



PUBLIC DISCLOSURE

April 23, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Old Second National Bank
Charter Number 4596

37-39 S River Street
Aurora, IL 60506

ADC-CHICAGO (8308) Field Office
Office of the Comptroller of the Currency
2001 Butterfield Road
Downers Grove, IL 60515

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

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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Outstanding**

The following table indicates the performance level of **Old Second National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Community Development (CD) lending had a significantly positive impact on the Lending Test in the MSA AA;
- The bank had an excellent level of qualified CD investments and grants, and exhibited excellent responsiveness to credit and community development needs;
- An excellent level of CD services have been provided by the bank within its AAs;
- A majority of the bank’s lending is inside its assessment areas (AAs);
- The borrower and geographic distribution of home mortgage lending and small business lending within the MSA AA is good; and
- The bank’s branch distribution and other delivery systems are reasonably accessible to geographies and individuals of different income levels within its AAs.

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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

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

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

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

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have

original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

Old Second National Bank (OSNB), a wholly owned subsidiary of Old Second Bancorp, Inc. is a full-service community bank headquartered in Aurora, Illinois. Old Second Bancorp is a one bank holding company, also located in Aurora. OSNB is an intrastate bank with 24 full-service branches and one limited service drive-up facility serving DuPage, Kane, Kendall and portions of Cook, DeKalb, LaSalle, and Will Counties. The banking offices are located in the Chicago-Naperville-Elgin metropolitan statistical area (MSA) and portions of LaSalle County, which is in a non-MSA area. The bank has expanded the number of geographies in its two Assessment Areas (AAs) from 303 at the time of the June 2014 CRA Performance Evaluation (PE) to its current level of 1,541 geographies. The largest addition of census tracts (1,014) occurred subsequent to the bank's acquisition of a branch from Talmer Bank and Trust in October 2016, with the majority of the added geographies located in Cook County. The expanded AAs materially increased the level of low- or moderate-income (LMI) tracts and shifted the overall demographics of the MSA AA. In addition to the Talmer branch acquisition, three branch locations were closed since the prior CRA PE. Two of the branch locations were in middle income geographies and one was in an upper income geography.

OSNB supplements its banking activities with ATMs at each of its 25 branches. Two branches have one additional ATM each, for a total of 27 branch ATMs. The branch ATMs are full-service, and in there are 32 offsite ATMs located throughout the AA with four of the offsite ATMs accepting deposits.

As of December 31, 2017, OSNB reported total assets of \$2.4 billion. The bank has \$1.6 billion in total loans, representing 68 percent of total assets. The bank's loan portfolio consists of \$300 million or 18 percent in residential real estate loans, \$736 million or 45 percent in commercial real estate loans, \$10 million or 1 percent in agricultural loans, \$319 million or 20 percent in commercial and industrial loans, and \$16 million or 1 percent in consumer and other loans. Total deposits as of December 31, 2017 were \$1.9 billion, and tier 1 capital was \$249 million.

OSNB is a full service lender and its product offerings include a wide array of business loans, residential real estate mortgage loans, asset management, and deposit products. OSNB remains committed to working with LMI individuals and families by offering a variety of flexible and innovative LMI lending programs. The bank also funds LMI-affordable multifamily property construction and refinancing, and provides loan programs to support the financing needs of non-profit organizations that provide services to LMI individuals throughout the two AAs.

During the assessment period, the bank's business strategy has shifted from focusing on credit remediation and the retirement of Troubled Asset Relief Program (TARP) funding in 2014 and 2015 to focusing on moderate loan growth and profitability in 2016. Another goal was the expansion of the bank eastward in order to establish a stronger presence in Chicago and Cook County, resulting in the Talmer branch acquisition. Talmer was highly proficient in identifying CD loans and was involved in several of the non-profit organizations throughout Cook County,

which has aided OSNB to establish relationships with those organizations and identify CD opportunities.

There are no financial or legal impediments that affect the bank's ability to provide lending, investments, and services within its AAs. OSNB received a rating of "Satisfactory" in the last CRA evaluation dated July 28, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation assessed the bank's performance under the Lending, Investment, and Service Tests. In evaluating the bank's lending performance, we reviewed OSNB's small loans to businesses and residential mortgage loans subject to filing under the HMDA for the period beginning January 1, 2014, through December 31, 2017. Loans to small farms and consumer loans were not evaluated because these loans represent a very small percentage (2percent) of the bank's total originated and purchased loans.

The evaluation of data was completed using three separate analysis periods due to changes in the bank's AAs as well as changes from the American Community Survey (ACS) which occurred in 2015. Small loans to businesses as well as residential mortgage loans originated in 2014 and 2015 were analyzed based on the bank's 2015 AAs consisting of 307 census tracts in aggregate, using 2010 census data and comparing bank performance to 2015 Peer data. Loan data for 2016 was analyzed based on the bank's 2016 AAs consisting of 1,541 census tracts, using 2010 census data, and comparing bank performance to 2016 aggregate data. Loan data from 2017 was also analyzed using the bank's 2016 AAs, using 2015 ACS data, and comparing bank performance to 2016 aggregate data.

