

PUBLIC DISCLOSURE

November 2, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Shelby County State Bank
RSSD# 235446

130 South Morgan Street
Shelbyville, Illinois 62565

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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BANK'S CRA RATING

Shelby County State Bank is rated **Satisfactory**.

Shelby County State Bank provides credit consistent with its size, location, and the economic conditions within the assessment area. Based on an analysis of lending activities, the bank effectively meets the credit needs of its community. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and credit needs of its assessment area. A majority of loans of loans are in the assessment area. The geographic distribution of loans is reasonable given the bank's assessment area. Additionally, the distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank's assessment area. Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Shelby County State Bank's performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Interagency Small Institution Examination Procedures. The full-scope evaluation considered the bank's asset size, CRA performance context, business strategy, competition, and its assessment area's demographics, economic characteristics, and credit needs. Major products reviewed included home mortgage loans, small business loans, and small farm loans. Shelby County State Bank operates within one non-metropolitan assessment area in the state of Illinois.

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

- ***Loan-to-Deposit Ratio*** – A 17 quarter average loan-to-deposit ratio from June 30, 2016 to June 30, 2020 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated from January 1, 2019 through December 31, 2019 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2019 through December 31, 2019 was analyzed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***Lending to Borrowers of Different Income and to Farms and Businesses of Different Sizes*** – A sample of the bank's home mortgage, small business, and small farm loans originated in

the assessment area, from January 1, 2019 through December 31, 2019 was reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms of different revenue sizes.

- *Response to Substantiated Complaints* – Neither Shelby County State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives with economic development and agricultural economic development knowledge serving Shelby County were contacted in connection with this examination to provide information regarding local economic and agricultural conditions in the assessment area.

DESCRIPTION OF INSTITUTION

Shelby County State Bank is a wholly-owned subsidiary of Shelby County Bancorp, a one-bank holding company located in Shelbyville, Illinois. The bank operates a main office, four full service branch offices, and one limited service drive-through facility. The main office and limited service branch office are located in Shelbyville, Illinois, while the other branch locations are in Windsor, Findlay, Strasburg, and Moweaqua, Illinois. The Findlay branch and Shelbyville main office maintain full service Automated Teller Machines (ATMs); all other locations have cash-only ATMs. The bank has not opened or closed any branch locations since the previous examination.

The bank offers traditional lending and deposit products to meet the needs of consumers, businesses, and farms in its assessment area. Loan products include agricultural, commercial, consumer, and residential real estate. Deposit products include interest and non-interest bearing checking accounts, savings accounts, money market deposit accounts, certificates of deposit and individual retirement accounts.

According to the Uniform Bank Performance Report (UBPR), bank assets totaled \$263.7 million as of June 30, 2020. The bank's loan portfolio is composed primarily of agricultural loans (44.8 percent), commercial loans (28.2 percent), and residential real estate loans (23.6 percent). The table below provides a detailed distribution of the bank's loan portfolio.

Composition of Loan Portfolio as of June 30, 2020		
Loan Type	Dollar Volume (\$ are in 000s)	% of Portfolio
Residential Real Estate	47,932	23.6
Commercial	57,296	28.2
Agricultural	90,835	44.8
Consumer	6,614	3.3
Other	283	0.1
Total Loans	202,960	100
<i>Note: Percentages may not total 100.00 percent due to rounding.</i>		

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

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on October 17, 2016.

DESCRIPTION OF ASSESSMENT AREA¹

Shelby County State Bank delineates one assessment area in non-metropolitan Illinois, consisting of the entirety of Shelby County. There have not been any changes to the bank's assessment area since the previous examination. All six census tracts within the assessment area are middle-income, and there have been no changes in income designations since the previous evaluation. Additionally, no tracts are designated as distressed or underserved. The assessment area contains the bank’s main office and five branch locations with attached ATMs.

