

## PUBLIC DISCLOSURE INFORMATION

Bank of Cashton  
724 Front St. PO Box 70  
Cashton, WI 54619

The Bank of Cashton has never had any other branches, so has never closed any offices. The Bank is located in Census Tract 9509.

Facility Based Assessment Area: Census tracts 9509, 9603, 9602

### Hours of Operation

	<u>Office/Lobby</u>	<u>Drive-up</u>
Monday through Thursday	8:30 a.m. – 4:30 p.m.	7:30 a.m. – 5:30 p.m.
Friday	8:30 a.m. – 5:00 p.m.	7:30 a.m. – 5:30 p.m.
Saturday		7:30 a.m. – 12:00 p.m.

### DEPOSIT PRODUCTS

<u>Product Name</u>	<u>Minimum Opening Deposit</u>
Non-interest Checking Account	\$0.00
NOW Account Daily Balance – Consumer Purpose	\$500.00
Super NOW Account Daily Balance – Consumer Purpose	\$1,000.00
Savings Account Daily Balance	\$25.00
Money Market Account Daily Balance	\$1,000.00
6 Month Fixed CD	\$5,000.00
1 Year Fixed CD	\$1,000.00
2 Year Fixed CD	\$1,000.00
3 Year Fixed CD	\$1,000.00
5 Year Fixed CD	\$5,000.00
Flexible Growth IRA	\$50.00
18 Month IRA	\$10,000.00
4 Year IRA	\$25,000.00
Health Savings Account	\$50.00
Christmas Club	\$0.00

LOAN PRODUCTS

Mortgage

Auto

Business/Agricultural Lines of Credit

Commercial/ Business

Personal

Agricultural

Overdraft Protection

Fees Assessed

Late Charge Fees

Loan/Mortgage Origination Fees

Filing Fees

Also see attached fee schedule

LOAN TO DEPOSIT RATIOS

Date

Ratio

3/31/23

73.04%

6/30/23

73.36%

9/30/23

77.05%

12/31/23

77.20%

# **PUBLIC DISCLOSURE**

February 14, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Cashton  
Certificate Number: 12325

724 Front Street  
Cashton, Wisconsin 54619

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 **Outstanding**.

An institution in this group has an outstanding 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.

Bank of Cashton's outstanding Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small business, small farm, and home mortgage loans in the assessment area.
- The distribution of borrowers reflects excellent penetration of loans among businesses and farms of different sizes and individuals of different income levels.
- The assessment area does not include any low- or moderate-income geographies; therefore, a review of geographic distribution was not completed. This factor did not affect the Lending Test rating.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.
- The institution's investment record enhances credit availability in its assessment area.

## DESCRIPTION OF INSTITUTION

Bank of Cashton is a full-service community bank headquartered in Cashton, Wisconsin, and operates in the west central part of the state. The bank's sole office is located in Monroe County. Eagle Bancshares, Inc., a one-bank holding company also in Cashton, owns Bank of Cashton. The bank has no other subsidiaries or affiliates. No merger or acquisition activities have occurred since the previous evaluation. The bank received an Outstanding rating at its previous FDIC Performance Evaluation, dated March 7, 2016, based on Interagency Small Institution Examination Procedures.

In 2021, Bank of Cashton relocated its main office from 723 Main Street to a newly built facility at 724 Front Street. Both the former Main Street location and the new Front Street location are located in census tract 9509 of Monroe County. The 2015 American Community Survey (ACS) designates census tract 9509 as middle-income. The bank did not open or close any other offices since the previous evaluation.

The bank is a rural community bank operating a traditional community banking model. The bank's primary business strategy continues to focus on commercial, agriculture, and first lien 1-4 family residential lending. Bank of Cashton provides a variety of deposit services including checking, savings, money market deposit accounts, individual retirement accounts, certificates of deposit, and health savings accounts. Alternative banking services include internet and mobile banking, electronic bill pay, mobile check deposit, peer-to-peer payments, and one bank-owned automated teller machine (ATM). Bank of Cashton is part of the Wisconsin Bankers Association ATM ACCESS member group, which offers surcharge-free cash withdrawals when using applicable ATM ACCESS machines throughout Wisconsin and Minnesota. The bank is also partnered with the Privileged Status ATM network developed by their card processor, SHAZAM. This partnership offers Bank of Cashton customers access to surcharge-free cash withdrawals when using nationwide financial institution machines also in the Privileged Status ATM network. Bank of Cashton also employs an investment representative licensed to sell investments and insurance products.

