

PUBLIC DISCLOSURE

November 4, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Illini State Bank
RSSD# 180845

230 South LaSalle Street
Tonica, Illinois 61370

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Illini State Bank is rated Satisfactory.

Illini State Bank is meeting the needs of its community based upon an analysis of the bank's lending performance. The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs within the assessment area. A majority of the bank's loans were originated inside the bank's assessment area. The geographic dispersion of the bank's loans reflects a reasonable distribution of small business and small farm lending in its moderate-income census tract, and loan distribution reflects reasonable penetration among businesses and farms of different sizes. Neither Illini State Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints during the evaluation period.

SCOPE OF EXAMINATION

Illini State Bank's performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures. The evaluation was performed within the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The evaluation included a full-scope review of the bank's single assessment area and reviewed small business and small farm lending performance based on a sample of those loans originated from September 14, 2020, through December 31, 2023.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio ending June 30, 2024, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – Samples of the bank's small business and small farm loans originated from September 14, 2020, through December 31, 2023, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Samples of the bank's small business and small farm loans originated in the assessment area, from September 14, 2020, through December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income (there are no low-income census tracts present in the bank's assessment area).

- ***Lending to Businesses and Farms of Different Sizes*** – Samples of the bank’s small business and small farm loans originated within the assessment area, from September 14, 2020, through December 31, 2023, were reviewed to determine the distribution among businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with the evaluation to provide information regarding local economic and socio-economic conditions in the assessment area. The organizations contacted had agricultural and economic development focuses.

DESCRIPTION OF INSTITUTION

Illini State Bank is a wholly owned subsidiary of ISB Bancorp, Inc., a one-bank holding company located in Tonica, Illinois. The bank operates a main office in Tonica, and two full-service branches in Lostant and Oglesby, Illinois. The main branch has one cash-only automated teller machine (ATM) with an additional standalone cash-only ATM in Oglesby. The bank also operates a loan production office outside of the bank’s assessment area in Yorkville, Illinois, to further identify lending opportunities. The bank closed a cash-only ATM in a middle-income census tract in Oglesby on October 31, 2024.

Illini State Bank provides a range of conventional loan and deposit products and services to meet the needs of its consumers, businesses, and farms operating within the assessment area. The bank’s standard deposit products include checking, savings, money markets, and certificate of deposits, and the range of loan products includes commercial, agricultural, residential real estate, and consumer loans. During the COVID-19 pandemic, the bank originated 139 Small Business Administration (SBA) Paycheck Protection Program (PPP) loans totaling \$14.2 million. The PPP loans are considered particularly impactful based on the challenges small businesses faced as a result of the COVID-19 pandemic and were extremely beneficial to the community as they were exclusively for payroll or income replacement.

According to the Uniform Banking Performance Report (UBPR), the bank reported total assets of \$166.3 million as of June 30, 2024. Illini State Bank is predominately a commercial lender, as commercial loans comprise 47.4 percent of its loan portfolio by dollar, followed by agricultural loans (29.6 percent), residential real estate loans (20.4 percent), consumer loans (1.1 percent), and other loans (1.5 percent). Details of the bank's loan portfolio are provided in following table.

Composition of Loan Portfolio as of June 30, 2024		
Type	Dollar Volume (\$ in 000s)	%
Commercial Lending	52,328	47.4
Agricultural Lending	32,708	29.6
Residential Real Estate	22,551	20.4
Consumer	1,173	1.1
Other	1,622	1.5
Total	110,382	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		

According to the June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Illini State Bank ranked eleventh out of 28 FDIC-insured institutions operating in the bank's assessment area. The bank held approximately \$123.4 million in deposits, representing a market share of 2.9 percent. The market leaders were American Commercial Bank and Trust, National Association and First State Bank with 21.1 and 16.2 percent of market share, respectively.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on September 14, 2020.

