PUBLIC DISCLOSURE

October 5, 2020

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

First Trust and Savings Bank of Watseka
RSSD# 193649

120 East Walnut Street
Watseka, Illinois 60970

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

First Trust and Savings Bank of Watseka is rated **Satisfactory**.

First Trust and Savings Bank of Watseka provides credit consistent with its size and the economic conditions within the assessment area. The bank is satisfactory in meeting the credit needs of its community. The bank's average loan-to-deposit (LTD) 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. Loan distribution reflects reasonable penetration to businesses and farms of different sizes, and the geographic distribution of loans is reasonable throughout the assessment area. Neither First Trust and Savings Bank of Watseka nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examinations Council's (FFIEC) Interagency Small Institutions Examination Procedures were utilized to evaluate First Trust and Savings Bank of Watseka's Community Reinvestment Act (CRA) performance. Information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics were used to evaluate the bank's CRA performance.

First Trust and Savings Bank of Watseka operates within one non-metropolitan assessment area in the state of Illinois. The assessment area consists of Iroquois County, in its entirety, and one census tract in Kankakee County. The bank's primary product lines, which include small farm and small business loans, were reviewed.

Performance in the assessment area was evaluated using the streamlined assessment method for small banks based on the following performance criteria:

- *Loan-to-Deposit Ratio* – A 16-quarter average loan-to-deposit ratio ending June 30, 2020 was calculated for the bank and compared to a sample of local competitors.

- *Lending in the Assessment Area* – Samples of the bank's small business and small farm loans originated from January 1, 2019 through December 31, 2019 were reviewed to determine the percentage of loans originated in the assessment area.

- *Geographic Distribution of Lending in the Assessment Area* – Samples of the bank's small business and small farm loans originated in the assessment area, from January 1, 2019 through December 31, 2019, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income. The bank does not have any low-income geographies in its delineated assessment area.

- *Lending to Businesses and Farms of Different Sizes* – Samples of the bank's small business and small farm loans originated in the assessment area, from January 1, 2019 through December 31, 2019, were reviewed to determine the distribution to businesses and farms of different revenue sizes.

- *Response to Substantiated Complaints* – Neither First Trust and Savings Bank of Watseka nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives from economic development agencies, serving Iroquois and Kankakee Counties, were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area.

DESCRIPTION OF INSTITUTION

First Trust and Savings Bank of Watseka is a subsidiary of First Trust Holdings, Inc., Watseka, Illinois, a one bank holding company. According to the Uniform Bank Performance Report (UBPR) as of June 30, 2020, the bank held $268.8 million in assets. The bank operates out of two locations (Watseka and Clifton), both of which are in Iroquois County. Each location contains a cash-only automated teller machine (ATM). The bank also has agreements in place to provide its customers with access to three additional ATMs throughout the assessment area, without incurring service-fees. Agricultural loans comprise the largest portion of the bank's loan portfolio at 47.2 percent of total loans and leases, followed by commercial loans at 28.8 percent and loans secured by residential real estate at 14.0 percent. Additionally, the bank offers a variety of standard deposit products including checking, savings, money market, and certificate of deposit accounts. The table below provides a detailed distribution of the bank's loan portfolio.

Composition of Loan Portfolio as of June 30, 2020		
Loan Type	**Dollar Volume ($ are in 000s)**	**% of Portfolio**
Agriculture	59,984	47.2
Commercial	36,630	28.8
Residential Real Estate	17,775	14.0
Consumer	3,052	2.4
Other	9,709	7.6
Total Loans	127,150	100.0
Note: Percentages may not total 100.00 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 August 1, 2016.

DESCRIPTION OF ASSESSMENT AREA[1]

First Trust and Savings Bank of Watseka delineates one assessment area in non-metropolitan Illinois, which remains unchanged since the previous evaluation. The assessment area consists of the entirety of Iroquois County and census tract 126.00 in contiguous Kankakee County, also known as the Kankakee, IL Metropolitan Statistical Area (MSA) #28100. Since the delineated portion of Kankakee County does not substantially extend beyond the MSA boundary, nor does it include a bank branch or deposit-taking ATM, the Kankakee County census tract is included within the bank's lone assessment area. The assessment area contains the bank's main office and its sole branch, both with attached cash-only ATMs.

