



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

October 31, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Waterloo
Charter Number 10180

228 South Main Street
Waterloo, IL 62298

Office of the Comptroller of the Currency
500 North Broadway, Suite 1700
St. Louis, MO 63102

NOTE: This document is an evaluation of this institution'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 institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**

The Lending Test is rated: Satisfactory

The Community Development (CD) Test is rated: Outstanding

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans were originated or purchased within the bank's assessment areas (AA).
- The distribution of loans among borrowers of different income levels reflects reasonable penetration.
- The distribution of loans among geographies reflects reasonable penetration.
- The bank demonstrates excellent responsiveness to the community development needs of its AAs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the LTD ratio is reasonable. The First National Bank of Waterloo's (FNB) quarterly LTD ratio averaged 65.1 percent over the 12-quarter period ending December 31, 2021. Over the same period, the LTD ratio ranged from a low of 57.8 percent to a high of 72.2 percent.

To assess FNBs performance, we compared the bank's average LTD ratio to local Federal Deposit Insurance Corporation (FDIC) insured financial institutions, which includes five banks with branches in the AAs and total assets ranging from \$349.8 million to \$1.3 billion. FNBs quarterly average LTD ratio of 65.1 percent compares unfavorably with the quarterly average LTD ratio of 78.2 percent for these similarly situated financial institutions. However, this is primarily due to the bank's business strategy of selling a majority of originated mortgage loans to the secondary market. Had the bank retained these loans in portfolio, the average LTD ratio during the evaluation period would be 84.4 percent, and well above the quarterly average for the comparable banks.

Institution	Average Quarterly LTD Ratio	Total Assets \$(000s) as of 12/31/2021
Bank of Belleville	88.3%	\$349,802
Bank of O'Fallon	86.5%	\$388,381
Washington State Bank	76.4%	\$579,224
Dieterich Bank	70.7%	\$1,299,036
Citizens Community Bank	69.0%	\$473,303
The FNB of Waterloo	65.1%	\$820,391

Source: Quarterly FFIEC Call Reports 01/01/2019 - 12/31/2021

Lending in Assessment Area

A majority of the bank's loans are originated inside its AAs. FNB originated 80.5 percent of its total home mortgage loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgages										
2019	335	82.7	70	17.3	405	58,240	82.3	12,495	17.7	70,735
2020	760	78.1	213	21.9	973	145,456	76.1	45,682	23.9	191,138
2021	517	82.9	107	17.1	624	92,230	66.7	46,093	33.3	138,323
Total	1,612	80.5	390	19.5	2,002	295,926	73.9	104,270	26.1	400,196

Source: Evaluation Period: 01/01/2019 - 12/31/2021 Bank Data
Due to rounding, totals may not equal 100.0%

Description of Institution

FNB is an intrastate financial institution headquartered in Waterloo, Illinois. The bank is a wholly owned subsidiary of First Waterloo Bancshares, Inc., also located in Waterloo. There were no affiliate or subsidiary activities considered in this evaluation.

As of December 31, 2021, FNB had total assets of \$820 million, total deposits of \$701 million, and common equity tier 1 capital of \$66.3 million or 13.2 percent of total risk-weighted assets. The bank's total loans were \$410.7 million or 50.1 percent of total assets. This is notable growth from December 31, 2019 when total assets were \$492 million and total deposits were \$395 million. This growth is attributed to the acquisition of Best Hometown Bank in June 2020 and the addition of three new branch locations.

FNB's business strategy focuses primarily on the origination and sale of residential real estate loans to third-party investors. Loan portfolio composition includes the following:

Loan Type	Dollars \$(000s)	Percentage of Loan Portfolio
Commercial Loans	\$246,051	59.9%
Residential Loans	\$138,633	33.8%
Agricultural Loans	\$20,833	5.1%
Consumer Loans	\$2,845	<1.0%
Other Loans	\$2,344	<1.0%
Total Loans	\$410,706	100.0%

Source: 12/31/2021 FFIEC Call Report

FNB operates 13 branches full-service branches within Illinois, with four located in Monroe County, five in St. Clair County, two in Madison County, one in Effingham County, and one in Shelby County. The Monroe County branches are located in Waterloo (three) and Columbia. The Madison County branches are located in Collinsville and Maryville. The St. Clair County branches are located in O'Fallon, Millstadt, Dupo, Smithton and Swansea. The Effingham County and Shelby County branches are located in Effingham and Stewardson, respectfully. One of the O'Fallon branches closed in May 2021.

