

PUBLIC DISCLOSURE

June 24, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cleveland State Bank
Certificate Number: 9517

1250 W. Washington Avenue
Cleveland, Wisconsin 53015

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 S. 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.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area.....	5
Conclusions on Performance Criteria	9
Discriminatory or Other Illegal Credit Practices Review	20
Glossary	21

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

Cleveland State Bank demonstrates a satisfactory record of meeting the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. This rating is supported by the satisfactory Community Reinvestment Act (CRA) performance under the Lending Test. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's lending performance.

- **Loan-to-Deposit Ratio:** The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas (AAs).
- **AA Concentration:** The bank originated a majority of the home mortgage, small business, and small farm loans within the AAs.
- **Borrower Profile:** The distribution of small business and small farm loans reflects reasonable penetration overall to businesses and farms of different sizes.
- **Geographic Distribution:** The geographic distribution of home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the AAs including the moderate-income census tracts. The designated assessment areas do not include any low-income tracts.
- **Consumer Complaints:** The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not impact the rating assigned under the Lending Test.

SCOPE OF EVALUATION

General Information

Cleveland State Bank's CRA Performance Evaluation was evaluated using the Interagency Small Institution Examination Procedures. A small bank is defined as an institution that has maintained total assets of less than \$1.284 billion as of December 31 of either of the two prior calendar years. As of December 31, 2018, Cleveland State Bank had total assets of \$122.4 million.

In accordance with the Small Bank examination procedures the bank's CRA performance was evaluated based on the following criteria:

- Loan-to-deposit ratio
- AA concentration
- Borrower profile
- Geographic distribution
- Response to CRA-related complaints

This performance evaluation covers the period from the bank's last performance evaluation dated March 29, 2013 to the current evaluation dated June 24, 2019.

Loan Products Reviewed

This performance evaluation included a review of home mortgage, small business, and small farm loans, as they were determined to be the bank's major product lines. This conclusion considered the number and dollar volume of loans originated during the evaluation period as well as the bank's business strategy.

As of March 31, 2019, home mortgage loans comprised 41.5 percent of the loan portfolio; commercial loans comprised 25.1 percent, while agricultural loans comprised 22.6 percent. Examiners did not review consumer loans as they represent a nominal percentage of the total loan portfolio at 6.7 percent and provided no material support for conclusions or ratings. These percentages do not include home mortgage loans sold or originated on the secondary market. The table below reflects the bank's secondary market activity over the review period.

Secondary Market Loans		
Year	#	\$(000s)
2013	82	10,870
2014	34	3,922
2015	63	9,664
2016	90	14,126
2017	65	9,820
2018	50	8,166
YTD 2019	16	2,727
Total	400	59,295
<i>Source: Bank Records</i>		

Home mortgage loans were given greater weight than small business and small farm loans when determining the CRA rating based on the greater volume of lending and this area serves as the bank's primary lending focus. Bank records indicated the lending focus and product mix remained consistent throughout the evaluation period.

Historically the bank also focused on agricultural lending; however, the opportunities for this type of lending have decreased substantially and therefore agricultural lending is no longer a major lending focus. Larger farm operations continue to acquire small farm operations within the AA, diminishing the demand for the bank's agricultural lending products and services. At the time of the previous evaluation there were 932 farms operating in the bank's AA, but that level has decreased approximately 36.0 percent to 596 farms based on 2018 D&B data. Despite the decreased demand for the bank's agricultural lending products and services, agricultural loans still comprise approximately 22.6 percent of the bank's loan portfolio and are included in this evaluation.

Loans included in the scope of the evaluation include all residential real estate loans recorded on the 2017 and 2018 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs), all small business loans originated in 2018, and all small farm loans originated in 2017 and 2018. 2016 HMDA data was reviewed and determined to be consistent with the 2017 and 2018 data; therefore, it is not presented in this evaluation. Small business loans are loans with original amounts of \$1 million or less and either secured by nonfarm nonresidential properties or classified as commercial and industrial loans. Small farm loans are loans with original amounts of \$500,000 or less and either secured by farmland, including farm residential and other improvements, or classified as loans to finance agricultural productions and other loans to farmers.

