

# PUBLIC DISCLOSURE

January 22, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Libertyville Bank and Trust Company  
RSSD# 2339795

507 N. Milwaukee Ave.  
Libertyville, Illinois 60048

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.

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**INSTITUTION'S RATING**

**Libertyville Bank and Trust Company Overall CRA Rating: Outstanding**

**Performance Test Rating Table**

The following table indicates the performance level of Libertyville Bank and Trust with respect to the lending, investment, and service test.

| Performance Levels        | Performance Tests |                 |              |
|---------------------------|-------------------|-----------------|--------------|
|                           | Lending Test      | Investment Test | Service Test |
| Outstanding               |                   | X               | X            |
| High Satisfactory         | X                 |                 |              |
| Low Satisfactory          |                   |                 |              |
| Needs to Improve          |                   |                 |              |
| Substantial Noncompliance |                   |                 |              |

*\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating*

**Summary of Major Factors that Support the Rating**

**Lending Test:**

- Lending levels reflect good responsiveness to assessment area credit needs.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses of different sizes.
- Lending exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses.

- The bank makes extensive use of innovative and flexible lending practices in serving assessment area credit needs.

Investment Test:

- Investment activities demonstrate an excellent level of qualified community development investments and grants, often in a leadership position.
- The bank occasionally used innovative investments to support community development initiatives.
- Investments exhibit excellent responsiveness to the assessment area's credit and community development needs.

Service Test:

- Delivery systems are readily accessible to the bank's geographies and individuals of different income levels in the assessment area;
- Services are tailored to the convenience and needs of the bank's assessment area, particularly in low- and moderate-income geographies and individuals; and
- The bank is a leader in providing community development services.

## DESCRIPTION OF INSTITUTION

Libertyville Bank and Trust Company (LBTC), with assets of \$1.37 billion as of September 30, 2017, is a wholly-owned subsidiary of Wintrust Financial Corporation (WFC), a multi-bank holding company located in Rosemont, Illinois. WFC controls 15 chartered banks operating in the metropolitan Chicago and southern Wisconsin areas. WFC operates a community bank model in which each banking subsidiary is locally controlled and managed. Wintrust Mortgage Corporation (Wintrust Mortgage) is a mortgage subsidiary operated by an affiliated bank. The majority of WFC affiliate bank home mortgage applications are processed by Wintrust Mortgage.

The bank's main office is located in Libertyville, Illinois, approximately 40 miles north of downtown Chicago. In addition to the main office, operations are conducted through six branch locations, and one drive up facility, as well as eight full-service automated teller machines (ATMs) located in Lake County, Illinois. In February 2017, the bank closed a branch and full-service ATM located in Island Lake, Illinois.

The bank offers a wide variety of non-complex deposit and lending products, as well as standard banking services to consumers. According to the September 30, 2017, Uniform Bank Performance Report (UBPR), LBTC is primarily a commercial lender with 73.0 percent by dollar volume of its loan portfolio concentrated in commercial related activities. Consumer lending represents 17.2 percent of the loan portfolio by dollar volume. Details of the allocation of the bank's loan portfolio are provided in the table below.

| Loan Portfolio Composition as of September 30, 2017                    |                               |                |
|------------------------------------------------------------------------|-------------------------------|----------------|
| Loan Type                                                              | Dollar Volume<br>(\$ in 000s) | % of Portfolio |
| Agricultural                                                           | 0                             | 0.0            |
| Commercial, including real estate secured                              | 802,013                       | 73.0           |
| Consumer                                                               | 189,169                       | 17.2           |
| Residential Real Estate                                                | 96,903                        | 8.8            |
| Other                                                                  | 10,374                        | .9             |
| Total                                                                  | 1,098,459                     | 100.0          |
| <i>Note: Percentages may not add to 100.0 percent due to rounding.</i> |                               |                |

The bank also offers products that support credit and deposit account access to low- and moderate-income individuals and small businesses, including small dollar and certificate of deposit secured loans for consumers, small dollar business loans requiring less supporting documentation and deposit accounts with low or no minimum balance requirements. In addition to the branch network, customers have access to their accounts via phone, internet, remote deposit capture, and mobile banking.

The bank markets its products and services to its assessment area using a variety of media including, in-branch signage, direct mailings, newspaper advertisements, and email and online advertisements.

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

At the previous evaluation conducted dated September 21, 2015, the bank was rated Satisfactory under the CRA.

## SCOPE OF THE EXAMINATION

Libertyville Bank and Trust Company's CRA performance was evaluated using the Federal Financial Institutions Examination Council's Interagency Large Institution CRA Examination Procedures. The CRA performance evaluation assesses the bank's responsiveness and effectiveness in meeting the credit and community development needs of its assessment area. The bank's performance was evaluated within the context of information about the institution including asset size, financial condition, and competitive factors as well as consideration of the economic and demographic characteristics of its assessment area.

The bank operates in the Chicago-Naperville-Elgin, Illinois-Wisconsin Metropolitan Statistical Area (MSA) #16980; specifically Lake County in the Lake County-Kenosha IL-WI Metropolitan Division #29404. The Lake MD consists of Lake County, Illinois and Kenosha County, Wisconsin.

Libertyville Bank and Trust recently changed its assessment area to include only Lake County in its entirety, as the bank closed its Island Lake, Illinois, office on February 24, 2017. This evaluation is based on the lending review period for HMDA-reportable and CRA-reportable loans from 2015, and 2016, when the Island Lake, Illinois branch was operational; therefore, the three townships in McHenry County in the Chicago-Naperville-Arlington Heights, IL MD #16974 that were removed by bank management when the branch was closed, were included in the assessment area for this evaluation. The Lake County and McHenry townships assessment area will be referred as the bank's assessment area for this evaluation.

The bank's performance was evaluated using the following performance standards:

- *Lending Activity* - HMDA-reportable and CRA-reportable small business loans were reviewed to determine the bank's responsiveness to the credit needs in the bank's assessment area from January 1, 2015, through December 31, 2016.
- *Lending in the Assessment Area* - HMDA-reportable and CRA-reportable small business loans were reviewed to determine the percentage of loans originated in the assessment area from January 1, 2015, through December 31, 2016.
- *Geographic Distribution of Lending in the Assessment Area* - HMDA-reportable and CRA-reportable small business loans were analyzed to determine the extent to which the bank is making loans in census tracts of different income levels, including those designated as low- or moderate-income from January 1, 2015, through December 31, 2016.
- *Lending to Borrowers of Different Income and Businesses of Different Sizes* - HMDA-reportable and CRA-reportable loans were analyzed to determine the loan distribution among borrowers and businesses of different income and revenue levels from January 1, 2015, through December 31, 2016.
- *Community Development Lending* - The number, volume, innovativeness, and complexity of community development loans were reviewed from September 21, 2015, to January 22, 2018.
- *Innovative or Flexible Lending Practices* - The degree to which the bank uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals, small businesses, and geographies.
- *Investments* - Qualified investments from September 21, 2015, through January 22, 2018 were reviewed to determine the bank's responsiveness to community development needs. Qualified investments were also evaluated to determine the bank's use of innovative or complex investments.

- *Services* – The distribution of the bank’s branch offices, banking services, hours of operation, availability of loan and deposit products, and the extent and innovativeness of community development services were reviewed from September 21, 2015, through January 22, 2018.
- *Community Contacts* – Information obtained through discussion with three community representatives, two with a focus on affordable housing, and one on economic development, was considered in the overall evaluation.

#### DESCRIPTION OF INSTITUTION’S OPERATIONS IN CHICAGO-NAPERVILLE-ELGIN, IL-IN-WI MSA 16980

Libertyville Bank and Trust’s assessment area includes all 154 census tracts in Lake County and 32 census tracts in three townships, McHenry, Nunda, and Algonquin, in McHenry County in the Chicago MSA #16980. The bank has 186 census tracts in the assessment area. The assessment area consists of nine low-, 30 moderate-, 65 middle-, 79 upper-, and 3 unknown income census tracts located across two counties, Lake and McHenry. Three of the branches are located in moderate-income census tracts.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report dated June 30, 2017 Libertyville Bank and Trust ranked 6th out of 36 FDIC-insured institutions operating in Lake County, Illinois with a market share of 5.3 percent. The top four financial institutions in the area are JP Morgan Chase Bank, Lake Forest Bank and Trust Company, First Midwest Bank, and BMO Harris Bank. Data for the bank’s market share in McHenry County is not available for this evaluation.

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

| Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980 |                                 |                                    |                          |                  |                                                    |                      |                           |              |
|--------------------------------------------------------------------|---------------------------------|------------------------------------|--------------------------|------------------|----------------------------------------------------|----------------------|---------------------------|--------------|
| Income Categories                                                  | Tract Distribution              |                                    | Families by Tract Income |                  | Families < Poverty Level as % of Families by Tract |                      | Families by Family Income |              |
|                                                                    | #                               | %                                  | #                        | %                | #                                                  | %                    | #                         | %            |
| Low-income                                                         | 9                               | 4.8                                | 6,822                    | 3.0              | 1,523                                              | 22.3                 | 38,613                    | 17.2         |
| Moderate-income                                                    | 30                              | 16.1                               | 33,696                   | 15.0             | 3,165                                              | 9.4                  | 36,666                    | 16.3         |
| Middle-income                                                      | 65                              | 34.9                               | 85,039                   | 37.9             | 3,646                                              | 4.3                  | 47,593                    | 21.2         |
| Upper-income                                                       | 79                              | 42.5                               | 98,883                   | 44.1             | 2,238                                              | 2.3                  | 101,579                   | 45.3         |
| Unknown-income                                                     | 3                               | 1.6                                | 11                       | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                       | <b>186</b>                      | <b>100.0</b>                       | <b>224,451</b>           | <b>100.0</b>     | <b>10,572</b>                                      | <b>4.7</b>           | <b>224,451</b>            | <b>100.0</b> |
|                                                                    | Housing Units by Tract          | Housing Types by Tract             |                          |                  |                                                    |                      |                           |              |
|                                                                    |                                 | Owner-Occupied                     |                          |                  | Rental                                             |                      | Vacant                    |              |
|                                                                    |                                 | #                                  | %                        | %                | #                                                  | %                    | #                         | %            |
| Low-income                                                         | 11,963                          | 4,480                              | 1.9                      | 37.4             | 5,828                                              | 48.7                 | 1,655                     | 13.8         |
| Moderate-income                                                    | 53,131                          | 30,284                             | 12.6                     | 57.0             | 17,817                                             | 33.5                 | 5,030                     | 9.5          |
| Middle-income                                                      | 128,403                         | 94,710                             | 39.3                     | 73.8             | 24,874                                             | 19.4                 | 8,819                     | 6.9          |
| Upper-income                                                       | 131,424                         | 111,388                            | 46.2                     | 84.8             | 12,942                                             | 9.8                  | 7,094                     | 5.4          |
| Unknown-income                                                     | 11                              | 0                                  | 0.0                      | 0.0              | 11                                                 | 100.0                | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                       | <b>324,932</b>                  | <b>240,862</b>                     | <b>100.0</b>             | <b>74.1</b>      | <b>61,472</b>                                      | <b>18.9</b>          | <b>22,598</b>             | <b>7.0</b>   |
|                                                                    | Total Businesses Tract          | Businesses by Tract & Revenue Size |                          |                  |                                                    |                      |                           |              |
|                                                                    |                                 | Less Than or = \$1 Million         |                          | Over \$1 Million |                                                    | Revenue Not Reported |                           |              |
|                                                                    |                                 | #                                  | %                        | #                | %                                                  | #                    | %                         | #            |
| Low-income                                                         | 484                             | 1.3                                | 446                      | 1.3              | 32                                                 | 0.8                  | 6                         | 2.0          |
| Moderate-income                                                    | 3,782                           | 9.9                                | 3,360                    | 9.9              | 384                                                | 9.7                  | 38                        | 12.8         |
| Middle-income                                                      | 13,415                          | 35.1                               | 11,939                   | 35.2             | 1,391                                              | 35.1                 | 85                        | 28.5         |
| Upper-income                                                       | 20,492                          | 53.7                               | 18,169                   | 53.6             | 2,154                                              | 54.4                 | 169                       | 56.7         |
| Unknown-income                                                     | 3                               | 0.0                                | 3                        | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                       | <b>38,176</b>                   | <b>100.0</b>                       | <b>33,917</b>            | <b>100.0</b>     | <b>3,961</b>                                       | <b>100.0</b>         | <b>298</b>                | <b>100.0</b> |
|                                                                    | Percentage of Total Businesses: |                                    |                          | 88.8             |                                                    | 10.4                 |                           | 0.8          |
|                                                                    | Total Farms by Tract            | Farms by Tract & Revenue Size      |                          |                  |                                                    |                      |                           |              |
|                                                                    |                                 | Less Than or = \$1 Million         |                          | Over \$1 Million |                                                    | Revenue Not Reported |                           |              |
|                                                                    |                                 | #                                  | %                        | #                | %                                                  | #                    | %                         | #            |
| Low-income                                                         | 0                               | 0.0                                | 0                        | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| Moderate-income                                                    | 15                              | 5.5                                | 14                       | 5.5              | 1                                                  | 6.3                  | 0                         | 0.0          |
| Middle-income                                                      | 107                             | 39.5                               | 101                      | 39.6             | 6                                                  | 37.5                 | 0                         | 0.0          |
| Upper-income                                                       | 149                             | 55.0                               | 140                      | 54.9             | 9                                                  | 56.3                 | 0                         | 0.0          |
| Unknown-income                                                     | 0                               | 0.0                                | 0                        | 0.0              | 0                                                  | 0.0                  | 0                         | 0.0          |
| <b>Total Assessment Area</b>                                       | <b>271</b>                      | <b>100.0</b>                       | <b>255</b>               | <b>100.0</b>     | <b>16</b>                                          | <b>100.0</b>         | <b>0</b>                  | <b>0.0</b>   |
|                                                                    | Percentage of Total Farms:      |                                    |                          | 94.1             |                                                    | 5.9                  |                           | 0.0          |

