PUBLIC DISCLOSURE

June 14, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Iuka State Bank
RSSD #233442

205 West Main
Salem, Illinois 62881

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.

The Iuka State 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 more than 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 businesses and farms of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.
- The geographic distribution of loans reflects a poor dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA 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. Small farm, small business, and consumer motor vehicle loans were used to evaluate the bank's lending performance,[1] 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 carried equal weight, as the loan volume, dollar amount, and credit needs of the community made the loan products of equal importance to the analysis. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2017 – December 31, 2020
Assessment Area Concentration	January 1, 2019 – December 31, 2019
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	March 17, 2017 – June 13, 2021

[1] Consumer motor vehicle loans were sampled in accordance with CA Letter 02-3, "Policy for Sampling at Small Banks."

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 U.S. Census: American Community Survey 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 $45.6 million to $171.2 million as of December 31, 2020.

To augment this evaluation, three community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. 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

The Iuka State Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Iuka Bancshares Inc, a one-bank holding company headquartered in Salem, Illinois. The bank's branch network consists of four offices, including the main office. The main office and a separate limited-service drive-up facility are both located in the same moderate-income census tract within the city of Salem in central Marion County. Of the two remaining offices, one is a limited-service branch in Iuka, Illinois, in the eastern portion of Marion County (middle-income census tract), and the other is a full-service branch in Farina, Illinois, which is just north of Marion County in neighboring Fayette County, very close to the county borderline (middle-income census tract). In addition, as part of the drive-up banking facilities located in Salem and Farina, the bank operates two, cash-dispensing only automated teller machines (ATMs). The bank did not open or close any branch offices during this review period and, based on this branch network and other service delivery systems such as online banking capabilities, the bank is positioned to deliver financial services throughout most of Marion County and the southeast corner of Fayette County. The bank may experience difficulty reaching the entirety of Fayette County based on its location within the county. Additionally, the bank may experience difficulty reaching the city of Centralia, Illinois, and its nearby moderate-income census tracts in southwestern Marion County, given the lack of a branch location there and the number of competitor banking institutions with a branch presence there.

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 December 31, 2020, the bank reported total assets of $119.4 million. As of the same date, loans and leases outstanding were $75.8 million (63.5 percent of total assets), and deposits totaled $103.6 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of December 31, 2020		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$1,900	2.5%
Commercial Real Estate	$15,854	20.9%
Multifamily Residential	$48	0.1%
1–4 Family Residential	$11,829	15.6%
Farmland	$17,040	22.5%
Farm Loans	$6,800	9.0%
Commercial and Industrial	$9,504	12.5%
Loans to Individuals	$12,752	16.8%
Total Other Loans	$54	0.1%
TOTAL	**$75,781**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources are directed to farmland, commercial real estate, and loans to individuals, such as consumer motor vehicle loans. This aligns closely with community contact discussions; several interviewees pointed to agriculture as an essential part of the economy and a credit need of the community.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on March 17, 2017, by the Federal Deposit Insurance Corporation (FDIC).

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 60,801, is located in a south-central nonmetropolitan statistical area (nonMSA) portion of Illinois. The assessment area is almost entirely rural and consists of two counties in their entireties—Fayette and Marion. While the assessment area is primarily rural, there are cities within the assessment area where community services and employment opportunities are more concentrated; the largest cities are Salem and Centralia within Marion County, and Vandalia, located in the heart of Fayette County.

According to the FDIC Deposit Market Share Report data as of June 30, 2020, there are 18 FDIC-insured depository institutions in the assessment area that operate 31 offices. The Iuka State Bank (operating four, or 12.9 percent, offices in the assessment area) ranked fifth in terms of deposit market share, with 7.3 percent of the total assessment area deposit dollars.

The assessment area presents a need for a standard blend of consumer loan products. Specific credit needs in the assessment area, as noted primarily from community contacts, include farm loans, small dollar loans to businesses, and various types of residential real estate loans targeted at improving affordable housing choices (home purchase, home improvement, and rental housing options) for 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	8	11	0	0	**19**
	0.0%	42.1%	57.9%	0.0%	0.0%	**100%**
Family Population	0	5,277	10,495	0	0	**15,772**
	0.0%	33.5%	66.5%	0.0%	0.0%	**100%**

As shown above, 42.1 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 33.5 percent of the family population resides in these tracts. Of these eight census tracts, five are located in Marion County (four of which are clustered along the southwestern edge of the county), and three are in Fayette County.

