

PUBLIC DISCLOSURE

March 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Legence Bank
Certificate Number: 10886

1108 US Highway 45 N
Eldorado, Illinois 62930

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 the institution's loans are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate income) and businesses and farms of different sizes.
- The institution did not receive any complaints about its performance in meeting the credit needs of the assessment areas. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas 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 areas.

DESCRIPTION OF INSTITUTION

Legence Bank is headquartered in Eldorado, Illinois (population 3,737), and operates in the rural southeastern portion of Illinois and southwestern portion of Indiana. The bank is wholly-owned by a one-bank holding company, First Eldorado Bancshares, Inc., which is also headquartered in Eldorado. The bank owns one subsidiary, American Farm Mortgage & Financial Services, headquartered in Louisville, Kentucky. The subsidiary primarily originates agricultural loans, which were not included in this evaluation. Legence Bank received a Satisfactory CRA rating at its previous FDIC Performance Evaluation dated January 21, 2020, based on Intermediate Small Bank CRA Examination Procedures.

Legence Bank operates 13 full-service offices in Illinois and Indiana. The offices are located Saline, Gallatin, Johnson, Franklin, Williamson, Jackson, Massac, Pulaski, and Jefferson counties in Illinois; and Vanderburgh County in Indiana. By operating in these counties, the bank's combined assessment area includes non-metropolitan areas, the Carbondale-Marion, IL Metropolitan Statistical Area (MSA) #16060; and the Evansville, IN-KY MSA #21780.

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 home mortgage 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; commercial and agricultural loans, both operating and real estate. Legence Bank 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 October 2021, Legence Bank acquired the Shawneetown, Illinois branch of Grand Rivers Community Bank. In December 2021, the institution continued its acquisition activity and purchased Texico State Bank. The Shawneetown branch was relocated to a moderate-income census tract, but no real estate was purchased in the Texico transaction. No other branch openings or closures have occurred since the previous evaluation.

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. Legence Bank originated 385 PPP loans totaling \$826.4 million in 2020 and 619 PPP loans totaling \$18.8 million in 2021. An average loan amount of \$58,845 indicates that the majority of the bank's PPP lending was targeted towards assisting smaller businesses. Beyond the pandemic and PPP loans, the bank offers other SBA loan programs and in 2022 originated 17 loans totaling \$27.2 million in other programs.

United States Department of Agriculture Farm Service Agency guaranteed loans are offered to provide agricultural lenders with up to a 95 percent guarantee of the principal loan amount.

Legence originated 31 loans totaling \$9.7 million in 2020, 19 loans totaling \$6.2 million in 2021, and 16 loans totaling 4.5 million in 2022.

Additionally, the Federal Home Loan Bank (FHLB) provided its member institutions with various grant opportunities to provide funds to community organizations during the pandemic. Legence Bank participated in the FHLB COVID-19 Relief Grant Program and received funds that were distributed to local businesses and nonprofit organizations within the bank’s assessment areas.

As of December 31, 2022, the bank reported assets totaling \$653.5 million, including total loans of \$406.5 million and securities totaling \$188.6 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	9,324	2.3
Secured by Farmland	101,972	25.1
Secured by 1-4 Family Residential Properties	21,941	5.4
Secured by Multi-family (5 or more) Residential Properties	1,634	0.4
Secured by Non-farm Non-Residential Properties	96,218	23.7
Total Real Estate Loans	231,089	56.9
Commercial and Industrial Loans	110,210	27.1
Agricultural Production and Other Loans to Farmers	38,750	9.5
Consumer L	21,969	5.4
Obligations of States and Political Subdivisions in the United States	3,488	0.9
Other Loans	151	0.0
Lease Financing Receivables (net of unearned income)	855	0.2
Total Loans	406,512	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which the bank will concentrate its lending efforts. These areas serve as the basis for evaluating a bank’s performance. Individual assessment areas must be contiguous, consist of whole geographies, include all of the geographies where the bank’s office and deposit-taking ATMs are located, and not arbitrarily exclude low- and moderate-income geographies. Legence Bank designated three separate assessment areas throughout the states in which it operates, all which conform to the requirements of the regulation. Additional information regarding the assessment areas is located in each rated assessment area.

Legence Bank designated its three assessment areas as one in the non-metropolitan area of Illinois (Illinois Non-MSA); one in the Carbondale-Marion, IL MSA (Carbondale-Marion MSA); and one in the Evansville, IN-KY MSA (Evansville MSA). The bank has not changed its assessment area since the previous performance evaluation; however, one county (Johnson) that was part of the

Illinois Non-MSA at the previous evaluation is now included with Jackson County and Williamson County as part of the Carbondale-Marion, IL MSA.

Details regarding the assessment area composition by county, number of census tracts, and number of branches are presented in the table below:

Composition of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
IL Non-MSA	Franklin, Gallatin, Jefferson, Massac, Pulaski, and Saline	40	8
Carbondale-Marion, IL MSA	Jackson, Johnson, and Williamson	39	4
Evansville, IN-KY MSA	Vanderburgh	59	1
<i>Source: Bank Records; CT = Census Tract</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated January 21, 2020, to the current evaluation dated March 27, 2023. Examiners used the Interagency Intermediate Small Bank CRA Examination Procedures to evaluate Legence Bank’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.

Legence Bank is subject to the Interstate Banking and Branching Efficiency Act of 1994 (IBBEA) because it operates in Illinois and Indiana. In accordance with the IBBEA, an overall CRA rating, a State of Illinois rating, and a State of Indiana rating are required. This is the bank’s second evaluation using Intermediate Small Bank Examination procedures. All three of the assessment areas were reviewed using full-scope procedures. Overall, the State of Illinois rating received the most weight with the Illinois Non-MSA showing the most deposit and loan activity and most heavily weighted for the rating in the full performance evaluation.

State and Assessment Area Weighting 2022				
Assessment Area	% of # Branches	# Branches	% Deposits	% Loans
Illinois Non-MSA	61.5	8	74.8	57.3
Illinois MSA	30.8	4	19.6	34.2
Indiana MSA	7.7	1	5.6	8.5

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.

Legence Bank is subject to the data collection requirements of the Home Mortgage Disclosure Act (HMDA). As such, examiner reviewed home mortgage loans reported under HMDA data collection requirements during the review period of January 1, 2021 to December 31, 2022. Examiners also reviewed small business and small farm loans originated or renewed by the bank from January 1, 2022 to December 31, 2022. With the exception of multi-family loans, loans identified as community development loans were excluded from the universe because they are reviewed and given CRA credit under the Community Development Test. The loans reviewed 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 HMDA Loan Application Registers for 2021 and 2022. In 2021, the bank reported 204 loans totaling \$32.2 million. In 2022, the bank reported 144 loans totaling \$21.1 million. Because of the release dates of comparison data, the 2021 HMDA data was compared to the 2015 American Community Survey (ACS) Census data while the 2022 HMDA data was compared to the 2020 U.S. Census data and aggregate lending data.

This evaluation also considered 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. Legence Bank originated 228 small business loans totaling \$29.5 million and 97 small farm loans totaling \$12.0 million in 2022. The universe of small business and small farm loans was used for the evaluation, as no sampling was required.

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 January 21, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, the bank's performance under the Lending Test reflects reasonable responsiveness to assessment area credit needs. Examiners evaluated the loan-to-deposit (LTD) ratio and assessment area concentration criteria at the institution level and formed separate conclusions regarding performance under the geographic distribution and borrower profile criteria for each assessment area, as applicable. Conclusions from each assessment area are considered when assigning the overall rating for the bank and more specific discussions of bank performance in each assessment area are located in the State of Illinois Non-MSA, Carbondale-Marion MSA, and Evansville MSA sections of the evaluation. The performance in the State of Illinois provides the most weight in the overall evaluation.

