

PUBLIC DISCLOSURE

July 15, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sutton Bank
Certificate Number: 5962

1 South Main Street
Attica, Ohio 44807

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office
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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 area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Sutton Bank's (SB) Satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, AA credit needs, and business model.
- A majority of loans and other lending related activities are in the institution's AAs.
- The geographic distribution of loans reflects poor dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels, including low- and moderate-income (LMI).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

SB is a commercial institution headquartered in Attica, Ohio. The institution is a wholly-owned subsidiary of Sutton Bancshares Inc., a one-bank holding company also located in Attica, Ohio. Examiners assigned a "Satisfactory" rating at the previous FDIC CRA Performance Evaluation dated July 8, 2019, following Interagency Intermediate Small Institution Examination Procedures.

The bank operates eight full-service branches and one loan production office within Ashland, Huron, Richland, and Seneca counties. Each branch has a deposit-taking automated teller machine (ATM). Additionally, SB operates the following three stand-alone ATMs: Blooming Grove Auction (accepts deposits) in Shiloh, Ohio; Mercy Hospital in Willard, Ohio; and Miller Brothers Grocery in New London, Ohio. SB did not open or close any branches and no merger or acquisition activity occurred since the previous evaluation.

SB's business model focuses primarily on its alternative banking services including internet and mobile banking, electronic bill pay, remote wallet, and an array of gift and prepaid cards. These programs have significantly outgrown its traditional consumer and commercial deposit and loan

services. Deposit services include checking, savings, and money market accounts. Loan products include commercial, home mortgage, agricultural, and consumer loans, focusing primarily on small business and home mortgage lending in its AAs.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020, and authorized the Small Business Administration (SBA) to guarantee \$349.0 billion in loans under a new Paycheck Protection Program (PPP). The intent of the CARES Act was for the SBA to provide relief to America’s small businesses expeditiously by giving all lenders delegated authority and streamlining the requirements of the regular 7(a) loan program. In addition, the PPP and HealthCare Enhancement Act became law on April 24, 2020, and authorized an additional \$310.0 billion for guarantees of PPP loans. SB originated 595 loans in 2021 totaling approximately \$24.3 million under the PPP program. In 2020, the bank originated 440 PPP loans totaling \$60.6 million. The bank’s PPP lending demonstrates the bank’s willingness to meet the credit needs of its community by moving quickly to provide small business relief during the COVID-19 pandemic.

As of March 31, 2022, the bank’s assets were approximately \$1.4 billion and included total loans of \$313.1 million and total securities of \$159.8 million. The bank’s total deposits were approximately \$1.3 billion. The net loan portfolio increased by 15.5 percent since the prior evaluation, and the composition of the loan portfolio remained largely consistent over the review period. The following table illustrates the bank’s loan portfolio distribution using data from the most recently available Consolidated Report of Condition and Income (Call Report).

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	10,247	3.3
Secured by Farmland	32,344	10.3
Secured by 1-4 Family Residential Properties	41,325	13.2
Secured by Multifamily (5 or more) Residential Properties	7,512	2.4
Secured by Nonfarm Nonresidential Properties	129,467	41.4
Total Real Estate Loans	220,895	70.6
Commercial and Industrial Loans	80,416	25.7
Agricultural Production and Other Loans to Farmers	7,638	2.4
Consumer Loans	3,927	1.3
Obligations of State and Political Subdivisions in the U.S.	262	0.1
Other Loans	116	<0.1
Lease Financing Receivable (net of unearned income)	54	<0.1
Less: Unearned Income	(194)	(0.1)
Total Loans	313,114	100.0
<i>Source: Call Report</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires institutions to define one or more AAs for evaluating the institution's record of serving the credit needs of its community. The bank maintains two geographically contiguous AAs: Ashland, Huron, and Seneca counties, which are not located in a Metropolitan Statistical Area (MSA); and Richland County, located in the Mansfield, Ohio MSA. A majority of the bank's branches, loans, and deposits are within the Non-MSA Ohio AA; therefore, examiners placed greater emphasis on the performance within this AA in overall conclusions and ratings. Examiners completed full-scope reviews of both AAs. SB's designation is in conformance with CRA requirements, as it consists of whole contiguous census tracts (CTs) and does not arbitrarily exclude LMI geographies.

Examiners analyzed and presented general conclusions for the overall AA, and separate conclusions for the two AAs due to differences in demographics and other performance context information. Refer to the individual AA performance discussions for additional information on economic and demographic data and other performance context information.

SCOPE OF EVALUATION

General Information

The evaluation period is from the previous evaluation, dated July 8, 2019, to the current performance evaluation date of July 15, 2022. Examiners used the Intermediate Small Institution Examination Procedures to evaluate the bank's performance. These procedures include the Lending Test and the Community Development Test. The performance criterion for each test is contained in the Appendix. Banks must achieve a rating of at least "Satisfactory" under each test to obtain an overall "Satisfactory" rating.

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the number and dollar volume of loans originated during the evaluation period, the composition of the bank's loan portfolio, and the bank's business strategy. Collectively, these two loan categories comprise approximately 82.7 percent of SB's total loan portfolio. Given the higher volume of originations, examiners weighted small business lending heavier than home mortgage lending when arriving at overall conclusions. Agricultural and consumer loans did not represent major product lines and represented a nominal volume of the portfolio; therefore, examiners did not evaluate these loan types. Bank records indicate the lending focus and product mix remained consistent throughout the evaluation period.

