

PUBLIC DISCLOSURE

August 21, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Partners Savings Bank
Certificate Number: 30819

301 West Main Street
Salem, Illinois 62881

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.

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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 areas (AAs), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Community Partners Savings Bank's (CPSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AAs' credit needs.
- A majority of home mortgage and small business loans were made in the AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes given the demographics of the AAs.

DESCRIPTION OF INSTITUTION

CPSB, a mutual savings bank headquartered in Salem, Illinois, operates in the south central portion of the state in Marion and Clay counties and in central Illinois in Tazewell County. The bank has no affiliates or subsidiaries. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 2, 2017, based on Interagency Small Institution CRA Examination Procedures.

CPSB's main office in Salem is in Marion County. In addition, the bank operates a drive-up facility and a standalone ATM in Salem. CPSB merged with Flora Savings Bank in October 2018 and changed its name from Marion County Savings Bank to Community Partners Savings Bank. CPSB operates the Salem facilities as Marion County Savings Bank, a Division of Community Partners Savings Bank. The bank operates one full service branch in Flora, Illinois in Clay County. CPSB operates the Flora facility as Flora Savings Bank, a Division of Community Partners Savings Bank. CPSB also operates three branches in Pekin, Illinois in Tazewell County (one full-service and two limited-service). CPSB operates the Pekin facilities as First Pekin Savings Bank, a Division of Community Partners Savings Bank.

CPSB offers loan products including residential, agricultural, commercial, and consumer loans. The bank offers secondary market mortgage loans through a third-party. The institution provides a variety of deposit services including checking, savings, and money market deposit accounts, and certificates of deposit.

Assets totaled approximately \$237.4 million as of June 30, 2023, and included total loans of \$116.3 million and securities totaling \$88.7 million. The following table shows the bank’s loan portfolio distribution as of June 30, 2023.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,917	2.5
Secured by Farmland	3,446	3.0
Secured by 1-4 Family Residential Properties	59,817	51.4
Secured by Multifamily (5 or more) Residential Properties	160	0.1
Secured by Nonfarm Nonresidential Properties	25,182	21.7
Total Real Estate Loans	91,522	78.7
Commercial and Industrial Loans	6,638	5.7
Agricultural Production and Other Loans to Farmers	307	0.3
Consumer Loans	14,606	12.6
Other Loans	3,198	2.7
Total Loans	116,271	100.0
<i>Source: 06/30/2023 Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AAs credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. CPSB designated two AAs: one in the non-Metropolitan Statistical Area (MSA) of Illinois (Illinois non-MSA), and one in the Peoria, Illinois MSA (Peoria, IL MSA). The Illinois non-MSA AA includes all 12 census tracts in Marion County and all four census tracts in Clay County. This is an increase from the previous evaluation, due to the merger with Flora Savings Bank in which the bank added Clay County to the Illinois non-MSA AA. The Peoria, IL MSA AA includes all 30 census tracts in Tazewell County. The AAs conform to the CRA regulation as they include whole census tracts, do not cross state or MSA boundaries, and do not arbitrarily exclude any low- or moderate-income tracts.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 2, 2017, to the current evaluation dated August 21, 2023. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate CPSB’s CRA performance. Examiners performed a full-scope review of each AA. For this evaluation, the AAs received equal weight towards the overall conclusions.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion is based upon the bank's business strategy and number and dollar volume of loans originated during the evaluation period. The bank's record of originating home mortgage and small business loans were given equal weight in the overall conclusions. Furthermore, no other loan types, such as small farm or consumer loans, represent a major product or provide material support for the conclusions or rating.

Bank records and Consolidated Reports of Condition and Income (Call Report) data indicated that the lending focus and product offering remained consistent throughout the evaluation period. Examiners analyzed all home mortgage and small business loans originated since the prior evaluation and did not identify any trends that materially affect the conclusions.

This evaluation considered all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers for 2021 and 2022. In 2021, the bank reported 345 originated or purchased loans totaling \$31.1 million. In 2022, the bank reported 227 originated or purchased loans totaling \$18.5 million. This evaluation presents information for 2021 and 2022 (the most recent year for which aggregate lending data is available). Examiners also compared the bank's performance to the 2015 American Community Survey (ACS) Census and 2020 U.S. Census data.

