the period of January 1, 2022, through December 31, 2022. PremierBank originated 160 small business loans totaling \$28.6 million in 2022. Examiners used sampling procedures for the borrower profile criterion, taking a random sample of 51 small business loans totaling \$6.5 million. Of the 51 small business loans included in the random sample, the bank originated 35 in the Wisconsin Non-MSA AA, and seven in the Janesville-Beloit MSA AA.

This evaluation presents home mortgage information for 2021 and 2022 and small business loan information for 2022; as bank management noted this performance is representative of the entire evaluation period. The 2022 home mortgage lending performance is analyzed using the 2015-2020 American Community Survey (ACS) and selected 2020 Census data and is compared to 2022 aggregate data. D&B data for 2022 provides a standard of comparison for the small business loans.

For the Community Development Test, examiners reviewed and analyzed community development loans, services, and investments utilizing bank-generated reports and compiled data. Examiners considered community development activities for the entire evaluation period and presented data and conclusions inclusive of the entire evaluation period under the Community Development Test section of this report.

The CRA performance was analyzed in relation to the bank's performance context, including, but not limited to, bank size and structure, financial condition, loan mix, resources, AA demographics, economic factors, competition, loan demand, and available opportunities. Examiners relied on records provided by the bank, 2015-2020 ACS data, 2020 Census, 2021 and 2022 D&B data, U.S.

Bureau of Labor Statistics, Wisconsin Department of Workforce Development, Wisconsin Realtors Association, community contacts, loan information reported under the HMDA, and other readily available public information, when making conclusions about bank performance.

While this evaluation includes the number and dollar volume of loans, examiners emphasized performance by number of loans extended, as this is generally a better indicator of the number of small businesses and individuals served. For the analyses of the small business loans, examiners adjusted the universe of small business loans for the loans that management opted for consideration under the Community Development Test.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

PremierBank demonstrated reasonable performance under the Lending Test. The institution's LTD ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance support this conclusion.

#### **Loan-to-Deposit Ratio**

PremierBank's average net LTD ratio is reasonable, given the institution's size, financial condition, and needs of the AAs. The ratio, calculated from Call Report data, averaged 64.9 percent over the 13 calendar quarters from September 30, 2020 to September 30, 2023. The ratio ranged from a low of 56.6 percent as of December 31, 2021, to a high of 72.9 percent as of September 30, 2023. The ratio had generally declined until March 31, 2022, after which the LTD ratio began to increase. This recent increase, as of March 31, 2022, is mainly due to decreasing total deposits, as customers draw on funds in the current economic environment.

As reflected in the below table, the bank's performance is in the lower range of similarly situated institutions' (SSIs) ratios. The SSIs had average LTD ratios that ranged from 57.4 percent to 92.2 percent during the same timeframe. Examiners selected SSIs based on asset size, banking structure, geographic location, and lending focus.

Loans sold in the secondary market that are not considered in PremierBank's LTD ratio further enhance the bank's performance. However, it is worth noting that such lending would enhance the SSIs' LTD ratios as well.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023 (\$000s)	Average Net LTD Ratio (%)
<b>PremierBank</b>	<b>535,606</b>	<b>64.9</b>
First Citizens State Bank	430,348	67.2
The Bank of New Glarus	467,169	78.2
The Greenwood's State Bank	584,024	92.2
Community State Bank (Union Grove)	600,858	57.4
Ixonia Bank	712,797	74.0
The Port Washington State Bank	898,994	62.1
<i>Source: Reports of Condition and Income 9/30/2020 – 9/30/2023</i>		

### **Assessment Area Concentration**

The bank made a majority of both home mortgage and small business loans, by number and dollar volume, within its AAs. The following table reflects lending activity inside and outside of the AAs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	\$	%	\$	
Home Mortgage										
2021	412	82.4	88	17.6	500	67,088	72.7	25,220	27.3	92,308
2022	224	76.7	68	23.3	292	36,381	52.2	33,378	47.8	69,759
Subtotal	636	80.3	156	19.7	792	103,469	63.8	58,598	36.2	162,067
Small Business										
2022	128	80.0	32	20.0	160	23,627	82.7	4,954	17.3	28,581
Total	764	80.3	188	19.7	952	127,096	66.7	63,552	33.3	190,648
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. The reasonable performance of home mortgage and small business loans supports this conclusion. The bank's performance was consistent between AAs. The Wisconsin non-MSA AA performance carried more weight in this conclusion. Examiners analyzed and presented this criterion separately for each AA in the subsequent sections of this evaluation.

### **Borrower Profile**

Given the demographics of the AAs, the distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. The



bank's performance was consistent between AAs. The reasonable performance in both AAs supports this conclusion.

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

An overall "Satisfactory" rating is assigned under the Community Development Test. The performance in the Wisconsin non-MSA AA supports this conclusion as most of the community development activities occurred in the non-MSA; therefore, these activities received the most weight in determining the rating. The bank's reasonable community development lending, qualified investments, and community development services performance support this conclusion.

