

with insight regarding the opportunities available and assists in determining whether institutions are responsive to the credit needs of the assessment area. Examiners contacted a representative from 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 Needs

Considering the information from the community contact and demographic data, examiners determined that affordable housing represents primary credit needs and financial literacy to assist individuals and families with maintaining a budget and managing financial resources. Additionally, small businesses and small farm lending is a need given the number of businesses and farms operating in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated April 9, 2019, to the current evaluation dated December 2, 2024. Examiners used the Small Institution Examination Procedures to evaluate SBPC's CRA performance. These procedures include one test, The Lending Test, for which the criteria are described within the Appendices.

Activities Reviewed

Examiners determined that SBPC's major product lines are auto and home mortgage loans. This conclusion considers the bank's business strategy, loan portfolio composition, and number along with dollar volume of loan originations during the evaluation. The bank's record of originating auto loans contributed more weight to the overall conclusions as results of its focus on indirect automobile loans, higher concentrations of auto loans in the loan portfolio, and greater loan volume when compared to home mortgage loans during the evaluation period.

The number and dollar volume of originated small business loans in the review period is nominal and do not represent a major product line when compared to the volume of originated auto and home mortgage loan. Therefore, these loans were not presented as they would have no influence on conclusions. No other loan product represents a major product line and review of other loan types would provide no material support for the conclusions or ratings.

SBPC's originated auto loans represent \$17.6 million by dollar volume, or 49.3 percent of the loan portfolio, representing the largest portion of the bank's loan portfolio as of September 30, 2024. The universe of auto loans originated by the bank was 421 loans totaling \$8.3 million in 2022, and 520 loans totaling \$10.6 million in 2023. Examiners reviewed the universe of these loans to evaluate the bank's performance within each part of the Lending Test except for the Borrower Profile analysis. Examiners reviewed a sample of 65 auto loans originated in 2023 to collect income information for the Borrower Profile analysis.

The bank's home mortgage lending represents 28.9 percent, or \$10.3 million, of the bank's portfolio. Examiners reviewed the universe of home mortgage loans originated during the review period. In 2022, the bank originated 41 home mortgage loans totaling \$3.2 million, and 31 in 2023 totaling \$2.6 million. A high percentage of the bank's home mortgage lending consists of nonowner-occupied loans for investment purposes. Analysis of home mortgage lending within the Geographic distribution focuses on owner-occupied and nonowner-occupied properties separately, while the analysis under the Borrower Profile criterion focuses on owner-occupied properties.

For the Lending Test, examiners reviewed the number and dollar volume of auto and home mortgage loans and emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals served. Performance by dollar did not lead to different conclusions. While examiners analyzed auto and home mortgage loans originated in 2022 and 2023; the Geographic Distribution and Borrower Profile analyses presented later in this evaluation depicts only 2023 data, as this activity was representative of the entire period. The 2020 U.S. Census data provided a standard of comparison for the bank's auto and mortgage lending performance.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SBPC demonstrated reasonable performance under the Lending Test. Reasonable performance within the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile primarily supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable, considering the bank's size, financial condition and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 53.7 percent over the 22 calendar quarters from June 30, 2019, to September 30, 2024. The bank's ratio ranged from a low of 43.3 percent as of June 30, 2024, to a high of 69.0 percent as of March 31, 2020. The bank's average LTD ratio is comparable to one similarly situated institution, and lower than two institutions. The following table illustrates the bank's and the similarly situated institutions' LTD ratios.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 9/30/2024 (\$000s)	Average Net LTD Ratio (%)
The State Bank of Pearl City	80,083	53.7
Similarly Situated Institution #1	100,128	66.7
Similarly Situated Institution #2	109,326	53.9
Similarly Situated Institution #3	178,065	58.4
<i>Source: Call Reports 6/30/2019 through 9/30/2024</i>		

Assessment Area Concentration

SBPC originated a majority of its auto and home mortgage loans to borrowers within its assessment area. The following table provides further details about the number and dollar volume of loans made inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans (\$000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Auto Loans										
2022	225	53.4	196	46.6	421	4,204	50.4	4,136	49.6	8,340
2023	268	51.5	252	48.5	520	5,139	48.5	5,446	51.4	10,585
Subtotal	493	52.4	448	47.6	941	9,343	49.4	9,582	50.6	18,925
Home Mortgage										
2022	39	95.1	2	4.9	41	2,966	93.0	224	7.0	3,190
2023	26	83.9	5	16.1	31	1,728	67.1	849	32.9	2,577
Subtotal	65	90.3	7	9.7	72	4,694	81.4	1,073	18.6	5,767
Total	558	55.1	455	44.9	1,013	14,037	56.8	10,655	43.2	24,692
Source: Bank Data. Due to rounding, totals may not equal 100.0%.										

Many of the bank's indirect auto loans in the assessment area facilitated financing of older model cars, and as a result, the concentration by dollar volume in the assessment area is slightly less than the volume outside the assessment area. However, as stated previously, the origination of loans by number carries more weight as it serves as a better indicator of individuals served.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage of loans in LMI census tracts. The bank's performance within auto and home mortgage loans supports this conclusion. Only loans originated in the assessment area were considered in the analysis.

