



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 06, 2009**

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

National Bank of Petersburg  
Charter Number 14607

321 North 6th Street  
Petersburg, IL 62675

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2532

**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.**

National Bank of Petersburg's (NB Petersburg's) lending is satisfactory and addresses the credit and development needs of the community. The major factors that support NB Petersburg's overall rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- The bank's lending activity in the assessment area (AA) is reasonable.
- The bank's record of extending credit to individual's of different income levels is reasonable.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within their AA during this evaluation period.

**DESCRIPTION OF INSTITUTION**

NB Petersburg is a \$126 million intrastate financial institution which is headquartered in Petersburg, Illinois, a small rural community in west central Illinois. NB Petersburg is a stand-alone financial institution and is wholly owned by NBP Financial Services, Incorporated, a one-bank holding company.

NB Petersburg has two locations, the main office located on North 6<sup>th</sup> Street, Petersburg, Illinois, and a branch on South 6<sup>th</sup> Street, Petersburg, Illinois. NB Petersburg has two automated teller machines (ATMs).

NB Petersburg offers a full range of deposit and loan products and services. As of December 31, 2008, the bank reported approximately \$74 million in outstanding loans and had a net loans and leases to assets ratio of 69.14 percent. Tier 1 capital was reported at \$15.5 million. The bank is primarily a residential mortgage lender. The Table below illustrates the composition of loan originations made during 2007 and 2008.

Table 1

<b>Loan Origination by Loan Type for 2007-2008</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>Percent</b>
<b>Residential Loans</b>	\$ 21,580	57.33%
<b>Commercial Loans</b>	\$ 3,138	8.34%
<b>Individual Loans</b>	\$ 6,896	18.32%
<b>Agriculture Loans</b>	\$ 6,025	16.01%
<b>Total</b>	<b>\$ 37,639</b>	<b>100.00%</b>

Source: Bank loan origination file 2007 and 2008.

There are no financial circumstances, legal constraints, or other factors that would hinder NB Petersburg's ability to meet the credit needs of the AA. There has been no change in the bank's corporate structure since the last CRA examination. The institution's prior CRA rating was **"Satisfactory Record of Meeting Community Credit Needs"** as detailed in the Performance Evaluation dated June 13, 2003.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

NB Petersburg's AA is comprised of Menard County and its three census tracts. The three tracts are designated as middle-income geographies. There are no low-, moderate- or upper-income census tracts in the AA. Menard County is located in west central Illinois, approximately 25 miles northwest of Springfield, Illinois, metropolitan statistical area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2000 Census data, Menard County's population was 12,486. There are 3,554 families in the county, of which 622 are low-income (17.50 percent), 653 are moderate-income (18.37 percent), 974 are middle-income (27.41 percent), and 1,305 are upper-income (36.72 percent). The Department of Housing and Urban Development calculates the 2008 MSA/Non-MSA's updated median family income for this area as \$64,500.

The local housing demand in the AA is modest. The 2000 U.S. Census data shows that there are 5,285 housing units within the AA. Of these, 72.77 percent are owner-occupied units, 19.43 percent are rental-occupied units, and 7.80 percent are vacant housing units. The weighted average median housing value in the AA is \$93,522.

Major economic activities are service and agricultural related. The largest employers of county residents include the State Capital of Illinois, education, St. John's Hospital and Memorial Medical Center. Both hospitals are affiliated with the Southern Illinois University Medical Program, which is located in Springfield. The 2008 annual unemployment rate for the AA of 5.8 percent is below both the State of Illinois unemployment rate of 6.5 percent and the national unemployment rate of 8.5 percent. The local economy of Petersburg has not been adversely affected by the national economic recession.

Competition among financial institutions within the AA and MSA is strong. Competition exists with branches of regional institutions and credit unions due to its close proximity to Springfield, Illinois. There are 28 different financial institutions operating within the bank's MSA. According to FDIC deposit information, NB Petersburg holds only 2.51 percent of the total market share of the MSA. There are four operating banking institutions within the banks AA. Competition within the AA includes Athens State Bank, Petefish Skiles and Company Bank, and State Farm Bank F.S.B. NB Petersburg has a 53.9 percent deposit market share within its AA.

