PUBLIC DISCLOSURE

November 1, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kinmundy Bank
RSSD #489249

201 South Madison
Kinmundy, Illinois 62854

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the 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.**

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

Kinmundy Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- The borrower's profile analysis reveals excellent penetration among business of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the CARES Act[1] Paycheck Protection Program (PPP). The bank's participation in the PPP was also considered in this evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. Residential real estate, consumer motor vehicle, and small business loans were used to evaluate the bank's lending performance[2], as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. All products used in the CRA analysis were of equal importance, due to loan volume by number and/or dollar amount and the credit needs of the community. The following table details the performance criterion and the corresponding time periods used in each analysis.

[1] Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020
[2] Consumer motor vehicle, residential real estate, and small business loans were sampled in accordance with CA Letter 02-3, "Policy for Sampling at Small Banks."

Performance Criterion	Time Period
LTD Ratio	September 30, 2015 – September 30, 2021
Assessment Area Concentration	January 1, 2019 – December 31, 2019
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	August 17, 2015 – October 31, 2021

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data. Certain business and farm demographics are based on 2019 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $71.3 million to $117.5 million as of September 30, 2021.

To augment this evaluation, two previously conducted community contact interviews with members of the local community were reviewed to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Kinmundy Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by South Central Bancorp, Inc., a one-bank holding company headquartered in Kinmundy, Illinois. The bank network consists of a single main office located in Kinmundy, which offers drive-up accessibility and has an on-site automated teller machine. The main branch resides in the northeastern part of Marion County along a major interstate, I-57, in a middle-income tract. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems, such as online and mobile banking capabilities, the bank is well positioned to deliver financial services throughout most of northeastern and central Marion County. In contrast, the bank may have trouble reaching the entirety of Marion County due to its location within the assessment area, specifically the southwestern portion of the county, which includes the city of Centralia, Illinois, and its nearby moderate-income census tracts. Centralia is approximately 30 miles from Kinmundy, and in addition to the distance, the number of competitor banking institutions with a branch presence there adds another obstacle to extending loans in that area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of June 30, 2021, the bank reported total assets of $60.2 million. As of the same date, loans and leases outstanding were $34.1 million (56.6 percent of total assets), and deposits totaled $52.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2021		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
1–4 family residential	$13,687	40.2%
Loans to individuals	$8,457	24.8%
Farmland	$4,672	13.7%
Commercial and industrial	$3,192	9.4%
Commercial real estate	$1,928	5.7%
Farm loans	$1,740	5.1%
Total other loans	$394	1.2%
TOTAL	**$34,070**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to 1–4 family residential properties; loans to individuals, such as consumer motor vehicle loans; and commercial and industrial loans, including small business loans. Farmland is also a significant portion of the bank's loan portfolio by dollars; however, small business loans were evaluated instead due to their strong growth over recent years and significant number of originations. Overall, these loan categories are representative of the bank's stated business strategy.

The bank received an Outstanding rating at its previous CRA evaluation, conducted on August 17, 2015, by the Office of the Comptroller of the Currency.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 38,665, is located in a nonmetropolitan statistical area (nonMSA) portion of Illinois and is made up of the entirety of Marion County, located in south central Illinois. The assessment area is primarily rural, but there are cities within the assessment area where community services, housing, and employment opportunities are more concentrated. Of these cities, the largest are Salem and Centralia. Salem, the smaller of the two cities, is located in the center of the county, while Centralia is located to the southwest on the western border of Marion County.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2020, there are 13 FDIC-insured depository institutions in the assessment area that operate 19 offices. Kinmundy Bank (operating one, or 5.3 percent of, offices in the assessment area) ranked 8th in terms of deposit market share, with 5 percent of the total assessment area deposit dollars.

Assessment area credit needs include a standard blend of consumer and commercial loan products. Additional specific credit needs in the assessment area, as noted primarily from community contacts, include small dollar loans and residential real estate loans, especially those targeted at LMI individuals.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	5	7	0	0	**12**
	0.0%	41.7%	58.3%	0.0%	0.0%	**100%**
Family Population	0	3,508	6,902	0	0	**10,410**
	0.0%	33.7%	66.3%	0.0%	0.0%	**100%**

As shown above, 41.7 percent of the census tracts in the assessment area are moderate-income geographies (there are no low-income or upper-income census tracts in the assessment area), but only 33.7 percent of the family population resides in these tracts.