DESCRIPTION OF ASSESSMENT AREA¹

Illini State Bank's assessment area is comprised of 13 census tracts located in LaSalle, Putnam, and Marshall Counties within the state of Illinois. Marshall County is part of the Peoria Metropolitan Statistical Area (MSA) #37900, while LaSalle and Putnam Counties are in the Illinois Non-MSA. The bank's assessment area does not extend substantially beyond the MSA boundary, and without a branch presence in the MSA, the bank's assessment area is being evaluated as a single non-MSA. Within the assessment area, there are one moderate-, nine middle-, and three upper-income census tracts, with no census tracts being designated as underserved or distressed. There are no low-income census tracts in the assessment area. Two branches and a cash-only ATM are located in an upper-income tract with the third branch and second cash-only ATM located in a middle-income census tract. There have been no changes made by the bank to its assessment area since the previous evaluation. Additionally, there have been no changes in the American Community Survey census tract income designations within the bank's assessment area since the previous evaluation.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Demographic information about the bank's assessment area is presented in the following table, followed by a summary of key economic characteristics of the assessment area. Additional demographic tables for the years 2020 through 2022 can be found in Appendix B.

2023 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,974	15.9
Moderate	1	7.7	496	4.0	68	13.7	2,098	16.9
Middle	9	69.2	8,537	68.7	608	7.1	2,761	22.2
Upper	3	23.1	3,386	27.3	154	4.5	5,586	45.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	13	100.0	12,419	100.0	830	6.7	12,419	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,188	403	2.8	33.9	588	49.5	197	16.6
Middle	15,395	10,018	69.7	65.1	3,203	20.8	2,174	14.1
Upper	5,163	3,946	27.5	76.4	716	13.9	501	9.7
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	21,746	14,367	100.0	66.1	4,507	20.7	2,872	13.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	199	10.9	177	11.2	19	9.5	3	6.0
Middle	1,194	65.2	1,036	65.5	132	65.7	26	52.0
Upper	439	24.0	368	23.3	50	24.9	21	42.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,832	100.0	1,581	100.0	201	100.0	50	100.0
Percentage of Total Businesses:				86.3		11.0		2.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	0.6	1	0.7	0	0.0	0	0.0
Middle	80	51.6	78	51.7	2	50.0	0	0.0
Upper	74	47.7	72	47.7	2	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	155	100.0	151	100.0	4	100.0	0	0.0
Percentage of Total Farms:				97.4		2.6		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Characteristics

The following table presents the population trends for the assessment area, the counties that make up the bank's assessment area, the entire Non-MSA Illinois, and the state of Illinois from 2015 to 2020. The assessment area's population decreased by 2.1 percent, while the population in the state of Illinois declined by 0.5 percent, according to the 2020 U.S. Census. All three counties within the assessment area experienced a decline in population, with the largest decrease in Marshall County (3.5 percent) and the smallest decrease in LaSalle County of 2.6 percent. The entire Non-MSA Illinois population decline was 4.3 percent. According to a community representative, population within LaSalle County has been relatively stable. However, part of the population loss can be attributed to the closure of local hospitals in the area, as well as company acquisitions and closures, resulting in an outflux of individuals seeking employment elsewhere. In light of this, a community representative stated that they have implemented a program to help stem the outflow of young adults leaving the area through job training and education programs.

Population Change			
Area	2015 Population	2020 Population	Percent Change (%)
Assessment Area	45,266	44,306	-2.1
LaSalle County, IL	112,579	109,658	-2.6
Marshall County, IL	12,173	11,742	-3.5
Putnam County, IL	5,822	5,637	-3.2
Non-MSA Illinois	1,486,185	1,421,720	-4.3
State of Illinois	12,873,761	12,812,508	-0.5
Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census			
¹ The assessment area includes a portion of Iowa County, two of a total of six tracts, which has a population of 6,064.			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 12,419 families, with 15.9 percent of families designated as low-income, 16.9 percent are moderate-income, 22.2 percent are middle-income, and 45.0 percent are upper-income. There are significant differences in poverty levels among assessment area counties. The assessment area has 6.7 percent of families with income levels below the poverty level. However, LaSalle and Marshall Counties' poverty levels are 9.7 percent and 9.0 percent, respectively, while Putnam County has a poverty level of 5.2 percent.

