

PUBLIC DISCLOSURE

May 3, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Concordia Bank of Concordia, Missouri
Certificate Number: 13788

547 South Main Street
Concordia, Missouri 64020

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment areas' credit needs.
- A majority of the small business and home mortgage loans were originated in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the prior evaluation. Therefore, this factor did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Concordia Bank is a commercial bank chartered and headquartered in Concordia, Missouri. The bank is owned by Concordia Banc-Management, a one-bank holding company (BHC) located in Concordia, Missouri. Northern Missouri Bancshares, Inc., a multi-bank BHC, located in Unionville, Missouri, is a majority stockholder of Concordia Banc-Management. Affiliated institutions include Farmers Bank of Northern Missouri, Unionville, Missouri, and Exchange Bank of Missouri, Fayette, Missouri. Concordia Bank received a Satisfactory rating at its FDIC performance evaluation dated May 18, 2015, using Interagency Small Institution Examination Procedures.

The bank's main office and one limited service (drive-thru) facility in Concordia, Missouri, and a full-service in-store branch, which processes transactions and accepts applications, in Odessa, Missouri, are located within the Kansas City, Missouri-Kansas Metropolitan Statistical Area (Kansas City MSA). A full-service branch in Laurie, Missouri is located in the non-metropolitan area of Missouri. The bank maintains cash-dispensing ATMs at the Concordia drive-thru facility and the Laurie branch location.

The bank offers traditional loan products, including commercial, home mortgage, agricultural, and consumer loans. The bank's primary business focus is commercial and home mortgage lending. The institution provides a variety of deposit services, including checking, savings, money market

deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet, mobile, and voice access telephone banking.

According to the December 31, 2020, Reports of Condition and Income, the institution reported total assets of \$87.6 million; total loans of \$62.2 million; and total deposits of \$78.3 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of December 31, 2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	10,427	16.8
Secured by Farmland	3,935	6.3
Secured by 1-4 Family Residential Properties	18,755	30.1
Secured by Multi-family (5 or more) Residential Properties	0	0.0
Secured by Non-farm Non-Residential Properties	20,497	32.9
Total Real Estate Loans	53,614	86.2
Commercial and Industrial Loans	4,947	7.9
Agricultural Production and Other Loans to Farmers	2,489	4.0
Consumer	1,172	1.9
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	5	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	62,227	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

Concordia Bank has designated two contiguous assessment areas. The designated assessment areas are substantially similar to those at the prior evaluation and consist of six counties in west-central Missouri. The Metropolitan Assessment Area includes all of Lafayette County in the Kansas City MSA, and the Non-Metropolitan Assessment Area includes Camden, Johnson, Morgan, Pettis, and Saline counties in non-metropolitan Missouri. Additional information regarding each assessment area is provided later in this evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 18, 2015, to the current evaluation dated May 3, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate Concordia Bank’s CRA performance. This evaluation does not include any

lending activity performed by affiliates. The Metropolitan Assessment Area and the Non-Metropolitan Assessment Area received full-scope reviews and were weighted equally as the bank's lending activity is prominent in both areas.

Activities Reviewed

Examiners determined that the bank's major product lines are small business 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. Further, the December 31, 2020 Reports of Condition and Income supports this conclusion with the composition of commercial (40.8 percent) and residential real estate (30.1 percent) lending. The bank's lending focus and product mix remained consistent throughout the evaluation period. Agricultural and consumer loans do not represent major product lines; therefore, they provide no material support for conclusions or ratings and will not be presented in the evaluation. Based on this information, along with origination activity and loan portfolio composition, examiners chose to review small business and home mortgage loans. Both products will receive equal weighting in determining the overall conclusions, since these products are the primary business focus of the bank and are comparable in loan composition percentages.

Management indicated that lending activity in 2020 for small business loans would not be representative of their lending during the entire evaluation period due to the amount of Paycheck Protection Program loans the bank originated, which are not a normal product offering for the bank; therefore, examiners also reviewed 2019 small business lending. Based on this information, small business lending in 2019 received greater weight in determining overall conclusions. The small business lending performance for the Assessment Area Concentration and Geographic Distribution criteria was evaluated based on the universe of small business loans originated or renewed from January 1, 2019, to December 31, 2020. For 2019, the universe consisted of 48 small business loans totaling \$6.8 million, and for 2020, the universe consisted of 184 small business loans totaling \$16.0 million. Examiners sampled 30 small business loans totaling \$4.1 million originated or renewed in 2019 and 51 small loans totaling \$3.8 million originated or renewed in 2020 to evaluate the bank's performance under the Borrower Profile criterion. Examiners utilized 2019 and 2020 D&B data as a standard of comparison in evaluating the bank's small business lending performance.

