



PUBLIC DISCLOSURE

November 9, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MWABank
Charter Number 717935

100 17th Street
Rock Island, IL 61201

Office of the Comptroller of the Currency
Peoria Field Office
211 Fulton Street, Suite 604
Peoria, IL 61602

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, 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The primary factors that support this rating include:

- The majority of the loans originated by MWABank are to borrowers outside its assessment area (AA). This is acceptable given the bank's business strategy as a nationwide direct bank.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including low- and moderate-income geographies, given the bank's product offerings and local economic conditions.
- MWABank's quarterly average loan-to-deposit ratio of 88 percent over the evaluation period is reasonable.
- The distribution of loans to borrowers of different income levels is poor. However, the bank's community development activities offset their weak performance in this assessment factor.

SCOPE OF EXAMINATION

We evaluated MWABank under the Small Savings Association evaluation procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

- The evaluation period is from the previous CRA evaluation, April 6, 2010, through November 9, 2015.
- The lending test is based on MWABank's primary loan products, which are residential home loans. We evaluated loans originated from January 1, 2013, through June 30, 2015, under the lending test and compared them to 2010 census data. There were no Metropolitan Statistical Area (MSA) changes affecting the lending analysis.
- The bank is located in a MSA and is subject to the requirements of the Home Mortgage Disclosure Act (HMDA). We reviewed residential related loans reported under HMDA for the years 2013, 2014, and through June 30, 2015.
- We conducted Data Integrity reviews of the HMDA by comparing information from the bank's loan application registers to actual loan files. We found the HMDA data for 2013, 2014, and 2015 to be accurate and reliable for use in this evaluation.
- MWABank has one assessment area. We conducted a full-scope review of the bank's AA.

DESCRIPTION OF INSTITUTION

MWABank is a \$262 million savings association headquartered in Rock Island, Illinois. Rock Island is part of the Davenport-Moline-Rock Island, IA-IL MSA located on the Mississippi River. MWABank is a non-traditional, nationwide thrift with one main office that is equipped with a drive-up facility. The bank also has four automated teller machines (ATM) located throughout the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

There was no change in the bank's corporate structure since the previous CRA evaluation. MWABank is a wholly owned subsidiary of Modern Woodmen of America, a fraternal financial services provider headquartered in Rock Island, Illinois. MWABank was created to assist Modern Woodmen of America with their financial needs. The holding company also owns Modern Woodmen Financial Services Inc. and its subsidiary, Modern Woodmen General Insurance Agency Inc. MWABank's affiliates do not negatively affect the bank's ability to meet the credit needs of the community.

MWABank offers a full range of deposit and loan products and services. There are no financial, legal, or other factors impeding the bank's ability to help meet the credit needs of the bank's AA. MWABank's previous CRA rating was "Satisfactory Record of Meeting Community Credit Needs" as detailed in the April 6, 2010, Performance Evaluation.

MWABank's primary lending product is residential real estate loans. This lending category accounts for 98 percent of loans originated and purchased from January 1, 2013, to June 30, 2015. We used this lending product for the analysis of this evaluation. Commercial and consumer lending are not a primary loan product, accounting for the remaining two percent of the loans originated and purchased during this period.

Table 1 - Loan Originations and Purchases by Loan Type from January 1, 2013 through June 30, 2015				
Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Residential Loans	\$142,609	98%	1,011	98%
Commercial Loans	\$3,070	2%	15	2%
Consumer Loans	\$43	0%	3	0%
Total Loans	\$145,722	100%	1,029	100%

Source: Bank records from January 1, 2013 to June 30, 2015

As of September 30, 2015, MWABank reported total loans of \$220 million and had a net loans and leases to total assets ratio of 80 percent. The loan portfolio composition is as follows:

Table 2 - Loan Portfolio Summary by Loan Product As of September 30, 2015		
Loan Category	Dollars Outstanding (000s)	% of Outstanding Dollars
Residential Loans	\$193,794	88%
Commercial Loans	\$15,331	7%
Consumer Loans	\$6,762	3%
Other Loans	\$4,213	2%
Total Loans	\$220,100	100%

