PUBLIC DISCLOSURE

February 18, 2025

ILLINOIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Secure Community Bank
Illinois Institution Identification Number: 23050

670 N. Sugar Grove Parkway
Sugar Grove, Illinois 60554

Illinois Department of Professional Regulation
555 West Monroe Street, 5th Floor Chicago, IL 60661

THIS ILLINOIS COMMUNITY REINVESTMENT ACT (ILCRA) EVALUATION IS AVAILABLE FOR PUBLIC REVIEW AND COMMENT.

This evaluation reflects the Secretary's assessment pursuant to Section 35-10(b) of the Illinois Community Reinvestment Act [205 ILCS 735/35-10(b)] of the performance of this bank in helping to meet the financial services needs of its local communities, including low- and moderate-income neighborhoods, consistent with the 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 herein does not represent an analysis, conclusion, or opinion of the Illinois Department of Financial and Professional Regulation, Division of Banking, concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S ILCRA 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 (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a majority of its small business and home mortgage loans in the AA.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The institution did not receive any ILCRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AA.

Discriminatory or Other Illegal Credit Practices

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, these factors did not affect the institution's ILCRA rating.

Assessment Factors

ILCRA examiners reviewed the bank's activities in its AA to the performance standards outlined in 38 Ill. Admin. Code 345.200 and did not find evidence that the bank is not meeting the financial services needs of its local communities. Therefore, the bank's ILCRA rating was not affected.

DESCRIPTION OF INSTITUTION

Background

First Secure Community Bank (FSCB) is a $515.4 million full-service commercial bank headquartered in Sugar Grove, Illinois. The bank is wholly owned by First Secure Bank Group, Inc., a three-bank holding company. FSCB is affiliated with First Secure Bank and Trust of Palos Hills, IL, in Cook County and First Secure State Bank of Wonder Lake, IL, in McHenry County. Federal Deposit Insurance Corporation (FDIC) examiners assigned a "Needs to Improve" rating at the prior federal Community Reinvestment Act (CRA) evaluation dated January 17, 2023, based on Federal Financial Institutions Examination Council (FFIEC) Interagency Intermediate Small Institution Examination Procedures. There has been no merger or acquisition activity since the prior evaluation.

Operations

FSCB operates five full-service offices including its main office in its AA. The main office is located in an upper-income census tract in Kane County, and one branch is located in a moderate-income census tract in Kane County. In DuPage County, one branch is located in a middle-income census tract. In Will County, there is one branch located in a middle-income census tract. There is an office in Grundy County located in a middle-income census tract. The bank has not opened or closed any branches since the prior evaluation.

Distribution of Branches within Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Cook	0	0	0	0	0	0	0
DuPage	0	0	0	1	0	1	0
Grundy	0	0	0	1	0	1	0
Kane	0	0	1	0	1	2	50.0
Kendall	0	0	0	0	0	0	0
Lake	0	0	0	0	0	0	0
McHenry	0	0	0	0	0	0	0
Will	0	0	0	1	0	1	0
Total	**0**	**0**	**1**	**3**	**1**	**5**	**20.0**
Source: https://www.1stsecurebank.com/							

The bank offers a range of traditional loan and deposit products to serve consumer and business customers. Commercial credit products include commercial real estate loans, equipment financing, small business loans, small farm loans, multifamily housing loans, construction, commercial and industrial loans, and revolving lines of credit. FSCB offers home equity lines of credit and personal loans. Residential lending product offerings are primarily non-owner-occupied 1-4 family residential investment loans. FSCB facilitates consumer mortgage loans by taking applications and sending them to Rocket Mortgage and Plaza Home Mortgage in a broker capacity. FSCB has also developed specializations in lending on mobile home parks, gaming operations, and cash value life insurance. Deposit products consist of checking, money market, and savings accounts, certificates of deposit, and individual retirement accounts. Alternative banking services offered by the bank include debit cards for automated teller machines (ATM), internet banking, mobile banking, direct deposit, and Zelle.

