

PUBLIC DISCLOSURE

July 10, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northbrook Bank & Trust Company
RSSD# 2938198

1100 Waukegan Road
Northbrook, Illinois 60062

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S RATING

Northbrook Bank & Trust Company's Overall CRA Rating: Outstanding

Performance Test Rating Table

The table below summarizes the bank's performance in the lending, investment, and service tests.

Performance Levels	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

** Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating*

Summary of Major Factors that Support the Rating

Lending Test:

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes.
- Lending exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses.
- The bank makes extensive use of flexible lending practices in serving assessment area credit needs.
- The bank makes a relatively high level of community development loans.

Investment Test:

- Investment activities demonstrate a significant level of qualified community development investments and grants, occasionally in a leadership position.
- The bank makes significant use of innovative investments to support community development initiatives.
- Investments exhibit excellent responsiveness to the assessment area's credit and community development needs.

Service Test:

- Delivery systems are readily accessible to the bank's geographies and individuals of different income levels in the assessment area.
- The bank's record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and individuals.
- Services do not vary in a way that inconveniences the bank's assessment area, particularly low- and moderate-income geographies and individuals.
- The bank is a leader in providing community development services.

Northbrook Bank & Trust Company

DESCRIPTION OF INSTITUTION

Northbrook Bank & Trust Company (Northbrook), with assets of \$2.1 billion as of March 31, 2017, is one of 15 wholly-owned banking subsidiaries of Wintrust Financial Corporation (Wintrust), a multi-bank holding company located in Rosemont, Illinois. Wintrust Mortgage, a division of an affiliated bank, originates conforming mortgages on behalf of Northbrook.

Northbrook's main office is located in Northbrook, Illinois, approximately 25 miles north of downtown Chicago. In addition to the main office, the bank operates seven branches, all with full-service ATMs, located in southeastern Lake and northeastern Cook Counties in Illinois. Since the previous performance evaluation, the bank opened a full-service branch office in Des Plaines, Illinois on October 25, 2016.

The bank offers a wide variety of deposit and lending products, as well as standard banking services to consumers.

Northbrook is primarily a commercial lender with 75.8 percent of its loan portfolio concentrated in commercial loans as of March 31, 2017; consumer lending represents the second largest portion of the bank's loan portfolio, totaling 12.4 percent. Direct residential real estate lending is not a major product line, with these types of loans representing only 10.6 percent of total loans on March 31, 2017, although the bank's mortgage lending affiliate has allocated residential mortgage loans to Northbrook for inclusion in this performance evaluation. Details of the allocation of the bank's loan portfolio are provided in the following table.

Loan Portfolio Composition as of March 31, 2017		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	0	0.0
Commercial, including real estate secured	1,148,741	75.8
Consumer	188,504	12.4
Residential Real Estate	160,423	10.6
Other	17,694	1.2
Total	1,515,362	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		

The bank also offers products that support credit and deposit account access to low- and moderate-income individuals and small businesses, including small dollar and certificate of deposit-secured loans for consumers, small dollar business loans requiring only an application and deposit accounts with very low or no minimum balance requirements.

The bank markets its products and services in its assessment area using a variety of media including in-branch signage, direct mailings, newspaper, email, and online advertisements.

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

At its previous evaluation conducted on May 11, 2015, the bank was rated Satisfactory under the CRA.

SCOPE OF THE EXAMINATION

Northbrook's CRA performance was evaluated using the Federal Financial Institution's Examination Council's Interagency Large Institution CRA Examination Procedures. The evaluation considered the CRA performance context, including the bank's asset size, financial condition, market competition, and assessment area demographics and credit and community development needs.

Aggregate lending data comparisons consist of lending activity for all institutions originating loans reported under the Home Mortgage Disclosure Act (HMDA) and the CRA within the assessment area in 2015 and 2016. As the bank is predominantly a commercial lender, CRA-reportable small business loan activity is weighted more heavily than HMDA-reportable loans in the evaluation's lending analysis.

The evaluation included a full-scope review of the bank's single assessment area located in the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (MSA) #16980. In addition to HMDA- and CRA-reportable loans originated or purchased by the bank, the lending analysis considers home mortgage-secured loans originated by the bank's affiliate Wintrust Mortgage Company, which were allocated to the bank for consideration in its CRA performance assessment.

The bank's performance was evaluated using the following performance standards:

- *Lending Activity* – HMDA-reportable and CRA-reportable small business loans originated from January 1, 2015, through December 31, 2016, were reviewed to determine the bank's responsiveness to credit needs in the bank's assessment area.
- *Lending in the Assessment Area* – HMDA-reportable and CRA-reportable small business loans originated from January 1, 2015, through December 31, 2016, were reviewed to determine the percentage of loans originated in the assessment area.
- *Geographic Distribution of Lending in the Assessment Area* – HMDA-reportable and CRA-reportable small business loans originated from January 1, 2015, through December 31, 2016, were reviewed to determine the extent to which the bank makes loans in census tracts of different income levels, including moderate-income tracts.
- *Lending to Borrowers of Different Incomes and Businesses of Different Sizes* – HMDA-reportable and CRA-reportable small business loans originated from January 1, 2015, through December 31, 2016, were reviewed to determine the loan distribution among borrowers of different income and revenue levels.
- *Community Development Lending* – The number, dollar volume, innovativeness, and complexity of community development loans originated from May 11, 2015, through July 10, 2017, were reviewed.
- *Innovative or Flexible Lending Practices* – The degree to which the bank uses innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals, small businesses, and geographies was assessed.
- *Investments* – Qualified investments made from May 11, 2015, through July 10, 2017, were reviewed to determine the bank's responsiveness to community development needs. Qualified investments were also evaluated to determine the bank's use of innovative or complex investments.
- *Services* – The distribution of the bank's branch offices, banking services, hours of operation, availability of loan and deposit products, and the extent and innovativeness of community development services were reviewed. The review included community development activities conducted from May 11, 2015, through July 10, 2017.

Three CRA-related community contacts were conducted to better understand the credit needs of the assessment area. The contacts focused on the areas of affordable housing and economic development.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ASSESSMENT AREA

The bank's assessment area is comprised of 186 census tracts located in portions of two of the four Metropolitan Divisions (MDs) comprising the Chicago-Naperville-Elgin, IL-IN-WI MSA. There are 153 census tracts located in Cook County, Illinois in the Chicago-Naperville-Arlington Heights IL MD, and 33 census tracts located in Lake County, Illinois in the Lake County-Kenosha County IL-WI MD. The assessment area delineation includes ten townships, with Elk Grove, Wheeling, Maine, Northfield, Niles, New Trier, and Evanston Townships located in Cook County and Vernon, West Deerfield, and Moraine Townships located in Lake County. The assessment area includes no low-income, 15 moderate-income, 59 middle-income, and 112 upper-income tracts; all but one of the moderate-income census tracts are located in the Cook County portion of the assessment area. Communities that comprise the majority of moderate-income tracts in the assessment area include Des Plaines, Prospect Heights, and Wheeling, with isolated tracts in other communities. The assessment area remains unchanged since the previous evaluation.

The bank has a total of eight offices and full-service ATMs. The main office and six branches with ATMs are located in upper-income census tracts. One branch and full-service ATM is located in a moderate-income census tract; this branch and ATM opened on October 25, 2016, and is located in Des Plaines, Illinois. The bank has no branches or ATMs located in low- or middle-income census tracts.

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2016, ranks Northbrook Bank and Trust Company 21st among 130 FDIC-insured institutions in Cook and Lake Counties. The bank has a 0.5 percent market share, compared to the market leader JP Morgan Chase Bank NA which has 23.0 percent of the assessment area's deposits.