Additionally, examiners reviewed all small business loans originated in 2022. The bank originated 94 small business loans totaling \$10.6 million in 2022. This evaluation presents information for 2022, the most recent year for which D&B data is available, which provides a standard of comparison for the small business lending.

Examiners reviewed the number and dollar volume of home mortgage and small business loans. While both number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

For reviews of the loan-to-deposit ratio, AA concentration, and complaint response, examiners evaluated overall bank performance and discussed CPSB's performance under these criteria below. For the geographic distribution and borrower profile criteria, examiners evaluated bank performance both overall and separately for each AA. Examiners detailed the overall discussions of the bank's performance under those criteria below, and included more specific discussions of the bank's performance in each AA in the Illinois non-MSA and Peoria, IL MSA sections of this evaluation.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AAs' credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 75.5 percent over the past 23 calendar quarters from September 30, 2017, to March 31, 2023. The ratio ranged from a high of 93.4 percent as of June 30, 2018, to a low of 55.2 percent as of March 31, 2023.

Examiners evaluated CPSB’s average net LTD ratio by comparing it to similarly-situated institutions. Examiners selected these similarly-situated institutions based on asset size, geographic location, and lending focus. As shown in the following table, CPSB’s average net LTD ratio was higher than one and similar to another of the comparator banks. The bank sells a significant number of its mortgages on the secondary market. CPSB originated and sold 174 loans, totaling \$20.6 million, in 2021 and 52 loans, totaling \$5.6 million, in 2022. Considering these factors, CPSB’s LTD ratio reflects a willingness to lend.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (\$000s)	Average Net LTD Ratio (%)
Community Partners Savings Bank	239,433	75.5
Similarly-Situated Institution #1	137,935	69.4
Similarly-Situated Institution #2	199,857	80.8
Similarly-Situated Institution #3	98,219	91.9
<i>Source: Reports of Condition and Income 09/30/2017 – 03/31/2023</i>		

Assessment Area Concentration

Examiners analyzed all home mortgage loans originated in 2021 and 2022, and small business loans originated in 2022, to determine the portion of loans extended inside and outside the AAs. The bank originated a majority of its home mortgage and small business loans within its AAs in each year, by both number and dollar volume and reflects reasonable performance. The following table details lending inside and outside the combined AAs by loan product and year.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	296	85.8	49	14.2	345	26,514	85.4	4,532	14.6	31,046
2022	183	80.6	44	19.4	227	14,499	78.5	3,972	21.5	18,471
Subtotal	479	83.7	93	16.3	572	41,013	82.8	8,504	17.2	49,517
Small Business	82	87.2	12	12.8	94	9,279	87.2	1,358	12.8	10,637
Total	561	84.2	105	15.8	666	50,292	83.6	9,862	16.4	60,154
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflections reasonable dispersion throughout the AAs. This conclusion is derived by the bank’s reasonable geographic distribution of home mortgage and small business loans in the Illinois non-MSA AA and excellent geographic distribution of home mortgage

and small business loans in the Peoria, IL MSA AA. Examiners detailed a complete discussion of the bank's performance for this criterion in the separate AA sections of this evaluation.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels and business customers of different sizes. Examiners derived this conclusion from the bank's reasonable distribution of home mortgage and small business loans in the Illinois non-MSA AA and Peoria, IL MSA AA. Refer to the separate AA sections of this evaluation for further discussion of the bank's performance under this criterion.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion 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.

ILLINOIS NON-MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS NON-MSA

CPSB operates two full service offices and one limited service drive-up facility in the Illinois non-MSA AA. One full service branch, the bank’s headquarters, and a drive-up facility are in Marion County and the remaining full service branch is located in Clay County. As of June 30, 2022, the bank had \$167.6 million in deposits in this AA, which represents 80.0 percent of the bank’s total deposits as of the same date.

Economic and Demographic Data

The AA includes all 12 census tracts in Marion County and four census tracts in Clay County in south central Illinois. According to the 2020 U.S. Census, the 16 census tracts include five moderate-income and 11 middle-income census tracts for the 2022 analysis. According to the 2015 ACS, the AA consisted of six moderate-income and 10 middle-income census tracts for the 2021 analysis. The one census tract in the south central portion of Clay County, which includes the city of Flora, changed from a designated moderate-income to a middle-income tract based on the 2020 U.S. Census.