Examiners reviewed home mortgage loan data for 2020 to evaluate the bank's residential real estate lending efforts. Management indicated a review of the home mortgage lending for 2020 would be representative of their lending during the entire evaluation period. The home mortgage lending performance for the Assessment Area Concentration and Geographic Distribution criteria was evaluated based on the universe of home mortgage loans originated or renewed from January 1, 2020, to December 31, 2020. The universe consisted of 41 home mortgage loans totaling \$10.0 million. Examiners sampled 30 home mortgage loans totaling \$6.7 million to evaluate the bank's performance under the Borrower Profile criterion. Examiners utilized 2015 American Community Survey (ACS) Census data as a standard of comparison in evaluating the bank's home mortgage lending performance.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Concordia Bank demonstrated reasonable performance under the Lending Test. This rating is supported by the bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, and Geographic Distribution criteria.

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of its assessment areas. The bank's loan-to-deposit ratio averaged 79.4 percent over the past 23 calendar quarters from June 30, 2015, to December 31, 2020. The ratio ranged from a low of 68.6 percent as of June 30, 2018, to a high of 89.8 percent as of December 31, 2019.

When available and relevant, the performance of similarly situated lenders serves as an additional method of assessing the adequacy of an institution's average loan-to-deposit ratio. Similarly situated lenders are defined as financial institutions located in or near the bank's assessment areas and are comparable to the subject institution based on asset size, branching structure, markets served, product offerings, and/or loan portfolio composition. As shown in the following table, Concordia Bank's average net loan-to-deposit ratio compares reasonably to similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2020 (\$000s)	Average Net Loan- to-Deposit Ratio (%)
Concordia Bank of Concordia, Concordia, MO	87,644	79.4
The Bank of Grain Valley, Grain Valley, MO	100,991	70.1
Commercial Bank of Oak Grove, Oak Grove, MO	100,484	70.0
Quarry City Savings and Loan, Warrensburg, MO	67,244	93.2
State Bank of Missouri, Concordia, MO	116,935	56.7

Source: Reports of Condition and Income 6/30/2015 through 12/31/20.

Assessment Area Concentration

The bank made a majority of small business and home mortgage loans, by number and dollar, inside its assessment areas. The following table presents a breakdown of lending inside and outside the assessment areas.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	34	82.9	7	17.1	41	6,881	69.1	3,071	30.9	9,952
2019 Small Business	37	77.1	11	22.9	48	5,193	76.9	1,564	23.1	6,757
2020 Small Business	167	91.3	16	8.7	183	12,991	87.1	1,917	12.9	14,908
Subtotal	204	88.3	27	11.7	231	18,184	83.9	3,481	16.1	21,665

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

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. This conclusion is supported by the excellent distribution of small business and reasonable distribution home mortgage lending in the Non-Metropolitan Assessment Area, though it is offset by the poor distribution of small business and home mortgage lending in the Metropolitan Assessment Area.

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels. This conclusion is supported by poor performance in both assessment areas.

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.

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.

METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE METROPOLITAN ASSESSMENT AREA

The Metropolitan Assessment Area includes all of Lafayette County in the Kansas City MSA.

Economic and Demographic Data

The Metropolitan Assessment Area includes seven census tracts. Based on the 2015 ACS Census data, income tract designations include two moderate- and five middle-income census tracts. Due to the ACS income designations updated in 2015, one moderate tract is now a middle-income tract. As noted previously, the main office in Concordia and the Odessa branch are both located in this assessment area. The following table illustrates the demographics for the assessment area.

Demographic Information of the Metropolitan Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	7	0.0	28.6	71.4	0.0
Population by Geography	32,916	0.0	20.3	79.7	0.0
Housing Units by Geography	14,718	0.0	20.8	79.2	0.0
Owner-Occupied Units by Geography	9,982	0.0	21.4	78.6	0.0
Occupied Rental Units by Geography	3,206	0.0	18.1	81.9	0.0
Vacant Units by Geography	1,530	0.0	22.2	77.8	0.0
Businesses by Geography	2,064	0.0	18.7	81.3	0.0
Farms by Geography	278	0.0	29.9	70.1	0.0
Family Distribution by Income Level	9,122	24.5	20.1	26.4	29.0
Household Distribution by Income Level	13,188	25.4	19.3	19.9	35.4
Median Family Income Kansas City MSA	\$72,623	Median Housing Value			\$116,448
Families Below Poverty Level	8.4%	Median Gross Rent			\$654
<i>Source: 2015 ACS; 2020 D&B Data.</i>					

The 2020 Federal Financial Institution Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle- and upper-income ranges for the Kansas City MSA.