### **Community Development Loans**

The bank originated 309 community development loans totaling \$39.0 million during the evaluation period. The activity level represents 7.3 percent of total assets and 12.3 percent of net loans. Of the bank's community development loans, 280 loans totaling \$8.8 million qualified under the SBA PPP in 2021. The majority of the PPP lending activity occurred within the AAs or broader statewide or regional area, including 21 loans for \$6.4 million in the Wisconsin non-MSA AA, 20 loans for \$0.9 million in the Janesville-Beloit MSA AA, and 42 loans for \$1.5 million in the broader statewide or regional area. This activity significantly increased the amount of community development lending during the review period; however, the PPP lending is not reflective of the entire evaluation period and will not be sustained going forward.

Because the bank has been responsive to the community development needs of its AAs, examiners considered the 59 loans for \$27.2 million originated in the broader statewide or regional area in this evaluation.

<b>Community Development Loans by Activity Year (with PPP)</b>								
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
December 2020 (Partial)	0	0	0	0	0	0	0	0
2021	3	2,830	1	65	282	9,760	286	12,655
2022	10	11,598	0	0	4	536	14	12,134
2023 (YTD)	2	2,084	0	0	7	12,101	9	14,185
<b>Total</b>	<b>15</b>	<b>16,512</b>	<b>1</b>	<b>65</b>	<b>293</b>	<b>22,397</b>	<b>309</b>	<b>38,974</b>
<i>Source: Bank Records</i>								

Community Development Loans by Assessment Area (with PPP)								
Assessment Area	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Wisconsin Non-MSA	2	1,554	1	65	226	8,463	229	10,082
Janesville-Beloit MSA	0	0	0	0	21	1,704	21	1,704
Statewide and Regional	13	14,958	0	0	46	12,230	59	27,187
<b>Total</b>	<b>15</b>	<b>16,512</b>	<b>1</b>	<b>65</b>	<b>293</b>	<b>22,397</b>	<b>309</b>	<b>38,974</b>
<i>Source: Bank Records</i>								

Notable community development loans originated by the bank include:

- Three SBA 504 loans originated in 2023, totaling \$10.5 million, used to fund creation or support of small businesses and also create or retain low- and moderate-income positions throughout the state.
- A renewal of a loan to an organization in the Wisconsin non-MSA AA that provides community-based residential facilities to women struggling through poverty and homelessness.

Removing the PPP lending activity, the bank originated 29 community development loans for approximately \$30.2 million. This level of activity represents 5.6 percent of total assets and 9.5 percent of net loans.

Community Development Loans by Activity Year (without PPP)								
Activity Year	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
December 2020 (Partial)	0	0	0	0	0	0	0	0
2021	3	2,830	1	65	2	1,000	6	3,895
2022	10	11,598	0	0	4	536	14	12,134
2023 (YTD)	2	2,084	-	0	7	12,101	9	14,185
<b>Total</b>	<b>15</b>	<b>16,512</b>	<b>1</b>	<b>65</b>	<b>13</b>	<b>13,638</b>	<b>29</b>	<b>30,214</b>
<i>Source: Bank Records</i>								

<b>Community Development Loans by Assessment Area (without PPP)</b>								
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Wisconsin Non-MSA	2	1,554	1	65	8	2,026	11	3,645
Janesville-Beloit MSA	0	0	0	0	1	850	1	850
Statewide and Regional	13	14,958	0	0	4	10,761	17	25,719
<b>Total</b>	<b>15</b>	<b>16,512</b>	<b>1</b>	<b>65</b>	<b>13</b>	<b>13,637</b>	<b>29</b>	<b>30,214</b>
<i>Source: Bank Records</i>								

Examiners compared the bank's performance with that of four SSIs in Wisconsin that were assessed under Interagency Intermediate Small Institution Examination Procedures during the evaluation period and received satisfactory ratings. Without PPP loans, PremierBank's percentage of community development loans to total assets of 5.6 percent exceeds three of the four SSIs, which reported percentages of community development loans to total assets ranging from 3.4 percent to 5.1 percent and is below that of the final SSI's ratio of 7.0 percent. Without PPP loans, PremierBank's percentage of community development loans to net loans of 9.5 percent exceeds all four SSIs whose ratios ranged from 5.0 percent to 9.2 percent. The bank has been reasonably responsive to the community development needs of its AAs.

### **Qualified Investments**

PremierBank made 78 qualified investments totaling approximately \$5.9 million. This total includes 20 qualified equity investments totaling \$5.9 million and 58 grants and donations totaling \$51,000. This dollar amount of investments equates to 1.1 percent of total assets and 3.7 percent of total securities. This performance represents an increase from the bank's previous evaluation's qualified investments, which represented 0.6 percent of total assets and 1.9 percent of total securities.

The bank's community development investments include eleven investments totaling \$3.6 million outside the AAs that are located in the broader statewide or regional area. As the bank has been responsive to the community development needs of its AAs, examiners considered these seven investments under the Community Development Test. Additionally, the bank's community development investments include nine certificates of deposit for \$2.2 million at minority depository institutions (MDI), low-income credit unions (LICU), and community development financial institutions (CDFI) located throughout the country.

Of the total dollar amount of investments, 50.3 percent benefited economic development. These investments demonstrate the bank's responsiveness to this community development need. The following tables illustrate community development investments by year, purpose, and AA.

