

PUBLIC DISCLOSURE

May 2, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers State Bank of Western Illinois
RSSD# 653433

124 West D Street
Alpha, Illinois 61413

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Farmers State Bank of Western Illinois is rated Satisfactory.

Farmers State Bank of Western Illinois is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities and the economic conditions within the assessment area. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and reasonable penetration among businesses and farms of different sizes. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

Farmers State Bank of Western Illinois' performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. The evaluation was performed within the context of information about the institution and its assessment areas including asset size, financial condition, credit needs, economic and social demographics, and competition. Major products reviewed included small business and small farm loans. The lending analysis was driven by the bank's small farm lending as it represents a majority of the loan portfolio.

The evaluation included a full scope review of the bank's Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area (MSA) #19340, which is comprised of Mercer County in its entirety and a portion of Henry County. The Illinois Non-MSA assessment area is comprised of a portion of Knox and Warren Counties and was evaluated as a limited scope review for consistency with the bank's performance in the full-scope review assessment area. The determination of full-scope versus limited-scope review was based on an analysis of branch concentration, lending, deposit market share, the size of the assessment area, and demographic factors. The bank's assessment area has not changed since the previous evaluation.

Performance within the designated assessment areas was evaluated using small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio ending December 31, 2021 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business and small farm loans originated from January 1, 2021 through December 31, 2021 was reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small

business and small farm loans originated within the assessment area from January 1, 2021 through December 31, 2021 was analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.

- ***Lending to Businesses and Farms of Different Sizes*** – A sample of the bank’s small business and small farm loans originated within the assessment area from January 1, 2021 through December 31, 2021 was reviewed to determine the distribution to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Organizations focusing on economic development and agricultural education were contacted.

DESCRIPTION OF INSTITUTION

Farmers State Bank of Western Illinois is a wholly owned subsidiary of Alpha Banco, Inc., a one bank holding company headquartered in Alpha, Illinois. The bank operates its main office in Alpha, Illinois along with four full-service branches located in Aledo, Alexis, Viola, and Woodhull, Illinois. Additionally, the bank operates one limited-service branch in New Windsor, Illinois. The bank does not operate any automated teller machines (ATMs). In addition, the bank maintains a website (www.fsbwil.com) that provides information on loan and deposit products, obtaining applications, access to online banking, mobile banking, and other bank services. Since the previous evaluation on April 16, 2018, the bank has not opened or closed any branches or ATMs.

As of December 31, 2021, the Uniform Bank Performance Report (UBPR) reported total assets of approximately \$180.3 million. Farmers State Bank of Western Illinois is predominately an agricultural lender, as agricultural loans represent 61.3 percent of the gross loan portfolio. However, since the previous evaluation, the commercial portfolio has experienced notable growth (27.9 percent) which is largely attributed to Paycheck Protection Program (PPP) lending activity.

Farmers State Bank of Western Illinois offers a full range of traditional deposit and credit products to meet the banking needs of its assessment area. Loan products offered include agricultural loans (operating, machinery & livestock, and real estate), home mortgage, commercial (construction, equipment, working capital, SBA, and inventory), secured and unsecured consumer loans, and home equity lines of credit. In addition to its lending activities, the bank offers standard, non-complex deposit products including checking, savings, NOW, and money market deposit accounts

(MMDAs) and certificates of deposit (CDs). The bank markets all products throughout the assessment area.

Details of the bank's loan portfolio are shown below.

Composition of Loan Portfolio as of December 31, 2021 (000's)		
Type	\$	%
Agricultural	41,339	61.3
Commercial	11,917	17.7
Residential Real Estate	9,533	14.1
Consumer	3,143	4.7
Other	1,525	2.3
Total	67,457	100.0

Note: Percentages may not total 100.0 percent due to rounding.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on April 16, 2018.

DESCRIPTION OF ASSESSMENT AREA

Farmers State Bank of Western Illinois operates within two assessment areas consisting of partial Davenport-Moline-Rock Island, IA-IL MSA #19340 (Davenport-Moline-Rock Island, IA-IL MSA), which includes Mercer County in its entirety and partial Henry County (census tract 312.00), as well as Illinois Non-MSA, consisting of partial Knox County (census tracts 0001.00 and 0002.00) and partial Warren County (census tract 8703.00). The combined assessment areas consist of eight total census tracts, and all tracts are designated as middle-income. According to the FFIEC, there are no distressed or underserved middle-income census tracts located in the assessment areas. The assessment areas remain unchanged since the previous evaluation.