Northbrook ranks 95th out of 534 HMDA-reporters in loan originations and purchases in the Chicago-Naperville-Elgin, IL-IN-WI MSA, based on 2016 aggregate lending data. A total of 34 originations and purchase transactions were reported by Northbrook compared to 4,439 reported by leader JP Morgan Chase Bank, N.A. The CRA Market Peer Report ranks Northbrook 16th out of 137 CRA-reporters operating in the Chicago-Naperville-Elgin, IL-IN-WI MSA. Northbrook originated or purchased 340 CRA-Reportable loans in 2016 whereas the first ranked institution, Citibank, N.A., originated or purchased 9,290 CRA loans in the assessment area. Northbrook is an active lending participant in its assessment area, but it is not among the market leaders with respect to deposits or loans.

Information about census-related and business demographic characteristics of the assessment area is provided in the following table.

Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	31,334	14.2
Moderate-income	15	8.1	20,086	9.1	1,792	8.9	31,609	14.4
Middle-income	59	31.7	71,843	32.6	4,373	6.1	39,418	17.9
Upper-income	112	60.2	128,193	58.2	2,926	2.3	117,761	53.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	186	100.0	220,122	100.0	9,091	4.1	220,122	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	34,609	18,002	7.4	52.0	13,845	40.0	2,762	8.0
Middle-income	116,998	75,795	31.2	64.8	32,842	28.1	8,361	7.1
Upper-income	186,548	149,278	61.4	80.0	25,975	13.9	11,295	6.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	338,155	243,075	100.0	71.9	72,662	21.5	22,418	6.6
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	3,587	7.4	2,888	6.9	688	11.0	11	3.8
Middle-income	14,749	30.5	12,383	29.6	2,285	36.5	81	28.3
Upper-income	30,015	62.1	26,529	63.5	3,292	52.5	194	67.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	48,351	100.0	41,800	100.0	6,265	100.0	286	100.0
	Percentage of Total Businesses:			86.5		13.0		0.6
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	3	2.0	2	1.4	1	8.3	0	0.0
Middle-income	41	27.2	38	27.5	3	25.0	0	0.0
Upper-income	107	70.9	98	71.0	8	66.7	1	100.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	151	100.0	138	100.0	12	100.0	1	100.0
	Percentage of Total Businesses:			91.4		7.9		0.7

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

The assessment area is comprised of a total population of 845,692 based on the 2010 U.S. Census. Families living in the assessment area are typically very affluent, as the assessment area median family income is higher than in either Cook or Lake County. Unemployment levels are low, similar to Illinois' state-wide unemployment level, and continue to show modest decreases. Major employers in the assessment area include schools, manufacturers, and insurance industries.

Population Characteristics

As presented in the table below, the assessment area's population increased by 2.9 percent since 2000, according to 2010 U.S. Census Bureau information. Although Cook County's population declined 3.4 percent since 2000, principally due to a 6.9 percent decline in the City of Chicago's population, Lake County saw a substantial increase in population of 9.2 percent. Despite the majority of the assessment area's census tracts being in Cook County, the assessment area grew at a faster rate than the county overall as its census tracts are outside the City of Chicago, but did not grow as quickly as the full Lake County population, which has experienced rapid growth due to subdivision developments on previously undeveloped land. Overall, the assessment area's growth was comparable to the increase in the state of Illinois of 3.3 percent.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Assessment Area	821,715	845,692	2.9
Cook County, IL	5,376,741	5,194,675	-3.4
Lake County, IL	644,356	703,462	9.2
Chicago-Naperville-Arlington Heights, IL MD	7,135,324	7,262,718	1.8
Lake County-Kenosha County, IL-WI MD	793,933	869,888	9.6
State of Illinois	12,419,293	12,830,632	3.3

Source: 2000 and 2010—U.S. Census Bureau: Decennial Census

Income Characteristics

The assessment area is affluent. According to 2010 U.S. Census Bureau estimates, the median family income for the assessment area is \$93,920, which exceeds county, MD, and state median family income levels. According to community representatives in Lake County, where the county saw 20.0 percent median family income growth from 2000 to 2010, the county has areas of substantial wealth, but also communities where poverty is significant. Overall, the assessment area experienced 15.1 percent growth from 2000 to 2010, which was somewhat lower than both Cook and Lake Counties, the MDs, and the state of Illinois.

Median Family Income			
Area	2000 (In 1999 Dollars)	2006-2010 (In 2010 Dollars)	Percentage Change
Assessment Area	79,747	93,920	15.1
Cook County, IL	53,784	65,039	20.9
Lake County, IL	76,424	91,693	20.0
Chicago-Naperville-Arlington Heights, IL MD	60,166	72,196	20.0
Lake County-Kenosha County, IL-WI MD	71,293	86,241	21.0
State of Illinois	55,545	68,236	22.8

Source: U.S. Census Bureau 2000 Decennial Census; 2006-2010 American Community Survey

Housing Characteristics

Moderate-income census tracts are home to 20,086 families, representing 9.1 percent of all families in the assessment area. There are a total of 338,155 housing units in the assessment area, of which 7.4 percent are located in moderate-income census tracts, where 52.0 percent are owner-occupied indicating that opportunities for home mortgage lending exist in those census tracts. Median housing values and rental costs across the assessment area are substantially higher than both Cook and Lake Counties and both MDs. Based on 2006-2010 American Community Survey data, the median housing value for the assessment area was \$380,448, which was 32.4 percent higher than Lake County's median housing value, which is the highest of any of the other geographies in the table below. The median gross rent in the assessment area was also higher, at \$1,020 per month in the assessment area compared to \$900 for Cook County and \$963 for Lake County. A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. A higher ratio supports more affordable housing opportunities. Based on the 2006-2010 American Community Survey data, the affordability ratio for Lake County is 0.27, while Cook County's affordability ratio is 0.20, indicating that it is more affordable to live in Lake County than Cook County. Community representatives stated that in many parts of the area their organizations serve, there is a lack of affordable housing, although there are larger supplies of rental housing available in assessment area communities such as Niles, Des Plaines and Evanston; still, when housing is available, the quality of the housing can be a concern. In addition, when not-for-profits try to site affordable housing in many communities, there is typically significant resistance from community residents, leading to lengthy lead times for affordable housing construction.

Housing Costs Change						
Area	2000	2006-2010	% Change	2000	2006-2010	% Change
	Median Housing Value			Median Gross Rent		
Assessment Area	231,521	380,448	64.3	842	1,020	21.1
Cook County, IL	154,300	265,800	72.3	648	900	38.9
Lake County, IL	191,600	287,300	49.9	742	963	29.8
Chicago-Naperville-Arlington Heights, IL MD	159,773	267,990	67.7	665	914	37.4
Lake County-Kenosha County, IL-WI MD	171,126	256,403	49.8	694	909	31.0
State of Illinois	127,800	202,500	58.5	605	834	37.9
<i>Source: U.S. Census Bureau 2000 Decennial Census; 2006-2010 American Community Survey</i>						

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure.

Foreclosure inventory rates in the state and assessment area counties have declined since 2011, indicating that the housing crisis that affected much of the nation, including assessment area counties, has abated. As of December 2014, the state of Illinois' foreclosure inventory rate was 2.2 percent, which is comparable to Lake County's 2.2 percent and Cook County's 2.5 percent. Most noteworthy is Cook County's foreclosure inventory rate drop of 5.0 percentage points from 7.5 percent in 2011 to its 2014 level of 2.5 percent.

Employment Conditions

Unemployment in Lake County and its MD was below the state-wide rate during the period from 2011 through 2016. In contrast, Cook County, where the majority of the assessment area's census tracts are located, and its MD's unemployment rates were above the state-wide rate from 2011 through 2016. The table below presents employment rates between 2011 and 2016 in the counties and metropolitan divisions that comprise the assessment area.

