

# **PUBLIC DISCLOSURE**

April 5, 2021

## **COMMUNITY REINVESTMENT ACT** PERFORMANCE EVALUATION

Northside Community Bank  
RSSD# 2533119

5103 Washington Street  
Gurnee, Illinois 60031

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION.....</b>	<b>3</b>
<b>DESCRIPTION OF ASSESSMENT AREA.....</b>	<b>4</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA .....</b>	<b>4</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>6</b>
<b>LAKE COUNTY-KENOSHA COUNTY IL-WI MD- FULL REVIEW.....</b>	<b>7</b>
DESCRIPTION OF INSTITUTION’S OPERATIONS IN LAKE COUNTY-KENOSHA COUNTY IL-WI MD	7
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LAKE COUNTY-KENOSHA COUNTY IL-WI MD .....	14
<b>CHICAGO-NAPERVILLE-EVANSTON IL MD- FULL REVIEW.....</b>	<b>17</b>
DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHICAGO-NAPERVILLE-EVANSTON IL MD...	17
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CHICAGO-NAPERVILLE-EVANSTON, IL MD .....	24
<b>APPENDIX A – MAPS OF ASSESSMENT AREA .....</b>	<b>27</b>
<b>APPENDIX B – SCOPE OF EXAMINATION .....</b>	<b>28</b>
<b>APPENDIX C – GLOSSARY .....</b>	<b>29</b>

## BANK'S CRA RATING

Northside Community Bank ("NCB") is rated Satisfactory.

The bank is meeting the credit needs of the communities within the combined assessment area consistent with its size, location, and economic conditions. The bank's loan-to-deposit ratio is more than reasonable given its size, financial condition, and assessment area credit needs. A substantial majority of loans were made in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion of loans throughout the assessment area, and the borrower distribution of loans to businesses of different sizes is reasonable. Neither the institution nor this Reserve Bank received any complaints regarding the institution's CRA performance.

## SCOPE OF EXAMINATION

NCB's CRA performance was evaluated using the Federal Financial Institutions Examination Council's ("FFIEC") Small Institution Examination Procedures. The bank's CRA performance was evaluated based on its size, complexity, and financial condition and analyzed alongside the context of its assessment area characteristics which include competition and socio-economic related factors and trends. The bank's two delineated assessment areas consist of Lake County in its entirety, located within the Lake County-Kenosha County IL-WI Metropolitan Division (MD) #29404 ("Lake County-Kenosha County IL-WI MD"), and a portion of northeastern Cook County, located within the Chicago-Naperville-Evanston IL MD #16984 ("Chicago-Naperville-Evanston MD"). Both assessment areas received a full review, but more weight was placed on the Lake County-Kenosha County IL-WI MD assessment area as it contains a majority of the bank's locations, deposit volumes, and loan volumes. Given the bank is primarily a commercial lender, small business loans comprised the majority of loans originated during the review period and therefore solely comprised the sample reviewed during this evaluation.

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

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit (LTD) ratio ending December 31, 2020, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business loans originated from December 16, 2019 to December 15, 2020, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small business loans originated within the assessment area, from December 16, 2019 to December

15, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.

- ***Lending to Businesses of Different Sizes*** – A sample of the bank’s small business loans originated within the assessment area, from December 16, 2019 to December 15, 2020, were reviewed to determine the distribution of lending to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither Northside Community Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

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

## DESCRIPTION OF INSTITUTION

NCB is wholly owned by AliKat Investments, Inc, a one-bank holding company headquartered in Gurnee, Illinois. In addition to the main office with a full-service automated teller machine (ATM) in Gurnee, the institution operates three offices, one full-service ATM, and two cash-only ATMs serving parts of Illinois in the Lake County-Kenosha County IL-WI MD #29404 and the Chicago-Naperville-Evanston IL MD #16984.

The bank’s total assets equaled \$281.4 million as of December 31, 2020, according to the Uniform Bank Performance Report (UBPR). This represents an increase in asset size of 18.1 percent since the previous evaluation, where the bank reported \$238.3 million in assets. Gross loans and total deposits at the end of 2020 were \$196.0 and \$212.3 million, respectively. Details of the bank’s loan portfolio are shown in the table below.

Loan Portfolio Composition December 31, 2020		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	\$173,371	88.5
Residential Real Estate	\$20,272	10.4
Consumer	\$2,280	1.2
<b>Total</b>	<b>\$195,923</b>	<b>100.0</b>
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		
<i>Source: National Exam Database</i>		

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

The bank was rated satisfactory under the CRA at its previous evaluation conducted on February 27, 2017.

**DESCRIPTION OF ASSESSMENT AREA**

The bank’s assessment area consists of Lake County, Illinois in its entirety and a portion of Cook County, Illinois, with a total of 343 census tracts. The combined assessment area is comprised of 13 low-, 65 moderate-, 102 middle-, 156 upper-income census tracts, and 7 census tracts with unknown income designations. The 7 tracts with unknown income include those associated with Lake Michigan, the Great Lakes Naval Training Center, O’Hare International Airport, and the campuses of Northwestern and Loyola Universities. Lake County is located within the Lake County- Kenosha County, IL-WI MD #29404, while Cook County is located within the Chicago-Naperville-Evanston, IL MD #16984. Both MDs are part of the larger Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (MSA) #16980.

