

PUBLIC DISCLOSURE

August 5, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Town & Country Bank Midwest
Certificate Number: 10460

524 North 30th Street
Quincy, Illinois 62301

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of the 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, nor should it 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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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Town & Country Bank Midwest's Satisfactory Community Reinvestment Act (CRA) performance under the borrower profile and geographic distribution criteria primarily support the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are inside the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 13, 2013, to the current evaluation dated August 5, 2019. Examiners used Interagency Small Institution Examination Procedures to evaluate Town & Country Bank Midwest's CRA performance. These procedures include the Lending Test, which is based upon the following criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Assessment Areas Reviewed

Town & Country Bank Midwest maintains two assessment areas: 1) Adams and Hancock counties in Illinois, hereafter referred to as the Nonmetropolitan Illinois Assessment Area; and 2) Lewis and Marion counties in Missouri, hereafter referred to as the Nonmetropolitan Missouri Assessment Area. Examiners conducted full-scope reviews for each assessment area. The State of Illinois and State of Missouri sections of this evaluation contain a complete discussion on each assessment area.

The CRA requires the regulatory agencies to assign a rating for each state in which the bank operates. Consequently, examiners assigned ratings for the States of Illinois and Missouri.

Examiners also assigned an overall CRA rating. When arriving at the overall rating, examiners placed greater weight on the bank's performance in the State of Illinois than the State of Missouri since the majority of the institution's offices, deposits, and loans are in Illinois.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage, commercial, and agricultural loans. This conclusion was based upon the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Based on the above, examiners reviewed home mortgage, small business, and small farm loans to evaluate the institution's performance. The bank's record of originating small business loans received the most weight when determining overall conclusions as commercial loans comprise the largest portion of the bank's loan portfolio by dollar volume. Home mortgage and small farm loans received equal, but lesser weight when determining overall conclusions. No other loan types, such as consumer loans, represent a major product line and provide no material support for conclusions or ratings.

The bank is not required to collect and report its home mortgage loans under the Home Mortgage Disclosure Act or small business and small farm loan activity under CRA. As such, bank loan records were utilized to perform the analyses. Further, bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners analyzed all home mortgage, small business, and small farm loans originated since the prior evaluation and did not identify any trends that materially affect the conclusions. Therefore, this evaluation presents information for loans originated from January 1, 2018 to December 31, 2018. All of these loans were used to evaluate the bank's performance under the assessment area concentration criterion. The universe of loans by number and dollar amount are shown below.

| Loans Originated or Purchased 2018 | | | | |
|---|------------|--------------|-----------------|--------------|
| Loan Category | # | % | \$(000s) | % |
| Home Mortgage | 205 | 49.2 | 20,905 | 37.9 |
| Small Business | 129 | 30.9 | 24,627 | 44.6 |
| Small Farm | 83 | 19.9 | 9,634 | 17.5 |
| Totals | 417 | 100.0 | 55,166 | 100.0 |

Source: Bank Records 1/1/2018 - 12/31/2018

All of the home mortgage, small business, and small farm loans originated within each designated assessment area were included in the geographic distribution criterion. In addition, all of the small business and small farm loans located within each assessment area were reviewed for the borrower profile criterion. Furthermore, all 38 home mortgage loans totaling \$2.3 million that were originated in the Nonmetropolitan Missouri Assessment Area were reviewed for the borrower profile criterion. However, examiners selected a sample of home mortgage loans originated within the Nonmetropolitan Illinois Assessment Area to conduct the borrower profile analysis due to larger volume. These universes and samples are considered representative of the bank's performance during the entire evaluation period. Home mortgage loans were compared to the 2015 American Community Survey (ACS). D&B data provided a standard of comparison for the small business and small farm lending. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals, businesses, and farms served.

DESCRIPTION OF INSTITUTION

Background

Town & Country Bank Midwest is based in Quincy, Illinois (population 40,303) and is owned by multi-bank holding company, T&C Bancorp, Inc., which is also headquartered in Quincy. Town & Country Bank Midwest has five branch offices in addition to the main office. Three branches are in Illinois, including two offices in grocery stores in Quincy as well as a branch in Lima. In addition, the bank has two branches in Missouri in La Grange and La Belle. The bank opened a new branch since the last evaluation on July 3, 2015, as a result of a merger with The State Bank of Lima. In addition, the bank relocated its branch in La Grange on November 6, 2017. However, the branch relocation did not impact low- and moderate-income census tracts as the branch is located near the previous location in the same middle-income census tract.