The U.S. Census Bureau's American Community Survey (ACS) data from 2015 was used as a comparison for the bank's home mortgage lending performance and 2018 D&B data was used as a comparison for the bank's small business and small farm lending.

Under the Lending Test, examiners reviewed both the number and dollar volume of the loans. While both number and dollar volume are presented within the performance evaluation, the bank's performance by number is emphasized as the performance by number is a better indicator of the number of individuals, businesses, and farms served.

DESCRIPTION OF INSTITUTION

Background

Cleveland State Bank is headquartered in Cleveland, Wisconsin. The bank operates in northeast Wisconsin serving Manitowoc and Sheboygan Counties. Cleveland State Bank is a wholly-owned subsidiary of WISCUB Inc., a one-bank holding company headquartered in Madison, Wisconsin. Cleveland State Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated March 29, 2013, based on Interagency Small Institution Examination Procedures.

Operations

Cleveland State Bank conducts business from the Cleveland (population 1,485) main office and has one branch office ten miles away in Howards Grove, Wisconsin (population 3,265). The bank also maintains three automated teller machines (ATMs) in these cities. The bank did not open or close any branches and no merger or acquisition activities occurred since the previous evaluation.

The bank offers an array of financial products to serve the needs of its customers. This includes a variety of loan products, including but not limited to commercial, agricultural, home mortgage, and consumer loans. Deposit products include savings, checking, money market deposit accounts, and certificates of deposit. Alternative delivery systems include telephone and internet banking services. The bank also offers discount brokerage investment services. The bank offers drive thru capabilities, extended hours, and is open on Saturdays.

To assist with community credit needs, Cleveland State Bank offers special loan programs to assist borrowers in obtaining home mortgage, small business, and small farm loans. Special home mortgage loan programs include Guaranteed Rural Housing loans through the United States Department of Agriculture (USDA) that allow low- and moderate- income borrowers to finance 100 percent of the home purchase price (one loan for \$75,757 in 2018) and the Downpayment Plus program through Federal Home Loan Bank (FHLB) that provides down payment assistance for low- and moderate- income first time homebuyers (two loans totaling \$185,000 in 2019). To assist small businesses and small farms, management participates in loan programs with the Small Business Administration (504 and Express programs – loans in process) and with the USDA Farm Services Administration (Beginning Young Farmer program – two loans for \$115,000 and \$120,000 in 2018 and 2016, respectively). While only a few loans have been originated in the various programs since the previous evaluation, these programs offer assistance for borrowers in the communities the bank serves.

Ability and Capacity

As of March 31, 2019, Cleveland State Bank had total assets of \$126.8 million which included total loans of \$83.4 million and total deposits of \$102.7 million. The composition of the bank's

loan portfolio, as disclosed in its Consolidated Report of Condition and Income as of the same date, is in the following table.

Loan Portfolio Distribution as of 03/31/19		
Loan Category	\$(000s)	%
Construction and Land Development	2,558	3.1
Secured by Farmland	14,059	16.8
1-4 Family Residential	34,180	41.0
Multi-family (5 or more) Residential	413	0.5
Commercial Real Estate	12,088	14.5
Total Real Estate Loans	63,298	75.9
Commercial and Industrial	8,797	10.6
Agricultural	4,827	5.8
Consumer	5,614	6.7
Other	815	1.0
Less: Unearned Income	0	0
Total Loans	83,351	100.0
<i>Source: 3/31/19 Report of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. Cleveland State Bank has designated two AAs consisting of whole geographies that do not arbitrarily exclude low- and moderate- income census tracts. The following sections discuss demographic and economic information for the assessment areas.

