



**PUBLIC DISCLOSURE**

July 26, 2021

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First Neighbor Bank, National Association  
Charter Number 13682

201 North Meridian, Toledo, IL 62468

Office of the Comptroller of the Currency

3001 Research Road, Suite E-2, Champaign, IL 61822

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

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

**The Lending Test is rated: Satisfactory**

**The Community Development (CD) test is rated: Outstanding**

The major factors that support this rating include:

- The Lending Test rating is based on satisfactory performance in the State of Illinois. The bank's distribution of loans to individuals of different incomes and businesses of different sizes is reasonable throughout the assessment area (AA). First Neighbor's distribution of loans across geographies of different income levels is reasonable throughout the AA.
- First Neighbor originated or purchased a majority of loans within the AA.
- First Neighbor's loan-to-deposit (LTD) ratio is more than reasonable.
- The CD Test is based on outstanding performance in the State of Illinois. First Neighbor demonstrated excellent responsiveness to CD needs by engaging in a combination of CD loans, qualified investments, and CD services.
- First Neighbor did not receive any complaints regarding its CRA performance during the evaluation period.

### Loan-to-Deposit Ratio

Considering First Neighbor's size, financial condition, and credit needs of the AA, the bank's LTD ratio is more than reasonable. First Neighbor's quarterly LTD ratio averaged 93.9 percent over the 12-quarter period ending December 31, 2020. Over this period, the bank's quarterly LTD ratio ranged from a low of 88.0 percent to a high of 100.9 percent.

We analyzed the quarterly LTD ratios of eight similarly situated federal and state banks based on a combination of size, location, and lending opportunities. The banks ranged in size from \$70.4 million to \$685.5 million, with a combined average quarterly LTD ratio of 67.6 percent over the same evaluation period. First Neighbor's LTD ratio is the highest compared to this group.

### Lending in Assessment Area

A majority of First Neighbor's loans are inside its AA. The bank originated and purchased 75.0 percent of total loans sampled inside the AA during the evaluation period. This analysis is performed at the bank level, rather than by AA. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$				Total \$ ('000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$ ('000)	%	\$ ('000)	%	
Consumer Loans	17	85%	3	15%	20	105	76.1%	33	23.9%	138
Business Loans	13	65%	7	35%	20	925	64.6%	507	35.4%	1,432
Total	30	75%	10	25%	40	1,030	65.6%	540	34.4%	1,570

Source: Sample of 20 consumer and 20 business loans originated between 1/1/2018 - 12/31/2020.

## Description of Institution

First Neighbor Bank, N.A. (First Neighbor) is a \$502.6 million intrastate financial institution headquartered in Toledo, Illinois. The bank is a wholly-owned subsidiary of First Neighborhood Bancshares, Inc., a one-bank holding company. The bank is a full-service banking institution and operates ten banking offices in Toledo, Casey, Charleston, Greenup, Mattoon, Neoga, Newman, Paris, and Tuscola, Illinois. The bank owns and operates eight deposit-accepting automated teller machines (ATM) at branches. Based on the branch locations, First Neighbor established one contiguous AA containing Clark, Coles, Cumberland, Douglas, and Edgar Counties. There have been no merger or acquisition activities since the last evaluation. The bank has opened four new branches and closed one branch during this evaluation period. First Neighbor opened a temporary branch in Paris, IL, in December 2018. That branch was closed when the permanent branch was opened in December 2019. First Neighbor opened a branch in Tuscola, IL, in March 2020, and a second branch in Toledo, IL, in June 2020.

First Neighbor offers conventional deposit and loans products. The bank offers online, mobile, and remote banking. The bank also offers retail non-deposit investment sales through LPL Financial, as well as accounting, payroll, and tax preparation services.

As of December 31, 2020, the bank's loan portfolio totaled \$366.6 million, or 72.9 percent of total assets. Tier 1 capital is \$50.7 million. The following table represents the loan portfolio mix:

Loan Category	% of Outstanding Dollars
Business Loans, including Commercial Real Estate	50.3%
Farm Loans, including farmland	27.9%
Home Loans	16.2%
Consumer loans	5.6%

Source: December 31, 2020 Uniform Bank Performance Report (UBPR)

First Neighbor's business strategy is to deliver superior financial services and promote good business and community relationships. There are no known impediments limiting the bank's ability to help meet the credit needs of its local community, including low- and moderate-income families and neighborhoods. First Neighbor's deposit market share in the AA, at 12.8 percent, ranks second out of 20

banks in the AA. At its previous CRA examination dated February 13, 2018, First Neighbor received a rating of “Satisfactory” under the intermediate small bank CRA evaluation procedures.