According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Shelby County State Bank ranked first out of nine FDIC-insured institutions in Shelby County. The bank held \$211 million in deposits, representing 44.4 percent of the total deposit market share in Shelby County. The second and third largest competitors are Busey Bank with 14.1 percent market share and First Federal Savings and Loan Association of Central Illinois with 13.5 percent market share.

The following table displays the demographics of the assessment area by income categories, housing units, and total businesses and farms by tract for the year 2019.

¹ Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Assessment Area: 2019 IL Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,259	19.7	
Moderate-income	0	0.0	0	0.0	0	0.0	1,339	21.0	
Middle-income	6	100.0	6,381	100.0	486	7.6	1,437	22.5	
Upper-income	0	0.0	0	0.0	0	0.0	2,346	36.8	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	6	100.0	6,381	100.0	486	7.6	6,381	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	10,450	7,379	100.0	70.6	1,665	15.9	1,406	13.5	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	10,450	7,379	100.0	70.6	1,665	15.9	1,406	13.5	
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Middle-income	659	100.0	575	100.0	52	100.0	32	100.0	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total Assessment Area	659	100.0	575	100.0	52	100.0	32	100.0	100.0
	Percentage of Total Businesses:			87.3		7.9		4.9	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Middle-income	90	100.0	89	100.0	0	0.0	1	100.0	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total Assessment Area	90	100.0	89	100.0	0	0.0	1	100.0	100.0
	Percentage of Total Farms:			98.9		0.0		1.1	
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Change

Based on 2015 U.S. Census Bureau data, the population within Shelby County was 22,115, representing a slight decrease since the 2010 census. During the same time period, the state of Illinois remained relatively stable. According to community representatives, the decline in Shelby County’s population can be attributed to younger professionals leaving the area to seek job opportunities, housing, and entertainment options in larger cities. The representative also mentioned that the area’s aging population has also contributed to the population decline. However, representatives are hopeful that growing industries such as retail and software development, along with an increase in the development of condominiums and duplex housing, will incentivize young professionals and families to reside in Shelby County.

Population Change 2010 and 2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Shelby County, IL	22,363	22,115	-1.1
State of Illinois	12,830,632	12,873,761	0.3

*Source: 2010—U.S. Census Bureau: Decennial Census
2011-2015—U.S. Census Bureau: American Community Survey*

Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area and the state of Illinois. According to 2015 U.S. Census Bureau data, the MFI in Shelby County was \$56,199. This represents a slight increase from the 2010 census; however, the MFI for the county remains lower than the MFI for the state of Illinois (\$71,546). Regarding families by family income in the assessment area, 19.7 percent are low-income, 21.0 percent are moderate-income, 22.5 percent are middle-income, and 36.8 percent are designated as upper-income according to the 2015 American Community Survey Census Bureau.

Community representatives noted that MFI in the assessment area has remained generally stable, although farmers have realized tighter profit margins in recent years due to falling commodity prices and input costs that are either stable or rising. In contrast, low interest rates have allowed farmers to acquire equipment and other supplies at lower prices. Although the COVID-19 pandemic in 2020 suppressed economic growth and potential income growth, representatives believe that there will be income growth as restrictions are lifted and economic conditions improve.

Median Family Income Change 2010 and 2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Shelby County, IL	55,655	56,199	1.0
State of Illinois	68,236	71,546	4.9
<i>Source: 2006-2010—U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey</i>			

Housing Characteristics

The following table presents the housing cost trends in the assessment area and the state of Illinois. Based on American Community Survey Data, there are 10,450 housing units in Shelby County. Of those housing units, 70.6 percent are owner-occupied, 15.9 percent are rental units, and 13.5 percent are vacant units. Community representatives stated that there is a relative housing shortage, particularly for medium-sized homes, since the previous evaluation in 2016. Consequently, property values have continued to increase, and community representatives expect that trend to continue if the supply of housing units does not meet demand. However, community representatives also noted that duplex and condominium housing construction was increasing in the hopes of attracting more people to Shelby County. In terms of housing costs, median housing values remained relatively stable and below the state of Illinois. Median gross rent declined slightly below the state of Illinois.