The bank originated or renewed 584 small business loans totaling approximately \$73.9 million in 2020, and examiners sampled 63 loans totaling \$7.9 million. The bank originated or renewed 478 small business loans totaling approximately \$46.6 million in 2021, and examiners sampled 60 loans totaling \$4.6 million. Examiners confirmed that 2020 and 2021 small business lending is representative of the bank's small business lending throughout the evaluation period. D&B data from each respective year provided the standards of comparison for the sampled small business loans.

Additionally, examiners analyzed all home mortgage loans reported on the bank's 2020 and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The bank reported 197 loans totaling \$30.7 million in 2020, and 138 loans totaling \$23.0 million in 2021. Examiners identified a material difference between the years that affected conclusions. Therefore, examiners presented information for both 2020 and 2021, and aggregate data served as the primary standard of comparison for home mortgage lending throughout the review period.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans as this is a better indicator of the number of businesses and individuals served. In evaluating the geographic distribution and borrower profile criteria for each AA, examiners only evaluated loans extended within each respective AA.

For the Community Development Test, examiners considered all applicable community development loans, qualified investments and donations, and community development services since the previous CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SB demonstrated reasonable performance under the Lending Test. The borrower profile and AA concentration performance primarily support this conclusion. The following sections detail overall conclusions for each of the Lending Test performance criteria. Please refer to the separate analyses of each AA for greater detail of the bank's performance.

Loan-to-Deposit Ratio

SB's LTD ratio is reasonable given the institution's size, financial condition, AA credit needs, and business model. The LTD ratio, calculated from Call Report data, averaged 37.2 percent over the previous 11 calendar quarters from September 30, 2019, to March 31, 2022. The LTD ratio ranged from a low of 21.8 percent as of December 31, 2021, to a high of 54.6 percent as of September 30, 2019. The 11-quarter average represents a substantial decline from the 64.5 percent LTD ratio average from the previous evaluation. However, SB's primary business model requires the use of significant deposits to support the operational requirement for processing its alternative banking services. As previously discussed, these alternative banking services have significantly outgrown its traditional consumer and commercial deposit and loan services since the last evaluation, and the deposits needed to support those programs are derived from sources outside of local consumer deposits. SB also maintains commercial deposits that are used for processing the alternative banking products. Approximately 90.0 percent of deposits held at the institution are used in this capacity and are not available for lending.

Examiners identified four similarly-situated institutions based on asset size, geography, and loan portfolio distribution. Despite SB's LTD ratio being significantly below all four similarly-situated institutions, the LTD is consistent with its business model. Additionally, adjusting for the alternative products, the LTD would be comparable to these institutions.

LTD Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
Sutton Bank	1,380,932	37.2
Similarly-Situated Institution #1	1,281,836	79.3
Similarly-Situated Institution #2	1,448,653	89.6
Similarly-Situated Institution #3	1,105,617	81.3
Similarly-Situated Institution #4	1,551,763	80.3
<i>Source: Call Report 9/30/2019 - 3/31/2022</i>		

Assessment Area Concentration

A majority of loans are in the institution’s AAs. The following table illustrates lending activity by number and dollar volume inside and outside the AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	46	73.0	17	27.0	63	5,139	65.4	2,723	34.6	7,862
2021	38	63.3	22	36.7	60	2,671	57.7	1,962	42.3	4,633
Subtotal	84	68.3	39	31.7	123	7,810	62.5	4,685	37.5	12,495
Home Mortgage										
2020	149	75.6	48	24.4	197	21,409	69.8	9,250	30.2	30,659
2021	110	79.7	28	20.3	138	15,145	66.0	7,807	34.0	22,952
Subtotal	259	77.3	76	22.7	335	36,554	68.2	17,057	31.8	53,611
<i>Source: Bank Data, due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the AAs. Conclusions considered the bank’s lending volume of small business and home mortgage loans within each AA, the level of competition, and comparison to aggregate performance and demographic data. Examiners focused on the percentage by number of loans in LMI CTs.

This overall conclusion is driven by poor performance in the Non-MSA Ohio AA, which carried greater weight when arriving at overall conclusions. Performance in the Mansfield MSA AA is reasonable. Conclusions and supporting data for performance in each AA are discussed in the relevant AA sections of this evaluation.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels, including LMI. Examiners focused on the percentage by number of small business loans to businesses with gross annual revenues (GARs) of \$1.0 million or less, and the percentage by number of home mortgage loans to LMI borrowers.

Reasonable performance in both the Non-MSA Ohio AA and the Mansfield MSA AA support the overall conclusion. Conclusions and supporting data for performance in each AA are discussed in the relevant AA sections of this evaluation.

Response to Complaints

The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

SB's community development performance demonstrates adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities in the institution's AAs. For performance conclusions within each AA, refer to the subsequent sections of this evaluation.