From 2015 to 2020, the MFI in the assessment area increased by 13.8 percent to \$75,367 primarily driven by the increases seen within LaSalle and Marshall Counties with 4.1 and 2.7 percent, respectively. However, Putnam County experienced a decline in MFI of 3.1 percent over the same period. The assessment area's MFI increase is greater than the Non-MSA Illinois rate of 6.4 percent and the state of Illinois increase of 10.3 percent. According to a community representative, the rise in MFI can be attributed to higher wages offered by farmers and distribution centers. While another representative acknowledged the decline in MFI within Putnam County, they stated the

county is anchored by a major energy producer that offers competitive wages. The following table compares the median family income (MFI) for the assessment area, the counties that make up the assessment area, the entire Non-MSA Illinois, and the state of Illinois.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percentage Change (%)
Assessment Area	66,229	75,367	13.8
LaSalle County, IL	69,720	72,583	4.1
Marshall County, IL	71,000	72,945	2.7
Putnam County, IL	80,640	78,145	-3.1
Non-MSA Illinois	64,815	68,958	6.4
State of Illinois	78,169	86,251	10.3
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau: American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars</i>			

Housing Characteristics

Based on 2023 FFIEC Census Data, the median housing value in the assessment area was \$130,671, with a median gross rent level of \$760. LaSalle and Putnam Counties have higher housing values and rents than Marshall County at \$130,600 and \$785, and \$134,800 and \$682, respectively. Marshall County's median housing value was \$105,700 with median gross rent of \$661. Marshall County's median housing value is most aligned with the entire Non-MSA Illinois median housing value and gross rent of \$103,263 and \$678, respectively. In comparison, the median housing value and gross rent for the state of Illinois was \$202,100 and \$1,038, respectively.

As shown in the following table, high levels of low-income renters and owners are housing cost burdened. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. LaSalle County's low-income borrowers are particularly cost burdened, as 71.2 percent of renters and 55.4 percent of owners are cost burdened. Moderate-income renters and owners across all counties in the assessment area experience a housing cost burden below 30.0 percent, while the state of Illinois experiences the burden at 30.3 percent for moderate-income renters and 32.4 percent for moderate-income owners.

A community representative stated that housing is generally more affordable due to the highly rural characteristics of the communities served. Additionally, a community representative expressed that demand for expensive homes has fallen as there are fewer high-paying jobs to support such housing demand and the cost of materials for construction is high.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
LaSalle County, IL	71.2	16.2	37.0	55.4	21.0	15.0
Marshall County, IL	53.1	5.0	28.1	43.6	14.3	14.5
Putnam County, IL	68.3	12.7	33.5	41.1	4.1	8.8
State of Illinois	72.9	30.3	41.8	65.6	32.4	21.1
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i> <i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table presents the unemployment trends for the counties that make up the assessment area and for the state of Illinois. Unemployment throughout the assessment area is at lower levels after spiking in 2020 during the COVID-19 pandemic. In 2023, LaSalle County experienced the highest level of unemployment at 4.9 percent in comparison to Marshall (4.6 percent) and Putnam (4.7 percent) Counties, as well as the state of Illinois (4.6 percent).

According to a community representative, the closure of two major hospitals has contributed to the unemployment rates as healthcare is a major industry in the area. However, another community representative stated that the area's unemployment rate spikes in the winter due to farmers laying off employees, but then falls in the spring as farmers rehire.

The Bureau of Labor Statistics data indicates that employment in the counties that make up the assessment area is concentrated in the areas of manufacturing, retail trade, accommodation and food services, and healthcare and social assistance. A community representative stated that within LaSalle County, major employers include a glass factory, two major nuclear plants, as well as hospitals, schools and the county (Government). Within Marshall County, a representative stated an energy company is the major employer with over 500 employees and Putnam County is comprised of smaller industries in agriculture. Another representative mentioned there are major agricultural producers in the ethanol and fertilizer businesses.

Unemployment Rates (%)					
Area	2019	2020	2021	2022	2023
LaSalle County, IL	5.1	9.5	6.0	5.9	4.9
Marshall County, IL	4.6	7.3	5.6	5.3	4.6
Putnam County, IL	4.9	8.4	5.1	5.7	4.7
State of Illinois	4.0	9.3	6.1	4.5	4.6
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Community Representatives