A common method of comparing relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio represents more affordable housing opportunities. Based on 2011-2015 American Community Survey data, the affordability ratio for the assessment area is 0.56, compared to the state of Illinois ratio of 0.33. A community representative stated that there are a good number of smaller entry level homes available in Shelby County. Overall, housing is more affordable within the assessment area when compared to the state of Illinois.

Trends in Housing Costs 2010 and 2015								
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	Percentage Change (%)	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)	Percentage Change (%)	2006-2010 Affordability Ratio	2011-2015 Affordability Ratio
Shelby County, IL	84,500	85,300	0.9	573	554	-3.3	0.53	0.56
State of Illinois	202,500	173,800	-14.2	834	907	8.8	0.28	0.33
<i>Source: 2006-2010—U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey</i>								

According to U.S. Census Bureau’s Annual Building Permits Survey, the number of new housing permits has fluctuated year-over-year, with a 25.7 percent decrease in 2017 and a 7.7 percent increase in 2018. In contrast, the state of Illinois has seen housing permit volume decrease slightly during the same time period. Based on data from the Administrative Office of the U.S. Courts, personal bankruptcy filing rates in Shelby County have been relatively stable since 2016 and remain around 2.0 percent. In comparison, the personal bankruptcy filing rates in the state of Illinois have steadily decreased, but remain higher than Shelby County at 3.7 percent as of 2018.

Employment Conditions

The following table presents the unemployment rates in the assessment area and the state of Illinois. Based on the Bureau of Labor Statistics’ Local Area Unemployment Statistics, unemployment in Shelby County has decreased steadily, from 5.8 percent in 2015 to 4.3 percent in 2018. Similarly, unemployment rates declined from 5.9 percent to 4.3 percent in the state of Illinois over the same time period. Community representatives noted that the falling unemployment rate within the assessment area could be attributed to an increase in retail businesses in the area, an increase in restaurant businesses, and a relatively stable manufacturing sector. Software and technology-related jobs, as well as tourism-related industries also contribute to employment in the area. Regarding the COVID-19 pandemic in 2020, representatives noted that industries such as hospitality, entertainment venues, and sit-down restaurants have experienced the most negative economic impacts.

Unemployment Rates				
Region	2015	2016	2017	2018
Shelby County, IL	5.8	5.8	4.5	4.3
State of Illinois	5.9	5.9	4.9	4.3

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics (LAUS)

Industry Conditions

The following table presents the largest employers operating in the assessment area. According to data from the U.S. Department of Labor, the majority of employers in the assessment area are in manufacturing, schools, and hospitals. Community representatives specifically mentioned IHI Turbo America, which recently had a large expansion; Software Solutions Illinois, which is growing and provides employment opportunities in technology; and Walmart Supercenter, which has contributed to a noticeable increase in retail growth and employment. Representatives stated that, although the COVID-19 pandemic in 2020 has had negative economic effects, sectors such as construction and housing contracting are thriving. They noted that as business restrictions have lifted, increased tourism has also helped smaller local retailers, restaurants with drive-through service, and convenience stores.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
International Paper Co	1000	Paper-Manufacturers
Shelbyville Community Unit School	160	Federal Government Contractors
Hshs Good Shepherd Hospital	152	Hospitals
Shelby County Community Svc.	150	Non-Profit Organizations
Walmart Supercenter	133	Department Stores
P & H Mfg Co.	120	Farm Equipment-Manufacturers
International Paper Co.	107	Paper-Manufacturers
US Army Corps Of Engineers	70	Federal Government-Conservation Depts
Stewardson-Strasburg High School	70	Schools
Cowden-Herrick School District	63	School Districts
Stewardson-Strasburg Cusd	60	School Districts
Software Solutions Of Illinois	60	Computer Software

