

PUBLIC DISCLOSURE

April 6, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tompkins State Bank
Certificate Number: 10849

117 North Main Street
Avon, Illinois 61415

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

The bank is rated Satisfactory under the Lending Test. The following points summarize the bank's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank made a significant majority of its small farm, small business, and home mortgage loans in the overall assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration of loans among businesses and farms of different sizes, as well as individuals of different income levels in both assessment areas.
- The institution did not receive any Community Reinvestment Act (CRA) related complaints since the previous evaluation; therefore, this factor was not considered in the overall rating.

DESCRIPTION OF INSTITUTION

Background

Tompkins State Bank (TSB) is a \$222 million financial institution headquartered in Avon (population 799), IL, which is located in Fulton County. It is wholly-owned by Tompkins Bancorp, Inc., a one-bank holding company. TSB operates a branch office in Abingdon (population 3,319) and two branch offices in Galesburg (population 32,195), which are all located in Knox County. No branches were opened or closed since the prior evaluation.

Beginning in 2019, TSB was required to report residential real estate loans for Home Mortgage Disclosure Act (HMDA) purposes because Fulton County was added to the Peoria, Illinois Metropolitan Statistical Area (MSA) #37900. The 2019 HMDA aggregate data was not available for lending performance comparison purposes.

There are no legal or financial impediments that hinders the bank's ability to meet the credit needs of those individuals residing in or businesses operating in its assessment areas. The prior FDIC Performance Evaluation dated November 4, 2013 resulted in a Satisfactory CRA rating based on Interagency Small Institution Examination Procedures.

Operations

TSB offers a traditional mix of lending products with its primary focus continuing to be agricultural, commercial, and home mortgage lending. For home mortgage loans, the bank offers five-year adjustable rate loans and also sells loans in the secondary market for borrowers requesting a longer term, fixed-rate mortgage with various loan products, including government sponsored loans. These loan products include HomeReady, which is an affordable financing option targeted to low- and moderate-income borrowers; USDA Rural Development (RD), which is a guaranteed loan program that allows 100 percent financing; and Veterans Administration (VA), which helps service members become homeowners with no down payment requirements and low interest rates. In 2019, TSB originated 49 loans totaling \$5 million through the various loan programs. The bank recently enrolled and participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). All of these loan programs help the bank meet the credit needs of the communities it serves.

A variety of deposit services are also offered including checking, savings, money market, and certificates of deposit. The bank also provides alternative banking services such as mobile banking, online bill pay, mobile deposit, electronic statements, night depository, extended hours and drive-up facilities and Automated Teller Machines (ATMs) at each location, with another ATM located in the northeast side of Galesburg.

Ability and Capacity

As of the December 31, 2019 Reports of Income and Condition (Call Report), TSB reported \$222 million in total assets, with \$141 million in loans, and \$55 million in total securities. The following table provides further insight about the composition of the loan portfolio.

Loan Portfolio Distribution as of 12/31/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,730	1.9
Secured by Farmland	44,606	31.7
Secured by 1-4 Family Residential Properties	20,403	14.5
Secured by Multifamily (5 or more) Residential Properties	3,010	2.1
Secured by Nonfarm Nonresidential Properties	18,010	12.8
Total Real Estate Loans	88,759	63.0
Commercial and Industrial Loans	28,931	20.6
Agricultural Production and Other Loans to Farmers	18,842	13.4
Consumer Loans	3,266	2.3
Other Loans	908	0.7
Total Loans	140,706	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Each assessment area is consistent with the requirements of the CRA as they consist of contiguous, whole geographies where branch offices and deposit-taking ATMs are located, and do not arbitrarily exclude low- and moderate-income geographies or reflect illegal discrimination.

TSB designated one assessment area, which includes portions of counties located in the Illinois non-MSA and portions of a county located in the Peoria, IL MSA. The non-MSA assessment area includes 18 census tracts in Knox, Warren, and McDonough Counties. The non-MSA AA contains three low-income, four moderate-income, eight middle-income and three upper-income census tracts. The Peoria, IL MSA assessment area includes one moderate-income census tract in northwestern Fulton County. Both assessment areas received full-scope reviews at this evaluation, however, the non-MSA assessment area is more heavily weighted because it contains three of the four banking locations and is where most deposits are derived and loans originated.

