PUBLIC DISCLOSURE

March 6, 2023

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

State Bank of Graymont
Certificate Number: 10434

204 Main St
Graymont, Illinois 61743

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This CRA Disclosure may be obtained from the FFIEC's website at: https://www.ffiec.gov

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INSTITUTION RATING

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

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

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.

- The bank originated a substantial majority of its home mortgage, small business, and small farm loans inside its assessment areas.

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels, and businesses and farms of different sizes.

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

DESCRIPTION OF INSTITUTION

State Bank of Graymont (SBG) is a $304.9 million dollar institution located in the Livingston County community of Graymont, Illinois and is a subsidiary of one-bank holding company, Graymont Bancorp, Inc. Graymont, Illinois is approximately 92 miles southwest of Chicago. SBG received a Satisfactory rating at its previous FDIC Performance Evaluation dated March 2, 2020, based on Interagency Small Institution CRA Examination procedures.

SBG acquired State Bank of Saunemin on January 4, 2022, and with the acquisition added the two branches of State Bank of Saunemin located in Pontiac and Saunemin. SBG now operates five offices. Four locations are located in Livingston County, Illinois and include the main office in Graymont, two branches in Pontiac, and one branch in Saunemin. One branch is located in Chenoa, in McLean County, Illinois. Livingston County is not in a Metropolitan Statistical Area (MSA), while McLean County is located in the Bloomington-Normal, Illinois, MSA. The bank has four automated teller machines (ATMs); two deposit-taking ATMs are at each of the Pontiac branch and the Chenoa branch, and stand-alone ATMs are located in Saunemin and Pontiac. All five offices have drive-up windows and the bank's hours of operation provide reasonable access to banking services. The bank did not open or close any branches since the previous evaluation.

SBG offers a variety of loan and deposit products. Loans types include extensions of credit to fund agricultural, business, residential real estate, and consumer loans. Deposit products offered include checking and savings accounts, NOW accounts, money market accounts, and certificates of deposit. The bank operates a website and offers online, mobile, and telephone banking.

Assets totaled $304.9 million as of December 31, 2022, and included total loans of $166.1 million and securities totaling $112.9 million. Agricultural lending is the bank's business focus, followed by commercial lending and 1-4 family residential lending. The following table provides detailed information about the loan portfolio.

Loan Portfolio Distribution as of 12/31/22		
Loan Category	**$(000s)**	**%**
Construction and Land Development	515	0.3
Secured by Farmland	55,495	33.4
Secured by 1-4 Family Residential Properties	16,483	9.9
Secured by Multifamily (5 or more) Residential Properties	1,207	0.7
Secured by Nonfarm Nonresidential Properties	45,095	27.2
Total Real Estate Loans	**118,795**	**71.5**
Commercial and Industrial Loans	11,333	6.8
Agricultural Loans	28,625	17.2
Consumer Loans	4,704	2.8
Other Loans	2,599	1.6
Less: Unearned Income	0	0.00
Total Loans	**166,056**	**100.00**
Source: Reports of Condition and Income		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. SBG's assessment areas include all 10 census tracts in Livingston County (comprising the non-MSA assessment area) and one census tract in McLean County (comprising the McLean assessment area), which is part of the Bloomington-Normal, IL MSA. The bank has branches in both counties with the main office and three branch offices being located in Livingston County in the non-MSA assessment area and the other branch being located in Chenoa in the McLean assessment area. The evaluation concentrates on the bank's performance in Livingston County, where the main office and three branches are located. The assessment areas conform to the requirements of the CRA regulation as they include the census tracts where the bank's offices are located, consist of contiguous whole census tracts, and do not arbitrarily exclude any LMI census tracts. There have been no changes to SBG's assessment areas since the previous evaluation. Refer to the individual assessment areas below for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated March 2, 2020, to the current evaluation date of March 6, 2023. Examiners used the Interagency Small Institution Examinations Procedures to evaluate SBG's CRA performance. Examiners conducted a full-scope review of the Non-MSA assessment area and a limited scope review of the McLean assessment area. Examiners weighed lending performance in the Non-MSA assessment area more heavily as the main office and three branches are located in this assessment area, as well as 88.2 percent of the bank's deposit base.