Median Family Income Ranges for the Kansas City MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$85,900)	<\$42,950	\$42,950 to <\$68,720	\$68,720 to <\$103,080	≥\$103,080
<i>Source: FFIEC</i>				

Competition

Concordia Bank operates in a competitive environment. According to the FDIC Deposit Market Share data, as of the reporting year 2020, there were 12 financial institutions operating offices within the assessment area. Of these institutions, Concordia Bank ranked 3rd with 14.5 percent of the deposit market share.

The bank is not required to collect and report information regarding its small business loans, and it has not elected to do so. However, this data provides an indicator of loan demand and is considered in the institution's performance context. The 2019 small business aggregate lending data reflects a high level of small business loan demand within the assessment area. Specifically, this data revealed that 41 institutions reported 707 small business loans.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. The bank is not required to collect and report information regarding its home mortgage loans, and it has not elected to do so. However, this data provides an indicator of loan demand and is considered in the institution's performance context. The 2019 home mortgage aggregate lending data reflects a high level of home mortgage loan demand within the assessment area. Specifically, this data revealed that 137 lenders reported 1,525 home mortgage loans.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the assessment areas 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 conducted two contacts with the owners of local businesses whose service areas include the assessment area. Both contacts indicated the economy within Lafayette County has been steadily improving, though it did decline slightly during the COVID-19 pandemic. Both contacts also indicated the population of the county has been steadily increasing over the previous several years as most of the county is within commuting distance of Kansas City and people have been relocating to the local area. The contacts also indicated the housing market within the county has been extremely competitive, with days-on-market being low and sellers typically getting at or above asking pricing. The competitive bidding has generally priced lower-income buyers out of the being able to purchase homes. One contact did note that two banks in Concordia, Missouri do offer government assisted loans for lower income borrowers. Both contacts also noted that many borrowers getting long-term, fixed-rate mortgages will use larger lenders in Odessa and Warrensburg in order to work directly with a lender that will service their loan. One contact indicated the northwestern portion of the county, in particular Wellington, has become popular for commuters due to its highly desirable school district and easy access to northern Kansas City; however, there are very few businesses located in and around Wellington.

Credit Needs

Considering economic and demographic data and information from the community contacts and bank management, the primary credit needs in the assessment area include small business and home mortgage loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE METROPOLITAN ASSESSMENT AREA

LENDING TEST

Concordia Bank demonstrated poor performance under the Lending Test in the Metropolitan Assessment Area.

Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects poor dispersion throughout the Metropolitan Assessment Area. This conclusion was reached through further review of the loans originated in this assessment area, with particular focus given to lending in the two moderate-income census tracts.

Small Business Lending

The geographic distribution of small business loans reflects poor dispersion throughout the Metropolitan Assessment Area. The bank’s lending in moderate-income census tracts is limited and below demographic data. Even considering the competition within the assessment area, the bank’s performance is poor.

Geographic Distribution of Small Business Loans in the Metropolitan Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2019	19.3	1	5.6	38	2.6
2020	18.7	3	4.4	56	1.4
Middle					
2019	80.7	17	94.4	1,434	97.4
2020	81.3	65	95.6	3,810	98.6
Totals					
2019	100.0	18	100.0	1,472	100.0
2020	100.0	68	100.0	3,866	100.0

Source: 2019 & 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The geographic distribution of home mortgage lending reflects poor dispersion throughout the Metropolitan Assessment Area. The bank’s lending in moderate-income census tracts is limited and below demographic data. Even considering the competition within the assessment area, the bank’s performance is poor.

Geographic Distribution of Home Mortgage Loans in the Metropolitan Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	21.4	1	5.9	175	7.2
Middle	78.6	16	94.1	2,262	92.8
Total	100.0	17	100.0	2,437	100.0

Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

The overall distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels in the Metropolitan Assessment Area. Particular focus was given to the dispersion of loans to businesses with gross annual revenues of \$1 million or less and loans to low- and moderate-income individuals.

Small Business Lending

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes in the Metropolitan Assessment Area. The bank's lending to businesses with gross annual revenues of \$1 million or less is below the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Metropolitan Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.2	7	70.0	307	69.0
2020	82.9	6	31.6	290	24.2
>\$1,000,000					
2019	4.5	3	30.0	138	31.0
2020	4.6	0	0.0	0	0.0
Revenue Not Available					
2019	12.3	0	0.0	0	0.0
2020	12.5	13	68.4	908	75.8
Totals					
2019	100.0	10	100.0	445	100.0
2020	100.0	19	100.0	1,198	100.0

Source: 2019 & 2020 D&B Data; Bank Data.