## **Scope of the Evaluation**

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

We evaluated First Neighbor’s CRA performance using intermediate small bank evaluation procedures, which reviewed the bank’s record of meeting the credit needs of its AA through lending activities and CD activities. The Lending Test reflects an evaluation of First Neighbor’s record of meeting the credit needs of the AA through its lending activities. The CD Test reflects an evaluation of First Neighbor’s responsiveness to CD needs of the AA through loans, qualified investments, and services with a CD purpose. The evaluation period for this review is from January 1, 2018, to December 31, 2020. We sampled loans from the entire evaluation period for the lending test. The CD test used information from February 14, 2018 (the end last evaluation period) to December 31, 2020.

Based on both the number and dollar volume of loan origination data supplied by the bank, First Neighbor’s primary lending products are consumer and business loans. Consumer loans represent 45.7 percent of the number and 5.3 percent of the dollar volume of loan originations for 2018, 2019, and 2020. Business loans represent 22.4 percent of the number and 46.1 percent of the dollar volume of originations for the same time period. We sampled consumer and business loans for this evaluation. Consumer loans were most heavily weighted given the volume of loan originations.

For analysis purposes, we compared the bank’s lending performance with demographic data from the 2015 American Community Survey (ACS) U.S. Census, 2019 Dun and Bradstreet Data, 2019 CRA Aggregate Data, and FDIC deposit market share data as of June 30, 2020. 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**

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

### **Ratings**

First Neighbor’s overall rating is based on the full-scope review of the AA. As the percentage of low- and moderate-income (LMI) families (40.3 percent) in the AA is significantly higher than the percentage of LMI geographies (13.8 percent), our analysis placed more weight on the borrower distribution criterion.

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

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the 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<sup>1</sup>:** Satisfactory

**The Lending Test is rated:** Satisfactory

**The Community Development Test is rated:** Outstanding

The major factors that support this rating include:

- The Lending Test rating is based on satisfactory performance in the State of Illinois. The bank's distribution of loans to individuals of different incomes and businesses of different sizes is reasonable throughout the AA. First Neighbor's distribution of loans across geographies of different income levels is reasonable throughout the AA.
- First Neighbor originated or purchased a majority of loans within the AA.
- First Neighbor's loan-to-deposit ratio is more than reasonable.
- The CD Test is based on outstanding performance in the State of Illinois. First Neighbor demonstrated excellent responsiveness to CD needs by engaging in a combination of CD loans, qualified investments, and CD services.
- First Neighbor did not receive any complaints regarding its CRA performance during the evaluation period.

### Description of Institution's Operations in Illinois

First Neighbor's AA is a single-state AA consisting of 29 census tracts (CTs) encompassing all of Clark, Coles, Cumberland, Douglas, and Edgar Counties. Since the last evaluation, the bank expanded the AA to include all of Edgar County in 2018. The expanded AA added four additional CTs, including two moderate-income CTs. There are no low-income CTs, four moderate-income CTs, 22 middle-income CTs, two upper-income CTs, and one undefined CT. First Neighbor has two branches located in moderate-income CTs (Mattoon and Paris) and eight branches located in middle-income CTs, including one in a distressed middle-income CT (Charleston). The AA meets the requirements of the regulation and does not arbitrarily exclude any LMI CTs.

#### Competition

Competition for deposits in the AA is strong. According to the June 30, 2020 FDIC Deposit Market Share Report, First Neighbor's deposits in the AA totaled \$411.1 million. The bank ranked second out of 20 deposit-taking institutions in the AA with a market share of 12.8 percent. The largest institution for deposit market share in the AA was First Mid Bank and Trust N.A. (30.8 percent).