The assessment area's composition has changed since the 2016 performance evaluation, with one middle-income census tract designation shifting to upper-income based on more current ACS data as noted in the table below. Of the ten contiguous census tracts comprising the assessment area, one tract is designated as moderate-income, five are designated middle-income and four are designated as upper-income. Consequently, during the geographic analysis of the bank's lending, performance in low-income tracts will not be discussed. None of the middle-income census tracts within the assessment area are considered distressed or underserved.

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). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes
American Community Survey Data (ACS)

Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	1	0
Middle	6	5	-1
Upper	3	4	1
Unknown	0	0	0
Total	10	10	0

Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010
U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015

[1] *Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.*

According to the June 30, 2020, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First Trust and Savings Bank of Watseka ranks sixth out of 22 FDIC-insured institutions for deposit market share within the assessment area. The bank held $225.4 million in deposits, representing 7.1 percent of total deposit market share in the assessment area.

Credit opportunities exist for businesses and farms of different revenue levels throughout the assessment area. Businesses with $1.0 million or less in total annual revenue represent 85.4 percent of all business within the assessment area according to the 2015 American Community Survey. Additionally, farms with $1.0 million or less in total annual revenue represent 98.4 percent of all farms within the assessment area.

The following table shows the demographics of the assessment area by income categories, housing units, and total businesses and farms by tract for the year 2019.

Assessment Area: 2019 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	1,856	20.1
Moderate-income	1	10.0	1,039	11.3	241	23.2	1,673	18.2
Middle-income	5	50.0	4,218	45.8	559	13.3	1,837	19.9
Upper-income	4	40.0	3,956	42.9	226	5.7	3,847	41.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**10**	**100.0**	**9,213**	**100.0**	**1,026**	**11.1**	**9,213**	**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	2,027	1,185	11.4	58.5	568	28.0	274	13.5
Middle-income	6,865	4,662	44.9	67.9	1,521	22.2	682	9.9
Upper-income	6,523	4,541	43.7	69.6	1,096	16.8	886	13.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**15,415**	**10,388**	**100.0**	**67.4**	**3,185**	**20.7**	**1,842**	**11.9**
	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	0.0
Moderate-income	219	18.6	195	19.4	20	16.4	4	8.0
Middle-income	491	41.8	417	41.5	49	40.2	25	50.0
Upper-income	466	39.6	392	39.0	53	43.4	21	42.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**1,176**	**100.0**	**1,004**	**100.0**	**122**	**100.0**	**50**	**100.0**
	Percentage of Total Businesses:			85.4		10.4		4.3
	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	0.0
Moderate-income	7	2.3	6	2.0	1	20.0	0	0.0
Middle-income	153	49.7	149	49.2	4	80.0	0	0.0
Upper-income	148	48.1	148	48.8	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**308**	**100.0**	**303**	**100.0**	**5**	**100.0**	**0**	**0.0**
	Percentage of Total Farms:			98.4		1.6		0.0

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS

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

Population Characteristics

The table below shows the population trends for the assessment area, counties comprising the assessment area, and the state of Illinois. Although the population remained relatively stable in the state of Illinois from 2010 to 2015, population in the assessment area exhibited a slight decline of 2.3 percent, which is comparable to Iroquois County in its entirety, which contains nine of the bank's 10 delineated census tracts. A community representative in the community attribute declining population to significant and ongoing flooding in the area.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Assessment Area	34,520	33,711	-2.3
Iroquois County, IL	29,718	29,053	-2.2
Kankakee County, IL	113,449	112,221	-1.1
State of Illinois	12,830,632	12,873,761	0.3
Source: 2010—U.S. Census Bureau: Decennial Census *2011-2015 U.S. Census Bureau: American Community Survey*			

Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area, Iroquois County, Kankakee County, and the state of Illinois. From 2010 to 2015, the assessment area experienced a 4.5 percent increase in MFI, which is slightly below the rate exhibited by the state of Illinois at 4.9 percent. All counties within the assessment area have experienced an increase in MFI from the years 2010 to 2015; however, only Kankakee County has experienced an increase (6.2 percent) at a faster pace than the state of Illinois. According to a community representative, the upward trend in Kankakee County is a result of job creation in the steel, pharmaceutical, and chemical industries. A community representative contributes the modest increase in Iroquois County of 3.6 percent to the long history of flooding in the area, and its negative impact on businesses. The floods have forced many viable businesses to close, resulting in inadequate employment and loss of several higher paying job opportunities.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income ($)	2011-2015 Median Family Income ($)	Percentage Change (%)
Assessment Area	58,411	61,045	4.5
Iroquois County, IL	56,541	58,577	3.6
Kankakee County, IL	59,998	63,716	6.2
State of Illinois	68,236	71,546	4.9
Source: 2010—U.S. Census Bureau: Decennial Census *2011-2015—U.S. Census Bureau: American Community Survey*			

Housing Characteristics

The following table presents the housing cost trends in the assessment area, Iroquois County, Kankakee County, and the state of Illinois. According to the 2011-2015 American Community Survey, the median housing value declined in the assessment area, counties comprising the assessment area, and the state of Illinois. In 2015, the median housing value in the assessment area was $102,102, which represents a 5.7 percent decrease from 2010. This is a substantially lower rate of decline than what was observed by the state of Illinois, which decreased by 14.2 percent over the same period. This significantly contrasts with the housing values at the time of the previous evaluation, when the assessment area and the state of Illinois' median housing values increased 30.5 percent and 58.5 percent, respectively, from 2000 to 2010, according to the American Community Survey.

Median gross rent in the assessment area decreased by a comparable amount to median housing value, at 6.0 percent. Though the median housing value and median gross rent exhibited similar patterns in the assessment area, Kankakee County and the state of Illinois experienced significant increases in median gross rent at 13.7 percent and 8.8 percent, respectively. More affordable housing opportunities may lead to less demand for rental units, therefore lowering the rental values.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio supports more affordable housing opportunities. The difference between the assessment area and Iroquois County's decline in median gross rent versus the increase in median gross rent for Kankakee County and the state of Illinois can be attributed to their affordability ratios. For the former two, the affordability ratios are 0.48 and 0.50, respectively, while the for latter two, the affordability ratios are 0.38 and 0.33, respectively. While housing values have decreased in Kankakee County and the state, property is still not affordable enough for renters to choose to purchase homes rather than rent.

Trends in Housing Costs
2010 and 2015

Location	2006-2010 Median Housing Value ($)	2011-2015 Median Housing Value ($)	Percent Change (%)	2006-2010 Median Gross Rent ($)	2011-2015 Median Gross Rent ($)	Percent Change (%)	Affordability Ratio
Assessment Area	108,286	102,102	-5.7	663	623	-6.0	0.48
Iroquois County, IL	101,100	95,900	-5.1	646	610	-5.6	0.50
Kankakee County, IL	148,400	138,700	-6.5	721	820	13.7	0.38
State of Illinois	202,500	173,800	-14.2	834	907	8.8	0.33

Source: 2006-2010—U.S. Census Bureau: American Community Survey
2011-2015—U.S. Census Bureau: American Community Survey

Employment Conditions

The following table presents the unemployment rates in the assessment area, Iroquois County, Kankakee County, and the state of Illinois. Unemployment rates for both Iroquois and Kankakee Counties have declined from 2015 to 2018, which is consistent with the steady decline in unemployment rates in the state of Illinois. A community representative stated that prior to the COVID-19 pandemic in 2020, unemployment rates in the assessment area were as low as 4.0 percent. The community representative further iterated a need for qualified workers being an issue for employers in the area. Community organizations, including local financial institutions, have worked diligently with community colleges to address the need for qualified workers by creating training programs. Internship programs have been established in local high school and colleges to show students potential career opportunities. A community representative stated that the local unemployment rate jumped to nearly 15.0 percent at the beginning of the pandemic, but has since tapered down to 8.0 percent.

