



## PUBLIC DISCLOSURE

April 11, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Midstates Bank, National Association  
Charter Number 10354

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**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.

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## **General Information and Overall CRA Rating**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Midstates Bank, N.A. (Midstates Bank) issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 1, 2014 and ending April 11, 2017. The agency rates the performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- Midstates Bank's loan-to-deposit (LTD) ratio is reasonable when considering the bank's size, financial condition, and the credit needs of its assessment areas (AAs).
- Management originates and purchases a majority of its loans to customers located in the bank's AAs.
- The borrower distribution of agricultural and residential real estate loans represents a reasonable penetration among farms of different sizes and families of different income levels.
- The geographic distribution of loans represents reasonable dispersion among census tracts (CTs) of different income levels in the AAs.
- Community development (CD) activities demonstrate adequate responsiveness to AA needs and opportunities.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

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

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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, 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 MA/assessment area.

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

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One 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.

## Description of Institution

Midstates Bank is a nationally chartered intrastate financial institution. Its headquarters are located in Council Bluffs, Iowa. As of March 30, 2017, Midstates Bank had total assets of \$409 million and tier one capital of \$41 million. Midstates Bank is wholly owned by Midstates Bancshares, Inc. (MBI), a one-bank holding company located in Harlan, Iowa. As of December 31, 2016, MBI had total assets of \$49 million.

Midstates Bank maintains operations in western Iowa. Midstates Bank operates two full-service branches, including its main branch, and one automated teller machine (ATM) in Council Bluffs, Iowa. Midstates Bank also operates one full service branch in each of the following towns: Avoca, Harlan, Missouri Valley, and Mondamin. Two ATMs are located in Avoca, one is located in Harlan, and one is located in Missouri Valley. None of Midstates Banks' ATMs accept deposits. There have not been any significant changes to Midstates Bank's corporate structure, including mergers or acquisitions, since the previous CRA examination.

Midstates Bank's primary business focus is consistent with the traditional community bank model. Midstates Bank offers a full range of loan and deposit services to its customers, including agricultural, commercial, consumer, and mortgage loans and checking and savings accounts with low minimum balance requirements. As of December 31, 2016, net loans totaled \$236 million and represented 58 percent of total assets.

Table 1 summarizes the percentage of each loan type originated or purchased from January 1, 2014 to December 31, 2016.

<b>Table 1 - Loan Portfolio Summary by Loan Product</b>		
<b>Loan Category</b>	<b>% of Number Volume</b>	<b>% of Dollar Volume</b>
Agricultural Loans	38	70
Mortgage Loans	24	18
Consumer Loans	28	3
Commercial Loans	10	9

*Source: Internal reports*

There are no legal or financial impediments to Midstates Bank's ability to meet the credit and community development needs of its AAs. The bank was rated Satisfactory at its last CRA examination dated September 16, 2013.

## Description of Institutions Operations in the State of Iowa

Midstates Bank operates three AAs in the State of Iowa: the Harrison County AA, the Pottawattamie County AA, and the Shelby County AA. For purposes of this examination, we combined the Harrison County AA and the Pottawattamie County AA



into the Pottawattamie-Harrison County AA. The AAs are contiguous and management operates with the same strategy in each AA.

### **Pottawattamie-Harrison County AA**

The Pottawattamie-Harrison County AA is located within the Omaha-Council Bluffs, Nebraska-Iowa Multistate Metropolitan Statistical Area (MSA). Because management limits their operations to the Iowa portion of the Multistate MSA, we included this AA in the State of Iowa rating.

The Pottawattamie-Harrison County AA includes all of Pottawattamie and Harrison counties in Iowa. Midstates Bank operates five branches and four cash dispensing ATMs in this AA. This AA represents Midstates Bank's major markets and includes the bank's main branch. Midstates Bank reported total deposits of \$196 million in the Pottawattamie-Harrison County AA as of June 30, 2016. This represents 66 percent of the bank's total deposits as of that date. According to FDIC deposit market share information as of June 30, 2016, Midstates Bank ranked fourth in market share with a total market share of 10 percent. Management originated \$196 million in loans in the AA during the evaluation period. This represents 42 percent of Midstates Bank's loan originations by dollar during the evaluation period.

