

PUBLIC DISCLOSURE

February 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank of Arthur
RSSD# 667832

411 South Vine Street
Arthur, Illinois 61911

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

State Bank of Arthur is rated Satisfactory. The bank provides credit consistent with its size, location, and the local economic conditions of its assessment area. The average loan-to-deposit ratio is reasonable. A substantial majority of the bank's home mortgage, small business, and small farm loans are in the assessment area. Loans reflect a reasonable geographic distribution throughout the assessment area. The borrower distribution is excellent among individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes. The borrower distribution is reasonable among farms of different sizes. Neither the bank nor this Reserve Bank has received any Community Reinvestment Act (CRA) related complaints since the previous evaluation.

SCOPE OF EXAMINATION

State Bank of Arthur's performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution Examination Procedures. Information about the institution and its assessment area, such as the institution's asset size, financial condition, competition, and economic and demographic characteristics were used to evaluate the bank's performance. The bank's primary product lines, which include home mortgage, small business, and small farm loans, were evaluated.

State Bank of Arthur operates within one non-MSA assessment area in the state of Illinois. The assessment area consists of three census tracts in Douglas County, one census tract in Piatt County, four census tracts in Moultrie County, and seven census tracts in Coles County.

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

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio, for the period ending December 31, 2015, was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated from January 1, 2014 through December 31, 2014 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2014 through December 31, 2014, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.

- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** - The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2014 through December 31, 2014, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither the State Bank of Arthur nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition to the above criteria, two community representatives were contacted to help understand the credit and banking needs of the assessment area.

DESCRIPTION OF INSTITUTION

State Bank of Arthur is a \$130.3 million, wholly owned subsidiary of Arthur Bancshares Corp., a one-bank holding company. There are no other subsidiaries of the holding company or the bank. The bank was founded in 1910 and operates one main office and a drive-up facility in Arthur, IL. A cash-dispensing automated teller machine (ATM) is included at each location. The bank serves the financial and banking needs of the Village of Arthur and the surrounding communities.

The bank provides a wide array of products and services including home mortgage, commercial, and agricultural loans. Additionally, the bank offers a variety of standard deposit products including checking, savings, money market, and certificates of deposit accounts. Commercial purpose loans comprise the largest portion of the portfolio at 43.6 percent, followed by residential real estate at 25.7 percent, agricultural and farmland loans at 16.5 percent, and consumer loans at 14.2 percent.

The following table shows the bank's loan portfolio composition as of December 31, 2015.

Composition of Loan Portfolio as of December 31, 2015		
(000's)		
Category	\$	%
Residential RE	16,433	25.7
Commercial	27,938	43.6
Agricultural	10,556	16.5
Consumer	9,116	14.2
Total	64,053	100.0

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 February 13, 2012.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area, referred to as the Illinois non-metropolitan statistical area (non-MSA), is primarily the Village of Arthur, Illinois, and the surrounding areas. The Village of Arthur is located in Central Illinois, on the border between Douglas and Moultrie Counties. The Illinois non-MSA consists of three census tracts in Douglas County, one census tract in Piatt County, four census tracts in Moultrie County, and seven census tracts in Coles County. Thirteen of the fifteen tracts in the assessment area are middle-income census tracts. Of the thirteen middle-income census tracts, six tracts in Coles County are considered to be distressed tracts due to poverty. The remaining two tracts are moderate-income census tracts within Coles County and Piatt County. According to 2010 Census data, the fifteen census tracts have a population of 58,976 comprised of 23,355 total households.

The bank's assessment area has remained unchanged since the previous evaluation. The following table shows the composition of the combined assessment area by counties, number of census tracts, number of offices, and the number of ATM locations.

Assessment Area	Counties	Number of Census Tracts	Number of Branch Offices	Number of ATMs
Illinois Non-MSA	• Moultrie (entirety)	4	2	2
	• Douglas (partial)	3	0	0
	• Coles (partial)	7	0	0
	• Piatt (partial)	1	0	0
Total		15	2	2

According to the FDIC Deposit Market Share Report, as of June 30, 2015, the bank held 4.9 percent of the deposit market share, ranking fourth of 26 insured depository institutions in its market. First Mid-Illinois Bank & Trust N.A. leads in the market holding 34.1 percent of deposits, followed by First State Bank with 8.5 percent, and Prairie State Bank and Trust with 5.1 percent.

