



PUBLIC DISCLOSURE

April 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union National Bank
Charter #7236
101 East Chicago St.
Elgin, Illinois 60120

Office of the Comptroller of the Currency
Downers Grove Office
2001 Butterfield Road, Suite 400
Downers Grove, Illinois 60515

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 Lending Test is based on Union National Bank's (UNB or bank) performance in the state of Illinois. The major factors that support this rating include:

- UNB's distribution of loans to businesses of different sizes within its assessment area (AA) is reasonable.
- UNB originated a majority of its loans within its AA.
- UNB's loan-to-deposit (LTD) ratio is more than reasonable.
- UNB did not receive any complaints regarding its CRA performance during the evaluation period.

Loan-to-Deposit Ratio

UNB's LTD ratio is more than reasonable based on the bank's size and financial condition, and the credit needs of its AA. During the eight-quarter period ending December 31, 2021, the bank's quarterly LTD ratio averaged 108.3 percent, and ranged from a low of 97.8 percent to a high of 122.5 percent.

We compared UNB's average quarterly LTD ratio to the ratios for 15 similarly situated federally- and state-chartered banks and thrifts within UNB's AA. These institutions ranged in asset size from \$300 million to \$500 million, and had a combined average quarterly LTD ratio of 81.3 percent during the same period of time. UNB's LTD ratio was the second highest within this group.

Lending in Assessment Area

A majority of UNB's loans are inside its AA. The bank originated 62.5 percent of its total number of loans inside its AA during the evaluation period, and 60.0 percent of its total dollar amount of loans. This analysis was 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
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Total	25	62.5	15	37.5	40	10,538	60.0	7,014	40.0	17,552
<i>Source: Evaluation Period - 1/1/2020-12/31/2021 bank data (sample of 40 small business loans). Note: Due to rounding, totals may not equal 100.0%.</i>										

Description of Institution

UNB is a \$363 million intrastate bank headquartered in Elgin, Illinois. The bank is wholly owned by Elgin Bancshares, Inc, and has one AA that contains portions of Cook, Kane, DuPage, and McHenry counties.

UNB's business strategy focuses primarily on commercial lending, with an emphasis on Small Business Administration (SBA) and commercial real estate lending. In June 2019, the bank entered into an agreement with the SBA to become a preferred SBA lender. As of December 31, 2021, commercial loans comprised 95 percent of the bank's outstanding loans by dollar amount. During the COVID-19 pandemic, the bank's loan portfolio grew significantly as a result of the SBA Paycheck Protection Program. The bank also offers home mortgage and consumer loans to accommodate existing commercial customers, as well as traditional deposit accounts and retail services.

There are no legal, financial, or other factors preventing UNB from meeting the credit needs of its AA, including those of low- and moderate-income families and geographies. As of December 31, 2021, the bank's loan portfolio totaled \$332 million, or 91.4 percent of its total assets. Tier 1 capital totaled \$37.8 million. The bank received a "Satisfactory" rating as a result of its last CRA evaluation, which was dated August 31, 2020.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated UNB's CRA performance using Interagency Small Bank examination procedures, which assess the bank's record of meeting the credit needs of its AA through lending activities. The evaluation period for this review was from January 1, 2020, to December 31, 2021. We reviewed a sample of loans from the entire evaluation period for the Lending Test. Based on our review of loan originations during the evaluation period, we determined that the bank's primary loan product is business loans. We reviewed a random sample of 40 small loans to businesses for the Lending in the Assessment Area test, and we expanded the sample to include 60 business loans within in the AA for the geographic and income distribution tests.

For analysis purposes, we compared UNB's lending performance to demographic data from the 2015 American Community Survey (ACS) U.S. Census, 2021 Dun and Bradstreet (D&B) Data, and Federal Deposit Insurance Corporation (FDIC) deposit market share data as of June 30, 2021. No affiliate activity was included in this analysis. Refer to the table in Appendix A for more information on the scope of the review.

Selection of Areas for Full-Scope Review

UNB has one AA, and we completed a full-scope review of this AA.