Economic and Demographic Data

The first AA consists of all of Manitowoc County and includes the bank's main office and two proprietary ATMs in Cleveland. The second AA is a portion of Sheboygan County and includes the bank's branch and one proprietary ATM in Howards Grove. Manitowoc County is part of the Non-Metropolitan Statistical Area (MSA) of Wisconsin and Sheboygan County is a MSA (#43100). The AA census tracts reflect the following income designations according to the 2015 ACS:

Manitowoc County AA: (20 census tracts)

- 4 moderate-income census tracts
- 11 middle-income census tracts
- 4 upper-income census tracts
- 1 census tract with no income designation

Sheboygan County AA: (20 census tracts)

- 4 moderate-income census tracts
- 13 middle-income census tracts
- 3 upper-income census tracts

According to 2015 ACS data, both AAs have a total combined population of approximately 173,000, with approximately 81,000 individuals residing in Manitowoc County and 92,000 residing in Sheboygan County. The AAs are primarily rural in nature and contain several villages and townships, the majority of which maintain populations of less than 3,500.

The demographics for the entire AA and both the Manitowoc County and Sheboygan County AAs are in the following tables:

Demographic Information of the Assessment Area						
Assessment Area: Cleveland State Bank Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.0	20.0	55.0	20.0	5.0
Population by Geography	80,521	0.0	16.6	60.0	23.5	0.0
Housing Units by Geography	37,197	0.0	17.6	60.5	21.9	0.0
Owner-Occupied Units by Geography	25,502	0.0	14.6	59.7	25.8	0.0
Occupied Rental Units by Geography	8,425	0.0	25.6	61.7	12.8	0.0
Vacant Units by Geography	3,270	0.0	21.4	63.5	15.2	0.0
Businesses by Geography	4,016	0.0	14.5	62.7	22.8	0.0
Farms by Geography	422	0.0	2.4	68.0	29.6	0.0
Family Distribution by Income Level	21,910	15.4	20.4	22.9	41.4	0.0
Household Distribution by Income Level	33,927	21.6	18.3	18.6	41.6	0.0
Median Family Income Non-MSAs - WI		\$60,911	Median Housing Value			\$127,883
			Median Gross Rent			\$625
			Families Below Poverty Level			6.4%
<p><i>Sources: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i></p>						

Demographic Information of the Assessment Area						
Assessment Area: Cleveland State Bank MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.0	20.0	65.0	15.0	0.0
Population by Geography	92,126	0.0	16.2	69.0	14.8	0.0
Housing Units by Geography	40,888	0.0	16.9	70.6	12.4	0.0
Owner-Occupied Units by Geography	25,443	0.0	10.0	73.9	16.0	0.0
Occupied Rental Units by Geography	12,295	0.0	29.2	64.8	6.0	0.0
Vacant Units by Geography	3,150	0.0	25.0	66.5	8.4	0.0
Businesses by Geography	4,283	0.0	20.6	65.6	13.8	0.0
Farms by Geography	174	0.0	4.6	65.5	29.9	0.0
Family Distribution by Income Level	24,193	19.6	18.6	25.6	36.1	0.0
Household Distribution by Income Level	37,738	24.1	17.8	20.7	37.4	0.0
Median Family Income MSA - 43100 Sheboygan, WI MSA		\$66,599	Median Housing Value			\$138,263
			Median Gross Rent			\$658
			Families Below Poverty Level			7.6%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by gross annual revenues (GARs). According to information obtained from D&B during 2018, 77.2 percent of the businesses within Manitowoc and 76.2 percent of the businesses within Sheboygan County had GARs of \$1 million or less, while 94.1 percent of the farms in Manitowoc and 91.4 percent of the farms in Sheboygan County had GARs of \$1 million or less. In 2017, the percentages of farms in Manitowoc County and farms in Sheboygan County with GARs of \$1 million or less were similar.

