

# **PUBLIC DISCLOSURE**

April 28, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens State Bank  
Certificate Number: 10474

102 West Main Street  
Lena, Illinois 61048

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
DESCRIPTION OF ASSESSMENT AREA .....	3
SCOPE OF EVALUATION.....	6
CONCLUSIONS ON PERFORMANCE CRITERIA .....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	15
APPENDICES .....	16
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA .....	16
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 (LMI) neighborhoods, in a manner consistent with its resources.

Citizens State Bank (CSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of the bank's lending by number and dollar volume are inside the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of loans to borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## DESCRIPTION OF INSTITUTION

### **Background**

CSB operates from its main office in Lena, Illinois in Stephenson County. CSB is a state non-member bank, wholly owned by First Lena Corporation, a one-bank holding company. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 1, 2022, based on Interagency Small Institution Examination Procedures.

### **Operations**

In addition to its main office, CSB operates four additional full-service branches. CSB has an additional Stephenson County location, in Freeport, Illinois. The bank also has a branch in Stockton, Illinois and Elizabeth, Illinois, both of which are in Jo Daviess County, and one in Savanna, Illinois in Carroll County. On September 30, 2024, the bank consolidated its two branches in Stockton, resulting in one less office. The bank also acquired First Savanna Savings and its sole office in Carroll County on January 20, 2023. The acquired location is the only branch located in a moderate-income census tract. All other locations reside in either middle- or upper-income census tracts.

The bank offers a variety of products and services to meet the credit and deposit needs of the local area. Loan types include secured and unsecured consumer; residential real estate for home purchase, refinance, home improvement, home equity, and construction; commercial, both operating and real estate; and agricultural, both operating and real estate. The bank sells long-term fixed rate residential real estate loans on the secondary market including U.S. Department of Agriculture (USDA) Rural Development loans. The bank is active in the secondary market and sold 249 loans totaling \$39.7 million since the prior examination. Deposit products include checking, savings, money market accounts, and certificates of deposit. The bank offers internet and mobile banking and operates 11 automated teller machines, none of which are deposit-taking and one of which is in a moderate-income census tract at its branch in Savanna, Illinois.

### **Ability and Capacity**

According to the December 31, 2024, Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$414.5 million, total loans of \$284.2 million, total deposits of \$373.0 million, and total securities of \$105.2 million. The following table illustrates the loan portfolio composition.

<b>Loan Portfolio Distribution as of 12/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	3,214	1.1
Secured by Farmland	47,525	16.7
Secured by 1-4 Family Residential Properties	52,988	18.6
Secured by Multifamily (5 or more) Residential Properties	8,543	3.0
Secured by Nonfarm Nonresidential Properties	28,219	9.9
<b>Total Real Estate Loans</b>	<b>140,489</b>	<b>49.3</b>
Commercial and Industrial Loans	29,695	10.5
Agricultural Production and Other Loans to Farmers	97,509	34.3
Consumer Loans	12,450	4.4
Obligations of State and Political Subdivisions in the U.S.	212	0.1
Other Loans	406	0.1
Lease Financing Receivable (net of unearned income)	3,507	1.2
<b>Total Loans</b>	<b>284,268</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas to evaluate its CRA performance. The bank designated a single assessment area that includes the whole counties of Jo Daviess, Stephenson, and Carroll in northwestern Illinois. These contiguous counties are not part of a metropolitan statistical area.