Details of the bank’s assessment areas are depicted below:

<b>Assessment Areas</b>		
<b>Assessment Area</b>	<b>Description</b>	<b>Office/Branch Locations</b>
Chicago-Naperville-Evanston, IL Metropolitan Division (MD) #16984	Partial Cook County including the cities of Elk Grove, Evanston, Niles, Northfield, Wheeling, and a portion of Chicago	Niles
Lake County-Kenosha County IL-WI Metropolitan Division (MD) #29404	All of Lake County	Gurnee, Riverwoods, and Mundelein

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

The bank’s LTD ratio is more than reasonable given the bank’s size and financial condition and the economic conditions of the assessment area. As of December 31, 2020, the bank’s LTD ratio averaged 102.7 percent over a 16-quarter period, a rate higher than its local competitors. The LTD has increased since the previous evaluation, where the LTD ratio over a 16-quarter period ending December 31, 2016 was 87.3 percent and was also deemed more than reasonable. Prior to the COVID-19 pandemic, the area enjoyed a booming economy, which was reflected in a higher ratio of loans to deposits, a ratio that steadily decreased per quarter as consumers began maintaining higher deposits in response to declining economic conditions in 2020. The bank nonetheless maintained a higher LTD average than its local competitors.

The following table compares the bank’s LTD ratio to that of its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Northside Community Bank	102.7
<b>Competitors</b>	
First Bank of Highland Park	95.0
Parkway Bank & Trust Company	94.8
Wintrust Bank	91.6

### Assessment Area Concentration

During the review period, NCB originated a substantial majority of small business loans within the assessment area from December 16, 2019 to December 15, 2020. Due to a primarily commercial lending portfolio, small business loans were determined to be the most representative of the bank’s performance and are, therefore, the only product line considered in this analysis.

As presented in the table below, the bank originated 87.1 percent of small business-related loans by number and 67.8 percent of small business-related loans by dollar amount within the bank’s assessment area. The rate of loans by number made within the assessment area, when compared to the rate of loans by dollar amount, indicates that the bank is actively serving its community by opting to lend in large numbers and in smaller loan amounts, which most meaningfully impacts small businesses. This lending pattern is especially responsive in the onset year of the COVID-19 pandemic, during which the demand for Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans greatly increased. Moreover, the bank’s small business lending rates in the review period within the assessment area by number and by dollar amount considerably increased since those of the prior evaluation, which were 67.6 and 57.0 percent, respectively.

Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business Related	54	87.1	\$6,437	67.8	8	12.9	\$3,054	32.2
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

### **Geographic and Borrower Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's borrower distribution of loans reflects a reasonable penetration among businesses of different revenue sizes. A detailed analysis of geographic distribution and borrower income distribution is provided in each of the individual assessment area analysis sections of this evaluation.

### **Response to Complaints**

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

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## LAKE COUNTY-KENOSHA COUNTY IL-WI MD- FULL REVIEW

### SCOPE OF EXAMINATION

The scope of the review of this assessment area is consistent with that of which is described within the institution summary. Refer to the "Scope of Examination" section of this report for details.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN LAKE COUNTY-KENOSHA COUNTY IL-WI MD

The Lake County-Kenosha County IL-WI MD assessment area consists of Lake County in its entirety where the bank operates its main office, two branches, two full-service ATMs, and one cash-only ATM. Lake County is comprised of 154 census tracts, the majority of which are middle- and upper-income. There are three unknown income census tracts; two of the census tracts with unknown income designations are associated with the Great Lakes Naval Training Center, and one is associated with Lake Michigan. The main office and one branch are located in middle-income tracts, while the remaining branch is located in an upper-income census tract. The Lake County-Kenosha County IL-WI MD assessment area has not changed since the previous evaluation; however, there have been changes in the designation of census tracts by income as shown in the table below.

The June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report ranks NCB 23<sup>rd</sup> out of 33 FDIC-insured institutions with a presence in Lake County. The bank held \$161.3 million in deposits within the market, representing 0.6 percent of the total deposit market share in the county. Based on the report, the top two institutions by market share are JP Morgan Chase Bank and Lake Forest Bank & Trust Company with 19.3 and 14.8 percent of the market, respectively.

*The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.*



<b>Census Tract Designation Changes American Community Survey Data (ACS)</b>			
<b>Tract Income Designation</b>	<b>2016 Designations (#)</b>	<b>2017 Designations (#)</b>	<b>Net Change (#)</b>
<b>Low</b>	9	12	3
<b>Moderate</b>	30	30	0
<b>Middle</b>	50	46	-4
<b>Upper</b>	62	63	1
<b>Unknown</b>	3	3	0
<b>Total</b>	<b>154</b>	<b>154</b>	<b>0</b>
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015</i>			

Additional 2020 assessment area demographic information is presented in the following table.

Assessment Area: 2020 Lake County-Kenosha County IL-WI MD 29404									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	12	7.8	9,730	5.4	2,888	29.7	36,568	20.4	
Moderate-income	30	19.5	31,241	17.4	4,840	15.5	29,174	16.3	
Middle-income	46	29.9	62,986	35.1	3,573	5.7	32,970	18.4	
Upper-income	63	40.9	75,364	42.0	2,000	2.7	80,609	45.0	
Unknown-income	3	1.9	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>154</b>	<b>100.0</b>	<b>179,321</b>	<b>100.0</b>	<b>13,301</b>	<b>7.4</b>	<b>179,321</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	#	%	#	%		
Low-income	16,175	5,406	3.0	33.4	8,549	52.9	2,220	13.7	
Moderate-income	49,842	26,142	14.5	52.4	18,571	37.3	5,129	10.3	
Middle-income	94,368	65,301	36.3	69.2	22,585	23.9	6,482	6.9	
Upper-income	100,844	82,936	46.1	82.2	12,936	12.8	4,972	4.9	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>261,229</b>	<b>179,785</b>	<b>100.0</b>	<b>68.8</b>	<b>62,641</b>	<b>24.0</b>	<b>18,803</b>	<b>7.2</b>	
	Total Businesses Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%		
Low-income	918	2.8	855	2.9	57	1.8	6	2.3	
Moderate-income	4,069	12.4	3,775	12.8	259	8.4	35	13.6	
Middle-income	10,398	31.6	9,309	31.5	1,025	33.1	64	24.8	
Upper-income	17,519	53.2	15,608	52.8	1,758	56.7	153	59.3	
Unknown-income	5	0.0	5	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>32,909</b>	<b>100.0</b>	<b>29,552</b>	<b>100.0</b>	<b>3,099</b>	<b>100.0</b>	<b>258</b>	<b>100.0</b>	
Percentage of Total Businesses:				89.8		9.4		0.8	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%		
Low-income	1	0.5	1	0.5	0	0.0	0	0.0	
Moderate-income	15	7.1	14	7.0	1	9.1	0	0.0	
Middle-income	90	42.5	85	42.5	4	36.4	1	100.0	
Upper-income	106	50.0	100	50.0	6	54.5	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>212</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	
Percentage of Total Farms:				94.3		5.2		0.5	
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