In addition to its traditionally offered loan and deposit products and services, Bank of Cashton assisted two non-profit organizations and two small businesses in the assessment area in obtaining grants totaling \$30,000 in 2020. Funds through this program are to support relief for populations that were hardest-hit by the COVID-19 pandemic.

The bank's assets totaled \$123.1 million as of December 31, 2021. As of the same financial date, the bank had total loans of \$69.0 million, securities totaling \$24.3 million, and deposits totaling \$105.9 million. There have been no substantial changes since the prior evaluation. The following table illustrates the bank's loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	2,581	3.7
Secured by Farmland	21,120	30.6
Secured by 1-4 Family Residential Properties	10,382	15.1
Secured by Multifamily (5 or more) Residential Properties	121	0.2
Secured by Nonfarm Nonresidential Properties	5,811	8.4
<b>Total Real Estate Loans</b>	<b>40,015</b>	<b>58.0</b>
Commercial and Industrial Loans	21,139	30.7
Agricultural Production and Other Loans to Farmers	3,670	5.3
Consumer Loans	2,220	3.2
Obligations of State and Political Subdivisions in the U.S.	1,924	2.8
Other Loans	8	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>68,976</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREA

CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate the bank’s performance. The bank has designated one assessment area located within a Wisconsin Non-Metropolitan Statistical Area. The bank’s assessment area consists of census tract 9509 in Monroe County and census tracts 9602 and 9603 in Vernon County. The census tracts are contiguous, and no changes have been made during the review period. The following sections discuss demographic and economic information in the assessment area. Sources of the data used in this section are as follows: FFIEC, 2015 ACS, 2010 U.S. Census, 2020 & 2021 D&B, U.S. Bureau of Labor Statistics, and Wisconsin Department of Workforce Development.

### **Economic and Demographic Data**

Based on the 2015 ACS, all three census tracts in the bank’s assessment area are designated as middle-income. Despite the middle-income designation, tract 9509 of Monroe County has a higher median family income (\$66,646) than tract 9602 of Vernon County (\$50,718) and 9603 of Vernon County (\$63,289). Notably the demographic characteristics of all three tracts are homogenous. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</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)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	14,240	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,771	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	4,164	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	968	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	639	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	696	0.0	0.0	100.0	0.0	0.0
Farms by Geography	165	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,710	19.0	16.9	26.3	37.8	0.0
Household Distribution by Income Level	5,132	20.5	14.4	20.6	44.6	0.0
Median Family Income Non-MSAs - WI		\$60,742	Median Housing Value			\$143,637
			Median Gross Rent			\$660
			Families Below Poverty Level			9.5%

*Source: 2015 ACS and 2021 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.*

Of the 5,771 housing units in the assessment area, 72.2 percent are owner-occupied, 16.8 percent are occupied rental units, and 11.1 percent are vacant.

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by gross annual revenue (GAR) levels. According to D&B data,

there were 557 businesses in 2020 and 568 in 2021. GARs for these businesses are below.

- 81.9 percent in 2020 and 81.6 percent in 2021 have \$1 million or less
- 6.0 percent in 2020 and 6.2 percent in 2021 have more than \$1 million
- 12.1 percent in 2020 and 12.2 percent in 2021 have unknown revenues

According to D&B data, there were 162 farms in 2020 and 165 in 2021. GARs for these farms are below.

- 96.9 percent in 2020 and 97.0 percent in 2021 have \$1 million or less
- 2.5 percent in 2020 and 2.4 percent in 2021 have more than \$1 million
- 0.6 percent in 2020 and 0.6 percent in 2021 have unknown revenues

Service industries represent the largest portion of businesses at 29.5 percent, followed by agriculture, forestry, and fishing at 19.2 percent, and retail trade at 11.3 percent. In addition, 74.2 percent of area businesses have four or fewer employees, and 90.2 percent of businesses operate from a single location.

The 2020 and 2021 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented 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>WI NA Median Family Income (99999)</b>				
2020 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2021 (\$69,600)	<\$34,800	\$34,800 to <\$55,680	\$55,680 to <\$83,520	≥\$83,520
<i>Source: FFIEC</i>				

The population of the assessment area has remained generally unchanged since the previous evaluation. The total population reported by the 2015 ACS is only 2.0 percent or 278 people more than the 2010 U.S. Census reported figure.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in Monroe and Vernon Counties were continuously improving throughout most of the evaluation period, but sharply increased in the second quarter of 2020. Specifically, the unemployment rates in Monroe and Vernon Counties peaked in April 2020 at 12.8 percent and 11.8 percent, respectively. The following table shows that unemployment rates in Monroe and Vernon Counties have been consistently better than the Wisconsin statewide and the nationwide rate.



