

PUBLIC DISCLOSURE

December 16, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Peoples State Bank of Newton, Illinois
Certificate Number: 11722

104 West Washington Street
Newton, Illinois 62448

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
ILLINOIS NON-MSA #1 AA– Full-Scope Review	10
ILLINOIS NON-MSA #2 AA – Full-Scope Review	21
ST. LOUIS, MO-IL, MSA AA (41180) – Full-Scope Review.....	28
APPENDICES	34
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	34
GLOSSARY	35

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 neighborhoods, in a manner consistent with its resources and capabilities.

The Peoples State Bank of Newton's satisfactory CRA performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance under the Intermediate Small Bank procedures.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) needs.
- A majority of the institution's loans are within the designated AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses and farms of different sizes and individuals of different income levels (including low- and moderate income).
- The institution has not received any complaints about its performance in meeting the credit needs of the AAs.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs.

DESCRIPTION OF INSTITUTION

Background

The Peoples State Bank of Newton, Illinois (PSB), established in 1875, is a full-service community bank, headquartered in Newton, Illinois. Peoples Bancorp, Inc. (BHC), a one-bank holding company, wholly owns PSB. The bank has no affiliates or subsidiaries. The institution received a Satisfactory rating at its previous FDIC examination dated September 10, 2018, based on Interagency Intermediate Small Bank Examination Procedures.

The bank operates in southeastern Illinois in Jasper and Lawrence counties, as well as in south central Illinois in Fayette, Marion, and Bond counties. PSB acquired three full-service branches in Greenville, Salem, and Vandalia in April 2018.

Operations

As of the examination date, PSB operates eight full-service branches and one drive-up limited-service facility. The distribution of branches includes five full-service and one limited-service branches in one Illinois Non-MSA AA, two full-service branches in a second Illinois Non-MSA AA, and one full-service branch in the St. Louis, MO-IL MSA AA. The institution's main office and drive-up facility are located in Jasper County in the city of Newton, Illinois. The bank's branches are located in Bridgeport, Lawrenceville, St. Francisville, and Sumner, Illinois in Lawrence County; Vandalia, Illinois in Fayette County; and Salem, Illinois in Marion County, all located in the Illinois Non-MSA. The bank also operates one full-service branch office in Bond County, in the city of Greenville, Illinois. Bond County is located in the St. Louis MO-IL MSA. PSB also has two standalone Automated Teller Machines (ATM) in the gas station in Ste. Marie and the hotel in Newton, Illinois. PSB closed no banking locations during the review period.

PSB offers a full array of services to its largely rural client base. Lending activities center around the largely agricultural economic activity in the area. Major loan categories include agricultural real estate and operating loans and other commercial loans, as well as residential real estate and other consumer loans. Deposit products consist of an array of checking, savings, money market, and certificate of deposit accounts. In addition to the lending and deposit functions, the bank offers wealth management, insurance, and trust services. Alternative banking services include internet and mobile banking. Finally, PSB continues to provide a low-cost, high-speed internet service to its local and surrounding communities.

Ability and Capacity

According to the September 30, 2021 Consolidated Report of Condition and Income, PSB reported total assets of \$579 million, total loans of \$335 million, and total deposits of \$491 million. The net loan-to-deposit ratio was 67.2 percent. Additionally, the bank's investment portfolio totaled \$207 million, which represents 35.6 percent of total assets. Examiners detailed the bank's loan portfolio in the following table.

Loan Portfolio Distribution as of 09/30/2021		
Loan Category	\$(000s)	%
Construction and Land Development	1,646	0.5
Secured by Farmland	85,492	25.6
1-4 Family Residential	54,948	16.4
Multi-family (5 or more) Residential	447	0.1
Commercial Real Estate	58,776	17.6
Total Real Estate Loans	201,309	60.2
Commercial and Industrial	62,284	18.6
Agricultural	51,234	15.3
Consumer	11,379	3.4
Other	8,328	2.5
Total Loans	334,534	100.0

Source: Reports of Condition and Income

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to delineate one or more AAs within which the FDIC evaluates the bank's CRA performance. Individual AAs must be contiguous, consist of whole geographies, include all of the geographies where the bank's offices and deposit-taking ATMs are located, and not arbitrarily exclude low- and moderate-income (LMI) geographies.

As of the date of this evaluation, PSB defined three separate AAs throughout the State of Illinois, all of which conform to the requirements of the regulation. The original Illinois Non-MSA AA (#1) contains Jasper and Lawrence counties. With the purchase of three branches in April 2018, PSB delineated two additional AAs: the Illinois Non-MSA #2, which is comprised of one branch located in Salem, Illinois (Marion County) and one branch located in Vandalia, Illinois (Fayette County). The Illinois Non-MSA AAs are not contiguous with one another. The third branch, located in Greenville, Illinois (Bond County), created a third AA in the St. Louis, MO-IL MSA.

Examiners did not include the two newer AAs in the scope of the previous exam due to limited activity and because there had not been a sufficient amount of time to draw any meaningful conclusions, given the acquisition of the new branches in April 2018. However, examiners will review all three AAs at the current examination.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 10, 2018, to the current evaluation dated December 16, 2021. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate PSB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve a Satisfactory under both tests to obtain an overall Satisfactory rating.

The following table shows that during 2020, PSB generated and maintained a significant portion of its total loans and deposits, as well as a majority of branches, in the Illinois Non-MSA #1 AA; consequently, examiners afforded significantly more weight to this AA when arriving at overall conclusions and the rating. Examiners conducted a full-scope review of Illinois Non-MSA #1 AA because this AA has the highest level of activity of all three AAs. Examiners also conducted a full-scope review for the remaining AAs because they were not reviewed at the last evaluation.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA AA #1	43,909	88.6	316,762	78.6	6	66.7
Non-MSA AA #2	4,812	9.7	61,447	15.3	2	22.2
St. Louis, MO-IL MSA AA	867	1.7	24,674	6.1	1	11.1
Total	49,588	100.0	402,883	100.0	9	100.0

Source: 2020 Bank Data; FDIC Summary of Deposits (6/30/2020). Due to rounding, totals may not equal 100.0.

A more detailed discussion of each AA, including economic and demographic data, competition, and community contacts, can be found in the separate Non-MSA and MSA AA sections of this evaluation.

