PUBLIC DISCLOSURE

June 26, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Germantown Trust & Savings Bank
Certificate Number: 12113

205 North Germantown Road
Breese, Illinois 62230

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses and farms of different sizes and individuals of different income levels (including low- and moderate income).
- The institution did not receive any complaints about its performance in meeting the credit needs of the assessment area. 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 the community development needs of its assessment area 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 for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Germantown Trust & Savings Bank (GTSB) is headquartered in Breese, Illinois (population of 4,641), and operates in the rural southwestern portion of Illinois. The bank is wholly-owned by a one-bank holding company, Germantown Banc Corp., which is also headquartered in Breese. GTSB received a Satisfactory CRA rating at its previous FDIC Performance Evaluation dated April 1, 2020, based on Interagency Large Institution CRA Examination Procedures.

GTSB operates four full-service offices in Illinois. All of the offices are located in Clinton County. The bank also has a free-standing ATM in Albers, and two in Breese. By operating in this county, the bank's assessment area includes Clinton County in the St, Louis MO-IL Metropolitan Statistical Area (MSA) #41180. This remains unchanged from the prior evaluation. GTSB did not open or close any branches or participate in any merger or acquisition activities since the previous evaluation.

The bank offers a variety of products and services to meet the credit and deposit needs of the communities it serves. The primary business focus remains commercial, agricultural, and residential lending, as confirmed by the bank's lending activity during the evaluation period. Loan types include consumer secured and unsecured loans; credit cards; residential real estate loans for home purchase, refinance, home improvement, home equity, and construction; and commercial and agricultural loans, both operating and real estate. GTSB also offers long term, fixed-rate loans through the secondary market, including government-sponsored loan programs. Deposit products include checking, savings, money market accounts, and certificates of deposit. Alternative banking services include ATM, internet and mobile banking, mobile deposit, person-to-person payments, telephone banking, electronic bill pay, and investment and insurance services.

In response to the economic impact resulting from the Coronavirus Disease 2019 (COVID-19) pandemic, the Small Business Administration (SBA) created the Paycheck Protection Program (PPP). The PPP is a loan program designed to help small businesses maintain and compensate their workforce during the crisis. GTSB originated 177 PPP loans totaling $11.0 million in 2020 and 176 PPP loans totaling $7.4 million in 2021. An average loan amount of $51,915 indicates that the majority of the bank's PPP lending was targeted towards assisting smaller businesses.

As of March 31, 2023, the bank reported assets totaling $464.6 million, including total loans of $256.5 million and securities totaling $194.6 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 03/31/2023		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	14,289	5.6
Secured by Farmland	120,461	47.0
Secured by 1-4 Family Residential Properties	70,376	27.4
Secured by Multifamily (5 or more) Residential Properties	711	0.3
Secured by Nonfarm Nonresidential Properties	20,506	8.0
Total Real Estate Loans	226,343	**88.2**
Commercial and Industrial Loans	14,397	5.6
Agricultural Production and Other Loans to Farmers	7,863	3.1
Consumer Loans	5,156	2.0
Obligations of States and Political Subdivisions in the United States	2,624	1.0
Other Loans	131	0.1
Lease Financing Receivables (net of unearned income)	0	0.0
Total Loans	**256,514**	**100.0**
Source: Reports of Condition and Income *Due to rounding, totals may not equal 100.0%*		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. GTSB designated Clinton County, which is located in the St. Louis, MO-IL Metropolitan Statistical Area (MSA), as its single assessment area.

Clinton County is primarily a rural area that is on the eastern edge of the St. Louis, MO-IL MSA. There are 15 cities and villages scattered throughout Clinton County. Of these 15, three cities including two of the largest in the county, are located adjacent to other larger (or more populous) counties. Centralia, total population of 12,182, is located on the southeast border and is mostly in Marion County; New Baden, total population of 3,428, is located on the western border and is mostly in Clinton County; and Keyesport, total population of 406, is on the northern border and is mostly in Bond County. Carlyle, total population of 3,253, is the county seat and is located in the center of the county. GTSB's branches are located in Breese, total population of 4,641; Germantown, total population of 1,324; Beckemeyer, total population of 923; and Bartelso, total population of 635. All are located in the west central part of the county.

