

PUBLIC DISCLOSURE

December 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Central State Bank
Certificate Number: 8487

100 West Main Street
Clayton, Illinois 62324

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
sDESCRIPTION OF ASSESSMENT AREA	4
SCOPE OF EVALUATION	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	14
APPENDICES	15
SMALL BANK PERFORMANCE CRITERIA	15
GLOSSARY	16

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Central State Bank's satisfactory Community Reinvestment Act (CRA) performance under the lending test supports the overall rating. The following factors support the institution's rating:

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and the credit needs of the assessment area.
- The bank made a majority of its home mortgage, small farm, and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Overall, the distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes, followed by reasonable performance to small farms.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

DESCRIPTION OF INSTITUTION

Background and Operations

Central State Bank is a \$156 million financial institution headquartered in Clayton, Illinois. The bank is wholly owned by Clayton Bancshares, Inc., a one-bank holding company also located in Clayton. The bank received a rating of “Outstanding” at its previous FDIC Performance Evaluation, dated November 7, 2016, based on Interagency Small Institution Examination Procedures.

Central State Bank is a full-service bank with its main office in Clayton, Illinois (population 627) in Adams County. The bank operates other full-service branches in Kinderhook (population 186) and Pleasant Hill (population 916), both in Pike County and Quincy (population 39,131) located in Adams County. A loan production office is located in Pittsfield, Illinois (population 4,193), which is in Pike County. Central State Bank operates 15 ATMs located throughout the market area. The bank designates all of Adams, Brown, and Pike Counties and the northern portion of Calhoun County as its assessment area. Adams, Brown, and Pike Counties are all part of the IL Non-MSA while Calhoun County is part of the St. Louis, MO-IL MSA. No branch openings, closures, merger and acquisition activities have occurred since the previous examination.

The bank’s lending focus remains in residential, agricultural, and commercial lending. Central State Bank offers a variety of home mortgage loan options, including conventional purchase money and refinance mortgages. Other loan products include home improvement loans, home equity lines of credit, mobile home, construction, consumer, and personal lines of credit. Applications for consumer loans and mortgages can be received in-person, via telephone, or through the bank’s website. The bank offers low- and moderate-income households assistance through the following programs:

- *USDA Rural Development* – This program provides affordable homeownership opportunities to low- and moderate-income households in rural areas to either purchase or refinance an existing home mortgage. Benefits of the program include low- to no- down payment requirements, competitive interest rates, low monthly mortgage insurance, and flexible credit requirements for eligible applicants. Since 2020, the bank originated 155 loans totaling \$23,469,253 in this program.
- *Downpayment Plus Program* – Long-term fixed rate loans are offered through the Federal Home Loan Bank of Chicago (FHLB). Qualified applicants can receive forgivable grant assistance through the FHLB, allowing member banks to offer low- and moderate-income homebuyers down payment and closing cost assistance. Grants are forgiven on a monthly basis over a five-year retention period. Since 2020, the bank originated five loans totaling \$438,400 in this program.
- *Finally Home* – This program assists eligible low- to middle-income Illinois families trying to purchase a home or keep their existing homes from going into foreclosure through refinancing. The program is free, helping borrowers who cannot obtain conventional, sustainable mortgages from credible lenders because of factors such as bruised credit or high debt-to-income ratios. The program offers a five-year, 10 percent mortgage guarantee to

participating lending institutions. The bank has not originated any loans in this program since 2020.

- *Hardest Hit Fund* – This program provides funds to support homeowners in states hardest hit by economic crisis. It provides mortgage assistance to homeowners who have experienced at least a 15 percent decrease in income due to a qualifying hardship. Assistance is offered in two forms; Reinstatement Assistance-a one-time payment of all mortgage arrearage, fees, and penalties and Monthly Mortgage Payment Assistance-paying 100 percent of monthly mortgage payments for up to 12 months. The bank has not originated any loans in this program since 2020.
- *Small Dollar Loans* – Central State Bank does not have a formal small-dollar loan program; however, the bank originates small dollar loans in the amount of \$2,500.00 or less, with terms greater than 90 days and an annual percentage rate (APR) of 36 percent or less.

