

PUBLIC DISCLOSURE

March 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Trust and Savings Bank
Certificate Number: 12858

125 West 4th Street
Spencer, Iowa 51301

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- Overall, a majority of the small business, small farm, and home mortgage loans reviewed were inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution by borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The institution did not receive any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation. As a result, examiners did not evaluate the bank's record of responding to CRA-related complaints.

The Community Development Test is rated Outstanding.

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, as well as the need and availability of community development activities inside the assessment area.

DESCRIPTION OF INSTITUTION

Farmers Trust and Savings Bank is headquartered in Spencer, Iowa, and is owned by Easter Enterprises, Inc., in Spencer, Iowa. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated April 21, 2020, using Interagency Intermediate Small Institution Examination procedures.

Farmers Trust and Savings Bank operates one full-service office in Spencer, Iowa. The bank offers a variety of lending products including commercial, agricultural, home mortgage, and consumer loans. The bank also originates home mortgage loans that it sells to the secondary market. Commercial loans continues to be the bank’s primary credit product. The institution also provides a variety of deposit products including checking, savings, money market, and certificate of deposit accounts. Alternative banking services include internet and mobile banking, and three ATMs.

According to the December 31, 2022 Consolidated Reports of Condition and Income (Call Report), the institution reported total assets of \$546.6 million, total loans of \$460.1 million, and total deposits of \$476.8 million. The following table illustrates the bank’s loan portfolio distribution.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	116,038	25.2
Secured by Farmland	46,986	10.2
Secured by 1-4 Family Residential Properties	34,354	7.5
Secured by Multifamily (5 or more) Residential Properties	42,549	9.3
Secured by Nonfarm Nonresidential Properties	106,898	23.2
Total Real Estate Loans	346,825	75.4
Commercial and Industrial Loans	65,400	14.2
Agricultural Production and Other Loans to Farmers	35,740	7.8
Consumer Loans	3,475	0.7
Obligations of State and Political Subdivisions in the U.S.	3,141	0.7
Other Loans	5,560	1.2
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	460,141	100
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Farmers Trust and Savings Bank designated a single assessment area located within the nonmetropolitan area of northwest Iowa. The assessment area includes all of Clay County (census tracts 801, 802, 803.01, 803.02, and 804), the northern portion of Buena Vista County (census tracts 9601 and 9602), the southern and western portions of Dickinson County (census tracts 4502 and 4508), the northeastern portion of O’Brien County (census tract 4901), and the western portion of Palo Alto County (census tract 9604). The assessment area consists of one moderate-income, eight middle-income, and two upper-income census tracts. The bank’s sole office is located in Clay County in a middle-income census tract.

The bank did not change the geographical boundaries of the assessment area since the previous evaluation. However, in 2022, the census tract boundaries and demographic makeup of the census tracts within Clay County changed. According to 2020 U.S. Census data, census tract 801 changed from middle-income to upper-income, census tract 802 changed from middle-income to moderate-income, and census tract 804 changed from upper-income to middle-income. Additionally, census tract 803 was split into two separate census tracts and became 803.01, which changed to upper-income; and census tract 803.02, which remained middle-income.

Economic and Demographic Data

The following table provides select demographic data for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	9.1	63.6	27.3	0.0
Population by Geography	29,717	0.0	17.6	54.9	27.6	0.0
Housing Units by Geography	14,798	0.0	18.1	54.7	27.1	0.0
Owner-Occupied Units by Geography	9,454	0.0	12.9	57.8	29.3	0.0
Occupied Rental Units by Geography	3,517	0.0	30.5	47.8	21.7	0.0
Vacant Units by Geography	1,827	0.0	21.2	52.5	26.3	0.0
Businesses by Geography	3,848	0.0	16.3	55.1	28.6	0.0
Farms by Geography	712	0.0	3.4	70.2	26.4	0.0
Family Distribution by Income Level	7,942	18.7	19.0	22.7	39.6	0.0
Household Distribution by Income Level	12,971	24.7	17.4	17.6	40.3	0.0
Median Family Income Non-MSAs - IA	\$71,763	Median Housing Value				\$123,414
		Median Gross Rent				\$703
		Families Below Poverty Level				6.7%

*Source: 2020 U.S. Census and 2022 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 overall population, number of households, and number of housing units within the assessment area remained stable since the previous evaluation, with a less than one percent increase for each according to the 2020 U.S. Census data. The chief demographic change was the percentage of households shifting from upper- and middle-income, to moderate- and low-income, especially in Clay County.