The Investment Test included a review of investments, grants, and donations made in the AAs. We also considered branch distribution, hours of operation, branch openings and closings, alternative delivery systems, retail and commercial loans, deposit products and services, and CD services provided in the bank's AAs. We evaluated OSNB's CD services and retail services, investments, and CD lending for the period beginning July 28, 2014, through December 31, 2017.

Data Integrity

As part of this CRA evaluation, we tested a representative sample of OSNB's publicly filed HMDA and CRA lending data. We reviewed a sample of HMDA- and CRA-reportable transactions to ensure that key fields were accurately completed on the bank's Loan Application Registers (LAR) for the years 2015 and 2016. We relied on HMDA and CRA LAR data integrity testing performed by the bank's internal audit department for years 2014 and 2017. The HMDA and CRA data was found to be accurate and reliable for assessment of the bank's CRA performance.

We also reviewed bank-identified CD loans, investments, and services to verify that the activities met the regulatory definition of CD. We determined that a few of the items did not meet the definition of CD and used corrected lists for our evaluation analysis.

Selection of Areas for Full-Scope Review

OSNB has two AAs serving all or portions of Cook, Du Page, Kane, Kendall, DeKalb, Will and LaSalle Counties. All but one of these counties are located in the Chicago-Naperville-Elgin IL-IN-WI MSA (MSA AA), and LaSalle County is located in a non-MSA area in IL (Non-MSA AA). The MSA AA currently includes 1,530 geographies in all or a portion of Cook, Will, Kendall, DeKalb, DuPage, and Kane Counties. Two hundred seventy geographies are low-income, 402 are moderate-income, 407 are middle-income, 440 are upper-income, and 11 have no designated income level. This AA represents the bank's primary AA, accounting for 98 percent of the bank's deposits and 97 percent of the bank's lending activity. Therefore, we selected this AA for the full-scope review.

We conducted a limited scope review of the non-MSA AA in this evaluation due to the limited number of deposits, branches and ATMS, and transaction volume conducted in this area. The non-MSA AA consists of 11 geographies within LaSalle County, IL. There are no low-income geographies. There is one moderate-income geography within the non-MSA AA, five middle-income and five upper-income geographies.

The geographies that make up the bank's AAs include those where the bank has its main office, branches, ATMs, and the majority of the loans originated or purchased during the evaluation period. The AAs consist of whole geographies. The AAs do not reflect any illegal discrimination and do not arbitrarily exclude any low- or moderate-income geographies.

Refer to *Appendix A* for additional information regarding the AA area receiving a full-scope review.

Ratings

The ratings are primarily based on conclusions in the evaluation of OSNB's performance in the full scope review area.

When determining conclusions for the Lending Test, home mortgage lending was given greater weight than small business loans. This was based on new loan origination reports provided by the bank. The number of home mortgage loans originated during the analysis period exceeded the number of small business loans.

We did not evaluate the bank's home improvement, multifamily, or small farm lending performance due to the low volume of these loan types originated during the evaluation period. Based on the geographic diversity in the bank's AAs, borrower distribution received greater weight in determining the bank's overall lending test rating. We reached conclusions for the home purchase, home refinance, and small business lending for the full scope AA. We then determined whether the limited scope AA's CRA performance was consistent with, stronger, or

weaker than performance for the full scope AA. We also analyzed the bank's performance in the two MDs within the full scope MSA AA to determine if bank performance in either or both of the MDs materially affected bank performance in the aggregate MSA AA.

Deposit market share was determined using the FDIC's annual deposit market share reports. The most recent current data was dated June 30, 2017.

One set of tables is attached to this public evaluation showing the bank's performance in 2017.

Other

Community credit needs of the AA were determined through a review of recent community contacts conducted by other regulatory agencies in conjunction with OCC CRA examinations for neighboring banks in the same AA.

The most commonly identified community credit needs were affordable housing, services to the unbanked and under-banked, and small business development.

For affordable housing, community contacts identified sustainable homeownership and access to homebuyer education/counseling as a specific need. Community contacts also highlighted opportunities related to the unbanked and underbanked in the form of smaller dollar loan programs, cost effective money orders, and check-cashing. Additionally, community contacts noted the need for more awareness of predatory loan products and clearer disclosures on loan documentation.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Area Receiving Full-Scope Review

The bank's performance under the lending test is rated Outstanding. Based on our review, the bank's performance in the Chicago-Naperville-Elgin IL-IN-WI MSA (MSA AA) is excellent.

Lending Activity

Refer to Tables 1 Lending Volume in *Appendix C* for the facts and data used to evaluate the bank's lending activity.

Overall lending activity in the MSA AA is excellent. Lending levels reflect good responsiveness to meeting the credit needs in the AA, given the bank's deposit mix and business strategy. Community development lending had a significantly positive impact on the bank's performance. We gave consideration to the fact that in 2016, after already adding 220 geographies to their MSA AA in August, the bank purchased a branch from Talmer Bank and Trust Company in Chicago. As a result, OSNB again expanded its MSA AA by 1,014 census tracts, primarily in Cook County. The addition of these 1,234 census tracts included 229 additional low-income census tracts and 338 additional moderate-income census tracts where the bank had no previous presence.