Unemployment Rates						
Area	2016	2017	2018	2019	2020	Dec 2021
	%	%	%	%	%	%
Monroe County	3.7	2.9	2.8	2.9	5.5	1.7
Vernon County	3.6	3.1	2.9	3.2	5.2	1.7
Statewide	3.9	3.3	3.0	3.3	6.3	2.0
Nationwide	4.9	4.4	3.9	3.7	8.1	3.7

*Source: Bureau of Labor Statistics.*

According to the Wisconsin Department of Workforce Development, major employers in the Monroe County portion of the assessment area include: Scenic Bluffs Health Center, Cashton School District, Portland Implement, Ontario Fire Department, Cashton Fire Station, Badger Crossing Pub & Eatery, Hansen’s IGA, String Swing Display Fixtures, Flock’s Heating & Air Conditioning, and Cfs Specialties. Major employers in Vernon County include: Organic Logistics, Westby Area School District, Noresland Nursing Home, Old Towne Inn Supper Club, Westby Cooperative Creamery, Premier Cooperative, Ewetopia Fiber Mill, Lafarge Public Schools, Vernon Communications Co-Op, and Borgens Café.

**Competition**

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2020, there were five financial institutions that operated five full-service branches within the assessment area. Of these institutions, Bank of Cashton ranked second with a 14.1 percent deposit market share.

The bank is not required to collect or report small business, small farm, or home mortgage 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. The aggregate data, however, reflects the level of demand for lending. Aggregate data for 2020 shows 47 lenders reported 626 small business loans in Monroe and Vernon Counties. Aggregate data for 2020 shows 17 lenders reported 143 small farm loans in Monroe and Vernon Counties. Aggregate data for 2020 shows 94 lenders reporting 562 home mortgage loans. The aforementioned aggregate data indicates a moderate degree of competition in all three products. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate data reflects.

**Community Contacts**

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

Examiners contacted the director of a small business development center that serves Buffalo, Jackson, Juneau, La Crosse, Monroe, Trempealeau, and Vernon Counties. Examiners also contacted the director of a non-profit organization that serves low-income families and small businesses in Crawford, La Crosse, Monroe, and Vernon Counties.

Both contacts noted that Monroe and Vernon Counties are predominately rural, sparsely populated, and have an aging population. One contact noted that prior to the COVID-19 pandemic "baby boomer" business owners were transitioning focus to succession planning and retirement. The contact stated that those business owners were finally getting to point of normalization after the recession in the late 2000s, but then were adversely affected by the COVID-19 pandemic. The contact said that the SBA Paycheck Protection Program (PPP) and SBA Economic Injury Disaster loans assisted these business owners to get through the business interruptions caused by the pandemic. However, now many of these business owners are no longer willing to make further investments into their businesses and are even more ready to transition to succession planning and retirement.

The other contact noted that the Wisconsin Economic Development Corporation (WEDC) Main Street Bounceback Grant program has allowed new or existing businesses and non-profit organizations to move into vacant properties in Wisconsin downtown and commercial corridors. These programs along with job uncertainty caused by the COVID-19 pandemic started a trend of individuals that were previously in the traditional workforce to leave and start their own businesses.

Both contacts noted that local banks should be more aware of resources and programs available that are designed to cover the funding gaps that many small businesses experience. Specifically for prospective business owners, entrepreneurs, and start-up businesses in the area. One of the contacts said that many business owners who have received grant money are able to get their businesses up and running, but after about a year they need a traditional business loan. Traditional loans are difficult for the start-ups to obtain as these businesses are either just breaking even or not profitable after just one year. Making use of flexible lending programs would allow prospective borrowers to improve creditworthiness and ultimately allow banks to extend more credit to small businesses. Notably, one contact said that the restaurant industry has a significant presence in the area; however, financial institutions typically have more stringent underwriting standards for this industry which creates an extra obstacle for these small business owners to obtain credit.

In regards to the housing market, one contact noted that the availability of affordable housing, rental properties, and market rate housing is extremely low. Also, the housing stock in Monroe and Vernon Counties is aging, and a large portion does not meet U.S. Department of Housing and Urban Development physical condition quality standards. Consequently, the contact stated there is a significant need for new affordable housing projects and rehabilitation of existing housing stock.