Carlyle Lake, the largest man-made lake in Illinois, is in the northeastern part of the county and runs approximately one-half the height of the county, from Keyesport to Carlyle. The lake essentially separates 70 percent of the assessment area from the sole moderate-income census tract under the 2015 American Community Survey (ACS) Census and the three moderate-income census tracts under the 2020 U.S. Census, located on the eastern side in Clinton County. Residents of Clinton County living east of the lake typically work and transact much of their business to the east due to the absence of bridges to cross the lake and because of the proximity of Centralia and other cities in Marion County. Carlyle Lake was built for flood control of the Kaskaskia River, which runs south out of the lake to the southern edge of the Clinton County where it becomes the county line. During parts of the year when water is released from the lake, the Kaskaskia River south of the lake may flood and block some of the roads in the southern part of the county. This is another reason that residents that live east of this area typically do not transact much business in the western part of the county. Hoffman, total population of 439, and Huey, total population of 160, are the only villages in this part of the county except for the western part of Centralia.

Economic and Demographic Data
The assessment area includes all nine census tracts in Clinton County, Illinois. According to the 2020 U.S. Census, these tracts reflect the following income designations:

- three moderate-income tracts,
- five middle-income tracts, and
- one upper-income tract.

According to the 2015 ACS, the eight census tracts reflected the following income designations:

- one moderate-income tract,
- four middle-income tracts, and
- three upper-income tracts.

The significant difference arose from the splitting of the moderate-income census tract into two separate tracts, both of which are classified as moderate-income. Additionally, one middle-income census tract in the southeast corner of the county is now designated as moderate-income. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts) 2022 U.S Census	9	0.0	33.3	55.6	11.1	0.0
Geographies (Census Tracts) 2015 ACS Census	8	0.0	12.5	50.0	37.5	0.0
Population by Geography	36,899	0.0	22.4	59.9	17.6	0.0
Housing Units by Geography	15,909	0.0	24.9	59.9	15.2	0.0
Owner-Occupied Units by Geography	11,621	0.0	23.6	61.1	15.4	0.0
Occupied Rental Units by Geography	2,975	0.0	16.2	66.2	17.6	0.0
Vacant Units by Geography	1,313	0.0	56.3	35.3	8.5	0.0
Businesses by Geography	2,448	0.0	20.5	63.2	16.3	0.0
Farms by Geography	311	0.0	23.2	67.2	9.6	0.0
Family Distribution by Income Level	9,644	19.6	19.6	23.6	37.1	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		$84,758	Median Housing Value			$141,071
			Median Gross Rent			$783
			Families Below Poverty Level			5.3%

Source: 2015 ACS; 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income levels are used to analyze the home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for 2021 and 2022 are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
St. Louis, MO-IL MSA Median Family Income (41180)				
2022 ($96,800)	<$48,400	$48,400 to <$77,440	$77,440 to <$116,160	≥$116,160
2021 ($84,700)	<$42,350	$42,350 to <$67,760	$67,760 to <$101,640	≥$101,640

Source: FFIEC

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses and farms by revenue category. According to 2022 D&B data, the assessment area contained 2,448 businesses and 311 farms.

Among all non-farm and farm businesses, service industries represent the largest portion of businesses (30.6 percent), followed by non-classifiable establishments (16.7 percent), retail trade (11.7 percent), and agriculture (11.3 percent). In addition, 90.0 percent of assessment area businesses have nine or fewer employees and 88.1 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that unemployment remains lower in the assessment area compared to the entire state of Illinois. The assessment area has revealed signs of economic improvement as evidenced by the reduced unemployment rate compared to Clinton County's 2021 rate of 5.9 percent in the height of the pandemic. As depicted in the table below, the rate in Clinton County is lower than both the state of Illinois and national averages as of April 2023.

Unemployment Rates	
County or Area	**April 2023**
	%
Clinton County	3.0
State of Illinois	3.7
National Average	3.4
Source: Bureau of Labor Statistics	

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2022, there were 11 financial institutions that operated 20 branches within Clinton County. GTSB ranked first with 29.7 percent of the deposit market share. GTSB is the only bank with offices in Germantown, Bartelso, and Beckemeyer, and is one of four banks that has an office in Breese.

All banks are not required to report small business and small farm loan data; however, based on the data reported, there is a high level of competition for small business loans and moderate competition for small farm loans. Aggregate lending data for 2021 shows that 11 lenders reported 82 small farm loans originated or purchased in Clinton County. The small business data shows 46 lenders reported 597 loans originated or purchased.

There is a high level of competition for home mortgage loans in the assessment area. In 2021, 131 lenders reported a total of 2,163 residential mortgage loans originated or purchased. GTSB ranked third with 6.6 percent of the market share. The top five lenders accounted for 48.0 percent of the total market share.

