



PUBLIC DISCLOSURE

November 7, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

South Central Bank National Association
Charter Number: 24430

525 Roosevelt Road
Chicago, Illinois 60607

Office of the Comptroller of the Currency
Chicago (Downers Grove) Field Office
2001 Butterfield Road, Suite 400
Downers Grove, Illinois 60515

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

South Central Bank, National Association (SCB) has a satisfactory performance in meeting the credit needs of the community. The primary factors that support this rating include:

- The majority of the loans originated by SCB are to borrowers inside its assessment area (AA).
- The distribution of loans reflects reasonable penetration to borrowers of different income levels and businesses of different sizes throughout the AA.
- The geographic distribution of loans reflects excellent dispersion throughout the AA in geographies of different income levels given the bank's product offerings and local economic conditions.
- SCB's quarterly average loan-to-deposit ratio of 56 percent is less than reasonable given the bank's size, financial condition, and assessment of the areas credit needs.

SCOPE OF EXAMINATION

We evaluated SCB using the Small Bank evaluation procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The evaluation period spans from the previous CRA evaluation, dated January 4, 2012, through November 7, 2016. To evaluate the bank's lending performance, we used home mortgage loans and small business loans originated from January 1, 2014, through December 31, 2015.

SCB's primary loan products are home mortgage and commercial loans. SCB reports home mortgage lending data under the requirements of the Home Mortgage Disclosure Act (HMDA). We tested a sample of the bank's HMDA data reported during the evaluation period. The HMDA data was accurate and reliable for use in the evaluation of the home mortgage lending analysis. SCB is not required to maintain income data on commercial loans outside of the individual loan files. Consequently, we sampled loans originated and purchased during the lending test evaluation period and compared them to 2010 census information.

SCB has one AA consisting of nine adjacent counties in the Chicago, Illinois metropolitan area. We conducted a full-scope review of the bank's AA.

DESCRIPTION OF INSTITUTION

SCB is national bank located on the South West side of Chicago, Illinois, with total assets of \$297 million as of September 30, 2016. SCB is a wholly owned subsidiary of the First Business Bancorp Company, a one bank holding company. The holding company does not negatively impact the SCB's ability to meet the credit needs of the community. SCB's main office is located

in the south loop in the Chicago Neighborhood known as the “Near West Side.” SCB also has four full service branch locations in Chicago, IL servicing the Chicago Neighborhoods of Bridgeport, West Loop, West Town, and Chinatown. Additionally, all locations are equipped with cash dispense automated teller machines (ATM). SCB did not open or close any facilities since the previous CRA evaluation.

SCB’s strategy is to meet the financial service needs of the customers in the communities they serve. SCB offers a full range of deposit and loan products and services. There are no financial, legal, or other factors impeding SCB’s ability to help meet the credit needs of the bank’s AA. SCB’s previous CRA rating was “Satisfactory” as detailed in the Performance Evaluation dated January 4, 2012.

SCB is largely a one- to four-family residential real estate lender, and is one of the most significant providers of home improvement financing through the Department of Housing and Urban Development (HUD) and Federal Housing Administration (FHA) Title One Home Improvement Loan Program. These loans are originated in 14 Midwestern states. In addition to the Title One lending, SCB is also a provider of Small Business Administration (SBA) loans in the Chicago metropolitan area and has a preferred SBA lender designation. As of December 31, 2015, the loan portfolio totaled approximately \$90 million. Residential real estate loans were \$46 million, which represented 52 percent of the loan portfolio.

During this evaluation period (2014 and 2015), SCB originated 797 one- to four-family residential mortgage loans totaling \$50.3 million.

Residential loans and commercial loans account for 100 percent of loans originated and purchased from January 1, 2014, through December 31, 2015. We used these two lending products for the analysis of this evaluation. SCB did not originate or purchase any consumer loans during the evaluation period.

Table 1 - Loan Originations by Loan Type from January 1, 2014 through December 31, 2015

Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Residential Loans	\$50,336	47.07%	797	80.67%
Commercial Loans	\$56,610	52.93%	191	19.33%
Consumer Loans	\$0	0%	0	0%
Total Originations	\$106,946	100%	988	100%

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

The loan portfolio composition as of December 31, 2015, is as follows:

Table 2 - Loan Portfolio Summary by Loan Product December 31, 2015

Loan Category	Dollars Outstanding (000s)	% of Outstanding Dollars
Residential Loans	\$40,829	50.25%
Commercial Loans	\$45,474	45.12%
Consumer Loans	\$4,186	4.63%
Total Loans	\$90,489	100%

Source: Call report dated December 31, 2015.