The contacts indicated that financial institutions have been responsive to the credit needs in the area as a whole. However, they stated there is always a need for more small business educational programs and consulting services for new and prospective business owners and entrepreneurs, including education on obtaining credit.

### **Credit Needs**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the assessment area. There is a particular need for covering the funding gaps that start-up and other small businesses experience due to the amount of funds local financial institutions are typically

capable of lending to them. 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.

Additionally, there is a significant community development need for affordable housing and home rehabilitation in the assessment area. The median housing values for the area and the low availability and low quality of housing stock support this conclusion.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated March 7, 2016, to the current evaluation date of February 14, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. The procedures consist of the Lending Test. The Appendix details the performance criteria for this test, while the Glossary provides for 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 small business, small farm, and home mortgage 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 bank management indicate that the lending focus and product mix remained consistent throughout the evaluation period.

The bank's record of originating small business loans contributed more weight for overall conclusions than small farm and home mortgage loans. No other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not analyzed.

Examiners considered all small business loans originated in the period January 1, 2020, through December 31, 2021. According to bank records, 197 small business loans totaling \$15.5 million were originated in 2020, and 232 small business loans totaling \$16.3 million were originated in 2021. Notably, a large portion of the bank's business purpose lending in both 2020 and 2021 was through the SBA PPP. Specifically according to bank records, Bank of Cashton made 67 SBA PPP loans totaling \$5.4 million in 2020 and 62 SBA PPP loans totaling \$2.4 million in 2021. For the Borrower Profile criterion, examiners reviewed a random sample of 51 small business loans totaling \$3.7 million for 2020 and 55 small business loans totaling \$4.2 million for 2021.

Examiners considered all small farm loans originated in the period January 1, 2020, through December 31, 2021. According to bank records, 135 small farm loans totaling \$9.2 million were originated in 2020, and 106 small farm loans totaling \$6.8 million were originated in 2021. For the Borrower Profile criterion, examiners reviewed a random sample of 47 small farm loans totaling \$3.6 million for 2020 and 47 small farm loans totaling \$3.1 million for 2021.

This evaluation considered all home mortgage loans originated in the period January 1, 2020 through December 31, 2021. According to bank records, 86 home mortgage loans totaling \$12.9 million were originated in 2020, and 80 home mortgage loans totaling \$10.7 million were originated in 2021. For the Borrower Profile criterion, examiners reviewed a random sample of 41 home mortgage loans totaling \$6.5 million for 2020 and 41 home mortgage loans totaling \$5.6 million for 2021.

This evaluation presents small business, small farm, and home mortgage information for 2020 and 2021 as bank management noted this performance is representative of the entire evaluation period. D&B data for 2020 and 2021 provides a standard of comparison for the small business and small farm loans. The 2015 ACS demographic data provides a standard of comparison for the home mortgage loans.

Bank management requested that the qualified investments and services be considered for evaluation purposes. Under the small bank evaluation method, performance regarding investments and services does not receive a separate rating, but instead, acts as an enhancement to the bank's overall lending performance. Therefore, the bank's qualified investments and services since the prior CRA evaluation dated March 7, 2016 were reviewed.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Bank of Cashton demonstrated excellent performance under the Lending Test. Strong Borrower Profile performance primarily supports this conclusion.

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

Bank of Cashton's net LTD ratio is reasonable given the institution's size, financial condition, and assessment area needs. The bank's LTD ratio, calculated from Call Report data, averaged 75.7 percent over the past 24 calendar quarters from March 31, 2016, to December 31, 2021. The ratio ranged from a low of 64.4 percent as of December 31, 2021, to a high of 88.3 percent as of December 31, 2019. The ratio remained generally stable during the evaluation period.

Bank of Cashton maintained a ratio in line with those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. It is noted that loans sold in the secondary market are not included in the LTD ratio. According to bank records, from 2017 to 2021 the bank originated and sold 113 secondary market loans totaling \$18.9 million.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
<b>Bank of Cashton</b>	<b>123,109</b>	<b>75.7</b>
Similarly-Situated Institution #1	155,513	81.9
Similarly-Situated Institution #2	130,718	97.1
Similarly-Situated Institution #3	149,624	91.6
Similarly-Situated Institution #4	142,972	73.9
<i>Source: Reports of Condition and Income 3/31/2016 - 12/31/2021</i>		