Agricultural loans are offered for the purchase of farms, land, equipment, and livestock. Operating lines of credit and Farm Service Agency guaranteed loans are offered through Farmer MacII.

- *Farmer Mac II* – A program offered through the USDA that helps rural lenders originate Farm Service Agency (FSA) loans and sell the guaranteed portion at an attractive rate. Lenders are able to sell the guaranteed portion of the loan and generate liquidity to make additional loans. Since 2020, the bank originated five loans totaling \$2,601,290.

Commercial loans are offered for commercial and investment real estate, equipment financing, and working capital. The bank offers commercial borrowers assistance through the Small Business Administration and the Illinois Advantage program.

- *Small Business Administration* – In response to the economic impact on small businesses and farms resulting from the Coronavirus Disease 2019 (COVID-19) pandemic, the Small Business Administration (SBA) created the Paycheck Protection Program (PPP). The PPP is a loan program designed to help small businesses and farming operations maintain and compensate their workforce during the crisis. The bank originated 317 PPP loans totaling \$4,477,542.00 in 2020 and 2021. An average loan amount of \$14,125.00 indicates that the majority of the bank's PPP lending was targeted towards assisting small businesses and farms.
- *Illinois Advantage program*- A program offered through the Federal State Small Business Credit Initiative (SSBCI) that enhances access to capital for small business owners and for minority/women/disabled/veteran-owned businesses. The bank reestablished this program. To date, no loans have been funded.

The bank offers several deposit services including regular, rewards and NOW checking, savings, IRAs, money markets, and certificates of deposits. Central State Bank offers its customers online banking, mobile banking, ATM, and person-to-person payment capabilities. These alternative services allow customers to check account balances and transaction history, transfer funds, and make deposits.

Ability and Capacity

As of December 31, 2021, Central State Bank had assets of \$175.4 million, total loans of \$115.3 million, and total deposits of \$145.0 million. The loan portfolio as of the December 31, 2021 Consolidated Report of Condition and Income (Call Report) is shown on the following table.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction and Land Development	1,445	1.3
Secured by Farmland	33,229	28.8
1-4 Family Residential	34,722	30.1
Multi-family (5 or more) Residential	949	0.8
Commercial Real Estate	5,913	5.1
Total Real Estate Loans	76,258	66.1
Commercial and Industrial	16,036	13.9
Agricultural	12,815	11.1
Consumer	10,226	8.9
Other	0.0	0.0
Less: Unearned Income	0.0	0.0
Total Loans	115,335	100.0
<i>Source: Reports of Income and Condition</i>		

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

DESCRIPTION OF ASSESSMENT AREA

CRA requires each financial institution to define one or more assessment areas within which its CRA performance that will be evaluated. The bank designated Adams, Brown, and Pike Counties and the northern part of Calhoun County as its assessment area. The assessment area includes the tracts where the institution's four branches are located and consists of whole geographies. The bank's assessment area conforms to the CRA regulation, as it does not arbitrarily exclude any low- or moderate-income census tracts, reflect illegal discrimination, and otherwise meet the requirements of the regulation.

Economic and Demographic Data

The Department of Housing and Urban Development (HUD) categorizes individual census tracts in Adams, Brown and Pike Counties as either low-, moderate-, middle-, or upper-income based upon the individual geography's Median Family Income (MFI) as a percentage of the Illinois Non-Metropolitan area MFI. The classification of the tract in northern Calhoun County (9512) is based on the St. Louis Metropolitan Statistical Area (MSA) MFI. The assessment area is predominately rural in nature and heavily dependent upon agriculture and related industries. For purposes of the bank's performance evaluation, the assessment area is evaluated as one area.