The two Madison County branches located in Collinsville and Maryville opened in June 2020 and the Swansea branch opened in July 2021. The new branches are within the bank's existing metropolitan statistical area (MSA). Each branch location has a full-service automated teller machine (ATM) with additional cash-only dispensing ATMs located in Belleville, Columbia, Freeburg, Millstadt, Red Bud, and Valmeyer, Illinois.

For CRA purposes, FNB has identified two AAs. Monroe, Madison (added in June 2020) and St. Clair counties are located in the Illinois portion of the St. Louis MO-IL multistate metropolitan statistical area (MMSA) #41180 (St. Louis MSA), while Effingham and Shelby counties are in a Non-MSA portion of Illinois (Illinois Non-MSA). The income geography for Monroe, Madison and St. Clair counties includes upper-, middle-, moderate-, and low-income census tracts (CT), with branches located in moderate-, middle- and upper-income CTs. Effingham County consists of upper- and middle-income CTs, with one branch located in a middle-income CT. Shelby County is entirely in a middle-income geography. The bank's primary product based on loan originations over the evaluation period is home mortgage loans.

FNBs last CRA performance evaluation (PE) was on September 23, 2019. Utilizing Intermediate-Small Bank (ISB) CRA examination procedures, the OCC concluded that FNBs performance was "Satisfactory." There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The scope of this evaluation includes an assessment of FNB under the Intermediate Small Bank performance criteria, which consists of a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, donations, and services.

The evaluation period for the lending test is January 1, 2019 through December 31, 2021. Examiners determined FNBs primary loan product is home mortgage loans by reviewing the number and dollar volume of loan originations and purchases during the evaluation period. Examiners relied on Home Mortgage Disclosure Act (HMDA) data to complete the analysis of home mortgage loans. We completed two separate analyses of the bank's lending performance in the St. Louis MSA AA. Home mortgage loans originated or purchased in 2019 and 2020 were compared to the 2015 American Community Survey (ACS) and the 2020 Aggregate HMDA data. Home mortgage loans originated or purchased in 2021, the first evaluation year after the bank added Madison County to their AA, were compared to the 2015 American Community Survey (ACS) and the 2021 Aggregate HMDA data.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank-delineated AAs located within the same MSA, MMSA, or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank

delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the Scope section under each State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is based solely on its performance in the state of Illinois.

The bank has one MSA AA and one Non-MSA AA within Illinois. The St. Louis MSA consists of Madison (added in June 2020), Monroe and St. Clair counties. The Illinois Non-MSA consists of Effingham and Shelby counties. We placed more emphasis on the St. Louis MSA since the bank's lending and deposit activity in the St. Louis MSA greatly exceeds activity in the Illinois Non-MSA. The state ratings are based on performance in all bank AAs. Refer to the "Scope" section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Illinois

CRA rating for the State of Illinois: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development (CD) Test is rated: Outstanding

The major factors that support this rating include:

- A majority of loans were originated or purchased within the bank's AAs.
- The distribution of loans among borrowers of different income levels reflects reasonable penetration.
- The distribution of loans among geographies reflects reasonable penetration.
- The bank demonstrates excellent responsiveness to the community development needs of its AAs.
- There were no complaints with respect to FNBs CRA performance.

Description of Institution's Operations in Illinois

FNB has two AAs in Illinois, an MSA AA that includes all of Madison, Monroe, and St. Clair counties in Illinois and a Non-MSA AA that includes all of Effingham and Shelby counties in Illinois. Madison County was added to the AA when the bank acquired Best Hometown Bank on February 1, 2020, and merged operations on June 29, 2020.

St. Louis MSA

The St. Louis MSA AA consists of Madison, Monroe, and St. Clair counties in Illinois. The AA includes 22 low-income, 28 moderate-income, 50 middle-income, and 27 upper-income CTs.

