

# **PUBLIC DISCLOSURE**

January 30, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Midwest Bank  
RSSD# 709143

200 East Broadway  
Monmouth, Illinois 61462

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**

**SCOPE OF EXAMINATION** ..... 2

**DESCRIPTION OF INSTITUTION**..... 4

**DESCRIPTION OF ASSESSMENT AREA**..... 5

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA** ..... 7

    LENDING TEST ..... 7

    COMMUNITY DEVELOPMENT TEST..... 8

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW** ..... 10

**NON-MSA ILLINOIS – FULL REVIEW** ..... 11

    DESCRIPTION OF INSTITUTION’S OPERATIONS ..... 11

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... 17

**DAVENPORT-MOLINE-ROCK ISLAND, IA-IL MSA #19340 - FULL REVIEW**..... 28

    DESCRIPTION OF INSTITUTION’S OPERATIONS ..... 28

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... 33

**PEORIA, IL MSA #37900 – LIMITED REVIEW**..... 43

    DESCRIPTION OF INSTITUTION’S OPERATIONS ..... 43

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS..... 45

**APPENDIX A – MAP OF ASSESSMENT AREAS** ..... 51

**APPENDIX B – SCOPE OF EXAMINATION** ..... 52

**APPENDIX C – GLOSSARY** ..... 53

## INSTITUTION'S CRA RATING

**Midwest Bank is rated:** Satisfactory  
**The Lending Test is rated:** Satisfactory  
**The Community Development Test is rated:** Satisfactory

Midwest Bank is meeting the credit needs of its community based on an analysis of lending and community development activities. The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans are originated in the assessment area. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and lending activities reflect reasonable penetration among borrowers of different income levels and businesses and farms of different revenue sizes. Neither Midwest Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

Midwest Bank's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, and community development services. This performance is appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.

## SCOPE OF EXAMINATION

Midwest Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). Performance was evaluated in the context of information about the institution and its assessment areas, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics of the assessment area.

The evaluation included full scope reviews of the bank's Non-Metropolitan Statistical Area (Non-MSA IL) and Davenport-Moline-Rock Island, IA-IL MSA #19340 assessment areas. Full scope reviews were deemed appropriate given the distribution of the bank's branch locations, including the main office, prevalence of low- and moderate-income populations, and the volume of the bank's deposits and loans located within these assessment areas. Greater weight was given to the Non-MSA IL assessment area when developing conclusions about the bank's CRA performance, as the majority of the bank's branch locations, including the main office, and lending and deposit volume exist within that assessment area.

The Peoria, IL MSA #37900 assessment area received a limited scope review. This limited review assessment area was evaluated for consistency with the bank's performance in its full-scope review assessment areas, although it did not impact the overall CRA rating.

Assessment Area	Designation
<b>Full Scope</b>	
Davenport-Moline-Rock Island, IA-IL MSA #19340 <i>Includes Illinois' Mercer and Rock Island Counties in their entirety; other MSA counties are excluded.</i>	Rock Island MSA
Non-MSA Illinois <i>Includes Henderson, Knox, and Warren Counties in their entirety.</i>	Non-MSA Illinois
<b>Limited Scope</b>	
Peoria, IL MSA #37900 <i>Includes portions of Peoria and Tazewell Counties; other MSA counties are excluded.</i>	Peoria MSA

Loan products reviewed include Home Mortgage Disclosure Act (HMDA) reportable home mortgage loans, small business loans, and small farm loans. These products are considered the bank's primary business lines based on volume by number and dollar amount.

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

- ***Loan-to-Deposit Ratio*** – A 14-quarter average loan-to-deposit ratio from June 30, 2019, to September 30, 2022, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2020, to December 31, 2021, and a sample of small business and small farm loans originated from January 1, 2021, to December 31, 2021, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2020, to December 31, 2021, and a sample of small business and small farm loans originated from January 1, 2021, to December 31, 2021, 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 Borrowers of Different Incomes and to Businesses and Farms of Different Sizes*** – The bank's HMDA-reportable loans originated from January 1, 2020, to December 31, 2021, and a sample of small business and small farm loans originated from January 1, 2021, to December 31, 2021, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

- **Community Development Activities** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from September 24, 2019, to January 30, 2023, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, four community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment areas. The following types of organizations were contacted: affordable housing, community development, and economic development.

## DESCRIPTION OF INSTITUTION

Midwest Bank is a wholly owned subsidiary of Western Illinois Bancshares, Incorporated (WIB), a one bank holding company located in Monmouth, Illinois. The bank has a personal and commercial insurance agency subsidiary, Porter-Hay Insurance, and WIB has two non-bank subsidiaries formed for the issuance of Trust Preferred Securities. The bank maintains its main office in Monmouth, Illinois along with seven full-service branch locations and 13 Automated Teller Machines (ATMs) throughout the regional area. Since the previous evaluation, the bank has closed two branch locations in Monmouth and Kirkwood, Illinois, respectively, both of which were located in middle-income census tracts. Further, the bank opened one cash-only ATM within a middle-income census tract in Andalusia, Illinois.

According to the Uniform Bank Performance Report, the bank reported total assets of \$628.3 million and total deposits of \$521.2 million as of September 30, 2022. Midwest Bank offers traditional loan and deposit products and services. While the bank is primarily a commercial and agricultural lender, it also offers a range of residential real estate and consumer loan products. Loan product offerings also include Small Business Administration, Rural Development, and Farm Service Agency commercial and agricultural loan financing options. Further, traditional deposit products are offered and include checking, savings, certificates of deposit, health savings, individual retirement, and business accounts. Services are accessible to customers online via the bank’s website at [www.mbwi.com](http://www.mbwi.com).

As of June 30, 2022, according to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Midwest Bank ranks seventh out of 49 financial institutions operating within the assessment areas. The bank held \$517.6 million in deposits, representing a market share of 3.5 percent. The financial institutions with the largest percentage of the deposit market share are Morton Community Bank (21.1 percent), PNC Bank, NA (10.2 percent), and Wells Fargo Bank, NA (7.6 percent).

Details of the allocation of the bank’s loan portfolio are provided in the following table.

<b>Composition of Loan Portfolio as of September 30, 2022</b>		
<b>Type</b>	<b>\$ (000's)</b>	<b>%</b>
Agriculture	125,063	37.6
Commercial	120,821	36.3
Residential Real Estate	54,429	16.4
Consumer	21,912	6.6
Other	10,740	3.2
<b>Total</b>	<b>332,965</b>	<b>100.0</b>

*Note: Percentages may not total 100.0 percent due to rounding.*

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

The bank was rated **satisfactory** under the CRA at its previous evaluation conducted on September 23, 2019.

#### **DESCRIPTION OF ASSESSMENT AREA**

Midwest Bank is an intrastate bank that operates in three delineated assessment areas in the state of Illinois - the Rock Island MSA, the Peoria MSA and the Non-MSA Illinois assessment areas. The combined assessment area includes a total of 108 census tracts, which is comprised of 17 low-, 27 moderate-, 54 middle-, and 10 upper-income census tracts. Additionally, all three middle-income census tracts located in non-MSA Illinois' Henderson County are designated as distressed by the FFIEC due to elevated population loss, which remains unchanged since the previous evaluation.

Since the previous evaluation, the bank has expanded its Rock Island and Peoria MSA assessment areas in response to the bank's lending patterns. Changes are discussed in the individual assessment area evaluations.

Additional assessment area demographic information for the combined assessment area is provided in the following table.

2021 Combined Assessment Area AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	17	15.7	8,300	8.8	3,132	37.7	23,500	24.9
Moderate	27	25.0	20,825	22.0	3,946	18.9	18,224	19.3
Middle	54	50.0	57,482	60.8	4,494	7.8	19,972	21.1
Upper	10	9.3	7,954	8.4	438	5.5	32,865	34.8
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>108</b>	<b>100.0</b>	<b>94,561</b>	<b>100.0</b>	<b>12,010</b>	<b>12.7</b>	<b>94,561</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	19,058	5,453	5.3	28.6	10,232	53.7	3,373	17.7
Moderate	40,512	22,312	21.5	55.1	13,976	34.5	4,224	10.4
Middle	99,266	66,745	64.3	67.2	24,464	24.6	8,057	8.1
Upper	14,625	9,295	9.0	63.6	4,210	28.8	1,120	7.7
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>173,461</b>	<b>103,805</b>	<b>100.0</b>	<b>59.8</b>	<b>52,882</b>	<b>30.5</b>	<b>16,774</b>	<b>9.7</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,959	16.0	1,638	15.1	304	24.4	17	9.1
Moderate	2,845	23.2	2,521	23.3	293	23.5	31	16.7
Middle	6,425	52.4	5,717	52.8	574	46.1	134	72.0
Upper	1,024	8.4	946	8.7	74	5.9	4	2.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>12,253</b>	<b>100.0</b>	<b>10,822</b>	<b>100.0</b>	<b>1,245</b>	<b>100.0</b>	<b>186</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.3</b>		<b>10.2</b>		<b>1.5</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	3	0.5	3	0.5	0	0.0	0	0.0
Moderate	22	3.9	22	3.9	0	0.0	0	0.0
Middle	511	89.6	506	89.9	5	71.4	0	0.0
Upper	34	6.0	32	5.7	2	28.6	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>570</b>	<b>100.0</b>	<b>563</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.8</b>		<b>1.2</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

Midwest Bank's performance relative to the lending test is **Satisfactory**. Overall, the bank is meeting the credit needs of its assessment areas based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of HMDA-reportable, small business and small farm loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas, and lending activities reflect reasonable penetration among individuals of different income levels, and businesses and farms of different sizes. Lastly, neither Midwest Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

#### Loan-to-Deposit Ratio

Midwest Bank had a reasonable loan-to-deposit (LTD) ratio (considering seasonal variations) given the bank's size, financial condition, and the credit needs of its assessment areas, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments. As of September 30, 2022, the LTD ratio averaged 70.8 percent, over a 14-quarter period. The LTD ratio has remained stable since the previous evaluation, during which time the bank had an average LTD ratio of 74.2 percent over a 11-quarter period ending March 31, 2019. The following table compares the bank's LTD ratio to its local competitors of similar size and complexity.