Community Development Loans

SB originated 11 community development loans totaling approximately \$18.6 million during the evaluation period. This level of activity represents 1.3 percent of total assets and 5.9 percent of total loans. SB's community development lending performance compared favorably to five similarity-situated banks, whose community development loans ranged from 0.3 percent to 3.1 percent of total loans. Due to the timing of the evaluation, SB's performance includes PPP loans for both 2020 and 2021, and most peer performance data does not. A majority of the bank's qualified community development loans were PPP loans that promoted economic development or revitalization and stabilization. Excluding PPP loans, SB's level of community development lending of \$5.6 million for 6 loans represents 0.4 percent of total assets and 1.8 percent of total loans, which continues to compare favorably to similarly-situated banks. SB's total community development lending activities increased significantly from the prior evaluation when the bank originated 6 community development loans totaling \$7.3 million.

Examiners provide detailed discussion of lending activities in subsequent sections of the evaluation. The following table displays the bank's overall lending activity by AA and purpose, including two loans totaling approximately \$7.9 million that were outside the AA, but benefited the state of Ohio.

Community Development Lending										
AA	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA Ohio	-	-	-	-	3	1,589	2	3,985	5	5,574
Mansfield MSA	1	258	1	775	1	3,256	1	750	4	5,039
Total in AA	1	258	1	775	4	4,845	3	4,735	9	10,613
Ohio	-	-	-	-	1	4,664	1	3,275	2	7,940
Total	1	258	1	775	5	9,510	4	8,010	11	18,553

Source: Bank Data

Community development loans that benefited the State of Ohio include:

- In 2020, SB originated a \$3.3 million PPP loan to a business in a moderate-income CT in Cuyahoga County to retain jobs and stabilize the area during the pandemic. (Revitalize or Stabilize)
- In 2020, SB originated a \$4.7 million PPP loan to a small business in a low-income CT in Marion County to retain LMI jobs during the pandemic. (Economic Development)

Qualified Investments

During the evaluation period, SB made 46 qualified investments and donations totaling approximately \$2.2 million. This dollar amount of qualified investments equates to 0.2 percent of total assets and 1.4 percent of total securities. SB's performance is in-line with its performance at the previous evaluation as well as the performance of five similarly-situated institutions, which ranged from 0.4 percent to 6.7 percent of total securities. The following table displays the bank's overall investment activity by AA and purpose.

Qualified Investments										
AA	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA Ohio	1	2	31	106	1	15	1	1,000	34	1,123
Mansfield MSA	-	-	11	1,048	-	-	1	1	12	1,049
Total	1	2	42	1,154	1	15	2	1,001	46	2,172

Source: Bank Data

Community Development Services

During the evaluation period, bank employees provided 18 instances of financial expertise or technical assistance to different community development-related organizations across the AAs. The level of community development services is similar to the bank's performance at the previous evaluation. Similarly-situated institutions had approximately 18 to 78 community development services for comparable timeframes. SB's community development service activities are lower than four of the five similarly-situated banks reviewed for comparison purposes. The following table displays the bank's overall service activity by AA and purpose.

Community Development Services			
AA	Community Services	Revitalize or Stabilize	Total
	#	#	#
Non-MSA Ohio	6	4	10
Mansfield MSA	8	-	8
Total	14	4	18

Source: Bank Data

All of SB’s branches and ATMs are located in middle- or upper-income CTs. However, two branches and corresponding ATMs are within middle-income CTs designated as Distressed Middle-Income Nonmetropolitan Tracts in 2019 and 2020 due to unemployment rates of at least 1.5 times the national average.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

NON-MSA OHIO AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA OHIO AA

Examiners performed a full-scope review of SB’s performance in this AA, which includes all CTs in Ashland, Huron, and Seneca Counties. The majority of the bank’s branches, loans, and deposits are within this AA.

Economic and Demographic Data

SB operates six full-service branches within this AA. The AA consists of 38 CTs with the following income designations, according to the 2015 American Community Survey (ACS) data:

- 0 low-income tracts
- 6 moderate-income tract
- 25 middle-income tracts
- 7 upper-income tracts

Since the last evaluation, the income designations of one tract changed from middle- to upper-income. This AA also included nine middle-income tracts designated as Distressed Middle-Income Nonmetropolitan Tracts, for unemployment, for half of the evaluation period. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA Ohio						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	38	0.0	15.8	65.8	18.4	0.0
Population by Geography	168,055	0.0	13.4	67.3	19.3	0.0
Housing Units by Geography	71,197	0.0	14.4	66.0	19.6	0.0
Owner-Occupied Units by Geography	45,967	0.0	11.3	66.8	21.9	0.0
Occupied Rental Units by Geography	18,525	0.0	22.1	62.9	15.0	0.0
Vacant Units by Geography	6,705	0.0	13.7	69.3	17.0	0.0
Businesses by Geography	8,786	0.0	13.5	65.0	21.5	0.0
Farms by Geography	832	0.0	5.0	67.3	27.6	0.0
Family Distribution by Income Level	44,160	19.0	17.7	22.8	40.4	0.0
Household Distribution by Income Level	64,492	21.1	16.5	19.0	43.4	0.0
Median Family Income Non-MSAs - OH		\$55,785	Median Housing Value			\$111,632
			Median Gross Rent			\$653
			Families Below Poverty Level			11.2%

Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

According to 2021 D&B data, primary industries throughout the AA are Services (37.7 percent); followed by Retail (13.2 percent); Non-Classifiable Establishments (8.9 percent); Agriculture, Forestry, and Fishing (8.7 percent); and Finance, Insurance, and Real Estate (8.0 percent). Major employers in the AA include Charles River Laboratories, Mercy Tiffin Hospital, Ameriwood Industries, Ashland University, Samaritan Regional Health System, Ashland County, BCU Electric LLC, and Ashland City Schools.