### Population Characteristics

The following table illustrates the population changes according to the U.S. Census Bureau data from 2010 to 2011-2015. Based on the data, the overall population in the assessment area declined by 0.1 percent since 2010, a minimal decrease more reflective of a stagnant population, compared to an increasing population as was the trend at the previous evaluation. One community representative suggested that an aging demographic of residents contributed to the stagnant population trend depicted below. The population metrics essentially maintain the status quo between 2010 and 2015 in the Lake County-Kenosha County IL-WI MD and the state of Illinois, showing slight increases of 0.1 and 0.3 percent, respectively. These trends align with the population characteristics of the assessment area.

<b>Population Change 2010 and 2015</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2011-2015 Population</b>	<b>Percentage Change</b>
Lake County, IL	703,462	702,898	-0.1
Lake County-Kenosha County IL-WI MD	869,888	870,636	0.1
State of Illinois	12,830,632	12,873,761	0.3
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

### Income Characteristics

The U.S. Census Bureau data in the table below illustrate the changes in median family income (MFI) from 2010 to 2011-2015. The MFI in the assessment area experienced an increase of 2.2 percent, rising above the rate of the Lake County-Kenosha County IL-WI MD (1.0 percent), but falling below that of the state of Illinois (4.9 percent). While the assessment area’s MFI rate increase was relatively modest, its overall MFI in dollar amount remains higher at \$93,668 compared to that of the MD and the state at \$87,137 and \$71,546, respectively. A community representative indicated that a large number of employment opportunities are offered within the retail, service, and hospitality industries due to the assessment area’s tourism-focused economy, but they are comprised of minimum wage jobs that are filled by non-residents that travel to the area for employment. The representative further attributed the higher MFI in the assessment area to financially established residents, most of whom are highly educated and work outside of the area, thus bringing in more competitive salaries than the locally offered employment opportunities.

<b>Median Family Income Change 2010 and 2015</b>			
<b>Area</b>	<b>2010 Median Family Income (\$)</b>	<b>2011-2015 Median Family Income (\$)</b>	<b>Percentage Change</b>
Lake County, IL	91,693	93,668	2.2
Lake County-Kenosha County IL- WI MD	86,241	87,137	1.0
State of Illinois	68,236	71,546	4.9
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

### Bankruptcy Filings

The bankruptcy rates in the assessment area have steadily decreased since the previous evaluation based on data gathered by the Administrative Office of the U.S. Courts. This trend is prevalent in the counties and metropolitan divisions adjacent to and surrounding Lake County. While the decrease in bankruptcy rates is a regional occurrence, the assessment area maintains the lowest rate of 2.4 filings per 1000 persons, which is comparable to the Lake County-Kenosha County MD rate of 2.6 filings per 1000 persons. Both fall below the state of Illinois rate of 3.7 filings per 1000 persons.

### Housing Characteristics

The following table presents recent housing cost trends within the assessment area, the Lake County-Kenosha County MD, and the state of Illinois. The assessment area includes 261,229 housing units; the majority of which are owner-occupied, representing 68.8 percent of the units. Approximately 74.7 percent of the assessment area's housing stock is located in middle- and upper-income census tracts, with the remaining 25.3 percent located in low- and moderate-income tracts. According to the 2011-2015 American Community Survey, the median housing value for the assessment area is \$245,300, which is higher than the values for the MD and the state. These comparisons align with the pattern of metrics discussed within the analysis above that indicate a prosperous economy in the assessment area in relation to its counterparts. Nonetheless, housing values suffered declines across the broader regional area, including within the assessment area, while median gross rents increased within the assessment area, the MD, and the state of Illinois.

A community representative provided insight into the trend of declining housing values and the resulting rise in rent prices. They believe the existing low supply of new housing, particularly single-family homes, potentially discourages young families from moving into the area. In contrast, older homes are less attractive as they require additional expenditure to update. The representative further indicated that, in an effort to prevent a decline in housing values, the local government decided to keep the housing inventory low. However, that decision, combined with the increasing demand of young families for new single-family housing, yielded the opposite result-- in effect, a decrease in the demand for available housing. The representative believes the

low housing demand consequently increased demand for the next best alternative, rental units, therefore driving gross rents up. Lastly, the representative emphasized the need for workforce housing in the area to account for the large number of individuals employed to support the area’s tourist industry, a factor that further increases both demand and pricing for rental units.