Ability and Capacity

As of the December 31, 2024, Consolidated Reports of Condition and Income (Call Report), FSCB reported approximately $515.4 million in total assets, $324.5 million in total loans, $82.8 million in net securities, and $437.9 million in total deposits. Total assets and total loans have increased approximately $17.4 million or 3.5 percent and $55.9 million or 20.8 percent, respectively, since the prior examination. Secured by Nonfarm Nonresidential Properties and Commercial and Industrial loans continue to be the highest loan categories. Consumer loans have increased $38.8 million or 383.6 percent. However, these are mostly loans secured by whole-life insurance's cash value. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	**$(000s)**	**%**
Construction and Land Development	6,094	1.9
Secured by Farmland	510	0.2
Secured by 1-4 Family Residential Properties	9,411	2.9
Secured by Multifamily (5 or more) Residential Properties	15,423	4.8
Secured by Nonfarm Nonresidential Properties	163,985	50.5
Total Real Estate Loans	**195,423**	**60.2**
Commercial and Industrial Loans	77,823	24.0
Agricultural Production and Other Loans to Farms	2,272	0.7
Consumer Loans	48,967	15.1
Obligations of States and Political subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**324,485**	**100.0**
Source: Report of Condition and Income. Due to rounding, totals may not equal 100.0		

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

DESCRIPTION OF ASSESSMENT AREA

The ILCRA requires each financial institution to define one or more AAs within which its ILCRA performance will be evaluated. FSCB designated a single AA, composed of eight contiguous counties (Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will) in the Chicago-Naperville-Elgin IL-IN Metropolitan Statistical Area (Chicago MSA). This AA consists of 2,082 census tracts. The AA includes contiguous census tracts, conforms to ILCRA regulatory requirements, and does not arbitrarily exclude any low- or moderate-income geography.

Economic and Demographic Data

Examiners used demographic data from the 2020 American Community Survey (ACS), 2020 U.S. Census data, and 2023, 2024, and 2025 D&B data to analyze the bank's ILCRA performance. According to 2020 U.S. Census data, the AA's census tracts reflect the following income designations:

- 246 low-income census tracts (11.8 percent)
- 482 moderate-income census tracts (23.2 percent)
- 650 middle-income census tracts (31.2 percent)
- 680 upper-income census tracts (32.7 percent)
- 24 census tracts where income data was not available (NA) (1.2 percent)

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	2,082	11.8	23.2	31.2	32.7	1.2
Population by Geography	8,630,268	9.0	22.9	33.4	34.1	0.5
Housing Units by Geography	3,441,329	9.4	22.4	33.2	34.6	0.5
Owner-Occupied Units by Geography	2,038,837	4.5	18.8	36.3	40.1	0.2
Occupied Rental Units by Geography	1,134,613	15.7	28.2	29.1	26.2	0.8
Vacant Units by Geography	267,879	19.6	25.6	26.3	27.8	0.7
Businesses by Geography	1,051,872	5.5	16.9	31.3	45.7	0.5
Farms by Geography	14,779	4.2	18.6	37.5	39.4	0.3
Family Distribution by Income Level	2,043,430	23.0	16.7	19.3	41.1	0.0
Household Distribution by Income Level	3,173,450	25.1	15.3	16.9	42.7	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Schaumburg, IL		$92,622	Median Housing Value			$284,782
Median Family Income MSA - 20994 Elgin, IL		$97,326	Median Gross Rent			$1,242
Median Family Income MSA - 29404 Lake County, IL		$112,326	Families Below Poverty Level			7.9%
Source: 2020 ACS, 2024 D&B Data, and FFIEC Estimated Median Family Income; *(*) The NA category consists of geographies that have not been assigned an income classification.*						

Economic and demographic data from the 2020 ACS and 2024 D&B report provide relevant comparable factors on which examiners based conclusions. According to the 2024 D&B data, 1,051,872 businesses operated in the AA. The above table shows that only 5.5 percent of the businesses are in low-income census tracts, and 16.9 percent are in moderate-income census tracts. The analysis under the Geographic Distribution criterion compares the distribution of small business loans by geography to the percentage of businesses located in each geography. This data highlights some of the challenges financial institutions face in originating small business loans in these geographies.

Examiners used the 2023, 2024, and 2025 FFIEC Median Family Income (MFI) Report, which sets forth the criteria by which geographies are determined to be low, moderate, middle, and upper income.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Chicago-Naperville-Evanston, IL Median Family Income (16984)				
2023 ($109,800)	<$54,900	$54,900 to <$87,840	$87,840 to <$131,760	≥$131,760
Chicago-Naperville-Schaumburg, IL Median Family Income (16984)				
2024 ($109,800)	<$54,900	$54,900 to <$87,840	$87,840 to <$131,760	≥$131,760
2025 ($109,800)	<$54,900	$54,900 to <$87,840	$87,840 to <$131,760	≥$131,760
Elgin, IL Median Family Income (20994)				
2023 ($113,500)	<$56,750	$56,750 to <$90,800	$90,800 to <$136,200	≥$136,200
2024 ($113,700)	<$56,850	$56,850 to <$90,960	$90,960 to <$136,440	≥$136,440
2025 ($113,700)	<$56,850	$56,850 to <$90,960	$90,960 to <$136,440	≥$136,440
Lake County-Kenosha County, IL-WI Median Family Income (29404)				
2023 ($124,600)	<$62,300	$62,300 to <$99,680	$99,680 to <$149,520	≥$149,520
Lake County, IL Median Family Income (29404)				
2024 ($129,600)	<$64,800	$64,800 to <$103,680	$103,680 to <$155,520	≥$155,520
2025 ($129,600)	<$64,800	$64,800 to <$103,680	$103,680 to <$155,520	≥$155,520
Source: FFIEC				