The bank's deposit market share within the MSA AA as of June 30, 2017 was 0.54 percent. In 2016 for residential lending, the bank ranked 41st among 838 lenders in the MSA AA with a 0.48 percent market share. The bank ranked 53rd out of 700 lenders for a market share of 0.37 percent for residential purchase lending and ranked 33rd out of 682 lenders for a market share of 0.59 percent for residential refinance lending. For small business loans, the bank ranked 32nd among 210 lenders with a 0.29 percent market share.

Home improvement lending, multifamily lending or small farm lending was not included in borrower or geographic distribution analysis due to the small volume of loans.

Distribution of Loans by Income Level of the Geography

Overall, the geographic distribution of the bank's lending is good and reflects good penetration throughout the AA.

Home Mortgage Loans

Refer to Tables 2, 3, and 4 in the MSA AA, and non-MSA AA section of *Appendix C* for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The overall geographic distribution of home mortgage loans is good in the full-scope AA.

One of the primary factors considered in evaluating the bank's mortgage lending performance in its AAs was the percentage of owner-occupied housing units (OOHUs) located in each AA. According to the 2010 Census and the 2015 MSA AA, 1.14 percent of the AA OOHUs were within the bank's low-income geographies. This percentage increased to 6.00 percent based on the expanded 2016 AA and the 2015 American Community Survey. Fifteen percent of the MSA OOHUs were in moderate-income geographies under the old AA and 2010 census. This number increased to 20.83 percent based on the current AA and 2015 American Community Survey.

According to the 2010 Census, there were no OOHUs in low- or moderate-income geographies in the bank's non-MSA AA in LaSalle County, Illinois. Based on the current expanded AA and the 2015 American Community Survey, there are still no low-income census tracts in the AA and there is 1 moderate-income census tract with 3.30 percent OOHUs in the moderate-income census tracts. There was no aggregate lending data for low- or moderate-income census tracts, so geographic analysis was not performed as it was not considered meaningful.

For our analysis, home refinance loans carried the most weight as the majority of home mortgage lending was for this purpose.

Home purchase Lending - 2017

The geographic distribution of home purchase loans in the MSA AA reflects excellent penetration throughout the AA. The percentage of home purchase loan originations or purchases in low-income census tracts is below the percentage of OOHUs in low-income geographies; however, opportunities are limited with only six percent of the OOHUS in the AA located in low-income CTs. Additionally, a majority of the low-income CTs within the MSA AA are located in Cook County. Prior to 2016 the bank had only one branch in south Cook County, and another Cook County branch was added in 2016. Despite this, the percentage of bank lending in low-income census tracts is near to the percentage of aggregate lending in low-income geographies. The percentage of home purchase loans originated or purchased by the bank in moderate-income geographies is near to the percentage of OOHUs, and exceeds the aggregate percentage of home purchase loans originated in moderate-income geographies.

Home Refinance Lending - 2017

The geographic distribution of home refinance lending in the MSA AA reflects adequate penetration throughout the AA. The percentage of 2017 bank home refinance loan originations and purchases in low-income census tracts is significantly below the percentage of OOHUs and bank lending is below the aggregate lending percentage in low-income census tracts. Bank lending in moderate-income census tracts is also below the percentage of OOHUs; however, it exceeds the aggregate lending percentage in moderate-income census tracts.

Small Business Lending - 2017

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small business loans in the MSA AA reflects excellent penetration throughout the AA. The percentage of 2017 bank small business loan originations

or purchases in low-income census tracts is near to the percentage of businesses in low-income census tracts and exceeds the aggregate percentage of lending in low-income census tracts. The percentage of bank loan originations or purchases in moderate-income census tracts exceeds both the percentage of businesses as well as the aggregate percentage of lending in moderate-income census tracts.

Lending Gap Analysis

Maps and reports detailing OSNB's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Inside/Outside Ratio

A majority of home mortgage loans and small loans to businesses originated or purchased by OSNB over the evaluation period were made in the AA. An adequate percentage of the bank's home mortgage loans (79.79 percent) and small loans to businesses (82.30 percent) are within OSNB's AA. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geographies.

Distribution of Loans by Income Level of the Borrower

Overall, the borrower distribution of the bank's lending is good and reflects good penetration throughout the AA.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in the MSA AA, and non-MSA sections of *Appendix C* for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations/ purchases. Home improvement lending was not included in our analysis due to the low volume of activity.

Home Purchase Lending - 2017

The borrower distribution for home purchase loans is excellent. Home purchase loans originated or purchased to low-income borrowers is lower than the percentage of low-income families in the MSA AA, however the median housing values in the MSA AA make homeownership affordability difficult for low-income families. The maximum income level for low-income families is \$39,000 making the median housing value six times their income. Refer to the AA market profile table in Appendix B for additional details. Despite this, the bank's performance exceeded the percentage of aggregate lending to low-income borrowers. Home purchase loans originated or purchased to moderate-income borrowers exceeded the percentage of moderate-income families in the MSA AA as well as exceeding aggregate lending to moderate-income borrowers.