Qualified Investments								
Activity Year	Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	1,410	10	2,490	0	0	14	3,900
December 2020	0	0	0	0	0	0	0	0
2021	2	500	0	0	1	500	3	1,000
2022	1	500	1	249	0	0	2	749
YTD 2023	0	0	1	249	0	0	1	249
<b>Subtotal</b>	<b>7</b>	<b>2,410</b>	<b>12</b>	<b>2,988</b>	<b>1</b>	<b>500</b>	<b>20</b>	<b>5,898</b>
Qualified Grants & Donations	57	44	1	7	0	0	58	51
<b>Total</b>	<b>65</b>	<b>2,454</b>	<b>13</b>	<b>2,995</b>	<b>1</b>	<b>500</b>	<b>78</b>	<b>5,949</b>
<i>Source: Bank Data</i>								

Qualified Investments by Assessment Area								
Assessment Area	Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Wisconsin Non-MSA AA	36	27	0	0	0	0	36	27
Janesville-Beloit MSA AA	21	17	1	7	0	0	22	24
Statewide Activities	4	910	0	0	0	0	4	910
Regional Activities	3	1,500	3	747	1	500	7	2,747
Nationwide Activities	0	0	9	2,241	0	0	9	2,241
<b>Total</b>	<b>64</b>	<b>2,454</b>	<b>13</b>	<b>2,995</b>	<b>1</b>	<b>500</b>	<b>78</b>	<b>5,949</b>
<i>Source: Bank Data</i>								

Below are notable examples of the bank's community development investments:

- Twelve economic development investments were certificates of deposit to institutions designated as MDI, LICU, and CDFIs; nine of which were to institutions throughout the region and nation.
- Seven community service investments were bonds to fund schools with over 50 percent of students participating in free and reduced lunch programs throughout the region.
- Three community service investments were donations to a local clinic providing healthcare services to underinsured and uninsured individuals in Jefferson and Southern Dodge County.

Examiners compared the bank's performance with four SSIs in Wisconsin that were assessed under Interagency Intermediate Small Institution Examination Procedures during the evaluation period and received satisfactory ratings. The community development investments for the SSIs ranged from 0.05 percent to 1.4 percent as a percentage of total assets, from 0.4 percent to 25.6 percent as a percentage of total equity capital, and from 0.7 percent to 5.6 percent as a percentage of total securities. The bank's performance compares well, exceeding or equaling that of all four SSIs as a percentage of total assets, exceeding that of three SSIs as percentage of total equity capital, and exceeding that of two SSIs as a percentage of total securities.

## **Community Development Services**

During the evaluation period, bank employees provided 67 instances of financial expertise or technical assistance to several different community development organizations in the AAs. The bank's performance at this evaluation represents an increase from the prior evaluation when the bank provided 55 instances of community development services.

Of the total services provided, 46.3 percent benefited community services, followed by 44.8 percent benefitting economic development. These services demonstrate the bank's responsiveness to these community development needs. Given the bank's responsiveness to its AA needs, examiners also considered a service that benefited the regional area. The following tables illustrate the bank's community development services by year, purpose, and rated area.

<b>Community Development Services</b>				
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021	2	12	9	<b>23</b>
2022	2	9	10	<b>21</b>
YTD 2023	2	10	11	<b>23</b>
<b>Total</b>	<b>6</b>	<b>31</b>	<b>30</b>	<b>67</b>
<i>Source: Bank Data</i>				

<b>Community Development Services by Rated Area</b>				
<b>Rated Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Wisconsin Non-MSA AA	4	18	22	<b>44</b>
Janesville-Beloit MSA AA	2	13	7	<b>22</b>
Regional Area	0	0	1	<b>1</b>
<b>Total</b>	<b>6</b>	<b>31</b>	<b>30</b>	<b>67</b>
<i>Source: Bank Data</i>				

Below are notable examples of the bank's community development services:

- One employee served as an advisory board member for an entity that aids women fighting poverty and homelessness.
- One employee served on the Board of Directors and Loan Committee of an organization dedicated to increasing affordable housing in Southcentral and Southwestern Wisconsin.
- One employee served as the social media coordinator for a local organization to inform the low- and moderate-income and Hispanic communities about services and resources available in Jefferson, Walworth, Rock, and Dodge counties. Another employee served on the board of this organization.

In addition, the bank participates with several different entities that assist low- and moderate-income individuals and businesses of varying sizes. PremierBank offers home mortgage loan products that assist low- and moderate-income families through USDA Rural Housing and Guaranteed Rural Housing programs and WHEDA. In addition, WHEDA provides two different grant programs to help borrowers obtain down-payment funds. Similarly, the bank offers a Down-Payment Plus program through the FHLB and down payment assistance through The HOME Consortium, which is offered locally in and around Jefferson County. Further, the bank assists small businesses, including start-ups, by offering loans through various SBA lending programs. These programs represent the bank's efforts to meet the needs of the AAs.

Examiners compared the bank's performance with that of four SSIs in Wisconsin that were assessed under Interagency Intermediate Small Institution Examination Procedures during the evaluation period and received satisfactory ratings. The SSIs provided between 24 and 56 community development services. The bank's performance compares favorably, exceeding the performance of all four SSIs.