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 68.1 percent over the past 12 quarters from March 31, 2020, to December 31, 2022. The ratio ranged from a low of 60.7 percent as of March 31, 2022, to a high of 75.2 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 table below, the bank's net LTD ratio is lower than three of the four similarly-situated banks. 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 333 loans on the secondary market totaling \$57.1 million, 192 loans totaling \$30.7 million, and 106 loans totaling \$15.7 million in 2020, 2021, and 2022 respectively.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
Legence Bank	653,519	68.1
Similarly-Situated Institution #1	1,697,634	93.3
Similarly-Situated Institution #2	309,826	85.5
Similarly-Situated Institution #3	2,844,673	80.6
Similarly-Situated Institution #4	616,678	67.1

Source: Reports of Condition and Income

Assessment Area Concentration

Legence Bank originated a majority of its loans within the assessment areas. All small business and small farm loans originated or renewed in 2022 and home mortgage loans originated in 2021 and 2022 were analyzed to determine the portion of loans extended inside and outside the assessment areas. A majority of the small business loans were originated outside the assessment areas in 2022.

According to management, there is low loan demand for businesses in the Illinois Non-MSA assessment area making it difficult to boost small business lending within the rural portions of the area. The demand fluctuates from year to year but management monitors the assessment area concentration and it is reasonable overall. 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 \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	143	70.1	61	29.9	204	20,981	65.1	11,230	34.9	32,211
2022	117	81.2	27	18.8	144	14,269	67.5	6,866	32.5	21,135
Subtotal	260	74.7	88	25.3	348	35,250	66.1	18,096	33.9	53,346
Small Business 2022	94	41.2	134	58.8	228	11,755	39.8	17,773	60.2	29,528
Small Farm 2022	52	53.6	45	46.4	97	7,007	58.4	4,990	41.6	11,997
Totals	406	60.3	267	39.7	673	54,012	56.9	40,859	43.1	94,871

Source: Bank Data and HMDA LARs

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the overall assessment areas. This conclusion is supported by reasonable overall performance in low- and moderate-income tracts in the State of Illinois assessment areas. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts. A complete discussion of the bank’s performance for this criterion is found in the separate assessment area sections of this evaluation.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different incomes and businesses and farms of different sizes. This conclusion is supported by reasonable performance in each assessment area. Examiners focused on the percentage by number of small business and small farms with gross annual revenues (GARs) of \$1.0 million or less and by number of home mortgage loans to low- and moderate-income borrowers. Refer to the comments for each assessment area for a detailed discussion of the bank’s performance under this portion of the lending test.

Innovative or Flexible Lending Programs

Legence Bank uses innovative and flexible lending practices to serve its assessment area needs. The bank offers federally-sponsored loan programs. These programs are designed to assist low- and moderate-income borrowers with homeownership. The bank offers financing options through the

Small Business Administration and the United States Department of Agriculture Farm Service Agency as mentioned under “Description of Institution.”

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

An overall “Satisfactory” rating is assigned under the Community Development Test. Overall, Legence Bank demonstrated satisfactory responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. This rating is consistent with the most heavily weighted area (State of Illinois Non-MSA). Examiners considered the institution’s capacity and the need and availability of opportunities in the assessment areas. The bank’s level of activity was compared to other similarly-situated institutions operating within, and adjacent to, the assessment areas. The information presented below is the combined community development activities in all assessment areas.

Community Development Loans

The bank originated 54 community development loans totaling \$89.8 million during the evaluation period. This level of activity represents 13.7 percent of total assets and 22.1 percent of total loans as of December 31, 2022. The bank made two community development loans in the Carbondale-Marion IL MSA and one in the Evansville IN-KY MSA during the evaluation period. Almost half of the community development loans were originated outside the assessment areas for a regional/statewide benefit.

Community Development Loans All Assessment Areas Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	1,776	3	2,175	13	15,581	1	3,000	18	22,532
2021	-	-	2	2,799	7	10,958	-	-	9	13,757
2022	-	-	3	5,705	1	4,000	-	-	4	9,705
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Total in AA	1	1,776	8	10,679	21	30,539	1	3,000	31	45,994
Outside AA	-	-	1	500	22	43,329	-	-	23	43,829
Totals	2	1,776	9	11,179	43	73,868	1	3,000	54	89,823

Source: Bank Records

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois Non-MSA	1	1,776	8	10,679	18	29,480	1	3,000	28	44,935
Carbondale-Marion	-	-	-	-	2	346	-	-	2	346
Evansville, IL-KY	-	-	-	-	1	713	-	-	1	713
Regional/Statewide	-	-	1	500	22	43,329	-	-	23	43,829
Totals	1	1,776	9	11,179	43	73,868	1	3,000	54	89,823
<i>Source: Bank Records</i>										

Qualified Investments

The bank has 16 qualified investments and 124 qualified donations totaling \$5.1 million for the current evaluation period. This level of activity represents 0.8 percent of total assets, 10.6 percent of total equity capital, and 2.7 percent of total securities using the December 31, 2022, Call Report. The 13 investments totaling \$2.6 million inside the assessment areas were municipal school bonds. When compared to similarly-situated banks, Legence is slightly below the level of qualified investments of other banks.

Qualified Investments by Year All Assessment Areas										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	3	1,218	-	-	-	-	3	1,218
2020 (Partial)	-	-	3	69	-	-	-	-	3	69
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	7	1,325	-	-	-	-	7	1,325
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Subtotal Inside AAs	-	-	13	2,612	-	-	-	-	13	2,612
Qualified Grants & Donations inside AAs	-	-	110	150	-	-	-	-	110	150
Regional/Statewide Area Qualified Investments Outside AAs	-	-	3	2,341	-	-	-	-	3	2,341
Regional/Statewide Area Grants & Donations Outside AAs	-	-	14	9	-	-	-	-	14	9
Totals	-	-	140	5,112	-	-	-	-	140	5,112
<i>Source: Bank Records</i>										

Qualified Investments including Grants and Donations by Assessment Area with All Assessment Areas										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois Non-MSA MSA	-	-	71	1,462	-	-	-	-	71	1,462
Carbondale-Marion	-	-	40	1,281	-	-	-	-	40	1,281
Evansville, IL-KY MSA	-	-	12	19	-	-	-	-	12	19
Statewide/Regional Area	-	-	17	2,350	-	-	-	-	17	2,350
Totals	-	-	140	5,112	-	-	-	-	140	5,112

Source: Bank Records

Community Development Services

During the review period, Legence Bank employees provided 172 instances of financial expertise or technical assistance to 57 community development organizations, as detailed in the following tables. When compared to similarly-situated institutions, Legence Bank performed better than its competitors with regard to community services.

An internally developed financial literacy program is a primary focus of the institution in its community services. The “Go!Learn” financial literacy course was created in 2009. Bank employees have continually presented the program to elementary, middle, and high school students in the assessment areas each year. Adult programs are also offered in numerous settings.

In addition to community development services, six banking offices are located in moderate-income census tracts: four in the Illinois Non-MSA assessment area, one in the Carbondale-Marion IL MSA, and one in the Evansville IN-KY MSA. These locations increase the availability of banking services to low- and moderate-income individuals in those assessment areas.

Retail banking services that benefit low- and moderate-income individuals include three deposit accounts with no monthly fees, no minimum balance required, and a free debit card.

