PUBLIC DISCLOSURE

April 4, 2022

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

Connection Bank
RSSD# 624246

636 Avenue G
Fort Madison, Iowa 52627

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 CRA RATING

Connection Bank is rated: Satisfactory
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

Connection Bank is meeting the credit needs of its community based on an analysis of lending and community development activities. The loan-to-deposit (LTD) ratio is reasonable given the characteristics of the bank, its local competitors, and the credit needs of the assessment area. A majority of the bank's loans are originated in the delineated assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Neither Connection Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

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

SCOPE OF EXAMINATION

Connection Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examinations Council (FFIEC). The evaluation was performed within the context of information about the institution and its assessment areas including asset size, financial condition, competition, and economic and demographic characteristics. This is the institution's first time being evaluated under the Intermediate Small Institution Examination Procedures.

The evaluation was based on the bank's performance in its sole non-metropolitan statistical area (non-MSA) assessment area. The institution's delineated assessment area is located within the Iowa-Illinois-Missouri Non-MSA. The assessment area includes the contiguous counties of Des Moines (Iowa), Lee (Iowa), Hancock (Illinois), and Clark (Missouri) in their entirety. Refer to assessment area map in Appendix A for illustration.

The bank's combined assessment area has changed since the previous evaluation. Following the opening of a branch office in Burlington, Iowa in July 2018, the bank expanded its assessment area to include Des Moines County in its entirety. The bank previously delineated two separate assessment areas; Hancock County in Illinois was its own individual assessment area due to the presence of a full-service ATM. However, in February 2019, the bank closed its ATM located in Dallas City, Illinois, and no longer has a physical presence in this state. As a result, Hancock County is now included within the bank's single assessment area.

The level of performance within the assessment area was assessed based on a sample of home mortgage and small business loans originated during the period beginning January 1, 2021, and ending December 31, 2021. These products are considered the bank's primary business lines based on volume by number and dollar amount. Additional emphasis was placed on small business loans, given commercial lending comprises a majority of the bank's loan portfolio at 44.5 percent. In addition, the bank's community development activities were evaluated to determine their responsiveness to the needs within the assessment area.

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

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio was calculated for the bank and compared to local competitors.

- ***Lending in the Assessment Area*** – A sample of the bank's home mortgage and small business loans originated from January 1, 2021, to December 31, 2021, were reviewed to determine the percentage of loans originated within the assessment area.

- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's home mortgage and small business loans originated within the assessment area from January 1, 2021, to December 31, 2021, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.

- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – A sample of the bank's home mortgage and small business loans originated within the assessment area from January 1, 2021, to December 31, 2021, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

- ***Community Development Activities*** – The bank's responsiveness to community development needs through community development loans, qualified investments, and community development services from February 5, 2018, to April 4, 2022, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: Economic Development and Affordable Housing.

DESCRIPTION OF INSTITUTION

Connection Bank is a wholly owned subsidiary of Fort Madison Financial Company, a one bank holding company headquartered in Fort Madison, Iowa. The bank operates its main office in Fort Madison, Iowa, with four additional branch locations and seven full-service automated teller machines (ATMs), all located within Des Moines and Lee Counties in Iowa. The bank also operates an insurance agency, Fort Madison Financial Services, LLC, doing business as Connection Insurance. Since the prior evaluation, the bank opened a full-service branch in Burlington, Iowa and closed a deposit taking ATM located in Dallas City, Illinois. In addition, the bank built a new branch location at 2119 Main Street in Keokuk, IA, and consolidated its 501 Main & 16th Street locations in Keokuk to this new location.

As of December 31, 2021, the bank reported total assets of $386.3 million according to the Uniform Bank Performance Report (UBPR). Connection Bank offers a variety of lending products including residential real estate, commercial, agricultural, and consumer loans. Overall, the lending products offered are standard and non-complex. The bank has continued to primarily serve as a commercial and residential real estate lender, making up 44.5 and 35.8 percent of the loan portfolio, respectively. Furthermore, the bank offers standard and non-complex deposit product offerings.