Home Mortgage Lending

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, in the Metropolitan Assessment Area. In evaluating the institution's performance, examiners considered certain limitations. For example, according to FFIEC data, the maximum income of a low-income family in the Metropolitan Assessment Area was \$42,950 in 2020. A family at this income level would likely not qualify for a

home mortgage under conventional underwriting standards, especially considering the median housing value of \$116,448 in this assessment area. Examiners also considered the 2015 ACS data, which reveals 8.4 percent of families in the Metropolitan Assessment Area are living below the poverty level. This factor is considered when evaluating the institution’s lending to low-income families, as the cost of owning and maintaining a home is more cost-prohibitive for these families. Given this, the bank’s home mortgage lending percentages to low- and moderate-income borrowers is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level in the in the Metropolitan Assessment Area					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	24.5	0	0.0	0	0.0
Moderate	20.1	3	23.1	205	11.6
Middle	26.4	3	23.1	362	20.5
Upper	29.0	3	23.1	650	36.8
Not Available	0.0	4	30.8	547	31.0
Total	100.0	13	100.0	1,764	100.0
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

NON-METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-METROPOLITAN ASSESSMENT AREA

The Non-Metropolitan Assessment Area includes Camden, Johnson, Morgan, Pettis, and Saline counties in non-metropolitan Missouri.

Economic and Demographic Data

The Non-Metropolitan Assessment Area includes 44 census tracts. Based on the 2015 ACS Census data, income tract designations include one low-, four moderate-, 29 middle-, and 10 upper-income census tracts. As noted previously, the Laurie branch is located in this assessment area. The following table illustrates the demographics for the assessment area.

Demographic Information of the Non-Metropolitan Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	44	2.3	9.1	65.9	22.7
Population by Geography	183,856	1.2	7.1	65.3	26.5
Housing Units by Geography	106,651	0.9	8.9	57.5	32.7
Owner-Occupied Units by Geography	48,165	0.8	7.2	61.1	30.8
Occupied Rental Units by Geography	21,341	1.6	9.4	69.3	19.7
Vacant Units by Geography	37,145	0.6	10.7	46.0	42.6
Businesses by Geography	12,748	0.8	9.3	63.5	26.4
Farms by Geography	852	0.1	4.0	66.8	29.1
Family Distribution by Income Level	46,629	17.5	17.1	20.9	44.5
Household Distribution by Income Level	69,506	20.6	15.4	17.3	46.7
Median Family Income Non-Metropolitan MO		\$48,341	Median Housing Value		\$149,922
Families Below Poverty Level		12.2%	Median Gross Rent		\$685
<i>Source: 2015 ACS; 2020 D&B Data. Due to rounding, totals may not equal 100.0%</i>					

The following table presents the low-, moderate-, middle- and upper-income ranges for non-metropolitan Missouri.

Median Family Income Ranges for Non-Metropolitan Missouri				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$54,400)	<\$27,200	\$27,200 to <\$43,520	\$43,520 to <\$65,280	≥\$65,280
<i>Source: FFIEC</i>				

Competition

Concordia Bank operates in a competitive environment. According to the FDIC Deposit Market Share data, as of the reporting year 2020, there were 33 financial institutions operating offices

within the assessment area. Of these institutions, Concordia Bank ranked 29th with 0.4 percent of the deposit market share.

The 2019 small business aggregate lending data reflects a high level of small business loan demand within the assessment area. Specifically, this data revealed that 82 institutions reported 3,295 small business loans.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. The 2019 home mortgage aggregate lending data reflects a high level of home mortgage loan demand within the assessment area. Specifically, this data revealed that 337 lenders reported 9,750 home mortgage loans.

Community Contact(s)

Examiners reviewed two community contacts that were performed within the 12 months prior to the evaluation. The contacts indicated that while Camden County has significant affluent population, the rest of the assessment area has much lower-income populations, Morgan County in particular. Regarding Camden County, the area attracts wealthier individuals who purchase or build vacation, second, or retirement homes around the Lake of the Ozarks. The contacts indicated that the affluent nature of this portion of the population precludes the county from qualifying for typical government assistance programs for home buying.