### **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.

## Wisconsin Non-MSA Assessment Area – Full-Scope Review

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

The Wisconsin non-MSA AA includes contiguous tracts encompassing all of Jefferson and Walworth Counties. The bank operates six offices in this AA, including its main office in Fort Atkinson, Wisconsin. Additionally, the bank has two limited-service drive-thru facilities also located in Fort Atkinson. The main office is located in census tract 1015, which the 2020 U.S. Census designates as middle-income. Considering that the majority of the bank’s lending occurs in the Wisconsin non-MSA AA, conclusions on lending performance within this area received more consideration in the overall rating.

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

Of the 50 census tracts in PremierBank’s Wisconsin non-MSA AA, the 2020 U.S. Census designates 24 as upper-income, 25 as middle-income, and one as moderate-income. There are no low-income CTs in this AA. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area Assessment Area: Wisconsin Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	0.0	2.0	50.0	48.0	0.0
Population by Geography	191,378	0.0	1.2	53.8	45.0	0.0
Housing Units by Geography	88,605	0.0	1.1	49.4	49.5	0.0
Owner-Occupied Units by Geography	52,205	0.0	0.6	48.4	51.0	0.0
Occupied Rental Units by Geography	22,558	0.0	2.9	66.8	30.3	0.0
Vacant Units by Geography	13,842	0.0	0.0	25.1	74.9	0.0
Businesses by Geography	14,161	0.0	1.4	52.1	46.5	0.0
Farms by Geography	920	0.0	0.2	44.0	55.8	0.0
Family Distribution by Income Level	49,297	13.7	15.6	23.1	47.6	0.0
Household Distribution by Income Level	74,763	18.7	15.4	17.5	48.5	0.0
Median Family Income Non-MSAs - WI	\$71,740		Median Housing Value			\$216,517
			Median Gross Rent			\$901
			Families Below Poverty Level			5.1%
Source: 2020 U.S. Census and 2022 D&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.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR levels. According to 2022 D&B data, there were 14,161 reporting businesses in the AA. GARs for these businesses are below.

- 86.1 percent have \$1 million or less
- 4.9 percent have more than \$1 million
- 9.0 percent have unknown revenues

Service industries represent the largest portion of AA businesses at 30.5 percent, followed by non-classifiable establishments at 22.5 percent and retail trade at 12.1 percent. In addition, based on D&B data, 61.5 percent of area businesses have four or fewer employees, and 92.5 percent of businesses operate from a single location.

According to the Wisconsin Department of Workforce Development, major employers in the AA include Trek Bicycle Corporation, Nasco International Incorporation, OSI Industries, University of Whitewater, and Pentair Flow Technologies. Other large employers include food wholesalers and manufacturing companies.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in Jefferson and Walworth Counties were generally improving throughout the evaluation period. However, a sharp increase occurred in the second quarter of 2020. Specifically, the unemployment rates in Jefferson and Walworth Counties peaked in April 2020 at 12.4 percent and 14.4 percent, respectively, due to COVID-19 impacts. The rates returned to pre-COVID-19 levels by year-end of 2021 and were even lower in September 2023. The following table shows the unemployment rates in Jefferson and Walworth Counties since the previous evaluation.

Unemployment Rates				
Area	2020	2021	2022	Sept. 2023
	%	%	%	%
Jefferson County	5.5	3.4	2.7	3.0
Walworth County	6.1	3.7	2.9	3.1
Statewide	6.4	3.8	2.9	3.2
Nationwide	8.1	5.4	3.6	3.8
<i>Source: Year End Bureau of Labor Statistics.</i>				

Based on 2020 U.S. Census data, the current AA population has grown slightly since the 2015 ACS, with a 2.1 percent increase in population. Of the 88,605 housing units in the AA, 58.9 percent are owner-occupied, 25.5 percent are occupied rental units, and 15.6 percent are vacant. This data gives some insight into the AA's housing credit opportunities.

Information from the Wisconsin Realtors Association (WRA) indicates that housing sales prices have steadily increased in this AA since the previous evaluation. In both Jefferson and Walworth Counties, median sale prices typically exceed the statewide median housing costs. The median housing costs provide insight into the potential affordability of housing for low- and moderate-income people. Median housing costs are detailed in the following table.



Area	Median Housing Cost 2020 (\$)	Median Housing Cost 2021 (\$)	Median Housing Cost 2022 (\$)
Jefferson County	244,750	272,000	298,950
Walworth County	259,000	285,000	316,500
Statewide	220,000	241,000	265,000
<i>Source: WRA</i>			

Housing sales volume gives insight into the home mortgage lending needs and opportunities within the AA. Housing sales data is detailed below.

Area	Housing Sales 2020	Housing Sales 2021	Housing Sales 2022
Jefferson County	1,352	1,440	1,204
Walworth County	2,142	2,085	1,779
<i>Source: WRA</i>			

Examiners use the 2021 and 2022 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories in this AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
2021 (\$69,600)	<\$34,800	\$34,800 to <\$55,680	\$55,680 to <\$83,520	≥\$83,520
<i>Source: FFIEC</i>				

## **Competition**

This AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data, as of June 30, 2022, 24 financial institutions operated 56 full-service branches within the AA. Of these institutions, PremierBank ranked first with 9.6 percent of the deposit market share.

