



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

January 3, 2008

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

National Bank  
Charter Number 14510

212 South Main Street  
Hillsboro, IL 62049

Comptroller of the Currency  
St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

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.**

All the lending performance criteria meet the standards for a satisfactory rating. The major factors that support this rating are:

- The distribution of loans to individuals of different income levels and to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration within the census tracts (CTs) in the assessment areas (AAs).
- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of the loans originated during this evaluation period are to customers from within the AAs.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses National Bank's record of meeting the credit needs of the communities in which it operates. We evaluated National Bank under the Small Bank performance criteria.

- The evaluation period covers small business and mortgage loans originated or purchased from January 1, 2005 through August 31, 2007.
- We performed a full-scope review in each of National Bank's AAs.

## **DESCRIPTION OF INSTITUTION**

National Bank is a \$190 million intrastate bank headquartered in Hillsboro, Illinois. The bank is owned by Country Bancorp, Inc., a one-bank holding company. The bank has ten offices within the State of Illinois. During the rating period, National Bank sold four branches in the towns of Carlyle, Livingston, Mt. Clare, and Mt. Olive. The Mt. Clare and Mt. Olive branches were located in moderate-income CTs. The branches were purchased by another bank and remain open.

The bank has designated two AAs: One is a non-Metropolitan Statistical Area (non-MSA) in Illinois comprised of Montgomery County, Effingham County, and portions of Christian, Shelby and Fayette Counties; and the other is a portion of the St. Louis MSA in Illinois. Both AAs are described in detail below. The bank provides its customers with a full range of banking products and services.

The bank's lending focus is on small businesses and residential lending. As of June 30, 2007, the bank's loan-to-deposit ratio was 72% and Tier 1 Capital totaled \$19 million. Loans as a percent of average assets were 63%. The loan portfolio is comprised of commercial (42%), 1-4 family residential (23%), agricultural (26%), individual (2%), and other (7%) loans. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves. National Bank was rated "Satisfactory" at its most recent CRA examination, dated May 7, 2001.

## **DESCRIPTION OF THE NON-MSA AA**

The non-MSA AA includes all of Montgomery and Effingham Counties. It also includes the southeast portion of Christian County containing CTs 9587, 9588, and 9589; the eastern portion of Shelby County containing CT 9592; and all of Fayette County except middle-income CT 9505. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. As of June 30, 2006, National Bank's deposits in the AA totaled \$91 million.

The median family income according to 2000 Census data is \$43,531. Based on this figure, the AA has three moderate-income CTs (11%), twenty-two middle-income CTs (85%), and one upper-income CT (4%). There are no low-income CTs in the AA. Based on 2000 Census data, 12% of the households in this AA live below the poverty level.

Based on the 2007 HUD Updated Median Family Income of \$50,600, 18% of families are low-income, 21% are moderate-income, 25% are middle-income, and 36% are upper-income.

The majority of the housing within the AA is owner-occupied (71%), and the median housing value is \$66,037. One-to-four family homes account for 95% of the local housing stock, with multifamily homes accounting for the remaining 5%. Eleven percent of the units are mobile homes. Owner-occupied housing data shows that 8% of the units are in the moderate-income CTs, 88% are in the middle-income CTs, and 4% are in the upper-income CTs.

Small businesses are a large segment of the local economy. There are 6,735 businesses in this AA. Businesses with less than \$1 million in annual revenue (3,761) account for 56% of the total businesses in the AA. Businesses that report revenue greater than \$1 million (334) account for 5% of the total, and the remaining 39% have unknown revenues. Of the businesses in this AA, 630 (9%) are located in the moderate-income CTs, 5,856 (87%) are located in the middle-income CTs, and 249 (4%) are located in the upper-income CTs.

Competitive pressures are strong with 47 different financial institutions operating in the AA; four are large bank branches, one bank has a regional presence, and forty-two are small community banks.