There are 26 contiguous census tracts within the designated counties in Central State Bank's assessment area. Tract 7 in Adams County changed from low-income to moderate-income in the 2015 American Community Survey (ACS). No other changes have occurred since the previous performance evaluation.

Income Designations	2010 Census	2015 ACS
Low-income	1	0
Moderate-income	4	5
Middle-income	17	17
Upper-income	4	4

Tract 9704 in Brown County is designated as upper-income; while tract 9705 is designated as middle-income and is categorized as underserved (remote rural). All tracts in Pike County and tract 9512 in Calhoun County are middle-income. Adams County consists of three upper-income tracts, 10 middle-income tracts, and five moderate-income tracts. The bank's Quincy branch is located in a moderate-income tract, while all other branches are located in middle-income tracts. Three of the upper-income tracts are located in and around the city of Quincy. Select demographic characteristics of the bank's assessment area are illustrated in the table below.

Demographic Information of the Assessment Area Assessment Area: Central State Bank						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	0.0	19.2	65.4	15.4	0.0
Population by Geography	92,809	0.0	13.6	69.5	16.9	0.0
Housing Units by Geography	41,935	0.0	15.1	68.3	16.6	0.0
Owner-Occupied Units by Geography	26,603	0.0	8.4	73.6	17.9	0.0
Occupied Rental Units by Geography	10,195	0.0	29.5	56.1	14.3	0.0
Vacant Units by Geography	5,137	0.0	20.7	65.0	14.3	0.0
Businesses by Geography	6,028	0.0	18.6	64.4	16.9	0.0
Farms by Geography	651	0.0	1.4	84.5	14.1	0.0
Family Distribution by Income Level	23,685	19.3	19.4	22.1	39.3	0.0
Household Distribution by Income Level	36,798	24.0	17.3	18.6	40.2	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$103,464
Median Family Income Non-MSAs - IL		\$59,323	Median Gross Rent			\$574
			Families Below Poverty Level			10.1%
Sources: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The assessment area includes 41,935 housing units, of which 63.4 percent are owner-occupied, 24.3 percent are occupied rental units, and 12.2 percent are vacant.

The 2021 FFIEC-updated MFI level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
St. Louis, MO-IL MSA Median Family Income (41180)				
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
IL NA Median Family Income (99999)				
2021 (\$66,700)	<\$33,350	\$33,350 to <\$53,360	\$53,360 to <\$80,040	≥\$80,040
<i>Source: FFIEC</i>				

The analysis of small farm loans under the borrower profile criterion compares the distribution of farms by gross annual revenue (GAR). According to 2021 D&B data, there were 651 farms in the assessment area with the following GAR levels:

- 97.7 percent have \$1 million or less,
- 1.2 percent have more than \$1 million, and
- 1.1 percent have unknown revenues.

The analysis of small farm loans under the borrower profile criterion compares the distribution of businesses by GAR. According to 2021 D&B data, there were 6,028 businesses in the assessment area with the following GAR levels:

- 78.6 percent have \$1 million or less,
- 5.4 percent have more than \$1 million, and
- 16.0 percent have unknown revenues.

Data obtained from the Illinois Department of Employment Security indicates that as of October 2022, unemployment averages in Adams (3.2 percent) and Brown (1.9 percent) Counties are less than the State (3.4 percent) and National (3.4 percent) averages. Unemployment rates in Pike and Calhoun Counties are comparable to both the State and National averages at 3.7 and 3.8 percent, respectively.

Quincy, Illinois (Adams County) is the largest city and is more urbanized than the predominately-rural nature of the remainder of the assessment area. According to the Great River Economic Foundation, the area is home to a diverse economic base of manufacturers, commercial services, and a growing retail sector. The largest employers include Blessing Hospital, Knapheide Manufacturing (commercial vehicle solutions), and Quincy Public Schools.