While the population remained steady, the number of non-farm businesses and farms increased within the assessment area since the previous evaluation. According to 2022 D&B data, non-farm businesses increased from 2,653 to 3,848, and farms increased from 623 to 712. Non-farm businesses and farms with revenues of \$1 million or less accounted for the vast majority of the increase. Small non-farm businesses and farms continue to represent the majority in the assessment area with 65.3 percent employing less than five employees, and 91.1 percent operating from a single location.

Examiners used information from the Federal Financial Institution Examination Council (FFIEC) to analyze home mortgage loans under the Borrower Profile criterion. The following table reflects the FFIEC-estimated 2022 median family income for nonmetropolitan Iowa, as well as the respective low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$78,900)	<\$39,450	\$39,450 to <\$63,120	\$63,120 to <\$94,680	≥\$94,680
<i>Source: FFIEC</i>				

Competition

The assessment area is competitive for financial services. According to June 30, 2022 FDIC Deposit Market Share data, 12 financial institutions operated 22 offices inside the assessment area. Of those institutions, Farmers Trust and Savings Bank ranked 1st with a deposit market share of 25.9 percent. The bank competes with these institutions, as well as credit unions and non-bank entities for small business, small farm, and home mortgage loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area’s credit needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available.

Examiners contacted a person from an economic development organization familiar with the area. The contact stated that many younger residents are relocating out of the area to seek other employment opportunities after completing school. While there are plenty of job openings available in the local area, most of the positions have wages that are lower than many jobseekers will accept. Overall, the local economy and businesses have recovered from the Coronavirus Disease 2019 (COVID-19) pandemic, except for not being able to fill open positions. There have been several small, locally owned businesses that have recently opened. The contact stated that the local housing stock is in short supply of homes considered to be affordable, although there is ample

supply of higher-priced homes. The contact stated that the primary credit needs of the area are small business, small farm, and home mortgage loans, and that local financial institutions are meeting those needs by making credit readily available. The contact stated that affordable housing is the primary community development need in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans represent the primary credit need of the assessment area, followed by small farm and home mortgage loans. Community development needs include affordable housing and economic development initiatives, although community development opportunities are limited by the assessment area having no low-income census tracts.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated April 21, 2020, to the current evaluation dated March 6, 2023. Examiners used Intermediate Small Institution Examination Procedures to evaluate the bank's performance, which includes a Lending Test and a Community Development Test. Refer to the Appendices for information on each Test.

Activities Reviewed

Examiners selected small business, small farm, and home mortgage loans to evaluate the bank's lending performance. Examiners selected these products based on the bank's business strategy, assessment area credit needs, and the number and dollar volume of loans originated during the evaluation period. Other loan products, such as consumer loans, do not represent major product lines. As such, examiners did not review any other loan products, as they would not provide material support for conclusions or the rating.

Examiners selected calendar year 2022 as the review period. Bank management indicated that this review period was an accurate representation of the institution's lending activity throughout the evaluation period. The bank-provided loan data did not include loans originated during the evaluation period that were subsequently paid off prior to the evaluation; therefore, they are not included in the analysis. Home mortgage loans sold to the secondary market are also not included in the analysis.

For the Assessment Area Concentration analysis, examiners reviewed all small business, small farm, and home mortgage loans originated and purchased during the review period. For the Geographic Distribution analysis, examiners reviewed all small business, small farm, and home mortgage loans inside the assessment area. For the Borrower Profile analysis, examiners sampled small business, small farm, and home mortgage loans located inside the assessment area. The 2022 D&B data provided a standard of comparison for the bank's small business and small farm lending performance. The 2020 U.S. Census data provided a standard of comparison for the bank's home mortgage lending performance. The following table provides details on the loans reviewed.