Source: Call Report dated September 30, 2015

DESCRIPTION OF ASSESSMENT AREA

MWABank has one assessment area, which is comprised of the entire Davenport-Moline-Rock Island, IA-IL MSA. The Davenport-Moline-Rock Island, IA-IL MSA consists of Henry, Mercer, and Rock Island Counties in Illinois and Scott County in Iowa. The AA includes 104 census tracts (CT). According to 2010 U.S. Census data, eight CTs are designated low-income, while 21 CTs are designated moderate-income. The remaining 75 CTs are designated middle- or upper-income. MWABank's assessment area meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

MWABank ranks 10th in deposit market share of the 38 financial institutions serving the Davenport-Moline-Rock Island, IA-IL MSA according to the FDIC Market Share Report dated June 30, 2015. The deposit market share is misleading as the report assumes the bank generates all deposits from the residents of the bank's AA. In actuality, the bank derives deposits nationwide.

The local economic condition continues to lag. According to the U.S. Department of Labor, the September 2015 unemployment rate for each county in the AA was 5.3 percent Henry, 5.2 percent Mercer, 5.8 percent Rock Island, and 4.3 percent Scott. The September 2015 unemployment rate for the State of Illinois was 5.1 percent, the State of Iowa was 3.3 percent, and 5.1 percent for the U.S. Unemployment is higher than the respective state averages. Major employers include Rock Island Arsenal, Deere & Company, and Genesis Health System.

We made one community contact during the evaluation. The contact indicated the primary credit need of the AA is small business loans. The contact also stated there are no unmet credit needs or banking services not met or provided for by the local financial institutions. Overall, the contact felt MWABank and other local financial institutions meet the credit needs of the area.

The following is demographic information for the AA:

Table 3 - Demographic Information for the AA					
Demographic Characteristics	#	Low % of #	Mod % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	104	8%	20%	53%	19%
Population by Geography	379,690	5%	17%	56%	22%
Owner-Occupied Housing by Geography	111,153	3%	14%	59%	24%
Businesses by Geography	24,205	8%	14%	51%	27%
Farms by Geography	2,016	1%	4%	71%	24%
Family Distribution by Census Tract	99,444	4%	15%	57%	24%
Family Distribution by Income Level	99,444	20%	18%	22%	40%
Median Family Income	\$64,261	Median Housing Value			\$124,621
2015 FFIEC Estimated Median Family Income	\$62,800	Average Monthly Gross Rent			\$625
Households Below the Poverty Level	12%				

Source: 2010 U.S. Census Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MWABank’s quarterly average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. MWABank’s quarterly average loan-to-deposit ratio for the period October 1, 2009, to September 30, 2015, is 88 percent. MWABank had a quarterly low of 74 percent and a quarterly high of 111 percent. MWABank’s 88 percent is down from the prior CRA evaluation’s average loan-to-deposit ratio of 113 percent. We attribute this to significant market competition as well as selling a sizable volume of residential real estate loans on the secondary market.

MWABank’s quarterly average loan-to-deposit ratio compares favorably to other community banks of similar size, location, and product offerings. MWABank ranks first among six similarly situated banks serving its AA. The quarterly average loan-to-deposit ratio for the other five banks over the same period ranged from 49 to 77 percent. The other similarly situated banks used for comparison are community banks located in the AA and range in asset size from \$200 million to \$550 million.

Lending in Assessment Area

A majority of the loans originated by MWABank are to borrowers outside its AA. This is a result of the bank’s strategy of originating loans nationwide. Given this strategy, MWABank’s lending to customers within its AA for its primary loan type is satisfactory. MWABank originates and purchases an acceptable volume of loans within the AA. The

following table details the bank’s lending within the AA by number of loan originations and dollar volume during the evaluation period:

Table 4 - Lending in the Assessment Area										
Loan Product	Number of Loans					Dollars of Loans \$(000)s				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	403	41%	569	59%	972	\$57,458	41%	\$81,927	59%	\$139,385

Source: HMDA records from January 1, 2013 to June 30, 2015

The percentage of loans inside the AA is consistent with the volume of deposits derived from within the AA (31 percent of total deposits as of December 31, 2014). The number volume of loans inside the AA is also an improvement from the prior CRA evaluation’s inside ratio of 33 percent. Management continues to look for opportunities to enhance local market awareness.