Composition of Loan Portfolio
as of **December 31, 2021**

Type	$	%
Residential Real Estate	105,620	35.8
Commercial	131,246	44.5
Agriculture	47,219	16.0
Consumer	7,069	2.4
Other	3,596	1.2
Total	294,750	100.0

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

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

The bank was rated **satisfactory** under the CRA at its previous evaluation conducted on February 5, 2018.

DESCRIPTION OF ASSESSMENT AREA

Connection Bank operates in one assessment area that contains Des Moines (Iowa), Lee (Iowa), Hancock (Illinois), and Clark (Missouri) counties in their entirety. This is a change from the previous examination as the bank expanded its assessment area to include two additional census tracts in Des Moines County. In addition, the bank closed its full-service ATM located in Dallas City, Illinois, and therefore has no physical presence in Illinois. As a result, Hancock County is now included within the bank's combined assessment area. According to the 2020 FFIEC Census Data, the assessment area is comprised of 32 census tracts, with a one low-income census tract, six moderate-income census tracts, 24 middle-income census tracts, and one upper-income census tract. There are no distressed or underserved census tracts located within the assessment area.

According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Market Share Report, Connection Bank is ranked third out of twenty-four deposit taking financial institutions operating in these counties, with a 9.5 percent market share. For comparison, the first and second ranked financial institutions by deposit market share are Two Rivers Bank and Trust (18.2 percent), and Pilot Grove Savings Bank (14.1 percent).

The assessment area is home to 27,299 families; of these families, 41.7 percent are designated as low- or moderate-income, with a total of 10.9 percent living in poverty. Businesses with annual revenues under $1 million represent 89.2 percent of all businesses in the assessment area. Based on this information, the bank has sufficient lending opportunities to reach borrowers of different income levels and businesses of different sizes throughout the assessment area. Additional assessment area demographic information is presented in the following table.

Assessment Area: 2021 Iowa-Missouri-Illinois Non MSA								
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low-income	1	3.1	527	1.9	221	41.9	5,851	21.4
Moderate-income	6	18.8	5,585	20.5	1,183	21.2	5,530	20.3
Middle-income	24	75.0	19,951	73.1	1,546	7.7	6,251	22.9
Upper-income	1	3.1	1,236	4.5	27	2.2	9,667	35.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**32**	**100.0**	**27,299**	**100.0**	**2,977**	**10.9**	**27,299**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	1,067	585	1.9	54.8	482	45.2	0	0.0
Moderate-income	10,380	5,516	17.5	53.1	3,449	33.2	1,415	13.6
Middle-income	33,985	23,879	75.9	70.3	6,177	18.2	3,929	11.6
Upper-income	1,940	1,475	4.7	76.0	285	14.7	180	9.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**47,372**	**31,455**	**100.0**	**66.4**	**10,393**	**21.9**	**5,524**	**11.7**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	112	2.6	94	2.5	18	4.7	0	0.0
Moderate-income	869	20.5	790	20.9	72	19.0	7	8.9
Middle-income	3,006	70.9	2,661	70.4	277	73.1	68	86.1
Upper-income	252	5.9	236	6.2	12	3.2	4	5.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**4,239**	**100.0**	**3,781**	**100.0**	**379**	**100.0**	**79**	**100.0**
	Percentage of Total Businesses:			**89.2**		**8.9**		**1.9**
	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	10	1.7	10	1.8	0	0.0	0	0.0
Middle-income	495	86.2	492	86.5	2	50.0	1	100.0
Upper-income	69	12.0	67	11.8	2	50.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**574**	**100.0**	**569**	**100.0**	**4**	**100.0**	**1**	**100.0**
	Percentage of Total Farms:			**99.1**		**0.7**		**0.2**

