



PUBLIC DISCLOSURE

May 14, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lemont National Bank
Charter Number 11715

1201 State Street
Lemont, IL 60439

ADC-CHICAGO (8308) Field Office
Office of the Comptroller of the Currency
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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

The Lending Test is rated: Substantial Noncompliance

The bank's level of lending reflects very poor responsiveness to meeting the credit needs of its assessment area (AA). The major factors that support the Lemont National Bank's (LNB or bank) overall CRA rating include:

- The bank's loan-to-deposit (LTD) ratio is unreasonable and reflects a very poor level of lending. The LTD ratio is substantially lower than all similarly situated lenders in the area and indicates that the bank is not lending at a reasonable level given the opportunities in the AA;
- The bank's lending activity in its AA needs improvement. The majority of loans originated during the evaluation period were made within the bank's AA, but the low level of lending activity indicates a lack of commitment to address the credit needs of the community;
- The bank's level of home mortgage and small business lending shows very poor penetration within the AA, based on available opportunities; and
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Definitions and Common Abbreviations

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

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

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

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

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

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

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

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

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

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

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

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. 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 it and half below it.

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

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a 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.

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

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

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

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

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

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

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

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

Description of Institution

Lemont National Bank (LNB or bank) is a nationally chartered bank located in the village of Lemont, IL, approximately 20 miles southwest of the City of Chicago. LNB is a single state bank with six locations in Cook, DuPage, and Will Counties. LNB is a wholly owned subsidiary of Lemont Bancorp Inc., a \$56.7 million one-bank holding company also located in Lemont, Illinois. LNB's primary business is to provide household banking services, including residential real estate lending and deposit related banking services to its customers. The bank's primary product offering is loans secured by one-to four-family dwellings, and to a much lesser extent consumer loans and loans secured by commercial real estate. There have been no significant changes, such as merger and acquisition activity since the previous CRA evaluation period.

The bank has one AA that has not changed since the previous evaluation period and consists of fourteen census tracts located in Cook, DuPage, and Will Counties. During the evaluation period, the bank operated six locations consisting of the main office and five branches. Three of these branches offer deposit services only and are located at retirement facilities in Lemont and Homer Glen, which are both in Will County, Illinois. All of the other branches are full service, with two located in Cook County and one located in DuPage County, Illinois. LNB also owns and operates three non-deposit taking automated teller machines in Lemont.

As of December 31, 2017, LNB reported total assets of \$56.7 million, total deposits of \$52.9 million, and total loans of \$7.8 million. Total loans represented 13.8 percent of total assets. The bank's loan portfolio mix was comprised of 14.1 percent commercial loans and 85.9 percent residential loans. Residential loans equaled 223 percent of tier one capital of \$3 million. Management's business strategy is focused on investing in U.S. agency mortgage backed securities (MBS) for income purposes instead of originating loans. Management stated their strategy resulted from the high level of competition in the local market.

The bank faces competition from many larger institutions that have a presence within the bank's AA, including PNC Bank, N.A., JPMorgan-Chase Bank, N.A., BMO Harris Bank N.A., Citibank, N.A. and MB Financial Bank, N.A. Per a 2017 Deposit Market Share report, there are 19 financial institutions that hold deposits in Lemont and the LNB's market share was 2.4 percent. Per 2016 mortgage data, there were 244 financial institutions that originated or purchased mortgage loans in the AA.

In the CRA Performance Evaluation dated February 10, 2015, the bank received a "Substantial Noncompliance" rating. There are no financial constraints, legal impediments, or any other factors that would hinder the bank's ability to provide credit within the AA.

Scope of the Evaluation

The Office of the Comptroller of the Currency (OCC) evaluated The Lemont National Bank's (LNB) CRA performance under the Small Bank Community Reinvestment Act (CRA) examination procedures. This includes evaluation of the bank's record of meeting the credit needs of its AA based on the following five criteria:

- LTD Ratio;
- Lending inside the AA;
- Lending to borrowers of different incomes;
- Geographic distribution of lending; and
- Responsiveness to complaints

Evaluation Period/Products Evaluated

For this performance evaluation, we used loan data from January 1, 2015 through December 31, 2017. We determined through review of new loan origination reports that home mortgages were the primary loan type during the review period by number of loans; however, small business loans were the primary loan type by dollar amount. We included the lending activity for both loan types in our analysis. The bank originated 12 HMDA-reportable residential real estate loans totaling \$1.7 million during this period and seven small business loans totaling \$1.9 million.

Data Integrity

During this performance evaluation, we reviewed 100 percent of the HMDA-reportable and small business loan files and verified that all data was accurate.

Selection of Areas for Full-Scope Review

The bank has only one AA, which was used for a full-scope review.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 Consumer Financial Protection Bureau, 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.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is rated Substantial Noncompliance. LNB's LTD ratio is unreasonable and continues to be significantly lower than that of local competing and similarly situated financial institutions. The bank originated a small number of loans (19 total loans) during the evaluation period and only 12 loans (10 mortgage loans and 2 small business loans) were originated by the bank in their AA. This small number of loans within the AA demonstrated a lack of responsiveness to the AA credit needs.

Loan-to-Deposit Ratio

LNB's LTD ratio is unreasonable. The volume of loan originations is very low considering the financial and personnel resources of LNB, coupled with the lending opportunities available in the AA. The bank's quarterly average LTD ratio was 14.86 percent for the quarters starting March 31, 2015, through December 31, 2017 and ranged from 13.33 percent to 15.72 percent. The quarterly average LTD ratio of similarly situated banks within the AA for the same period was 76.42 percent. These similarly situated banks are small community banks located in the bank's AA have total asset sizes ranging from \$29.6 million to \$146.3 million.