Based on 2015 ACS data, the median family income for the assessment area was $54,028. At the same time, the median family income for nonMSA Illinois was $59,323. More recently, the FFIEC estimates the 2019 median family income for nonMSA Illinois to be $64,200. The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population as a whole. The following table displays population percentages of assessment area families by income level compared to the nonMSA Illinois family population as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	2,655	1,908	2,209	3,638	0	**10,410**
	25.5%	18.3%	21.2%	35.0%	0.0%	**100%**
nonMSA Illinois	78,116	70,252	83,510	153,709	0	**385,587**
	20.3%	18.2%	21.7%	39.9%	0.0%	**100%**

As shown in the table above, 43.8 percent of families within the assessment area were considered LMI, which is slightly higher than LMI family percentages of 38.5 percent in nonMSA Illinois. The percentage of families living below the poverty threshold in the assessment area, 14.9 percent, is also higher than the nonMSA Illinois poverty level, 10.4 percent. Considering these factors, the assessment area appears less affluent than nonMSA Illinois as a whole.

<u>Housing Demographics</u>

Based on housing values, income levels, and affordability calculations, owning a home in the assessment area is more affordable than in nonMSA Illinois. The median housing value for the assessment area is $68,600, which is well below the figure for nonMSA Illinois, $93,478. Additionally, the assessment area housing affordability ratio of 61.9 percent is substantially above the nonMSA Illinois figure of 49.0 percent, indicating greater affordability in the assessment area. The relatively high affordability ratio in the assessment indicates that many LMI residents can likely afford to purchase a home there.

Alternatively, rental units are less affordable in the assessment area than in nonMSA Illinois. The median gross rent for the assessment area of $623 per month is slightly higher than the $604 per month for nonMSA Illinois. Also, 43.2 percent of renters in the assessment area face rental costs greater than 30 percent of their incomes, while in nonMSA Illinois, 38.8 percent of renters face this same rent burden. While the percentage of housing units that are rental properties is similar for both the assessment area and nonMSA Illinois (22.0 and 22.6, respectively), the community contacts indicated the need in the assessment area for additional affordable rental units aimed at LMI individuals (including subsidized rental housing options).

<u>Industry and Employment Demographics</u>

County business patterns indicate that there are 10,126 paid employees in the assessment area. The assessment area is largely rural, and its key private sector industries in the assessment area by numbers of employees are healthcare and social assistance (26.3 percent), manufacturing (23.0 percent), and retail trade (11.2 percent). The assessment area also supports a strong small business sector. According to Dun & Bradstreet data, 87.8 percent of businesses, or 1,107 businesses, in the assessment area had annual revenues of less than $1 million. The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to nonMSA Illinois as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Illinois**
2016	6.4%	6.0%
2017	5.3%	5.0%
2018	4.9%	4.9%
2019	4.2%	4.2%
2020	9.3%	7.7%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Illinois, evidenced a decreasing trend from 2016 through 2019, with the assessment area being slightly higher or equal to nonMSA Illinois over the period. However, as largely attributed to the COVID-19 pandemic, unemployment rates in both the assessment area and nonMSA Illinois increased sharply in 2020, with the assessment area experiencing a greater increase. One community contact indicated that a lack of affordable daycare was a main contributor to the higher unemployment in the assessment area as compared to nonMSA Illinois.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. One individual represents an agency that offers financing for local farms, and the other person represents an organization offering home service programs to the disadvantaged. The community contact interviewees categorized the economy as poor, with limited growth and few job opportunities, noting that many people are leaving the area for jobs in bigger surrounding cities like St. Louis, Missouri. The assessment area was described as a rural farming community, which, aside from agriculture, is primarily supported by healthcare and manufacturing industries. Additionally, when describing the economy, the community contact mentioned the hardship that COVID-19 has placed on the assessment area. The contact indicated that unemployment has been high in the area due to layoffs from the pandemic and businesses operating in a limited capacity to follow CDC guidelines. The contact also mentioned that as businesses start to rehire staff, workers in the assessment area are having difficulty returning due to a lack of affordable daycare, a long-standing issue in the assessment area that has recently been exacerbated by COVID-19.