Home Refinance Lending - 2017

The borrower distribution of home refinance loans is good. Home refinance loan originations or purchases to low-income borrowers is well below the percentage of low-income families in the MSA AA) however the bank's performance greatly exceeds the aggregate percentage of

lending to low-income borrowers. Bank loan originations or purchases to moderate-income borrowers approximates the percentage of moderate-income families in the AA and exceeds aggregate lending to moderate-income borrowers.

Small Business Lending - 2017

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

Bank small business lending performance is good. The percentage of small business loans originated or purchased by the bank in 2017 to small businesses (those with annual revenues of \$1 million or less) is well below the percentage of small businesses within the MSA AA, however the bank's performance has been adversely affected by its 2016 entrance into a much wider Cook County market than it experienced in previous years. Despite this, the bank's percentage of lending to small businesses within the MSA AA greatly exceeds the aggregate percentage of loans made to small businesses. Also, of those small business loans originated or purchased by the bank within the MSA AA, 61 percent amount to \$250,000 or less. This demonstrates the bank's intent to extend credit to very small businesses.

Bank performance for years 2014-2015 and 2016

Bank mortgage lending performance in 2014 through 2015 under the old AA was consistent with bank performance in 2017. In 2016, under the current expanded AA both borrower and geographic lending distribution was weaker than bank performance in 2017. Bank performance in 2016 was only adequate compared to good bank performance in 2017. Bank small business lending performance in years 2014 through 2015 was comparable to the bank's performance in 2017. In year 2016, small business lending was weaker than bank performance in 2017.

Bank performance in 2017 by Metropolitan Divisions (MDs) 20994 and 16974

Analysis of bank lending in each of the two MDs that make up the MSA AA shows that bank performance in MD 20994, which made up the majority of the bank's 2014-2015 MSA AA was stronger than its performance in MD 16974. MD 16974 includes Cook County and a majority of the new census tracts added by the bank to make up its current AA. This is consistent with the fact that the bank was new to much of the Cook County market and the fact that the only bank branch in the City of Chicago was purchased from a bank that did not focus on residential or small business lending.

Community Development Lending

Refer to Table 1 Lending Volume in *Appendix C* for the facts and data used to evaluate the bank's level of community development lending.

OSNB is a leader in making CD loans within the AA, which had a significantly positive impact on the Lending Test rating. OSNB made a very high level of CD loans during the evaluation period, originating and/or renewing loans totaling \$82.8 million, which represents 33.3 percent of the bank's tier 1 capital (\$249 million) as of December 31, 2017. The CD loans originated by OSNB demonstrated responsiveness to needs identified by community contacts, particularly in

regard to the provision of affordable LMI housing. The \$82.8 million of CD loans consisted of 27 new originations totaling \$62 million and 18 renewals totaling \$20.8 million. This is a significant increase from \$19 million in CD loans, which represented 9 percent of the bank's tier 1 capital as of June 30, 2014 for the prior assessment period. The CD loans for this assessment period include affordable housing loans (36 percent), loans to fund community services benefitting LMI individuals (19 percent), loans for stabilization/revitalization of LMI communities (23 percent) and loans to promote economic development (22 percent).

Some specific examples of the CD loans originated during this evaluation period include the following:

- OSNB loaned \$13.3 million to private investors to finance the purchase and re-development of three previously unutilized parcels in a predominantly LMI area. The project will bring two large retail businesses as well as several smaller retailers that will provide services and job opportunities to local residents. The project is eligible for Cook County's Class 8 tax incentive, which is awarded to projects that revitalize land parcels that have been unused for more than 24 continuous months and require substantial rehabilitation.
- OSNB loaned \$8 million to private investors to finance the purchase of a 156 unit multi-family property in Cook County. The loan will support affordable housing for LMI individuals. Current annual rents are 16.2 percent of the census tract's median family income, which are well below the 30 percent maximum allowable income for affordable housing.
- OSNB loaned \$2.9 million to private investors to finance the purchase of seven multi-family properties in the AA. The properties contain 74 units of affordable housing for LMI families. All units have rental rates below the DeKalb County fair market rent.
- OSNB loaned \$2.4 million to a non-profit organization to finance the construction of a 10,340 square foot healthcare facility. The organization provides health care services to LMI families in the Aurora and Elgin areas. The organization is centrally located in downtown Aurora that allows it to service the greater part of low income and uninsured residents.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test conclusions. Examples of innovative or flexible products include the following:

OSNB offers an innovative Escrow Advance program for borrowers who do not have sufficient escrow funds to close on their mortgage loans. The bank made 190 escrow advances totaling \$627,000 during the performance period.

OSNB also offers a flexible Foreclosure Avoidance program. The objective of this program is to provide affordable, sustainable, long-term relief through loan refinancing, restructures, or modifications, to homeowners who are facing foreclosure on their primary residences. OSNB provided \$1.0 million to 30 homeowners in the AA through foreclosure prevention programs.