Competition

Competition for deposits in the MSA AA is strong. According to the June 30, 2021, FDIC Deposit Market Share Report, FNBs deposits in the AA totaled \$643.9 million, representing 92.4 percent of the bank's total deposits. FNB ranked seventh out of 38 financial institutions in the AA with a market share of 5 percent. The top five competitors include Busey Bank with 15 branches and a 12.6 percent market share, Regions Bank with 23 branches and a 12.2 percent market share, FCB Banks with 14 branches and an 11.4 percent market share, First Mid Bank & Trust, N.A. with seven branches and a 6.9 percent market share and U.S. Bank, N.A. with 14 branches and a 6.7 percent market share.

Demographics

The following table provides a summary of the St. Louis MSA AA demographics, including housing and business information for Monroe and St. Clair counties for 2019-2020 and Madison, Monroe, and St. Clair counties for 2021. There are no demographic tables provided for the Illinois Non-MSA AA because the AA was only subject to limited-scope reviews during this performance evaluation.

Demographic Information of the Assessment Area						
Assessment Area: St. Louis MSA 2019-2020						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	25.8	15.2	34.8	24.2	0.0
Population by Geography	300,568	16.8	13.3	43.3	26.7	0.0
Housing Units by Geography	131,627	18.3	14.8	43.4	23.6	0.0
Owner-Occupied Units by Geography	78,207	11.1	11.3	47.1	30.6	0.0
Occupied Rental Units by Geography	36,759	28.0	18.8	39.3	13.9	0.0
Vacant Units by Geography	16,661	30.6	22.4	35.2	11.8	0.0
Businesses by Geography	16,352	11.5	13.7	48.0	26.8	0.0
Farms by Geography	780	4.2	4.4	52.9	38.5	0.0
Family Distribution by Income Level	76,943	25.3	16.8	18.8	39.1	0.0
Household Distribution by Income Level	114,966	27.4	16.5	15.9	40.3	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$127,464
			Median Gross Rent			\$809
			Families Below Poverty Level			13.3%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Demographic Information of the Assessment Area						
Assessment Area: St. Louis MSA 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	127	17.3	22.0	39.4	21.3	0.0
Population by Geography	567,924	11.9	18.9	43.1	26.1	0.0
Housing Units by Geography	249,546	13.1	20.8	43.0	23.1	0.0
Owner-Occupied Units by Geography	154,147	8.0	17.3	46.6	28.1	0.0
Occupied Rental Units by Geography	67,930	20.3	25.7	38.4	15.6	0.0
Vacant Units by Geography	27,469	24.0	28.1	34.3	13.7	0.0
Businesses by Geography	36,148	9.2	18.6	44.8	27.3	0.0
Farms by Geography	1,633	3.6	8.5	52.8	35.2	0.0
Family Distribution by Income Level	147,252	23.7	17.5	20.0	38.7	0.0
Household Distribution by Income Level	222,077	26.2	16.4	17.1	40.3	0.0
Median Family Income MSA - 41180 St. Louis, MO-IL MSA		\$70,718	Median Housing Value			\$128,826
			Median Gross Rent			\$795
			Families Below Poverty Level			11.5%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Geographic Distribution of the Population

According to the 2015 ACS Census data, the AAs population for 2020 was 300,568 with 50,578 (16.8 percent) residing in the low-income CTs, 39,862 (13.3 percent) residing in the moderate income CTs, 129,997 (43.3 percent) residing in the middle-income CTs, and 80,131 (26.7 percent) residing in the upper-income CTs. The AAs population in 2021 was 567,924 with 67,632 (11.9 percent) residing in the low-income CTs, 107,242 (18.9 percent) residing in the moderate income CTs, 244,541 (43.1 percent) residing in the middle-income CTs and 148,509 (26.1 percent) residing in the upper-income CTs.

Family Distribution by Income Level

According to the same data, in 2020, there were 76,943 families in the AA. The distribution of families by income level was 19,474 (25.3 percent) low income, 12,941 (16.8 percent) moderate income, 14,459 (18.8 percent) middle income, and 30,069 (39.1 percent) upper income. In 2021, there were 147,252 families in the AA. The distribution of families by income level was 34,934 (23.7 percent) low income, 25,810 (17.5 percent) moderate income, 29,456 (20.0 percent) middle income, and 57,052 (38.7 percent) upper income.

Employment and Economic Factors

According to the Bureau of Labor Statistics (BLS) report, the unemployment rates for the St. Louis MSA AA ranged from a low of 2.9 percent in 2019 in Monroe County to a high of 9.2 percent in 2020 in St. Clair County. The unemployment rate increased significantly in 2020 due to COVID-19 pandemic-related factors but has stabilized. The state of Illinois and national averages noted similar trends.