Based on 2015 U.S. Census data, the median family income for the assessment area was $52,499. 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 nonMSA Illinois family population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	3,969	3,065	3,273	5,465	**15,772**
	25.2%	19.4%	20.8%	34.7%	**100%**
nonMSA Illinois	78,116	70,252	83,510	153,709	**385,587**
	20.3%	18.2%	21.7%	39.9%	**100%**

As shown in the table above, 44.6 percent of families within the assessment area were considered LMI, which is higher than the LMI family percentages of 38.5 percent in nonMSA Illinois. The percentage of families living below the poverty threshold in the assessment area, 14.4 percent, is also higher than the nonMSA Illinois poverty level, 10.4 percent. Considering these factors, the assessment area is less affluent than nonMSA Illinois as a whole.

Housing Demographics

Based on housing costs and affordability calculations, owning a home in the assessment area is more affordable than in nonMSA Illinois overall, whereas housing rental costs in the assessment area are slightly higher than nonMSA Illinois. The median housing value for the assessment area is $73,203, which is below the figure of $93,478 for nonMSA Illinois. The assessment area housing affordability ratio of 58.7 percent is above the nonMSA Illinois figure of 49.0 percent.

Alternatively, the median gross rent for the assessment area of $610 per month is in line with the $604 per month for nonMSA Illinois. Also, 41.2 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. Furthermore, rental units appear to be less prominent in the assessment area than in nonMSA Illinois. Of all housing units in the assessment area, 19.9 percent are rental units compared to 22.6 percent of rental units found in nonMSA Illinois. These rental housing figures correspond with information from community contacts, which indicated the need for additional affordable rental units aimed at LMI individuals (including subsidized housing options).

Industry and Employment Demographics

County business patterns indicate that there are 14,072 paid employees in the assessment area. While the assessment area is largely rural in nature, the agriculture, forestry, and fishing and hunting industries play a relatively minor role as gauged by the percentage of employees, 1.2 percent. The three largest job categories in the assessment area are healthcare and social assistance (23.6 percent), followed by manufacturing (19.3 percent), and accommodation and retail trade (13.1 percent). This aligns with community contacts interviews, as the interviewed individuals described the largest employers being concentrated in healthcare and manufacturing. 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**
2020	8.6%	7.7%
2019	4.2%	4.2%
2018	5.0%	4.8%
2017	5.3%	4.9%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Illinois, evidenced a decreasing trend from 2017 through 2019. However, as largely attributed to the 2020 pandemic, unemployment rates in both the assessment area and nonMSA Illinois increased sharply and, according to community contacts, effects from the COVID-19 pandemic hit the assessment area fairly hard. Additionally, it is worth noting unemployment levels in the assessment area for the past few years have typically been slightly higher than nonMSA Illinois levels.

Community Contact Information

Information from three community contacts was used to help shape the performance context in which the bank’s activities in this assessment area were evaluated. Of these community contact interviews, two were with individuals representing agencies that offer financing for local businesses and farms, and one was with a person providing social service programs to the disadvantaged. The community contact interviewees categorized the economy as poor with limited growth, noting that many people were leaving the area for jobs in bigger surrounding cities like St. Louis, Missouri, a situation worsened by increased layoffs stemming from the COVID-19 pandemic. The assessment area was described as rural, primarily supported by healthcare, manufacturing, and agriculture industries. According to contacts, the heavy influence of existing agriculture operations creates significant barriers to purchasing land, limiting the number of new businesses and farms that can move into the area. The lack of business growth exacerbates the absence of job opportunities mentioned by the community contacts.

Community contacts identified several significant credit needs within the community, such as making credit available to spur development of affordable housing units (particularly rental housing and government subsidized housing options); small dollar loans, especially to small businesses; and farm loans having flexible terms, as many farmers face challenges getting credit from traditional banks. Community contacts also mentioned the need for financial education, programs to help consumers build positive credit histories, and affordable home purchase and home improvement loan products.

Despite the credit needs outstanding within the community, banks within the assessment area were described as engaged, active, and responsive by community contacts. Community contacts also noted many of the banks in the area do a good job of making themselves accessible to consumers in the assessment area, with a few exceptions in more difficult-to-reach rural areas. The accessibility of physical bank branches 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.