Town & Country Bank Midwest received a Satisfactory CRA rating at its previous FDIC Performance Evaluation, dated August 13, 2013, based on Interagency Small Institution Examination Procedures.

Operations

Town & Country Bank Midwest operates a total of six full-service offices in Illinois and Missouri. The bank offers primarily home mortgage, commercial, and agricultural loans, along with other loan types including consumer loans. The bank also offers traditional deposit services, including certificates of deposit and checking, savings, and money market deposit accounts. Alternative banking services include online banking and bill pay, mobile banking, and mobile check deposit.

Ability and Capacity

As of March 31, 2019, the bank's total assets were \$191,738,000 and total loans were \$124,154,000. The loan portfolio is illustrated in the table below.

| Loan Portfolio Distribution as of 3/31/2019 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction and Land Development | 3,329 | 2.7 |
| Secured by Farmland | 16,099 | 13.0 |
| Secured by 1-4 Family Residential Properties | 28,455 | 22.9 |
| Secured by Multifamily (5 or more) Residential Properties | 2,658 | 2.1 |
| Secured by Nonfarm Nonresidential Properties | 27,675 | 22.3 |
| Total Real Estate Loans | 78,216 | 63.0 |
| Commercial and Industrial Loans | 32,605 | 26.3 |
| Agricultural Loans | 10,588 | 8.5 |
| Consumer Loans | 2,664 | 2.1 |
| Other Loans | 81 | 0.1 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 124,154 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Town & Country Bank Midwest demonstrated satisfactory performance under the Lending Test. Satisfactory performance under the each lending criterion supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's average net loan-to-deposit ratio, calculated from Reports of Condition and Income data, averaged 82.4 percent over the past 23 calendar quarters from September 30, 2013, to March 31, 2019. The ratio has fluctuated over the evaluation period, from a low of 71.1 percent as of December 31, 2016, to a high of 91.2 as of September 30, 2014. Most recently, as of March 31, 2019, the net loan-to-deposit ratio was 71.8 percent.

As detailed in the following table, Town & Country Bank Midwest maintained a ratio similar to those of comparable institutions in the area. These institutions were chosen based on asset size, geographic location, and lending focus.

| Loan-to-Deposit Ratio Comparison | | |
|--|---|--|
| Bank | Total Assets as of 03/31/2019 (\$000s) | Average Net LTD Ratio (%) |
| Town & Country Bank Midwest | 191,738 | 82.4 |
| Similarly-Situated Institution #1 | 406,629 | 98.8 |
| Similarly-Situated Institution #2 | 224,623 | 72.6 |
| Similarly-Situated Institution #3 | 183,030 | 83.4 |
| Similarly-Situated Institution #4 | 107,809 | 84.0 |
| <i>Source: Reports of Condition and Income 09/30/2013 - 03/31/2019</i> | | |

Assessment Area Concentration

As detailed in the following table, a majority of the home mortgage, small business, and small farm loans reviewed, by number and dollar volume, were originated or purchased within the bank's assessment areas, reflecting satisfactory performance.

| Lending Inside and Outside of the Assessment Areas | | | | | | | | | | |
|---|------------------------|----------|----------------|----------|----------------|---|----------|----------------|----------|-----------------------|
| Loan Category | Number of Loans | | | | Total # | Dollars Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | 190 | 92.7 | 15 | 7.3 | 205 | 16,568 | 79.3 | 4,338 | 20.7 | 20,906 |
| Small Business | 115 | 89.2 | 14 | 10.8 | 129 | 20,451 | 83.0 | 4,176 | 17.0 | 24,627 |
| Small Farm | 69 | 83.1 | 14 | 16.9 | 83 | 8,485 | 88.1 | 1,148 | 11.9 | 9,633 |

Source: Bank Records 1/1/2018 – 12/31/2018

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. This conclusion is supported by reasonable performance in both assessment areas. Detailed discussions of the bank’s performance are included in the State of Illinois and State of Missouri sections of this evaluation.