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

### Population Characteristics

The data in the following table presents the population changes for all the political subdivisions in which the bank’s assessment area is located, as well as population changes in the state of Illinois. All political subdivisions experienced population growth. McHenry County experienced the largest growth, while both McHenry and Lake Counties had significantly higher growth rates than the state of Illinois. One of the community representatives indicated that some of the increase in population in the assessment area was from families moving from Cook County for better employment and schooling opportunities, as the area has seen a large expansion of jobs.

| Population Change                           |                    |                    |                      |
|---------------------------------------------|--------------------|--------------------|----------------------|
| Area                                        | 2000<br>Population | 2010<br>Population | Percentage<br>Change |
| McHenry County, IL                          | 260,077            | 308,760            | 18.7                 |
| Lake County, IL                             | 644,356            | 703,462            | 9.2                  |
| Chicago-Naperville-Arlington Heights, IL MD | 7,135,324          | 7,262,718          | 1.8                  |
| Lake County-Kenosha County, IL-WI MD        | 793,933            | 869,888            | 9.6                  |
| State of Illinois                           | 12,419,293         | 12,830,632         | 3.31                 |

Source: 2000 and 2010 – U.S. Census Bureau: Decennial Census

### Income Characteristics

Median family income throughout the political subdivisions included in the analysis and the state of Illinois, have all experienced similar growth. The assessment area contains nine low-income (4.8 percent) and 30 moderate-income (16.1 percent) census tracts out of a total of 186 census tracts. In 2010, median income in Lake County was \$91,693 according to the U.S. Census Bureau. While McHenry County is less affluent than Lake County, it is still significantly higher than the rest of the Chicago MD. The increases in median family income from 2000 to 2010 for all subdivisions were similar, ranging from 20.0 percent to 22.8 percent growth.

Overall, 17.2 percent of families in the assessment area are designated as low-income families, and 16.3 percent are designated as moderate-income families. The Chicago MD’s percentage of families designated as low-income and moderate-income is below that of the assessment area at 12.3 percent and 14.7 percent, respectively. Lake County MD’s percentage of families designated as low-income and moderate-income is above that of the assessment area at 18.5 percent and 16.8 percent, respectively. The percentage of families below poverty in the assessment area is 4.7 percent. The Chicago and Lake County MD’s percentage of families below poverty are in line with the assessment area at 4.3 percent and 4.8 percent respectively.

The table below presents income characteristics between 2000 and 2006-2010 in the counties comprised of the assessment area, the MDs, and the state.

| Median Family Income Change                  |                                             |                                                  |                   |
|----------------------------------------------|---------------------------------------------|--------------------------------------------------|-------------------|
| Area                                         | 2000 Median Family Income (In 1999 Dollars) | 2006-2010 Median Family Income (In 2010 Dollars) | Percentage Change |
| McHenry County, IL                           | 71,553                                      | 86,698                                           | 21.2              |
| Lake County, IL                              | 76,424                                      | 91,693                                           | 20.0              |
| Chicago-Naperville-Arlington Heights, IL MID | 60,166                                      | 72,196                                           | 20.0              |
| Lake County-Kenosha County, IL-WI MD         | 71,293                                      | 86,241                                           | 21.0              |
| State of Illinois                            | 55,545                                      | 68,236                                           | 22.8              |

Source: U.S. Census Bureau 2000 Decennial Census; 2006-2010 American Community Survey

### Housing Characteristics and Affordability

Housing characteristics are based on 2000 census data and 2006 – 2010 American Community Survey data. Median housing values and median gross rents increased significantly between the 2000 census and the 2006 – 2010 American Community Survey. Increases in median housing values outpaced the increases in median gross rents; the range of housing value increases over the period was 49.2 percent (McHenry County) to 50.0 percent (Lake County), while the range of increases in median gross rents over the same period was 31.1 percent (McHenry County) to 29.8 percent (Lake County).

The median rents in McHenry County are higher than the rest of the Chicago MD and the state of Illinois. Similarly, median rents in Lake County are higher than the rest of the Lake County, MD and the state. Of the two MD's, Lake County has the lowest median housing values of the compared geographies, at \$256,403, increasing 49.8 percent from 2000 to 2010 while the Chicago MD has seen an increase of 67.7 percent. The state of Illinois experienced an increase in median housing value of 58.5 percent from 2000 to 2010. Consequently, this data, as well as information from community representatives, indicates affordable housing is one of the assessment area's primary concerns for low- and moderate-income families.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2006-2010 American Community Survey data, the affordability ratio for the counties in the assessment area are lower than the affordability ratios of the state, indicating that housing is less affordable in the assessment area.

| <b>Housing Costs Change<br/>2000 and 2010</b>  |                                              |                                                   |                                           |                                            |                                |
|------------------------------------------------|----------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------|
| <b>Area</b>                                    | <b>2000<br/>Median<br/>Housing<br/>Value</b> | <b>2006-2010<br/>Median<br/>Housing<br/>Value</b> | <b>2000<br/>Median<br/>Gross<br/>Rent</b> | <b>2006-2010<br/>Median<br/>Gross Rent</b> | <b>Affordability<br/>Ratio</b> |
| McHenry County, IL                             | 167,400                                      | 249,700                                           | 761                                       | 998                                        | 0.31                           |
| Lake County, IL                                | 191,600                                      | 287,300                                           | 742                                       | 963                                        | 0.35                           |
| Chicago-Naperville-Arlington Heights, IL<br>MD | 159,773                                      | 267,990                                           | 665                                       | 914                                        | 0.22                           |
| Lake County-Kenosha County, IL-WI MD           | 171,126                                      | 256,403                                           | 694                                       | 909                                        | 0.36                           |
| State of Illinois                              | 127,800                                      | 202,500                                           | 605                                       | 834                                        | 0.36                           |

Source: U.S. Census Bureau 2000 Decennial Census; 2006-2010 American Community Survey

### Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. Foreclosure inventory rates in the state of Illinois and assessment area have declined since 2012 when the rate was 6.7 percent, indicating that the housing crisis that affected much of the nation, including the assessment area has abated. As of the latest report, October 2016, the state of Illinois' foreclosure inventory rate was 1.5 percent, which is comparable Lake County at 1.4 percent and McHenry County at 1.5 percent.

### Employment Conditions

The unemployment rate in both McHenry and Lake Counties were lower than those in the state of Illinois between 2011 and 2014, the most recent years for which such data was available. In 2014, the unemployment rate in McHenry County, at 6.4 percent, was below the rate in the rest of the Chicago MD and the state of Illinois, both at 7.1 percent. The unemployment rate in Lake County, at 6.5 percent, was similar to rest of Lake County, MD, but below the rest of the state. Decreases in unemployment across all geographical divisions between 2011 and 2014 were similar. A community representative indicated that there has been a great deal of business expansion and employment opportunities have grown across the assessment area.

| Recent Unemployment Rates                   |          |          |          |          |
|---------------------------------------------|----------|----------|----------|----------|
| Area                                        | 2011 (%) | 2012 (%) | 2013 (%) | 2014 (%) |
| McHenry County, IL                          | 9.4      | 8.4      | 8.3      | 6.4      |
| Lake County, IL                             | 9.4      | 8.7      | 8.7      | 6.5      |
| Chicago-Naperville-Arlington Heights, IL MD | 10.0     | 8.9      | 9.2      | 7.1      |
| Lake County-Kenosha County, IL-WI MD        | 9.4      | 8.6      | 8.5      | 6.4      |
| State of Illinois                           | 9.8      | 8.9      | 9.2      | 7.1      |

Source: Bureau of Labor Statistics: Local Area Unemployment Rates

### Industry Characteristics

The following table presents the largest employers operating in McHenry and Lake County, Illinois. The bank's assessment area contains a diverse employer base that includes a variety of industries with some of the largest employment sectors in food products, health care, schools, and the manufacturing industry. While the assessment area's largest employers are major corporations, 88.8 percent of area businesses report annual revenues of \$1 million or less. The data indicates that small businesses employ a substantial percentage of the assessment area's population, underscoring their importance to the local economy. A community representative indicated that the local economy has completely recovered from the recession and business expansion and job growth is strong in the assessment area. Specifically, the representative mentioned the growth in component manufacturing, pharmaceuticals, and medical device manufacturing.