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS

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

Population Characteristics

According to the 2015 American Community Survey (ACS) data, the Iowa-Illinois-Missouri Non-MSA's population is 101,234, which is a slight decrease (1.2 percent) from the 2010 census. All four counties in the assessment area have experienced a slight decrease in population, with Clark County experiencing the largest decrease at 3.1 percent. The largest counties in the assessment area are Des Moines and Lee Counties, with 40,208 and 35,369, respectively. The state of Iowa had a slight increase of 1.5 percent, while the total population of Non-MSA Iowa experienced a similar decrease in population to what was seen in the assessment area (0.9 percent). A community representative stated that this area has experienced similar trends throughout rural Iowa, as younger populations are leaving the area for job opportunities in larger cities.

2020 Iowa-Missouri-Illinois Non MSA Population Change			
Area	**2010 Population**	**2015 Population**	**Percent Change**
2020 Iowa-Missouri-Illinois Non MSA	102,430	101,234	-1.2%
Hancock County, IL	19,104	18,738	-1.9%
Des Moines County, IA	40,325	40,208	-0.3%
Lee County, IA	35,862	35,369	-1.4%
Clark County, MO	7,139	6,919	-3.1%
Non-MSA Illinois	1,509,418	1,486,185	-1.5%
Non-MSA Iowa	1,261,493	1,250,756	-0.9%
Non-MSA Missouri	1,556,057	1,550,288	-0.4%
Illinois	12,830,632	12,873,761	0.3%
Iowa	3,046,355	3,093,526	1.5%
Missouri	5,988,927	6,045,448	0.9%

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

Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area. According to the 2011-2015 ACS data, the MFI in the assessment area is $55,592, which is a slight decrease (2.8 percent) since 2010. Lee County is the only county with positive MFI growth inside the assessment area, with a total increase of 1.0 percent. Des Moines, Hancock, and Clark Counties experienced decreases of 5.9, 5.2, and 1.1 percent, respectively. MFI for the assessment area is well below the total average of the states of Iowa, Illinois, and Missouri. A community representative noted that the MFI has started to increase recently due to increased wages as businesses are competing for employees.

2020 Iowa-Missouri-Illinois Non MSA Median Family Income Change			
Area	**2010 Median Family Income**	**2015 Median Family Income**	**Percent Change**
2020 Iowa-Missouri-Illinois Non MSA	$57,181	$55,592	-2.8%
Hancock County, IL	$60,069	$56,954	-5.2%
Des Moines County, IA	$58,745	$55,297	-5.9%
Lee County, IA	$55,134	$55,694	1.0%
Clark County, MO	$56,092	$55,496	-1.1%
Non-MSA Illinois	$58,992	$59,323	0.6%
Non-MSA Iowa	$61,224	$61,681	0.7%
Non-MSA Missouri	$49,277	$48,341	-1.9%
Illinois	$74,306	$71,546	-3.7%
Iowa	$67,302	$67,466	0.2%
Missouri	$62,790	$60,809	-3.2%

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

Housing Characteristics

According to the 2020 FFIEC census data, there are 47,372 total housing units in the assessment area. The majority of the housing units in the assessment area are owner-occupied at 66.4 percent, while 21.9 percent are considered rental units and 11.7 percent are vacant. The majority of the assessment area's housing stock is located in middle-income census tracts (71.7 percent), with the second most housing units located within moderate-income census tracts (21.9 percent). Of the homes located in middle-income tracts, 70.3 percent are owner-occupied, while just 53.1 percent of housing units are owner-occupied in moderate-income tracts.

A method in understanding poverty and housing outcomes is calculating housing cost burden, which is outlined in the table below. The housing cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Across the assessment area, 38.1 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 69.3 percent are low-income, and 24.3 percent are moderate-income renters. For homeowners, only 15.1 percent are experiencing housing cost burden within the assessment area, but similar to renters, the majority are low- and moderate-income owners at 57.1 percent and 18.5 percent, respectfully. Home mortgage trends reflect significant increases in demand for home purchases, with total home mortgages increasing by 56.2 percent from 2019 to 2020 within the assessment area. A community representative stated that area housing demand increased during the COVID-19 pandemic, and prices are continuing to rise due to increased demand.