A total of 890 businesses are located in the combined assessment area, and businesses with gross annual revenues under \$1.0 million represent 89.0 percent of total businesses. Additionally, there are 278 farms located in the combined assessment area of which 99.6 percent report gross annual revenues less than \$1.0 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment area.

As of December 31, 2021, the bank’s LTD ratio averaged 56.2 percent over a 16-quarter period. While the bank is below the majority of peer lenders in the area and experienced a decline since the prior evaluation (63.9 percent average over a 16-quarter period), the bank is still considered to be reasonably meeting the needs of the community. As a result of the COVID-19 pandemic, many government relief efforts were afforded to small businesses and small farms. These aid packages enabled customers to build their deposit account balances, pay down current debts, and replenish working capital, while not increasing loan demand. In addition, at the end of December 2021, a deposit account with the bank received an abnormally large deposit that inflated the bank’s total deposits. Overall, these higher deposit levels contributed to a lower LTD ratio over the 16-quarter period.

The following table compares the bank’s LTD ratio to similarly situated institutions within the assessment area.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Farmers State Bank of Western Illinois	56.2
Competitors	
1 st Community Bank	81.2
State Bank of Toulon	74.9
Tompkins State Bank	73.2
Security Savings Bank	72.3
Anderson State Bank	36.4

Assessment Area Concentration

During the evaluation period, Farmers State Bank of Western Illinois originated a majority of its small business and small farm loans within the assessment area. As presented in the table below, the bank originated 85.9 percent of small business loans by number and 88.9 percent by dollar amount within the assessment area. Similarly, the bank originated 83.7 percent of small farm loans by number and 85.5 percent by dollar amount within the assessment area. The percentage of small business and small farm originations within the assessment area indicates the bank is actively responding to the credit needs of small businesses and small farms in the assessment area. Furthermore, this lending pattern is considered especially responsive in the midst of the COVID-19

pandemic, during which the demand for Small Business Administration PPP loans greatly increased the number of small business loans.

Loan Types	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Total Small Business Related	79	85.9	2,982	88.9	13	14.1	371	11.1
Total Small Farm Related	77	83.7	2,329	85.5	15	16.3	396	14.5
TOTAL LOANS	156	84.8	5,311	87.4	28	15.2	767	12.6

Geographic and Borrower Distribution

The bank demonstrated a reasonable geographic distribution of loans given the bank's assessment areas. The bank's distribution of loans to businesses and farms of different sizes is reasonable given the demographics of the bank's assessment areas. The specifics of the bank's lending in each assessment area and relevant demographics are discussed in the individual assessment area sections.

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

DAVENPORT-MOLINE-ROCK ISLAND, IA-IL MSA #19340 – FULL REVIEW

SCOPE OF EXAMINATION

Full-scope examination procedures were used to evaluate the bank's performance in the Davenport-Moline-Rock Island, IA-IL MSA assessment area. The scope is consistent with the scope of examination described within the institution summary. For further information, refer to the "Scope of Examination" section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DAVENPORT-MOLINE-ROCK ISLAND, IA-IL MSA

The bank operates its main office and four branches within the assessment area. The bank does not operate any ATMs in the assessment area. Since the previous evaluation, the bank has not closed or opened any branches in the assessment area, and the bank's delineation is unchanged from the previous evaluation.

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2021, ranks Farmers State Bank of Western Illinois seventh among 14 FDIC-insured institutions operating in the assessment area. During this time, the bank held approximately \$119.0 million in deposits representing a 5.9 percent market share, compared to the market leader Bankorion in Orion, Illinois, which holds 20.2 percent (approximately \$407.3 million) of the assessment area's deposits.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 Davenport-Moline-Rock Island, IA-IL MSA 19340								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	928	16.8
Moderate-income	0	0.0	0	0.0	0	0.0	1,141	20.7
Middle-income	5	100.0	5,510	100.0	436	7.9	1,406	25.5
Upper-income	0	0.0	0	0.0	0	0.0	2,035	36.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5	100.0	5,510	100.0	436	7.9	5,510	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	8,725	6,159	100.0	70.6	1,699	19.5	867	9.9
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	8,725	6,159	100.0	70.6	1,699	19.5	867	9.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	631	561	100.0	100.0	33	100.0	37	100.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	631	561	100.0	100.0	33	100.0	37	100.0
	Percentage of Total Businesses:			88.9		5.2		5.9
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	174	173	100.0	100.0	1	100.0	0	0.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	174	173	100.0	100.0	1	100.0	0	0.0
	Percentage of Total Farms:			99.4		0.6		0.0
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Population Change