<b>Trends in Housing Costs 2010 and 2015</b>				
<b>Area</b>	<b>2006-2010 Median Housing Value (\$)</b>	<b>2011-2015 Median Housing Value (\$)</b>	<b>2006-2010 Median Gross Rent (\$)</b>	<b>2011-2015 Median Gross Rent (\$)</b>
Lake County, IL	287,300	245,300	963	1,069
Lake County-Kenosha County, IL-WI MD	256,403	221,365	909	999
State of Illinois	202,500	173,800	834	907
<i>Source: 2006-2010 – U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>				

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, presented in the table below, the affordability ratio of the assessment area equals that of the Lake County-Kenosha County IL-WI MD, and is slightly below that of the state of Illinois. The comparable affordability of housing between the state of Illinois and the assessment area supports the demographic context provided by the community representatives.

<b>Affordability Ratio</b>		
<b>Location</b>	<b>2006-2010</b>	<b>2011-2015</b>
Lake County, IL	0.27	0.32
Lake County-Kenosha County, IL-WI MD	0.28	0.32
State of Illinois	0.28	0.33
<i>Source: 2006-2010-- U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>		

### **Employment Conditions**

The following table presents the employment trends for the assessment area, the Lake County-Kenosha County IL-WI MD, and the state of Illinois. The unemployment rate has steadily declined in all applicable geographies from 2016 to 2019, decreasing from 5.2 to 4.1 percent in both the assessment area and in the MD, and from 5.9 to 4.0 percent in the state of Illinois. These metrics combined with information gathered through discussions with community representatives demonstrate stable economic conditions in Lake County with a relatively low unemployment rate in the years leading up to the pandemic.

Unemployment Rates				
Area	2016	2017	2018	2019
Lake County, IL	5.2	4.6	4.5	4.1
Lake County- Kenosha County, IL-WI MD	5.2	4.4	4.3	4.1
State of Illinois	5.9	4.9	4.3	4.0

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

## Industry Conditions

The following table illustrates the largest employers operating within Lake County, Illinois. While surgical instrument manufacturers and pharmaceutical companies comprise this list, community representatives indicated the local theme park and regional outlet mall are noteworthy employers offering thousands of employment positions in the retail, service, and hospitality industries.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Shire	17,000	Physicians & Surgeons Equip & Supls-Mfrs
Abbott Laboratories	12,000	Pharmaceutical Products-Wholesale
Walgreens Boots Alliance Inc.	6,100	Pharmacies

*Source: Business information provided by Infogroup®, Omaha, NE*

## Community Representatives

Examiners selected one community representative to be interviewed for this performance evaluation regarding economic development within the assessment area. The contact stressed the assessment area's need for workforce housing in the form of multi-family units, which are currently not proportional to the amount of labor necessary to support the tourist market. While the community representative highlighted the critical role community banks have played in sustaining small businesses through PPP lending, they observed businesses in the hospitality sector are still struggling to pay off existing debt, presenting additional opportunities for bank participation. Additionally, the representative identified gaps in assistance to small landlords that have been affected by the pandemic as past due rents contributed to defaults in mortgage payments. Overall, Lake County benefits from the business brought into the area by way of visitor attractions. The representative is hopeful that the efforts taken to invigorate the east side of Gurnee, which is considered a relatively lower income area, will continue to support and maintain the assessment area's thriving economy. A major effort undertaken to stimulate business in that area involved a multiple year project to repair a major intersection as well as connecting bridge, projected to dramatically improve traffic and contribute to supporting businesses. As this project is scheduled to conclude in the coming months, the community representative expects the business generated from the improvements to offset some of the negative impacts suffered by businesses during the pandemic.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LAKE COUNTY-  
KENOSHA COUNTY IL-WI MD**

**LENDING TEST**

Northside Community Bank’s geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Additionally, the bank’s distribution of loans reflects a reasonable penetration among businesses of different sizes in the bank’s assessment area. Due to the bank’s commercial lending emphasis, the following conclusions are based solely upon the bank’s lending to small businesses loans as they were determined to be the most representative of the bank’s performance.

**Geographic Distribution of Loans**

The geographic distribution of the bank’s small business loans reflects reasonable dispersion throughout the assessment area. In 2020, the bank originated a majority of its small business loans to businesses located in middle- and upper-income tracts at 44.2 and 46.5 percent by number, respectively. The bank originated 4.7 percent of loans to small businesses in low-income tracts, which surpassed the percentage of total businesses located in low-income tracts (2.8 percent). However, 4.7 percent of loans were made to small businesses in moderate-income tracts, which was below the percentage of total businesses in the area (12.4 percent).

The following table presents the geographic distribution of small business loans in 2020 compared to the selected demographic data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2020 Lake County-Kenosha County IL-WI MD 29404</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
		<b>Count Bank</b>		<b>Dollar Bank</b>		<b>Total Businesses</b>
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	2	4.7	276	5.1	2.8
	Moderate	2	4.7	207	3.8	12.4
	Middle	19	44.2	2,168	39.8	31.6
	Upper	20	46.5	2,801	51.4	53.2
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>5,452</b>	<b>100.0</b>	<b>100.0</b>
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

## **Lending to Businesses of Different Sizes**

The distribution of small business loans reflects a reasonable penetration of lending activity among businesses of different revenue sizes. In 2020, the bank originated 34.9 percent of its loans by number to businesses with revenues of \$1 million or less, compared to 32.6 percent of loans originated to businesses with revenues of over \$1 million. Of the sample of loans comprising the loans made to businesses with revenues of \$1 million or less, 58.1 percent by number were made in amounts of \$100,000 or less, which is considered most beneficial to small businesses. This percentage represents a significant increase from the 39.3 percent of loans made in amounts of \$100,000 at the previous evaluation, further demonstrating the bank's willingness to meet small business credit needs.

