



PUBLIC DISCLOSURE

April 1, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of Commerce
Charter Number 14109

1127 Tower Avenue
Superior, WI 54880-0000

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street, Suite #800
Minneapolis, MN 55402-3393

NOTE: 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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's rating are as follows:

- Geographic distribution of loans reflects excellent distribution throughout the assessment area.
- Borrower distribution of loans reflects excellent distribution throughout the assessment area.
- The bank's community development activities exhibit excellent responsiveness to meet the needs of low- and moderate-income individuals, support small business development, and promote economic development in the assessment area.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which 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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

National Bank of Commerce (NBC) is a \$611 million national bank serving the Duluth MN-WI multi-state metropolitan statistical area (MMSA). The bank primarily serves Douglas County, Wisconsin, and a portion of St. Louis County, Minnesota. The bank operates six full service branches: four located in Wisconsin and two located in Minnesota. NBC also operates six non-deposit taking automated teller machines (ATMs) in the MMSA. The bank has one assessment area (AA), which includes all 12 census tracts (CTs) within Douglas County, Wisconsin and 38 CTs in St. Louis County, Minnesota. The bank's AA excludes several CTs in St. Louis County, which is reasonable given that the bank does not have a presence in those areas and the area would be too large for the bank to reasonably serve. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income (LMI) CTs.

NBC is a full-service bank offering a variety of loan and deposit products and services. While NBC offers products and services to both retail and commercial customers, their primary focus is on commercial lending. As of December 31, 2018, the bank's outstanding loan portfolio totaled \$433 million. The loan portfolio by dollar value is comprised of 69 percent commercial loans, 18 percent residential real estate, 6 percent consumer loans, 6 percent other loans, and less than 1 percent agricultural loans. Total loans and leases are 70 percent of average assets, and tier 1 capital is \$69 million.

NBC is wholly-owned by NATCOM Bancshares, Inc., which is a one-bank holding company. Both the bank and the holding company are headquartered in Superior, Wisconsin. NBC does not have any subsidiaries or affiliates. No merger or acquisition activities affected the bank during the evaluation period.

Competition within the bank's AA is strong. Per the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, twenty-six financial institutions operate within Douglas County and St. Louis County, with Wells Fargo holding the largest share of deposits. NBC ranks third in deposit market share with \$496 million or 11.97 percent of deposits.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. The bank received an "Outstanding" rating at the prior CRA examination dated March 7, 2016.

Scope of the Evaluation

Evaluation Period/Products Evaluated

NBC's CRA performance was evaluated under the intermediate-small bank procedures, which includes the lending test and the community development (CD) test. The lending and CD test evaluation period was from January 1, 2016 to December 31, 2018.

The lending test evaluated the bank's record of meeting the credit needs of its AA through its lending activities. We used call report data to determine the bank's quarterly loan-to-deposit (LTD) ratio, and we used annual deposit information reported to the FDIC to find similarly situated banks. The lending test also focused on the bank's primary loan product based on loan origination and purchase volume from January 1, 2016 to December 31, 2018. We determined the bank's primary loan product to be business loans given the high majority by dollar volume and the bank's business strategy. The following table shows loan originations and purchases by dollar and by number:

Loan Originations and Purchases 2016-2018		
Loan Type	Volume by \$	Volume by #
Agricultural Loans	0.00%	0.00%
Business Loans	68.56%	21.88%
Consumer Loans	6.57%	53.89%
Residential Real Estate Loans	24.88%	24.23%

Source: Bank loan originations and purchases report for 2016, 2017, and 2018.

For the lending test, we analyzed 2016 performance separately from 2017-2018 given changes in the AA's demographic data. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) effective January 1, 2017. The updated demographic data caused several CT changes in the bank's AA. In 2016, the bank's AA included 10 low-income and eight moderate-income CTs. In 2017-2018, the bank's AA included eight low-income and eight moderate-income tracts.