Community representatives indicated that a key challenge for the assessment area is the lack of healthcare options due to the recent downsizing and closures of local hospitals. Additionally, the costs of home construction in the area have increased, slowing the availability and demand for new home construction. As a result, a representative stated that there has been difficulty attracting employees to the area due to the cost of home construction and high tax rates. Despite this, a community representative stated that the assessment area's proximity to Chicago and access to the interstate could help the area expand its economy. With respect to agriculture, a community representative stated that crop prices are down, while expenses are rising, which has pressured farming operations. The representative predicts that the next two years will be difficult for many farmers, with negative returns expected. Regardless, a community representative stated that there is always a need for beginning farmer assistance, both for large and small growers. A representative indicated that there is a new program in place to keep a younger generation in the rural communities to slow the population decline. Finally, a representative stated there is a need for more jobs in different industries, as the current business environment is causing manufacturers to go elsewhere.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Illini State Bank's performance relative to the lending test is rated satisfactory based on the following factors: the loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs; a majority of the bank's loans are originated in the assessment area; the geographic distribution of small business and small farm loans is reasonable throughout the assessment area; and the loan penetration is reasonable among businesses and farms of different sizes.

Loan-to-Deposit Ratio

Illini State Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Demographic factors, the bank's lending and deposit strategy, economic conditions, and lending opportunities within the assessment area were also considered. In the 16-quarter period from September 30, 2020, through June 30, 2024, Illini State Bank's LTD ratio averaged 79.5 percent, compared to the 64.0 percent average of the bank's local competitors. Illini State Bank's LTD ratio is higher than all, with the exception of one, of its competitors with similar asset sizes in the area. This level of lending in relation to the bank's deposits indicates that the bank is actively meeting the credit needs of its assessment area. The following table compares the bank's LTD ratio to its local competitors. Similarly situated competitors were selected based on their asset size, branching locations, and market share within the bank's assessment area.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Illini State Bank	79.5
Peer Avg – Local	64.0
Competitors	
Grand Ridge National Bank	94.1
Spring Valley	72.8
North Central Bank	66.6
Hometown National Bank	59.6
LaSalle State Bank	58.7
Camp Grove State Bank	31.9

Assessment Area Concentration

Illini State Bank originated a majority of its loans in the bank’s assessment area. Based on a sample of the bank’s loans originated from September 14, 2020 through December 31, 2023, 68.0 percent of the bank’s small business and small farm loans by number and 40.8 percent by dollar amount were originated inside the assessment area. The bank originated 86.1 percent of its small farm loans by number within the assessment area and 80.7 percent by dollar. By comparison, the bank originated 58.2 percent of its small business loans by number within the assessment area and 19.4 percent by dollar. This level of small business lending is primarily attributed to the bank’s loan production office located in Yorkville, Illinois, which is concentrated in small business lending, often originating loans in greater dollar amounts compared to those originated within the assessment area due to availability.

The following table summarizes the bank’s lending inside and outside its assessment area through a sample of small business and small farm loans originated from September 14, 2020, through December 31, 2023.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	39	58.2	2,211	19.4	28	41.8	9,187	80.6
Small Farm	31	86.1	4,947	80.7	5	13.9	1,187	19.3
Total Loans	70	68.0	7,158	40.8	33	32.0	10,374	59.2
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

Geographic Distribution of Loans²

Illini State Bank demonstrated a reasonable geographic distribution of loans in the bank's assessment area. An analysis of the geographic distribution of samples of small business and small farm loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly within its moderate-income census tract, given the bank's assessment area does not include low-income census tracts. A review of the bank's lending patterns found that the bank originated loans in the bank's moderate-income census tract in 2023 and 2020. Given the bank designates only one moderate-income census tract, there were no conspicuous or unexplained gaps in the contiguous census tracts were identified.

The analysis was driven by the bank's performance in 2022 and 2023, while the bank's performance in 2020 and 2021 was used for comparison purposes. A detailed discussion of small business and small farm lending in relation to census demographics is provided below.

Small Business Loans

The geographic distribution of the bank's small business lending reflects a reasonable dispersion of lending throughout the assessment area. Within the sample of small business loans reviewed, in 2022, the bank did not originate small business loans within its moderate-income census tract and in 2023, the bank originated one small business loan in its moderate-income census tract, which was below the 10.9 percent of small businesses located in the moderate-income census tract. Given the limited opportunities for lending within the sole moderate-income tract, this performance is considered reasonable. In 2022 and 2023, the bank originated 36.4 and 20.0 percent of its small business loans, respectively, in middle-income census tracts, which was less than the percentage of total businesses located in middle-income census tracts at 65.2 percent. Lastly, in 2022 and 2023, the bank originated 63.6 and 73.3 percent of its small business loans respectively, in upper-income census tracts exceeding the percentage of total businesses in the upper-income tracts at 24.0 percent. Analysis of the years 2020 and 2021 indicated a higher percentage of small business loans originated in middle-income tracts at 75.0 and 88.9 percent, respectively.