The bank's lending ratio to businesses with revenues of \$1 million or less significantly decreased since the previous evaluation (67.9 percent) due to significant growth in loans made to businesses of unknown revenues. However, the current evaluation considered additional contextual factors related to the impact of the COVID-19 pandemic that support the conclusion that the bank's lending reflects a reasonable penetration of activity among businesses of different revenue sizes. These factors include the heavy reliance of businesses and the community on the SBA's PPP loans to survive the pandemic-induced recession, and consequently, the heavy reliance on local institutions to assist businesses in obtaining the funding. During the review period, the bank made 32.6 percent of its loans to businesses with unknown revenues, all of which were PPP loans. This large percentage of PPP loans provides additional support toward a reasonable penetration of lending activity due to the particularly responsive nature of PPP loans during this review period. Community representatives confirmed the vital role that community banks served during this period not only in processing the PPP loan applications, but in their outreach efforts to inform and assist their customer base with these loan products.

The following table presents the bank's small business lending by revenue and size in 2020.



<b>Small Business Lending By Revenue &amp; Loan Size</b> <b>Assessment Area: 2020 Lake County-Kenosha County IL-WI MD 29404</b>							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
Revenue	Loan Size	Count Bank	%	Dollar Bank \$ 000s	%		Total Businesses %
		#	%	\$ 000s	%		
Small Business	\$1 Million or Less Over \$1 Million Unknown Total	15	34.9	2,118	38.8	89.8	
		14	32.6	2,747	50.4	9.4	
		14	32.6	587	10.8	0.8	
		<b>43</b>	<b>100.0</b>	<b>5,452</b>	<b>100.0</b>	<b>100.0</b>	
	\$100,000 or Less \$100,001 - \$250,000 \$250,001 - \$1 Million Total	25	58.1	812	14.9		
		13	30.2	2,425	44.5		
		5	11.6	2,215	40.6		
		<b>43</b>	<b>100.0</b>	<b>5,452</b>	<b>100.0</b>		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	9	60.0	242		11.4
		\$100,001 - \$250,000	4	26.7	876		41.4
		\$250,001 - \$1 Million	2	13.3	1,000		47.2
		<b>15</b>	<b>100.0</b>	<b>2,118</b>	<b>100.0</b>		

Originations & Purchases  
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

## CHICAGO-NAPERVILLE-EVANSTON IL MD– FULL REVIEW

### SCOPE OF EXAMINATION

The scope of the review of this assessment area is consistent with that of which is described within the institution summary. Refer to the “Scope of Examination” section on page two of this report for details.

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHICAGO-NAPERVILLE-EVANSTON IL MD

The Chicago-Naperville-Evanston, IL MD assessment area consists of 189 census tracts located in the northern portion of Cook County, Illinois, the majority of which are middle- and upper-income. There are four unknown income tracts; one of the census tracts with unknown income is associated with O’Hare International Airport, one is associated with Lake Michigan, and two are associated with the campuses of Northwestern and Loyola Universities. The bank operates one branch and one cash-only ATM within a middle-income tract of the assessment area. The Cook County assessment area has not changed since the previous evaluation; however, there have been changes in the designation of census tracts by income as shown in the table below.

The June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report ranks NCB 86<sup>th</sup> out of 102 FDIC-insured institutions with a presence in Cook County. The bank held \$63.3 million in deposits within the market, representing 0.02 percent of the total deposit market share in the county. Based on the report, the top two institutions by market share are JP Morgan Chase Bank and BMO Harris Bank with 22.5 and 18.4 percent of the market, respectively.

*The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.*

<b>Census Tract Designation Changes American Community Survey Data (ACS)</b>			
<b>Tract Income Designation</b>	<b>2016 Designations (#)</b>	<b>2017 Designations (#)</b>	<b>Net Change (#)</b>
<b>Low</b>	2	1	-1
<b>Moderate</b>	27	35	8
<b>Middle</b>	67	56	-11
<b>Upper</b>	91	93	2
<b>Unknown</b>	2	4	2
<b>Total</b>	<b>189</b>	<b>189</b>	<b>0</b>
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015</i>			

Additional 2020 assessment area demographic information is presented in the following table.

Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	1	0.5	959	0.4	339	35.3	39,168	18.1	
Moderate-income	35	18.5	41,193	19.0	6,336	15.4	32,254	14.9	
Middle-income	56	29.6	66,212	30.6	4,916	7.4	37,989	17.6	
Upper-income	93	49.2	107,160	49.6	3,225	3.0	106,829	49.4	
Unknown-income	4	2.1	716	0.3	119	16.6	0	0.0	
<b>Total Assessment Area</b>	<b>189</b>	<b>100.0</b>	<b>216,240</b>	<b>100.0</b>	<b>14,935</b>	<b>6.9</b>	<b>216,240</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied				Rental		Vacant	
		#	%	%	#	%	#	%	
Low-income	2,242	507	0.2	22.6	1,417	63.2	318	14.2	
Moderate-income	78,144	29,426	13.1	37.7	40,437	51.7	8,281	10.6	
Middle-income	109,176	71,372	31.8	65.4	29,730	27.2	8,074	7.4	
Upper-income	161,304	122,159	54.5	75.7	30,289	18.8	8,856	5.5	
Unknown-income	3,331	785	0.4	23.6	2,189	65.7	357	10.7	
<b>Total Assessment Area</b>	<b>354,197</b>	<b>224,249</b>	<b>100.0</b>	<b>63.3</b>	<b>104,062</b>	<b>29.4</b>	<b>25,886</b>	<b>7.3</b>	
	Total Businesses Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low-income	141	0.3	138	0.3	3	0.1	0	0.0	
Moderate-income	6,881	14.5	6,023	14.3	838	16.0	20	7.5	
Middle-income	15,052	31.7	12,732	30.3	2,247	42.9	73	27.3	
Upper-income	24,959	52.5	22,706	54.1	2,082	39.7	171	64.0	
Unknown-income	469	1.0	396	0.9	70	1.3	3	1.1	
<b>Total Assessment Area</b>	<b>47,502</b>	<b>100.0</b>	<b>41,995</b>	<b>100.0</b>	<b>5,240</b>	<b>100.0</b>	<b>267</b>	<b>100.0</b>	
Percentage of Total Businesses:				88.4		11.0		0.6	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	11	7.8	11	8.1	0	0.0	0	0.0	
Middle-income	41	29.1	37	27.4	4	80.0	0	0.0	
Upper-income	89	63.1	87	64.4	1	20.0	1	100.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>141</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	
Percentage of Total Farms:				95.7		3.5		0.7	
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