Activities Reviewed

Examiners determined that the bank's major product lines are farm loans, small business loans, and home mortgage loans. This conclusion considered the bank's business strategy; the loan portfolio concentrations; and the number and dollar volume of loans originated, renewed, or purchased during the evaluation period. Examiners analyzed the institution's small farm, small business, and home mortgage loans originated or purchased from January 1, 2020, through December 31, 2022. Examiners and bank management determined that lending data from 2022 was representative of lending activity for the entire evaluation period. Therefore, for products where samples are being used, only 2022 lending data is presented.

Farmland and agricultural loans represent $84.1 million by dollar volume, or 50.6% of the loan portfolio; this is the largest loan category of the loan portfolio as of December 31, 2022. The bank originated or renewed 203 small farm loans totaling $28.9 million during 2022. Examiners sampled loans from 2022 to assess the institution's performance within this product segment. This sample included 55 loans totaling $9.2 million. D&B data for 2022 and 2017 Agriculture Farm Census Data provided a standard comparison for the sampled small farm loans.

Examiners also sampled small business loans originated or renewed in 2022. The total universe of small business loans originated during 2022 was 117 for $10.0 million. The sample included 47 loans totaling $3.3 million. D&B data for 2022 was used as a standard comparison for the sampled small business loans.

The total universe of home mortgage loans originated or purchased by the bank was 235 for $30.8 million in 2020, 140 for $15.3 million in 2021, and 95 for $9.6 million in 2022. Examiners used 2015 American Community Survey (ACS) data as a standard comparison for home mortgage loans in 2020 and 2021 and 2020 Census data as a standard comparison in 2022.

Examiners weighed all three loan products equally in the overall conclusions due to the similar volume of originations and renewals during the review period. While examiners reviewed and presented the number and dollar volume of all loans, examiners emphasized performance by number of loans because the number is a better indicator of the number of individuals, farms, and businesses served. Performance by dollar did not lead to different conclusions.

No other loan types represent a major product line or provide material support to conclusions or the rating. Therefore, they are not presented in this evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SBG demonstrated reasonable performance under the Lending Test. Borrower Profile and Geographic Distribution primarily support this conclusion. Below is a discussion of the overall conclusions for each of the performance criteria under which SBG was evaluated. Please refer to the separate analyses within each assessment area for more detail of the bank's performance. Conclusions were consistent within each assessment area.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and loan portfolio concentrations. The net LTD ratio, calculated from Call Report Data, averaged 64.4 percent over the past 12 calendar quarters from March 31, 2020 to December 31, 2022. The ratio was at its highest of 79.0 percent on June 30, 2020, and at its lowest of 51.4 as of March 31, 2022. The following table shows SBG's net LTD ratio is comparable to similarly-situated institutions based on their asset size, geographic location, and lending focus. These institutions averaged a 61.6 percent net LTD ratio during the same time period.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 12/31/2022 ($000s)**	**Average Net LTD Ratio (%)**
State Bank of Graymont	**304,885**	**64.4**
Similarly-Situated Institution #1	167,353	62.5
Similarly-Situated Institution #2	164,054	51.8
Similarly-Situated Institution #3	174,099	46.4
Similarly-Situated Institution #4	151,384	57.7
Similarly-Situated Institution #5	300,206	69.2
Similarly-Situated Institution #6	174,290	81.6
Similarly-Situated Institution #7	254,022	61.6
Source: Reports of Condition and Income 3/31/2020 through 12/31/2022		

Assessment Area Concentration

The bank originated a substantial majority of its home mortgage, small farm, and small business loans by number and dollar volume originated inside the assessment areas.