DESCRIPTION OF ASSESSMENT AREAS

SCB's AAs meet the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

SCB has one AA encompassing 2,014 geographies, located in the Chicago-Naperville-Joliet Metropolitan Statistical Area (MSA), the Elgin, IL Metropolitan Division (MD), and the Lake County-Kenosha County IL-WI MD. SCB is an intrastate financial institution with offices serving nine adjacent counties in the Chicago metropolitan area; Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties. SCB has five locations in the Near West Loop, Chicago, Illinois. All of SCB's locations are located within Cook County, IL. Based on the 2010 Census data, the AA included geographies that were designated low-income (12.7 percent), moderate-income (23.1 percent), middle-income (32.5 percent), upper-income (31.4 percent), and six geographies with no income classification (0.4 percent). The AA changed to include the Elgin IL MD. The changes to the AA are the result of revised delineations of the MSA, effective January 1, 2014. For the purpose of this evaluation period, data was analyzed using the 2010 Census data. SCB's AA increased from 1,875 to 2,014 geographies from the prior evaluation dated January 4, 2012, as a result of changes in the 2010 Census data. SCB ranks 59th in deposit market share of the 124 financial institutions within Cook County, IL (location of bank offices), according to the June 30, 2016, Federal Deposit Insurance Corporation (FDIC) Market Share Report.

Local economic conditions have improved since the prior CRA evaluation. Unemployment in the AA is lower than the state average but higher than the national average. In 2015, the Federal Financial Institutions Examination Council (FFIEC) adjusted median family income was \$78,000, and the 2014 FFIEC median family income was \$77,000. According to the 2010 Census data, the median home value was \$291,000, and 30 percent of housing units in the AA were rental units. According to the U.S. Department of Labor, the December 2015 unemployment rate for Cook County was 6.1 percent, compared to 7.5 and 9.7 percent during 2014 and 2013, respectively. The December 2015 unemployment rate for the State of Illinois was 6.1 percent and the national unemployment rate was 5.0 percent. Furthermore, competition in the AA is strong, limiting the opportunities in the AA. Per the 2015 Peer Data Loan Market Share report, SCB ranks 520 of 960 financial institutions in the AA that originated loans during the evaluation period. Despite the limited opportunities in the AA, SCB was able to identify and provide home mortgage loans to low- and moderate-income individuals. Major employers include local school districts, local hospitals, healthcare facilities, city and county government, and retail and hospitality services.

As part of this CRA examination, we referred to a community contact in the AA to help ascertain the credit needs of this AA. The community contact noted that lending needs in the area include affordable housing, consumer and small business loans. Our contact stated the economic conditions in the area are stabilizing, and in some instances are improving. Credit needs in the community are still focused on small business needs and residential real estate. The contact indicated that local banks are responsive to meeting the credit needs of the community through lending, loan modifications, and community support. The contact also indicated that local financial institutions are supportive of the community and meet the credit needs of the area.

The following is demographic information for SCB's AA:

Table 3 - Demographic Information for the South Central Bank, N.A. AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,014	12.66	23.14	32.47	31.38	0.35
Population by Geography	8,586,609	8.75	23.05	34.61	33.55	0.05
Owner-Occupied Housing by Geography	2,090,172	3.76	17.45	38.42	40.37	0.00
Business by Geography	497,239	4.34	15.24	33.37	46.94	0.12
Farms by Geography	9,154	2.41	12.15	44.90	40.53	0.01
Family Distribution by Income Level	2,063,906	22.15	16.81	19.66	41.39	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	804,030	15.27	33.62	34.05	17.06	0.00
Median Family Income		73,487	Median Housing Value		290,513	
FFIEC Adjusted Median Family Income for 2014		76,900	Unemployment Rate (2010 US Census)		5.0%	
FFIEC Adjusted Median Family Income for 2015		78,327				
Households Below Poverty Level		11%				

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2014 and 2015 FFIEC updated MFI

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SCB's quarterly average loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and AA credit needs.

SCB's quarterly loan-to-deposit average compares unfavorably to other similarly situated community banks of similar size, location, and product offerings. SCB ranks lowest of eleven similarly situated financial institutions. The average quarterly loan-to-deposit ratio for eleven similarly situated financial institutions during the review period was 82 percent. These financial institutions are also community banks located in Cook County. These institutions have total assets ranging from \$150 million to \$346 million. SCB's quarterly average loan-to-deposit ratio for the period of January 1, 2012, through June 30, 2016, was 56 percent. During this period, SCB had a quarterly low of 38 percent and a quarterly high of 73 percent. SCB's loan-to-deposit ratio has been trending downward since the prior CRA evaluation to its current level of 38 percent. We attribute this to market competition in SCB's AA as well as economic conditions during the evaluation period. Competition for financial services within the AA is significant and is primarily from several large, regional banks that serve the same communities and have a similar business focus.