The following table summarizes the bank's 2022 and 2023 geographic distribution of small business lending by income level of the geographies within the assessment area. Please refer to Appendix B for the 2020 and 2021 geographic distribution table detailing small business lending performance.

² For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

Distribution of 2022 and 2023 Small Business Lending By Income Level of Geography Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2022				2023				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	1	6.7	81	11.6	10.9
Middle	4	36.4	246	48.4	3	20.0	95	13.6	65.2
Upper	7	63.6	262	51.6	11	73.3	522	74.8	24.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	11	100.0	508	100.0	15	100.0	698	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Small Farm Loans

The geographic distribution of the bank's small farm lending reflects a reasonable dispersion of lending throughout the assessment area. Within the sample of small farm loans reviewed, in 2022 and 2023, the bank did not originate any small farm loans in the moderate-income tract which is consistent with the low percentage of total farms located in the moderate-income tract at 0.6 percent. In 2022, the bank originated 50.0 percent of its small farm loans, in middle-income census tracts, which was comparable to the total farms operating in the census tracts at 51.6 percent. While in 2023, the bank originated 33.3 percent of its small farm loans in middle-income census tracts which was below the 51.6 percent of small farms located in such tracts. Finally, in 2022 and 2023, the bank originated 50.0 and 66.7 percent of its small farm loans, respectively, in upper-income census tracts, surpassing the percentage of total farms operating in the upper-income tracts at 47.7 percent. Analysis of the years 2020 and 2021 indicated higher percentages of small farm loans originated in middle-income tracts at 66.7 and 62.5 percent, respectively.

The following table summarizes the bank's 2022 and 2023 geographic distribution of small farm lending by income level of the geographies within the assessment area. Please refer to Appendix B for the 2020 and 2021 geographic distribution table for the small farm lending performance.

Distribution of 2022 and 2023 Small Farm Lending By Income Level of Geography Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Farms %
	2022				2023				
	#	##	\$(000)	%	#	##	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	0.6
Middle	4	50.0	327	39.9	4	33.3	670	27.0	51.6
Upper	4	50.0	492	60.0	8	66.7	1,811	73.0	47.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	820	100.0	12	100.0	2,481	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Lending to Businesses and Farms of Different Sizes³

Illini State Bank's loan distribution reflects reasonable penetration of lending to businesses and farms of different sizes. The analysis was driven by the bank's performance in 2022 and 2023. The bank's performance in 2020 and 2021 will be used for comparison purposes. A detailed discussion of small business and small farm lending in relation to census demographics is provided below.

Small Business Loans

Illini State Bank's small business lending reflects a reasonable penetration among businesses of different sizes in 2022 and 2023. Within the sample of small business loans reviewed, the bank originated 72.7 and 80.0 percent, respectively, by number to businesses with gross revenues equal to or less than \$1 million. The bank's performance was below the presence of small businesses operating in the assessment area at 86.3 percent. However, in both 2022 and 2023, all of the loans originated to businesses with annual revenues of \$1 million or less were in the amounts of \$100,000 or less. Further, in 2022 and 2023, 90.9 and 93.3 percent, respectively, of all small business loans were in amounts equal to \$100,000 or less. These loans are considered the most beneficial to small businesses and demonstrates the bank's willingness to meet the credit needs of small businesses.

Analysis of the years 2020 and 2021 indicated steady increases of lending activities in the assessment area, especially in small business loan amounts of \$100,000 and less. Please refer to Appendix B for the 2020 and 2021 borrower distribution table for small business lending performance.