### Assessment Area Concentration

The bank made the majority of small business, small farm, and home mortgage loans, by number, within its assessment area. However, the majority of small business loans, by dollar volume, are outside of its assessment area due to a few large credits. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%	\$	%	\$	%		
Small Business										
2020	139	70.6	58	29.4	197	7,217	46.5	8,319	53.5	15,536
2021	163	70.3	69	29.7	232	7,574	46.4	8,749	53.6	16,323
<b>Subtotal</b>	<b>302</b>	<b>70.4</b>	<b>127</b>	<b>29.6</b>	<b>429</b>	<b>14,791</b>	<b>46.4</b>	<b>17,068</b>	<b>53.6</b>	<b>31,859</b>
Small Farm										
2020	95	70.4	40	29.6	135	6,884	75.1	2,277	24.9	9,161
2021	81	76.4	25	23.6	106	5,299	78.4	1,461	21.6	6,760
<b>Subtotal</b>	<b>176</b>	<b>73.0</b>	<b>65</b>	<b>27.0</b>	<b>241</b>	<b>12,183</b>	<b>76.5</b>	<b>3,739</b>	<b>23.5</b>	<b>15,922</b>
Home Mortgage										
2020	48	55.8	38	44.2	86	6,717	52.0	6,201	48.0	12,918
2021	54	67.5	26	32.5	80	6,827	63.6	3,900	36.4	10,727
<b>Subtotal</b>	<b>102</b>	<b>61.4</b>	<b>64</b>	<b>38.6</b>	<b>166</b>	<b>13,544</b>	<b>57.3</b>	<b>10,101</b>	<b>42.7</b>	<b>23,645</b>
<b>Total</b>	<b>580</b>	<b>69.4</b>	<b>256</b>	<b>30.6</b>	<b>836</b>	<b>40,518</b>	<b>56.7</b>	<b>30,908</b>	<b>43.3</b>	<b>71,426</b>
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

### Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different sizes, farms of different sizes, and individuals of different income levels in the assessment area. The

bank's excellent performance of small business and home mortgage lending and reasonable performance of small farm lending supports this conclusion.

**Small Business Loans**

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that Bank of Cashton's percentage of sampled loans originated to businesses with GARs of \$1 million or less trails the demographic benchmark in 2020 and 2021. However, the bank originated a notable level of loans without revenues available, all of which were SBA PPP loans. Of the 2020 small business loans sampled, 10 or 28.6 percent were SBA PPP loans. Of the 2021 small business loans sampled, 7 or 20.0 percent were SBA PPP loans. Of the 25 sampled loans with revenue information available in 2020, the bank originated 92.0 percent by number to businesses with revenue of \$1 million or less. Of the 28 sampled loans with revenue information available in 2021, the bank originated 96.4 percent by number to businesses with revenue of \$1 million or less. The adjusted performance significantly exceeds the demographic benchmark.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</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>					
2020	81.9	23	65.7	753	60.0
2021	81.6	27	77.1	981	84.2
<b>&gt;\$1,000,000</b>					
2020	6.0	2	5.7	210	16.7
2021	6.2	1	2.9	30	2.6
<b>Revenue Not Available</b>					
2020	12.1	10	28.6	293	23.3
2021	12.2	7	20.0	154	13.2
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>1,256</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>1,165</b>	<b>100.0</b>
<i>Source: 2020 &amp; 2021 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

As mentioned previously, the bank originated a notable portion of its 2020 and 2021 small business loans through the SBA PPP, providing several small businesses financial assistance. Examiners conducted a supplemental analysis to understand the composition of loans without revenue information available and to consider the impact on the lending performance. Examiners evaluated the sampled SBA PPP loans originated within the assessment area in 2020 and 2021 using loan size as a proxy.

The following table shows that the majority of SBA PPP loans, by number, had loan sizes of \$100,000 or less, demonstrating the bank's willingness to serve the needs of small businesses in the

assessment area. Based on all aforementioned information, examiners conclude that the bank’s record of lending to businesses with revenues of \$1 million or less reflects excellent penetration.