<b>Demographic Information for NB Petersburg AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00	0.00	100.00	0.00	0.00
Population by Geography	12,486	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	3,846	0.00	0.00	100.00	0.00	0.00
Business by Geography	800	0.00	0.00	100.00	0.00	0.00
Farms by Geography	115	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	3,554	17.50	18.37	27.41	36.72	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,275	0.00	0.00	100.00	0.00	0.00
Median Family Income		53,573	Median Housing Value		93,522	
HUD Adjusted Median Family Income for 2008		64,500	Unemployment Rate		5.80%	
Households Below Poverty Level		8%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2008 HUD updated MFI

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

NB Petersburg's average LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. NB Petersburg's quarterly average LTD ratio for the period of December 31, 2003, to December 31, 2008, was 64.09 percent. During this period, the ratio had a quarterly high of 69.14 percent and a quarterly low of 58.89 percent. The bank's LTD ratio for December 31, 2008, is 69.14 percent. The LTD ratios as of December 31, 2008, for two other similarly situated institutions were 69.06 percent and 75.55 percent. These institutions have asset sizes ranging from \$77 million to \$167 million and operate in the same AA as NB Petersburg.

### **Lending in Assessment Area**

The bank originates a significant majority of their primary loan products inside the bank's AA. Residential Real Estate loans inside the AA represent 81.72 percent of the number of loans originated and 81.47 percent of the dollar amount. Consumer loans inside the AA represent 71.43 percent of the number of loans sampled and 76.14 percent of the dollar amount sampled. NB Petersburg's primary loan types are residential real estate loans and consumer loans. Both loan types have historically been the banks primary loan products.

The following table displays details of both categories of primary loan products by number and dollar amount of loans originated during the evaluation period.

Table 3

<b>Lending in NB Petersburg Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	53	67.09	26	32.91	100%	3,717	72.07	1,438	27.93	100%
Refinance	135	87.10	20	12.90	100%	8,119	86.20	1,300	13.80	100%
Home Improvement	31	91.18	3	8.82	100%	364	91.00	36	9.00	100%
Sub-Totals	219	81.72	49	18.28	100%	12,193	81.47	2,774	18.53	100%
Consumer Loans	20	71.43	8	28.57	100%	955	76.14	299	23.86	100%
Totals	239	80.74	57	19.26	100%	13,155	81.06	3,073	18.94	100%

*Source: Represents loans originated between January 1, 2007 and December 31, 2008 as reported under the Home Mortgage Disclosure Act, and a sample of consumer loans originated by the bank in 2007 and 2008*

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

The loan distribution to borrowers of different income levels is reasonable. The poverty level and unemployment rate are barriers that may have a negative affect on home ownership. There are limited opportunities to make loans in these geographies considering 8 percent of the households are below the poverty level; therefore the opportunity to extend the home mortgage credits may be reduced. Those households may have a limited ability to assume debt obligations. However, the bank exhibits a strong commitment to working with low- and moderate-income borrowers whose borrowing needs do not fit into any special lending programs.

### ***Real Estate Loans***

The borrower distribution of home purchase loans is more than reasonable. Home purchase loans made to low-and moderate- income borrowers well exceeds the percentage of low-income families within the AA.

The borrower distribution of home improvement loans is reasonable. Home improvement loans made to low-income borrowers exceeds the percentage of low-income borrowers in the AA. Home improvement loans made to moderate-income borrowers is below the percentage of moderate-income borrowers.

The borrower distribution of home refinance loans is reasonable. Home refinance loans made to low-income borrowers is below and moderate-income borrowers is near the percentage of low- and moderate-income families within the AA. Opportunity to make home refinance loans to low- income borrowers is limited due to strong competition, the poverty level, and the average

median housing cost.

The following table shows the distribution of home purchase, home improvement, and refinance loans among borrowers of different income levels in the AA.

Table 4

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans in NB Petersburg 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	17.50	20.00	18.37	20.00	27.41	17.78	36.72	42.22
Home Improvement	17.50	36.67	18.37	16.67	27.41	10.00	36.72	36.67
Home Refinance	17.50	15.15	18.37	17.42	27.41	34.09	36.72	33.33

Source: CRA Wiz using updated median family income and the banks HMDA reportable loans during 2007 and 2008

### Consumer Loans

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. One credit need identified in the AA was smaller consumer loans. The borrower distribution was analyzed using a sample of twenty-eight consumer loans originated by the bank during 2007 and 2008. The analysis showed that 53.34 percent of NB Petersburg’s consumer loans were made to low- and moderate-income individuals, which substantially exceeds the percentage of low- and moderate-income households located within the AA.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

Table 5

<b>Borrower Distribution of Consumer Loans in NB Petersburg AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	17.50	36.67	18.37	16.67	27.41	10.00	36.72	36.67

Source: CRA Wiz using updated median family income and a sample of consumer loans originated by the bank in 2007 and 2008

### Geographic Distribution of Loans

A geographic distribution of loans analysis is not meaningful due to a lack of low- or moderate-income geographies within the bank's AA. All geographies within the bank's AA are middle-income geographies.

### **Responses to Complaints**

NB Petersburg did not receive any consumer complaints about its record of lending within the community.

### **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.