³ For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals³. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

Distribution of 2022 and 2023 Small Business Lending By Revenue Size of Businesses									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Businesses %
	2022				2023				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
By Revenue									
\$1 Million or Less	8	72.7	305	60.0	12	80.0	440	63.0	86.3
Over \$1 Million	3	27.3	203	40.0	3	20.0	258	37.0	11.0
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	2.7
Total	11	100.0	508	100.0	15	100.0	698	100.0	100.0
By Loan Size									
\$100,000 or Less	10	90.9	369	72.6	14	93.3	548	78.5	
\$100,001 - \$250,000	1	9.1	139	27.4	1	6.7	150	21.5	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	11	100.0	508	100.0	15	100.0	698	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	8	100.0	305	100.0	12	100.0	440	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	305	100.0	12	100.0	440	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Small Farm Loans

Illini State Bank's small farm lending reflects a poor penetration among farms of different sizes in 2022 and 2023. Within the sample of small farm loans reviewed, the bank originated 50.0 and 33.3 percent by number to farms with gross revenues equal to or less than \$1 million. The bank's performance was significantly below the presence of small farms operating in the assessment area at 97.4 percent. However, in 2022 and 2023, 75.0 and 50.0 percent, respectively, of small farm loans originated to farms with annual revenues of \$1 million or less were in the amounts of \$100,000 or less. Similarly, in 2022 and 2023, 75.0 and 50.0 percent, respectively, of all small farm loans were in amounts equal to \$100,000 or less. These loans are considered the most beneficial to small farms and demonstrates the bank's willingness to meet the credit needs of small farms. The bank indicated that opportunities to lend to smaller farms are increasingly scarce as larger farms are seeking funding to grow their farms through the acquisition of smaller farms or add to their farm with the introduction of a seed portfolio.

Analysis of the years 2020 and 2021 indicated similar small farm lending percentages. Please refer to Appendix B for 2020 and 2021 borrower distribution table for small farm lending performance.

Distribution of 2022 and 2023 Small Farm Lending By Revenue Size of Farms Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Farms %
	2022				2023				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	4	50.0	501	61.1	4	33.3	861	34.7	97.4
Over \$1 Million	4	50.0	319	38.9	8	66.7	1,620	65.3	2.6
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	8	100.0	820	100.0	12	100.0	2,481	100.0	100.0
By Loan Size									
\$100,000 or Less	6	75.0	362	44.1	6	50.0	330	13.3	
\$100,001 - \$250,000	1	12.5	140	17.1	1	8.3	200	8.1	
\$250,001 - \$500,000	1	12.5	317	38.7	5	41.7	1,951	78.6	
Total	8	100.0	820	100.0	12	100.0	2,481	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	3	75.0	184	36.7	2	50.0	90	10.5	
\$100,001 - \$250,000	0	0.0	0	0.0	0	0.0	0	0.0	
\$250,001 - \$500,000	1	25.0	317	63.3	2	50.0	771	89.5	
Total	4	100.0	501	100.0	4	100.0	861	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Response to Complaints