| Largest Employers in the Assessment Area |                     |                                                         |
|------------------------------------------|---------------------|---------------------------------------------------------|
| Company                                  | Number of Employees | Industry                                                |
| General Mills Inc.                       | 5,000               | Food Products (Wholesale)                               |
| Centegra Physician Care-Ob/Gyn           | 3,500               | Physicians & Surgeons                                   |
| Memorial Medical Center                  | 1,600               | Clinics                                                 |
| Huntley Consolidated School District     | 1,200               | School Districts                                        |
| Centegra Hospital-McHenry                | 1,019               | Hospitals                                               |
| Tru Cut Manufacturing                    | 751                 | Mason Contractors Equipment & Suppliers-Manufacturers   |
| Medcor Inc.                              | 700                 | Physicians & Surgeons Equipment & Suppliers-Wholesalers |
| Centegra Specialty Hospital              | 700                 | Mental Health Services                                  |
| Centegra Hospital-Woodstock              | 636                 | Hospitals                                               |
| Scot Forge Co                            | 600                 | Forgings (Manufacturers)                                |

## Community Contacts

Three community representatives, with a focus on affordable housing and economic development, were contacted to increase understanding of the credit needs and market conditions within the assessment area. The representatives provided substantial information on the local economies. One contact stated that Lake County has had a great deal of business expansion and job growth. Another contact that worked with affordable housing indicated that, in many communities, there is a lack of affordable housing. A third contact indicated that, although there has been a great deal of job expansion, wages have not kept up with the cost of housing in the assessment area. Overall, the contacts noted that financial institutions in the communities are supportive of their initiatives and are always willing to assist where it is needed.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

Libertyville Bank's performance relative to the lending test is rated High Satisfactory. Lending levels reflect good responsiveness to the assessment area's credit needs and the geographic distribution of the bank's lending reflects good penetration throughout the assessment area, including in low- and moderate-income census tracts. The distribution of the bank's borrowers reflects, given the product lines offered, good penetration among customers of different income levels and to business of different sizes. The bank exhibits a good record of serving the credit needs of low-income individuals and very small businesses. The bank made a relatively high level of community development loans within its assessment area during the evaluation period. The bank's lending exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses. The bank makes extensive use of innovative and flexible lending practices in serving assessment area credit needs.

The bank's geographic and borrower distribution of lending discussed in the lending test conclusions relies upon 2016 aggregate comparisons and demographic data based on the 2010 U.S. Census. Tables containing the bank's 2015 geographic and borrower distribution of loans are provided in Appendix B.

### Level of Lending Activity

The bank's direct small business loan originations, coupled with the purchase of affiliate small business loans in the evaluation period, demonstrates good responsiveness to assessment area credit needs. During the review period, Libertyville Bank's lending activity comprised 11,067 loans for a total of \$470.7 million. The level of lending activity represents a significant increase by both the number of loans and the dollar volume of small business loans because of loans purchased from a Wintrust affiliate; in the previous evaluation such loans were not included. Although the number of the bank's direct small business loan originations decreased 33.9 percent

from 1,231 at the previous evaluation to 814 in the current evaluation, the previous evaluation was over a three year period while the time period for this evaluation is two years. The number of HMDA-reportable loans decreased by 31.1 percent in the current period to 84 loans, from 122 loans in the prior evaluation period; however, the time period was reduced. The bank is primarily a commercial lender; small business lending represents 99.0 percent by number and 88.0 percent by dollar volume of total loans. Additionally, the bank uses an affiliate mortgage lender for the majority of its HMDA loans. As a result, greater emphasis was applied to small business loans to reflect the bank's primary focus as a commercial lender.

The table below represents Libertyville Bank's lending activity during 2015 and 2016.

| Summary of Lending Activity<br>HMDA and CRA Reportable Loans 2015 and 2016 |               |             |                |              |
|----------------------------------------------------------------------------|---------------|-------------|----------------|--------------|
| Type of Loan                                                               | #             | %           | \$ (000s)      | %            |
| Home Improvement                                                           | 10            | 0           | 4,675          | 0            |
| Home Purchase                                                              | 42            | 0           | 17,383         | 0            |
| Multi-Family Housing                                                       | 11            | 0           | 13,142         | 0            |
| Refinancing                                                                | 21            | 0           | 20,652         | 0            |
| <b>Total HMDA Reportable</b>                                               | <b>84</b>     | <b>1.0</b>  | <b>54,340</b>  | <b>12.0</b>  |
| <b>Total Small Business</b>                                                | <b>10,983</b> | <b>99.0</b> | <b>416,321</b> | <b>88.0</b>  |
| <b>Total Loans</b>                                                         | <b>11,067</b> | <b>100</b>  | <b>470,661</b> | <b>100.0</b> |

*Note: Percentages may not add to 100.0 percent due to rounding.  
 Affiliate loans include only loans originated or purchased within the bank's assessment areas.*

### Assessment Area Concentration

A very small percentage of loans were made inside the bank's assessment area during the evaluation period. Libertyville Bank made only 8.1 percent of total loans by number and 38.2 percent by dollar within the assessment area; this is due to the majority of the bank's small business loans being originated outside the assessment area. In 2016, the bank made a change to the reporting of loans purchased from an affiliate which originates a large volume of small business insurance financing, which resulted in a substantial increase in loans purchased from outside the assessment area. When these loans are excluded, the bank's assessment area concentration increases to 83.6 percent of total loans by number and 72.3 percent by dollar, which is consistent with the bank's performance in the previous examination period. Because the concentration rate is influenced so greatly by the purchase of affiliate loans, this component of the lending test received lesser weight than the other lending test components.

The following table presents the bank's lending inside and outside of the assessment area during the evaluation period.

| Assessment Area Concentration     |            |             |                |             |               |             |                |             |
|-----------------------------------|------------|-------------|----------------|-------------|---------------|-------------|----------------|-------------|
| Loan Type                         | Inside     |             |                |             | Outside       |             |                |             |
|                                   | #          | %           | \$ (000s)      | %           | #             | %           | \$ (000s)      | %           |
| Home Improvement                  | 6          | 60.0        | 2,446          | 52.3        | 4             | 40.0        | 2,229          | 47.7        |
| Home Purchase                     | 34         | 81.0        | 13,044         | 75.0        | 8             | 19.0        | 4,339          | 25.0        |
| Multi-Family Housing              | 4          | 36.4        | 6,032          | 29.2        | 7             | 63.6        | 14,620         | 70.8        |
| Refinancing                       | 16         | 76.2        | 9,235          | 79.4        | 5             | 23.8        | 2,395          | 20.6        |
| <b>Total HMDA-Reportable</b>      | <b>60</b>  | <b>71.4</b> | <b>30,757</b>  | <b>56.6</b> | <b>24</b>     | <b>28.6</b> | <b>23,583</b>  | <b>43.4</b> |
| <b>Total Small Business Loans</b> | <b>835</b> | <b>7.6</b>  | <b>149,114</b> | <b>35.8</b> | <b>10,147</b> | <b>92.4</b> | <b>266,893</b> | <b>64.2</b> |
| <b>Total Loans</b>                | <b>895</b> | <b>8.1</b>  | <b>179,871</b> | <b>38.2</b> | <b>10,171</b> | <b>91.9</b> | <b>290,476</b> | <b>61.8</b> |

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

### Geographic Distribution of Loans

The geographic distribution of Libertyville Bank's loans reflects good distribution in the assessment area based on the bank's small business and HMDA-reportable lending activities. The bank's delineated assessment area contains nine low-income census tracts and 30 moderate-income census tracts. Greater emphasis was applied to small business loans to reflect the bank's primary focus as a commercial lender and mortgage origination efforts primarily conducted through Wintrust Mortgage.

In 2015, Libertyville Bank made HMDA-reportable and small business loans in 46.8 percent of all census tracts in the assessment area; this included penetrating 51.3 percent of low- and moderate-income census tracts. The bank's performance rate increased in 2016, to 53.8 percent of all census tracts, and a similar 48.7 percent of all low- and moderate-income census tracts.

Libertyville outperformed the aggregate lenders in small business loans in low- and moderate-income census tracts in both 2015 and 2016. Similarly, the bank originated a higher percent of loans in low- and moderate income census tracts than the percentage of total businesses in these tracts. When its HMDA performance is compared to the aggregate of lenders and assessment area demographics, Libertyville's performance is good. In 2016, its HMDA-reportable lending was above aggregate lenders in both low- and moderate-income census tracts. With respect to small business lending, the bank's performance was similarly good. In 2015, the bank's HMDA-reportable lending performance was comparable to the aggregate of lenders, but slightly below the demographic in moderate-income census tracts. These numbers demonstrate that Libertyville Bank is meeting the mortgage related needs of those who live in the assessment area. They also demonstrate the bank's responsiveness to the needs of small businesses located in the assessment area.

A detailed discussion of HMDA-reportable and small business lending in relation to aggregate lenders and assessment area demographics is provided below. Unless otherwise stated, all comparisons in the section are made to the number of loans originated.

## HMDA-Reportable Lending

### *Home Purchase Loans*

In 2016, Libertyville Bank originated 14.3 percent of its home purchase loans in moderate-income census tracts, which was above aggregate lenders in the Chicago-Naperville-Elgin, IL-IN-WI MSA at 11.0 percent and the 12.6 percent of the owner occupied units in such tracts. Although the bank did not originate a home purchase loan in a low-income census tract, it was in line with aggregate lending which was at 1.0 percent and only slightly below the 1.9 percent of the assessment area's owner occupied units in low-income tracts. The bank made 28.6 percent of its home purchase loans in middle-income census tracts, which was below both aggregate lenders at 43.1 percent and the assessment area's owner occupied rate of 39.3 percent. Libertyville Bank originated 57.1 percent of its home purchase loans in upper-income census tracts, which was above both the aggregate lenders at 44.9 percent and the assessment area's owner occupied rate of 46.2 percent.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any home purchase loans in low-income census tracts. The bank originated 5.0 percent of its home purchase loans in moderate-income census tracts, which is below both aggregate at 10.4 percent and demographics at 12.6 percent.

### *Refinance Loans*

In 2016, Libertyville Bank originated 12.5 percent of its refinance loans in moderate-income census tracts, which was above aggregate lenders of 5.9 percent and similar to the assessment area's owner occupied rate of 12.6 percent. Although the bank did not originate any refinance loans in a low-income census tract, this rate is consistent with aggregate lenders at 0.4 percent, but slightly below the assessment area's owner occupied rate of 1.9 percent. The bank originated 25.0 percent of its refinance loans in middle-income census tracts, which is below both aggregate lenders at 34.8 percent and the assessment area's owner occupied rate of 39.3 percent. The bank originated 62.5 percent of its refinance loans in upper-income census tracts, which is similar to aggregate lenders at 58.9 percent and above the assessment area's owner occupied rate of 46.2 percent.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any home refinance loans in low- and moderate-income census tracts, which is consistent with aggregate lenders for low-income census tracts at 0.7 percent and demographics at 1.9 percent. The bank's lending in moderate-income census tracts was below aggregate with 6.6 percent and demographics at 12.6 percent.

### *Home Improvement Loans*

In 2016, Libertyville Bank originated no home improvement loans in low- and moderate-income census tracts, which is below both the aggregate lenders at 1.3 percent and 6.8 percent, and the assessment area's owner occupied rates of 1.9 percent and 12.6 percent, respectively. The bank made 75.0 percent of home improvement loans in middle-income census tracts compared to the 36.1 percent by the aggregate of lenders and the 39.3 percent of the assessment area's owner-occupied units. Libertyville Bank originated 25.0 percent of its home improvement loans in upper-income census tracts, which was significantly below the 55.9 percent done by the aggregate of lenders and the 46.2 percent of the assessment area's owner-occupied units.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any home improvement loans in low-income census tracts; however, the bank originated 50.0 percent of its home improvement loans in moderate-income census tracts, which is above aggregate at 7.9 percent and demographics at 12.6 percent.