The assessment area includes whole census tracts, does not arbitrarily exclude any low- or moderate-income geographies, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulation. Also, the assessment area includes the census tracts in which the bank has its main office and branch locations. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The addition of Carroll County resulted in an increase of seven census tracts to the assessment area, including one additional low-income and one additional moderate-income census. Based on the 2020 U.S. Census demographic data, the assessment area’s 26 census tracts reflect the following income designations: two low-income census tracts, four moderate-income census tracts, 16 middle-income census tracts, and four upper-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	26	7.7	15.4	61.5	15.4	0.0
Population by Geography	82,367	5.6	16.5	62.0	15.9	0.0
Housing Units by Geography	44,071	6.2	16.0	58.5	19.3	0.0
Owner-Occupied Units by Geography	26,445	4.0	14.1	65.1	16.8	0.0
Occupied Rental Units by Geography	9,876	12.8	25.6	47.2	14.4	0.0
Vacant Units by Geography	7,750	5.3	10.1	50.3	34.3	0.0
Businesses by Geography	7,116	9.3	14.1	60.4	16.3	0.0
Farms by Geography	876	1.3	2.3	84.6	11.9	0.0
Family Distribution by Income Level	23,183	20.5	17.4	22.6	39.5	0.0
Household Distribution by Income Level	36,321	24.0	16.8	18.7	40.4	0.0
Median Family Income Non-MSAs IL	\$67,835	Median Housing Value				\$125,957
Median Gross Rent	\$672	Families Below Poverty Level				9.7%
<i>Source: 2020 U.S. Census and 2024 D&amp;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 bank's performance under the Geographic Distribution criterion compares home mortgage loans to the percentage of owner-occupied housing units within geographies by income level. These characteristics provide some insight into the overall housing credit needs and demand in low- and moderate-income geographies, which were considered when evaluating CSB's geographic lending patterns.

Low- and moderate-income families account for 20.5 percent and 17.4 percent of the families in the assessment area, respectively, with 9.7 percent of families below the poverty level. The bank's performance under the Borrower Profile criterion compares home mortgage loans to the percentage of families by income level.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage lending activity under the Borrower Profile criterion. The following table illustrates the income categories for the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>IL NA Median Family Income (99999)</b>				
2024 (\$82,800)	<\$41,400	\$41,400 to <\$66,240	\$66,240 to <\$99,360	≥\$99,360
<i>Source: FFIEC</i>				

According to 2024 D&B data, 7,992 businesses (7,116 non-farm and 876 farm) operate in the assessment area. Of these, 84.8 percent of businesses and 98.1 percent of farms reported gross annual revenues (GARs) of \$1 million or less. The percentage of businesses and farms with GARs of less than \$1 million in the assessment area indicates that opportunities exist to extend loans to small businesses and farms.

Among all farm and non-farm businesses, service industries are the largest part of businesses (30.7 percent), followed by non-classifiable establishments (17.0 percent), retail trade (12.1 percent), and agriculture, forestry and fishing (11.0 percent). In addition, 91.5 percent of businesses in the assessment have nine or fewer employees, and 89.4 percent operate from a single location.

The analysis of small business and small farm loans under the Geographic Distribution criterion compares the loans to the percentage of businesses and farms within geographies by income level, while the analysis under the Borrower Profile criterion compares the loans to the distribution of businesses by GAR level. D&B data for 2024 provides a standard of comparison when measuring small business lending performance.

Based on the 2022 USDA Census of Agriculture, 2,570 farms operated in the assessment area, of which 31.5 percent were hobby farmers, where farming was not their primary occupation. In addition, 57.6 percent of farms did not report having an interest expense, which suggests a reduced reliance on borrowing by farmers in the assessment area.

The unemployment rates in the assessment area since the last evaluation have been relatively stable, and generally similar to the unemployment rate for the State of Illinois and higher than the national average. These unemployment rates reflect a generally stable economic environment during the review period. The following table outlines the average annual (not seasonally adjusted) unemployment rates in counties located in the bank’s assessment area during the review period.

<b>Unemployment Rates</b>		
<b>Area</b>	<b>2023</b>	<b>2024</b>
	<b>%</b>	<b>%</b>
Jo Daviess County, Illinois	4.1	4.4
Stephenson County, Illinois	5.1	4.9
Carroll County, Illinois	4.4	4.6
State of Illinois	4.5	5.0
National Average	3.6	4.0
<i>Source: Bureau of Labor Statistics</i>		

**Competition**

The assessment area reflects a competitive market for financial services. According to the June 30, 2024 FDIC Deposit Market Share data, 20 financial institutions operated 43 offices in the assessment area. CSB ranked second, maintaining 12.2 percent of the deposit market share.

