



PUBLIC DISCLOSURE

October 20, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Brookfield
Charter Number 14993

9136 Washington Avenue
Brookfield, IL 60513

Office of the Comptroller of the Currency

2001 Butterfield Road
Suite 400
Downers Grove, IL 60515

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:

This institution is rated Satisfactory

- The bank's average loan-to-deposit (LTD) ratio for the period since the previous CRA examination is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs;
- The bank originates a majority of its primary loan products inside the AA;
- The bank's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes; and
- The geographic distribution of home mortgage loans is reasonable. The geographic distribution of small loans to businesses reflects excellent dispersion in the moderate-income geographies in the AA.

SCOPE OF EVALUATION

This CRA evaluation is an assessment of First National Bank of Brookfield's (FNBB) ability to meet the credit needs of its community. Using the small banks' criteria to evaluate FNBB's CRA performance, we assessed the following performance standards during this examination:

- LTD ratio;
- Percentage of lending activity in the AA;
- Lending to borrowers of different income levels and businesses of different sizes;
- Geographic distribution of loans; and
- The bank's record of taking action in response to written complaints about its CRA performance.

The evaluation period is May 10, 2014 through September 10, 2016. The review period for the lending review is January 1, 2014, through December 31, 2015. We identified FNBB's primary loan products as residential real estate loans [including Home Mortgage Disclosure Act (HMDA) reported multi-family loans] and commercial loans. As part of this CRA evaluation, we tested all of FNBB's publicly filed HMDA lending data for the years 2014 and 2015. We reviewed these HMDA-reportable transactions to ensure that key fields were accurately completed on the bank's Loan Application Registers for the years 2014 and 2015. The HMDA data was found to be reliable for assessment of the bank's CRA performance. Our review of small business lending data consisted of a sample of

60 small business loans originated in 2014 and 2015. We used demographic information taken from 2010 United States (U.S.) Census data.

DESCRIPTION OF INSTITUTION

FNBB is a nationally chartered bank located in the Village of Brookfield, Illinois, approximately 13 miles southwest of the City of Chicago. As of June 30, 2016, FNBB's Tier 1 Capital level was \$14.5 million, representing 8.55 percent of average assets. The bank operates out of its main office in Brookfield (middle-income geography). The bank also operates four deposit taking automated teller machines (ATMs), two at its main office, one in Brookfield, and one in nearby McCook, Illinois (middle-income geography). There have been no office openings or closings since the prior evaluation. As of December 31, 2015, FNBB had total assets of \$159 million, total loans of \$109 million, and total deposits of \$138 million. For the lending test total assets amounted to \$154 million and total loans of \$106 million.

The bank's business strategy is to utilize local deposits to make residential real estate (including multi-family), commercial, and consumer loans. The bank is under a Consent Order (Order) with its primary regulator. The Order and the bank's financial condition during this time have contributed to lower lending levels to help meet the credit needs of its AA.

FNBB's two primary lending products are residential real estate and commercial loans. These two lending categories account for 95 percent of all loan originations during the evaluation period. Consumer lending is not a primary loan product, accounting for only 5 percent of the originations during the evaluation period. The table below illustrates the composition of loan originations made from January 1, 2014 through December 31, 2015.

Loan Originations by Loan Type from January 1, 2014 through December 31, 2015		
Loan Category	\$ (000)	%
Commercial Loans	\$17,140	28%
Residential Loans/Home Equity	\$41,350	67%
Consumer Loans	\$2,798	5%
Total Originations	\$61,288	100%

Source: Bank Records from January 1, 2014 through December 31, 2015

As of December 31, 2015, total outstanding loans represents 69 percent of total assets.

The bank's prior CRA rating was "Satisfactory" as detailed in the performance evaluation dated May 9, 2011.

DESCRIPTION OF ASSESSMENT AREA

FNBB expanded its one AA in December 2015. The expansion added five census tracts (CTs) or geographies in the southern and southeastern part of the AA (four upper-income and one middle-income). The addition was made due to increased demand for the bank's loan products in these geographies. The AA now consists of 47 CTs surrounding its lone office located in Brookfield, IL (45 of the CTs are in Cook County and two are in DuPage County). The AA includes nine moderate income census tracts, 20 middle-income CTs, and 18 upper-income CTs. The AA does not include any low-income geographies. The AA is the home to 13,847 businesses (191 farm and 13,656 non-farm). Fifty percent of these businesses are in the service sector, and 12.9 percent are in the retail trade sector.