OSNB is a participating lender in flexible Illinois Housing Development Authority (IHDA) loan programs. These loan programs provide down payment assistance and affordable loan terms to eligible LMI and first time homebuyers. The I-Refi Program allows eligible LMI homeowners the opportunity to refinance despite a decline in home prices. OSNB made approximately 182 IHDA loans totaling \$22.3 million during the performance period.

Conclusions for Area Receiving Limited-Scope Review

Based on the limited-scope review, the bank's performance under the Lending Test for CD Lending in the non-MSA AA is weaker than the bank's performance in the MSA AA. There was no geographic distribution analysis as there are no low-income and only one moderate-income census tracts in the limited-scope AA. Based on borrower distribution, the bank's performance in the limited-scope AA was adequate for mortgage lending, making it weaker than in the full-scope AA. Performance was excellent for small business lending making it stronger than performance in the full-scope AA. Additionally, no CD loans were made in the non-MSA AA.

INVESTMENT TEST

Conclusions for Area Receiving Full-Scope Review

Based on a full scope review, the bank's performance in the MSA AA is outstanding.

Refer to Table 14 in *Appendix C* for the facts and data used to evaluate the bank's level of qualified investments.

The bank's responsiveness to the CD needs in the AA is excellent. The bank has exhibited responsiveness through the types of investments it has made and by identifying the needs these investments address. For our review, we focused on the volume and types of investments and grants made by the bank relative to the CD opportunities in the AA. Information gathered from bank management, performance evaluations of similarly situated local financial institutions, and community contacts indicated that there are several investment opportunities in the AA. The investment opportunities include affordable housing initiatives, small business opportunities, and opportunities to invest in loan pools. Although there are investment opportunities in the AA, the bank must compete with many larger regional and national financial institutions for these opportunities.

Qualifying Investments

Total bank CD current and prior period investments in the MSA AA held by the bank during the evaluation period totaled \$26.4 million, which represents 10.6 percent of the tier 1 capital. The bank's qualified investments were to purchase eligible loan pools that focus on affordable housing in the bank's AA, which is a recognized need in the AA, and to support school districts that have a majority of LMI students. The level of CD investments held during this evaluation

period increased significantly from the prior evaluation period when the bank made investments in the AA of \$4.3 million, which was 1.89 percent of tier 1 capital.

Qualifying Grants/Donations

OSNB supported many different community organizations with contributions totaling \$122,407. The level of donations made by the bank reflects the bank's willingness to work with a variety of organizations in the AA to assist various CD needs. Some of the more significant donations made during this evaluation period are as follows:

- OSNB made approximately \$23,700 in donations to a community service organization that provides health-care to LMI individuals.
- OSNB gave approximately \$12,450 in donations to area food pantries.
- OSNB donated \$15,000 to a public/private economic development partnership that promotes economic development and revitalization in Aurora, Illinois.
- OSNB donated \$10,000 to a not-for-profit organization that partners with other community organizations to provide affordable housing.

Conclusions for Area Receiving Limited-Scope Review

Based on limited-scope reviews, the bank's performance under the Investment Test in the non-MSA AA is weaker than the bank's performance in the MSA AA. The bank made no CD investments or donations in the non-MSA AA.

SERVICE TEST

Conclusions for Area Receiving Full-Scope Review

OSNB performance under the Service Test is rated High Satisfactory. Based on the full-scope review, the bank's performance in the MSA AA is good.

Retail Banking Services

Refer to Table 15 in *Appendix C* for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Accessibility to the bank's retail delivery systems in the AA is adequate. In the MSA AA the bank operates 24 full service branches and one limited service drive-up facility. Of these, one is in a low-income census tract, four are in moderate-income census tracts, nine are located in middle-income census tracts, and ten are located in upper-income census tracts. Bank branch distribution in the MSA AA is excellent in the 20994 MD, made up of Kane and DeKalb Counties. Of its 24 branch locations in the MSA AA, 14 are located in this MD. The number of

branches in the 20994 MD in low-income census tracts exceeds the population percentage while the number of branches in moderate-income census tracts is near to the population percentage. The bank's performance is weaker in the 16974 MD, which is made up of Cook, DuPage, Kendall, and Will Counties. The bank has nine full service and one drive up branch location in this MD, with none in low- or moderate-income census tracts. However, mapping of the bank's branch locations showed that there are three branch locations that are in close proximity to low- or moderate-income census tracts. Mapping also showed that in the 16974 MD portion of the MSA AA, the area is saturated with banking locations accessible to a vast majority of LMI geographies.

OSNB's banking services and business hours do not vary in a way that inconveniences geographies of the AA, particularly LMI individuals; extended banking hours are available at all locations. Branches are open until 7 pm on weekdays and 1 pm on Saturdays. OSNB offers a comprehensive line of retail banking services and specifically targets LMI individuals with services such as free checking, holiday cash accounts, credit products, and passbook savings accounts. Multi-lingual services are available.