### *Multifamily Loans*

In 2016, Libertyville Bank originated 33.3 percent of its multifamily loans in low-income census tracts, which is above the 14.0 percent made by the aggregate of lenders and above the 8.3 percent of the assessment area's multifamily units located in such tracts. The bank originated 66.7 percent of its multifamily loans in moderate-income census tracts, which is significantly above both the 25.6 percent made by the aggregate of lenders and the 27.1 percent of the assessment area's multifamily units located in such tracts. The bank made no multifamily loans in middle- and upper-income census tracts, which was below the 38.4 percent and 22.1 percent made by the aggregate of lenders, respectively. It was also below the 42.7 percent and 21.9 percent of the assessment area's multifamily units respectively.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any loans in low-income census tracts, which is below aggregate at 7.5 percent and demographics at 8.3 percent.

| Geographic Distribution of HMDA Reportable Loans                                                                            |                     |                                     |           |              |              |               |              |                           |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|-----------|--------------|--------------|---------------|--------------|---------------------------|
| Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980                                                          |                     |                                     |           |              |              |               |              |                           |
| Product Type                                                                                                                | Tract Income Levels | Bank & Aggregate Lending Comparison |           |              |              |               |              | Owner Occupied % of Units |
|                                                                                                                             |                     | 2016                                |           |              | Dollar       |               |              |                           |
|                                                                                                                             |                     | Count                               |           | Agg          | Bank         |               | Agg          |                           |
|                                                                                                                             |                     | #                                   | %         | %            | \$ (000s)    | \$ %          | \$ %         |                           |
| Home Purchase                                                                                                               | Low                 | 0                                   | 0.0       | 1.0          | 0            | 0.0           | 0.4          | 1.9                       |
|                                                                                                                             | Moderate            | 2                                   | 14.3      | 11.0         | 109          | 1.9           | 5.9          | 12.6                      |
|                                                                                                                             | Middle              | 4                                   | 28.6      | 43.1         | 1,288        | 22.8          | 34.5         | 39.3                      |
|                                                                                                                             | Upper               | 8                                   | 57.1      | 44.9         | 4,249        | 75.3          | 59.2         | 46.2                      |
|                                                                                                                             | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                             | <b>Total</b>        |                                     | <b>14</b> | <b>100.0</b> | <b>100.0</b> | <b>5,646</b>  | <b>100.0</b> | <b>100.0</b>              |
| Refinance                                                                                                                   | Low                 | 0                                   | 0.0       | 0.4          | 0            | 0.0           | 0.1          | 1.9                       |
|                                                                                                                             | Moderate            | 1                                   | 12.5      | 5.9          | 294          | 6.9           | 2.8          | 12.6                      |
|                                                                                                                             | Middle              | 2                                   | 25.0      | 34.8         | 1,440        | 33.8          | 25.3         | 39.3                      |
|                                                                                                                             | Upper               | 5                                   | 62.5      | 58.9         | 2,525        | 59.3          | 71.8         | 46.2                      |
|                                                                                                                             | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                             | <b>Total</b>        |                                     | <b>8</b>  | <b>100.0</b> | <b>100.0</b> | <b>4,259</b>  | <b>100.0</b> | <b>100.0</b>              |
| Home Improvement                                                                                                            | Low                 | 0                                   | 0.0       | 1.3          | 0            | 0.0           | 0.2          | 1.9                       |
|                                                                                                                             | Moderate            | 0                                   | 0.0       | 6.8          | 0            | 0.0           | 2.3          | 12.6                      |
|                                                                                                                             | Middle              | 3                                   | 75.0      | 36.1         | 683          | 40.6          | 20.9         | 39.3                      |
|                                                                                                                             | Upper               | 1                                   | 25.0      | 55.9         | 1,000        | 59.4          | 76.6         | 46.2                      |
|                                                                                                                             | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                             | <b>Total</b>        |                                     | <b>4</b>  | <b>100.0</b> | <b>100.0</b> | <b>1,683</b>  | <b>100.0</b> | <b>100.0</b>              |
| Multi-Family                                                                                                                | Low                 | 1                                   | 33.3      | 14.0         | 200          | 14.3          | 4.4          | 8.3                       |
|                                                                                                                             | Moderate            | 2                                   | 66.7      | 25.6         | 1,195        | 85.7          | 7.8          | 27.1                      |
|                                                                                                                             | Middle              | 0                                   | 0.0       | 38.4         | 0            | 0.0           | 52.1         | 42.7                      |
|                                                                                                                             | Upper               | 0                                   | 0.0       | 22.1         | 0            | 0.0           | 35.6         | 21.9                      |
|                                                                                                                             | Unknown             | 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>1,395</b>  | <b>100.0</b> | <b>100.0</b>              |
| HMDA Totals                                                                                                                 | Low                 | 1                                   | 3.4       | 0.7          | 200          | 1.5           | 0.4          | 1.9                       |
|                                                                                                                             | Moderate            | 5                                   | 17.2      | 8.4          | 1,598        | 12.3          | 4.2          | 12.6                      |
|                                                                                                                             | Middle              | 9                                   | 31.0      | 38.8         | 3,411        | 26.3          | 29.8         | 39.3                      |
|                                                                                                                             | Upper               | 14                                  | 48.3      | 52.1         | 7,774        | 59.9          | 65.7         | 46.2                      |
|                                                                                                                             | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                             | <b>Total</b>        |                                     | <b>29</b> | <b>100.0</b> | <b>100.0</b> | <b>12,983</b> | <b>100.0</b> | <b>100.0</b>              |
| Originations & Purchases<br>2016 FFIEC Census Data<br><i>Note: Percentages may not add to 100.0 percent due to rounding</i> |                     |                                     |           |              |              |               |              |                           |

### Small Business Lending

Libertyville Bank’s distribution of small business loans reflects good dispersion throughout the assessment area.

In 2016, Libertyville Bank originated 0.7 percent of its small business loans in low-income census tracts, which was consistent with aggregate lenders at 0.8 percent and just slightly below the 1.3 percent of total number of businesses located in low-income census tracts. The bank originated 13.1 percent of its small business loans in moderate-income census tracts, which is above the aggregate lending at 7.7 percent and the total number of businesses in moderate-income census tracts at 9.9 percent. Libertyville Bank originated 45.1 percent of its small business loans in middle-income census tracts which is above both the aggregate lending at 34.8 percent and the total number of businesses at 35.1 percent. The bank originated 41.1 percent of its small business loans in upper-income census tracts, which is below both aggregate lenders at 56.0 percent and total number of businesses at 53.7 percent. The bank’s performance in 2015 was consistent with the performance in 2016.

| <b>Geographic Distribution of Small Business Loans</b>                           |                     |                                     |              |              |               |              |                  |              |
|----------------------------------------------------------------------------------|---------------------|-------------------------------------|--------------|--------------|---------------|--------------|------------------|--------------|
| <b>Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980</b>        |                     |                                     |              |              |               |              |                  |              |
|                                                                                  | Tract Income Levels | Bank & Aggregate Lending Comparison |              |              |               |              | Total Businesses |              |
|                                                                                  |                     | 2016                                |              |              | Dollar        |              |                  |              |
|                                                                                  |                     | Count                               |              | Agg          | Bank          |              |                  | Agg          |
|                                                                                  |                     | Bank                                | Agg          | Agg          | Bank          | Agg          |                  |              |
|                                                                                  |                     | #                                   | %            | %            | \$ (000s)     | \$ %         | \$ %             | %            |
| Small Business                                                                   | Low                 | 3                                   | 0.7          | 0.8          | 760           | 1.0          | 0.5              | 1.3          |
|                                                                                  | Moderate            | 56                                  | 13.1         | 7.7          | 8,073         | 10.7         | 7.6              | 9.9          |
|                                                                                  | Middle              | 192                                 | 45.1         | 34.8         | 38,276        | 50.5         | 35.9             | 35.1         |
|                                                                                  | Upper               | 175                                 | 41.1         | 56.0         | 28,615        | 37.8         | 55.8             | 53.7         |
|                                                                                  | Unknown             | 0                                   | 0.0          | 0.0          | 0             | 0.0          | 0.0              | 0.0          |
|                                                                                  | Tr Unknown          |                                     |              | 0.7          |               |              | 0.3              |              |
|                                                                                  | Total               | <b>426</b>                          | <b>100.0</b> | <b>100.0</b> | <b>75,724</b> | <b>100.0</b> | <b>100.0</b>     | <b>100.0</b> |
| Originations & Purchases                                                         |                     |                                     |              |              |               |              |                  |              |
| 2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS |                     |                                     |              |              |               |              |                  |              |
| <i>Note: Percentages may not add to 100.0 percent due to rounding</i>            |                     |                                     |              |              |               |              |                  |              |

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

Libertyville Bank’s overall record of lending, given the product lines offered, reflects a good penetration among borrowers of different income levels and businesses of different sizes. The bank’s record of lending demonstrates poor penetration among individuals of different income levels including low- and moderate-income individuals and good penetration of businesses of different sizes. Greater emphasis was applied to small business loans to reflect the bank’s primary

focus as a commercial lender and mortgage origination efforts are primarily conducted through Wintrust Mortgage.

Both the bank and the aggregate lenders made all of their multifamily loans to borrowers of unknown income; therefore, no substantive analysis could be conducted.

A detailed discussion of HMDA and small business lending in relation to aggregate lenders and assessment area demographics is provided below. Unless otherwise stated, all comparisons in this section are made to the number of originations.

### HMDA-Reportable Lending

#### *Home Purchase Loans*

The bank's 7.1 percent of lending to low-income borrowers in 2016 was slightly below the aggregate of lenders at 9.5 percent and below the percentage of 17.2 percent of low-income families in the assessment area. The bank did not originate any loans to moderate- or middle-income borrowers, which is well below aggregate lenders at 18.6 and 20.6 percent, respectively. The bank's performance was below the 16.3 percent of moderate-income and 21.2 percent of moderate-income families in the assessment area. The bank's lending to upper-income borrowers comprised 42.9 percent of its home purchase loans, which was slightly higher than aggregate lenders at 36.9 percent and slightly below the 45.3 percent of upper-income families in the assessment area. The bank originated 50.0 percent of its home purchase loans to borrowers of unknown income, which was above the 14.5 percent by aggregate lenders.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any purchase loans in a low-income census tract; however, the bank originated 15.0 percent of its home purchase loans in moderate-income census tracts which is slightly below aggregate at 18.2 percent, and similar to families by income at 16.3 percent.

#### *Refinance Loans*

In 2016, Libertyville Bank did not originate any refinance loans to low- or moderate-income borrowers, which was below the aggregate of lenders at 3.9 percent and 9.2 percent, respectively and below the number of families in the assessment area. The bank originated 25.0 percent of its refinance loans to middle-income borrowers, which was above both the aggregate of lenders at 17.2 percent and the 21.2 percent of middle-income families in the assessment area. The bank made 62.5 percent of its refinance loans to upper-income borrowers, which was slightly above the 54.9 percent made by the aggregate of lenders and above the 45.3 percent of upper-income families located in the assessment area. The bank originated 12.5 percent of home purchase to borrowers of unknown income, which was slightly below the 14.7 percent by aggregate of lenders.

