



## **PUBLIC DISCLOSURE**

August 5, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Litchfield National Bank  
Charter Number 10079

316 North State Street  
Litchfield, IL 62056

Office of the Comptroller of the Currency  
500 N. Broadway St. Suite 1700  
St. Louis, MO 63102

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 **Outstanding**.

### The Lending Test is rated: Outstanding

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

- LNB's loan-to-deposit ratio (LTD) is more than reasonable given the bank's size, financial condition, and level of local competition.
- A majority of the bank's loans are inside its assessment area (AA).
- The bank has an excellent distribution of loans to individuals of different income levels throughout its AA.

## Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is more than reasonable.

LNB's average LTD ratio over the 15 quarters since the last CRA evaluation was 78 percent. Over this period, the bank's LTD ratio ranged from a low of 68.7 percent to a high of 85.6 percent.

We analyzed the LTD ratio of five similarly situated institutions based on a combination of their size, location, and lending opportunities. These institutions ranged in size from \$78 million to \$145.6 million, with a combined average LTD ratio of 75.9 percent over the same evaluation period. The lowest individual average was 68.8 percent, while the highest individual average was 96.2 percent. LNB ranked second out of six when comparing the average LTD ratios. The table below lists the similarly situated institutions (including LNB) with the corresponding average LTD ratios.

<b>Institution</b>	<b>Total Assets (\$000s) as of 12/31/2018</b>	<b>Average Quarterly LTD Ratio</b>
The First National Bank of Litchfield	\$104,112	96.2%
<b>The Litchfield National Bank</b>	<b>\$101,359</b>	<b>78.0%</b>
Security National Bank	\$78,003	74.6%
The First National Bank of Raymond	\$145,555	71.3%
First Community Bank of Hillsboro	\$99,463	69.0%
First National Bank of Nokomis	\$145,121	68.8%
<i>Source: Quarterly Call Reports from June 30, 2015 to December 31, 2018. Note: The LTD ratio was calculated and evaluated on a bank-wide basis.</i>		

## Lending in Assessment Area

A majority of LNB's loans are inside its AA.

Based on a sample of 20 originations (per primary product), selected at random from the evaluation period January 1, 2016 through December 31, 2018, the bank originated 72.5 percent of its loans inside the AA during the evaluation period. This ratio is a bank-wide calculation and not calculated by individual rating area or AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	5	83.3	1	16.7	6	568	91.2	55	8.8	623
2017	6	100.0	0	0.0	6	170	100.0	0	0.0	170
2018	3	37.5	5	62.5	8	184	38.9	289	61.1	473
<b>Subtotal</b>	<b>14</b>	<b>70.0</b>	<b>6</b>	<b>30.0</b>	<b>20</b>	<b>922</b>	<b>72.8</b>	<b>344</b>	<b>27.2</b>	<b>1,266</b>
Consumer										
2016	5	100.0	0	0.0	5	87	100.0	0	0.0	87
2017	2	28.6	5	71.4	7	11	15.5	60	84.5	71
2018	8	100.0	0	0.0	8	98	100.0	0	0.0	98
<b>Subtotal</b>	<b>15</b>	<b>75.0</b>	<b>5</b>	<b>25.0</b>	<b>20</b>	<b>196</b>	<b>76.6</b>	<b>60</b>	<b>23.4</b>	<b>256</b>
<b>Total</b>	<b>29</b>	<b>72.5</b>	<b>11</b>	<b>27.5</b>	<b>40</b>	<b>1,118</b>	<b>73.5</b>	<b>404</b>	<b>26.5</b>	<b>1,522</b>
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data            Due to rounding, totals may not equal 100.0</i>										

## Description of Institution

LNB is an intrastate bank headquartered in Litchfield, Illinois (Litchfield), and wholly owned by Litchfield Bancshares Company (LBC), a one-bank holding company also located in Litchfield. As of December 31, 2018, LBC had total assets of approximately \$8.9 million. There were no affiliate or subsidiary activities considered in this evaluation.