Small businesses, those with revenues of \$1 million or less, make up a significant portion of total businesses in the bank's assessment area at 88.3 percent. The same trend is present with small farms, which encompass 99.2 percent of total farms in the bank's assessment area. Total businesses in the combined assessment area experienced a moderate decline of 9.6 percent (259 businesses) from 2013 to 2014. Additionally, the area has seen a decline in total farms of 16.5 percent from 2013 to 2014. The following table shows the demographics of the combined assessment area by income categories, housing units, and total businesses and farms by tract for the year 2014. Please refer to Appendix B for the combined demographics report for 2013.

Combined Demographics Report

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	2,717	16.9
Moderate-income	2	13.3	1,674	10.4	101	6.0	3,458	21.6
Middle-income	13	86.7	14,361	89.6	1,166	8.1	3,722	23.2
Upper-income	0	0.0	0	0.0	0	0.0	6,138	38.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	15	100.0	16,035	100.0	1,267	7.9	16,035	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	3,032	1,689	9.8	55.7	1,085	35.8	258	8.5
Middle-income	22,802	15,465	90.2	67.8	5,116	22.4	2,221	9.7
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	25,834	17,154	100.0	66.4	6,201	24.0	2,479	9.6
	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
Moderate-income	318	13.1	276	12.9	26	14.0	16	16.2
Middle-income	2,111	86.9	1,868	87.1	160	86.0	83	83.8
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	2,429	100.0	2,144	100.0	186	100.0	99	100.0
Percentage of Total Businesses:			88.3		7.7		4.1	
	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
Moderate-income	45	12.0	45	12.1	0	0.0	0	0.0
Middle-income	329	88.0	326	87.9	3	100.0	0	0.0
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	374	100.0	371	100.0	3	100.0	0	0.0
Percentage of Total Farms:			99.2		0.8		0.0	

2014 FFIEC Census Data & 2014 D&B Information

Note: Percentages may not add to 100.0 percent due to rounding

Population Characteristics

The bank’s assessment area has experienced minimal population growth from 2000 to 2010. The population increased by 0.4 percent, totaling 58,976 residents in 2010. This increase is significantly less than the state of Illinois, which had a population growth rate of 3.3 percent from the 2000 to 2010, according to U.S. Census data. The slow population growth can be attributed to families and individuals leaving the area due to high unemployment (compounded through the loss of small businesses and farms) as well as poverty conditions within Coles County, which contains the majority of the bank’s assessment area population. Six census tracts within Coles County are considered distressed due to high poverty levels. Additionally, a community representative noted concerns over the staggering unemployment rate of the county (Coles), which has had an effect on the population growth.

The table below shows the population changes of the bank’s assessment area, counties within the assessment area, and the State of Illinois according to 2000 and 2010 U.S. Census data.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change (%)
Assessment Area	58,768	58,976	0.4
Coles County, IL	53,196	53,873	1.3
Douglas County, IL	19,922	19,980	0.3
Moultrie County, IL	14,287	14,846	3.9
Piatt County, IL	16,365	16,729	2.2
State of Illinois	12,419,293	12,830,632	3.3

Source: 2000 & 2010—U.S. Census Bureau: Decennial Census

Income Characteristics

As reported by 2010 U.S. Census data, the assessment area’s median family income of \$53,980 is below the State of Illinois of \$68,236. The median family income for the assessment area grew 17.5 percent between 2000 and 2010; however, this growth was less than that of the state which grew 22.8 percent over the same time period. Douglas County, in particular, experienced significant growth in median family income with a 30.9 percent increase followed by Piatt County with median family income growth of 26.1 percent.

