

# **PUBLIC DISCLOSURE**

January 23, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Centinel Bank of Taos  
Certificate Number: 19904

512 Paseo Del Pueblo Sur  
Taos, NM 87571

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

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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 **Outstanding**.

An institution in this group has an outstanding 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 bank exhibited a reasonable record regarding its loan-to-deposit (LTD) ratio.
- A majority of loans are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate- income, and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## DESCRIPTION OF INSTITUTION

Centinel Bank of Taos (Centinel Bank) maintains its headquarters in Taos, New Mexico. Centinel Bank Shares, Inc., single-bank holding company, wholly owns the institution. Centinel Bank of Taos received an Outstanding rating at its previous FDIC CRA evaluation, dated February 10, 2020 based on CRA Small Institution Examination Procedures.

Centinel Bank functions as a retail bank focusing on home mortgage lending and commercial lending from its two branch locations and one limited service drive-thru facility in Taos County, New Mexico. Since the previous evaluation, the institution did not open or close any branches or participate in any merger or acquisition activity.

The institution offers a variety of loan products including commercial, residential real estate, construction, and consumer loans. In addition, the institution provides a variety of deposit services including checking, savings, money market, health savings, individual retirement accounts, and certificates of deposit. Alternative banking services include internet banking, mobile banking, telephone banking, electronic bill pay, and automated teller machines (ATM), two of which accept deposits.

The institution reported total assets of \$387.9 million as of September 30, 2022, including \$132.9 million in total loans. Deposits totaled \$369.9 million as of the same date. On an annual basis, total assets increased approximately 3.0 percent and net loans increased approximately 2.7 percent since the prior evaluation. The following table details the institution’s loan portfolio as of September 30, 2022, reflecting a focus on residential real estate lending, at 49.2 percent, followed by commercial lending at 27.7 percent.

<b>Loan Portfolio Distribution as of September 30, 2022</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	16,181	12.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	65,478	49.2
Secured by Multi-Family (5 or more) Residential Properties	1,026	0.8
Secured by Nonfarm Nonresidential Properties	25,691	19.3
<b>Total Real Estate Loans</b>	<b>108,376</b>	<b>81.6</b>
Commercial and Industrial Loans	11,111	8.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,536	1.9
Other Loans	10,910	8.2
Lease Financing Receivable (net of unearned income)	0	0.0
<i>LESS: Unearned Income</i>	1	0.0
<b>Total Loans</b>	<b>132,932</b>	<b>100.0</b>
<i>Source: Report of Condition and Income (09/30/2022); Due to rounding, totals may not equal 100.0 percent</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet its assessment area’s credit needs.

## DESCRIPTION OF ASSESSMENT AREA

Centinel Bank designated the entirety of Taos County in Non-Metropolitan Statistical Area as it's only assessment area (Taos Non-MSA AA). The Taos Non-MSA AA is comprised of six census tracts that reflect the following income designations based 2015 American Community Survey (ACS) data: one moderate-income and five middle-income census tracts. All five middle-income census tracts received the distressed designation during the evaluation period. The assessment area meets the technical requirements of the CRA. There have been no changes to the bank's assessment area since the prior CRA evaluation.

### **Economic and Demographic Data**

The following table illustrates select demographic characteristics of the Taos Non-MSA AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	6	0.0	16.7	83.3	0.0	0.0
Population by Geography	32,943	0.0	18.2	81.8	0.0	0.0
Housing Units by Geography	20,316	0.0	18.2	81.8	0.0	0.0
Owner-Occupied Units by Geography	9,534	0.0	20.5	79.5	0.0	0.0
Occupied Rental Units by Geography	3,690	0.0	14.7	85.3	0.0	0.0
Vacant Units by Geography	7,092	0.0	17.0	83.0	0.0	0.0
Businesses by Geography	2,848	0.0	17.5	82.5	0.0	0.0
Farms by Geography	87	0.0	12.6	87.4	0.0	0.0
Family Distribution by Income Level	7,897	26.0	15.5	22.5	36.0	0.0
Household Distribution by Income Level	13,224	31.1	14.0	17.2	37.8	0.0
Median Family Income Non-MSAs - NM		\$49,356	Median Housing Value			\$216,800
			Median Gross Rent			\$774
			Families Below Poverty Level			17.1%
<small>Source: 2015 ACS and 2021 D&amp;B Data; Due to rounding, totals may not equal 100.0% ;                      (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

According to the New Mexico Partnership, a local economic development organization, the area's major employers include Holy Cross Medical Center, Taos Municipal School District, and the City and County government. The U.S. Bureau of Labor Statistics in September 2022 reported an unemployment rate of 5.5 percent for Taos County. This figure is higher than the state unemployment rate of 4.2 percent and the national average of 3.5 percent for the same time period.