According to statistics compiled by the Illinois Department of Economic Development,

the area's economy is generally comparable to the state's economy as a whole. As of July 2007, the unemployment rate for the AA ranged from 4.2% in Effingham County to 6.3% in Fayette County, compared to 5.4% for the State of Illinois and 4.9% for the nation. Some areas are enjoying prosperity from growth in numerous small manufacturing and light industry companies, while other areas remain stable. The welfare of the AA depends upon the economic health of both these small companies and local agricultural production. The area does enjoy a wide variety of employers. Major employers include the Hillsboro Community Unit School District, St. Francis Hospital, Hydraulics Inc., Schutt Manufacturing, Tru-Weld Grating, Inc., Central Illinois Power Company, Graham Correctional Center, and the Georgia Pacific corrugated box plant.

We conducted two community contacts with local organizations to better understand the AA's credit needs. These organizations provide a variety of services to low- and moderate-income residents. Affordable housing and assistance with closing costs/down payments for low- and moderate-income individuals, as well as low interest loans for local development projects were identified as primary credit needs.

## **DESCRIPTION OF ST. LOUIS MSA AA**

The St. Louis MSA AA includes 21 CTs located in the Illinois counties of the St. Louis, Missouri MSA. The AA includes all of Bond County; the southeast portion of Macoupin County containing CTs 9568, 9569, 9570, 9571 and 9572; the northeast portion of Madison County containing CTs 4038.01, 4038.02, 4029.00, 4030.01, 4030.02, 4031.01, 4031.02, 4036, and 4037; and the northeast portion of Clinton County with CT 9004. As of June 30, 2006, National Bank's deposits in this AA totaled \$59 million.

The median family income according to 2000 Census data is \$53,435. Based on this figure, the AA has four moderate-income (19%), thirteen middle-income (62%), and four upper-income CTs (19%). Based on 2000 Census data, 8% of the households in this AA live below the poverty level.

The majority of the housing within the AA is owner-occupied (72%), and the median housing value is \$87,629. One-to-four family homes account for 94% of the local housing stock, with multifamily homes accounting for the remaining 6%. Eight percent of the units are mobile homes. Owner-occupied housing data shows that 16% of the units are in moderate-income CTs, 62% are in middle-income CTs, and 22% are in upper-income CTs.

Based on the 2006 HUD Updated Median Family Income of \$63,300, there are 4,734 (17%) low-income, 5,546 (20%) moderate-income, 6,566 (24%) middle-income, and 10,522 (39%) upper-income families in the AA.

Small businesses are a large segment of the local economy. There are 6,847 businesses in this AA. Businesses with less than \$1 million in annual revenue (4,265) account for 62% of the total businesses in the AA. Businesses that report revenue

greater than \$1 million (271) account for 4% of the total, and the remaining 34% have unknown revenues. Of the businesses in this AA, 774 (11%) are located in the moderate-income CTs, 4,458 (65%) are located in the middle-income CTs, and 1,615 (24%) are located in the upper-income CTs.

Competition within the AA is strong with 149 offices of 49 banking institutions. Of the 49 banks, four are large bank branches, three banks have a regional presence and the remaining forty-two are small community banks.

As of November 2006, the unemployment rate for the AA was 5.5%, compared to 5.4% for the State of Illinois and 4.9% for the nation. The economy of the AA is concentrated in retail, healthcare, education, and manufacturing. Many of the AA residents commute to St. Louis County and City for employment. The three major employers of St. Louis County include: Boeing Company, Washington University, and SSM Healthcare. The three major employers of St. Louis City include: BJC Healthcare, United States Postal Service, and AT&T.

We conducted one community contact with a local organization to better understand the AA's credit needs. This organization works in conjunction with financial institutions to provide financing assistance to small businesses. Small business loans were identified as the primary credit need.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

National Bank's performance is reasonable in meeting the credit needs of its AAs, including those of low- and moderate-income people, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The average LTD ratio for the twenty-four quarters ending June 30, 2007 was 75.08%. Similarly-situated banks within the AA ranged from a low of 53.95% to a high of 78.55%. National Bank's ratio is the third highest average LTD ratio for the seven banks in the AA with total assets between \$150 million and \$225 million.

### **Lending in the Assessment Area**

A majority of the loans are originated within the bank's AAs. Based on 486 home mortgage and small business loans originated by the bank January 1, 2005 through August 31, 2007, 87% of the number of loans were to borrowers located in the AAs.