The following table shows the median family income change of the bank’s assessment area and the state of Illinois according to 2000 and 2010 Census data.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2010 Median Family Income	Percentage Change
Assessment Area	45,932	53,980	17.5
Coles County	45,708	54,170	18.5
Douglas County	46,177	60,352	30.9
Moultrie County	46,655	54,494	16.8
Piatt County	52,218	65,850	26.1
State of Illinois	55,545	68,236	22.8

Source: 2000 & 2010—U.S. Census Bureau: Decennial Census

The personal bankruptcy filing rate (per 1,000 population) as determined by the Administrative Office of the U.S. Courts for the four counties that have census tracts included in the bank’s assessment area have shown decreases from 2010 through 2012, mirroring the trend of the state. In 2013 the personal bankruptcy filing rate in Coles, Moultrie and Piatt Counties reflected an increase while Douglas County and the State of Illinois continued the downward trend. All counties within the bank’s assessment area have lower personal bankruptcy filing rates lower than the rate for the State of Illinois.

Housing Characteristics and Affordability

Median housing values and gross rents throughout the bank’s assessment area are significantly lower than statewide values. Housing values throughout the bank’s assessment area increased significantly between 2000 and 2010, but not as much as statewide values. While the median housing value in the State of Illinois increased 58.5 percent between 2000 and 2010; median housing values in the combined assessment area increased 26.5 percent during the same time period. Separately, between 2000 and 2010, median housing values increased by 45.1 percent in Piatt County, 31.4 percent in Douglas County, 26.4 percent in Coles County, and 22.2 percent in Moultrie County. Median gross rents have also shown increases between 2000 and 2010 with a statewide increase of 37.8 percent. Median gross rents in Piatt County increased by 41.5 percent, 41.3 percent in Douglas County, 36.5 percent in Coles County, and 25.7 percent in Moultrie County. While housing costs have increased significantly between 2000 and 2010, median family incomes have not kept pace throughout the state, in the individual counties, or the combined assessment area.

A common method to compare the relative affordability of housing across geographic areas is by using the affordability ratios which is defined in Appendix C. An area with a high ratio generally has more affordable housing than an area with a low ratio. As indicated in the table below, the bank’s assessment area has a significantly higher affordability ratio of 0.49 than that of the State of Illinois at 0.28 indicating that housing within the assessment area is more affordable than the state as a whole. However, ratios for each of the counties in the bank’s assessment area, as well as the State of Illinois, have declined from 2000 to 2010, indicating that housing has become less affordable overall.

The increase in affordability ratios, however, has not had an apparent negative impact on foreclosures, as foreclosure inventory rates have consistently declined in both the bank’s combined assessment area and the state, except in Moultrie County where the foreclosure rate slightly increased from year end 2013 to 2014. The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure and excludes properties that have completed the foreclosure cycle. As of December 2014, the state of Illinois had a foreclosure inventory rate of 2.2 percent, while the foreclosure inventory rate for Douglas and Moultrie counties was slight higher at 2.9 and 2.4 percent respectively. At year-end 2014, the foreclosure inventory rate for Coles and Piatt counties was 1.2 and 1.8 percent respectively.

The following table shows trends in housing costs of the bank’s assessment area and the state of Illinois according to 2000 and 2010 Census data.

Trends in Housing Costs 2000 and 2010					
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent	2006-2010 Affordability Ratio
Assessment Area	69,461	87,857	432	572	0.49
Coles County	70,800	89,500	438	598	0.41
Douglas County	70,800	93,000	431	609	0.50
Moultrie County	73,400	89,700	436	548	0.52
Piatt County	82,100	119,100	460	651	0.47
State of Illinois	127,800	202,500	605	834	0.28
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>					

Building permit data was used as an economic indicator showing the demand for new housing and the anticipated strength of the construction sector. In the state of Illinois, total single-family housing permits grew 15.2 percent from 2012 to 2013, while only Piatt County had an increase in activity (14.3 percent), Moultrie County had no change, and Coles and Douglas counties had significant declines; 29.4 percent and 36.8 percent, respectively.

Total Single Family Housing Permit Growth						
Area	2011		2012		2013	
	Number of housing permits	Year over year growth %	Number of housing permits	Year over year growth %	Number of housing permits	Year over year growth %
Coles County, IL	16	6.7	17	6.3	12	-29.4
Douglas County, IL	12	-50.0	19	58.3	12	-36.8
Moultrie County, IL	23	-4.2	26	13.0	26	0.0
Piatt County, IL	13	-58.1	21	61.5	24	14.3
State of Illinois	6,834	-10.4	8,564	25.3	9,869	15.2

Source: U.S. Census Bureau –Annual Building Permits Survey

Employment Conditions

The unemployment rates for the counties comprising the bank’s assessment area and the state have moderately declined from 2010 through 2013, as shown in the table below. The unemployment rates for the State of Illinois and Piatt County increased slightly from year end 2012 through 2013, while continued modest declines occurred in Coles and Douglas counties. The unemployment rate for Moultrie County remained unchanged between 2012 and 2013. According to a community representative, Coles County has been struggling with high poverty levels as a result of a staggering unemployment rates through job losses.

