



PUBLIC DISCLOSURE

October 30, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Scottsburg Building and Loan Association
Charter Number 704315
306 West McClain Avenue
Scottsburg, Indiana 47170

Office of the Comptroller of the Currency
10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40223

NOTE: 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, and should not 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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Overall CRA Rating

The institution is rated: **Satisfactory**.

Scottsburg Building and Loan Association (SBLA or Bank) has a **satisfactory** record of meeting credit needs of its community. This conclusion is based on the following.

The Lending Test is rated: **Satisfactory**.

The major factors supporting the rating for SBLA include the following:

- SBLA's loan-to-deposit (LTD) ratio is reasonable.
- The Bank originates a majority of loans within its assessment area (AA).
- SBLA's distribution of loans to low- and moderate-income individuals reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion within moderate-income CTs.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which 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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

SBLA is a \$91.4 million full-service, intrastate institution located in Scottsburg, Indiana. It is a wholly owned subsidiary of Scottsburg B&L, MHC, a single-thrift holding company. The Bank operates from one office in Scott County, Indiana. The office is a full service facility and has an Automated Teller Machine (ATM) on location.

SBLA has designated a single AA which consists entirely of Scott County, Indiana. The AA is appropriate and does not arbitrarily exclude low- or moderate-income demographics. As of June 30, 2018, Scott County consists of two moderate-income CTs and three middle-income CTs.

The Bank offers traditional banking services with a primary business strategy of originating and holding 1-4 family residential real estate loans. As of June 30, 2018, net loans totaled \$44.6 million, or 49.6 percent of average assets. By dollar volume, SBLA's loan portfolio consisted of 1-4 Family Residential Real Estate Loans (90.3 percent), Commercial and Industrial Loans (4.4 percent), Non-Farm Residential Loans (2.6 percent), Construction and Development Loans (2.3 percent), and loans to individuals (0.4 percent). Tier 1 Capital totaled \$12.9 million with a tier 1 leverage ratio of 14.1 percent.

There are no legal or financial circumstances that impact the Bank's ability to meet the credit needs of its community. The last CRA evaluation was performed by the Office of the Comptroller of the Currency (OCC) on February 24, 2014. SBLA received a Satisfactory rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated SBLA's CRA performance using the OCC's Small Bank CRA Examination Procedures. These procedures assess an institution's record of meeting the credit needs through its lending activities.

The CRA evaluation covers the period since the previous CRA Examination, through October 30, 2018. To evaluate the Bank's performance, we reviewed data from SBLA's primary loan product, residential real estate loans to evaluate the Bank's performance.

We compared the Bank's lending performance with demographic data from the FDIC Deposit Market Share Report as of June 30, 2018, Bureau of Labor Statistics data, and 2010 United States Census as part of our analysis. Please refer to *Appendix A: Scope of Examination* and *Appendix B: Community Profiles for Full-Scope Areas* for more information on the scope of the examination.

Data Integrity

We relied on the Bank's 2015, 2016, and 2017 HMDA reports for this evaluation. HMDA reports were reviewed for accuracy.

Selection of Areas for Full-Scope Review

SBLA has one AA, consisting entirely of Scott County. Refer to *Appendix B: Community Profiles for Full-Scope Areas* for a profile and description of the AA.

Ratings

The overall rating was based on the Bank's 1-4 family residential real estate lending performance within the AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

SBLA’s performance under the lending test is satisfactory.

- The LTD ratio is reasonable.
- SBLA originated a majority of loans inside the AA.
- The Bank’s distribution of loans to low-to moderate-income individuals reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion within moderate-income CTs.

Loan-to-Deposit Ratio

SBLA’s average LTD ratio is reasonable given the Bank’s size, financial condition, and the credit needs of its AA. The Bank’s LTD ratio averaged 64.6 percent over the last 18 quarters, with a high of 66.5 percent and a low of 62.2 percent. The other AA institutions had average LTD ratios ranging from 51.6 percent to 91.0 percent. Among the financial institutions operating within the AA, SBLA is by far the smallest in terms of total assets and access to funding sources. Given SBLA’s asset size, product and service offerings, and business strategy, the Bank’s LTD is reasonable.