Unless otherwise noted, this evaluation uses demographic information from the 2015 American Community Survey (ACS) Census data to evaluate home mortgage performance. D&B data for 2019 is used to evaluate small business and small farm performance. Specific information regarding the economic and demographic data for each assessment area is discussed separately in the following sections.

Economic Data

The economic data presented that includes the AA is based upon Moody's Analytics, dated October 2019, which states that Illinois' expansion is holding up well for a state facing a slowdown in manufacturing, poor agricultural conditions, and myriad demographic and fiscal problems. In addition, hovering around its historical low for more than a year, the unemployment rate dipped to 3.9 percent in September despite an uptick in the labor force.

A declining population and below average income growth has kept house price appreciation and residential construction subdued. Multifamily, which has propelled almost all the growth in residential construction during the current business cycle, has slowed amid rising costs, stricter affordable housing regulations, and uncertainty about property taxes. Single-family house prices have climbed just two percent over the last year, the smallest gain in the Midwest and half the national increase. This has left the market undervalued, and since there has been little new construction, the market is not oversupplied.

The overall AA remains highly dependent upon health services and education. Some of the largest employers are: Galesburg Cottage Hospital, OSF St. Mary's Medical Center, Community School District #205, Knox College, and Carl Sandburg College. None of the ten largest employers are located in Avon, Illinois.

Competition

The combined AA is competitive for financial services. According to the FDIC Deposit Market Share data as of June 2019, a total of 31 financial institutions operated 70 offices within the four counties where TSB operates. Of these institutions, TSB ranked sixth with 5.9 percent of the deposit market share.

Community Contacts

As part of the evaluation process, examiners contact third parties in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. For this evaluation, examiners performed one community contact within Knox County.

The contact stated that the population in the area is aging and is not being replaced with younger adults, whom move out of the area for better employment opportunities. The contact stated that economic conditions have remained stable in recent years regardless of the economic downturn that occurred with the departure of major manufacturing businesses decades ago. The major employers in the area are healthcare, local government bodies, and education. The contact stated that the housing market remains stagnant. Housing stock in the area is currently low with many aging homes that need to be revitalized. Local communities struggle with the ability to finance existing properties due to the lack of renovation, aging infrastructure, and abandonment. The condition of these properties makes it difficult to pass home inspections and individuals are hesitant to invest in properties that need major renovations. The contact also indicated that local financial institutions have been responsive to community lending needs and was not aware of any unmet needs in the area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior CRA evaluation dated November 4, 2013, to the current evaluation dated April 6, 2020. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance.

For purposes of this evaluation, a full-scope review was conducted to assess the bank's performance in the designated non-MSA AA covering Knox, Warren, and McDonough Counties. This area includes three of the four banking locations. A full-scope review was also conducted for the designated assessment area covering Fulton County, which is part of the Peoria, Illinois MSA #37900. This AA includes the bank's main office in Avon, Illinois. These assessment areas are analyzed separately, but more weight is given to the non-MSA assessment area since three of the four banking locations and a majority of deposit and lending activity occurs in this area.

Performance under the following criteria was reviewed and analyzed:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Loan Products Reviewed

Examiners determined that TSB's major product lines continue to be agricultural, commercial, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating small farm and business loans contributed more weight to the overall conclusions due to comprising a high percentage of the loan portfolio. Specifically, as of December 31, 2019, the loan portfolio was comprised of 45 percent agricultural loans, 33 percent commercial loans, and 17 percent home mortgage loans. Consumer loans represented less than three percent of total loans and did not provide material support for conclusions or ratings. As a result, this loan type was not analyzed. Refer to the Glossary for definitions of the products analyzed and presented in this evaluation.

TSB's business strategy and focus have not changed during the evaluation period.