Examiners use the applicable Federal Financial Institutions Examination Council's (FFIEC's) median family income level to analyze home mortgage loans under the borrower profile performance factor. The following table shows the applicable income ranges based on the 2021 FFIEC-estimated median family income of \$54,600 applicable to the area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>NM NA Median Family Income (99999)</b>				
2021 (\$54,600)	<\$27,300	\$27,300 to <\$43,680	\$43,680 to <\$65,520	≥\$65,520
<i>Source: FFIEC</i>				

### **Competition**

The assessment area reflects a low level of competition for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, three financial institutions operate seven full-service branches within the assessment area. Of these institutions, Centinel Bank ranked 1<sup>st</sup> with a 45.6 percent deposit market share.

### **Community Contact**

As part of the evaluation process, examiners obtain information from third parties knowledgeable of the assessment area to assist in identifying needs of the area. This information helps determine bank responsiveness to these needs and shows available credit and community development opportunities. Examiners contacted a regional housing organization operating across northern New Mexico, including the Taos area. The contact identified a specific need for affordable housing units for low and moderate-income people in both the quantity and quality of those units.

### **Credit and Community Development Needs and Opportunities**

Considering information obtained from bank management, the community contact, and demographic and economic data, examiners determined that residential lending is a primary credit need of the area. Additionally, given that 85.9 percent of the businesses in the assessment area are small businesses, commercial lending to small businesses in the form of smaller size loans represents another credit need of the area.

With respect to the area’s community development needs, demographic data reveals that 41.5 percent of the area’s families reported low- or moderate-incomes and 17.1 percent reported incomes below the poverty level. These levels suggest a need for activities that benefit organizations or projects that provide community services to these families. Additionally, a need exists to expand housing stock in low- and moderate-income geographies, thus creating opportunities for affordable housing in low- and moderate-income areas. Finally, as noted previously, all of the assessment area’s middle-income census tracts received the distressed designation during the evaluation period; therefore, revitalization and stabilization efforts targeting these areas exist.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated February 10, 2020 to current examination January 23, 2022. Examiners used CRA Intermediate Small Institution Examination Procedures to evaluate the CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. The appendix lists each tests' criteria.

As previously noted, the bank operates in one assessment area, the Taos, NM Non-MSA AA. Therefore, examiners applied full-scope procedures in the evaluation for this single area.

### Activities Reviewed

The following table details the loan originations and purchases over the most recent completed calendar year.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	4,941	14.6	30	13.3
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	19,253	57.0	65	28.9
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	1,330	3.9	5	2.2
<b>Total Real Estate</b>	<b>25,524</b>	<b>75.5</b>	<b>100</b>	<b>44.4</b>
Commercial and Industrial Loans	7,270	21.5	67	29.8
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	995	2.9	57	25.3
Other Loans	16	0.1	1	0.5
<b>Total Loans</b>	<b>33,805</b>	<b>100.0</b>	<b>225</b>	<b>100.0</b>
<i>Source: 2021 Bank records; (Percentages may not exactly equal 100 due to rounding)</i>				

CRA Intermediate Small Bank Procedures require examiners to determine the institution's major product lines from which to review. Examiners may select from among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. Examiners determined the bank's major product lines include home mortgage and commercial. No other types, including small farm or consumer loans, represent major product lines. Therefore, this evaluation does not include a review of small farm or consumer loans. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

This evaluation considered sample of 40 home mortgage loans totaling approximately \$14.2 million from a universe of 65 home mortgage loans totaling \$19.3 million originated in 2021. Examiners used 2015 American Community Survey data as a source of comparison.

In addition, this evaluation considers a sample of 40 small business loans totaling approximately \$4.5 million from a universe of 71 small business loans totaling \$7.5 million originated in 2021. Examiners used 2021 D&B data as a source of comparison.

Examiners considered the universes of loans reviewed by number and dollar volume, as well as management's stated business strategy, to determine the weighting applied to the loan categories. Consequently, examiners weighed home mortgage lending heavier when arriving at conclusions.