The bank's performance in 2015 was consistent with performance in 2016. The bank originated 12.5 percent of its home refinance loans in both low- and moderate-income census tracts, which is above aggregate with 4.5 and 10.5 percent, respectively, and slightly below demographics at 17.2 and 16.3 percent, respectively.

#### *Home Improvement Loans*

In 2016, Libertyville Bank did not originate any home improvement loans to low-income borrowers, while the aggregate of lenders made 7.2 percent of loans to low-income borrowers, which was below the 17.2 percent of the low-income families located in the assessment area. The bank originated 25.0 percent of its home improvement loan to moderate-income borrowers, which was above the 11.6 percent made by the aggregate of lenders and the 16.3 percent of moderate-income families in the assessment area. Libertyville Bank did not originate any home improvement loans to middle-income borrowers, which was significantly below the 18.7 percent made by the aggregate of lenders and the 21.2 percent of middle-income families located in the assessment area. The bank made 75.0 percent of its home improvement loans to upper-income borrowers, which exceeded the 59.0 percent made by the aggregate of lenders and the 45.3 percent of upper-income families located in the assessment area. The bank originated no home improvement loans to borrowers of unknown income, which was below the 5.8 percent by aggregate lenders.

The bank's performance in 2015 was consistent with performance in 2016. The bank did not originate any home improvement loans in a low-income census tract, which is below aggregate at 5.1 percent and demographics at 17.2 percent.

| <b>Borrower Distribution of HMDA Reportable Loans</b>                                                                       |                        |                                     |              |                |               |              |              |                             |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------|--------------|----------------|---------------|--------------|--------------|-----------------------------|
| <b>Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980</b>                                                   |                        |                                     |              |                |               |              |              |                             |
| Product Type                                                                                                                | Borrower Income Levels | Bank & Aggregate Lending Comparison |              |                |               |              |              | Families by Family Income % |
|                                                                                                                             |                        | Count                               |              | Dollar         |               |              |              |                             |
|                                                                                                                             |                        | Bank #                              | Agg %        | Bank \$ (000s) | Agg \$ %      | Bank \$ %    | Agg \$ %     |                             |
| Home Purchase                                                                                                               | Low                    | 1                                   | 7.1          | 9.5            | 136           | 2.4          | 4.4          | 17.2                        |
|                                                                                                                             | Moderate               | 0                                   | 0.0          | 18.6           | 0             | 0.0          | 11.8         | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0          | 20.6           | 0             | 0.0          | 17.9         | 21.2                        |
|                                                                                                                             | Upper                  | 6                                   | 42.9         | 36.9           | 4,466         | 79.1         | 53.7         | 45.3                        |
|                                                                                                                             | Unknown                | 7                                   | 50.0         | 14.5           | 1,044         | 18.5         | 12.2         | 0.0                         |
|                                                                                                                             | <b>Total</b>           | <b>14</b>                           | <b>100.0</b> | <b>100.0</b>   | <b>5,646</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>                |
| Refinance                                                                                                                   | Low                    | 0                                   | 0.0          | 3.9            | 0             | 0.0          | 1.6          | 17.2                        |
|                                                                                                                             | Moderate               | 0                                   | 0.0          | 9.2            | 0             | 0.0          | 4.8          | 16.3                        |
|                                                                                                                             | Middle                 | 2                                   | 25.0         | 17.2           | 790           | 18.5         | 12.2         | 21.2                        |
|                                                                                                                             | Upper                  | 5                                   | 62.5         | 54.9           | 2,414         | 56.7         | 68.9         | 45.3                        |
|                                                                                                                             | Unknown                | 1                                   | 12.5         | 14.7           | 1,055         | 24.8         | 12.6         | 0.0                         |
|                                                                                                                             | <b>Total</b>           | <b>8</b>                            | <b>100.0</b> | <b>100.0</b>   | <b>4,259</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>                |
| Home Improvement                                                                                                            | Low                    | 0                                   | 0.0          | 7.2            | 0             | 0.0          | 2.2          | 17.2                        |
|                                                                                                                             | Moderate               | 1                                   | 25.0         | 11.6           | 3             | 0.2          | 5.1          | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0          | 18.7           | 0             | 0.0          | 10.4         | 21.2                        |
|                                                                                                                             | Upper                  | 3                                   | 75.0         | 59.0           | 1,680         | 99.8         | 78.1         | 45.3                        |
|                                                                                                                             | Unknown                | 0                                   | 0.0          | 3.5            | 0             | 0.0          | 4.4          | 0.0                         |
|                                                                                                                             | <b>Total</b>           | <b>4</b>                            | <b>100.0</b> | <b>100.0</b>   | <b>1,683</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>                |
| Multi-Family                                                                                                                | Low                    | 0                                   | 0.0          | 0.0            | 0             | 0.0          | 0.0          | 17.2                        |
|                                                                                                                             | Moderate               | 0                                   | 0.0          | 0.0            | 0             | 0.0          | 0.0          | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0          | 0.0            | 0             | 0.0          | 0.0          | 21.2                        |
|                                                                                                                             | Upper                  | 0                                   | 0.0          | 0.0            | 0             | 0.0          | 0.0          | 45.3                        |
|                                                                                                                             | Unknown                | 3                                   | 100.0        | 100.0          | 1,395         | 100.0        | 100.0        | 0.0                         |
|                                                                                                                             | <b>Total</b>           | <b>3</b>                            | <b>100.0</b> | <b>100.0</b>   | <b>1,395</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>                |
| HMDA Totals                                                                                                                 | Low                    | 1                                   | 3.4          | 6.6            | 136           | 1.0          | 2.8          | 17.2                        |
|                                                                                                                             | Moderate               | 1                                   | 3.4          | 13.7           | 3             | 0.0          | 7.7          | 16.3                        |
|                                                                                                                             | Middle                 | 2                                   | 6.9          | 18.8           | 790           | 6.1          | 14.3         | 21.2                        |
|                                                                                                                             | Upper                  | 14                                  | 48.3         | 46.4           | 8,560         | 65.9         | 61.0         | 45.3                        |
|                                                                                                                             | Unknown                | 11                                  | 37.9         | 14.5           | 3,494         | 26.9         | 14.3         | 0.0                         |
|                                                                                                                             | <b>Total</b>           | <b>29</b>                           | <b>100.0</b> | <b>100.0</b>   | <b>12,983</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>                |
| Originations & Purchases<br>2016 FFIEC Census Data<br><i>Note: Percentages may not add to 100.0 percent due to rounding</i> |                        |                                     |              |                |               |              |              |                             |

### Small Business Lending

Libertyville Bank’s distribution of loans reflects a good distribution among businesses of different sizes when compared to the aggregate of lenders and the percentage of small businesses in the assessment area.

In 2016, Libertyville Bank originated 48.8 percent of its small business loans to businesses reporting annual revenues of \$1 million or less, which was above the 41.1 percent by aggregate lenders. Further, the bank originated 80.8 percent of its loans to those borrowers in amounts of \$100,000 or less, which are considered most beneficial to small businesses. The bank’s 2015 small business lending performance was similar to that of 2016.

The following table compares the distribution of small business loans, the aggregate of all lenders, and small businesses by revenue. Additional information on 2015 lending activity can be found in Appendix B.

| Small Business Lending By Revenue & Loan Size                      |                             |                                     |              |              |               |                          |                          |              |
|--------------------------------------------------------------------|-----------------------------|-------------------------------------|--------------|--------------|---------------|--------------------------|--------------------------|--------------|
| Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980 |                             |                                     |              |              |               |                          |                          |              |
| Product Type                                                       |                             | Bank & Aggregate Lending Comparison |              |              |               |                          |                          |              |
|                                                                    |                             | 2016                                |              |              | 2016          |                          | Total<br>Businesses<br>% |              |
|                                                                    |                             | Count                               |              | Dollar       |               |                          |                          |              |
| Revenue                                                            | Loan Size                   | Bank                                | Agg          | Bank         | Agg           | Total<br>Businesses<br>% |                          |              |
|                                                                    |                             | #                                   | %            | \$ 000s      | \$ %          |                          |                          |              |
| Revenue                                                            | \$1 Million or Less         | 208                                 | 48.8         | 41.1         | 15,640        | 20.7                     | 27.0                     | 88.8         |
|                                                                    | Over \$1 Million or Unknown | 218                                 | 51.2         | 58.9         | 60,084        | 79.3                     | 73.0                     | 11.2         |
|                                                                    | <b>Total</b>                | <b>426</b>                          | <b>100.0</b> | <b>100.0</b> | <b>75,724</b> | <b>100.0</b>             | <b>100.0</b>             | <b>100.0</b> |
| Small Business<br>Loan Size                                        | \$100,000 or Less           | 248                                 | 58.2         | 93.0         | 7,313         | 9.7                      | 34.3                     |              |
|                                                                    | \$100,001 - \$250,000       | 86                                  | 20.2         | 3.3          | 15,093        | 19.9                     | 14.7                     |              |
|                                                                    | \$250,001 - \$1 Million     | 92                                  | 21.6         | 3.7          | 53,318        | 70.4                     | 51.0                     |              |
|                                                                    | <b>Total</b>                | <b>426</b>                          | <b>100.0</b> | <b>100.0</b> | <b>75,724</b> | <b>100.0</b>             | <b>100.0</b>             |              |
| Loan Size &<br>Rev \$1 Mill<br>or Less                             | \$100,000 or Less           | 168                                 | 80.8         |              | 4,217         | 27.0                     |                          |              |
|                                                                    | \$100,001 - \$250,000       | 23                                  | 11.1         |              | 4,005         | 25.6                     |                          |              |
|                                                                    | \$250,001 - \$1 Million     | 17                                  | 8.2          |              | 7,418         | 47.4                     |                          |              |
|                                                                    | <b>Total</b>                | <b>208</b>                          | <b>100.0</b> |              | <b>15,640</b> | <b>100.0</b>             |                          |              |

Originations & Purchases  
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

### Community Development Lending

Libertyville Bank makes a relatively high level of community development loans. The bank made 44 community development loans during the evaluation period, for a total of \$29.2 million. This is an increase from 35 community development loans for the previous evaluation period, and a slight increase of 1.0 percent in the dollar amount of qualified loans compared to the prior evaluations

total of \$28.9 million. However, the duration of the current evaluation period is 27 months compared to 35 months at the previous evaluation. Of the 44 loans, 13 were new originations, totaling \$11.7 million.

The bank’s community development loans exhibited excellent responsiveness to assessment area needs. A significant majority of the bank’s community development loans were for the purpose of funding affordable housing opportunities, a need identified by community representatives. Loans included working capital for a homeless shelter for women and children, several loans for mixed use multifamily apartments, and a line of credit that supports economically disadvantaged persons to obtain housing. Libertyville Bank also originated six economic development loans to support low-income counseling, foster care, and combat the cycle of poverty in families.