The 2017 and 2018 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table:

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Sheboygan, WI MSA Median Family Income (43100)				
2017 (\$69,000)	<\$34,500	\$34,500 to <\$55,200	\$55,200 to <\$82,800	≥\$82,800
2018 (\$74,700)	<\$37,350	\$37,350 to <\$59,760	\$59,760 to <\$89,640	≥\$89,640
Non-MSA WI Median Family Income (99999)				
2017 (\$62,600)	<\$31,300	\$31,300 to <\$50,080	\$50,080 to <\$75,120	≥\$75,120
2018 (\$67,800)	<\$33,900	\$33,900 to <\$54,240	\$54,240 to <\$81,360	≥\$81,360
<i>Source: FFIEC Due to rounding, totals may not equal 100.0.</i>				

According to the Wisconsin Realtors Association the average home prices in both Manitowoc and Sheboygan Counties are less than the statewide average. In 2018, the average home price was \$110,000 in Manitowoc County and \$150,000 in Sheboygan County. The statewide average price was \$184,000.

As of December 2018, the unemployment rate was 2.9 percent in Manitowoc County and 2.1 percent in Sheboygan County. These unemployment rates are favorable compared to the statewide rate of 3.0 percent and the national rate of 3.9 percent as of the same date. The largest employment industries in Manitowoc County are Services; Retail Trade; and Agriculture, Forestry, and Fishing. In Sheboygan County they are Services; Retail Trade; and Finance, Insurance and Real Estate. Large employers in Manitowoc County include Lakeside Foods Inc., Holy Family Memorial Hospital, Lakeshore Technical College, and Point Beach Nuclear Plant. Large employers in Sheboygan County include the Kohler Company, Bemis Manufacturing Company, Aurora Medical Group Inc., and Sargento Foods Inc.

Competition

Cleveland State Bank operates in a moderately competitive environment, with a wide array of products and services available from competing institutions. The bank's primary competition includes local and regional banks, several large credit unions, mortgage companies and nationally-chartered institutions with assets in excess of \$1 billion.

According to the June 2018 Summary of Deposits compiled by the FDIC, approximately \$2.1 billion of deposits in Manitowoc County are being managed by ten financial institutions, while \$2.0 billion of deposits in Sheboygan County are being managed by 13 financial institutions. Cleveland State Bank maintains a market share of 3.2 percent (6th largest share) and 1.5 percent (12th largest share) in Manitowoc and Sheboygan County, respectively.

Community Contact

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

whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available.

According to discussions with a local community contact, there is a demand for multi-family apartment buildings in Manitowoc County as both the younger generation and retired individuals are looking for places to rent rather than to own. The contact indicated there is a good mix of both market rate and low-rent places in the county and was not aware of any specific need for low- or moderate-income housing. The contact also stated there is one development that is being planned which will include both condominiums and commercial properties. Although the contact was not as familiar with the business credit needs, they indicated there was a potential need for small business loans especially for start-up business financing.

Credit and Community Development Needs and Opportunities

Taking into consideration demographic and economic data, as well as information from bank management, it has been determined that home mortgage and small business loans represent primary credit needs for the AA. Despite the competition for such loans, home mortgage and small business loans continue to be in demand. The significant percentage of owner-occupied housing units and businesses with gross annual revenues of \$1 million or less supports this conclusion. Tax Incremental Financing districts have been established in the AA in an effort to attract additional business to the community, indicating that there is a continued need for economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Cleveland State Bank's overall lending performance is reasonable. The bank's performance in the areas of loan-to-deposit ratio, AA concentration, borrower profile, and geographic distribution supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio, which has averaged 67.5 percent since the previous CRA Evaluation (25 quarters), illustrates the bank's responsiveness to the credit needs of the AA, particularly in consideration of the size and condition of the bank, as well as competition from other area financial institutions. The bank's net average loan-to-deposit ratio ranged from a low of 57.3 on March 31, 2014 to a high of 80.2 percent as of March 31, 2019. This ratio has been steadily increasing during this evaluation period. Loan-to-deposit ratios of five similarly-situated financial institutions averaged 59.3 percent to 87.3 percent during the same time period.