While this evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans better indicates the number of businesses and individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the previous CRA evaluation. Examiners evaluated the community development activity quantitatively based on the financial capacity of the bank as well as qualitatively based on the bank's ability and capacity to meet assessment area needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Centinel Bank demonstrated a satisfactory record for the bank as a whole regarding the Lending Test. Reasonable performance under the borrower profile loan distribution, geographic loan distribution, LTD ratio, and a majority of loans inside the assessment area primarily support the Lending Test record.

### **Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area's credit needs. The institution recorded an average, net LTD ratio of 37.0 percent over the previous 11 quarters since the prior evaluation. The ratio ranged from a low of 32.7 percent on March 31, 2022, to a high of 42.5 percent on June 30, 2020. Examiners noted some fluctuation during the evaluation period; however, the ratio reflects a generally decreasing trend since the previous evaluation. Management attributed the decreasing trend due to increases in bank deposits from federal stimulus payments.

Examiners identified a comparable institution based on asset size, and loan composition. As shown in the following table, Centinel Bank's ratio is similar to the institution identified.



Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2022 (\$000s)	Average Net LTD Ratio (%)
Centinel Bank of Taos, Taos, New Mexico	387,934	37.0
The Citizens Bank, Farmington, New Mexico	827,994	42.2

*Source: Reports of Condition and Income (03/31/2020 through 09/30/2022)*

### **Assessment Area Concentration**

The bank made a majority of its loans inside its assessment area. The following table shows Centinel Bank granted all home mortgage loans, by both number and dollar volume, inside the assessment area. However, the table also shows the bank granted a less than a majority of small business, by both number and dollar volume, inside the assessment area. A substantial majority of home mortgage lending inside the assessment area outweighs less than majority of small business loans originated in the assessment area to conclude reasonable performance.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	40	100.0	0	0.0	40	14,201	100.0	0	0.0	14,201
Small Business	14	35.0	26	65.0	40	2,007	44.9	2,465	55.1	4,472

*Source: 2021 Bank records; Due to rounding, totals may not equal 100.0 percent*

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable records of home mortgage loans and small business loans support this conclusion. Examiners focused on the percentage by number of loans in the moderate- income census tract relative to assessment area demographics. As noted, the assessment area does not include any low-income geographies. This factor only considered loans granted inside the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Taos Non-MSA AA.

The following table shows the performance in moderate-income census tracts trails demographic data by 10.5 percentage points. However, within the bank’s sole moderate-income census tract, the terrain is mostly mountainous with few roads providing access. Furthermore, the Picuris Pueblo reservation land comprises much of the moderate-income census tract, thereby limiting lending opportunity due to tribal restrictions on real estate liens. Lastly, the bank improved their penetration by 4.4 percentage points compared to the last evaluation. As a result, Centinel Bank’s performance reflects reasonable penetration.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Assessment Area: Taos Non-MSA</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	20.5	4	10.0	1,408	9.9
Middle	79.5	36	90.0	12,793	90.1
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>14,201</b>	<b>100.0</b>

*Source: 2015 ACS data and 2021 Bank records; Due to rounding, totals may not equal 100.0 percent*

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the Taos Non-MSA AA. The following table shows that lending in moderate-income tracts trails demographic data by only 3.2 percentage points, reflecting reasonable performance.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Taos Non-MSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	17.5	2	14.3	786	39.2
Middle	82.5	12	85.7	1,220	60.8
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>2,006</b>	<b>100.0</b>

*Source: 2021 D&B data and 2021 Bank records; Due to rounding, totals may not equal 100.0 percent*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with gross annual revenue of \$1 million or less. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. This factor only considered loans granted inside the bank’s assessment area.

### ***Home Mortgage Loans***

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels. The following table shows that the institution’s performance to low-income and moderate-income borrowers trails demographic data by 16.0 percentage points and 10.5 percentage points respectively.

