

PUBLIC DISCLOSURE

April 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Coulee Bank
Certificate Number: 18361

1516 Losey Boulevard South
La Crosse, Wisconsin 54601

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Coulee Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and under the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank made a majority of its home mortgage and small business loans within the AA.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of various sizes.
- Since the previous evaluation, the institution did not receive any CRA-related complaints; therefore, this factor did not affect the rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

Coulee Bank is a \$486.2 million community bank headquartered in La Crosse, Wisconsin. The bank is wholly owned by a one-bank holding company, Coulee Bancshares, also located in La Crosse. The bank does not have any subsidiaries or affiliates involved in lending activities, and no merger or acquisition activities have occurred since the previous evaluation. The bank received a Satisfactory rating at its last FDIC Performance Evaluation dated April 6, 2020, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

Coulee Bank operates five full-service offices: three in Wisconsin and two in Minnesota. The Wisconsin offices are in La Crosse, Onalaska, and Holmen, and the Minnesota offices are located in St. Paul and Rochester. In addition, the bank has two limited-service branches at the Eagle Crest North and South Assisted Living facilities in Onalaska and La Crosse, Wisconsin, and a Loan Production Office (LPO) in Apple Valley, Minnesota. According to the 2015 American Community Survey (ACS), all Wisconsin locations, except Eagle Crest South, are in middle-income census tracts (CTs). The Eagle Crest South is located in a moderate-income CT. For Minnesota, the St. Paul branch and the Apple Valley LPO are in upper-income CTs, and the Rochester branch is in a moderate-income CT. Coulee Bank has not opened or closed any branches since the previous evaluation.

Coulee Bank offers a wide range of traditional commercial and consumer bank products and services. The institution's primary business focus continues to be commercial and residential real estate lending. Commercial loan products include working lines of credit, term loans, construction loans, real estate loans, and agricultural loans. Consumer loans include residential home mortgage loans, construction, home equity lines of credit, vehicle loans, credit cards, and other personal loans. The bank offers fixed-rate home mortgage loans on the secondary market, in addition to adjustable-rate loans held in portfolio. The institution provides various deposit products and services, including checking, savings, certificates of deposit, individual retirement accounts, and health savings accounts. Alternative banking services include online applications, telephone banking, internet and mobile banking, electronic bill pay, and remote deposit capture. The bank has five deposit-taking automated teller machines (ATMs). In addition, the bank provides investment advisory services.

The bank also offers special loan programs that target small businesses. Examples of such loan programs include the Small Business Administration (SBA) Certified Development Companies (CDC) 504 Program and the new Paycheck Protection Program (PPP). Additionally, the bank also offered SBA 7a and Express loans. The SBA CDC program provides long-term, fixed-rate financing for major fixed assets that promote business growth and job creation. Furthermore, in 2020 and 2021, to aid small businesses impacted by the COVID-19 pandemic, the bank originated PPP loans, which are part of the Coronavirus Aid, Relief, and Economic Security Act. This program's intent is to help businesses negatively impacted by the pandemic and to help businesses retain workers. Based on the program's guidelines, businesses can use the funding to pay for up to eight weeks of payroll costs, including benefits. The businesses can also use the funds to pay interest on mortgages, rent, and utilities.

