PUBLIC DISCLOSURE

January 27, 2025

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Royal Bank
Certificate Number: 13454

202 Main St
Elroy, Wisconsin 53929

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.

TABLE OF CONTENTS

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **<u>Satisfactory</u>.**

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

The Lending Test is rated <u>Satisfactory</u>.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a substantial majority of loans in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels including low- and moderate-income (LMI) and farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

The Community Development Test is rated <u>Satisfactory</u>.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas 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 assessment areas.

DESCRIPTION OF INSTITUTION

Royal Bank is headquartered in Elroy, Wisconsin and is wholly owned by Royal Bancshares, Inc., a one-bank holding company. The bank operates 21 full-service offices. Of the bank's office locations, two are located in Iowa County in Avoca and Cobb, Wisconsin in the Madison Metropolitan Statistical Area (MSA). Additionally, two offices are located in Vernon County in Hillsboro and Viroqua, Wisconsin in the La Crosse MSA. The rest of the bank's office locations are outside an MSA.

Royal Bank received a Satisfactory rating based on Interagency Intermediate Small Institutions examination procedures as a result of the March 7, 2022, FDIC CRA performance evaluation. Consistent with the prior evaluation, the bank's primary business focus continues to be home mortgage, farm, and commercial lending. The bank offers a variety of loan products including home mortgage, agricultural, commercial, and consumer loans. The bank offers long-term, fixed-rate home mortgage loans sold in the secondary market including through Wisconsin Housing and Economic Development Authority (WHEDA), Rural Development, and Federal Home Loan Bank (FHLB), including the FHLB's Down Payment Plus Program targeted to LMI borrowers. The bank

originates Farm Service Agency (FSA) loans, Farmer Mac loans, Small Business Administration (SBA) loans, and loans through the United States Department of Agriculture (USDA) Rural Development Business and Industry Guaranteed Loan program. Alternative banking services include internet banking, mobile banking, electronic bill pay, gift cards, free checking accounts, and 15 bank-owned automated teller machines, of which two are in moderate-income census tracts.

As of September 30, 2024, the bank had total assets of $740.4 million, total loans of $496.2 million, total securities of $181.3 million, and total deposits of $656.2 million. Though total assets and loans have increased since the prior evaluation, the loan portfolio mix remains consistent. This table does not reflect residential mortgage loans sold in the secondary market, which equal 109 loans for $19.7 million in 2022, 100 loans for $19.7 million in 2023, and 91 loans for $18.6 million in 2024. The bank's loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	13,491	2.7
Secured by Farmland	122,896	24.8
Secured by 1-4 Family Residential Properties	147,888	29.8
Secured by Multifamily (5 or more) Residential Properties	3,433	0.7
Secured by Nonfarm Nonresidential Properties	90,491	18.2
Total Real Estate Loans	**378,199**	**76.2**
Commercial and Industrial Loans	38,765	7.8
Agricultural Production and Other Loans to Farmers	37,335	7.5
Consumer Loans	17,399	3.5
Obligations of State and Political Subdivisions in the U.S.	24,450	4.9
Other Loans	48	0.0
Total Loans	**496,196**	**100.0**
Source: Reports of Condition and Income *Due to rounding, totals may not equal 100.0%*		

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

DESCRIPTION OF ASSESSMENT AREAS

In 2022 and 2023, the bank had two assessment areas; however, due to census changes, Vernon County, previously included in the non-metropolitan statistical area (non-MSA) became part of the La Crosse WI-MN MSA, effective 2024. In 2024, Vernon County and its two offices were ineligible for inclusion in the non-MSA assessment area and therefore 2024 lending activities in Vernon County are presented as a separate assessment area. Consequently, for the 2024 calendar year, the bank has designated three assessment areas.

Notwithstanding the changes in Vernon County's 2024 metropolitan status, the combined assessment areas cover the same geographical footprint as the previous evaluation. The following

tables provide more details of the bank's assessment areas and branches. Additional details are discussed within each respective assessment area section. The assessment areas do not arbitrarily exclude any LMI census tracts, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA.

Description of Assessment Areas – 2022 & 2023				
Assessment Area	**Counties in Assessment Area**	**# of CTs**	**# of Bank Offices**	**% of Branches**
Non-MSA	Adams, Crawford, Grant, Juneau, Marquette, Monroe, Sauk, Richland, and Vernon	84	19	90.5
Madison MSA	Iowa	6	2	9.5
Total			**21**	**100.0**
Source: Bank Data; 2020 U.S. Census *Due to rounding, totals may not equal 100.0%*				

Description of Assessment Areas – 2024				
Assessment Area	**Counties in Assessment Area**	**# of CTs**	**# of Bank Offices**	**% of Branches**
Non-MSA	Adams, Crawford, Grant, Juneau, Marquette, Monroe, Sauk, and Richland	77	17	81.0
La Crosse MSA	Vernon	7	2	9.5
Madison MSA	Iowa	6	2	9.5
Total			**21**	**100.0**
Source: Bank Data; *Due to rounding, totals may not equal 100.0%*				

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 7, 2022, to the current evaluation dated January 27, 2025. Examiners used the Interagency Intermediate Small Institutions Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test and the Community Development Test. The performance criteria related to these tests are detailed in the Appendix. Examiners conducted a full-scope review of the non-MSA assessment area as it includes the vast majority of the bank's loans, deposits, community development activities, and banking offices. The La Crosse MSA assessment area received a full-scope review as it is a new assessment area as of 2024. The Madison MSA assessment area received a limited-scope review at the previous evaluation and received a limited-scope review for the current evaluation due to the lower volume of loans, deposits, community development activities, and banking offices. Examiners weighed the bank's performance in the non-MSA assessment area more heavily than the bank's performance in the La Crosse MSA assessment area and the Madison MSA assessment area when determining conclusions and the overall rating. The bank does not have any affiliates that are involved in lending activities.

Examiners placed higher evaluation consideration on the Borrower Profile performance in the assessment areas, as this is a better indicator of who the bank is serving. Examiners analyzed the bank's CRA performance 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, assessment area demographics, economic factors, competition, loan demand, and available opportunities.

In arriving at overall conclusions, examiners relied on various sources of economic and demographic data, which include the following: Federal Financial Institutions Examination Council (FFIEC), 2020 U.S. Census data, Dun and Bradstreet (D&B) data, U.S. Bureau of Labor Statistics, Wisconsin Realtors Association, 2017 United States Department of Agriculture Census of Agriculture data, 2022 USDA Census of Agriculture data, and performances of similarly situated institutions (SSIs).

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage, small farm, and small business loans. This conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating home mortgage, small farm, and small business loans received equal weight in overall conclusions given relatively similar loan volume. No other loan types, such as consumer loans, represent a major product line.

The bank is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Therefore, examiners reviewed and analyzed the universe of 2022 and 2023 HMDA-reported loans for this evaluation. HMDA data for the 2024 calendar year was not available at the time of the evaluation and was not reviewed. Home mortgage lending performance was compared to 2020 U.S. census data and aggregate data.

Examiners reviewed small farm loans and small business loans from January 1, 2022, through December 31, 2024. The bank does not collect or report small farm or small business lending data; therefore, examiners utilized sampling procedures. While the universe was reviewed to analyze assessment area concentration and geographic distribution, examiners used the 5.0 percent precision level to generate 2022, 2023, and 2024 samples for the Borrower Profile criterion. For the 2024 small farm lending in the La Crosse MSA assessment area, examiners reviewed the full universe to ensure there were enough loans for a meaningful analysis. D&B data provided a standard of comparison for small farm and small business lending. The following table shows the universe and sample sizes reviewed for 2022, 2023, and 2024 by loan type.

Loan Products Reviewed				
Loan Category	**Universe**		**Reviewed**	
	#	$(000s)	#	$(000s)
2022 Home Mortgage	396	60,386	396	60,386
2023 Home Mortgage	242	38,073	242	38,073
2022 Small Farm	405	40,376	176	13,837
2023 Small Farm	337	31,433	162	12,586
2024 Small Farm	718	72,755	234	22,493
2022 Small Business	336	35,576	162	18,293
2023 Small Business	263	27,923	143	14,193
2024 Small Business	546	52,302	213	20,417
Source: Bank Data				

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 March 7, 2022. Prior period qualified investments that remained outstanding as of the evaluation date are included at current book value. The following tables show 2023 and 2024 deposit data within the assessment areas and the total loans which includes the universe of HMDA loan data, small farm loan data, and small business loan data. This information was considered in the Community Development Test when determining if the bank is serving each assessment area consistent with its capacity.