The analysis of small business loans under the borrower profile criterion compares the distribution of the institution’s small business loans by the GAR of the business. According to 2021 D&B data, the AA contains 8,786 non-farm businesses with the following GAR levels:

- 79.8 percent have \$1.0 million or less,
- 5.9 percent have more than \$1.0 million, and
- 14.3 percent have unknown revenues.

According to 2015 ACS data, the AA contains 71,197 housing units, of which 64.6 percent are owner-occupied, 26.0 percent are renter-occupied, and 9.4 percent are vacant. The analysis of home mortgage loans under the geographic distribution criterion compares the bank’s lending activities to the percentages of owner-occupied housing units, and aggregate performance, by tract income levels.

The analysis of home mortgage loans under the borrower profile criterion compares the distribution of loans by the borrower’s income level. The income levels represent the Federal Financial Institutions Examination Council’s (FFIEC) adjusted median family income (MFI) ranges by year. The following table illustrates the MFI levels for the AA.

Non-MSA Ohio Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$63,400)	<\$31,700	\$31,700 to <\$50,720	\$50,720 to <\$76,080	≥\$76,080
2021 (\$64,700)	<\$32,350	\$32,350 to <\$51,760	\$51,760 to <\$77,640	≥\$77,640

Source: FFIEC

AA unemployment data, obtained from the U.S. Bureau of Labor Statistics, shows fluctuating rates that were generally similar to state and national rates in Ashland and Seneca counties. Unemployment rates for Huron County were consistently higher than state and national data. The increased unemployment rates in 2020 were driven by the COVID-19 pandemic and indicate a weakened labor force and potential decrease in lending opportunities; however, unemployment rates improved in 2021 and more closely reflected 2019 unemployment rates. The following table illustrates relevant unemployment rates during the evaluation period.

Non-MSA Ohio - Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Ashland County	4.2	6.5	4.3
Huron County	5.8	9.5	5.8
Seneca County	4.2	8.1	4.7
State	4.2	8.3	5.2
National Average	3.7	8.1	5.4

Source: Bureau of Labor Statistics

Competition

There is a moderate level of competition for financial services in the AA. As of the June 30, 2021, FDIC deposit market share data, 19 financial institutions operate 54 offices within Ashland, Huron, and Seneca counties. Of these, SB ranks 1st with 24.5 percent of the deposit market share.

Although SB is not subject to CRA data collection and reporting requirements for small business loan activity, the market share data provides a measurement of the level of competition for small business loans in the AA. Aggregate data for 2020 shows that 74 institutions reported 2,318 small business loans in the AA, indicating a moderate degree of competition for this product. The five most prominent business lenders accounted for 45.2 percent of total market share. In 2021, 73 lenders reported 2,436 small business originations in the AA. The top five lenders accounted for 50.8 percent of the small business market share.

There is a high level of competition in the AA for home mortgage lending from local, regional, and national institutions as well as national mortgage lenders. Aggregate HMDA data for 2020 and

2021 provides insight into competition for home mortgage loans in the AA. In 2020, 224 lenders reported 5,359 home mortgage originations and purchases, indicating a high level of competition for this product. Of these institutions, SB ranked 17th with a market share of 1.9 percent. The five most prominent home mortgage lenders accounted for 30.0 percent of total market share. In 2021, 241 lenders reported 5,681 originated or purchased home mortgage loans in the AA. Of those institutions, SB ranked 21st with 1.5 percent of the market share. The five most prominent home mortgage lenders accounted for 37.1 percent of total market share.

Community Contact

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

Examiners interviewed a representative from a local economic development agency. The contact stated that economic conditions in the area are improving and returning to pre-pandemic conditions. The contact identified agricultural and manufacturing as industries performing well in the AA. The contact stated that new home construction and affordable housing continue to be needs in this area. The contact described a recent impactful community development project in the area, which was the Transformation Life Center homeless shelter. The contact noted that most banks have been involved with LMI CTs and families, and SB is one of two leaders in the area for community development involvement.

Credit and Community Development Needs and Opportunities

Considering information obtained 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 the AA. Further, the AA has community development needs including affordable housing and revitalization and stabilization.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA OHIO AA

LENDING TEST

SB demonstrated reasonable performance under the Lending Test. Borrower profile performance primarily supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Non-MSA Ohio AA. Poor small business and home mortgage performance support this conclusion. This AA does not contain any low-income CTs; therefore, examiners focused on the bank's lending in moderate-income CTs.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the AA. As shown in the following table, small business loans to borrowers in moderate-income CTs in 2020 was

higher than demographic data. However, none of the sampled small business loans extended in 2021 were to borrowers operating in moderate-income CTs.