While the analysis of small business loans under the geographic distribution criterion compares loans to percentage of businesses within geographies by income level, the analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenues (GARs). According to 2024 D&B data, of the 1,051,872 small businesses, the GARs of businesses operating in the AA in 2024 are as follows:

- 90.4 percent report $1.0 million or less,
- 3.5 percent report greater than $1 million, and
- 6.1 percent did not report revenues to D&B

Service industries represent the largest portion of businesses in the AA (33.1 percent); followed by finance, insurance, and real estate (10.5 percent); retail trade (9.0 percent); transportation and communication (6.5 percent); and construction (5.5 percent). Non-classifiable establishments represented 28.7 percent. In addition, 57.6 percent of businesses have four or fewer employees, and 93.2 percent operate from a single location. Despite the strong presence and importance of small businesses, the business community is very diverse, with large concentrations of regional and national businesses, including many Fortune 500 companies.

Chicago, IL, the major city in the AA, is the primary driver of employment. According to Crain's Chicago Business's *The Book: 2024*, the top five employers at the end of 2022 in the broader Chicagoland in order from one to five are:

- the United States government (52,315)
- the Chicago Public Schools (41,469)
- the City of Chicago (30,216)
- Amazon.com Inc. (28,994)
- Advocate Health (26,841)

According to U.S. News & World Report in an article published on November 10, 2023, unemployment rates nationwide have recovered from the COVID-19 pandemic. The stay-at-home orders and temporary closures caused significant hardships for both individuals and businesses, as reflected in the high average unemployment rates. The following table illustrates the unemployment rates by county, state, and nation.

Unemployment Rates				
	2021 Average	**2022 Average**	**2023 Average**	**2024 Average**
Area	**%**	**%**	**%**	**%**
Cook County, Illinois	7.0	4.9	4.4	5.4
DuPage County, Illinois	4.5	3.6	3.4	4.2
Grundy County, Illinois	5.3	4.8	4.5	5.6
Kane County, Illinois	6.0	4.7	5.1	5.5
Kendall County, Illinois	4.8	3.9	3.8	4.7
Lake County, Illinois	5.4	4.4	5.0	5.3
McHenry County, Illinois	4.8	3.9	3.7	4.6
Will County, Illinois	5.8	4.5	4.2	5.2
State of Illinois	6.1	4.6	4.5	5.1
National Average	5.3	3.6	3.6	4.0
Source: Bureau of Labor Statistics (State and National are seasonally adjusted, and Counties are not seasonally adjusted.)				

Competition

FSCB's AA is a highly competitive market for deposits and small business loans. According to the most recent FDIC Deposit Market Share data, as of June 30, 2024, 144 financial institutions with 1,953 offices compete in the AA. FSCB ranked 65th among these institutions at $429.0 million, maintaining 0.08 percent of the deposit market share. Large national and regional financial institutions, such as J.P. Morgan Chase, operating offices within the AA, hold the majority of the market share. The top five institutions control 60.8 percent of the deposit market share.

FSCB is not subject to ILCRA or CRA data collection and reporting requirements. Therefore, examiners used Wolter Kluwer's most recent available data from 2023 Peer Small Business Market Share Report as a gauge of competition in the AA but not for a comparison to FSCB. In the AA, aggregate lending data for 2023 shows 256 lenders reported 241,532 small business loans, totaling $8.6 billion. The top five institutions control 72.8 percent of the market share. This data indicates a high level of competition.

Community Contacts

As part of the examination, community contact interviews were conducted and reviewed to help examiners identify and understand the AA's credit and Community Development (CD) needs. The information helps examiners determine area needs and whether local financial institutions are responsive to these needs.

Examiners reviewed a community contact form from a Community Development Financial Institution (CDFI) operating in the Chicago MSA. This contact cited affordable housing, small business financial literacy, and financing for small businesses new and old as needs. Examiners also reviewed another Chicago CDFI contact form who echoed that affordable housing was a top need. He also emphasized the importance of his work in providing small business lending, particularly for loans under $100,000.