Community contacts identified several significant credit needs within the community, most of which were related to making credit available to spur development of affordable housing units for both purchase and rent. Specific affordable housing credit needs as indicated by the interviewees include additional government-subsidized housing options, home improvement loans, and programs to support home purchases, such as down payment assistance and first-time home buyer programs. Community contacts also mentioned the need for financial education programs, such as one-on-one budget counseling, home buyer education, and credit education to help consumers more thoroughly understand their credit score. Lastly, community contact interviewees mentioned small dollar loans as an additional credit need within the community.

Despite the credit needs outstanding within the community, banks within the assessment area appear to generally be meeting the needs of the community. Community contacts indicated banks are largely accessible in most areas of the community, which is even more important in the assessment area, as community contacts noted that broadband Internet access is a significant need of the community, and many residents do not have Internet access, limiting how they can participate in service delivery systems like online banking. Additionally, contacts mentioned several banks do a good job in the assessment area of meeting the needs of the community, further indicating adequate opportunities for bank participation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 25-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of September 30, 2021**	**Average LTD Ratio**
Kinmundy Bank	Kinmundy, Illinois	$59,077	83.4%
Regional Banks	Salem, Illinois	$117,549	95.0%
	Sandoval, Illinois	$71,265	71.2%
	Irvington, Illinois	$97,071	59.8%

Based on data from the previous table, the bank's level of lending is consistent with that of other banks in the region. During the review period, the LTD ratio experienced a generally stable trend, except for the most recent seven quarters, in which the bank experienced a considerable decline. This decline is primarily due to an influx of deposits brought on by the PPP and stimulus money injected into the local economy during the COVID-19 pandemic. Despite the recent decline, the bank maintained a 25-quarter average LTD of 83.4 percent, with a high of 93.5 percent in the fourth quarter of 2017 and a low of 64.3 percent in the second quarter of 2021. In comparison, the bank's average LTD ratio is between those of its regional peers, with two of the regional peers' LTD ratios being below and one above. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area January 1, 2019 through December 31, 2019						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
1–4 family residential real estate	41	64.1%	23	35.9%	**64**	**100%**
	$1,725	67.1%	$845	32.9%	**$2,571**	**100%**
Consumer motor vehicle	58	64.4%	32	35.6%	**90**	**100%**
	$656	57.1%	$493	42.9%	**$1,149**	**100%**
Small business	32	60.4%	21	39.6%	**53**	**100%**
	$1,169	70.1%	$498	29.9%	**$1,667**	**100%**
TOTAL LOANS	**131**	**63.3%**	**76**	**36.7%**	**207**	**100%**
	$3,551	**65.9%**	**$1,836**	**34.1%**	**$5,387**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 63.3 percent of the total loans were made inside the assessment area, accounting for 65.9 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from all three loan categories reviewed.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($64,200 for nonMSA Illinois as of 2019). The following table shows the distribution of 1–4 family residential real estate loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2019 aggregate data for the assessment area is displayed.

Distribution of 2019 Home Mortgage Lending
By Borrower Income Level
Assessment Area: nonMSA Illinois-Marion County

Borrower Income Level	Bank Loans				Families by Family Income %	Aggregate HMDA Data	
	#	# %	$	$ %		# %	$ %
Low	13	31.7%	501	29.1%	25.5%	9.9%	4.6%
Moderate	9	22.0%	345	20.0%	18.3%	22.9%	16.5%
Middle	9	22.0%	417	24.2%	21.2%	19.6%	17.1%
Upper	10	24.4%	462	26.8%	34.9%	29.9%	38.9%
Unknown	0	0.0%	0	0.0%	0.0%	17.8%	22.9%
TOTAL	**41**	**100.0%**	**1,725**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (31.7 percent) is above the low-income family population figure (25.5 percent) and substantially higher than the 2019 aggregate lending level to low-income borrowers (9.9 percent), reflecting excellent performance. The bank's level of lending to moderate-income borrowers (22.0 percent) is above the moderate-income family population percentage (18.3 percent) and similar to the 2019 aggregate lending level to moderate-income borrowers (22.9 percent), reflecting excellent performance. Given the excellent performance of loans to LMI borrowers, the bank's overall distribution of loans by borrower's profile for residential real estate loans is excellent.