Community Contact

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

Examiners contacted a representative of an economic development agency serving the St. Louis, MO-IL MSA. The contact stated that economic conditions were impacted by the COVID-19 pandemic, but recovered relatively quickly, largely attributed to the proximity to St. Louis. The contact mentioned a lack of affordable housing in the assessment area continues to be an issue. In addition, the contact stated that small business lending will remain to be a prevalent need in the area especially for smaller businesses trying to get off the ground. The contact stated that area financial institutions are meeting the credit needs in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent a primary credit need for the assessment area. Opportunity exists for originating such loans throughout Clinton County. Small farm lending is also a prevalent need in the assessment area and opportunity exists for these loans as well.

Investment and community service opportunities are limited in Clinton County. Available information indicates that there are no countywide agencies involved in economic development, low- or moderate-income housing, or providing other qualified services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 1, 2020, to the current evaluation dated June 26, 2023. Examiners used the Interagency Intermediate Small Bank CRA Examination Procedures to evaluate GTSB's CRA performance. These procedures include the Lending Test and the Community Development Test as outlined in the Intermediate Small Bank Performance Criteria Appendix. Banks must achieve at least a satisfactory rating under each test to obtain an overall "Satisfactory" rating. Examiners conducted a full-scope review of the bank's assessment area in accordance to interagency examination procedures.

Activities Reviewed

A review of the bank's loan portfolio and discussions with management helped examiners determine that the bank's main product lines are small business, small farm, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating small business, small farm, and home mortgage loans were given equal weight in the overall conclusions. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners did not analyze any other loan type, such as consumer loans, because they do not represent a major product line and would not provide material support for conclusions or ratings.

GTSB is subject to the data collection requirements of the Home Mortgage Disclosure Act (HMDA). As such, examiners analyzed home mortgage loans reported under HMDA data collection requirements during the review period of January 1, 2020, to December 31, 2022. Examiners also reviewed all small business and small farm loans originated or renewed by the bank from January 1, 2022, to December 31, 2022. With the exception of multifamily loans, loans identified as community development loans were excluded from the universe because they are analyzed and given credit under the Community Development Test. The loans analyzed are considered representative of the bank's performance during the entire evaluation period.

As mentioned, this evaluation considered all home mortgage loans reported on the bank's HMDA Loan Application Registers for 2020, 2021, and 2022. GTSB originated 204 home mortgage loans totaling $38.1 million, 176 home mortgage loans totaling $32.9 million, and 118 home mortgage loans totaling $21.6 million in 2020, 2021, and 2022 respectively. While examiners analyzed all home mortgage loans during the review period, only 2021 and 2022 data are presented in this evaluation. Because of the release dates of comparison data, the 2021 HMDA data was compared to the 2015 American Community Survey (ACS) Census and aggregate lending data, while the 2022 HMDA data was compared to the 2020 U.S. Census data.

This evaluation also considered all small business and small farm loans originated in 2022. The bank is not required to report small business and small farm data and elected not to do so. Therefore, examiners compared the bank's performance to D&B data as a standard of comparison. GTSB originated 128 small business loans totaling $17.4 million and 185 small farm loans totaling $27.7 million in 2022. The universe of small business and small farm loans was used for the evaluation.

For the Lending Test, the number and dollar volume of small businesses, small farms, and home mortgage loans were reviewed. While the number and dollar volume of loans are presented, the performance by number of loans was emphasized because it is a better indicator of the number of businesses, farms, and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated April 1, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the assessment area. This conclusion was determined by evaluating the loan-to-deposit ratio, assessment area concentration, geographic distribution of loans, and borrower profile for small business, small farm, and home mortgage loans.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The net LTD ratio, calculated from Call Report data, averaged 61.5 percent over the past 12 quarters from June 30, 2020, to March 31, 2023. The ratio ranged from a low of 58.4 percent as of June 30, 2021, to a high of 65.5 as of June 30, 2020. The ratio remained relatively stable during the evaluation period.