The bank originated 224 small farm loans totaling \$23 million and 196 small business loans totaling \$21 million in 2019. Examiners utilized the universe of small business and small farm loans in the assessment area to analyze the geographic distribution criteria, while a sample of these loan types were selected to analyze the borrower profile. D&B data for 2019 provided a standard of comparison for the small farm and small business loans.

In addition, this evaluation considered all home mortgage loans reported on the bank's 2019 HMDA Loan Application Registers (LAR). For 2019, the bank reported 50 loans totaling \$3 million. The 2015 ACS Census data was also used as a standard of comparison for the bank's home mortgage lending.

Examiners reviewed the number and dollar volume of small business, small farm, and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of businesses, farms, and individuals served. In addition, farm and business loans received more consideration in the evaluation since these loans products represent the highest lending volume by number and dollar volume. The following table shows the number and dollar volume of the loan products reviewed and presented for analysis.

Loan Products Reviewed				
Loan Category	Universe of Loans		Sampled Loans	
	#	\$(000s)	#	\$(000s)
Small Farm				
2019	224	22,774	50	5,272
Small Business				
2019	196	21,028	50	5,970
Home Mortgage				
2019	50	2,933	50	2,933
<i>Sources: 2019 HMDA LAR; Bank Records from 1/01/19 through 12/31/19.</i>				

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TSB demonstrated reasonable performance under the Lending Test. The Geographic Distribution and the Borrower Profile performance support this conclusion. Examiners evaluate the bank’s loan-to-deposit ratio and assessment area concentration at the institution-wide level, while separate conclusions are discussed regarding performance under the geographic distribution and borrower profile criteria for each assessment area. As mentioned previously, lending in the bank’s non-MSA assessment area was considered more heavily in the overall CRA rating than activity in the MSA assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. According to Call Report data, over the last 25 quarters, the ratio has ranged from a low of 64.0 percent as of March 31, 2014 to a high of 81.4 percent as of September 30, 2018 with an average net loan-to-deposit ratio of 75.8 percent.

Examiners selected four comparable institutions largely based on their geographic location, lending focus, and asset size. As shown in the following table, TSB’s average net loan-to-deposit ratio is comparable to three other institutions and much higher than the fourth institution.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2019 (\$000s)	Average Net LTD Ratio (%)
Tompkins State Bank	221,802	75.8
Similarly-Situated Institution #1	141,878	79.4
Similarly-Situated Institution #2	225,764	78.7
Similarly-Situated Institution #3	199,021	77.8
Similarly-Situated Institution #4	144,247	63.5
<i>Source: Reports of Condition and Income 12/31/2013 – 12/31/19</i>		

Assessment Area Concentration

TSB originated a significant majority of small farm, small business and home mortgage loans by number to borrowers located within the AA. The following table provides further details about the number and dollar volumes made inside and outside the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm										
2019	199	88.8	25	11.2	224	18,417	80.9	4,357	19.1	22,774
Small Business										
2019	169	86.2	27	13.8	196	14,266	67.8	6,762	32.2	21,028
Home Mortgage										
2019	45	90.0	5	10.0	50	2,450	83.5	483	16.5	2,933
<i>Evaluation Period: 1/1/2019 – 12/31/2019</i>										
<i>Sources: Bank Data and 2019 HMDA LAR. Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

Overall, the bank’s dispersion of loans throughout the assessment areas are reasonable. TSB’s performance of small farm, small business, and home mortgage lending supports this conclusion. Examiners mainly focused on the percentage by number of loans in the low- and moderate-income areas in the AA.

Based on 2019 D&B data, small business and small farm lending performance is compared to the percentage of those businesses and farms operating within the low- and moderate-income census tracts. Based on 2015 ACS data, geographic distribution for home mortgage lending compares the bank’s lending performance to the percentage of owner-occupied units located in each census tract. Refer to the separate conclusions under each assessment area for more information.

Borrower Profile

Overall, the bank's distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels, including low- and moderate-income. TSB's performance of small farm, small business, and home mortgage lending supports this conclusion. Examiners mainly focused on the percentage by number of loans to farms and businesses with gross annual revenues (GARs) of \$1 million or less and low- and moderate-income borrowers in the assessment areas.