The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. The evaluation period for the CD test is January 1, 2016 through December 31, 2018. We reviewed CD loans, investments, and services made by the bank.

Data Integrity

To evaluate NBC's lending performance, we selected a random sample of the primary product loans. The sample included 20 business loans originated during the 2016 evaluation period and 20 business loans originated during the 2017-2018 evaluation period. We randomly sampled additional loans as needed to complete the lending tests. We used information from the bank's loan files to complete our review.

Selection of Areas for Full-Scope Review

NBC has one AA, which is referred to as the Duluth-Superior AA throughout this report. The Duluth-Superior AA received a full-scope review. Refer to Appendix A for an outline of the examination scope and Appendix B for a full description of the AA and the community profile.

Ratings

NBC's overall rating is based on their lending and CD performance within the Duluth-Superior AA. The bank's lending performance was evaluated on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, geographic distribution of loans, and responses to CRA related complaints. As we completed our analysis, we placed more weight on the lending activity from 2017 through 2018 as this time period represented more business loan originations and purchases overall. The bank's CD performance was evaluated based on their responsiveness to the CD needs of their AA including CD loans, investments, and services.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

NBC's performance under the lending test is Outstanding. The bank's lending performance during the evaluation period depicts excellent distribution in geographies of different income levels and excellent lending to businesses of different sizes. The bank's LTD ratio and origination levels within the AA are reasonable.

Loan-to-Deposit Ratio

NBC's net quarterly average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank's LTD ratio averaged 91 percent over 12 quarters since the prior CRA examination. The bank's quarterly net LTD ratio ranged from a low of 82 percent in December 2018 to a high of 98 percent in March 2018. NBC ranks third among five similarly situated banks. Net LTD ratios for these banks during the same period ranged from an average of 71 percent to 112 percent. The following table shows the average net LTDs for NBC and the four similarly situated institutions:

Loan-to-Deposit Ratios for Similarly Situated Banks		
Bank	Total Assets (as of 12/31/2018)	Average LTD (1Q16-4Q18)
Republic Bank, Incorporated	\$422,806	111.51%
Park State Bank	\$136,586	92.16%
National Bank of Commerce	\$611,215	90.94%
North Shore Bank of Commerce	\$276,484	74.57%
Western National Bank	\$109,769	71.14%

Source: Call Report Data.

Lending in Assessment Area

NBC originates a majority of its loans inside its AA. We analyzed a random sample of 40 business loans originated between January 1, 2016 and December 31, 2018. NBC originated 78 percent of its loans by number and 48 percent by dollar within its AA. The percentage by dollar was skewed by a \$6 million loan that was "out" of the bank's AA. Given the skewed results, we placed more emphasis on the percentage by number. Therefore, the bank's lending is reasonable as the majority of loans were in the AA. The table on the following page shows the bank's lending inside and outside of the AA.

Lending In the Duluth-Superior AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans (\$000s)				Total (\$000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Business Loans										
2016	14	70.0	6	30.0	20	5,503	78.5	1,503	21.5	7,006
2017-2018	17	85.0	3	15.0	20	1,992	23.2	6,591	76.8	8,583
Totals	31	77.5	9	22.5	40	7,495	48.1	8,093	51.9	15,589

Source: 01/01/2016-12/31/2018 Bank Data.

Lending to Businesses of Different Sizes

NBC's overall distribution of business loans reflects excellent penetration among businesses of different sizes.

In 2016, the bank's distribution of business loans reflects excellent penetration as performance by number exceeds the demographic data and significantly exceeds the aggregate industry data. In our sample of 60 business loans originated in 2016, the bank originated 82 percent by number to small businesses. The table below shows the bank's performance lending to businesses of different sizes compared to the percentage of businesses and the percentage of aggregate industry data in each income level for 2016.