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA Ohio					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2020	13.7	6	17.1	646	25.1
2021	13.5	0	0.0	0	0.0
Middle					
2020	65.3	25	71.4	1,376	53.5
2021	65.0	21	87.5	612	75.6
Upper					
2020	21.0	4	11.4	550	21.4
2021	21.5	3	12.5	197	24.4
Totals					
2020	100.0	35	100.0	2,574	100.0
2021	100.0	24	100.0	809	100.0

Source: 2020 and 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the AA. SB’s home mortgage lending performance to borrowers in moderate-income CTs in 2020 trailed both aggregate performance and demographic data. Although home mortgage lending to borrowers in moderate-income CTs increased in 2021, performance still trailed demographic data and aggregate performance. See the following table for details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA Ohio						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2020	11.3	10.7	3	3.0	243	1.8
2021	11.3	10.4	6	7.1	638	5.8
Middle						
2020	66.8	66.5	75	75.0	9,249	70.0
2021	66.8	68.7	65	77.4	8,538	77.9
Upper						
2020	21.9	22.7	22	22.0	3,720	28.2
2021	21.9	20.8	13	15.5	1,777	16.2
Totals						
2020	100.0	100.0	100	100.0	13,211	100.0
2021	100.0	100.0	84	100.0	10,954	100.0
<i>Source: 2015 ACS; Bank Data, 2020-2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Reasonable small business and home mortgage performance support this conclusion. Examiners focused on the percentages of businesses with GARs of \$1.0 million or less, and home mortgage loans to LMI borrowers.

Small Business Loans

The distribution of borrowers reflects reasonable penetration to businesses with GARs of \$1.0 million or less. In 2020, sampled small business loans to businesses with GARs of \$1.0 million or less only slightly trailed demographic data. In 2021, all but one sampled small business loan was extended to businesses with GARs of \$1.0 million or less, which exceeded the demographic data. The following table shows the distribution of small business loans by GAR level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA Ohio					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2020	79.5	25	71.4	1,316	51.1
2021	79.7	23	95.8	802	99.1
>\$1,000,000					
2020	6.2	10	28.6	1,258	48.9
2021	5.9	1	4.2	7	0.9
Revenue Not Available					
2020	14.3	0	0.0	0	0.0
2021	14.3	0	0.0	0	0.0
Totals					
2020	100.0	35	100.0	2,574	100.0
2021	100.0	24	100.0	809	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

SB's distribution of borrowers reflects reasonable penetration among individuals of different income levels, including LMI borrowers. SB's lending to low-income borrowers trails the percentage of low-income families throughout the review period; however, this category includes 11.2 percent of families with incomes below the poverty level. These families face difficulty qualifying for loans in amounts necessary to finance homes in the AA. SB's lending to low-income borrowers was on par with 2020 aggregate data, and only slightly trailed 2021 aggregate data.

The bank's lending to moderate-income borrowers trailed aggregate performance and demographic data in 2020, but more than doubled to surpass demographic data and aggregate performance in 2021. Considering these factors, the bank's performance is reasonable. See the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA Ohio						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.0	6.9	6	6.0	461	3.5
2021	19.0	7.9	5	6.0	373	3.4
Moderate						
2020	17.7	20.6	10	10.0	864	6.5
2021	17.7	22.0	20	23.8	1,728	15.8
Middle						
2020	22.8	24.4	25	25.0	2,992	22.6
2021	22.8	25.4	17	20.2	1,846	16.9
Upper						
2020	40.4	33.7	45	45.0	7,136	54.0
2021	40.4	30.3	38	45.2	6,536	59.7
Not Available						
2020	0.0	14.4	14	14.0	1,758	13.3
2021	0.0	14.5	4	4.8	471	4.3
Totals						
2020	100.0	100.0	100	100.0	13,211	100.0
2021	100.0	100.0	84	100.0	10,954	100.0

Source: 2015 ACS; Bank Data, 2020-2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

COMMUNITY DEVELOPMENT TEST

SB demonstrates adequate responsiveness to community development needs in the Non-MSA Ohio AA through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities. The Non-MSA Ohio AA received more weight in the overall conclusions given the volume of branches, loans, and deposits in this AA.

Community Development Loans

SB originated five community development loans totaling approximately \$5.6 million during the evaluation period in this AA. All of the bank’s qualified community development loans were for the purpose of economic development or revitalization and stabilization of this area. The following table illustrates the bank’s activity by year and purpose.

Community Development Lending - Non-MSA Ohio AA						
Year	Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$
2020	1	1,009	2	3,985	3	4,994
2021	1	350	-	-	1	350
2022 (YTD)	1	230	-	-	1	230
Total	3	1,589	2	3,985	5	5,574

Source: Bank Data

Notable examples of qualified community development loans include:

- In 2020, SB originated a \$2.9 million PPP loan to a business in a middle-income distressed CT to retain jobs during the pandemic. The CT is distressed due to high unemployment levels. (Revitalize or Stabilize)
- In 2021, SB originated a \$350,000 loan to a small business in a moderate-income CT which retained 10 jobs as a result of this financing. (Economic Development)

Qualified Investments

SB made 34 qualified investments and donations totaling \$1.1 million during the evaluation period. The table below details the qualified investments. Similar to the previous evaluation, the majority of donations were made to community service organizations, which provided targeted services to LMI individuals.