Assessment Area Concentration

The bank originated a majority of home mortgage, small business, and small farm loans, by number, within its AA. 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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	139	86.9	21	13.1	160	13,774	85.6	2,313	14.4	16,087
2018	147	82.6	31	17.4	178	15,150	83.1	3,092	16.9	18,242
Subtotal	286	84.6	52	15.4	338	28,924	84.3	5,405	15.7	34,329
Small Business										
2018	74	80.4	18	19.6	92	7,373	82.0	1,621	18.0	8,994
Small Farm										
2017	22	71.0	9	29.0	31	1,259	74.6	428	25.4	1,687
2018	15	53.6	13	46.4	28	1,237	47.0	1,397	53.0	2,634
Subtotal	37	62.7	22	37.3	59	2,496	57.8	1,825	42.2	4,321
Total	397	81.2	92	18.8	489	38,793	81.4	8,851	18.6	47,644

*Source: Evaluation Period: 1/1/20167- 12/31/2018 HMDA LARs and Bank Data
Due to rounding, totals may not equal 100.0.*

As shown in the table above, 81.2 percent of the number, and 81.4 percent of the dollar volume of bank’s home mortgage, small business, and small farm loans included in this review are located in the designated AA.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes in the AA. Examiners focused on the percentage by number of home mortgage loans to low- and moderate- income borrowers as well as small business and small farm loans to borrowers with GARs of \$1 million or less. Only loans originated within the bank’s AA are considered in this analysis.

Home Mortgage Loans – Non-MSA AA

The level of lending to low- and moderate-income borrowers within this AA is poor. According to the 2015 ACS data, 15.4 percent of the families residing in the Manitowoc County AA earn a low-income. A further review of low-income families indicates that 6.4 percent of these families earned an income below the poverty level. These families likely do not maintain the financial capabilities to purchase a home as they need to use their resources for daily living expenses. Excluding these families from the above analysis suggests that 9.0 percent of the families living in this AA are low-income and potentially had the capacity to afford homeownership. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the percent of families of this income level.

Home mortgage lending to low-income borrowers, at 2.1 percent lags aggregate data of 9.5 percent. The bank's level of lending to low-income borrowers declined further in 2018 to only 1.7 percent of its mortgage loans. The aggregate level of lending in 2018 is not yet available for comparison. The bank's distribution of home mortgage loans to moderate-income borrowers (18.8 percent) also lags slightly behind demographics (20.4 percent) and that of aggregate data (22.0 percent) in 2017. The bank's level of lending to moderate-income borrowers slightly increased from 2017 to 2018.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Cleveland State Bank Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	15.4	9.5	1	2.1	54	1.2
2018	15.4	--	1	1.7	72	1.3
Moderate						
2017	20.4	22.0	9	18.8	572	12.6
2018	20.4	--	13	22.4	922	16.5
Middle						
2017	22.9	23.4	14	29.2	1,129	25.0
2018	22.9	--	11	19.0	965	17.2
Upper						
2017	41.4	33.3	20	41.7	2,464	54.5
2018	41.4	--	23	39.7	2,967	53.0
Not Available						
2017	0.0	11.7	4	8.3	303	6.7
2018	0.0	--	10	17.2	671	12.0
Totals						
2017	100.0	100.0	48	100.0	4,522	100.0
2018	100.0	--	58	100.0	5,597	100.0
<i>Sources: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

Small Business Loans – Non-MSA AA

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. As shown in the table below, the bank originated 85.7 percent of its small business loans in 2018 to businesses with GARs of \$1 million or less. This compares favorably to the 77.2 percent of businesses in the AA with that level of GARs.

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	77.2	24	85.7	2,445	76.0
> \$1,000,000	7.9	4	14.3	773	24.0
Revenue Not Available	14.9	0	0.0	0	0.0
Total	100.0	28	100.0	3,218	100.0
<i>Sources: 2018 D&B Data, Bank Records</i>					

Small Farm Loans – Non-MSA AA

The distribution of small farm loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. In 2017, the bank originated 100.0 percent of its small farm loans to farms with GARs of \$1 million or less. This compares favorably to the number of farms in the AA with that level of revenues (94.5 percent). In 2018, the bank originated 88.9 percent of its small farm loans to farms with GARs of \$1 million or less which is slightly below the percentage of farms in the AA (94.1 percent) in that revenue category.