Examiners evaluated the LTD ratio by comparing the bank to similarly-situated banks based on asset size, geographic location, and lending focus. As shown in the following table, the bank's net LTD ratio is greater than three of the four similarly-situated banks. Additionally, the bank sells a significant number of home mortgages on the secondary market and this activity is not captured in the net LTD ratio. The bank sold 147 loans on the secondary market totaling $21.9 million, 122 loans totaling $21.9 million, and 32 loans totaling $8.5 million in 2020, 2021, and 2022 respectively.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	**Total Assets as of 03/31/2023 ($000s)**	**Average Net LTD Ratio (%)**
GTSB	**464,582**	**68.1**
Similarly-Situated Institution #1	186,669	44.7
Similarly-Situated Institution #2	289,688	64.1
Similarly-Situated Institution #3	117,981	81.5
Similarly-Situated Institution #4	1,284,119	62.9
Source: Reports of Condition and Income		

Assessment Area Concentration

GTSB originated a majority of its loans within the assessment area. Examiners analyzed all small business and small farm loans originated or renewed in 2022, and all home mortgage loans originated in 2020, 2021, and 2022 to determine the portion of loans extended inside and outside the assessment area. The following table details lending inside and outside the assessment areas by year and loan product type.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Totals**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2020	171	83.8	33	16.2	204	29,378	77.2	8,699	22.8	38,077
2021	142	80.7	34	19.3	176	25,793	78.3	7,137	21.7	32,930
2022	88	74.6	30	25.4	118	14,077	65.2	7,503	34.8	21,580
Subtotal	**401**	**80.5**	**97**	**19.5**	**498**	**69,248**	**74.8**	**23,339**	**25.2**	**92,587**
Small Business 2022	105	82.0	23	18.0	128	13,340	76.7	4,059	23.3	17,399
Small Farm 2022	143	77.3	42	22.7	185	20,217	73.0	7,480	27.0	27,697
Source: HMDA Reported Data and Bank Data										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The performance of small business, small farm, and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts in the assessment area. As previously discussed under the Description of Assessment Area section, Carlyle Lake is a significant barrier to the moderate-income census tracts located in the eastern portion of the assessment area, as the bank's branches are all located on the western side for 2021. Considering this, along with other performance context information discussed in the following sections, the lower levels of lending in the moderate-income census tracts is reasonable. As mentioned previously, the assessment area changed for the 2022 review going from a sole moderate-income census tract to three moderate-income census tracts.

Small Business Loans
The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's small business lending to the distribution of businesses by tract income level throughout the assessment area. In 2022, GTSB's performance was below the percentage of businesses located in these tracts. However, as stated previously, the bank's branches are located eight miles from two of the moderate-income census tracts on the far eastern edge of the county, and the nine loans were in the remaining moderate-income census tract nearest to the Bartelso branch. Given these factors, the bank's lack of lending in the moderate-income tracts is considered reasonable. The following table provides the details of the bank's reasonable dispersion of loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate					
2022	20.5	9	8.6	1,119	8.4
Middle					
2022	63.2	93	88.6	12,018	90.1
Upper					
2022	16.3	3	2.8	203	1.5
Totals					
2022	**100.0**	**105**	**100.0**	**13,340**	**100.0**

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

Small Farm Loans
The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's small farm lending to the distribution of farms located within the assessment area by tract income level.

As show in the following table, nine loans, or 6.3 percent of the small farm loans, were originated in the moderate-income census tracts of the assessment area. This compares poorly to the 23.2 percent of farms located in these tracts. However, as stated previously, the bank's branches are located eight miles from two moderate-income census tracts on the far eastern edge of the county and the nine loans were in the remaining moderate-income census tract nearest to the Bartelso branch. Given these factors, the bank's lending in the moderate-income census tracts is considered reasonable.

Geographic Distribution of Small Farm Loans					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate					
2022	23.2	9	6.3	943	4.7
Middle					
2022	67.2	131	91.6	18,627	92.1
Upper					
2022	9.6	3	2.1	647	3.2
Totals					
2022	**100.0**	**143**	**100.0**	**20,217**	**100.0**

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

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's lending activity with the assessment area demographics and aggregate lending performance. More emphasis is placed on aggregate lending data, which is more reflective of the lending opportunities. The table on the following page reflects the geographic distribution of home mortgage loans within the assessment area.

The bank's lending in moderate-income tracts was slightly below the demographic and aggregate lending data in 2021. However, only 4.7 percent of owner-occupied housing units within the assessment area are located in this census tract. Additionally, aggregate lending performance in the moderate-income census tract was very low, reflecting limited demand. Only 44 of the 2,193 home mortgage loans were originated or purchased in the assessment area were in the moderate-income census tract. The top lender originated or purchased eight loans for an 18.2 percent market share. It should also be noted that the bank's branches are located eight-miles from the sole moderate-income tract.