A community representative indicated that as unemployment has declined, employers are challenged to find and retain the right talent for open positions; this is anticipated to become more acute due to the City of Chicago's decision to increase the minimum wage over time. Some communities within the assessment area have chosen not to increase wages; therefore, some employees currently travel significant distances to more attractive wage employment; these transportation issues are typically due to the lack of affordable housing in some assessment area communities. The role that high schools and area community colleges play in providing career path programs to develop talent within their communities is anticipated to assist both employers

and the low- and moderate-income individuals benefiting from the programs.

Unemployment Rates (%)						
Area	2011	2012	2013	2014	2015	2016
Cook County, IL	10.4	9.3	9.6	7.4	6.2	6.2
Lake County, IL	9.4	8.7	8.7	6.5	5.3	5.2
Chicago-Naperville-Arlington Heights, IL MD	10.0	8.9	9.2	7.1	6.0	5.9
Lake County-Kenosha County, IL-WI MD	9.4	8.6	8.5	6.4	5.3	5.2
State of Illinois	9.8	8.9	9.2	7.1	5.9	5.9

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Characteristics

The following table presents the largest employers operating in Cook and Lake Counties, Illinois. According to location quotients developed by the U.S. Bureau of Labor Statistics, the assessment area contains a highly diverse employment base but is most heavily impacted by the industries of schools, manufacturers, and insurance companies. Dun & Bradstreet data indicates that in 2015, there were 53,703 businesses located in the assessment area, of which 47,669, or 88.8 percent, were small businesses with gross revenue of \$1.0 million or less.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
UIC Office-Public & Government	20,000	Schools
Shire	17,000	Physicians & Surgeons Equipment & Supply-Manufacturers
John Rosselli & Associates	16,064	Wall Covering-Fabric, Plastic, Etc.-Manufacturers
Allstate Insurance Company	13,000	Insurance
Abbott Laboratories	12,000	Drug Millers (Manufacturers)
University of Illinois-Chicago	11,515	Schools-Universities & College Academic
University-Chicago Board-Trustees	8,534	Schools-Universities & College Academic
Northwestern Memorial Hospital	8,375	Hospitals
Rush University Medical Center	8,337	Hospitals
Johnston R Bowman Health Center	8,000	Clinics

Community Contact Data

Three community representatives, with a focus on affordable housing and economic development, were contacted to increase understanding of the credit needs and market conditions within the assessment area. The representatives provided substantial information on the local economies. One contact stated that the uncertainty of the Cook County and state of Illinois budget has an impact on small businesses' concerns. Another contact whose agency works with affordable housing in both Cook and Lake County communities indicated that in many communities, there is a significant scarcity of affordable housing. A third contact identified the inability to find qualified

employees to fill open positions as a significant concern. Overall, the contacts noted that financial institutions in the communities are supportive of their initiatives and are always willing to assist where it is needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Northbrook's performance relative to the lending test is rated Outstanding. Lending levels reflect excellent responsiveness to the assessment area's credit needs, and the geographic distribution of the bank's lending reflects excellent penetration throughout the assessment area, including in moderate-income census tracts. The distribution of the bank's borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and business of different sizes. The bank exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses, and made a relatively high level of community development loans within its assessment area during the evaluation period. The bank's lending exhibits an excellent record of serving the credit needs of low-income individuals and very small businesses through the extensive use of innovative and flexible lending practices.

The bank's geographic and borrower distribution of lending discussed in the lending test conclusions relies upon 2016 aggregate comparisons and demographic data based on the 2010 U.S. Census. Tables containing the bank's 2015 geographic and borrower distribution of loans are provided in Appendix B.

Level of Lending Activity

The bank's direct small business loan originations, coupled with the purchase of affiliate small business loans in the evaluation period, demonstrates excellent responsiveness to assessment area credit needs. During the review period, Northbrook's lending activity comprised 13,591 loans for a total of \$583.1 million. The level of lending activity represents a significant increase by both the number of loans and the dollar volume of small business loans because of small business loans purchased from a Wintrust affiliate; in the previous evaluation such loans were not included. However, the number of the bank's direct small business loan originations also increased 6.1 percent from 765 at the previous evaluation, to 812 in the current evaluation. The number of HMDA-reportable loans declined significantly (61.4 percent) in the current period to 450 loans, from 1,166 loans in the prior period, due to the bank's smaller assessment area and a resulting smaller allocation of loans from the bank's mortgage lending affiliate.

The table below presents Northbrook's lending activity during 2015 and 2016.

Summary of Lending Activity HMDA and CRA Reportable Loans 2015 and 2016				
Type of Loan	#	%	\$ (000s)	%
Home Improvement	19	--	13,980	--
Home Purchase	53	--	28,589	--
Multi-Family Housing	20	--	17,844	--
Refinancing	31	--	22,467	--
Total HMDA Reportable	450	3.3	172,171	29.5
Small Business	13,141	96.7	410,929	70.5
Total Loans	13,591	100.0	583,100	100.0

Assessment Area Concentration

A very small percentage of loans were made inside the bank's assessment area during the evaluation period. Northbrook made only 5.1 percent of total loans by number and 21.9 percent by dollar within the assessment area; this is due to the majority of the bank's small business loans, equal to 95.4 percent by number of loans, being originated outside of the assessment area. Of the small business loans located outside of the assessment area, a total of 12,348 loans, for \$307.9 million, are comprised of loans purchased from an affiliate or are renewed loans arising from FDIC loss-sharing agreements; the FDIC loans, which were purchased prior to the bank's 2014 branch sales and reduction in its assessment area, must be retained at this bank charter, rather than being sold to the affiliate institutions that purchased the branches. When these loans are excluded, the bank's assessment area concentration increases to 72.8 percent of loans made inside the assessment area by number of loans, and 57.9 percent of loans by dollar amount, which is consistent with the bank's performance in the previous evaluation period. Because the concentration rate is influenced so greatly by the purchased affiliate and FDIC loss-sharing loans, this component of the lending test received lesser weight than the other lending test components.

The following table presents the bank's lending inside and outside of the assessment area in 2015 and 2016.

Loan Type	Assessment Area Concentration							
	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	16	84.2	12,910	92.3	3	15.8	1,070	7.7
Home Purchase-Conventional	39	73.6	20,800	72.8	14	26.4	7,789	27.2
Multi-Family Housing	3	15.0	1,310	7.3	17	85.0	16,534	92.7
Refinancing	14	45.2	12,717	56.6	17	54.8	9,750	43.4
Total HMDA-Reportable	72	58.5	47,737	57.6	51	41.5	35,143	42.4
Total Small Business Loans	607	4.6	60,514	14.7	12,534	95.4	350,418	85.3
Total Loans	679	5.1	108,251	21.9	12,585	94.9	385,561	78.1

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration throughout the bank's assessment area. In 2015, Northbrook made loans in 74.2 percent of all census tracts in its assessment area; this included penetrating 73.3 percent of moderate-income census tracts. The bank's penetration rate increased in 2016, to 78.0 percent of all tracts, and 86.7 percent of moderate-income census tracts; the increased moderate-income census tract penetration is due to very focused lender calling programs associated with the bank's new branch office.

When Northbrook is compared to the aggregate of lenders and assessment area demographics for HMDA home purchase lending, the bank's performance is strong. Over seventy percent of the bank's HMDA-reportable lending in moderate-income tracts in both 2015 and 2016 by number of loans was for home purchase; therefore, this category of lending is given more weight in evaluating HMDA-reportable lending performance. As discussed in detail below, home purchase performance in 2015 and 2016 exceeded aggregate lender origination rates in moderate-income census tracts and approximated the level of owner-occupied units located those tracts.

The bank's small business lending was below aggregate in 2015, but increased substantially in moderate-income census tracts in 2016 to 10.3 percent, exceeding the aggregate lender rate of 8.6 percent and the percentage of small businesses operating in moderate-income census tracts at 7.4 percent.

A detailed discussion of HMDA-reportable and small business lending in relation to aggregate lenders and census demographics is provided below. Unless otherwise stated, all comparisons in this section are made to the number of loans originated. Demographic composition data referenced in 2015 remained the same throughout the year of 2016; therefore, demographic data is explicitly referenced in the 2015 lending discussion.