Distribution of Small Farm Loans by Gross Annual Revenue Category Non-MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000					
2017	94.5	10	100.0	352	100.0
2018	94.1	8	88.9	870	87.2
> \$1,000,000					
2017	4.9	0	0.0	0	0.0
2018	5.2	1	11.1	127	12.8
Revenue Not Available					
2017	.6	0	0.0	0	0.0
2018	.7	0	0.0	0	0.0
Total					
2017	100.0	10	100.0	352	100.0
2018	100.0	9	100.0	997	100.0
<i>Sources: 2017 and 2018 D&B Data, Bank Records</i>					

Home Mortgage Loans – MSA AA

The distribution of home mortgage loans shows poor penetration among borrowers of different income levels in this AA.

According to 2015 ACS data, 19.6 percent of the families residing in the Sheboygan County AA are considered low-income. A further review of low-income families indicates that 7.6 percent of these families earn an income below the poverty level, which implies they may not maintain the financial capabilities to purchase a home, as they need to use their resources for daily living expenses. Excluding these individuals from the analysis above suggests that 12.0 percent of the families in the AA are low-income and may have the financial ability to borrow funds for the purchase or refinance of a dwelling.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Cleveland State Bank MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	19.6	9.1	2	2.2	135	1.5
2018	19.6	--	3	3.4	249	2.6
Moderate						
2017	18.6	22.2	8	8.8	664	7.2
2018	18.6	--	14	15.7	1,556	16.3
Middle						
2017	25.6	23.0	21	23.1	1,790	19.3
2018	25.6	--	17	19.1	1,851	19.4
Upper						
2017	36.1	33.1	41	45.1	5,914	63.9
2018	36.1	--	28	31.5	3,848	40.3
Not Available						
2017	0.0	12.6	19	20.9	749	8.1
2018	0.0	--	27	30.3	2,049	21.5
Totals						
2017	100.0	100.0	91	100.0	9,252	100.0
2018	100.0	--	89	100.0	9,553	100.0

Source: 2015 ACS Census Data; 1/1/2017 - 12/31/2018 HMDA LARs, and 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

As depicted in the table above, Cleveland State Bank extended 2.2 percent of their 2017 HMDA reportable loans to low-income borrowers which lags aggregate data of 9.1 percent. In 2018, the bank's performance increased slightly to 3.4 percent but is still lower than the demographic percentage adjusted for the poverty level (12.0 percent). The aggregate data is not yet available for 2018.

The bank's distribution of home mortgage loans to moderate-income borrowers is also poor at 8.8 percent in 2017, compared to demographics (18.6 percent) and aggregate data (22.2 percent). Their level of lending to moderate-income borrowers increased to 15.7 percent in 2018 which is just less than the demographics at 18.6 percent. The aggregate data is not yet available for 2018.

Small Business Loans – MSA AA

The bank has reasonable loan penetration to businesses with GARs of \$1 million or less in this AA.

As shown in the table below, Cleveland State Bank originated 69.6 percent of its small business loans in 2018 to businesses with GARs of \$1 million or less. This is slightly less than the percentage of businesses reported by D&B having that level of GARs and is therefore considered reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	76.2	32	69.6	3,164	76.2
> \$1,000,000	8.9	14	30.4	991	23.8
Revenue Not Available	14.9	0	0.0	0	0.0
Total	100.0	46	100.0	4,155	100.0
<i>Sources: 2018 D&B Data, Bank Records</i>					

Small Farm Loans – MSA Assessment Area

The bank's small farm loans reflect excellent penetration to farms with GARs of \$1 million or less in this AA for both 2017 and 2018.