The 2022 aggregate data reflects that 357 lenders reported 6,415 home mortgage loans in this AA. Of these lenders, PremierBank ranked seventh with 2.5 percent of the market share. This volume indicates a high degree of credit opportunities and competition for home mortgage lending. Many institutions are not required to report lending data; therefore, competition and opportunities for this loan type would be greater than the aggregate data indicates.

The bank is not required to collect or report small business data, and it has elected not to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data provides insight into the level of demand and competition for business lending. The most recent aggregate data available for small business lending is from 2021, which shows 83 lenders reported 3,555 small business loans in Jefferson and Walworth Counties. The aforementioned aggregate data indicates a moderate degree of competition

in small business lending. Like PremierBank, many institutions are not required to report small business lending data; therefore, competition for this loan type is greater than the aggregate data reflects.

### **Community Contacts**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. Examiners reviewed two community contact interviews with municipal employees from a local village and local city, both of whom were familiar with the demographics and economics of the AA.

According to both contacts, the AA's economy is doing well and experiencing small, incremental growth each year. Overall, the economy has been improving since the COVID-19 pandemic but still experiences some economic struggles related to pandemic recovery. The majority of residents in the region are currently seeking affordable single-family homes in a competitive market with rising interest rates. The contacts also noted that the increasing trend of home values has resulted in a significant decline in affordable housing stock. As a result, the contacts felt affordable single-family and multifamily units are credit needs in the area; specifically, the area needs more construction of these units.

Additionally, the contacts noted that the region consists of many small businesses, but the growth of new businesses has been relatively stagnant in many areas. One contact stated there had been no upward trend in small business growth, while the other mentioned very small growth figures in their specific city. As such, lending opportunities exist to assist and maintain existing small businesses in the area.

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

Considering information from the community contact, demographic and economic data, and comments from management, examiners determined that there is a significant community development need for affordable housing in the AA, including both single-family and multifamily housing. Additionally, there is the opportunity to assist and maintain existing small businesses, given the significant percentage of businesses with GARs of \$1 million or less and the percentage of businesses with four or fewer employees in the AA.

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

### **LENDING TEST**

PremierBank demonstrates reasonable performance under the Lending Test in the Wisconsin non-MSA AA. The geographic distribution and borrower profile performances primarily support this conclusion.

## **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Wisconsin non-MSA AA. The bank's reasonable home mortgage and excellent small business performance support this conclusion.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The bank's Wisconsin non-MSA AA has no low-income census tracts.

The Wisconsin non-MSA AA contains only one moderate-income census tract, mainly consisting of the City of Watertown. This tract has limited opportunity for home mortgage lending as the number of owner-occupied units makes up less than two percent of all the housing units in the AA. PremierBank's performance exceeds the demographic benchmark and slightly exceeds aggregate data for the moderate-income census tract in both 2021 and 2022. Overall, the bank's lending performance in the moderate-income geography is reasonable.

<b>Geographic Distribution of Home Mortgage Loans Assessment Area: Wisconsin Non-MSA</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						
2021	1.4	1.6	8	2.3	1,939	3.4
2022	0.6	1.0	2	1.2	414	1.5
Middle						
2021	54.5	53.6	254	74.3	40,064	69.7
2022	48.4	46.5	99	60.7	16,276	59.4
Upper						
2021	44.0	44.7	80	23.4	15,448	26.9
2022	51.0	52.6	62	38.0	10,692	39.0
Not Available						
2021	0.1	0.1	0	0.0	0	0.0
2022	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	342	100.0	57,451	100.0
2022	100.0	100.0	163	100.0	27,382	100.0
<small>Source (2021): 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0% Source (2022): 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</small>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout this AA. The bank's Wisconsin non-MSA AA has no low-income census tracts.

As noted above, the Wisconsin non-MSA AA contains only one moderate-income census tract, mainly consisting of the City of Watertown. This tract has limited opportunity for small business lending as the percentage of small businesses makes up less than 1.5 percent of businesses in the AA. However, PremierBank's performance significantly exceeds the demographic data for the moderate-income census tract in 2022. Further, although not a direct comparator, aggregate data from 2021, the most recent available, shows that only 2.1 percent of loans were made within this moderate-income census tract. Overall, the bank's small business lending performance in the moderate-income geography is excellent.

Geographic Distribution of Small Business Loans Assessment Area: Wisconsin Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	1.4	10	8.3	1,944	8.7
Middle					
2022	52.1	62	51.2	9,361	42.0
Upper					
2022	46.5	49	40.5	10,960	49.2
Not Available					
2022	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>	<b>22,266</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. 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 and businesses of different sizes in the AA. The bank's reasonable home mortgage and small business lending performance support this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers compared to aggregate lending and the percentage of small business loans to businesses with GARs of \$1 million or less compared to demographic data.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The following table shows PremierBank's percentage of loans originating to low-income borrowers is less than the percentage of families but exceeds the aggregate data. PremierBank's lending to moderate-income borrowers only slightly trails the demographic in 2021 yet exceeds aggregate data. In 2022, the bank's performance exceeds the demographic benchmark and aligns with aggregate data.

