

PUBLIC DISCLOSURE

September 26, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Calhoun County
Certificate Number: 12549

204 West Main Street
Hardin, Illinois 62047

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.

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.

Bank of Calhoun County (BCC)'s satisfactory Community Reinvestment Act (CRA) performance under the small institution lending test supports the overall rating. The following factors support the institution's rating:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage, small business, small farm, and consumer loans in the assessment area.
- The assessment area does not include low- or moderate -income geographies and a review of the bank's geographic distribution of loans would not result in meaningful conclusions. Therefore, this criterion was not evaluated.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and penetration among individuals of different income levels for home mortgage borrower. The distribution of borrowers reflects excellent penetration among individuals of different income levels for consumer loans
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

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

DESCRIPTION OF ASSESSMENT AREA

Each financial institution is required to define one or more assessment areas within which its CRA performance will be evaluated. BCC designated all of Calhoun and Jersey counties in the St. Louis MO-IL MSA and one census tract in Greene County in the Illinois Non-MSA. The assessment area meets the requirements of the CRA regulation, as it consists of whole geographies, includes tracts in which the bank's main and branch offices are located, and does not arbitrarily exclude any low- or moderate-income geographies. The following sections contain economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area includes all six census tracts within Calhoun County, two census tracts in Jersey County, and census tract 9738 in Greene County in west central Illinois. All of these tracts reflect the middle-income designations according to the 2020 U.S. Census.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Hardin STL MSA AA Final						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	66.7	33.3	0.0
Population by Geography	27,568	0.0	0.0	57.1	42.9	0.0
Housing Units by Geography	14,124	0.0	0.0	58.1	41.9	0.0
Owner-Occupied Units by Geography	8,855	0.0	0.0	56.2	43.8	0.0
Occupied Rental Units by Geography	1,734	0.0	0.0	61.2	38.8	0.0
Vacant Units by Geography	3,535	0.0	0.0	61.4	38.6	0.0
Businesses by Geography	1,762	0.0	0.0	57.8	42.2	0.0
Farms by Geography	202	0.0	0.0	71.3	28.7	0.0
Family Distribution by Income Level	7,221	16.9	16.1	20.8	46.2	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$84,758	Median Housing Value			\$145,173
Median Family Income Non-MSAs – IL		\$68,958	Median Gross Rent			\$634
			Families Below Poverty Level			5.2%
Sources: 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.						

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2022, there were nine financial institutions that operated 18 full-service branches within the bank's assessment area. Of these institutions, BCC ranked 4th with a 7.72 percent deposit market share.

There is also competition for loans among banks, credit unions, and non-depository lenders in and around the assessment area. BCC is not required to collect or report small business or small farm lending data under the CRA, and has not optionally elected to do so. As such, the analysis of the bank's lending performance does not include comparisons to aggregate lending data from other lenders in the area; however, the information can be indicative of the level of demand. According to the 2021 aggregate small business lending data, there were 39 commercial lenders that reported 937 business loans in the assessment area. The top lender had a 59.8 percent market share. According to the 2021 aggregate small farm lending data, there were 13 farm lenders that reported 398 farm loans in the assessment area. The same top lender had a 59.3 percent market share. These lending levels reflect a competitive market for small business and farm loans.

Additionally, BCC is no longer required to report home mortgage loans according to Home Mortgage Disclosure Act (HMDA) regulatory changes, and has not elected to do so. As a result, the analysis of the bank's home mortgage lending performance will not include comparisons to aggregate lending data from other lenders in the area. However, as with aggregate small business and farm lending data, this information can be indicative of the level of demand. According to the 2022 aggregate home mortgage lending data, there were 94 lenders originating or purchasing 612 home mortgage loans in the assessment area and the top five had a 41.2 percent market share. These lending levels reflect a competitive market for these loan types.

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 and opportunities. This information helps determine whether local financial institutions are responsive to those needs.

The community contact interview was made with a non-profit organization that promotes affordable housing, community services, and economic development throughout the area. The contact is heavily involved with housing markets and expressed a need for affordable housing and consumer loans. According to the contact, transportation is an obstacle for the community as the area is surrounded by the Illinois River, which serves as a barrier to accessibility. Additionally, more residents are traveling to St. Louis, MO for better employment opportunities, which is over 60 miles away. The contact further stated that the closest full-service grocery store is located approximately 20 miles away and the closest hospital is located outside of Calhoun County. Agriculture remains a significant industry in the area.