CSB is not required to collect or report home mortgage loan data pursuant to the reporting requirements of the Home Mortgage Disclosure Act (HMDA); however, aggregate HMDA data can provide context through a measure of area demand. The most recent aggregate HMDA data from 2023, reflects 197 lenders reported a total of 1,837 originated or purchased residential mortgage loans, and indicates a competitive market for originating or purchasing home mortgage loans in the assessment area.

The bank is not required to collect or report small business and small farm data pursuant to the reporting requirements of the CRA. The most recent aggregate CRA data from 2023 reflects 50 lenders reported a total of 902 originated or purchased small business loans, and 21 lenders originated or purchased 181 small farm loans within the bank’s assessment area. These performance context factors are a measure of demand and indicate a competitive market for originating or purchasing small business and small farm loans in the assessment area.

Aggregate HMDA, small business and small farm loan data is not used as a direct comparison to performance under the Lending Test, however, it is considered as a measure of demand.

Two other financial institutions are in Lena, Illinois, and numerous financial institutions are in Freeport, as well as throughout and adjacent to, the assessment area. The portions of the assessment area that encompass the bank's main office and the majority of branches are largely rural in nature with agricultural-related occupations that are responsible for a large portion of employment. The Freeport branch is in more of an urban area on the southwest side of the city, which has the largest number of employers.

### **Community Contacts**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs in the assessment area. This information provides examiners with insight into the opportunities available and assists in determining whether institutions are responsive to the credit needs of the assessment area. Examiners reviewed information from a recent contact with a housing organization that supports affordable housing and assists families in becoming self-sufficient. The organization's contact noted a need for affordable housing and financial literacy.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small farm loans, small business loans and affordable housing loans represent primary credit needs in the assessment area.

Community development lending, investment, and service opportunities are available within the assessment area. This conclusion is based upon an analysis of demographic information, the CRA public evaluations of area financial institutions, and community contact information. Additionally, Enterprise Zones and Tax Increment Financing (TIF) districts exist, which were established to promote small business development in the area. Also, numerous nonprofit agencies operate in the area, which provide essential services to low- and moderate-income individuals. Collectively, this data suggests opportunities exist for banks to make affordable housing, small farm, and small business loans and participate in community development activities within the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated August 1, 2022, to the current evaluation dated April 28, 2025. Examiners used the Interagency Intermediate Small (ISB) Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test, and the Community Development Test as outlined in the ISB Performance Criteria Appendix. Financial institutions must achieve a satisfactory rating under each of these tests to obtain an overall Satisfactory rating.

## **Activities Reviewed**

As of December 31, 2024, CSB's major product lines are agricultural (51.0 percent), commercial (20.4 percent), and residential (18.6 percent) loans. This conclusion is consistent with the bank's current business strategy, Call Report data, and the number and dollar volume of loans originated during the current evaluation period. Examiners equally weighed the bank's small business, small farm, and home mortgage lending in the overall rating as these three loan products make up the largest percentage of originations, by number and dollar volume, in the loan portfolio during the evaluation period. No other loan types represent a major product line or provide material support for the conclusions or rating. In addition, a review of the bank's community development loans, investments, and services is included in the analysis of community development activities since the previous evaluation.

Examiners reviewed a sample of small farm, small business, and home mortgage loans originated or renewed between January 1, 2024, and December 31, 2024. This period was considered representative of the bank's lending performance during the entire evaluation period. The 2020 US Census data provided a standard of comparison for the bank's home mortgage lending performance, while the 2024 D&B data provided a standard of comparison for the bank's small farm and small business lending performance.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage, small business, and small farm loans. While the number and dollar volume of loans are presented, examiners placed more weight on the bank's performance by number of loans, as it is a good indicator of credit responsiveness to individuals, businesses, and farms within the bank's assessment area. The following table presents the universe and loans reviewed by loan category.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Sampled Loans</b>	
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
Small Farm				
2024	316	40,199	64	11,129
Small Business				
2024	227	18,002	59	4,202
Home Mortgage				
2024	185	34,977	56	11,248

*Source: Bank Records from 01/01/24 through 12/31/24.*

For the Community Development Test, bank management provided data on qualified loans, investments, and services since the prior CRA performance evaluation dated August 1, 2022. This is the bank's first CRA performance evaluation under the ISB procedures, as its assets exceeded the small bank asset thresholds of the prior two calendar years, January 1, 2025.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

CSB demonstrated reasonable performance under the Lending Test. The LTD ratio, assessment area concentration, geographic distribution, and borrower profile performance support this conclusion.

**Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 67.6 percent over the past 10 calendar quarters from September 30, 2022, to December 31, 2024. The ratio ranged from a low of 58.6 percent as of September 30, 2022, to a high of 75.4 percent as of December 31, 2024.

The following table reflects the bank’s average net LTD ratio is lower than three of the similarly situated institutions (SSI) and is comparable to one SSI. Examiners selected these institutions based on asset size, geographic location, and lending focus. While CSB’s ratio ranks last amongst these SSIs, it is reasonable when considering the number and the dollar volume of loans sold to the secondary market as these loans are not on the bank’s balance sheet and in the Call Report information.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s) as of 12/31/2024	Average Net Loan-to-Deposit Ratio (%)
Citizens State Bank	414,513	67.6
Similarly Situated Institution #1	338,883	82.5
Similarly Situated Institution #2	288,839	98.2
Similarly Situated Institution #3	616,831	67.8
Similarly Situated Institution #4	381,412	87.7

*Source: Reports of Condition and Income 9/30/2022 through 12/31/2024*

**Assessment Area Concentration**

The bank originated a majority of home mortgage, small business, small farm loans by both number and dollar volume within the assessment area. The following table provides further details about the number and dollar volume of loans originated inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2024	42	75.0	14	25.0	56	6,716	59.7	4,532	40.3	11,248
Small Farm										
2024	56	87.5	8	12.5	64	8,954	80.5	2,175	19.5	11,129
Small Business										
2024	53	89.8	6	10.2	59	2,998	71.3	1,204	28.7	4,202

*Source: Bank Data. Due to rounding, totals may not equal 100.0%.*

## **Geographic Distribution**

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, considering the demographics, lending opportunities, and locations of the institution. The bank’s reasonable performance of small farm, small business, and home mortgage lending performance supports this conclusion. For this criterion, examiners focused on loans originated in the assessment area, the percentage by number of loans in low- and moderate-income census tracts, and performance context factors.

### ***Small Farm Loans***

The geographic distribution of small farm loans represents reasonable dispersion throughout the assessment area when performance context is considered. Performance is compared to the location of farms by census tract income level (demographic). The following table reflects the distribution of small farm loans by census tract income level.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2024	1.3	1	1.8	31	0.3
Moderate					
2024	2.3	0	0.0	0	0.0
Middle					
2024	84.6	53	94.6	8,698	97.1
Upper					
2024	11.9	2	3.6	225	2.5
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>8,954</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

CSB originated one loan in a low-income census tract, exceeding the demographic and did not originate any in moderate income census tracts. The percentage of farms operating in low-income census tracts indicates limited opportunities for lending. As a measure of demand, aggregate small business loans were considered, but not directly compared to the bank's performance. The most recent aggregate data from 2023 reflects that 0.6 and 0.0 percent, respectively, of small farm loans originated by reporting institutions were to farms in low- and moderate-income census tracts. CSB’s lending performance is reasonable given the limited opportunities to lend to farming operations in the low- and moderate-income geographies.

### ***Small Business Loans***

The geographic distribution of small business loans represents reasonable dispersion throughout the assessment area. Performance is compared to the location of businesses by census tract income level (demographic). The following table reflects the distribution of small business loans by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2024	9.3	4	7.5	355	11.8
Moderate					
2024	14.1	5	9.4	252	8.4
Middle					
2024	60.4	43	81.1	2,384	79.5
Upper					
2024	16.3	1	1.9	7	0.2
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>2,998</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

The bank’s performance in low-income census tracts was slightly below the demographic data. Although the bank is not a small business data reporter, aggregate performance provides an indication of demand in the area. Aggregate performance in 2023, the most recent year available, showed that 7.3 percent of aggregate loans were in low-income census tracts. Based on this factor, the bank’s low-income performance is reasonable.