Activities Reviewed

Examiners determined that the bank’s major product lines are small farm, small business, and home mortgage loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Small farm loans carry the most weight in this evaluation, followed by small business and home mortgage, which carry equal secondary weight. Examiners weighted business products based on call report data and the number and dollar volume of originations during the review period.

Small farm loans continue to be the largest portion of the bank’s loan portfolio followed equally by small business and home mortgages. The bank’s overall business focus has not changed; however, there have been some changes in the loan portfolio and volume of originations. Specially, there was a substantial increase in small farm and small business loan originations in 2020, primarily due to the Paycheck Protection Program (PPP) loans. The bank’s active involvement in the PPP program contributed to the lending increase in these two products from 2019 to 2020. For instance, PSB originated 135 agricultural PPP loans totaling \$2.1 million and 222 PPP small business loans, totaling \$9.7 million in 2020. Outside of the PPP loans originated in 2020, bank records and interviews with management indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period, despite the acquisition of three new branches in 2018. No other loan types, such as consumer loans, represent a major product line or provide material support for the conclusions or rating.

Accurate and readily available data did not exist to evaluate the entire universe of small farm and small business loans originated or renewed. Therefore, examiners selected a sample of 52 small farm loans totaling \$6.8 million from a universe of 150 small farm loans totaling \$15.4 million originated or renewed in 2019. Examiners also selected a sample of 52 small business loans totaling \$5.5 million from a universe of 147 small business loans totaling \$18.3 million originated in 2019. In addition, examiners selected a sample of 60 small farm loans totaling \$17.8 million from a universe of 390 small farm loans totaling \$29.6 million in 2020. Examiners also selected a sample of 60 small business loans totaling \$9.5 million from a universe of 466 small business loans totaling \$47.6 million in 2020. Examiners presented D&B data for the corresponding years for small farm and small business lending.

Lastly, this evaluation also considered all home mortgage loans reported on the bank's 2019 and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). PSB was required to report HMDA data beginning in 2019 after the bank's purchase of the branch in Bond County (St. Louis, MO-IL, MSA). In 2019, the bank originated 160 loans totaling \$16 million and in 2020 originated 248 loans totaling \$33 million. Home mortgage lending performance will be compared to 2015 American Community Survey (ACS) data.

While examiners reviewed the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of borrowers served.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services initiated or maintained since the prior CRA evaluation.

PSB's CRA performance was further analyzed in relation to its performance context. Performance context includes (but is not limited to) bank size and structure, financial condition, loan mix, resources and limitations, demographics of the AAs, economic factors, competition, credit needs, and available opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

PSB demonstrated satisfactory performance under the Lending Test. The reasonable LTD ratio, geographic distribution, and borrower profile, as well as a majority of loans originated inside the AAs, support this conclusion. As stated previously, Non-MSA AA #1 received the most weight in forming this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The LTD ratio, calculated from Call Report data, averaged 77.3 percent over the past 14 calendar quarters from June 30, 2018, to September 30, 2021. The ratio ranged from a low of 67.2 percent as of September 30, 2021, and a high of 84.1 percent as of December 31, 2019. The ratio remained generally stable throughout the evaluation period.

Examiners compared the institution's LTD ratio to similarly situated banks (SSB). Examiners selected these banks based on asset size, geographic location, and lending focus. As shown in the following table, PSB's LTD ratio was comparable to the four SSBs reflecting a willingness to lend.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2021 (\$000s)	Average Net LTD Ratio (%)
The Peoples State Bank of Newton, Illinois	578,892	77.3
Similarly-Situated Institution #4	295,762	89.9
Similarly-Situated Institution #3	415,103	70.4
Similarly-Situated Institution #2	438,020	64.9
Similarly-Situated Institution #1	469,614	50.5
<i>Source: Reports of Condition and Income 06/30/2018 – 09/30/2021</i>		

Assessment Area Concentration

Overall, the bank originated a majority of its loans inside the AA. The bank originated a majority of small farm and home mortgage loans inside the AA. The bank's small business loans fell below the majority by number of loans in 2019 and by dollar amount for both 2019 and 2020. PSB management attributed this to the growing business market in neighboring Crawford and Richland counties.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	100	62.5	60	37.5	160	9,065	56.6	6,960	43.4	16,024
2020	156	62.9	92	37.1	248	18,447	55.6	14,716	44.4	33,163
Subtotal	256	62.7	152	37.3	408	27,512	55.9	21,676	44.1	49,187
Small Farm										
2019	94	62.7	56	37.3	150	9,749	63.1	5,695	36.9	15,444
2020	259	66.4	131	33.6	390	16,133	54.6	13,439	45.4	29,572
Subtotal	353	65.4	187	34.6	540	25,882	57.5	19,134	42.5	45,016
Small Business										
2019	61	41.5	86	58.5	147	5,185	28.4	13,096	71.6	18,281
2020	278	59.7	188	40.3	466	18,893	39.7	28,703	60.3	47,596
Subtotal	339	55.3	274	44.7	613	24,078	36.5	41,799	63.5	65,877
<i>Source: 2019 and 2020 Bank Reported HMDA Data; 2019 and 2020 Bank data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion overall. Examiners derived this conclusion based on the bank's reasonable dispersion of loans in the Non-MSA #1 AA. The volume of small farm and small business lending is low within the Non-MSA #2 and St. Louis, MO-IL, MSA AAs; the volume of home mortgage lending is low within the St. Louis, MO-IL,

MSA AA. A complete discussion of the bank's performance under this criterion is included in the separate AA sections of this evaluation.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels and business and farm borrowers of different sizes. Examiners arrived at this conclusion based on the reasonable penetration of lending in the Non-MSA AA #1. The volume of small farm and small business lending is low within the Non-MSA #2 and St. Louis, MO-IL, MSA AAs; the volume of home mortgage lending is low within the St. Louis, MO-IL, MSA AA. A complete discussion of the bank's performance under this criterion is located in the separate AA sections of this evaluation.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

PSB demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities. Examiners arrived at this conclusion based on performance in the Non-MSA AA #1. The volume of community development activities is low within the Non-MSA #2 and St. Louis, MO-IL, MSA AAs. A complete discussion of the bank's performance under this test is located in the separate AA sections of this evaluation.