Major industries in Madison County, Monroe County, and St. Clair County consist of healthcare and social assistance, manufacturing, and retail trade. Major employers in Madison County include Amazon, Inc. (retail), Southern Illinois University Edwardsville (education), and U.S. Steel (manufacturing). Major employers in Monroe County include Luhr Bros (construction), Waterloo Community Unit School District #5 (education), Wal-Mart (retail) and Monroe County (government and public). Major employers in St. Clair County include Scott Air Force Base (military), Hospital Sisters Health System (healthcare), and Southwestern Illinois College (education).

Annual Unemployment Rates			
Area	2019	2020	2021
Madison County	3.7%	7.9%	4.9%
Monroe County	2.9%	5.6%	3.1%
St. Clair County	4.2%	9.2%	6.1%
State of Illinois	4.0%	9.2%	6.1%
National	3.7%	8.1%	5.4%

Source: US Department of Labor; Bureau of Labor Statistic. Rates are not seasonally adjusted.

The percentage of families in the AA living below the poverty level was 13.3 percent in 2020 and 11.5 percent in 2021. In 2020, low-income households totaled 27.4 percent and moderate-income households totaled 16.5 percent. In 2021, low-income households totaled 26.2 percent and moderate-income households totaled 16.4 percent.

According to Moody’s Analytics, the Illinois economy will advance more slowly than the Midwest and the nation. Core drivers are on a firm footing, but only manufacturing will outpace the U.S. in job growth in the year ahead. IL’s prospects depend partly on whether it can halt the procession of companies shifting headquarters and production out of state. Longer term, IL will underperform because of population loss and weak public finances.

Housing Characteristics and Home Affordability

The 2015 ACS Census reported total housing units of 131,627 in 2020. Of the total number of housing units, 78,207 (59.4 percent) were owner occupied, 36,759 (27.9 percent) were renter occupied, and 16,661 (12.7 percent) were vacant. Eleven percent (8,668) of owner-occupied housing units were in low-income CTs in the AA and 11.3 percent (8,817) of owner-occupied units were in moderate-income CTs. In 2021, there was a total of 249,546 housing units in the AA. Of the total number of housing units, 154,147 (61.8 percent) were owner occupied, 67,930 (27.2 percent) were renter occupied, and 27,469 (11 percent) were vacant. Eight percent (12,315) of owner-occupied housing units were in low-income CTs in the AA and 17.3 percent (26,702) of owner-occupied units were in moderate-income CTs.

In 2020, the median age of housing stock in low-income CTs was 63 years and in moderate-income CTs was 67 years. In 2021, the median age of housing stock in low-income CTs was 65 years and in moderate-income CTs was 67 years. Older homes often cost more to maintain, frequently require significant repairs to meet building code requirements, and are typically less energy efficient. These factors add to the overall cost of homeownership and can have a negative impact on home affordability for low- and moderate-income (LMI) individuals.

Based on the information in the table below, low-income families in the AA earned less than \$40,600 (2019) and up to \$42,350 (2021), and moderate-income families earned from \$40,600 (2019) to \$67,760 (2021).

Median Family Income Ranges St. Louis, MO-IL MSA Median Family Income (41180)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$81,200)	<\$40,600	\$40,600 to <\$64,960	\$64,960 to <\$97,440	≥\$97,440
2020 (\$82,600)	<\$41,300	\$41,300 to <\$66,080	\$66,080 to <\$99,120	≥\$99,120
2021 (\$84,700)	<\$42,350	\$42,350 to <\$67,760	\$67,760 to <\$101,640	≥\$101,640
<i>Source: FFIEC</i>				

According to Realtor.com data, the median housing value in the AA ranged from \$200,900 in 2019 to \$239,900 in 2021, an increase of \$39,000 (19.4 percent). This is far greater than the \$3,500 (4.3 percent) increase in the Federal Financial Institution’s Examination Council median-family income over the same period as reflected in the table above.

One method used to determine housing affordability assumes a maximum monthly principal and interest payment of no more than 30 percent of the applicant’s income. This calculates a maximum monthly mortgage payment of \$1,059 for low-income borrowers and \$1,694 for moderate-income borrowers. Assuming a 30-year mortgage with a 5 percent interest rate, and not considering any down payment, homeowner’s insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment based on the Realtor.com median-listing price would be \$1,288. Low-income borrowers would be challenged to afford a mortgage loan in this AA. Moderate-income borrowers would likely be challenged when accounting for the additional expenses mentioned above.