Deposit and Loan Data by Assessment Area				
Assessment Area	**6/30/2023 Deposits $(000s)**	**6/30/2023 Deposits %**	**2023 Total Loans #**	**2023 Total Loans %**
Non-MSA	553	86.8	717	91.9
Madison MSA	84	13.2	63	8.1
Total	**637**	**100.0**	**780**	**100.0**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*				

Deposit and Loan Data by Assessment Area				
Assessment Area	**6/30/2024 Deposits $(000s)**	**6/30/2024 Deposits %**	**2024 Total Loans #**	**2024 Total Loans %**
Non-MSA	535	81.7	958	81.7
La Crosse MSA	46	7.0	120	8.0
Madison MSA	74	11.3	94	10.2
Total	**655**	**100.0**	**1,172**	**100.0**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*				

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. The loan-to-deposit ratio, assessment area concentration, geographic distribution, and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and needs of the assessment areas. Royal Bank's average net loan-to-deposit ratio is 74.0 percent, based on the 11 quarters since the previous evaluation dated March 7, 2022. The ratios ranged from a low of 70.1 percent as of March 31, 2022, to a high of 76.4 percent as of September 30, 2023. The bank maintained a ratio consistent with loan-to-deposit ratios of SSIs, as shown in the following table. Examiners selected comparable financial institutions based on geographic location, loan portfolio composition, and asset size.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2024 ($000s)	Average Net LTD Ratio (%)
Royal Bank	**740,410**	**74.0**
Farmers Savings Bank	405,924	55.0
Peoples State Bank	925,859	64.4
Bank of Mauston	403,960	64.9
Mound City Bank	503,612	88.5
River Bank	1,013,121	113.0
Source: Reports of Condition and Income 3/31/2022 – 9/30/2024		

Assessment Area Concentration

The bank made a substantial majority of home mortgage, small farm, and small business loans, by number and dollar volume, within the assessment areas. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans $(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$	%	$	%	$(000s)
Home Mortgage										
2022	360	90.9	36	9.1	396	54,528	90.3	5,858	9.7	60,386
2023	226	93.4	16	6.6	242	34,728	91.2	3,345	8.8	38,073
Subtotal	**586**	**91.8**	**52**	**8.2**	**638**	**89,256**	**90.7**	**9,203**	**9.3**	**98,459**
Small Farm										
2022	380	93.8	25	6.2	405	37,819	93.7	2,557	6.3	40,376
2023	320	95.0	17	5.0	337	30,151	95.9	1,282	4.1	31,433
2024	675	94.0	43	6.0	718	67,444	92.7	5,311	7.3	72,755
Subtotal	**1,375**	**94.2**	**85**	**5.8**	**1,460**	**135,414**	**93.7**	**9,150**	**6.3**	**144,564**
Small Business										
2022	304	90.5	32	9.5	336	33,487	94.1	2,089	5.9	35,576
2023	234	89.0	29	11.0	263	24,757	88.7	3,166	11.3	27,923
2024	497	91.0	49	9.0	546	44,625	85.3	7,677	14.7	52,302
Subtotal	**1,035**	**90.4**	**110**	**9.6**	**1,145**	**102,869**	**88.8**	**12,932**	**11.2**	**115,801**

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

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. Examiners based this conclusion primarily on the excellent dispersion of home mortgage loans and reasonable dispersion of small farm and small business loans in the non-MSA assessment area. Performance was not consistent as the bank demonstrated stronger performance in the Madison MSA assessment area; however, it does not change the overall conclusion. For this performance criterion, examiners focus on the percentage of loans by number originated within LMI census tracts, as applicable. Examiners evaluate only loans originated within the bank's assessment areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration. Performance is consistent throughout the assessment areas. Examiners focused on the percentage of home mortgage loans to LMI borrowers and the percentage of small farm and small business loans to entities with revenues of $1 million or less. Examiners evaluate only loans originated within the bank's assessment areas.

The bank originates loans through various programs that target LMI individuals, small farms, and small businesses, further strengthening the borrower profile performance. The following programs increase the accessibility for credit within the bank's assessment areas.

WHEDA Mortgage Loans
The WHEDA loan program offers lower down payment requirements and more flexible underwriting standards to first-time homebuyers and LMI borrowers who likely would not be able to qualify for a conventional mortgage. The bank made 8 WHEDA loans for $556,117 in 2022, 8 WHEDA loans for $1.1 million in 2023, and 13 WHEDA loans for $605,455 in 2024.

FHLB Down Payment Plus Loan Program
The FHLB Down Payment Plus loan program is a conventional mortgage that offers underwriting flexibilities to qualified borrowers who meet specific income criteria. This program includes $6,000 in grant funds for down payment and closing costs in 2022, and $10,000 in grant funds in 2023 and 2024. Through this Down Payment Plus loan program, the bank made seven loans for $491,500 in 2022 during the examination period, eight loans for $827,850 in 2023, and nine loans for $919,000 in 2024.

FSA Farm Loan Programs
FSA has farm loan programs for beginning farmers and for minority and women farmers. The farm loans are to start, improve, expand, transition, market, and strengthen family farming and ranching operations. The bank made 9 FSA loans totaling $2.2 million in 2022, 8 FSA loans totaling $3.1 million in 2023, and 11 FSA loans totaling $3.9 million in 2024.

Federal Agricultural Mortgage Corporation (Farmer Mac)
Farmer Mac provides secondary market farm loans, which increase the accessibility of financing for agriculture and rural infrastructure. The bank made 13 Farmer Mac loans totaling $3.1 million in 2022, 2 loans totaling $416,250 in 2023, and 1 loan totaling $213,870 in 2024.

USDA Rural Development Business and Industry Guaranteed Loan Program
The USDA loan guarantee program is designed to assist creditworthy rural businesses obtain credit for any legal business purpose. The intent is to create and retain jobs in rural America. The bank made two USDA loans for $299,900 in 2022 and one USDA loan for $154,000 in 2024.

SBA Loan Program
The SBA loan program enables businesses to secure affordable long-term financing for major fixed assets that facilitate the retention and creation of jobs. Additionally, the guaranty of the SBA provides more flexible underwriting to qualify more borrowers. Without SBA assistance, many borrowers would not be able to obtain credit due to creditworthiness and underwriting risks. SBA loans typically take longer to underwrite, require more financial assistance from the lender, and require an enhanced level of specialized banker expertise. The bank made three SBA loans for $370,000 in 2023.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Quantitative consideration is given to these activities based on the bank's financial capacity, and qualitative consideration is given based on opportunity and how the activities meet the needs in the assessment areas. Modest community development loan performance is augmented by comparable levels of community development investments and excellent levels of community development services in relation to SSIs.

Community Development Loans

Royal Bank originated 31 community development loans, totaling $13.8 million during the evaluation period. This represents 1.9 percent of total assets and 2.9 percent of total net loans as a quarterly average since the prior examination.

Royal Bank's community development lending performance reflects reasonable responsiveness to the assessment areas' needs; however, performance is at the lower end of SSIs and notably has decreased since the prior evaluation. At the prior evaluation when excluding COVID – related SBA Paycheck Protection Program loans, the bank reported 42 loans for $36.9 million. Five SSIs in Wisconsin evaluated under the Interagency Intermediate Small Institutions procedures had community development loans as a percentage of total assets ranging from 1.5 percent to 10.9 percent, and as a percentage of total net loans from 2.8 percent to 20.6 percent. The SSIs with lower levels of community development lending demonstrated stronger investment and service performance. The following tables illustrate the bank's community development lending by assessment area, year, and purpose.

Community Development Lending by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Non-MSA	1	400	22	11,958	-	-	1	40	24	12,398
La Crosse MSA	-	-	-	-	-	-	2	695	2	695
Madison MSA	-	-	5	662	-	-	-	-	5	662
Total	**1**	**400**	**27**	**12,620**	**-**	**-**	**3**	**735**	**31**	**13,755**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2022 (Partial)	-	-	7	4,063	-	-	1	40	8	4,103
2023	-	-	8	2,536	-	-	-	-	8	2,536
2024	1	400	12	6,021	-	-	2	695	15	7,116
YTD 2025	-	-	-	-	-	-	-	-	-	-
Total	1	400	27	12,620	-	-	3	735	31	13,755

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

Qualified Investments

Royal Bank made 339 qualified investments and donations totaling $5.8 million during the review period. A significant majority of the qualified investments and donations, by number, is comprised of 316 donations totaling $120,000. The bank made 17 qualified investments outside of the assessment areas; however, the investments benefited the broader statewide or regional area (BSRA).