The table below shows unemployment rates of the four counties comprising the bank’s assessment area and the state from 2010 through 2013.

Unemployment Rates				
Area	2010	2011	2012	2013
Coles County	9.8	9.3	8.9	8.8
Douglas County	9.5	8.7	7.7	7.5
Moultrie County	8.8	7.7	7.2	7.2
Piatt County	8.8	8.1	7.8	8.3
State of Illinois	10.5	9.8	8.9	9.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Minimal layoffs have occurred within the bank’s assessment area, as reported by the Department of Labor’s Worker Adjustment and Retraining Notification (WARN) report for 2010-2014. The following companies have recently executed layoffs outlined on the WARN report: Consolidated Communications affecting 99 workers; RR Donnelley affecting 69 workers; and The Thomas Monahan Company affecting 52 workers.

The table below lists the largest employers within the bank’s assessment area, which are dominated primarily by manufacturing activities.

Largest Employers in the Assessment Area			
Company	Number of Employees	Industry	County
University Sports Publications	5,000	Manufacturing (Newspapers)	Coles
Employee Assistance Program	1,400	Health Services	Coles
Sarah Bush Lincoln Medical	1,200	Health Services	Coles
RR Donnelley	1,100	Manufacturing (Printers)	Coles
Master Brand Cabinets Inc.	800	Manufacturing (Cabinets)	Moultrie
Walmart Supercenter	680	Retail	Coles
Libman Company	400	Manufacturing (Brooms)	Douglas
Walmart Supercenter	380	Retail	Coles
Lever Bros Co	350	Manufacturing (Soap products)	Piatt
<i>Source: InfoUSA</i>			

Community Contacts

Information from two community representatives was obtained to provide context to the assessment area's banking needs and local economic conditions. Representatives indicated that general economic conditions have been relatively stable; however, there is room for improvement. In particular, one community representative noted concern over the recent unemployment rate of Coles County, which is higher than all other counties within the bank's assessment area. Additionally, the contact noted that access to capital has been more difficult for small businesses and farms, which helps to explain the decline of small businesses and farms in the bank's assessment area, as previously mentioned. Another community representative noted that affordable single family housing is a growing concern for Piatt County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

State Bank of Arthur's performance relative to the lending test is rated satisfactory based on a reasonable Loan-to-Deposit ratio, a substantial majority of the loans originated in its assessment area, a reasonable dispersion of loans throughout its assessment area, and an excellent dispersion of loans to borrowers of different income levels and business and farms of different sizes. Greater weight was placed on small business lending, followed by home mortgage and to a lesser extent agricultural lending, which mirrors the bank's distribution of loans.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's 16-quarter average loan-to-deposit (LTD) ratio was evaluated relative to the bank's capacity to lend, its competitors, and its peer LTD ratios. Also considered were demographic factors, economic conditions, and lending opportunities present in the assessment area.

As of December 31, 2015, the bank’s 16-quarter average LTD ratio of 57.8 percent was slightly below the national peer group average of 62.1 percent, and it is lower than two competitors serving in the bank’s assessment area of similar asset size.

The following table shows the comparative ratios of the bank’s competitors and peer group.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
State Bank of Arthur	57.8
National Peer Group 7*	62.1
Competitors	
First Mid-Illinois Bank and Trust	73.8
First NB	64.7
<i>*National Peer Group 7 includes all insured commercial banks having assets between \$100 million and \$300 million, with 2 or fewer full service banking offices and not located in a metropolitan statistical area.</i>	

Assessment Area Concentration

A substantial majority of the bank’s home mortgage, small business, and small farm loans, by number and dollar volume, were originated in the bank’s assessment area. The bank originated 94.3 percent by number, and 90.5 percent by dollar volume of all loans within the assessment area. Of the 51 home mortgage loans originated 49, or 96.1 percent, were made inside the assessment area and 91.9 percent of the dollar volume were made within the assessment area. Of the 104 small business loans originated, 97, or 93.3 percent were made within the assessment area which represented 93.2 percent of the dollar volume. Of the 54 small farm loans originated, 51, or 94.4 percent were made within the assessment area which represented 78.8 percent of the dollar volume. The bank displays a commitment to meeting the residential, business, and agricultural credit needs of the community.