Illinois Non-MSA

The Illinois Non-MSA includes all of Effingham and Shelby counties in Illinois. The AA includes 10 middle-income and four upper-income CTs.

According to the 2015 ACS Census data, the percentage of families in the AA living below the poverty level was 7.5 percent in 2021. Low-income households totaled 20.4 percent and moderate-income households totaled 16.3 percent. The median family income for the AA was \$59,323. Low-income households totaled 20.4 percent and moderate-income households totaled 16.3 percent. The median housing value for the AA was \$111,018. Major industries in the AA are healthcare and social assistance, manufacturing, and retail trade.

Community Contacts

As part of this CRA evaluation, we reviewed a community contact servicing the Effingham County housing needs. The contact identified the lack of housing in the city lines of Effingham. We also reviewed another community contact servicing the affordable housing needs of Madison County and St. Clair County. The contact identified the lack of affordable housing and the struggle to obtain traditional financing and support to become a first-time homebuyer. In general, local financial institutions are adequately meeting the credit and community development needs of the communities they serve.

Scope of Evaluation in Illinois

The scope of this performance evaluation included a full-scope review for the St. Louis MSA AA and a limited-scope review of the Illinois Non-MSA AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance under the Lending Test in Illinois is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's lending performance in the state of Illinois is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits a reasonable geographic distribution of loans in the state. Examiners generally placed more emphasis on the bank's performance in moderate-income geographies as these areas had a higher percentage of owner-occupied housing units.

Home Mortgage Loans

Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

In assessing the reasonableness of the bank's geographic distribution of home mortgage loans, we considered the significant level of competition the bank faces in the St. Louis MSA. Based on peer mortgage data, 324 lenders competed for 10,038 mortgage loans in 2019; 347 lenders competed for 15,403 mortgage loans in 2020; and 419 lenders competed for 30,191 loans in 2021. We also considered the distance from branch locations in relation to the low- and moderate-income CTs of the AA, as well as the number of competitor institutions in between.

2019-2020

The geographic distribution of home mortgage loans was adequate. The bank's percentage of home mortgage loans originated or purchased in both the low- and moderate-income geographies was well below the percentage of owner-occupied housing units located in those geographies. The percentage of home mortgage loans originated or purchased in low-income geographies was near to, and in moderate-income geographies was somewhat below, the aggregate percentage of all reporting lenders.

2021

The geographic distribution of home mortgage loans was adequate. The bank's percentage of home mortgage loans originated or purchased in both the low- and moderate-income geographies was well below the percentage of owner-occupied housing units located in those geographies. The percentage of

home mortgage loans originated or purchased in low-income geographies was near to, and in moderate-income geographies was below, the aggregate percentage of all reporting lenders.

Lending Gap Analysis

The OCC analyzed FNBs geographic lending of home mortgage loan originations and purchases throughout the AA. Examiners did not identify any unexplained conspicuous lending gaps.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels in the state, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Examiners considered housing costs in relation to median family incomes in the AA, which limited the affordability for low- and moderate-income families.

2019-2020

The distribution of home mortgage loans among individuals of different income levels was adequate. The bank's percentage of home mortgage loans originated or purchased to low-income borrowers was well below, and to moderate-income borrowers was near to, the percentage of those families in the AA. The bank's percentage of home mortgage loans originated or purchased to low-income borrowers was somewhat below, and to moderate-income borrowers exceeded, the aggregate percentage of all reporting lenders.

2021

The distribution of home mortgage loans among individuals of different income levels was excellent. The bank's percentage of home mortgage loans originated or purchased to low-income borrowers was well below, and to moderate-income borrowers exceeded, the percentage of those families in the AA. The bank's percentage of home mortgage loans originated or purchased to low-income borrowers was near to, and to moderate-income borrowers exceeded, the aggregate percentage of all reporting lenders.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the Lending Test in the Illinois Non-MSA AA is consistent with the bank's overall performance under the Lending Test in the full scope area.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Illinois is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on full-scope and limited-scope reviews, the bank exhibits excellent responsiveness to CD needs in Illinois through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AAs. To provide perspective regarding the relative level of qualified CD loans and investments, we allocated a portion of the bank's tier 1 capital to each AA based on the percentage of the bank's deposits located in the respective AA as a means of comparative analysis.