Community Development Services All Assessment Areas Combined by Year					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	17	12	-	29
2021	-	32	20	-	52
2022	-	70	21	-	91
2023 (YTD)	-	-	-	-	-
Total	-	119	53	-	172

Source: Bank Records

Community Development Services All Assessment Areas					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Illinois Non-MSA	-	75	14	-	89
Carbondale-Marion MSA	-	27	28	-	55
Evansville, IN-KY MSA	-	17	11	-	28
Total	-	119	53	-	172
<i>Source: Bank Records</i>					

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.

STATE OF ILLINOIS – Full-Scope Review

CRA RATING FOR STATE OF ILLINOIS: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS

As of December 31, 2022, the Illinois banking offices account for 74.8 percent of the bank’s total deposits. This, as previously stated, the bank’s lending performance within the State of Illinois heavily influenced the overall CRA rating assigned in this evaluation. Performance in the Illinois Non-MSA assessment area carries the most weight in the State of Illinois rating due to the highest amount of deposits, loan production activity, and number of banking offices.

SCOPE OF EVALUATION – STATE OF ILLINOIS

The rating for the State of Illinois is based on full-scope evaluations of the bank’s performance in the Illinois Non-MSA and the Carbondale-Marion, IL MSA assessment areas. A full-scope review of these areas was performed since this is where the majority of the bank’s branches, loans, deposits, and community development activities occur. These two assessment areas combined contain over 91.5 percent of the loans and 94.4 percent of the deposits.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS

LENDING TEST

The institution’s performance in the State of Illinois for retail lending activities and initiatives is consistent with the overall rating and is Satisfactory.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the State of Illinois assessment areas. This conclusion is supported by the performance in both assessment areas within the State of Illinois.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and small businesses and small farms of different sizes. This conclusion is consistent with performance in both assessment areas within the State of Illinois.

COMMUNITY DEVELOPMENT TEST

Legence Bank demonstrates 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 availability of such opportunities.

Community Development Loans

Legence Bank originated 30 community development loans totaling \$45.2 million in the Illinois assessment areas during the evaluation period. This level of community development lending demonstrates the bank's responsiveness to community development needs of the assessment areas. Given that the Illinois Non-MSA performance is weighted more heavily in the bank's performance overall, the low level of performance in the Carbondale-Marion MSA assessment area has less impact on the overall rating.

Qualified Investments

Legence Bank purchased 13 qualified investments during the review period totaling \$2.6 million, including donations made of \$131,000 to qualified organizations throughout the Illinois assessment areas during the evaluation period. The qualified investments in the State of Illinois represent all of the bank's total qualified investments in the assessment areas. Most of the donations were provided to non-profit organizations serving low- and moderate-income individuals and moderate-income neighborhoods. The level of qualified investments did not increase over the review period when compared with the previous evaluation. It is expected that as the bank grows, the level of qualified investments would also grow. Since growth in qualified investments did not occur, this is an area where the bank could improve its performance.

Community Development Services

Legence Bank provides an adequate level of financial expertise or technical assistance to various community development organizations. This conclusion is based on the available opportunities and physical presence in the Illinois assessment areas. The qualified services in the State of Illinois represent 83.7 percent of the bank's total.

ILLINOIS NON-METROPOLITAN STATISTICAL AREA - Full-Scope Review

In the state of Illinois, Legence Bank operates in the Illinois Non-MSA and the Carbondale-Marion IL MSA assessment areas. This section of the performance evaluation will discuss the Illinois Non-MSA assessment area. The bank has nine offices in six rural southeastern Illinois non-metropolitan counties. As of June 30, 2022, bank deposits represented 74.8 percent of total deposits, loans represented 57.3 percent to total loans, and 61.5 percent of the bank's branches were located in the Illinois Non-MSA assessment area.

Economic and Demographic Data

The assessment area includes Franklin, Gallatin, Jefferson, Massac, Pulaski, and Saline counties in rural southeastern Illinois. According to the 2020 U.S. Census data, the 40 census tracts in these six counties reflect the following income designations:

- 2 low-income tracts,
- 17 moderate-income tracts,
- 20 middle-income tracts, and
- 1 upper-income tract.

According to FFIEC data, in 2020, there were 11 distressed middle-income nonmetropolitan census tracts in Gallatin, Massac, and Saline counties. The tracts were distressed for various reasons such as poverty, unemployment, and population loss. In 2021, the number of distressed middle-income tracts decreased to two in Gallatin County for population loss. In 2022, there was one distressed middle-income tract in Gallatin County and one in Pulaski County designated as distressed.

The assessment area no longer includes Johnson County, as it is now part of the Carbondale-Marion Illinois MSA.

Demographic Information of the Assessment Area						
Assessment Area: IL Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	40	5.0	42.5	50.0	2.5	0.0
Population by Geography	122,993	3.9	38.1	54.6	3.4	0.0
Housing Units by Geography	60,380	4.5	40.7	51.7	3.2	0.0
Owner-Occupied Units by Geography	37,918	3.6	35.0	57.5	3.9	0.0
Occupied Rental Units by Geography	13,164	7.1	53.7	37.3	1.9	0.0
Vacant Units by Geography	9,298	4.7	45.6	48.1	1.6	0.0
Businesses by Geography	8,059	4.8	43.2	49.6	2.4	0.0
Farms by Geography	611	1.6	25.2	71.4	1.8	0.0
Family Distribution by Income Level	32,932	26.6	19.3	20.6	33.5	0.0
Household Distribution by Income Level	51,082	29.8	16.7	17.6	35.9	0.0
Median Family Income Non-MSAs - IL		\$68,958	Median Housing Value			\$84,858
			Median Gross Rent			\$668
			Families Below Poverty Level			13.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

A comparison of the 2015 American Community Survey from the previous evaluation to the recently released 2020 U.S. Census data shows the population of the assessment area has decreased by around 20,000. The decrease is partly attributed to Johnson County moving to the Carbondale-Marion IL MSA. Other comparisons show the number of vacant units has increased by approximately 200 units, the median family income increased by \$9,000, and the percent of families below the poverty level stayed about the same.

The 2021 and 2022 median family income (MFI) levels are used to analyze home mortgage loans under the Borrower Profile criterion. The income categories 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%
IL NA Median Family Income (99999)				
2021 (\$66,700)	<\$33,350	\$33,350 to <\$53,360	\$53,360 to <\$80,040	>\$80,040
2022 (\$76,100)	<\$38,050	\$38,050 to <\$60,880	\$60,880 to <\$91,320	≥\$91,320
<i>Source: FFIEC</i>				

Data from the U.S. Bureau of Labor Statistics shows that unemployment has risen in the assessment area since the previous evaluation. Each county has a higher percentage of unemployment compared to the state of Illinois average; differences range from 0.1 percent in Jefferson County to 2.4 percent in Pulaski County. As depicted in the table below, the rate of unemployment in each of the six counties is at least one percent higher than the National average.

Unemployment Rates	
County or Area	December 2022
	%
Franklin County	5.2
Gallatin County	4.6
Jefferson County	4.3
Massac County	4.4
Pulaski County	6.6
Saline County	4.9
State of Illinois	4.2
National Average	3.3
<i>Source: Bureau of Labor Statistics</i>	

The local economy is largely based on service industries. They represent the largest portion of businesses (35.5 percent); followed by non-classifiable establishments (16.2 percent); retail trade (13.2 percent); and finance, insurance, and real estate (7.6 percent). In addition, 89.5 percent of assessment area businesses have nine or fewer employees and 84.6 percent operate from a single location.

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 8,059 businesses. Gross annual revenues (GARs) for these businesses are below:

- 79.2 percent have GARs of \$1.0 million or less,
- 4.5 percent have GARs over \$1.0 million, and
- 16.3 percent have unknown GARs.

The assessment area also contains 611 farms. GARs for these farms are as follows:

- 98.4 percent have GARs of \$1.0 million or less,
- 1.0 percent have GARs over \$1.0 million, and
- 0.6 percent have unknown GARs.