Lending Inside and Outside of the Assessment Areas										
	Number of Loans					Dollar Amount of Loans $(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$	%	$	%	$(000s)
Home Mortgage										
2020	192	81.7	43	18.3	235	21,278	69.0	9,539	31.0	30,817
2021	120	85.7	20	14.3	140	12,949	84.6	2,358	15.4	15,307
2022	76	80.0	19	20.0	95	6,566	68.2	3,067	31.8	9,633
Subtotal	**388**	**82.6**	**82**	**17.4**	**470**	**40,793**	**73.2**	**14,964**	**26.8**	**55,757**
Small Farm										
2022	46	83.6	9	16.4	55	7,611	83.0	1,557	17.0	9,168
Subtotal	**46**	**83.6**	**9**	**16.4**	**55**	**7,611**	**83.0**	**1,557**	**17.0**	**9,168**
Small Business										
2022	39	83.0	8	17.0	47	1,773	53.8	1,525	46.2	3,298
Subtotal	**39**	**83.0**	**8**	**17.0**	**47**	**1,773**	**53.8**	**1,525**	**46.2**	**3,298**
Source: Evaluation Period: 1/1/2020 - 12/31/2022 Bank Data. Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of small farm, small business, and home mortgage loans reflects reasonable dispersion throughout the assessment areas. This conclusion considers the lending volume of originated small farm, small business, and home mortgage loans within each assessment area; the level of competition; and a comparison to aggregate and demographic lending data. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts. Geographic distribution was only applicable in the non-MSA assessment area, as the McLean assessment area does not contain a low- or moderate-income census tract. Conclusions and supporting data for performance in each assessment area are discussed later in this evaluation.

Borrower Profile

The distribution of small farm, small business, and home mortgage loans reflects reasonable penetration among farms and businesses of different sizes, and borrowers of different income levels. Bank performance is generally consistent throughout the assessment areas, with the exception that small business penetration in the non-MSA assessment area is poor. Examiners focused on the percentage by number of small farm and small business loans to farms and businesses with gross annual revenues (GARs) of $1 million or less and the percentage by

number of home mortgage loans to LMI borrowers. Conclusions and supporting data for performance in each assessment area are discussed later in this evaluation.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA ASSESSMENT AREA – Full-Scope Review

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

Examiners performed a full-scope review of SBG's performance in this assessment area, which consists of Livingston County, in the northern portion of Central Illinois. The bank's main office and three branches are located Livingston County.

According to FDIC Deposit Market Share data as of June 30, 2022, 88.2 percent of the deposit base is from this Non-MSA, IL assessment area. SBG originated a substantial majority of it loans in this assessment area, including 88.1 percent of home mortgage originations in 2020 to 2022, 97.8 percent of sampled small farm loans in 2022, and 84.6 percent of sampled small business loans in 2022.

Economic and Demographic Data

The assessment area includes all 10 census tracts within Livingston County and reflects the following income designations according to the 2020 US Census data: 0 low-income tracts; 1 moderate-income tract; 8 middle-income tracts; and 1 upper-income tract. The following table illustrates select demographic characteristics of the assessment area using 2020 US Census data.

Demographic Information of the Assessment Area – Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	10.0	80.0	10.0	0.0
Population by Geography	35,815	0.0	8.9	75.6	15.5	0.0
Housing Units by Geography	15,884	0.0	8.2	76.4	15.4	0.0
Owner-Occupied Units by Geography	10,333	0.0	6.5	78.0	15.5	0.0
Occupied Rental Units by Geography	4,033	0.0	13.7	69.1	17.2	0.0
Vacant Units by Geography	1,518	0.0	5.9	84.5	9.6	0.0
Businesses by Geography	2,469	0.0	15.8	66.0	18.2	0.0
Farms by Geography	402	0.0	2.2	74.4	23.4	0.0
Family Distribution by Income Level	9,467	18.9	15.5	21.8	43.8	0.0
Household Distribution by Income Level	14,366	21.1	16.1	17.0	45.7	0.0
Median Family Income Non-MSAs - IL		$68,958	Median Housing Value			$116,680
Families Below Poverty Level		9.5%	Median Gross Rent			$758
Source: 2020 U.S. Census and 2022 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.						