Lending performance in moderate-income census tract also trailed the demographic data; however, it is noted that not all small businesses seek traditional bank financing and have alternative financing available through other funding sources, which limits lending opportunities. Additionally, CSB is competing with various banking institutions, of which eight are located in the moderate-income census tracts in Freeport, IL where most of the moderate-income census tracts in the assessment area are located. Considering credit needs and banking competition, the bank’s moderate-income performance is reasonable.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout this assessment area. Performance is measured against the percentage of owner-occupied housing units (demographic) within each census tract level. The following table reflects the distribution of home mortgage loans by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2024	4.0	1	2.4	90	1.3
Moderate					
2024	14.1	8	19.0	681	10.1
Middle					
2024	65.1	27	64.3	4,758	70.8
Upper					
2024	16.8	6	14.3	1,187	17.7
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>6,716</b>	<b>100.0</b>
<i>Source: 2020 US Census Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Although CSB’s performance in low-income census tracts trailed demographic data, it is noted that the bank competes for home mortgage loans with two financial institutions located in the low-income census tracts and multiple other competing financial institutions with offices closer to the two low-income census tracts than the bank’s office in Freeport, Illinois.

The bank’s performance in moderate-income census tracts exceeded demographic data. The bank’s overall performance is reasonable when considering the strength of loan originations in moderate-income census tracts, branching distance, and banking competition.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels, given the demographics of the assessment area. The bank’s reasonable performance of small farm, small business, and home mortgage lending supports this conclusion. Only loans originated in the assessment area were considered in the analysis.

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. CSB’s small farm loans were evaluated based on lending concentration to farms with GARs of \$1 million or less (demographic) in the assessment area. The following table reflects the distribution of small farms loans by revenue level.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2024	98.1	46	82.1	5,398	60.3
>\$1,000,000					
2024	1.6	9	16.1	3,546	39.6
Revenue Not Available					
2024	0.3	1	1.8	10	0.1
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>8,954</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

CSB’s lending performance to farms with GARs of \$1 million during the review period trailed demographic. However, it is important to note that demographic data represents all farms in the assessment area and is not necessarily reflective of the number of farms seeking credit.

According to the 2022 USDA Census of Agriculture, 31.5 percent of farmers were hobby farmers, and 57.6 percent did not report having an interest expense in the bank’s assessment area. Although the bank is not a small farm loan reporter, aggregate performance can help provide an indication of demand for credit. The most recent aggregate data available for 2023 reflects 44.2 percent of loans made to farms with GARs of \$1 million or less. When considering the noted factors, the bank’s level of lending to small farms is reasonable.

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. CSB’s small business loans were evaluated based on lending concentration to businesses with GARs of \$1 million or less (demographic) in the assessment area. The following table reflects the distribution of small business loans by revenue level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2024	84.8	44	83.0	2,425	80.9
>\$1,000,000					
2024	3.9	7	13.2	510	17.0
Revenue Not Available					
2024	11.2	2	3.8	63	2.1
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>2,998</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

CSB’s lending performance to businesses with GARs of \$1 million or less slightly trailed demographic data during the review period. However, it is important to note that demographic data represents all businesses in the assessment area, not only those seeking traditional bank

financing. This category includes the smallest of businesses, who often use alternative financing such as credit cards or home equity lines to finance their operations. Considering these factors the bank’s lending performance is comparable to demographic and overall reasonable.

**Home Mortgage Loans**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. Performance is measured against the percentage of families (demographic) within each census tract level. The following table reflects the distribution of home mortgage loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Tract Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2024	20.5	4	9.5	277	4.1
Moderate					
2024	17.4	7	16.7	889	13.2
Middle					
2024	22.6	9	21.4	1,451	21.6
Upper					
2024	39.5	10	23.8	2,275	33.9
Not Available					
2024	0.0	12	28.5	1,824	27.2
<b>Totals</b>					
<b>2024</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>6,716</b>	<b>100.0</b>

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

CSB’s home mortgage lending to low-income borrowers trailed demographic data; however, 9.7 percent of families in the assessment area reported incomes below the poverty level. These families are likely to face difficulties in qualifying for home mortgage loans and generally do not have the capacity to qualify for a home mortgage loan, particularly under conventional financing, limiting the demand and opportunity for lending to lower income borrowers.