Lending in Assessment Area

SCB originated a majority of its loans inside its AA during the evaluation period. Seventy-eight percent of the dollar volume and 50.25 percent of the number of home mortgage and commercial loans originated or purchased in 2014 and 2015 were in the AA. These percentages are reasonable and met CRA performance standards.

The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period:

Table 6 - Lending in the Assessment Area										
Loan Product	Number of Loans					Dollars of Loans \$(000)s				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Loans	394	49.40%	403	50.6%	797	\$38,725	76.90%	\$11,611	23.10%	\$50,336
Commercial	13	100%	0	0%	13	\$2,906	100%	\$0	0%	\$2,906
Total	407	50.25%	403	49.75%	810	\$41,631	78.19%	\$11,611	21.81%	\$53,242

Source: 2014 and 2015 HMDA LAR, and a sample of 13 commercial loans originated from January 1, 2014, to December 31, 2015.

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

SCB's lending reflects reasonable penetration among borrowers of different income levels and businesses of different sizes, given the demographics of the AA. SCB is one of the most significant providers of home improvement financing through the HUD/FHA Title One Home Improvement Loan Program. SCB's home improvement lending accounts for 79 percent of all the home mortgage loan originations by number. Therefore, performance within that portfolio has a greater impact on performance criteria conclusions. Home purchase and refinance lending represents 9 percent and 12 percent, by number, and 3 percent and 49 percent by dollar, respectively.

The borrower distribution among moderate-income families reflects excellent penetration. SCB's performance for both home purchase and home improvement exceeds area demographics. The borrower distribution among low-income borrowers reflects reasonable penetration. While SCB's percentage of loans to low-income borrowers across all three loan types is lower than the demographics, penetration is reasonable given the family poverty rate and high unemployment rate in the AA.

In evaluating the borrower distribution of home mortgage loans we considered the number of households that live below the poverty level, unemployment, and housing prices. The poverty level and the unemployment rates are barriers that have a significantly negative effect on home ownership and credit-worthiness. In 2015, the FFIEC adjusted median family income was \$78,000, the 2014 FFIEC median family income was \$77,000, and the family poverty rate was 11 percent. The area unemployment rate was 6.1 percent (*Bureau of Labor Statistics*), which is above the national average of 5.0 percent during the same timeframe. According to the 2010 Census data, the median home value was \$290,000 and over 30 percent of the housing units were rental units, substantiating the difficulty to obtain home mortgage loans in the AA.

Home Mortgage Loans

Home Purchase Loans

The borrower distribution for home purchase loans is reasonable. Home purchase loans made to low-income borrowers (12.28 percent) were below the percentage of low-income families (22.15 percent) in the MSA AA. Home purchase loans made to moderate-income borrowers (22.81

percent) significantly exceeded the percentage of moderate-income families (16.81 percent). An analysis of market share performance was not meaningful because SCB's overall market share was only 0.02 percent.

Home Improvement Loans

The borrower income distribution of home improvement loans is reasonable. The percentage of home improvement loans to low-income borrowers (10.20 percent) is below the percentage of low-income families (22.15 percent) in the AA. The percentage of home improvement loans to moderate-income borrowers (17.14 percent) exceeds the percentage of moderate-income families of (16.81 percent) in the AA. SCB holds an overall market share of 1.82 percent.

Home Refinance Loans

The borrower distribution of home refinance loans is reasonable. The borrower distribution of home refinance loans to low-income (2.38 percent) and moderate-income borrowers (10.71 percent) is well below the percentage of low-income families (22.15 percent) and moderate-income families (16.81 percent) in the AA. Income constraints made it difficult for low- and moderate-income borrowers in the AA to refinance home loans. SCB holds an overall market share of 0.05 percent.