According to 2015 American Community Survey (ACS) data, the population remained relatively stable across the assessment area counties, the entire MSA, and the state of Illinois between 2010 and 2015. Although counties that comprise the assessment area experienced a population decline, the decline was less than 2.0 percent. The entire MSA and the state of Illinois experienced slight increases in population of less than 1.0 percent. Although the population trends are showing slight declines, a community representative observed that the rates at which younger adults were leaving seem to be leveling off, and more recently, the area is seeing a return of younger adults with families. Representatives stated that the ability to work remotely has made it possible for this sector of the population to return.

Population Change			
Area	2010 Population	2015 Population	Percent Change
Henry County, IL	50,486	49,883	-1.2%
Mercer County, IL	16,434	16,107	-2.0%
Davenport-Moline-Rock Island, IA-IL MSA	379,690	383,145	0.9%
Illinois	12,830,632	12,873,761	0.3%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics

The following table compares the median family income (MFI) for families living in the assessment area counties, the Davenport-Moline-Rock Island, IA-IL MSA, and the state of Illinois. The assessment area is comprised of 5,510 families, of which 16.8 percent are low-income, 20.7 percent are moderate-income, 25.5 percent are middle-income, and 36.9 percent are upper-income, based on 2021 FFIEC Census Data. In addition, 7.9 percent of families in the assessment area are considered below the poverty level. According to the 2011-2015 U.S. Census Bureau American Community Survey, the MFI in Henry County in 2015 was \$66,255 and \$64,649 in Mercer County, both of which were below the MFI for the state of Illinois (\$71,546). Mercer County experienced a decline in MFI of 4.3 percent, which was comparable to the state of Illinois (3.7 percent). Henry County experienced a slight decline of 1.0 percent, which was comparable to the entire Davenport-Moline-Rock Island, IA-IL MSA.

However, a community representative noted there is a broad representation of income in Mercer County, with many families falling at either the higher-end or lower-end of the income distribution. As a result, the median may not be particularly representative of families within the assessment area.

Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Henry County, IL	\$66,935	\$66,255	-1.0%
Mercer County, IL	\$67,542	\$64,649	-4.3%
Davenport-Moline-Rock Island, IA-IL MSA	\$67,213	\$66,600	-0.9%
Illinois	\$74,306	\$71,546	-3.7%

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey
2011 - 2015 U.S. Census Bureau American Community Survey
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

Housing Characteristics

The bank’s assessment area includes 8,725 total housing units, 70.6 percent of which are owner-occupied, 19.5 percent are rental units, and 9.9 percent are vacant. The following table presents the recent housing cost burden within the counties that comprise the assessment area, the Davenport-Moline-Rock Island, IA-IL MSA, and the state of Illinois. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. Renters across all income levels in Henry and Mercer Counties experience this burden at 33.2 and 28.1 percent, respectively, which reflects higher rates than the housing cost burden among homeowners in those counties at 14.4 and 12.5 percent, respectively. Both Henry and Mercer Counties fall below the rate for the state of Illinois, which is the highest percentage of low- and moderate-income renters experiencing housing cost burden, at 74.9 and 36.0 percent, respectively. However, the housing cost burden among low-income renters in Henry and Mercer Counties at 58.8 and 52.2 percent, respectively, implies a shortage of affordable housing in both counties.

Housing cost burden rates among homeowners present similar comparative trends to those of renters, with individuals in the lower income levels experiencing higher cost burdens than the average homeowner. According to FFIEC HMDA loan and application records, home mortgage trends reflect increases in home mortgage activity in recent years across the assessment area counties and the broader region. These trends suggest a continued increase in demand for home purchases, driving up home values and further indicating that housing cost burden for low- and moderate-income homeowners will remain elevated.

While local community representatives confirmed there is always a need for more affordable housing options in the area, they also stated with the cost of monthly rents being comparable to mortgage payments, more renters were moving towards homeownership, contributing to the strong demand for housing, especially for middle range homes. In Mercer County, homes do not remain on the market for long, and in Aledo, a community with a population of less than 4,000, developers are working on both new housing developments and workforce housing that would bring over 60 new homes to the area.