In 2017 and 2018 the bank originated 100.0 percent of its small farm loans to farms with GARs of \$1 million or less. This compares favorably to the percentage of farms in the AA with that level of revenues (92.1 percent in 2017 and 91.4 percent in 2018).

Distribution of Small Farm Loans by Gross Annual Revenue Category MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000					
2017	92.1	12	100.0	907	100.0
2018	91.4	6	100.0	240	100.0
> \$1,000,000					
2017	6.9	0	0.0	0	0.0
2018	7.5	0	0.0	0	0.0
Revenue Not Available					
2017	1.0	0	0.0	0	0.0
2018	1.1	0	0.0	0	0.0
Totals					
2017	100.0	12	100.0	907	100.0
2018	100.0	6	100.0	240	100.0
<i>Sources: 2017 and 2018 D&B Data, Bank Records</i>					

Geographic Distribution

The geographic distribution of home mortgage loans, small business loans, and small farm loans throughout both AAs reflects reasonable dispersion. Examiners analyzed the lending performance in relation to office location, bank resources, opportunities, competition, and focused on the percentage by number of loans in moderate-income census tracts. The bank's AA contains no low-income census tracts. Examiners considered only loans originated within the bank's AA in this analysis.

Home Mortgage Loans – Non-MSA AA

The geographic distribution of the bank's home mortgage loans in the Manitowoc County AA shows reasonable dispersion.

The bank originated 8.3 percent of its 2017 home mortgage loans and 6.9 percent of its 2018 home mortgage loans in the four moderate-income census tracts in this AA. This is less than demographics which indicate 14.6 percent of owner-occupied housing units are in moderate-income census tracts, and less than aggregate data for 2017 which indicates other HMDA reporting institutions originated 13.6 percent of their home mortgage loans in these tracts. The aggregate data for 2018 is not yet available.

Although the bank's level of lending is less than demographics and aggregate data, it is reasonable given the location of the moderate-income census tracts in relation to the bank's offices and the significant amount of competition from other lending institutions. The four moderate-income census tracts are located in the northeast section of Manitowoc County in the city of Manitowoc which is approximately 15 miles from the bank's main office. The city of Manitowoc (the largest city in Manitowoc County) is the county seat and contains approximately 42.0 percent of the county's population. As noted previously, according to the FDIC's Summary

of Deposit Report for June 30, 2018, there are ten financial institutions in this AA, including numerous larger national banks. Competing institutions have locations more convenient for individuals living in the city of Manitowoc.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Cleveland State Bank Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Moderate						
2017	14.6	13.6	4	8.3	240	5.3
2018	14.6	--	4	6.9	212	3.8
Middle						
2017	59.7	61.7	37	77.1	3,758	83.1
2018	59.7	--	47	81.0	4,605	82.3
Upper						
2017	25.8	24.6	7	14.6	524	11.6
2018	25.8	--	7	12.1	781	13.9
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	48	100.0	4,522	100.0
2018	100.0	--	58	100.0	5,597	100.0

Sources: 2015 ACS Census; 1/1/2017 - 12/31/2018 HMDA LARs, and 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

Small Business Loans – Non-MSA AA

The geographic distribution of small business loans in this AA is reasonable. Cleveland State Bank originated 14.3 percent of its small business loans in 2018 in the four moderate-income census tracts in this AA. This is relatively similar to business demographics at 14.5 percent.

Geographic Distribution of Small Business Loans Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	14.5	4	14.3	91	2.8
Middle	62.7	19	67.9	2,272	70.6
Upper	22.8	5	17.8	855	26.6
Total	100.0	28	100.0	3,218	100.0
<i>Source: 2018 D&B Data, Bank Records</i>					

Small Farm Loans – Non-MSA AA

The geographic distribution of small farm loans in this AA is reasonable. Although the bank did not originate any small farm loans in the moderate-income census tracts in 2017 or 2018, examiners consider performance reasonable based on the location of the moderate-income census tracts, the significant amount of competition, and the small number of total farm loans originated (ten in 2017 and nine in 2018). Demographic data indicates that only 2.9 percent of farms were located in the moderate-income census tracts in 2017 and only 2.4 percent in 2018.