A more detailed breakdown of the farms by county is shown in the following table from the 2017 Census of Agriculture.

Farms by Value of Sales	
County	Under \$100,000
	%
Franklin	83
Gallatin	62
Jefferson	83
Massac	84
Pulaski	75
Saline	81
<i>Source: 2017 Census of Agriculture</i>	

Competition

Legence Bank operates in a competitive market for deposits. According to FDIC Deposit Market Share data, as of June 30, 2022, there were 17 financial institutions operating 58 full-service branches throughout the assessment area. Legence Bank ranked third with 13.2 percent of the deposit market share. The highest ranked institution had a deposit market share of 20.6 percent.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. According to 2021 Peer Mortgage Data, 127 lenders reported 2,174 residential mortgage loan originations or purchases in the assessment area. Legence ranked fifth with a market share of 3.6 percent among these lenders. The top five lenders accounted for 45.6 percent of the total market share.

The bank is not required to collect or report small business or small farm loan data. However, aggregate lending data reflects the level of demand for small business and is included for reference. Aggregate data for 2021 shows that 70 institutions reported 1,945 small business loans in the assessment area. Considering the demographics of the assessment area, this level of lending reflects a high degree of competition for these products.

Community Contacts

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 those needs. It also shows what credit opportunities are available.

Examiners contacted a representative of an economic development organization in the assessment area. The contact identified a significant level of opportunity for small business lending, especially to start-up businesses. The contact noted a need to attract new businesses. Overall, the contact indicated that local financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Opportunities for small farm, home mortgage loans, community development lending, and services are available within the assessment area. Based on information from the community contacts, bank management, and economic data, small farm and home mortgage loans are a primary credit need for the assessment area.

Specifically, the assessment area maintains a moderately high level of low- and moderate-income families at 46 percent. Furthermore, according to the most recent D&B data, 98 percent of the farms in the assessment area report annual gross revenue of \$1.0 million or less. In addition, numerous non-profit agencies are in the area to provide essential services to low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN Illinois Non-Metropolitan Statistical Area Assessment AREA

LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Illinois Non-MSA assessment area. The conclusions are drawn from the assessment area's demographics, aggregate lending distributions, and performance context. Examiners considered only the loans originated inside this assessment area for the analysis of geographic distribution and borrower profile.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The performance of small farm, small business, and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts in the assessment area.

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, Legence Bank did not originate any small business loans in the low-income census tracts. However, the percentage of businesses is nominal and limits the opportunities for banks to lend in those tracts. In addition, the bank does not operate any branches in the low-income tracts of the assessment area. In the moderate-income tracts, the bank's performance slightly exceeded the percentage of businesses located in these tracts. The bank also originated loans to businesses in distressed middle-income tracts even though there is not a measurement for this data. 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)	%
Low	4.8	--	--	--	--
Moderate	43.2	27	45.0	4,036	57.0
Middle	49.6	33	55.0	3,043	43.0
Upper	2.4	--	--	--	--
Not Available	0.0	--	--	--	--
Totals	100.0	60	100.0	7,079	100.0

Source: 2022 D&B Data; 1/1/2022- 12/31/2022 Bank Data.

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 table below, the bank did not originate any small farm loans in the low-income tracts in 2022. Since less than two percent of farms are located in these tracts, this performance is reasonable. Eight loans or 21.1 percent of the small farm loans were originated in the moderate-income tracts of the assessment area. This compares favorably to the 25.2 percent of farms located in these tracts and represents reasonable performance.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	1.6	--	--	--	--
Moderate	25.2	8	21.1	752	13.7
Middle	71.4	30	78.9	4,754	86.3
Upper	1.8	--	--	--	--
Totals	100.0	38	100.0	5,506	100.0

Source: 2022 D&B Data; 1/1/2022- 12/31/2022 Bank Data.

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 the aggregate lending performance. More emphasis is placed on aggregate lending data, which is more reflective of the lending opportunities. The following table reflects the geographic distribution of home mortgage loans with the assessment area.

The bank did not originate any loans in the low-income tracts; however, as shown by the demographic data, there are low levels of opportunity for lending with only 0.5 percent in 2021 and 3.6 percent in 2022 of owner-occupied housing units respectively. The bank’s lending in moderate-

income tracts was slightly below the demographic and aggregate lending data in 2021, but then exceeded demographic data in 2022 (2022 aggregate lending data is not yet available). Overall, the bank’s dispersion of home mortgage loans throughout the assessment area reflects reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.5	0.2	0	0.0	0	0.0
2022	3.6	--	0	0.0	0	0.0
Moderate						
2021	21.8	20.0	15	18.8	1,448	14.1
2022	35.0	--	36	53.7	2,940	47.7
Middle						
2021	72.3	70.4	58	72.5	7,615	74.3
2022	57.5	--	29	43.3	3,004	48.8
Upper						
2021	5.4	9.4	7	8.7	1,181	11.6
2022	3.9	--	2	3.0	215	3.5
Totals						
2021	100.0	100.0	80	100.0	10,244	100.0
2022	100.0	--	67	100.0	6,159	100.0

Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, 2020 US Census Data, "--" data not available.

Borrower Profile

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

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. As shown in the table below, Legence originated 60.0 percent of its small business loans in this assessment area to businesses with GARs of \$1.0 million or less, which is less than percentage of businesses in the assessment area (79.2 percent). Per discussions with management, small business lending activity in the assessment area is limited. In addition, small businesses may have benefitted from PPP loans in 2020 and 2021 and may have surpluses from that program which

would support less loan demand. 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	79.2	36	60.0	2,754	38.9
>\$1,000,000	4.5	19	31.7	3,795	53.6
Revenue Not Available	16.3	5	8.3	530	7.5
Total	100.0	60	100.0	7,079	100.0

Source: 2022 D&B Data, Bank Data.

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 over 70 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, three loans were made to one borrower whose GAR is over \$1.0 million. 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	98.4	27	71.1	2,800	50.9
>\$1,000,000	1.0	11	28.9	2,706	49.1
Revenue Not Available	0.6	--	--	--	--
Total	100.0	38	100.0	5,506	100.0

Source: 2022 D&B Data, Bank Data.

Home Mortgage Loans

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

Legence Bank’s home mortgage to lending to low-income borrowers was 3.8 percent in 2021, which is noticeably lower than aggregate lending and demographic data for 2021. In 2022, the bank’s level of lending to low-income borrowers rose to 14.9 percent, above aggregate lending data and below demographic data of 26.6 percent. The table below shows that the percent of families who are low-income and reside within the assessment area were 25.3 percent in 2021 and 26.6 percent in 2022. These percentages include 13.6 percent in 2021 and 13.4 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. 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 exceeded demographic and aggregate data in 2021 and 2022 with 23.8 percent and 29.9 percent, respectively. In both years, this level of lending is higher than the 19.2 and 19.3 percent of moderate-income families residing in the assessment area as well as above the aggregate performance of 20.7 percent. Overall, Legence Bank'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. 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	25.3	9.5	3	3.8	137	1.3
2022	26.6	-	10	14.9	651	10.6
Moderate						
2021	19.2	20.7	19	23.8	1,857	18.1
2022	19.3	-	20	29.8	1,318	21.4
Middle						
2021	21.5	22.4	17	21.2	2,126	20.8
2022	20.6	-	18	26.9	1,806	29.3
Upper						
2021	34.0	26.9	41	51.2	6,124	59.8
2022	33.5	-	18	26.9	2,359	38.3
Not Available						
2021	0.0	20.5	0	0.0	0	0.0
2022	0.0	-	1	1.5	25	0.4
Totals						
2021	100.0	100.0	80	100.0	10,244	100.0
2022	100.0	-	67	100.0	6,159	100.0

Source: 2015 ACS; 2020 US Census Data; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.