Considering the presented demographic information in the table, area housing costs, and competition, the overall distribution of home mortgage loans to individuals of different income levels is reasonable. The table below reflects the levels of lending to borrowers of different incomes within the Wisconsin non-MSA AA.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Wisconsin Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	14.9	3.3	23	6.7	1,566	2.7
2022	13.7	5.0	17	10.4	1,102	4.0
Moderate						
2021	16.7	13.9	51	14.9	6,380	11.1
2022	15.6	17.4	28	17.2	3,075	11.2
Middle						
2021	20.9	21.5	83	24.3	11,644	20.3
2022	23.1	23.4	33	20.2	4,572	16.7
Upper						
2021	47.6	48.7	152	44.4	30,089	52.4
2022	47.6	44.3	57	35.0	10,482	38.3
Not Available						
2021	0.0	12.6	33	9.6	7,772	13.5
2022	0.0	9.9	28	17.2	8,150	29.8
Totals						
2021	100.0	100.0	342	100.0	57,451	100.0
2022	100.0	100.0	163	100.0	27,382	100.0
Source (2021): 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						
Source (2022): 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank's loans to businesses with GARs of \$1 million or less slightly trailed the presented demographic in 2022. Although not a direct comparator, aggregate data for 2021, the most recent data available, shows that only 55.2 percent of loans originated to businesses with GARs of \$1 million or less. See the following table for details.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Wisconsin Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	86.1	25	71.4	2,970	66.7
>\$1,000,000					
2022	4.9	10	28.6	1,485	33.3
Revenue Not Available					
2022	9.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,455</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

## COMMUNITY DEVELOPMENT TEST

The bank demonstrated reasonable responsiveness to the community development needs of the Wisconsin non-MSA 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

The bank originated 229 community development loans totaling \$10.1 million during the evaluation period in the non-MSA AA. Tables in the overall section include a breakdown of community development loans by year and purpose.

### Qualified Investments

PremierBank made 36 qualified investments totaling \$27,000 during the evaluation period in the non-MSA AA. Tables in the overall section include a breakdown of qualified investments by year and purpose.

### Community Development Services

Bank personnel provided 44 community development services during the evaluation period in the non-MSA AA, which represents 66.7 percent of the total services performed. Tables in the overall section include a breakdown of community development services by year and purpose.

## Janesville-Beloit MSA Assessment Area – Full-Scope Review

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

The Janesville-Beloit MSA AA includes contiguous tracts encompassing all of Rock County. The bank operates one branch in this AA in the City of Janesville, Wisconsin. The branch is located in census tract 0007, which the 2020 U.S. Census designates as middle-income.

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

Of the 41 census tracts in PremierBank’s Janesville-Beloit MSA AA, nine are designated as upper-income, 20 are middle-income, 11 are moderate-income, and one is low-income. The following table illustrates additional, select demographic characteristics of the AA.

Demographic Information of the Assessment Area Assessment Area: Janesville-Beloit MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	41	2.4	26.8	48.8	22.0	0.0
Population by Geography	163,687	0.5	24.3	50.9	24.2	0.0
Housing Units by Geography	69,278	0.9	24.9	51.4	22.8	0.0
Owner-Occupied Units by Geography	44,625	0.2	19.6	54.0	26.2	0.0
Occupied Rental Units by Geography	20,612	2.0	35.6	45.0	17.4	0.0
Vacant Units by Geography	4,041	2.8	28.8	56.2	12.2	0.0
Businesses by Geography	10,003	3.0	16.5	50.1	30.3	0.0
Farms by Geography	596	0.5	8.1	55.9	35.6	0.0
Family Distribution by Income Level	41,544	19.6	18.8	22.5	39.1	0.0
Household Distribution by Income Level	65,237	24.0	16.0	19.3	40.7	0.0
Median Family Income MSA - 27500 Janesville-Beloit, WI MSA	\$72,372		Median Housing Value			\$154,857
			Median Gross Rent			\$924
			Families Below Poverty Level			8.8%
Source: 2020 U.S. Census and 2022 D&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.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR levels. According to 2022 D&B data, there were 10,003 reporting businesses in the AA. GARs for these businesses are below.

- 84.3 percent have \$1 million or less
- 4.8 percent have more than \$1 million
- 10.8 percent have unknown revenues

Service industries represent the largest portion of AA businesses at 31.7 percent, with non-classifiable establishments at 20.2 percent and retail trade at 12.1 percent. In addition, based on D&B data, 62.1 percent of area businesses have four or fewer employees, and 90.5 percent of businesses operate from a single location.

According to the Wisconsin Department of Workforce Development, major employers in the Janesville-Beloit MSA AA include Grainger Industrial Supply, Beloit Health System, Frito-Lay, Inc., and Blackhawk Technical College. Other large employers include health services and manufacturing.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rate in Rock County was generally improving throughout the evaluation period. However, a sharp increase occurred in the second quarter of 2020. Specifically, the unemployment rate in Rock County peaked in April 2020 at 16.4 percent due to the impact of COVID-19. The rate returned to pre-COVID-19 levels by year-end of 2021 and was even lower in September 2023. The following table shows the unemployment rate in Rock County since the previous evaluation.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Sept. 2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rock County	7.2	4.5	3.4	3.6
Statewide	6.4	3.8	2.9	3.2
Nationwide	8.1	5.4	3.6	3.8
<i>Source: Year End Bureau of Labor Statistics.</i>				

Based on 2020 U.S. Census data, the current AA population has grown slightly by approximately 1.8 percent compared to the 2015 ACS figure. Of the 69,278 housing units in the AA, 64.4 percent are owner-occupied, 29.8 percent are occupied rental units, and 5.8 percent are vacant. This data gives some insight into the AA housing credit opportunities.

