

PUBLIC DISCLOSURE

February 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Peoples' Bank of Arlington Heights
RSSD# 2813491

41 South Vail Avenue
Arlington Heights, Illinois 60005

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 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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BANK'S CRA RATING

The Peoples' Bank of Arlington Heights is rated Satisfactory.

Peoples' Bank of Arlington Heights provides credit within its assessment areas consistent with its size, location, and the local economic conditions through the origination of loans and products offered by the institution. The average loan-to-deposit ratio is reasonable considering the characteristics of the bank, its competitors, and the credit needs within the assessment area. The majority of the bank's loans and lending activities were originated within the assessment area. A geographic distribution analysis of the loans indicated a reasonable dispersion among the census tracts within the assessment area. The distribution of business and HMDA-reportable loans reflects reasonable penetration among different revenue sizes and borrowers of different income levels. There were no CRA-related complaints received by Peoples' Bank of Arlington Heights or this Reserve Bank since the previous evaluation period.

SCOPE OF EXAMINATION

The performance evaluation included a review of the bank's lending performance in its designated assessment area, which consists of 11 townships located in northern Cook and southern Lake Counties in Illinois. The townships are part of the Chicago-Joliet-Naperville, IL Metropolitan Division (MD) #16974 and the Lake County-Kenosha County, IL-WI MD #29404. The Chicago-Joliet-Naperville, IL MD #16974 was used for demographic and lending performance analysis, because the bank does not have branches located in Lake County. The analysis was based on data from the 2000 and 2010 U.S. Census.

Performance within the designated assessment areas was evaluated using the Federal Financial Institutions Examinations Council's Small Institution Examination Procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 17 quarter average loan-to-deposit ratio from December 31, 2009 through December 31, 2013, was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable and small business loans originated from January 1, 2009 through December 31, 2012 were reviewed to determine the percentage of loans originated in the bank's combined assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable and small business loans originated in the assessment area from January 1, 2009 through December 31, 2012 were analyzed to determine the extent to which the bank lends in census tracts of different income levels, particularly those designated as low- and moderate-income.

- ***Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes*** - The bank's HMDA-reportable and small business loans originated in the assessment area from January 1, 2009 through December 31, 2012 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low-or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Neither the Peoples' Bank of Arlington Heights nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition to the preceding criteria, information obtained through discussions with one community representative was considered in the overall evaluation.

DESCRIPTION OF INSTITUTION

The Peoples' Bank of Arlington Heights is a community bank located in the suburb of Arlington Heights, Illinois, northwest of the City of Chicago in Cook County. As of December 31, 2013, the bank held \$105.1 million in assets. The bank is owned by a one-bank holding company, Peoples Bancorp Inc. The bank's primary business line is commercial lending, as commercial loans comprise 68.4 percent of total loans as of December 31, 2013. Within the commercial loan portfolio, a majority of the loans are real estate secured. In addition to commercial loans, the bank extends open- and closed-end residential real estate and consumer loans. The bank's deposit products include checking, saving and time deposit accounts.

The bank operates two offices, both located in the Village of Arlington Heights, Illinois; each office also features a full service ATM. No branches were opened or closed since the previous evaluation conducted on November 30, 2009.

| Composition of Loan Portfolio as of December 31, 2013 | | | |
|--|----------------------------------|---------------|---------------|
| (\$ in 000s) | | | |
| Category | Type | \$ | % |
| Real Estate Secured | Residential Real Estate | 18,218 | 31.3 |
| | Farmland | 0 | 0.0 |
| | Commercial Real Estate | 30,528 | 52.5 |
| | Total Real Estate Secured | 48,746 | 83.8 |
| Agricultural | | 0 | 0.0 |
| Commercial and Industrial | | 9,271 | 15.9 |
| Consumer | | 177 | 0.3 |
| Other | | 4 | 0.0 |
| Total | | 58,198 | 100.00 |
| <i>Note: Percentages may not total to 100.0 percent due to rounding.</i> | | | |

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

The bank was rated satisfactory under the CRA at its previous evaluation conducted on November 30, 2009.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CHICAGO – JOLIET –
NAPERVILLE, ILLINOIS MD (#16974)**

Both of the bank's offices are located in middle-income geographies. Each office features a full-service automated teller machine (ATM) and offers the full range of the bank's products and services. The bank holds a small share of the FDIC-insured deposits in Cook County, 0.04 percent, as of June 30, 2013 (FDIC Deposit Market Share Report). The bank ranks 100th out of 142 depository institutions for deposit market share, reflecting the significant number of competitors in the county. Within the Village of Arlington Heights, the bank holds a larger deposit market share with 3.6 percent of FDIC-insured deposits among the 13 institutions operating in the suburb, as of June 30, 2013.