Lending in Assessment Area

SBLA originates a majority of loans inside the AA. Over the assessment period, the Bank originated 76.7 percent of HMDA-reported loans, by number, within the AA. The Table below details SBLA’s lending within the AA by number and dollars of loans originated during the evaluation period.

Table 1 - Lending in Scott County, Indiana										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA Reportable	231	76.74	70	23.26	301	19,816	74.26	6,869	25.74	26,685

Source: 2015-2017 HMDA LARs.

Lending to Borrowers of Different Incomes

SBLA's distribution of residential real estate loans to low-to moderate-income borrowers reflects reasonable penetration. Refer to Tables 2 and 3 in *Appendix C: Tables of Performance Data* for the facts and data used to evaluate the distribution of the Bank's loan originations and purchases.

2015-2016

The overall distribution of residential loans originated in 2015-2016 was reasonable. The Bank originated 11.4 percent of its home mortgage loans to low-income borrowers. That percentage is below both the HMDA aggregate data of 16.5 percent and demographic comparator of 25.4 percent. However, SBLA originated 30.5 percent of its residential real estate loans to moderate-income borrowers. That percentage compares favorably to both the HMDA aggregate data of 23.0 percent, and the demographic comparator of 25.2 percent.

2017

The overall distribution of residential loans originated in 2017 was reasonable. Bank residential lending performance for low income borrowers fell well below demographic comparator, but remained comparable to HMDA aggregate data performance. Bank residential lending performance for moderate income borrowers exceeded the demographic comparator, and was comparable to HMDA aggregate data performance.

Opportunities for banks to originate residential mortgage loans in the AA are impacted by its demographic. Scott County citizens living below the poverty level totals 15.4 percent as of 2017. Additionally, 34.4 percent of residents within the AA receive social security benefits. Available housing types also impact the Bank's ability to originate owner-occupied residential real estate loans as rental units comprise 27.4 percent of the AA's housing.

Geographic Distribution of Loans

SBLA's overall geographic distribution of residential real estate loans reflects reasonable dispersion among moderate-income tracts in the AA. We analyzed the Bank's residential lending activity over the evaluation period and did not identify any unexplained, conspicuous lending gaps in the AA. Refer to Tables 4 and 5 in *Appendix C: Tables for Performance Data* for the facts and data used to evaluate the distribution of the Bank's loan originations and purchases.

2015-2016

The geographic dispersion of loans within the moderate-income CTs in 2015 and 2016 is reasonable. The Bank originated 49.7 percent of residential loans to borrowers in the moderate-income CTs compared to the HMDA aggregate data of 50.8 percent and demographic comparator of 61.1 percent.

2017

The overall distribution of residential loans originated in 2017 reflects reasonable dispersion. Bank lending performance fell below the demographic comparator for moderate-income CTs primarily due to a shift of one census tract from moderate-income to middle-income classification in 2017. The shift to a higher income tract caused the Bank's distribution of loans within moderate-income CTs to decrease. In addition, 19.9 percent of households within the moderate-income CTs have incomes below the poverty level. This impacts the availability of individuals or families able to qualify for a mortgage on a home within those CTs.