COMMUNITY DEVELOPMENT TEST

Legence Bank 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 such opportunities.

Community Development Loans

Legence Bank originated 28 community development loans totaling approximately \$44.9 million during the evaluation period. This level of activity represents 6.9 percent of total assets, 93.0 percent of total equity capital, and 23.8 percent of total loans as of December 31, 2022. This level of community development lending is comparable to similarly-situated banks. These loans demonstrate the bank’s responsiveness to community development needs identified by the community contact and the needs of the assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Loans IL Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	1,776	3	2,175	11	15,235	1	3,000	16	22,186
2021	-	-	2	2,799	6	10,245	-	-	8	13,044
2022			3	5,705	1	4,000	-	-	4	9,705
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Totals	1	1,776	8	10,679	18	29,480	1	3,000	28	44,935

Source: Bank Records

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

- In 2020, the bank originated a \$1.8 million loan for a 60-unit apartment building that provides affordable housing.
- In 2021, the bank originated a \$1.3 million loan for new buses and bus services for school districts located in moderate-income tracts.
- In 2022, the bank originated a \$4.0 million loan to provide funds for operating expenses for 14 nursing homes that provides employment for local low- and moderate-income individuals.

Qualified Investments

Legence Bank made ten qualified investments during the review period totaling \$1.4 million, which includes donations to qualified organizations throughout the assessment area. Most of the donations were made to non-profit organizations serving low- and moderate-income individuals and organizations serving moderate-income neighborhoods. While the qualified investments, grants, and donations respond to community development needs, they are limited in comparison to the bank’s other community development activities.

Qualified Investments by Year IL Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
2020 (Partial)	-	-	3	69	-	-	-	-	3	69
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	7	1,325	-	-	-	-	7	1,325
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	10	1,394	-	-	-	-	10	1,394
Qualified Grants & Donations	-	-	61	68	-	-	-	-	61	68
Total	-	-	71	1,462	-	-	-	-	71	1,462
<i>Source: Bank Records</i>										

Notable examples include:

- In 2020, the bank purchased \$69,000 in general obligation school bonds benefitting a school in a moderate-income tract where the majority of students (89.0 percent) qualify for the state’s free and reduced lunch program.
- In 2022, the bank purchased \$625,000 in bonds benefitting a school in Saline County. The district is located in a moderate-income tract where 53 percent of the students qualify for the state’s free and reduced lunch program.

Community Development Services

During the evaluation period, bank employees provided 89 instances of financial expertise or technical assistance to different community development-related organizations in the assessment area. Legence Bank 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. Examples of qualifying community development services include:

- Legence Bank developed its own financial literacy program called “Go!Learn.” Bank employees spent several hours presenting the material to numerous schools across southern Illinois for elementary, middle, and high school students. The curriculum was designed to educate, inform, and encourage financial management to the communities in which Legence Bank serves.
- Various bank employees promote economic development by participating in Creating Entrepreneurial Opportunities (CEO) programs with several schools in the assessment area. Local businesses collaborate with area schools to create project-based experiences for students by providing funding, expertise, meeting space, business tours, and one-on-one mentoring. Students visit area businesses, learn from guest speakers, participate in a business class, write business plans, and start and operate their own businesses.

Community Development Services by Year IL Non-MSA Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	15	2	-	17
2021	-	17	4	-	21
2022	-	43	8	-	51
2023 (YTD)	-	-	-	-	-
Total	-	75	14	-	89
<i>Source: Bank Records</i>					

Legence Bank operates four banking locations in moderate-income census tracts and offers free checking accounts. These branches and account types promote the availability of services to low- and moderate-income individuals.

CARBONDALE-MARION, IL MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CARBONDALE-MARION, IL MSA ASSESSMENT AREA

Legence Bank operates four offices in the Carbondale-Marion, IL MSA assessment area. One branch is located in Marion (population 16,855); one in Carbondale (population 21,857); one in Johnston City (population 3,348); and one in Vienna (population 1,343). The Johnston City branch is located in a moderate-income tract.

Economic and Demographic Data

The assessment area includes all 39 census tracts in the Carbondale-Marion, IL MSA, consisting of Jackson, Johnson, and Williamson counties, located in southeastern Illinois. According to the 2020 U.S. Census, these tracts reflect the following income designations:

- 1 low-income tract,
- 11 moderate-income tracts,
- 14 middle-income tracts,
- 9 upper-income tracts, and
- 4 tracts with no income designation.

One of the tracts with no income designation is in Johnson County and includes the Shawnee Correctional Center and the Vienna Correctional Center. The other two census tracts with no income designation include the Southern Illinois University campus and recreational land to the southeast of Carbondale. The final census tract in Williamson County with no income designation contains the Rosehill and Maplewood cemeteries in Marion.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	2.6	28.2	35.9	23.1	10.3
Population by Geography	133,435	3.8	26.2	39.0	23.8	7.2
Housing Units by Geography	66,007	5.2	27.8	38.5	21.4	7.1
Owner-Occupied Units by Geography	35,392	1.2	25.4	44.4	25.6	3.4
Occupied Rental Units by Geography	20,927	9.7	32.7	29.1	16.0	12.5
Vacant Units by Geography	9,688	10.2	25.8	37.5	18.0	8.5
Businesses by Geography	9,676	4.8	25.5	34.2	27.1	8.4
Farms by Geography	451	1.3	22.6	47.2	23.1	5.8
Family Distribution by Income Level	32,839	22.6	17.7	18.2	41.5	0.0
Household Distribution by Income Level	56,319	26.2	14.2	16.6	43.0	0.0
Median Family Income MSA - 16060 Carbondale-Marion, IL MSA		\$67,046	Median Housing Value			\$120,054
			Median Gross Rent			\$692
			Families Below Poverty Level			11.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The increase in the population of the assessment area can be attributed, in part, to Johnson County being designated as part of the Carbondale-Marion MSA. Other changes from the 2015 ACS census compared to the 2020 U.S. Census Data include an increase in vacant units by geography, increases in businesses and farms, and an increase in median family income.

The 2021 and 2022 FFIEC-updated MFIs are used to analyze home mortgage loans under the Borrower Profile criterion. The income categories 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%
Carbondale-Marion, IL MSA Median Family Income (16060)				
2021 (\$64,700)	<\$32,350	\$32,350 to <\$51,760	\$51,760 to <\$77,640	≥\$77,640
2022 (\$76,400)	<\$38,200	\$38,200 to <\$61,120	\$61,120 to <\$91,680	≥\$91,680
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics indicates that unemployment in both Jackson and Williamson counties is below the state of Illinois average and is on par with the national average. Johnson County, which was recently added to the Carbondale-Marion MSA, has an unemployment rate two percent higher than the national average and nearly one percent higher than the state of Illinois average.

Unemployment Rates	
County or Area	December, 2022
	%
Jackson County	3.5
Johnson County	5.2
Williamson County	3.8
State of Illinois	4.2
National Average	3.3
<i>Source: Bureau of Labor Statistics</i>	

In this assessment area, service industries represent the largest portion of businesses (37.9 percent); followed by non-classifiable establishments (18.0 percent); retail trade (13.0 percent); and finance, insurance, and real estate (8.7 percent). In addition, 89.3 percent of assessment area businesses have nine or fewer employees and 86.2 percent operate from a single location.

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 9,676 businesses. Gross annual revenues (GARs) for these businesses are below:

- 82.1 percent have GARs of \$1.0 million or less,
- 4.2 percent have GARs over \$1.0 million, and
- 13.7 percent have unknown GARs.