The dollar amount of qualified investments and donations equates to 0.8 percent of average total assets, 7.8 percent of average total equity capital, and 3.2 percent of average total securities in the 11 quarters since the prior evaluation. The bank's total qualified investments and donations (by number and dollar volume) increased since the prior examination when the bank made 250 qualified investments and donations for $5.6 million. However, due to asset growth, the bank's performance as a percentage of average total assets, average total equity capital, and the average total securities is below levels at the prior examination. The bank's performance at the prior evaluation when compared to the dollar amount of qualified investments and donations equates to 1.0 percent of average total assets, 9.8 percent of average total equity capital, and 4.8 percent of average total securities.

The bank's community development investment performance is comparable to the performance of SSIs in Wisconsin evaluated under Interagency Intermediate Small Institutions Examination Procedures. Five SSIs' performance ranged from 0.6 percent and 2.1 percent of average total assets, 5.3 percent and 24.4 percent of average total equity capital, and 1.4 percent and 11.0 percent of average total securities. The bank is in line with the SSIs for each ratio reflecting adequate responsiveness to the assessment areas' needs. The following tables illustrate the bank's qualified investments by assessment area, year, and purpose.

Qualified Investments by Assessment Area										
Assessment Area	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Non-MSA	-	-	170	1,698	79	19	27	3	**276**	**1,720**
La Crosse MSA	-	-	10	3	7	2	-	-	**17**	**5**
Madison MSA	-	-	22	10	7	2	-	-	**29**	**12**
BSRA Activities	2	850	14	3,080	-	-	1	125	**17**	**4,055**
Total	**2**	**850**	**216**	**4,791**	**93**	**23**	**28**	**128**	**339**	**5,792**
Source: Bank Data										
Due to rounding, totals may not equal 100.0%										

Qualified Investments by Year										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	1	350	15	4,242	-	-	-	-	**16**	**4,592**
2022 (Partial)	-	-	-	-	-	-	-	-	**-**	**-**
2023	-	-	1	115	-	-	-	-	**1**	**115**
2024	1	500	4	340	-	-	1	125	**6**	**965**
YTD 2025	-	-	-	-	-	-	-	-	**-**	**-**
Subtotal	**2**	**850**	**20**	**4,697**	**-**	**-**	**1**	**125**	**23**	**5,672**
Qualified Donations	-	-	196	94	93	23	27	3	**316**	**120**
Total	**2**	**850**	**216**	**4,791**	**93**	**23**	**28**	**128**	**339**	**5,792**
Source: Bank Data										
Due to rounding, totals may not equal 100.0%										

Community Development Services

During the evaluation period, bank employees provided 167 instances of financial expertise or technical assistance. All instances of financial expertise or technical assistance were for community service or economic development purposes. At the prior evaluation, bank employees provided 69 instances of financial expertise or technical assistance. There has been a substantial increase since the prior evaluation. These services demonstrate the bank's responsiveness to the primary community development needs during the current evaluation period.

Notably, bank employees provided financial literacy to various schools in the assessment areas, and 2,848 people attended these events. The bank offers many different financial literacy presentations including Teach Kids to Save Financial Literacy Program, Fraud and Scams Presentations, and Budget Workshops. Additionally, multiple employees received awards for their work in financial literacy by the Wisconsin Bankers Association. One employee received the 2023 Financial Literacy Banker of the Year award, one employee received the 2024 Financial Literacy Banker award, multiple employees received Certificate of Excellence awards, and many employees received Certificate of Recognition awards.

In addition to community development services, the bank offers various retail banking services that provide benefit to LMI individuals. Specifically, the bank participated in the FHLB's Down

Payment Plus Program targeted to LMI borrowers, which resulted in 24 borrowers receiving grants totaling $212,000 during the examination period. Also, the bank participated in the FHLB's Chicago Community First Accelerate Grants for Small Business, which resulted in three borrowers receiving grants totaling $55,000 during the examination period. The bank offers free checking in moderate-income and underserved census tracts, in which there were 1,176 accounts opened in these census tracts during the evaluation period. Further, the bank operates four branches in moderate-income census tracts and two branches in underserved census tracts.

The bank's community development service performance is one of the highest when compared to SSIs whose activity ranged from 21 to 190 services. This performance reflects excellent responsiveness to the assessment areas' needs. The following tables show the breakdown of community development services by number of activities and hours per assessment area along with comparisons to bank employees and bank offices for 2023 and 2024. To note, grant activities are not included in the following tables.

Assessment Area	Bank Employees		Community Development Service Activities		Community Development Service Hours	
	#	%	#	%	#	%
Non-MSA (2023)	156	94.5	34	75.6	400.5	87.6
Madison MSA (2023)	9	5.5	11	24.4	56.5	12.4
Total	**165**	**100.0**	**45**	**100.0**	**457**	**100.0**

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

Assessment Area	Bank Employees		Community Development Service Activities		Community Development Service Hours	
	#	%	#	%	#	%
Non-MSA (2024)	142	84.5	53	73.6	533.5	86.0
La Crosse MSA (2024)	18	10.7	11	15.3	54.5	9.0
Madison MSA (2024)	8	4.8	8	11.1	32	5.2
Total	**168**	**100.0**	**72**	**100.0**	**620.0**	**100.0**

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

The following tables illustrate the bank's qualified services by assessment area, year, and purpose. To note, grant activity is not included in the following tables.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA	-	109	27	-	**136**
La Crosse MSA	-	6	5	-	**11**
Madison MSA	-	19	1	-	**20**
Total	**-**	**134**	**33**	**-**	**167**

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

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022 (Partial)	-	40	10	-	**50**
2023	-	35	10	-	**45**
2024	-	59	13	-	**72**
YTD 2025	-	-	-	-	-
Total	-	134	33		167
Source: Bank Data *Due to rounding, totals may not equal 100.0%*					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-MSA ASSESSMENT AREA

As stated previously, the non-MSA assessment area for 2022 and 2023 has 84 census tracts and contains nine counties and 19 of the bank's 21 offices. This assessment area is unchanged from the previous evaluation until 2024 when Vernon County and its seven census tracts (six middle- and one moderate-income) were absorbed into the La Crosse MSA.

Economic and Demographic Data

As of the 2024 calendar year, there were 77 total census tracts in the non-MSA assessment area. Of these, 6 are moderate-income, 64 are middle-income, and 7 are upper-income. All five census tracts in Marquette County have been designated by the FFIEC as underserved nonmetropolitan middle-income tracts since the previous evaluation. The following table shows select demographic characteristics of the assessment area as of the 2024 calendar year.

Demographic Information of the Assessment Area						
Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	77	0.0	7.8	81.8	10.4	0.0
Population by Geography	260,356	0.0	6.3	82.6	11.1	0.0
Housing Units by Geography	133,757	0.0	8.1	82.7	9.2	0.0
Owner-Occupied Units by Geography	77,010	0.0	5.9	83.8	10.3	0.0
Occupied Rental Units by Geography	28,337	0.0	9.1	80.0	10.9	0.0
Vacant Units by Geography	28,410	0.0	13.2	82.4	4.4	0.0
Businesses by Geography	23,298	0.0	6.7	83.1	10.3	0.0
Farms by Geography	2,583	0.0	3.2	87.6	9.2	0.0
Family Distribution by Income Level	66,260	19.0	18.9	23.8	38.3	0.0
Household Distribution by Income Level	105,347	23.3	17.5	19.3	39.8	0.0
Median Family Income Non-MSAs – WI		$71,403	Median Housing Value			$155,037
			Median Gross Rent			$759
			Families Below Poverty Level			7.2%
Sources: 2020 U.S. Census and 2024 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.						

For 2022 and 2023 calendar years, the assessment area had 147,930 housing units of which more than half (58.4 percent) were owner-occupied, 21.0 percent were occupied rental units, and 20.6 percent were vacant. In 2024, the number of housing units decreased with the exclusion of Vernon County, but the distribution by occupancy type remained fairly consistent.