Housing Cost Burden (%)						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Henry County, IL	58.8	13.6	33.2	53.2	20.9	14.4
Mercer County, IL	52.2	28.0	28.1	49.6	18.9	12.5
Davenport-Moline-Rock Island, IA-IL MSA	69.7	29.4	39.7	62.0	26.7	16.1
Illinois	74.9	36.0	43.8	68.8	39.9	23.4
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table presents the unemployment rates from 2016 to 2020 in the counties that comprise the assessment area, the Davenport-Moline-Rock Island, IA-IL MSA, and the state of Illinois. Based on the Bureau of Labor Statistics’ Local Area Unemployment Statistics, unemployment rates in all areas steadily declined from 2016 to 2019, then experienced a surge in 2020. While the COVID-19 pandemic is thought to have attributed to this surge, community representatives observed that employment trends in both Henry and Mercer County have been trending lower than that of the state of Illinois, as many jobs have been resistant to the pandemic. In Mercer County specifically, the representative noted that the unemployment rate surge was impacted by employers struggling to fill open positions as there is a labor shortage. The area is experiencing a retiring population (individuals leaving the workforce) and low-skill positions are left open as the individuals who would normally fill these positions are traveling to nearby metro areas (Quad Cities, Peoria, and Geneseo) for similar jobs with higher wages.

Unemployment Rates (%)					
Area	2016	2017	2018	2019	2020
Henry County, IL	6.0	5.1	5.0	4.6	7.8
Mercer County, IL	6.2	5.1	5.2	4.8	8.0
Davenport-Moline-Rock Island, IA-IL MSA	5.4	4.4	4.2	4.1	7.9
Illinois	5.9	5.0	4.4	4.0	9.5
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Industry Characteristics

The assessment area has a large percentage of retail trade, manufacturing, and healthcare employers, followed by food service and construction. A community representative confirmed that healthcare (Genesis Medical Center) and retail workers comprise a significant percentage of the private sector workforce throughout portions of Mercer and Henry Counties. Although

manufacturing and trade positions are not widespread industries, they have maintained a stable number of establishments through the COVID-19 pandemic, accounting for a large percentage of the assessment area workforce. In addition, entrepreneurship (small businesses) has experienced some growth, specifically within the construction industry, specializing in home renovations.

Community Representatives

Two community representatives were contacted to provide information and insight regarding local economic and demographic conditions in Henry and Mercer Counties. The representatives provided information on assessment area demographics, affordable housing, employment, and economic development needs within their respective areas of expertise. Both representatives noted that Henry and Mercer Counties are strong agricultural and industrial areas. However, with the proximity and ease of accessibility to more metro areas, the assessment area is seeing an influx in population returning to live, but not necessarily to work. Similar to other midwestern areas, the housing market is experiencing heavy demand. In both counties, although there is an overall shortage of all housing, the available middle market homes are essentially non-existent. However, in Aledo, Illinois, developers are working to bring both new housing developments and workforce housing to the area, with the intention of approximately 60 new homes (both income-based and non-income-based) in the next five years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DAVENPORT-MOLINE-ROCK ISLAND, IA-IL MSA

LENDING TEST

Geographic Distribution of Loans

Farmers State Bank of Western Illinois' lending reflects reasonable geographic distribution throughout the assessment area. As the assessment area is comprised only of middle-income census tracts, a meaningful geographic distribution analysis could not be performed. However, the dispersion of the loans was reviewed to determine if the bank is sufficiently serving assessment area census tracts. No conspicuous unexplained gaps in contiguous census tracts were identified.

Lending to Businesses and Farms of Different Sizes

The bank's distribution of loans to businesses and farms of different sizes is reasonable. As stated in the scope of the evaluation, small farm loans are given greater weight in the analysis.

Small Business Lending

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. The bank exceeded the percentage of total businesses in the assessment

area that reported gross annual revenues of \$1.0 million or less, originating 96.9 percent of its loans to these businesses while they comprise 88.9 percent of businesses in the assessment area. Of the loan originations to businesses with revenues of \$1.0 million or less, 96.8 percent were in amounts of \$100,000 or less, which are considered the most impactful in providing funding for the smallest businesses in the assessment area. Overall, the bank’s small business lending demonstrates its willingness to meet credit needs of local businesses, particularly supported by the participation in PPP lending and the notable number of small dollar loans made. Further, PPP loans are considered particularly responsive to the challenges of small businesses from the COVID-19 pandemic and are incredibly beneficial to the community, as they are exclusively for payroll or income replacement.