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 chart below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2020**	**Average LTD Ratio**
The Iuka State Bank	Salem, Illinois	$119,219	95.0%
Regional Banks	Hoffman, Illinois	$171,209	51.7%
	Irvington, Illinois	$96,794	59.0%
	Brownstown, Illinois	$45,595	54.2%

Based on data from the previous table, the bank's level of lending is above that of other banks in the region. During the review period, the LTD ratio experienced a generally stable trend, except for the most recent five quarters in which the bank experienced a considerable decline. This decline is primarily due to an influx of deposits brought on by the Paycheck Protection Program and stimulus money injected into the local economy during the COVID-19 pandemic. Despite the recent decline, the bank maintained a 16-quarter average of 95.0 percent with a high of 109.8 percent in the third quarter of 2017 and a low of 71.9 in the fourth quarter of 2020. In comparison, the average LTD ratios for the regional peers were much lower, and these institutions also maintained a generally stable LTD trend, save for more recent declines in 2020. Therefore, compared to data from regional banks, the bank's average LTD ratio is more than 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	
Small Farm	37	86.0%	6	14.0%	**43**	**100%**
	$1,547	61.7%	$960	38.3%	**$2,507**	**100%**
Small Business	49	89.1%	6	10.9%	**55**	**100%**
	$3,835	73.7%	$1,369	26.3%	**$5,204**	**100%**
Motor Vehicle	78	72.9%	29	27.1%	**107**	**100%**
	$1,119	70.3%	472	29.7%	**$1,591**	**100%**
TOTAL LOANS	**164**	**80.0%**	**41**	**20.0%**	**205**	**100%**
	$6,501	**69.9%**	**$2,801**	**30.1%**	**$9,302**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 80.0 percent of the total loans were made inside the assessment area, accounting for 69.9 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. The following table shows the distribution of 2019 small farm loans by loan amount and farm revenue size compared to Dun & Bradstreet and aggregate data.

Small Farm Loans by Revenue and Loan Size									
Farm Revenue and Loan Size		2019							
		Count			Dollars			Farms
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Farm Revenue	$1 Million or Less	32	88.9%	53.6%	698	45.7%	72.8%	99.3%
	Over $1 Million/ Unknown	4	11.1%	46.4%	829	54.3%	27.2%	0.7%
	TOTAL	**36**	**100.0%**	**100.0%**	**1527**	**100.0%**	**100.0%**	**100.0%**
Loan Size	$100,000 or Less	32	88.9%	75.0%	621	40.7%	24.0%	
	$100,001–$250,000	3	8.3%	17.9%	498	32.6%	41.3%	
	$250,001–$500,000	1	2.8%	7.1%	408	26.7%	34.7%	
	Over $500,000	0	0.0%	0.0%	0	0.0%	0.0%	
	TOTAL	**36**	**100.0%**	**100.0%**	**1527**	**100.0%**	**100.0%**	
Loan Size / Revenue $1 Million or Less	$100,000 or Less	31	96.9%		570	81.7%		
	$100,001–$250,000	1	3.1%		128	18.3%		
	$250,001–$1 Million	0	0.0%		0	0.0%		
	Over $1 Million	0	0.0%		0	0.0%		
	TOTAL	**32**	**100.0%**		**698**	**100.0%**		

The bank's level of lending to small farms is excellent. The bank originated the majority of its small farm loans (88.9 percent) to farms with revenues of $1 million or less. In comparison, assessment area demographics estimate that 99.3 percent of farms in the assessment area had annual revenues of $1 million or less, and the 2019 aggregate lending level to small farms is 53.6 percent. Also, 96.9 percent of the bank's loans to small farms are less than $100,000, specifically meeting the credit needs of the community. Community contacts noted that farmers often encounter challenges when pursuing credit from traditional banks, particularly for small dollar loan amounts. Consequently, the bank's willingness to make smaller dollar loan amounts adds further support to the conclusion that the bank's borrower distribution of small farm loans is excellent.

Next, 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.