The 2022 and 2023 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.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
WI NA Median Family Income (99999)				
2022 ($81,500)	<$40,750	$40,750 to <$65,200	$65,200 to <$97,800	≥$97,800
2023 ($86,000)	<$43,000	$43,000 to <$68,800	$68,800 to <$103,200	≥$103,200
Source: FFIEC				

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. The following information provides insight into the availability of housing, the market's potential credit needs, as well as the potential affordability of the housing to LMI individuals. As the following table illustrates, the median home prices increased since the prior evaluation for all counties.

County Housing Sales and Median Prices			
County	Year-End	Total Sales	Median Home Price ($)
Adams	2022	577	195,000
	2023	531	221,000
Crawford	2022	186	189,500
	2023	160	210,000
Grant	2022	418	177,500
	2023	425	189,000
Juneau	2022	381	175,000
	2023	331	220,000
Marquette	2022	246	214,000
	2023	231	226,500
Monroe	2022	478	214,000
	2023	405	225,500
Richland	2022	196	184,000
	2023	136	204,450
Sauk	2022	833	272,900
	2023	736	285,500
Vernon	2022	259	215,000
	2023	251	229,000
Source: Wisconsin Realtors Association			

According to 2024 D&B data, of the 2,583 assessment area farms, only 83 (3.2 percent) are located within the moderate-income census tracts as of 2024.

In all counties, the number of farms has decreased at varied rates. Furthermore, the census data shows across all counties that while the average market value of products sold has increased substantially over the last five years, the average market value of land and buildings also substantially increased. Adams County had the lowest average market value of land and buildings out of all the counties in the assessment area. This illustrates the decreased opportunities and higher costs for small farms. Refer to the following table for additional assessment area farm data.

Assessment Area Agricultural Data – By County				
Census Data	Number of Farms	Average Farm Size (acres of land)	Average Market Value of Land & Buildings	Market Value of Agricultural Products Sold
Adams County	301	381	$1,965,853	$796,796
Adams County % Change*	(2.3)	0.0	13.1	46.6
Crawford County	899	216	$972,548	$108,111
Crawford County % Change*	(15.0)	5.6	33.4	34.4
Grant County	2,264	259	$1,633,525	$656,172
Grant County % Change*	(9.6)	(5.0)	30.2	72.5
Juneau County	622	270	$1,333,517	$270,561
Juneau County % Change*	(15.0)	9.3	31.9	39.6
Marquette County	391	268	$1,358,288	$243,329
Marquette County % Change*	(17.1)	7.8	24.0	35.9
Monroe County	1,375	192	$1,004,129	$181,719
Monroe County % Change*	(13.1)	(.5)	23.6	28.3
Richland County	1,062	230	$1,099,324	$172,308
Richland County % Change*	(3.9)	13.0	38.9	28.1
Sauk County	1,408	212	$1,329,231	$191,083
Sauk County % Change*	(.3)	0.0	33.0	30.2
Vernon County	1,810	196	$1,026,679	$163,281
Vernon County % Change*	(8.3)	12.2	35.0	43.3
*Source: 2022 USDA Census of Agriculture; *Denotes change from the 2017 USDA Census of Agriculture*				

Notably, there are differences in the reported number of farms based on D&B data and the agricultural census. While the Lending Test relies on demographic information obtained from D&B data for comparative purposes, the 2022 USDA Census of Agriculture also provides insight into potential demand and opportunities for banks.

Service industries represent the largest portion of businesses at 28.5 percent, followed by retail trade at 11.1 percent, and agriculture, forestry, and fishing at 10.2 percent. Non-Classifiable Establishments were 21.2 percent of area businesses. Of the above businesses, 62.4 percent have four or fewer employees, while 92.0 percent have nine or fewer employees. This data further suggests that a large percentage of assessment area businesses are smaller businesses. The analysis of small business and small farm loans under the Borrower Profile criterion analyzes the distribution of loans by revenue levels.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in the assessment area counties were consistent with state trends throughout the evaluation period, peaking in 2023 and falling by September 2024. Adams County maintained the highest rate of unemployment in the assessment area. The following table shows the 2022 and 2023 annual and September 2024 unemployment rates for the assessment area counties, state, and nationwide.

Unemployment Rates			
Area	**2022 %**	**2023 %**	**Sept 2024 %**
Adams County	4.8	5.1	3.3
Crawford County	3.8	3.9	2.8
Grant County	2.7	2.9	2.7
Juneau County	3.2	3.2	2.4
Marquette County	3.6	3.7	2.5
Monroe County	2.6	2.7	2.3
Richland County	2.9	3.0	2.2
Sauk County	2.8	2.6	2.1
Vernon County*	2.7	2.8	NA
Wisconsin	2.9	3.0	2.5
National	3.6	3.6	3.9
Source: Bureau of Labor Statistics			
*Effective 2024, Vernon County was no longer in the assessment area			

Competition

The assessment area is fairly competitive for financial services. According to the June 2023 FDIC Summary of Deposits Report, 38 financial institutions operated 137 branches within the assessment area. Of these institutions, the bank ranked fourth with a 7.3 percent share of the area's $7.6 billion in deposits. According to the June 2024 FDIC Summary of Deposits Report, 36 banks operate 117 banking offices in the assessment area. In 2024, Royal Bank ranked second among area banks capturing 8.3 percent of the $6.5 billion deposit market. The 2024 removal of Vernon County from the assessment area is the likely cause of the reduced deposits, offices, and area banks in 2024.

There is strong competition for home mortgage loans among the various banks, credit unions, and non-depository mortgage lenders within the assessment area. Based on the reported HMDA data, the 2022 aggregate lending data shows that 358 financial institutions originated 7,509 home mortgage loans in the assessment area. The bank ranked third, by number, with a market share of 4.5 percent. The 2023 HMDA aggregate lending data shows that 337 financial institutions originated 5,853 home mortgage loans in the assessment area. The bank ranked third, by number, with a market share of 3.6 percent.

The bank is not required to collect or report small farm or small business loan data, and it has not elected to do so. Therefore, the analysis of small farm and small business loans does not include direct comparisons to aggregate lending data. The aggregate lending data, however, is an indicator of the level of demand and opportunities for small farm and small business loans and is therefore included here. The aggregate lending data shows that there is moderate competition in the assessment area for small farm and small business loans. Aggregate lending data for 2022 shows that 32 institutions reported 745 small farm loans in the assessment area. Aggregate lending data for 2023, which is the most current year available, shows that 31 institutions reported 647 small farm loans in the assessment area. Aggregate lending data for 2022 shows that 78 institutions reported 3,863 small business loans, and aggregate lending data for 2023 shows that 80 institutions reported 3,089 small business loans. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate lending data reflects.

17

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 used information obtained from a small business development center that serves Buffalo, La Crosse, Juneau, Monroe, Trempealeau, and Vernon Counties. The contact emphasized that more financial institutions could be creating and participating in creative financing options, participating in SBA financing, or working with state and county governments to assist with tax incremental financing and new market tax credits. This would create more opportunities for the transition of businesses and new businesses within the assessment area. The contact emphasized that there are limited assistance programs to assist with the transition of ownership. The contact stated that the area, for the most part, has rebounded from the stressors of the pandemic. Further, they stated that during the pandemic, many local businesses relied upon grants to help bolster capital. Several industries, particularly service industries, continue to face hardships such as a lack of customers, lack of workforce, and lack of financial institutions providing capital loans.

Additionally, examiners used information obtained from a member of a municipal organization primarily serving Monroe County, specifically the city of Sparta. The contact stated that the population in Sparta is increasing, which in turn has increased the demand for single-family housing; however, the area does not have much inventory of affordable housing. When any new house or apartments are built, the homes become occupied quickly. This shows the level of demand for housing. Additionally, Sparta is looking to increase the level of businesses in the area.

Credit and Community Development Needs and Opportunities

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that affordable housing, small farm loans, and small business loans represent primary credit needs for the assessment area, including start-up business financing and more flexible loan programs. The median housing values, in comparison to the LMI levels, support the need for more affordable housing. Additionally, there is a significant community development need for affordable housing and home rehabilitation in the assessment area. The community contact and the large number of businesses with nine or fewer employees substantiate the need for small business loans in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA ASSESSMENT AREA

LENDING TEST

Royal Bank demonstrated reasonable performance under the Lending Test. Geographic distribution and borrower profile performance primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including moderate-income geographies. The bank's excellent performance for home mortgage loans and reasonable performance for small farm and small business loans supports this conclusion.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank's performance by number of loans in both years exceeds both aggregate and demographic data in the moderate-income census tracts.