The table below presents the bank’s community development loan activity in the review period.

| Qualified Community Development Loans |                    |        |                    |     |                      |       |                               |       |       |        |
|---------------------------------------|--------------------|--------|--------------------|-----|----------------------|-------|-------------------------------|-------|-------|--------|
| \$ in 000s                            |                    |        |                    |     |                      |       |                               |       |       |        |
| Location                              | Affordable Housing |        | Community Services |     | Economic Development |       | Revitalization/ Stabilization |       | Total |        |
|                                       | #                  | \$     | #                  | \$  | #                    | \$    | #                             | \$    | #     | \$     |
| In Assessment Area                    | 27                 | 15,266 | 3                  | 440 | 1                    | 1,236 | 1                             | 1,500 | 32    | 18,442 |
| Outside Assessment Area               | 6                  | 3,600  | 1                  | 150 | 5                    | 7,042 | 0                             | 0     | 12    | 10,792 |
| Total                                 | 32                 | 18,619 | 4                  | 590 | 6                    | 8,278 | 1                             | 1,500 | 44    | 29,234 |

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

### Innovative and Flexible Loan Programs

The bank makes extensive use of innovative and/or flexible lending practices in serving the credit needs of the assessment area. The bank utilizes a core set of products specifically tailored to the needs of low- and moderate-income individuals and small businesses. Included in these products for consumers are certificate of deposit secured loans, which enable credit building or repair and the bank’s Everyday loan product, which provides consumers with up to \$2,500 in an unsecured amortizing loan for a period of between six and 24 months as an alternative to costly payday lending alternatives.

For small businesses, the bank offers U.S. Small Business Loan Administration (SBA) loan products and specialized Easy Access products which provide smaller dollar loans to businesses with an application only process.

As shown in the table below, a total of 61 consumer loans and 335 small business loans were extended under these programs during the review period. This is an increase of 1.0 percent from the previous evaluation in a shorter evaluation period. The use of these products has enabled the bank to successfully meet the needs of low- and moderate- income borrowers and small businesses in the bank’s assessment area.

| Innovative and Flexible Loans       |                 |             |                      |
|-------------------------------------|-----------------|-------------|----------------------|
| Product                             | Number of Loans | \$ of Loans | Average Loan \$ Size |
| SBA - 504                           | 14              | 13,217,461  | 944,104              |
| SBA - 7A                            | 1               | 1,236,000   | 1,236,000            |
| SBA - Express Loan                  | 1               | 75,000      | 75,000               |
| Money Smart Everyday Loan Program   | 49              | 100,300     | 2,047                |
| Money Smart CD Secured Loan Program | 12              | 17,300      | 1,442                |
| Small Business ODP Line             | 222             | 1,097,755   | 4,945                |
| Easy Access Line of Credit          | 87              | 2,731,573   | 31,397               |
| Easy Access Installment Loan        | 10              | 107,302     | 10,730               |
| Total                               | 396             | 18,582,691  |                      |

## INVESTMENT TEST

Libertyville Bank's performance relative to the Investment Test is rated Outstanding based on the level of qualified community development investments. Libertyville Bank also demonstrated occasional use of innovative and complex investments to support development activities.

The bank made six new investments in the current evaluation period totaling \$6.7 million, of which \$5.8 million was funded. In addition, prior period investments, both funded and unfunded remaining commitments totaled \$4.9 million, resulting in total investments qualified for this evaluation of \$11.6 million. This represents a 50.3 percent increase in funded and unfunded investments from the \$7.7 million total at the bank's previous evaluation; additionally the current evaluation period was for 27 months, which is nearly 8 months shorter than the previous evaluation period (35 months).

Investments demonstrated excellent responsiveness to several of the assessment area's community development needs as they were primarily supportive of affordable housing and revitalization and stabilization. Affordable housing and revitalization and stabilization investments comprised 31.3 percent and 25.9 percent, respectively, of total disbursed funds.

In the current evaluation period, the bank's investments funded a non-profit program designed to finance critical and essential repair and home improvements for low-income, and the bank purchased tax credits to help provide affordable housing in the assessment area. Prior period investments supported affordable housing and provided funding to finance a redevelopment project in North Chicago.

| Qualified Community Development Investments<br>\$ in 000s |                    |       |                    |       |                      |       |                              |       |                  |        |                      |
|-----------------------------------------------------------|--------------------|-------|--------------------|-------|----------------------|-------|------------------------------|-------|------------------|--------|----------------------|
| Period of Investment                                      | Disbursed Funds    |       |                    |       |                      |       |                              |       |                  |        | Unfunded Commitments |
|                                                           | Affordable Housing |       | Community Services |       | Economic Development |       | Revitalization/Stabilization |       | Total Investment |        |                      |
|                                                           | #                  | \$    | #                  | \$    | #                    | \$    | #                            | \$    | #                | \$     |                      |
| Current                                                   | 2                  | 2,149 | 1                  | 2,070 | 0                    | 0     | 3                            | 2,525 | 6                | 6,744  | 969                  |
| Prior                                                     | 2                  | 1,490 | 1                  | 500   | 3                    | 2,400 | 3                            | 475   | 9                | 4,865  | 92                   |
| Total                                                     | 4                  | 3,639 | 2                  | 2,570 | 3                    | 2,400 | 6                            | 3,000 | 15               | 11,609 | 1,061                |

In addition, the bank made 86 donations for \$285,088 to community organizations. This represented an increase in total dollar amount of donations from \$263,943 at the previous examination, for a 7.6 percent increase. A majority of the bank's qualified donations are in the area of community services. Among other things these donations support educational scholarships, job training, and social services assistance for low- and moderate-income individuals. Affordable housing, which is the next largest component of qualified donations, includes a \$20,000 donation for a down payment and closing cost assistance program for low- and moderate-income homebuyers.

The following table presents detail of the bank's donations provided during the evaluation period.

| Qualified Community Development Donations |        |                    |         |                      |       |                              |    |       |         |
|-------------------------------------------|--------|--------------------|---------|----------------------|-------|------------------------------|----|-------|---------|
| Affordable Housing                        |        | Community Services |         | Economic Development |       | Revitalization/Stabilization |    | Total |         |
| #                                         | \$     | #                  | \$      | #                    | \$    | #                            | \$ | #     | \$      |
| 7                                         | 49,231 | 73                 | 227,629 | 6                    | 8,228 | 0                            | 0  | 86    | 285,088 |

## SERVICE TEST

Libertyville Bank's performance relative to the Service Test is rated Outstanding. The bank's delivery systems are readily accessible to geographies and individuals of different income levels in its assessment area. Business hours and services are tailored to the convenience and needs of its assessment area, particularly low- to moderate-income geographies and low- to moderate-income individuals. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and low- and moderate-income individuals. The bank is a leader in providing community services.

## Retail Services

Libertyville Bank's delivery systems are readily accessible to the assessment area. The bank has nine locations at which business may be conducted, one which is a limited service drive up facility. Each location has a full-service ATM. ATM transactions are free if within three surcharge-free networks and transaction fees incurred on other networks are reimbursed by the bank.

Additionally, the bank offers free 24 hour telephone banking services for inquiry purposes and to make account transfers, and internet and mobile banking products that enable customers to make account transfers and pay bills, and deposits with the mobile banking without visiting a bank office.

The bank offers a wide range of products and services including commercial, real estate, small business, and consumer loan products. Deposit and loan offerings include products that are accessible to low- and moderate-income individuals and small businesses. Community representatives indicated the importance of small businesses to the local economy and their need for micro lending. The bank offers several small dollar loan programs, directly supporting these businesses. The bank also offers Money Smart deposit products for both businesses and individuals whereby those with negative account histories, as detailed in ChexSystems, may receive free financial education classes and open accounts with no minimum balance. Product availability, pricing, and underwriting are consistent at all full service bank branch facilities. The bank closed its Island Lake, Illinois, office in February 2017, which was located in a middle-income census tract.

The following table illustrates the bank branch and ATM geographic distribution.

| Office and ATM Locations 2016 |                                  |                  |       |                   |       |
|-------------------------------|----------------------------------|------------------|-------|-------------------|-------|
| Tract Income                  | Assessment Area<br>Census Tracts | Office Locations |       | Full-Service ATMs |       |
|                               | %                                | #                | %     | #                 | %     |
| Low                           | 4.8                              | 0                | 0     | 0                 | 0     |
| Moderate                      | 16.1                             | 3                | 33.3  | 3                 | 33.3  |
| Middle                        | 34.9                             | 1                | 11.1  | 1                 | 11.1  |
| Upper                         | 42.5                             | 5                | 55.5  | 5                 | 55.5  |
| Total                         | 100.00                           | 9                | 100.0 | 9                 | 100.0 |

### Community Development Services

Libertyville bank is a leader in providing community services. During the review period, bank personnel participated in 3,623 hours to community development activities in the assessment area. During the evaluation period, the bank employees provided service hours to 22 unique organizations. Total community development service hours performed during this evaluation were down from the previous evaluation period when the bank performed 5,150; however, this evaluation period is approximately 8 months shorter than the previous evaluation period and there was a reduction in the number of employees due to consolidation at the bank's holding company.

Community development services frequently involve bank employees providing expertise by servicing on a board of directors and committees of community development organizations. This level of leadership is particularly beneficial to organizations. Organizations supported by the bank help meet community's needs such as housing and services for the homeless, youth work-study programs, financial education, and small business development support. Bank staff also provided numerous financial education workshops including its Money Smart curriculum with a focus on the assessment area's low- and moderate-income populations.

The following table presents detail of the bank's community development services provided during the evaluation period.

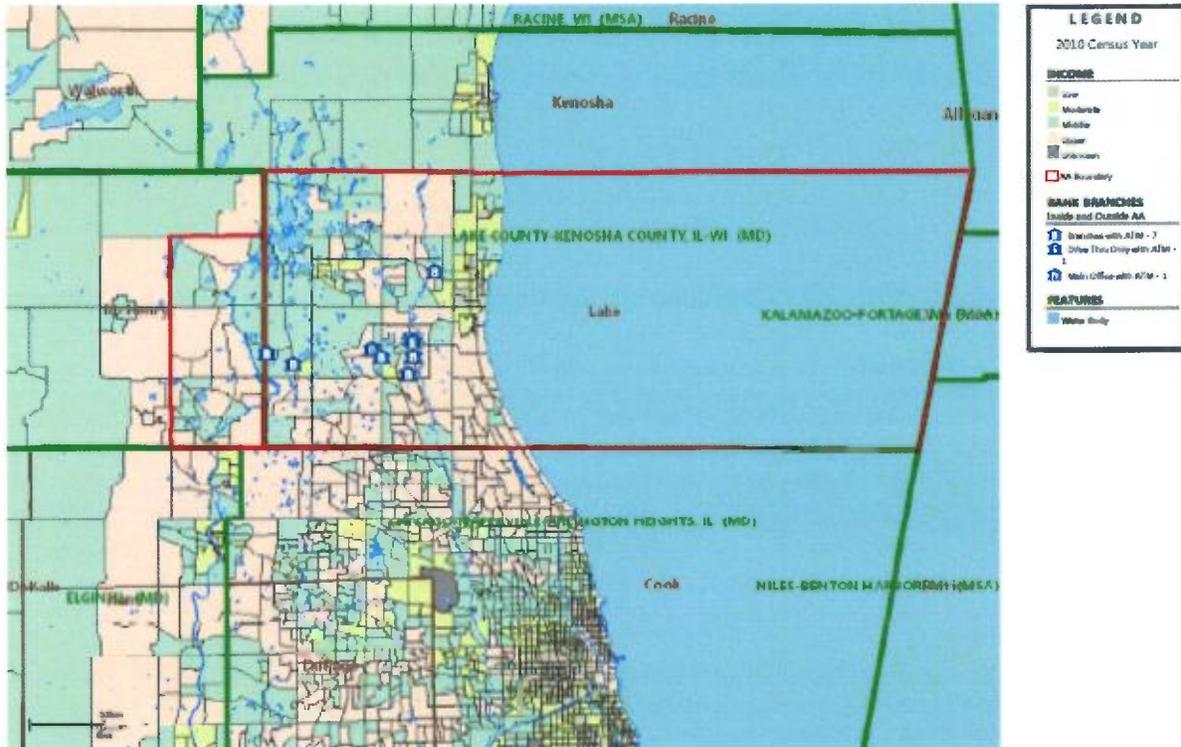
| Qualified Community Development Services |       |                    |       |                      |       |                                  |       |       |       |
|------------------------------------------|-------|--------------------|-------|----------------------|-------|----------------------------------|-------|-------|-------|
| Affordable Housing                       |       | Community Services |       | Economic Development |       | Revitalization/<br>Stabilization |       | Total |       |
| #                                        | Hours | #                  | Hours | #                    | Hours | #                                | Hours | #     | \$    |
| 43                                       | 132   | 233                | 3,273 | 74                   | 219   | 0                                | 0     | 350   | 3,623 |