The bank's assessment area changed since the previous performance evaluation and includes additional census tracts in Cook and Lake Counties. Elk Grove Village, Palatine and Wheeling Townships comprised the assessment area in 2009. Subsequently, Barrington, Maine and Schaumburg Townships in Cook County and Cuba, Ela, Fremont, Vernon and Wauconda Townships in Lake County were added and are now included in the assessment area. The additional townships were included to better reflect the bank's lending activities. As a result of these changes, the assessment area grew from 58 census tracts in 2009, to 165 census tracts in 2012.

Based on data from the 2010 U.S. Census, the current assessment area is comprised of one low-income, 19 moderate-income, 62 middle-income and 83 upper-income geographies. Low- and moderate-income geographies represent 12.1 percent of the total assessment area geographies; this is an increase from 5.2 percent of the bank's prior assessment area geographies, which used data from the 2000 U.S. Census.

The following table presents a comparison of the bank's branch and ATM locations to 2010 U.S. Census demographics in the assessment area. Changes in census tract income levels since the 2000 U.S. Census resulted in one branch, which was formerly in an upper-income census tract, now being located in a middle-income census tract. The change resulted in 100.0 percent of the bank's branches and ATMs being located in middle-income geographies as of the 2010 U.S. Census.

| Distribution of Branches and ATMs in the Assessment Area - 2010 Census | | | | | | |
|---|---------------------------|----------------------|-----------------------|------------------|----------------------------|------------------------|
| Tract Income Level | Number of Branches | % of Branches | Number of ATMs | % of ATMs | % of Total Families | % of Businesses |
| Low-Income | 0 | 0.0 | 0 | 0.0 | 0.8 | 0.4 |
| Moderate-Income | 0 | 0.0 | 0 | 0.0 | 10.9 | 13.2 |
| Middle-Income | 2 | 100.0 | 2 | 100.0 | 36.3 | 36.3 |
| Upper-Income | 0 | 0.0 | 0 | 0.0 | 51.9 | 50.1 |
| Total | 2 | 100.0 | 2 | 100.0 | 100.0 | 100.0 |

Additional information about the assessment area's demographics is provided in the table below, based on 2010 U.S. Census data. Demographics data from the 2000 U.S. Census is provided in Appendix A.

Combined Demographics Report

| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
|--|---------------------------|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|--------------|
| | # | % | # | % | # | % | # | % |
| Low-income | 1 | 0.6 | 1,791 | 0.8 | 437 | 24.4 | 31,333 | 14.6 |
| Moderate-income | 19 | 11.5 | 23,474 | 10.9 | 1,911 | 8.1 | 33,870 | 15.8 |
| Middle-income | 62 | 37.6 | 77,982 | 36.3 | 3,715 | 4.8 | 43,557 | 20.3 |
| Upper-income | 83 | 50.3 | 111,534 | 51.9 | 2,519 | 2.3 | 106,021 | 49.4 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 165 | 100.0 | 214,781 | 100.0 | 8,582 | 4.0 | 214,781 | 100.0 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-Occupied | | Rental | | Vacant | | |
| | | # | % | % | # | % | # | % |
| Low-income | 2,929 | 1,023 | 0.4 | 34.9 | 1,619 | 55.3 | 287 | 9.8 |
| Moderate-income | 41,598 | 22,137 | 9.3 | 53.2 | 16,171 | 38.9 | 3,290 | 7.9 |
| Middle-income | 127,307 | 86,992 | 36.5 | 68.3 | 32,813 | 25.8 | 7,502 | 5.9 |
| Upper-income | 154,513 | 128,401 | 53.8 | 83.1 | 18,794 | 12.2 | 7,318 | 4.7 |
| Unknown-income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 326,347 | 238,553 | 100.0 | 73.1 | 69,397 | 21.3 | 18,397 | 5.6 |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | |
| | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported | | |
| | | # | % | # | % | # | % | # |
| Low-income | 201 | 0.4 | 183 | 0.4 | 9 | 0.2 | 9 | 0.6 |
| Moderate-income | 6,265 | 13.2 | 5,078 | 12.2 | 878 | 20.3 | 309 | 19.1 |
| Middle-income | 17,223 | 36.3 | 14,908 | 35.9 | 1,745 | 40.3 | 570 | 35.3 |
| Upper-income | 23,799 | 50.1 | 21,375 | 51.5 | 1,697 | 39.2 | 727 | 45.0 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 47,488 | 100.0 | 41,544 | 100.0 | 4,329 | 100.0 | 1,615 | 100.0 |
| Percentage of Total Businesses: | | | 87.5 | | 9.1 | | 3.4 | |

Based on 2012 D&B information according to 2010 ACSBoundaries.

For HMDA-related and small business loans originated prior to 2012, the point at which new census tract definitions became effective, the 2000 U.S. Census demographic data was used in the analysis to define the bank's assessment area. For HMDA-related and small business loans originated in calendar year 2012, the 2010 Census demographic data was used in the analysis of the bank's assessment area.