<b>Distribution of SBA PPP Loans by Loan Size</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt; \$100,000</b>				
2020	9	90.0	167	57.0
2021	7	100.0	154	100.0
<b>\$100,000 - \$249,999</b>				
2020	1	10.0	126	43.0
2021	0	0.0	0	0.0
<b>\$250,000 - \$1,000,000</b>				
2020	0	0.0	0	0.0
2021	0	0.0	0	0.0
<b>Totals</b>				
<b>2020</b>	<b>10</b>	<b>100.0</b>	<b>293</b>	<b>100.0</b>
<b>2021</b>	<b>7</b>	<b>100.0</b>	<b>154</b>	<b>100.0</b>
<i>Source: 1/1/2020 – 12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0</i>				

**Small Farm Loans**

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of \$1 million or less. The following table shows that all small farm loans sampled in 2020 and 2021 were originated to farms with GARs of \$1 million or less. This lending performance is in line with the demographic benchmark. Furthermore, the bank’s performance to farms with GARs of \$1 million or less is comparable to a similarly situated bank that was assessed as having reasonable performance.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2020	96.9	38	100.0	2,897	100.0
2021	97.0	37	100.0	2,497	100.0
>\$1,000,000					
2020	2.5	0	0.0	0	0.0
2021	2.4	0	0.0	0	0.0
Revenue Not Available					
2020	0.6	0	0.0	0	0.0
2021	0.6	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>2,897</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>2,497</b>	<b>100.0</b>
<i>Source: 2020 &amp; 2021 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. The following table shows that Bank of Cashton's percentage of loans originated to low-income borrowers trails the demographic benchmark by 6.0 percent in 2020 and by 11.6 percent in 2021. Bank of Cashton's home mortgage lending to low-income borrowers trails the demographic benchmark by a wide margin primarily due to the supporting information below.

A low-income family in the assessment area, with an income of \$34,000 or below in 2020 and \$34,800 or below in 2021, would face difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$143,637. Therefore, the demand and opportunity for lending to low-income families are relatively limited. Further, 2015 ACS data shows a poverty level of 9.5 percent in the assessment area. Families in poverty face increased challenges as this segment is not typically able to support a traditional mortgage loan. This assists in explaining the contrast between the 19.0 percent of families of this income level and the bank's performance. The demographic illustrates the number of low-income families; however, due to these factors, the demand for loans under this segment is often lower. Although not a direct comparator, aggregate data for 2020 shows only 3.5 percent of home mortgage loans made in the assessment area were to low-income individuals.



Bank of Cashton’s performance of lending to moderate-income borrowers significantly exceeds the demographic benchmark by 9.2 percent in 2020 and by 12.7 percent in 2021. Although not a direct comparator, aggregate data for 2020 shows only 14.6 percent of home mortgage loans made in the assessment area were to moderate-income individuals. The bank’s performance slightly trails two similarly situated banks that were assessed as excellent under this criterion; however due to aforementioned data, the bank’s overall lending performance to low- and moderate-income borrowers is excellent.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2020	19.0	3	13.0	174	5.6
2021	19.0	2	7.4	111	2.9
<b>Moderate</b>					
2020	16.9	6	26.1	602	19.3
2021	16.9	8	29.6	911	24.0
<b>Middle</b>					
2020	26.3	3	13.0	328	10.5
2021	26.3	9	33.3	1,271	33.5
<b>Upper</b>					
2020	37.8	11	47.8	2,019	64.6
2021	37.8	8	29.6	1,505	39.6
<b>Not Available</b>					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>3,123</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>3,798</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data. "--" data not available. Due to rounding, totals may not equal 100.0%*

**Geographic Distribution**

The assessment area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

**Response to Complaints**

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

## **QUALIFIED INVESTMENTS AND SERVICES**

Bank of Cashton engaged in a notable qualified investment that demonstrates its responsiveness in meeting the credit needs in the assessment area and further supports the bank's overall rating of Outstanding. The bank's record of providing branches and other services and delivery systems did not notably enhance credit availability in its assessment area, and are therefore are not discussed.

### **Qualified Investments**

The bank's level of qualified investments enhances credit availability in its assessment area. The bank had one qualifying investment totaling \$1.1 million. The only investment is a Qualified Zone Academy Bond (QZAB) purchased prior to the current evaluation period. Prior period qualified investments that remain outstanding as of the evaluation date are considered at current book value. The proceeds of QZABs are designated for school districts with low-income populations to rehabilitate school facilities, obtain equipment, develop curricula, and train school personnel.

The dollar amount of the qualified investment equates to 1.2 percent of average total assets, 10.9 percent of average equity capital, and 6.8 percent of average total securities in the 24 quarters since the prior evaluation. This exceeds a nearby institution that is considerably larger and is evaluated under the Interagency Intermediate Small Institution Examination Procedures. This fact in addition to the somewhat limited qualified investment opportunities in the three assessment area census tracts evidences that Bank of Cashton provides vital support to its local communities.

## **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.

## **APPENDICES**

### **SMALL BANK PERFORMANCE CRITERIA**

#### **Lending Test**

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

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The 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).

## 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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