Unemployment Rates				
Region	**2015**	**2016**	**2017**	**2018**
Iroquois County, IL	5.6	5.5	4.6	4.5
Kankakee County, IL	6.7	6.4	5.5	5.4
State of Illinois	5.9	5.9	4.9	4.3
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

Industry Characteristics

The following tables presents the largest employers operating in the assessment area. Although top employers in the community are involved in the healthcare sector, a community representative stated there has been a recent expansion in natural resources and mining (steel) as well as manufacturing. This is consistent to what was reported as the highest location quotient for Iroquois and Kankakee Counties, respectively. Location quotients, provided by the U.S. Bureau of Labor Statistics, are a measure of a sector's concentration within a given geography using its natural rate of occurrence throughout the United States as a benchmark. Therefore, a 2.7 location quotient in natural resources and mining for Iroquois County and a 2.4 location quotient in manufacturing for Kankakee County indicates that those types of entities exist nearly 2.7 and 2.4 times as frequently, respectively, as would be expected given the rate at which they occur throughout the country.

Largest Employers in the Assessment Area (Iroquois County)		
Company	**Number of Employees**	**Industry**
Iroquois Resident Home	400	Nursing & Convalescent Homes
Iroquois County Fair	200	Carnivals
Prairieview Lutheran Home	180	Residential Care Homes
Onarga Academy	180	Schools With Special Vocational Education
Nexus	180	E-Commerce
Source: Business information provided by Infogroup®, Omaha, NE		
Largest Employers in the Assessment Area (Kankakee County)		
Company	**Number of Employees**	**Industry**
Riverside Medical Center	1,946	Hospitals
Shapiro Center	1,200	State Government
Cigna	1,200	Insurance
Lacey's Place	1,100	Casinos
CSL Behring	900	Drug Manufacturer
Source: Business information provided by Infogroup®, Omaha, NE		

Community Contacts

Two community representatives with a focus on economic development were contacted to increase the understanding of the credit needs and market conditions within the area. Both representatives mentioned a major need within the community is the creation of viable employment opportunities. For various reasons, including a history of ongoing floods, the area has experienced the loss of higher-income employment. Over recent years, the representatives have noticed an improvement in job creation and the training of skilled workers. This improvement has since been interrupted as a result of the COVID-19 pandemic. The representatives also noted that the relationship between local financial institutions and the community is positive and that there is active and collaborative engagement to create programs to solve the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

First Trust and Savings Bank of Watseka's performance relative to the lending test is rated Satisfactory. The loan-to-deposit ratio is reasonable and a majority of loans are in the assessment area. In addition, the bank's lending reflects reasonable penetration to businesses and farms of different sizes, and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Loan-to-Deposit Ratio

First Trust and Savings Bank of Watseka's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and the credit needs of the community. The LTD ratio was averaged over 16 quarters spanning September 30, 2016 through June 30, 2020. The average LTD ratio was evaluated relative to local and regional competitors of similar asset size and location, as they operate within the same counties as First Trust and Savings Bank of Watseka.

The most recently evaluated LTD ratio (June 30, 2020) was 55.7 percent, with a 16-quarter average of 55.4 percent. The bank's average LTD ratio is lower than those of its competitors primarily due to several larger depositors. The following table presents the bank's average LTD ratio for the 16 quarters identified above, as well as local and regional competitors of similar asset sizes.

Comparative Loan-to-Deposit Ratios	
Institution	**Loan-to-Deposit Ratio (%)**
	16 – Quarter Average
First Trust and Savings Bank of Watseka	55.4
Competitors	
Citizens State Bank of Milford	61.3
Federated Bank	42.5
First Financial Bank	76.6
First Trust Bank of Illinois	59.1
Frederick Community Bank	49.7
State Bank of Herscher	61.6
Iroquois Farmers State Bank	63.4
Kentland Bank	67.4
Milford Building and Loan	81.2
National Bank of St. Anne	87.5
Prospect Bank	70.0
Vermilion Valley Bank	91.8

Assessment Area Concentration

The majority of small business and small farm loans were originated in the assessment area, indicating First Trust and Savings Bank of Watseka is actively serving the needs of its community. As presented in the following table, 82.5 percent of total loans by volume and 69.4 percent of the corresponding dollar amount were originated within the assessment area in the period from January 1, 2019 through December 31, 2019. The disparity between total loan concentration and dollar amount concentration within the assessment area is attributed to participation in large dollar loans made to long-term customers outside of the assessment area.