Information from the WRA indicates that housing sales prices have steadily increased in this AA since the previous evaluation. In Rock County, the median sales price trails statewide median housing costs. The median housing costs provide insight into the potential affordability of housing for low- and moderate-income people. Median housing costs are detailed in the following table for the period since the previous evaluation.

<b>Area</b>	<b>Median Housing Cost 2020 (\$)</b>	<b>Median Housing Cost 2021 (\$)</b>	<b>Median Housing Cost 2022 (\$)</b>
Rock County	185,000	199,900	228,645
Statewide	220,000	241,000	265,000
<i>Source: WRA</i>			

Housing sales volume gives insight into the home mortgage lending needs and opportunities within the AA. Housing sales data for the period since the previous evaluation is detailed in the following table.



Area	Housing Sales 2020	Housing Sales 2021	Housing Sales 2022
Rock County	2,512	2,701	2,310
<i>Source: WRA</i>			

Examiners use the 2021 and 2022 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Janesville-Beloit, WI MSA Median Family Income (27500)				
2022 (\$81,200)	<\$40,600	\$40,600 to <\$64,960	\$64,960 to <\$97,440	≥\$97,440
2021 (\$73,000)	<\$36,500	\$36,500 to <\$58,400	\$58,400 to <\$87,600	≥\$87,600
<i>Source: FFIEC</i>				

### **Competition**

The Janesville-Beloit MSA AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data, as of June 30, 2022, 20 financial institutions operated 35 full-service branches within the AA. Of these institutions, PremierBank ranked 20<sup>th</sup> with 0.4 percent of the deposit market share.

The most recent aggregate data available for home mortgage lending is from 2022, which reflects that 260 lenders reported 5,836 home mortgage loans in this AA. Of these lenders, PremierBank ranked 26<sup>th</sup> with 1.05 percent of the market share. This volume indicates a moderate degree of credit opportunities and competition for home mortgage lending.

The bank is not required to collect or report small business data, and it has elected not to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data provides insight into the level of demand and competition for business lending. The most recent aggregate data available for small business lending is from 2021, which shows 78 lenders reported 2,069 small business loans in Rock County. The aforementioned aggregate data indicates a moderate degree of competition in small business lending. Like PremierBank, many institutions are not required to report small business lending data; therefore, competition for this loan type is greater than the aggregate data reflects.

### **Community Contact**

Examiners reviewed a community contact interview with an economic development organization that serves Rock County. The contact noted that a local opportunity for lending includes financing projects in the area's Tax Increment Financing (TIF) districts. Certain regions of the county, such as Janesville, have multiple TIF districts open with an emphasis on attracting investors to build affordable housing. Janesville also compiles multiple sources of capital into grants, which encourages further investor participation in the area. Other smaller areas within Rock County may

only be able to afford to have one TIF district open at a time; as such, these TIF districts usually target the attraction of small businesses. However, as interest rates continue to rise, there is a need for affordable credit, specifically in smaller communities. Similarly, making use of flexible lending programs would allow prospective borrowers to improve their creditworthiness and enable banks to extend more credit to consumers and small businesses. The contact indicated that financial institutions have been responsive to the credit needs in the area as a whole.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage loans and small business loans represent a primary credit need for the AA. There is a particular need to provide flexible and affordable credit as interest rates continue to rise, especially for small businesses. The significant percentage of businesses with GARs of \$1 million or less and the percentage of businesses with four or fewer employees support this conclusion.

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

### **LENDING TEST**

PremierBank demonstrates reasonable performance under the Lending Test in the Janesville-Beloit MSA AA. The borrower profile and geographic distribution performance primarily support this conclusion.

### **Geographic Distribution**

The geographic distribution of loans throughout the AA reflects reasonable dispersion among the census tracts of various income levels, including low- and moderate-income geographies. The bank's excellent home mortgage, but poor small business performance support this conclusion. Examiners compared the bank's home mortgage lending performance to demographic and aggregate data and small business lending performance to the available D&B data.

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

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the AA. This AA only includes one low-income census tract with less than one percent of owner-occupied housing, suggesting limited lending opportunities. However, the following table shows that lending performance increased in 2022, significantly exceeding the demographic benchmark and aggregate data. Similarly, the bank's lending performance in the moderate-income census tracts significantly exceeds the demographic benchmark and aggregate data for 2021 and 2022. Considering demographics and aggregate data, performance is excellent overall.