The local economy has kept up with state and national economic labor statistics. According to the U.S. Department of Labor's Bureau of Labor Statistics, 2015 unemployment rates for Cook and DuPage counties are 6.09 percent and 4.66 percent, respectively. The state of Illinois' unemployment rate is 5.93 percent, and the national unemployment rate is 5.5 percent. According to our community contact, who is a local government official, community development projects in the AA are primarily in the commercial area, and there is minimal residential construction projects in the AA. The value of residential properties continue to rise. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas. The table below provides basic demographic information based on the income level of geographies and families within the AA.

First National Bank of Brookfield Combined AA 2016 Evaluation

Demographic Information for Full Scope Area: Brookfield AA 2016 Evaluation						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	47	0.00	19.15	42.55	38.30	0.00
Population by Geography	221,637	0.00	22.69	43.12	34.19	0.00
Owner-Occupied Housing by Geography	59,814	0.00	16.26	42.30	41.44	0.00
Business by Geography	13,656	0.00	12.65	44.80	42.55	0.00
Farms by Geography	191	0.00	12.57	44.50	42.93	0.00
Family Distribution by Income Level	54,607	17.20	18.05	20.13	44.62	0.00
Family Distribution by Tract Income Level	54,607	0.00	20.44	43.10	36.46	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	19,251	0.00	33.23	47.99	18.78	0.00
Median Family Income (MFI)		\$86,383	Median Housing Value		\$317,073	
FFIEC Adjusted MFI for 20114		\$76,300				
FFIEC Adjusted MFI for 2015		\$77,700				
Households Below Poverty Level		7.45%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census

The bank operates in a very competitive lending environment. According to 2014 and 2015 HMDA lending market share reports, FNBB ranked 41st (of 326 lenders) with a 0.48 percent market share in 2014, and ranked 47th (of 367 lenders) with a lending market share of 0.46 percent in 2015.

According to information provided by bank management, the bank's primary market area is the Village of Brookfield, while the adjacent municipalities of Riverside, La Grange Park, La Grange, and Lyons are secondary markets. The bank has been operating in Brookfield since 1962 and currently has approximately 70 percent of the deposit market share. The bank's history and deposit market share benefit it in terms of market awareness, image, and barrier to entry, while the disadvantage is the lower growth potential due to the existing strong market share. The bank's only competition in Brookfield is Citibank; however, PNC Bank and Fifth Third Bank operate nearby in La Grange Park, while Byline Bank and Standard Bank are nearby in Lyons. Central Federal Savings & Loan became the closest competitor in terms of location since its opening during the last six months of 2010.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBB's average LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs.

FNBB's quarterly average LTD ratio for the period of April 1, 2011 to June 30, 2016, was 69.96 percent. During this period, the ratio had a quarterly high of 77.82 percent (June 30, 2016) and a quarterly low of 65.00 percent (March 30, 2012). The average quarterly LTD ratio during the review period of 15 similarly situated banks within the bank's footprint was 67.55 percent. These financial institutions are community banks with total assets ranging from \$100 million to \$241 million located in the same vicinity as FNBB. Based on this analysis, FNBB's LTD ratio compares well to other similarly situated banks in the bank's AA.

Lending in Assessment Area

FNBB's lending in its AA is reasonable and meets the standard for satisfactory performance. A majority of the number and dollar amount of small business loans and home purchase loans were originated within the bank's AA.

Lending in FNBB's AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	47	78%	13	22%	60	\$9,641	68%	\$4,566	32%	\$14,207
Home Mortgage	64	62%	40	38%	104	\$16,806	52%	\$15,361	48%	\$32,167
Totals	111	68%	53	32%	164	\$26,447	57%	\$19,927	43%	\$46,374

Source: Reported HMDA data from 2014 and 2015. Bank records for sample of 60 small business loans originated during the evaluation period.

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

FNBB's borrower distribution of home mortgage loans to low- and moderate-income borrowers and loans to businesses with revenues less than \$1 million is reasonable and meets the standard for satisfactory performance.

Borrower Distribution of Home Mortgage Loans

The bank's overall distribution of home mortgage loans to low-income families is reasonable. The percentage of home purchase and refinance loans originated to this segment of the community is somewhat lower than the percentage of such families residing in the AA.