Community Development Loans

PSB originated 16 community development loans totaling approximately \$12.3 million during the evaluation period. This is an increase from the last evaluation when the bank reported 29 loans totaling \$3.8 million. This level of activity represents 2.1 percent of total assets and 3.7 percent of net loans as of September 30, 2021.

Examiners compared the institution's level of community development lending to SSBs evaluated under the CRA during the review period. These institutions had total assets ranging from \$455 million to \$1.7 billion, and had community development loan-to-total loan ratios ranging from less than 1.0 percent to 11.0 percent. PSB's ratio of 2.1 percent demonstrates the institution's level of community development lending is in line with SSBs used for comparative purposes.

The following two tables summarize the bank's community development lending activity since the last evaluation. The first table summarizes the bank's community development lending activity by year and purpose, while the second table summarizes the bank's activity by AA.

Community Development Lending Overall											
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	
9/11/2018-12/31/2018	-	-	-	-	-	-	1	500	1	500	
2019	-	-	-	-	-	-	5	3,407	5	3,407	
2020	-	-	-	-	4	2,971	3	1,910	7	4,881	
YTD 2021	-	-	-	-	2	3,000	1	500	3	3,500	
Total	-	-	-	-	6	5,971	10	6,317	16	12,288	

Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021.

Community Development Lending by Assessment Area											
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	
Illinois Non-MSA #1	-	-	-	-	6	5,971	7	2,792	13	8,763	
Illinois Non-MSA #2	-	-	-	-	-	-	-	-	-	-	
St. Louis, MO-IL, MSA AA	-	-	-	-	-	-	3	3,525	3	3,525	
Total	-	-	-	-	6	5,971	10	6,317	16	12,288	

Source: Bank Data

Qualified Investments

The bank made 17 investments and 87 donations totaling \$5.4 million during the current evaluation period. This is an increase from the previous evaluation when the institution made 2 investments and 71 donations totaling \$276,000. This represents 0.9 percent of total assets and 2.6 percent of total securities as of September 30, 2021.

PSB's ratios were within the range of SSBs when the institutions' assets were considered. Specifically, four SSBs evaluated under the CRA during the review period had total assets ranging from \$455 million to \$1.7 billion. These institutions had qualified investments-to-total asset ratios ranging from a low of .25 percent to .41 percent. PSB's ratio of .9 percent was slightly higher, but consistent with several comparative banks. Further, the overall ratio of qualified investments-to-total securities for SSBs ranged from less than 1.0 percent to 2.2 percent, making PSB's ratio of 2.6 percent slightly higher than the other four institutions.

The following two tables summarize the bank's community development investment activity since the last evaluation. The first table summarizes the bank's community development investment activity by year and purpose, while the second table summarizes the bank's activity by AA.

Qualified Investments and Donations Overall										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	4	1,090	4	1,090
9/11/2018-12/31/2018	-	-	4	1,115	1	380	-	-	5	1,495
2019	-	-	-	-	4	1,100	-	-	4	1,100
2020	-	-	-	-	-	-	2	627	2	627
YTD 2021	-	-	-	-	-	-	2	1,000	2	1,000
Subtotal	-	-	4	1,115	5	1,480	8	2,717	17	5,312
Qualified Grants & Donations	5	3	62	54	17	41	3	8	87	106
Total	5	3	66	1,169	22	1,521	11	2,725	104	5,418
<i>Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021</i>										

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois Non-MSA #1	-	-	49	1,146	17	1,517	10	2,722	76	5,385
Illinois Non-MSA #2	5	3	12	20	1	1	1	3	19	26
St. Louis, MO-IL, MSA AA	-	-	5	3	4	3	-	-	9	7
Total	5	3	66	1,169	22	1,521	11	2,725	104	5,418
<i>Source: Bank Data</i>										

Community Development Services

During the current evaluation period, bank employees provided 53 instances of financial expertise or technical assistance to 17 different community development organizations throughout the bank's AAs. Although this is an increase since the last evaluation in which bank employees provided 39 instances of financial expertise or technical assistance to community development organizations in the bank's AAs, the increase is partially attributed to the three newer branches in Fayette, Marion and Bond counties.

The following tables illustrate the bank's community development services by year, purpose, and by AA.

Community Development Services – Overall					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/11/2018-12/31/2018	-	-	-	-	-
2019	-	9	10	2	21
2020	-	10	10	2	22
2021 YTD	-	4	6	-	10
Total	-	23	26	4	53

Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021

Community Development Services by AA					
AA (AA)	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Illinois Non-MSA #1	-	13	21	4	38
Illinois Non-MSA #2	-	8	5	-	13
St. Louis, MO-IL, MSA AA	-	2	-	-	2
Total	-	23	26	4	53

Source: Bank Records

As mentioned previously, PSB operates six banking locations in moderate-income census tracts. These branches demonstrate the availability of services to low- and moderate-income individuals.

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.

ILLINOIS NON-MSA #1 AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ILLINOIS NON-MSA AA #1

PSB has designated all of Lawrence and Jasper counties in the Illinois Non-MSA #1 AA. The bank operates six of its nine branches in this AA. As of June 30, 2021, this AA accounted for 78.6 percent of the bank’s deposits, the highest deposit market share among its three AAs. In 2020, the bank originated 85.9 percent of its small farm, small business, and home mortgage loans, by

number, and 88.6 percent by dollar. As a result, the bank’s performance in this AA is the most heavily weighted.

This AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices and deposit taking ATMs are located.

Economic and Demographic Data

The AA includes eight census tracts in Jasper and Lawrence counties. Jasper County includes the City of Newton (population 2,810) which is the county seat and the largest town in the county. Jasper and Lawrence counties are in the southeastern portion of Illinois. Lawrence County borders Indiana and the branch in Lawrenceville is only 14 miles from Vincennes, Indiana. PSB has five full-service and one drive-up limited-service branch in this AA. These tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- Jasper County: 2 middle-income and 1 upper-income census tracts
- Lawrence County: 2 moderate-income and 3 middle-income census tracts

The following table illustrates select demographic characteristics of this AA.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA #1						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	8	0.0	25.0	62.5	12.5	0.0
Population by Geography	26,300	0.0	37.1	51.8	11.1	0.0
Housing Units by Geography	10,247	0.0	22.0	66.2	11.8	0.0
Owner-Occupied Units by Geography	7,037	0.0	18.9	66.8	14.2	0.0
Occupied Rental Units by Geography	1,759	0.0	32.2	63.5	4.3	0.0
Vacant Units by Geography	1,451	0.0	24.6	66.4	9.0	0.0
Businesses by Geography	1,236	0.0	25.3	65.4	9.3	0.0
Farms by Geography	242	0.0	14.1	57.4	28.5	0.0
Family Distribution by Income Level	5,999	19.8	18.6	22.7	38.9	0.0
Household Distribution by Income Level	8,796	22.7	16.8	18.6	41.9	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$82,020
			Median Gross Rent			\$550
			Families Below Poverty Level			8.1%
<i>Source: 2015 ACS and 2020 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.</i>						

Examiners noted the three middle-income census tracts in Lawrence County continue to be distressed in 2018 and 2020 due to unemployment.

