Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

February 13, 2018

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

First Neighbor Bank, National Association
Charter Number **13682**

201 North Meridian, Toledo, IL 62468

Office of the Comptroller of the Currency

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

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

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Overall CRA Rating

The bank is rated <u>Satisfactory</u>.

The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Outstanding.

The major factors that support the rating for First Neighbor Bank, N.A. (First Neighbor) include:

- Lending to borrowers of different incomes and business of different sizes is reasonable. Our analysis placed the most weight on this criterion in the lending test.

- Geographic distribution of loans among different income geographies is reasonable.

- First Neighbor had excellent responsiveness to the needs and opportunities of its Assessment Area (AA), primarily through community development loans, branch distribution, and community development services.

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

First Neighbor Bank, N.A. (First Neighbor) is a $350 million intrastate financial institution headquartered in Toledo, Illinois. The bank is a wholly owned subsidiary of First Neighborhood Bancshares, Inc., a one-bank holding company. The bank is a full-service banking institution and operates seven banking offices in Toledo, Casey, Charleston, Greenup, Mattoon, Neoga, and Newman, Illinois. The bank owns and operates seven deposit-accepting automated teller machines (ATM) at branches and one ATM within a shopping mall in Mattoon that does not accept deposits. Based on the branch locations, First Neighbor established one contiguous AA containing Clark, Coles, Cumberland, and Douglas Counties and one adjacent census tract (CT) in Edgar County. There have been no merger or acquisition activities or new branch openings affecting the bank's CRA performance since the last evaluation.

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

As of December 31, 2017, the bank's loan portfolio totaled $266.6 million, or 76.0 percent of total assets. Tier 1 capital is $42.8 million. The following table represents the loan portfolio mix:

Loan Portfolio Summary by Loan Product	
Loan Category	**% of Outstanding Dollars**
Business Loans, including Commercial Real Estate	45.5%
Farm Loans, including farmland	26.5%
Home Loans	20.8%
Consumer loans	7.2%

Source: December 31, 2017 Uniform Bank Performance Report (UBPR)

First Neighbor's business strategy is to deliver superior financial services and promote good business and community relationships. There are no known impediments limiting the bank's ability to help meet the credit needs of its local community, including low- and moderate-income families and neighborhoods. First Neighbor's deposit market share in the AA, at 11.3 percent, ranks second out of 23 banks in the AA. At its previous CRA examination dated December 18, 2014, First Neighbor received a rating of "Outstanding" under the small bank CRA evaluation procedures.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated First Neighbor's CRA performance using Intermediate Small Bank evaluation procedures, which reviewed the bank's record of meeting the credit needs of its AA through lending activities and community development activities. The evaluation period for this review is from December 19, 2014, to February 13, 2018. The community development test used information from the entire evaluation period. We determined that loan data from January 1, 2015 to December 31, 2017, was representative of the evaluation period and we sampled loans from this time period for the lending test.

Based on both the number and dollar volume of loan origination data supplied by the bank, First Neighbor's primary lending products are home mortgage and business loans. Home mortgage loans represent 17 percent of the number and 38 percent of the dollar volume of loan originations for 2015, 2016, and 2017. Business loans represent 16 percent of the number and 30 percent of the dollar volume of originations for the same time period. We sampled home mortgage and business loans for this evaluation.

For analysis purposes, we compared the bank's lending performance with demographic data from the 2010 United States (U.S.) Census, the 2015 American Community Survey (ACS) U.S. Census, 2016 and 2017 Business Geodemographic data, and FDIC deposit market share data as of June 30, 2017. The income designation of some CTs in the AA changed in 2017. As median family income was updated in 2015 and became effective for 2017 analysis, we reviewed the 2015 and 2016 loan samples separately from the 2017 loan samples. No affiliate activity was included in this analysis. Refer to the table in Appendix A for more information on the scope of the review.

Selection of Areas for Full-Scope Review

First Neighbor has one AA and we completed a full-scope review of this AA. A community profile for the full-scope area is in Appendix B.

Ratings

First Neighbor's overall rating is based on the full-scope review of the AA. As the percentage of LMI families (39.7 percent) in the AA is higher than the percentage of LMI geographies (8.0 percent), our analysis placed more weight on the borrower distribution criterion.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area 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

First Neighbor's performance under the lending test is Satisfactory. Lending to borrowers of different incomes and businesses of different sizes is reasonable. Geographic distribution of loans among different income geographies is reasonable. First Neighbor originated a substantial majority of its primary loan products within the AA. The loan-to-deposit ratio is more than reasonable.