The small business and small farm analysis focuses on the bank's record of lending to businesses and farms with GARs of \$1 million or less, based upon 2019 D&B data. The record of home mortgage lending is compared to the percentage of low- and moderate-income families residing in the assessment area based on demographic data obtained from the 2015 ACS. Refer to the separate conclusions under each assessment area for more information.

Response to Complaints

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

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE NON-MSA ASSESSMENT AREA

Portions of Knox, Warren, and McDonough Counties

Knox County: Census Tracts 2 through 16

Warren County: Census Tracts 8702 and 8703

McDonough County: Census Tract 101

A full-scope review of the bank's performance in the non-MSA assessment area was conducted consistent with the scope of the evaluation. This assessment area contains portions of three counties located in the non-metropolitan portion of the State of Illinois. As previously discussed, three of the four banking offices are located in this AA where the bank conducts a majority of its deposit and lending activities. As a result, performance in the non-MSA assessment area is weighed more heavily in the overall CRA rating.

Economic and Demographic Data

The non-MSA assessment area includes 15 census tracts in Knox County, two tracts in Warren County, and one census tract in McDonough County. According to the 2015 ACS Census data, this AA is comprised of three low-income, four moderate-income, eight middle-income and three upper-income geographies. The following table illustrates select demographic characteristics of this assessment area.

Demographic Information of the Assessment Area						
Assessment Area: TSB Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	16.7	22.2	44.4	16.7	0.0
Population by Geography	58,226	13.3	23.8	49.2	13.6	0.0
Housing Units by Geography	26,727	13.0	23.1	49.0	14.9	0.0
Owner-Occupied Units by Geography	16,194	6.9	24.2	54.2	14.7	0.0
Occupied Rental Units by Geography	7,561	24.7	20.9	36.8	17.6	0.0
Vacant Units by Geography	2,972	16.7	22.1	51.7	9.6	0.0
Businesses by Geography	2,928	23.5	15.9	44.0	16.6	0.0
Farms by Geography	306	2.3	10.8	68.0	19.0	0.0
Family Distribution by Income Level	14,057	24.6	19.3	21.0	35.1	0.0
Household Distribution by Income Level	23,755	27.8	18.4	17.9	35.8	0.0
Median Family Income Non-MSAs – IL		\$59,323	Median Housing Value			\$81,877
			Median Gross Rent			\$565
			Families Below Poverty Level			12.9%
<i>Sources: 2015 ACS Census and 2019 D&B Data. Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The number of farms in this AA continues to decrease from the prior evaluation. According to 2019 D&B data, there were 306 farms in the non-MSA AA. Gross annual revenues for these farming operations are below:

- 97.4 percent have \$1 million or less
- 1 percent have more than \$1 million
- 1.6 percent have unknown revenues

The local economy remains highly dependent upon small businesses. According to 2019 D&B data, there were 2,928 businesses in the non-MSA AA. Gross annual revenues for these businesses are below:

- 76.2 percent have \$1 million or less
- 5.8 percent have more than \$1 million
- 18 percent have unknown revenues

The 2019 median family income level from the FFIEC is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IL NA Median Family Income (99999)				
2019 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
<i>Source: FFIEC</i>				

According to the Illinois Department of Employment Security, the unemployment rate as of February 2020 for Knox County was 4.2 percent, Warren County was 3.2 percent, and McDonough County was 3.2 percent. These unemployment rates are comparable to the 3.5 percent unemployment rate for the State of Illinois for the same month. These rates reflect a declining trend from February 2019 when the unemployment rate for Knox County was 6.2 percent, Warren County was 4.8 percent, McDonough County was 4.9 percent, and the State of Illinois was 5.7 percent.

Competition

The assessment area has a moderately competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2019, there were 23 financial institutions operating 49 full-service offices in Knox, Warren, and McDonough Counties. TSB ranked sixth with 5.7 percent of the deposit market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ILLINOIS NON-MSA ASSESSMENT AREA

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion of small farm, small business loans, and home mortgage loans throughout the non-MSA AA.