The analysis of small farm and small business loans under the borrower profile criterion compares the loans to the distribution of businesses by gross annual revenue (GAR) level. According to 2020 D&B data, there were 242 farms. Gross annual revenues for these farms are below.

- 98.8 percent have GARs of \$1 million or less.
- 0.4 percent have GARs more than \$1 million.
- 0.8 percent have unknown revenues.

According to 2020 D&B data, there were 1,236 small businesses. The 2020 D&B data shows GARs for businesses in the AA are as follows:

- 77.1 percent have \$1 million or less.
- 5.5 percent have more than \$1 million.
- 17.4 percent have unknown revenues.

Service industries represent the largest portion of AA businesses at 28.0 percent followed by agriculture, forestry and fishing (16.4 percent); non-classifiable establishments (12.4); retail trade (10.8 percent); and finance, insurance and real estate (6.8 percent). In addition, 88.9 percent of AA businesses have nine or fewer employees, and 87.1 percent operate from a single location.

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. The table below contains information on the median family incomes by category.

Median Family Income Ranges				
Non-MSA #1 Median Family Income (99999)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
2020 (65,800)	<\$32,900	\$32,900 to <\$52,640	\$52,640 to <\$78,960	≥\$78,960
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

Data obtained from the U.S. Bureau of Labor and Statistics indicates Jasper and Lawrence counties' unemployment rates are slightly better than the State of Illinois and national averages.

Unemployment Rates in the Non-MSA #1 AA				
Area	November 2021	Annual 2020	Annual 2019	Annual 2018
	%	%	%	%
Jasper County	3.2	6.0	4.1	4.9
Lawrence County	4.7	8.7	5.3	6.2
State of Illinois	5.7	8.0	3.5	4.5
National Average	4.2	8.1	3.7	3.9
<i>Source: Bureau of Labor Statistics; Illinois Department of Employment Security</i>				

Competition

The Illinois Non-MSA #1 AA is a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were eight financial institutions operating 15 offices within this AA. Of these institutions, PSB ranked first with a 55.0 percent deposit market share. The number of financial institutions and full-service branches in this AA has doubled since the last evaluation.

Community Contact

As part of the evaluation process, examiners contact third parties active in and knowledgeable of the AA to assist in identifying community credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

The contact indicated that Jasper County and rural Illinois in general has experienced a downturn in the economy since the 2020 pandemic. The credit needs of the community focus largely on business and agricultural loans for working capital and operating costs. The city of Newton, in particular, is landlocked by farmland so space for new businesses is limited. There is a need in the community for small business, small farm, and home mortgage loans. The contact stated that local financial institutions are meeting this particular credit need and other general needs of the AA.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm and small business loans represent a primary credit need for the AA. The significant percentage of farms and businesses with GARs of \$1 million or less within the AA support this conclusion. Small business and small farm lending opportunities are significant throughout the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS NON-MSA #1 AA

LENDING TEST

The bank's lending reflects adequate performance in meeting the credit needs in the Illinois Non-MSA #1 AA.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The reasonable performance in small farm loans, home mortgage loans, and small business loans supports the conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts as there are no low-income census tracts in the AA. Only loans originated inside the AA are included in the analyses.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the AA. Examiners focused on the percentage of small farm loans originated in the two moderate-income census tracts compared to the percentage of farms located in the same geographies. The following table shows that the bank's performance is comparable to the percent of farms located in the moderate-income census tracts within the AA.

Geographic Distribution of Small Farm Loans					
Assessment Area: Non-MSA #1					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2019	15.2	5	13.5	958	21.8
2020	14.1	10	27.0	2,438	23.0
Middle					
2019	55.1	20	54.1	2,507	57.1
2020	57.4	20	54.1	6,369	60.1
Upper					
2019	29.6	12	32.4	928	21.1
2020	28.5	7	18.9	1,796	17.0
Totals					
2019	100.0	37	100.0	4,393	100.0
2020	100.0	37	100.0	10,603	100.0
<i>Source: 2019 & 2020 D&B Data; 2019 and 2020 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The following table show the percentage of PSB’s loans originated in the moderate-income census tracts for 2019 and 2020 are comparable to the percentage of owner occupied housing units and peer performance in those census tracts.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA #1						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	18.9	17.4	15	17.9	736	9.6
2020	18.9	19.8	26	21.5	2,953	20.7
Middle						
2019	66.8	73.2	62	73.8	6,064	79.1
2020	66.8	64.8	69	57.0	8,157	57.1
Upper						
2019	14.2	9.5	7	8.3	863	11.3
2020	14.2	15.4	26	21.5	3,185	22.3
Totals						
2019	100.0	100.0	84	100.0	7,663	100.0
2020	100.0	100.0	121	100.0	14,296	100.0
<i>Source: 2015 ACS; 2019 & 2020 HMDA Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The distribution of small business loans shows that the percentage of small business loans in the moderate-income tracts for 2019 were considerable below the percent of businesses; however, the percentage of small business loans in 2020 increased and exceeded the percent of businesses. Overall, the geographic distribution of small business loans compares reasonably with the percent of businesses located in those tracts.