Qualified Investments by Year - Non-MSA Ohio AA										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021	-	-	-	-	-	-	1	1,000	1	1,000
Qualified Grants & Donations	1	2	31	106	1	15	-	-	33	123
Total	1	2	31	106	1	15	1	1,000	34	1,123

Source: Bank Data

The following are notable examples of the qualified investments and donations:

- In 2021, SB invested \$1.0 million in a CDFI that will revitalize and stabilize moderate-income CTs in Seneca County to help those individuals have access to banking services they may not have had otherwise. (Revitalize or Stabilize)
- In 2021, SB made a \$15,000 donation to an organization for a partnership in workforce development and skills training for LMI individuals. (Economic Development)
- SB made 31 donations totaling approximately \$106,000 to organizations that provide services to LMI families, such as youth programs and basic community needs. (Community Services)

Community Development Services

During the evaluation period, bank employees provided 10 instances of financial expertise or technical assistance in this AA. The following table illustrates the bank's community development services by year and purpose.

Community Development Services – Non-MSA Ohio AA			
Year	Community Services	Revitalize or Stabilize	Total
	#	#	#
2019 (Partial)	2	1	3
2020	1	1	2
2021	2	1	3
2022 (YTD)	1	1	2
Total	6	4	10
<i>Source: Bank Data</i>			

Notable examples of community development services include:

- One employee taught a financial literacy course to high school students where a majority of the students are eligible for free or reduced-price school lunches. (Community Services)
- One employee served on the committee of a non-profit organization with the mission to retain, expand, and attract residents and jobs in moderate-income CTs in Seneca County. The organization also works to renovate dilapidated residential properties to improve the area. (Revitalize or Stabilize)

MANSFIELD MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MANSFIELD MSA AA

Examiners performed a full-scope review of SB’s performance in this AA, which includes all CTs in Richland County. Given the volume of branches, loans, and deposits in the Mansfield MSA AA, examiners did not rely heavily on performance in this AA when reaching overall conclusions.

Economic and Demographic Data

SB operates two full-service branches in this AA. The AA consists of 30 CTs with the following income designations according to the 2015 ACS data:

- 2 low-income tracts
- 7 moderate-income tract
- 16 middle-income tracts
- 5 upper-income tracts

There were no changes to income tract designations since the last evaluation. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Mansfield MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs)	30	6.7	23.3	53.3	16.7	0.0
Population by Geography	122,312	3.9	16.8	57.4	21.8	0.0
Housing Units by Geography	54,353	4.9	19.6	54.1	21.3	0.0
Owner-Occupied Units by Geography	33,004	2.2	13.6	57.9	26.3	0.0
Occupied Rental Units by Geography	15,099	8.6	26.2	50.2	15.0	0.0
Vacant Units by Geography	6,250	10.4	35.8	43.5	10.3	0.0
Businesses by Geography	6,952	9.3	15.0	48.5	27.2	0.0
Farms by Geography	372	1.3	7.5	61.8	29.3	0.0
Family Distribution by Income Level	30,471	20.6	18.5	20.9	40.0	0.0
Household Distribution by Income Level	48,103	22.1	17.4	18.6	41.8	0.0
Median Family Income MSA - 31900 Mansfield, OH MSA		\$54,044	Median Housing Value			\$98,415
			Median Gross Rent			\$619
			Families Below Poverty Level			12.5%

Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

According to 2021 D&B data, primary industries throughout the AA are Services (41.0 percent); followed by Retail (14.9 percent); Non-Classifiable Establishments (8.7 percent); Finance, Insurance, and Real Estate (8.3 percent); and Construction (7.9 percent). Major employers in the AA include OhioHealth, Newman Technologies, Stoneridge Inc., Startek, Arcelor Mittal, Jay Industries, Charter Next Generation, and The Gorman-Rupp Company.

According to 2021 D&B data, the AA contains 6,952 non-farm businesses with the following GAR levels:

- 78.5 percent have \$1.0 million or less,
- 5.8 percent have more than \$1.0 million, and
- 15.7 percent have unknown revenues.

According to 2015 ACS data, the AA contains 54,353 housing units, of which 60.7 percent are owner-occupied, 27.8 percent are renter-occupied, and 11.5 percent are vacant.

The following table illustrates the MFI levels for the AA.

Mansfield MSA AA Median Family Income				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$66,300)	<\$33,150	\$33,150 to <\$53,040	\$53,040 to <\$79,560	≥\$79,560
2021 (\$61,500)	<\$30,750	\$30,750 to <\$49,200	\$49,200 to <\$73,800	≥\$73,800

Source: FFIEC

AA unemployment data, obtained from the U.S. Bureau of Labor Statistics, shows fluctuating rates that were consistently higher than state and national rates. The unemployment rates increased significantly in 2020 due to the COVID-19 Pandemic; however, unemployment rates improved in 2021 and more closely reflected 2019 unemployment rates. The following table illustrates relevant unemployment rates during the evaluation period.