LNB competes with many national banks, state banks, and credit unions for deposit market share. The bank offers a variety of deposit products to businesses and consumers. Deposit products consist of checking, savings, and money market deposit accounts, certificates of deposit, and other time deposits. The bank offers additional retail services including debit cards, direct deposit, online bill payment and funds transfer, mobile banking, and telephone banking.

Consumer loan products include conventional mortgages, home equity loans, lines of credit, personal loans, and automobile loans. Business loan products include term loans, lines of credit, and government guaranteed loans. Additionally, LNB works with Town and Country Bank (Springfield, Illinois) to offer

Rural Development and Veterans Administration (VA) loans, and with the Federal Home Loan Bank (FHLB) of Chicago to provide down payment assistance for low- and moderate-income homebuyers.

The bank has not opened or closed any branches since the last performance evaluation. Additionally, there have been no major changes in LNB's corporate structure, including merger or acquisition activities during the evaluation period.

As of December 31, 2018, the bank had total assets of \$101.4 million, total deposits of \$92.2 million, and Tier 1 Capital of \$9 million, or 14.5 percent of total risk weighted assets. LNB's net loans and leases totaled \$63.4 million, representing 62.5 percent of total assets. Loan portfolio composition as of December 31, 2018, includes the following:

<b>Loan Type</b>	<b>Dollars (000)</b>	<b>Percentage of Loan Portfolio</b>
Agricultural Loans	\$24,824	38.8%
Residential Loans	\$19,437	30.4%
Commercial Loans	\$11,518	18.0%
Consumer Loans	\$6,363	10.0%
Other Loans	\$1,813	2.8%
<b>Total Loans</b>	<b>\$63,955</b>	<b>100%</b>

*Source: 12/31/2018 FFIEC Call Report*

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. LNB's last CRA performance evaluation was on July 8, 2015. Utilizing Small Bank CRA examination procedures, the OCC concluded that LNB's performance was "Satisfactory."

For CRA purposes, LNB has identified a single AA that includes a southwest portion of Montgomery County, Illinois. The AA conforms to regulatory requirements and does not arbitrarily exclude any low- and moderate-income geographies.

## **Scope of the Evaluation**

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

The scope of this evaluation includes an assessment of LNB under the Small Bank performance criteria, which consists only of a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities.

The evaluation period for this examination is from July 9, 2015 through December 31, 2018. For the Lending Test, we determined that loan data from January 1, 2016 to December 31, 2018 was representative of the evaluation period.

Based on discussions with bank management and our review of all loan originations and purchases from January 1, 2016 to December 31, 2018, we determined the bank's primary lending products are home mortgage loans and consumer loans. Please refer to the following table for a summary of loan originations by loan type during the evaluation period:

<b>Loan Originations by Loan Type from January 1, 2016 through December 31, 2018</b>				
<b>Loan Category</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>
Consumer Loans	420	58.7%	\$6,454	13.9%
Home Mortgage Loans	146	20.4%	\$10,079	21.7%
Farm Loans	78	10.9%	\$21,489	46.3%
Business Loans	72	10.0%	\$8,371	18.1%
<b>Total Originations</b>	<b>716</b>	<b>100%</b>	<b>\$46,393</b>	<b>100%</b>

*Source: Bank Records January 1, 2016 – December 31, 2018*

To evaluate lending performance, we selected random samples of both home mortgage loans and consumer loans originated in the bank's AA, specifically:

- 20 home mortgage loans and 20 consumer loans originated between January 1, 2016 and December 31, 2016; and,
- 20 home mortgage loans and 20 consumer loans originated between January 1, 2017 and December 31, 2018.

We completed two separate analyses of the bank's lending performance. For LNB's performance in 2016, we used the comparators of demographic data from the 2010 United States (U.S.) Census and 2016 HMDA peer aggregate data. For the lending performance in 2017-2018, we used the comparators of demographic data from the 2015 American Community Survey (ACS) U.S. Census and 2017 HMDA peer aggregate data. The 2015 ACS provided an update to median family income, changing the income designation of some census tracts (CTs) in the AAs in 2017.