The following table illustrates select demographic characteristics of the Illinois non-MSA AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.0	31.3	68.8	0.0	0.0
Population by Geography	51,017	0.0	26.5	73.5	0.0	0.0
Housing Units by Geography	24,724	0.0	26.7	73.3	0.0	0.0
Owner-Occupied Units by Geography	16,186	0.0	20.6	79.4	0.0	0.0
Occupied Rental Units by Geography	5,547	0.0	41.0	59.0	0.0	0.0
Vacant Units by Geography	2,991	0.0	33.2	66.8	0.0	0.0
Businesses by Geography	3,372	0.0	36.7	63.3	0.0	0.0
Farms by Geography	280	0.0	10.7	89.3	0.0	0.0
Family Distribution by Income Level	13,469	22.6	19.5	21.9	36.0	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income Non-MSAs - IL		\$68,958	Median Housing Value			\$81,692
			Median Gross Rent			\$648
			Families Below Poverty Level			11.8%
<i>Source: 2020 U.S. Census and 2022 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.</i>						

The Federal Financial Institutions Examination Council (FFIEC) updated median family income levels were 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%
IL NA Median Family Income (99999)				
2021 (\$66,700)	<\$33,350	\$33,350 to <\$53,360	\$53,360 to <\$80,040	≥\$80,040
2022 (\$76,100)	<\$38,050	\$38,050 to <\$60,880	\$60,880 to <\$91,320	≥\$91,320
<i>Source: FFIEC</i>				

The analysis of small business loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses by revenue category. According to 2022 D&B data, the AA contains 3,372 businesses.

Among all non-farm businesses, service industries represent the largest portion of businesses (34.5 percent); followed by non-classifiable establishments (17.0 percent); retail trade (12.5 percent); and finance, insurance, and real estate (7.7 percent). In addition, 90.4 percent of AA businesses have nine or fewer employees and 85.7 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicate that unemployment rate in both Marion and Clay counties are above both the state of Illinois average and the national average.

Unemployment Rates		
County or Area	June 2022	June 2023
	%	%
Marion County	4.5	5.2
Clay County	4.4	5.5
State of Illinois	4.4	4.0
National Average	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>		

Competition

The AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share as of June 30, 2022, there were 18 financial institutions that operated 29 full-service branches within this AA. Of these institutions, CPSB ranked second with an 11.1 percent deposit market share.

The bank is not required to collect or report its small business loan data and elects not to do so; therefore, the analysis of small business loans does not include comparisons against CRA aggregate lending data. However, the aggregate lending data reflects the level of demand for small business loans and is included as a reference. Aggregate lending data for 2021 shows that 49 institutions

reported 534 small business loans in the AA. Considering the number of businesses operating in the AAs, these levels of lending reflect a high degree of competition for this loan product.

Furthermore, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the AA. In 2021, 115 lenders reported a total of 1,246 originated or purchased home mortgage loans. CPSB ranked first with a 20.4 percent market share. The top five lenders accounted for 52.6 percent of the market share.

Community Contact

As part of the evaluation process, examiners contact active third-parties in the AA to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

Examiners interviewed a representative of an economic development organization in the AA. The contact mentioned that the area's economic conditions have continued to slowly rebound from the effects of the COVID-19 pandemic. The housing market has changed in the past year with rates increasing, affecting the availability of homes on the market and the affordability of those homes. The contact identified that there is still a significant level of opportunity for lending to small businesses and lower-income consumers within the AA. Overall, the contact felt that local financial institutions are responsive to credit needs in the area.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent the primary credit needs for this AA. Opportunities exist for originating such loans throughout the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS NON-MSA

LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Illinois non-MSA AA. This conclusion was determined by evaluating the geographic distribution of loans and borrower profile for home mortgage and small business loans.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The reasonable performance in home mortgage and small business loans supports the conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts. Only loans inside the AA are included in the analyses.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Examiners compared the bank's performance to the percentage of owner-occupied housing units by tract income category and aggregate lending performance for both years.