While not presented, the demographic characteristics of the assessment area according to the 2015 ACS data were similar to the 2020 US Census data with the exception that one upper-income census tract became a middle-income census tract in 2020.

The one moderate-income census tract contains only 6.5 percent of the owner-occupied housing units. Low-income families account for 18.9 percent in the assessment area, with 9.3 percent of all families generating incomes below the poverty level. These demographics highlight the limited opportunities available within the assessment area to provide lending in moderate-income areas and the difficulty low-income borrowers face in qualifying for traditional home mortgage financing.

Examiners used the 2020, 2021, and 2022 FFIEC median family income (MFI) levels to analyze home mortgage loans in the borrower profile section. Low-income families are families earning less than 50 percent of MFI, while moderate-income families are families earning income less than 80 percent but at least 50 percent of the MFI. The following table illustrate the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IL NA Median Family Income (99999)				
2020 ($65,800)	<$32,900	$32,900 to <$52,640	$52,640 to <$78,960	≥$78,960
2021 ($66,700)	<$33,350	$33,350 to <$53,360	$53,360 to <$80,040	≥$80,040
2022 ($76,100)	<$38,050	$38,050 to <$60,880	$60,880 to <$91,320	≥$91,320
Source FFIEC				

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of businesses and farms by GAR. According to 2022 D&B data, 402 farm businesses operated in the assessment area with the following GAR levels: 99.3 percent have $1 million or less, 0.2 percent have more than $1 million, and 0.5 percent have unknown revenues. Further, 2,469 non-farm businesses operated in the assessment area with the following GAR levels: 79.8 percent have $1 million or less, 5.3 percent have more than $1 million, and 14.9 percent have unknown revenues. D&B data indicates service industries represent the largest portion of the businesses at 28.8 percent; followed by non-classifiable establishments (14.6 percent); agricultural, forestry, and fishing (14.0 percent); and retail trade (12.7 percent).

Competition

SBG operates in a relatively competitive banking market. According to the FDIC Deposit Market Share data as of June 30, 2022, 12 FDIC-insured financial institutions operated 24 full-service branches within this assessment area. Among these institutions, SBG ranked second, holding 18.3 percent of the total deposit market share, behind the top bank which comprises 42.4 percent of the total deposit market share in Livingston County.

This assessment area fosters a heavily competitive market for home mortgage loans among 121 banks, credit unions, and non-depositor mortgage lenders. Based on 2021 peer mortgage data, mortgage lenders reported 1,242 home mortgage originations or purchases. SBG ranked third, capturing 8.5 percent of the market share by number.

Data from the 2017 Census of Agriculture revealed that 52.5 percent of farms do not have interest expense, which suggests a reduced reliance on lending by farmers in the assessment area. In addition, the institution faces strong competition from alternative forms of agricultural financing, such as John Deer Financial, Compeer Financial and Farm Credit Services of America.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also helps to identify available credit opportunities. Examiners reviewed a recently conducted community contact interview with a representative from an economic development council. The representative identified consumer, commercial, and residential lending as needs of the community. However, the contact felt that there was adequate banking competition in the county and that credit needs are being met.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that primary credit needs in the assessment area are consumer, commercial, and residential lending.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA, IL ASSESSMENT AREA

LENDING TEST

The bank demonstrated reasonable performance in the Non-MSA assessment area. The assessment area does not contain any low-income census tracts; therefore, examiners focused on the percentage by number of loans in the moderate-income census tracts, as well as the aggregate performance and percentage of LMI families to arrive at the performance rating. The review of SBG's performance in the assessment area was consistent with the scope of the evaluation for this institution.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout this assessment area considering the demographics, lending opportunities, and location of the institution. Examiners focused on small farm, small business, and home mortgage loans originated within the one moderate-income census tract, as there are no low-income census tracts present. Only loans originated in this assessment area were considered in the analysis.