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels and business and farms of different sizes. This conclusion is supported by reasonable performance in both assessment areas. Detailed discussions of the bank’s performance are included in the State of Illinois and State of Missouri sections of this evaluation.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion was not considered in the overall rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

STATE OF ILLINOIS

CRA RATING FOR THE STATE OF ILLINOIS: Satisfactory.

The bank's rating for the State of Illinois is Satisfactory. This rating is based upon the bank's performance in the Nonmetropolitan Illinois Assessment Area as follows:

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes.

SCOPE OF EVALUATION

The rating for the State of Illinois is based upon a full-scope evaluation of the bank's performance in the Nonmetropolitan Illinois Assessment Area. This is the bank's only assessment area in the State of Illinois. Home mortgage, small business, and small farm loans were considered, with small business loans receiving additional weight when reaching overall conclusions.

Town & Country Bank Midwest operates four of its six banking offices within the State of Illinois. As of June 30, 2018, the bank had \$121.3 million in deposits in its Nonmetropolitan Illinois Assessment Area, which represents 79.5 percent of the bank's total deposits as of the same date. For this evaluation, the State of Illinois received higher weight than the State of Missouri as a substantial majority of the bank's operations are located in Illinois.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF ILLINOIS

The bank has one assessment area in the State of Illinois, referred to as the Nonmetropolitan Illinois Assessment Area, which is comprised of Adams and Hancock counties. The bank operates four offices in the state that are all located in Adams County. In addition, the bank opened a branch in the community of Lima since the last CRA evaluation.

Economic and Demographic Data

According to the 2015 ACS, the 25 census tracts in Adams and Hancock counties include 5 moderate-income, 17 middle-income, and 3 upper-income census tracts.

The moderate-income census tracts are located in the far western portion (near the downtown area) of the city of Quincy. The following table illustrates select demographic characteristics of the Nonmetropolitan Illinois Assessment Area.

| Demographic Information of the Assessment Area | | | | | | |
|---|--------|---------------|------------------------------|------------------|-----------------|---------------|
| Assessment Area: Nonmetropolitan Illinois | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 25 | 0.0 | 20.0 | 68.0 | 12.0 | 0.0 |
| Population by Geography | 85,819 | 0.0 | 14.7 | 70.5 | 14.9 | 0.0 |
| Housing Units by Geography | 39,203 | 0.0 | 16.1 | 69.7 | 14.2 | 0.0 |
| Owner-Occupied Units by Geography | 25,236 | 0.0 | 8.9 | 75.8 | 15.4 | 0.0 |
| Occupied Rental Units by Geography | 9,509 | 0.0 | 31.7 | 55.9 | 12.4 | 0.0 |
| Vacant Units by Geography | 4,458 | 0.0 | 23.9 | 64.4 | 11.8 | 0.0 |
| Businesses by Geography | 4,721 | 0.0 | 21.1 | 64.2 | 14.7 | 0.0 |
| Farms by Geography | 607 | 0.0 | 1.0 | 91.1 | 7.9 | 0.0 |
| Family Distribution by Income Level | 22,676 | 18.4 | 19.0 | 22.7 | 39.9 | 0.0 |
| Household Distribution by Income Level | 34,745 | 22.9 | 16.9 | 18.8 | 41.3 | 0.0 |
| Median Family Income: Nonmetropolitan Illinois | | \$59,121 | Median Housing Value | | | \$105,101 |
| | | | Median Gross Rent | | | \$589 |
| | | | Families Below Poverty Level | | | 9.6% |

Source: 2015 ACS and 2018 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

The 2018 Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2018 FFIEC-updated median family income of \$63,900 for nonmetropolitan Illinois.

| Median Family Income Ranges for Nonmetropolitan Illinois | | | | |
|--|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2018 (\$63,900) | <\$31,950 | \$31,950 to <\$51,120 | \$51,120 to <\$76,680 | ≥\$76,680 |

Source: FFIEC

The assessment area contains 39,203 housing units. Of these, 64.4 percent are owner-occupied, 24.2 percent are occupied rental units, and 11.4 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units by tract income level.

According to the 2015 ACS, the population of Adams and Hancock counties is 85,819. Quincy is the largest city within these two counties. Although much of the assessment area is generally rural in nature, Quincy is highly urbanized. Quincy is the largest city in a 100-mile radius and serves as the local “hub” of a tristate area including Illinois, Missouri, and Iowa. The largest employers in the

area are Blessing Hospital with 3,088 employees, Knapheide Manufacturing with 1,350 employees, Quincy Public Schools with 1,200 employees, and Quincy Medical Group with 1,000 employees.