Comparative Loan-to-Deposit Ratios as of September 30, 2022	
Comparative Data	14 - Quarter Average (%)
Midwest Bank	70.8
Peer Avg - Local	68.4
Competitors	
American Bank & Trust Company, Davenport, IA	76.3
BankORION, Orion, IL	62.9
Better Banks, Peoria, IL	69.0
Casey State Bank, Casey, IL	80.3
Fortress Bank, Peoria, IL	93.3
Hickory Point Bank & Trust, Decatur, IL	69.1
Peoples National Bank of Kewanee, Kewanee, IL	28.2

#### Assessment Area Concentration

Midwest Bank made a majority of its loans, and as appropriate other lending-related activities, in the bank's assessment area. Of the 796 loans originated during the evaluation period, the bank



originated 79.1 percent of total loans by count and 69.0 percent by dollar amount inside the assessment areas. HMDA-reportable and small farm loans saw similar proportions of loans by count inside the assessment areas with 79.3 percent and 82.3 percent, respectively, while small business loans saw a slightly lower percentage of loans by count within the assessment areas at 73.5 percent. When evaluating loans by dollar amount, 78.5 percent of small farm loans, 69.0 percent of HMDA-reportable loans, and 59.9 percent of small business loans were originated within the assessment area. This performance indicates the bank is actively serving the credit needs of the local community.

The following table summarizes the bank’s lending inside and outside its assessment areas for HMDA-reportable loans from January 1, 2020, to December 31, 2021, and a sample of small business and small farm loans from January 1, 2021, to December 31, 2021.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	40	95.2	5,751	95.3	2	4.8	285	4.7
Home Purchase, Conventional	181	76.1	22,217	64.7	57	23.9	12,096	35.3
Multi-Family Housing	4	57.1	825	22.4	3	42.9	2,857	77.6
Refinancing	318	79.9	38,744	71.9	80	20.1	15,145	28.1
<b>Total HMDA-related</b>	<b>543</b>	<b>79.3</b>	<b>67,537</b>	<b>69.0</b>	<b>142</b>	<b>20.7</b>	<b>30,383</b>	<b>31.0</b>
Small Business	36	73.5	4,347	59.9	13	26.5	2,911	40.1
Small Farm	51	82.3	5,893	78.5	11	17.7	1,615	21.5
<b>Total Loans</b>	<b>630</b>	<b>79.1</b>	<b>77,778</b>	<b>69.0</b>	<b>166</b>	<b>20.9</b>	<b>34,910</b>	<b>31.0</b>

### Geographic and Borrower Distribution

The geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment areas. In addition, the distribution of loans to and, as appropriate, other lending-related activities, for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment areas. Additional information regarding the bank’s geographic and borrower distribution of lending activity is found within the individual assessment area discussions in this evaluation.

### Response to Complaints

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

### COMMUNITY DEVELOPMENT TEST

The bank’s performance relative to the community development test is **Satisfactory**. Community development activities demonstrate adequate responsiveness to the needs of the assessment area

through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank’s capacity and the availability of such opportunities for community development in the assessment area.

**Lending, Investment, and Services Activities**

During the evaluation period, Midwest Bank originated 10 community development loans totaling \$14.2 million towards affordable housing, revitalizing, and stabilizing low- and moderate-income geographies, and COVID-19 designated disaster areas within its assessment area. In addition, the bank participated in the Small Business Administration’s Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. The bank originated a total of 712 PPP loans totaling \$40.0 million during the evaluation period, which includes 669 PPP loans totaling \$34.2 million originated within the bank’s full scope assessment areas and the broader statewide and regional areas. As PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are considered very responsive and flexible. Additional information detailing the distribution of PPP lending is shown in the table below.

<b>SBA PPP Lending Distribution</b>		
<b>Assessment Area</b>	<b>#</b>	<b>\$</b>
<b>Full Scope</b>		
Non-MSA Illinois	378	15,990,952
Rock Island MSA	193	7,088,469
<b>Limited Scope</b>		
Peoria MSA	13	1,750,220
<b>Other</b>		
Broader Statewide and Regional Area	98	11,073,480
Nationwide	30	4,051,244
<b>Total</b>	<b>712</b>	<b>39,954,365</b>

During the evaluation period, the bank made eight current period investments totaling approximately \$3.3 million, as well as retaining three prior period investments totaling \$615 thousand. Additionally, the bank made 50 donations totaling \$57,300 within its assessment areas. The majority of qualified investments and donations were made toward community services targeted to low- and moderate-income individuals and areas, as well as local economic development efforts supporting small businesses.

During the evaluation period, bank staff provided 1,263 hours of community development services. Of the total number of service hours, 662 hours were dedicated to organizations with an economic development focus, 509 hours were dedicated to organizations with a community service focus, and 92 hours were dedicated to organization that provide affordable housing to low- and moderate-income families.

Additional information with respect to the bank’s community development activities is found within the full review assessment area sections for Non-MSA Illinois and the Rock Island MSA.

Qualified Community Development Activities September 24, 2019, to January 30, 2023							
Assessment Area	Loans		Investments		Donations		Services
	#	\$	#	\$	#	\$	Hours
<b>Full Scope</b>							
Non-MSA Illinois	6	10,901,121	10	3,520,000	34	50,700	1,211
Rock Island MSA	2	900,000	0	0	11	4,750	24
<b>Limited Scope</b>							
Peoria MSA	1	1,256,570	1	380,000	3	1,750	28
<b>Other</b>							
Regional	1	1,160,262	0	0	2	100	0
<b>Total</b>	<b>10</b>	<b>14,217,953</b>	<b>11</b>	<b>3,900,000</b>	<b>50</b>	<b>57,300</b>	<b>1,263</b>

**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.

## NON-MSA ILLINOIS – FULL REVIEW

### SCOPE OF EXAMINATION

Full-scope examination procedures were used to evaluate the bank’s performance in the Non-MSA Illinois assessment area. There are no deviations from the scope discussed in the “Scope of Examination” section of this performance evaluation.

### DESCRIPTION OF INSTITUTION’S OPERATIONS

Midwest Bank’s Non-MSA Illinois assessment area is comprised of Henderson, Knox, and Warren Counties in their entirety and remains unchanged since the previous evaluation. Located within the assessment area is the main office, three full-service branches, each with cash-only ATMs, and four standalone cash-only ATMs. All branches and ATMs are located within middle- and upper-income census tracts, except for one standalone cash-only ATM located within a moderate-income census tract. Since the previous evaluation, the bank closed two limited-service branches located within middle-income census tracts. The assessment area is comprised of 24 census tracts, of which seven are designated as low- or moderate-income census tracts. Further, three middle-income census tracts within Henderson County (9733, 9734, and 9735) are designated as distressed due to elevated population loss.

According to the June 30, 2022, FDIC Deposit Market Share Report, Midwest Bank ranked second of 17 FDIC-insured financial institutions operating in Henderson, Knox, and Warren Counties. The bank held \$431.0 million in deposits, representing 14.7 percent of the total deposit market share in the three counties. In comparison, the first ranked institution, Wells Fargo Bank held \$933.7 million in deposits, representing 31.9 percent of the deposit market share. The third ranked institution, CBI Bank & Trust, held \$315.3 million in deposits, representing 10.8 percent of the deposit market share.

In 2021, Midwest Bank ranked second among 151 HMDA-reporters, originating 143 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, CBI Bank & Trust, originated 398 HMDA-reportable loans, and the third ranked institution, IH Mississippi Valley Credit Union, originated 118 HMDA-reportable loans.

Additional assessment area demographic information is provided in the following table.

2021 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	12.5	1,344	7.1	553	41.1	4,348	22.9
Moderate	4	16.7	3,631	19.1	650	17.9	3,784	19.9
Middle	14	58.3	11,836	62.4	850	7.2	3,978	21.0
Upper	3	12.5	2,169	11.4	176	8.1	6,870	36.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>24</b>	<b>100.0</b>	<b>18,980</b>	<b>100.0</b>	<b>2,229</b>	<b>11.7</b>	<b>18,980</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	3,481	1,122	5.1	32.2	1,864	53.5	495	14.2
Moderate	6,577	4,122	18.9	62.7	1,819	27.7	636	9.7
Middle	21,395	14,200	65.1	66.4	4,388	20.5	2,807	13.1
Upper	3,993	2,375	10.9	59.5	1,334	33.4	284	7.1
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>35,446</b>	<b>21,819</b>	<b>100.0</b>	<b>61.6</b>	<b>9,405</b>	<b>26.5</b>	<b>4,222</b>	<b>11.9</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	408	17.9	345	17.1	59	29.6	4	6.3
Moderate	309	13.6	283	14.0	20	10.1	6	9.4
Middle	1,300	57.0	1,148	56.9	100	50.3	52	81.3
Upper	262	11.5	240	11.9	20	10.1	2	3.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,279</b>	<b>100.0</b>	<b>2,016</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.5</b>		<b>8.7</b>		<b>2.8</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	3	1.0	3	1.0	0	0.0	0	0.0
Moderate	13	4.3	13	4.3	0	0.0	0	0.0
Middle	256	84.5	254	84.9	2	50.0	0	0.0
Upper	31	10.2	29	9.7	2	50.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>303</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.7</b>		<b>1.3</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

The table below presents the population trends for the assessment area and the state of Illinois from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 76,855. The population in the assessment area decreased by 1.4 percent between 2010 and 2015, while the state of Illinois grew by 0.3 percent during the same period. All counties that make up the assessment area saw a decrease in population. According to community representatives, the decrease in population is attributed to young people leaving the rural area to pursue higher education and other employment opportunities within larger metropolitan cities.

Henderson County, which saw the largest population decline (3.9 percent), experienced a flood in 2008 causing significant damage to the local area. Since 2008, Henderson County has seen a steady population decline as it has been difficult to attract and retain population to the local area. Warren County, which only saw a slight decline in population, has been able to retain population at a better rate than the other two counties due to an expansion of operations at a large local pork processing plant which attracted workers to the area.

Other factors cited by community representatives contributing to the decreasing population include the declining manufacturing industry and the declining birthrate of local residents. Community representatives mentioned that due to the COVID-19 pandemic, more businesses are offering fully remote working capabilities. They are optimistic that the elimination of proximity as a barrier to job opportunity will lead to population retention, while drawing others to the area due to the low cost of living. However, the counties need to invest in more fiber/broadband infrastructure to make that a viable option for more individuals and businesses looking to move into the area.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	77,957	76,855	-1.4
Henderson County, IL	7,331	7,042	-3.9
Knox County, IL	52,919	52,112	-1.5
Warren County, IL	17,707	17,701	0.0
State of Illinois	12,830,632	12,873,761	0.3

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

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 18,980 families, of which 22.9 percent are designated as low-income, 19.9 percent are moderate-income, 21.0 percent are middle-income, and 36.2 percent are upper-income. However, 11.7 percent of families residing within the assessment area live below the poverty line, slightly above the state of Illinois’ poverty

rate at 10.5 percent.

According to the 2011-2015 American Community Survey (ACS), the median family income (MFI) for the assessment area is \$54,154, which is below the MFI for the state of Illinois at \$71,546 and the average of Illinois Non-MSA counties of \$59,323. While Henderson and Knox Counties both experienced declines in MFI at 6.0 percent and 5.5 percent, respectively, Warren County's MFI remained steady during the same period. A community representative attributed Warren County's increase to the large local pork processing plant which has been gradually expanding operations and increasing the wages and benefits of its employees.