Small Business Loans by Revenue and Loan Size									
Business Revenue and Loan Size			**2019**						
			Count			**Dollars**			**Total Businesses**
			Bank		**Aggregate**	**Bank**		**Aggregate**	
			#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Business Revenue		$1 Million or Less	37	75.5%	43.0%	$2,172	56.6%	37.3%	87.9%
		Over $1 Million/ Unknown	12	24.5%	57.0%	$1,663	43.4%	62.7%	12.1%
		TOTAL	**49**	**100.0%**	**100.0%**	**$3,835**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	40	81.6%	95.3%	$1,549	40.4%	43.6%	
		$100,001–$250,000	6	12.2%	2.2%	$1,135	29.6%	12.4%	
		$250,001–$1 Million	3	6.1%	2.4%	$1,151	30.0%	43.9%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**49**	**100.0%**	**100.0%**	**$3,835**	**100.0%**	**100.0%**	
Loan Size	**Revenue $1 Million or Less**	$100,000 or Less	31	83.8%		$986	45.4%		
		$100,001–$250,000	4	10.8%		$635	29.2%		
		$250,001–$1 Million	2	5.4%		$551	25.4%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**37**	**100.0%**		**$2,172**	**100.0%**		

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (75.5 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 87.9 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 43.0 percent. Also, 83.8 percent of the loans going to small businesses with revenues under $1 million are in amounts less than $100,000, further demonstrating the bank's willingness to meet the credit needs of small businesses.

Lastly, consumer motor vehicle loans were reviewed to determine the bank's lending levels to individuals of different income levels. 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					
Borrower Income Levels	**2019**				
	Count		**Dollar**		**Households**
	#	**%**	**$ (000s)**	**$ %**	**%**
Low	15	19.2%	$140	12.5%	27.0%
Moderate	21	26.9%	$323	28.9%	16.6%
Middle	21	26.9%	$251	22.5%	18.0%
Upper	21	26.9%	$404	36.1%	38.5%
TOTAL	**78**	**100.0%**	**$1,118**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of motor vehicle lending to low-income borrowers (19.2 percent) is lower than the household population figure (27.0 percent) used for comparison. However, it reflects reasonable performance, considering that not all low-income applicants will qualify for a consumer motor vehicle loan. Moreover, the data and community contact information previously mentioned pointed to an economy that is struggling with unemployment and limited job growth; as such, many low-income individuals are unlikely to be in a position to take on new debt. The level of lending to moderate-income borrowers (26.9 percent) is well above the moderate-income household population percentage (16.6 percent), reflecting excellent performance. Therefore, taking into consideration that the total of both LMI lending percentages (46.1 percent) is above the household population for LMI borrowers (43.6 percent), the bank's overall distribution of motor vehicle loans by borrower's profile is excellent.

Geographic Distribution of Loans

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 eight moderate-income census tracts, which represent 42.1 percent of all assessment area census tracts. It should be noted, in terms of performance context for all products in this assessment area, that seven of the eight moderate-income census tracts are located approximately 10–20 miles from any of the bank's branch locations. This factor, 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 small farm loans compared to the location of farms throughout the bank's assessment area and 2019 small farm aggregate data for the assessment area.

Geographic Distribution of Small Farm Loans

Tract Income Levels	2019						
	Count			Dollar			Farms
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	$ 000s	$ %	$ %	%
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	1	2.8%	22.6%	$210	13.8%	14.8%	18.5%
Middle	35	97.2%	76.2%	$1,317	86.2%	85.1%	81.5%
Upper	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	1.2%	$0	0.0%	0.1%	0.0%
TOTAL	**36**	**100%**	**100%**	**$1,527**	**100%**	**100%**	**100%**

The bank's percentage of small farm loans in moderate-income census tracts (2.8 percent) is well below the 2019 aggregate lending percentage in moderate-income census tracts (22.6 percent) and the percentage of small farms in moderate-income census tracts (18.5 percent). In addition to the context previously described, the one moderate-income census tract that is likely to be reached by the bank's branches encompasses the city of Salem and is therefore not likely to include farmland. Consequently, the bank's overall geographic distribution of small farm loans remains poor, but it is not "very poor," considering the bank's performance context related to branch location and competition from other financial entities in the assessment area.

Next, 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.

Geographic Distribution of Small Business Loans

Tract Income Levels	2019						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	$ 000s	$ %	$ %	%
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	10	20.4%	45.2%	$1,129	29.4%	46.0%	51.6%
Middle	39	79.6%	49.9%	$2,706	70.6%	51.6%	48.4%
Upper	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	4.9%	$0	0.0%	2.4%	0.0%
TOTAL	**49**	**100%**	**100%**	**$3,835**	**100%**	**100%**	**100%**

The bank's percentage of small business loans in moderate-income census tracts (20.4 percent) is lower than the 2019 aggregate lending percentage in moderate-income census tracts (45.2 percent) and the percentage of small businesses in moderate-income census tracts (51.6 percent). This data reflects the difficulty the bank experiences in reaching all parts of its assessment area, including moderate-income census tracts near the city of Centralia. Despite this context, the bank's overall performance in this loan category is poor.