Small Farm Loans
The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's small farm lending to the distribution of farms by census tract income level (demographic data) within the assessment area. The following table reflects the distribution of small farm loans within each census tract.

Geographic Distribution of Small Farm Loans – Non-MSA					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate					
2022	2.2	1	2.2	35	0.5
Middle					
2022	74.4	36	80.0	6,059	81.5
Upper					
2022	23.4	8	17.8	1,342	18.0
Totals					
2022	**100.0**	**45**	**100.0**	**7,436**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Only nine farms operated in the sole moderate-income census tract in this assessment area. Also, approximately half of these farmers do not utilize debt to support operations. The bank made one loan to a small farm in this moderate-income census tract. This performance is comparable to the demographic data. The bank's performance is reasonable when considering the demographic, number of farms, and number of farms that seek financing.

Small Business Loans
The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's small business lending to the distribution of businesses by census tract income level (demographic data) within the assessment area. The following table reflects the distribution of small business loans within each census tract.

Geographic Distribution of Small Business Loans – Non-MSA					
Tract Income Level	% of Businesses	#	%	$(000s)	%
Moderate					
2022	15.8	6	18.2	301	19.0
Middle					
2022	66.0	26	78.8	1,079	68.3
Upper					
2022	18.2	1	3.0	200	12.7
Totals					
2022	100.0	33	100.0	1,580	100.0
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

The bank's performance in the moderate-income census tract exceeded demographic data by 2.4 percentage points, reflecting reasonable dispersion.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in the moderate-income census tract supports this conclusion. Examiners compared SBG's 2020 and 2021 originations to 2020 and 2021 HMDA aggregate data, and its 2022 originations to the percentage of owner occupied housing units (demographic data). When drawing conclusions, examiners placed more weight on the comparison to aggregate data, as it is a better measure of lending opportunities in the assessment area since it represents the performance of all lenders. The following table provides details.

Geographic Distribution of Home Mortgage Loans – Non-MSA						
Tract Income Level	% of Owner Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Moderate						
2020	6.8	5.6	9	5.3	953	5.0
2021	6.8	6.0	7	6.6	557	4.7
2022	6.5	-	12	18.2	939	16.2
Middle						
2020	70.4	66.8	100	58.8	11,927	62.9
2021	70.4	69.7	55	51.9	6,640	56.2
2022	78.0	-	48	72.7	4,159	71.6
Upper						
2020	22.8	27.5	61	35.9	6,091	32.1
2021	22.8	24.3	44	41.5	4,626	39.1
2022	15.5	-	6	9.1	708	12.2
Totals						
2021	100.0	100.0	170	100.0	18,970	100.0
2021	100.0	100.0	106	100.0	11,823	100.0
2022	100.0	-	66	100.0	5,806	100.0

Source: 2015 ACS & 2020 US Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

The bank's performance in the moderate-income census tract slightly trailed both the aggregate and demographic data in 2020. Performance improved in 2021 as the bank's performance was slightly below the demographic data but slightly outperformed aggregate lending. Lending in the moderate-income census tract significantly increased in 2022, to almost 3 times the demographic data. When considering the entire three year period and the opportunities available, SBG's overall distribution of home mortgage loans is reasonable.

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration, given the demographics of the assessment area. Examiners focused on the percentage by number of loans to farms and businesses with GARs of $1 million or less, and the percentage by number of home mortgage loans to LMI borrowers. The bank's reasonable home mortgage and small farm performance support this conclusion. Only loans inside the assessment area are included in the analyses.

Small Farm Loans
The distribution of small farm loans reflects reasonable penetration to farm operations with GARs of $1 million or less in the assessment area. The following table reflects the distribution of small farm loans by farm revenue level.