Outside of Chicago and Cook County, examiners collected information from every county in the AA. Examiners interviewed a contact focused on DuPage County who stated that workforce housing is necessary, underscoring the demand for affordable housing and the need to support new entrepreneurs through financial literacy and small business loans. In addition, examiners reached out to an economic development non-profit in Grundy County. This individual emphasized the importance of fostering small businesses, especially family-run enterprises and entrepreneurship. Examiners also interviewed a government official in Kane County. This contact identified affordable housing as the top need, lamenting the high interest rate market driving down the ability of residents to pay mortgages. In Kendall County, examiners interviewed a government official who highlighted the growth in the county and the need for affordable housing. In Lake County, examiners interviewed an official specializing in community development grants, who said that affordable housing was the greatest need, especially given the income diversity of Lake County. Examiners interviewed the head of a public-private partnership specializing in economic development. This individual identified affordable housing as the top need for McHenry County. Just as important, this individual advocated the county needed to attract more businesses to this community, small and large. In Will County, examiners interviewed a contact in an economic development organization who cited affordable housing as the top need but also expressed the need for revitalization of abandoned brownfields.

Credit and Community Development Needs and Opportunities

Considering the information from the community contacts, discussions with management, and demographic data, examiners determined that there are community development needs for affordable housing, small business lending, and financial literacy for small businesses and retail customers in the AA. 31.9 percent of the AA's population is LMI, indicating the need for affordable housing. Only 22.4 percent of businesses are in LMI areas indicating both need and opportunity for entrepreneurs.

There are many opportunities for involvement in community development activities throughout this diverse AA. Enterprise zones, empowerment zones and tax increment financing (TIF) districts are widespread throughout the AA. These entities designated by federal, state, and local government create incentives for revitalization, stabilization, and economic development. Developers are attracted to these areas, creating affordable housing, job opportunities for low-to-moderate income people, and economic growth. Additionally, the U.S. Department of Housing and Urban Development, the State of Illinois and local community organizations sponsor a plethora of affordable housing and small business lending initiatives. Moreover, financial institutions can invest in CDFIs that operate in the areas that facilitate community development, especially, if a bank lacks expertise or time.

SCOPE OF EVALUATION

General Information

The evaluation encompasses the period from the previous FDIC performance evaluation dated January 17, 2023, to the current ILCRA evaluation conducted by the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking, dated February 18, 2025. Examiners completed a full scope review of the bank's AA. Examiners used the FFIEC Interagency Intermediate Small Institution Examination Procedures to evaluate FSCB's ILCRA performance. These procedures include the Lending Test and the Community Development Test. The criteria for these tests are detailed in the Appendices. IDFPR also provides comments regarding the institution's fair lending policies and procedures pursuant to 205 ILCS 735/35-15. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. In addition, under Section 345.200 of the implementing rules of ILCRA, assessment factors as described below were considered in the evaluation of FSCB's record of ILCRA performance.

Financial institutions must achieve a satisfactory rating under the Lending Test and Community Development Test to obtain an overall satisfactory rating. However, evidence of discrimination and/or a negative evaluation of assessment factors can lower the overall ILCRA rating.

Activities Reviewed

Examiners reviewed FSCB's business strategy, loan portfolio composition, and the number and dollar volume of loan originations during the review period and determined the bank's major loan product to be Small Business loans. Home Mortgage and Small Farm loans do not represent a significant portion of the loan portfolio. While Consumer loans represent 15.1 percent of the loan portfolio distribution, these are mostly niche loans secured by the whole-life insurance cash value. Therefore, these loan products were not reviewed and have no impact on the conclusions. As the bank is not required to report CRA or ILCRA small business loan data, bank records served as the source for small business loan performance.

Examiners analyzed the institution’s small business loans originated and renewed from January 1, 2023, through December 31, 2024. The bank originated and renewed 127 small business loans totaling $30.8 million in 2023. In 2024, the bank originated and renewed 99 small business loans totaling $31.0 million. Examiners reviewed statistically valid samples of 47 small business loans, totaling $11.1 million in 2023, and 47 small business loans, totaling in $16.1 million in 2024, to evaluate the small business lending. Since the bank is not a ILCRA or CRA small business loan data reporter, D&B data for the percentage of businesses located in low, moderate, middle, and upper-income tracts, as well as the percentage of businesses with less than $1.0 million in GARs, served as the comparison for small business performance in the geographic distribution and borrower profile, respectively.