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

Demographics

Table A – Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	29	0.0	13.8	75.9	6.9	3.4
Population by Geography	117,957	0.0	15.7	70.9	9.0	4.4
Housing Units by Geography	53,211	0.0	17.7	71.3	8.9	2.1
Owner-Occupied Units by Geography	32,943	0.0	14.6	74.4	10.6	0.4
Occupied Rental Units by Geography	14,411	0.0	23.4	64.9	6.6	5.1
Vacant Units by Geography	5,857	0.0	21.2	70.0	4.9	4.0
Businesses by Geography	6,375	0.0	21.6	69.4	7.9	1.1
Farms by Geography	803	0.0	6.6	84.2	9.1	0.1
Family Distribution by Income Level	30,508	22.4	17.9	21.2	38.5	0.0
Household Distribution by Income Level	47,354	26.1	16.3	17.3	40.3	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$93,870
Median Household Income		\$45,709	Median Gross Rent			\$615
			Families Below Poverty Level			12.1%
<i>Source: 2015 ACS Census and 2019 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Population

According to the 2015 ACS Census data, the area population was 117,957 with 18,577 (15.7 percent) residing in moderate-income CTs, 83,637 (70.9 percent) residing in middle-income CTs, 10,598 (9.0 percent) residing in upper-income CTs, and 5,145 (4.4 percent) residing in the undefined CT.

According to the 2015 ACS Census data, there were 47,345 households in the AA. The distribution of households by income level was 12,459 (26.1 percent) low-income, 7,620 (16.3 percent) moderate-income, 8,192 (17.3 percent) middle-income, and 19,083 (40.3 percent) upper-income. Median household income was \$45,709.

Median Household Income Ranges				
Median Household Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018-2020 (\$45,709)	<\$22,855	\$22,855 to <\$36,567	\$36,567 to <\$54,851	≥\$54,851
<i>Source: 2015 ACS Census data</i>				



The percentage of households in the AA living below the poverty level is 16.2 percent. Households residing in the moderate-income CTs that live below the poverty level total 25.6 percent. Moderate-income geographies account for 13.8 percent of the CTs in the AA based on the 2015 ACS U.S. Census.

### Employment and Economic Factors

According to the Bureau of Labor Statistics (BLS), unemployment rates in the AA were improving until the COVID-19 pandemic national emergency began in March 2020. Unemployment rates for all counties in the AA have improved from the peak unemployment rates in April 2020 and are better than the state and national averages. Coles County had the highest unemployment rate in December 2020 and Douglas County had the lowest rate. The state and national unemployment rates were 4.7 percent and 6.7 percent, respectively, in December 2020.

Area	Annual Unemployment Rates			
	2018	2019	2020	Peak
Clark County	5.7%	3.9%	5.5%	21.5%
Coles County	4.8%	2.9%	6.2%	13.0%
Cumberland County	4.4%	2.8%	4.9%	10.8%
Douglas County	4.1%	2.7%	4.4%	10.7%
Edgar County	5.2%	3.6%	4.7%	15.3%
State of Illinois	4.4%	3.5%	8.0%	15.4%
National	3.9%	3.6%	6.7%	14.8%
<i>Source: U.S. Department of Labor; Bureau of Labor Statistics. Rates are not seasonally adjusted. Unemployment rates are as of December 31 of each year. Peak is as of April 30, 2020.</i>				

Industries driving the local economy include agriculture, manufacturing, healthcare, education, and retail. The largest employers in the AA include Sarah Bush Lincoln Health Center, Eastern Illinois University, The Libman Company, C.H.I. Overhead Doors, Rural King, and the local school districts. In addition, many residents commute to Champaign and Effingham, Illinois, and Terre Haute, Indiana, for additional employment opportunities. Based on the 2015 ACS Census data and 2019 Dun and Bradstreet data, 6,375 business are located in the AA. Of these businesses, 1,377 (21.6 percent) are in moderate-income CTs, 4,425 (69.4 percent) are in middle-income CTs, 502 (7.9 percent) are in upper-income CTs, and 71 (1.1 percent) are in the undefined CT. Businesses in the AA are 77.2 percent small businesses with gross annual revenues of \$1 million or less, 5.7 percent businesses with gross annual revenues over \$1 million, and 17.1 percent where businesses did not report revenue information.

### Housing

The 2015 ACS Census reported total housing units of 53,211 in the AA. Housing units total 32,943 (61.9 percent) owner-occupied, 14,411 (27.1 percent) renter-occupied, and 5,857 (11.0 percent) vacant. The median monthly gross rent in the AA was \$615, and \$609 in the moderate-income CTs. A total of 9,411 housing units are located in the moderate-income CTs with 51.0 percent owner-occupied units, 35.8 percent renter-occupied units, and 13.2 percent vacant. The median age of housing stock in the moderate-income CTs was 57 years. Older homes often cost more to maintain, frequently require significant repairs to meet building code requirements, and are typically less energy efficient. These

factors add to the overall cost of homeownership and can have a negative impact on home affordability for LMI individuals.