The assessment area also contains 451 farms. GARs for these farms are as follows:

- 96.7 percent have GARs of \$1.0 million or less,
- 1.1 percent have GARs over \$1.0 million, and
- 2.2 percent have unknown GARs.

A more detailed breakdown of the farms by County is shown in the following table from the 2017 Census of Agriculture.

Farms by Value of Sales	
County or Area	Under \$100,000
	%
Jackson	83
Johnson	95
Williamson	90
<i>Source: 2017 Census of Agriculture</i>	

Competition

Legence Bank operates in a competitive market for deposits. According to FDIC Deposit Market Share data, as of June 30, 2022, there were 19 financial institutions operating 69 full-service branches throughout the assessment area. Legence Bank ranked ninth with 3.6 percent of the deposit market share. The highest ranked institution had a deposit market share of 21.0 percent.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. According to 2021 Peer Mortgage Data, 127 lenders reported 2,174 residential mortgage loan originations or purchases in the assessment area. Legence ranked 17th with a market share of 1.5 percent among these lenders. The top five lenders accounted for 36.8 percent of the total market share.

The bank is not required to collect or report small business or small farm loan data. However, aggregate lending data reflects the level of demand for small business loans and is included for reference. Aggregate lending data for 2021 shows that 72 institutions reported 2,325 small business loans in the assessment area. Considering the demographics of the assessment area, this level of lending reflects a high degree of competition for these products.

Community Contacts

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 those needs. It also shows what credit opportunities are available.

Examiners contacted a representative of an economic development organization in the assessment area. The contact identified a significant level of opportunity for small business lending, especially to start-up businesses. The contact noted a need to attract new businesses. Overall, the contact indicated that local financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Opportunities for small farm, home mortgage loans, community development lending, and services are available within the assessment area. Based on information from the community contacts, bank management, and economic data, small farm and home mortgage loans are a primary credit need for the assessment area.

Specifically, the assessment area maintains a moderately high level of low- and moderate-income families at 40 percent. Furthermore, according to the most recent D&B data, 97 percent of the farms in the assessment area report annual gross revenue of \$1.0 million or less. In addition, numerous non-profit agencies are in the area to provide essential services to low- and moderate-income individuals.

SCOPE OF EVALUATION – CARBONDALE-MARION, IL MSA

Examiners conducted a full scope review of the bank's performance in the Carbondale-Marion, IL MSA assessment area. Small business, small farm, and home mortgage loan activities are included in the scope of the evaluation but carry less weight in the overall rating due to the lower amount of deposit production activity, loan originations, and number of banking offices in the assessment area. The bank's lending performance in this assessment area is discussed below and received less weighting in the overall performance within the State of Illinois rating.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CARBONDALE-MARION MSA ASSESSMENT AREA

LENDING TEST

Overall, the bank's lending performance reflects reasonable responsiveness to the credit needs in the Carbondale-Marion MSA assessment area. This conclusion was based on the geographic distribution of small business and home mortgage loans and borrower profile for small business loans.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The performance of small business and home mortgage lending within the assessment area supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts in the assessment area.

Small Business Loans

The geographic distribution of small business loans reflects a reasonable dispersion in the low- and moderate -income census tracts in the assessment area. The bank did not originate any small business loans in the low-income census tract. However, this census tract only contains 4.8 percent of businesses in the assessment area, which limits the lending opportunities in this tract. In the moderate-income tracts, Legence Bank's lending performance of 35.7 percent is noticeably higher than the percentage of businesses at 25.5 percent. The following table provides further details on the geographic distribution of small business loans in the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.8	--	--	--	--
Moderate	25.5	10	35.7	1,999	60.5
Middle	34.2	10	35.7	524	15.9
Upper	27.1	8	28.6	783	23.6
Not Available	8.4	--	--	--	--
Totals	100.0	28	100.0	3,306	100.0

Source: 2022 D&B Data; Bank Data

Small Farm Loans

The geographic distribution of small farm loans reflects poor dispersion. The bank did not originate any loans in the low-income tract and only two loans in the moderate-income tracts in 2022 at 15.4 percent. In this assessment area, small farm loans are not a primary focus. Due to the bank's lending focus and limited number of small farm loans in this assessment area, small farm lending is not weighted heavily in the overall rating of the assessment area.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	1.3	--	--	--	--
Moderate	22.6	2	15.4	531	41.4
Middle	47.2	10	76.9	505	39.4
Upper	23.1	1	7.7	245	0.2
Not Available	5.8	--	--	--	--
Totals	100.0	13	100.0	1,281	100.0

Source: 2022 D&B Data; Bank Data.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners placed more emphasis on the lending performance in comparison to the aggregate lending data, which is more reflective of the actual lending opportunities in those census tracts.

Legence Bank's geographic distribution of home mortgage loans by tract income level reflects reasonable dispersion throughout the Carbondale-Marion, IL assessment area. The bank did not originate any home loans in low-income census tracts in 2021 and 2022. As shown by the demographic and aggregate lending data, the opportunities to live and lend in the low-income tracts of the assessment area are limited, which explains why the bank may not have originated any loans there.

Legence Bank’s lending performance in moderate -income census tracts was 14.3 percent in 2021 and 25.0 percent in 2022, which is higher than the 11.7 percent and 25.4 percent in 2021 and 2022 of owner-occupied housing units located within those tracts. The bank’s performance is also higher than the 9.8 percent of HMDA aggregate lending data within these tracts. The following table reflects the geographic distribution of home mortgage loans within the assessment area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.1	2.1	0	0.0	0	0.0
2022	1.2	--	0	0.0	0	0.0
Moderate						
2021	11.7	9.8	7	14.3	829	10.7
2022	25.4	--	10	25.0	1,448	23.2
Middle						
2021	55.7	51.4	29	59.2	4,851	62.7
2022	44.4	--	14	35.0	1,785	28.5
Upper						
2021	29.5	35.1	13	26.5	2,062	26.6
2022	25.6	--	12	30.0	2,626	42.0
Not Available						
2021	1.0	1.6	0	0.0	0	0.0
2022	3.4	--	4	10.0	396	6.3
Totals						
2021	100.0	100.0	49	100.0	7,742	100.0
2022	100.0	--	40	100.0	6,255	100.0

Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes in the assessment area. The bank’s reasonable performance of small farms and businesses supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate -income borrowers and the percentage of businesses and farms loans to entities with GARs of \$1.0 million or less.

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. As shown in the following table, in 2022, the bank originated 85.7 percent of its

small business loans to businesses with GARs of \$1.0 million or less, which is comparable to the 82.1 percent of businesses in the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	82.1	24	85.7	2,623	79.3
>\$1,000,000	4.2	3	10.7	329	10.0
Revenue Not Available	13.7	1	3.6	354	10.7
Total	100.0	28	100.0	3,306	100.0

Source: 2022 D&B Data, Bank Data.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. As shown in the following table, the bank originated a majority (84.6 percent) of its small farm loans in this assessment area to farms with GARs of \$1.0 million or less in 2022. This compares reasonably to the 96.7 percent of farms in the assessment area.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.7	11	84.6	779	60.8
>\$1,000,000	1.1	2	15.4	502	39.2
Revenue Not Available	2.2	--	--	--	--
Total	100.0	13	100.0	1,281	100.0

Source: 2022 D&B Data, Bank Data.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is poor. Examiners compared the bank’s performance to 2021 HMDA aggregate lending data and demographic data.