The distribution of ATMs is good. The bank has 27 branch ATMs and 32 offsite ATM locations in the AA. OSNB has 15 ATMs located in moderate income areas and provides reasonable accessibility to the percentage of the moderate-income population within those geographies. Five ATMs are in low-income areas. These ATMs service the low-income population within the assessment area (11.16 percent) adequately. OSNB allows unlimited free ATM transactions to bank customers. Other alternative delivery systems include telephone banking, mobile banking, Internet banking, and on-line bill pay. The bank does not monitor the usage of these alternative delivery services by LMI individuals.

Community Development Services

OSNB's provides an excellent level of CD services.

Bank employees are involved in several CD activities within the AA, often in leadership positions. During the review period, 51 bank employees provided 1,550 hours in CD services to the communities that OSNB serves. OSNB provided qualified CD services to 37 organizations that provide LMI individuals with affordable housing, home repairs, food assistance, health care assistance, financial education, and tax preparation. Bank employees provided services that include serving as board members, committee members, treasurers, advisors, and mentors for these community development organizations.

Major highlights of CD service activities in the AA during the evaluation period include:

- An OSNB officer serves as a board member for an organization that provides affordable housing to individuals in the bank's AA. Providing housing assistance to LMI individuals and families is the primary focus of the organization.
- A second OSNB officer serves as a board member and treasurer for an organization that provides LMI homeowners in Aurora with critical home repairs, home safety modifications, and energy efficiency upgrades.

- Another OSNB officer serves as a board member and committee chair for an organization that provides LMI families with access to food. The organization operates a food pantry that serves over 350 families in the area each month.
- An additional OSNB officer serves as a board member and treasurer for an organization that provides personal counseling services to individuals and families. The services provided are free and available to LMI households in the area.

Conclusions for Area Receiving a Limited-Scope Review

Based on the limited-scope review, OSNB performance under the Service Test in the non-MSA AA is weaker than the bank's performance in the full scope AA. Community Development service performance is poor in this AA as compared to the full scope AA, with limited activity.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test (excludes CD Loans): 01/01/2014 to 12/31/2017 Investment and Service Tests and CD Loans: 08/01/2014 to 12/31/2017	
Financial Institution	Products Reviewed	
Old Second National Bank (OSNB) Aurora, Illinois	Home Mortgage Loans, Small Business Loans, Community Development Loans, and Community Development Investments	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Chicago-Naperville-Elgin IL-IN-WI MSA Counties of Cook, DuPage, DeKalb, Kendall, Kane, and Will	Full Scope	
Non-MSA – LaSalle County	Limited Scope	

Appendix B: Community Profile for Full-Scope Area

The full-scope area is comprised of a portion of the Chicago-Naperville-Elgin, IL-IN-WI MSA. The assessment area includes all of DuPage, Kane, Kendall Counties, and parts of Cook, DeKalb, Will, and LaSalle Counties.

2017 Chicago-Naperville-Elgin, IL-IN-WI MSA

Demographic Information for Full-Scope Area: 2017 Chicago-Naperville-Elgin, IL-IN-WI MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,530	17.65	26.27	26.60	28.76	0.72
Population by Geography	6,265,486	11.24	26.58	32.77	29.41	0.00
Owner-Occupied Housing by Geography	1,387,100	6.00	20.83	33.39	36.66	0.13
Businesses by Geography	332,459	6.61	16.78	28.69	47.32	.61
Farms by Geography	5,036	4.35	16.58	37.85	41.16	0.06
Family Distribution by Income Level	1,459,402	25.64	16.61	18.36	39.39	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	616,631	21.59	35.60	27.15	15.44	0.00
Median Family Income	\$78,826			Median Housing Value = \$235,660		
FFIEC Adjusted Median Family Income 2016	\$77,955			Unemployment Rate = 6.92%		
Households Below the Poverty Level	14.48%					

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

Source: 2015 American Community Survey, and 2016 FFIEC updated MFI.

2015 Chicago-Naperville-Elgin, IL-IN-WI MSA

Demographic Information for Full-Scope Area: 2015 Chicago-Naperville-Elgin, IL-IN-WI MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	296	4.73	21.28	38.51	35.47	0.00
Population by Geography	1,574,718	3.26	18.63	37.98	41.03	0.00
Owner-Occupied Housing by Geography	416,051	1.14	15.00	39.76	44.09	0.00
Businesses by Geography	82,835	1.66	14.07	37.72	46.55	0.00
Farms by Geography	2,367	1.39	11.28	49.72	37.60	0.00
Family Distribution by Income Level	389,966	16.64	15.81	20.95	46.59	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	126,565	5.41	31.80	40.44	22.36	0.00
Median Family Income	= \$85,744			Median Housing Value = \$247,050		
HUD Adjusted Median Family Income for 2015	= \$77,086			Unemployment Rate = 5.54%		
Households Below the Poverty Level	= 41,001					

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

Source: 2010 U.S. Census, and 2015 FFIEC updated MFI.

OSNB is headquartered in Aurora, Illinois, which is within the Chicago/Naperville/Elgin IL-WI-IN MSA. The bank has two AAs. The largest AA (MSA AA) consists of 1,530 geographies in Cook, DuPage, DeKalb, Kendall, Kane, and Will Counties, Illinois. There are 270 low-income geographies in the AA, 402 moderate-income geographies, 407 middle-income geographies, and 440 upper-income geographies and 11 geographies with no designated income level for the AA. The second AA consists of 11 geographies located in LaSalle County which is in a non-MSA area. Both AAs meet the requirements of the Community Reinvestment Act, and do not arbitrarily exclude low- or moderate-income areas.