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Geographic Distribution of Home Mortgage Loans						
Non-MSA Assessment Area						
Moderate						
2022	6.8	8.0	43	12.8	5,697	11.2
2023	6.8	8.7	24	11.3	2,840	9.0
Middle						
2022	85.7	84.0	286	85.4	43,521	85.4
2023	85.7	84.3	185	87.3	28,343	89.4
Upper						
2022	7.5	8.0	6	1.8	1,721	3.4
2023	7.5	7.0	3	1.4	516	1.6
Totals						
2022	**100.0**	**100.0**	**335**	**100.0**	**50,939**	**100.0**
2023	**100.0**	**100.0**	**212**	**100.0**	**31,698**	**100.0**

Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Farm Loans
The bank's small farm lending performance is below, but reasonably consistent with the percentage of farms in the moderate-income census tracts. Examiners considered several factors in arriving at the overall reasonable performance conclusion.

Lending in 2022 was comparable to demographic data. The performance increased from the prior evaluation, where the bank originated only 0.2 percent by number in 2021. In 2022, the aggregate lending data shows that reporters originated 2.7 percent of small farm loans in the moderate-income census tracts. The bank's performance was comparable to the aggregate in 2022. In 2023 and 2024, performance decreased and is below the demographic data. Still, the bank has made some progress from the performance levels in 2021.

It is noted that there are a relatively small number of farms in the moderate-income census tracts. In 2024, there were 83, in 2023 there were 115, and in 2022 there were 96. Additionally, demographic data provides the percentage of farms located in the assessment area but does not represent the percentage of farms actually seeking financing. Not all Wisconsin farms are operated by full-time farmers as many farms are operated as a secondary occupation. When farming is not the primary occupation, the farmer may utilize other financial assets such as consumer revolving credit or home equity lines of credit to obtain financing. This limits the demand and opportunity to extend small farm loans to borrowers with revenues of $1 million or less. Aggregate data, while not used as a direct comparator, reflects this conclusion and shows that the demand for farm loans trails demographic data. Aggregate lenders originated 2.7 percent of loans in 2022 and 2.5 percent of loans in 2023 in moderate-income census tracts. While the bank's performance was similar in 2022, it trails in 2023.

Branch locations somewhat impact the bank's performance in moderate-income census tracts. Royal Bank's closest branch is located 10.1 miles away from one moderate-income census tract in Monroe County and 16.7 miles from the moderate-income census tract in Sauk County. Other financial institutions operate in those tracts and within closer proximity to these tracts. However, Royal Bank does operate branches in moderate-income census tracts in Vernon and Adams County. Performance is mixed throughout the review period as it is comparable in 2022 but trails comparable demographics in subsequent years. This analysis carries less weight given the more limited lending opportunities in the moderate-income census tracts.

Geographic Distribution of Small Farm Loans					
Non-MSA Assessment Area					
Tract Income Level	% of Farms	#	%	$(000s)	%
Moderate					
2022	3.7	8	2.3	1,564	4.4
2023	3.9	2	0.7	157	0.6
2024	3.2	3	0.5	593	1.1
Middle					
2022	89.0	341	97.2	33,905	94.9
2023	88.7	288	99.0	27,728	99.3
2024	87.6	554	98.9	55,051	98.3
Upper					
2022	7.4	2	0.6	275	0.8
2023	7.4	1	0.3	36	0.1
2024	9.2	3	0.5	375	0.7
Totals					
2022	100.0	351	100.0	35,744	100.0
2023	100.0	291	100.0	27,921	100.0
2024	100.0	560	100.0	56,019	100.0
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%.					

Small Business Loans
The bank's geographic distribution of small business loans throughout the assessment area reflects reasonable dispersion among census tracts of various income levels. Performance exceeded the comparable demographics in all years.

Geographic Distribution of Small Business Loans Non-MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate					
2022	8.8	35	12.8	3,847	14.0
2023	8.7	22	10.3	1,618	7.9
2024	6.7	37	9.3	3,178	9.2
Middle					
2022	84.0	237	86.8	23,389	85.2
2023	83.6	191	89.3	18,676	91.2
2024	83.1	358	90.0	30,814	89.3
Upper					
2022	7.2	1	0.4	225	0.8
2023	7.7	1	0.5	176	0.9
2024	10.3	3	0.8	521	1.5
Totals					
2022	**100.0**	**273**	**100.0**	**27,461**	**100.0**
2023	**100.0**	**214**	**100.0**	**20,470**	**100.0**
2024	**100.0**	**398**	**100.0**	**34,513**	**100.0**
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%.*					

Borrower Profile

The distribution of loans to borrowers within the assessment area reflects reasonable penetration among individuals of various income levels, and farms and businesses of different sizes. The reasonable performance in home mortgage, small farm, and small business loans supports this conclusion.

Home Mortgage Loans
The distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, is reasonable.

The bank's performance is consistent with the demographics for both years. The 2020 U.S. Census data shows a poverty level of 7.2 percent. Families in poverty are generally focused on meeting their basic needs and not typically able to support a traditional home mortgage loan. Therefore, the opportunity for lending to low-income families is more limited than the demographic suggests. A low-

income family in the assessment area, with incomes as noted in the median family income table previously presented, would face challenges in qualifying for a mortgage under conventional underwriting standards, considering the median housing sale prices in the counties in the non-MSA assessment area, as detailed previously. For this reason, more emphasis is given to the comparison with aggregate data. The bank's level of lending to low-income borrowers exceeds aggregate performance by 4.7 percentage points in 2022 and 6.8 percentage points in 2023.

The bank's performance in lending to moderate-income borrowers exceeded the demographic in 2022 and was consistent with aggregate performance. In 2023, the bank's performance was consistent with both aggregate performance and the demographics. While lending to low-income borrowers was stronger than aggregate data, the bank's overall performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2022	19.3	9.0	46	13.7	3,135	6.2
2023	19.3	7.8	31	14.6	2,269	7.2
Moderate						
2022	19.0	23.0	82	24.5	8,459	16.6
2023	19.0	20.7	40	18.9	4,456	14.1
Middle						
2022	23.7	23.1	76	22.7	11,999	23.6
2023	23.7	25.0	53	25.0	6,803	21.5
Upper						
2022	38.0	34.3	91	27.2	19,527	38.3
2023	38.0	36.3	76	35.8	14,847	46.8
Not Available						
2022	0.0	10.7	40	11.9	7,818	15.3
2023	0.0	10.2	12	5.7	3,325	10.5
Totals						
2022	100.0	100.0	335	100.0	50,939	100.0
2023	100.0	100.0	212	100.0	31,698	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with revenues of $1 million or less. The following table shows that the bank's performance trails the demographic by 4.8 percentage points in 2022, 2.2 percentage points in 2023, and 0.7 percentage points in 2024.

Considering the bank's overall performance, demographics, and competition, the bank's distribution of loans to farms of various sizes is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Non-MSA Assessment Area					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	97.5	140	92.7	10,892	90.4
2023	97.7	127	95.5	9,949	94.3
2024	97.7	130	97.0	12,201	94.5
>$1,000,000					
2022	1.7	11	7.3	1,158	9.6
2023	1.5	6	4.5	601	5.7
2024	1.5	4	3.0	704	5.5
Revenue Not Available					
2022	0.9	0	0.0	0	0.0
2023	0.8	0	0.0	0	0.0
2024	0.8	0	0.0	0	0.0
Totals					
2022	**100.0**	**151**	**100.0**	**12,050**	**100.0**
2023	**100.0**	**133**	**100.0**	**10,550**	**100.0**
2024	**100.0**	**134**	**100.0**	**12,905**	**100.0**
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%.*					

Small Business Loans

The distribution of business loans reflects reasonable penetration of loans to businesses with revenues of $1 million or less. The following table shows that the bank's performance was slightly above the demographics by 1.5 percentage points in 2022, was slightly below the demographics by 1.5 percentage points in 2023, and was exactly the same as the demographics in 2024. The bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Non-MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000					
2022	83.1	110	84.6	8,202	65.7
2023	85.5	105	84.0	8,219	64.2
2024	85.4	117	85.4	9,645	85.8
>$1,000,000					
2022	4.4	20	15.4	4,273	34.3
2023	3.6	20	16.0	4,579	35.8
2024	3.6	20	14.6	1,596	14.2
Revenue Not Available					
2022	12.5	0	0.0	0	0.0
2023	10.9	0	0.0	0	0.0
2024	11.0	0	0.0	0	0.0
Totals					
2022	100.0	130	100.0	12,475	100.0
2023	100.0	125	100.0	12,798	100.0
2024	100.0	137	100.0	11,241	100.0

Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%.