Geographic Distribution of Small Farm Loans Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2017	0.0	0	0.0	0	0.0
2018	0.0	0	0.0	0	0.0
Moderate					
2017	2.9	0	0.0	0	0.0
2018	2.4	0	0.0	0	0.0
Middle					
2017	67.3	4	40.0	109	30.9
2018	68.0	7	77.8	872	87.5
Upper					
2017	29.8	6	60.0	243	69.1
2018	29.6	2	22.2	125	12.5
Total					
2017	100.0	10	100.0	352	100.0
2018	100.0	9	100.0	997	100.0
<i>Sources: 2017 and 2018 D&B Data, Bank Records</i>					

Home Mortgage Loans – MSA AA

The geographic distribution of the bank's home mortgage loans reflects excellent dispersion throughout the Sheboygan County AA in 2017 and 2018.

During 2017 and 2018, the bank originated 15.4 percent and 15.7 percent of its home mortgage loans in the moderate income census tracts of this AA, respectively. This exceeds the level of owner-occupied housing units in the AA (10.0 percent) and also exceeds the level of aggregate performance in 2017 (10.4 percent). The aggregate data is not yet available for 2018 to use as a comparison. All of the moderate-income census tracts are located near the city of Sheboygan where competition from other financial institutions, including credit unions and national banks is significant.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Cleveland State Bank MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Moderate						
2017	10.0	10.4	14	15.4	675	7.3
2018	10.0	--	14	15.7	865	9.1
Middle						
2017	74.0	74.1	63	69.2	6,708	72.5
2018	74.0	--	49	55.1	5,453	57.1
Upper						
2017	16.0	15.5	14	15.4	1,869	20.2
2018	16.0	--	26	29.2	3,235	33.9
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	91	100.0	9,252	100.0
2018	100.0	--	89	100.0	9,553	100.0
<i>Sources: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank HMDA LARs, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

Small Business Loans – MSA AA

The geographic distribution of small business loans reflects excellent dispersion throughout the Sheboygan County AA. The bank originated 26.1 percent of its small business loans in 2018 in moderate-income census tracts. This compares favorably to the percentage of businesses located in those tracts (20.6 percent).

Geographic Distribution of Small Business Loans MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	20.6	12	26.1	912	21.9
Middle	65.6	29	63.0	2,733	65.8
Upper	13.8	5	10.9	510	12.3
Total	100.0	46	100.0	4,155	100.0
<i>Sources: 2018 D&B Data, Bank Records</i>					

Small Farm Loans – MSA AA

The geographic distribution of small farm loans reflects reasonable dispersion throughout the Sheboygan County AA.

Although the bank did not originate any small farm loans in the moderate-income census tracts of this AA, this performance reflects reasonable dispersion based on the location of the census tracts, competition in the area, and the number of total small farm loans (12 in 2017 and five in 2018). The four moderate-income census tracts in this AA are located in the city of Sheboygan which is located approximately ten miles from the bank’s branch office located in Howards Grove. As stated previously, there are 13 financial institutions located in this AA including numerous large national banks with a presence in the city of Sheboygan.

Geographic Distribution of Small Farm Loans MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2017	0.0	0	0.0	0	0.0
2018	0.0	0	0.0	0	0.0
Moderate					
2017	4.8	0	0.0	0	0.0
2018	4.6	0	0.0	0	0.0
Middle					
2017	62.6	4	33.3	70	7.7
2018	65.5	2	33.3	150	62.5
Upper					
2017	32.6	8	66.7	837	92.3
2018	29.9	4	66.7	90	37.5
Total					
2017	100.0	12	100.0	907	100.0
2018	100.0	6	100.0	240	100.0
<i>Sources: 2017 and 2018 D&B Data, Bank Records</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion was not evaluated and did not affect the CRA rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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.

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).

Family Income: Includes the income of all members of a family that are age 15 and older.

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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: 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.