The Pottawattamie-Harrison County AA included 34 CTs during 2016. One CT is low-income, eleven are moderate-income, 20 are middle-income, and two are upper-income. The total population of this AA was 105,539 in 2016. The population includes 28 thousand families and 41 thousand households. Of the families living in the AA, 24 percent are low-income, 21 percent are moderate-income, 25 percent are middle-income, and 30 percent are upper-income. The FFIEC updated weighted-average of MSA median family income was \$72,300 in 2016. Of the households living in the AA, 26 percent are low-income, 19 percent are moderate-income, 19 percent are middle-income, and 36 percent are upper-income. Eleven percent of households live below the poverty level. The weighted average of median household income is \$51,299.

There were 45 thousand housing units in the AA in 2016. Sixty-seven percent of the housing units are owner-occupied and 26 percent are occupied by renters. The median age of housing in the AA is 56 years and the weighted-average of median housing cost is \$127,482. The weighted-average of monthly gross rent is \$657.

The Pottawattamie-Harrison County AA included nearly seven thousand businesses in 2016. Eighty-eight percent of the businesses are non-farm businesses and 76 percent of businesses employ fewer than five people. Eighty-three percent of the businesses in the AA reported gross annual revenue (GAR) less than \$1 million during 2016.

The economy in the Pottawattamie-Harrison County AA was favorable during the evaluation period. According to the Bureau of Labor Statistics, the unemployment rate in the Omaha-Council Bluffs NE-IA Multistate MSA was 3.4 percent in December 2016.

This is below the national unemployment rate of 4.7 percent as of that date and the State of Iowa unemployment rate of 3.5 percent as of December 2016.

Competition in the Pottawattamie-Harrison County AA is strong. As of June 20, 2016, there were 16 institutions operating 49 branches in Pottawattamie and Harrison counties. Competition primarily includes branches of local and regional community and midsize banks, but also includes branches of large banks with a national presence.

### **Shelby County AA**

The Shelby County AA includes all of Shelby County in Iowa. Midstates Bank operates one branch and one cash dispensing ATM in this AA. Midstates Bank reported total deposits of \$103 million in the Shelby County AA as of June 30, 2016. This represents 34 percent of the bank's total deposits as of that date. According to FDIC deposit market share information as of June 30, 2016, Midstates Bank ranked second in market share with a total market share of 23 percent. Management originated \$276 million in loans in the AA during the evaluation period. This represents 58 percent of Midstates Bank's loan originations by dollar during the evaluation period.

The Shelby County AA included four CTs during 2016. All four CTs are middle-income. The total population of this AA was 12,167 in 2016. The population includes three thousand families and five thousand households. Of the families living in the AA, 18 percent are low-income, 19 percent are moderate-income, 26 percent are middle-income, and 37 percent are upper-income. The weighted-average of median family income was \$57,577 in 2016. Of the households living in the AA, 23 percent are low-income, 18 percent are moderate-income, 20 percent are middle-income, and 39 percent are upper-income. Eleven percent of households live below the poverty level. The weighted average of median household income is \$44,071.

There were six thousand housing units in the AA in 2016. Seventy-two percent of the housing units are owner-occupied and 20 percent are occupied by renters. The median age of housing in the AA is 69 years and the weighted-average of median housing cost is \$101,760. The weighted-average of monthly gross rent is \$575.

The Shelby County AA included 14 hundred businesses in 2016. Seventy-eight percent of the businesses are non-farm businesses and 81 percent of businesses employ fewer than five people. Eighty-five percent of the businesses in the AA reported GAR less than \$1 million during 2016.

The economy in the Shelby County AA was favorable during the evaluation period. According to the Iowa Workforce Development, the unemployment rate in Shelby County was 3.0 percent in December 2016. This is below the national unemployment rate of 4.7 percent as of that date and the State of Iowa unemployment rate of 3.5 percent as of December 2016.