A discussion of both 2000 and 2010 Census demographic information follows. Both sections discuss relevant population information, income characteristics, and housing data. The relevant census demographic data were compared to the applicable loan periods, discussed in the preceding paragraph.

Population Characteristics

According to 2010 U.S. Census data, the population in the assessment area is 823,880, an increase of 5.4 percent from the 2000 U.S. Census. The assessment area's population grew at a higher rate than both the MD and the state-wide population growth rate. The assessment area's population growth is influenced by the availability of affordable housing, schools, cultural and recreational activities and easy access to major employers, including in the City of Chicago. The MD's lower growth rate was influenced by the overall decline in Cook County's population, which was attributable to a decline in the City of Chicago's population of 6.9 percent from 2000 to 2010. The table below shows population changes from 2000 to 2010 within the assessment area, Cook and Lake Counties, the MD and the state.

| Population Change 2000 and 2010 | | | |
|--|------------------------|------------------------|--------------------------|
| Area | 2000 Population | 2010 Population | Percentage Change |
| Assessment Area | 782,043 | 823,880 | 5.4 |
| Cook County, Illinois | 5,376,741 | 5,194,675 | -3.4 |
| Lake County, Illinois | 644,356 | 703,462 | 9.2 |
| Chicago-Joliet-Naperville MD, #16974 | 7,628,412 | 7,883,147 | 3.3 |
| Illinois | 12,419,293 | 12,830,632 | 3.3 |

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

Income Characteristics

The table below compares median family income levels for the assessment area, Cook and Lake Counties, the MD and the state. The assessment area median family income increased 15.0 percent between the 2000 U.S. Census and the 2006-2010 American Community Survey. The growth rate is below the rate for the counties, MD, and state during the same period.

2010 U.S. Census data also indicates that 4.0 percent of families in the assessment area are below the poverty level, and 30.4 percent of families are considered low- and moderate-income.

| Median Family Income Change 2000 and 2010 | | | |
|---|--------------------------------------|---|------------------------------|
| Area | 2000 Median Family Income | 2006-2010 Median Family Income | Percentage Change |
| Assessment Area | 76,280 | 87,719 | 15.0 |
| Cook County, Illinois | 53,784 | 65,039 | 20.9 |
| Lake County, Illinois | 76,424 | 91,693 | 20.0 |
| Chicago-Joliet-Naperville MD, # 16974 | 60,166 | 72,747 | 20.9 |
| Illinois | 55,545 | 68,236 | 22.8 |
| <i>Source: 2000—U.S. Census Bureau: Decennial Census; 2006-2010—U.S. Census Bureau: American Community Survey</i> | | | |

According to the Administrative Office of the U.S. Courts, in 2012, Cook County ranked fourth and Lake County ranked 13th among 102 counties in the state of Illinois for personal bankruptcy filing rates. The rate per 1,000 population for 2012 was 6.7 for Cook County and 5.0 for Lake County. Both counties' bankruptcy filing rates declined from peak rates in 2010, indicating some improvement, although rates in both counties remain substantially above historical levels. By comparison, the state of Illinois' 2012 bankruptcy rate of 5.2 per 1,000 population was lower than Cook County's rate and approximately the same as Lake County's rate. Both counties had bankruptcy filing rates significantly higher than the U.S. average of 3.8 percent.

Housing Characteristics

According to 2010 U.S. Census data, 73.1 percent of the housing units in the assessment area are owner-occupied, and 9.7 percent of owner-occupied units are located in low- and moderate-income census tracts. The median housing value and median gross rent in the assessment area are higher than the MD and state-wide levels. Housing in the assessment area is more expensive than areas outside of the MD.

The housing affordability ratio, defined in Appendix C of this evaluation, is used to compare the relative affordability of housing across geographic areas. The assessment area's affordability ratio declined significantly from the time of the 2000 U.S. Census when the ratio equaled 0.33, to 0.22 based on data from the 2006-2010 American Community Survey. The change corresponded to significant increases in housing costs in the assessment area prior to the economic downturn.

The subsequent decline in housing costs that occurred during the economic downturn resulted in more affordable rents for consumers in the assessment area relative to rents in the MD and state as single family home rentals increased in availability. Assessment area rents increased only 18.3 percent, based on 2006-2010 American Community Survey data, while MD and state rent increases equaled 37.3 and 37.9 percent, respectively.

| Trends in Housing Costs 2000 and 2006-2010 | | | | |
|---|--|---|-----------------------------------|--|
| Location | 2000 Median Housing Value | 2006-2010 Median Housing Value | 2000 Median Gross Rent | 2006-2010 Median Gross Rent |
| Assessment Area | 197,215 | 326,232 | 860 | 1,017 |
| Cook County, Illinois | 154,300 | 265,800 | 648 | 900 |
| Lake County, Illinois | 191,600 | 287,300 | 742 | 963 |
| Chicago-Joliet-Naperville MD, # 16974 | 159,773 | 264,900 | 665 | 913 |
| Illinois | 127,800 | 202,500 | 605 | 834 |

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

The Federal Reserve Bank of Chicago conducted a study of foreclosure inventory rates, a measure of the number of residential properties in some phase of foreclosure in relation to outstanding loans. Foreclosure inventory rates peaked in Cook County at 8.0 percent and in Lake County at 6.8 percent in April 2012. Since that time, the rates declined substantially, although they remain above the levels noted in January 2009. Cook County’s foreclosure inventory rate equaled 4.5 percent as of October 2013, while Lake County’s rate equaled 3.8 percent. By comparison, the state of Illinois foreclosure inventory rate peaked at 6.7 percent in April 2012, and declined to 3.7 percent by October 2013.