2020 Iowa-Missouri-Illinois Non MSA Housing Cost Burden						
	Cost Burden - Renters			Cost Burden - Owners		
Area	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2020 Iowa-Missouri-Illinois Non MSA	69.3%	24.3%	38.1%	57.1%	18.5%	15.1%
Hancock County, IL	59.5%	21.4%	26.8%	52.0%	10.6%	11.9%
Des Moines County, IA	72.8%	31.1%	43.0%	61.2%	25.4%	16.8%
Lee County, IA	70.4%	15.9%	39.0%	55.2%	15.7%	15.3%
Clark County, MO	50.9%	21.1%	24.3%	60.9%	12.8%	14.1%
Non-MSA Illinois	66.2%	18.2%	36.3%	53.4%	21.0%	15.1%
Non-MSA Iowa	64.3%	14.3%	32.8%	54.3%	20.8%	14.9%
Non-MSA Missouri	68.1%	32.1%	37.0%	55.9%	26.7%	17.8%
Illinois	74.9%	36.0%	43.8%	68.8%	39.9%	23.4%
Iowa	71.3%	21.3%	38.2%	57.5%	25.1%	15.4%
Missouri	74.0%	31.5%	40.6%	59.9%	30.3%	18.0%
Cost Burden is housing cost that equals 30 percent or more of household income						
Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy						

Employment Conditions

The following table presents employment characteristics of the areas that comprise the bank's assessment area. Overall, the unemployment rates in the assessment area, state of Iowa, and Non-MSA Iowa generally declined from 2016 through 2019, however, in 2020, unemployment rates increased due to the COVID-19 pandemic. One community representative noted that as of this evaluation, Lee County has seen a significant decline in unemployment due to more manufacturing job opportunities as businesses are entering or expanding in the area. Both representatives stated that many of the open manufacturing jobs offer competitive wages and as a result may be able to attract workers to the area.

2020 Iowa-Missouri-Illinois Non MSA Unemployment Rates					
Area	2016	2017	2018	2019	2020
2020 Iowa-Missouri-Illinois Non MSA	5.7%	4.9%	3.9%	4.0%	6.9%
Hancock County, IL	6.5%	5.1%	4.6%	4.5%	6.9%
Des Moines County, IA	4.9%	4.2%	3.4%	4.0%	7.5%
Lee County, IA	6.0%	5.4%	4.1%	4.0%	6.5%
Clark County, MO	7.3%	5.6%	3.9%	3.6%	6.0%
Non-MSA Illinois	6.0%	4.9%	4.8%	4.2%	7.7%
Non-MSA Iowa	3.8%	3.2%	2.7%	2.9%	4.9%
Non-MSA Missouri	5.5%	4.4%	3.7%	4.0%	6.2%
Illinois	5.9%	5.0%	4.4%	4.0%	9.5%
Iowa	3.6%	3.1%	2.6%	2.8%	5.3%
Missouri	4.5%	3.8%	3.2%	3.3%	6.1%
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics					

Community Representatives

Two community representatives were contacted to provide information on area housing, employment, income characteristics, and economic development needs. Both representatives believe that overall industry conditions are strong, which is attributed to multiple businesses entering or expanding in the area in recent years, primarily in the manufacturing sector. One representative stated that employment has made a significant rebound since the onset of the COVID-19 pandemic, as several large manufacturers have not only expanded operations which has led to additional hiring, but have also increased wages due to competition for employees. However, declining populations due to the rural assessment area has made it hard to fill all open positions. While affordable housing and revitalization and stabilizations were identified as assessment area needs, the representatives believe financial institutions within the assessment area are responsive to all credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Connection Bank's performance relative to the lending test is **Satisfactory** based on its lending in the Iowa-Illinois-Missouri Non-MSA assessment area. The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. Additionally, a majority of the bank's loans are in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. Overall, the bank is meeting the credit needs of its community based on an analysis of its lending activities.