HMDA-Reportable Lending

Home Purchase Loans

In 2015, Northbrook made 7.1 percent of its home purchase loans in moderate-income census tracts, which was above the aggregate lender rate of 6.3 percent and comparable to the 7.4 percent of the assessment area's owner-occupied units located in moderate-income tracts. The bank made 23.0 percent of its home purchase loans in middle-income census tracts, which was below the aggregate of lenders of 31.7 percent and the 31.2 percent of the assessment area's owner occupied units located in middle-income tracts. Northbrook made 69.9 percent of its home purchase loans in upper-income census tracts, which was higher than the 62.0 percent made by aggregate lenders and the 61.4 percent of the assessment area's owner-occupied units.

In 2016, Northbrook's home purchase lending in moderate-income census tracts increased further, totaling 10.2 percent of the total of home purchase loans, exceeding the aggregate lender rate of 6.6 percent and the 7.4 percent of owner-occupied units located in moderate-income tracts. The bank made 27.6 percent of its home purchase loans in middle-income census tracts, which was below the aggregate lender rate of 31.8 percent and the 31.2 percent of owner-occupied units located within middle-income tracts. Finally, the bank made 62.2 percent of its home purchase loans in upper-income tracts, a level comparable to the aggregate lender rate of 61.6 percent and the 61.4 percent of owner-occupied units located in such tracts.

Refinance Loans

In 2015, Northbrook made 3.9 percent of its refinance loans in moderate-income census tracts, which was comparable to the aggregate of lenders 4.0 percent rate, but below the assessment area's owner-occupied units of 7.4 percent. The bank made 15.8 percent of its refinance loans in middle-income census tracts, which was below the 24.6 percent by the aggregate of lenders and the 31.2 percent of the assessment area's owner-occupied units. Northbrook made 80.3 percent of its refinance loans in upper-income census tracts, which was above 71.3 percent by the aggregate of lenders and significantly above the 61.4 percent of the assessment area's owner-occupied units in upper-income census tracts.

In 2016, Northbrook made 2.2 percent of refinance loans in moderate-income census tracts, which is comparable to the aggregate lender rate of 3.8 percent and below the 7.4 percent of owner-occupied units located in such tracts. The bank made 27.5 percent of its refinance loans in middle-income tracts which is comparable to the aggregate lender rate of 24.5 percent and the 31.2 percent of owner-occupied units located in middle-income tracts. Finally, the bank made 70.3 percent of its refinance loans in upper-income census tracts which is comparable to the aggregate of lenders at 71.7 percent and significantly above the 61.4 percent of owner-occupied units located in such tracts.

Home Improvement Loans

In 2015, Northbrook made no home improvement loans in moderate-income census tracts compared to the 3.4 percent loan rate by the aggregate of lenders and the 7.4 percent of the assessment area's owner-occupied units located in such tracts. The bank made 14.3 percent (one loan) of its home improvement loans in middle-income census tracts, which was below 22.4 percent by the aggregate of lenders and the 31.2 percent of the assessment area's owner-occupied units. Northbrook made 85.7 percent of its home improvement loans in upper-income census tracts, which was above 74.2 percent by the aggregate of lenders and the 61.4 percent of the assessment area's owner-occupied units.

In 2016, Northbrook made no home improvement loans in moderate- or middle-income census tracts. The aggregate of lenders made 4.6 and 22.9 percent of its home improvement loans in moderate- and middle-income census tracts, respectively. The 100.0 percent of home improvement loans made in upper-income census tracts significantly exceeded the aggregate lender rate of 72.5

percent and the 61.4 percent of owner-occupied units located in upper-income census tracts.

Multifamily Loans

In 2015, Northbrook made no multifamily loans. The aggregate of lenders made 23.9 percent in moderate-income census tracts, where 19.1 percent of the assessment area's units are located. The aggregate of lenders made 43.5 percent of multifamily loans in middle-income census tracts, where 44.1 percent of the assessment area's units are located. The aggregate of lenders made 32.6 percent of multifamily loans in upper-income census tracts, where 36.8 percent of the assessment area's units are located.

In 2016, Northbrook made no multi-family loans in moderate-income census tracts, falling below the aggregate lender rate of 25.3 percent. The bank made two multi-family loans located in middle-income census tracts and one multi-family loan located in an upper-income census tract. The bank made 66.7 percent of its multi-family loans in middle-income census tracts, which is comparable to the aggregate lender rate of 54.1 percent and greater than the 44.1 percent of multi-family units located in such tracts. The bank made 33.3 percent of its multi-family loans in an upper-income tract, which is comparable to the aggregate lender rate of 20.6 percent, but below the 36.8 percent of such units located in upper-income tracts.

The following table presents the bank's 2016 HMDA-reportable lending compared to the aggregate lenders and selected demographic data. The bank's 2015 HMDA-reportable lending is included in Appendix B.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar				
		Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	10	10.2	6.6	1,059	4.0	3.5	7.4
	Middle	27	27.6	31.8	5,651	21.3	22.1	31.2
	Upper	61	62.2	61.6	19,851	74.7	74.4	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		98	100.0	100.0	26,561	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	2	2.2	3.8	479	1.5	2.1	7.4
	Middle	25	27.5	24.5	6,099	18.8	15.9	31.2
	Upper	64	70.3	71.7	25,894	79.7	82.0	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		91	100.0	100.0	32,472	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	4.6	0	0.0	2.3	7.4
	Middle	0	0.0	22.9	0	0.0	11.8	31.2
	Upper	11	100.0	72.5	9,521	100.0	85.9	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		11	100.0	100.0	9,521	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	25.3	0	0.0	19.4	19.1
	Middle	2	66.7	54.1	1,030	78.6	45.6	44.1
	Upper	1	33.3	20.6	280	21.4	35.0	36.8
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		3	100.0	100.0	1,310	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	5.9	5.0	1,538	2.2	3.2	7.4
	Middle	54	26.6	27.6	12,780	18.3	19.2	31.2
	Upper	137	67.5	67.4	55,546	79.5	77.5	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		203	100.0	100.0	69,864	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

In 2015, Northbrook made 5.6 percent of its small business loans in moderate-income census tracts, which was below the performance of the aggregate of lenders of 9.2 percent and slightly below the total businesses located in moderate-income census tracts of 7.5 percent. Northbrook made 21.7 percent of its small business loans in middle-income census tracts, which was well below the performance of aggregate lenders of 34.6 percent and the 30.7 percent of total businesses located in the assessment area’s middle-income census tracts. The bank made 72.7 percent of its small business loans in upper-income census tracts, which was well above the 56.2 percent lending rate of aggregate lenders and above the 61.9 percent of businesses located in the upper-income census tracts of the assessment area.

In 2016, the bank more than doubled its volume of small business lending in moderate-income census tracts, from 15 loans in 2015, to 35 loans in 2016. As a result, the bank made 10.3 percent of its small business loans in moderate-income census tracts in 2016, up from 5.6 percent the prior year, and exceeding the aggregate lender rate of 8.6 percent and the demographic composition rate of 7.4 percent. The bank originated 19.7 percent of its small business loans in middle-income census tracts, falling below the aggregate lender rate of 32.7 percent and the 30.5 percent of businesses located in those geographies. Lastly, the bank originated 70.0 percent of its small business loans in upper-income census tracts, surpassing both the aggregate lender and demographic rates of 58.7 and 62.1 percent, respectively.

The following table presents the bank’s 2016 small business lending compared to the aggregate lenders and selected demographic data. The bank’s 2015 small business lending is included in Appendix B.