Mansfield MSA - Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Richland County	4.6	9.0	5.6
State	4.2	8.3	5.2
National Average	3.7	8.1	5.4

Source: Bureau of Labor Statistics

Competition

There is a moderate level of competition for financial services in the AA. As of the June 30, 2021, FDIC deposit market share data, 13 financial institutions operate 40 offices within Richland County. Of these, SB ranks 9th with 2.5 percent of the deposit market share.

Although SB is not subject to CRA data collection and reporting requirements for small business loan activity, the market share data provides a measurement of the level of competition for small business loans in the AA. Aggregate small business data for 2020 shows that 77 institutions reported 1,850 small business loans in the AA, indicating a moderate degree of competition for this product. The five most prominent business lenders accounted for 56.5 percent of total market share. In 2021, 68 lenders reported 1,940 small business originations. The top five lenders accounted for 59.4 percent of the small business market share.

There is a high level of competition in the AA for home mortgage lending. In 2020, 205 lenders reported 4,183 originated or purchased home mortgage loans. Of those institutions, SB ranked 13th with a market share of 1.2 percent. The five most prominent home mortgage lenders accounted for 46.2 percent of total market share. In 2021, 206 lenders reported 4,563 originated or purchased home mortgage loans in the AA. Of those institutions, SB ranked 28th with 0.6 percent of the market share. The five most prominent lenders accounted for 44.1 percent of total market share.

Community Contact

Examiners interviewed a representative from a local economic development agency. The contact stated that the economic conditions of the area are favorable, except for the significant inflation challenges that are similar to the rest of the country. The area rebounded from the pandemic-related struggles, except for the food and service industry where staffing issues continue. The contact noted the manufacturing industry in the area made adjustments during the pandemic to maintain productivity through modernization efforts. The contact stated that small business lending continues to be the primary credit need of the area, and healthcare continues to be the largest and fastest growing sector. The contact shared that the lack of available industrial space in this area is the primary challenge for increasing jobs.

The community contact explained that the area presents ample opportunities for banks to participate in community development projects. The contact noted that the revitalization efforts in the Mansfield MSA AA has been excellent for the community, and that most banks have been meeting the credit and community development needs of the AA. SB was highlighted as one of three leaders in the area for community development involvement, and the contact noted the leaders' involvement on local Boards of Directors for organizations that assist with community and economic development efforts in the area.

Credit and Community Development Needs and Opportunities

Considering information obtained 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 the AA. Further, the AA has community development needs including revitalization and stabilization, and economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MANSFIELD MSA AA

LENDING TEST

SB demonstrated reasonable performance under the Lending Test. Geographic distribution and borrower profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Mansfield MSA AA. Reasonable small business and home mortgage performance supports this conclusion. Examiners focused on the percentages of small business and home mortgage loans in LMI CTs.

Small Business Loans

The geographic distribution of the small business loans reflects reasonable dispersion throughout the AA. As shown in the following table, sampled small business loans to borrowers in low-income CTs in 2020 doubled the percent of businesses in that area. However, none of the sampled small business loans in 2021 were in low-income CTs.

In 2020, small business loans in moderate-income CTs exceeded the demographic data, while performance in 2021 only slightly trailed demographic data.

Geographic Distribution of Small Business Loans					
Assessment Area: Mansfield MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	9.2	2	18.2	718	28.0
2021	9.3	0	0.0	0	0.0
Moderate					
2020	15.0	2	18.2	262	10.2
2021	15.0	2	14.3	120	6.4
Middle					
2020	48.3	3	27.2	905	35.3
2021	48.5	9	64.3	1,149	61.7
Upper					
2020	27.5	4	36.4	680	26.5
2021	27.2	3	21.4	593	31.9
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2020	100.0	11	100.0	2,565	100.0
2021	100.0	14	100.0	1,862	100.0

Source: 2020 and 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. SB did not make any home mortgage loans to borrowers in low-income CTs in 2020 or 2021. However, demographic and aggregate data evidence nominal opportunity and demand for home mortgage loans to borrowers in these tracts.

SB's lending to borrowers in moderate-income CTs in 2020 was double aggregate performance and exceeded the demographic data. Although SB's home mortgage lending performance declined in 2021 and fell below demographic data in moderate-income CTs, the bank's performance nonetheless exceeded aggregated performance. See the following table for details.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Mansfield MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	2.2	0.5	0	0.0	0	0.0
2021	2.2	0.7	0	0.0	0	0.0
Moderate						
2020	13.6	8.3	8	16.3	1,013	12.4
2021	13.6	10.1	3	11.5	684	16.3
Middle						
2020	57.9	57.5	23	46.9	4,742	57.8
2021	57.9	58.5	18	69.2	2,684	64.0
Upper						
2020	26.3	33.6	18	36.7	2,443	29.8
2021	26.3	30.3	5	19.2	824	19.7
Totals						
2020	100.0	100.0	49	100.0	8,198	100.0
2021	100.0	100.0	26	100.0	4,191	100.0