The table below presents the bank’s small business loan distribution in 2021.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 Davenport-Moline-Rock Island, IA-IL MSA 19340							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses %	
Revenue	Loan Size	Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	\$1 Million or Less	63	96.9	2,334	82.7	88.9	
		Over \$1 Million	2	3.1	489	17.3	5.2
		Unknown	0	0.0	0	0.0	5.9
		Total	65	100.0	2,823	100.0	100.0
	\$100,000 or Less	61	93.8	991	35.1		
		\$100,001 - \$250,000	2	3.1	489		17.3
		\$250,001 - \$1 Million	2	3.1	1,344		47.6
		Total	65	100.0	2,824		100.0
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	61	96.8	991	42.4	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	2	3.2	1,344	57.6	
		Total	63	100.0	2,335	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. The bank made 90.2 percent of its small farm loans, by number, to farms reporting annual revenues of \$1.0 million or less, which was below the percentage of total farms in the assessment area that reported revenues of \$1.0 million or less at 99.4 percent. Of these loans, 91.3 percent had a loan amount of \$100,000 or less, which is reflective of loans most responsive to the smallest farms. Small farms were also eligible and benefited from the PPP lending. As stated above, these loans are considered particularly responsive to the challenges of small businesses and

small farms from the COVID-19 pandemic and are incredibly beneficial to the community, as they are exclusively for payroll or income replacement.

The table below presents the bank’s small farm loan distribution in 2021.

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2021 Davenport-Moline-Rock Island, IA-IL MSA 19340							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Farms	
Revenue	Loan Size	Count	Dollar				
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	46	90.2	1,699	95.9	99.4
		Over \$1 Million	5	9.8	72	4.1	0.6
		Unknown	0	0.0	0	0.0	0.0
		Total	51	100.0	1,771	100.0	100.0
	Loan Size	\$100,000 or Less	47	92.2	947	53.5	
		\$100,001 - \$250,000	2	3.9	243	13.7	
		\$250,001 - \$500,000	2	3.9	581	32.8	
		Total	51	100.0	1,771	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	42	91.3	876	51.5	
		\$100,001 - \$250,000	2	4.3	243	14.3	
		\$250,001 - \$500,000	2	4.3	581	34.2	
		Total	46	100.0	1,700	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

ILLINOIS NON-MSA– LIMITED REVIEW

SCOPE OF EXAMINATION

Limited-scope examination procedures were used to evaluate the bank’s performance in the Illinois Non-MSA assessment area. The scope for this assessment area is consistent with the scope of examination described within the institution summary. For further information, refer to the “Scope of Examination” section.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS NON-MSA

The bank operates one branch within the assessment area in Alexis, Illinois. The bank does not operate any ATMs in the assessment area. Since the previous evaluation, the bank has not closed or opened any branches in the assessment area, and the assessment area remains unchanged since the previous evaluation.

The Federal Deposit Insurance Corporation’s (FDIC) Deposit Market Share Report dated June 30, 2021, ranks Farmers State Bank of Western Illinois 13th among 16 FDIC-insured institutions operating in the assessment area. During this time, the bank held approximately \$22.2 million in deposits, representing a 1.2 percent market share, compared to the market leader Midwest Bank in Monmouth, Illinois, which holds 20.4 percent (approximately \$378.0 million) of the assessment area’s deposits.

Assessment Area: 2021 IL Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	340	13.2
Moderate-income	0	0.0	0	0.0	0	0.0	505	19.6
Middle-income	3	100.0	2,576	100.0	97	3.8	639	24.8
Upper-income	0	0.0	0	0.0	0	0.0	1,092	42.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3	100.0	2,576	100.0	97	3.8	2,576	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	4,293	3,032	100.0	70.6	468	10.9	793	18.5
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	4,293	3,032	100.0	70.6	468	10.9	793	18.5
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	259	231	100.0	14	100.0	14	100.0	
Upper-income	0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	259	231	100.0	14	100.0	14	100.0	
	Percentage of Total Businesses:			89.2		5.4		5.4
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	104	104	100.0	0	0.0	0	0.0	
Upper-income	0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	104	104	100.0	0	0.0	0	0.0	
	Percentage of Total Farms:			100.0		0.0		0.0

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS ILLINOIS NON-MSA

Assessment Area	Lending Test
Illinois Non-MSA	Consistent

LENDING TEST

The institution’s lending performance in the assessment area is consistent with the institution’s lending performance overall.