COMMUNITY DEVELOPMENT TEST

Royal Bank demonstrated adequate responsiveness to the community development needs of the non-MSA assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank's community development lending in the non-MSA assessment area decreased from 33 community development loans totaling $36.4 million at the previous evaluation, when excluding COVID – related SBA Paycheck Protection Program loans, to 24 community development loans totaling $12.4 million. Community development loans by type and year are outlined in the following table.

Community Development Lending by Year										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2022 (Partial)	0	0	5	3,523	0	0	1	40	**6**	**3,563**
2023	0	0	7	2,479	0	0	0	0	**7**	**2,479**
2024	1	400	10	5,956	0	0	0	0	**11**	**6,356**
YTD 2025	0	0	0	0	0	0	0	0	**0**	**0**
Total	**1**	**400**	**22**	**11,958**	**0**	**0**	**1**	**40**	**24**	**12,398**
Source: Bank Data										

Notably, the bank made multiple community service loans in moderate-income census tracts or to school districts in which the majority of students qualify for free or reduced-price meals under the USDA's National School Lunch Program to provide essential services to those areas. Some examples include repairing water plants, well water projects, road projects, and sewer repairs.

Qualified Investments

Royal Bank made 276 qualified investments and donations for $1.7 million in the non-MSA assessment area. At the prior examination, the bank made 219 qualified investments and donations for $3.2 million. The bank is above the prior examination by number of investments but performance by dollar amount decreased.

Qualified investments and donations in the non-MSA assessment area include 270 donations for $102,000 and six investments for $1.6 million. The following table shows the breakdown of qualified investments and donations by year.

Qualified Investments by Year										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	-	-	6	1,617	-	-	-	-	**6**	**1,617**
2022 (Partial)	-	-	-	-	-	-	-	-	**-**	**-**
2023	-	-	-	-	-	-	-	-	**-**	**-**
2024	-	-	-	-	-	-	-	-	**-**	**-**
YTD 2025	-	-	-	-	-	-	-	-	**-**	**-**
Subtotal	**-**	**-**	**6**	**1,617**	**-**	**-**	**-**	**-**	**6**	**1,617**
Qualified Donations	-	-	164	81	79	19	27	3	**270**	**102**
Total	**-**	**-**	**170**	**1,698**	**79**	**19**	**27**	**3**	**276**	**1,720**
Source: Bank Data										

The following summarizes a few notable examples of qualified investments during the review period.
- Two revitalization/stabilization donations to a local school in an underserved nonmetropolitan middle-income tract to help fund a new playground which needed

replacement.
- 11 community service donations to local food pantries in the non-MSA assessment area.

Community Development Services

Royal Bank provides an excellent level of community development services in the non-MSA assessment area. During the evaluation period, bank employees provided 136 instances of financial expertise or technical assistance and spent 400.5 hours on these activities in 2023 and 533.5 hours in 2024 in this assessment area. The level of service activity is fairly in line with the percentage of employees working at non-MSA assessment area branch locations. In 2023, 75.6 percent of the activities and 87.6 of the hours were dedicated to this assessment area which is slightly below the percent of bank employees in the assessment area at 94.5 percent. In 2024, 73.6 percent of the activities and 86.0 percent of the hours were dedicated to this assessment area which is in line with the percentage of bank employees in the assessment area at 84.5 percent. The following table shows the breakdown of community development services by year.

Community Development Services – Non MSA Assessment Area					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	#
2022 (Partial)	-	40	9	-	**49**
2023	-	24	10	-	**34**
2024	-	45	8	-	**53**
YTD 2025	-	-	-	-	**-**
Total	**-**	**109**	**27**		**136**
Source: Bank Data					

The following summarizes a few notable examples of community development services offered during the review period.
- An employee served on the Board of a local nonprofit that runs a battered women's shelter.
- Employees provided financial literacy presentations to LMI students at local schools.

LA CROSSE MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LA CROSSE MSA ASSESSMENT AREA

The La Crosse MSA assessment area includes one moderate- and six middle-income census tracts which encompass all of Vernon County. As previously discussed, Vernon County became part of the La Crosse MSA in 2024 and therefore became ineligible for inclusion as part of a non-metropolitan area. Consequently, this section analyzes only 2024 data.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: La Crosse MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	14.3	85.7	0.0	0.0
Population by Geography	30,714	0.0	16.3	83.7	0.0	0.0
Housing Units by Geography	14,173	0.0	17.5	82.5	0.0	0.0
Owner-Occupied Units by Geography	9,354	0.0	14.0	86.0	0.0	0.0
Occupied Rental Units by Geography	2,792	0.0	35.1	64.9	0.0	0.0
Vacant Units by Geography	2,027	0.0	9.2	90.8	0.0	0.0
Businesses by Geography	2,765	0.0	24.9	75.1	0.0	0.0
Farms by Geography	382	0.0	8.6	91.4	0.0	0.0
Family Distribution by Income Level	7,836	23.7	20.5	23.6	32.2	0.0
Household Distribution by Income Level	12,146	27.1	16.4	17.9	38.7	0.0
Median Family Income MSA - 29100 La Crosse-Onalaska, WI-MN MSA		$78,648	Median Housing Value			$163,155
			Median Gross Rent			$724
			Families Below Poverty Level			9.3%
Source: 2020 U.S. Census and 2024 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.						

According to the 2024 D&B data, there were 382 reporting farms in the assessment area. Of these, 33 (8.6 percent) are within the one moderate-income census tract of Vernon County.

In Vernon County, the number of farms continues to decrease. Furthermore, the census data shows that while the average market value of products sold has increased substantially over the last five years, the average market value of land and buildings also substantially increased. The information provides insight into the decreased opportunities and higher costs to small farms. Refer to the following table for additional assessment area farm data.

Assessment Area Agricultural Data – By County		
Census Data	Vernon County	% Change*
Number of Farms	1,810	(8.3)
Average Farm Size (acres of land)	196	12.2
Average Market Value of Land & Buildings	$1,026,679	35.0
Market Value of Agricultural Products Sold	$163,281	43.3
*Source: 2022 USDA Census of Agriculture; *Denotes change from the 2017 USDA Census of Agriculture*		

Service industries represent the largest portion of businesses at 27.3 percent, followed by agriculture, forestry, and fishing at 12.1 percent and retail trade at 9.5 percent. Non-Classifiable Establishments were 24.4 percent of area businesses. Of the above businesses, 62.2 percent have four or fewer employees, while 93.4 percent have nine or fewer employees. This data further demonstrates that a large percentage of assessment area businesses are smaller businesses.

Competition

The assessment area has moderate competition in the market for financial services. The June 2024 FDIC Summary of Deposits reflects seven financial institutions operating 15 branches within the assessment area. Of these, the bank ranked sixth with a 7.5 percent share of the $616 million in deposits.

While the bank does not collect or report small farm or small business loan data, examiners considered aggregate data to better understand demand and competition. Aggregate data shows moderate competition in the assessment area. Specifically, aggregate lending data for 2022 shows that 15 institutions reported 88 small farm loans in the assessment area. Aggregate lending data for 2023, which is the most current year available, shows that 16 institutions reported 77 small farm loans. Aggregate lending data for 2022 shows that 38 institutions reported 336 small business loans, and the 2023 aggregate lending data shows that 32 institutions reported 282 small business loans. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate lending data reflects.

Community Contact

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

Examiners used information from a community development organization serving Vernon, Monroe, La Crosse, and Crawford Counties that offers a variety of programs ranging from homeless programs, energy efficiency programs, to business startup programs. The contact stated that the local housing stock of rental property is very old, not well maintained, and of poor quality. The first-time home buyer market is slowing because potential buyers are having a very difficult time finding affordably priced homes due to the high interest rate. The contact stated that opportunities

exist for local financial institutions to participate in the financing of current affordable housing developments, financial literacy programs, and first-time home buyer programs. Additionally, there are opportunities for small business and economic development programs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm loans, small business loans, and economic development programs represent primary needs for the assessment area. The significant percentage farms with revenues of $1 million or less and businesses with nine or fewer employees support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LA CROSSE MSA ASSESSMENT AREA

LENDING TEST

Royal Bank demonstrated reasonable performance under the Lending Test for the La Crosse MSA assessment area. Geographic Distribution and Borrower Profile performance primarily supports this conclusion. As stated previously, the bank operates two branches in this assessment area. During the review period, the bank originated far fewer loans within this particular assessment area. Therefore, performance in the non-MSA assessment area carries the greatest weight in conclusions.