Distribution of Loans to Small Businesses by Gross Annual Revenues in the Duluth-Superior AA								2016	
AA	Total Loans to Small Businesses	Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Duluth-Superior AA	2,061	78.3	81.7	46.7	7.1	18.3	14.6	0.0	

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

In 2017-2018, the bank's distribution of business loans reflects excellent penetration as performance by number significantly exceeds the aggregate industry data and is near the demographic data. In our sample of 60 business loans in 2017 and 2018, the bank originated nearly 77 percent by number to small businesses. The table on the following page shows the bank's performance lending to businesses of different sizes compared to the percentage of businesses and the percentage of aggregate industry data in each income level for 2017-2018.

Distribution of Loans to Small Businesses by Gross Annual Revenues in the Duluth-Superior AA								2017-2018	
AA	Total Loans to Small Businesses	Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Duluth-Superior AA	2,093	77.8	76.7	54.3	7.2	23.3	15.0	0.0	
Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0									

Geographic Distribution of Loans

NBC's overall geographic distribution of business loans reflects excellent distribution in LMI tracts when consideration is given to the bank's branch proximity and competition within the LMI tracts as well as geographical barriers.

In 2016, the bank's distribution of loans reflects excellent distribution as performance by number exceeds the demographic and aggregate industry data for moderate-income tracts and is very near the demographic and aggregate industry data for low-income tracts. In our sample of 60 business loans in 2016, the bank originated 23 percent by number in low-income tracts and nearly 12 percent by number in moderate-income tracts. The table below shows the bank's performance compared to the percentage distribution of all businesses (regardless of revenue size) and the percentage of aggregate industry data in each income geography for 2016.

Distribution of Loans to Small Businesses by Income Category of the Geography in the Duluth-Superior AA												2016
AA	Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Duluth-Superior AA	25.1	23.3	27.2	7.3	11.7	7.2	41.4	46.7	38.8	26.2	18.3	26.8
Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0												

In 2017-2018, the bank's distribution of loans reflects excellent distribution as performance by number exceeds the demographic and aggregate industry data for low-income tracts and is very near the demographic and aggregate industry data for moderate-income tracts. In our sample of 60 business loans in 2017-2018, the bank originated nearly 22 percent by number in low-income tracts and 15 percent by number in moderate-income tracts. The table on the following page shows the bank's performance compared to the percentage distribution of all businesses (regardless of

revenue size) and the percentage of aggregate industry data in each income geography for 2017-2018.

Distribution of Loans to Small Businesses by Income Category of the Geography												2017-2018	
in the Duluth-Superior AA													
AA	Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			
	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Duluth-Superior AA	16.2	21.7	15.7	16.2	15.0	16.4	38.2	45.0	37.0	29.4	18.3	30.9	
Total	16.2	21.7	15.7	16.2	15.0	16.4	38.2	45.0	37.0	29.4	18.3	30.9	

*Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Responses to Complaints

During this evaluation period, there were no complaints related to NBC's performance in meeting AA credit needs.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is Outstanding. NBC's CD activities demonstrate excellent responsiveness to the CD needs of their AA through CD loans, qualified investments, and services.

Number and Amount of Community Development Loans

The bank's performance in extending CD loans is excellent. The bank originated 16 qualifying loans within its AA totaling \$29.5 million during the evaluation period. This equaled 42.64 percent of tier 1 capital as of December 31, 2018. The loans provided funds to support affordable housing, economic development, or other CD needs. Additionally, the bank made \$1.2 million in qualifying CD loans outside of its AA, equivalent to 1.74 percent of tier 1 capital as of December 31, 2018. In aggregate, CD loan activity totaled \$30.7 million or 44.38 percent of the bank's tier 1 capital.

Number and Amount of Qualified Investments

NBC's level of qualified investments demonstrates adequate responsiveness to meeting the needs of the community. During the evaluation period, NBC provided 64 donations totaling \$907 thousand to qualifying organizations within the AA. The donations assisted in economic development, affordable housing, or various community services targeting LMI individuals.