Loan-to-Deposit Ratio

First Neighbor's loan-to-deposit ratio is more than reasonable based on its size, financial condition, AA credit needs, and local competition. The loan-to-deposit ratio averaged 89.8 percent over the past 13 quarters. The timeframe used for this calculation represents the first quarter-end after the start of the last CRA evaluation through December 31, 2017.

Over the past 13 quarters, the bank's highest loan-to-deposit ratio was 97.8 percent and the lowest was 86.9 percent. The bank's loan-to-deposit ratio is above the average of similarly situated banks within its AA. We reviewed the loan-to-deposit ratio for all banks in the AA with total assets between $147 million and $480 million. This group of four similarly situated banks averaged a loan-to-deposit ratio of 81.7 percent. First Neighbor's loan-to-deposit ratio average was the second highest of this group.

It is also important to note that First Neighbor's loan-to-deposit ratio does not include loans the bank originated and sold. As of March 1, 2018, First Neighbor has 1,374 home loans totaling $108.5 million sold into the secondary market. This further supports that this criterion is more than reasonable.

Lending in Assessment Area

First Neighbor originated a substantial majority of its primary loan products within the AA. Our sample showed 87.5 percent of the total number and 81.1 percent of the total dollar volume of these loans were originated within the AA.

Lending in the AA										
	Number of Loans					Dollars of Loans				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Home	17	85.0	3	15.0	20	1,089,019	83.2	219,800	16.8	1,308,819
Business	18	90.0	2	10.0	20	761,318	78.3	211,505	21.7	972,823
Totals	35	87.5	5	12.5	40	1,850,337	81.1	431,305	18.9	2,281,642

Source: Sample of 20 home and 20 business loans originated between 1/1/2015 and 12/31/2017.

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

First Neighbor's lending to borrowers of different incomes and businesses of different sizes was reasonable.

Home Loans
The overall borrower distribution of home mortgage loans was reasonable. We noted reasonable distribution within both analyses when considering loans made to low- and moderate-income borrowers, considering performance context information and demographic comparators.

In evaluating the borrower distribution of home loans, we noted the number of families with incomes below the poverty level was 9.0 percent in 2016 and 12.0 percent in 2017. People living in poverty have a difficult time qualifying for traditional mortgages. We also considered the age of the housing stock, which was 52 years overall and 57 years in the moderate-income CTs in 2016. The median age of housing stock improved slightly in 2017 to 51 years overall and 53 years in the moderate-income CTs. Older housing often costs more to maintain, frequently requires significant repairs to bring dwellings up to code requirements, and often are less energy efficient. All of these factors add to the overall cost of homeownership, which can affect the ability of LMI individuals to qualify for home mortgage loans.

We also took into consideration that the bank offers some alternative loan programs to assist LMI borrowers. These include the USDA Guaranteed Rural Development Housing Loan Program that requires little or no down payment. This program benefited 18 borrowers with home loans totaling $1.3 million during the loan sample evaluation period. Four borrowers with home loans totaling $184,522 benefited from the Federal Home Loan Bank Down Payment Plus Affordable Housing Program that provides grants to LMI borrowers to assist with down payment and closing costs.

The overall borrower distribution of home mortgage loans originated in 2015-2016 was reasonable. First Neighbor had reasonable distribution to both low- and moderate-income borrowers. While the percentage of loans made to low-income borrowers was lower than the demographic comparator, this represents reasonable performance considering the information noted above. The percentage of loans made to moderate-income borrowers was near the demographic comparator.

Borrower Distribution of Residential Real Estate Loans in the AA 2015-2016								
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 Loans	18.7	15.0	20.4	20.0	20.8	20	40.1	45

Source: Sample of 20 home loans originated in the AA between 1/1/2015 and 12/31/2016, and 2010 U.S. Census data.

The overall borrower distribution of home mortgage loans originated in 2017 was reasonable, primarily due to the distribution of loans to moderate-income borrowers. The distribution to moderate-income borrowers was excellent, as bank performance significantly exceeded the demographic comparator. The distribution to low-income borrowers was poor.