In addition, demand for new single family housing in Cook and Lake Counties consistently increased from 2010 through September 30, 2013, as permits issued rose from 1,160 in 2010 to 1,567 for the first nine months of 2013. The trend in new housing permits indicates improvement in demand for housing as well as strengthening of the local economy in terms of construction employment opportunities.

Employment Conditions

Unemployment rates for Cook and Lake Counties declined since 2010 but remain high. As of December 2013, the Cook and Lake County unemployment rates equaled 8.6 percent and 9.0 percent, respectively. The rates were similar to the MD and state of Illinois’ rates but remained substantially above the U.S. rate of 6.5 percent. Unemployment in the Village of Arlington Heights as of December 2013 was substantially lower than Cook and Lake Counties, at 5.6 percent.

| Unemployment Rate (%) | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|--------------------------|
| Region | 2009 | 2010 | 2011 | 2012 | December 2013 |
| Cook County, Illinois | 10.3 | 10.5 | 10.4 | 9.3 | 8.6 |
| Lake County, Illinois | 9.7 | 10.5 | 9.4 | 8.7 | 9.0 |
| Chicago-Joliet-Naperville MD, # 16974 | 10.0 | 10.1 | 9.9 | 8.9 | 8.2 |
| Illinois | 10.0 | 10.3 | 9.8 | 8.9 | 8.6 |
| United States | 9.3 | 9.6 | 8.9 | 8.1 | 6.5 |

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

The decrease in local unemployment is attributed to a strong base of diverse employers. The table below lists the largest employers in the assessment area with 6,000 or more employees.

| Largest Employers in the Assessment Area | | |
|--|----------------------------|--|
| Company | Number of Employees | Industry |
| Allstate Insurance Company and Corp. | 23,000 | Insurance Agencies & Brokerages |
| Abbott Laboratories | 16,000 | Pharmaceutical Preparation Manufacturing |
| University of Illinois Chicago | 11,515 | Colleges, Universities & Professional Schools |
| Walgreen Company | 9,600 | Pharmacies & Drug Stores, Office Administrative Services |
| University of Chicago | 8,534 | Colleges, Universities & Professional Schools |
| Johnston R. Bowman Health Center | 8,000 | General Medical & Surgical Hospitals |
| Loyola University Hospital | 8,000 | General Medical & Surgical Hospitals |
| John H. Stroger Jr. Hospital | 6,000 | General Medical & Surgical Hospitals |
| Northern Trust Company | 6,000 | Commercial Banking |
| Northwestern Memorial Hospital | 6,000 | General Medical & Surgical Hospitals |
| Sears Holdings Corp | 6,000 | Department Stores (Except Discount Dept. Stores) |
| Sears Home & Bus Franchises | 6,000 | Residential Remodelers |
| <i>Source: America's Labor Market Information System (ALMIS)</i> | | |

In addition to the preceding information, one community representative was interviewed during the evaluation to gain a better understanding of the credit needs of the assessment area. The representative indicated additional affordable housing is needed in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Peoples' Bank of Arlington Heights' lending test performance is rated Satisfactory based on a reasonable loan-to-deposit ratio, a majority of its lending occurring within the bank's assessment area, a reasonable dispersion of its loans throughout the assessment area, and a reasonable penetration of HMDA-reportable and small business loans among individuals of different income levels and businesses of different sizes.

Small business lending performance was weighed more heavily than HMDA-reportable lending, considering the bank is primarily a commercial lender.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio (considering seasonal variations and taking into account lending-related activities) is reasonable given its size, financial conditions, and assessment area credit needs. The bank's 17-quarter average loan-to-deposit ratio equaled 67.1 percent, which was slightly lower than its national peer group. As shown in the following table however, the ratio was consistent with a number of the bank's competitors.

| Comparative Loan-to-Deposit Ratios | |
|---|---------------------------|
| Institution | Loan-to-Deposit Ratio (%) |
| | 17 - Quarter Average |
| The Peoples' Bank of Arlington Heights | 67.1 |
| National Peer Group 6 | 76.1 |
| Competitors | |
| Bank of America NA | 68.6 |
| BMO Harris Bank NA | 67.0 |
| Citibank NA | 60.2 |
| First Midwest Bank | 80.6 |
| JP Morgan Chase Bank NA | 49.9 |
| Parkway Bank & Trust Company | 84.5 |
| TCF National Bank | 114.9 |
| Village Bank & Trust Company | 85.7 |
| <i>National Peer Group 6 is comprised of all insured commercial banks with average assets between \$100,000,000 and \$300,000 with two or fewer offices in a metropolitan area.</i> | |