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

In each state where the bank has an office, one or more AAs within that state were selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Full-scope reviews consider quantitative and qualitative factors, as well as performance context factors. Limited-scope reviews consider quantitative factors only. Refer to the "Scope" section under State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is based solely on its performance in the state of Illinois. The state of Illinois rating is derived from the bank's performance under the CRA Small Bank Lending Test as well as related performance context information from the bank's Non-MSA. With the exception of the bank's LTD ratio (based on the bank's entire lending portfolio), all weight for performance under the CRA Small Bank Lending Test was based on the bank's lending performance in relation to its primary products of home mortgage loans and consumer loans in its AA.

## **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:** Outstanding

**The Lending Test is rated:** Outstanding

The major factors that support this rating include:

- LNB's LTD ratio is more than reasonable given the bank's size, financial condition, and level of local competition.
- A majority of the bank's loans are inside its AA.
- The bank has an excellent distribution of loans to individuals of different income levels throughout its AA.

## **Description of Institution's Operations in Illinois**

LNB's operations in the state of Illinois are located within its Non-MSA AA. The AA includes a southwest portion of Montgomery County (CTs 9576, 9577, and 9578). The bank operates three offices in Litchfield, all of which are located within the AA. There is one deposit-taking ATM at the drive-in facility and one cash-dispensing ATM located at the Route 66 branch office

As of June 30, 2018, LNB reported \$94.5 million in deposits in the Non-MSA, representing 100 percent of the bank's total deposits. According to FDIC market share information as of June 30, 2018, LNB ranked third in deposit market share in the AA with a market share of 11.9 percent. The AA is competitive with 11 other deposit-taking institutions operating 20 branches. Rounding out the top five in deposit market share are Bank & Trust Company (19.9 percent), Bank of Hillsboro, N.A. (12 percent), First Community Bank of Hillsboro (10.8 percent), and the First National Bank of Litchfield (10.2 percent).

## **Community Contacts**

We contacted a non-profit, community-based development organization that serves Montgomery County, Illinois. The contact identified affordable housing and financial education as the primary needs in the local communities across the county. Opportunities exist for local institutions, through collaboration, to provide financial expertise and financial support toward the development of affordable housing. Institutions can support non-profit based financial education programs either through donations for materials and/or instructor fees.

**Illinois Non-MSA**

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	3	0.0	0.0	66.7	33.3	0.0
Population by Geography	10,008	0.0	0.0	65.2	34.8	0.0
Housing Units by Geography	4,464	0.0	0.0	67.2	32.8	0.0
Owner-Occupied Units by Geography	2,985	0.0	0.0	58.2	41.8	0.0
Occupied Rental Units by Geography	1,003	0.0	0.0	88.3	11.7	0.0
Vacant Units by Geography	476	0.0	0.0	79.6	20.4	0.0
Businesses by Geography	639	0.0	0.0	59.6	40.4	0.0
Farms by Geography	69	0.0	0.0	14.5	85.5	0.0
Family Distribution by Income Level	2,710	20.8	14.0	23.0	42.2	0.0
Household Distribution by Income Level	3,988	24.6	17.8	17.7	39.9	0.0
Median Family Income Non-MSAs - IL	\$54,499		Median Housing Value			\$91,721
Families Below the Poverty Level	12.6%		Median Age of Housing Stock			56 years
Households Below the Poverty Level	13.9%		Median Gross Rent			\$603
<i>Source: 2010 U.S. Census and 2016 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>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>2017-2018</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	9,605	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,185	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,470	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,211	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	504	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	624	0.0	0.0	100.0	0.0	0.0
Farms by Geography	61	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,284	21.7	14.2	21.0	43.1	0.0
Household Distribution by Income Level	4,681	22.4	17.5	15.5	44.6	0.0
Median Family Income Non-MSAs - IL	\$59,121		Median Housing Value			\$97,752
Families Below the Poverty Level	12.2%		Median Age of Housing Stock			47 years
Households Below the Poverty Level	15.7%		Median Gross Rent			\$607
<i>Source: 2015 ACS Census and 2018 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>						

The 2010 U.S. Census recorded three CTs in the AA, consisting of two (66.7 percent) middle-income tracts and one (33.3 percent) upper-income tract. According to the 2010 census data, the area population was 10,008, with 6,527 (65.2 percent) residing in the middle-income CTs and the other 3,481 (34.8 percent) in the upper-income CT of the AA.