The Illinois Department of Employment Security shows a June 2019 unemployment rate of 3.1 percent for Adams County and 4.3 percent for Hancock County. These rates compare favorably to the Illinois unemployment rate of 3.8 percent and national unemployment rate of 4.0 percent.

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses and farms by revenue category. According to 2018 D&B data, the assessment area contained 4,721 businesses and 607 farms.

Competition

The assessment area is highly competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2018, 19 FDIC-insured financial institutions operated 51 offices in the assessment area. Of these institutions, Town & Country Bank Midwest ranked 6th with a 5.0 percent deposit market share. There is also competition from other financial entities, including credit unions that have a similar business focus.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine available credit opportunities and local financial institution's responsiveness to these needs.

Examiners performed a community contact with a representative of an economic development organization that operates in the assessment area. The contact stated that the area's economic climate is positive and has stabilized in recent years. The contact identified several credit needs in the area, including community development projects in the Quincy area. Additionally, the contact stated the area has seen some population loss over the last few years and indicated that this may be attributed to Illinois' higher taxes as people are moving a short distance into Missouri. According to the contact, the aging housing stock and lack of affordable housing may also be contributing to the low immigration rates. The contact noted that local financial institutions are adequately meeting assessment area credit needs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NONMETROPOLITAN ILLINOIS ASSESSMENT AREA

LENDING TEST

Town & Country Bank Midwest demonstrated satisfactory performance under the Lending Test. Satisfactory geographic distribution and borrower profile performance supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance for home mortgage, small business, and small farm

lending support this conclusion. Examiners focused on the bank’s levels of lending in moderate-income census tracts, as the assessment area does not contain any low-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners compared the bank’s performance to the percentage of owner-occupied housing units by tract income category. The bank originated 7.3 percent of their home mortgage loans in 2018 in moderate-income census tracts. This is comparable to demographic data, which shows 8.9 percent of owner-occupied housing units are located in these tracts. The following table provides additional information.

| Geographic Distribution of Home Mortgage Loans – Nonmetropolitan Illinois | | | | | |
|--|--|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | # | % | \$(000s) | % |
| Moderate | 8.9 | 11 | 7.3 | 510 | 3.6 |
| Middle | 75.8 | 104 | 68.4 | 9,834 | 68.9 |
| Upper | 15.3 | 37 | 24.3 | 3,933 | 27.5 |
| Total | 100.0 | 152 | 100.0 | 14,277 | 100.0 |

Source: 2015 ACS Data, Bank Records

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. As shown in the following table, the bank’s small business lending in the moderate-income census tracts slightly trailed demographic data, which shows 21.1 percent of small businesses are located in moderate-income geographies. Competition is significant as the bank’s office is approximately two miles from these census tracts and there are numerous financial institutions located between the bank and these tracts. Additionally, the following table shows that the bank originated 38.6 percent of their small business loans in upper-income geographies. However, this performance is slightly skewed as some small businesses had multiple loan originations or extensions/renewals during the review period. The following table shows the distribution of small business loans.

| Geographic Distribution of Small Business Loans – Nonmetropolitan Illinois | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Moderate | 21.1 | 13 | 14.8 | 2,866 | 15.7 |
| Middle | 64.2 | 41 | 46.6 | 8,116 | 44.5 |
| Upper | 14.7 | 34 | 38.6 | 7,252 | 39.8 |
| Total | 100.0 | 88 | 100.0 | 18,233 | 100.0 |

Source: 2015 D&B Data, Bank Records

Small Farm Lending

The bank did not originate any small farm loans in moderate-income census tracts during 2018. However, 2018 D&B demographic data shows that only 1.0 percent of small farms are located in moderate-income census tracts. As mentioned earlier, the moderate-income census tracts lie in

the far western portion of Quincy near the downtown area. Therefore, there is very little demand for small farm loans in these tracts. Furthermore, the vast majority (94.3 percent) of the bank’s small farm loans were originated in the middle-income census tracts. This closely matches the demographics, which shows 91.1 percent of small farms are located in these tracts. As a result, the bank’s small farm lending demonstrates reasonable dispersion throughout the assessment area.