	Assessment Area Concentration		Geographic Distribution		Borrower Profile	
	#	\$(000's)	#	\$(000's)	#	\$(000's)
Small Business	114	16,134	60	7,400	36	3,762
Small Farm	89	12,707	69	9,936	36	4,913
Home Mortgage	69	16,735	44	6,849	36	4,910
<i>Source: Bank Data</i>						

Small business loans contributed more weight to overall conclusions than small farm and home mortgage loans, because commercial lending represents the bank's largest credit product. Further, while examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, examiners emphasized performance by number of loans when conducting the Geographic Distribution and Borrower Profile analyses, because the number of loans is a better indicator of the businesses, farms, and individuals served.

For the Community Development Test, examiners reviewed all community development loans, qualified investments, and community development services since the prior CRA evaluation. Examiners also considered prior-period qualified investments that were still outstanding at the start of the evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Farmers Trust and Savings Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports this conclusion.

Loan-to-Deposit Ratio

Farmers Trust and Savings Bank's net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's loan-to-deposit ratio, calculated from Call Report data, averaged 91.5 percent over the past 11 quarters from June 30, 2020, to December 31, 2022. The ratio ranged from a low of 85.3 percent as of December 31, 2020, to a high of 97.0 percent as of September 30, 2021.

Examiners compared Farmers Trust and Savings Bank's average net loan-to-deposit ratio to four comparable financial institutions. Examiners selected the comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, Farmers Trust and Savings Bank's average net loan-to-deposit ratio exceeds all of the comparable institutions, reflecting more than reasonable performance.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Farmers Trust and Savings Bank, Spencer, Iowa	546,629	91.5
Community State Bank, Spencer, Iowa	336,694	56.3
Iowa State Bank, Algona, Iowa	427,593	71.1
Iowa Trust & Savings Bank, Emmetsburg, Iowa	462,020	85.7
Liberty National Bank, Sioux City, Iowa	554,328	87.7

Source: Reports of Condition and Income 6/30/2020 – 12/31/2022

Assessment Area Concentration

Overall, a majority of small business, small farm, and home mortgage loans reviewed, by number and dollar volume, were located inside the assessment area. By number, the majority of loans in each loan category were located inside the assessment area. However, by dollar amount, a majority of small business and home mortgage loans were located outside the assessment area. Participation loans purchased from other financial institutions account for a significant percentage, by dollar amount, of the loans made outside the assessment area. Specifically, three small business participation loans account for \$2.6 million of the small business loans made outside the assessment area, and five multi-family participation loans account for \$5.8 million of the home mortgage loans made outside the assessment area. Overall, the bank's performance under this criterion is reasonable. The following table provides details.

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 Business	60	52.6	54	47.4	114	7,400	45.9	8,734	54.1	16,134
Small Farm	69	77.5	20	22.5	89	9,936	78.2	2,771	21.8	12,707
Home Mortgage	44	63.8	25	36.2	69	6,849	40.9	9,886	59.1	16,735
Total	173	63.6	99	36.4	272	24,185	53.1	21,391	46.9	45,576

*Source: Bank Data
Due to rounding, totals may not equal 100.0%*

Geographic Distribution

Overall, the geographic distribution of loans reflects excellent dispersion throughout the assessment area. Although the small farm lending performance is reasonable, the bank's excellent small business and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of lending in the moderate-income census tract. The assessment area does not include any low-income census tracts.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The bank’s lending performance in the moderate-income census tract exceeds the percentage of businesses located in that census tract. The following table provides details.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	16.3	18	30.0	1,437	19.4
Middle	55.1	25	41.7	4,712	63.7
Upper	28.6	17	28.3	1,251	16.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	60	100.0	7,400	100.0