Competition in the Shelby County AA is strong. As of June 20, 2016, there were six institutions operating 13 branches in Shelby County. Competition primarily includes branches of local community banks.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

Midstates Bank was evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credits needs of its AAs through its lending activities. The CD Test evaluates the bank's record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services.

The Lending Test covers Midstates Bank's performance from January 1, 2014 to December 31, 2016. The Lending Test evaluated agricultural and residential real estate loans in the Pottawattamie-Harrison County AA and agricultural loans in the Shelby County AA, as these loan types were determined to be the primary loan products in Midstates Bank's individual AAs.

To evaluate lending performance, we selected a random sample of agricultural loans originated and purchased during the evaluation period in each AA. Examiners initially sampled 20 loans per AA and used that information in the lending analysis. Each agricultural sample was expanded to 60 loans to provide a more comprehensive representation of the loan portfolio after initial analysis did not result in conclusive findings. Examiners used information from the bank's Home Mortgage Disclosure Act (HMDA) loan applicant registers to analyze residential real estate loans in the Pottawattamie-Harrison County AA. Loan data was compared to 2010 U.S. Census data.

The CD Test covers Midstates Bank's performance from September 16, 2013 to April 11, 2017. We reviewed all CD loans, investments, donations, and services submitted by management to ensure they met the regulation definition of CD. We excluded from this evaluation some items submitted for consideration because they did not meet the definition or purpose of CD.

### **Data Integrity**

A HMDA Data Integrity examination was completed on October 27, 2016. Midstates Bank's HMDA data was determined to be accurate and reliable for CRA purposes.

### **Selection of Areas for Full-Scope Review**

We completed a full-scope review of the Pottawattamie-Harrison County AA because this AA represents a majority of the bank's branches and deposit volume. We completed a limited-scope review of the Shelby County AA.

### **Ratings**

The bank's overall rating is primarily based on management's performance in the Pottawattamie-Harrison AA, as that AA received a full-scope review.

### **Other**

We completed one community contact in the Pottawattamie-Harrison County AA conjunction with this examination. The contact is the director of an affordable housing organization in the AA. The contact stated there are many opportunities for CD involvement in the AA, including several non-profit groups that focus on housing development.

### **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) and 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 AA by an affiliate whose loans have been considered as part of the bank's or FSA'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 (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

Midstates Bank's performance under the Lending Test is satisfactory. The bank's LTD ratio is reasonable. A majority of Midstates Bank's loans are originated to or purchased for borrowers located inside the bank's AAs. The distribution of loans to farms of different sizes and families of different income levels reflects reasonable penetration of AA demographics. The distribution of loans to CTs of different income levels reflects reasonable dispersion of AA demographics.

The average LTD ratio and the in/out ratio are calculated on a bank-wide basis rather than on an AA basis.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and the AA's credit needs. Midstates Bank's average quarterly LTD ratio was 84 percent for the 14 quarters from September 30, 2013 to December 31, 2016. The ratio ranged from a quarterly low of 76 percent and a quarterly high of 91 percent.

Midstates Bank's LTD ratio compares favorably to similarly-situated banks operating in the AA. The average quarterly LTD ratio for competitor banks was 70 percent for the 14 quarters from September 30, 2013 to December 31, 2016. The ratio ranged from an average quarterly low of 36 percent to an average quarterly high of 97 percent.

### Lending in AA

Midstates Bank originates a majority of its loans to customers within the bank's AAs. We reviewed 40 agricultural loans and all of the mortgage loans originated between January 1, 2014 and December 31, 2016 to assess performance with this criterion. Management originated 59 percent of their loans by dollar and 69 percent of their loans by number to borrowers within the bank's AAs.

Table 2 details lending within the bank's AAs by number and dollar amount of loans.

Table 2 - Credit Extended Inside and Outside the Assessment Area						
	\$ Inside	\$ Outside	Total	# Inside	# Outside	Total
Agricultural Loans	6,826,157	1,972,600	8,798,757	34	6	40
Mortgage Loans	13,193,000	11,863,000	25,056,000	126	66	192
Total	20,019,157	13,835,600	33,854,757	160	72	232
In/Out Percentages	59%	41%	100%	69%	31%	100%

Source: Loan sample, HMDA LAR

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The distribution of agricultural loans to farms of different sizes and mortgage loans to families of different sizes reflects reasonable penetration of AA demographics.