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA #1					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2019	25.9	3	12.5	232	12.0
2020	25.3	8	36.4	949	43.6
Middle					
2019	64.0	19	79.2	1,616	83.5
2020	65.4	14	63.6	1,230	56.4
Upper					
2019	10.0	2	8.3	87	4.5
2020	9.3	--	--	--	--
Totals					
2019	100.0	24	100.0	1,935	100.0
2020	100.0	22	100.0	2,179	100.0
<i>Source: 2019 & 2020 D&B Data; 2019 & 2020 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. This conclusion is supported by reasonable penetration for small farm and home mortgage loans and excellent penetration for small business loans. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and to small businesses and small farms with GARs of \$1 million or less.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farm of different sizes. The following table shows PSB originated eight to nine out of every ten small farm loans to farms with gross annual revenue of \$1 million or less for 2019 and 2020. This evidences reasonable performance in 2019 and 2020.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA #1					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2019	98.8	34	91.9	3,734	85.0
2020	98.8	30	81.1	8,562	80.8
>\$1,000,000					
2019	0.4	3	8.1	659	15.0
2020	0.4	7	18.9	2,041	19.2
Revenue Not Available					
2019	0.8	--	--	--	--
2020	0.8	--	--	--	--
Totals					
2019	100.0	37	100.0	4,393	100.0
2020	100.0	37	100.0	10,603	100.0
<i>Source: 2019 & 2020 D&B Data; 2019 & 2020 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. PSB's level of home mortgage lending to low-income families for the review period was 1.6 percent below aggregate performance. It should be noted that according to the 2015 ACS data, 8.1 percent of families in the AA live below the poverty level. Due to their limited financial resources, families with lower incomes, in particular those living below the poverty level, generally do not have the capacity to support a home mortgage, which limits the demand and opportunity for lending to these lower income borrowers. PSBs performance regarding moderate-income borrowers is comparable to aggregate performance. Lending in both low- and moderate-income tracts trails the percentage of families, but aggregate is generally a better indicator of demand. Overall, performance considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA # 1						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.8	12.9	7	8.3	281	3.7
2020	19.8	4.9	4	3.3	256	1.8
Moderate						
2019	18.6	21.5	17	20.2	852	11.1
2020	18.6	21.4	22	18.2	1,745	12.2
Middle						
2019	22.7	21.1	19	22.6	1,661	21.7
2020	22.7	20.7	26	21.5	2,571	18.0
Upper						
2019	38.9	31.5	41	48.8	4,869	63.5
2020	38.9	40.5	67	55.4	9,644	67.5
Not Available						
2019	0.0	12.9	0	0.0	0	0.0
2020	0.0	12.5	2	1.7	80	0.6
Totals						
2019	100.0	100.0	84	100.0	7,663	100.0
2020	100.0	100.0	121	100.0	14,296	100.0
<i>Source: 2015 ACS; 2019 & 2020 HMDA Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses of different sizes. The following table shows the bank make a significantly larger percentage of loans to business with \$1 million or less in gross revenues than the percent of those businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA #1					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	76.5	24	100.0	1,935	100.0
2020	77.1	21	95.5	1,844	84.6
>\$1,000,000					
2019	5.7	0	0.0	0	0.0
2020	5.5	1	4.5	335	15.4
Revenue Not Available					
2019	17.8	--	--	--	--
2020	17.4	--	--	--	--
Totals					
2019	100.0	24	100.0	1,935	100.0
2020	100.0	22	100.0	2,179	100.0
<i>Source: 2019 & 2020 D&B Data; 2019 & 2020 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

PSB demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

The following table shows that the bank made 13 community development loans totaling \$8.8 million in the AA during the evaluation period, which represents 71.3 percent of the bank’s total qualified lending and was consistent with the overall activity. At the last evaluation, community development loans totaled \$3.8 million.

Community Development Lending										
Assessment Area: Non-MSA #1										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/11/2018-12/31/2018	-	-	-	-	-	-	1	500	1	500
2019	-	-	-	-	-	-	3	956	3	956
2020	-	-	-	-	4	2,971	2	836	6	3,807
YTD 2021	-	-	-	-	2	3,000	1	500	3	3,500
Total	-	-	-	-	6	5,971	7	2,792	13	8,763
<i>Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021</i>										

Below are some notable examples of the bank’s community development loans:

- In 2021, the bank originated a \$2 million loan to fund a project in Northeast Lawrence County for dredging 56 miles of ditches. This is a county with moderate-income geographies and several distressed tracts.
- In 2021, the bank originated a \$1 million to fund the construction of a new jail and government offices in Jasper County. Loans such as this help to provide needed services and infrastructure to a moderate-income geography, further demonstrating the bank’s responsiveness to the community’s needs.

Qualified Investments

The Bank has 76 qualified investments and donations totaling nearly \$5.4 million. This volume of activity, by dollar amount, represents 99.4 percent of the community development investment activity by the bank during the evaluation period. Qualified investments and donations at the prior evaluation totaled \$276,000. The table below provides additional details.

Qualified Investments										
Assessment Area: Non-MSA #1										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	4	1,090	4	1,090
9/11/2018-12/31/2018	-	-	4	1,115	1	380	-	-	5	1,495
2019	-	-	-	-	4	1,100	-	-	4	1,100
2020	-	-	-	-	-	-	2	627	2	627
YTD 2021	-	-	-	-	-	-	2	1,000	2	1,000
Subtotal	-	-	4	1,115	5	1,480	8	2,717	17	5,312
Qualified Grants & Donations	-	-	45	31	12	37	2	5	59	73
Total	-	-	49	1,146	17	1,517	10	2,722	76	5,385

Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021

Notable examples of the bank’s qualified investments within the AA include:

- Three general obligation school bonds totaling \$995,000 providing support to schools in distressed and moderate-income tracts.
- In 2019, the bank purchased a \$100,000 bond for water and sewer improvements in Lawrence County, which helped to provide infrastructure in a community with LMI geographies and empowerment zones.
- In 2020, the bank purchased a \$350,000 hospital bond benefiting Jasper, Crawford and Lawrence counties. All three counties include moderate-income tracts and Lawrence County includes several distressed tracts.

Community Development Services

The bank provided 38 community development services to 11 organizations in the AA during the current review period. The bank provided 39 qualified services at the last evaluation. The following table provides additional information.

Community Development Services – Non-MSA #1					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/11/2018-12/31/2018	-	-	-	-	-
2019	-	5	8	2	15
2020	-	6	8	2	16
2021 YTD	-	2	5	-	7
Total	-	13	21	4	38
<i>Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021</i>					

Examiners listed notable examples of community development services provided during the current review period below:

- PSB provides a low-cost, high-speed internet service to its community. The internet service provided by the bank is vital for local business, school, and civilian use and helps sustain economic growth in the AA. The local economy is in an enterprise zone and has LMI geographies. This initiative is particularly responsive in meeting a critical need of the bank’s rural community.
- PSB employees serve on the board of a local economic development organization seeking to draw businesses to Jasper County, and supporting the expansion of existing businesses in in the County. The bank employees provides financial expertise to the organization.