As of June 30, 2017, the FDIC Deposit Market Share report showed that OSNB's deposits in the MSA AA totaled \$1.8 million. OSNB ranked 21st out of 157 financial institutions with deposits in the MSA AA, with a market share of .54 percent. Major competitors for deposits within the bank's market area include BMO Harris, N.A., JP Morgan Chase Bank, N.A., Bank of America, N.A., Northern Trust Company and CityBank, N.A.

During the assessment period the bank's business strategy has shifted from focusing on credit remediation and the retirement of TARP funding in 2014 and 2015 to focusing on moderate loan growth and profitability in 2016. Another goal was the expansion of the bank eastward in order to establish a stronger presence in Chicago and Cook County, resulting in the Talmer branch acquisition.

The updated Federal Financial Institutions Examination Council (FFEIC) 2017 median family income for the MSA AA was \$77,955. A breakdown of family income levels within the AA showed that 28.64 percent were low-income, 16.61 percent were moderate-income, 18.36 percent were middle-income, and 39.39 percent were upper-income. Fourteen percent of the households within the MSA AA have incomes below the poverty level.

Of the 2.5 million housing units within the MSA AA, 1.8 million (71.92 percent) are one- to four-family housing units. Fifty-five percent of the housing units are owner occupied and 27 percent are multifamily units. The median housing value within the AA based on 2015 American Community Survey census data is \$235,660.

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

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

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and percent Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As __.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and

purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area (2017):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
OSNB 2016 MSA AA	96.97	784	161,431	501	135,551	28	5,942	45	82,800	1,313	302,924	94.82
Limited Review:												
OSNB 2016 Non-MSA AA	3.03	35	4,281	6	1,532	0	0	0	0	41	5,813	2.60

* Loan Data as of December 31, 2017. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2017 to December 31, 2017.

*** Deposit Data as of June 30, 2017. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: OSNB AAS						Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area (2017):	% of Rated Area Loans (#) in MA/AA *	Total Optional Loans		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:														
OSNB 2016 MSA AA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	3.61
Limited Review:														
OSNB 2016 Non-MSA AA	0.00	0	0	0	0	0	0	0	0	0	0	0	0	96.39

* Loan Data as of December 31, 2017. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is from January 01, 2017 to December 31, 2017.

*** Deposit Data as of June 30, 2017. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Other Products

LENDING VOLUME		Geography: OSNB AAS		Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017	
Assessment Area (2017):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
OSNB 2016 MSA AA	0	0	0	0	
Limited Review:					
OSNB 2016 Non-MSA AA	0	0	0	0	

* The evaluation period for Optional Product Line(s) is from January 01, 2017 to December 31, 2017.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: OSNB AAS						Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	403	96.88	6.01	2.98	20.86	17.62	33.43	40.69	39.71	38.71	3.45	16.43	37.20	42.92
Limited Review:														
OSNB 2016 Non-MSA AA	13	3.13	0.00	0.00	3.30	0.00	46.52	30.77	50.18	69.23	0.00	0.00	39.51	60.49

* Based on 2016 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 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 2015 ACS Census information.

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

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				Aggregate HMDA Lending (%) by Tract Income*			
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low	Mod	Mid	Upp
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans				
Full Review:														
OSNB 2016 MSA AA	22	81.48	6.01	0.00	20.86	18.18	33.43	50.00	39.71	31.82	4.14	17.04	34.62	44.20
Limited Review:														
OSNB 2016 Non-MSA AA	5	18.52	0.00	0.00	3.30	0.00	46.52	20.00	50.18	80.00	0.00	0.00	24.59	75.41

* Based on 2016 Peer Mortgage Data -- US and PR

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement 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 2015 ACS Census information.

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

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				Aggregate HMDA Lending (%) by Tract Income*			
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies					
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	355	95.43	6.01	0.56	20.86	14.65	33.43	36.62	39.71	48.17	2.86	12.39	32.58	52.17
Limited Review:														
OSNB 2016 Non-MSA AA	17	4.57	0.00	0.00	3.30	5.88	46.52	35.29	50.18	58.82	0.00	0.00	33.72	66.28

* Based on 2016 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 2015 ACS Census information.