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses %
		2016			Dollar			
		Count		Agg %	Bank		Agg \$ %	
		Bank #	%		\$ (000s)	\$ %		
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	35	10.3	8.6	2,279	6.8	9.0	7.4
	Middle	67	19.7	32.7	7,455	22.3	35.9	30.5
	Upper	238	70.0	58.7	23,768	70.9	55.2	62.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			0.0			0.0	
	Total	340	100.0	100.0	33,502	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes.

The bank's borrower distribution for small business loans, which is heavily weighted in this analysis as commercial loans are the bank's primary lending product, was very strong in comparison to aggregate lender performance in 2015. The bank exhibited continued strong performance in lending to small businesses in 2016.

A detailed discussion of HMDA-reportable and small business lending in relation to aggregate lenders and census demographics is provided below. Unless otherwise stated, all comparisons in this section are made to the number of loans originated. Demographic composition data referenced in 2015 remained the same throughout the year of 2016; therefore, demographic data is explicitly referenced in the 2015 lending discussion.

HMDA-Reportable Lending

Home Purchase Loans

The bank's lending to low-income borrowers in 2015 of 2.7 percent was below the aggregate of lenders of 4.9 percent, while both the bank and aggregate lenders' performance were below the percentage of 14.2 percent of low-income families in the assessment area. The bank made 10.6 percent of its home purchase loans to moderate-income borrowers, which was also below the 13.1 percent made by the aggregate of lenders and the 14.4 percent of moderate-income families located in the assessment area. Northbrook made 20.4 percent of its home purchase loans to middle-income borrowers, which exceeded the 17.9 percent of loans made by the aggregate of lenders and the demographic measure of 17.9 percent of middle-income families in the assessment area. The bank's lending to upper-income borrowers comprised 63.7 percent of home purchase loans, which was significantly above the 49.3 percent made by aggregate lenders and above the 53.5 percent of upper-income families located in the assessment area.

In 2016, Northbrook's lending to low-income borrowers increased to 3.1 percent of its home purchase loans and was comparable to the aggregate lender rate of 3.4 percent, although it remained far below the 14.2 percent of low-income families located in the assessment area. The bank made a significantly higher level of loans to moderate-income borrowers, at 21.4 percent, more than double its 2015 rate and far exceeding the aggregate lender rate of 12.6 percent and the 14.4 percent of moderate-income families in the assessment area. Northbrook made 21.4 percent of its home purchase loans to middle-income borrowers, which was higher than the aggregate lender rate of 19.9 percent and the 17.9 percent of middle-income families located in the assessment area. The bank made 51.0 percent of home purchase loans to upper-income borrowers, which was comparable to the aggregate lender rate of 55.0 percent and the 53.5 percent of upper-income families located in the assessment area.

Refinance Loans

In 2015, Northbrook made 1.3 percent of its refinance loans to low-income borrowers, which was comparable to 2.8 percent made by the aggregate of lenders; however, both the bank and aggregate of lenders were significantly below the 14.2 percent of low-income families located in the assessment area. The bank made 9.2 percent of its refinance loans to moderate-income borrowers, which was also comparable to the 8.3 percent made by the aggregate of lenders, but remained below the 14.4 percent of moderate-income families located in the assessment area. Northbrook made 18.4 percent of its refinance loans to middle-income borrowers, which was comparable to both the aggregate of lenders and middle-income families located in the assessment area of 15.6 percent and 17.9 percent, respectively. The bank made 67.1 percent of its refinance loans to upper-income borrowers, which was above the 58.8 percent made by the aggregate of lenders and the 53.5 percent of upper-income families located in the assessment area.

In 2016, Northbrook made 2.2 percent of its refinance loans (two loans) to low-income borrowers, which was comparable to the aggregate lender rate at 2.3 percent, but significantly less than the 14.2 percent of low-income families located in the assessment area. Lending to moderate-income borrowers declined relative to 2015, at 4.4 percent of total refinance loans, which was also below the aggregate lender rate of 7.2 percent and the 14.4 percent of moderate-income families located in the assessment area. Northbrook made 15.4 percent of its refinance loans to middle-income borrowers, which was comparable to the aggregate lender rate of 15.3 percent and the 17.9 percent of middle-income families located in the assessment area. The bank made 73.6 percent of its refinance loans to upper-income borrowers, which was significantly above the aggregate lender rate of 66.3 percent and the 53.5 percent of upper-income families located in the assessment area.

Home Improvement Loans

In 2015, Northbrook made no home improvement loans to low-income borrowers, while aggregate lenders made 3.7 percent of loans to low-income borrowers, which was still significantly below the 14.2 percent of the low-income families located in the assessment area. The bank made 14.3 percent of its home improvement loans to moderate-income borrowers, which was above the 9.7 percent made by the aggregate of lenders and comparable to the 14.4 percent of moderate-income families located in the assessment area. Northbrook made 14.3 percent of its home improvement loans to middle-income borrowers, which was comparable to the 16.2 percent made by the aggregate of lenders and the 17.9 percent of middle-income families located in the assessment area. The bank made 71.4 percent of its home improvement loans to upper-income borrowers, which exceeded the 65.6 percent made by the aggregate of lenders, and was also above the 53.5 percent of upper-income families located in the assessment area.

In 2016, Northbrook did not make any of its home improvement loans to low-, moderate-, or middle-income borrowers. The bank made all eleven of its home improvement loans, or 100.0 percent, to upper-income borrowers, which was significantly above the 53.5 percent of upper-income borrowers located in the assessment area.

The following table presents the bank's 2016 HMDA-reportable lending compared to the aggregate lenders and selected demographic data. The bank's 2015 HMDA-reportable lending is included in Appendix B.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016			Dollar			
		Count		Agg %	Bank		Agg \$ %	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	3	3.1	3.4	240	0.9	1.2	14.2
	Moderate	21	21.4	12.6	3,398	12.8	6.3	14.4
	Middle	21	21.4	19.9	4,999	18.8	13.9	17.9
	Upper	50	51.0	55.0	17,051	64.2	70.3	53.5
	Unknown	3	3.1	9.1	873	3.3	8.3	0.0
	Total		98	100.0	100.0	26,561	100.0	100.0
Refinance	Low	2	2.2	2.3	260	0.8	0.8	14.2
	Moderate	4	4.4	7.2	530	1.6	3.3	14.4
	Middle	14	15.4	15.3	2,367	7.3	9.4	17.9
	Upper	67	73.6	66.3	28,475	87.7	78.4	53.5
	Unknown	4	4.4	8.9	840	2.6	8.0	0.0
	Total		91	100.0	100.0	32,472	100.0	100.0
Home Improvement	Low	0	0.0	3.2	0	0.0	0.9	14.2
	Moderate	0	0.0	6.7	0	0.0	2.5	14.4
	Middle	0	0.0	17.3	0	0.0	9.2	17.9
	Upper	11	100.0	68.7	9,521	100.0	83.6	53.5
	Unknown	0	0.0	4.0	0	0.0	3.9	0.0
	Total		11	100.0	100.0	9,521	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	14.2
	Moderate	0	0.0	0.0	0	0.0	0.0	14.4
	Middle	0	0.0	0.0	0	0.0	0.0	17.9
	Upper	0	0.0	0.0	0	0.0	0.0	53.5
	Unknown	3	100.0	100.0	1,310	100.0	100.0	0.0
	Total		3	100.0	100.0	1,310	100.0	100.0
HMDA Totals	Low	5	2.5	2.8	500	0.7	0.9	14.2
	Moderate	25	12.3	9.4	3,928	5.6	4.3	14.4
	Middle	35	17.2	17.1	7,366	10.5	10.8	17.9
	Upper	128	63.1	61.4	55,047	78.8	72.7	53.5
	Unknown	10	4.9	9.3	3,023	4.3	11.4	0.0
	Total		203	100.0	100.0	69,864	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The table below indicates an excellent distribution of small business lending by revenue and loan size when compared to the aggregate lenders throughout the assessment area. In 2015, Northbrook made 70.0 percent of its small business loans to businesses reporting annual revenues of \$1 million or less, significantly outperforming the 44.5 percent of such loans made by the aggregate of lenders, but less than the 86.5 percent of small businesses operating in the assessment area. Further, the bank made 88.2 percent of loans to those borrowers in amounts of \$100,000 or less, which are considered most beneficial to small businesses.