*Source: 2022 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. The bank’s lending performance in the moderate-income census tract is comparable to the percentage of farms located in that census tract. The following table provides details.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	3.4	2	2.9	110	1.1
Middle	70.2	32	46.4	4,350	43.8
Upper	26.4	35	50.7	5,476	55.1
Not Available	0.0	0	0.0	0	0.0
Total	100.0	69	100.0	9,936	100.0

*Source: 2022 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank’s lending performance in the moderate-income census tract exceeds the percentage of owner-occupied housing units located in that census tract. The following table provides details.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	12.9	11	25.0	619	9.0
Middle	57.8	15	34.1	3,794	55.4
Upper	29.3	18	40.9	2,436	35.6
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	44	100.0	6,849	100.0

*Source: 2020 U.S. Census; Bank Data
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 and individuals of different income levels. The bank's reasonable small business, small farm, and home mortgage lending performance supports this conclusion. Examiners focused on the percentage of small business and farm loans to operations with gross annual revenues of \$1 million or less, and the percentage of home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's lending performance to businesses with revenues of \$1 million or less is comparable to the percentage of businesses in this revenue category. The following table provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.3	29	80.6	2,409	64.0
>\$1,000,000	3.9	7	19.4	1,353	36.0
Revenue Not Available	9.8	0	0.0	0	0.0
Totals	100.0	36	100.0	3,762	100.0

*Source: 2022 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The bank's lending performance to farms with revenues of \$1 million or less is comparable to the percentage of farmers in this revenue category. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	97.9	34	94.4	4,532	92.2
>\$1,000,000	1.1	2	5.6	381	7.8
Revenue Not Available	1.0	0	0.0	0	0.0
Totals	100.0	36	100.0	4,913	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Although the bank's lending performance to low-income borrowers lags demographic data, the bank's lending performance to moderate-income borrowers exceeds demographic data. Given the bank's overall performance, the distribution of home mortgage loans reflects reasonable penetration. The following table provides details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	18.7	5	13.9	233	4.7
Moderate	19.0	10	27.8	605	12.3
Middle	22.7	6	16.7	667	13.6
Upper	39.6	15	41.7	3,405	69.3
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	36	100.0	4,910	100.0
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%</i>					

The bank also met the credit needs of low- and moderate-income borrowers by participating in the Federal Home Loan Bank Homeownership Down Payment Grant program, which benefits low- and moderate-income, first-time homebuyers. In 2022, the bank assisted six low- or moderate-income borrowers in obtaining a down payment grant in conjunction with a secondary market home mortgage.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Farmers Trust and Savings Bank’s performance under the Community Development Test is outstanding. The bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities when drawing this conclusion. Additionally, the bank increased its community development loans and investments since the previous evaluation, and the bank’s activities were particularly responsive to the area’s needs. Since the bank was responsive to the community development needs of its assessment area, examiners also considered community development activities benefitting the broader regional area in the analysis.

Community Development Loans

The bank originated 263 community development loans totaling \$33.0 million during the evaluation period, which represented 6.0 percent of total assets and 7.3 percent of net loans. Examiners compared the bank’s level of community development lending to 3 similarly situated institutions. The similarly situated institutions’ community development loans ranged from 7.5 percent to 8.3 percent of total assets, and from 10.1 to 13.2 percent of net loans. The bank’s level of community development loans is slightly below the performance band of the similarly situated institutions. However, the bank increased the number and dollar volume of community development loans made since the previous evaluation.

The bank’s community development loans supported affordable housing and promoted economic development. The bank participated in the Small Business Administration’s Paycheck Protection Program (PPP) in 2020 and 2021 during the COVID-19 pandemic. The PPP loans assisted businesses and farms adversely affected by the pandemic in retaining employees, and lessened the negative economic impact from a rapid increase in unemployment levels. The following table illustrates the bank’s community development loans by purpose and year.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	0	0	21	852	0	0	21	852
2021	5	4,031	0	0	233	6,032	0	0	238	10,063
2022	4	22,110	0	0	0	0	0	0	4	22,110
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Total	9	26,141	0	0	254	6,884	0	0	263	33,025
<i>Source: Bank Data</i>										

The community development lending includes 43 loans totaling \$25.5 million extended outside of the assessment area in the broader regional area. The loans in the broader regional area are included in this evaluation since they meet the purpose of community development, and the bank has appropriately addressed the community development needs within its assessment area. The following table illustrates the bank’s community development lending activity by area.