Assessment Area Concentration

A majority of the bank's HMDA-reportable and small business loans were originated in the assessment area. Sixty four percent of the bank's loans by number, and 75.6 percent by dollar amount were originated in the assessment area. Small business loans comprised the majority of loans made within the assessment area, at 70.9 percent by number and 76.3 percent by dollar

amount; this is consistent with commercial lending being the bank's primary business line. The following table provides a breakdown by product of the loans originated inside and outside of the assessment area from January 1, 2009 through December 31, 2012.

| Lending Inside and Outside the Assessment Area | | | | | | | | |
|--|--------|-------|--------|-------|---------|-------|-------|------|
| Loan Type | Inside | | | | Outside | | | |
| | # | % | \$ | % | # | % | \$ | % |
| Home Purchase Loans | 1 | 50.0 | 65 | 20.6 | 1 | 50.0 | 250 | 79.4 |
| Refinanced Loans | 13 | 50.0 | 4,346 | 64.8 | 13 | 50.0 | 2,360 | 35.2 |
| Home Improvement Loans | 2 | 100.0 | 115 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Multi-Family Loans | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total HMDA-Reportable Loans | 16 | 53.3 | 4,526 | 63.4 | 14 | 46.7 | 2,610 | 36.6 |
| Total Small Business Loans | 39 | 69.6 | 14,563 | 80.4 | 17 | 30.36 | 3,562 | 19.6 |
| Total Loans | 55 | 64.0 | 19,089 | 75.6 | 31 | 36.0 | 6,172 | 24.4 |

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

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any HMDA-reportable loans in low- or moderate-income geographies during the evaluation period. However, 15.0 percent of the bank's 2012 small business loans by number and 33.0 percent in dollar volume were originated in low- and moderate-income geographies. Small business loan originations were proportionate to the number of small businesses located in the low- and moderate-income geographies, which equaled 13.6 percent of businesses in 2012. Twenty-one percent of small business loans by number and 31.4 percent in dollar volume in the 2009 - 2011 period were extended in low- and moderate-income geographies.

| Home Mortgage Lending, 2012 Geographic Distribution (000s) | | | | | | | |
|--|------------|--------------|--------------|--------------|------------------------------------|--------------|-------------------------------|
| Census Tract Income Level | Bank Loans | | | | Aggregate of All Lenders (Peer) | | Owner- Occupied Housing |
| | # | % | \$ | % | # % | \$ % | % |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.3 | 0.1 | 0.4 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 6.3 | 3.7 | 9.3 |
| Middle | 0 | 0.0 | 0 | 0.0 | 38.2 | 31.2 | 36.5 |
| Upper | 0 | 0.0 | 0 | 0.0 | 55.2 | 65.0 | 53.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | 100.0 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.2 | 0.1 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 5.0 | 3.3 | |
| Middle | 1 | 20.0 | 500 | 36.6 | 30.7 | 25.7 | |
| Upper | 4 | 80.0 | 866 | 63.4 | 64.1 | 70.8 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Total | 5 | 100.0 | 1,366 | 100.0 | 100.0 | 100.0 | |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 3.7 | 2.5 | |
| Middle | 0 | 0.0 | 0 | 0.0 | 27.3 | 19.7 | |
| Upper | 0 | 0.0 | 0 | 0.0 | 69.0 | 77.8 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | |
| Multifamily Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 2.4 | 0.3 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 28.6 | 40.5 | |
| Middle | 0 | 0.0 | 0 | 0.0 | 46.4 | 32.0 | |
| Upper | 0 | 0.0 | 0 | 0.0 | 22.6 | 27.2 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.2 | 0.1 | |
| 100.0Moderate | 0 | 0.0 | 0 | 0.0 | 5.3 | 4.0 | |
| Middle | 1 | 20.0 | 500 | 36.6 | 32.3 | 26.9 | |
| Upper | 4 | 80.0 | 866 | 63.4 | 62.2 | 69.0 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Total | 5 | 100.0 | 1,366 | 100.0 | 100.0 | 100.0 | |

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

| Small Business Lending, 2012 Geographic Distribution | | | | | |
|--|------------|--------------|--------------|--------------|---|
| Census Tract Income Level | Bank Loans | | | | Businesses by Census Tract Income Level |
| | # | % | \$ | % | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0.4 |
| Moderate | 3 | 15.0 | 1,761 | 33.0 | 13.2 |
| Middle | 4 | 20.0 | 921 | 17.3 | 36.3 |
| Upper | 13 | 65.0 | 2,652 | 49.7 | 50.1 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 20 | 100.0 | 5,334 | 100.0 | 100.0 |
| <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

The bank's lending reflects reasonable penetration among individuals of different income, including low- and moderate-income borrowers, and businesses of different sizes.