In 2016, although the level of lending to businesses with revenues of \$1 million or less declined to 62.9 percent of businesses reporting revenues of \$1 million or less, the bank continued to substantially outperform the 2016 aggregate lender rate of 38.3 percent. Once again, a very large proportion of those loans were also made in amounts of \$100,000 or less, at 85.5 percent; loans of this size are considered most beneficial to small businesses.

The following table presents the bank’s 2016 small business lending compared to the aggregate lenders and selected demographic data. The bank’s 2015 small business lending is included in Appendix B.

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980									
Product Type		Bank & Aggregate Lending Comparison							
		2016			2016		Total Businesses %		
		Count		Dollar					
		Bank #	Agg %	Bank \$ 000s	Agg \$ %				
Small Business	Revenue	\$1 Million or Less	214	62.9	38.3	13,908	41.5	25.3	86.5
		Over \$1 Million or Unknown	126	37.1	61.7	19,594	58.5	74.7	13.5
		Total	340	100.0	100.0	33,502	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	268	78.8	93.6	4,580	13.7	34.6	
		\$100,001 - \$250,000	32	9.4	2.9	5,930	17.7	13.2	
		\$250,001 - \$1 Million	40	11.8	3.6	22,992	68.6	52.2	
		Total	340	100.0	100.0	33,502	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	183	85.5		2,712	19.5		
		\$100,001 - \$250,000	16	7.5		2,821	20.3		
		\$250,001 - \$1 Million	15	7.0		8,375	60.2		
		Total	214	100.0		13,908	100.0		
	Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Community Development Lending

Northbrook makes a relatively high level of community development loans. The bank made 16 community development loans during the evaluation period, for a total of \$38.5 million. This is a decline from the 26 loans qualified at the prior evaluation, but is a 10.0 percent increase in the dollar amount of qualified loans compared to the prior evaluation's total of \$35.0 million. Six of the loans in the current evaluation period were renewal loans. The duration of both the current and prior evaluation periods was 26 months.

The smaller assessment area the bank adopted in 2014 reduced the universe of potential community development lending opportunities available to the bank, as moderate-income tracts now comprise only 8.1 percent of the assessment area compared to 37.6 percent during a portion of the prior evaluation period. Low- and moderate-income families comprise 28.6 percent of total families compared to 41.8 during a portion of the prior evaluation period. However, the bank originated five community development loans within its assessment area during the evaluation period, in the amount of \$8.5 million. Included in the 11 loans for \$29.9 million originated outside of the bank's assessment area is an \$8.0 million loan to a safety-net hospital that is in the area immediately south of the assessment area and which includes assessment area suburbs within its service area; other qualified loans outside of the assessment area were originated in the City of Chicago and in one suburb.

The majority of the bank's community development loans were for the purpose of funding affordable housing opportunities, principally in for-profit multi-family units. In addition, one affordable housing loan within the assessment area was a line of credit to a housing non-profit that was extended to bridge the funding gap created by the state of Illinois' budget delays; the bank worked with the same non-profit on two additional credit proposals in the evaluation period; however, in both instances other buyers emerged at the last minute with proposals more favorable to the seller than the non-profit could present.

The table below presents the bank's community development loan activity in the review period.

Qualified Community Development Loans										
\$ in 000s										
Location	Affordable Housing		Community Services		Economic Development		Revitalization/ Stabilization		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
In Assessment Area	4	5,532	0	0	1	3,000	0	0	5	8,532
Outside Assessment Area	8	16,657	1	8,000	1	150	1	5,115	11	29,922
Total	12	22,189	1	8,000	2	3,150	1	5,115	16	38,454

Innovative and Flexible Loan Programs

The bank makes extensive use of innovative and/or flexible lending practices in serving assessment area credit needs. The bank utilizes a core set of products specifically tailored to the needs of low- and moderate- income individuals and small businesses. Included in these products for consumers are certificate of deposit-secured loans which enable credit building or repair and the bank's Everyday Loan product, which provides consumers with up to \$2,500 in an unsecured amortizing loan for a period of between six and 24 months as an alternative to costly payday lending alternatives. The bank also offers a portfolio-based mortgage loan product that is specifically designed for use in moderate-income census tracts or with low- and moderate- income borrowers as it is available to borrowers with a higher loan-to value level or lower credit scores.

For small businesses, the bank offers U.S. Small Business Loan Administration (SBA) loan products and specialized Easy Access products which provide smaller dollar loans to businesses with an application-only process.

A total of 42 consumer loans and 573 small business loans were extended under this program during the review period, as shown in the table below. The use of these products has enabled the bank to successfully meet the needs of low- and moderate-income borrowers and small businesses in the bank's assessment area.

Innovative and Flexible Loans			
Product	Number of Loans	\$ of Loans	Average Loan \$ Size
SBA 504	3	1,860,000	620,000
SBA 7A	2	1,875,000	937,500
SBA Express	8	770,000	96,250
Easy Access Installment	20	426,064	21,303
Easy Access Line of Credit	164	5,854,824	35,700
Small Business Overdraft Protection	376	1,440,950	3,832
Money Smart Everyday	30	66,400	2,213
Money Smart CD Secured	9	8,500	944
Portfolio Mortgage	3	425,000	141,667
Total	615	12,726,738	--

INVESTMENT TEST

Northbrook's performance relative to the Investment Test is rated High Satisfactory based on a significant level of qualified community development investments and grants, occasionally in a leadership position. Northbrook also demonstrated a significant use of innovative and complex investments to support community development initiatives and had excellent responsiveness to the assessment area's credit and community development needs.

The bank made three new investments in the evaluation period, totaling \$2.3 million, of which \$1.1 million was funded. In addition, prior period investments, both funded and unfunded remaining commitments, totaled \$9.2 million, resulting in total investments qualified for this evaluation of \$11.4 million. This represents a 6.9 percent increase in funded and unfunded investments from the \$10.7 million total at the bank's previous evaluation; both the current and previous evaluation period was 26 months.

Investments demonstrated excellent responsiveness to the assessment area's credit and community development needs as they were primarily supportive of affordable housing and economic development, which is consistent with the needs identified within the bank's assessment area. Affordable housing and economic development investments comprised 53.8 percent and 34.2 percent, respectively of total disbursed funds, and 86.6 percent and 13.4 percent, respectively, of unfunded commitments.

In the current evaluation period, the bank's investments funded a not-for-profit multifamily rehab lender, a school district with a majority of students considered low- and moderate- income and an investment in a Community Development Financial Institution (CDFI). Prior period investments supported Small Business Investment Corporation loan pools and the affordable housing initiatives of leading Chicago-area not-for-profit housing development organizations.

Qualified Community Development Investments											
\$ in 000s											
Period of Investment	Disbursed Funds										Unfunded Commitments
	Affordable Housing		Community Services		Economic Development		Revitalization/ Stabilization		Total Funded		
	#	\$	#	\$	#	\$	#	\$	#	\$	
Current	1	372	2	760	0	0	0	0	3	1,132	1,128
Prior	6	3,430	0	0	3	2,413	1	88	10	5,931	3,258
Total	7	3,802	2	760	3	2,413	1	88	13	7,063	4,386

In addition, the bank made qualified community development donations to 45 unique organizations in the evaluation period in an amount totaling \$229,326. This represented a significant increase in the dollar amount of donations, from \$166,494 thousand at the prior evaluation, for a 37.7 percent increase. A majority of the bank's qualified donations are in the area of community services; among other things, these donations support educational scholarships and reduced fees for low- and moderate-income individuals participating in recreational activities. Affordable housing, which is the next largest component of qualified donations, includes a \$20,000 contribution to a non-profit housing agency for down payment assistance to qualified clients.