Community Development Lending by Assessment Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Farmers Trust and Savings Bank Assessment Area	3	1,450	0	0	217	6,104	0	0	220	7,554
Broader Regional Area	6	24,691	0	0	37	780	0	0	43	25,471
Total	9	26,141	0	0	254	6,884	0	0	263	33,025

Source: Bank Data

Below are notable examples of the bank's community development loans:

- The bank made a \$680,000 and a \$145,000 loan to finance the development of a multi-family housing project that provided 72 affordable housing units to low- and moderate-income individuals.
- The bank made a \$625,000 loan to finance the development of a multi-family housing project that provided 52 affordable housing units to low- and moderate-income individuals.

Qualified Investments

Farmers Trust and Savings Bank purchased, retained, or made 67 qualified investments, including grants and donations, totaling \$11.4 million during the evaluation period. This activity represents 2.1 percent of total assets, and 13.8 percent of total securities. Examiners compared the bank's level of qualified investments to 3 similarly situated institutions. These banks had qualified investments to total asset ratios ranging from less than 0.1 percent to 0.8 percent, and qualified investments to total securities ratios ranging from less than 0.1 percent to 2.4 percent. The bank's level of qualified investments significantly exceeds the performance band of the similarly situated institutions. Additionally, as previously mentioned, the bank increased the number and dollar volume of qualified investments since the previous evaluation. The following table illustrates the bank's qualified investments by purpose and year.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	4,038	5	1,715	0	0	1	157	10	5,910
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	1	431	0	0	0	0	1	431
2022	0	0	0	0	0	0	8	4,910	8	4,910
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	4	4,038	6	2,146	0	0	9	5,067	19	11,251
Qualified Grants & Donations	0	0	48	117	0	0	0	0	48	117
Total	4	4,038	54	2,263	0	0	9	5,067	67	11,368

Source: Bank Data

The bank’s qualified investments include 8 investments totaling \$5.5 million that serve a broader regional area. The following table illustrates the bank’s qualified investment activity by area.

Qualified Investments by Assessment Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Farmers Trust and Savings Bank Assessment Area	0	0	51	992	0	0	8	4,910	59	5,902
Broader Regional Area	4	4,038	3	1,271	0	0	1	157	8	5,466
Total	4	4,038	54	2,263	0	0	9	5,067	67	11,368

Source: Bank Data

Below is a notable example of the bank’s qualified investments:

- The bank purchased eight hospital revenue bonds used to finance a new emergency department for a community hospital located in a moderate-income census tract that serves low- and moderate-income individuals.

Community Development Services

Farmers Trust and Savings Bank representatives provided 6 instances of financial expertise or technical assistance to community development organizations during the evaluation period. All of the services promoted economic development. Examiners compared the bank’s performance to 3 similarly situated institutions. The comparison revealed a performance level below the performance band of those institutions, which provided between 47 and 105 community development services. The number of community development services provided by the bank declined since the previous evaluation. The following table illustrates the bank’s community development services by purpose and year.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	0	2	0	2
2021	0	0	2	0	2
2022	0	0	2	0	2
2023 (YTD)	0	0	0	0	0
Total	0	0	6	0	6

Source: Bank Data

Additionally, the bank offers retail services that enhance the availability of banking products to low- and moderate-income residents. One ATM operated by the bank accepts deposits and is available to customers at any time, and two ATMs are located in a moderate-income census tract. The bank also offers a free interest-bearing checking account that does not charge a monthly service fee, which helps serve low- and moderate-income customers.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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