The following table shows that 21.8 percent (in 2021) and 22.6 percent (in 2022) of the families in this assessment area are low-income borrowers. The aggregate lending data in this assessment area was 6.9 percent. Additionally, 13.5 percent (2021) and 11.8 percent (2022) of the assessment area’s families had incomes below the poverty level. These families typically do not possess the financial means to qualify for or afford a conventional home mortgage loan due to financial constraints. Legence Bank originated two loans to low-income borrowers in 2021, which was below aggregate performance, and five loans to a moderate-income borrower in 2022 in this assessment area, above aggregate performance and demographic data when the families below the poverty level are removed for analysis purposes.

For moderate-income borrowers, the bank’s performance was closer to aggregate and demographic data but remained below that data. In 2022, the number of loans to moderate-income borrowers fell to only 7.5 percent. Bank management has struggled to retain consistent and active lenders in this assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	21.8	6.9	2	4.1	144	1.9
2022	22.6	--	5	12.5	266	4.3
Moderate						
2021	18.6	15.7	7	14.3	700	9.0
2022	17.7	--	3	7.5	305	4.9
Middle						
2021	18.8	20.5	3	6.1	245	3.2
2022	18.2	--	8	20.0	949	15.2
Upper						
2021	40.8	38.8	37	75.5	6,653	85.9
2022	41.5	--	24	60.0	4,735	75.6
Not Available						
2021	0.0	18.1	0	0.0	0	0.0
2022	0.0	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	49	100.0	7,742	100.0
2022	100.0	--	40	100.0	6,255	100.0

Source: 2015 ACS; 2020 US Census Data; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.

COMMUNITY DEVELOPMENT TEST

Legence Bank demonstrated reasonable responsiveness to the community development needs of its assessment area through qualified community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities.

Community Development Loans

Legence Bank originated two community development loans totaling \$346,000 in this assessment area during the evaluation period. The loans were funded to support community services.

Community Development Loans Carbondale-Marion MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	-	-	-	-	2	346	-	-	2	346
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	2	346	-	-	2	346

Source: Bank Records

Qualified Investments

Legence Bank purchased three qualified investments and made 37 qualified grants and donations during the review period in this assessment area.

Qualified Investments by Year Carbondale-Marion IL MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
2020 (Partial)	-	-	3	1,218	-	-	-	-	3	1,218
2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023 (YTD)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	3	1,218	-	-	-	-	3	1,218
Qualified Grants & Donations	-	-	37	63	-	-	-	-	37	63
Total	-	-	40	1,281	-	-	-	-	40	1,281

Source: Bank Records

Community Development Services

During the evaluation period, bank employees provided 55 instances of financial expertise or technical assistance to community development-related organizations in the assessment area. Legence Bank employees have sought opportunities to provide their financial or technical expertise to organizations that meet the definitions of community development. Responsiveness to community development needs is shown through the services activity. The following table shows bank services by year and purpose.

Community Development Services by Year Carbondale-Marion IL MSA Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	1	-	-	1
2021	-	11	15	-	26
2022	-	15	13	-	28
2023 (YTD)	-	-	-	-	-
Total	-	27	28	-	55
<i>Source: Bank Records</i>					

A notable example where bank employees provided financial expertise or technical assistance to community development organizations was an employee using financial expertise to provide guidance to an economic development organization.

STATE OF INDIANA – Full Scope Review

CRA RATING FOR (RATED AREA #2): SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF INDIANA

Legence Bank has one assessment area in the state of Indiana. The bank operates one office in the Evansville, IN-KY MSA assessment area. The branch is located in census tract 101 (moderate-income tract) in the city of Evansville (population 117,298). There are three counties in the Evansville, In-KY MSA; however, the bank designated only Vanderburgh County as its Indiana assessment area. As of June 30, 2022, the bank had \$32.9 million in deposits from its Indiana assessment area which represents 5.6 percent of the bank’s total deposits as of the same date.

Economic and Demographic Data

The assessment area includes all 59 census tracts in Vanderburgh County. These tracts reflect the following income designations according to the 2020 U.S. Census:

- 10 low-income tracts,
- 17 moderate-income tracts,
- 17 middle-income tracts,
- 9 upper-income tracts, and
- 6 census tracts with no income designation.

Three of the tracts with no income designation have no residents. Two of the non-designated tracts have under 30 residents each and the last one has just over 500 residents. All six are in the Ohio River floodplain. 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)	59	16.9	28.8	28.8	15.3	10.2
Population by Geography	180,136	12.4	30.5	31.9	25.0	0.3
Housing Units by Geography	84,478	14.3	32.1	32.4	20.6	0.6
Owner-Occupied Units by Geography	49,328	8.6	27.1	37.7	26.3	0.3
Occupied Rental Units by Geography	26,766	20.0	40.0	26.5	12.9	0.7
Vacant Units by Geography	8,384	29.5	37.0	20.0	11.6	1.9
Businesses by Geography	18,249	11.2	28.4	25.8	25.1	9.4
Farms by Geography	507	5.7	18.9	38.9	33.3	3.2
Family Distribution by Income Level	45,548	24.4	19.2	20.8	35.6	0.0
Household Distribution by Income Level	76,094	26.1	17.9	18.5	37.5	0.0
Median Family Income MSA - 21780 Evansville, IN-KY MSA		\$72,963	Median Housing Value			\$125,870
			Median Gross Rent			\$824
			Families Below Poverty Level			11.0%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area has experienced a decrease in about 1,000 residents from the 2015 ACS to the 2020 U.S. Census. Business and farm growth in the county have occurred over the review period as shown in increases in numbers in both of those areas. Housing units increased, vacant units decreased, and the volume of families below the poverty level from 12.3 percent to 11.0 percent.

The 2021 and 2022 FFIEC-updated MFIs are used to analyze home mortgage loans under the Borrower Profile criterion. The income categories 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%
Evansville, IN-KY MSA Median Family Income (21780)				
2021 (\$78,400)	<\$39,200	\$39,200 to <\$62,720	\$62,720 to <\$94,080	≥\$94,080
2022 (\$83,700)	<\$41,850	\$41,850 to <\$66,960	\$66,960 to <\$100,440	≥\$100,440
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics indicates that Vanderburgh County's unemployment rate is less than both the state of Indiana and national averages.

Unemployment Rates	
County or Area	December, 2022
	%
Vanderburgh County	2.3
State of Indiana	2.4
National Average	3.3
<i>Source: Bureau of Labor Statistics</i>	

Service industries represent the largest portion of businesses (34.1 percent); followed by non-classifiable establishments (22.0 percent); finance, insurance, and real estate (13.6 percent), and retail trade (11.4 percent). In addition, 80.5 percent of assessment area businesses have nine or fewer employees and 82.4 percent operate from a single location.

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 18,249 businesses. Gross annual revenues (GARs) for these businesses are below:

- 85.0 percent have GARs of \$1.0 million or less,
- 4.7 percent have GARs over \$1.0 million, and
- 10.3 percent have unknown GARs.

The assessment area also contains 507 farms. GARs for these farms are as follows:

- 97.2 percent have GARs of \$1.0 million or less,
- 1.0 percent have GARs over \$1.0 million, and
- 1.8 percent have unknown GARs.

According to the 2017 Census of Agriculture, the average size of a farm in this assessment area is 255 acres. Most sales come from sales of crops such as grains, oilseeds, dry beans, and dry peas. Farms by value of sales under \$100,000 make up 69 percent of the farms in the county.

Competition

Legence Bank operates in a competitive market for deposits. According to FDIC Deposit Market Share data, as of June 30, 2022, there were 13 financial institutions operating 49 full-service branches throughout the assessment area. Legence Bank ranked 11th with 0.4 percent of the deposit market share. The highest ranked institution had a deposit market share of 39.5 percent.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. According to 2021 Peer Mortgage Data, 224 lenders reported 7,850 residential mortgage loan originations or purchases in the assessment area. Legence ranked 52nd with a market share of 0.8 percent among these lenders. The top five lenders accounted for 51.5 percent of the total market share.