Community representatives stated Henderson County's decline in MFI is primarily attributable to the rural nature of the county and lack of economic opportunity, as well as the aging population which negatively impact local MFI as those individuals enter retirement. In recent years, the ongoing labor shortage has caused local businesses to increase wages to attract and retain employees, which the community representatives anticipate positively impacting local MFI.

<b>Median Family Income Change</b>			
<b>Area</b>	<b>2010 Median Family Income (\$)</b>	<b>2015 Median Family Income (\$)</b>	<b>Percent Change (%)</b>
Assessment Area	56,262	54,154	-3.7
Henderson County, IL	60,060	56,482	-6.0
Knox County, IL	56,342	53,229	-5.5
Warren County, IL	54,037	54,095	0.1
Non MSA Illinois Average	58,992	59,323	0.6
State of Illinois	74,306	71,546	-3.7

*Source: 2006 - 2010 and 2011 - 2015 U.S. Census Bureau American Community Survey  
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

### **Housing Characteristics**

The bank's assessment area includes 35,446 housing units. The majority of housing units are owner-occupied at 61.6 percent, whereas rental units account for 26.5 percent of total units. Within the assessment area, 11.9 percent of housing units are vacant, which is higher than the percentage of vacant units within the state of Illinois at 9.8 percent of total housing units.

The following table represents recent housing cost burden for individuals within the assessment area, as well as the state of Illinois. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the table below, low-income individuals are impacted at a higher rate than moderate-income individuals as both renters and owners. Of the three counties that comprise the assessment area, Henderson County has the lowest percentage of both renters and owners that meet the cost burden criteria, with 24.0 percent and 10.6 percent, respectively.

Additionally, Knox County had a notably higher percentage of renters that meet the cost burden criteria at 40.5 percent, whereas Henderson and Warren Counties were much lower at 24.0 percent and 28.9 percent, respectively. The percentage of renters and owners, at 43.4 percent and 22.6 percent, respectively, that meet the cost burden criteria in the state of Illinois is higher than the counties within the assessment area.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	67.4	18.7	37.5	47.7	17.5	12.1
Henderson County, IL	53.7	12.7	24.0	42.4	21.6	10.6
Knox County, IL	68.5	23.2	40.5	48.7	16.9	12.3
Warren County, IL	65.7	2.4	28.9	47.0	17.2	12.5
Non-MSA Illinois Average	66.7	20.6	35.8	54.1	21.7	14.7
State of Illinois	75.0	39.0	43.4	69.4	40.1	22.6
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Community representatives indicated that there is a lack of affordable housing units within the assessment area, stating that both rental and housing stock are old and in need of significant maintenance and/or rehabilitation. The COVID-19 pandemic has exacerbated the need for affordable housing, as construction costs and general housing prices have increased dramatically in recent years, hindering the development of more affordable housing units within the area. A community representative indicated that Knox County has been struggling with housing cost burden due to a larger impoverished community compared to other counties in the regional area. Additionally, the significantly lower percentage of moderate-income renters experiencing rental burden in Warren County is primarily due to the local pork processing plant, which provides wages that help curtail rental housing burdens. Overall, community representatives stated that despite the lower housing cost burden percentages of the assessment area when compared to the state of Illinois, affordable housing remains one of the largest needs of the assessment area.

### Employment Conditions

The table below shows unemployment statistics for the counties comprising the assessment area, as well as the state of Illinois. Pandemic-related unemployment rates have declined, but in 2021 they remained higher than pre-pandemic rates, with the exception of in Henderson County. Both the 2021 unemployment rates within Henderson (4.0 percent) and Warren (4.6 percent) Counties are lower than the Non-MSA Illinois average of 5.0 percent and the state of Illinois' unemployment rate at 6.1 percent. However, Knox County experienced higher unemployment than the state of Illinois in 2021 with a 6.6 percent unemployment rate. Community representatives stated that Knox County has a significantly larger hospitality and retail service industry than the surrounding



counties which was more heavily impacted by the COVID-19 pandemic than other local industries. Additionally, a community representative indicated that the lower unemployment rate in both Henderson and Warren County is largely attributable to the more rural nature of both counties and their respective insulation from the economic disruption brought on by the COVID-19 pandemic.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Assessment Area	4.9	4.9	4.5	8.0	5.8
Henderson County, IL	5.1	4.8	4.5	7.1	4.0
Knox County, IL	5.2	5.2	4.7	8.8	6.6
Warren County, IL	4.2	4.1	3.9	6.3	4.6
Non-MSA Illinois Average	4.9	4.9	4.2	7.8	5.0
State of Illinois	4.9	4.4	4.0	9.2	6.1

*Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics*

### Industry Characteristics

According to U.S. Bureau of Labor Statistics data, the assessment area contains a diverse employment base and is most heavily impacted by the industries of healthcare and social assistance, manufacturing, and retail trade. Community representatives mentioned that there have not been many changes to major employers within the area except for a local pork processing plant and a fusion technology company which have steadily expanded operations in recent years. Further, the manufacturing industry has been slowly declining for the past several decades, yet it is still a major industry in the local area.

### Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, as well as providing information about how the COVID-19 pandemic affected the economy in the area. The representatives stated that there are challenges within their respective areas in which local financial institutions can assist. Community representatives indicated that there is a substantial need for additional affordable housing in the assessment area, which is contributing to the declining population. Further, a representative suggested banks could help by marketing home mortgage credit options to the younger demographic to help retain that population in the local area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Geographic Distribution of Loans

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly in the seven low- and moderate-income census tracts. Overall, Midwest Bank's geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. The bank originated loans in all 24 census tracts in the assessment area, including all seven low- and moderate-income census tracts. A detailed discussion of HMDA-reportable, small business, and small farm lending in relation to census demographics is provided below.

### HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area.

In 2021, Midwest Bank originated 1.4 percent of its total HMDA-reportable loans in low-income census tracts, which is below the aggregate and percentage of owner-occupied units located in low-income census tracts at 5.3 percent and 5.1 percent, respectively. The bank originated 16.8 percent of its HMDA-reportable loans in moderate-income census tracts, comparable to aggregate at 15.8 percent, but below the percentage of owner-occupied units at 18.9 percent. As mentioned previously, the assessment area maintains a high concentration of banks resulting in a competitive lending environment, particularly for home mortgage lending which is a growing need for the local area. Further, the declining population within the assessment area further limits home mortgage lending opportunity.

The bank's distribution of lending across geographies of different income levels in 2020 for HMDA-reportable loans was consistent with the distribution of loans in 2021. Due to minimal loan volume in 2020 and 2021, multi-family loans were not evaluated.

### *Home Purchase Loans*

In 2021, Midwest Bank originated no home purchase loans in low-income census tracts, which is below the aggregate and percentage of owner-occupied units located in low-income census tracts at 6.7 percent and 5.1 percent, respectively. The bank originated 10.2 percent of its home purchase loans in moderate-income census tracts, below aggregate and the percentage of owner-occupied units at 15.5 percent and 18.9 percent, respectively.

### *Refinance Loans*

In 2021, Midwest Bank originated 2.5 percent of its refinance loans in low-income census tracts, which is comparable to the aggregate at 2.1 percent, but below the percentage of owner-occupied units located in low-income census tracts at 5.1 percent. The bank originated 20.3 percent of its refinance loans in moderate-income census tracts, above aggregate at 15.0 percent and comparable to the percentage of owner-occupied units at 18.9 percent.

### *Home Improvement Loans*

In 2021, Midwest Bank originated no home improvement loans in low-income census tracts, which is below the aggregate and the percentage of owner-occupied units located in low-income census tracts at 3.3 percent and 5.1 percent, respectively. The bank originated 20.0 percent of its home improvement loans in moderate-income census tracts, below the aggregate at 26.7 percent and comparable to the percentage of owner-occupied units at 18.9 percent.

The table below summarizes 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: IL Non MSA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	1	1.9	9.5	20	0.4	4.1	0	0.0	6.7	0	0.0	2.7	5.1
Moderate	9	16.7	13.3	468	9.6	9.3	5	10.2	15.5	335	6.2	10.7	18.9
Middle	41	75.9	63.9	4,087	83.4	68.2	42	85.7	66.8	4,611	85.6	70.1	65.1
Upper	3	5.6	13.3	324	6.6	18.4	2	4.1	11.0	440	8.2	16.4	10.9
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>100.0</b>	<b>4,899</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>5,385</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	2	1.6	2.4	109	0.8	1.0	2	2.5	2.1	180	1.9	1.3	5.1
Moderate	17	13.5	9.5	1,472	10.2	6.2	16	20.3	15.0	1,289	13.8	9.8	18.9
Middle	82	65.1	68.9	8,893	61.7	69.1	56	70.9	66.6	7,280	77.9	67.8	65.1
Upper	25	19.8	19.2	3,929	27.3	23.6	5	6.3	16.4	591	6.3	21.1	10.9
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>126</b>	<b>100.0</b>	<b>100.0</b>	<b>14,403</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>100.0</b>	<b>9,340</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	1.9	0	0.0	0.7	0	0.0	3.3	0	0.0	2.3	5.1
Moderate	1	9.1	21.2	25	4.6	19.0	3	20.0	26.7	137	12.1	14.4	18.9
Middle	10	90.9	67.3	523	95.4	72.6	10	66.7	60.0	760	67.4	68.7	65.1
Upper	0	0.0	9.6	0	0.0	7.8	2	13.3	10.0	231	20.5	14.6	10.9
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>548</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>100.0</b>	<b>1,127</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>													<b>Multi-family Units %</b>
Low	0	0.0	12.5	0	0.0	2.4	0	0.0	27.3	0	0.0	6.4	37.0
Moderate	1	100.0	62.5	139	100.0	17.9	0	0.0	18.2	0	0.0	2.6	7.8
Middle	0	0.0	12.5	0	0.0	17.8	0	0.0	36.4	0	0.0	3.1	33.8
Upper	0	0.0	12.5	0	0.0	61.9	0	0.0	18.2	0	0.0	87.9	21.4
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													<b>Owner Occupied Units %</b>
Low	3	1.6	5.7	129	0.6	2.4	2	1.4	5.3	180	1.1	2.5	5.1
Moderate	28	14.6	12.4	2,104	10.5	8.1	24	16.8	15.8	1,760	11.1	10.0	18.9
Middle	133	69.3	66.0	13,503	67.6	67.6	108	75.5	65.8	12,651	79.8	64.2	65.1
Upper	28	14.6	15.9	4,253	21.3	21.9	9	6.3	13.1	1,262	8.0	23.3	10.9
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>192</b>	<b>100.0</b>	<b>100.0</b>	<b>19,989</b>	<b>100.0</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>100.0</b>	<b>15,853</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

### Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, Midwest Bank originated 12.5 percent of its small business loans in low-income census tracts, below the percentage of total businesses located in low-income census tracts at 17.9 percent. The bank originated 16.7 percent of its small business loans in moderate-income census tracts, which is above the 13.6 percent of total businesses located in similar geographies.