The 2015 ACS Census recorded three CTs in the AA, all middle-income CTs. The population was slightly down from the 2010 census at 9,605 with 100 percent residing in middle-income census tracts. There were 3,284 families in the AA. The distribution of families by income level was 712 (21.7 percent) low-income, 467 (14.2 percent) moderate-income, 691 (21 percent) middle-income, and 1,414 (43.1 percent) upper-income. The percentage of families and percentage of households in the AA living below the poverty level were 12.2 percent and 15.7 percent, respectively.

The 2018 FFIEC adjusted median family income for the AA was \$63,900 up from \$58,000 in 2016. Low-income families earned annual income of \$31,950 or less, and moderate-income families earned annual income of \$31,950 to \$51,120.

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>IL NA Median Family Income (99999)</b>				
2016 (\$58,000)	<\$29,000	\$29,000 to <\$46,400	\$46,400 to <\$69,600	≥\$69,600
2017 (\$60,400)	<\$30,200	\$30,200 to <\$48,320	\$48,320 to <\$72,480	≥\$72,480
2018 (\$63,900)	<\$31,950	\$31,950 to <\$51,120	\$51,120 to <\$76,680	≥\$76,680

*Source FFIEC*

## Employment Factors

According to the U.S. Department of Labor, Bureau of Labor Statistics (BLS) report, the annual unemployment rate across the AA ranged from a high of 7.1 percent in 2016 to a low of 5.8 percent in 2017. The annual unemployment rate for the state of Illinois ranged from a high of 5.8 percent in 2016 to a low of 4.3 percent in 2018, higher than the national unemployment rate over the same period.

<b>Annual Unemployment Rates 2016-2018</b>			
<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Montgomery County	7.1%	5.8%	5.9%
State of Illinois	5.8%	4.9%	4.3%
National	4.9%	4.4%	3.9%

*Source: U.S. Department of Labor; Bureau of Labor Statistics. Rates not seasonally adjusted.*

## Housing Characteristics

The 2010 U.S. Census reported total housing units of 4,464 in the AA. Of the total number of housing units, 2,985 or 66.9 percent were owner-occupied, 1,003 or 22.5 percent were renter-occupied, and 476 or 10.7 percent were vacant. There were no housing units located in low- or moderate-income CTs; while 58.2 percent (1,737) of owner-occupied units, 88.3 percent (886) of occupied rental units, and 79.6 percent (379) of vacant units, were located in middle-income CTs, respectively. Additionally, 2,574

or 66.3 percent of all single family (1-4 units) homes and 170 or 98.8 percent of all multifamily housing units were located in middle-income CTs. The 2010 U.S. Census indicates the weighted average median housing value was \$91,721 and the weighted average monthly gross rent was \$603. The median age of the housing inventory in the AA was 56 years. Older homes often cost more to maintain, frequently require significant repairs to meet building code requirements, and are typically less energy efficient. All of these factors add to the overall cost of homeownership, which can adversely affect the ability of LMI borrowers to qualify for home mortgage loans.

The 2015 ACS Census reported total housing units of 5,185 in the AA. Of the total number of housing units, 3,470 or 66.9 percent were owner-occupied, 1,211 or 23.4 percent were renter-occupied, and 504 or 9.7 percent were vacant. There were no housing units located in low- or middle-income CTs. The 2015 U.S. Census indicates the weighted average median housing value was \$97,752 and the weighted average monthly gross rent was \$607. An increase in the level of new home construction has improved the median age of the housing inventory to 47 years.

### **Economic Conditions**

According to Moody's Analytics, *Powered by private services, Illinois' economy will add more jobs in 2019 than in each of the past three years. The expansion will lose steam in 2020 and the state's run as a regional standout will be short-lived. Fiscal pressures present serious challenges and demographic headwinds will limit IL's long-term potential.* The top five employment sectors in the AA are Services, Retail Trade, Agriculture, Finance, Insurance and Real Estate, and Construction. The top employers in the AA include Wal-Mart Stores, Inc., St. Francis Hospital, Litchfield Community School District #12, Schutt Sports Group, and Dometic.