The contacts also stated that while Morgan County is reported as having a lower-income population, the county also has a significant Mennonite population, who typically do not report their income and also do not use the local banks. One of the contacts also indicated Morgan County has a significant population of farmers who typically avoid debt and do not take out loans. Due to this significant Mennonite and farmer population, a large portion of the population have less of a need for banking services.

Credit Needs

Considering economic and demographic data and information from the community contacts and bank management, the primary credit needs in the assessment area include small business and home mortgage loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-METROPOLITAN ASSESSMENT AREA

LENDING TEST

Concordia Bank demonstrated reasonable performance under the Lending Test in the Non-Metropolitan Assessment Area.

Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects excellent dispersion throughout the Non-Metropolitan Assessment Area. This conclusion was reached

through further review of the loans originated in this assessment area, with particular focus given to lending in the one low- and four moderate-income census tracts.

Small Business Lending

The geographic distribution of small business loans reflects excellent dispersion throughout the Non-Metropolitan Assessment Area. Although, no small business loans were originated in the low-income census tract, this is comparable to demographic data. In addition, the bank’s lending in the moderate-income census tracts is well above demographic data.

Geographic Distribution of Small Business Loans in the Non-Metropolitan Assessment Area						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2019	0.8	0	0.0	0	0.0
	2020	0.8	0	0.0	0	0.0
Moderate						
	2019	9.2	6	31.6	463	12.4
	2020	9.3	38	38.4	1,101	12.1
Middle						
	2019	63.3	9	47.4	1,398	37.6
	2020	63.5	46	46.5	6,747	73.9
Upper						
	2019	26.6	4	21.1	1,860	50.0
	2020	26.4	15	15.2	1,277	14.0
Totals						
	2019	100.0	19	100.0	3,721	100.0
	2020	100.0	99	100.0	9,125	100.0

Source: 2019 & 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the Metropolitan Assessment Area. The bank’s lending percentage in the low- and moderate-income census tracts is comparable to the demographic data.

Geographic Distribution of Home Mortgage Loans in the Non-Metropolitan Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.8	1	5.9	600	13.5
Moderate	7.2	1	5.9	216	4.9
Middle	61.1	10	58.8	2,655	59.7
Upper	30.8	5	29.4	973	21.9
Total	100.0	17	100.0	4,444	100.0

Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%

Borrower Profile

The overall distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels in the Non-Metropolitan Assessment Area. Particular focus was given to the dispersion of loans to businesses with gross annual revenues of \$1 million or less and loans to low- and moderate-income individuals.

Small Business Lending

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes in the Non-Metropolitan Assessment Area. The bank's lending to businesses with gross annual revenues of \$1 million or less is significantly lower than the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Non-Metropolitan Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.5	9	64.3	1,287	51.2
2020	83.4	9	33.3	597	26.9
>\$1,000,000					
2019	4.3	4	28.6	1,221	48.6
2020	4.2	3	11.1	1,074	48.4
Revenue Not Available					
2019	12.2	1	7.1	5	0.2
2020	12.4	15	55.6	549	24.7
Totals					
2019	100.0	14	100.0	2,513	100.0
2020	100.0	27	100.0	2,220	100.0

Source: 2019 & 2020 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

Home Mortgage Lending

The distribution of borrowers reflects poor penetration among individuals of different income levels, including low- and moderate-income individuals, in the Non-Metropolitan Assessment Area. In evaluating the institution's performance, examiners considered certain limitations. For example,

according to FFIEC data, the maximum income of a low-income family in the Non-Metropolitan Assessment Area was \$27,200 in 2020. A family at this income level would likely not qualify for a home mortgage under conventional underwriting standards, especially considering the median housing value of \$149,922 in this assessment area. Examiners also considered the 2015 ACS data, which reveals 12.2 percent of families in the Non-Metropolitan Assessment Area are living below the poverty level. This factor is considered when evaluating the institution’s lending to low-income families, as the cost of owning and maintaining a home is more cost-prohibitive for these families. Examiners also considered the lower availability of government assistance programs for low- and moderate-income individuals to purchase homes and the level of competition in the area. However, the bank’s lending to low- and moderate-income borrowers is very limited, well below demographic data, and considered poor.

Distribution of Home Mortgage Loans by Borrower Income Level in the Non-Metropolitan Assessment Area					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	17.5	0	0.0	0	0.0
Moderate	17.1	1	7.7	163	4.1
Middle	20.9	3	23.1	299	7.6
Upper	44.5	7	53.8	1,546	39.1
Not Available	0.0	2	15.4	1,946	49.2
Total	100.0	13	100.0	3,954	100.0
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution'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).

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 institution 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.

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.

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.

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.

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 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.

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.