Although HMDA-reportable lending in 2012 did not include loans to low- or moderate-income individuals, 27.2 percent of the bank's 2009 to 2011 loans were extended to low- and moderate-income individuals. HMDA-reportable lending to low- and moderate-income individuals slightly exceeded the census demographic of 25.4 of low- and moderate-income families living in the assessment area at that time. The bank's HMDA-reportable lending in 2009-2011 also exceeded aggregate lender performance in 2009 and 2011.

The bank's 2012 small business loans were made predominantly to borrowers with gross revenues of \$1 million or less. Eighty-five percent of the bank's 2012 lending, by number of loans, was made to firms with gross revenue of \$1 million or less. This lending level approximates the demographic of 87.5 percent of businesses in the assessment area with gross revenues of \$1 million or less. In the 2009 - 2012 period, the proportion of the bank's borrowers within this revenue group was even higher, at 94.7 percent by number of loans.

In addition, 2012 small business loan amounts of \$100,000 or less comprised 50.0 percent of the bank's loans by number, including 52.9 percent of loans to borrowers with revenues of \$1 million or less. Loans of this size are typically considered most beneficial to small businesses. In the 2009 to 2011 period, 21.1 percent of small business loans by number were extended to borrowers in loan amounts of \$100,000 or less, including 22.2 percent to borrowers with gross revenues of \$1 million or less.

| Home Mortgage Lending, 2012 Borrower Distribution (000s) | | | | | | | |
|--|------------|--------------|--------------|--------------|--------------------------|--------------|---------------------------------|
| Income Level of the Borrower | Bank Loans | | Bank Loans | | Aggregate of All Lenders | | Families by Family Income Level |
| | # | % | \$ | % | # % | \$ % | % |
| Home Purchase Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 8.6 | 3.7 | 14.6 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 20.4 | 13.4 | 15.8 |
| Middle | 0 | 0.0 | 0 | 0.0 | 22.8 | 20.4 | 20.3 |
| Upper | 0 | 0.0 | 0 | 0.0 | 39.9 | 54.7 | 49.4 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 8.3 | 7.8 | 0.0 |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | 100.0 |
| Refinanced Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 4.8 | 2.5 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 11.6 | 7.3 | |
| Middle | 1 | 20.0 | 406 | 29.7 | 21.0 | 17.5 | |
| Upper | 3 | 60.0 | 675 | 49.4 | 51.4 | 61.1 | |
| Unknown | 1 | 20.0 | 285 | 20.9 | 11.3 | 11.6 | |
| Total | 5 | 100.0 | 1,366 | 100.0 | 100.0 | 100.0 | |
| Home Improvement Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 3.5 | 1.4 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 15.1 | 10.2 | |
| Middle | 0 | 0.0 | 0 | 0.0 | 24.7 | 23.6 | |
| Upper | 0 | 0.0 | 0 | 0.0 | 51.0 | 61.2 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 5.7 | 3.6 | |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | |
| Multifamily Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Middle | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Upper | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | |
| Unknown | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | |
| Total | 0 | 0.0 | 0 | 0.0 | 100.0 | 100.0 | |
| Total Home Mortgage Loans | | | | | | | |
| Low | 0 | 0.0 | 0 | 0.0 | 5.6 | 2.7 | |
| Moderate | 0 | 0.0 | 0 | 0.0 | 13.5 | 8.4 | |
| Middle | 1 | 20.0 | 406 | 29.7 | 21.4 | 17.8 | |
| Upper | 3 | 60.0 | 675 | 49.4 | 48.8 | 58.8 | |
| Unknown | 1 | 20.0 | 285 | 20.9 | 10.7 | 12.2 | |
| Total | 5 | 100.0 | 1,366 | 100.0 | 100.0 | 100.0 | |
| <i>Note: Percentages may not add to 100.0 percent due to rounding.</i> | | | | | | | |

| Small Business Loan Distribution, 2012 By Revenue and Loan Size (000s) | | | | | | |
|--|------------|--------------|--------------|--------------|-------------------------------|--------------|
| Category | Bank Loans | | | | Businesses By Annual Revenues | |
| | # | % | \$ | % | # | % |
| By Revenue | | | | | | |
| \$1 Million or Less | 17 | 85.0 | 4,324 | 81.1 | 41,544 | 87.5 |
| Over \$1 Million | 3 | 15.0 | 1,010 | 18.9 | 4,329 | 9.1 |
| Not Known | 0 | 0.0 | 0 | 0.0 | 1,615 | 3.4 |
| Total | 20 | 100.0 | 5,334 | 100.0 | 47,488 | 100.0 |
| By Loan Size | | | | | | |
| \$100,000 or less | 10 | 50.0 | 263 | 4.9 | | |
| \$101,000 - \$250,000 | 3 | 15.0 | 589 | 11.0 | | |
| \$251,000 - \$1 Million | 7 | 35.0 | 4,483 | 84.0 | | |
| Total | 20 | 100.0 | 5,334 | 100.0 | | |
| By Loan Size and Revenue \$1 Million or Less | | | | | | |
| \$100,000 or less | 9 | 52.9 | 213 | 4.9 | | |
| \$101,000 - \$250,000 | 2 | 11.8 | 404 | 9.3 | | |
| \$251,000 - \$1 Million | 6 | 35.3 | 3,707 | 85.7 | | |
| Total | 17 | 100.0 | 4,324 | 100.0 | | |
| <i>Note: Percentages may not add to 100.0 percent due to rounding.</i> | | | | | | |