Next, consumer motor vehicle loans were reviewed to determine the bank's lending levels to individuals of different income levels. Similar to 1–4 family residential real estate loans, borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their applicant income to the median family income figure as estimated by the FFIEC ($64,200 for the nonMSA Illinois as of 2019). The following table shows the distribution of 2019 consumer motor vehicle loans by income level compared to household demographics.

Distribution of 2019 Consumer Lending By Borrower Income Level Assessment Area: nonMSA Illinois-Marion County					
Borrower Income Levels	**2019**				
	Count		**Dollar**		**Households**
	#	**%**	**$ (000s)**	**$ %**	**%**
Low	29	50.0%	$262	39.9%	28.1%
Moderate	17	29.3%	$254	38.7%	16.3%
Middle	5	8.6%	$42	6.4%	17.4%
Upper	7	12.1%	$98	15.0%	38.2%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**58**	**100.0%**	**$656**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of motor vehicle lending to both low- and moderate-income borrowers (50.0 and 29.3 percent, respectively) is considerably higher than the household population figures (28.1 and 16.3 percent, respectively), reflecting excellent performance to both income levels and resulting in an excellent rating of the bank's overall distribution of motor vehicle loans by borrower's profile.

Lastly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2019 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of 2019 Small Business Lending By Borrower Income Level Assessment Area: nonMSA Illinois-Marion County									
Business Revenue and Loan Size		2019							
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Business Revenue	$1 Million or Less	31	96.9%	41.8%	$919	78.6%	37.4%	87.8%
	Over $1 Million/ Unknown	1	3.1%	58.2%	$250	21.4%	62.6%	12.2%
	TOTAL	**32**	**100.0%**	**100.0%**	**$1,169**	**100.0%**	**100.0%**	**100.0%**
Loan Size	$100,000 or Less	29	90.6%	95.0%	$551	47.1%	45.1%	
	$100,001–$250,000	2	6.3%	2.8%	$368	31.5%	15.3%	
	$250,001–$1 Million	1	3.1%	2.2%	$250	21.4%	39.6%	
	Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
	TOTAL	**32**	**100.0%**	**100.0%**	**$1,169**	**100.0%**	**100.0%**	
Loan Size – Revenue $1 Million or Less	$100,000 or Less	29	93.5%		$551	60.0%		
	$100,001–$250,000	2	6.5%		$368	40.0%		
	$250,001–$1 Million	0	0.0%		$0	0.0%		
	Over $1 Million	0	0.0%		$0	0.0%		
	TOTAL	**31**	**100.0%**		**$919**	**100.0%**		

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (96.9 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 87.8 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2019 aggregate lending level to small businesses is 37.4 percent.

<u>Geographic Distribution of Loans</u>

As noted previously, the assessment area does not contain any low-income census tracts. Geographic distribution of loans is based on the bank's lending in the five moderate-income census tracts, which represent 41.7 percent of all assessment area census tracts. It should also be noted, in terms of performance context for all products, that four out of the five moderate-income tracts are approximately 30 miles away, and the closest remaining moderate-income tract is approximately 12 miles away, from the bank's only branch location. Not only is distance a factor, but there are also approximately 14 competitor branches located around these moderate-income tracts that the bank must compete with, according to FDIC market share reports. These factors, combined with the lack of broadband Internet access described by community contacts, significantly impacts the bank's ability to make loans in all moderate-income tracts. Although this adds necessary performance context, overall geographic distribution of loans in this assessment area reflects poor penetration throughout the moderate-income census tracts based on all loan categories, when compared to the applicable demographic and aggregate data.