Ability and Capacity

Assets totaled \$486.2 million as of December 31, 2021, and included total loans of \$371.9 million, total securities of \$84.4 million, and total deposits of \$401.2 million. Total loans have increased 20.8 percent since the prior evaluation in April 2020, while assets increased 24.6 percent. Commercial lending, which management stated was the bank's primary lending focus, represents the largest concentration of the bank's lending activity at 66.5 percent of the portfolio. Residential loans represent the second-largest concentration at 23.7 percent. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction and Land Development	19,689	5.3
Secured by Farmland	1,976	0.5
1-4 Family Residential	52,213	14.0
Multi-family (5 or more) Residential	36,230	9.7
Commercial Real Estate	167,153	45.0
Total Real Estate Loans	277,261	74.6
Commercial and Industrial	79,792	21.5
Agricultural	13	0.0
Consumer	5,547	1.5
Obligations of States and Political Subdivisions in the U.S.	7,805	2.1
Other Loans	1,479	0.4
Lease Financing Receivables (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	371,897	100.0
<i>Source: 12/31/2021 Reports of Income and Condition. Total may not add to 100.0 due to rounding.</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate the bank's CRA performance. Coulee Bank's AAs remain unchanged since the previous evaluation, with the bank designating three separate AAs. This includes one AA in Wisconsin and two AAs in Minnesota. Each state is a separately rated area. The AAs do not arbitrarily exclude any low- and moderate-income CTs, do not reflect illegal discrimination, and otherwise, meet the requirements of the CRA regulation. The following table presents a brief description of each AA. Discussions of demographic and economic information for each AA are in the Description of Institution's Operations section.

Description of Assessment Areas				
Assessment Area	Counties in Assessment Area	# of CTs	Deposits	Branches
Wisconsin AA	La Crosse	25	319,778	5*
St. Paul AA	Anoka, Carver, Chisago, Dakota, Goodhue, Hennepin, Ramsey, Scott, Washington, and Wright	741	64,304	2**
Rochester AA	Dodge, Fillmore, Olmsted, and Wabasha	50	12,012	1
<i>Source: Bank Data; FDIC Summary of Deposits (6/30/2021); *Total includes two limited-purpose branches; **Total includes an LPO</i>				

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 6, 2020, to the current evaluation dated April 18, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Coulee Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. The performance criteria related to these tests are detailed in the Appendix. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates, as the bank does not have any affiliates involved in any lending activities.

The Lending Test and Community Development Test ratings are required for the bank overall, the State of Wisconsin, and the State of Minnesota. Examiners weighed the bank's performance in the State of Wisconsin more heavily than the bank's performance in the State of Minnesota when determining conclusions and the overall rating. The Wisconsin AA has the majority of the bank's loans, deposits, community development activities, and banking offices compared to the AAs in Minnesota. In Minnesota, examiners weighed the bank's performance in the St. Paul AA more heavily when determining the ratings than the bank's performance in the Rochester AA due to a greater number of loans, deposits, community development activities, and banking offices. Examiners selected the Wisconsin and the St. Paul AAs for full-scope reviews since they weighed more heavily in the conclusions and overall ratings. The Rochester AA utilized limited scope examination procedures due to this area receiving a full scope review in the 2020 evaluation and due to the limited activities in the AA.

Examiners relied on records provided by the bank, 2015 ACS data, 2010 U.S. Census, D&B demographic data, U.S. Bureau of Labor Statistics, Wisconsin Department of Workforce Development, Wisconsin Realtors Association, Minnesota Realtors, Minnesota Department of Employment and Economic Development, Moody's Analytics, community contacts, loan information reported under the Home Mortgage Disclosure Act (HMDA), and other readily available public information. Coulee Bank's CRA performance was analyzed in relation to the bank's performance context, which includes (but is not limited to) bank size and structure, financial condition, loan mix, resources, limitations, AA demographics, economic factors, competition, loan demand, and available opportunities.

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners weighed the bank's small business lending slightly more than home mortgage performance in this evaluation since it is the bank's primary focus and represents a greater lending focus per the call report. No other loan type, such as small farm or consumer loans, represents a major product line. Therefore, they provided no material support for conclusions or ratings, and examiners did not analyze them for this evaluation. While lending volume increased due to credit needs during the review period, including PPP lending and a robust home mortgage market, bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

Examiners reviewed all small business loans originated in 2021 to evaluate the bank's small business lending. At its option, management elected to collect 2021 small business loan data for CRA purposes, so examiners did not use sampling procedures. Discussions indicated that 2021 performance is representative of 2020 and, as a result, only 2021 small business performance is analyzed and presented. For 2021, the bank originated 522 small business loans totaling \$84.1 million. D&B data provided a standard of comparison for the small business loans. While the bank collected small business data for 2021, the bank is not a small business reporter and did not opt to report the data; therefore, aggregate small business lending data is not a direct comparison for performance.