Pottawattamie-Harrison County AA

The distribution of agricultural loans to farms of different sizes is reasonable. Ninety-nine percent of farms in the Pottawattamie-Harrison County AA reported GAR of \$1 million or less in 2016. Ninety-two percent of Midstates Bank’s loans by number and 77 percent of its loans by dollar were to farms with GAR of \$1 million or less.

Table 3 includes the data used to evaluate the borrower distribution of the bank’s agricultural loans in the Pottawattamie-Harrison County AA.

<b>Table 3 - Borrower Distribution of Loans to Farms in Pottawattamie-Harrison County AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	0	100
% of Bank Loans in AA by #	92	8	0	100
% of Bank Loans in AA by \$	77	23	0	100

Source: 2010 U.S. Census data; Loan sample

The distribution of mortgage loans to families of different income levels is excellent. Twenty-four percent of AA families are low-income. Four percent of Midstates Bank’s home purchase loans and 19 percent of its home refinance loans were originated to low-income families in the AA during the evaluation period. Twenty-one percent of AA families are moderate-income. Six percent of home purchase loans, 25 percent of home improvement loans, and 17 percent of home refinance loans were originated to moderate-income families in the AA during the evaluation period.

Table 4 includes the data used to evaluate the borrower distribution of the bank’s mortgage loans in the Pottawattamie-Harrison County AA.

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans in Pottawattamie-Harrison County AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		N/A*
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	
Home Purchase	24	4	21	6	25	6	30	23	61
Home Improvement	24	0	21	25	25	17	30	41	17
Home Refinance	24	19	21	17	25	13	30	4	47

Source: 2010 U.S. Census data; 2015-2016 HMDA

\*Legal entity borrowers are not included in the borrower distribution, because personal income data for legal entity borrowers is not reported on the HMDA loan application register. Legal entity borrowers are businesses that own the residential real estate and rent the properties to tenants.

Shelby County AA

The distribution of agricultural loans to farms of different sizes is reasonable. Ninety-nine percent of farms in the Shelby County AA reported GAR of \$1 million or less in 2016. Fifty-nine percent of Midstates Bank's loans by number and 38 percent by dollar were to farms with GAR of \$1 million or less.

Table 5 includes the data used to evaluate the borrower distribution of the bank's agricultural loans in the Shelby County AA.

<b>Table 5 - Borrower Distribution of Loans to Farms in Shelby County AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	1	0	100
% of Bank Loans in AA by #	59	26	15	100
% of Bank Loans in AA by \$	38	57	5	100

*Source: 2010 U.S. Census data; Loan sample*

Discussion with management indicates the results of our loan sample are skewed because our analysis evaluates performance on a loan-by-loan basis rather than a borrower-by-borrower basis. Management noted many of Midstates Bank's large agricultural borrowers originate several loans a year while the smaller agricultural borrowers typically only originate one or two loans annually.

Management used Web Equity software to gather the income level of all agricultural borrowers with loans originated during the evaluation period. Review of this information indicates, in aggregate, 83 percent of agricultural borrowers by number in the Shelby County AA are small farms. Additionally, competition in the AA is strong. We took this information into consideration when determining our conclusion for this AA.

**Geographic Distribution of Loans**

The distribution of agricultural and mortgage loans to CTs of different income levels reflects reasonable dispersion of AA demographics.

Pottawattamie-Harrison County AA

The distribution of agricultural loans to CTs of different income levels is reasonable. One percent of AA farms are located in the low-income CTs in the Pottawattamie-Harrison County AA. Two percent of Midstates Bank's agricultural loans by number were originated to farms in low-income CTs in the AA during the evaluation period. Three percent of AA farms are located in moderate-income CTs in the AA. Management did not make any loans to farms in these CTs during the evaluation period.