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

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

### Mortgage Lending

Given the demographics of the non-MSA AA, the distribution of borrowers reflects reasonable penetration among individuals of different income levels. National Bank's home purchase and home refinance lending to moderate-income borrowers in the non-MSA AA is above the percentage of moderate-income families in this AA, and home improvement lending to moderate-income borrowers is comparable to moderate-income families in this AA. Although lending to low-income borrowers for home purchase, home improvement and home refinance loans is below the percentage of low-income families in the non-MSA AA, this is considered reasonable given that 12% of families in this AA are living below the poverty level.

<b>Borrower Distribution of Residential Real Estate Loans in the non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18	14	21	22	25	35	36	29
Home Improvement	18	9	21	20	25	32	36	39
Home Refinance	18	7	21	23	25	25	36	45

Source: HMDA data for 2005, 2006, and YTD 8-31-07, and 2000 U.S. Census data.

National Bank's home purchase, home improvement, and home refinance lending to moderate-income borrowers in the St. Louis MSA AA is above the percentage of moderate-income families in this AA. Although lending to low-income borrowers for home purchase, home improvement and home refinance loans is below the percentage of low-income families in the St. Louis MSA AA, this is considered reasonable given that 8% of families in this AA are living below the poverty level.

<b>Borrower Distribution of Residential Real Estate Loans in the St. Louis MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17	13	20	45	24	26	39	16
Home Improvement	17	6	20	29	24	41	39	24
Home Refinance	17	17	20	26	24	29	39	28

Source: HMDA data for 2005, 2006, and YTD 8-31-07, and 2000 U.S. Census data.

### Commercial Lending

National Bank's distribution of loans to businesses of different sizes is reasonable. From our sample of commercial loans, 80% of the loans in the non-MSA AA and 75% of the loans in the St. Louis MSA AA were made to small businesses. In both AAs, this performance is above the percentage of small businesses in the AA. Small businesses are businesses with annual gross revenues of less than \$1 million.

<b>Borrower Distribution of Loans to Businesses in the non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	56	5	39	100
% of Bank Loans in AA by #	80	20	0	100
% of Bank Loans in AA by \$	76	24	0	100

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 2005 and August 31, 2007.

<b>Borrower Distribution of Loans to Businesses in the St. Louis MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62	4	34	100
% of Bank Loans in AA by #	75	15	10	100
% of Bank Loans in AA by \$	55	39	6	100

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 2005 and August 31, 2007.

## Geographic Distribution of Loans

The geographic distribution of home mortgage loans and small loans to businesses reflects reasonable dispersion throughout the non-MSA AA and the St. Louis MSA AA.

### Mortgage Lending

The geographic distribution of residential lending reflects a reasonable level of penetration in CTs of different income levels. The percentage of home purchase, home improvement, and refinance loans originated in moderate-income CTs exceeds or meets the percentage of owner-occupied housing located in the moderate-income CTs within the non-MSA and St. Louis MSA AAs.

<b>Geographic Distribution of Residential Real Estate Loans in the non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	NA	NA	8	13	88	87	4	0
Home Improvement	NA	NA	8	12	88	88	4	0
Refinance	NA	NA	8	7	88	92	4	1

Source: HMDA data for 2005, 2006, and YTD 8-31-07, and 2000 U.S. Census data.

<b>Geographic Distribution of Residential Real Estate Loans in the St. Louis MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	NA	NA	16	16	62	74	22	10
Home Improvement	NA	NA	16	35	62	59	22	6
Refinance	NA	NA	16	24	62	67	22	9

Source: HMDA data for 2005, 2006, and YTD 8-31-07, and 2000 U.S. Census data.

### Commercial Lending

National Bank's distribution of commercial lending reflects a reasonable level of penetration in CTs of different income levels. Based on our sample, the percentage of commercial loans originated in moderate-income CTs is above the level of commercial businesses located in the moderate-income CTs within the non-MSA and St. Louis AAs.

<b>Geographic Distribution of Loans to Businesses in the non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	NA	NA	9	30	87	65	4	5

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 2005 and August 31, 2007.

<b>Geographic Distribution of Loans to Businesses in the St. Louis MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	NA	NA	11	15	65	65	24	20

Source: Sample of 20 business loans with original amounts of less than \$1,000,000 originated between January 1, 2005 and August 31, 2007.

### **Response to Complaints**

National Bank has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**



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