Borrower Distribution of Residential Real Estate Loans in the AA in 2017								
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 Loans	22.2	10.0	17.5	25.0	21.1	20.0	39.2	45.0

Source: Sample of 20 home loans originated in the AA between 1/1/2017 and 12/31/2017, and 2015 ACS U.S. Census data.

Business Loans

The overall borrower distribution of business loans was reasonable. Both analyses indicated reasonable distribution.

We noted reasonable distribution to businesses of different sizes within the 2015-2016 analysis. The percentage of loans to small businesses (loans with annual gross revenues of $1 million or less) exceeded the demographic comparator. However, we considered that 18.3 percent of AA businesses did not report revenues in the demographic data. These businesses were likely small businesses.

Borrower Distribution of Loans to Businesses in the AA 2015-2016				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.2	5.5	18.3	100%
% of Bank Loans in AA by #	80.0	15.0	5.0	100%
% of Bank Loans in AA by $	81.3	17.3	1.4	100%

Source: Sample of 20 business loans originated in the AA between 1/1/2015-12/31/2016; 2016 Business Geodemographic Data. Gross annual revenue information was not available for one loan in the sample.

In the 2017 analysis, we determined that borrower distribution was reasonable. The percentage of loans to small businesses was near the demographic comparator. When reviewing the dollar breakdown of our sample, we noted that only 34.1 percent of the dollars in loans were provided to small businesses. We attribute this to larger businesses requesting larger loans to meet their credit needs. One loan for $500,100 skewed the dollar amounts of the sample. Additionally, 80 percent of the loans in our sample had dollar amounts less than $100,000. This demonstrates that the bank is willing to make small dollar loans to meet the needs of smaller businesses.

Borrower Distribution of Loans to Businesses in the AA in 2017				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.8	6.0	18.2	100%
% of Bank Loans in AA by #	70.0	25.0	5.0	100%
% of Bank Loans in AA by $	34.1	63.8	2.1	100%

Source: Sample of 20 business loans originated in the AA between 1/1/2017-12/31/2017; 2017 Business Geodemographic Data. Gross annual revenue information was not available for one loan in the sample.

Geographic Distribution of Loans

First Neighbor's overall geographic distribution of home and business loans reflects reasonable dispersion among different income tracts in the AA. The geographic dispersion for both home mortgage loans and business loans is reasonable.

We analyzed First Neighbor's home mortgage and small business lending activity over the evaluation period to identify any gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous lending gaps in the AA.

Home Loans
The overall geographic distribution of home mortgage loans in the AA is reasonable, primarily due to the findings from the 2017 analysis and consideration of lending with distressed middle-income non-MSA CTs.

Our analysis considered that only 9.8 percent of total housing units are in the moderate-income CTs in 2016, with a slight improvement to 10.2 percent in 2017. In addition, families residing in the moderate-income CTs that live below the poverty level totaled 16.2 percent in 2016 and 21.8 percent in 2017. Moderate-income CTs accounted for 8.0 percent of CTs in the AA. There are no low-income CTs in the AA. Distressed middle-income CTs accounted for 36 percent of CTs in the AA in 2016 and 28 percent in 2017.

In addition, loans made to two borrowers (11.1 percent) in the USDA Guaranteed Rural Development Housing Loan Program are located in moderate-income CTs, and nine (50.0 percent) are located in distressed middle-income CTs.

We noted poor dispersion within moderate-income CTs in the 2015-2016 analysis. Based on our sample review results, the bank did not originate a home mortgage loan within moderate-income CTs. We noted that eight loans (40.0 percent of the sample) were originated in distressed middle-income CTs.

Geographic Distribution of Residential Real Estate Loans in the AA 2015-2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	0.0	0.0	7.4	0.0	88.1	85.0	4.5	15.0

Source: Sample of 20 home loans originated in the AA between 1/1/2015 and 12/31/2016, and 2010 U.S. Census data.

In 2017, dispersion of loans to the moderate-income CTs was reasonable. While the bank's performance of making mortgage loans in moderate CTs was below the demographic comparator, we also considered that seven loans (35 percent of the sample) were originated in distressed middle-income CTs.