The following table presents the bank’s geographic distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: IL Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	3	12.5	161	8.3	17.9
Moderate	4	16.7	177	9.1	13.6
Middle	17	70.8	1,610	82.6	57.0
Upper	0	0.0	0	0.0	11.5
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>24</b>	<b>100.0</b>	<b>1,949</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

### Small Farm Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, Midwest Bank originated no small farm loans in low- or moderate-income census tracts. This is deemed reasonable due to the limited presence of farms located in low- and moderate-income census tracts at 1.0 percent and 4.3 percent, respectively.

The following table presents the bank’s geographic distribution of small farm loans in 2021.

Distribution of 2021 Small Farm Lending By Income Level of Geography					
Assessment Area: IL Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	1.0
Moderate	0	0.0	0	0.0	4.3
Middle	42	95.5	5,034	98.9	84.5
Upper	2	4.5	55	1.1	10.2
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>44</b>	<b>100.0</b>	<b>5,089</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

### Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

An analysis of loans was conducted to determine the level of lending to borrowers of different income levels and businesses and farms of different sizes. Midwest Bank’s loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses and farms of different sizes.

#### HMDA-Reportable Lending

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. In 2021, the bank originated 5.6 percent of its total HMDA-reportable loans to low-income borrowers, which is below the aggregate and the percentage of low-income families in the assessment area at 11.9 percent and 22.9 percent, respectively. The bank originated 18.9 percent of its HMDA-reportable loans to moderate-income borrowers. This performance is comparable to both the aggregate at 18.8 percent and the percentage of moderate-income families within the assessment area at 19.9 percent.

The bank’s dispersion of lending to borrowers of different income levels in 2020 for HMDA-reportable loans was consistent with the dispersion of loans in 2021.

#### *Home Purchase Loans*

In 2021, the bank originated 8.2 percent of its home purchase loans to low-income borrowers, which is below the aggregate and the percentage of low-income families living within the assessment area at 15.2 percent and 22.9 percent, respectively. The bank originated 24.5 percent of

its home purchase loans to moderate-income borrowers. This performance is above the aggregate at 22.1 percent and the percentage of moderate-income families living within the assessment area at 19.9 percent.

#### *Refinance Loans*

In 2021, the bank originated 3.8 percent of its refinance loans to low-income borrowers, which is below the aggregate and the percentage of low-income families living within the assessment area at 8.5 percent and 22.9 percent, respectively. The bank originated 16.5 percent of its refinance loans to moderate-income borrowers. This performance is comparable to the aggregate at 15.9 percent, but below the percentage of moderate-income families living within the assessment area at 19.9 percent.

#### *Home Improvement Loans*

In 2021, the bank originated 6.7 percent of its home improvement loans to low-income borrowers, which is below the aggregate and the percentage of low-income families living within the assessment area at 15.0 percent and 22.9 percent, respectively. The bank originated 13.3 percent of its home improvement loans to moderate-income borrowers. This performance is below the aggregate at 16.7 percent and the percentage of moderate-income families living within the assessment area at 19.9 percent.

The lending performance in 2020 was generally consistent with 2021 lending performance, although it was noted that it is above aggregate lending for home improvements to low- and moderate-income borrowers in 2020. The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: IL Non MSA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	#%	\$(000)	\$%	\$%	#	%	#%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	3	5.6	13.9	220	4.5	7.6	4	8.2	15.2	272	5.0	9.5	22.9
Moderate	8	14.8	23.6	532	10.9	18.7	12	24.5	22.1	833	15.5	18.1	19.9
Middle	17	31.5	24.5	1,518	31.0	24.8	11	22.4	17.3	921	17.1	18.0	21.0
Upper	19	35.2	28.7	2,067	42.2	39.9	22	44.9	27.1	3,360	62.4	43.5	36.2
Unknown	7	13.0	9.3	562	11.5	9.1	0	0.0	18.3	0	0.0	10.9	0.0
<b>Total</b>	<b>54</b>	<b>100.0</b>	<b>100.0</b>	<b>4,899</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>5,385</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	4	3.2	5.6	217	1.5	2.8	3	3.8	8.5	131	1.4	4.4	22.9
Moderate	18	14.3	11.2	1,352	9.4	7.2	13	16.5	15.9	868	9.3	10.9	19.9
Middle	24	19.0	22.7	1,961	13.6	17.6	17	21.5	23.4	1,650	17.7	20.0	21.0
Upper	69	54.8	49.1	9,539	66.2	59.9	40	50.6	38.6	5,821	62.3	48.9	36.2
Unknown	11	8.7	11.4	1,334	9.3	12.6	6	7.6	13.7	871	9.3	15.8	0.0
<b>Total</b>	<b>126</b>	<b>100.0</b>	<b>100.0</b>	<b>14,403</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>100.0</b>	<b>9,340</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	1	9.1	3.8	25	4.6	2.9	1	6.7	15.0	38	3.4	11.2	22.9
Moderate	2	18.2	11.5	45	8.2	6.1	2	13.3	16.7	141	12.5	14.1	19.9
Middle	4	36.4	23.1	206	37.6	26.2	8	53.3	33.3	661	58.6	34.6	21.0
Upper	3	27.3	38.5	117	21.4	28.1	4	26.7	30.0	287	25.5	36.0	36.2
Unknown	1	9.1	23.1	155	28.3	36.8	0	0.0	5.0	0	0.0	4.0	0.0
<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>548</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>100.0</b>	<b>1,127</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													
Low	8	4.2	9.1	462	2.3	4.7	8	5.6	11.9	441	2.8	7.2	22.9
Moderate	28	14.7	16.4	1,929	9.7	11.7	27	18.9	18.8	1,842	11.6	14.8	19.9
Middle	45	23.6	22.7	3,685	18.6	20.1	36	25.2	19.8	3,232	20.4	18.9	21.0
Upper	91	47.6	38.1	11,723	59.1	50.2	66	46.2	31.3	9,468	59.7	45.4	36.2
Unknown	19	9.9	13.6	2,051	10.3	13.3	6	4.2	18.2	871	5.5	13.7	0.0
<b>Total</b>	<b>191</b>	<b>100.0</b>	<b>100.0</b>	<b>19,850</b>	<b>100.0</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>100.0</b>	<b>15,853</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													



### Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 were reviewed, of which 75.0 percent by number were to businesses with gross revenues of \$1 million or less. This is below the gross revenue composition of small businesses in the assessment area, at 88.5 percent. Of loans to businesses with revenues of \$1 million or less, 72.2 percent were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small businesses, demonstrating the bank’s ability to meet the credit needs of small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2021.

<b>Distribution of 2021 Small Business Lending By Revenue Size of Businesses</b>					
<b>Assessment Area: IL Non MSA</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>\$%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	18	75.0	1,440	73.9	88.5
<b>Over \$1 Million</b>	5	20.8	443	22.7	8.7
<b>Revenue Unknown</b>	1	4.2	66	3.4	2.8
<b>Total</b>	24	100.0	1,949	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	17	70.8	779	40.0	
<b>\$100,001 - \$250,000</b>	6	25.0	870	44.6	
<b>\$250,001 - \$1 Million</b>	1	4.2	300	15.4	
<b>Total</b>	24	100.0	1,949	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	13	72.2	545	37.8	
<b>\$100,001 - \$250,000</b>	4	22.2	595	41.3	
<b>\$250,001 - \$1 Million</b>	1	5.6	300	20.8	
<b>Total</b>	18	100.0	1,440	100.0	
Source: 2021 FFIEC Census Data					
2021 Dun & Bradstreet Data					
2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

### Small Farm Lending

Small farm lending reflects reasonable penetration among farms of different revenue sizes. A sample of small farm loans originated in 2021 were reviewed, of which 84.1 percent by number were to farms with gross revenues of \$1 million or less. This is below the percentage of small farms in the assessment area, at 98.7 percent. Of the loans with gross revenues of \$1 million or less, 70.3

percent of the bank’s small farm loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small farms, demonstrating the bank’s ability to meet the credit needs of small farms.

The following table presents the bank’s borrower distribution of small farm loans in 2021.

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IL Non MSA					
	Bank Loans				Total Farms
	#	#%	\$(000)	%	%
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	37	84.1	4,038	79.3	98.7
<b>Over \$1 Million</b>	5	11.4	1,035	20.3	1.3
<b>Revenue Unknown</b>	2	4.5	16	0.3	0.0
<b>Total</b>	44	100.0	5,089	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	29	65.9	1,181	23.2	
<b>\$100,001 - \$250,000</b>	7	15.9	1,335	26.2	
<b>\$250,001 - \$500,000</b>	8	18.2	2,573	50.6	
<b>Total</b>	44	100.0	5,089	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	26	70.3	1,080	26.7	
<b>\$100,001 - \$250,000</b>	5	13.5	935	23.2	
<b>\$250,001 - \$500,000</b>	6	16.2	2,023	50.1	
<b>Total</b>	37	100.0	4,038	100.0	
Source: 2021 FFIEC Census Data					
2021 Dun & Bradstreet Data					
2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## COMMUNITY DEVELOPMENT TEST

Midwest Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, investments and donations, and community development services, as appropriate, considering the bank’s capacity and the availability of such opportunities for community development in the assessment area.

### Lending

During the evaluation period, the bank originated six community development loans totaling approximately \$10.9 million. Three of these loans, totaling \$1.2 million, were directed towards organizations providing community services, including for healthcare and public transit. An

additional loan for \$5.0 million was to an organization providing affordable multi-family housing within the assessment area. Community representatives stated affordable housing was greatly needed within the assessment area. As such the bank's ability to find opportunities to lend for affordable housing is particularly responsive. Finally, the bank originated two community development loans, totaling \$4.7 million, as part of the Small Business Administration's PPP. As PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are also considered very responsive. This performance represents a significant increase in the dollar volume of community development loans since the previous examination when the bank originated nine community development loans for approximately \$3.9 million within the assessment area.

### **Investments**

During the evaluation period, the bank made ten community development investments totaling approximately \$3.5 million. Three investments for \$615,000 were made in prior evaluation periods, with seven investments made in the current period for \$2.9 million. Current period investments were focused on community services targeted to low- and moderate-income geographies and individuals and local economic development efforts. The total amount of investments is an increase since the previous evaluation when the bank had six qualified investments totaling \$1.1 million.