The following table shows the bank’s lending inside and outside of the assessment area from January 1, 2014 through December 31, 2014.

Lending Inside and Outside the Assessment Area												
Loan Types	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Mortgage	49	96.1	3,254	91.9	2	3.9	\$285	8.1	51	100.0	3,539	100.0
Small Business	97	93.3	2,806	93.2	7	6.7	\$205	6.8	104	100.0	3,011	100.0
Small Farm	51	94.4	864	78.8	3	5.6	\$234	21.3	54	100.0	1,098	100.0
Total loans	197	94.3	6,923	90.5	12	5.7	\$724	9.5	209	100.0	7,647	100.0

Geographic Distribution of Loans

State Bank of Arthur’s geographic distribution of loans reflects reasonable geographic distribution throughout the assessment area, given the demographics and credit needs of the area.

Home Mortgage Loans

The bank’s distribution of home mortgage loans is excellent throughout the assessment area.

During the review period, from January 1, 2014 through December 31, 2014, the bank originated 85.7 percent of total home mortgage loans to borrowers located in middle-income census tracts, and 14.3 percent to borrowers in moderate-income census tracts. Given that the bank’s assessment area only includes two moderate-income census tracts, which comprise 10.7 percent of the assessment area’s total population and 9.8 percent of total owner-occupied housing, the dispersion of home mortgage loans throughout the assessment area is excellent.

The following table shows the bank’s geographic distribution of home mortgage loans from January 1, 2014, through December 31, 2014.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: 2014 IL Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2014				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Totals	Low	0	0.0	0	0.0	0.0
	Moderate	7	14.3	334	10.3	9.8
	Middle	42	85.7	2,920	89.7	90.2
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	49	100.0	3,254	100.0	100.0

2014 FFIEC Census Data
 Note: Percentages may not add to 100.0 percent due to rounding

Small Business Loans

The bank’s geographic distribution of small business loans is reasonable throughout the assessment area.

During the review period, from January 1, 2014 through December 31, 2014, the bank originated 85.6 percent of total small business loans to businesses located in middle-income census tracts, and 14.4 percent to businesses located in moderate-income census tracts. Given that the bank’s assessment area only includes two moderate-income census tracts that comprise 13.1 percent of the total businesses, the dispersion of small business loans throughout the assessment area is reasonable.

The following table shows the bank’s geographic distribution of small business loans from January 1, 2014, through December 31, 2014.

Geographic Distribution of Small Business Loans						
Assessment Area: 2014 IL Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2014 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	14	14.4	359	12.8	13.1
	Middle	83	85.6	2,446	87.2	86.9
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	97	100.0	2,806	100.0	100.0
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Farm Loans

The geographic distribution of small farm loans is poor.

During the review period, from January 1, 2014 through December 31, 2014, the bank made 100.0 percent of its small farm loans to farms located in middle-income census tracts. The lending pattern is less than the area demographics which indicate that 12.0 percent of the small farms are located in moderate-income census tracts.

The following table shows the bank's geographic distribution of small farm loans from January 1, 2014, through December 31, 2014.

Geographic Distribution of Small Farm Loans						
Assessment Area: 2014 IL Non MSA						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2014 Dollar Bank		Total Farms
		#	%	\$ 000s	\$ %	
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	12.0
	Middle	51	100.0	864	100.0	88.0
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	51	100.0	864	100.0	100.0
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

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

State Bank of Arthur’s distribution of loans reflects excellent penetration among individuals of different income designations, including low- and moderate-income borrowers, and businesses of different sizes. Lending to small farms of different sizes is reasonable.

Home Mortgage Loans

The distribution of home mortgage loans among low- and moderate-income borrowers is excellent.