Average home prices in the Taos Non-MSA AA have increased since the prior evaluation, leading to a lack of affordable housing opportunities. Based on the FFIEC’s median family income data for the area, low- and moderate-income borrowers would find it difficult to qualify for a home mortgage within the Taos Non-MSA AA. Additionally, 26.0 percent of the assessment area’s

families report low incomes, 17.1 percent of families reported income below the poverty level, suggesting limited lending opportunities for low-income and moderate-income borrowers. Considering the context noted above and opportunities available, the bank’s performance is considered reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Assessment Area: Taos Non-MSA</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	26.0	4	10.0	2,048	14.4
Moderate	15.5	2	5.0	82	0.0
Middle	22.5	5	12.5	662	4.7
Upper	36.0	27	67.5	10,456	73.3
Not Available	0.0	2	5.0	953	6.7
<b>Totals</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>14,201</b>	<b>100.0</b>
<i>Source: 2015 ACS data and 2021 Bank records; Due to rounding, totals may not equal 100.0 percent</i>					

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. The level of lending to businesses with gross annual revenues of \$1.0 million or less supports this conclusion. The following table shows Centinel Bank originated more than half of its small business loans to businesses with gross annual revenue of \$1 million or less, reflecting reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Taos Non-MSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	85.9	8	57.1	529	26.4
>\$1,000,000	3.4	5	35.7	1,127	56.2
Revenue Not Available	10.6	1	7.1	350	17.4
<b>Totals</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>2,006</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B data and 2021 Bank records; Due to rounding, totals may not equal 100.0 percent</i>					

### **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

Centinel Bank’s community development performance demonstrates excellent responsiveness to community development needs in the Taos Non-MSA AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the assessment area.

**Community Development Loans**

Centinel Bank demonstrated excellent performance regarding community development loans. An excellent level regarding the dollar volume of loans primarily supports this conclusion. Examiners evaluated the number and dollar volume relative to the considerations noted when arriving at this conclusion.

Since the prior evaluation, Centinel Bank originated 536 community development loans totaling approximately \$48.2 million. This level equates to 13.6 percent of average total assets of \$354.1 million and 39.8 percent of average total loans of \$121.3 million since the prior evaluation. The vast majority of these community development loans were Small Business Administration Paycheck Protection Program (PPP) loans. These levels increased significantly from the 5.0 percent of average total assets and 13.3 percent of average net loans recorded at the prior evaluation.

The community development loans primarily benefited revitalization or stabilization efforts but also benefited affordable housing, community services, and economic development. Affordable housing was an identified need of the assessment area and this shows that the bank is responsive in addressing community development needs of the area. The following tables reflect the number and dollar volume of community development loans extended by area, community development purpose, and year.

<b>Community Development Lending by Assessment Area</b>										
<b>Rated Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Taos Non-MSA AA	2	332	0	0	1	104	523	43,418	<b>526</b>	<b>43,854</b>
Regional Activities	0	0	0	0	0	0	5	287	<b>5</b>	<b>287</b>
Statewide Activities	0	0	2	3,992	0	0	3	108	<b>5</b>	<b>4,100</b>
<b>Total</b>	<b>2</b>	<b>332</b>	<b>2</b>	<b>3,992</b>	<b>1</b>	<b>104</b>	<b>531</b>	<b>43,813</b>	<b>536</b>	<b>48,241</b>
<i>Source: Bank Data (02/10/2020 through 01/23/2023)</i>										

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2020*	0	0	0	0	1	104	314	25,214	<b>315</b>	<b>25,318</b>
2021	0	0	0	0	0	0	214	18,058	<b>214</b>	<b>18,058</b>
2022	2	332	2	3,992	0	0	3	540	<b>7</b>	<b>4,864</b>
<b>Total</b>	<b>2</b>	<b>332</b>	<b>2</b>	<b>3,992</b>	<b>1</b>	<b>104</b>	<b>531</b>	<b>43,813</b>	<b>536</b>	<b>48,241</b>
<i>Source: Bank Data</i>										
<i>*Activities beginning February 10, 2020</i>										

The following points highlight certain community development lending activities:

- **Affordable Housing** –The bank extended two loans to help build and make improvements on a multi-unit apartment building designated for low-income renters.
- **Economic Development** – The bank extended a \$104,000 loan to a small business to aid in creating permanent jobs in the bank’s assessment area.

**Qualified Investments**

Centinel Bank’s level of qualified investments and donations demonstrates adequate performance, considering the opportunities in the assessment area and the capacity of the bank. The institution made 60 qualified investments and donations totaling approximately \$7.6 million during the evaluation period. However, the majority of these dollar investments occurred on a broader regional or statewide level. This level of qualified investments represented 2.2 percent of average total assets and 4.1 percent of average total securities of \$185.2 million over the evaluation period. The percentage of average total assets decreased from the 3.7 percent recorded at the previous evaluation.