Community development loans, qualified investments, and community development services since the prior CRA evaluation were considered under the Community Development Test.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FSCB demonstrated reasonable performance under the Lending Test. Overall, the performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile supports the conclusion.

Loan-to-Deposit Ratio

FSCB’s net loan-to-deposit ratio (LTD) is reasonable given the institution’s size, capacity, and AA credit needs. FSCB maintained an average net LTD ratio of 70.2 percent from December 31, 2022, to December 31, 2024, over 9 quarters. The net LTD ratio was steady throughout the evaluation period and ranged from a high of 76.8 percent as of June 30, 2024, to a low of 64.2 percent as of September 30, 2023. FSCB’s average net LTD ratio is consistent with the six ratios of similarly-situated institutions (SSIs), as shown in the table below. Examiners identified SSIs based on asset size, areas served, and lending emphasis.

Loan-to-Deposit Ratio Comparison		
Institution	**Total Assets as of 12/31/2024 ($000s)**	**Average Net LTD Ratio (%)**
First Secure Community Bank	**515,404**	**70.2**
Similarly-Situated Institution #1	533,563	99.0
Similarly-Situated Institution #2	576,206	54.8
Similarly-Situated Institution #3	591,285	87.1
Similarly-Situated Institution #4	499,294	89.8
Similarly-Situated Institution #5	771,973	73.9
Similarly-Situated Institution #6	861,804	80.5
Source: Reports of Condition and Income 12/31/2022 through 12/31/2024		

Assessment Area Concentration

The bank made a majority of loans and engaged in a majority of other lending-related activities in its AA. This conclusion is reflected, by number and dollar volume, in its small business loans. The following table summarizes loan concentrations inside and outside of the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$(000s)**	**%**	**$(000s)**	**%**	
Small Business										
2023	41	87.2	6	12.8	47	9,389	84.2	1,759	15.8	11,148
2024	35	74.5	12	25.5	47	11,816	73.3	4,297	26.7	16,113
Subtotal	**76**	**80.9**	**18**	**19.1**	**94**	**21,205**	**77.8**	**6,056**	**22.2**	**27,261**
Total	**76**	**80.9**	**18**	**19.1**	**94**	**21,205**	**77.8**	**6,056**	**22.2**	**27,261**

Source: Bank Data
Due to rounding, totals may not equal 100.0
Dollar amounts for Small Business, Small Farm, and Consumer loans are multiplied by 1000.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among businesses of different sizes. Only lending in the AA was considered in the borrower profile analysis. Examiners focused on performance by number of loans as the number of loans is a better indicator of the number of borrowers served.

The bank's performance in lending to businesses with GARs of $1.0 million or less trailed the demographic. However, the demographic represents all businesses, not just those seeking credit. Moreover, demographic data does not necessarily represent the demand in the market. Many small businesses seek credit through other mechanisms, such as credit cards, home equity loans, or financing through non-bank sources to fund their businesses. While FSCB is not required to collect and submit small business data, CRA Small Business aggregate data can provide insights into the opportunities to lend.

In 2023, CRA Small Business aggregate data indicated that 56.3 percent of loans were made to small businesses. The aggregate trails the demographic and demonstrates that there are not as many opportunities as the percentage of businesses would indicate. However, there is more than a 20.0 percent gap. This can be misleading.

A deeper look at the data indicates that one business made up 18 of the loans in 2023 and 7 loans in 2024. Had the business chosen a different loan structure at origination, this would have equated to one loan each year. If the data were recalculated with this in mind, the percentage of loans to small businesses would be 45.8 percent in 2023 and 44.8 percent in 2024. This is still a significant difference.

Examiners compared the bank's small business lending to that of two SSIs operating within the AA and recently evaluated for CRA performance. Both banks' performances were deemed reasonable in borrower profile and were comparable to FSCB's marginal performance. The table below provides details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Business Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2023	90.5	11	26.8	2,387	25.4
2024	90.4	13	37.1	4,421	37.4
>$1,000,000					
2023	3.5	29	70.7	6,324	67.4
2024	3.5	21	60.0	7,300	61.8
Revenue Not Available					
2023	6.0	1	2.4	678	7.2
2024	6.1	1	2.9	95	0.8
Total					
2023	**100.0**	**41**	**100.0**	**9,389**	**100.0**
2024	**100.0**	**35**	**100.0**	**11,816**	**100.0**
Source: 2023 & 2024 D&B Data; Bank Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. Examiners concentrated on lending penetration in low- and moderate-income census tracts and focused on performance by number of loans as it is a better indicator of the number of borrowers served. Only lending in the AA was considered in the geographic distribution analysis.

