

PUBLIC DISCLOSURE

August 5, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**RidgeStone Bank
34101**

**13925 West North Avenue
Brookfield, Wisconsin 53005**

**Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office
300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606**

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, 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.

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The bank's Community Reinvestment Act (CRA) performance demonstrates reasonable responsiveness to the credit and community development needs of its assessment areas. This rating is supported by the following:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A majority of small business loans were originated to borrowers in the bank's assessment areas.
- The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of small business loans reflects reasonable penetration among businesses of different sizes, given the demographics of the assessment areas.
- The institution has not received any CRA-related complaints during the evaluation period; therefore, this criterion was not considered in the overall CRA Rating.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

SCOPE OF EVALUATION

The current evaluation was conducted at the bank's main office in Brookfield, Wisconsin. Examiners relied upon records provided by the bank, 2010 U.S. Census data, D&B demographic data, and community contacts. The bank's CRA evaluation is based upon a review of small business loans. Home mortgage and small farm loans are not a business focus, make up a small portion of the overall portfolio, and are not included in this evaluation. A universe of 135 small business loans totaling \$42,099,000 was originated in the first six months of 2013. All 135 small business loans were reviewed and analyzed for this evaluation. For purposes of this evaluation, a small business loan is a commercial or commercial real estate loan with an original loan amount of \$1 million or less.

Community development loans, investments, and services since the previous evaluation dated May 4, 2009, were reviewed and are included in this evaluation. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA

COMMUNITY DEVELOPMENT TEST (OVERALL)

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its AAs. The bank's level of community development loans, investments, and services is adequate, when considering the bank's lending capacity and the community development needs and opportunities in the AAs. The bank's community development activities were evaluated for the entire evaluation period from May 4, 2009 to August 5, 2013. The bank's community development performance is in line with other banks' performance in the AAs that were evaluated under Intermediate Small Bank CRA procedures and received Satisfactory ratings.

Community Development Lending

During the evaluation period, the bank made 21 community development loans totaling \$21,376,498 or 7 percent of total loans. Table 4 shows the bank's community development loans, including a breakdown per year. The Chicago AA contains 19 community development loans totaling \$13,415,645, and the Milwaukee AA contains 2 community development loans totaling \$7,960,853. By number of loans, 90 percent of community development loans are in the Chicago AA and 10 percent are in the Milwaukee AA.

Table 4 - Qualified Community Development Lending Activity		
SBA 504		
	Milwaukee AA — 0 loans	\$0
	Chicago AA — 1 loan	\$1,183,473
Total SBA 504 Loans		\$1,183,473
Economic Development		
	Milwaukee AA — 2 loans	\$7,960,853
	Chicago AA — 18 loans	\$12,232,172
Total Qualified Economic Development Loans		\$20,193,025
Qualified Community Development Loans by Year		
	1 loan - 2009	\$7,855,000
	2 loans - 2010	\$2,849,473
	3 loans - 2011	\$2,300,000
	6 loans - 2012	\$3,359,000
	9 loans - 2013	\$5,013,025
Total Qualified Community Development Loans		\$21,376,498

Source: Bank Records

Community Development Investments

Qualifying investments totaled \$505,800 during the evaluation period, or 1.6 percent of the bank's investment portfolio, 1.1 percent of equity capital, and 0.1 percent of total assets. The bank's largest donation was for \$500,000. The proceeds of this donation went to the Solomon Hess SBA fund. These funds are used to provide community development loans to small

businesses in economically distressed areas. Discussions with members of the community revealed that a need for smaller business loans exists. The bank is meeting this need through its investment in this fund and the donations that the bank makes to support nonprofit organizations that assist small businesses.

The remaining \$5,800 consists of various qualifying charitable donations. The breakdown by year for the charitable donations is \$0 in 2009, \$800 in 2010, \$503,000 in 2011, \$0 in 2012, and \$2,000 in 2013. The breakdown by AA is \$503,000 for the Milwaukee AA and \$2,800 for the Chicago AA.

Community Development Services

The bank provided 52 community development services during the evaluation period. The bank's community development services consist of 34 in the Chicago AA and 18 in the Milwaukee AA. These services consist of one-time events, as well as, continued relationships with organizations. Discussions with members of the community indicated that opportunities for bank involvement exist in the following areas for both AAs: technical assistance for small and startup businesses and small dollar business loans that may not be cost effective for a bank to provide. The bank is meeting both needs expressed by the community contact. Through the bank's community development services, employees are providing assistance to customers with business plans, financial statements, and general customer education. This assistance is provided through partnering with local organizations to provide counseling services for aspiring business owners. Refer to the Community Development Investments and the Loan Distribution by Borrowers' Profile for information on how the bank is addressing the need for small dollar business loans.

Table 5 shows the bank's qualified community development services by category and by year. The Affordable Housing category consists of a bank officer serving as president and board member of a community development corporation that is an advocate for affordable housing. The Community Services category consists of various activities, including providing financial education to students from low- and moderate-income families, providing technical assistance to small business owners, and serving as Board and Committee members of organizations providing services to low- and moderate-income individuals.

The Revitalization or Stabilization category consists of various loan workouts. Bank officers spent numerous hours working out plans to enable repayment of debts commensurate with these businesses' financial capacity. Many of the businesses serve primarily low-income families and provide essential services, including groceries, gasoline, and supplies for the neighborhood, along with convenience and services to clients that mostly do not drive. The bank worked to effectively transfer ownership for most of these businesses and thereby saved the businesses from a possible shutdown. The businesses continue to remain open today. In each case, a number of jobs for low- and moderate-income individuals were retained.