



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 25, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MidAmerica National Bank  
Charter Number: 13838

100 West Elm Street  
Canton, IL 61520

Office of the Comptroller of the Currency

North Central Illinois & Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611

**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.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

- The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution reflects reasonable penetration.
- A majority of the bank's primary loan products were made within the bank's assessment area (AA).
- MidAmerica National Bank (MNB) has demonstrated adequate responsiveness to the community development needs within its AA through community development loans, qualified investments, and community development services.

## **Scope of Examination**

We evaluated MNB under the Intermediate Small Bank Community Reinvestment Act (CRA) examination procedures, which include a lending and community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the bank's responsiveness to its AA's needs through CD lending, qualified investments, and CD services.

- The evaluation period for this examination is October 6, 2006, through September 30, 2009.
- MNB has one AA generating a majority of the bank's loans and deposits. We conducted a full-scope review of the bank's AA.
- The lending test is based on MNB's primary loan products: residential real estate and commercial loans. We evaluated loans originated from January 1, 2008, through December 31, 2009 under the lending test.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act; therefore, the bank does not maintain income data on residential real estate borrowers outside of the individual loan files. Consequently, we evaluated the bank's residential real estate performance by selecting a sample of home loans made during the lending test period. We used a sample of commercial loans originated during the same period to evaluate the bank's commercial loan performance.

## Description of Institution

MNB is a \$303 million intrastate financial institution headquartered in Canton, Illinois, which is approximately 25 miles southwest of Peoria, Illinois. The main office, located in downtown Canton, has a drive-up facility and ATM. There are branches in Cuba, Lewiston, and Macomb, as well as two additional offices in Canton. All offices except the Canton Hy-Vee grocery store and Macomb main branch are equipped with drive-up facilities. MNB has eleven ATMs located throughout the AA: five in Macomb, four in Canton, and one each in Cuba and Lewiston.

MNB is wholly owned by MidAmerica National Bancshares, Inc., a one-bank holding company. The holding company also owns MidAmerica National Insurance Services, Inc., which provides insurance products and services. The holding company has one statutory business trust that is an unconsolidated subsidiary. These affiliates do not negatively impact the bank's ability to meet the credit needs of the community.

MNB closed one branch office since the previous examination. The branch office was located at 1701 River Drive in Moline, Illinois, which is a low-income census tract. The branch closure resulted from a change in the bank's strategic plan to return to its core markets of Canton and Macomb.

The bank offers a full range of deposit and loan products and services. MNB's two primary lending products are residential mortgage and commercial lending. These two lending categories account for 69 percent of all loan originations during the lending test evaluation period. We used these two loan products for the analysis of this evaluation. During the lending test evaluation period, MNB also originated \$15 million in residential mortgages as an agent, which is not reflected below.

<b>Loan Originations by Loan Type Over Evaluation Period</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Loans	\$24,282	20%
Business Loans	\$59,998	49%
Consumer Loans	\$18,142	15%
Agricultural Loans	\$18,837	16%
<b>Total Originations</b>	<b>\$121,260</b>	<b>100%</b>

Source: Bank Records of Originations 1/1/08-12/31/09

As of September 30, 2009, MNB reported \$139 million in outstanding loans and had a net loans and leases to total assets ratio of 45 percent. MNB's business strategy is to offer a traditional style of banking with local decision-making, and community involvement, and to provide responsive, personal service to all customers. The loan portfolio consists of the following types of loans, consistent with the bank's strategy:

### Loan Portfolio Mix

<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$58,648	42%
Residential Real Estate Loans	\$37,572	27%
Agricultural Loans	\$23,770	17%
Consumer Loans	\$17,122	13%
Other Loans	\$ 1,728	1%
<b>Total Loans</b>	<b>\$138,840</b>	<b>100%</b>

Source: 9/30/09 Bank Call Report

There are no financial conditions, legal constraints, or other factors that would hinder the bank’s ability to meet the credit and community development needs of its AA. The bank’s previous CRA rating as of November 13, 2006, was Satisfactory.