Pike and Northern Calhoun County's largest non-farm employers include health care and social assistance, retail trade, manufacturing (Pike), and educational services (Calhoun). Mt. Sterling, Illinois (Brown County) is home to the Western Illinois Correctional Facility and Dot Foods, Inc., the largest food industry redistributor in North America.

Competition

There are 20 FDIC insured financial institutions operating 57 branches in the assessment area. Central State Bank held \$143.1 million in deposits as of the June 30, 2022 FDIC Market Share Data report. This accounts for 4.5 percent of total deposits in the market area. The bank continues to rank 7th out of the 20 institutions operating in these counties. In addition to banking competition, financial entities such as farm credit agencies, mortgage and finance companies, and credit unions operate within the area.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available such as affordable housing needs and operational financing for agriculture. Information obtained from these interviews was used to set the scope of this evaluation.

Examiners used existing community contacts with knowledge of the credit needs and opportunities in the area. All contacts described the economies as relatively stable and rebounding since the Covid-19 pandemic. Farming was described as stable. Unemployment is low in all counties; however, many residents travel for work, especially in Calhoun County. Large employers, such as Blessing Hospital in Quincy, provide job opportunities. All contacts mentioned the need for affordable housing. Two of the three contacts felt banks are responding and meeting the credit needs of area residents; while one contact did not feel local banks were able to meet the needs of low- and moderate-income individuals.

Credit Needs

Considering information obtained from the community contacts, bank management, and demographic and economic data, examiners determined that home mortgage loans, small farm, and commercial loans represent the primary credit needs for this assessment area. Opportunities exist for originating such loans throughout the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 7, 2016 to the current evaluation dated December 12, 2022. Interagency Small Institution Examination Procedures were used to evaluate Central State Bank's CRA performance. For purposes of this

evaluation, a full scope review of the Non-MSA and St. Louis, MO-IL MSA was considered as one area since tract 9512 in northern Calhoun County is primarily rural in nature and similar to the counties in the IL Non-MSA.

Activities Reviewed

Examiners determined home mortgage, agricultural, and commercial lending to be the bank's major product lines. The bank's business strategy and the number and dollar amount of loans originated during the evaluation was considered in this conclusion, as well as discussions with management. Residential real estate loans are now the primary business line for the bank, representing 32.6 percent of loan portfolio originations in 2021. During the 12-month review period ending December 31, 2021, there were 182 residential real estate loans originated totaling \$17,491,000.

Agricultural loans are the secondary business line, representing 29 percent of loan portfolio originations in 2021. The bank originated 67 small farm loans totaling \$10,877,000. The bank originated 227 small business loans totaling \$14,300,000 during the review period, representing 26.7 percent of the loan portfolio. Consumer lending was not considered during this evaluation period as these loans only represent 9.9 percent of the overall loan portfolio and would not provide meaningful considerations if analyzed. Additionally, consumer lending is not a major business focus of the bank and does not provide material support for the conclusions or rating.

Bank records indicate that the lending focus and product offerings remained consistent throughout the evaluation period. Examiners analyzed all home mortgage, small farm, and small business loans originated since the prior evaluation and did not identify any trends throughout the years that materially affect the conclusions. As such, this performance evaluation only presents loans originated and renewed in 2021.

This evaluation includes an analysis of all home mortgage loans, all small farm loans, and all commercial loans originated in 2021. Central State Bank is not subject to the Home Mortgage Disclosure Act (HMDA) reporting. The bank originated 182 home mortgage loans totaling \$17,491,000 in 2021. Bank records were used to obtain the universe of home mortgage loans. Home mortgage lending performance was compared to the demographic data provided by the 2015 ACS data.

Small farms originated or renewed in 2021 were analyzed using the bank's electronic loan download. The bank originated 67 small farm loans totaling \$10,877,000. Commercial loans originated or renewed in 2021 were also analyzed using the bank's electronic loan download. The bank originated 227 small business loans totaling \$14,300,000. D&B data for 2021 was used as a comparative factor for the small farm and small business lending performance. D&B data includes all businesses and farms in a given area that voluntarily respond to a survey request, including a large number of very small operations that have limited or no credit needs. As such, the D&B data is primarily an indicator of demographics in a given area and is not considered an absolute distribution of credit needs or lending opportunities.

Examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration and Geographic Distribution criterion. Examiners sampled loans inside the assessment area to evaluate the Borrower Profile criterion. In this performance evaluation, both the number and dollar amount

of loans is presented; however, the focus is on the number of loans because it is a better indicator of the number of borrowers served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Central State Bank demonstrated overall satisfactory performance under the Lending Test. The loan-to-deposit ratio (LTD), assessment area concentration, and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 97.5 percent over the past 24 calendar quarters since the prior evaluation. The ratio ranged from a high of 114.5 percent as of June 30, 2018 to a low of 74.4 percent as of March 31, 2022.

Examiners compared Central State Bank's average LTD ratio to those of similarly-situated banks, which were selected based on geographic location, lending focus, and asset size. As shown in the following table, Central State Bank maintained an average LTD ratio higher than all other banks, demonstrating a willingness to lend and meet the credit needs of its community.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2022 \$(000s)	Average Net LTD Ratio (%)
Central State Bank	156,025	97.5
Similarly-Situated Institution #1	162,208	79.9
Similarly-Situated Institution #2	115,575	74.7
Similarly-Situated Institution #3	127,813	73.9
Similarly-Situated Institution #4	123,317	53.0
Source: Reports of Income and Condition 9/31/16 through 09/30/22		

Assessment Area Concentration

A majority of the bank's lending in 2021, by number and dollar volume, was originated within the assessment area for all credit products reviewed. The following table shows Central State Bank's concentration of loans inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area – January 1,2021 to December 31, 2021										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	155	85.2	27	14.8	182	12,757	72.9	4,734	27.1	17,491
Small Farm	48	71.6	19	28.3	67	6,654	61.2	4,223	38.8	10,877
Small Business	176	77.5	51	22.5	227	10,172	71.1	4,128	28.9	14,300
Source: Bank Records										

Geographic Distribution

The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is supported by the bank's performance in home mortgage and small farm loans reviewed. Examiners focused on the percentage of lending by number in moderate-income census tracts, as the assessment area does not include any low-income geographies.

Home Mortgage Loans

Central State Bank's geographic distribution of home mortgage loans reflects reasonable distribution throughout the assessment area. As illustrated on the following table, the bank's lending performance in the moderate-income census tracts trails the percentage of owner-occupied housing in those tracts but is still relatively close to the assessment area demographics. The Quincy branch is located in census tract 9, which is a moderate-income tract; however, its location is on the south side of the city and there are several competing banks located within the moderate-income tracts.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: Central State Bank					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate					
2021	8.4	6	3.9	437	3.4
Middle					
2021	73.7	142	91.6	11,133	87.3
Upper					
2021	17.9	7	4.5	1,187	9.3
Totals					
2021	100.0	155	100.0	12,757	100.0

Sources: 2015 ACS; Bank Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Farm Loans

Central State Bank's geographic distribution of small farm loans reflects reasonable dispersion. During the review period, the bank made all of its loans in middle-income tracts. While the bank did not make any small farm loans in moderate-income tracts, only 1.4 percent of small farms are

located in these tracts. The assessment area's moderate-income tracts are located in the downtown Quincy area and small farms in these tracts are most likely hobby farms that do not typically seek traditional financing. Opportunities for the bank to lend in these tracts is minimal. Given this performance context, the bank's geographic dispersion is reasonable.