Small Farm Loans

TSB’s geographic distribution of small business loans by census tract income level reflects reasonable dispersion throughout its non-MSA assessment area. TSB did not originate any small farm loans in the three low-income census tracts, which are located in the downtown area of Galesburg. However, there are only 2.3 percent of farming operations in those tracts, which limits the bank’s lending opportunities within those tracts. The bank’s lending performance in the moderate-income census tracts is much stronger. TSB originated 31.1 percent of its small farm loans in the four moderate-income tracts, which is much higher than the 10.8 percent of farms that operate in the moderate-income tracts. The following table reflects the geographic distribution of small farm loans originated within the non-MSA AA.

Geographic Distribution of Small Farm Loans					
Assessment Area: TSB Non-MSA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2019	2.3	--	--	--	--
Moderate					
2019	10.8	50	31.1	5,750	39.0
Middle					
2019	68.0	77	47.8	6,655	45.1
Upper					
2019	19.0	34	21.1	2,353	15.9
Total					
2019	100.0	161	100.0	14,758	100.0

Sources: 2019 D&B; 1/1/2019 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Small Business Loans

TSB's geographic distribution of small business loans by census tract income level reflects reasonable dispersion throughout its non-MSA assessment area. TSB originated 25.5 percent of its small business loans in the three low-income census tracts, which compares favorably to the 23.5 percent of businesses that operate in those tracts. TSB originated 17.0 percent of its small business loans in the four moderate-income census tracts, which is comparable to the 15.9 percent of businesses that operate in those tracts. The following table reflects the geographic distribution of small business loans within the non-MSA AA.

Geographic Distribution of Small Business Loans					
Assessment Area: TSB Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	23.5	39	25.5	6,001	45.4
Moderate					
2019	15.9	26	17.0	1,774	13.4
Middle					
2019	44.0	66	43.1	4,030	30.5
Upper					
2019	16.6	22	14.4	1,399	10.6
Total	100.0	153	100.0	13,204	100.0

Sources: 2019 D&B; 1/1/2019 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Home Mortgage Loans

TSB's geographic distribution of home mortgage loans by census tract-income level reflects reasonable dispersion throughout its non-MSA assessment area. TSB originated 7.9 percent of its home mortgage loans in the three low-income census tracts, which is comparable to the 6.9 percent of owner-occupied housing units located within those tracts. TSB originated 42.1 percent of its home mortgage loans in the four moderate-income census tracts, which compares more than favorably to the 24.2 percent of owner-occupied housing units located within those tracts. The following table reflects the geographic distribution of home mortgage loans within the non-MSA AA.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: TSB Non-MSA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2019	6.9	3	7.9	77	3.5
Moderate					
2019	24.2	16	42.1	812	36.6
Middle					
2019	54.2	14	36.8	795	35.9
Upper					
2019	14.7	5	13.2	532	24.0
Total					
2019	100.0	38	100.0	2,216	100.0

*Sources: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data, 2019 HMDA LAR, "--" data not available.
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes, as well as individuals of different income levels (including low- and moderate-income.) For this review, examiners focused on businesses and farms with GARs of \$1 million or less and the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms with GARs of \$1 million or less. As shown in the following table, 94.3 percent of the small farm loans were originated to farms with GARs of \$1 million or less. This performance is comparable to the 97.4 percent of farms operating at the same revenue level in the non-MSA AA.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: TSB Non-MSA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2019	97.4	33	94.3	3,076	85.7
>1,000,000					
2019	1.0	2	5.7	513	14.3
Revenue Not Available					
2019	1.6	--	--	--	--
Total					
2019	100.0	35	100.0	3,589	100.0

Sources: 2019 D&B; 1/1/2019 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less. As shown in the following table, 79.0 percent of the small business loans were originated to businesses with GARs of \$1 million or less. TSB's lending performance is comparable to the 76.2 percent of businesses operating at the same revenue levels in the non-MSA AA.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: TSB Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	76.2	30	79.0	2,229	72.8
>1,000,000					
2019	5.8	8	21.0	832	27.2
Revenue Not Available					
2019	18.0	--	--	--	--
Total					
2019	100.0	38	100.0	3,061	100.0