Extent to Which the Bank Provides Community Development Services

NBC's CD services are excellent. The bank continues to offer a variety of products and services to serve customers of all income levels and geographies. The bank's services and products are offered at all of its six full-service bank locations. The bank's main office and the Duluth branch are located in LMI CTs. Bank employees showed strong commitment to local organizations and events throughout the evaluation period. During the evaluation period, 14 employees served in a CD qualifying capacity for 14 different organizations. These employees provided nearly 3,000 hours of CD services during the evaluation period.

Bank management has also actively engaged in revitalization of the local community through the development of the Regional Economic Indicators Forum and the Better City Superior Initiative. Management's noteworthy engagement in supporting local business owners depicts continued engagement in meeting the community's needs.

Responsiveness to Community Development Needs

NBC demonstrates excellent responsive to CD needs of the AA, as evidenced by the bank's CD lending, investments, and services.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 1/1/2016 to 12/31/2018 Investment and Service Tests and CD Loans: 1/1/2016 to 12/31/2018	
Financial Institution		Products Reviewed
National Bank of Commerce (NBC) Superior, Wisconsin		Business Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.	N/A.	N/A.
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Duluth-Superior AA	Full Scope	The AA consists of 50 contiguous CTs located within the Duluth MN-WI MMSA. The AA includes all 12 CTs located in Douglas County, WI and 38 CTs in St. Louis County, MN. The specific CTs in St. Louis county are 1-7, 9-14, 16-20, 22-24, 26, 29, 30, 33, 34, 36-38, 101-106, and 156-158.

Appendix B: Community Profiles for Full-Scope Areas

Duluth-Superior AA 2016

Demographic Information for Full-Scope Area: Duluth-Superior AA 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	50	18.0	18.0	38.0	26.0	0.0
Population by Geography	158,690	11.8	10.7	47.8	29.8	0.0
Housing Units by Geography	73,486	14.6	11.5	48.8	25.1	0.0
Owner-Occupied Units by Geography	44,833	5.7	8.6	55.2	30.4	0.0
Occupied Rental Units by Geography	21,733	32.6	17.7	33.7	16.1	0.0
Vacant Units by Geography	6,920	15.3	11.1	54.8	18.9	0.0
Businesses by Geography	9,999	25.1	7.3	41.4	26.2	0.0
Farms by Geography	222	8.6	6.3	48.6	36.5	0.0
Family Distribution by Income Level	39,495	19.8	17.0	22.3	41.0	0.0
Household Distribution by Income Level	66,566	24.5	16.2	16.8	42.4	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	35,622	71.9	58.6	34.9	21.7	0.0
Median Family Income	= \$59,812				Median Gross Rent	= \$681
HUD Adjusted Median Family Income for 2016	= \$62,700				Median Housing Value	= \$151,665
Families Below the Poverty Level	= 9.3%				Unemployment Rate	= 4.7%

Source: 2010 U.S. Census and 2016 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.

Duluth-Superior AA 2017-2018

Demographic Information for Full-Scope Area: Duluth-Superior AA 2017-2018						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	16.0	16.0	40.0	28.0	0.0
Population by Geography	158,790	10.9	11.1	43.0	35.0	0.0
Housing Units by Geography	73,827	12.2	12.1	44.6	31.1	0.0
Owner-Occupied Units by Geography	43,152	4.6	8.2	49.4	37.8	0.0
Occupied Rental Units by Geography	21,924	27.7	21.0	31.5	19.8	0.0
Vacant Units by Geography	8,751	10.5	9.4	53.7	26.4	0.0
Businesses by Geography	10,126	16.8	16.3	37.9	29.0	0.0
Farms by Geography	209	6.2	7.2	47.8	38.8	0.0
Family Distribution by Income Level	38,048	19.6	16.1	22.9	41.4	0.0
Household Distribution by Income Level	65,076	25.2	15.8	16.5	42.5	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	34,956	74.0	58.8	34.7	21.7	0.0
Median Family Income	= \$64,345				Median Gross Rent	= \$731
HUD Adjusted Median Family Income for 2017	= \$67,200				Median Housing Value	= \$160,645
HUD Adjusted Median Family Income for 2018	= \$71,400				Unemployment Rate	= 4.3%
Families Below the Poverty Level	= 9.9%					

Source: 2015 ACS Census and 2018 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.