Performance is measured against the percentage of businesses in each census tract income level throughout the AA. FSCB's small business performance trails the demographic in both low-income and moderate-income census tracts. However, aggregate data may provide a better explanation.

FSCB is not required to collect and submit CRA or ILCRA small business data, and therefore, direct comparisons to ILCRA or CRA aggregate data are generally not performed. However, aggregate data can provide insights into the level of competition and loan demand in the AA. Aggregate CRA small business data revealed that reporting lenders originated 4.3 and 15.9

percent of loans in low-income and moderate-income census tracts in 2023, respectively. Aggregate performance is generally consistent with the percentage of businesses, the demographic, in terms of opportunities.

A deeper look at the data indicates that one business in a middle-income tract made up 18 of the sampled loans in 2023 and 7 loans in 2024. Had the business chosen a different loan structure at origination, this would have equated to one loan each year. If the data were recalculated with this methodology, FSCB's performance in low-income tracts would be 8.2 percent in 2023 and 6.9 percent in 2024. In addition, this recalculation would result in 16.6 percent of loans in 2023 and 17.2 percent of loans in 2024 in moderate-income tracts. When comparing these numbers to the demographic, FSCB's geographic distribution of loans represents reasonable dispersion. The following table illustrates the bank's performance:

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2023	5.8	2	4.9	836	8.9
2024	5.5	2	5.7	1,694	14.3
Moderate					
2023	16.9	4	9.8	1,277	13.6
2024	16.9	5	14.3	2,609	22.1
Middle					
2023	31.2	30	73.2	5,452	58.1
2024	31.3	21	60.0	4,899	41.5
Upper					
2023	45.6	5	12.2	1,824	19.4
2024	45.7	7	20.0	2,614	22.1
Not Available					
2023	0.5	0	0.0	0	0.0
2024	0.5	0	0.0	0	0.0
Total					
2023	**100.0**	**41**	**100.0**	**9,389**	**100.0**
2024	**100.0**	**35**	**100.0**	**11,816**	**100.0**
Source: 2023 & 2024 D&B Data; Bank Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Overall, FSCB demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. The scope of the community development review encompasses the interval since the bank's previous FDIC CRA evaluation dated January 17, 2023., 2023, to February 18, 2025. Examiners considered the institution's capacity to participate in such activities, as well as the availability of community development opportunities and the performance of the bank compared to its prior evaluation and SSIs.

Community Development Loans

During the evaluation period, the bank made 16 community development loans totaling approximately $23.8 million in the AA over 25 months. The majority of the dollar volume, $12.0 million of the $23.8 million in community development loans, were affordable housing, the top need identified by community contacts. These loans are responsive to the needs of the community.

The bank's current performance was compared to the prior FDIC CRA evaluation. In this review period, community development loans were 8.0 percent of average loans and 4.7 percent of average assets or 0.32 percent and 0.19 percent per month, respectively. FSCB's current performance reflects more than double the total dollar amount of community development loans than the prior examination period, when the bank reported 11 loans totaling $8.5 million over 39 months. This was 1.8 percent of average assets or .046 percent per month and 3.0 percent of average net loans or .077 percent per month.

Performance was compared to the SSIs. The five SSIs averaged 13.3 percent of average net loans or 0.39 percent per month and ranged from 6.0 percent to 23.6 percent for average net loans or 0.17 to 0.76 percent per month. In addition, the five SSIs averaged 8.3 percent of average total assets or 0.24 percent per month that ranged from 3.7 percent to 11.3 percent or 0.10 percent per month to 0.36 percent per month.

FSCB made three qualified community development loans, totaling $5.2 million outside the bank's AA throughout the review period. Although these loans were made outside of the AA, they benefited the state and region. The following table provides additional information regarding community development lending.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
1/17/2023 – 12/31/2023*	3	1,354	0	0	2	3,137	2	2,534	**7**	**7,025**
2024	3	10,673	0	0	4	4,572	2	1,500	**9**	**16,745**
Year-to-Date (YTD) 2025	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	**6**	**12,027**	**0**	**0**	**6**	**7,709**	**4**	**4,034**	**16**	**23,770**
Statewide/Regional Activity	0	0	0	0	3	5,190	0	0	3	5,190
Total	**6**	**12,027**	**0**	**0**	**9**	**12,899**	**4**	**4,034**	**19**	**28,960**

Source: Bank Records
** Only community development loans conducted after the previous FDIC PE were reviewed.*

Notable examples of the bank's CD loans include:

- $10.0 million participation loan led by FSCB to provide much needed Affordable Housing in Kane County

- $4.6 million in SBA 504 loans encouraging Economic Development throughout the AA.