Geographic Distribution of Residential Real Estate Loans in the AA in 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	0.0	0.0	7.1	5.0	79.9	80.0	12.6	15.0

Source: Sample of 20 home loans originated in the AA between 1/1/2017 and 12/31/2017, and 2015 ACS U.S. Census data. (There is one CT that has NA for the income category. The percent of AA owner occupied housing in the NA CT is 0.4%. No loans in our sample were located in the NA CT.)

Business Loans

The overall geographic distribution of business loans in the AA is reasonable.

Reasonable dispersion was noted in the 2015-2016 analysis. The percentage of business loans made in the moderate-income CT met the demographic comparator. We also noted that five loans (25.0 percent of the sample) were originated in distressed middle-income CTs.

Geographic Distribution of Loans to Businesses in the AA 2015-2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0	0.0	14.8	15.0	82.0	85.0	3.2	0.0

Source: Sample of 20 business loans originated in the AA between 1/1/2015-12/31/2016, and 2016 Business Geodemographic Data.

We also determined that First Neighbor’s performance in 2017 was reasonable. In 2017, the percentage of business loans made in the moderate-income CTs was below the demographic comparator. Thirty-five percent of the sample included businesses located within distressed middle-income CTs.

Geographic Distribution of Loans to Businesses in the AA 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0	0.0	15.4	10.0	74.9	80.0	8.4	10.0

Source: Sample of 20 business loans originated in the AA between 1/1/2017-12/31/2017, and 2017 Business Geodemographic Data. (There is one CT that has NA for the income category. The percent of businesses in the NA CT is 1.3%. No loans in our sample were located in the NA CT.)

Responses to Complaints

First Neighbor has not received any complaints regarding its CRA performance during the assessment period.

COMMUNITY DEVELOPMENT TEST

First Neighbor’s performance under the community development test is rated Outstanding. The bank had excellent responsiveness to the needs and opportunities of its AA. Community development performance is excellent for the combined community development loans, investments, and services criteria. First Neighbor provided $11.0 million in community development loans, primarily responding to needs for economic development that created/retained 51 jobs in the AA, revitalization and stabilization of LMI geographies, and affordable housing. The bank also made $1.6 million in qualified investments primarily focused on revitalization and stabilization of LMI geographies, economic development, and support for community services to LMI individuals in the AA. Sixteen organizations in the AA benefitted from community development services provided by 16 bank employees. These organizations primarily provide community services to LMI individuals. Total community development loans and investments are $12.6 million, representing 29.6 percent of tier 1 capital.

Number and Amount of Community Development Loans

First Neighbor’s level of community development loans provided excellent responsiveness to community credit needs in the AA. During the evaluation period, the bank originated 58 qualified community development loans totaling $11.0 million (or 25.7 percent of tier 1 capital) in the AA. These loans resulted in economic development that created/retained 51 jobs in the AA and promoted revitalization and stabilization of LMI and distressed geographies. In addition, the loans supported community services primarily serving LMI individuals and provided affordable housing for LMI individuals. These include four rental properties with 39 units in LMI and distressed geographies, as well as 12 homes sold on contract for deed to LMI buyers.

During the evaluation period, First Neighbor originated 25 loans totaling $2.1 million to eight small businesses that promoted economic development and created/retained 51 jobs for LMI individuals in the AA. Several of these loans also helped revitalize/stabilize moderate-income and distressed non-metropolitan areas. These loans include two businesses that provided jobs to 10 LMI individuals that were previously incarcerated to assist with their transition back into the community.

Nine additional loans, $1.8 million in aggregate, to two borrowers helped revitalize and stabilize distressed geographies. The loans were used to purchase, refinance, and redevelop five properties located in distressed middle-income CTs and/or areas designated for redevelopment by local government to attract new or retain and expand existing businesses in the community. Four small businesses lease these buildings; one property is still under redevelopment.

The bank originated eight loans totaling $2.4 million to five borrowers providing affordable housing to LMI individuals. One borrower purchases, remodels, and sells homes on contract for deed to LMI individuals and families. He has acquired 12 homes in the AA; one property is located in a moderate-income CT and ten are located in distressed middle-income CTs. In addition, loans to purchase, refinance, and repair rental properties provided 39 units in two apartment building complexes and two rental homes accommodating LMI families. Three properties are located in distressed middle-income CTs, and one rental house is located in a community where the population is primarily LMI residents.

The bank originated seven loans totaling $2.1 million to three nonprofit organizations providing community services to primarily LMI individuals for health care and assistance for child abuse victims and senior citizens.