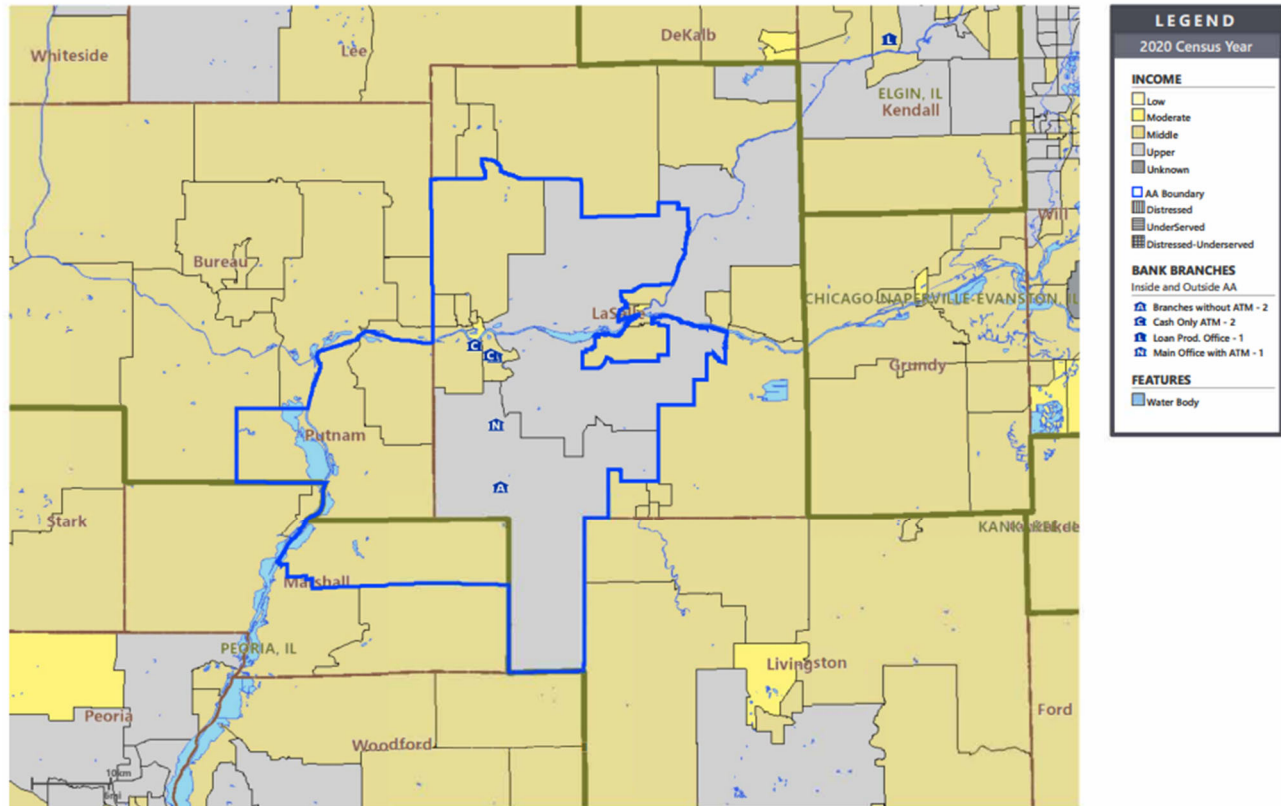
Neither the bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Illini State Bank 180845
IL Non MSA



APPENDIX B – Additional Demographic and Lending Data Tables

2020 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,885	15.9
Moderate	1	7.7	561	4.7	74	13.2	1,997	16.9
Middle	9	69.2	8,258	69.8	638	7.7	2,514	21.3
Upper	3	23.1	3,011	25.5	214	7.1	5,434	45.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	13	100.0	11,830	100.0	926	7.8	11,830	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,318	425	3.0	32.2	660	50.1	233	17.7
Middle	15,544	10,262	72.6	66.0	3,345	21.5	1,937	12.5
Upper	5,003	3,446	24.4	68.9	685	13.7	872	17.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	21,865	14,133	100.0	64.6	4,690	21.4	3,042	13.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	195	10.4	173	10.6	19	9.3	3	6.1
Middle	1,258	66.8	1,082	66.4	148	72.2	28	57.1
Upper	430	22.8	374	23.0	38	18.5	18	36.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,883	100.0	1,629	100.0	205	100.0	49	100.0
Percentage of Total Businesses:				86.5		10.9		2.6
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	94	58.8	91	58.7	3	60.0	0	0.0
Upper	66	41.3	64	41.3	2	40.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	160	100.0	155	100.0	5	100.0	0	0.0
Percentage of Total Farms:				96.9		3.1		0.0
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