Distribution of Small Farm Loans by Gross Annual Revenue Category – Non-MSA					
Gross Revenue Level	% of Farms	#	%	$(000s)	%
<=$1,000,000					
2022	99.3	40	88.9	6,653	89.5
>$1,000,000					
2022	0.2	4	8.9	777	10.4
Revenue Not Available					
2022	0.5	1	2.2	6	0.1
Totals					
2022	100.0	45	100.0	7,436	100.0
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

The bank's performance trailed the percentage of farms in the assessment area with GARs of $1 million or less; however, this data represents all farms in the area, not just those seeking traditional bank financing. According to the most recent 2017 Census of Agriculture, the percentage of farm operations that did not pay interest expense in assessment area was 52.5 percent. This data suggests that a large population of farms do not appear to have credit needs. Considering these factors, SBG's small farm lending demonstrates a willingness to lend to farms of all sizes and reflects reasonable performance.

Small Business Loans
The distribution of small business loans reflects poor penetration to businesses with GARs of $1 million or less in the assessment area. The following table reflects the distribution of small business loans by revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category – Non-MSA					
Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000					
2022	79.8	15	45.5	580	36.7
>$1,000,000					
2022	5.3	16	48.5	920	58.2
Revenue Not Available					
2022	14.9	2	6.1	80	5.1
Totals					
2022	100.0	33	100.0	1,580	100.0
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

SB originated 45.5 percent of its small business loans in the assessment area to businesses with GARs of $1 million or less, which compares poorly to the percentage of businesses in the assessment area (79.8 percent). Though not all small businesses seek traditional bank financing, the bank's performance remains poor.

Home Mortgage Loans
The distribution of loans to borrowers reflects excellent penetration among borrowers of different income levels (including low- and moderate-income). Examiners assessed SBG's performance against aggregate data and the percentage of families (demographic data) within the

assessment area. When drawing conclusions, examiners placed more weight on the comparison to aggregate data, as it is a better measure of lending opportunities in the assessment area and it represents the performance of all lenders. The following table reflects the distribution of home mortgage loans by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level – Non-MSA						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2020	17.1	6.7	11	6.5	541	2.9
2021	17.1	8.1	10	9.4	441	3.7
2022	18.9	-	8	12.1	268	4.6
Moderate						
2020	14.4	18.7	39	22.9	2,905	15.3
2021	14.4	18.7	31	29.2	2,609	22.1
2022	15.5	-	15	22.7	1,304	22.5
Middle						
2020	21.3	24.9	47	27.6	4,796	25.3
2021	21.3	25.3	19	17.9	1,785	15.1
2022	21.8	-	23	34.8	2,294	39.5
Upper						
2020	47.2	40.3	71	41.8	10,588	55.8
2021	47.2	35.3	44	41.5	6,373	53.9
2022	43.8	-	20	30.3	1,940	33.4
Not Available						
2020	0.0	9.4	2	1.2	139	0.7
2021	0.0	12.6	2	1.9	616	5.2
2022	0.0	-	0	0.0	0	0.0
Totals						
2020	**100.0**	**100.0**	**170**	**100.0**	**18,970**	**100.0**
2021	**100.0**	**100.0**	**106**	**100.0**	**11,823**	**100.0**
2022	**100.0**	**-**	**66**	**100.0**	**5,806**	**100.0**

Source: 2015 ACS & 2020 US Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

SBG's performance in lending to low-income families slightly trailed aggregate data in 2020 and slightly exceeded aggregate data in 2021, while its performance in 2022 trailed demographic data. However, families generating income below the poverty level in 2022, account for 9.5 percent of families within the assessment area. These families likely face difficulties in qualifying for home mortgage due to financial constraints. When adjusting for the poverty level factor, the bank's overall performance is reasonable.

SBG's performance to moderate-income borrowers exceeded both the aggregate data and demographic data in all three years, reflecting excellent performance to moderate-income borrowers. Overall distribution of home mortgage loans is excellent when considering the

bank's reasonable performance in lending to low-income families and its strong performance in lending to moderate-income families.