For home mortgage lending, this evaluation considered and presented all home mortgage loans on the bank's 2020 and 2021 HMDA Loan Application Registers (LARs). Coulee Bank reported 607 loans totaling \$132.4 million in 2020 and 507 loans totaling \$128.6 million in 2021. Aggregate data for 2020 and 2015 ACS demographic data provided a standard of comparison for the HMDA-reportable loans. Examiners focused more on the comparison to aggregate data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals served. When determining the Lending Test rating, more weight was given to geographical distribution of loans and borrower profile than the loan-to-deposit ratio and the AA concentration. Geographic distribution of loans and borrower profile directly identifies how well the bank serves the traditionally underserved segments of the population (including low- and moderate-income geographies and families).

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated April 6, 2020, through the current evaluation date of April 18, 2022. When determining the Community Development Test rating, the bank's community development loans, qualified investments, and community development services were evaluated in the context of available bank resources and opportunities in the AAs, with no type of community development activity receiving more weight than another.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

A "Satisfactory" rating is assigned under the Lending Test. Consistent performance in all three AAs supports this conclusion.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's net loan-to-deposit ratio, calculated from Call Report data, averaged 94.7 percent over the past seven quarters from June 30, 2020 to December 31, 2021. The ratio ranged from

a low of 84.4 percent as of September 30, 2021, to a high of 104.4 percent as of June 30, 2020. Similarly-situated banks had average net loan-to-deposit ratios that ranged from 61.3 percent to 106.4 percent during the same timeframe, as reflected in the table below. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
Coulee Bank	486,230	94.7
Citizens State Bank of La Crosse	451,795	106.4
21 st Century Bank	630,085	101.7
State Bank Financial	478,650	61.3
Premier Bank Rochester	324,815	86.5
Platinum Bank	533,418	80.2

Source: Reports of Condition and Income 6/30/2020 through 12/31/2021.

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment areas. 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										
2020	494	81.4	113	18.6	607	107,869	81.5	24,550	18.5	132,418
2021	402	79.3	105	20.7	507	99,706	77.5	28,909	22.5	128,615
Subtotal	896	80.4	218	19.6	1,114	207,575	79.5	53,458	20.5	261,033
Small Business										
2021	454	87.0	68	13.0	522	72,899	86.7	11,201	13.3	84,100
Total	1,350	82.5	286	17.5	1,636	280,474	81.3	64,659	18.7	345,133

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

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Wisconsin, St. Paul, and Rochester AAs. The consistent performance in all three AAs and the reasonable dispersion of home mortgage loans in low- and moderate-income CTs supports this conclusion.

Borrower Profile

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

Wisconsin, St. Paul, and Rochester AAs. The St. Paul AA had reasonable penetration to low- and moderate-income home mortgage borrowers but had poor penetration to small businesses. Overall, the bank’s performance in this criterion is reasonable. The conclusions of the Wisconsin AA carried the greatest weight based on loan volume.

Response to Complaints

Since the previous evaluation, the institution did not receive any CRA-related complaints; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

An overall “Satisfactory” rating is assigned under the Community Development Test. Coulee Bank demonstrated adequate responsiveness overall to the community development needs of its AAs through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities. This conclusion is supported by the performance in the Wisconsin AA, where the greatest amount of community development-related activities occurred and where the most weight is given for rating this test. Performance in the St. Paul AA is consistent with the Wisconsin AA. Performance in the Rochester AA is below both the Wisconsin and St. Paul AAs due to lower levels of community development activities.