Lastly, the bank's geographic distribution of consume 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					
Tract Income Levels	**Bank Loans**				**% of Households**
	#	**#%**	**$ (000s)**	**$ %**	
Low	0	0.0%	$0	0.0%	0.0%
Moderate	10	12.8%	$102	9.1%	35.6%
Middle	68	87.2%	$1,017	90.9%	64.4%
Upper	0	0.0%	$0	0.0%	0.0%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**78**	**100.0%**	**$1,119**	**100.0%**	**100.0%**

The bank's percentage of loans in moderate-income census tracts (12.8 percent) is lower than the percentage of households in moderate-income census tracts (35.6 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 remains poor, but it is not "very poor," considering the bank's performance context related to branch location.

Lastly, based on reviews from all three loan categories, the bank had loan activity in 68.4 percent of all assessment area census tracts. While the bank had loan activity in 9 of 11 (81.8 percent) middle-income census tracts, there was only loan activity in 4 of 8 moderate-income census tracts (50.0 percent). Consequently, the fact that the bank was less likely to have loan activity in moderate-income census tracts supports a poor geographic distribution of loans performance conclusion.

Responses to Complaints

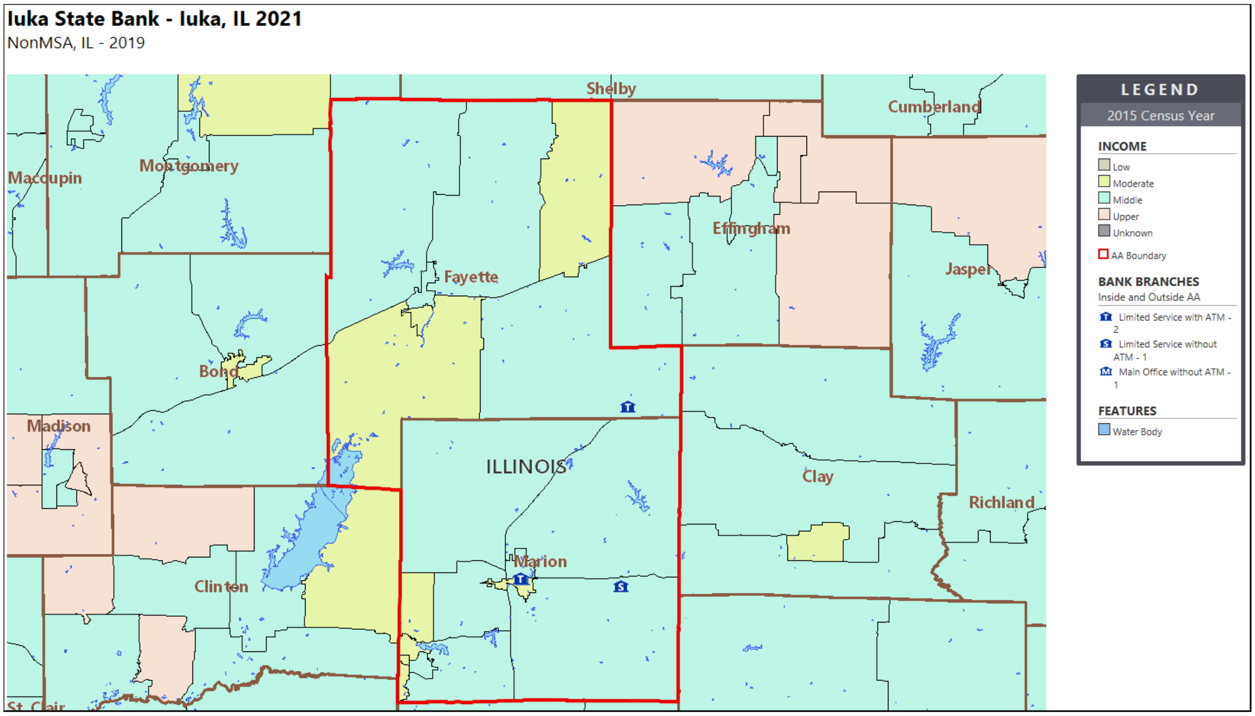
No CRA-related complaints were filed against the bank during this review period (March 17, 2017 through June 13, 2021).

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



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

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 nonmortgage, 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.