## Population Characteristics

The following table illustrates the population changes according to the U.S. Census Bureau from 2010 to 2011-2015. Based on this data, the overall population in Cook County, the MD, and the state of Illinois did not experience significant changes from 2010 to 2015, with differentials ranging within one percentage point between the two periods for all relevant geographies. Although minimal, the Chicago-Naperville-Evanston IL MD experienced a decrease in population (0.7 percent) in contrast to the slight increased population rates in Cook County (0.8 percent) and the state (0.3 percent). One community representative noted that an aging population in the bank's assessment area, particularly the suburban geographies excluding the city of Chicago proper, as well as an exodus of the area's younger residents in pursuit of higher education, are two factors that contribute to the slight decline in the population of the geographies associated with the bank's assessment area.

Population Change 2010 and 2015			
Area	2010 Population	2011-2015 Population	Percentage Change
Cook County, IL	5,194,675	5,236,393	0.8
Chicago-Naperville-Evanston, IL MD	7,262,718	7,208,434	-0.7
State of Illinois	12,830,632	12,873,761	0.3
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

## Income Characteristics

The U.S. Census Bureau data in the table below illustrate the changes in MFI from 2010 to 2011-2015. The MFI in Cook County increased at a rate of 3.5 percent, which is consistent with the rate of the Chicago-Naperville-Evanston IL MD of 3.9 percent. The state of Illinois experienced a slightly higher rate of family income growth in median income of 4.9 percent; however, this discrepancy can be attributed to the larger presence of low- and moderate-income tracts within Cook County and specifically the city of Chicago. Moreover, a community representative stated the lower MFI in Northeastern Cook County may be attributable to the concentration of a senior population not in the labor force with fixed incomes.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change
Cook County, IL	65,039	67,324	3.5
Chicago-Naperville-Evanston, IL MD	72,196	75,024	3.9
State of Illinois	68,236	71,546	4.9
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

## Bankruptcy Filings

The bankruptcy rates in Cook County, the Chicago-Naperville-Evanston IL MD, and the state of Illinois have steadily decreased since the previous evaluation based on data gathered by the Administrative Office of the U.S. Courts. The bankruptcy filings within Cook County and within the MD, at 5.3 and 4.7 per 1000 persons, respectively, exceed the state’s rate of 3.7 filings per 1000 persons.

## Housing Characteristics

The following table presents recent housing cost trends within Cook County, the Chicago-Naperville-Evanston IL MD, and the state of Illinois. The assessment area includes 354,197 housing units, the majority of which are owner-occupied, representing 63.3 percent of the units. Approximately 76.4 percent of the assessment area’s housing stock is located in middle- and upper-income census tracts, and 22.7 percent is located in low- and moderate-income tracts. According to the 2011-2015 American Community Survey, the median housing values in the geographies associated with the assessment area have decreased since 2010. Cook County’s median value of \$218,700 falls below the MD’s value of \$225,572 yet surpasses the median housing value of the state of Illinois. Considering the geographical context of the greater area, the housing values in Cook County and the MD, however, are not accurate indicators of the assessment area itself. This is largely due to the bank’s delineation of the affluent “North Shore” suburbs, which include some of the most highly valued properties in the state. The inclusion of these areas suggests median housing values in the assessment area surpass those of Cook County, the MD, and the state of Illinois.

One community representative attributed the decline in housing values in Northeastern Cook County to an aging population less motivated to seek new housing opportunities thus contributing to a lower demand for housing, in conjunction with the trend of younger residents moving out of the area and into the city of Chicago. The decline in housing values expectedly triggered a rise in demand within the rental market, increasing rental prices in each area referenced. The representative also added that the increased affordability of housing stimulated more investment purchases, adding more inventory to the rental market.

<b>Trends in Housing Costs 2010 and 2015</b>				
<b>Area</b>	<b>2006-2010 Median Housing Value (\$)</b>	<b>2011-2015 Median Housing Value (\$)</b>	<b>2006-2010 Median Gross Rent (\$)</b>	<b>2011-2015 Median Gross Rent (\$)</b>
Cook County, IL	265,800	218,700	900	980
Chicago-Naperville- Evanston, IL MD	267,990	225,572	914	995
State of Illinois	202,500	173,800	834	907
<i>Source: 2006-2010—U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey</i>				

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2011-2015 American Community Survey data, presented in the table below, the affordability ratio of Cook County does not significantly deviate from the Chicago-Naperville-Evanston IL MD, and both fall slightly below that of the state of Illinois. The higher affordability of the state of Illinois compared to the geographies associated with the assessment area supports the observation by the community representative that property values in those geographies are priced higher than comparable properties outside of the assessment area. Thus, affordability statewide is slightly more attractive due to more affordable housing options.