PSB operates three banking locations in moderate-income census tracts in this AA. These branches demonstrate the availability of services to low- and moderate-income individuals.

ILLINOIS NON-MSA #2 AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS NON-MSA #2 AA

PSB has designated all of Fayette and Marion counties in the Illinois Non-MSA #2 AA. The bank operates two branches in this AA. As of June 30, 2021, this AA accounted for only 15.3 percent of the bank’s deposits, the second highest deposit market share among its three AAs. In 2020, the bank originated only 12.6 percent of its small farm, small business, and home mortgage loans, by number, and 9.7 percent by dollar amount in this AA. As a result, the bank’s performance in this AA carries the second most weight of all three AAs for this evaluation.

This AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices and deposit taking ATMs are located.

Economic and Demographic Data

The AA includes 19 census tracts in Fayette and Marion counties. Fayette County includes the cities of Vandalia, Brownstown, Ramsey, Saint Elmo, and Saint Peter. Vandalia is the county seat with a population of 7,458 people. Marion County contains the cities of Salem, Kinmundy, Centralia and Warmac. Salem is the county seat with a population of 7,485 people. PSB has two full-service branches in this AA. These tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data:

- Fayette County: 3 moderate-income and 4 middle-income census tracts
- Marion County: 5 moderate-income and 7 middle-income census tracts

The following table illustrates select demographic characteristics of this AA.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA #2						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.0	42.1	57.9	0.0	0.0
Population by Geography	60,801	0.0	33.9	66.1	0.0	0.0
Housing Units by Geography	27,429	0.0	37.1	62.9	0.0	0.0
Owner-Occupied Units by Geography	18,086	0.0	30.7	69.3	0.0	0.0
Occupied Rental Units by Geography	5,458	0.0	51.6	48.4	0.0	0.0
Vacant Units by Geography	3,885	0.0	46.1	53.9	0.0	0.0
Businesses by Geography	3,102	0.0	48.5	51.5	0.0	0.0
Farms by Geography	247	0.0	25.9	74.1	0.0	0.0
Family Distribution by Income Level	15,772	25.1	19.4	20.8	34.8	0.0
Household Distribution by Income Level	23,544	26.9	16.5	18.0	38.6	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$73,610
			Median Gross Rent			\$608
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small farm and small business loans under the borrower profile criterion compares the loans to the distribution of farms and businesses by gross annual revenue level. According to 2020 D&B data, there were 247 small farms. Gross annual revenues for these farms are below.

- 97.2 percent have GARs of \$1 million or less.
- 0.8 percent have GARs more than \$1 million.
- 2.0 percent have unknown revenues.

According to 2020 D&B data, there were 3,102 small businesses. The 2020 D&B data shows GARs for businesses in the AA are as follows:

- 78.7 percent have \$1 million or less.
- 5.5 percent have more than \$1 million.
- 15.8 percent have unknown revenues.

Service industries represent the largest portion of AA businesses at 34.5 percent followed by non-classifiable establishments (14.8 percent), retail trade (13.9 percent); and agriculture, forestry and fishing (7.4 percent). In addition, 86.1 percent of AA businesses have nine or fewer employees, and 83.6 percent operate from a single location.

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. The table below contains information on the median family incomes by category.

Median Family Income Ranges				
Non-MSA #2 Median Family Income (99999)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
2020 (65,800)	<\$32,900	\$32,900 to <\$52,640	\$52,640 to <\$78,960	≥\$78,960
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

Data obtained from the U.S. Bureau of Labor and Statistics indicates Fayette and Marion counties' unemployment rates are comparable to the State of Illinois and national averages.

Unemployment Rates in the Non-MSA #2 AA				
Area	November 2021	Annual 2020	Annual 2019	Annual 2018
	%	%	%	%
Fayette County	3.7	7.5	4.2	5.2
Marion County	4.6	9.3	4.2	4.9
State of Illinois	5.7	8.0	3.5	4.5
National Average	4.2	8.1	3.7	3.9
<i>Source: Bureau of Labor Statistics; Illinois Department of Employment Security</i>				

Competition

The Illinois Non-MSA #2 AA has a highly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 18 financial institutions

operating 31 offices within this AA. Of these institutions, PSB ranked 7th with a 4.9 percent deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in and knowledgeable of the AA to assist in identifying community credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

The contact indicated that Fayette County, Marion County, and rural Illinois in general have experienced a downturn in the economy since the 2020 pandemic. The credit needs of the community focus largely on home mortgages. Business and agricultural loans are in demand for working capital and operating costs. He also noted that the number of farming operations is declining, but the size of operations is growing, as are the needs for larger loans as the farms increase in size. Small farms are getting bigger in order to be sustainable businesses. Fayette county population, in particular, is declining because of the lack of job opportunities and things to do in the local towns for entertainment (restaurants, bars, entertainment such as baseball games, shopping, etc.). Interstate 70 goes thru Vandalia, but there is no draw for people to spend their money in this county. Every school in this county is free and has a reduced lunch program. The contact opined local economic development groups are trying to look at small businesses/boutiques; however, because boutiques are small operations that do not employ large numbers of people they will not have as large of an impact on the local economy as a manufacturing plant. Nonetheless, this is progress. The contact commented there are numerous institutions, and that to his knowledge, people and business and farm entities appear able to obtain the credit and other banking services they need.

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, small farm, and small business loans represent a primary need for the AA. Despite farm operations continuing to increase in size and the number of farms is slowly declining, there is still a need for small farm loans. In addition, the number of small business opportunities also continues to slow down as local inhabitants tend to drive to cities such as Peoria, Brownstown, and St. Louis for household commodities and entertainment; nevertheless, there are opportunities to lend to small businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS NON-MSA #2 AA

LENDING TEST

The bank demonstrated poor performance under the lending test for this AA, due to the low volume of small farm and small business loans originated in the AA during the review period. While the bank originated a reasonable volume of home mortgage loans in the AA, small farm loans receive the greatest weight, as the bank's primary business focus. This is the first time examiners have evaluated this AA since the bank entered this market in April 2018.