Ratings

UNB's overall rating is based on the full-scope review of the AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank 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 Bureau of Consumer Financial Protection, 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 major factors that support this rating include:

- UNB's distribution of loans to businesses of different sizes within its AA is reasonable.
- UNB originated a majority of its loans within its AA.
- UNB's LTD ratio is more than reasonable.
- UNB did not receive any complaints regarding its CRA performance during the evaluation period.

Description of Institution's Operations in Illinois

UNB's operations in the state of Illinois are concentrated in its single AA, which includes 317 census tracts (CTs) located within the Chicago-Naperville-Elgin, IL-IN-WI MSA. The AA covers portions of Kane, Cook, DuPage, and McHenry Counties, and includes portions of two metropolitan divisions (MD) (Chicago-Naperville-Evanston IL and Elgin IL). The AA has one low-income CT and 37 moderate-income CTs. The AA meets the requirements of the regulations and does not arbitrarily exclude low- or moderate-income geographies.

Deposit Market Share

According to the June 30, 2021, FDIC Market Share Report, UNB had \$322.3 million in deposits from within the AA, which represented 100 percent of the bank's total deposits. The bank ranked 73rd out of 134 FDIC-insured banks, with a 0.07 percent market share for deposits in the AA. Competition in the AA is significant. The 134 banks includes large nationwide and regional banks, and there are a total of 1,735 bank branches in Cook, Kane, DuPage, and McHenry counties. The five banks with the largest deposit market shares in the AA were JPMorgan Chase Bank (23.7 percent), BMO Harris Bank (16.1 percent), Bank of America (9.2 percent), The Northern Trust Company (7.6 percent), and CIBC Bank (6.4 percent).

Demographics:

Due to the COVID-19 Pandemic, unemployment rates were high in 2020 but improved in 2021 as the economy slowly stabilized. Please refer to the tables below for additional demographic information.

Annual Unemployment Rates			
Area	2020	2021	Peak
Cook County	10.4%	7.0%	19.0%
DuPage County	7.5%	4.5%	15.3%
Kane County	9.3%	5.9%	16.4%
McHenry County	8.0%	4.7%	17.0%
State of Illinois	9.3%	6.1%	17.7%
National	8.1%	5.5%	14.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics. Rates are not seasonally adjusted. Unemployment rates and are as of December 31st of each year. Peak unemployment is as of April 2020.

Table A – Demographic Information of the Assessment Area						
Assessment Area: UNB AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	317	0.3	11.4	42.6	45.7	0.0
Population by Geography	1,669,545	0.1	11.1	41.9	46.9	0.0
Housing Units by Geography	624,002	0.1	10.5	43.0	46.4	0.0
Owner-Occupied Units by Geography	446,566	0.0	7.0	40.9	52.1	0.0
Occupied Rental Units by Geography	143,743	0.2	20.3	48.1	31.4	0.0
Vacant Units by Geography	33,693	0.1	15.1	49.1	35.7	0.0
Businesses by Geography	142,632	0.1	10.0	40.8	49.1	0.0
Farms by Geography	3,119	0.0	8.5	49.7	41.8	0.0
Family Distribution by Income Level	428,501	15.4	15.1	20.4	49.0	0.0
Household Distribution by Income Level	590,309	17.2	14.1	17.7	50.9	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$75,024	Median Housing Value			\$246,787
Median Family Income MSA - 20994 Elgin, IL		\$80,899	Median Gross Rent			\$1,132
			Families Below Poverty Level			5.7%

*Source: 2015 ACS and 2021 D&B data.
Note: Due to rounding, totals may not equal 100.0%.
(* The NA category consists of geographies that have not been assigned an income classification.*

Business Demographics:

In 2021, 84.8 percent of businesses in UNB's AA had gross annual revenues of less than \$1 million (small businesses by CRA standards). The services industry represented the largest percentage of businesses in the AA (36.4 percent), followed by the retail trade industry (10.5 percent), and the finance, insurance, and real estate industry (9.4 percent combined). The top three employers in the Chicago-Naperville-Evanston MD include Advocate Health Care System (25,917 employees), Northwestern Memorial Healthcare (21,264 employees), and Amita Health (20,046 employees). In the Elgin MD, the top three employers were Northern Illinois University (7,581 employees), J.P. Morgan Chase (2,700 employees), and Caterpillar (2,300 employees).