The following table displays the geographic distribution of 2019 1–4 family residential real estate loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of 2019 Home Mortgage Lending
By Income Level of Geography
Assessment Area: nonMSA Illinois-Marion County

Census Tract Income Level	Bank Loans				% of Owner-Occupied Units	Aggregate HMDA Data	
	#	# %	$	$ %		# %	$ %
Low	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	5	12.2%	114	6.6%	29.8%	22.6%	18.3%
Middle	36	87.8%	1,612	93.4%	70.2%	77.4%	81.7%
Upper	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0	0.0%	0.0%	0.0%	0.0%
TOTAL	**41**	**100.0%**	**1,725**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The analysis of 1–4 family residential real estate loans revealed poor lending performance to borrowers residing in moderate-income geographies. While the bank's total penetration of moderate-income census tracts by number of loans (12.2 percent) is substantially below the percentage of owner-occupied housing units and 2019 aggregate lending in moderate-income census tracts (29.8 and 22.6 percent, respectively), the addition of the above-noted performance context supports an overall rating of poor for the bank's overall geographic distribution of 1–4 family residential real estate loans.

Second, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays 2019 consumer motor vehicle loan activity by geographic income level compared to the location of households throughout the bank's assessment area.

Distribution of 2019 Consumer Lending By Income Level of Geography Assessment Area: nonMSA Illinois-Marion County					
Tract Income Levels	**Bank Loans**				**% of Households**
	#	**# %**	**$ (000s)**	**$ %**	
Low	0	0.0%	$0	0.0%	0.0%
Moderate	7	12.1%	$41	6.3%	36.5%
Middle	51	87.9%	$615	93.7%	63.5%
Upper	0	0.0%	$0	0.0%	0.0%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**58**	**100.0%**	**$656**	**100.0%**	**100.0%**

The bank's percentage of loans in moderate-income census tracts (12.1 percent) is substantially lower than the percentage of households in moderate-income census tracts (36.5 percent). Though the disparity displayed in the previous table is large, it should be considered in light of the performance context already described. Therefore, the bank's overall geographic distribution of motor vehicle loans is poor. Lastly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2019 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2019 small business aggregate data.

Distribution of 2019 Small Business Lending By Income Level of Geography Assessment Area: nonMSA Illinois-Marion County							
Census Tract Income Level	**Bank Small Business Loans**				**% of Businesses**	**Aggregate of Peer Data**	
	#	**# %**	**$ 000s**	**$ %**		**%**	**$ %**
Low	0	0.0%	$0	0.0%	0.0%	0.0%	0.0%
Moderate	3	9.4%	$156	13.3%	57.3%	48.5%	55.6%
Middle	29	90.6%	$1,013	86.7%	42.7%	46.5%	41.2%
Upper	0	0.0%	$0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	$0	0.0%	0.0%	5.0%	3.2%
TOTAL	**32**	**100.0%**	**$1,169**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The bank's percentage of loans in moderate-income census tracts (9.4 percent) is substantially lower than the 2019 aggregate lending percentage in moderate-income census tracts (48.5 percent) and the percentage of small businesses in moderate-income census tracts (57.3 percent). Similar to other loan categories, while these numbers show large variances to the aggregate and demographic lending number, they must be evaluated considering the performance context noted above. Including this performance context, the resulting rating for the overall geographic distribution of small business loans is considered poor.

Last, based on reviews of all three loan categories, Kinmundy Bank had loan activity in 91.7 percent of its assessment area census tracts with no conspicuous lending gaps noted in LMI areas.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (August 17, 2015 through October 31, 2021).

COVID-19 Pandemic Response

In response to the COVID-19 pandemic, the bank originated 88 PPP loans, totaling $3.3 million. These loans are administered by the Small Business Administration as part of the CARES Act. PPP loans are designed to help eligible[3][4] self-employed or sole proprietor farmers and small businesses retain workers and staff during the economic hardship resulting from the pandemic.

The PPP loans originated by the bank represent significant volume when compared to the bank's traditional annual loan volume to small businesses and small farms. The majority of these loans were small dollar loans, which help meet a large credit need of the community as stated by community contacts.

In addition to participating in PPP lending, the bank offered extended hours to meet borrower needs during this time.