Loan-to-Deposit Ratio

Connection Bank had a reasonable LTD ratio given the bank's size, financial condition, the credit needs of its assessment area.

As of December 31, 2021, the bank's 17-quarter average LTD ratio was 89.4 percent, which is above local peer average (87.7 percent) and comparable to local competitors. The LTD ratio reflects an increase from the prior evaluation (78.8 percent). The table below compares the bank's LTD ratio to peer and local competitors.

Comparative Loan-to-Deposit Ratios as of December 31, 2021	
Comparative Data	**17 Quarter Average (%)**
Connection Bank	89.4
Peer Avg – Local	87.7
Competitors	
Lee County Bank	105.3
Farmers Savings Bank	95.1
Two Rivers Bank and Trust	91.4
F&M Bank	85.1
Exchange St Bank	61.5

Assessment Area Concentration

Connection Bank made a majority of its loans in the bank's assessment area. Connection Bank originated 83.8 percent by number of its home mortgage (residential loans) and small business loans inside the assessment area. Home mortgage loans had the highest concentration originated inside the assessment area, with a total of 87.3 percent. Small business loan concentration within the assessment area was 78.6 percent. Overall, the percentage of home mortgage and small business loans originated inside the assessment area indicates the bank is actively serving the credit needs of the community.

The following table summarizes the bank's lending inside and outside the assessment area for residential and small business loans from January 1, 2021, to December 31, 2021.

Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	$(000s)	%	#	%	$(000s)	%
Residential Loans	124	87.3	$14,504	83.6	18	12.7	$2,843	16.4
Total Non-HMDA	**124**	**87.3**	**$14,504**	**83.6**	**18**	**12.7**	**$2,843**	**16.4**
Small Business	77	78.6	$8,194	83.7	21	21.4	$1,597	16.3
Total Small Bus. related	**77**	**78.6**	**$8,194**	**83.7**	**21**	**21.4**	**$1,597**	**16.3**
TOTAL LOANS	**201**	**83.8**	**$22,697**	**83.6**	**39**	**16.3**	**$4,440**	**16.4**

Geographic Distribution of Loans

Connection Bank demonstrated a reasonable geographic distribution of loans given the bank's assessment area.

A sample of the bank's home mortgage and small business loans originated during the January 1, 2021, through December 31, 2021, evaluation period was reviewed to determine the dispersion of loans among assessment area geographies.

A gap analysis was completed as part of the evaluation. In 2021, Connection Bank originated loans in 84.4 percent of the 32 census tracts in the assessment area: including loans in the low-income tract, five out of six (83.3 percent) of the moderate-income census tracts, 20 out of 24 (83.3 percent) of the middle-income census tracts, and in the lone upper-income census tract. Based upon this analysis, there are no conspicuous geographic lending gaps.

<u>Home Mortgage Loans</u>

Home mortgage lending reflects reasonable dispersion throughout the assessment area. Connection Bank originated 4.8 percent of its home mortgage loans to borrowers in the sole low-income census tract, which exceeds the percentage of owner-occupied units within the tract (1.9 percent). The bank originated 12.1 percent of its home mortgage loans in moderate-income census tracts, which is below the percentage of owner-occupied units (17.5 percent) within these tracts. The majority of the bank's home mortgage loans (79.8 percent) were originated in middle-income census tracts, which aligns with where the majority of owner-occupied housing units (75.9 percent) are located.