- $1.4 million loan in a Tax Increment Financing District to Revitalize and Stabilize a mixed retail and housing development in Chicago, IL.

<u>Qualified Investments</u>

FSCB made 15 donations and 14 investments, totaling $3.8 million over 25 months. While these numbers and the table below show the collective funds invested for the years 2023 and 2024, five of the investments, totaling $1.2 million, were renewed in 2024 and do not represent an additional capital outlay from the prior year. The bank's community development investment performance was compared to its performance in the prior review period.

In this review period, the bank's qualified investment was 0.7 percent of average assets or 0.03 percent per month and 3.3 percent of average net securities or 0.1 percent per month. Based on the prior FDIC performance evaluation, there were 11 qualified investments and donations, totaling $1.4 million over 39 months. This translates to 0.3 percent of average assets or 0.007 percent per month and 1.4 percent of average net securities or 0.03 percent per month. FSCB's current investment volume is dramatically better than its prior performance.

Performance was also compared to the SSIs. The five SSIs averaged 4.9 percent of average net securities or 0.14 percent per month and ranged from 0.2 percent to 11.5 percent or 0.01 percent per month to 0.33 percent per month. The five SSIs averaged 0.8 percent of average assets or 0.023 percent per month and ranged from 0.02 percent to 1.7 percent or 0.001 percent per month to 0.047 percent per month. The following table provides additional details regarding the bank's investment and donation activity.

Community Development Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
Prior Period	0	0	0	0		0	0	0	**0**	**0**
1/17/2023 – 12/31/2023	0	0	0	0	0	0	7	2,121	**7**	**2,121**
2024*	0	0	0	0	0	0	7	1,640	**7**	**1,640**
Year-to-Date (YTD) 2025	0	0	0	0	0	0	0	0	**0**	**0**
Subtotal	0	0	0	0	0	0	14	3,761	**14**	**3,761**
Grants & Donations	2	3	12	9	1	2	0	0	**15**	**14**
Total	2	3	12	9	1	2	14	3,761	**29**	**3,775**

Source: Bank Records
**$1.2 million of the investments were renewed and do not represent additional capital outlay*

Notable examples of the bank's qualified investments and donations include:

- $1.9 million invested in Minority Depository Institutions.
- $960 thousand invested in CDFIs.
- Donations to Habitat for Humanity.

Community Development Services

During the 25-month evaluation period, the bank completed 24 instances or 0.96 instances per month of community development services. Current performance exceeded the prior exam's 16 instances or 0.4 per month. Performance was compared to the SSIs. The five SSIs averaged 32.4 instances or 0.9 instances per month and ranged from 1 to 68 instances or 0.03 to 2.1 instances per month. The following table provides additional details regarding the bank's community development services.

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	#	#	#	**#**
1/17/2023 – 12/31/2023 *	0	3	1	0	**4**
2024	2	16	2	0	**20**
Year-to-Date (YTD) 2025	0	0	0	0	**0**
Total	**2**	**19**	**3**	**0**	**24**

Source: Bank Data,
** Only community development services conducted after the previous FDIC PE were reviewed.*

Notable examples of the bank's CD services include:

- Senior Manager served on the board of a foundation that supports a school district primarily serving low-to-moderate students in the AA.

- Senior Manager serves as a mentor to help start and maintain small businesses in the AA.

- Senior Manager serves as an advisory board member on a disaster relief organization in the AA.

- FSCB allows the use of the Mexican Matricula Consular cards as proof of identification, helping low-to-moderate individuals, who may not have legal residency, access lower cost financial services and go from unbanked to banked.

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 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).

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

Affiliate: This means any company that controls, is controlled by, or is under common control with another company. The term "control" has the meaning given to that term in 12 U.S.C. 1841(a)(2), and a company is under common control with another company if both companies are directly or indirectly controlled by the same company.

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.

Alternative financial products or services: This means financial products or services offered by persons other than an insured depository institution at a higher cost than comparable services offered by an insured depository institution**.**

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: This means the median family income for the Metropolitan Statistical Area (MSA), if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: This means a geographic area delineated in accordance with 38 Ill. Admin. Code 345.400.

Bank: This means a bank that has a charter issued under the Illinois Banking Act [205 ILCS 5], a savings bank that has a charter issued under the Savings Bank Act [205 ILCS 205], and an FDIC-insured banking office of a foreign banking corporation issued a certificate of authority under the Foreign Banking Office Act [205 ILCS 645].