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

While management has implemented policies, procedures, training programs, and internal assessments, a substantive violation of Section (5) of the Federal Trade Commission Act involving unfair practices was identified in the concurrent Consumer Compliance examination. The violations did not cause the CRA rating to be adjusted. Once the violations were identified, bank management was proactive in taking corrective action to address them.

### APPENDIX A – Map of Assessment Area

Libertyville Bank & Trust Company 2339795  
Chicago-Naperville-Elgin, IL-IN-WI MSA 16980



APPENDIX B – 2015 LENDING TABLES

| Geographic Distribution of HMDA Reportable Loans                                                                     |                     |                                     |           |              |              |               |              |                           |
|----------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------|-----------|--------------|--------------|---------------|--------------|---------------------------|
| Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980                                                   |                     |                                     |           |              |              |               |              |                           |
| Product Type                                                                                                         | Tract Income Levels | Bank & Aggregate Lending Comparison |           |              |              |               |              | Owner Occupied % of Units |
|                                                                                                                      |                     | 2015                                |           |              | Dollar       |               |              |                           |
|                                                                                                                      |                     | Count                               |           | Agg          | Bank         |               | Agg          |                           |
|                                                                                                                      |                     | #                                   | %         | %            | \$ (000s)    | \$ %          | \$ %         |                           |
| Home Purchase                                                                                                        | Low                 | 0                                   | 0.0       | 1.0          | 0            | 0.0           | 0.4          | 1.9                       |
|                                                                                                                      | Moderate            | 1                                   | 5.0       | 10.4         | 67           | 0.9           | 5.2          | 12.6                      |
|                                                                                                                      | Middle              | 10                                  | 50.0      | 42.4         | 1,508        | 20.4          | 32.9         | 39.3                      |
|                                                                                                                      | Upper               | 9                                   | 45.0      | 46.2         | 5,823        | 78.7          | 61.5         | 46.2                      |
|                                                                                                                      | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                      | <b>Total</b>        |                                     | <b>20</b> | <b>100.0</b> | <b>100.0</b> | <b>7,398</b>  | <b>100.0</b> | <b>100.0</b>              |
| Refinance                                                                                                            | Low                 | 0                                   | 0.0       | 0.7          | 0            | 0.0           | 0.2          | 1.9                       |
|                                                                                                                      | Moderate            | 0                                   | 0.0       | 6.6          | 0            | 0.0           | 3.0          | 12.6                      |
|                                                                                                                      | Middle              | 2                                   | 25.0      | 35.1         | 483          | 9.7           | 26.1         | 39.3                      |
|                                                                                                                      | Upper               | 6                                   | 75.0      | 57.5         | 4,493        | 90.3          | 70.7         | 46.2                      |
|                                                                                                                      | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                      | <b>Total</b>        |                                     | <b>8</b>  | <b>100.0</b> | <b>100.0</b> | <b>4,976</b>  | <b>100.0</b> | <b>100.0</b>              |
| Home Improvement                                                                                                     | Low                 | 0                                   | 0.0       | 1.7          | 0            | 0.0           | 0.2          | 1.9                       |
|                                                                                                                      | Moderate            | 1                                   | 50.0      | 7.9          | 103          | 13.5          | 1.8          | 12.6                      |
|                                                                                                                      | Middle              | 0                                   | 0.0       | 36.7         | 0            | 0.0           | 20.2         | 39.3                      |
|                                                                                                                      | Upper               | 1                                   | 50.0      | 53.7         | 660          | 86.5          | 77.8         | 46.2                      |
|                                                                                                                      | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                      | <b>Total</b>        |                                     | <b>2</b>  | <b>100.0</b> | <b>100.0</b> | <b>763</b>    | <b>100.0</b> | <b>100.0</b>              |
| Multi-Family                                                                                                         | Low                 | 0                                   | 0.0       | 7.5          | 0            | 0.0           | 5.1          | 8.3                       |
|                                                                                                                      | Moderate            | 1                                   | 100.0     | 40.3         | 4,637        | 100.0         | 24.3         | 27.1                      |
|                                                                                                                      | Middle              | 0                                   | 0.0       | 35.8         | 0            | 0.0           | 33.4         | 42.7                      |
|                                                                                                                      | Upper               | 0                                   | 0.0       | 16.4         | 0            | 0.0           | 37.1         | 21.9                      |
|                                                                                                                      | Unknown             | 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>4,637</b>  | <b>100.0</b> | <b>100.0</b>              |
| HMDA Totals                                                                                                          | Low                 | 0                                   | 0.0       | 0.9          | 0            | 0.0           | 0.4          | 1.9                       |
|                                                                                                                      | Moderate            | 3                                   | 9.7       | 8.6          | 4,807        | 27.0          | 4.4          | 12.6                      |
|                                                                                                                      | Middle              | 12                                  | 38.7      | 38.7         | 1,991        | 11.2          | 29.2         | 39.3                      |
|                                                                                                                      | Upper               | 16                                  | 51.6      | 51.8         | 10,976       | 61.8          | 66.0         | 46.2                      |
|                                                                                                                      | Unknown             | 0                                   | 0.0       | 0.0          | 0            | 0.0           | 0.0          | 0.0                       |
|                                                                                                                      | <b>Total</b>        |                                     | <b>31</b> | <b>100.0</b> | <b>100.0</b> | <b>17,774</b> | <b>100.0</b> | <b>100.0</b>              |
| Originations & Purchases<br>2015 FFIEC Census Data<br>Note: Percentages may not add to 100.0 percent due to rounding |                     |                                     |           |              |              |               |              |                           |

| Geographic Distribution of Small Business Loans                    |                     |                                     |              |              |               |              |              |                    |
|--------------------------------------------------------------------|---------------------|-------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------------|
| Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980 |                     |                                     |              |              |               |              |              |                    |
|                                                                    | Tract Income Levels | Bank & Aggregate Lending Comparison |              |              |               |              |              | Total Businesses % |
|                                                                    |                     | 2015                                |              |              | Dollar        |              |              |                    |
|                                                                    |                     | Count                               |              | Agg %        | Bank          |              | Agg \$ %     |                    |
|                                                                    |                     | Bank #                              | %            |              | \$ (000s)     | \$ %         |              |                    |
| Small Business                                                     | Low                 | 4                                   | 1.0          | 0.9          | 909           | 1.2          | 0.5          | 1.2                |
|                                                                    | Moderate            | 59                                  | 14.4         | 8.5          | 6,337         | 8.6          | 7.4          | 9.9                |
|                                                                    | Middle              | 176                                 | 42.9         | 35.3         | 36,087        | 49.0         | 35.9         | 35.3               |
|                                                                    | Upper               | 171                                 | 41.7         | 54.7         | 30,371        | 41.2         | 56.0         | 53.5               |
|                                                                    | Unknown             | 0                                   | 0.0          | 0.0          | 0             | 0.0          | 0.0          | 0.0                |
|                                                                    | Tr Unknown          |                                     |              | 0.5          |               |              | 0.2          |                    |
|                                                                    | <b>Total</b>        | <b>410</b>                          | <b>100.0</b> | <b>100.0</b> | <b>73,704</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b>       |

Originations & Purchases  
 2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS  
 Note: Percentages may not add to 100.0 percent due to rounding