Community Representatives

Two community representatives with knowledge of economic development and agricultural economic conditions within Shelby County were contacted during this evaluation to gain a greater understanding of credit needs within the assessment area. Both representatives indicated that economic conditions in Shelby County, though negatively impacted by the COVID-19 pandemic in 2020, were improving in some sectors. Industries such as construction and housing contracting are growing, while industries such as hospitality and indoor entertainment are declining. Trends in the agriculture sector have remained generally stable, although tighter profit margins have become cause for concern among farmers in recent years. Overall, representatives noted that local financial institutions have been very responsive to community credit needs for businesses, farms, and individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Shelby County State Bank’s performance relative to the lending test is rated Satisfactory based on the following factors: the loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and economic condition and credit needs of its assessment area; a majority of loans are in the assessment area; the geographic distribution of loans, given the bank’s assessment area, is reasonable throughout the assessment area; and the distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment area.

Loan-to-Deposit Ratio

The bank’s LTD ratio is more than reasonable given the bank’s size, financial condition, and credit needs of its assessment area. The table below shows the bank’s 17 quarter average loan-to-deposit (LTD) ratio since the previous evaluation on October 17, 2016, in comparison to competitors. The bank’s 17 quarter LTD ratio as of June 30, 2020 was 91.0 percent. This represents a 26.3 percent increase in the bank’s 16 quarter average LTD ratio at the previous evaluation.

Although the bank’s LTD ratio has experienced fluctuations, it has increased overall during the 17 quarter period, and is above all local competitors. The bank’s LTD exceeded competitors of greater asset size, specifically First National Bank of Waterloo, Dieterich Bank, Busey Bank, and First Mid Bank and Trust, N.A.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
Shelby County State Bank	91.0
Competitors	
Busey Bank	87.9
Community Banks of Shelby County	57.0
De Witt Savings Bank	64.2
First Federal Savings and Loan Association of Central Illinois, S.B.	84.3
First National Bank of Nokomis	66.9
First National Bank of Waterloo	59.6
Dieterich Bank	79.9
Scott State Bank	55.1
First Mid Bank and Trust, N.A.	83.8

Assessment Area Concentration

Shelby County State Bank originated a majority of home mortgage, small business, and small farm loans in its assessment area. During the evaluation period, the bank originated 75.4 percent of mortgage loans within the assessment area. The bank originated 86.2 percent of small business

and 83.1 percent of small farm loans within the assessment area, respectively. In total, 82.0 percent of loans were originated within the bank’s assessment area, indicating the bank actively serves its local community. The following table summarizes the bank’s lending inside and outside its assessment area by loan type.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgage Loans	43	75.4	\$4,956	44.9	14	24.6	\$6,090	55.1
Total Small Business Related	50	86.2	\$4,084	71.9	8	13.8	\$1,596	28.1
Total Small Farm Related	103	83.1	\$10,509	83.1	21	16.9	\$2,130	16.9
Total Loans	196	82.0	\$19,549	66.6	43	18.0	\$9,815	33.4

Geographic Distribution of Loans

The assessment area is comprised only of middle-income census tracts; therefore, a meaningful analysis of geographic distribution could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. An analysis of the mortgage, small business and small farm lending sample showed that, in 2019, Shelby County State Bank originated credit in all six census tracts in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment area. The bank is responsive to credit needs of low- and moderate-income borrowers, small businesses, and small farms within the assessment area.