During the evaluation period, CD activities in the St. Louis MSA totaled \$46.6 million and represent 76.1 percent of allocated tier 1 capital (\$61.3 million) as of December 31, 2021.

Number and Amount of Community Development Loans

Refer to the CD Loans table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD Loans.

<i>Community Development Loans</i>				
<i>Assessment Area</i>	<i>Total</i>			
	<i>#</i>	<i>% of Total #</i>	<i>\$(000s)</i>	<i>% of Total \$</i>
St. Louis MSA	423	75.9	38,187	59.0
Illinois Non-MSA	63	11.3	2,360	3.6
<i>Statewide/Regional</i>				
Broader St. Louis MMSA	71	12.8	24,236	37.4
Total	557	100.0	64,783	100.0
<i>Source: Bank Data; 01/01/2019 – 12/31/2021</i>				

St. Louis MSA

FNBs level of CD lending provided excellent responsiveness to community credit needs in the AA. The bank originated 423 CD loans totaling \$38.2 million during the evaluation period. This represents 62.3 percent of the AAs allocated tier 1 capital (\$61.3 million) as of December 31, 2021. CD loans consisted of the following:

- The bank originated 325 loans totaling \$15.5 million extended under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) to stabilize businesses located throughout the AA.¹
- The bank originated 92 loans totaling \$17.5 million for the purchase or refinance of single- and/or multifamily rental properties providing affordable housing for low- and moderate-income residents throughout the AA.
- The bank originated six loans totaling \$5.2 million that promoted economic development through financing small businesses. A mix of approximately 43 full and part time jobs were created, providing employment for low- or moderate-income persons.

Broader Statewide or Regional Areas

FNB originated 71 CD loans totaling \$24.2 million during the evaluation period. CD loans consisted of the following:

- The bank originated 42 loans totaling \$7.5 million extended under the SBA's PPP to stabilize businesses located throughout the greater St. Louis MMSA.
- The bank originated 28 loans totaling \$15.3 million for the purchase or refinance of single- and/or multifamily rental properties providing affordable housing for low- and moderate-income residents throughout the greater St. Louis MMSA.
- The bank originated one loan totaling \$1.4 million that promoted economic development through financing a small business. A mix of 45 full and part time jobs were created, providing employment for low- or moderate-income persons.

Number and Amount of Qualified Investments

Refer to the Qualified Investments table shown below for the facts and date used to evaluate the bank's level of qualified CD investments. The table includes all qualified CD investments, including prior period investments that remain outstanding as of the examination date.

¹ On March 13, 2020, President Donald Trump declared the ongoing COVID-19 pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, tribes, territories, and the District of Columbia as Category B Public Assistance major disaster areas.

Qualified Investments										
Assessment Area	Prior Period		Current Period		Total				Unfunded Commitments*	
	#	\$(000s)	#	\$(000s)	#	% of Total #	\$(000s)	% of Total \$	#	\$(000s)
St. Louis MSA	16	6,350	67	2,096	83	79.8	8,446	90.3	-	-
Illinois Non-MSA	3	680	17	14	20	19.2	694	7.4	-	-
Statewide/Regional										
Broader St. Louis MMSA	1	212	-	-	1	1.0	212	2.3	-	-
Total	20	7,242	84	2,110	104	100.0	9,352	100.0	-	-

Source: Bank Data; 01/30/2018 – 12/31/2020

* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

St. Louis MSA

FNBs level of qualified investments demonstrated excellent responsiveness to community needs and opportunities in the St. Louis MSA. Qualified investments consisted of \$6.4 million in prior-period investments, \$2.1 million in current-period investments, and approximately \$16,000 in donations, for a total of \$8.4 million during the evaluation period. This represents 13.8 percent of the AAs allocated tier one capital (\$61.3 million) as of December 31, 2021. Qualified investments consisted of the following:

- The bank retained 15 school district bonds purchased prior to the evaluation period totaling \$6.1 million and purchased an additional six bonds during the evaluation period totaling \$2.1 million. These bonds provided critical funding for school districts where a majority of students qualify for free or reduced-price meals under the U.S. Department of Agriculture National School Lunch Program²
- Donations totaling \$16,499 to various community service organizations that provide an array of services primarily for LMI individuals and families.