Assessment Area Concentration								
	Inside				Outside			
Loan Type	#	%	$ (000s)	%	#	%	$ (000s)	%
Small Business	74	84.1	3,262	63.0	14	15.9	1,912	37.0
Small Farm	67	80.7	8,210	72.3	16	19.3	3,146	27.7
Total Loans	**141**	**82.5**	**11,472**	**69.4**	**30**	**17.5**	**5,058**	**30.6**
Note: Percentages may not add to 100.0 percent due to rounding.								
Note: Affiliate loans not included								

Geographic Distribution of Loans

The geographic distribution of loans is reasonable throughout the bank's assessment area, which consists of one moderate-, five middle-, and four upper-income census tracts. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the 10 census tracts included in the assessment area. The bank made loans in all census tracts within the assessment area during the evaluation period, with no conspicuous unexplained gaps noted.

Small Business Loans

Geographic distribution of small business loans reflects a reasonable distribution throughout the assessment area as the bank's performance in moderate-income geographies was below the demographic for the area. This is consistent with the previous evaluation.

The bank originated 12.2 percent of its small business loans, by number, to businesses located in moderate-income geographies. Although this is below the percentage of businesses located in moderate-income geographies (18.6 percent), the corresponding dollar amount of these loans is 21.0 percent, exceeding the total representation of businesses. The bank's distribution of small business loans in both middle-income (44.6 percent) and upper-income (43.2 percent) census tracts slightly exceeded the percentage of businesses located in these geographies at 41.8 percent and 39.6 percent, respectively.

The following table shows the bank's geographic distribution of small business loans from January 1, 2019 through December 31, 2019.

Geographic Distribution of Small Business Loans
Assessment Area: 2019 IL Non MSA

	Tract Income Levels	Bank & Demographic Comparison 2019 Count Bank #	Count Bank %	Dollar Bank $ 000s	Dollar Bank $ %	Total Businesses %
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	9	12.2	684	21.0	18.6
	Middle	33	44.6	1,260	38.6	41.8
	Upper	32	43.2	1,318	40.4	39.6
	Unknown	0	0.0	0	0.0	0.0
	Total	**74**	**100.0**	**3,262**	**100.0**	**100.0**

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

First Trust and Savings Bank of Watseka did not originate any small farm loans in the lone moderate-income census tract. Due to the limited number of farms in this tract (2.3 percent), this distribution is deemed to be reasonable and is consistent with the previous evaluation.

The bank originated 46.3 percent of its small farm loans by number within middle-income geographies which is slightly below the percentage of farms located in middle-income geographies (49.7 percent). The remaining 53.7 percent of small farm loans, by number, were originated within upper-income geographies, exceeding the percentage of businesses located in upper-income geographies (48.1 percent).

The following table shows the bank's geographic distribution of small farm loans from January 1, 2019 through December 31, 2019.

Geographic Distribution of Small Farm Loans Assessment Area: 2019 IL Non MSA						
	Tract Income Levels	Bank & Demographic Comparison 2019 Count Bank		Dollar Bank		Total Farms
		#	%	$ 000s	$ %	%
Small Farm	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	2.3
	Middle	31	46.3	4,246	51.7	49.7
	Upper	36	53.7	3,964	48.3	48.1
	Unknown	0	0.0	0	0.0	0.0
	Total	**67**	**100.0**	**8,210**	**100.0**	**100.0**
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS *Note: Percentages may not add to 100.0 percent due to rounding*						

Lending to Businesses of Farms of Different Sizes

This performance criterion evaluates the bank's lending to businesses and farms of different revenue sizes. Overall, loan distribution reflects a reasonable penetration among businesses and farms of different sizes.

Small Business Loans

The bank's performance in lending to small businesses, defined as businesses with revenues equal to $1.0 million or less, is reasonable; slightly exceeding the demographic of businesses in the area.