MCLEAN ASSESSMENT AREA – Limited Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MCLEAN ASSESSMENT AREA

Examiners performed a limited-scope review of SBG's performance in this assessment area, which consists of one census tract in McLean County in the Bloomington, IL MSA. The bank has one location in McLean County located in Chenoa, Illinois.

According to FDIC Deposit Market Share data as of June 30, 2022, 11.8 percent of the deposit base is from the McLean assessment area. SBG's originated 11.9 percent of their 2020-2022 home originations, 2.2 percent of 2022 sampled small farm loans, and 15.4 percent of sampled small business loans within this assessment area.

Economic and Demographic Data

The assessment area includes one-middle income census tract. The following table illustrates select demographic characteristics of the assessment area using 2020 US Census data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	100.0	0.0	0.0
Population by Geography	4,981	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	2,078	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	1,392	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	428	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	258	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	354	0.0	0.0	100.0	0.0	0.0
Farms by Geography	79	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	1,354	20.5	21.2	21.1	37.2	0.0
Household Distribution by Income Level	1,820	17.6	19.1	20.3	43.0	0.0
Median Family Income MSA - 14010 Bloomington, IL MSA	$93,982	Median Housing Value				$139,000
Families Below Poverty Level	6.6%	Median Gross Rent				$731
Source: 2020 U.S. Census and 2022 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.						

While not presented, the demographic characteristics of the assessment area according to the 2015 ACS data was similar in nature to the 2020 US Census data.

Examiners used the 2020, 2021, and 2022 FFIEC MFI levels to analyze home mortgage loans in the borrower profile section. Low-income families are families earning less than 50 percent of MFI, while moderate-income families are families earning income less than 80 percent but at least 50 percent of the MFI. The following table illustrates the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Bloomington, IL MSA Median Family Income (14010)				
2020 ($98,400)	<$49,200	$49,200 to <$78,720	$78,720 to <$118,080	≥$118,080
2021 ($93,200)	<$46,600	$46,600 to <$74,560	$74,560 to <$111,840	≥$111,840
2022 ($108,500)	<$54,250	$54,250 to <$86,800	$86,800 to <$130,200	≥$130,200
Source FFIEC				

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of businesses and farms by GAR. According to 2022 D&B data, 79 farm businesses operated in the assessment area with the following GAR levels: 96.2 percent have $1 million or less, 1.3 percent have more than $1 million, and 2.5 percent have unknown revenues.

According to 2022 D&B data, 354 non-farm businesses operated in the assessment area with the following GAR levels: 84.8 percent have $1 million or less, 2.8 percent have more than $1 million, and 12.4 percent have unknown revenues. Furthermore, D&B data indicates service industries represent the largest portion of the businesses at 27.3 percent; followed by agricultural, forestry, and fishing (18.2 percent); non-classifiable establishments (18.2 percent); and retail trade (10.9 percent).

Competition

SBG operates in a relatively competitive banking market. According to the FDIC Deposit Market Share data as of June 30, 2022, 27 FDIC-insured financial institutions operated 48 full-service branches within McLean County; data at the census tract level is not available. Among these institutions, SBG ranked 17th holding 0.8 percent of the total deposit market share. The top five institutions hold 73.2 percent of the total deposit market share.

This assessment area fosters a heavily competitive market for home mortgage loans among 57 banks, credit unions, and non-depositor mortgage lenders. Based on 2021 peer mortgage data, mortgage lenders reported 288 home mortgage originations or purchases. SBG ranked sixth, capturing 4.9 percent of the market share by number.

Community Contact

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

available credit opportunities. Examiners reviewed a recent community contact interview with an economic development organization serving McLean County to identify and understand the credit needs of the assessment area. The contact identified a need for housing, particularly in the urban part of the county, and the revitalization of older buildings and businesses throughout the county. Additionally, the contact mentioned that a need exists for participation in programs to promote commercial enterprises, especially in recent years.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent credit needs for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MCLEAN ASSESSMENT AREA

LENDING TEST

SBG demonstrated excellent performance under the Lending Test in the McLean assessment area. A review of SBG's performance in this assessment area was conducted consistent with the scope of the evaluation for this institution. The institution operates one branch in McLean County.