Broader Statewide or Regional Areas

The bank retained one prior period investment totaling \$211,562 in a mortgage-backed security pool of affordable housing targeted to low- and moderate-income individuals and families in the greater St. Louis MMSA.

² Low-income children are eligible to receive reduced-price or free meals at school. Children in households with income below 130 percent of the poverty level or those receiving SNAP or TANF qualify for free meals. Those with family incomes between 130 and 185 percent of the poverty line qualify for reduced-price meals.

Extent to Which the Bank Provides Community Development Services

FNB provided an adequate level of CD services in the AA. During the evaluation period, six employees performed 213 hours of CD services supporting 10 organizations. Employees served in a variety of roles providing financial/technical expertise.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the CD Test in the Illinois Non-MSA is weaker than the bank's overall performance under the CD Test in the full scope area. There are far fewer opportunities for the bank to participate in CD activities in the Illinois Non-MSA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2019 to 12/31/2021	
Bank Products Reviewed:	Home mortgage loans, community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Illinois		
St. Louis MSA	Full-Scope	Madison, Monroe, and St. Clair counties
Non-MSA	Limited-Scope	Effingham and Shelby counties

Appendix B: Summary of MMSA and State Ratings

RATINGS: FNB Waterloo			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State Rating
First National Bank of Waterloo	Satisfactory	Outstanding	Satisfactory
State:			
Illinois	Satisfactory	Outstanding	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): 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: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

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).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): 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 \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: 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 geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2019-20	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
St. Louis MSA	1,022	192,833	93.3	15,403	11.1	0.5	0.9	11.3	4.0	6.7	47.1	49.7	50.5	30.6	45.8	41.9	0.0	0.0	0.0	
Illinois Non-MSA	73	10,862	6.7	1,599	0.0	0.0	0.0	0.0	0.0	0.0	65.6	52.1	46.7	34.4	47.9	53.3	0.0	0.0	0.0	
Total	1,095	203,695	100.0	17,002	9.0	0.5	0.8	9.2	3.7	6.0	50.5	49.9	50.1	31.3	45.9	43.0	0.0	0.0	0.0	

Source: 2015 ACS; 01/01/2019 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2021	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
St. Louis MSA	482	85,161	93.2	30,191	8.0	1.2	1.5	17.3	9.1	13.2	46.6	46.5	47.7	28.1	43.2	37.6	0.0	0.0	0.0	
Illinois Non-MSA	35	7,069	6.8	1,352	0.0	0.0	0.0	0.0	0.0	0.0	65.6	68.6	55.3	34.4	31.4	44.7	0.0	0.0	0.0	
Total	517	92,230	100.0	31,543	7.2	1.2	1.5	15.5	8.5	12.6	48.6	48.0	48.0	28.7	42.4	37.9	0.0	0.0	0.0	

Source: 2015 ACS; 01/01/2021 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-20
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
St. Louis MSA	1,022	192,834	93.3	15,403	25.3	3.7	6.7	16.8	15.5	14.4	18.8	24.9	19.2	39.1	47.4	31.1	0.0	8.6	28.7
Illinois Non-MSA	73	10,862	6.7	1,599	17.7	5.5	5.2	17.6	16.4	13.9	22.6	27.4	21.5	42.1	50.7	45.9	0.0	0.0	13.6
Total	1,095	203,695	100.0	17,002	24.0	3.8	6.5	17.0	15.5	14.3	19.4	25.0	19.4	39.6	47.6	32.5	0.0	8.0	27.3

Source: 2015 ACS; 01/01/2019 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
St. Louis MSA	482	85,161	93.2	30,191	23.7	7.5	10.0	17.5	18.3	17.6	20.0	23.7	19.8	38.7	38.4	27.1	0.0	12.2	25.5
Illinois Non-MSA	35	7,069	6.8	1,352	17.7	14.3	8.1	17.6	11.4	18.4	22.6	25.7	20.4	42.1	34.3	36.2	0.0	14.3	16.8
Total	517	92,230	100.0	31,543	23.2	7.9	9.9	17.5	17.8	17.6	20.3	23.8	19.8	39.1	38.1	27.5	0.0	12.4	25.2

Source: 2015 ACS; 01/01/2021 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%