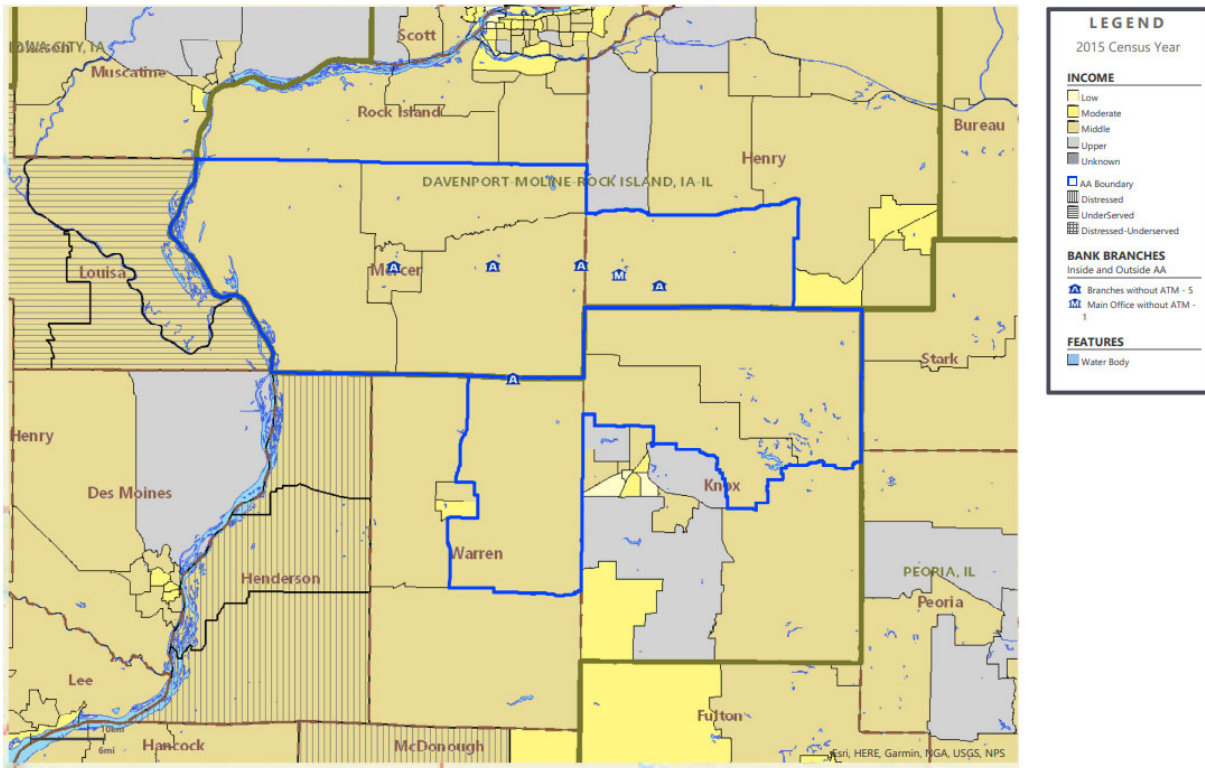
The tables below present the bank’s 2021 small business and small farm loan distribution.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses	
Revenue	Loan Size	Count Bank	Dollar Bank	Total			
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	14	100.0	159	100.0	89.2
		Over \$1 Million	0	0.0	0	0.0	5.4
		Unknown	0	0.0	0	0.0	5.4
		Total	14	100.0	159	100.0	100.0
	Loan Size	\$100,000 or Less	14	100.0	159	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		Total	14	100.0	159	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	14	100.0	159	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	0	0.0	0	0.0	
		Total	14	100.0	159	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Small Farm Lending By Revenue & Loan Size							
Assessment Area: 2021 IL Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %		
Small Farm	Revenue	\$1 Million or Less	24	92.3	516	92.5	100.0
		Over \$1 Million	2	7.7	42	7.5	0.0
		Unknown	0	0.0	0	0.0	0.0
		Total	26	100.0	558	100.0	100.0
	Loan Size	\$100,000 or Less	26	100.0	558	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	26	100.0	558	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	24	100.0	516	100.0	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$500,000	0	0.0	0	0.0	
		Total	24	100.0	516	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

APPENDIX A – Maps of Assessment Area

Farmers State Bank of Western Illinois 653433
Combined Assessment Area



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2021 – December 31, 2021	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Farmers State Bank of Western Illinois			Small Business and Small Farm
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area (MSA) #19340	Full Review	None	N/A
Illinois Non-MSA (Knox and Warren Counties)	Limited Review	None	N/A

APPENDIX C – Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).