Geographic Distribution of Small Farm Loans					
Assessment Area: Central State Bank					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate					
2021	1.4	0	0.0	0.0	0.0
Middle					
2021	84.5	48	100.0	6,654	100.0
Upper					
2021	14.1	0	0.0	0.0	0.0
Totals					
2021	100.0	48	100.0	6,654	100.0
Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Business Loans

Central State Bank's geographic distribution of small business loans reflects poor dispersion. During the review period, the bank originated one small business loan in a moderate-income tract located in the assessment area. The bank's Quincy branch is located in census tract 9, which is moderate-income, however, its location is on the south side of the city and there are several competing banks located within the tract segment, which limits the bank's ability to attract additional borrowers.

Geographic Distribution of Small Business Loans					
Assessment Area: Central State Bank					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2021	18.6	1	0.6	013	0.1
Middle					
2021	64.4	168	95.4	9,128	90.0
Upper					
2021	16.9	7	4.0	1,032	10.0
Totals					
2021	100.0	176	100	10,172	100
Sources: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

In an interview with bank management regarding credit needs of small businesses in moderate-income tracts, the bank believes they are meeting the credit needs of small businesses. The bank's primary lending focus, especially in the Quincy area is residential real estate loans. The largest industrial parks are located in middle-income tracts, as well.

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and small businesses of different sizes in the assessment area. The bank's excellent performance in these two categories supports this conclusion. For home mortgage borrowers, examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners focused on the percentage by number of small farms and small businesses with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals in low-and moderate-income tracts is excellent. As presented in the following table, examiners focused on the demographics comparisons to families in the assessment area.

For the review period, the bank's lending to low-income families was 25 percent, which is notably higher than the percentage of low-income families in the assessment area at 19.3 percent. According to the 2015 ACS, the percentage of families living below the poverty level is 10.1 percent. These families are typically unable to qualify for home mortgage credit and are removed from the assessment area's low-income family population; thus, reducing the population of low-income families to 9.2 percent. Central State Bank's lending performance reflects excellent penetration among low-income families in the assessment area.

For moderate-income families, the bank's lending performance is reasonable. The lending to moderate-income families is 19.2 percent, while the percentage of those families in the assessment area is 19.4 percent.

As illustrated in the table, overall, Central State Bank's dispersion of mortgage loans to borrowers of different income levels is excellent. The bank has used a variety of supportive mortgage lending programs that assist low- and moderate-income borrowers achieve home ownership.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Central State Bank					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2021	19.3	13	25.0	470	8.8
Moderate					
2021	19.4	10	19.2	808	15.1
Middle					
2021	22.1	14	27.0	1,492	28.0
Upper					
2021	39.3	15	28.8	2,567	48.1
Totals					
2021	100.0	52	100.0	5,337	100.0
Sources: 2015 ACS; Bank Data Due to rounding, totals may not equal 100.0%					

Small Farm Loans

Examiners compared the bank's small farm lending to the distribution of farms by income level throughout the assessment area. The distribution of small farm loans reflects reasonable penetration of loans to farms with gross annual revenues of \$1 million or less. As illustrated in the following table, the bank originated 98.5 percent of its small farm loans to farms with GARs of \$1 million or less for the 12-month review period ending December 31, 2021. The bank's lending compares favorably to the 2021 D&B GARs for 2021.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Central State Bank					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2021	97.7	66	98.5	6,558	98.6
>\$1,000,000					
2021	1.2	1	1.5	0,096	1.4
Revenue Not Available					
2021	1.1		--	--	--
Totals					
2021	100.0	67	100.0	6,654	100
Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Business Loans

Examiners compared the bank's small business lending to the distribution of small businesses by income level throughout the assessment area. The distribution of small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, the bank originated 100 percent of its small business loans to businesses with GARs of \$1 million or less for the 12-month review period ending December 31, 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Central State Bank					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	78.6	176	100.0	10,172	100.0
>\$1,000,000					
2021	5.4	--	--	--	--
Revenue Not Available					
2021	16.0	--	--	--	--
Totals					
2021	100.0	--	--	--	--
Sources: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Response to Complaints

Central State Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal practices; therefore, this consideration did not affect the overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

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