GTSB's lending in the moderate-income census tracts in 2022 was well below the demographic data (2022 aggregate lending data is not yet available). The number of moderate-income tracts went from one in 2021 to three in 2022, creating the significant difference in the demographic data. Overall, given the limited number of owner-occupied housing units and home mortgage loans available in the moderate-income census tracts, the limited demand due to market conditions, as well as the distance of these tracts from the bank's branches, the bank's lending in the moderate-income census tracts is considered reasonable for 2022. There are three other bank branches in the closest moderate-income census tract to the GTSB branch and no bank branches in the farther two moderate-income census tracts. However, there are two branches of a national bank in the city of Centralia bordering a moderate-income census tract. Lastly, there was a significant increase in number of loans for 2022 in the moderate-income census tracts but it is noted that the changes to the assessment area census tract income designations is why the percentage of owner-occupied housing unit is significantly higher than 2021.

Geographic Distribution of Home Mortgage Loans

Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	$(000s)	%
Moderate						
2021	4.7	2.0	1	0.7	280	1.1
2022	23.6	--	7	8.0	1,294	9.2
Middle						
2021	66.8	60.3	76	53.5	13,323	51.7
2022	61.1	--	66	75.0	9,782	69.5
Upper						
2021	28.5	37.7	65	45.8	12,190	47.3
2022	15.4	--	15	17.0	3,001	21.3
Totals						
2021	**100.0**	**100.0**	**142**	**100.0**	**25,793**	**100.0**

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

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels in the assessment area. The bank's reasonable performance of small business, small farm, and home mortgage lending supports this conclusion. Examiners focused on the percentage of small business and small farm loans to businesses and farms with gross annual revenues (GARs) of $1.0 million or less and the percentage of home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. As shown in the following table, GTSB originated 75.2 percent of its small business loans in this assessment area to businesses with GARs of $1.0 million or less, which is comparable to the percentage of businesses in the assessment area (82.1 percent). The bank's level of lending demonstrates a willingness to lend to businesses of all sizes; therefore, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	82.1	79	75.2	7,444	55.8
>$1,000,000					
2022	5.2	26	24.8	5,896	44.2
Revenue Not Available					
2022	12.7	--	--	--	--
Totals					
2022	**100.0**	**105**	**100.0**	**13,340**	**100.0**

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

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms of different sizes. As shown in the table below, the bank originated 86.0 percent of its small farm loans to farms with GARs of $1.0 million or less. While this level is below the percentage of farms in the assessment area with GARs of $1.0 million or less, the demographic data may not accurately reflect the percentage of farms that seek financing. A combination of strong commodity prices, government programs from the pandemic, and high land values may have lessened the need for some farmers to request financing during this operating year. In addition, seven of the loans originated to borrowers with GARs over $1.0 million were made to one borrower. Lastly, the bank operates in a highly competitive financial market and smaller operations may obtain financing elsewhere.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	97.1	123	86.0	16,505	81.6
>$1,000,000					
2022	1.9	20	14.0	3,712	18.4
Revenue Not Available					
2022	1.0	--	--	--	--
Totals					
2022	**100.0**	**143**	**100.0**	**20,217**	**100.0**

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

GTSB's home mortgage lending to low-income borrowers was 5.6 percent in 2021, which is slightly lower than aggregate lending and less than the demographic data for 2021. In 2022, the bank's level of lending to low-income borrowers rose to 8.0 percent, above aggregate lending data and below demographic data of 19.6 percent. The following table shows that in 2021, the percent of low-income families in the assessment area was 14.4 percent, and was 19.6 percent in 2022. These percentages include 6.2 percent in 2021 and 5.3 percent in 2022 of families with incomes below the poverty level. These families typically do not possess the financial means to qualify for or afford a home mortgage loan due to financial constraints. It is also noted that of the 2021 aggregate lending data, only 7.7 percent of all the 2,163 reported loans were to low-income borrowers. The top lender originated or purchased 29 of the 166 loans reported, and the next highest lenders (a national bank and a mortgage broker) only made 11 loans. When the percent of families is adjusted for each year by the families who typically cannot qualify for a conventional mortgage, the bank's level of lending is reasonable.