Qualified Community Development Donations									
Affordable Housing		Community Services		Economic Development		Revitalization/ Stabilization		Total	
#	\$	#	\$	#	\$	#	\$	#	\$
3	25,498	40	196,538	0	0	2	7,289	45	229,326

SERVICE TEST

Northbrook’s performance for the Service Test is rated Outstanding. Retail services evidence ready accessibility to geographies and individuals of different income levels in the assessment area. The bank’s record of opening and closing branches has improved the accessibility of its delivery systems in moderate-income geographies and to low- and moderate- income individuals, and its services do not vary in a way that inconveniences the needs of its assessment area, particularly for moderate-income geographies and low- and moderate- income individuals. Finally, the bank is a leader in providing community development services.

Retail Services

The bank’s delivery systems are readily accessible to the assessment area. It has eight offices at which business may be conducted in person; each office also has a full-service ATM. All locations, with the exception of the bank’s Northbrook and Buffalo Grove branches, are near several bus routes, providing accessibility for individuals relying on public transit. The bank also opened a branch in a moderate-income census tract in Des Plaines during the evaluation period, which resulted in improved accessibility to retail services for low- and moderate-income individuals. ATM transactions are free, if within three surcharge-free networks; transactions on other networks are reimbursed by the bank. The bank also offers free 24-hour telephone banking services for inquiry purposes and to make account transfers, and internet and mobile banking products enable customers to make account transfers and deposits and pay bills without visiting a bank office.

The bank opened a branch with a full-service ATM in a moderate-income census tract in Des Plaines, further expanding its presence in Cook County; this branch and ATM represent 12.5 percent of the bank’s total branches and ATMs. The bank did not close any branches during the review period. The following table presents information about the census tract income levels of the bank’s assessment area and the location of office and ATM locations.

Office and ATM Locations					
Tract Income	Assessment Area Census Tracts	Office Locations		Full-Service ATMs	
	%	#	%	#	%
Low	0.0				
Moderate	8.1	1	12.5	1	12.5
Middle	31.7	0	0.0	0	0.0
Upper	60.2	7	87.5	7	87.5
Total	100.0	8	100.0	8	100.0

In-person banking hours and services provided to customers do not vary in a way that inconveniences the needs of the assessment area. The bank’s offices are typically open from 8:00 a.m. to 5:30 p.m. Monday through Friday. In addition, all offices have Saturday hours, which typically extend from 8:30 a.m. to 1:00 p.m.

The bank offers a Money Smart checking account which enables consumers with negative credit histories to participate in free financial education classes and then open an account with no minimum balance; certificate of deposit-secured loans can also be obtained, enabling individuals to establish a positive credit record. While the bank's Money Smart checking account reimburses customers for six non-proprietary ATM transactions each month, customers experiencing success with that account can move to the bank's interest-paying Total Access checking account product which allows for reimbursement of non-proprietary ATM transaction fees; the Total Access account also has no minimum balance maintenance requirement or associated fees, so account fees are limited.

Community Development Services

The bank is a leader in providing community development services. During the evaluation period, bank employees provided 1,736 service hours to 37 unique organizations. Service hours declined 7.5 percent since the previous evaluation, when 1,876 service hours were provided to 38 organizations; the evaluation period was 26 months for both the current and previous period. Since the previous evaluation period however, the bank's employee base declined from 152 in March 2014, prior to 2014 branch sales, to 84 as of March 31, 2017, or a total of 44.7 percent. Therefore, despite the significant reduction in its employee base, the bank still maintained a high level of community development services.

Community development services frequently involve bank employees providing their expertise by serving on the board of directors or committees of community development organizations. This level of leadership is particularly beneficial to the organizations. In addition, the bank has a well-established Money Smart financial literacy curriculum for consumers and provided 136 hours of such training in the evaluation period to low- and moderate- income individuals. Other examples of community development service activities include serving on the board of non-profit organizations that provide essential repair services that enable low- and moderate- income individuals to remain in their homes; scholarship support to children from low- and moderate-income families experiencing significant family issues such as homelessness, drug use, or domestic violence; essential social services; and mentoring services to small business people.

The following table presents detail of the bank's community development services provided during the evaluation period.

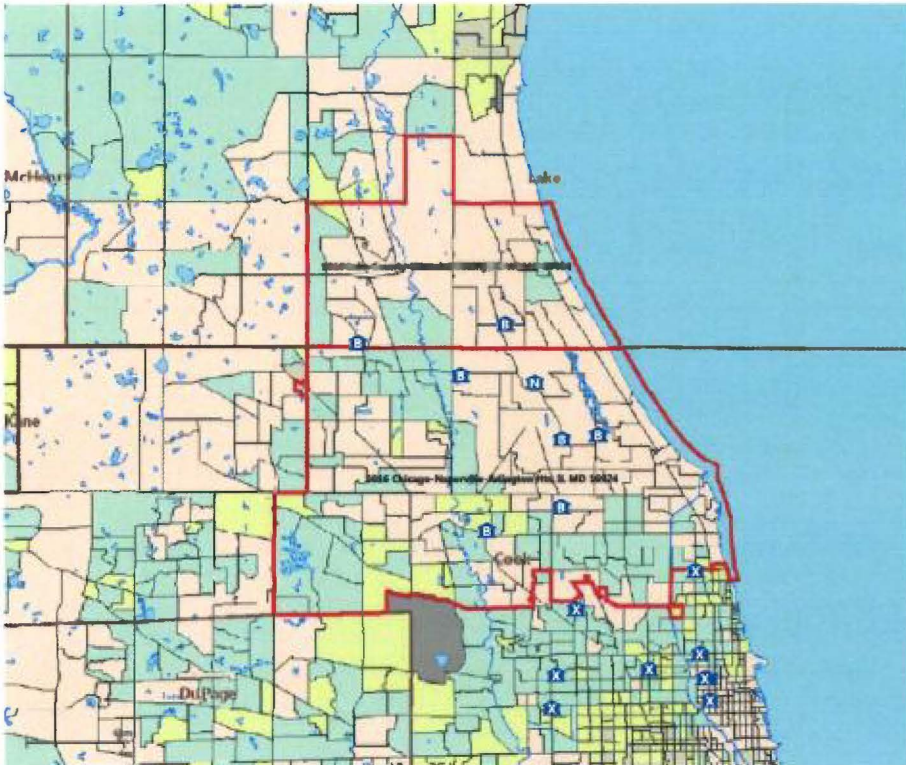
Qualified Community Development Services									
Affordable Housing		Community Services		Economic Development		Revitalization/ Stabilization		Total	
#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
1	10	26	602	9	561	1	563	37	1,736

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

While management has implemented policies, procedures, training programs, and internal assessments, a substantive violation of Section (5) of the Federal Trade Commission Act involving unfair practices was identified in the concurrent Consumer Compliance examination. The violation did not cause the CRA rating to be adjusted. Once the violation was identified, bank management was proactive in taking corrective action to address it.