Response to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A – Demographic and Lending Tables, 2000 U.S. Census

Combined Demographics Report - 2011

| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
|------------------------------|--|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|--------------|
| | # | % | # | % | # | % | # | % |
| Low-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 22,415 | 10.8 |
| Moderate-income | 5 | 3.5 | 6,096 | 2.9 | 459 | 7.5 | 30,416 | 14.6 |
| Middle-income | 58 | 40.3 | 89,428 | 42.9 | 2,949 | 3.3 | 47,297 | 22.7 |
| Upper-income | 81 | 56.3 | 112,727 | 54.1 | 1,858 | 1.6 | 108,123 | 51.9 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 144 | 100.0 | 208,251 | 100.0 | 5,266 | 2.5 | 208,251 | 100.0 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-Occupied | | Rental | | Vacant | | |
| | | # | % | % | # | % | # | % |
| Low-income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate-income | 10,723 | 5,170 | 2.3 | 48.2 | 5,069 | 47.3 | 484 | 4.5 |
| Middle-income | 135,060 | 95,091 | 42.1 | 70.4 | 36,275 | 26.9 | 3,694 | 2.7 |
| Upper-income | 153,488 | 125,643 | 55.6 | 81.9 | 24,225 | 15.8 | 3,620 | 2.4 |
| Unknown-income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 299,271 | 225,904 | 100.0 | 75.5 | 65,569 | 21.9 | 7,798 | 2.6 |
| | Total Businesses by Tract | Businesses 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 | 1,936 | 3.8 | 1,494 | 3.3 | 370 | 8.1 | 72 | 4.4 |
| Middle-income | 21,931 | 42.5 | 18,893 | 41.6 | 2,280 | 49.8 | 758 | 46.5 |
| Upper-income | 27,714 | 53.7 | 24,987 | 55.1 | 1,927 | 42.1 | 800 | 49.1 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 51,581 | 100.0 | 45,374 | 100.0 | 4,577 | 100.0 | 1,630 | 100.0 |
| | Percentage of Total Businesses: | | | 88.0 | | 8.9 | | 3.2 |

Based on 2011 D&B information according to 2000 CensusBoundaries.

| Home Mortgage Lending, 2009-2011 Geographic Distribution (000s) | | | | | | | | |
|---|---------------------------|------------|--------------|--------------|--------------|---------------------------------|--------------|------------------------|
| Year | Census Tract Income Level | Bank Loans | | | | Aggregate of All Lenders (Peer) | | Owner-Occupied Housing |
| | | # | % | \$ | % | # % | \$ % | % |
| 2011 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Moderate | 0 | 0.0 | 0 | 0.0 | 1.2 | 0.7 | 2.3 |
| | Middle | 0 | 0.0 | 0 | 0.0 | 33.5 | 27.5 | 42.1 |
| | Upper | 5 | 100.0 | 1,248 | 100.0 | 65.3 | 71.8 | 55.6 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total | 5 | 100.0 | 1,248 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2010 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Moderate | 0 | 0.0 | 0 | 0.0 | 1.1 | 0.7 | 2.3 |
| | Middle | 0 | 0.0 | 0 | 0.0 | 32.9 | 27.4 | 42.1 |
| | Upper | 2 | 100.0 | 1,023 | 100.0 | 66.0 | 71.9 | 55.6 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total | 2 | 100.0 | 1,023 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2009 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Moderate | 0 | 0.0 | 0 | 0.0 | 1.3 | 0.8 | 2.3 |
| | Middle | 1 | 25.0 | 65 | 7.3 | 35.3 | 29.9 | 42.1 |
| | Upper | 3 | 75.0 | 824 | 92.7 | 63.4 | 69.3 | 55.6 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total | 4 | 100.0 | 889 | 100.0 | 100.0 | 100.0 | 100.0 |

| Small Business Lending, 2009-2011 Geographic Distribution | | | | | |
|--|------------|--------------|--------------|--------------|---|
| Census Tract Income Level | Bank Loans | | | | Businesses by Census Tract Income Level |
| | # | % | \$ | % | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Moderate | 4 | 21.1 | 2,902 | 31.4 | 3.8 |
| Middle | 2 | 10.5 | 155 | 1.7 | 42.5 |
| Upper | 13 | 68.4 | 6,172 | 66.9 | 53.7 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| Total | 19 | 100.0 | 9,229 | 100.0 | 100.0 |