Automobile Loans

The geographic distribution of auto loans reflects reasonable dispersion throughout the assessment area. Examiners compared the percentage of auto loans to the relative percentage of households by census tract income level (demographic), as reflected in the following:

Geographic Distribution of Auto Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low					
2023	6.4	22	8.2	388	7.6
Moderate					
2023	17.3	55	20.5	1,014	19.7
Middle					
2023	66.1	173	64.6	3,387	65.9
Upper					
2023	10.2	18	6.7	350	6.8
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	268	100.0	5,139	100.0
Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.					

SBPC's performance exceeded the demographic in LMI census tracts. The demographic reflects all households in the assessment area and not necessarily those looking to purchase and finance an automobile. The bank's performance is reasonable when considering the demographic in conjunction with lending in LMI census tracts.

Home Mortgage Loans

Overall, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As referenced above, a high percentage of SBPC's home mortgage loans are secured by nonowner-occupied 1-4 family properties. Examiners measured the bank's performance to the percentage of owner-occupied and occupied rental housing units in the assessment area, as depicted in the two tables below.

Owner Occupied Home Mortgage Loans

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

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2023	4.0	0	0.0	0	0.0
Moderate					
2023	14.1	4	36.4	162	17.3
Middle					
2023	71.3	5	45.4	546	58.1
Upper					
2023	10.6	2	18.2	231	24.6
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	11	100.0	939	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

The bank did not originate any loans in low-income census tracts during the review period, while originations in moderate-income census tracts significantly exceeded the demographics. The assessment area has two low-income census tracts and the percentage of owner-occupied housing in these census tracts indicates limited opportunity for lending. The LMI census tracts are in the northeast part of Freeport, IL, in Stephenson County, approximately 12 miles from the bank's main location. Several financial institutions are located much closer to these census tracts. SBPC's performance is reasonable when considering its strong performance in moderate-income census tracts and limited lending opportunities in low-income census tracts.

1-4 family Nonowner-Occupied Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the assessment area. Performance is measured against the percentage of occupied rental housing units (demographic) within each census tract level as these home mortgage loans are secured by

nonowner-occupied 1-4 family residential housing. The following table illustrates the geographic distribution of home mortgage loans in the assessment area by census tract income level.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Occupied Rental Units	#	%	\$(000s)	%
Low					
2023	12.8	1	6.7	37	4.7
Moderate					
2023	25.6	7	46.7	314	39.8
Middle					
2023	52.2	6	40.0	290	36.8
Upper					
2023	9.4	1	6.7	148	18.7
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	15	100.0	789	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

The bank's performance in low-income census tracts significantly trailed the demographic during the review period, while performance in moderate-income census tracts significantly exceeded the demographics. As referenced earlier, both low-income census tracts in the assessment area are in the northeast part of Freeport, IL, approximately 12 miles from the bank's main location, with several financial institutions located much closer to them. SBPC's performance is reasonable when considering the strength of its performance in moderate-income census tracts and proximity of low-income census tracts to the main office.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels. SBPC's auto lending performance is the primary driver for this conclusion. Examiners focused on the percentage of loans to LMI borrowers.

Automobile Loans

The distribution of auto loans reflects excellent penetration among individuals of different income levels, including LMI individuals. Examiners compared the percentage of auto loans to the percent of households by income level (demographic), as reflected in the following table.

Distribution of Auto Loans by Borrower Income Level					
Household Income Level	% Households	#	%	\$(000s)	%
Low					
2023	24.0	7	20.6	100	16.6
Moderate					
2023	16.8	14	41.2	198	32.9
Middle					
2023	18.7	6	17.6	114	19.0
Upper					
2023	40.4	7	20.6	189	31.4
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	34	100.0	601	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

SBPC's lending during the review period to low-income borrowers slightly trailed the demographic. However, demographic data includes households living below the poverty level, which account for 12.9 percent of households that face numerous challenges for obtaining credit due to lower incomes. SBPC's performance to low-income borrowers is higher than demographic data when accounting for the level of poverty. SBPC's lending to moderate-income borrowers significantly exceeded demographic data, by more than double. The bank's overall performance is excellent, considering the bank's level of lending to both LMI borrowers.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Examiners measured performance against the percentage of families (demographic) and focused on the percentage of home mortgage loans to LMI borrowers. The income used in making the credit decision for the 1-4 family nonowner-occupied home mortgage loans cannot be reasonably compared to the FFIEC-updated median family income levels. Consequently, examiners assessed the performance under this criterion solely on the distribution of 1-4 family owner-occupied home mortgage loans by borrower income level. The following table reflects the distribution of these loans by families' income level (demographic).

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2023	21.0	1	9.1	26	2.8
Moderate					
2023	17.7	3	27.3	203	21.6
Middle					
2023	22.6	4	36.3	305	32.5
Upper					
2023	38.6	3	27.3	405	43.1
Not Available					
2023	0.0	0	0.0	0	0.0
Totals					
2023	100.0	11	100.0	939	100.0
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>					