Borrower Profile

The distribution of loans demonstrates reasonable penetration among businesses and farms of different sizes, but poor penetration among individuals of different income levels in the assessment area. Nevertheless, overall performance was deemed reasonable as additional weight was placed on the bank’s small business lending performance. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. They also focused on the percentage by number of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less.

Home Mortgage Loans

The distribution of loans to individuals of different income levels, including low-and moderate-income borrowers, is poor. The bank’s record of lending to low- and moderate-income borrowers is noticeably below the area demographics as shown in the table below. However, it is important to point out that 9.6 percent of the low-income families in the assessment area have annual incomes below the poverty level. This partially mitigates the bank’s performance as families living below the poverty level are often unable to qualify for home mortgage credit. Additionally, it should be noted that the bank offers some loan products specifically geared towards low- and moderate-income borrowers. Furthermore, they do offer some down payment assistance loans to assist low- and moderate-income borrowers. Nevertheless, the bank’s performance is still poor in comparison to demographic data for low- and moderate-income borrowers. The following table provides additional information.

| Distribution of Home Mortgage Loans by Borrower Income Level – Nonmetropolitan Illinois | | | | | |
|--|----------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | # | % | \$(000s) | % |
| Low | 18.4 | 5 | 10.0 | 133 | 2.9 |
| Moderate | 19.0 | 4 | 8.0 | 284 | 6.2 |
| Middle | 22.7 | 10 | 20.0 | 676 | 14.9 |
| Upper | 39.9 | 31 | 62.0 | 3,459 | 76.0 |
| Total | 100.0 | 50 | 100.0 | 4,552 | 100.0 |

Source: 2015 ACS Data, Bank Records

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank’s lending to businesses in this revenue category was generally in line with demographic data for 2018. The bank’s small business lending to businesses with gross annual revenues of \$1 million or less was 68.2 percent compared to the demographic data of 76.0 percent. It is worth noting that some of the loans to businesses with gross annual revenues over \$1 million were to the same

customers. Overall, this level of lending demonstrates the bank’s willingness to lend to businesses of all sizes and reflects reasonable performance.

| Distribution of Small Business Loans by Gross Annual Revenue Category – Nonmetropolitan Illinois | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 76.0 | 60 | 68.2 | 9,878 | 54.2 |
| > \$1,000,000 | 6.9 | 28 | 31.8 | 8,355 | 45.8 |
| Revenue Not Available | 17.1 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 88 | 100.0 | 18,233 | 100.0 |

Source: 2018 D&B Data, Bank Records

Small Farm Loans

The distribution of small farm loans also reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. As shown in the table below, the bank originated over 85 percent of its small farm loans to farms in this revenue category. While these levels fall short of the percentage of total assessment area farms with gross annual revenues of \$1 million or less, the demographic data does not necessarily reflect the percentage of these farms that seek financing. Additionally, four of the five loans originated to farms with gross annual revenues over \$1 million were to the same customer. Exclusion of this one customer would result in the bank’s performance being 96.7 percent of small farm loans to farms with gross annual revenues of \$1 million or less, which is comparable to demographics. As a result, the bank’s small farm lending demonstrates a willingness to lend to farms of all sizes and reflects reasonable performance.

| Distribution of Small Farm Loans by Gross Annual Revenue Category – Nonmetropolitan Illinois | | | | | |
|---|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 98.0 | 30 | 85.7 | 3,432 | 66.4 |
| > \$1,000,000 | 1.2 | 5 | 14.3 | 1,740 | 33.6 |
| Revenue Not Available | 0.8 | - | - | - | - |
| Total | 100.0 | 35 | 100.0 | 5,172 | 100.0 |

Source: 2018 D&B Data, Bank Records

STATE OF MISSOURI

CRA RATING FOR THE STATE OF MISSOURI: Satisfactory.

The bank's rating for the State of Missouri is Satisfactory. This rating is based upon the bank's performance in the Nonmetropolitan Missouri Assessment Area as follows:

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes.

SCOPE OF EVALUATION

The rating for the State of Missouri is based upon a full-scope evaluation of the bank's performance in the Nonmetropolitan Missouri Assessment Area, which consists of Lewis and Marion counties. This is the bank's only assessment area in the State of Missouri. Home mortgage, small business, and small farm loans were considered with small business loans receiving additional weight when reaching overall conclusions.