### Community Contact

We performed one community contact with an economic development organization serving the AA during this evaluation. We also reviewed three other community contacts made during the evaluation period between 2018 and 2020 with a different economic development organization, a community service organization, and a government agency. Identified credit needs include affordable housing, home improvement loans, down payment assistance, and support for organizations providing affordable housing and economic development.

## **Scope of Evaluation in Illinois**

First Neighbor has one AA in the state of Illinois, and we completed a full-scope review of this AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS**

### **LENDING TEST**

First Neighbor's performance under the Lending Test in the state of Illinois is rated Satisfactory.

### **Conclusions for Area Receiving a Full-Scope Review**

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

### **Distribution of Loans by Income Level of the Geography**

First Neighbor exhibits reasonable geographic distribution of loans in the state of Illinois. We did not identify any unexplained conspicuous lending gaps in the AA.

### ***Consumer Loans***

Refer to Table U in the state of Illinois section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

First Neighbor exhibits reasonable geographic distribution of consumer loans in the AA. Lending in the moderate-income CTs was below the demographic comparator for percentage of households. There are no low-income CTs in the AA. However, eight loans (13.3 percent of the sample) were originated in distressed middle-income CTs in the AA. First Neighbor's lending in distressed middle-income CTs supports reasonable distribution in the AA.

### ***Small Loans to Businesses***

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

First Neighbor exhibits reasonable geographic distribution of small loans to business in the AA. Lending in moderate-income CTs is below the demographic comparator for percentage of businesses but exceeds the aggregate lending comparator in the AA. There are no low-income CTs in the AA. In addition, six loans (15.0 percent of the sample) were originated in distressed middle-income CTs in the AA. First Neighbor's lending in distressed middle-income CTs further supports reasonable distribution in the AA.

### **Distribution of Loans by Income Level of the Borrower**

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

#### ***Consumer Loans***

Refer to Table V in the state of Illinois section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

First Neighbor exhibits reasonable borrower distribution of consumer loans in the AA. Lending to low-income borrowers was significantly lower than the demographic comparator for percentage of households. However, lending to moderate-income borrowers significantly exceeded the demographic comparator.

#### ***Small Loans to Businesses***

Refer to Table R in the state of Illinois section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

First Neighbor exhibits excellent distribution of loans to businesses of different sizes in the AA. Lending exceeded the demographic comparator for percentage of small businesses and significantly exceeded the aggregate comparator. Of the loans sampled, 97.5 percent were to small businesses.

### **Responses to Complaints**

First Neighbor did not receive any complaints regarding its CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

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

### **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank exhibits excellent responsiveness to community development needs in the state through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

## Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
AA	122	89.1	\$7,800	55.1
Out of AA	15	10.9	\$6,353	44.9

First Neighbor's level of CD lending provided excellent responsiveness to community credit needs in the AA. During the evaluation period, First Neighbor originated 122 CD loans totaling \$7.8 million, or 15.4 percent of tier 1 capital. CD loans consisted of the following:

- \$4.8 million in 66 business loans and \$76,107 in seven farm loans located in LMI or distressed/underserved CTs in the AA through the Small Business Administration (SBA) guaranteed Paycheck Protection Program (PPP). The PPP was established under the CARES Act in response to the COVID-19 pandemic national emergency. PPP loans support economic development through the retention of jobs that would otherwise be lost due to business closures as a result of the COVID-19 pandemic. PPP loans also help to revitalize and stabilize LMI or distressed/underserved geographies by retaining businesses; helping them stay in operation during the emergency shutdown.
- \$2.2 million in 39 loans to assist LMI families purchase affordable single-family housing in the AA through the Federal Home Loan Bank Downpayment Plus Program. This program provides grants for down payment and closing cost assistance for LMI homebuyers. Three homes were located in LMI geographies and three loans in distressed CTs.
- \$311,841 in two loans to nonprofit organizations providing community services for LMI families in the AA.
- \$255,346 in three loans to finance affordable housing in the AA for LMI families through the United States Department of Agriculture (USDA) Guaranteed Rural Development Housing Loan Program. This program requires little or no down payment and has lenient eligibility requirements for LMI homebuyers. Two homes were located in distressed CTs.
- \$242,750 in four loans to finance affordable housing for LMI families through the purchase and renovation of single-family rental homes in the AA. One home is located in a moderate-income CT, and one home is in a distressed CT. Rents at these properties were below the median monthly gross rent in the AA.
- \$10,000 loans to a fire protection district in the AA providing essential services in a distressed CT.