The bank originated nine loans totaling $2.6 million to four municipal entities to revitalize/stabilize LMI or distressed geographies by providing essential services including improved water and fire protection services. One is located in a moderate-income CT, one is located in a distressed middle-income CT, and two are located in communities where a majority of the residents served are LMI individuals.

Number and Amount of Qualified Investments

The level of qualified investments reflects adequate responsiveness to community needs in the AA. During the evaluation period, First Neighbor made 63 grants/ donations totaling $280,195. In addition, we considered the ongoing impact of eleven prior period investments totaling $1.4 million, which carried significant weight in the conclusion. Qualified investments represent 3.9 percent of tier 1 capital.

The bank provided 63 grants/donations totaling $280,195 to organizations providing community services to LMI individuals, to promote economic development, and to revitalize and stabilize LMI geographies.

- $250,000 to the Neal Center YMCA, a branch of the Mattoon Area Family YMCA, to build a wellness center in Toledo, IL. The project will create approximately 18 permanent jobs for LMI individuals in the AA. The facility will also provide reduced fees for LMI families and offer before and after school youth programs. The facility is currently under construction and expected to be completed by year-end 2018.
- $15,000 to Sarah Bush Lincoln Health Foundation to remodel the hospital waiting areas. The hospital is located in a moderate-income CT. Sarah Bush Lincoln Health Center is the only hospital located in the AA.
- $5,000 to Newman Community Redevelopment Inc. to build a community center in Newman, IL. The community center includes a gymnasium that will host youth programs. A majority of students in the school district participate in the free (or reduced) lunch program.
- The remaining funds were primarily provided to community development organizations supporting community services for LMI individuals. These services help protect/assist abused and neglected children and victims of domestic violence, and support youth programs, food pantries, affordable housing, school supplies, education scholarships, and other nonprofit groups that provide assistance to LMI families.

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

- $775,000 in five municipal bonds for the Mattoon Township Park District to upgrade and maintain the facilities. Two parks are located in a moderate-income CT, and one park is located in a distressed middle-income CT as of 2016 and 2017.
- $460,000 in two general obligation school bonds benefiting Casey-Westfield CUSD #4. The bonds provided financing for building improvements. A majority of students in the school district participate in the free (or reduced) lunch program. In addition, a majority of the populations of both Casey and Westfield are LMI residents.
- $140,000 in four economic development bonds to improve sewer and drainage infrastructure in a designated Recovery Zone in Casey, IL. A majority of the population of Casey is LMI individuals.

Extent to Which the Bank Provides Community Development Services

The extent to which First Neighbor provides community development services in the AA provides excellent responsiveness to community needs. The branch structure provides good accessibility to banking services in moderate-income CTs. The bank operates two branches located in moderate-income CTs in Charleston and Mattoon, representing 29 percent of branches in the AA. This substantially exceeds the percentage of moderate-income CTs in the AA (8 percent). The ATMs at all seven branches accept deposits. An eighth ATM is located at the Cross County Mall in Mattoon, which is in a moderate-income CT. The bank does not charge bank customers transaction fees at its ATMs. The bank offers free basic checking with no minimum balance, free online/mobile banking, and free electronic bill pay. While the bank does not maintain records showing how these alternative methods of delivery and free accounts increase access, these services generally help to increase access to financial services for all individuals, including LMI individuals.

Sixteen employees provide financial technical assistance that benefits 16 different organizations primarily focused on community services to LMI individuals and economic development. Employees participated in many of these organizations in a leadership capacity, either as a board member, officer, or educational instructor.

- Eleven individuals serve as board members, trustees, and/or officers of 12 different nonprofit community service organizations that provide services to LMI individuals.
- Five individuals taught financial education programs at one school district (2016, 2017, and 2018) and one nonprofit organization homebuyer's program (2016) that primarily serve LMI individuals. A majority of students in the school district participate in the free (or reduced) lunch program.
- One individual serves as a board member and officer of an economic development organization.
- One individual assists with fundraising for a nonprofit organization that assists abused and neglected children.