Town & Country Bank Midwest operates two of its six banking offices within the State of Missouri. As of June 30, 2018, the bank had \$31.2 million in deposits from its Nonmetropolitan Missouri Assessment Area, which represents 20.5 percent of the bank's total deposits as of the same date. Therefore, this assessment area will carry less weight in the overall rating due as the majority of the bank's offices and deposits are located in the State of Illinois.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE STATE OF MISSOURI

The bank has one assessment area in the State of Missouri, which includes Lewis and Marion counties. The Nonmetropolitan Missouri Assessment Area has two offices, both of which are located in Lewis County in La Belle and La Grange.

Economic and Demographic Data

The assessment area includes 12 tracts in Lewis and Marion counties. These tracts include 1 moderate-income, 9 middle-income, and 2 upper-income census tracts. The moderate-income census tract is distant from the bank's offices as it is located in the far southwestern portion of Marion County, south of the city of Hannibal in the township of Mason. The following table illustrates select demographic characteristics of the Nonmetropolitan Missouri assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|--------|---------------|------------------------------|------------------|-----------------|---------------|
| Assessment Area: Nonmetropolitan Missouri | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 12 | 0.0 | 8.3 | 75.0 | 16.7 | 0.0 |
| Population by Geography | 39,012 | 0.0 | 8.0 | 72.0 | 20.0 | 0.0 |
| Housing Units by Geography | 17,400 | 0.0 | 8.3 | 71.4 | 20.3 | 0.0 |
| Owner-Occupied Units by Geography | 10,107 | 0.0 | 6.1 | 71.9 | 22.0 | 0.0 |
| Occupied Rental Units by Geography | 4,952 | 0.0 | 9.8 | 71.0 | 19.3 | 0.0 |
| Vacant Units by Geography | 2,341 | 0.0 | 14.9 | 69.9 | 15.2 | 0.0 |
| Businesses by Geography | 2,204 | 0.0 | 9.4 | 68.4 | 22.2 | 0.0 |
| Farms by Geography | 217 | 0.0 | 0.9 | 71.4 | 27.6 | 0.0 |
| Family Distribution by Income Level | 9,837 | 18.5 | 17.2 | 21.2 | 43.1 | 0.0 |
| Household Distribution by Income Level | 15,059 | 21.5 | 13.7 | 20.0 | 44.7 | 0.0 |
| Median Family Income: Nonmetropolitan Missouri | | \$48,553 | Median Housing Value | | | \$97,476 |
| | | | Median Gross Rent | | | \$577 |
| | | | Families Below Poverty Level | | | 12.5% |

Source: 2015 ACS and 2018 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

The 2018 FFIEC-updated median family income level is used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2018 FFIEC-updated median family income of \$53,100 for nonmetropolitan Missouri.

| Median Family Income Ranges for Nonmetropolitan Missouri | | | | |
|--|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2018 (\$53,100) | <\$26,550 | \$26,550 to <\$42,480 | \$42,480 to <\$63,720 | ≥\$63,720 |

Source: FFIEC

The assessment area contains 17,400 housing units. Of these, 58.1 percent are owner-occupied, 28.5 percent are occupied rental units, and 13.4 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units by tract income level.

According to the 2015 ACS, the population of Lewis and Marion counties is 39,012. Hannibal is the largest city within these two counties. Although much of the assessment area is rural in nature, Hannibal is highly urbanized. According to the Northeast Missouri Economic Development Council website, the largest employers in the assessment area are General Mills with 1,100 employees,

Hannibal Regional Hospital with 913 employees, Hannibal School District with 576 employees, and the Missouri Department of Transportation with 441 employees.

According to the U.S. Bureau of Labor Statistics, Lewis and Marion counties have unemployment rates, as of June 2019, of 3.3 percent and 3.5 percent, respectively. These rates compare favorably to the State of Missouri unemployment rate of 3.5 percent and national unemployment rate of 4.0 percent.

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses and farms by revenue category. According to the 2018 D&B data, there were 2,204 businesses and 217 farms in this assessment area.