2021 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,885	15.9
Moderate	1	7.7	561	4.7	74	13.2	1,997	16.9
Middle	9	69.2	8,258	69.8	638	7.7	2,514	21.3
Upper	3	23.1	3,011	25.5	214	7.1	5,434	45.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	13	100.0	11,830	100.0	926	7.8	11,830	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,318	425	3.0	32.2	660	50.1	233	17.7
Middle	15,544	10,262	72.6	66.0	3,345	21.5	1,937	12.5
Upper	5,003	3,446	24.4	68.9	685	13.7	872	17.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	21,865	14,133	100.0	64.6	4,690	21.4	3,042	13.9
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	195	10.7	173	11.0	19	9.6	3	5.9
Middle	1,214	66.6	1,045	66.3	140	70.7	29	56.9
Upper	415	22.8	357	22.7	39	19.7	19	37.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,824	100.0	1,575	100.0	198	100.0	51	100.0
Percentage of Total Businesses:				86.3		10.9		2.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	89	58.9	86	58.9	3	60.0	0	0.0
Upper	62	41.1	60	41.1	2	40.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	151	100.0	146	100.0	5	100.0	0	0.0
Percentage of Total Farms:				96.7		3.3		0.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2022 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,974	15.9
Moderate	1	7.7	496	4.0	68	13.7	2,098	16.9
Middle	9	69.2	8,537	68.7	608	7.1	2,761	22.2
Upper	3	23.1	3,386	27.3	154	4.5	5,586	45.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	13	100.0	12,419	100.0	830	6.7	12,419	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,188	403	2.8	33.9	588	49.5	197	16.6
Middle	15,395	10,018	69.7	65.1	3,203	20.8	2,174	14.1
Upper	5,163	3,946	27.5	76.4	716	13.9	501	9.7
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	21,746	14,367	100.0	66.1	4,507	20.7	2,872	13.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	196	10.7	174	11.0	19	9.5	3	5.8
Middle	1,197	65.4	1,037	65.7	133	66.5	27	51.9
Upper	437	23.9	367	23.3	48	24.0	22	42.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,830	100.0	1,578	100.0	200	100.0	52	100.0
Percentage of Total Businesses:				86.2		10.9		2.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	0.6	1	0.7	0	0.0	0	0.0
Middle	80	51.9	77	51.7	3	60.0	0	0.0
Upper	73	47.4	71	47.7	2	40.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	154	100.0	149	100.0	5	100.0	0	0.0
Percentage of Total Farms:				96.8		3.2		0.0
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	25.0	90	23.6	0	0.0	0	0.0	10.7
Middle	3	75.0	292	76.4	8	88.9	599	96.1	66.6
Upper	0	0.0	0	0.0	1	11.1	24	3.9	22.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	4	100.0	382	100.0	9	100.0	623	100.0	100.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2020 and 2021 Small Farm Lending By Income Level of Geography Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Farms %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Middle	2	66.7	186	65.0	5	62.5	874	64.3	58.9
Upper	1	33.3	100	35.0	3	37.5	487	35.8	41.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	3	100.0	286	100.0	8	100.0	1,360	100.0	100.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
By Revenue									
\$1 Million or Less	3	75.0	292	76.4	7	77.8	499	80.1	86.3
Over \$1 Million	1	25.0	90	23.6	2	22.2	124	19.9	10.9
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	2.8
Total	4	100.0	382	100.0	9	100.0	623	100.0	100.0
By Loan Size									
\$100,000 or Less	3	75.0	200	52.4	8	88.9	438	70.3	
\$100,001 - \$250,000	1	25.0	182	47.6	1	11.1	185	29.7	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	4	100.0	382	100.0	9	100.0	623	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	2	66.7	110	37.7	6	85.7	314	62.9	
\$100,001 - \$250,000	1	33.3	182	62.3	1	14.3	185	37.1	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	3	100.0	292	100.0	7	100.0	499	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2020 and 2021 Small Farm Lending By Revenue Size of Farms Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Farms %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	1	33.3	100	35.0	5	62.5	877	64.5	96.7
Over \$1 Million	2	66.7	186	65.0	3	37.5	484	35.6	3.3
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	3	100.0	286	100.0	8	100.0	1,360	100.0	100.0
By Loan Size									
\$100,000 or Less	2	66.7	130	45.5	3	37.5	133	9.8	
\$100,001 - \$250,000	1	33.3	156	54.5	4	50.0	832	61.2	
\$250,001 - \$500,000	0	0.0	0	0.0	1	12.5	396	29.1	
Total	3	100.0	286	100.0	8	100.0	1,360	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	1	100.0	100	100.0	1	20.0	45	5.1	
\$100,001 - \$250,000	0	0.0	0	0.0	4	80.0	832	94.9	
\$250,001 - \$500,000	0	0.0	0	0.0	0	0.0	0	0.0	
Total	1	100.0	100	100.0	5	100.0	877	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Small business, and small farm loans originated from September 14, 2020, through December 31, 2023. Loan-to-deposit ratio from September 30, 2020 through June 30, 2024		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Illini State Bank, Tonica, Illinois			Small Business and Small Farm loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Illinois	Full scope review	None	The non-MSA Illinois includes the partial counties of LaSalle, Marshall, and Putnam.

APPENDIX D – Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.⁴

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

⁴ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

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 household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).