When determining our conclusion, we considered that management has limited opportunities to lend to farms in LMI CTs. There are a total of 29 farms located in LMI CTs in the Pottawattamie-Harrison County AA and competition is strong.

Table 6 includes the data used to evaluate the geographic distribution of the bank’s agricultural loans in the Pottawattamie-Harrison County AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	1	2	3	0	87	97	9	2

Source: 2010 U.S. Census data; Loan sample

The distribution of mortgage loans to CTs of different income levels is excellent. One percent of owner-occupied housing is located in low-income CTs in the Pottawattamie-Harrison County AA. Four percent of home purchase loans were originated to borrowers located in these CTs during the evaluation period. Twenty-nine percent of owner-occupied housing is located in moderate-income CTs in the AA. Thirty-eight percent of home purchase loans, 25 percent of home improvement loans, and 31 percent of home refinance loans were originated to borrowers located in these CTs during the evaluation period.

Table 7 includes the data used to evaluate the geographic distribution of the bank’s mortgage loans in the Pottawattamie-Harrison County AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1	4	29	38	65	58	5	0
Home Improvement	1	0	29	25	65	75	5	0
Refinancing	1	0	29	31	65	67	5	2

Source: 2010 U.S. Census data; 2015-2016 HMDA

### Responses to Complaints

We reviewed the bank’s public file for complaints and complaints reported to the OCC through the Customer Assistance Group. There were no complaints received by the bank or the OCC related to the bank’s CRA performance during the evaluation period.



## **COMMUNITY DEVELOPMENT TEST**

Midstates Bank's performance under the CD Test is rated Satisfactory. CD activities demonstrated adequate responsiveness to CD needs and opportunities in the bank's AAs. CD loans, investments, and donations totaled \$2.9 million and represented seven percent of the bank's tier one capital as of December 31, 2016. Eleven bank employees provided 519 service hours to eight CD organizations during the evaluation period.

### **Number and Amount of Community Development Loans**

#### Pottawattamie-Harrison County AA

Management originated 15 CD loans totaling \$2.8 million in the Pottawattamie-Harrison County AA during the evaluation period. The loans provided funding for economic development, affordable housing, and community service organizations in the AA.

#### Shelby County AA

Management did not originate any CD loans in the Shelby County AA during the evaluation period.

### **Number and Amount of Qualified Investments**

#### Pottawattamie-Harrison County AA

Management made 15 donations totaling \$45 thousand to CD organizations in the Pottawattamie-Harrison County AA during the evaluation period. The donations provided funding for organizations that provide affordable housing and community services to LMI individuals in the AA. Notable donations included \$15 thousand to an organization that provides down payment assistance to LMI individuals and \$15 thousand to an organization that provides community services to LMI individuals in the AA.

#### Shelby County AA

Management made five donations totaling \$7 thousand to CD organizations in the Shelby County AA during the evaluation period. The donations provided funding for organizations that support economic development and provide community services to LMI individuals in the AA. Notable donations include a \$3 thousand donation to an organization that provides community services to LMI individuals in the AA.

## **Extent to Which the Bank Provides Community Development Services**

### Pottawattamie-Harrison County AA

Eight bank employees provided 483 service hours to six qualified CD organizations in the Pottawattamie-Harrison County AA during the evaluation period. Examples of service hours include the following:

- A member of senior management served as Chairman of an urban renewal agency that provides affordable housing in the AA.
- A member of senior management provides loan and investment guidance to an organization providing community services to LMI individuals in the AA.
- A member of management prepares tax returns for LMI individuals in the AA.

### Shelby County AA

Three bank employees provided 36 service hours to two qualified CD organizations in the Shelby County AA during the evaluation period. Examples of service house include the following.

- One employee serves on the Board and one employee serves as Treasurer for an organization that provides community services to LMI individuals in the AA.

## **Responsiveness to Community Development Needs**

CD activities represent excellent responsiveness to CD needs and opportunities in the Pottawattamie-Harrison County AA and adequate responsiveness to CD needs and opportunities in the Shelby County AA. We took into consideration the limited opportunity for CD participation in the Shelby County AA when completing our analysis.