The bank made donations totaling \$50,700 to 12 unique community organizations within the assessment area. Most recipient organizations focused on community services, including those providing services for low- and moderate-income student activities and emergency food relief. Donation volume increased substantially compared to the previous evaluation, during which time the bank made qualified donations totaling \$29,850.

### **Services**

During the evaluation period, bank staff provided 1,211 qualified community development service hours and served at 12 organizations within the assessment area. The services were performed at organizations focused on affordable housing, community services, and economic development. Although the evaluation period included time during the COVID-19 pandemic, which hindered the bank's ability to participate in service opportunities, the bank's performance improved with respect to qualified hours when compared to the previous evaluation, when the bank provided 1,196 service hours at 39 organizations.

The table below presents the bank’s community development activities during the evaluation period.

Community Development Activities by Purpose September 24, 2019 to January 30, 2023										
	AH		CS		ED		R/S		Total	Total
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	1	5,019,911	3	1,200,000	0	0	2	4,681,210	6	10,901,121
Investments	0	0	4	2,555,000	5	475,000	1	490,000	10	3,520,000
Donations	0	0	31	40,700	1	2,500	2	7,500	34	50,700
Services	2	92	5	457	5	662	0	0	12	1,211

## DAVENPORT-MOLINE-ROCK ISLAND, IA-IL MSA #19340 - FULL REVIEW

### SCOPE OF EXAMINATION

Full-scope examination procedures were used to evaluate the bank's performance in the Rock Island MSA assessment area. There are no deviations from the scope discussed in the "Scope of Examination" section of this performance evaluation.

### DESCRIPTION OF INSTITUTION'S OPERATIONS

The bank's Rock Island MSA assessment area is comprised of Mercer County, and Rock Island County, Illinois, in their entirety, but excludes Henry County, Illinois and Scott County, Iowa. This represents a change since the previous evaluation during which time the bank only included the entirety of Mercer County, Illinois and portions of Rock Island County, Illinois within the assessment area. Located within the assessment area are three full-service branches with ATMs (two cash-only and one full-service) and one standalone cash-only ATM; the stand-alone ATM was opened since the previous evaluation, in March 2021. One branch and cash-only ATM is located within a moderate-income census tract, with the remaining branches and ATMs (including the standalone ATM) located in middle-income census tracts. The assessment area is comprised of 44 census tracts, of which 17 are designated as low- or moderate-income census tracts.

According to the June 30, 2022, FDIC Deposit Market Share Report, Midwest Bank ranked 13<sup>th</sup> of 20 FDIC-insured financial institutions operating in Mercer and Rock Island Counties. The bank held \$78.2 million in deposits, representing 2.2 percent of the total deposit market share in the two counties. In comparison, the three largest financial institutions operating within the two counties by deposit market share are Blackhawk Bank & Trust (29.5 percent), Old National Bank (10.4 percent), and TBK Bank, SSB (8.1 percent).

In 2021, Midwest Bank ranked 23<sup>rd</sup> among 218 HMDA-reporters, originating 83 HMDA-reportable loans in the assessment area. By comparison, the first ranked institution, IH Mississippi Valley Credit Union, originated 810 HMDA-reportable loans, and the second ranked institution, U.S. Bank, N.A., originated 479 HMDA-reportable loans.

Additional assessment area demographic information is provided in the following table.

2021 Davenport-Moline-Rock Island, IA-IL MSA 19340 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	4.5	987	2.3	372	37.7	9,034	21.5
Moderate	15	34.1	9,698	23.1	1,740	17.9	8,346	19.9
Middle	25	56.8	29,326	69.8	2,349	8.0	9,349	22.3
Upper	2	4.5	1,993	4.7	110	5.5	15,275	36.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>44</b>	<b>100.0</b>	<b>42,004</b>	<b>100.0</b>	<b>4,571</b>	<b>10.9</b>	<b>42,004</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	2,034	47.4	1.0	23.3	1,217	59.8	343	16.9
Moderate	19,652	9,955	21.1	50.7	7,490	38.1	2,207	11.2
Middle	48,068	34,092	72.3	70.9	10,630	22.1	3,346	7.0
Upper	3,396	2,619	5.6	77.1	521	15.3	256	7.5
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>73,150</b>	<b>47,140</b>	<b>100.0</b>	<b>64.4</b>	<b>19,858</b>	<b>27.1</b>	<b>6,152</b>	<b>8.4</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	257	5.1	208	4.7	44	9.0	5	5.1
Moderate	1,731	34.2	1,508	33.7	202	41.2	21	21.4
Middle	2,873	56.8	2,565	57.4	236	48.2	72	73.5
Upper	196	3.9	188	4.2	8	1.6	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>5,057</b>	<b>100.0</b>	<b>4,469</b>	<b>100.0</b>	<b>490</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.4</b>		<b>9.7</b>		<b>1.9</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	2.0	5	2.0	0	0.0	0	0.0
Middle	244	98.0	242	98.0	2	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>249</b>	<b>100.0</b>	<b>247</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.2</b>		<b>0.8</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

The table below presents the population trends for the assessment area and the state of Illinois from 2010 to 2015. According to the 2015 U.S. Census Bureau demographic data, the assessment area’s population is 163,268. The assessment area decreased in population by 0.4 percent between 2010 and 2015, while the full MSA and the state of Illinois grew by 0.9 percent and 0.3 percent, respectively, during the same period. Both counties that make up the assessment area saw a decrease in population with the more rural Mercer County experiencing the largest decline at 2.0 percent during this period.

According to community representatives, the population decline is primarily attributable to the aging local population and the younger demographic leaving the area to pursue higher education or employment opportunities. Additionally, the declining birthrate of the local residents is contributing to the population decline. One community representative stated that they are hopeful that the recent flexibility of companies offering fully remote/hybrid working arrangements may cause more people to be interested in moving to the local area due to the lower cost of living. However, limited fiber/broadband infrastructure may hinder any notable population growth.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Assessment Area	163,980	163,268	-0.4
Mercer County, IL	16,434	16,107	-2.0
Rock Island County, IL	147,546	147,161	-0.3
Davenport-Moline-Rock Island, IA-IL MSA	379,690	383,145	0.9
State of Illinois	12,830,632	12,873,761	0.3

*Source: 2010 U.S. Census Bureau Decennial Census  
2011 - 2015 U.S. Census Bureau American Community Survey*

## Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 42,004 families, of which 21.5 percent are designated as low-income, 19.9 percent are moderate-income, 22.3 percent are middle-income, and 36.4 percent are upper-income. Within the assessment area, 10.9 percent of families have income below the poverty line, slightly above the state of Illinois’ poverty rate at 10.5 percent. According to the 2011-2015 American Community Survey, the median family income (MFI) for the assessment area is \$61,958, which is below the MFI for the state of Illinois at \$71,546 and the full MSA at \$66,660. Both counties comprising the assessment area experienced a similar percentage decline in MFI to that of the state of Illinois, with Mercer County experiencing the largest decline from 2010 to 2015 at 4.3 percent. In contrast, the full MSA had a smaller decline in MFI, of 0.9 percent, due to performance in the inclusion of Scott County, Iowa and Henry County, Illinois which had stronger combined performance.

According to community representatives, there were no notable changes to industry characteristics or employers leaving the area so the decline in MFI is aligned with the state-wide trend. Further, the sharper decline in MFI within Mercer County is due to the smaller population which tends to cause sharper impacts on data trends. A community representative indicated that during the COVID-19 pandemic, most employers were busier than they have ever been before, with the exception of the hospitality and retail service industry. Further, the recent labor shortage has resulted in local businesses increasing wages and/or benefits to attract and retain employees which has had a more recent positive impact on the local MFI.

Median Family Income Change			
Area	2010 Median Family Income (\$)	2015 Median Family Income (\$)	Percent Change (%)
Assessment Area	64,320	61,958	-3.7
Mercer County, IL	67,542	64,649	-4.3
Rock Island County, IL	64,207	61,895	-3.6
Davenport-Moline-Rock Island, IA-IL MSA	67,213	66,660	-0.9
State of Illinois	74,306	71,546	-3.7

*Source: 2006 - 2010 and 2011 – 2015 U.S. Census Bureau American Community Survey  
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.*

### Housing Characteristics

The bank’s assessment area includes 73,150 housing units. The majority of housing units are owner-occupied at 64.4 percent, whereas rental units account for 27.1 percent of total units. Within the assessment area, 8.4 percent of housing units are vacant, which is lower than the percentage of vacant units within the state of Illinois at 9.8 percent of total housing units.

The following table represents recent housing cost burden for individuals within the assessment area, and the state of Illinois. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the table below, low-income individuals are impacted at a higher rate than moderate-income individuals as both renters and owners. Of both counties that comprise the assessment area, Mercer County has the lowest proportion of both renters and owners that meet the cost burden criteria with 27.8 percent and 12.0 percent, respectively. Additionally, both counties within the assessment area experienced less housing cost burden than the state of Illinois at 43.4 percent and 22.6 percent, respectively.

Community representatives indicated that affordable housing has been relatively available for most individuals living within the assessment area. However, availability has dissipated in recent years, particularly for larger low- and moderate-income families. This is partially due to the surge in housing prices in recent years, increased construction costs, and number of residential



development projects slowing during the COVID-19 pandemic. Additionally, there is a segment of older couples still residing within larger homes because of a lack of desirable retirement homes/communities to move to, resulting in less affordable housing options for large low- and moderate-income families. As a result, the development of more affordable housing is still a critical need for the assessment area.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	67.0	29.0	38.7	61.6	25.6	15.9
Mercer County, IL	54.4	31.1	27.8	49.6	21.2	12.0
Rock Island County, IL	67.8	28.8	39.6	63.1	26.1	16.3
Davenport-Moline-Rock Island, IA-IL MSA	71.4	30.2	39.7	62.5	27.3	15.9
State of Illinois	75.0	39.0	43.4	69.4	40.1	22.6
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

### Employment Conditions

The table below shows unemployment statistics for the assessment area, as well as the state of Illinois. After increasing substantially during the pandemic, the 2021 unemployment rate for the assessment area of 5.5 percent is lower than the state of Illinois' unemployment rate of 6.1 percent. Mercer County's 2021 unemployment rate equaled 4.9 percent and is substantially lower than the 5.6 rate of Rock Island County. Community representatives stated that the unemployment rate in Rock Island County experienced such a sharp increase during the COVID-19 pandemic due to the large local hospitality and retail service industry which was disrupted more than other industries in the area. In contrast, Mercer County was much more insulated from the COVID-19 pandemic than Rock Island County, and the regional area as a whole, mainly due to the rural nature of the county. A community representative stated that both counties have mostly recovered from the COVID-19 pandemic, with the exception of the hospitality and retail service industry which is more prevalent in Rock Island County.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Assessment Area	5.1	5.2	4.8	9.5	5.5
Mercer County, IL	5.1	5.2	4.8	8.2	4.9
Rock Island County, IL	5.1	5.2	4.8	9.6	5.6
Davenport-Moline-Rock Island, IA-IL MSA	4.4	4.1	4.0	7.9	5.4
State of Illinois	4.9	4.4	4.0	9.2	6.1
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

## **Industry Characteristics**

The assessment area contains a diverse employment base and is most heavily impacted by the industries of manufacturing, healthcare and social assistance, and retail based on data from the U.S. Bureau of Labor Statistics. Community representatives stated that there have not been many changes to major employers within the area. The hospitality and retail service industries are still struggling, and it is unknown whether local hotels, restaurants, theaters, or other employers that partially or permanently closed during the pandemic will return to full operation.