| <b>Borrower Distribution of HMDA Reportable Loans</b>                                                                       |                        |                                     |           |                |              |               |              |                             |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------------------|-----------|----------------|--------------|---------------|--------------|-----------------------------|
| <b>Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980</b>                                                   |                        |                                     |           |                |              |               |              |                             |
| Product Type                                                                                                                | Borrower Income Levels | Bank & Aggregate Lending Comparison |           |                |              |               |              | Families by Family Income % |
|                                                                                                                             |                        | 2015                                |           |                |              |               |              |                             |
|                                                                                                                             |                        | Count                               |           | Dollar         |              |               |              |                             |
|                                                                                                                             |                        | Bank #                              | Agg %     | Bank \$ (000s) | Agg \$ %     |               |              |                             |
| Home Purchase                                                                                                               | Low                    | 0                                   | 0.0       | 10.4           | 0            | 0.0           | 4.6          | 17.2                        |
|                                                                                                                             | Moderate               | 3                                   | 15.0      | 18.2           | 167          | 2.3           | 11.4         | 16.3                        |
|                                                                                                                             | Middle                 | 2                                   | 10.0      | 18.8           | 398          | 5.4           | 16.1         | 21.2                        |
|                                                                                                                             | Upper                  | 11                                  | 55.0      | 34.1           | 6,140        | 83.0          | 51.7         | 45.3                        |
|                                                                                                                             | Unknown                | 4                                   | 20.0      | 18.6           | 693          | 9.4           | 16.2         | 0.0                         |
|                                                                                                                             | <b>Total</b>           |                                     | <b>20</b> | <b>100.0</b>   | <b>100.0</b> | <b>7,398</b>  | <b>100.0</b> | <b>100.0</b>                |
| Refinance                                                                                                                   | Low                    | 1                                   | 12.5      | 4.5            | 128          | 2.6           | 1.8          | 17.2                        |
|                                                                                                                             | Moderate               | 1                                   | 12.5      | 10.5           | 145          | 2.9           | 5.7          | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0       | 17.0           | 0            | 0.0           | 12.4         | 21.2                        |
|                                                                                                                             | Upper                  | 6                                   | 75.0      | 47.2           | 4,703        | 94.5          | 61.8         | 45.3                        |
|                                                                                                                             | Unknown                | 0                                   | 0.0       | 20.9           | 0            | 0.0           | 18.3         | 0.0                         |
|                                                                                                                             | <b>Total</b>           |                                     | <b>8</b>  | <b>100.0</b>   | <b>100.0</b> | <b>4,976</b>  | <b>100.0</b> | <b>100.0</b>                |
| Home Improvement                                                                                                            | Low                    | 0                                   | 0.0       | 5.1            | 0            | 0.0           | 1.4          | 17.2                        |
|                                                                                                                             | Moderate               | 1                                   | 50.0      | 14.3           | 103          | 13.5          | 4.5          | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0       | 21.1           | 0            | 0.0           | 11.3         | 21.2                        |
|                                                                                                                             | Upper                  | 1                                   | 50.0      | 53.6           | 660          | 86.5          | 75.9         | 45.3                        |
|                                                                                                                             | Unknown                | 0                                   | 0.0       | 5.9            | 0            | 0.0           | 6.8          | 0.0                         |
|                                                                                                                             | <b>Total</b>           |                                     | <b>2</b>  | <b>100.0</b>   | <b>100.0</b> | <b>763</b>    | <b>100.0</b> | <b>100.0</b>                |
| Multi-Family                                                                                                                | Low                    | 0                                   | 0.0       | 0.0            | 0            | 0.0           | 0.0          | 17.2                        |
|                                                                                                                             | Moderate               | 0                                   | 0.0       | 0.0            | 0            | 0.0           | 0.0          | 16.3                        |
|                                                                                                                             | Middle                 | 0                                   | 0.0       | 0.0            | 0            | 0.0           | 0.0          | 21.2                        |
|                                                                                                                             | Upper                  | 0                                   | 0.0       | 0.0            | 0            | 0.0           | 0.0          | 45.3                        |
|                                                                                                                             | Unknown                | 1                                   | 100.0     | 100.0          | 4,637        | 100.0         | 100.0        | 0.0                         |
|                                                                                                                             | <b>Total</b>           |                                     | <b>1</b>  | <b>100.0</b>   | <b>100.0</b> | <b>4,637</b>  | <b>100.0</b> | <b>100.0</b>                |
| HMDA Totals                                                                                                                 | Low                    | 1                                   | 3.2       | 7.4            | 128          | 0.7           | 3.0          | 17.2                        |
|                                                                                                                             | Moderate               | 5                                   | 16.1      | 14.3           | 415          | 2.3           | 8.2          | 16.3                        |
|                                                                                                                             | Middle                 | 2                                   | 6.5       | 17.9           | 398          | 2.2           | 13.9         | 21.2                        |
|                                                                                                                             | Upper                  | 18                                  | 58.1      | 40.8           | 11,503       | 64.7          | 56.3         | 45.3                        |
|                                                                                                                             | Unknown                | 5                                   | 16.1      | 19.6           | 5,330        | 30.0          | 18.6         | 0.0                         |
|                                                                                                                             | <b>Total</b>           |                                     | <b>31</b> | <b>100.0</b>   | <b>100.0</b> | <b>17,774</b> | <b>100.0</b> | <b>100.0</b>                |
| Originations & Purchases<br>2015 FFIEC Census Data<br><i>Note: Percentages may not add to 100.0 percent due to rounding</i> |                        |                                     |           |                |              |               |              |                             |

| Small Business Lending By Revenue & Loan Size                                    |                                        |                                     |            |              |              |               |              |                          |              |
|----------------------------------------------------------------------------------|----------------------------------------|-------------------------------------|------------|--------------|--------------|---------------|--------------|--------------------------|--------------|
| Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980               |                                        |                                     |            |              |              |               |              |                          |              |
| Product Type                                                                     |                                        | Bank & Aggregate Lending Comparison |            |              |              |               |              |                          |              |
|                                                                                  |                                        | 2015                                |            |              | 2015         |               |              | Total<br>Businesses<br>% |              |
|                                                                                  |                                        | Count                               |            | Agg<br>%     | Dollar       |               | Agg<br>\$ %  |                          |              |
| Bank<br>#                                                                        | %                                      | Bank<br>\$ 000s                     | \$ %       |              | Total<br>%   |               |              |                          |              |
| Small Business                                                                   | Revenue                                | \$1 Million or Less                 | 201        | 49.0         | 47.5         | 13,885        | 18.8         | 28.5                     | 91.1         |
|                                                                                  |                                        | Over \$1 Million or Unknown         | 209        | 51.0         | 52.5         | 59,819        | 81.2         | 71.5                     | 8.9          |
|                                                                                  |                                        | <b>Total</b>                        | <b>410</b> | <b>100.0</b> | <b>100.0</b> | <b>73,704</b> | <b>100.0</b> | <b>100.0</b>             | <b>100.0</b> |
|                                                                                  | Loan Size                              | \$100,000 or Less                   | 236        | 57.6         | 91.6         | 7,506         | 10.2         | 29.0                     |              |
|                                                                                  |                                        | \$100,001 - \$250,000               | 73         | 17.8         | 3.8          | 13,191        | 17.9         | 15.3                     |              |
|                                                                                  |                                        | \$250,001 - \$1 Million             | 101        | 24.6         | 4.6          | 53,007        | 71.9         | 55.6                     |              |
|                                                                                  |                                        | <b>Total</b>                        | <b>410</b> | <b>100.0</b> | <b>100.0</b> | <b>73,704</b> | <b>100.0</b> | <b>100.0</b>             |              |
|                                                                                  | Loan Size &<br>Rev \$1 Mill<br>or Less | \$100,000 or Less                   | 164        | 81.6         |              | 4,112         | 29.6         |                          |              |
|                                                                                  |                                        | \$100,001 - \$250,000               | 21         | 10.4         |              | 3,562         | 25.7         |                          |              |
|                                                                                  |                                        | \$250,001 - \$1 Million             | 16         | 8.0          |              | 6,211         | 44.7         |                          |              |
|                                                                                  |                                        | <b>Total</b>                        | <b>201</b> | <b>100.0</b> |              | <b>13,885</b> | <b>100.0</b> |                          |              |
|                                                                                  | Originations & Purchases               |                                     |            |              |              |               |              |                          |              |
| 2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS |                                        |                                     |            |              |              |               |              |                          |              |
| <i>Note: Percentages may not add to 100.0 percent due to rounding</i>            |                                        |                                     |            |              |              |               |              |                          |              |

| Small Business Lending By Revenue & Loan Size                                    |                                        |                                     |            |              |              |               |              |                          |              |
|----------------------------------------------------------------------------------|----------------------------------------|-------------------------------------|------------|--------------|--------------|---------------|--------------|--------------------------|--------------|
| Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980               |                                        |                                     |            |              |              |               |              |                          |              |
| Product Type                                                                     |                                        | Bank & Aggregate Lending Comparison |            |              |              |               |              |                          |              |
|                                                                                  |                                        | 2015                                |            |              | 2015         |               |              | Total<br>Businesses<br>% |              |
|                                                                                  |                                        | Count                               |            | Agg<br>%     | Dollar       |               | Agg<br>\$ %  |                          |              |
| Bank<br>#                                                                        | %                                      | Bank<br>\$ 000s                     | \$ %       |              | Total<br>%   |               |              |                          |              |
| Small Business                                                                   | Revenue                                | \$1 Million or Less                 | 201        | 49.0         | 47.5         | 13,885        | 18.8         | 28.5                     | 91.1         |
|                                                                                  |                                        | Over \$1 Million or Unknown         | 209        | 51.0         | 52.5         | 59,819        | 81.2         | 71.5                     | 8.9          |
|                                                                                  |                                        | <b>Total</b>                        | <b>410</b> | <b>100.0</b> | <b>100.0</b> | <b>73,704</b> | <b>100.0</b> | <b>100.0</b>             | <b>100.0</b> |
|                                                                                  | Loan Size                              | \$100,000 or Less                   | 236        | 57.6         | 91.6         | 7,506         | 10.2         | 29.0                     |              |
|                                                                                  |                                        | \$100,001 - \$250,000               | 73         | 17.8         | 3.8          | 13,191        | 17.9         | 15.3                     |              |
|                                                                                  |                                        | \$250,001 - \$1 Million             | 101        | 24.6         | 4.6          | 53,007        | 71.9         | 55.6                     |              |
|                                                                                  |                                        | <b>Total</b>                        | <b>410</b> | <b>100.0</b> | <b>100.0</b> | <b>73,704</b> | <b>100.0</b> | <b>100.0</b>             |              |
|                                                                                  | Loan Size &<br>Rev \$1 Mill<br>or Less | \$100,000 or Less                   | 164        | 81.6         |              | 4,112         | 29.6         |                          |              |
|                                                                                  |                                        | \$100,001 - \$250,000               | 21         | 10.4         |              | 3,562         | 25.7         |                          |              |
|                                                                                  |                                        | \$250,001 - \$1 Million             | 16         | 8.0          |              | 6,211         | 44.7         |                          |              |
|                                                                                  |                                        | <b>Total</b>                        | <b>201</b> | <b>100.0</b> |              | <b>13,885</b> | <b>100.0</b> |                          |              |
|                                                                                  | Originations & Purchases               |                                     |            |              |              |               |              |                          |              |
| 2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS |                                        |                                     |            |              |              |               |              |                          |              |
| <i>Note: Percentages may not add to 100.0 percent due to rounding</i>            |                                        |                                     |            |              |              |               |              |                          |              |

APPENDIX C – Scope of Examination

| SCOPE : OF EXAMINATION                                                                                           |                               |                                                                                                                |                                                                |
|------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>TIME PERIOD REVIEWED</b>                                                                                      |                               | Lending: January 1, 2015 to December 31, 2016<br>Community Development: September 21, 2015 to January 22, 2018 |                                                                |
| <b>FINANCIAL INSTITUTION</b>                                                                                     |                               |                                                                                                                | <b>PRODUCTS REVIEWED</b>                                       |
| Libertyville Bank and Trust Company                                                                              |                               |                                                                                                                | HMDA – Reportable Loans<br>CRA-Reportable Small Business Loans |
| <b>AFFILIATE(S)</b>                                                                                              | <b>AFFILIATE RELATIONSHIP</b> |                                                                                                                | <b>PRODUCTS REVIEWED</b>                                       |
| Wintrust Mortgage                                                                                                | Mortgage Lending Affiliate    |                                                                                                                | HMDA-Reportable Loans                                          |
| IDENTIFICATION OF ASSESSMENT AREAS                                                                               |                               |                                                                                                                |                                                                |
| ASSESSMENT AREA                                                                                                  | TYPE OF EXAMINATION           | BRANCHES VISITED                                                                                               | OTHER INFORMATION                                              |
| Partial McHenry County and full Lake County, Illinois also known as Chicago-Naperville-Elgin IL-IN-WI MSA #16980 | Full Review                   | None                                                                                                           | None.                                                          |

## APPENDIX C - Glossary

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

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

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

**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 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 metropolitan 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 metropolitan 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.
5. Loans, investments, and services that –

- i. Support, enable or facilitate projects or activities that meet the “eligible uses” criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- ii. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees, and
- iii. Benefit low-, moderate-, middle-income individuals and geographies in the bank’s assessment area(s) or areas outside the bank’s assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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, home equity, other consumer secured loan, and other consumer unsecured loan.

**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 household 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:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more units) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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.

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

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

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

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

**Loan product office (LPO):** 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. Metropolitan statistical areas are included in the definition of a nonmetropolitan area; a metropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending.

**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 \$1.226 billion. Intermediate small bank means a small bank with

assets of at least \$307 million as of December 31 of both of the prior two calendar years and less than \$1.226 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).