During the review period, from January 1, 2014 through December 31, 2014, the bank made 10.2 percent of its total home mortgage loans to low-income borrowers, and 34.7 percent to moderate-income borrowers, by number. Low- and moderate-income families comprise 16.9 percent and 21.6 percent respectively of the bank’s assessment area. The bank’s performance at these levels suggests the bank is meeting assessment area credit needs of borrowers of all incomes.

The following table shows the bank’s borrower distribution of home mortgage loans from January 1, 2014, through December 31, 2014.

Borrower Distribution of Home Mortgage Loans						
Assessment Area: 2014 IL Non MSA						
	Borrower Income Levels	Bank & Demographic Comparison 2014				Families by Family Income %
		Count		Dollar		
		#	%	\$ (000s)	\$ %	
Totals	Low	5	10.2	180	5.5	16.9
	Moderate	17	34.7	1,031	31.7	21.6
	Middle	12	24.5	671	20.6	23.2
	Upper	13	26.5	1,328	40.8	38.3
	Unknown	2	4.1	45	1.4	0.0
	Total		49	100.0	3,255	100.0
2014 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Small Business Loans

The State Bank of Arthur’s performance in lending to small businesses, defined as businesses with revenues equal to \$1 million or less, is excellent.

During the review period, from January 1, 2014 through December 31, 2014, 88.3 percent of businesses in the bank’s assessment area reported revenues of \$1 million or less. Despite such a high concentration of small businesses with revenues under \$1 million, the bank’s performance exceeded the percentage of small businesses located within the assessment area by originating 95.9 percent of its small business loans, by number, to businesses with revenues equal to or less than \$1 million. Furthermore, of those, 93.5 percent were made in amounts of \$100,000 or less, which are the types of loans that are most beneficial to small businesses. By dollar volume, 87.4 percent of small business loans were made to businesses with reported revenues of \$1 million or less, of those, 61.9 percent were for \$100,000 or less.

The following table shows the bank’s distribution of small business loans by revenue and loan size from January 1, 2014, through December 31, 2014.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2014 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	93	95.9	2,452	87.4	88.3
		Over \$1 Million or Unknown	4	4.1	354	12.6	11.7
		Total	97	100.0	2,806	100.0	100.0
	Loan Size	\$100,000 or Less	90	92.8	1,621	57.8	
		\$100,001 - \$250,000	6	6.2	933	33.3	
		\$250,001 - \$1 Million	1	1.0	252	9.0	
		Total	97	100.0	2,806	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	87	93.5	1,517	61.9	
		\$100,001 - \$250,000	5	5.4	683	27.9	
		\$250,001 - \$1 Million	1	1.1	252	10.3	
		Total	93	100.0	2,452	100.0	
	Originations & Purchases						
2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

The State Bank of Arthur’s performance in lending to small farms, defined as farms with revenues equal to \$1 million or less, is reasonable.

During the review period, from January 1, 2014 through December 31, 2014, 99.2 percent of farms in the bank’s assessment area reported revenues of \$1 million or less. The bank originated all but one of its 51 small farm loans (98.0 percent) to small farms with reported revenues of \$1 million or less. Of those, 49 loans (98.0 percent) were in amounts of \$100,000 or less, which are considered the most impactful loans to small farm. Given the high concentration of small farms with reported revenues under \$1 million in the bank’s assessment area, the borrower distribution of the bank’s small farm lending is considered reasonable.

The following table illustrates the bank’s distribution of small farm loans by asset and loan size from January 1, 2014, through December 31, 2014.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2014 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		2014		2014		Total Farms	
		Count		Dollar			
		Bank		Bank			
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	50	98.0	824	95.4	99.2
		Over \$1 Million or Unknown	1	2.0	40	4.6	0.8
		Total	51	100.0	864	100.0	100.0
	Loan Size	\$100,000 or Less	50	98.0	744	86.1	
		\$100,001 - \$250,000	1	2.0	120	13.9	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	51	100.0	864	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	49	98.0	704	85.4	
		\$100,001 - \$250,000	1	2.0	120	14.6	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	50	100.0	824	100.0	

Originations & Purchases
 2014 FFIEC Census Data & 2014 Dun & Bradstreet information according to 2010 ACS
 Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