[3] Self-employed or sole proprietor farms are eligible for a PPP loan if 1) they were in operation on February 15, 2020; 2) they have self-employment income; 3) their principal residence is in the U.S.; and 4) they filed or will file an IRS Schedule F – Profit or Loss from Farming form for 2019 or 2020.
[4] Most small businesses are eligible for a PPP loan if 1) the small business has fewer than 500 employees, or 2) they meet applicable SBA employee-based size standards for certain industries.

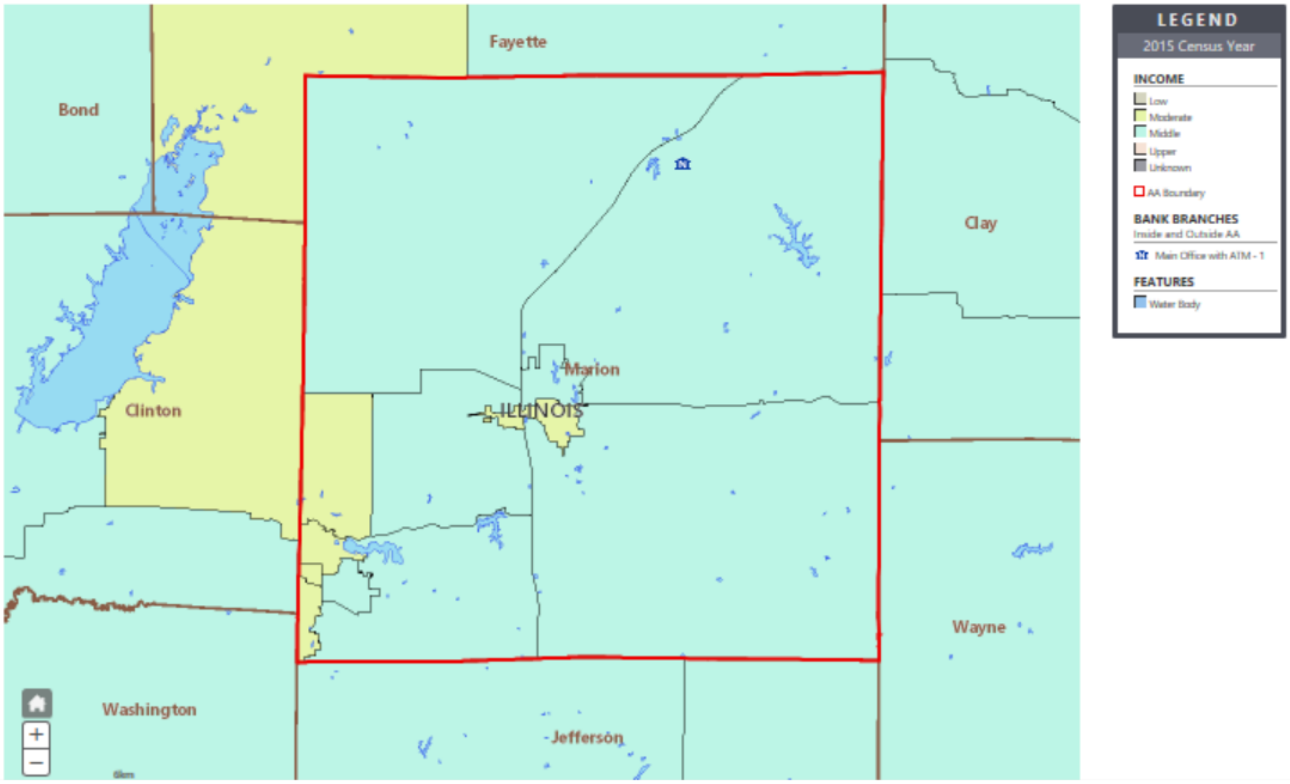
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

Appendix A

ASSESSMENT AREA DETAIL

Kinmundy Bank - Kinmundy, IL 2021
Marion County, IL 2019



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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or 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; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed non-metropolitan middle-income geography: A middle-income, nonmetropolitan 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, which 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 who 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 (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent in the case of a geography.

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

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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

Rated area: A rated area is a state or multi-state 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 multi-state metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.