Geographic Distribution of Home Mortgage Loans
Assessment Area: 2021 Iowa-Missouri-Illinois Non MSA

	Tract Income Levels	Bank & Demographic Comparison 2021				
		Count Bank		Dollar Bank		Owner Occupied
		#	%	$ (000s)	$ %	% of Units
Totals	Low	6	4.8	990	6.8	1.9
	Moderate	15	12.1	1,283	8.8	17.5
	Middle	99	79.8	11,372	78.4	75.9
	Upper	4	3.2	859	5.9	4.7
	Unknown	0	0.0	0	0.0	0.0
	Total	**124**	**100.0**	**14,504**	**100.0**	**100.0**

2021 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

<u>Small Business Lending</u>

Small business lending reflects reasonable dispersion throughout the assessment area. Connection Bank originated 6.5 percent of small business loans in the low-income census tract, which outpaces area demographics as only 2.6 percent of total businesses in the assessment are located in the low-income tract. Additionally, the bank originated 18.2 percent of its small business loans in moderate-income census tracts, which is slightly below the total businesses located in these tracts (20.5 percent). Overall, the bank is sufficiently lending to small businesses located within low- and moderate-income geographies throughout the assessment area.

Geographic Distribution of Small Business Loans Assessment Area: 2021 Iowa-Missouri-Illinois Non MSA						
	Tract Income Levels	Bank & Demographic Comparison 2021				
		Count Bank		Dollar Bank		Total Businesses
		#	%	$ 000s	$ %	%
Small Business	Low	5	6.5	1,261	15.4	2.6
	Moderate	14	18.2	1,312	16.0	20.5
	Middle	47	61.0	4,447	54.3	70.9
	Upper	11	14.3	1,174	14.3	5.9
	Unknown	0	0.0	0	0.0	0.0
	Total	**77**	**100.0**	**8,194**	**100.0**	**100.0**
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS						
Note: Percentages may not add to 100.0 percent due to rounding						

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

Connection Bank's distribution of loans to individuals of different income levels and businesses of different sizes is reasonable given the demographics of the bank's assessment area.

A sample of the bank's home mortgage and small business loans originated during the January 1, 2021, to December 31, 2021, evaluation period was reviewed to determine the dispersion of loans among borrowers of different income levels, particularly those designated as low- and moderate-income, and to businesses with less than $1.0 million in gross annual revenue.

<u>Home Mortgage Loans</u>

The borrower distribution of home mortgage loans reflects reasonable dispersion to individuals across all income levels. The bank originated 12.1 percent of home mortgage loans to low-income borrowers, which is significantly below the percentage of low-income families in the assessment area (21.4 percent). Conversely, the bank originated 29.0 percent of home mortgage loans to moderate-income borrowers, which exceeds the percentage of moderate-income families in the assessment area (20.3 percent). The majority of families are considered to be upper-income borrowers (35.4 percent), which is consistent with the bank's home mortgage lending.

Borrower Distribution of Home Mortgage Loans
Assessment Area: 2021 Iowa-Missouri-Illinois Non MSA

	Borrower Income Levels	Bank & Demographic Comparison 2021				Families by Family Income
		Count		Dollar		
		#	%	$ (000s)	$ %	%
Totals	Low	15	12.1	616	4.2	21.4
	Moderate	36	29.0	2,809	19.4	20.3
	Middle	19	15.3	1,969	13.6	22.9
	Upper	54	43.5	9,110	62.8	35.4
	Unknown	0	0.0	0	0.0	0.0
	Total	**124**	**100.0**	**14,504**	**100.0**	**100.0**

2021 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Small Business Lending

Connection Bank's distribution of small business loans reflects excellent penetration among businesses of different sizes. The bank originated 92.2 percent of its small business loans to businesses with annual revenues of $1.0 million or less, which exceeds the percentage of total businesses within the assessment area with total revenues of $1.0 million or less (89.2 percent). Additionally, of the loans made to businesses with revenues of $1 million or less, 80.3 percent were made in amounts of $100,000 or less, which is considered most beneficial to small businesses, and demonstrates the bank's willingness to meet small business credit needs. To further address small business lending needs of the assessment area during the Covid-19 pandemic, the bank actively participated in providing Paycheck Protection Program (PPP) loans.