### Statewide/Regional

First Neighbor also originated 16 community development loans totaling \$6.4 million in adjacent counties within the state of Illinois, outside the AA. These loans supported affordable housing for LMI individuals and provides community services to LMI families.

- \$3.8 million loan to finance a daycare center that primarily serves LMI families.

- \$1.7 million loan to finance renovations to an apartment complex owned by a county housing authority providing affordable housing to LMI individuals.
- \$673,853 in nine loans to finance affordable housing for LMI families through the purchase and renovation of single-family rental homes located in LMI geographies. These loans also help to revitalize and stabilize LMI geographies.
- \$216,900 in five loans to assist LMI families purchase affordable single-family housing through the Federal Home Loan Bank Downpayment Plus Program. One property was located in a moderate-income CT.

**Number and Amount of Qualified Investments**

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
AA	3	332	320	965	323	100	1,296	100	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

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

The level of qualified investments reflects reasonable responsiveness to community needs in the AA. During the evaluation period, First Neighbor made 323 investments and grants/donations totaling \$964,724. In addition, we considered the ongoing impact of three prior period investments totaling \$331,814. Qualified investments represent 2.6 percent of tier 1 capital.

First Neighbor received partial credit of \$870,825 for five general obligation school bonds benefitting a school district in the AA where 39.4 percent of students participate in the free or reduced lunch program.

First Neighbor provided 315 grants/donations totaling \$93,899 to organizations providing community services to LMI individuals and economic development in the AA.

The bank also received credit for three investments made prior to the evaluation period that were still outstanding. These bonds benefitted community services for LMI individuals and revitalized and stabilized LMI geographies.

- \$324,130 in two municipal bonds for a park district in the AA to upgrade and maintain facilities for two parks located in LMI geographies and one park located in a distressed middle-income CT.
- \$7,684 in one general obligation school bond funding building improvements for a school district in the AA where a majority of students participate in the free or reduced lunch program.

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

First Neighbor provided an excellent level of CD services in the AA. During the evaluation period, 33 employees performed CD services supporting 36 nonprofit organizations providing community services to LMI families and three organizations assisting in economic development of small businesses in the AA. Employees served in a variety of roles providing financial/technical expertise. Ten employees

taught eight financial education programs in schools and for homebuyers. Twenty employees served in leadership roles, primarily as board members and/or officers of nonprofit organizations.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed:</b>	01/01/2018 to 12/31/2020	
<b>Bank Products Reviewed:</b>	Consumer and small business loans Community development loans, qualified investments, and community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Illinois</b>		
AA includes Clark, Coles, Cumberland, Douglas, and Edgar Counties	Full Scope	

## Appendix B: Summary of State Ratings

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RATINGS: First Neighbor Bank, National Association			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
First Neighbor Bank National Association	Satisfactory	Outstanding	Satisfactory
State:			
Illinois	Satisfactory	Outstanding	Satisfactory

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



## Appendix C: Definitions and Common Abbreviations

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

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

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

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

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

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

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

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

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

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

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

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

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

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

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

- Table Q. Assessment Area Distribution of Loans to Small 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 Loans to Small 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.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2018-2020</b>		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$ ('000)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate		
AA	40	2,605	100	1,544	0.0	0.0	0.0	20.7	15.0	14.6	69.9	75.0	75.3	8.2	10.0	9.2	1.2	0.0	1.0		
<i>Source: 2019 D&amp;B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0%</i>																					

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2018-2020</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ ('000)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
AA	40	2,605	100	1,544	77.8	97.5	52.1	5.4	2.5	16.8	0.0		
<i>Source: 2019 D&amp;B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0%</i>													

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>													<b>2018-2020</b>	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$ ('000)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
AA	60	404	100	0.0	0.0	17.3	11.7	71.5	86.7	9.4	1.6	1.8	0.0	

*Source: 2015 ACS U.S. Census; 01/01/2018 - 12/31/2020 Bank Data.  
Due to rounding, totals may not equal 100.0*

<b>Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>													<b>2018-2020</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$ ('000)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
AA	60	404	100	26.1	13.3	16.3	36.7	17.3	23.3	40.3	26.7	0.0	0.0	

*Source: 2015 ACS U.S. Census; 01/01/2018 - 12/31/2020 Bank Data.  
Due to rounding, totals may not equal 100.0*