## **Scope of Evaluation in Illinois**

We performed a full-scope of the bank's only AA. Refer to Appendix A for more information.

## **LENDING TEST**

The bank's performance under the Lending Test in Illinois is rated Outstanding.

Based on a full-scope review, the bank's lending performance in the state of Illinois is excellent.

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

During the 2016 evaluation period, LNB's AA consisted of two middle-income CTs and one upper-income CT. After the 2015 ACS update, the upper-income CT shifted to a middle-income CT, while the other two CTs remained as middle-income CTs. Since the bank's AA did not include any low- or moderate-income CTs during the full evaluation period, a geographic distribution or lending gap analysis would not yield meaningful results for consideration in the bank's Lending Test rating.

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

The bank exhibits an excellent distribution of loans to individuals of different income levels, given the product lines offered by the bank. In evaluating the borrower distribution of home mortgage loans in the Illinois Non-MSA, we considered the number of families with income below the poverty level. In 2016, the percentage of families with incomes below the poverty level was 12.6 percent. For 2017-2018, the percentage of families with income below the poverty level remained relatively unchanged at 12.2 percent. People living in poverty, including LMI families, often have difficulty qualifying for conventional home mortgage products without flexible terms or reduced closing costs.

### ***Home Mortgage Loans***

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

#### **2016**

The borrower distribution of LNB's home mortgage loans for the 2016 evaluation period is excellent. The bank originated 15 percent of its home mortgage loans to low-income borrowers. While the bank's percentage is below the percentage of low-income families (20.8 percent) in the AA, the bank's percentage significantly exceeds the 2016 HMDA aggregate data for home mortgage lending to low-income families in the same AA (9.5 percent).

The bank originated 40 percent of its home mortgage loans to moderate-income borrowers. This significantly exceeds both the percentage of moderate-income families (14 percent) in the AA and the 2016 HMDA aggregate data for home mortgage lending to moderate-income families in the same AA (12.8 percent).

2017-2018

The borrower distribution of LNB's home mortgage loans for the 2017-2018 evaluation period is excellent. The bank originated 10 percent of its home mortgage loans to low-income borrowers. While the bank's percentage is below the percentage of low-income families (21.7 percent) in the AA, the bank's percentage exceeds the 2017 HMDA aggregate data for home mortgage lending to low-income families (9.1 percent).

The bank originated 30 percent of its home mortgage loans to moderate-income borrowers. This significantly exceeds both the percentage of moderate-income families (14.2 percent) in the AA and the 2017 HMDA aggregate data for home mortgage lending to moderate-income families in the same AA (11.6 percent).

***Consumer Loans***

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

2016

The borrower distribution of LNB's consumer loans for the 2016 evaluation period is excellent. The bank originated 30 percent of its consumer loans to low-income borrowers. This significantly exceeds the percentage of low-income households (24.6 percent) in the AA.

The bank originated 25 percent of its consumer loans to moderate-income borrowers. This significantly exceeds the percentage of moderate-income households (17.8 percent) in the AA.

2017-2018

The borrower distribution of LNB's consumer loans for the 2017-2018 evaluation period is excellent. The bank originated 30 percent of its consumer loans to low-income borrowers. This significantly exceeds the percentage of low-income households (22.4 percent) in the AA.

The bank originated 45 percent of its consumer loans to moderate-income borrowers. This significantly exceeds the percentage of moderate-income households (17.5 percent) in the AA.

**Responses to Complaints**

During the evaluation period, LNB did not receive any complaints regarding its CRA performance.

## 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 MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/16 to 12/31/18	
<b>Bank Products Reviewed:</b>	Consumer Loans, Home Mortgage Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable	Not Applicable	Not Applicable
<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>Illinois</b>		
Illinois Non-MSA	Full-scope	Montgomery County: CTs 9576, 9577, 9578

## Appendix B: Summary of MMSA and State Ratings

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<b>RATINGS: The Litchfield National Bank (LNB)</b>	
<b>Overall Bank:</b>	<b>Lending Test Rating</b>
The Litchfield National Bank	Outstanding
<b>State:</b>	
Illinois	Outstanding

## 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 O. Assessment Area Distribution of Home Mortgage 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 owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage 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 families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- 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 S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm 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.

**Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** **2016**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Illinois Non-MSA	20	1,472	100.0	179	0.0	0.0	0.0	0.0	0.0	0.0	58.2	80.0	54.2	41.8	20.0	45.8	0.0	0.0	0.0
<b>Total</b>	<b>20</b>	<b>1,472</b>	<b>100.0</b>	<b>179</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>58.2</b>	<b>80.0</b>	<b>54.2</b>	<b>41.8</b>	<b>20.0</b>	<b>45.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
 Due to rounding, totals may not equal 100.0

**Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** **2017-18**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Illinois Non-MSA	20	1,172	100.0	164	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>20</b>	<b>1,172</b>	<b>100.0</b>	<b>164</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.  
 Due to rounding, totals may not equal 100.0

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2016</b>
		<b>Total Home Mortgage Loans</b>				<b>Low-Income Borrowers</b>			<b>Moderate-Income Borrowers</b>			<b>Middle-Income Borrowers</b>			<b>Upper-Income Borrowers</b>			<b>Not Available-Income Borrowers</b>		
<b>Assessment Area:</b>	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>Overall Market</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	
Illinois Non-MSA	20	1,472	100.0	179	20.8	15.0	9.5	14.0	40.0	12.8	23.0	20.0	23.5	42.2	25.0	38.5	0.0	0.0	15.6	
<b>Total</b>	<b>20</b>	<b>1,472</b>	<b>100.0</b>	<b>179</b>	<b>20.8</b>	<b>15.0</b>	<b>9.5</b>	<b>14.0</b>	<b>40.0</b>	<b>12.8</b>	<b>23.0</b>	<b>20.0</b>	<b>23.5</b>	<b>42.2</b>	<b>25.0</b>	<b>38.5</b>	<b>0.0</b>	<b>0.0</b>	<b>15.6</b>	

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2017-18</b>
		<b>Total Home Mortgage Loans</b>				<b>Low-Income Borrowers</b>			<b>Moderate-Income Borrowers</b>			<b>Middle-Income Borrowers</b>			<b>Upper-Income Borrowers</b>			<b>Not Available-Income Borrowers</b>		
<b>Assessment Area:</b>	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>Overall Market</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	
Illinois Non-MSA	20	1,172	100.0	164	21.7	10.0	9.1	14.2	30.0	11.6	21.0	35.0	18.9	43.1	25.0	41.5	0.0	0.0	18.9	
<b>Total</b>	<b>20</b>	<b>1,172</b>	<b>100.0</b>	<b>164</b>	<b>21.7</b>	<b>10.0</b>	<b>9.1</b>	<b>14.2</b>	<b>30.0</b>	<b>11.6</b>	<b>21.0</b>	<b>35.0</b>	<b>18.9</b>	<b>43.1</b>	<b>25.0</b>	<b>41.5</b>	<b>0.0</b>	<b>0.0</b>	<b>18.9</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>													<b>2016</b>	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Illinois Non-MSA	20	329	100.0	0.0	0.0	0.0	0.0	65.8	40.0	34.2	60.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>329</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>65.8</b>	<b>40.0</b>	<b>34.2</b>	<b>60.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data.  
Due to rounding, totals may not equal 100.0*

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>													<b>2017-18</b>	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Illinois Non-MSA	20	206	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>206</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 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>2016</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Illinois Non-MSA	20	329	100.0	24.6	30.0	17.8	25.0	17.7	10.0	39.9	35.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>329</b>	<b>100.0</b>	<b>24.6</b>	<b>30.0</b>	<b>17.8</b>	<b>25.0</b>	<b>17.7</b>	<b>10.0</b>	<b>39.9</b>	<b>35.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 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>2017-18</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Illinois Non-MSA	20	206	100.0	22.4	30.0	17.5	45.0	15.5	20.0	44.6	5.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>206</b>	<b>100.0</b>	<b>22.4</b>	<b>30.0</b>	<b>17.5</b>	<b>45.0</b>	<b>15.5</b>	<b>20.0</b>	<b>44.6</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data.  
Due to rounding, totals may not equal 100.0*