Small Business Lending By Revenue & Loan Size Assessment Area: 2021 Iowa-Missouri-Illinois Non MSA							
Product Type			Bank & Demographic Comparison 2021				
			Count Bank		Dollar Bank		Total Businesses
			#	%	$ 000s	$ %	%
Small Business	Revenue	$1 Million or Less	71	92.2	6,264	76.4	89.2
		Over $1 Million	6	7.8	1,930	23.6	8.9
		Unknown	0	0.0	0	0.0	1.9
		Total	**77**	**100.0**	**8,194**	**100.0**	**100.0**
	Loan Size	$100,000 or Less	58	75.3	1,828	22.3	
		$100,001 - $250,000	9	11.7	1,561	19.1	
		$250,001 - $1 Million	10	13.0	4,805	58.6	
		Total	**77**	**100.0**	**8,194**	**100.0**	
	Loan Size & Rev $1 Mill or Less	$100,000 or Less	57	80.3	1,788	28.5	
		$100,001 - $250,000	7	9.9	1,242	19.8	
		$250,001 - $1 Million	7	9.9	3,234	51.6	
		Total	**71**	**100.0**	**6,264**	**100.0**	

Originations & Purchases
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investments, and Services Activities

Connection Bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments (via donations), and community development services.

Since the prior evaluation, the bank transitioned to an intermediate-small bank; therefore, they were not evaluated for community development activities during the previous examination.

Lending

During the evaluation period, Connection Bank originated six qualified loans totaling approximately $7.8 million. The bank originated three loans with the purpose of community services totaling approximately $5.1 million. The remaining community development loans were originated for the purposes of affordable housing, economic development, and to help revitalize or stabilize the assessment area. The bank's community development lending, coupled with its PPP lending in response to the COVID-19 pandemic, further demonstrates the bank's willingness to address the credit needs of the community.

Investments

Connection Bank did not make any community development investments during the evaluation period. However, the bank made 10 qualified donations, totaling approximately $805,939. The majority of donations by number were provided towards community services for low- and moderate-income individuals and geographies, while the largest donation by dollar was a closed bank branch that was donated to the city of Keokuk, Iowa to help revitalize and stabilize the area which is responsive to assessment area credit needs.

Services

During the evaluation period, Connection Bank logged 1,688 hours of community development services, benefitting 14 organizations. The majority of service hours were dedicated towards organizations with an economic development purpose, as well as community services with a focus on serving low- and moderate-income individuals or geographies.