The qualified investments primarily benefited community services efforts but also benefited revitalization or stabilization and economic development efforts. Community services are an identified need of the assessment area and this shows that the bank is responsive in addressing needs of low- and moderate-income individuals. The following tables reflect the number and dollar volume of qualified investments extended by assessment area, purpose, and year.

<b>Qualified Investments by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Taos Non-MSA AA	0	0	34	259	0	0	13	34	<b>47</b>	<b>293</b>
Regional Activities	0	0	0	0	0	0	1	1,328	<b>1</b>	<b>1,328</b>
Statewide Activities	0	0	11	4,000	1	2,010	0	0	<b>12</b>	<b>6,010</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>4,259</b>	<b>1</b>	<b>2,010</b>	<b>14</b>	<b>1,362</b>	<b>60</b>	<b>7,631</b>
<i>Source: Bank Data (02/10/2020 through 01/23/2023)</i>										

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	6	2,093	0	0	0	0	6	2,093
2020*	0	0	4	1,142	0	0	1	1,328	5	2,470
2021	0	0	2	1,000	1	2,010	0	0	3	3,010
2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>4,235</b>	<b>1</b>	<b>2,010</b>	<b>1</b>	<b>1,328</b>	<b>14</b>	<b>7,573</b>
Qualified Grants & Donations	0	0	33	24	0	0	13	34	46	58
<b>Total</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>4,259</b>	<b>1</b>	<b>2,010</b>	<b>14</b>	<b>1,362</b>	<b>60</b>	<b>7,631</b>

Source: Bank Data; \*Activities beginning February 10, 2020

The following highlights a qualified investment:

- **Community Service** – the bank held an existing bond with a current book value of \$234,947 benefiting a local school district to build, remodel, make additions to, and furnish school buildings where the majority of students qualify for free or reduced lunches.

### **Community Development Services**

Centinel Bank demonstrated an adequate record for providing community development services. Examiners evaluated the types and availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

During the evaluation period, bank officials provided 34 instances of financial expertise or technical assistance to various community development organizations in the assessment area. This represents an increase in the number of services provided compared to last evaluation. These activities largely provided community services targeted to low- or moderate-income individuals or areas but also provided for revitalization or stabilization, affordable housing, and economic development. Affordable housing and community services were identified as needs for the assessment area and demonstrate responsiveness in addressing community development needs. The following tables illustrate the community development services by purpose, and year.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	1	7	1	3	12
2021	2	6	1	1	10
2022	2	8	1	1	12
<b>Total</b>	<b>5</b>	<b>21</b>	<b>3</b>	<b>5</b>	<b>34</b>

Source: Bank Data; Activities beginning February 10, 2020

The following highlights notable community development services:

- **Affordable Housing** - A bank employee served on a committee of a local organization that provides opportunities for low income housing throughout the evaluation period. The organization helps low- to moderate-income New Mexicans become homeowners as well as create new affordable housing, make existing homes more energy efficient, and provide quality rental opportunities.
- **Revitalize or Stabilize** – A bank employee assists with billing, collections, and annual financial reporting duties for a non-profit organization tasked with increasing water accessibility through infrastructure projects throughout moderate- income and distressed middle- income areas.

Centinel Bank operates two branches in distressed non-metropolitan middle-income census tracts. Additionally, the bank operates two ATMs in middle-income census tracts. The following table details the geographic distribution of the branches and ATMs in relation to assessment area demographics.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	# (000s)	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	16.7	5,982	18.2	0	0.0	0	0.0
Middle	5	83.3	26,961	81.8	2	100.0	2	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>6</b>	<b>100.0</b>	<b>32,943</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

*Source: 2015 ACS and Bank records  
Due to rounding, totals may not equal 100.0 percent*

Centinel Bank offers hours and days of service consistent with the industry and the areas in which it operates. Additionally, Centinel Bank’s Northside branch is open 30 more minutes later Monday through Thursday and an hour later on Friday compared to its main branch to accommodate varying work schedules in the assessment area. Alternative delivery systems available include online and mobile banking as well as ATMs, which help avail services to low- and moderate-income individuals and areas. The bank also has one deposit-taking facility that is open on Saturdays.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit acts or practices inconsistent with helping to meet the community credit needs. Therefore, this consideration did not affect the overall rating.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.



## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g. geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g. innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.