Community Development Loans

Coulee Bank originated 39 community development loans totaling \$47.4 million during the evaluation period. This level of activity represents 9.6 percent of total assets and 12.6 percent of total loans based on the December 31, 2021, Call Report data. This performance is an increase from the prior evaluation’s volume of community development loans of \$32.4 million, or 8.4 percent of total assets and 10.6 percent of total loans. The increase in community development loans reflects the bank’s responsiveness to the AAs needs. Additionally, the performance is in line with other similarly-situated institutions during the evaluation period when SBA PPP loans are excluded. Examiners considered the number and dollar amount of community development loans in the broader statewide or regional area because the bank has been responsive to the AAs’ community development needs and opportunities. As an example of a regional activity, the bank originated a community development loan that supports a business providing low- and moderate-income jobs in the region. The following two tables show the breakdown of community development loans by AA, purpose, and year.

Community Development Loans by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	6,300	-	--	8	8,173	2	946	11	15,419
2021	3	6,270	-	-	12	12,973	8	10,543	23	29,786
2022 YTD	-	--	1	316	3	1,712	1	200	5	2,228
Total	4	12,570	1	316	23	22,858	11	11,688	39	47,432

Source: Bank Records; Rounding may affect totals.

Community Development Loans by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Wisconsin AA	1	150	-	-	6	5,013	2	1,324	9	6,487
St. Paul AA	2	10,340	-	-	12	12,986	7	7,037	21	30,363
Rochester AA	1	2,080	-	-	2	201	-	-	3	2,281
Statewide or Region	-	-	1	316	3	4,658	2	3,327	6	8,301
Total	4	12,570	1	316	23	22,858	11	11,688	39	47,432

Source: Bank Records; Rounding may affect totals.

Qualified Investments

During the evaluation period, the bank has not purchased any qualified investment securities, such as bonds or equity investments. The bank’s qualified investments during the evaluation period consists of 13 donations for \$35,625. This includes five donations for \$12,375 in 2020, five donations for \$14,875 in 2021, and three donations for \$8,375 in 2022. Of the community development donations, nine provided community service support, three promoted economic development, and one helped revitalize and stabilize a moderate-income area. Of the three AAs, the Wisconsin AA had the largest qualified donations at \$22,625. Overall donations represent a slight increase from the prior evaluation when the bank had qualified investments of \$30,375 during the review period. Despite this increase, the bank’s qualified investment activity demonstrates a low level of responsiveness to the community development investment needs, considering the institution’s capacity and the need for and availability of such opportunities. The bank’s qualified investments represent 0.04 percent of total securities, 0.09 percent of total equity capital, and 0.01 percent of total assets.

Examiners assessed the bank’s performance relative to 13 Wisconsin financial institutions that were evaluated under the Intermediate Small Bank evaluation methods in 2021 and 2022. These comparable banks had total qualified investments and donations as a percent of total assets ranging from 0.01 percent to 1.08 percent. In addition, the comparable banks had qualified investments and donations as a percent of total securities ranging from 0.06 percent to 9.8 percent. Coulee Bank’s performance is well below the comparable banks’ performances.

Community Development Services

Bank personnel provided 48 community development services to 12 different groups during the evaluation period. This involvement is a decrease from the 96 community development services that bank personnel provided during the prior evaluation. Management stated that their level of services decreased since the previous evaluation due to the COVID-19 pandemic, with many volunteering opportunities canceled. However, this level of community development services is still in line with other similarly-situated institutions, with annual averages ranging from seven to 44 services during the evaluation period. Despite the reduction in services, this comparison shows that the bank has been responsive to the community development needs of the AAs.

In addition, the bank has a full service and a limited-service branch in moderate-income CTs. Further, the bank offers free checking accounts and savings accounts for ages 18 or younger with no minimum balance requirements and no monthly service fees. The two tables below show the breakdown of community development services by AA, purpose, and year.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Wisconsin AA	5	9	5	-	19
St. Paul AA	7	9	3	-	19
Rochester AA	4	3	3	-	10
Total	16	21	11	-	48
<i>Source: Bank Data</i>					

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	2	7	3	-	12
2021	7	7	4	-	18
YTD 2022	7	7	4	-	18
Total	16	21	11	-	48
<i>Source: Bank Data</i>					

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