Geographic Distribution

The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including moderate-income geographies. The bank's reasonable performance for small farm loans and small business loans supports this conclusion.

Small Farm Loans
Despite operating a branch in the geography, the bank did not originate any small farm loans in the moderate-income census tract. Performance context shows that there are more limited opportunities in this tract. First, demographic data shows that there are four other financial institutions located within the moderate-income census tract and just 33 farms. Additionally, demographic data provides the percentage of farms located in the assessment area but does not represent the percentage of farms actually seeking financing. Aggregate data provides a better picture of demand for loans.

While 2024 aggregate data is not yet available, the 2023 aggregate lending data reveals that reporting banks made 5.2 percent of loans to the one moderate-income census tract. Given that there are already a small number of farms, the number of farms in the moderate-income census tract may be utilizing other financial assets, and the competition in the area, there are fewer opportunities for small farm lending.

| Geographic Distribution of Small Farm Loans - 2024 | | | | | |
| La Crosse MSA Assessment Area | | | | | |
Tract Income Level	% of Farms	#	%	$(000s)	%
Moderate	8.6	0	0.0	0	0.0
Middle	91.4	33	100.0	2,748	100.0
Totals	**100.0**	**33**	**100.0**	**2,748**	**100.0**

Source: 2024 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The bank's small business performance is below, but reasonably consistent with, the percentage of businesses in the moderate-income census tract. While the demographic presents all businesses within the assessment area, those actually seeking financing is typically lower than the demographic. Further, there are four other financial institutions located within the one moderate-income census tract. Given the number of small businesses located within the assessment area, the number of businesses in the moderate-income census tract may be utilizing other financial assets, and the competition in the area, the bank's performance is reasonable.

| Geographic Distribution of Small Business Loans - 2024 | | | | | |
| La Crosse MSA Assessment Area | | | | | |
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate	24.9	11	18.0	878	19.0
Middle	75.1	50	82.0	3,747	81.0
Totals	**100.0**	**61**	**100.0**	**4,625**	**100.0**

Source: 2024 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

Royal Bank's borrower profile performance is reasonable, as reflected in the following tables.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with revenues of $1 million or less. The following table shows that the bank originated all small farm loans to farms with revenues of $1 million or less. Performance slightly exceeded the percentage of farms by 1.8 percentage points in 2024.

Distribution of Small Farm Loans by Gross Annual Revenue Category - 2024 La Crosse MSA Assessment Area					
Gross Revenue Level	% of Farms	#	%	$(000s)	%
<=$1,000,000	98.2	33	100.0	2,748	100.0
>$1,000,000	1.0	0	0.0	0	0.0
Revenue Not Available	0.8	0	0.0	0	0.0
Totals	**100.0**	**33**	**100.0**	**2,748**	**100.0**

Source: 2024 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with revenues of $1 million or less. The following table shows that the bank's performance was consistent with the comparable demographic.

Distribution of Small Business Loans by Gross Annual Revenue Category - 2024 La Crosse MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	87.9	35	87.5	2,639	77.6
>$1,000,000	3.1	5	12.5	762	22.4
Revenue Not Available	9.0	0	0.0	0	0.0
Totals	**100.0**	**40**	**100.0**	**3,401**	**100.0**

Source: 2024 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%

COMMUNITY DEVELOPMENT TEST

Royal Bank demonstrated adequate responsiveness to community development needs of the La Crosse MSA assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

Two community development loans were made in 2024, totaling $695,000. As a percentage of community development loans made within the assessment areas in 2024, Royal Bank made 13.3 percent in the La Crosse MSA assessment area. This percentage exceeds the 7.0 percent of deposits as of June 30, 2024, and the 8.0 percent of loans. Both loans helped revitalize or stabilize the moderate-income census tract through purchase of a municipal truck and purchase of real estate for a tax incentive financing district.

Qualified Investments

Royal Bank made 17 qualified donations for $5,000 in 2024 in the La Crosse MSA assessment area. As a percentage of qualified investments and donations made within the assessment areas in 2024, Royal Bank made 14.7 percent in the La Crosse MSA assessment area. This percentage is above the 7.0 percent of deposits and the 8.0 percent of loans as of June 30, 2024. By dollar amount, Royal Bank made less than 1.0 percent in the La Crosse MSA assessment area. While this dollar amount is low, it is reasonable as the period is only for one year. Qualified donations by type and year are outlined in the following table.

Qualified Donations by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Qualified Donations	-	-	10	3	7	2	-	-	17	5
Source: Bank Data										

Community Development Services

Royal Bank's level of community development services is responsive to the needs in the La Crosse MSA assessment area. During 2024, bank employees provided 11 instances of financial expertise or technical assistance and spent 54.5 hours on these activities in the assessment area. Approximately 15.3 percent of the activities and 9.0 percent of the hours provided were in this assessment area, which is in line with the percentage of bank employees in the assessment area at 10.7 percent. The following table shows the breakdown of community development services by year.

Community Development Services – La Crosse Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2024	-	6	5	-	11
YTD 2025	-	-	-	-	-
Total	-	6	5	-	11
Source: Bank Data					

MADISON MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MADISON MSA ASSESSMENT AREA

The Madison MSA assessment area consists of all six contiguous census tracts (two moderate- and four middle-income tracts) in Iowa County. This assessment area is unchanged from the previous evaluation.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Madison MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	6	0.0	33.3	66.7	0.0	0.0
Population by Geography	23,709	0.0	25.6	74.4	0.0	0.0
Housing Units by Geography	10,944	0.0	27.9	72.1	0.0	0.0
Owner-Occupied Units by Geography	7,263	0.0	27.5	72.5	0.0	0.0
Occupied Rental Units by Geography	2,548	0.0	23.3	76.7	0.0	0.0
Vacant Units by Geography	1,133	0.0	40.7	59.3	0.0	0.0
Businesses by Geography	2,484	0.0	23.4	76.6	0.0	0.0
Farms by Geography	389	0.0	37.3	62.7	0.0	0.0
Family Distribution by Income Level	6,381	20.6	22.6	26.0	30.8	0.0
Household Distribution by Income Level	9,811	25.6	17.7	19.7	37.0	0.0
Median Family Income MSA - 31540 Madison, WI MSA		$97,334	Median Housing Value			$199,327
			Median Gross Rent			$776
			Families Below Poverty Level			4.5%
Source: 2020 U.S. Census and 2024 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.						

According to 2020 U.S. Census data, there are 10,944 housing units in the assessment area, of which 66.4 percent are owner-occupied, 23.3 percent are occupied rentals, and 10.4 percent are vacant.

The 2022 and 2023 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.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Madison, WI MSA Median Family Income (31540)				
2022 ($111,800)	<$55,900	$55,900 to <$89,440	$89,440 to <$134,160	≥$134,160
2023 ($117,100)	<$58,550	$58,550 to <$93,680	$93,680 to <$140,520	≥$140,520

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. The following information provides insight into the availability of housing, the market's potential credit needs, as well as the potential affordability of the housing to LMI individuals. As the following table illustrates, the median home price slightly decreased in 2023.

Iowa County Housing Sales and Median Prices		
Year-End	Total Sales	Median Home Price ($)
2022	276	252,500
2023	228	252,000
Source: Wisconsin Realtors Association		

Unemployment rates in Iowa County trended consistently with the statewide unemployment rates as disclosed in the following table.

Unemployment Rates			
Area	2022 %	2023 %	Sept 2024 %
Iowa County	2.6	2.6	2.1
Wisconsin	2.9	3.0	2.5
National	3.6	3.6	3.9
Source: Bureau of Labor Statistics			

According to the 2024 D&B data, there were 389 reporting farms in the assessment area. Of these, 145 (37.3 percent) are within the two moderate-income census tracts of Iowa County.