Lending in Assessment Area

The bank's record for lending within its AA is satisfactory. LNB originated a majority of the loans inside its AA during the evaluation period. The bank originated 19 loans during the evaluation period (12 mortgage loans and 7 small business loans). Of the 19 loans originated during the evaluation period, 12 loans (10 mortgage loans and 2 small business loans), or 63 percent of its total loans were within the AA. To determine the bank's in/out ratio we typically select a minimum sample of loans from the bank's primary loan products; however, due to the bank's low level of lending during the evaluation period, we reviewed 100 percent of the bank's HMDA reportable and small business loan originations to determine the level of bank lending inside the AA.

Loans Originated January 1, 2015 through December 31, 2017										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$0	%	\$0	%	
Residential Real Estate Purchase	2	67%	1	33%	3	\$ 396	65%	\$ 210	35%	\$ 606
Residential Real Estate Refinance	4	80%	1	20%	5	\$ 497	55%	\$ 415	45%	\$ 912
Home Improvement	4	100%	0	0%	4	\$ 199	100%	\$ 0	0%	\$ 199
Small Business	2	29%	5	71%	7	\$ 653	35%	\$ 1,232	65%	\$ 1,885
Totals	12	63%	7	37%	19	\$ 1,745	48%	\$ 1,857	52%	\$ 3,602

Source: Bank submitted HMDA LAR January 1, 2015, through December 31, 2016.

Sampling of 2016 HMDA data

Sampling of 2015-2017 Small Business data

Lending to Borrowers of Different Incomes

The bank's borrower income distribution demonstrated very poor penetration among low- and moderate-income borrowers and among small businesses in the AA. Out of the 10 home mortgage loans originated or purchased in the AA during the evaluation period, only one was to a moderate-income borrower. No loans were made to low-income borrowers. While LNB made nine loans to small businesses, only two small loans were originated or purchased to small businesses in the AA during the evaluation period.

Although opportunities for lending in the AA were available, as evidenced by market share reports showing loans originated by other lenders, the very small volume of loans originated by LNB in the AA during the evaluation period precluded meaningful analysis, including comparison of the bank's performance to that of other financial institutions.

Geographic Distribution of Loans

An analysis of the geographic distribution of home mortgage loans would not be meaningful, as the bank does not have any low- or moderate-income census tracts within its AA.

Responses to Complaints

The bank did not receive any consumer complaints related to its CRA performance during this evaluation period.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: 01/01/2015 to 12/31/2017	
Financial Institution		Products Reviewed
The Lemont National Bank (LNB) Lemont, Illinois		Residential mortgage loans, small business loans
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Chicago-Naperville-Elgin IL-IN- WI MSA - LNB AA	Full-scope	

Appendix B: Community Profiles for Full-Scope Areas

LNB AA

Demographic Information for Full-Scope Area: LNB AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	0.00	0.00	21.43	78.57	0.00
Population by Geography	60,422	0.00	0.00	19.34	80.66	0.00
Owner-Occupied Housing by Geography	17,899	0.00	0.00	16.92	83.08	0.00
Businesses by Geography	4,912	0.00	0.00	15.94	84.06	0.00
Farms by Geography	104	0.00	0.00	6.73	93.27	0.00
Family Distribution by Income Level	15,975	11.00	12.49	19.88	56.63	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,753	0.00	0.00	25.77	74.23	0.00
Median Family Income	\$ 105,642	Median Housing Value Unemployment Rate				= \$333,215 = 4.42%
HUD Adjusted Median Family Income for 2017	\$ 77,500					
Households Below the Poverty Level	5.62%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 American Community Survey and FFIEC updated MFI.

LNB is headquartered in Lemont, Illinois, which is within the Chicago/Naperville/Elgin IL-WI-IN MSA. The bank has one AA consisting of 14 geographies in Cook, DuPage, and Will Counties in Illinois. There are no low-income geographies in the AA, no moderate-income geographies, three middle-income geographies, and eleven upper-income geographies. The AA meets the requirements of the CRA, and does not arbitrarily exclude low- or moderate-income areas.

Per a 2017 Deposit Market Share report, there are 19 financial institutions that hold deposits in Lemont and the LNB's market share was 2.4 percent.

The bank's business strategy has not changed since the prior CRA PE, focusing on investing in U.S. agency MBS for income purposes instead of originating loans, given the high level of competition in the local market.

The updated Federal Financial Institutions Examination Council (FFIEC) 2017 median family income for the LNB AA was \$77,500. A breakdown of family income levels within the AA showed that 11.00 percent were low-income, 12.49 percent were moderate-income, 19.88 percent were middle-income, and 56.63 percent were upper-income. Six percent of the households within the MSA AA have incomes below the poverty level.

Of the 22,205 housing units within the LNB AA, 19,441 (87.55 percent) are one- to four-family housing units. Eighty-one percent of the housing units are owner occupied and 12 percent are multifamily units. The median housing value within the AA based on 2015 American Community Survey census data is \$333,215.

According to the US Bureau of Labor Statistics, the unemployment rate in December 2017 for the Chicago/Naperville/Elgin MSA was 4.7 percent, slightly higher than the national unemployment rate of 4.1 percent, and equal to the Illinois unemployment rate of 4.7 percent.

According to DataUSA, the most common employment sectors for those who live in Chicago-Naperville-Elgin, IL-IN-WI Metro Area, are Healthcare & Social Assistance, Manufacturing, and Retail trade.

A community contact made during this examination indicated that the local economy is in an upswing, with several new businesses planning to open in the near future, particularly in the downtown Lemont area. The interviewee indicated that small business financing was needed.