The following table details the borrower distribution of SCB's home mortgage lending within the AA during the evaluation period:

Table 7 - Borrower Distribution of Residential Real Estate Loans															
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans***	% Families ¹	% BANK Loans**	% Families***	% BANK Loans***	% Families***	% BANK Loans***	Overall	Low	Mod	Mid	Upp
Full Review:															
Home Purchase	58	100.00	22.15	12.28	16.81	22.81	19.66	24.56	41.39	40.35	0.02	0.04	0.02	0.02	0.01
Home Improvement	245	100.00	22.15	10.20	16.81	17.14	19.66	34.69	41.39	37.96	1.82	2.29	1.94	2.69	1.30
Refinance	91	100.00	22.15	2.38	16.81	10.71	19.66	22.62	41.39	64.29	0.05	0.02	0.04	0.04	0.05

* Based on 2015 Peer Mortgage Data -- US and PR

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2010 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 1.7% of loans originated and purchased by bank.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Loans to small businesses are those with gross annual revenues of \$1 million or less.

The distribution of small loans to businesses reflects reasonable penetration among businesses of different sizes. SCB originated 100 percent of their small loans to business in the AA. Of the small loans to businesses originated within the AA, 31 percent of the number and 13 percent of the dollars of small loans to businesses originated within the AA were to businesses with revenues of less than \$1 million. The 2010 Census data, indicates there were fewer businesses in the AA with annual revenues over \$1 million; however, SCB has several customers in the sample with higher annual revenues. SCB's origination of small loans to businesses that have less than \$1 million in gross annual revenues was 72 percent, which was well below the percentage of small businesses within the AA; however, SCB is competing with 216 other lenders in the AA, including several of the largest credit card and national lenders in the U.S. According to the 2015 Peer Small Business Data, the top 25 lenders represent more than 69 percent of the AA loan market share.

The following table shows SCB's distribution of small loans among businesses of different sizes within the AA:

Table 7 - Borrower Distribution of Loans to Businesses of Different Sizes				
Business Revenues	<\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	72%	6%	22%	100%
% of Bank Loans in AA by #	31%	69%	0%	100%
% of Bank Loans in AA by \$	13%	87%	0%	100%

Source: Commercial loan data sampled; and the 2015 Peer Small Business Data – US and PR.

Geographic Distribution of Loans

SCB's geographic distribution of home mortgage loans and loans to businesses of different sizes reflects excellent dispersion in geographies of different income levels. SCB's geographic distribution of loans to businesses of different sizes reflects reasonable dispersion in geographies of different income levels.

Home Mortgage Loans

Home Purchase Loans

Home purchase loans in the low-income geographies significantly exceeds the percentage of owner occupied units in the AA. Home purchase loans made in the moderate-income geographies exceeds the percentage of owner occupied units in the AA.

Home Improvement Loans

Home improvement loans in the low- and moderate-income geographies significantly exceeds the percentage of owner occupied units in the AA.

Home Refinance Loans

Home refinance loans in the low-income geographies significantly exceeds the percentage of owner-occupied units in the AA. Home refinance lending in the moderate-income geographies exceeds the percentage of owner occupied units in the AA.

The following table details the geographic distribution of SCB’s home mortgage lending within the AA during the evaluation period:

Table 8 – Geographic Distribution of Residential Real Estate Loans in AA															
Census Tract Income Level			Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography [*]				
	#	% of Total ^{**}	% Owner Occ Units ^{***}	% BANK Loans ^{**}	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Home Purchase	53	100	3.76	11.32	17.45	18.87	38.42	28.30	40.37	41.51	0.04	0.22	0.08	0.04	0.03
Home Improvement	245	100	3.76	11.43	17.45	40.41	38.42	32.24	40.37	15.92	1.68	5.43	4.57	1.46	0.62
Refinance	91	100	3.76	10.99	17.45	17.58	38.42	21.98	40.37	49.45	0.04	0.22	0.08	0.04	0.03

^{*} Based on 2015 Peer Mortgage Data -- US and PR

^{**} Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

^{***} Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

^{****} Data shown includes only one- to four-family and manufactured housing. (Property type of 1 or 2)

Business Loans

SCB’s geographic distribution of lending to businesses of different sizes in geographies of different income levels meets the standard for satisfactory performance. The percentage of commercial loans originated in the low-income geographies significantly exceeds the level of commercial businesses located in the AA. The percentage of commercial loans originated in the moderate-income geographies is above the level of commercial businesses located in the AA.

The following table details the geographic distribution of SCB’s commercial lending within the AA during the evaluation period:

Table 11 – Geographic Distribution of Loans to Businesses in the AA								
CT 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
Commercial	4.3	23.08	15.2	15.38	33.4	23.08	46.9	38.46

Source: Commercial loan data sampled; 2014 Business Geodemographic Data

Responses to Complaints

SCB did not receive any complaints regarding its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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