In Iowa County, the number of farms has decreased. Furthermore, the census data shows that while the average market value of products sold has increased substantially over the last five years, the average market value of land and buildings also substantially increased. This information provides insight into the decreased opportunities and higher costs for small farms. Refer to the following table for additional assessment area farm data.

Assessment Area Agricultural Data – By County		
Census Data	Iowa County	% Change*
Number of Farms	1,534	(2.7)
Average Farm Size (acres of land)	244	6.6
Average Market Value of Land & Buildings	$1,559,500	40.3
Market Value of Agricultural Products Sold	$207,686	58.4
Source: 2022 USDA Census of Agriculture; *Denotes change from the 2017 USDA Census of Agriculture		

Notably, there are differences in the reported number of farms based on D&B data and the agricultural census. While the Lending Test relies on demographic information obtained from D&B data for comparative purposes, the 2022 USDA Census of Agriculture also provides insight into potential demand and opportunities for banks.

D&B data for 2024 reveals that there are 2,484 businesses. The most common businesses in the assessment area are service-related businesses (26.1 percent), followed by Agriculture, Forestry & Fishing (13.5 percent) and retail trade (9.6 percent). Non-Classifiable Establishments represent 21.8 percent of area businesses. Of the above businesses, 64.6 percent have four or fewer employees, while 93.2 percent have nine or fewer employees. This data demonstrates that a large percentage of assessment area businesses are smaller businesses.

Competition

The assessment area has moderate competition in the market for financial services. The June 2024 FDIC Summary of Deposits reflects six financial institutions operating 12 branches within the assessment area. Of these, the bank ranked third with a 12.2 percent share of the $611.0 million deposit market.

There is a strong level of competition for home mortgage loans among the various banks, credit unions, and non-depository mortgage lenders within the assessment area. Based on the reported HMDA loans, the 2022 aggregate lending data shows that 112 financial institutions originated 743 home mortgage loans in the assessment area. The bank ranked ninth, by number, with a market share of 3.4 percent. Additionally, the 2023 HMDA aggregate lending data shows that 88 financial institutions originated 560 home mortgage loans in the assessment area. The bank ranked ninth, by number, with a market share of 2.5 percent.

As noted previously, the aggregate lending data provides insight into the level of demand and opportunities for small farm and small business loans. Aggregate lending data shows that there is a moderate degree of competition for small farm loans and small business loans in the assessment area. The 2022 aggregate lending data shows that 18 institutions reported 96 small farm loans and 35 institutions reported 294 small business loans. Aggregate lending data for 2023, which is the most current year available, shows that 15 institutions reported 80 small farm loans, and 34 institutions reported 294 small business loans in the assessment area. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate lending data reflects.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MADISON MSA ASSESSMENT AREA

LENDING TEST

Royal Bank's Lending Test performance in the Madison MSA assessment area is consistent with the performance in the non-MSA assessment area and the La Crosse MSA assessment area. As stated previously, the bank operates two branches in this assessment area.

Geographic Distribution

Royal Bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area for home mortgage, small farm, and small business loans as reflected in the following three tables. However, it does not change the overall assessment as the performance in the non-MSA assessment area carries the greatest weight in conclusions

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Madison MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Moderate						
2022	27.5	16.4	22	88.0	2,833	78.9
2023	27.5	17.7	9	64.3	1,795	59.2
Middle						
2022	72.5	83.6	3	12.0	757	21.1
2023	72.5	82.3	5	35.7	1,235	40.8
Totals						
2022	100.0	100.0	25	100.0	3,590	100.0
2023	100.0	100.0	14	100.0	3,029	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Farm Loans

Geographic Distribution of Small Farm Loans					
Madison MSA Assessment Area					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate					
2022	36.1	26	89.7	1,811	87.3
2023	37.4	21	72.4	1,398	62.7
2024	37.3	66	80.5	6,104	70.3
Middle					
2022	63.9	3	10.3	264	12.7
2023	62.6	8	27.6	832	37.3
2024	62.7	16	19.5	2,573	29.7
Totals					
2022	**100.0**	**29**	**100.0**	**2,075**	**100.0**
2023	**100.0**	**29**	**100.0**	**2,230**	**100.0**
2024	**100.0**	**82**	**100.0**	**8,677**	**100.0**
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%.*					

Small Business Loans

Geographic Distribution of Small Business Loans					
Madison MSA Assessment Area					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate					
2022	23.6	25	80.6	5,739	95.2
2023	23.0	17	85.0	4,261	99.4
2024	23.4	29	76.3	5,179	94.4
Middle					
2022	76.4	6	19.4	287	4.8
2023	77.0	3	15.0	26	0.6
2024	76.6	9	23.7	308	5.6
Totals					
2022	**100.0**	**31**	**100.0**	**6,026**	**100.0**
2023	**100.0**	**20**	**100.0**	**4,287**	**100.0**
2024	**100.0**	**38**	**100.0**	**5,487**	**100.0**
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%.*					

Borrower Profile

Royal Bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms and businesses of different sizes, as reflected in the following three tables.

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Madison MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2022	20.6	17.5	9	36.0	829	23.1
2023	20.6	19.3	4	28.6	354	11.7
Moderate						
2022	22.6	27.6	5	20.0	804	22.4
2023	22.6	28.8	0	0.0	0	0.0
Middle						
2022	26.0	24.9	7	28.0	897	25.0
2023	26.0	23.8	6	42.9	1,280	42.2
Upper						
2022	30.8	20.1	2	8.0	707	19.7
2023	30.8	20.5	3	21.4	1,216	40.1
Not Available						
2022	0.0	10.0	2	8.0	353	9.8
2023	0.0	7.7	1	7.1	180	5.9
Totals						
2022	**100.0**	**100.0**	**25**	**100.0**	**3,590**	**100.0**
2023	**100.0**	**100.0**	**14**	**100.0**	**3,029**	**100.0**

Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Farm Loans

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Madison MSA Assessment Area					
Gross Revenue Level	% of Farms	#	%	$(000s)	%
<=$1,000,000					
2022	98.8	23	92.0	1,162	65.0
2023	98.9	24	88.9	1,539	78.2
2024	99.0	55	90.2	5,107	83.6
>$1,000,000					
2022	0.9	2	8.0	625	35.0
2023	0.8	3	11.1	429	21.8
2024	0.8	6	9.8	1,002	16.4
Revenue Not Available					
2022	0.3	0	0.0	0	0.0
2023	0.3	0	0.0	0	0.0
2024	0.3	0	0.0	0	0.0
Totals					
2022	100.0	25	100.0	1,787	100.0
2023	100.0	27	100.0	1,968	100.0
2024	100.0	61	100.0	6,109	100.0

Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%.

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Madison MSA Assessment Area					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	84.3	15	51.7	955	17.0
2023	86.5	8	80.0	197	13.6
2024	86.8	19	67.9	957	20.5
>$1,000,000					
2022	3.8	14	48.3	4,674	83.0
2023	3.1	2	20.0	1,250	86.4
2024	2.9	9	32.1	3,703	79.5
Revenue Not Available					
2022	11.9	0	0.0	0	0.0
2023	10.3	0	0.0	0	0.0
2024	10.3	0	0.0	0	0.0
Totals					
2022	**100.0**	**29**	**100.0**	**5,629**	**100.0**
2023	**100.0**	**10**	**100.0**	**1,447**	**100.0**
2024	**100.0**	**28**	**100.0**	**4,660**	**100.0**
Source: 2022, 2023, & 2024 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%.*					

COMMUNITY DEVELOPMENT TEST

The bank's community development performance in the Madison MSA assessment area is consistent with the community development performance in the non-MSA assessment area and the La Crosse MSA assessment area that was reviewed using full-scope examination procedures. The bank's performance demonstrates adequate responsiveness to community development needs in the assessment area as shown in the tables for the overall institution.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:
1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:
1) The number and amount of community development loans;
2) The number and amount of qualified investments;
3) The extent to which the bank provides community development services; and
4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:
   (1) Support affordable housing for low- and moderate-income individuals;
   (2) Target community services toward low- and moderate-income individuals;
   (3) Promote economic development by financing small businesses or farms; or
   (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:
- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:
(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose institution:
    (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
    (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:
(1) Has as its primary purpose community development;
(2) Is related to the provision of <u>financial</u> services; and
(3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) An unemployment rate of at least 1.5 times the national average;

(2) A poverty rate of 20 percent or more; or

(3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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