



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 10, 2009**

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

Anna-Jonesboro National Bank  
Charter Number 5525

201 South Main Street  
Anna, IL 62906

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

- The geographic distribution of the bank's loans reflects a more than reasonable dispersion throughout the AA for residential real estate and business loans.
- The bank's lending distribution to borrowers of different income levels is reasonable.
- A majority of the bank's loans, 77% by number, are made in the assessment area (AA).
- The bank's average quarterly loan-to-deposit ratio, at 72%, is reasonable.

**SCOPE OF EXAMINATION**

We used small bank procedures to evaluate the performance of the Anna-Jonesboro National Bank (AJNB) under the Community Reinvestment Act (CRA). We used quarterly bank reports where feasible in our assessment of residential real estate loans. We supplemented that information with our own sample of residential real estate, commercial, and consumer loans originated between January 1, 2007 and February 28, 2009 for the analysis of the bank's lending activity.

**DESCRIPTION OF INSTITUTION**

AJNB is an intrastate bank with offices in Anna and Jonesboro, two rural towns in Union County, near the tip of southern Illinois. AJNB is wholly owned by Union County Bancshares, a one-bank holding company located in Anna, Illinois. As of December 31, 2008, AJNB had total assets just over \$200 million, which represent substantially all of the holding company's assets. In May of 2007, The Anna National Bank and The First National Bank of Jonesboro merged into the current Anna-Jonesboro National Bank. AJNB now has four locations: The main office and the drive-up facility are located in downtown Anna, one branch is located on the east side of Anna, and one branch is situated in nearby Jonesboro, a few miles west of Anna. All Anna locations have deposit-taking automated teller machines (ATMs) onsite; the ATM in Jonesboro is near the Jonesboro office and also takes deposits. No branches were opened or closed since the last evaluation of either former bank. The three Anna facilities are in census tract (CT) 9504, a moderate-income CT according to 2000 Census data. The Jonesboro office is in CT 9503, a middle-income CT.

AJNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank has a significant deposit market share in Union County, 61% as of June 30, 2008, far ahead of the other five banks with offices in the

county. AJNB is primarily a residential real estate lender. As of December 31, 2008, net loans totaled \$117 million, or 58% of total assets; total deposits were \$166 million; and Tier 1 Capital was \$23 million. The loan portfolio consisted of 54% residential real estate, 24% commercial, 15% consumer, and 7% agricultural loans.

There are no legal or financial impediments to the bank's ability to meet the community credit needs. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. The (former) Anna National Bank's last CRA evaluation was December 3, 2003, and its performance was rated Satisfactory. The (former) Jonesboro National Bank had its last CRA evaluation on March 29, 2004, and also received a Satisfactory rating.

## **DESCRIPTION OF THE ASSESSMENT AREA**

AJNB's management has designated Union County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Union County is a non-Metropolitan Statistical Area (non-MSA). Based on the 2000 Census data, Union County has one moderate-income CT (9504), which encompasses downtown Anna, and four middle-income CTs (9501, 9502, 9503, and 9505). There are no low- or upper-income CTs in Union County.

As of the 2000 Census, the population in Union County totaled 18,293. The 2000 Census demographic data noted that there are 7,320 households, of which 15% live below the poverty level and 22% are in retirement. Of the total households, 27% are considered low-income, 18% moderate-income, 20% middle-income, and 35% upper-income. Nearly 32% of the households are living in the moderate-income CT. The median housing value was \$61,187 and the average age of the housing stock was 45 years. Owner-occupied units represent 70% of the housing stock. One-fourth (25%) of the owner-occupied housing units are within the moderate-income CT.

Based on the 2000 Census demographic data, 5,012 families live in Union County. Considering the non-MSA median family income of \$43,531 in 2000, 24% of these families are classified as low-income, 21% as moderate-income, 24% as middle-income, and 31% as upper-income. For our analysis of lending to borrowers of different incomes, we used the Department of Housing and Urban Development (HUD) 2007 and 2008 updated median family income, \$50,600 and \$51,600, respectively.

Business data as of 2008 shows 1,259 businesses in Union County. Only 43 (4%) of these businesses had revenues over \$1 million, 709 businesses (56%) reported revenues of \$1 million or less, and 507 businesses (40%) did not report income. Over 38% of the businesses are located in the moderate-income CT. Major employers in the area include Choate Mental Health Facility, Union County Hospital, Wabash

Corporation, Southern Illinois University – Carbondale, Shawnee College, and federal and state correctional facilities.

Economic conditions in the AA have held fairly stable since the last evaluation. The seasonally unadjusted unemployment rate in Union County, at 9.7% as of December 2008, is higher than the state rate of 7.4% and the national rate of 7.1%. Because the unemployment rate has historically been elevated in this county, the four middle-income CTs in Union County were designated Distressed in 2008. Since December 2007, the local unemployment rate has only increased 1.3%, while the state and national unemployment rates have increased by over 2%.

Competition for financial services in the AA is strong. Six FDIC-insured institutions operate nine banking offices in Union County. Besides AJNB, there are four other community banks and one large interstate bank. Several community banks in surrounding counties add competitive pressure. Various credit unions, mortgage companies, farm services and insurance agencies also offer loan products.