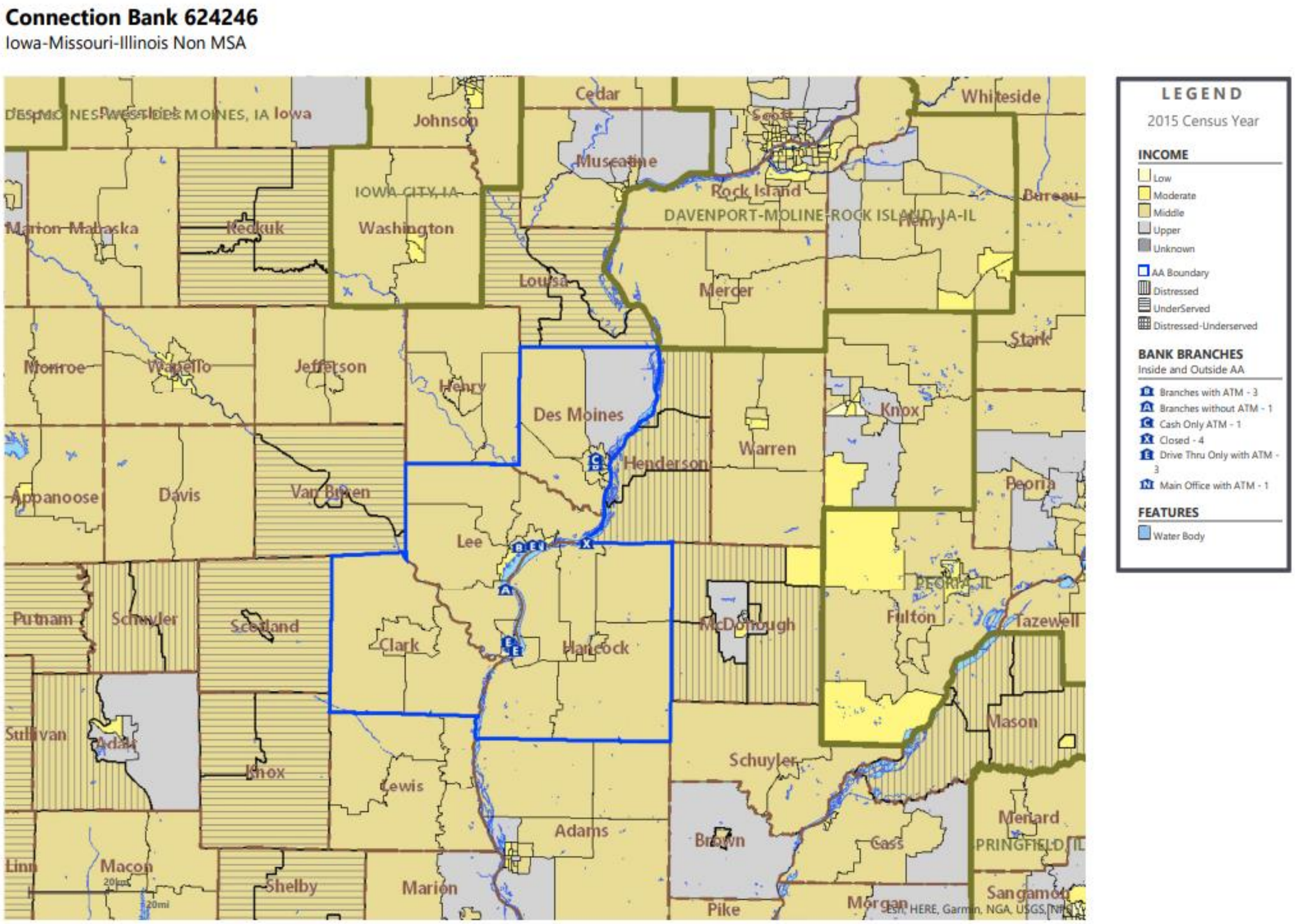
The following table illustrates all of Connection Bank's community development activities within the assessment area during the evaluation period.

Summary of CD Activities February 5, 2018 – April 4, 2022										
Type of Activity	Affordable Housing		Economic Development		Revitalize and Stabilize		Community Services		Total	
	#	$/Hours	#	$/Hours	#	$/Hours	#	$/Hours	#	$/Hours
Lending	1	$1,200,000	1	$1,001,534	1	$500,000	3	$5,050,000	6	$7,751,534
Investment	0	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	1	$790,000	8	$15,939	9	$805,939
Services	2	104	7	891	0	0	8	693	17	1,688

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 – Maps of Assessment Areas



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Home Mortgage Lending: January 1, 2021, through December 31, 2021 Small Business Lending: January 1, 2021, through December 31, 2021 Community Development Activity: February 5, 2018 – April 4, 2022		
FINANCIAL INSTITUTION Connection Bank			**PRODUCTS REVIEWED** Home Mortgage Loans Small Business Loans
AFFILIATE(S)	**AFFILIATE RELATIONSHIP**		**PRODUCTS REVIEWED**
None	**N/A**		**N/A**
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED**	**OTHER INFORMATION**
Iowa-Missouri-Illinois Non MSA	**Full Review**	**None**	**N/A**

APPENDIX C – Glossary

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

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

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

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

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

[1] *Source: FFIEC press release dated October 19, 2011.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male 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: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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