CPSB originated 66 home mortgage loans, or 26.3 percent, in moderate-income tracts in 2021, which was greater than the aggregate lending performance and comparable to the demographic of 30.8 percent. In 2022, the percentage dropped to 17.5 percent, but was still comparable to aggregate lending performance. In addition, as mentioned previously, the assessment area is highly competitive for home mortgage lending.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2021	30.8	23.9	66	26.3	3,811	17.5
2022	20.6	20.3	25	17.5	1,435	13.2
Middle						
2021	69.2	76.1	185	73.7	17,993	82.5
2022	79.4	79.7	118	82.5	9,478	86.8
Totals						
2021	100.0	100.0	251	100.0	21,804	100.0
2022	100.0	100.0	143	100.0	10,913	100.0

*Source: 2020 U.S. Census; Bank Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. Examiners compared the bank’s small business lending to the distribution of businesses by tract income level throughout the AA. As shown in the following table, CPSB originate 22.8 percent of its small business loans in the moderate-income tracts in 2022. This is slightly below the percent of businesses in those tracts. However, as mentioned previously, the assessment area has a significant level of competition for small business lending. The bank’s performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	36.7	13	22.8	2,382	33.4
Middle					
2022	63.3	44	77.2	4,745	66.6
Totals					
2022	100.0	57	100.0	7,126	100.0

*Source: 2022 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%*

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration throughout the AA. The reasonable performance among borrowers of different income levels and businesses of different sizes supports this conclusion. Examiners focused on the percentage by number of loans to low- and moderate-income borrowers and loans to businesses with gross annual revenues (GARs) of \$1 million or less. Only loans inside the AA are included in the analyses.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is reasonable. Examiners compared the bank's performance to demographic and aggregate lending data for both years.

The following table shows the percentage of low-income borrowers in this AA (demographic) was 24.7 percent in 2021. However, 11.8 percent of the AA's families had incomes below the poverty level. These families typically have difficulty qualifying for a home mortgage loan due to financial constraints. In 2021, CPSB originated 10.8 percent of its home mortgage loans to low-income borrowers, which is above the aggregate lending performance and comparable to the percent of families reasonably expected to qualify for a home mortgage loan. Further, the bank's performance in 2022 is greater than the aggregate lending performance and comparable to the percent of low-income families that can reasonably be expected to qualify for a home mortgage loan.

In 2021, CPSB originated 18.3 percent of its home mortgage loans to moderate-income borrowers. This performance is comparable to both aggregate lending performance and demographic data. In 2022, CPSB originated 23.1 percent of its home mortgage loans to moderate-income borrowers, which slightly exceeds the aggregate lending performance and comparable to the percent of families in the AA. Overall, the bank demonstrates a willingness to lend to borrowers of different incomes.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	24.7	9.5	27	10.8	1,158	5.3
2022	22.6	11.6	26	18.2	1,418	13.0
Moderate						
2021	18.8	20.8	46	18.3	2,675	12.3
2022	19.5	22.9	33	23.1	2,400	22.0
Middle						
2021	21.6	21.1	64	25.5	5,135	23.6
2022	21.9	21.9	30	21.0	2,291	21.0
Upper						
2021	34.8	30.6	104	41.4	12,288	56.4
2022	36.0	24.3	40	28.0	4,172	38.2
Not Available						
2021	0.0	0.0	10	4.0	548	2.5
2022	0.0	0.0	14	9.8	632	5.8
Totals						
2021	100.0	100.0	251	100.0	21,801	100.0
2022	100.0	100.0	143	100.1	10,913	100.0
<i>Source: 2015 ACS; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses of different sizes. As shown in the following table, CPSB originated 75.4 percent of its small business loans in this AA to businesses with GARs of \$1 million or less. This level of lending is similar to the 81.1 percent of businesses in the AA with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	81.1	43	75.4	2,986	41.9
>\$1,000,000					
2022	4.5	14	24.6	4,141	58.1
Revenue Not Available					
2022	14.4	0	0.0	0	0.0
Totals					
2022	100.0	57	100.0	7,126	100.0
<i>Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

PEORIA, IL MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PEORIA, IL MSA

CPSB operates two full service branches and one drive-up facility, in the Peoria, IL MSA AA. As of June 30, 2022, the bank had \$42.0 million in deposits in this AA, which represents 20.0 percent of the bank’s total deposits as of the same date.