Sources: 2019 D&B; 1/1/2019 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0

Home Mortgage Loans

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

TSB’s level of lending to low-income borrowers is below the percentages of low-income families in the non-MSA AA, as shown in the following table. According to the 2015 ACS data, 12.9 percent of the families in the non-MSA AA had incomes below the poverty level. These families typically may not possess the means to qualify for and/or service debt in amounts necessary to purchase homes in the area. Nevertheless, the bank’s level of lending to low-income borrowers is only slightly below the percentage of low-income families, which includes those with incomes below the poverty level and is considered reasonable.

TSB’s record of lending to moderate-income borrowers in 2019 shows less than reasonable penetration to moderate-income borrowers at 10.5 percent, which is below the 19.3 percent of moderate-income families living in the non-MSA AA. After families living below the poverty level are considered, TSB’s overall lending performance to low- and moderate-income borrowers is reasonable in comparison to the percentage of families living in the low- and moderate-income census tracts.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: TSB Non-MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2019	24.6	7	18.4	163	7.3
Moderate					
2019	19.3	4	10.5	113	5.1
Middle					
2019	21.0	9	23.7	483	21.8
Upper					
2019	35.1	14	36.8	1,018	45.9
Not Available					
2019	0.0	4	10.6	440	19.9
Total					
2019	100.0	38	100.0	2,217	100.0
<i>Sources: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data, 2019 HMDA LAR, "--" data not available. Due to rounding, totals may not equal 100.0</i>					

**DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE
PEORIA, IL MSA #37900**

Portions of Fulton County

Fulton County: Census Tract 9530

A full-scope review of the lending performance in the Peoria, IL MSA #37900 was conducted consistent with the scope of the evaluation for this institution. Since a much smaller percentage of deposits and loans were originated within this AA, it is given significantly less weight in this evaluation. The lending performance in this AA is discussed on the following pages.

Economic and Demographic Data

TSB's MSA assessment area consists of one moderate-income census tract in Fulton County. The AA consists of contiguous whole geographies, includes the tract where the institution's main office is located, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. The following table illustrates select demographic characteristics of this AA.

Demographic Information of the Assessment Area						
Assessment Area: TSB MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	100.0	0.0	0.0	0.0
Population by Geography	2,294	0.0	100.0	0.0	0.0	0.0
Housing Units by Geography	1,059	0.0	100.0	0.0	0.0	0.0
Owner-Occupied Units by Geography	725	0.0	100.0	0.0	0.0	0.0
Occupied Rental Units by Geography	145	0.0	100.0	0.0	0.0	0.0
Vacant Units by Geography	189	0.0	100.0	0.0	0.0	0.0
Businesses by Geography	107	0.0	100.0	0.0	0.0	0.0
Farms by Geography	31	0.0	100.0	0.0	0.0	0.0
Family Distribution by Income Level	597	18.3	26.0	23.1	32.7	0.0
Household Distribution by Income Level	870	18.3	22.8	21.1	37.8	0.0
Median Family Income MSA - 37900 Peoria, IL MSA	\$67,308		Median Housing Value			\$64,900
			Median Gross Rent			\$620
			Families Below Poverty Level			9.0%

*Sources: 2015 ACS Census and 2019 D&B Data. Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.*

The number of farms continues to decrease from the prior evaluation. According to 2019 D&B data, there were 31 farms in the MSA AA. All farming operations reported having less than \$1 million in gross annual revenues.

The local economy remains highly dependent upon small businesses. According to 2019 D&B data, there are 107 businesses in the MSA AA. Gross annual revenues for these businesses are below:

- 76.6 percent have \$1 million or less
- 3.8 percent have more than \$1 million
- 19.6 percent have unknown revenues

The 2019 median family income level from the FFIEC is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Peoria, IL MSA Median Family Income (37900)				
2019 (\$73,300)	<\$36,650	\$36,650 to <\$58,640	\$58,640 to <\$87,960	≥\$87,960
<i>Source: FFIEC</i>				

According to the Illinois Department of Employment security, the unemployment rate for Fulton County was 5.3 percent for February 2020, which is higher than the unemployment rate for the State of Illinois unemployment rate at 3.5 percent for the same month. These rates reflect a declining trend from February 2019 when the unemployment rate for Fulton County was 7.3 percent and the State of Illinois was 5.7 percent.