Geographic Distribution

The geographic distribution of this assessment area is not applicable as it does not contain any low- or moderate-income census tracts.

Borrower Profile

The distribution of loans to borrowers reflects excellent penetration among individuals of different income levels, and farms and businesses of different sizes. Only loans originated inside this assessment area were analyzed to evaluate this performance.

Small Farm Loans
While the bank made 100 percent of their small farm loans to farms with GARs $1 million or less in 2022, no meaningful analysis can be performed, as the volume of small farm loans originated was low, with only one loan originated.

Small Business Loans
The distribution of small business loans reflects excellent penetration among businesses of different sizes. Examiners compared the bank's small business lending to the distribution of businesses by income level throughout the assessment area. The bank originated six or 100 percent of its small business loans to businesses with GARs of $1 million or less in 2022. This

compares favorably to the percent of businesses in the assessment area with GARs of $1 million or less at 84.8 percent in 2022.

Home Mortgage Loans
The distribution of loans to borrowers reflects excellent penetration among borrowers of different income levels (including low- and moderate-income). Examiners assessed SBG's performance against aggregate data and the percentage of families (demographic data) within the assessment area. When drawing conclusions, examiners placed more weight on the comparison to aggregate data, as it reflects the demand of borrowers seeking home mortgage financing. The following table reflects the distribution of home mortgage loans by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level – McLean						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	$(000s)	%
Low						
2020	17.6	15.4	7	31.8	389	16.8
2021	17.6	23.6	8	57.1	558	49.6
2022	20.5	-	6	60.0	297	39.1
Moderate						
2020	22.5	25.4	5	22.7	533	23.1
2021	22.5	24.3	0	0.0	0	0.0
2022	21.2	-	1	10.0	57	7.5
Middle						
2020	25.7	22.3	6	27.3	794	34.4
2021	25.7	19.8	4	28.6	332	29.5
2022	21.1	-	3	30.0	406	53.4
Upper						
2020	34.2	16.2	4	18.2	593	25.7
2021	34.2	17.4	2	14.3	236	21.0
2022	37.2	-	0	0.0	0	0.0
Not Available						
2020	0.0	20.8	0	0.0	0	0.0
2021	0.0	14.9	0	0.0	0	0.0
2022	0.0	-	0	0.0	0	0.0
Totals						
2020	**100.0**	**100.0**	**22**	**100.0**	**2,309**	**100.0**
2021	**100.0**	**100.0**	**14**	**100.0**	**1,126**	**100.0**
2022	**100.0**	**-**	**10**	**100.0**	**760**	**100.0**

Source: 2015 ACS & 2020 US Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

SBG's performance in lending to low-income families substantially exceeded aggregate and demographic data in 2020 and 2021. Aggregate performance actually trailed the demographic in 2020 and was above demographic data in 2021. SBG's performance was more than double the aggregate data in both years. The bank's performance significantly exceeded demographic data in 2022, as well. While the demographic was 17.6 percent and rose to 18.5 percent in 2022,

SBG's lending to low-income borrowers in this assessment area demonstrates steadily increasing performance each year of the review period.

SBG's performance in lending to moderate-income borrowers slightly trailed aggregate data and slightly exceeded demographic data in 2020. The bank made no loans to moderate-income borrowers in 2021, significantly trailing both demographic data and aggregate data. In 2022, performance slightly improved, as the bank made one loan to a moderate-income borrower resulting in performance which was about half the demographic data. Based on the strong performance to low-income borrowers, SBG's overall distribution is excellent given the performance, particularly when considering families living below the poverty level at 6.6 percent, as these families may not be able to reasonably afford a mortgage payment.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

<u>Lending Test</u>

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

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