Loans originated to moderate-income borrowers was slightly below the demographic and aggregate lending data in 2021 and 2022, with 12.0 percent and 13.6 percent respectively. Overall, GTSB's lending performance to low- and moderate-income borrowers is reasonable in comparison to HMDA aggregate lending data and the percentage of low- and moderate-income families in the assessment area. Given the current rate environment, the decrease in total loans from 2021 to 2022 is expected and has potential for greater impact on low- and moderate-income borrowers from obtaining loans. The following table provides further details on the income distribution of home mortgage lending in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2021	14.4	7.7	8	5.6	562	2.2
2022	19.6	--	7	8.0	584	4.2
Moderate						
2021	15.7	18.2	17	12.0	2,175	8.4
2022	19.6	--	12	13.6	1,298	9.2
Middle						
2021	23.6	23.1	36	25.4	5,175	20.1
2022	23.6	--	20	22.7	2,672	19.0
Upper						
2021	46.3	33.6	79	55.6	17,309	67.1
2022	37.1	--	47	53.4	9,384	66.7
Not Available						
2021	0.0	17.4	2	1.4	571	2.2
2022	0.0	--	2	2.3	139	1.0
Totals						
2021	**100.0**	**100.0**	**142**	**100.0**	**25,793**	**100.0**
2022	**100.0**	**--**	**88**	**100.0**	**14,077**	**100.0**
Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

GTSB demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of opportunities in the assessment area. The bank's level of activity was compared to another similarly-situated institution operating within, and adjacent to, the assessment area.

Community Development Loans

GTSB originated 11 community development loans totaling approximately $10.5 million during the evaluation period. This level of activity represents 2.3 percent of total assets, 31.5 percent of total equity capital, and 4.1 percent of total loans as of March 31, 2023. This level of community development lending is significantly higher than the similarly-situated bank. These loans demonstrate the bank's responsiveness to community development needs identified by the community contact and the credit needs of the assessment area. This is a significant increase in the bank's community development lending totaling $5.3 million at the prior evaluation. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending by Assessment Area

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
2020 (Partial)	-	-	-	-	-	-	1	1,500	1	1,500
2021	-	-	2	1,000	5	5,238	-	-	7	6,238
2022	-	-	1	1,500	2	1,260	-	-	3	2,760
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Totals	**-**	**-**	**3**	**2,500**	**7**	**6,498**	**1**	**1,500**	**11**	**10,498**

Source: Bank Records

Below are some notable examples of the bank's community development loans:

- In 2020, the bank originated a $1.5 million loan to provide operating expense funds for the sole grocery store in a community that provides employment for local low- and moderate-income individuals.
- In 2022, the bank originated a $1.1 million construction loan for the expansion of a local business, which will create low- and moderate-income jobs within the assessment area.

Qualified Investments

GTSB made 19 qualified investments during the review period totaling $3.9 million, which includes donations to qualified organizations throughout the assessment area. This is a substantial increase from last evaluation where no new investments and only $6,000 in donations were made during the review period. Current community development investments represent 0.8 percent of the bank's total assets and 2.0 percent of its investment portfolio as of March 31, 2023. This is greater than the similarly-situated bank's community development activities. Most of the donations were made to non-profit organizations serving low- and moderate-income individuals and organizations serving moderate-income neighborhoods.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
2020 (Partial)	-	-	2	775	1	170	-	-	3	945
2021	-	-	13	1,830	-	-	-	-	13	1,830
2022	-	-	3	1,084	-	-	-	-	3	1,084
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	**18**	**3,689**	**1**	**170**	-	-	**19**	**3,859**
Qualified Grants & Donations	-	-	66	52	2	1	-	-	68	53
Total	-	-	**84**	**3,741**	**3**	**171**	-	-	**87**	**3,912**

Source: Bank Records

Notable examples include:

- In 2020, the bank received two grants in the amounts of $20,000 and $16,000 for targeted impact funds to support community services within the assessment area in the wake of the COVID-19 pandemic.
- In 2021, the bank purchased $1,830,000 in bonds benefitting a school in Clinton County. The district is located in a moderate-income tract.

Community Development Services

During the evaluation period, bank employees provided 76 instances of financial expertise or technical assistance to different community development-related organizations in the assessment area. GTSB employees have sought opportunities to provide their financial or technical expertise to organizations that meet the definition of community development and the number of services provided continues to grow as the bank expands its service area and asset base. Some examples include a bank officer serving as a financial advisory for the Tax Increment Finance Program District, as well as a bank officer serving on the board of a local chamber of commerce. The chamber of commerce has an economic development arm that helps to attract and retain local businesses. This activity is substantially greater than the similarly-situated bank's activity.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	9	10	-	19
2021	-	9	10	-	19
2022	-	9	10	-	19
2023 (YTD)	-	9	10	-	19
Total	-	**36**	**40**	-	**76**

Source: Bank Records

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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 <u>financial</u> 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.