Home Mortgage Loans

The distribution of home mortgage loans among borrowers of different income levels is reasonable. In 2019, the bank originated 9.3 percent of home mortgage loans to borrowers designated as low-income. However, this is below the percentage of families by family income at 19.7 percent. With respect to moderate-income borrowers, the bank originated 23.3 percent of home mortgage loans, which slightly exceeded the percentage of families by family income at 21.0 percent. This is consistent with the previous examination. The following table provides specific information regarding the bank’s distribution of home mortgage lending by borrower income level from January 1, 2019, through December 31, 2019.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2019 IL Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income
		2019				
		Count		Dollar		
		#	%	\$ (000s)	\$ %	%
Totals	Low	4	9.3	185	3.7	19.7
	Moderate	10	23.3	793	16.0	21.0
	Middle	12	27.9	1,057	21.3	22.5
	Upper	15	34.9	2,767	55.8	36.8
	Unknown	2	4.7	154	3.1	0.0
	Total	43	100.0	4,956	100.0	100.0
2019 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The distribution of small business loans among businesses of different revenue sizes is excellent. The bank originated 100 percent of loans to businesses with gross revenue of \$1 million or less. This exceeds the percentage of such businesses in the assessment area at 87.3 percent. Of those loans, 80.0 percent were in amounts of \$100,000 or less, which are most beneficial to small businesses. The bank’s lending activity demonstrates a commitment to support small businesses within the assessment area and is consistent with the previous examination. The following table provides detailed information on the bank’s distribution of small business loans by revenue and loan size from January 1, 2019, through December 31, 2019.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2019 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		2019		2019		Total Businesses %	
Revenue	Loan Size	Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	50	100.0	4,085	100.0	87.3
		Over \$1 Million or Unknown	0	0.0	0	0.0	12.7
		Total	50	100.0	4,084	100.0	100.0
	Loan Size	\$100,000 or Less	40	80.0	1,122	27.5	
		\$100,001 - \$250,000	8	16.0	1,513	37.0	
		\$250,001 - \$1 Million	2	4.0	1,450	35.5	
		Total	50	100.0	4,085	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	40	80.0	1,122	27.5	
		\$100,001 - \$250,000	8	16.0	1,513	37.0	
		\$250,001 - \$1 Million	2	4.0	1,450	35.5	
		Total	50	100.0	4,085	100.0	
	Originations & Purchases						
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

The borrower distribution of small farms loans among farms of different revenue sizes is reasonable. The bank originated 100 percent of loans to farms with gross revenue of \$1 million or less. This is consistent with the percentage of such farms in the assessment area at 98.9 percent. Of those loans, 71.8 percent were in amounts of \$100,000 or less, which are most beneficial to small farms. The bank’s lending activity demonstrates a willingness to support small farms within the assessment area and is consistent with the previous examination. The following table provides detailed information on the bank’s distribution of small farm loans by revenue and loan size from January 1, 2019, through December 31, 2019.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2019 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %		%
Small Farm	Revenue	\$1 Million or Less	103	100.0	10,509	100.0	98.9
		Over \$1 Million or Unknown	0	0.0	0	0.0	1.1
		Total	103	100.0	10,509	100.0	100.0
	Loan Size	\$100,000 or Less	74	71.8	2,402	22.9	
		\$100,001 - \$250,000	12	11.7	2,060	19.6	
		\$250,001 - \$500,000	17	16.5	6,047	57.5	
		Total	103	100.0	10,509	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	74	71.8	2,402	22.9	
		\$100,001 - \$250,000	12	11.7	2,060	19.6	
		\$250,001 - \$500,000	17	16.5	6,047	57.5	
		Total	103	100.0	10,509	100.0	