Lastly, the contact stated that the area is primarily made up of low- and moderate-income families and households, which further supports the need for affordable housing. Overall, the contacts shared comments indicating that local financial institutions have been responsive to credit and community development needs in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BCC demonstrated reasonable performance under the Lending Test. Performance under the Borrower Profile criterion performance primarily supports this conclusion. This conclusion is further supported by performance under the Assessment Area Concentration criterion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment areas credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 56.8 percent over the past 24 calendar quarters from September 30, 2017, to June 30, 2023. The ratio ranged from a high of 61.4 percent as of December 31, 2019 to a low of 47.8 percent as of June 30, 2022.

Examiners evaluated BCC's average net LTD ratio by comparing it to similarly-situated banks. Examiners selected these similarly-situated banks based on asset size, geographic location, and lending focus. As shown in the following table, BCC's average net LTD ratio was higher than the more similarly-situated banks of the comparator banks. Considering these factors, BCC's LTD ratio reflects a willingness to lend.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2023 (\$000s)	Average Net LTD Ratio (%)
Bank of Calhoun County	81,890	56.8
Similarly-Situated Institution #1	105,471	51.0
Similarly-Situated Institution #2	153,794	43.9
Similarly-Situated Institution #3	85,573	60.77
Source: Reports of Condition and Income 09/30/2017 – 06/30/2023		

Assessment Area Concentration

All home mortgage, small business, small farm, and consumer loans originated in 2022 were analyzed to determine the portion of loans extended inside and outside the assessment area. The bank originated a majority of all of its loans within its assessment area, by both number and dollar volume, and reflects reasonable performance. The following table details lending inside and outside of the assessment area by loan product.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: BCC Assessment Area					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2022	16.9	5	21.7	386	9.4
Moderate					
2022	16.1	1	4.3	225	5.5
Middle					
2022	20.8	8	34.8	1,303	31.7
Upper					
2022	46.2	9	39.1	2,193	53.4
Not Available					
2022	0.0	0	0.0	0	0
Totals					
2022	100.0	23	100.0	4,107	100.0
Sources: 2020 U.S. Census; Bank Data, "-" data not available. Due to rounding, totals may not equal 100.0%					

Consumer Lending

The distribution of BCC's consumer lending reflects excellent performance. The table below reflects the bank's consumer lending, which is representative of the entire review period. For consumer loans, the standard comparative demographic is the percentage of households reported in the 2020 U.S. Census data. Households are used as this is a better gauge of consumer lending opportunities (relative to families) because households are more likely to make use of consumer product financing, such as automobile loans, credit cards, and other types of unsecured credit.

The distribution of consumer loans reflects excellent penetration of loans to borrowers of different income levels. Consumer loans originated to low-income borrowers far exceeded the demographic. The consumer lending to moderate-income borrowers was comparable to the percentage of households.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: BCC Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$ (000s)	%
<=\$1,000,000					
2022	83.4	14	87.5	1,536	85.2
>\$1,000,000					
2022	3.6	2	12.5	267	14.8
Revenue Not Available					
2022	13.0	0	0.0	0	0.0
Totals					
2022	100.0	16	100.0	1,803	100.0
Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Farm

The distribution of small farm loans reflects reasonable penetration of loans to farms of different sizes. As shown in the following table, the bank originated 87.5 percent of its small farm loans to farms with GARs of \$1 million or less. This is comparable to the 99 percent of farms in the assessment area with these revenue levels. Additionally, while the bank is not a CRA reporter and is not compared to aggregate data, it is noted that the bank has significant competition for small farm loans in the assessment area, as the top lender originated 236 loans or 59.5 percent of all loans reported. Overall, the bank's small farm lending demonstrates a willingness to lend to farms of all sizes and reflects reasonable performance.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: BCC Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$ (000s)	%
<=\$1,000,000					
2022	99.0	14	87.5	1,350	84.1
>\$1,000,000					
2022	1.0	2	12.5	256	15.9
Revenue Not Available					
2022	0.0	0	0.0	0	0.0
Totals					
2022	100.0	16	100.0	1,606	100.0
Sources: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Response to Complaints

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

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

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.