Community Contacts

We performed one community contact with a representative from an economic development organization. The organization provides loans to businesses that comply with the SBA 504 program, and the contact identified loans or grants to help businesses with down payment costs as a community credit need. The contact indicated that UNB is an active business lender.

Scope of Evaluation in Illinois

We completed a full-scope review of UNB's single AA.

LENDING TEST

UNB'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, UNB's lending performance in the state of Illinois is reasonable.

Distribution of Loans by Income Level of the Geography

UNB's distribution of loans to geographies of different income levels within its AA in the state of Illinois is poor. There were no unexplained conspicuous gaps in geographic distribution.

Small Loans to Businesses

Refer to Table Q of appendix D for the facts and data used to evaluate the geographic distribution of UNB's originations and purchases of small loans to businesses.

UNB's distribution of small loans to businesses in geographies of different income levels within its AA is poor. Based on the loans in our sample, the percentage of the bank's small loans to businesses that it originated in moderate-income CTs was below both the percentage of the AA's businesses that are located in moderate-income CTs and the percentage of aggregate lending that occurred in moderate-income CTs. While our sample did not include any loans located in the AA's one low-income CT, there are limited

lending opportunities in that CT (based on the low percentage of the AA's businesses located in the CT and the percentage of aggregate lending that occurred in the CT).

Distribution of Loans by Income Level of the Borrower

UNB exhibits reasonable distribution of loans to businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

Refer to Table R of appendix D for the facts and data used to evaluate the borrower distribution UNB's small loans to businesses.

UNB's distribution of loans to businesses of different sizes in its AA is reasonable. While the bank's percentage of loans originated to businesses with \$1 million or less in annual gross revenue is lower than the percentage of AA businesses with \$1 million or less in annual gross revenue, it exceeded the percentage of aggregate lending that occurred to businesses with \$1 million or less in annual gross revenue.

Responses to Complaints

UNB did not receive any complaints regarding CRA performance during the evaluation period.

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 MSAs and non-MSAs 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:	1/1/2020 to 12/31/2021	
Bank Products Reviewed:	Small business loans	
Affiliate(s):	Affiliate Relationship:	Products Reviewed:
N/A	N/A	N/A
List of Assessment Areas and Type of Examination:		
Rating and Assessment Areas:	Type of Exam:	Other Information:
State of Illinois	Full-Scope	Portions of Cook, Kane, DuPage, and McHenry counties in Illinois

Appendix B: Summary of MMSA and State Ratings

RATINGS - Union National Bank	
Overall Bank:	Lending Test Rating:
Union National Bank	Satisfactory
State:	
Illinois	Satisfactory

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 low- and moderate-income 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 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 of the area median income.

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. 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 Q. Assessment Area Distribution of Small Loans to Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Small Loans to Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table Q: Assessment Area Distribution of Small Loans to Businesses by Income Category of the Geography																		2020-2021	
Assessment Area:	Total Small Loans to Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	Bank #	Bank \$(000s)	Overall Market	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	
UNB	60	19,462	59,399	0.1	0.0	0.1	10.0	6.7	10.2	40.8	50.0	44.0	49.1	43.3	45.8	0.0	0.0	0.0	
<i>Source: 2021 D&B data; 01/01/2020 - 12/31/2021 bank data; 2021 CRA aggregate data. Note: Due to rounding, totals may not equal 100.0%.</i>																			

Table R: Assessment Area Distribution of Small Loans to Businesses by Gross Annual Revenues												2020-2021	
Assessment Area:	Total Small Loans to Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	Bank #	Bank \$ (000s)	% of Total	Overall Market	% of AA Businesses	% of Bank Loans	% of Aggregate Loans	% of AA Businesses	% of Bank Loans	% of AA Businesses	% of Bank Loans		
UNB	60	19,462	100.0	59,399	84.7	46.7	46.4	6.4	53.3	9.0	0.0		
<i>Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 bank data; 2021 CRA aggregate data. Note: Due to rounding, totals may not equal 100.0%.</i>													

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.