Responsiveness to Community Development Needs

First Neighbor has excellent responsiveness to community development needs. The bank's branch structure is accessible to moderate-income geographies with 29 percent of branches located in the moderate-income CTs. The bank primarily responded to AA needs through community development loans. Combined community development loans and investments total $12.6 million and 29.6 percent of tier 1 capital. The bank originated community development loans totaling $9.5 million in LMI and distressed middle-income geographies in the AA to revitalize and stabilize the area and promote economic development by creating/retaining 51 jobs for LMI individuals. The bank also made investments and donations totaling $1.5 million to revitalize and stabilize LMI and distressed middle-income geographies and promote economic development. One bank employee serves as a director of an economic development organization.

The community contact identified credit needs for affordable housing and down payment assistance programs. First Neighbor originated five loans totaling $862,365 to three borrowers to purchase, refinance, and repair two apartment building complexes and two rental homes providing affordable housing to LMI families in the AA. The bank also originated two loans totaling $1.5 million to one borrower that purchases, remodels, and sells homes on contract for deed to LMI families. First Neighbor also participates in government sponsored alternative loan programs that require little or no down payment and/or provide grants for down payment and closing costs to assist LMI borrowers.

Additionally, seven community development loans, two investments, and 60 donations supporting organizations providing community services to LMI individuals and families total $2.5 million. Eleven bank employees serve in leadership roles at 12 nonprofit community service organizations that provide services to LMI individuals. Five bank employees taught financial educations programs primarily benefiting LMI individuals. The poverty rate at 12 percent of families, significant number of LMI families at 39.7 percent of the population, and large percentage of LMI and distressed middle-income geographies at 36 percent in the AA emphasizes the need for community services for LMI individuals.

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").

<table>
<tr><td>Time Period Reviewed</td><td colspan="2">Lending Test (excludes CD loans): (01/01/2015 to 12/31/2017)
Investment and Service Tests and
CD Loans: (12/19/2014 to 02/13/2018)</td></tr>
<tr><td colspan="2">Financial Institution</td><td>Products Reviewed</td></tr>
<tr><td colspan="2">First Neighbor Bank N.A. (First Neighbor)
Toledo, IL</td><td>Business and Residential Mortgage Loans</td></tr>
<tr><td>Affiliate(s)</td><td>Affiliate Relationship</td><td>Products Reviewed</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td colspan="3">List of Assessment Areas and Type of Examination</td></tr>
<tr><td>Assessment Area</td><td>Type of Exam</td><td>Other Information</td></tr>
<tr><td>NonMSA AA (Clark, Coles, Cumberland, and Douglas Counties, and CT #702 in Edgar County)</td><td>Full-Scope</td><td></td></tr>
</table>

Appendix B: Community Profiles for Full-Scope Areas

NonMSA AA 2016

Demographic Information for Full Scope Area: Toledo 2016						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	0.0	8.0	88.0	4.0	0.0
Population by Geography	103,227	0.0	8.8	87.1	4.1	0.0
Owner-Occupied Housing by Geography	28,220	0.0	7.4	88.1	4.5	0.0
Business by Geography	4,957	0.0	14.8	82.0	3.2	0.0
Farms by Geography	707	0.0	3.4	94.9	1.7	0.0
Family Distribution by Income Level	25,772	18.7	20.4	20.8	40.1	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	10,068	0.0	13.2	85.1	1.7	0.0
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		54,499 58,000 17.0%	Median Housing Value Unemployment Rate (2016)		90,057 5.1%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, 2016 FFIEC updated MFI, 2016 Business Geodemographic Data.

NonMSA AA 2017

Demographic Information for Full Scope Area: Toledo 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	0.0	8.0	80.0	8.0	4.00
Population by Geography	101,988	0.0	8.9	75.6	10.4	5.0
Owner-Occupied Housing by Geography	27,885	0.0	7.1	79.9	12.6	0.4
Business by Geography	4,898	0.0	15.4	74.9	8.4	1.3
Farms by Geography	717	0.0	2.9	86.6	10.5	0.0
Family Distribution by Income Level	25,690	22.2	17.5	21.1	39.2	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	10,192	0.0	14.3	76.4	8.1	1.2
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		59,121 60,400 16.3%	Median Housing Value Unemployment Rate (2017)		96,765 4.4%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS U.S. Census, 2017 FFIEC updated MFI, 2017 Business Geodemographic Data.