## Description of Assessment Area

MNB has one AA covering 20 census tracts (CTs). It includes all of McDonough County, and ten CTs in Fulton County, which is significantly different since the previous examination. Since the last examination, MNB completed the sale of their Bloomington, Peoria, and Moline, Illinois branches. The change in AA resulted from management’s change in strategy to return to their core markets in Fulton and McDonough Counties. One CT in McDonough County is designated low-income (5%), while one other CT in McDonough County is designated moderate-income (5%). The remaining 18 CTs are designated middle- or upper-income. Seven CTs in McDonough County have been identified as distressed middle-income tracts due to poverty. MNB’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition within the AA is diverse, including a couple of large regional banks and several smaller localized community banks. According to the FDIC’s Deposit Market Share Report dated June 30, 2009, MNB ranks first in the area with 20 percent deposit market share.

<b>Demographic Information for AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	5	5	85	5	0
Population by Geography	65,275	5	3	88	3	0
Owner-Occupied Housing by Geography	26,982	0	3	93	4	0
Business by Geography	4,123	0	6	91	3	0
Farms by Geography	610	0	1	94	5	0
Family Distribution by Income Level	15,828	19	19	25	37	0
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #

Distribution of Low and Moderate Income Families throughout AA Geographies	5,994	2	4	92	2	0
Median Family Income		43,241	Median Housing Value	60,334		
HUD Adjusted Median Family Income for 2009		54,400	Unemployment Rate	4.52%		
Households Below Poverty Level		15%	(2000 US Census)			

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

Source: 2000 US Census and 2009 HUD updated MFI

The local economy is stable. According to December 2009 data, unemployment rates for McDonough and Fulton counties is 8 and 13 percent, respectively, which is below or comparable to the state and national unemployment rates of 11 and 10 percent, respectively. Economic activity is relatively diverse with industries in healthcare, education, manufacturing, and agricultural production. Major employers include Pella Windows, NTN Bower, Western Illinois University, Graham Hospital, Illinois River Correctional Center, local school districts, and the city and county governments.

While assessing the bank’s performance, we contacted two economic development officials. The community contacts noted there is a need for more small business loans and home improvement loans for low- and moderate-income individuals and families. Both contacts felt MNB and other local financial institutions were actively meeting the credit needs of the area. The local banks are willing to participate in various economic development loan programs to meet the needs of the communities. MNB is involved in several projects currently under way to entice businesses to the area, including ongoing remediation and infrastructure development of the IH site in downtown Canton.

## Conclusions with Respect to Performance Tests

MNB’s performance under the lending test is satisfactory. The bank has reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank originates a majority of their loans within their AA, but their loan-to-deposit ratio needs improvement.

### LENDING TEST

#### Loan-to-Deposit Ratio

MNB’s net average loan-to-deposit ratio is less than reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s quarterly loan-to-deposit ratio averaged 57 percent for the period July 1, 2006, to September 30, 2009. MNB’s net average quarterly loan-to-deposit ratio is well below other community banks of similar size and location. The average quarterly loan-to-deposit ratios for five other banks range from 70 to 81 percent over the same time period. The five peer banks are community banks located in Fulton and McDonough Counties with total assets ranging from \$80 to \$616 million.

MNB sells residential real estate loans on the secondary market. These loans are not included in the figures above. Although MNB’s loan-to-deposit ratio is low, the bank is

originating loans to meet the credit needs of its AA.

**Lending in Assessment Area**

A majority of the loans originated by MNB are to customers from within its AA. MNB’s lending to customers within the AA for all loan types is reasonable. The following table details the bank’s lending by number and dollar volume during the evaluation period.

<b>Loans Originated within the AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	18	90%	2	10%	20	\$1,882	82%	\$407	18%	\$2,289
Residential	17	85%	3	15%	20	\$1,024	82%	\$228	18%	\$1,252
<b>Totals</b>	<b>35</b>	<b>88%</b>	<b>5</b>	<b>12%</b>	<b>40</b>	<b>\$2,906</b>	<b>82%</b>	<b>\$635</b>	<b>18%</b>	<b>\$3,541</b>

Source: Sample of 20 residential real estate loans and 20 commercial loans originated from 1/1/08 to 12/31/09

**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.

*Residential Real Estate Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. For both low- and moderate-income borrowers, the bank’s lending is near the area demographics. The lower percentages are somewhat mitigated due to the fact that the 15 percent poverty rate for the AA makes it more difficult for the low-income residents to be able to afford a home loan. The poverty rate is based on the 2000 Census.

<b>Borrower Distribution of Home Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
<b>Total</b>	19%	16%	19%	16%	25%	20%	37%	48%

Source: Sample of 25 residential real estate loans originated from 1/1/08 to 12/31/09; 2000 Census data

*Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Seventy-two percent of the bank’s business loans originated were made to small businesses. Small businesses are those with gross annual revenues of \$1 million or less. Demographic data for the AA shows 74 percent of the businesses reporting revenue data have revenues of \$1 million or less, but a sizable percentage of businesses do not report revenues. The following table displays the distribution of business loans among different-sized businesses.