The bank’s lending to moderate-income borrowers is comparable to demographic data. Overall, based on the bank’s moderate-income performance and the noted performance context factors, the bank’s performance is reasonable.

**Response to Complaints**

The bank has not received any CRA-related complaints since the prior CRA evaluation; therefore, this criterion did not affect the overall rating.

**COMMUNITY DEVELOPMENT TEST**

Overall, CSB’s performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area.

## Community Development Loans

CSB originated 26 community development loans totaling approximately \$4.2 million during the evaluation period within the assessment area, representing 1.7 percent of average net loans and 1.1 percent of average assets.

Examiners compared the bank’s community development lending to the satisfactory performance of five SSIs operating in the assessment area. CSB’s performance is similar to the SSIs community development lending activities that ranged from a low 0.4 percent to 3.0 percent of average net loans. The bank’s level of community development lending exceeded three of the SSI’s lending activities, demonstrating responsiveness to the credit needs within the assessment area. The following table illustrates the bank’s community development lending during the review period.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2022 (partial year)	3	551	0	0	0	0	1	10	4	561
2023	5	968	0	0	0	0	2	608	7	1,576
2024	6	350	0	0	4	1,330	3	212	13	1,892
2025 (year-to-date)	0	0	0	0	1	12	1	145	2	157
<b>Total</b>	<b>14</b>	<b>1,869</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1,342</b>	<b>7</b>	<b>975</b>	<b>26</b>	<b>4,186</b>
<i>Source: Bank Data</i>										

Examples of CSB’s community development loans include:

- Affordable housing loans provided 35 affordable housing units, a primary credit need in the assessment area specified by the community contact.
- A \$300 thousand loan to redevelop and revitalize retail space to help maintain jobs and bring new businesses to the assessment area.
- A \$1.1 million loan to a start-up fast food restaurant that employed 15 full-time and part-time employees, providing jobs to LMI employees in the food service industry.

## Qualified Investments

CSB made 16 qualified investments during the review period totaling approximately \$131,000, which includes approximately \$81,000 in donations to qualified organizations throughout the assessment area. Overall, the level of qualified investments, accounting for 0.1 percent of average securities, is considered minimal. While qualified investment and donations are responsive to community development needs, they are limited in comparison to the SSI’s activities which ranged from less than 0.1 percent to 14.7 percent of average securities. Many of CSB’s activity level exceeded the investments of one of the SSIs, with most activities supporting economic development in the assessment area.

A notable example of the bank’s community development investments includes an equity bond to a community development corporation from the prior period that remains outstanding as of this

evaluation period. The community development corporation makes small business loans to area businesses that are unable to obtain conventional loans.

### **Community Development Services**

During the evaluation period, eight bank employees provided 401 instances of community development services to 16 organizations, many of which involved reoccurring activities within the organizations. This level of community development services is ranked second amongst the five comparable SSIs, whose services ranged from 77 to 743 instances provided. The following table details community development services by year and type.

<b>Community Development Service</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
2022 (partial year)	4	30	11	0	45
2023	12	118	30	0	160
2024	10	111	36	0	157
2025 (year-to-date)	4	25	10	0	39
<b>Total</b>	<b>30</b>	<b>284</b>	<b>87</b>	<b>0</b>	<b>401</b>

*Source: Bank Data*

Notable examples of community development services include:

- A bank officer created a Banking Jeopardy game to teach banking and finance to high school students at two school districts in the assessment area twice a year. Two of the schools have a majority of students who are LMI.
- A bank officer serves on the board of a not-for-profit organization that provides shelter and family services for domestic violence victims.
- A bank officer serves on the board of an organization that provides affordable housing to individuals residing in the assessment area.

The bank’s Savanna branch in Carroll County is in a moderate-income census tract. The bank’s Freeport branch is in an upper-income census tract and located approximately 1.5 miles from two low- and a concentration of three moderate-income census tracts. This proximity helps those families living in the census tracts with the ability to more easily access bank services.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## APPENDICES

### INTERMEDIATE 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).

#### Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**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.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middleincome geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**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.