Branch: This means a staffed banking facility defined as a branch under Section 2 of the Illinois Banking Act [205 ILCS 5/2] or Section 1007.20 of the Illinois Savings Bank Act [205 ILCS 205/1007.20], and a branch of a banking office of a foreign banking corporation issued a certificate of authority under the Foreign Banking Office Act [205 ILCS 645], whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census Tract: 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: This includes: affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; activities that revitalize or stabilize low-or moderate-income geographies, designated disaster areas, distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency based on rates of poverty, unemployment, and population loss or based on population size, density, and dispersion. Activities that revitalize and stabilize geographies are designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals; or unbanked or underbanked geographies; and activities targeted to directly and tangibly increase climate resilience in low-income to moderate-income neighborhoods or mitigate environmental harm in LMI neighborhoods.

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 bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan unless the loan is for a multifamily dwelling (as defined in 12 CFR 1003.2(n)); and

(ii) Benefits the bank'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 bank's retail banking services under 38 Ill. Admin. Code 345.240(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 loan, which is a consumer loan extended for the purchase of and secured by a motor vehicle; credit card loan, which is a line of credit for household, family, or other personal expenditures that is accessed by a borrower's use of a "credit card," as this term is defined in 12 CFR 1026.2; other secured consumer loan, which is a secured consumer loan that is not included in one of the other categories of consumer loans; and other unsecured consumer loan, which is an unsecured consumer loan that is not included in one of the other categories of 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.

Department: This means the Illinois Department of Financial and Professional Regulation.

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).

FDIC: This means the Federal Deposit Insurance Corporation.

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 income of applicants, the amount of loan requested, and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loan: This means a closed-end mortgage loan or an open-end line of credit as these terms are defined under Section 1003.2 and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (10) and (13).

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.

Income level includes:

> **Low-income**: This means an individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent in the case of a geography.
>
> **Moderate-income:** This means an individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-income: This means an individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-income: This means an 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.

Limited purpose bank: This means a bank that offers only a narrow product line (such as credit card or motor vehicle loans) to a regional or broader market and for which a designation as a limited purpose bank is in effect, in accordance with 38 Ill. Admin. Code 345.250(b).

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).

Loan Location: This means a loan is located as follows:

A consumer loan is located in the geography where the borrower resides;

A home mortgage loan is located in the geography where the property to which the loan relates is located; and

A small business or small farm loan is located in the geography where the main business facility or farm is located or where the loan proceeds otherwise will be applied, as indicated by the borrower.

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

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 the other having incomes below the median.

Metropolitan Division (MD): This means a metropolitan division as defined by the United States Director of the Office of Management and Budget.

Metropolitan Statistical Area (MSA): This means a metropolitan statistical area as defined by the United States Director of the Office of Management and Budget.

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

Nonmetropolitan Area (also known as **non-MSA):** This means any area that is not located in an MSA.

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.

Remote Service Facility (RSF): This means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank, such as an automated teller machine, cash dispensing machine, point-of-sale terminal, or other remote electronic facility, at which deposits are received, cash dispersed, or money lent.

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

Small Bank: This means a bank that is a small bank under federal administrative rules established by the bank's primary federal financial supervisory agency pursuant to the federal Community Reinvestment Act and an intermediate small bank means a bank that is an intermediate small bank under federal administrative rules established by the bank's primary federal financial supervisory agency pursuant to the federal Community Reinvestment Act.

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.

Small business loan: This means a loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Federal Financial Institution Examination Council (FFIEC) 031 and 041).

Small farm loan: This means a loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (FFIEC 031 and 041).

Special credit program: This means any credit program offered by a bank to meet special social needs which is in conformity with and explicitly authorized by the Equal Credit Opportunity Act (15 U.S.C. 1691(c)) and Regulation B (12 C.F.R. 1002.8).

Substantial majority: This means a portion of the bank's lending activity so significant by number and dollar volume of loans that the lending test evaluation would not meaningfully reflect its lending performance if consumer loans were excluded.

Unbanked person: This means an individual that does not have a checking or savings account with an insured depository institution.

Underbanked person: This means an individual that has a checking or saving account with an insured depository institution but that used financial products or services from a person other than an insured depository institution in the past 12 months.

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.

Very Small Bank: This means a bank that is eligible for the Very Small Bank Examination Procedure set forth in 38 Ill. Admin. Code 345.450(b).

Wholesale bank: This means a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with 38 Ill. Admin. Code 345.450(b).