Competition

The MSA assessment area has a fairly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2019, there were 14 financial institutions operating 21 full-service offices in Fulton County. TSB ranked sixth with 6.2 percent of the deposit market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE PEORIA, IL MSA #37900

Loan Activities

Overall, TSB originated a nominal volume of loans in the MSA AA. As such, the performance in the non-MSA was weighted more heavily in the overall CRA rating. In addition, in instances where the bank’s performance would typically be assessed as excellent, the low volume of lending impacted this assessment and most often is considered reasonable levels of lending.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the MSA AA.

Small Farm Loans

TSB's lending performance in originating small farm loans in the MSA AA is reasonable. This lending performance is expected as there is only one moderate-income census tract in the MSA AA.

Small Business Loans

TSB's lending performance in originating small business loans in the MSA AA is reasonable. TSB originated 16 small business loans totaling \$1.1 million in the only census tract that comprises the MSA AA. Again, this lending performance is expected as there is only one moderate-income census tract in the MSA AA.

Home Mortgage Loans

TSB's lending performance in originating home mortgage loans in the MSA AA is also reasonable. TSB originated seven home mortgage loans totaling \$234,000 in the only census tract that comprises the MSA AA. This lending performance is expected as there is only one moderate-income census tract in the MSA AA.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of varying sizes in the assessment area. TSB's performance in originating small farm, small business, and home mortgage loans supports this conclusion.

Small Farm Loans

TSB's lending performance in originating loans to farming operations with GARs less than \$1 million in the MSA AA is reasonable. All sampled small farm loans in 2019 were extended to farms with GARs of \$1 million or less. The sample loans included six small farm loans totaling \$553,000. According to 2019 D&B data, TSB's lending performance is expected since all farming operations have GARs of \$1 million or less in the MSA AA.

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration among businesses with GARs of \$1 million or less. As shown in the following table, TSB originated 100 percent of its small business loans to businesses with GARs of \$1 million or less compared to 2019 D&B data of 76.6 percent. While the percentage of loans originated to businesses with GARs of \$1 million or less is significantly higher than the 2019 D&B data, the nominal volume of originated

loans impacts what would be a more favorable assessment of the bank's performance. See the following table for additional information.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: TSB MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	76.6	5	100.0	222	100.0
>1,000,000					
2019	3.7	--	--	--	--
Revenue Not Available					
2019	19.6	--	--	--	--
Total					
2019	100.0	5	100.0	222	100.0
<i>Sources: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

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

TSB's level of lending to low-income borrowers is below the percentages of low-income families in the MSA AA, as shown in the following table. According to the 2015 ACS data, 9.0 percent of the families in the MSA AA had incomes below the poverty level. These families typically may not possess the means to qualify for and/or service debt in amounts necessary to purchase homes in the area. Nevertheless, the bank's level of lending to low-income borrowers is below the percentage of low-income families, which includes those with incomes below the poverty level and is considered reasonable.

TSB's record of lending to moderate-income borrowers in 2019 shows more than reasonable penetration to moderate-income borrowers at 42.9 percent, which is above the 26.0 percent of moderate-income families living in the MSA AA.

See the following table for additional information.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: TSB MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2019	18.3	1	14.3	38	16.4
Moderate					
2019	26.0	3	42.9	126	53.7
Middle					
2019	23.1	1	14.3	12	5.2
Upper					
2019	32.6	2	28.5	58	24.7
Total					
2019	100.0	7	100.0	234	100.0
<i>Sources: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data, 2019 HMDA LAR, "--" data not available. Due to rounding, totals may not equal 100.0</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

GLOSSARY

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

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

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

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

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

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

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

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in

information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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