Geographic Distribution

Overall, performance is poor due to the low level of small farm and small business lending during the review period. The geographic dispersion of home mortgage loans reflects reasonable dispersion throughout the AA.

Small Farm Loans

Based on the low volume of small farm loans originated in this AA during the review period, and considering the bank’s capacity to lend, the available opportunities in the AA, and the need for small farm loans, performance is poor. The universe of small farm loans during the review period were reviewed in this AA; the bank originated only six small farm loans in 2019 and 11 small farm loans in 2020. The low volume of lending limits the significance of any geographic analysis.

Home Mortgage Loans

The geographic dispersion of home mortgage loans reflects reasonable dispersion throughout the AA. The following table shows the percentage of PSB’s loans originated in the moderate-income census tracts for 2019 and 2020 are comparable to the percentage of owner occupied housing units and peer performance in those census tracts.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA #2						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	30.7	26.0	3	23.1	125	11.6
2020	30.7	24.1	10	31.3	907	25.3
Middle						
2019	69.3	74.0	10	76.9	952	88.4
2020	69.3	75.9	22	68.8	2,673	74.7
Upper						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	13	100.0	1,076	100.0
2020	100.0	100.0	32	100.0	3,579	100.0
<i>Source: 2015 ACS; 2019 & 2020 HMDA Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

Based on the low volume of small business loans originated in this AA during the review period, and considering the bank’s capacity to lend, the available opportunities in the AA, and the need for small business loans, performance is poor. The universe of small business loans originated during the review period was reviewed in this AA; the bank originated only three small business loans in 2019 and three in 2020. The low volume of lending limits the significance of any geographic analysis.

Borrower Profile

Overall, performance is poor. While the distribution of home mortgage loans reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels, the low level of small farm and small business lending impacted this conclusion.

Small Farm Loans

Based on the low volume of small farm loans originated in this AA during the review period, and considering the bank's capacity to lend, the available opportunities in AA, and the need for small farm loans, performance is considered poor. The universe of small farm loans originated during the review period was reviewed in this AA; the bank originated only six small farm loans in 2019 and 11 in 2020. The low volume of lending limits the significance of any borrower profile analysis.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. PSB's level of home mortgage lending to low-income families during the review period was above aggregate performance for low-income borrowers in 2019 and 2020. PSBs performance regarding moderate-income borrowers was below aggregate performance in 2019; however, the bank's performance significantly increased in 2020. Lending in both low- and moderate-income tracts trails the percentage of families, but aggregate is generally a better indicator of demand.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA #2						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	25.1	10.0	2	15.4	61	5.7
2020	25.1	8.2	3	9.4	155	4.3
Moderate						
2019	19.4	21.0	1	7.7	66	6.1
2020	19.4	18.2	7	21.9	396	11.1
Middle						
2019	20.8	21.0	3	23.1	168	15.6
2020	20.8	21.3	9	28.1	1,007	28.1
Upper						
2019	34.8	30.3	7	53.8	781	72.6
2020	34.8	35.7	13	40.6	2,022	56.5
Totals						
2019	100.0	100.0	13	100.0	1,076	100.0
2020	100.0	100.0	32	100.0	3,579	100.0
<i>Source: 2015 ACS; 2019 & 2020 HMDA Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

Based on the low volume of small business loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in AA, and the need for small business loans, performance is considered poor. The universe of small business loans originated during the review period was reviewed in this AA; the bank originated only three small business loans in 2019 and three in 2020. The low volume of lending limits the significance of any borrower profile analysis.

COMMUNITY DEVELOPMENT TEST

PSB demonstrated poor responsiveness to the community development needs throughout the Illinois Non-MSA #2 AA, through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities. This is the first time examiners have evaluated this AA since the bank entered this market in April 2018.

Community Development Loans

PSB made no community development loans in this AA.

Qualified Investments

The institution had no investments in this AA, but made 19 donations totaling \$26,100 in this AA over the review period. The majority of these donations were for community services that benefit low- and moderate individuals in the AA. This volume of activity, by dollar amount, represents less than one percent of the community development investment activity by the bank during the evaluation period.

Community Development Services

The bank provided 13 community development services during the review period. The following table provides additional information.

Community Development Services – Non-MSA #2					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/11/2018-12/31/2018	-	-	-	-	-
2019	-	3	2	-	5
2020	-	3	2	-	5
2021 YTD	-	2	1	-	3
Total	-	8	5	-	13
<i>Source: Bank Records; Review period starts 09/11/2018, Review period ends 12/16/2021</i>					

The bank operates two branches in moderate-income census tracts in this AA. These branches demonstrate the availability of services to low- and moderate-income individuals.

ST. LOUIS, MO-IL, MSA AA (41180) – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ST. LOUIS, MO-IL, MSA AA

PSB has designated all of Bond County in the St. Louis, MO-IL, MSA AA. The bank operates one branch located in Greenville, Illinois. As of June 30, 2021, this AA accounted for only 6.1 percent of the bank’s deposits. In 2020, the bank originated 1.5 percent of its small farm, small business, and home mortgage loans, by number, and 1.7 percent by dollar. The bank’s performance in this AA carries the least amount of weight of all three AAs for this evaluation.

This AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices and deposit taking ATMs are located.

Economic and Demographic Data

This AA includes four census tracts (one moderate- and three middle-income). Bond County includes the city of Greenville (population 6,665), and various villages, townships and unincorporated communities. Greenville is the county seat.

The following table illustrates select demographic characteristics of this AA.

Demographic Information of the Assessment Area						
Assessment Area: PSB MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	25.0	75.0	0.0	0.0
Population by Geography	17,313	0.0	39.2	60.8	0.0	0.0
Housing Units by Geography	7,081	0.0	33.2	66.8	0.0	0.0
Owner-Occupied Units by Geography	4,724	0.0	24.3	75.7	0.0	0.0
Occupied Rental Units by Geography	1,424	0.0	58.1	41.9	0.0	0.0
Vacant Units by Geography	933	0.0	40.0	60.0	0.0	0.0
Businesses by Geography	833	0.0	45.4	54.6	0.0	0.0
Farms by Geography	131	0.0	6.9	93.1	0.0	0.0
Family Distribution by Income Level	4,057	24.7	20.2	23.2	31.8	0.0
Household Distribution by Income Level	6,148	29.8	16.2	18.7	35.3	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$108,200
			Median Gross Rent			\$618
			Families Below Poverty Level			10.6%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small farm and small business loans under the borrower profile criterion compares the loans to the distribution of businesses by gross annual revenue level. According to 2020 D&B data, there were 131 farms. Gross annual revenues for these farms are below.