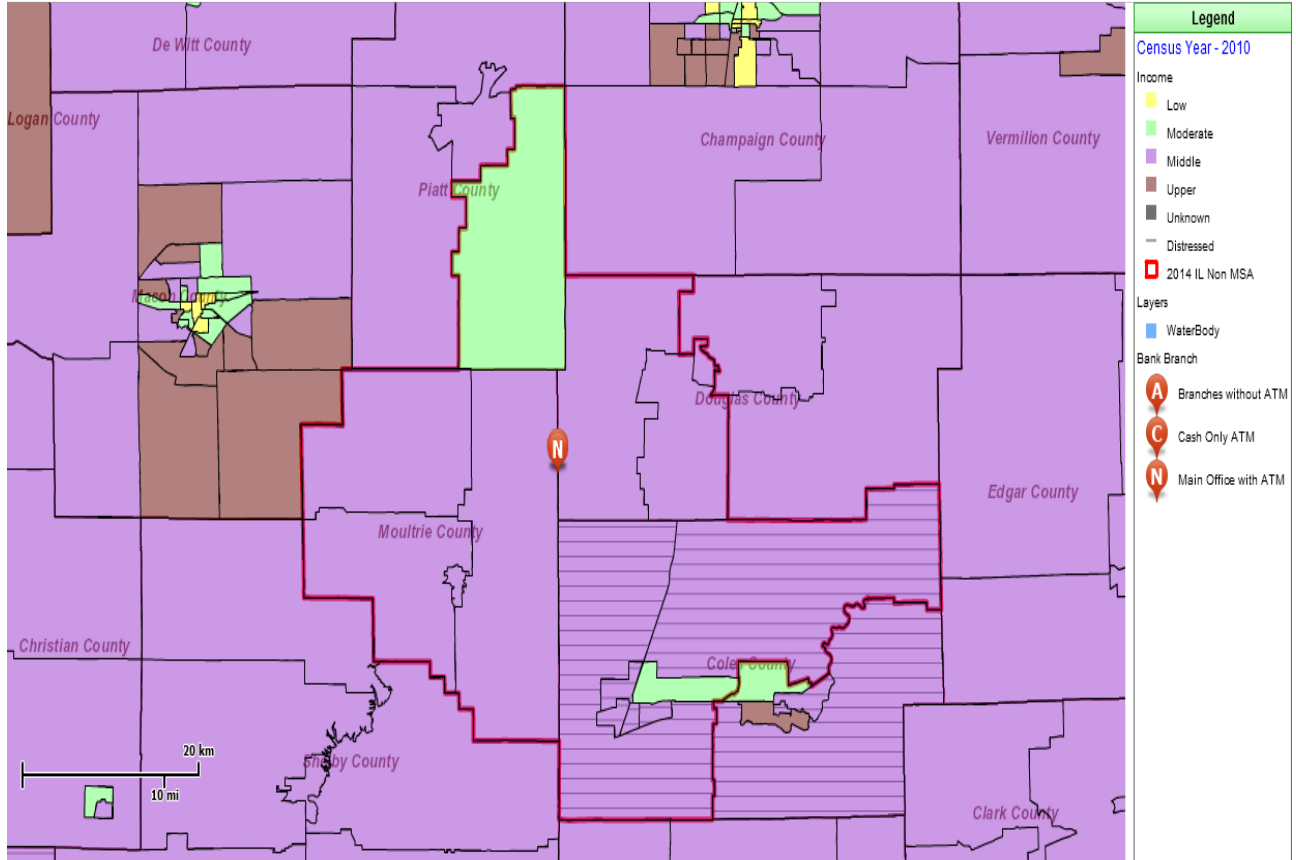
The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

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

State Bank of Arthur 667832
IL, Non MSA 2014 Income Map with Branches



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2014 through December 31, 2014	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
State Bank of Arthur			Commercial (Small Business) Agricultural (Small Farm) In-House Home mortgage
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Illinois Non-MSA	Full scope	411 S. Vine St., Arthur, IL	

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.

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.

Consumer loan: A loan 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, home equity, other secured loan, and other unsecured loan.

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).

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.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include 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: 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.

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 lenders in the MSA/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 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 (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

Small loans to business: 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 loans to farms: 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 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.

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