## **Community Representatives**

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area, and information about how the COVID-19 pandemic affected the area economy. Community representatives stated that local municipalities are exploring efforts to attract and retain population in the area; however, limited growth is expected unless improved fiber/broadband infrastructure is pursued. Additionally, affordable housing is a growing need for both counties, particularly for larger low- and moderate-income families. Finally, both representatives noted that the assessment area has largely recovered from the COVID-19 pandemic, with the exception of the hospitality and retail service industry, and that local unemployment rates are expected to remain steady or even slightly decline in coming years.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly low- and moderate-income census tracts. The bank's assessment area consists of two low-income, 15 moderate-income, 25 middle-income, and two upper-income census tracts. Overall, Midwest Bank's geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment area. In 2021, the bank originated loans in 61.4 percent of the 44 census tracts in the assessment area. Further, the bank originated loans in one of the two low-income census tracts and seven (46.7 percent) of the 15 moderate-income census tracts. Based upon this analysis, it appears there are no conspicuous geographic lending gaps. A detailed discussion of HMDA-reportable, small business, and small farm lending in relation to census demographics is provided below.

### HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area.

In 2021, Midwest Bank originated 1.2 percent of its total HMDA-reportable loans in low-income census tracts, which is comparable to the aggregate and percentage of owner-occupied units located in low-income census tracts at 0.5 percent and 1.0 percent, respectively. The bank originated 14.5 percent of its HMDA-reportable loans in moderate-income census tracts, below the aggregate at 18.2 percent and the percentage of owner-occupied units at 21.1 percent.

Due to minimal loan volume in 2020 and 2021, home improvement and multi-family loans were not evaluated. Additionally, the bank's distribution of lending across geographies of different income levels in 2020 for HMDA-reportable loans was consistent with the distribution of loans in 2021.

#### *Home Purchase Loans*

In 2021, Midwest Bank originated 3.6 percent of its home purchase loans in low-income census tracts, which is above the aggregate and percentage of owner-occupied units located in low-income census tracts at 0.5 percent and 1.0 percent, respectively. The bank originated 14.3 percent of its home purchase loans in moderate-income census tracts, below aggregate and the percentage of owner-occupied units at 20.8 percent and 21.1 percent, respectively.

#### *Refinance Loans*

In 2021, Midwest Bank originated no refinance loans in low-income census tracts, which is below the aggregate and the percentage of owner-occupied units located in low-income census tracts at 0.4 percent and 1.0 percent, respectively. The bank originated 16.3 percent of its refinance loans in moderate-income census tracts, above aggregate at 14.5 percent, but below the percentage of owner-occupied units at 21.1 percent.

The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	0	0.0	0.4	0	0.0	0.4	1	3.6	0.5	50	1.6	0.2	1.0
Moderate	2	7.4	18.8	232	8.0	13.0	4	14.3	20.8	306	9.7	15.6	21.1
Middle	22	81.5	74.1	2,458	84.3	79.1	22	78.6	72.4	2,602	82.7	77.7	72.3
Upper	3	11.1	6.8	226	7.8	7.5	1	3.6	6.4	190	6.1	6.5	5.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>2,916</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>100.0</b>	<b>3,147</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	0	0.0	0.4	0	0.0	0.2	0	0.0	0.4	0	0.0	0.2	1.0
Moderate	11	18.6	13.8	737	9.8	9.4	8	16.3	14.5	287	4.3	10.6	21.1
Middle	46	78.0	78.8	6,590	87.9	83.0	40	81.6	78.6	6,321	93.8	82.4	72.3
Upper	2	3.4	7.0	170	2.3	7.4	1	2.0	6.5	130	1.9	6.8	5.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>59</b>	<b>100.0</b>	<b>100.0</b>	<b>7,497</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>6,738</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	2.7	0	0.0	1.8	0	0.0	1.1	0	0.0	1.3	1.0
Moderate	0	0.0	21.0	0	0.0	18.4	0	0.0	16.6	0	0.0	18.5	21.1
Middle	5	83.3	70.4	929	91.7	71.8	6	100.0	74.6	413	100.1	74.5	72.3
Upper	1	16.7	5.9	84	8.3	8.0	0	0.0	7.7	0	0.0	5.7	5.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>1,013</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>413</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>													<b>Multi-family Units %</b>
Low	0	0.0	1.5	0	0.0	0.3	0	0.0	6.7	0	0.0	12.2	7.1
Moderate	0	0.0	38.8	0	0.0	38.2	0	0.0	44.4	0	0.0	64.7	40.4
Middle	1	100.0	49.3	156	100.0	54.2	0	0.0	44.4	0	0.0	22.4	51.0
Upper	0	0.0	10.4	0	0.0	7.4	0	0.0	4.4	0	0.0	0.7	1.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													<b>Owner Occupied Units %</b>
Low	0	0.0	0.5	0	0.0	0.3	1	1.2	0.5	50	0.5	1.0	1.0
Moderate	13	14.0	16.9	969	8.4	13.0	12	14.5	18.2	593	5.8	16.5	21.1
Middle	74	79.6	75.8	10,133	87.5	79.3	68	81.9	74.7	9,336	90.7	76.2	72.3
Upper	6	6.5	6.8	480	4.1	7.4	2	2.4	6.6	320	3.1	6.3	5.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>100.0</b>	<b>11,582</b>	<b>100.0</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>100.0</b>	<b>10,299</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, Midwest Bank originated no small business loans in low-income census tracts, below the percentage of total businesses located in low-income census tracts at 5.1 percent. The bank originated 11.1 percent of its small business loans in moderate-income census tracts, which is below the 34.2 percent of total businesses located in similar geographies. While the bank’s performance is below demographic in low- and moderate-income census tracts, the bank’s limited market presence, significant volume of local competitors, and proximity of branch offices to low- and moderate-income census tracts greatly limit the bank’s ability to make small business loans within such geographies within the assessment area.

The following table presents the bank’s geographic distribution of small business loans in 2021.

<b>Distribution of 2021 Small Business Lending By Income Level of Geography</b>					
<b>Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>Low</b>	0	0.0	0	0.0	5.1
<b>Moderate</b>	1	11.1	50	5.4	34.2
<b>Middle</b>	8	88.9	874	94.6	56.8
<b>Upper</b>	0	0.0	0	0.0	3.9
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0	0.0	
<b>Total</b>	9	100.0	924	100.0	100.0

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Small Farm Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2021, Midwest Bank originated no small farm loans in low- and moderate-income census tracts. This is deemed reasonable due to the limited presence of farms located in low- and moderate-income census tracts at 0.0 percent and 2.0 percent, respectively.

The following table presents the bank’s geographic distribution of small farm loans in 2021.

Distribution of 2021 Small Farm Lending By Income Level of Geography					
Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	2.0
Middle	7	100.0	804	100.0	98.0
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>804</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

### Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

An analysis of loans was conducted to determine the level of lending to borrowers of different income levels and businesses and farms of different sizes. Midwest Bank’s loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses and farms of different sizes.

#### HMDA-Reportable Lending

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. In 2021, the bank originated 10.8 percent of its total HMDA-reportable loans to low-income borrowers, which is below the aggregate and the percentage of low-income families in the assessment area at 13.5 percent and 21.5 percent, respectively. The bank originated 14.5 percent of its HMDA-reportable loans to moderate-income borrowers. This performance is below both the aggregate at 23.2 percent and the percentage of moderate-income families within the assessment area at 19.9 percent. As mentioned previously, community representatives stated that affordable housing has been dissipating in recent years, particularly for large low- and moderate-income families. This is partially a result of the COVID-19 pandemic, which impacted the cost of raw materials and existing housing prices. Home mortgage lending opportunity has been limited within the assessment area; however, the bank’s current efforts were responsive to the growing affordable housing needs of the local area.

Due to minimal loan volume in 2020 and 2021, home improvement and multi-family loans were not evaluated. The bank’s dispersion of lending to borrowers of different income levels in 2020 for HMDA-reportable loans included a higher percentage of lending to moderate-income borrowers

than in 2021, at 25.0 percent of originations, exceeding both the aggregate lender and demographic measures of 20.5 percent and 19.9 percent, respectively. The 2020 lending rate to moderate-income borrowers was due to more significant home purchase and refinance loan originations relative to the aggregate lenders.

#### *Home Purchase Loans*

In 2021, the bank originated no home purchase loans to low-income borrowers, which is below the aggregate and the percentage of low-income families living within the assessment area at 17.8 percent and 21.5 percent, respectively. The bank originated 28.6 percent of its home purchase loans to moderate-income borrowers. This performance is comparable to the aggregate at 27.2 percent and above the percentage of moderate-income families living within the assessment area at 19.9 percent.

#### *Refinance Loans*

In 2021, the bank originated 18.4 percent of its refinance loans to low-income borrowers, which is above the aggregate at 9.4 percent, but below the percentage of low-income families living within the assessment area at 21.5 percent. The bank originated 8.2 percent of its refinance loans to moderate-income borrowers. This performance is below the aggregate and the percentage of moderate-income families living within the assessment area at 20.1 percent and 19.9 percent, respectively.