- 97.7 percent have GARs of \$1 million or less.
- 0.8 percent have GARs more than \$1 million.
- 1.5 percent have unknown revenues.

According to 2020 D&B data, there were 833 small businesses. The 2020 D&B data shows GARs for businesses in the AA are as follows:

- 86.4 percent have \$1 million or less.
- 3.5 percent have more than \$1 million.
- 10.1 percent have unknown revenues.

Service industries represent the largest portion of AA businesses at 33.5 percent followed by retail trade (11.2 percent), non-classifiable establishments (12.3 percent), and agriculture, forestry and fishing (13.6 percent). In addition, 89.8 percent of AA businesses have nine or fewer employees, and 86.1 percent operate from a single location.

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. The table below contains information on the median family incomes by category.

Median Family Income Ranges				
St. Louis, MO-IL MSA Median Family Income (41180)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$81,200)	<\$40,600	\$40,600 to <\$64,960	\$64,960 to <\$97,440	≥\$97,440
2020 (\$82,600)	<\$41,300	\$41,300 to <\$66,080	\$66,080 to <\$99,120	≥\$99,120
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

Data obtained from the U.S. Bureau of Labor and Statistics indicates the unemployment rate in Bond County is comparable to the State of Illinois and national averages.

Unemployment Rates in the St. Louis, MO-IL MSA AA				
Area	November 2021	Annual 2020	Annual 2019	Annual 2018
	%	%	%	%
Bond County	3.5	6.8	3.7	4.3
State of Illinois	5.7	8.0	3.5	4.5
National Average	4.2	8.1	3.7	3.9
<i>Source: Bureau of Labor Statistics; Illinois Department of Employment Security</i>				

Competition

Bond County is a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were five financial institutions operating eight offices within this AA. Of these institutions, PSB ranked 5th with 7.2 percent deposit market share. The top two competitors in this market operate four offices with 74.6 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in and knowledgeable of the AA to assist in identifying community credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

The contact indicated Bond County and rural Illinois in general has experienced a downturn in the economy since the 2020 pandemic. The credit needs of the community focus largely on business and agricultural loans for working capital and operating costs. There is a need in the community for small business, small farm, and home mortgage loans. The contact stated that local financial institutions are meeting this particular credit need and other general needs of the AA.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm, small business, and home mortgage loans represent a primary credit need for the AA. In particular, the percentage of low- and moderate-income families in the AA at 44.9 percent and the high percentage of farms and businesses with GARs of \$1 million or less support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ST. LOUIS, MO-IL. MSA AA

LENDING TEST

The bank demonstrated poor performance under the lending test for this AA, due to the low volume of small farm, home mortgage, and small business loans originated in the AA during the review period. This is the first time examiners have evaluated this AA since the bank entered this market in April 2018.

Geographic Distribution

Overall, performance is poor due to the low level of small farm, home mortgage, and small business lending during the review period.

Small Farm Loans

Based on the low volume of small farm loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for small farm loans, performance is poor. The universe of small farm loans during the review period was reviewed in this AA; the bank originated only one small farm loan in 2019 and only one small farm loans in 2020. The low volume of lending limits the significance of any geographic distribution analysis.

Home Mortgage Loans

Based on the low volume of loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for small business loans, performance is poor. The universe of home mortgage loans originated during the review period was reviewed in this AA; the bank originated only three home mortgage loans in 2019 and only three home

mortgage loans in 2020. The low volume of lending limits the significance of any geographic distribution analysis.

Small Business Loans

Based on the low volume of loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for small business loans, performance is poor. The universe of small business loans originated during the review period was reviewed in this AA; the bank originated only one small business loan in 2019 and only one small business loan in 2020. The low volume of lending limits the significance of any geographic distribution analysis.

Borrower Profile

Overall, performance is poor due to the low level of small farm, small business, and home mortgage lending in the AA.

Small Farm Loans

Based on the low volume of small farm loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for small farm loans, performance is considered poor. The universe of small farm loans originated during the review period was reviewed in this AA; the bank originated only one small farm loan in 2019 and only one small farm loan in 2020. The low volume of lending limits the significance of any borrower profile analysis.

Home Mortgage Loans

Based on the low volume of loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for home mortgage loans, performance is poor. The universe of home mortgage loans originated during the review period was reviewed in this AA; the bank originated only three home mortgage loans in 2019 and three home mortgage loans in 2020. The low volume of lending limits the significance of any borrower profile analysis.

Small Business Loans

Based on the low volume of loans originated in the AA during the review period, and considering the bank's capacity to lend, the available opportunities in the AA, and the need for small business loans, performance is poor. The universe of small business loans during the review period was reviewed in this AA; the bank originated only one small business loan in 2019 and only one small business loan in 2020. The low volume of lending limits the significance of any borrower profile analysis.

COMMUNITY DEVELOPMENT TEST

PSB demonstrated poor responsiveness to the community development needs throughout the St. Louis, MO-IL MSA AA, through community development loans, qualified investments and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities. This is the first time examiners have evaluated this AA since the bank entered this market in April 2018.

Community Development Loans

The institution originated three community development loans, totaling \$3.5 million, which supported revitalization and stabilization in a moderate-income census tract, which is also in an opportunity zone in Greenville, Illinois. By dollar volume, this represents 28.7 percent of the bank's total qualified lending. Greenville University.

Qualified Investments

The institution had no investments in this AA, but had nine donations totaling \$6,500 in this area over the review period. The donations primarily supported community services benefitting low- and-moderate income individuals. This volume of activity, by dollar amount, represents less than one percent of the community development investment activity by the bank during the evaluation period.

Community Development Services

Only two community development services were provided during the review period. One employee provided two financial literacy activities in this AA.

The Greenville branch is located in a moderate-income census tract in this AA, which demonstrates the availability of services to low- and moderate-income individuals.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

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

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

A certified CDFI must meet eligibility requirements. These requirements include the following:

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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