The bank's distribution of home mortgage loans to moderate-income families is also reasonable. The percentage of home purchase loans to moderate-income borrowers is somewhat less than the percentage of moderate-income families in the AA. The bank's percentage of home refinance loans to moderate-income borrowers is excellent, as it exceeds the percentage of moderate-income families in the AA. The bank's overall penetration percentage to moderate-income families is comparable to that of the percentage of moderate-income families residing in the AA (the most recent data available).

Borrower Distribution of Residential Real Estate Loans in FNBB's AA 2014 – 2015								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.20%	11.11%	18.05%	11.11%	20.13%	0%	44.62%	77.78%
Home Refinance	17.20%	6.90%	18.05%	20.69%	20.13%	27.59%	44.62%	44.83%
Totals	17.20%	7.14%	18.05%	16.67%	20.13%	23.81%	44.62%	52.38%

Source: Data reported under 2014 and 2015 HMDA Reports; 2010 U.S. Census data *As a percentage of loans with borrower income information available.

Borrower Distribution Small Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes, given the demographics of the AA. Based on our sample, loans to businesses with revenues of \$1 million or less represents 89 percent of FNBB's small business loans, which exceeds the percent of the AA's businesses reporting revenues of less than \$1 million. Seventy percent of the bank's small loans to business are loans for less than \$200,000. Businesses with revenues less than \$1 million usually have need of smaller loans. The demographic data shows 75.4 percent of the businesses in the AA reporting revenue data have annual gross revenues equal to or less than \$1 million. Out of all businesses in the AA, 16.8 percent did not report revenue. FNBB's performance is consistent with the demographics of the AA.

The following tables show the distribution of small business loans among businesses of different sizes within the AA:

Borrower Distribution of Loans to Businesses of Different Sizes in the AA					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	42	89%	75%	\$8,394	87%
>\$1,000,000	5	11%	8%	\$1,246	13%
NA			17%		
Total	47	100%	100%	\$9,640	100%

*Source: Based on sample of 60 loans (47 in AA) originated 2014 and 2015. 2010 US Census Data
 (*) The NA category consists of businesses not reporting annual revenue*

Geographic Distribution of Loans

The geographic distribution of home mortgage loans is poor but is mitigated by the bank's limited product offerings and lending restraints. Although the penetration percentage of home mortgage loans in the moderate-income geographies is lower than the comparators, restraints limit the bank's product offerings and lending capacity. The geographic distribution of small loans to businesses reflects excellent dispersion in the moderate-income geographies in the AA.

Geographic Distribution of Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion in moderate-income geographies of the AA given the bank's operational environment. FNBB's penetration percentages in these geographies are much lower than the percentage of owner-occupied units located in these geographies. The low volume of lending in the moderate-income geographies can be attributed to the bank's limited product offerings and lending restraints.

Geographic Distribution of Home Mortgage Loans in the AA				
Census Tract Income Level	Low	Moderate	Middle	Upper
<i>% of owner-occupied units</i>	NA	16.26	42.30	41.44
<i>Loan Type</i>	<i>Percentage of the Number of Bank Loans</i>			
Home Purchase	NA	11.11	55.56	33.33
Home Refinance	NA	6.06	63.64	30.30
Home Improvement	NA	0.0	50.00	50.00
Total	NA	7.81	59.38	32.81

Source: Percentage of the number of loans based on the bank's 2014 and 2015 HMDA data. Percentage of owner-occupied units is based on the 2010 Census Data.

Geographic Distribution of Business Loans

The geographic distribution of small loans to businesses reflects excellent dispersion in the moderate-income geographies in the AA. The percentage of small business loans originated in moderate-income CTs exceeds the demographic information.

2012 – 2013 Geographic Distribution of Loans to Businesses in the AA				
Census Tract Income Level	Low	Moderate	Middle	Upper
<i>% of AA Businesses</i>	NA	12.65	44.79	42.55
<i>Loan Type</i>	<i>Percentage of the Number of Loans</i>			
Small Business	NA	14.89	57.45	27.66

Source: Percentage of the number of small business loans originated from January 1, 2014 through December 31, 2015 based on the bank's 2012 and 2013 CRA data. Percentage of businesses in the AA is based on the 2015 Business Demographic Data.

Responses to Complaints

There have been no complaints received related to the bank's CRA performance during the review period.

Fair Lending or Other Illegal Credit Practices Review

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

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