Source: 2015 ACS; Bank Data, 2020-2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Reasonable small business performance primarily supports this conclusion. Examiners focused on the percentages of businesses with GARs of \$1.0 million or less and home mortgage loans to LMI borrowers.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Although sampled small business loans in 2020 to businesses with GARs of \$1.0 million or less trailed the demographic data, performance improved in 2021 and slightly exceeded demographic data, resulting in reasonable performance overall. The following table shows the distribution of small business loans by GAR level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Mansfield MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2020	78.8	7	63.6	603	23.5
2021	78.5	11	78.6	1,045	56.1
>\$1,000,000					
2020	5.8	4	36.4	1,962	76.5
2021	5.8	3	21.4	817	43.9
Revenue Not Available					
2020	15.3	0	0.0	0	0.0
2021	15.7	0	0.0	0	0.0
Totals					
2020	100.0	11	100.0	2,565	100.0
2021	100.0	14	100.0	1,862	100.0

Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

SB's distribution of borrowers reflects poor penetration among individuals of different income levels, including LMI borrowers. SB's lending to low-income borrowers trails the percentage of low-income families in the AA; however, this category includes 12.5 percent of families with incomes below the poverty level. As stated previously, these families face difficulty qualifying for loans in amounts necessary to finance homes in the AA. Aggregate data serves as a better comparison for bank performance, and in 2020, the bank's performance significantly trailed aggregate performance. In 2021, the bank did not extend any loans to borrowers in low-income tracts, which significantly trailed aggregate performance.

The bank's lending to moderate-income borrowers significantly trailed aggregate performance and demographic data in 2020, and the bank did not extend any loans to moderate-income borrowers in 2021. Overall, the bank's performance is poor. See the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Mansfield MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	20.6	8.3	1	2.0	73	0.9
2021	20.6	6.5	0	0.0	0	0.0
Moderate						
2020	18.5	21.1	5	10.2	564	6.9
2021	18.5	19.9	0	0.0	0	0.0
Middle						
2020	20.9	22.1	6	12.2	862	10.5
2021	20.9	23.2	1	3.8	83	2.0
Upper						
2020	40.0	32.3	25	51.0	5,343	65.2
2021	40.0	35.4	18	69.2	2,795	66.7
Not Available						
2020	0.0	16.2	12	24.5	1,356	16.5
2021	0.0	15.0	7	26.9	1,314	31.3
Totals						
2020	100.0	100.0	49	100.0	8,198	100.0
2021	100.0	100.0	26	100.0	4,191	100.0

Source: 2015 ACS; Bank Data, 2020-2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.

COMMUNITY DEVELOPMENT TEST

SB demonstrates adequate responsiveness to community development needs in the Mansfield MSA AA through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities. The Mansfield MSA AA received less weight in the overall conclusions given the volume of branches, loans, and deposits from this AA.

Community Development Loans

SB originated four community development loans totaling approximately \$5.0 million during the evaluation period in this AA. The following table illustrates the bank’s activity by year and purpose.

Community Development Lending – Mansfield MSA AA										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	-	-	1	775	-	-	1	750	2	1,525
2020	1	258	-	-	-	-	-	-	1	258
2021	-	-	-	-	1	3,256	-	-	1	3,256
Total	1	258	1	775	1	3,256	1	750	4	5,039
<i>Source: Bank Data</i>										

Notable examples of qualified community development loans include:

- In 2019, SB originated a \$750,000 loan to assist with the renovation of unoccupied retail spaces in a building in a low-income CT. This loan helped revitalize the downtown Mansfield area to create new retail spaces, which will attract and retain businesses and residents in the low-income area. (Revitalize or Stabilize)
- In 2021, the bank originated a \$3.3 million loan to a small business in a moderate-income CT that helped to create 50 new jobs for LMI individuals with the expansion of the manufacturing facility. (Economic Development)

Qualified Investments

SB made 12 qualified investments and donations totaling \$1.0 million during the evaluation period. The table below details the qualified investments and donations. Similar to the previous evaluation, the majority of donations were to community service organizations, which provided targeted services to LMI individuals.

Qualified Investments by Year – Mansfield MSA AA						
Year	Community Services		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$
2022	1	1,000	-	-	1	1,000
Qualified Grants & Donations	10	48	1	1	11	49
Total	11	1,048	1	1	12	1,049
<i>Source: Bank Data</i>						

The following are notable examples of the qualified investments and donations:

- In 2022, SB made a \$1.0 million investment to an organization providing community services to LMI elderly individuals. (Community Services)
- SB made 10 donations totaling approximately \$48,000 to organizations that provide community services to LMI families, such as youth programs and basic needs. (Community Services)

Community Development Services

During the evaluation period, bank employees provided eight instances of financial expertise or technical assistance in this AA. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services - Mansfield MSA AA		
Year	Community Services	Total
	#	#
2019 (Partial)	2	2
2020	2	2
2021	2	2
2022 (YTD)	2	2
Total	8	8
<i>Source: Bank Data</i>		

Notable examples of community development services include:

- One employee served on the Board of Directors of a non-profit organization focused on social, educational, and recreational activities for adults with moderate to severe intellectual developmental disabilities. This organization is mostly funded through Medicaid to serve the needs of LMI individuals. The bank employee analyzed financial statements and provided expertise for this organization’s business plan. (Community Services)
- One bank employee served on the finance committee of a non-profit organization that primarily focuses on community service projects for low-income individuals in the Mansfield MSA AA. (Community Services)

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 middle-income 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.