To help meet the community's credit needs, AJNB originates and sells long-term fixed rate residential real estate loans to the State Bank of Lincoln. AJNB is an approved lender for Rural Economic and Community Development Guaranteed Loans and participates in the Affordable Housing Grant Program. Both programs enable qualified low- or moderate-income families to become home-owners. To encourage business activity in the AA, officers of the bank are involved in the Union County Economic Development Corporation and work with the Small Business Development Center at Shawnee College.

To further our understanding of the community's credit needs, we contacted a community action agency that services the AA during our examination. Our contact identified no unmet credit needs in the AA. AJNB is responsive to the needs of the community.

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

AJNB's performance is satisfactory in meeting the credit needs of its AA, including those of low- and moderate-income borrowers, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

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

AJNB's loan-to-deposit (LTD) ratio is reasonable. The bank's average LTD ratio for the last 21 quarters is 72%. The quarterly LTD ratio ranged from 67% to 77% during this time. AJNB identified fourteen competitors in the southern Illinois area. The bank's average quarterly LTD ratio is above nine and below five of these banks, whose average quarterly LTD ratios ranged from 40% to 87%.

**Lending in Assessment Area**

Lending in the AA is satisfactory. Based on our sample of 60 loans, a majority of loans by number (77%) and by dollar volume (65%) are made in the AA.

Lending in Union County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential RE	16	80%	4	20%	20	\$ 900	62%	\$ 554	38%	\$1,454
Commercial	15	75%	5	25%	20	\$ 863	66%	\$ 444	34%	\$1,307
Consumer	15	75%	5	25%	20	\$ 155	83%	\$ 32	17%	\$ 187
Total	46	77%	14	23%	60	\$1,918	65%	\$1,030	35%	\$2,948

Source: Sample of 60 loans.

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

The bank’s lending distribution to borrowers of different income levels is reasonable.

Residential Real Estate Loans

Bank reports on residential real estate loans made in 2007 and 2008 indicate the borrower distribution for these loans meets the standard for satisfactory performance. The percentage of residential real estate loans made to moderate-income borrowers (17%) is near the percentage of moderate-income families in the AA (21%). The percentage of residential real estate loans made to low-income borrowers (7%) is low compared to the percentage of low-income families in the AA (24%); however, it is deemed reasonable because the 15% poverty rate in Union County is considered a mitigating factor.

Borrower Distribution of Residential Real Estate Loans in Union County								
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
Residential RE	24%	7%	21%	17%	24%	24%	31%	52%

Source: 2007 and 2008 bank reports, 2000 U.S. Census information, and HUD-updated non-MSA median family income for the appropriate year. Income categories are defined as: less than 50% (Low), 50% to 80% (Moderate), 80% to 120%,(Middle), and over 120% (Upper).

Business Loans

The distribution of the bank’s loans to businesses in the AA is reasonable. The ratio of bank loans to businesses with revenues of less than \$1 million, 65% by number and 58% by dollar volume, is near the ratio of small businesses in the AA (56%). We took into consideration that 40% of the businesses in Union County had unknown revenues and that 20% of the businesses in our sample did not have current revenue information in the file.

<b>Borrower Distribution of Loans to Businesses in Union County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	56%	4%	40%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	58%	34%	8%	100%

Source: Sample of 20 commercial loans, and 2008 Business Geodemographic Data.

**Consumer Loans**

Based on our sample of automobile loans, the borrower distribution of consumer loans in the AA meets the standards for satisfactory performance. The percentage of consumer loans made to low-income borrowers (35%) exceeds the percentage of low-income households in the AA (27%). The percentage of such loans made to moderate-income borrowers (15%) is near the percentage of moderate-income households in the AA (18%).

<b>Borrower Distribution of Consumer Loans in Union County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	27%	35%	18%	15%	20%	20%	35%	30%

Source: Sample of 20 automobile loans, 2007 and 2008 HUD updated median family income, and 2000 U.S. Census data.

**Geographic Distribution of Loans**

The geographic distribution of the bank’s loans reflects a more than reasonable dispersion throughout the AA for residential real estate and business loans. It reflects an adequate dispersion for automobile loans. There were no conspicuous gaps noted in the bank’s lending.

**Residential Real Estate Loans**

The geographic distribution of residential real estate loans made in the AA is more than reasonable. The ratio of residential RE loans made in the moderate-income CT (29%) exceeds the ratio of owner-occupied housing in this CT (25%).

<b>Geographic Distribution of Residential Real Estate Loans in Union County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Residential RE	NA	NA	25%	29%	75%	71%	NA	NA

Source: 2007 and 2008 bank reports, and 2000 U.S. Census information.

**Business Loans**

The geographic distribution of business loans made in the AA exceeds the standard for satisfactory performance. The ratio of business loans made in the moderate-income CT (40%) meets the ratio of businesses located in these CTs (38%).

Geographic Distribution of Loans to Businesses in Union County								
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
Commercial Loans	NA	NA	38%	40%	62%	60%	NA	NA

Source: Sample of 20 commercial loans, and 2008 Business Geodemographic Data.

**Consumer Loans**

The geographic distribution of automobile loans made in the AA is adequate. Based on our sample, the percentage of consumer loans made in moderate-income CTs (20%) is lower than the percentage of households in these CTs (32%). The moderate-income CT has 28% of households in retirement and 12% of the population living in group quarters, which may limit the demand for automobile loans.

Geographic Distribution of Consumer Loans in Union County								
Census Tract 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	NA	NA	32%	20%	68%	80%	NA	NA

Source: Sample of 20 automobile loans, and 2000 U.S. Census Data.

**Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

**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.