Originations & Purchases
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

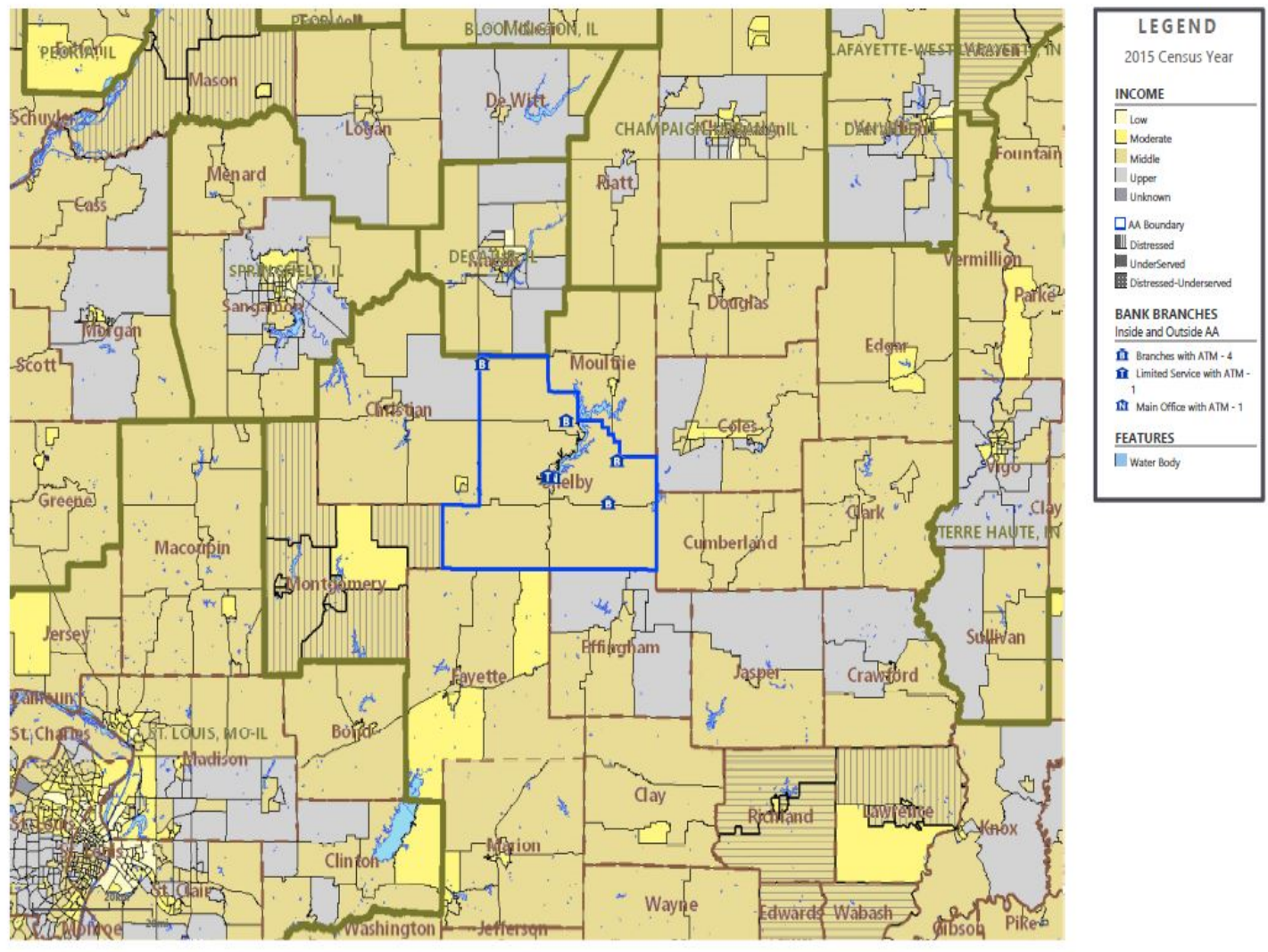
Neither the bank nor this Reserve Bank has not received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A – Map of Assessment Area

Shelby County State Bank 235446
IL Non MSA



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Loan-to-Deposit Ratio: 17 quarter average (June 30, 2016 to June 30, 2020) Assessment Area Concentration: Home Mortgage, Small Business, and Small Farm Loans - January 1, 2019 through December 31, 2019 Geographic Distribution: Home Mortgage, Small Business, and Small Farm Loans - January 1, 2019 through December 31, 2019 Borrower Distribution: Home Mortgage - Home Mortgage, Small Business, and Small Farm Loans - January 1, 2019 through December 31, 2019		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Shelby County State Bank			Home Mortgage Small Business Small Farm
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	None		None
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-Metropolitan Illinois	Full Scope Review	None	None

APPENDIX C – Glossary

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

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

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

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

Area Median Income (AMI): AMI means –

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

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

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

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

² Source: FFIEC press release dated October 19, 2011.

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

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

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

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

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

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

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

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

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

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

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

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

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

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

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

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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