Geographic Distribution of Home Mortgage Loans Assessment Area: Janesville-Beloit MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.8	1.0	0	0.0	0	0.0
2022	0.2	0.3	3	4.9	794	8.8
Moderate						
2021	21.4	17.5	27	38.6	2,560	26.6
2022	19.6	19.3	16	26.2	2,268	25.2
Middle						
2021	46.2	46.3	26	37.1	3,779	39.2
2022	54.0	54.4	33	54.1	4,268	47.4
Upper						
2021	31.7	35.2	17	24.3	3,298	34.2
2022	26.2	26.0	9	14.8	1,668	18.5
Totals						
2021	100.0	100.0	70	100.0	9,637	100.0
2022	100.0	100.0	61	100.0	8,999	100.0
Source (2021): 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0% Source (2022): 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the AA. As shown in the following table, in 2022, the bank originated one of its seven loans in the single low-income census tract. The bank did not make any loans in the moderate-income census tracts.

The bank did not originate many small business loans in this AA, as noted in the following table. Janesville-Beloit MSA AA is not the primary AA, nor is commercial lending a focus of the single, small branch in the AA. For the most recent aggregate data available for 2021, aggregate performance was 1.8 percent in the low-income census tract and 22.7 percent in the moderate-income census tracts. Although the bank is not a CRA small business data reporter, this helps provide an idea of the level of demand for loans in these census tracts. Due to the information above, examiners determined the performance to be poor.

Geographic Distribution of Small Business Loans Assessment Area: Janesville-Beloit MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	3.0	1	14.3	612	44.9
Moderate					
2022	16.5	0	0.0	0	0.0
Middle					
2022	50.1	6	85.7	750	55.1
Upper					
2022	30.3	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>1,362</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data; "--" data not available. 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 and businesses of different sizes in this AA. The bank's reasonable performance in home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, aggregate data, and the percentage by number of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The following table shows that PremierBank's percentage of loans originated to low-income borrowers trailed the presented demographics in 2021 and further trailed in 2022.

However, a low-income family in the assessment would face challenges in qualifying for a mortgage under conventional underwriting standards, especially considering the 2022 median housing value of \$228,645 in Rock County. The 2020 U.S. Census data shows a poverty level of 8.8 percent. Families in poverty face increased challenges, as this segment is not typically able to support a traditional mortgage loan. Therefore, the demand and opportunity for lending to low-income families is more limited than the demographic suggests. This information assists in explaining the contrast between the presented demographic of low-income families, aggregate data, and the bank's performance. In 2021, the bank's lending performance exceeded aggregate data, and in 2022, the level of lending compares well with aggregate data. Overall, lending to low-income families is reasonable.

In 2021, the bank's percentage of lending to moderate-income individuals exceeded the demographic benchmark and compared well with aggregate data. In 2022, the bank's lending performance trailed the demographic benchmark and aggregate data. The number of aggregate

reporters is an indicator of strong competition within the AA. To illustrate, PremierBank ranked 26<sup>th</sup> among 260 lenders, with 1.05 percent of the home mortgage market share. Considering area housing costs and market share competition, the distribution of home mortgage loans to moderate-income individuals is reasonable. The table below reflects the levels of lending to borrowers of different incomes within the bank's Janesville-Beloit MSA AA.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Janesville-Beloit MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	20.7	7.4	9	12.9	947	9.8
2022	19.6	9.1	6	9.8	344	3.8
Moderate						
2021	18.2	21.5	15	21.4	1,567	16.3
2022	18.8	22.0	9	14.8	1,358	15.1
Middle						
2021	21.6	24.3	13	18.6	1,766	18.3
2022	22.5	24.8	14	23.0	1,659	18.4
Upper						
2021	39.6	33.3	16	22.9	3,384	35.1
2022	39.1	32.5	20	32.8	3,567	39.6
Not Available						
2021	0.0	13.4	17	24.3	1,974	20.5
2022	0.0	11.6	12	19.7	2,070	23.0
Totals						
2021	100.0	100.0	70	100.0	9,637	100.0
2022	100.0	100.0	61	100.0	8,999	100.0
Source (2021): 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						
Source (2022): 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that all three loans sampled from the 2022 universe were made to businesses with GARs of \$1 million or less. The bank did not originate many small business loans in this AA. The Janesville-Beloit MSA AA is not the primary AA, nor is commercial lending a focus of the singular branch in the AA. Examiners determined that the performance was reasonable despite the limited activity.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Janesville-Beloit MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	84.3	3	100.0	845	100.0
>\$1,000,000					
2022	4.8	0	0.0	0	0.0
Revenue Not Available					
2022	10.8	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>845</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

## COMMUNITY DEVELOPMENT TEST

The bank demonstrated reasonable responsiveness to the community development needs of the Janesville-Beloit MSA 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

The bank originated 21 community development loans totaling \$1.7 million during the evaluation period in the Janesville-Beloit MSA AA. Tables in the overall section include a breakdown of community development loans by year and purpose.

### Qualified Investments

PremierBank made 22 qualified investments totaling \$24,000 during the evaluation period in the Janesville-Beloit MSA AA. Tables in the overall section include a breakdown of qualified investments by year and purpose.

### Community Development Services

Bank personnel provided seven community development services during the evaluation period in the Janesville-Beloit MSA AA. Tables in the overall section include a breakdown of community development services by year and purpose.

## **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.

**Multifamily:** 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.