The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	4	14.8	16.7	240	8.2	10.5	0	0.0	17.8	0	0.0	11.8	21.5
Moderate	9	33.3	26.1	726	24.9	21.6	8	28.6	27.2	655	20.8	23.2	19.9
Middle	4	14.8	19.5	347	11.9	21.7	7	25.0	19.5	492	15.6	20.4	22.3
Upper	9	33.3	20.2	1,401	48.0	29.0	12	42.9	18.9	1,888	60.0	28.4	36.4
Unknown	1	3.7	17.5	202	6.9	17.2	1	3.6	16.5	112	3.6	16.1	0.0
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>2,916</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>100.0</b>	<b>3,147</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	3	5.1	6.8	237	3.2	3.6	9	18.4	9.4	552	8.2	5.4	21.5
Moderate	13	22.0	16.9	1,040	13.9	11.9	4	8.2	20.1	376	5.6	14.5	19.9
Middle	9	15.3	19.9	1,131	15.1	18.1	9	18.4	22.5	926	13.7	20.2	22.3
Upper	24	40.7	33.6	4,327	57.7	44.5	25	51.0	29.9	4,718	70.0	39.4	36.4
Unknown	10	16.9	22.9	762	10.2	21.9	2	4.1	18.2	167	2.5	20.5	0.0
<b>Total</b>	<b>59</b>	<b>100.0</b>	<b>100.0</b>	<b>7,497</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>6,738</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	10.2	0	0.0	5.0	0	0.0	6.1	0	0.0	5.1	21.5
Moderate	1	16.7	18.8	190	18.8	14.5	0	0.0	18.8	0	0.0	12.8	19.9
Middle	0	0.0	22.6	0	0.0	21.3	3	50.0	26.0	195	47.2	17.5	22.3
Upper	5	83.3	35.5	823	81.2	42.0	2	33.3	39.2	209	50.6	45.7	36.4
Unknown	0	0.0	12.9	0	0.0	17.1	1	16.7	9.9	10	2.3	18.9	0.0
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>1,013</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>413</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													
Low	7	7.6	11.2	477	4.2	6.6	9	10.8	13.5	552	5.4	8.6	21.5
Moderate	23	25.0	20.5	1,956	17.1	15.8	12	14.5	23.2	1,031	10.0	18.7	19.9
Middle	13	14.1	19.3	1,478	12.9	19.2	19	22.9	20.8	1,613	15.7	20.0	22.3
Upper	38	41.3	26.8	6,551	57.3	37.0	39	47.0	24.3	6,815	66.2	33.6	36.4
Unknown	11	12.0	22.2	964	8.4	21.4	4	4.8	18.2	288	2.8	19.1	0.0
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>100.0</b>	<b>11,426</b>	<b>100.0</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>100.0</b>	<b>10,299</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

### Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 were reviewed, of which 77.8 percent by number were to businesses with gross revenues of \$1 million or less. This is below the gross revenue composition of small businesses in the assessment area, at 88.4 percent. However, 85.7 percent of the bank's small business loans to businesses with revenues of \$1 million



or less were also in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small businesses, demonstrating the bank’s ability to meet the credit needs of small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	7	77.8	374	40.5	88.4
<b>Over \$1 Million</b>	2	22.2	550	59.5	9.7
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.9
<b>Total</b>	9	100.0	924	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	6	66.7	234	25.3	
<b>\$100,001 - \$250,000</b>	2	22.2	290	31.4	
<b>\$250,001 - \$1 Million</b>	1	11.1	400	43.3	
<b>Total</b>	9	100.0	924	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	6	85.7	234	62.6	
<b>\$100,001 - \$250,000</b>	1	14.3	140	37.4	
<b>\$250,001 - \$1 Million</b>	0	0.0	0	0.0	
<b>Total</b>	7	100.0	374	100.0	
Source: 2021 FFIEC Census Data					
2021 Dun & Bradstreet Data					
2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

### Small Farm Lending

Small farm lending reflects reasonable penetration among farms of different revenue sizes. A sample of small farm loans originated in 2021 were reviewed, all of which were to farms with gross revenues of \$1 million or less. This is comparable to the gross revenue composition of small farms in the assessment area, at 99.2 percent. In addition, 57.1 percent of the bank’s small farm loans were in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are generally considered most beneficial for small farms, demonstrating the bank’s ability to meet the credit needs of small farms.

The following table presents the bank’s borrower distribution of small farm loans in 2021.

Distribution of 2021 Small Farm Lending By Revenue Size of Farms Assessment Area: Davenport-Moline-Rock Island, IA-IL MSA 19340					
	Bank Loans				Total Farms %
	#	#%	\$(000)	\$%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	7	100.0	804	100.0	99.2
<b>Over \$1 Million</b>	0	0.0	0	0.0	0.8
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	7	100.0	804	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	4	57.1	92	11.4	
<b>\$100,001 - \$250,000</b>	2	28.6	422	52.5	
<b>\$250,001 - \$500,000</b>	1	14.3	290	36.1	
<b>Total</b>	7	100.0	804	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	4	57.1	92	11.4	
<b>\$100,001 - \$250,000</b>	2	28.6	422	52.5	
<b>\$250,001 - \$500,000</b>	1	14.3	290	36.1	
<b>Total</b>	7	100.0	804	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## COMMUNITY DEVELOPMENT TEST

Midwest Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, donations, and community development services, as appropriate, considering the bank’s capacity and the availability of such opportunities for community development in the assessment area.

### Lending

During the evaluation period, the bank originated two community development loans totaling \$900,000. Both loans were directed towards an organization located in a local empowerment zone with the purpose of helping revitalize and stabilize the economically distressed area to spur small business development and opportunity. These loans are particularly responsive as community representatives indicated the growing focus of local municipalities to find new ways to attract, and retain, local residents and businesses to the area due to the population growth concerns. This performance represents an increase since the previous evaluation, during which time the bank originated one community development loan for \$360,000.

**Investments**

The bank did not make any new investments during the evaluation period within the assessment area. This volume is a decline in performance since the previous evaluation, when the bank made two qualified community development investments totaling approximately \$645,000. During the evaluation period, the bank made 11 qualified donations totaling \$4,750 within the assessment area. All of the recipient organizations focused on community services directed towards local low- and moderate-income individuals and areas. This volume is an improvement when compared to the previous evaluation, during which time the bank did not make any qualified donations.

**Services**

During the evaluation period, bank staff provided 24 qualified community development service hours serving at one organization within the assessment area. The service was performed at an organization providing community support services and programs targeted at low- and moderate-income individuals living within the local area. The current evaluation period included time during the COVID-19 pandemic, which hindered the bank’s ability to participate in service opportunities during the early stages. With that said, the bank’s performance improved when compared to the previous evaluation, during which time the bank provided no community development services within the assessment area.

The table below presents the bank’s community development activities during the evaluation period.

Community Development Activities by Purpose September 24, 2019 to January 30, 2023										
	AH		CS		ED		R/S		Total	Total
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	0	0	2	900,000	2	900,00
Investments	0	0	0	0	0	0	0	0	0	0
Donations	0	0	11	4,750	0	0	0	0	11	4,750
Services	0	0	1	24	0	0	0	0	1	24

## PEORIA, IL MSA #37900 – LIMITED REVIEW

### SCOPE OF EXAMINATION

Limited scope examination procedures were used to evaluate the bank's performance in the Peoria, MSA assessment area. There are no deviations from the scope discussed in the "Scope of Examination" section of this performance evaluation.

### DESCRIPTION OF INSTITUTION'S OPERATIONS

The bank's Peoria MSA assessment area includes portions of Peoria and Tazewell Counties, but excludes Fulton, Marshall, Stark, and Woodford Counties. The assessment area delineation has changed since the previous evaluation as it has been expanded to include several bordering low- and moderate-income census tracts, which were being adequately served by the bank and in close proximity to the sole branch location within the assessment area. Within the assessment area, the bank operates one branch location with a cash-only ATM, opened on April 1, 2019, located within a middle-income census tract. The assessment area is comprised of 40 census tracts, of which 20 are designated as low- or moderate-income census tracts.

According to the June 30, 2022, FDIC Deposit Market Share Report, Midwest Bank ranked 26<sup>th</sup> of 27 FDIC-insured financial institutions operating in Peoria and Tazewell Counties. The bank held \$8.4 million in deposits, representing 0.1 percent of the total deposit market share in the two counties. In comparison, the three largest financial institutions operating within the two counties by deposit market share are Morton Community Bank (36.2 percent), PNC Bank, N.A. (18.1 percent), and Busey Bank (8.5 percent).

Additional assessment area demographic information is provided in the following table.

2021 Peoria, IL MSA 37900 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	12	30.0	5,969	17.8	2,207	37.0	10,118	30.1
Moderate	8	20.0	7,496	22.3	1,556	20.8	6,094	18.1
Middle	15	37.5	16,320	48.6	1,295	7.9	6,645	19.8
Upper	5	12.5	3,792	11.3	152	4.0	10,720	31.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>40</b>	<b>100.0</b>	<b>33,577</b>	<b>100.0</b>	<b>5,210</b>	<b>15.5</b>	<b>33,577</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	13,543	3,857	11.1	28.5	7,151	52.8	2,535	18.7
Moderate	14,283	8,235	23.6	57.7	4,667	32.7	1,381	9.7
Middle	29,803	18,453	53.0	61.9	9,446	31.7	1,904	6.4
Upper	7,236	4,301	12.3	59.4	2,355	32.5	580	8.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>64,865</b>	<b>34,846</b>	<b>100.0</b>	<b>53.7</b>	<b>23,619</b>	<b>36.4</b>	<b>6,400</b>	<b>9.9</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,294	26.3	1,085	25.0	201	36.2	8	33.3
Moderate	805	16.4	730	16.8	71	12.8	4	16.7
Middle	2,252	45.8	2,004	46.2	238	42.8	10	41.7
Upper	566	11.5	518	11.9	46	8.3	2	8.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>4,917</b>	<b>100.0</b>	<b>4,337</b>	<b>100.0</b>	<b>556</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>88.2</b>		<b>11.3</b>		<b>0.5</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4	22.2	4	23.5	0	0.0	0	0.0
Middle	11	61.1	10	58.8	1	100.0	0	0.0
Upper	3	16.7	3	17.6	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>18</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>94.4</b>		<b>5.6</b>		<b>0.0</b>
<i>Source: 2021 FFIEC Census Data 2021 Dun &amp; Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

<b>Assessment Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>
Peoria MSA	Consistent	Consistent