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

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: OSNB AAS						Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units**	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	4	100.00	14.88	0.00	21.45	0.00	25.07	50.00	38.59	50.00	16.28	30.24	31.75	21.72
Limited Review:														
OSNB 2016 Non-MSA AA	0	0.00	0.00	0.00	24.72	0.00	31.24	0.00	44.05	0.00	0.00	0.00	100.00	0.00

* Based on 2016 Peer Mortgage Data -- US and PR

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multi family housing units in the area based on 2015 ACS Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*			
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses**	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	500	98.81	6.61	5.00	16.78	17.00	28.69	39.60	47.32	38.40	3.66	15.57	33.25	47.52
Limited Review:														
OSNB 2016 Non-MSA AA	6	1.19	0.00	0.00	16.77	16.67	43.73	16.67	39.50	66.67	0.00	0.00	69.65	30.35

* Based on 2016 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2017).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS			Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				Aggregate Lending (%) by Tract Income *			
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low	Mod	Mid	Upp
	#	% of Total **	% of Farms * **	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans				
Full Review:														
OSNB 2016 MSA AA	28	100.00	4.35	0.00	16.58	0.00	37.85	67.86	41.16	32.14	0.99	6.58	63.82	28.62
Limited Review:														
OSNB 2016 Non-MSA AA	0	0.00	0.00	0.00	1.50	0.00	46.00	0.00	52.50	0.00	0.00	0.00	67.14	32.86

* Based on 2016 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2017).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: OSNB AAS						Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data *			
	#	% of Total **	% Families ***	% BANK Loans ****	% Families ¹	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	403	96.88	25.64	17.29	16.61	25.31	18.36	21.80	39.39	35.59	7.65	21.08	25.61	45.66
Limited Review:														
OSNB 2016 Non-MSA AA	13	3.13	15.94	0.00	16.92	30.77	18.85	30.77	48.29	38.46	3.77	17.50	29.16	49.57

* Based on 2016 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 2015 ACS Census information.

**** As a percentage of loans with borrower income information available. No information was available for 1.0% 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)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: OSNB AAS						Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017						
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data *			
	#	% of Total *	% Families *	% BANK Loans ****	% Families ²	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	22	81.48	25.64	25.00	16.61	35.00	18.36	25.00	39.39	15.00	6.24	13.94	23.49	56.33
Limited Review:														
OSNB 2016 Non-MSA AA	5	18.52	15.94	0.00	16.92	20.00	18.85	40.00	48.29	40.00	5.08	18.64	32.20	44.07

* Based on 2016 Peer Mortgage Data -- US and PR

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

*** Percentage of Families is based on the 2015 ACS Census information.

**** As a percentage of loans with borrower income information available. No information was available for 7.4% of loans originated and purchased by BANK.

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

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: OSNB AAS								Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data [*]			
	#	% of Total [*]	% Families ^{***}	% BANK Loans ^{****}	% Families ³	% BANK Loans ^{****}	% Families ^{**}	% BANK Loans ^{****}	% Families ^{**}	% BANK Loans ^{****}	Low	Mod	Mid	Upp
Full Review:														
OSNB 2016 MSA AA	355	95.43	25.64	10.20	16.61	16.03	18.36	27.70	39.39	46.06	4.75	11.23	21.63	62.39
Limited Review:														
OSNB 2016 Non-MSA AA	17	4.57	15.94	6.25	16.92	6.25	18.85	31.25	48.29	56.25	3.97	13.25	23.84	58.94

^{*} Based on 2016 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 Families is based on the 2015 ACS Census information.

^{****} As a percentage of loans with borrower income information available. No information was available for 3.5% of loans originated and purchased by BANK.

³ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: OSNB AAS			Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data *	
	#	% of Total **	% of Businesses ***	% BANK Loans ****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
OSNB 2016 MSA AA	501	98.82	80.19	40.92	34.73	26.55	38.72	190,216	74,623
Limited Review:									
OSNB 2016 Non-MSA AA	6	1.18	78.22	66.67	16.67	50.00	33.33	1,229	530

* Based on 2016 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2017).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 6.11% of small loans to businesses originated and purchased by the bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: OSNB AAS			Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Aggregate Lending Data *	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
Full Review:									
OSNB 2016 MSA AA	28	100.00	93.03	89.29	39.29	28.57	32.14	615	296
Limited Review:									
OSNB 2016 Non-MSA AA	0	0.00	97.50	0.00	0.00	0.00	0.00	280	201

* Based on 2016 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2017).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017			
Assessment Area:	Prior Period Investments *		Current Period Investments		Total Investments			Unfunded Commitments **	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
OSNB 2016 MSA AA	5	4,610	100	21,838	105	26,448	100.00	0	0
Limited Review:									
OSNB 2016 Non-MSA AA	0	0	0	0	0	0	0.00	0	0

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: OSNB AA Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017																	
Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
OSNB 2016 MSA AA	97.33	24	96.00	4.17	16.67	37.50	41.67	1	4	0	0	- 3	0	12.96	26.15	29.08	31.51
Limited Review:																	
OSNB 2016 Non-MSA AA	2.67	1	4.00	0.00	0.00	0.00	100.00	0	0	0	0	0	0	0.00	4.84	50.94	44.22

Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH and ATM DELIVERY SYSTEM				Geography: OSNB AAS				Evaluation Period: JANUARY 1, 2017 TO DECEMBER 31, 2017									
Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of BANK Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				# of Bank ATMs	# of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
OSNB 2016 MSA AA	97.33	24	96.00	4	17	38	42	55	98.21	5	15	20	15	12.96	26.15	29.08	31.51
Limited Review:																	
OSNB 2016 Non-MSA AA	2.67	1	4.00	0	0	0	100	1	1.79	0	0	0	1	0.00	4.84	50.94	44.22