<b>Affordability Ratio</b>		
<b>Location</b>	<b>2006-2010</b>	<b>2011-2015</b>
Cook County, IL	0.20	0.25
Chicago-Naperville-Evanston, IL MD	0.22	0.27
State of Illinois	0.28	0.33
<i>Source: 2006-2010-- U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey</i>		

### Employment Conditions

The following table presents the employment trends for Cook County, the Chicago-Naperville-Evanston IL MD, and the state of Illinois. The unemployment rate has steadily declined in all applicable geographies from 2016 to 2019, decreasing from 6.2 to 3.8 percent in Cook County, from 5.9 to 3.7 percent in the MD, and from 5.9 to 4.0 percent in the state of Illinois. According to a community representative, the unemployment rates do not accurately reflect the full economic condition of the area, as it is common for individuals to perform several minimum wage jobs to continue to afford living in the area.

Further, the community representative are confident businesses that have adapted accordingly to the COVID-19 recession will continue to thrive and benefit their respective communities. One representative stressed the need for workforce development in the area with a specific focus on trade professionals; the presence of vacant and available jobs in these areas demonstrates an improving economy yet highlights the need for additional education for trade professionals.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Cook County, IL	6.2	5.1	4.0	3.8
Chicago-Naperville-Evanston, IL MD	5.9	4.9	3.9	3.7
State of Illinois	5.9	4.9	4.3	4.0
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

## Industry Conditions

The following table illustrates the largest employers operating in Cook County. Most employment opportunities are concentrated within higher education and hospital care, which require advanced or multiple degrees. While this table represents the industries with the highest concentrations of employed individuals within the review period, it does not capture any gaps in employment in industries with a corresponding demand for trade professionals, as observed by a community representative.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Allstate Insurance Co	13,000	Insurance
University of IL at Chicago	11,515	Schools-Universities & Colleges Academic
Northshore Skokie Hospital	10,000	Hospitals
Cdw Government LLC	10,000	Electronic Retailing
University of Chicago Board of Trsts	8,534	Univ/Clg-Governing Body/Regent/Trustee
Northwestern Memorial Hospital	8,375	Hospitals
Rush University Medical Ctr	8,337	Hospitals
Johnston R Bowman Health Ctr	8,000	Clinics
University of Chicago Medicine	7,998	Hospitals
State Street Global Advisors	7,000	Financial Advisory Services
Loyola University Medical Ctr	6,500	Hospitals
Northshore University Health	6,055	Health Care Management
Transform Sr Home Imprvmt LLC	6,000	Home Improvements
Northern Trust Corp	6,000	Holding Companies (Bank)
John H Stroger Jr Hosp-Cook	5,431	Hospitals
Psav	5,001	Audio-Visual Production Service
Northwestern University	5,000	University-College Dept/Facility/Office

*Source: America's Labor Market Information System (ALMIS) – Department of Labor*

## Community Representatives

Examiners selected one community representative to be interviewed for this performance evaluation regarding economic development within the assessment area. According to the representative, local institutions that participated in the PPP were vital in supporting the businesses in the community. Further, the representative acknowledged that banks have increased their outreach efforts to appropriately respond to the ever-evolving needs of the community in response to the pandemic. One area of opportunity for bank involvement is in workforce development. The contact indicated that one of the biggest obstacles to economic development in



the area is a lack of interest in trade careers. Institutions can respond to this need by allocating resources dedicated to the education of youth and their preparation for careers in those fields.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CHICAGO-NAPERVILLE-EVANSTON, IL MD**

### **LENDING TEST**

Northside Community Bank's geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Additionally, the bank's distribution of loans reflects a reasonable penetration among businesses of different sizes in the bank's assessment area. Due to the bank's commercial lending emphasis, the following conclusions are based solely upon the bank's lending to small businesses loans, as they were determined to be the most representative of the bank's performance.

#### **Geographic Distribution of Loans**

The geographic distribution of the bank's small business loans reflects reasonable dispersion throughout the assessment area. In 2020, the bank originated a majority of its small business loans to businesses located in middle- and upper-income tracts at 36.4 and 54.5 percent by number, respectively. There were no loans made to small businesses in low-income tracts, which is justified by the fact that the bank only delineated one low-income tract in this assessment area and the percentage of total businesses in that tract is low at 0.3 percent. The bank originated 9.1 percent of loans to small businesses in moderate-income tracts, which fell below the percentage of total businesses in moderate-income tracts (14.5 percent). Community representatives believe a saturated banking market exists within the assessment area, adding another obstacle for community banks in their effort to establish a presence in all of the geographies of their assessment areas.

The following table presents the geographic distribution of small business loans in 2020 compared to the selected demographic data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984</b>						
	Tract Income Levels	<b>Bank &amp; Demographic Comparison</b>				
		Count		2020 Dollar		Total
		Bank		Bank		
#	%	\$ 000s	\$ %	%		
Small Business	Low	0	0.0	0	0.0	0.3
	Moderate	1	9.1	164	16.7	14.5
	Middle	4	36.4	108	11.0	31.7
	Upper	6	54.5	713	72.5	52.5
	Unknown	0	0.0	0	0.0	1.0
	<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>984</b>	<b>100.0</b>	<b>100.0</b>

2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

### Lending to Businesses of Different Sizes

The distribution of small business loans reflects a reasonable penetration of lending activity among businesses of different revenue sizes. In 2020, the bank originated 27.3 percent of its loans by number to businesses with revenues of \$1 million or less, compared to 18.2 percent of loans originated to businesses with revenues of over \$1 million. Of the sample of loans comprising the loans made to businesses with revenues of \$1 million or less, 63.6 percent by number were made in amounts of \$100,000 or less, which is considered most beneficial to small businesses. This percentage represents a significant increase from the 46.7 percent of loans made in amounts of \$100,000 at the previous evaluation, further demonstrating the bank’s willingness to meet small business credit needs.