Economic and Demographic Data

The AA includes all 30 census tracts in Tazewell County in central Illinois. According to the 2020 U.S. Census, the 30 census tracts included four moderate-income, 20 middle-income, and six upper-census tracts for the 2022 analysis. According to the 2015 ACS, the AA consisted of seven moderate-income, 14 middle-income, and nine upper-income census tracts for the 2021 analysis. The northeast tract of the county changed from a designated middle-income to a moderate-income tract based on the 2020 U.S. Census.

The following table illustrates select demographic characteristics of the Peoria, IL MSA AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	0.0	13.3	66.7	20.0	0.0
Population by Geography	131,343	0.0	10.7	67.6	21.7	0.0
Housing Units by Geography	58,941	0.0	12.0	67.7	20.3	0.0
Owner-Occupied Units by Geography	41,235	0.0	11.4	67.4	21.1	0.0
Occupied Rental Units by Geography	12,762	0.0	13.3	68.1	18.7	0.0
Vacant Units by Geography	4,944	0.0	13.4	68.9	17.7	0.0
Businesses by Geography	8,218	0.0	9.6	62.2	28.3	0.0
Farms by Geography	496	0.0	4.2	78.2	17.5	0.0
Family Distribution by Income Level	35,377	16.2	18.2	22.9	42.7	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 37900 Peoria, IL MSA		\$77,873	Median Housing Value			\$146,405
			Median Gross Rent			\$787
			Families Below Poverty Level			5.5%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The FFIEC updated median family income levels were 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%
Peoria, IL MSA Median Family Income (37900)				
2021 (\$76,000)	<\$38,000	\$38,000 to <\$60,800	\$60,800 to <\$91,200	≥\$91,200
2022 (\$88,700)	<\$44,350	\$44,350 to <\$70,960	\$70,960 to <\$106,440	≥\$106,440
<i>Source: FFIEC</i>				

The analysis of small business loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses by revenue category. According to 2022 D&B data, the AA contained 8,218 businesses. Among all non-farm businesses, service industries represent the largest portion of businesses (34.7 percent); followed by non-classifiable establishments (17.4 percent); retail trade (13.2 percent); and finance, insurance, and real estate (9.6 percent). In addition, 89.4 percent of AA businesses have nine or fewer employees and 86.9 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that unemployment rate in the AA is slightly above both the state of Illinois average and more significantly higher than the national average.

Unemployment Rates		
County or Area	May 2022	May 2023
	%	%
Tazewell County	4.1	4.6
State of Illinois	4.4	4.0
National Average	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>		

Competition

The AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share as of June 30, 2022, there were 16 financial institutions that operated 39 full-service branches within this AA. Of these institutions, CPSB ranked 11th with a 1.1 percent deposit market share. The top three institutions accounted for 77.5 percent of the market share.

The bank is not required to collect or report its small business loan data and does not elect to do so; therefore, the analysis of small business loans does not include comparisons against CRA aggregate lending data. However, the aggregate lending data reflects the level of demand for small business loans and is included as a reference. Aggregate lending data for 2021 shows that 63 institutions reported 2,151 small business loans in the AA. Considering the number of businesses operating in the AA, this level of lending reflects a high degree of competition for this loan product. Of these financial institutions, the top ten lenders are made up of seven large national lenders.

Furthermore, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the AA. In 2021, 198 lenders reported a total of 6,242 originated or purchased home mortgage loans. CPSB originated 45 home mortgages loans in the AA, which was the 28th highest activity of all lenders and accounted for 0.7 percent market share. The top five lenders accounted for 47.3 percent of the market share.

Community Contact

As part of the evaluation process, examiners contact active third--parties in the AA to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit opportunities are available.

Examiners contacted a representative of an economic development organization in the AA. The contact identified a significant level of opportunity for small business lending, especially for new businesses. Overall, the contact indicated that local financial institutions have been responsive to the credit and community development needs.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and home mortgage loans represent the primary credit needs for this AA. Opportunities exist for originating such loans throughout the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PEORIA, IL MSA

LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Peoria, IL MSA AA. Examiners determined this conclusion by evaluating the geographic distribution of loans and borrower profile for home mortgage and small business loans.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The excellent performance in home mortgage and small business loans support the conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tract. Only loans inside the AA are included in the analyses.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the AA. Examiners compared the bank's performance to the percentage of owner-occupied housing units by tract income category.