Responses to Complaints

SBLA did not receive any written complaints regarding its CRA performance during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: January 1, 2015 to December 31, 2107	
Financial Institution		Products Reviewed
Scottsburg Building and Loan Association Scottsburg, Indiana		Residential Real Estate Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not applicable	Not applicable	Not applicable
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Indiana - Scott County only: Louisville/Jefferson County, KY-IN MSA #31140	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

AA: Scott County

Demographic Information of the Assessment Area						
Assessment Area: : Scott County IN - 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.0	40.0	60.0	0.0	0.00
Population by Geography	23,783	0.0	39.3	60.7	0.0	0.00
Owner-Occupied Housing by Geography	6,497	0.0	35.0	65.0	0.0	0.00
Businesses by Geography	1,018	0.0	52.5	47.5	0.0	0.00
Farms by Geography	70	0.0	24.3	75.7	0.0	0.00
Family Distribution by Income Level	6,241	26.6	24.6	24.3	24.5	0.0
Household Distribution by Income Level	8,962	26.8	18.1	24.6	30.6	0.0
Median Family Income = \$64,777 Households Below the Poverty Level = 14.1%		Median Housing Value = \$99,190				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census and 2015 ACS Census and 2017 D & B Data. Due to rounding, totals may not equal 100.0

The Bank has one AA consisting of the entirety of Scott County, Indiana. Scott County is located within the Louisville-Jefferson County KY-IN, MSA. Scott County is the only county within the MSA included in the Bank’s AA. The AA is appropriate in relation to the location of the Bank’s office and does not arbitrarily exclude any low- or moderate-income areas. Scott County is located in rural, southern Indiana. During 2015 through 2016, Scott County consisted of three moderate-income and two middle-income CTs. As of 2017, the income designation of one CT was changed and the county now has two moderate-income and three middle-income CTs.

As of September 30, 2018, Scott County’s unemployment rate was 3.5 percent. The county’s unemployment rate is slightly higher than the 3.0 percent unemployment rate for the state of Indiana. The Business Demographic consists primarily of the service industry followed by retail trade. The largest employers in the AA include, Wal-Mart Stores, Inc., Scott Memorial Hospital, Morgan Foods, Inc., and Austin Tri-Hawk Automotive.

The Bank has a moderate level of competition with four other institutions in the AA consisting of community banks, and branches of large institutions. SBLA ranks second in the AA, with 27.82 percent of the market share. The FDIC Summary of Deposits as of

June 30, 2018, shows 100.0 percent or \$70.10 million of SBLA's total deposits are within the AA. SBLA has one office with an ATM onsite within the AA. The Bank's primary lending focus is residential real estate mortgages.

A community contact familiar with the AA identified a need for a "living wage" and affordable rental units.

Appendix C: Tables of Performance Data

Table 2

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																	2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
SBLA AA 2015-16	167	13,626	100.0	587	0.0	0.0	0.0	61.1	49.7	50.8	38.9	50.3	49.2	0.0	0.0	0.0	
Total	167	13,626	100.0	587	0.0	0.0	0.0	61.1	49.7	50.8	38.9	50.3	49.2	0.0	0.0	0.0	

Table 3

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
SBLA AA 2017	64	6,190	100.0	595	0.0	0.0	0.0	35.0	23.4	33.8	65.0	76.6	66.2	0.0	0.0	0.0	0.0	0.0	0.0
Total	64	6,190	100.0	595	0.0	0.0	0.0	35.0	23.4	33.8	65.0	76.6	66.2	0.0	0.0	0.0	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table 4

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
SBLA 2015-2016	167	13,626	100.0	587	25.4	11.4	16.5	25.2	30.5	23.0	23.6	22.8	21.3	25.8	35.3	22.5	0.0	0.0	16.7
Total	167	13,626	100.0	587	25.4	11.4	16.5	25.2	30.5	23.0	23.6	22.8	21.3	25.8	35.3	22.5	0.0	0.0	16.7

Source: 2010 U.S. Census ; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table 5

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
SBLA 2017	64	6,190	100.0	595	26.6	9.4	12.9	24.6	28.1	28.4	24.3	28.1	19.5	24.5	31.3	22.0	0.0	3.1	17.1
Total	64	6,190	100.0	595	26.6	9.4	12.9	24.6	28.1	28.4	24.3	28.1	19.5	24.5	31.3	22.0	0.0	3.1	17.1

Source: 2015 ACS Census ; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0