The AA consist of the entire counties of Clark, Coles, Cumberland, and Douglas, and CT #702 of Edgar County in Illinois. The census tract in Edgar County is adjacent to the Newman Branch. It would be difficult for the bank to service all of Edgar County with no branches located in that county. The subject counties are adjacent, and located in East Central Illinois approximately 120 miles northeast of St. Louis, Missouri, and 100 miles west of Indianapolis, Indiana. None of these counties are located within an MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. There are no low-income CTs and two moderate-income CTs in the AA. Coles County had nine distressed middle-income CTs in 2016, representing 36.0 percent of AA CTs, and seven in 2017, representing 28.0 percent of AA CTs. The Charleston and Mattoon branches are located in moderate-income CTs.

The 2015 ACS updated median family income and changed the income designations of two CTs in the AA for 2017. Between 2016 and 2017, CT #2 in Coles County was changed to upper-income from distressed middle-income and CT #8 was changed to NA from distressed middle-income.

Competition in the AA comes from 23 FDIC-insured depository institutions, eight credit unions, and one mortgage company. As of June 30, 2017, First Neighbor's deposits in the AA totaled $281 million, which is 11.3 percent of the market. The bank's deposit market share ranks second out of 23 FDIC-insured depository institutions, per the June 2017 FDIC deposit market share data. The top two depository institutions account for 34.2 percent of total deposits in the AA. The depository institution with the highest deposit market share is First Mid-Illinois Bank & Trust, N.A.

Employment and Economic Factors
According to the Bureau of Labor Statistics, unemployment in the AA ranges between 3.6 percent and 4.6 percent, with the lowest in Douglas County and the highest in Clark County in December 2017. The state and national unemployment rates are 4.7 percent and 4.1 percent, respectively, in December 2017. During the evaluation period, unemployment in the AA has fallen from a high of 7.3 percent in Clark County in January 2015 and 2017, with unemployment rates falling the most in Cumberland County. Similarly, state and national unemployment rates have fallen from 6.9 percent and 5.7 percent, respectively, for the same period.

The percentage of families in the AAs living below the poverty level is 12.0 percent. Families residing in the moderate-income CTs that live below the poverty level total 16.2 percent. Moderate-income geographies account for 8.0 percent of the CTs in the AA based on the 2015 ACS U.S. Census.

Industries driving the local economy include agriculture, manufacturing, healthcare, education, and retail. The largest employers in Clark County are Bolin Enterprises Inc., ColorKraft Roll Products, Doric Products Inc., Yargus Manufacturing, and Charles Industries Limited. The largest employers in Coles County are Sarah Bush Lincoln Health Center, Eastern Illinois University, Lake Land College, LSC Communications, and the local school districts. The largest employers in Cumberland County include Evapco Inc., Ervin Equipment, Brighton Cabinets, the local school districts, and financial institutions. The largest employers in Douglas County include Cabot Corporation, LyondellBasell Industries, C.H.I. Overhead Doors, Libman Company, and the local school districts. In addition, many residents commute to Champaign and Effingham, Illinois, and Terre Haute, Indiana, for additional employment opportunities. Businesses in the AA are 75.8 percent small businesses with gross annual revenues of $1 million or less, 6.0 percent businesses with gross annual revenues over $1 million, and 18.2 percent where businesses did not report revenue information. Businesses located in the moderate-income CTs total 15.4 percent (756 businesses) of total businesses in the AAs.

Housing
Only 10.2 percent (4,612 units) of total housing units are in the moderate-income CTs. According to the 2015 ACS U.S. Census, housing units in the moderate-income CTs were 42.9 percent owner-occupied (1,980 units), 43.6 percent rentals (2,010 units), and 13.5 percent vacant (622 units). The median monthly gross rent in the AA was $616, and $597 in the moderate-income CTs. The median age of housing units in the moderate-income CTs is 53 years.

Community Contact
We performed one community contact with an economic development organization serving the AA. Identified credit needs include affordable housing, down payment assistance programs, and support for organizations that promote economic development and workforce training. The contact expressed opportunities for bank employees to serve in leadership roles with economic development organizations.

Contextual research also indicates that there is a need for revitalization and stabilization of distressed areas in the AA. The middle-income geographies in Coles County were considered distressed middle-income non-metropolitan tracts in 2014, 2016, and 2017, due to high poverty rates. The Federal Financial Institutions Examination Council publishes a list of distressed and underserved areas by county and state annually.