The bank is not required to collect or report small business or small farm loan data. However, aggregate lending data reflects the level of demand for small business loans is included for reference. Aggregate lending data for 2021 shows that 74 institutions reported 3,399 small business loans in the assessment area. Considering the demographics of the assessment area, this level of lending reflects a high degree of competition for these products.

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 those needs. It also shows what credit opportunities are available.

Examiners contacted a representative of a local community development organization in the assessment area. The contact noted that the most significant needs of the assessment area are affordable housing. In addition, the contact stated that there is a housing shortage in general. Education and support services for women- and minority-owned businesses was also stated as a community development need.

Credit and Community Development Needs and Opportunities

Information from community contact, demographic, and economic data showed that there are opportunities for community development within this assessment area. The state of Indiana and local government entities sponsor various programs that support affordable housing and economic development programs.

SCOPE OF EVALUATION – STATE OF INDIANA

The rating for the State of Indiana is based on a full scope evaluation of the bank's performance in the Evansville, IL-KY MSA assessment area. The bank operates in only one assessment area in the State of Indiana. Small farm, small business, and home mortgage loans were considered with small business and home mortgage lending receiving more weight in the overall rating of this assessment area than small farm lending performance. In consideration of the bank's overall performance, this assessment area is given less weight since the bank has only one branch in Evansville.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF INDIANA

LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Evansville, IL-KY MSA assessment area based on the performance of small business and home mortgage loans under the geographic distribution and home mortgage loans under the borrower profile criterion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's performance of small business and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts in the assessment area.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area even with a limited number of loans originated. As shown in the following table, the bank originated 16.7 percent of its small business loans in the low-income tracts and 50.0 percent of its small business loans in the moderate-income tracts. The percentages exceed the D&B data; however, there is a low level of lending. The low number of small business loans is reflective of strong competition and difficulty filling lending positions.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	11.2	1	16.7	100	7.3
Moderate	28.4	3	50.0	621	45.3
Middle	25.8	1	16.7	40	2.9
Upper	25.1	1	16.6	609	44.5
Not Available	9.4	--	--	--	--
Totals	100.0	6	100.0	1,370	100.0

Source: 2022 D&B Data; Bank Data

Small Farm Loans

Evansville is an urban area with a limited number of farms and a high level of banking competition. The bank did not originate any small farm loans in the low- or moderate-income tracts of the assessment area. One loan was originated totaling \$220,000 in this assessment area in 2022. No meaningful conclusions could be drawn regarding the dispersion of small farm loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank's performance to 2021 HMDA aggregate lending data and to the percentage of owner-occupied housing units by tract income category.

Legence Bank did not originate any loans in low-income tracts in 2021 or 2022. However, this performance is reasonable considering that the bank's only branch in this assessment area is located on the east side of Evansville, approximately six miles from the nearest low-income tracts in downtown Evansville.

In 2021 and 2022, the bank’s lending in moderate-income tracts represents excellent dispersion, as home mortgage lending exceeded both aggregate lending performance and demographic data, as shown in the table below.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	9.5	5.7	0	0.0	0	0.0
2022	8.6	--	0	0.0	0	0.0
Moderate						
2021	19.6	18.8	5	35.7	1,062	35.5
2022	27.1	--	4	40.0	651	35.1
Middle						
2021	35.5	33.9	3	21.4	399	13.3
2022	37.7	--	0	0.0	0	0.0
Upper						
2021	35.3	41.4	6	42.9	1,534	51.2
2022	26.3	--	6	60.0	1,205	64.9
Not Available						
2021	0.1	0.2	0	0.0	0	0.0
2022	0.3	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	14	100.0	2,995	100.0
2022	100.0	--	10	100.0	1,856	100.0

Source: 2015 ACS; 2022 US Census Data; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.

Borrower Profile

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

Small Business Loans

The distribution of small business loans reflects poor penetration of loans to businesses of different sizes. As shown in the table below, the bank originated more loans to larger sized businesses in 2022.

The small number of loans makes it difficult to draw meaningful conclusions. The high level of competition in the market contributed to the bank’s inability to originate more small business loans.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.0	2	33.3	68	5.0
>\$1,000,000	4.7	4	66.7	1,302	95.0
Revenue Not Available	10.3	--	--	--	--
Total	100.0	6	100.0	1,370	100.0
<i>Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Loans

Legence Bank originated one small farm loan totaling \$220,000 in the assessment area in 2022. No meaningful conclusions could be drawn regarding the borrower distribution of small farm loans except that the loan was made to a farm with GARs of less than \$1.0 million.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is reasonable. Examiners compared bank data to both aggregate lending and demographic data.

The table on the following page shows the percentage of low-income families in this assessment area was 24.1 percent in 2021 and 24.4 percent in 2022. The percent of families with incomes below the poverty level was 11.0 and 12.3 percent for 2021 and 2022, respectively. These families typically do not possess the financial means to qualify for a conventional home mortgage due to financial constraints. Given this context, the bank’s level of loans to low-income borrowers is reasonable when compared to demographics and aggregate lending performance.

Lending to moderate-income borrowers was lower than the demographic and aggregate lending data in 2021 but exceeded demographic data and was only slightly below aggregate data in 2022. As such, the bank’s level of lending to moderate-income borrowers is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	24.1	13.5	2	14.3	239	8.0
2022	24.4	--	1	10.0	199	10.7
Moderate						
2021	18.7	21.8	2	14.3	295	9.8
2022	19.2	--	2	20.0	317	17.1
Middle						
2021	19.9	19.1	3	21.4	587	19.6
2022	20.8	--	2	20.0	504	27.1
Upper						
2021	37.3	20.4	6	42.9	1,794	59.9
2022	35.6	--	5	50.0	836	45.1
Not Available						
2021	0.0	25.2	1	7.1	80	2.7
2022	0.0	--	0	0.0	0	0.0
Totals						
2021	100.0	100.0	14	100.0	2,995	100.0
2022	100.0	--	10	100.0	1,856	100.0

Source: 2015 ACS; 2020 US Census Data; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.

COMMUNITY DEVELOPMENT TEST

Legence Bank demonstrated adequate responsiveness to the community development needs of its assessment area through qualified community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

Legence Bank originated one community development loan totaling \$713,000 during the evaluation period. This level presents 0.1 percent of total assets, 1.5 percent of total equity capital, and 0.2 percent of total loans as of December 31, 2022. This level of lending is reasonable based on the institution's presence in this assessment area.

Qualified Investments

Legence Bank had 12 qualified grants and donations totaling \$19,000 during the review period to qualified organizations. Two sponsorship donations of \$5,000 each were provided to a non-profit organization which helps provide a neighborhood food market to help combat food insecurity in the community. The bank’s volume of qualified investments in this assessment area is considered poor compared to the high level of opportunities present.

Community Development Services

During the evaluation period, bank employees provided 28 instances of financial expertise or technical assistance to community development-related organizations in the assessment area. Legence Bank employees have sought opportunities to provide their financial or technical expertise to organizations that meet the definitions of community development. Responsiveness to community development needs is shown through the services activity. The following table shows bank services by year and purpose.

Community Development Services by Year Evansville IN-KY MSA Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	-	1	10	-	11
2021	-	4	1	-	5
2022	-	12	-	-	12
2023 (YTD)	-	-	-	-	-
Total	-	17	11	-	28
<i>Source: Bank Records</i>					

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
State of Illinois	Satisfactory	Satisfactory	Satisfactory
State of Indiana	Satisfactory	Satisfactory	Satisfactory

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank'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.