**Borrower Distribution to Businesses in AA**

<b>Business Revenues (or Sales)</b>	<b>&lt;=\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable</b>	<b>Total</b>
% of AA Businesses	74%	3%	23%	100%
% of Bank Loans in AA by #	72%	28%	-	100%
% of Bank Loans in AA by \$	61%	39%	-	100%

Source: Sample of 25 commercial loans originated from 1/1/08 to 12/31/09; 2000 Census data

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable penetration throughout the AA. The one low-income CT consists of the campus of Western Illinois University. There are no owner occupied 1-4 family residential dwellings located in this CT and very few commercial businesses. The opportunity for lending in this CT is very limited. We did not identify any conspicuous gaps within the AA.

#### Residential Real Estate Loans

The geographic distribution of home loans in the AA reflects reasonable dispersion throughout CTs of different income levels. For both low- and moderate-income borrowers, the bank's lending is reflective of the area demographics. An additional 44 percent of the loans were made to borrowers in distressed, middle-income tracts. The following table details the bank's performance compared to the percentage of owner-occupied housing units in each CT income level.

<b>Geographic Distribution of Home Loans</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	% 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
<b>% of Total</b>	0%	0%	3%	4%	93%	84%	5%	12%

Source: Sample of 25 residential real estate loans originated 1/1/08-12/31/09 and 2000 U.S. Census data

#### Business Loans

The bank's geographic distribution of business loans reflects reasonable dispersion throughout the CTs of different income levels. MNB did not originate any commercial loans to businesses in the low-income CT, which is comparable to the area's demographics. MNB's loan originations to businesses in the low-income CT are comparable to area demographics. They did not originate any commercial loans to businesses in moderate-income tracts, which is below the area's demographics. This is mitigated by the fact that only six percent of the AA's businesses are located in this CT, so lending opportunities are limited. The following table shows the distribution of commercial loans among businesses in each CT income level, based on our sample.

### Geographic Distribution of Business Loans

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
<b>% of Total</b>	0 %	0%	6%	0%	91%	96%	3%	4%

Source: Sample of 25 commercial loans originated in AA 1/1/08-12/31/09 and 2009 Business Geodemographic Data

### Responses to Complaints

MNB did not receive any complaints about its performance in helping to meet the credit needs of the AA during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

The community development test is rated satisfactory. Performance in the AA demonstrates adequate responsiveness to the CD needs within its AA.

### Number and Amount of Community Development Loans

MNB originated one CD loan totaling \$1.8 million since the last CRA examination.

- MNB was the lead lender for a commercial construction loan totaling \$1.8 million to an organization building a business in a moderate-income CT. An agreement was also in place to hire a majority of employees that were low- or moderate-income individuals.

MNB is actively involved in local community development corporations that offer loans to new businesses in the area. MNB sponsored a \$50,000 consortium loan through Western Illinois Community Development Corporation. Due to the low interest rate environment and slow economic growth of the area, there were very few loan requests made to these agencies.

### Number and Amount of Qualified Investments

MNB has the following qualifying investments:

- MNB has made contributions totaling \$25,000 to six community service organizations assisting low- and moderate-income individuals and families within the AA.

### Extent to Which the Bank Provides Community Development Services

Delivery systems are reasonably accessible to individuals of different income levels. MNB operates four full-service offices and 11 cash-dispensing ATMs in the AA. Three branches are located in distressed middle-income tracts. Two ATMs are located in low-income tracts, one ATM is located in a moderate-income tract, and two additional ATMs are located in distressed middle-income tracts. Extended hours are available at several

drive-up locations, and one branch in Canton offers extended lobby hours on Saturday and Sunday.

Six bank officers provided community development services to six qualifying programs in the AA during the evaluation period. Three officers serve on committees providing alternative funding to businesses with a focus on job creation and retention for the AA. Four officers serve on committees for community agencies that assist low- and moderate-income individuals and families within the AA.

### **Responsiveness to Community Development Needs**

MNB's community development activities demonstrate satisfactory responsiveness to the needs and opportunities in the AA. CD opportunities are good with several organizations providing services to low- and moderate-income families and promoting economic development.

### **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.