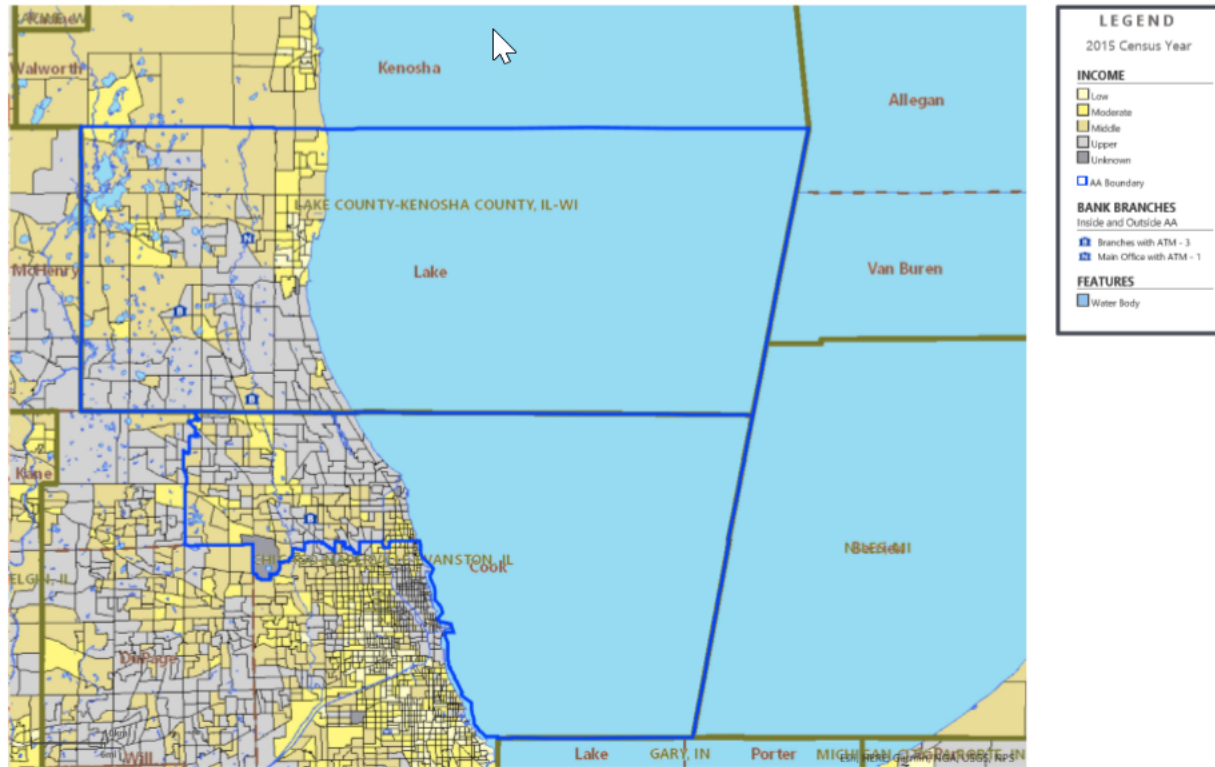
The bank’s lending ratio to businesses with revenues of \$1 million or less appears to have significantly decreased since that of the previous evaluation (53.3 percent) due to significant growth in loans made to businesses of unknown revenues. However, the current evaluation considered additional contextual factors related to the impact of the COVID-19 pandemic that support the conclusion that the bank’s lending reflects a reasonable penetration of activity among businesses of different revenue sizes. These factors include the heavy reliance of businesses and the community on PPP loans to survive, and consequently, the heavy reliance on local institutions to assist businesses in obtaining the funding. During the review period, the bank made 54.5 percent of its loans to businesses with unknown revenues, all of which were PPP loans. The large percentage of PPP loans originated provides additional support toward a reasonable penetration of lending activity due to the particularly responsive nature of PPP loans during this review period.

The following table presents the bank’s small business lending by revenue and size in 2020.

<b>Small Business Lending By Revenue &amp; Loan Size</b> Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984						
Product Type		Bank & Demographic Comparison				
		2020		2020		Total Businesses %
Revenue	Loan Size	Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	
Small Business	\$1 Million or Less	3	27.3	244	24.8	88.4
	Over \$1 Million	2	18.2	389	39.5	11.0
	Unknown	6	54.5	352	35.8	0.6
	<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>984</b>	<b>100.0</b>	<b>100.0</b>
Small Business	\$100,000 or Less	7	63.6	348	35.4	
	\$100,001 - \$250,000	4	36.4	636	64.6	
	\$250,001 - \$1 Million	0	0.0	0	0.0	
	<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>984</b>	<b>100.0</b>	
Small Business	\$100,000 or Less	2	66.7	134	54.9	
	\$100,001 - \$250,000	1	33.3	110	45.1	
	\$250,001 - \$1 Million	0	0.0	0	0.0	
	<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>244</b>	<b>100.0</b>	
Originations & Purchases 2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS <i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### APPENDIX A – Maps of Assessment Area

**Northside Community Bank 2533119**  
Chicago-Naperville-Elgin IL-IN-WI MSA 16980



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		The lending test included a statistical sample of 2020 small business loans.	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
Northside Community Bank			Small Business Loans
<b>AFFILIATE(S)</b>		<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
None		N/A	N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Lake County-Kenosha County, IL-WI MD #29404	Full Review	None	N/A
Chicago-Naperville-Evanston, IL MD #16984	Full Review	None	N/A

## APPENDIX C – Glossary

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

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

**Area Median Income (AMI):** AMI means –

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

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

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

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

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

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

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

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Income Level:** Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

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

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

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

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

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

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

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

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

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

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

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

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

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

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

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

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

**Small Farm Loan:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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