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

| Home Mortgage Lending, 2009-2011 Borrower Distribution (000s) | | | | | | | | |
|---|------------------------------|------------|----------|--------------|--------------|--------------------------|--------------|---------------------------------|
| Year | Income Level of the Borrower | Bank Loans | | Bank Loans | | Aggregate of All Lenders | | Families by Family Income Level |
| | | # | % | \$ | % | # | % | % |
| 2011 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 5.2 | 2.5 | 10.8 |
| | Moderate | 2 | 40.0 | 303 | 24.3 | 12.8 | 8.0 | 14.6 |
| | Middle | 1 | 20.0 | 396 | 31.7 | 19.5 | 16.0 | 22.7 |
| | Upper | 2 | 40.0 | 549 | 44.0 | 46.2 | 55.2 | 51.9 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 16.3 | 18.3 | 0.0 |
| | Total | | 5 | 100.0 | 1,248 | 100.0 | 100.0 | 100.0 |
| 2010 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 4.5 | 2.3 | 10.8 |
| | Moderate | 0 | 0.0 | 0 | 0.0 | 12.2 | 8.0 | 14.6 |
| | Middle | 1 | 50.0 | 486 | 47.5 | 21.3 | 18.0 | 22.7 |
| | Upper | 1 | 50.0 | 537 | 52.5 | 48.0 | 56.9 | 51.9 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 14.0 | 14.8 | 0.0 |
| | Total | | 2 | 100.0 | 1,023 | 100.0 | 100.0 | 100.0 |
| 2009 Total Home Mortgage Loans | Low | 0 | 0.0 | 0 | 0.0 | 4.4 | 2.2 | 10.8 |
| | Moderate | 1 | 25.0 | 65 | 7.3 | 13.9 | 9.3 | 14.6 |
| | Middle | 1 | 25.0 | 486 | 54.7 | 23.0 | 20.2 | 22.7 |
| | Upper | 2 | 50.0 | 338 | 38.0 | 45.4 | 54.6 | 51.9 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 13.3 | 13.7 | 0.0 |
| | Total | | 4 | 100.0 | 889 | 100.0 | 100.0 | 100.0 |

| Small Business Loan Distribution, 2009-2011 By Revenue and Loan Size (000s) | | | | | | | |
|---|------------|--------------|--------------|--------------|-------------------------------|--------------|--|
| Category | Bank Loans | | | | Businesses By Annual Revenues | | |
| | # | % | \$ | % | # | % | |
| By Revenue | | | | | | | |
| \$1 Million or Less | 18 | 94.7 | 8,477 | 88.7 | 45,374 | 88.0 | |
| Over \$1 Million | 1 | 5.3 | 752 | 11.3 | 4,577 | 8.9 | |
| Not Known | 0 | 0.0 | 0 | 0.0 | 1,630 | 3.2 | |
| Total | 20 | 100.0 | 9,229 | 10.0 | 51,581 | 100.0 | |
| By Loan Size | | | | | | | |
| \$100,000 or less | 4 | 21.1 | 193 | 2.1 | | | |
| \$101,000 - \$250,000 | 2 | 10.5 | 367 | 4.0 | | | |
| \$251,000 - \$1 Million | 13 | 68.4 | 8,669 | 93.9 | | | |
| Total | 19 | 100.0 | 9,229 | 100.0 | | | |
| By Loan Size and Revenue \$1 Million or Less | | | | | | | |
| \$100,000 or less | 4 | 22.2 | 193 | 2.3 | | | |
| \$101,000 - \$250,000 | 2 | 11.1 | 367 | 4.3 | | | |
| \$251,000 - \$1 Million | 12 | 66.7 | 7,917 | 93.4 | | | |
| Total | 18 | 100.0 | 8,477 | 100.0 | | | |

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

APPENDIX B – Scope of Examination

| SCOPE OF EXAMINATION | | | |
|---|-------------------------------|--|-------------------|
| TIME PERIOD REVIEWED | | Loans originated between January 1, 2009 through December 31, 2012 | |
| FINANCIAL INSTITUTION | | PRODUCTS REVIEWED | |
| The Peoples' Bank of Arlington Heights, Arlington Heights, Illinois | | HMDA-reportable loans Small business loans | |
| AFFILIATE(S) | AFFILIATE RELATIONSHIP | PRODUCTS REVIEWED | |
| None | | | |
| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| Chicago-Joliet-Naperville, IL MD #16974 | Full Scope Review | 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.

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.

Consumer loan: A loan 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 secured loan, and other 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 householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the

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

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) 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.

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

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 lenders in the MSA/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 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 (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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

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

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

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.

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

Small loans to farms: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 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.

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