APPENDIX A – Map of Assessment Area

Northbrook Bank and Trust Co. 2938198
2016 Combined AA



LEGEND	
2010 Census Year	
INCOME	
[Lightest Color]	Low
[Light Color]	Moderate
[Medium Color]	Middle
[Dark Color]	Upper
[Patterned Color]	Unknown
[Red Outline]	AA boundary
LOANS: by Type Inside and Outside AA - 12825	
[Inverted Triangle]	CV - 19
[Square]	HE - 12
[Triangle]	MF - 13
[Circle]	RF - 17
[Square]	SB - 12764
BANK BRANCHES Inside and Outside AA	
[X]	Branches with ATM - 7
[X]	Closed - 10
[X]	Main Office with ATM - 1
FEATURES	
[Blue Area]	Water Body

APPENDIX B – 2015 Demographic and Lending Data

Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	31,334	14.2
Moderate-income	15	8.1	20,086	9.1	1,792	8.9	31,609	14.4
Middle-income	59	31.7	71,843	32.6	4,373	6.1	39,418	17.9
Upper-income	112	60.2	128,193	58.2	2,926	2.3	117,761	53.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	186	100.0	220,122	100.0	9,091	4.1	220,122	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	34,609	18,002	7.4	52.0	13,845	40.0	2,762	8.0
Middle-income	116,998	75,795	31.2	64.8	32,842	28.1	8,361	7.1
Upper-income	186,548	149,278	61.4	80.0	25,975	13.9	11,295	6.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	338,155	243,075	100.0	71.9	72,662	21.5	22,418	6.6
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	4,007	7.5	3,347	7.0	651	11.0	9	7.9
Middle-income	16,466	30.7	14,277	30.0	2,150	36.3	39	34.2
Upper-income	33,230	61.9	30,045	63.0	3,119	52.7	66	57.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	53,703	100.0	47,669	100.0	5,920	100.0	114	100.0
Percentage of Total Businesses:				88.8		11.0		0.2
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	5	2.8	4	2.4	1	9.1	0	0.0
Middle-income	49	27.8	46	27.9	3	27.3	0	0.0
Upper-income	122	69.3	115	69.7	7	63.6	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	176	100.0	165	100.0	11	100.0	0	0.0
Percentage of Total Businesses:				93.8		6.3		0.0

2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2015						
		Count		Dollar				
		Bank	Agg	Bank	Agg			
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	8	7.1	6.3	1,367	3.6	3.2	7.4
	Middle	26	23.0	31.7	5,506	14.3	21.2	31.2
	Upper	79	69.9	62.0	31,541	82.1	75.6	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		113	100.0	100.0	38,414	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	3	3.9	4.0	559	2.2	2.0	7.4
	Middle	12	15.8	24.6	2,673	10.7	15.7	31.2
	Upper	61	80.3	71.3	21,647	87.0	82.3	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		76	100.0	100.0	24,879	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	3.4	0	0.0	0.8	7.4
	Middle	1	14.3	22.4	103	2.7	12.5	31.2
	Upper	6	85.7	74.2	3,768	97.3	86.7	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		7	100.0	100.0	3,871	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	23.9	0	0.0	8.7	19.1
	Middle	0	0.0	43.5	0	0.0	43.3	44.1
	Upper	0	0.0	32.6	0	0.0	48.0	36.8
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	11	5.6	5.1	1,926	2.9	2.6	7.4
	Middle	39	19.9	27.7	8,282	12.3	18.6	31.2
	Upper	146	74.5	67.2	56,956	84.8	78.8	61.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		196	100.0	100.0	67,164	100.0	100.0

Originations & Purchases
2015 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Geographic Distribution of Small Business Loans								
Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses %
		2015						
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Bank \$ %	Agg \$ %	
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	15	5.6	9.2	529	2.0	9.5	7.5
	Middle	58	21.7	34.6	8,174	30.3	36.4	30.7
	Upper	194	72.7	56.2	18,309	67.8	54.2	61.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			0.0			0.0	
	Total	267	100.0	100.0	27,012	100.0	100.0	100.0
Originations & Purchases								
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2015						
		Count		Agg %	Dollar		Agg %	
Bank #	%	Bank \$(000s)	\$ %					
Home Purchase	Low	3	2.7	4.9	257	0.7	1.6	14.2
	Moderate	12	10.6	13.1	1,659	4.3	6.7	14.4
	Middle	23	20.4	17.9	5,432	14.1	12.7	17.9
	Upper	72	63.7	49.3	30,133	78.4	65.2	53.5
	Unknown	3	2.7	14.8	933	2.4	13.7	0.0
	Total	113	100.0	100.0	38,414	100.0	100.0	100.0
Refinance	Low	1	1.3	2.8	160	0.6	1.0	14.2
	Moderate	7	9.2	8.3	1,216	4.9	3.8	14.4
	Middle	14	18.4	15.6	3,024	12.2	9.6	17.9
	Upper	51	67.1	58.8	19,723	79.3	71.8	53.5
	Unknown	3	3.9	14.5	756	3.0	13.7	0.0
	Total	76	100.0	100.0	24,879	100.0	100.0	100.0
Home Improvement	Low	0	0.0	3.7	0	0.0	0.8	14.2
	Moderate	1	14.3	9.7	103	2.7	3.2	14.4
	Middle	1	14.3	16.2	254	6.6	8.1	17.9
	Upper	5	71.4	65.6	3,514	90.8	81.7	53.5
	Unknown	0	0.0	4.7	0	0.0	6.2	0.0
	Total	7	100.0	100.0	3,871	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	14.2
	Moderate	0	0.0	0.0	0	0.0	0.0	14.4
	Middle	0	0.0	0.0	0	0.0	0.0	17.9
	Upper	0	0.0	0.0	0	0.0	0.0	53.5
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	4	2.0	3.7	417	0.6	1.2	14.2
	Moderate	20	10.2	10.4	2,978	4.4	4.9	14.4
	Middle	38	19.4	16.5	8,710	13.0	10.6	17.9
	Upper	128	65.3	54.6	53,370	79.5	67.5	53.5
	Unknown	6	3.1	14.8	1,689	2.5	15.8	0.0
	Total	196	100.0	100.0	67,164	100.0	100.0	100.0
Originations & Purchases								
2015 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA 16980									
Product Type		Bank & Aggregate Lending Comparison							
		Count		2015				Total Businesses %	
		Bank #	Agg %	Dollar		Agg \$ %			
Bank \$ 000s	\$ %								
Small Business	Revenue	\$1 Million or Less	187	70.0	44.5	11,872	44.0	25.5	88.8
		Over \$1 Million or Unknown	80	30.0	55.5	15,140	56.0	74.5	11.2
		Total	267	100.0	100.0	27,012	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	216	80.9	92.6	3,775	14.0	29.6	
		\$100,001 - \$250,000	21	7.9	3.1	3,790	14.0	13.0	
		\$250,001 - \$1 Million	30	11.2	4.3	19,447	72.0	57.4	
		Total	267	100.0	100.0	27,012	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	165	88.2		2,325	19.6		
		\$100,001 - \$250,000	11	5.9		2,012	16.9		
		\$250,001 - \$1 Million	11	5.9		7,535	63.5		
		Total	187	100.0		11,872	100.0		
	Originations & Purchases								
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	2015 and 2016 CRA and HMDA data was utilized in the Lending test Data from May 11, 2015 through July 10, 2017 was utilized in the Community Development Lending, Investment and Service tests.		
FINANCIAL INSTITUTION Northbrook Bank & Trust Company		PRODUCTS REVIEWED HMDA-reportable loans Small business loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
Wintrust Mortgage	Mortgage lending affiliate	HMDA-reportable loans	
IDENTIFICATION OF ASSESSMENT AREAS			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
MSA 16980 Chicago – Naperville - Elgin, IL-IN-WI	Full Review	None	The bank’s assessment area includes portions of the following MDs: #16974, Chicago-Naperville-Arlington Heights, IL #29404, Lake County-Kenosha County, IL-WI

APPENDIX D - Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of

metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:
 - a. Rates of poverty, unemployment or population loss; or
 - b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

5. Loans, investments, and services that –
 - i. Support, enable or facilitate projects or activities that meet the “eligible uses” criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
 - ii. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees, and
 - iii. Benefit low-, moderate-, middle-income individuals and geographies in the bank’s assessment area(s) or areas outside the bank’s assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, home equity, other consumer secured loan, and other consumer unsecured loan.

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 household and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more units) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;
- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office (LPO): This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.226 billion. Intermediate small bank means a small bank with assets of at least \$307 million as of December 31 of both of the prior two calendar years and less

than \$1.226 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in “loans to small businesses” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).