As shown in the following table below, CPSB originated 28.9 percent of its home mortgage loans in 2021 and 27.5 percent in 2022 in the moderate-income tracts. This is significantly higher than both the demographic data for both years and the aggregate lending performance in both years. As previously mentioned, the AA is highly competitive for home mortgage lending, CPSB's performance is considered excellent.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2021	19.3	17.4	13	28.9	689	14.6
2022	11.4	10.6	11	27.5	849	23.7
Middle						
2021	43.3	42.1	26	57.8	2,976	63.2
2022	67.4	70.7	28	70.0	2,577	71.9
Upper						
2021	37.4	40.5	6	13.3	1,045	22.2
2022	21.1	18.7	1	2.5	160	4.5
Totals						
2021	100.0	100.0	45	100.1	4,710	100.0
2022	100.0	100.0	40	100.0	3,586	100.1

Source: 2020 U.S. Census; Bank Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the AA. Examiners compared the bank’s small business lending to the distribution of businesses by tract income level throughout the AA. As shown in the following table, CPSB originated 10 small business loans, or 40.0 percent, in the moderate-income tracts in the AA. This is far greater than the percentage of businesses located in this tract of 9.6 percent. As previously mentioned, the AA is highly competitive for small business lending, CPSB’s performance is considered excellent.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	9.6	10	40.0	693	32.2
Middle					
2022	62.2	10	40.0	1,102	51.2
Upper					
2022	28.3	5	20.0	358	16.6
Totals					
2022	100.0	25	100.0	2,153	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration throughout the AA. The reasonable performance among borrowers of different income levels and businesses of different sizes supports this conclusion. Examiners focused on the percentage by number of loans to low- and moderate-income borrowers and loans to businesses with GARs of \$1 million or less. Only loans inside the AA are included in the analyses.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is reasonable. Examiners compared the bank's performance to both aggregate lending and demographic data.

The table shows the percentage of low-income borrowers in this AA (demographic) was 16.2 percent. However, 5.5 percent of the AA's families had incomes below the poverty level. These families typically have difficulty qualifying for a home mortgage loan due to financial constraints. In 2021, CPSB originated eight home mortgage loans, or 17.8 percent, to low-income borrowers, which, given the overall volume of lending, is comparable to aggregate lending performance of 11.8 percent. The bank's lending to low-income borrowers decreased in 2022, to 12.5 percent, however, this is comparable to aggregate lending performance for the same year. This is greater than the percent of families in the AA that can reasonably be expected to qualify for a home mortgage loan.

In 2021, CPSB originated 22.2 percent of its home mortgage loans to moderate-income borrowers, which exceeds the 19.7 percent of families in this AA and 18.7 percent aggregate lending performance. In 2022, CPSB originated 25.0 percent of its home mortgage loans to moderate-income borrowers, well above the 21.7 percent aggregate lending performance and 18.2 percent of families in the AA. Overall, the bank demonstrates a willingness to lend to borrowers of different incomes.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	17.5	11.8	8	17.8	387	8.2
2022	16.2	15.9	5	12.5	274	7.6
Moderate						
2021	18.7	19.7	10	22.2	799	17.0
2022	18.2	21.7	10	25.0	660	18.4
Middle						
2021	22.6	20.2	7	15.6	659	14.0
2022	22.9	18.3	14	35.0	1,347	37.6
Upper						
2021	41.2	27.3	20	44.4	2,866	60.8
2022	42.7	19.4	11	27.5	1,305	36.4
Not Available						
2021	0.0	21.1	0	0.0	0	0.0
2022	0.0	24.8	0	0.0	0	0.0
Totals						
2021	100.0	100.0	45	100.0	4,710	100.0
2022	100.0	100.0	40	100.0	3,586	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses of different sizes. As shown in the following table, CPSB originated 80.0 percent of its small business loans in this AA to businesses with GARs of \$1 million or less, which is comparable to the percentage of businesses in the AA (82.8 percent).

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	82.8	20	80.0	1,616	75.1
>\$1,000,000					
2022	4.6	5	20.0	537	24.9
Revenue Not Available					
2022	12.6	0	0.0	0	0.0
Totals					
2022	100.0	25	100.0	2,153	100.0
<i>Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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 institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses 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 institution 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.