NBC is a \$611 million interstate national bank headquartered in Superior, Wisconsin. NBC primarily serves the Duluth MN-WI multi-state metropolitan statistical area (MMSA), serving Douglas County, Wisconsin, and a portion of St. Louis County, Minnesota. The bank operates six full-service branches, four located in Wisconsin and two located in Minnesota. NBC also operates six non-deposit taking automated teller machines (ATMs) in the MMSA. NBC's primary business strategy is business loans.

NBC has one AA, which is referred to as the Duluth-Superior AA. The AA includes all 12 CTs in Douglas County and 38 tracts in St. Louis County. The bank's AA reasonably excludes several CTs in St. Louis County as the bank does not have a presence in these areas and the area would otherwise be too large to reasonably serve.

The bank's AA complies with regulatory requirements and does not arbitrarily exclude any LMI geographies. In 2016, 10 CTs were low-income, eight were moderate-income, 19 were middle-income, and 13 were upper-income tracts. During 2017 and 2018, eight CTs were low-income, eight were moderate-income, 21 were middle-income, and 13 were high-income tracts. Changes were the result of updated demographic data from the 2015 American Community Survey (i.e. the Census). The population in the bank's AA totaled roughly 159 thousand during 2016-2018. In 2016, 11.8 percent of the population lived in low-income CTs, 10.7 percent lived in moderate-income CTs, 47.8 percent lived in middle-income CTs, and 29.8 percent lived in upper-income CTs. In 2017-2018, this changed to 10.9 percent, 11.1 percent, 43.0 percent, and 35.0 percent, respectively.

Competition among financial institutions in the Duluth MN-WI MSA is high with 26 financial institutions holding \$3.7 billion in deposits as of June 30, 2018. Per the FDIC Deposit Market Share report, NBC ranked third in the AA with \$495.5 million in deposits or a 11.97 percent market share. The two largest financial institutions in the area, Wells Fargo Bank and U.S. Bank, have 42 percent of the deposit market share.

The Duluth MN-WI MSA is diverse and not dependent on any one major industry. The largest employers in the area include Essentia Health, St. Luke's Hospital, Miner's, Inc., and the University of Minnesota-Duluth. Per the Moody's analytics report, some of the strengths of the Duluth MN-WI MSA include the large healthcare industry, low business and living costs, and the investment at Port of Duluth-Superior, while some of the weaknesses include exposure to a volatile mining industry, weak commercial construction, and very low economic vitality. Unemployment rates in the MMSA showed a slight decrease over the evaluation period. According to the Bureau of Labor Statistics, the annual unemployment rate was 5.6 percent in 2016 and 3.8 percent in 2018. The MMSA's unemployment rate was higher than Minnesota's unemployment rate of 3.9 percent for 2016 and 2.9 percent for 2018. The MMSA's unemployment rate more closely aligns with the national unemployment rates, which were 4.9 percent for 2016 and 3.9 percent for 2018.

In order to gather information on the community and potential lending opportunities in the area, we contacted a community service organization. The community contact noted the economic conditions have been relatively stable. Although the AA's unemployment rate remains higher than the state and national average, it has declined slightly year over year. Additionally, the contact stated that there have not been any significant layoffs in the area. In fact, a few manufacturing facilities have opened, which brought more jobs to the community. However, there is still a high poverty rate in the area as many of the available jobs do not pay livable

wages or do not offer enough hours. Community development lending needs in the AA include small business operating lines of credit, affordable housing, and consumer loans. The community contact also stated that there is a great need for community services and charitable donations relating to food security.