### Geographic Distribution of Loans

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Peoria, IL MSA 37900													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	0	0.0	3.6	0	0.0	2.5	0	0.0	3.8	0	0.0	2.2	11.1
Moderate	0	0.0	20.8	0	0.0	14.7	1	6.3	21.4	107	3.0	15.6	23.6
Middle	3	42.9	62.0	268	11.6	64.2	14	87.5	61.9	3,145	88.6	64.0	53.0
Upper	4	57.1	13.6	2,048	88.4	18.6	1	6.3	13.0	300	8.4	18.2	12.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>100.0</b>	<b>2,316</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>3,552</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	0	0.0	2.8	0	0.0	1.4	1	50.0	3.1	300	68.2	1.7	11.1
Moderate	0	0.0	14.9	0	0.0	9.4	0	0.0	16.8	0	0.0	11.9	23.6
Middle	2	66.7	62.2	193	59.4	64.7	1	50.0	62.2	140	31.8	63.2	53.0
Upper	1	33.3	20.2	132	40.6	24.5	0	0.0	17.9	0	0.0	23.2	12.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>440</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	10.3	0	0.0	3.9	0	0.0	8.8	0	0.0	6.1	11.1
Moderate	0	0.0	20.0	0	0.0	18.7	0	0.0	24.8	0	0.0	18.6	23.6
Middle	0	0.0	60.0	0	0.0	64.8	1	50.0	44.2	2,400	90.6	42.7	53.0
Upper	0	0.0	9.7	0	0.0	12.5	1	50.0	22.1	250	9.4	32.6	12.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>2,650</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>													<b>Multi-family Units %</b>
Low	0	0.0	25.0	0	0.0	38.2	0	0.0	22.2	0	0.0	13.2	28.8
Moderate	0	0.0	18.8	0	0.0	7.9	0	0.0	22.2	0	0.0	7.3	9.3
Middle	0	0.0	45.8	0	0.0	29.5	1	50.0	41.7	330	62.3	50.4	46.4
Upper	0	0.0	10.4	0	0.0	24.5	1	50.0	13.9	200	37.7	29.0	15.4
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>530</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													<b>Owner Occupied Units %</b>
Low	0	0.0	4.2	0	0.0	4.8	1	4.5	4.0	300	4.2	2.4	11.1
Moderate	0	0.0	19.1	0	0.0	12.7	1	4.5	20.1	107	1.5	14.3	23.6
Middle	5	50.0	61.4	461	17.5	61.8	17	77.3	61.1	6,016	83.9	62.9	53.0
Upper	5	50.0	15.3	2,180	82.5	20.8	3	13.6	14.8	750	10.5	20.3	12.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	<b>2,641</b>	<b>100.0</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>100.0</b>	<b>7,172</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: Peoria, IL MSA 37900					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	26.3
Moderate	1	33.3	750	50.8	16.4
Middle	1	33.3	225	15.3	45.8
Upper	1	33.3	500	33.9	11.5
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>1,475</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
 2021 Dun & Bradstreet Data  
 2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2021 Small Farm Lending By Income Level of Geography					
Assessment Area: Peoria, IL MSA 37900					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	22.2
Middle	0	0.0	0	0.0	61.1
Upper	0	0.0	0	0.0	16.7
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
 2021 Dun & Bradstreet Data  
 2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.



Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Peoria, IL MSA 37900													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank			Agg			Bank			Agg			
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	1	14.3	18.2	212	9.2	12.0	2	12.5	19.1	212	6.0	12.0	30.1
Moderate	0	0.0	26.6	0	0.0	23.7	1	6.3	24.9	99	2.8	22.1	18.1
Middle	0	0.0	18.9	0	0.0	20.5	0	0.0	18.1	0	0.0	20.3	19.8
Upper	5	71.4	18.9	1,988	85.8	28.3	5	31.3	17.0	1,233	34.7	25.2	31.9
Unknown	1	14.3	17.4	116	5.0	15.4	8	50.0	20.9	2,009	56.5	20.4	0.0
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>100.0</b>	<b>2,316</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>3,552</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	0	0.0	6.1	0	0.0	3.4	0	0.0	9.4	0	0.0	5.5	30.1
Moderate	0	0.0	16.2	0	0.0	11.1	0	0.0	19.8	0	0.0	15.1	18.1
Middle	1	33.3	21.9	132	40.6	18.9	0	0.0	22.5	0	0.0	20.2	19.8
Upper	1	33.3	35.7	125	38.5	44.3	1	50.0	27.1	140	31.8	37.0	31.9
Unknown	1	33.3	20.1	68	20.9	22.3	1	50.0	21.1	300	68.2	22.3	0.0
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>440</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	6.9	0	0.0	5.7	0	0.0	0.9	0	0.0	0.7	30.1
Moderate	0	0.0	8.3	0	0.0	6.9	0	0.0	8.0	0	0.0	4.9	18.1
Middle	0	0.0	5.5	0	0.0	4.1	0	0.0	8.0	0	0.0	12.1	19.8
Upper	0	0.0	22.8	0	0.0	31.6	1	50.0	15.0	250	9.4	35.2	31.9
Unknown	0	0.0	56.6	0	0.0	51.7	1	50.0	68.1	2,400	90.6	47.1	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>2,650</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													
Low	1	10.0	12.9	212	8.0	8.2	2	10.0	15.0	212	3.2	9.5	30.1
Moderate	0	0.0	20.6	0	0.0	17.5	1	5.0	22.1	99	1.5	19.2	18.1
Middle	1	10.0	18.2	132	5.0	18.8	0	0.0	18.9	0	0.0	19.9	19.8
Upper	6	60.0	23.5	2,113	80.0	33.4	7	35.0	19.8	1,623	24.4	29.0	31.9
Unknown	2	20.0	24.7	184	7.0	22.0	10	50.0	24.1	4,709	70.9	22.4	0.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	<b>2,641</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	<b>6,642</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

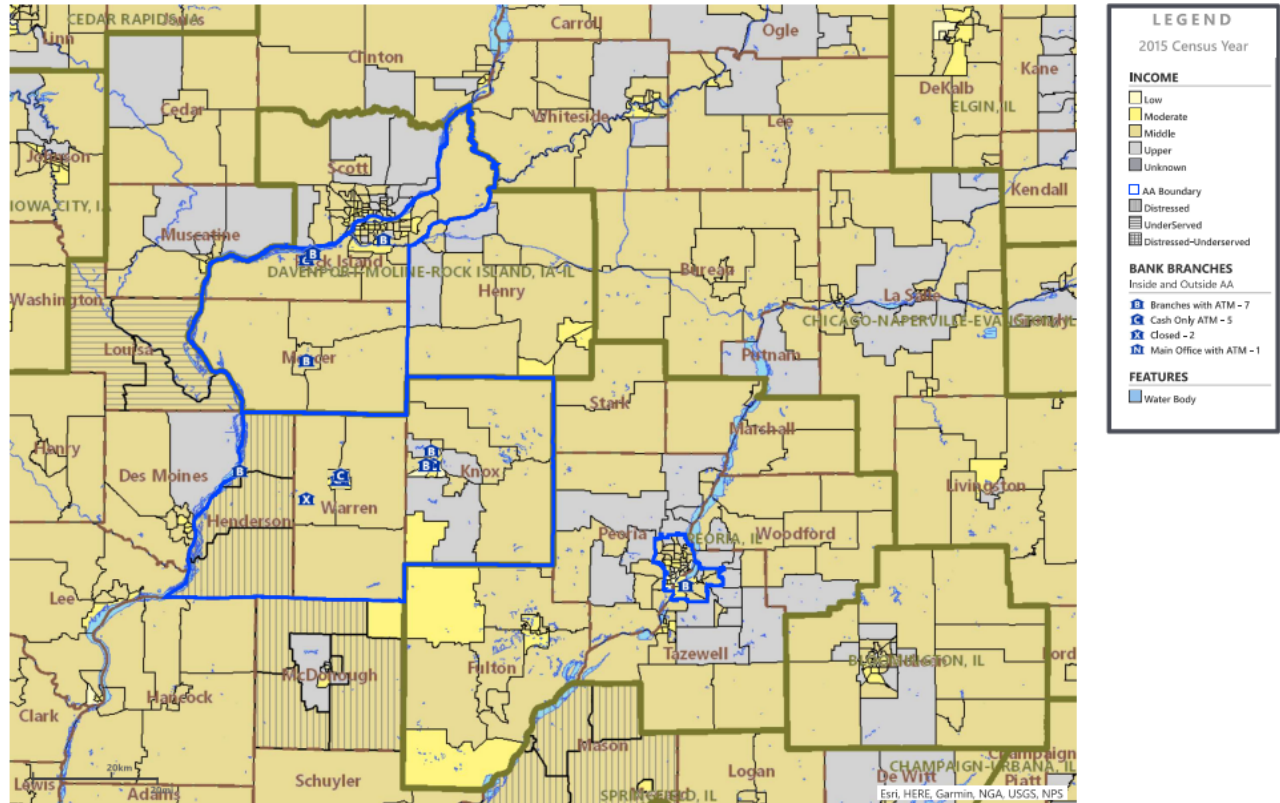
Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Peoria, IL MSA 37900					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	1	33.3	225	15.3	88.2
<b>Over \$1 Million</b>	2	66.7	1,250	84.7	11.3
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.5
<b>Total</b>	3	100.0	1,475	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	0	0.0	0	0.0	
<b>\$100,001 - \$250,000</b>	1	33.3	225	15.3	
<b>\$250,001 - \$1 Million</b>	2	66.7	1,250	84.7	
<b>Total</b>	3	100.0	1,475	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	0	0.0	0	0.0	
<b>\$100,001 - \$250,000</b>	1	100.0	225	100.0	
<b>\$250,001 - \$1 Million</b>	0	0.0	0	0.0	
<b>Total</b>	1	100.0	225	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Distribution of 2021 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Peoria, IL MSA 37900					
	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	0	0.0	0	0.0	94.4
<b>Over \$1 Million</b>	0	0.0	0	0.0	5.6
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	0	0.0	0	0.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	0	0.0	0	0.0	
<b>\$100,001 - \$250,000</b>	0	0.0	0	0.0	
<b>\$250,001 - \$500,000</b>	0	0.0	0	0.0	
<b>Total</b>	0	0.0	0	0.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	0	0.0	0	0.0	
<b>\$100,001 - \$250,000</b>	0	0.0	0	0.0	
<b>\$250,001 - \$500,000</b>	0	0.0	0	0.0	
<b>Total</b>	0	0.0	0	0.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Community Development Activities by Purpose September 24, 2019 to January 30, 2023										
	AH		CS		ED		R/S		Total #	Total \$/Hours
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours		
Lending	0	0	0	0	0	0	1	1,256,570	1	1,256,570
Investments	0	0	1	380,000	0	0	0	0	1	380,000
Donations	0	0	3	1,750	0	0	0	0	1	1,750
Services	0	0	1	28	0	0	0	0	1	28

### APPENDIX A – Map of Assessment Areas

**Midwest Bank 709143**  
 Combined Assessment Area



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	Lending Test: HMDA-reportable Loans: January 1, 2020, to December 31, 2021 Small Business and Small Farm Loans: January 1, 2021, to December 31, 2021  Community Development Test: September 24, 2019, to January 30, 2023		
<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>		
Midwest Bank	HMDA-Reportable Loans Small Business Loans Small Farm 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
Non-MSA Illinois	Full Scope	N/A	N/A
Rock Island MSA	Full Scope	N/A	N/A
Peoria MSA	Limited Scope	N/A	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.

**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 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

---

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

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, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes 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 production 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).