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects poor penetration among individuals of different income levels given the demographics of the AA. MWABank’s lending to low- and moderate-income borrowers is below the level conveyed by HMDA-reporting financial institutions in the AA. MWABank’s lending to low- and moderate-income families within the AA is also below the geographic comparator. The lower level of lending is partially attributed to nine percent of the families in the AA are below the poverty level.

Table 5 – AA Borrower Distribution vs. HMDA Lending				
Income Category	Percent Families by Income Category	Peer Data Lending % 2013	MWABank	
			Number of Loans	Percent of Loans
Low	20%	6%	13	3%
Moderate	18%	15%	57	14%
Middle	22%	20%	91	23%
Upper	40%	43%	217	54%
Unknown	-	15%	25	6%
Total	100%	100%	403	100%

Source: HMDA records from January 1, 2013 to June 30, 2015; 2010 Census data

Although MWABank’s lending to low- and moderate-income borrowers is weak, the bank improves its performance through community development loans and other lending related activities.

Geographic Distribution of Loans

MWABank’s geographic distribution of residential lending reflects a reasonable dispersion in CTs of different income levels, including low- and moderate-income CTs.

We did not identify any conspicuous gaps in the bank’s lending performance. MWABank’s lending in low-income CTs is above the level reported by HMDA-reporting financial institutions as well as the level of owner-occupied housing located in the low-income geographies in the AA.

MWABank’s lending in moderate-income CTs is below the level reported by HMDA-reporting financial institutions in the AA as well as the level of owner-occupied housing located in the moderate-income geographies in the AA. This lower level of lending is attributed to the limited opportunities in the moderate-income tracts, as 22 percent of the housing units in the moderate-income CTs are vacant, while an additional 24 percent of the housing units are rental properties. In addition, 17 percent of the households in the moderate-income CTs are below the poverty level. Performance under this criterion displays adequate performance.

Income Category	Distribution of OOHU’s*	Peer Data Lending % 2013	MWABank	
			Number of Loans	Percent of Loans
Low	3%	2%	16	4%
Moderate	14%	12%	32	8%
Middle	59%	45%	190	47%
Upper	24%	41%	165	41%
Total	100%	100%	403	100%

Source: HMDA records from January 1, 2013 to June 30, 2015; 2010 Census data

* Owner Occupied Housing Unit (OOHU)

Responses to Complaints

MWABank did not receive any complaints regarding its performance in helping to meet the credit needs within its AA during this evaluation period.

Community Development

MWABank is responsive to the community development needs of the AA. MWABank made eight community development loans in the AA totaling \$3 million during the evaluation period. Qualifying loans include projects rehabbing and financing affordable housing for low or moderate income (LMI) individuals as well as distressed commercial real estate in LMI census tracts. The bank also currently has \$7.5 million outstanding in qualified investments, which include an investment in several mortgage-backed securities targeted to the bank’s AA. These investments were purchased prior to the evaluation period, but they are still owned by the bank.

MWABank is headquartered in a low-income CT. The bank received several awards for their outstanding philanthropy from the Rock Island Economic Growth Corporation (GROWTH) since the prior CRA evaluation. The Federal Home Loan Bank of Chicago

also recognized MWABank in 2013 for their participation in an affordable housing redevelopment project in conjunction with GROWTH.

MWABank offers loan programs and grants assisting LMI borrowers. The loans made under these programs are reported under HMDA and are not considered community development loans. The bank is providing a needed community development service by offering these products. These loan programs and grants also take additional time for employees to originate, process, underwrite, and close.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.