Competition

The assessment area is moderately competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2018, 13 FDIC-insured institutions operated 27 offices in the assessment area. Of these institutions, Town & Country Bank Midwest ranked 8th with a 3.6 percent deposit market share. There is also competition from other financial entities, including credit unions that have a similar business focus.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine available credit opportunities and determines whether local financial institutions are responsive to these needs.

Examiners reviewed one recent community contact interview with a representative of a local university's extension office that operates in the assessment area. The contact stated that the economy is stable, but has struggled to return to its prerecession state. They also highlighted the lack of skilled labor to support businesses and farms. The contact further stated that the area is challenged by the quality of available housing, population loss, and an aging population. They stated the greatest needs in the area are affordable housing and assistance in agricultural lending since the area faced a drought in 2018 and flooding in 2019. The contact noted that local financial institutions are adequately meeting assessment area credit needs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NONMETROPOLITAN MISSOURI ASSESSMENT AREA

LENDING TEST

Town & Country Bank Midwest demonstrated satisfactory performance under the Lending Test. Overall satisfactory performance under geographic distribution and borrower profile supports this conclusion.

Geographic Distribution

Town & Country Bank Midwest did not originate any home mortgage, small business, or small farm loans in the sole moderate-income census tract in this assessment area. As noted earlier, the moderate-income census tract is located in southern Marion County, south of the city of Hannibal in the township of Mason. Both of the bank's branches are located in Lewis County and this moderate-income census tract is approximately 40 miles from the La Belle branch and 25 miles away from the La Grange branch. There are 12 banks operating in Hannibal alone, which is just a mile away from Mason. Therefore, it is unlikely that customers would travel to the bank's two branches to obtain loans. Additionally, there is little opportunity for lending in the moderate-income census tract as only 6.1 percent of owner-occupied housing units, 9.4 percent of small businesses, and 1.0 percent of small farms are located in this tract. When considering this performance context, the bank's geographic distribution of loans reflects reasonable dispersion.

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Reasonable home mortgage and small farm lending performance and excellent small business lending performance support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less when drawing conclusions.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank originated 21.1 percent of their loans to low- and moderate-income borrowers each, which compares adequately to the area demographics. The following table provides additional information.

| Distribution of Home Mortgage Loans by Borrower Income Level – Nonmetropolitan Missouri | | | | | |
|--|----------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | # | % | \$(000s) | % |
| Low | 18.5 | 8 | 21.1 | 284 | 12.4 |
| Moderate | 17.2 | 8 | 21.1 | 186 | 8.1 |
| Middle | 21.2 | 13 | 34.2 | 894 | 39.0 |
| Upper | 43.1 | 9 | 23.6 | 927 | 40.5 |
| Total | 100.0 | 38 | 100.0 | 2,291 | 100.0 |

Source: 2015 ACS Data, Bank Records

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses with gross annual revenues of \$1 million or less. As shown in the following table, the bank's lending to businesses in this revenue category exceeds area demographics by more than 12 percent. This demonstrates a strong willingness to lend to smaller sized businesses. The following table provides additional information.

| Distribution of Small Business Loans by Gross Annual Revenue Category – Nonmetropolitan Missouri | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 76.5 | 24 | 88.9 | 1,466 | 66.1 |
| > \$1,000,000 | 5.3 | 3 | 11.1 | 752 | 33.9 |
| Revenue Not Available | 18.2 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 27 | 100.0 | 2,218 | 100.0 |
| <i>Source: 2018 D&B Data, Bank Records</i> | | | | | |

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms with gross annual revenues of \$1 million or less. As shown in the table below, the bank originated 97.1 percent of its small farm loans to farms in this revenue category. This closely matches the demographics of the area, which shows that 98.6 percent of farms have gross annual revenues of \$1 million or less. Additional information is shown in the following table.

| Distribution of Small Farm Loans by Gross Annual Revenue Category – Nonmetropolitan Missouri | | | | | |
|---|-------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Farms | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 98.6 | 33 | 97.1 | 2,943 | 88.8 |
| > \$1,000,000 | 1.0 | 1 | 2.9 | 370 | 11.2 |
| Revenue Not Available | 0.4 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 34 | 100.0 | 3,313 | 100.0 |
| <i>Source: 2018 D&B Data, Bank Records</i> | | | | | |

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

Rated Area: A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

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

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.