The bank originated 87.8 percent of its small business loans by number to businesses reporting revenues equal to $1.0 million or less. The percentage of loans, by number, is favorable to the percentage of businesses in the assessment area with revenues equal to $1.0 million or less, at 85.4 percent. Furthermore, 93.8 percent of these loans were in amounts equal to $100,000 or less. Emphasis is placed on loans in amounts of $100,000 or less because these loans are considered to be most beneficial to small businesses, indicating the bank's willingness to meet the credit needs of small businesses.

The following table shows the bank's distribution of small business loans by revenue and loan size from January 1, 2019, through December 31, 2019.

Small Business Lending By Revenue & Loan Size
Assessment Area: 2019 IL Non MSA

Product Type			Bank & Demographic Comparison 2019				
			Count Bank		Dollar Bank		Total Businesses
			#	%	$ 000s	$ %	%
Small Business	Revenue	$1 Million or Less	65	87.8	2,228	68.3	85.4
		Over $1 Million or Unknown	9	12.2	1,034	31.7	14.6
		Total	**74**	**100.0**	**3,262**	**100.0**	**100.0**
	Loan Size	$100,000 or Less	68	91.9	1,869	57.3	
		$100,001 - $250,000	4	5.4	623	19.1	
		$250,001 - $1 Million	2	2.7	770	23.6	
		Total	**74**	**100.0**	**3,262**	**100.0**	
	Loan Size & Rev $1 Mill or Less	$100,000 or Less	61	93.8	1,485	66.7	
		$100,001 - $250,000	3	4.6	473	21.2	
		$250,001 - $1 Million	1	1.5	270	12.1	
		Total	**65**	**100.0**	**2,228**	**100.0**	

Originations & Purchases
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Small Farm Loans

Performance with respect to lending to small farms, defined as farms with revenues equal to $1.0 million or less, is reasonable. The bank originated 94.0 percent of its farm loans by number to small farms. This is slightly less than the percentage of farms in the assessment area with revenues equal to $1.0 million or less, at 98.4 percent. Furthermore, 60.3 percent of these loans were in amounts equal to $100,000 or less. Emphasis is placed on loans in amounts of $100,000 or less because these loans are considered to be most beneficial to small farms, indicating the bank's willingness to meet the credit needs of small farms.

The following table shows the bank's distribution of small farm loans by revenue and loan size from January 1, 2019, through December 31, 2019.

Small Farm Lending By Revenue & Loan Size
Assessment Area: 2019 IL Non MSA

Product Type			Bank & Demographic Comparison 2019				
			Count Bank		Dollar Bank		Total Farms
			#	%	$ 000s	$ %	%
Small Farm	Revenue	$1 Million or Less	63	94.0	7,685	93.6	98.4
		Over $1 Million or Unknown	4	6.0	525	6.4	1.6
		Total	**67**	**100.0**	**8,210**	**100.0**	**100.0**
	Loan Size	$100,000 or Less	40	59.7	1,677	20.4	
		$100,001 - $250,000	18	26.9	3,203	39.0	
		$250,001 - $500,000	9	13.4	3,330	40.6	
		Total	**67**	**100.0**	**8,210**	**100.0**	
	Loan Size & Rev $1 Mill or Less	$100,000 or Less	38	60.3	1,527	19.9	
		$100,001 - $250,000	16	25.4	2,828	36.8	
		$250,001 - $500,000	9	14.3	3,330	43.3	
		Total	**63**	**100.0**	**7,685**	**100.0**	

Originations & Purchases
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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.

APPENDIX A – Map of Assessment Area

The First Trust and Savings Bank of Watseka 193649
IL Non MSA

APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	January 1, 2019 through December 31, 2019.		
FINANCIAL INSTITUTION First Trust and Savings Bank of Watseka			PRODUCTS REVIEWED Small Business Loans Small Farm loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-Metropolitan Illinois	Full scope	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.[2]

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.

[2] *Source: FFIEC press release dated October 19, 2011.*

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 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 metropolitan 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 metropolitan 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 household 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 product 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. Metropolitan statistical areas are included in the definition of a nonmetropolitan area; a metropolitan 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: 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).