



## PUBLIC DISCLOSURE

June 13, 2016

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Illinois National Bank  
Charter Number 11443

322 East Capitol Street, Springfield, Illinois 62701

Office of the Comptroller of the Currency

211 Fulton Street, Suite 604, Peoria, Illinois 61602

**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 average loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans are to customers within its assessment area (AA).
- The borrower distribution reflects reasonable penetration.
- The geographic distribution reflects reasonable dispersion.
- The community development performance demonstrates adequate responsiveness.

## **Scope of Examination**

This Community Reinvestment Act Performance Evaluation (CRA PE) assesses Illinois National Bank's (INB's or bank's) ability to meet the credit needs of the communities in which it operates. We evaluated INB under the Intermediate Small Bank performance criterion which includes a lending test and a community development test. The lending test evaluates INB's record of helping meet the credit needs of its AAs through its lending activities. The community development test evaluates INB's community development lending, qualified investments, and community development service activities.

The evaluation period covers the date of the prior CRA PE of April 4, 2013, through June 13, 2016. The rating of the previous CRA PE was Satisfactory.

The Springfield AA received a full-scope review and a greater weighting in our analysis for the lending and community development tests, as a majority of deposits and loans are obtained from this AA. The Peoria, Bloomington, Logan, and Danville AAs received limited-scope reviews as these AAs accounted for smaller activity in lending and deposit.

We based the lending test on the bank's primary loan products, based on the number and dollar volume of loan originations and purchases for the lending period between January 1, 2014, and December 31, 2015. Residential loans accounted for 68 percent of the number of loans and 43 percent of the dollar volume of loans while business loans accounted for 22 percent of the number of loans and 52 percent of the dollar amount of originated or purchased loans during this period. We based our conclusions regarding the lending performance on residential purchase and residential refinance loans reported under the Home Mortgage Disclosure Act (HMDA) and non-mortgage business (business) loans, utilizing 2010 US Census Data.

We based the community development test on the qualified loans, investments, and services activity for the evaluation period.

We conducted a data integrity review of HMDA data for loans originated or purchased between January 1, 2014, and December 31, 2015. We utilized a random sample and verified reported data against source documents. We found the HMDA data to be reliable for use in this evaluation.

We obtained and reviewed a random sample of business loans originated or purchased between January 1, 2014, and December 31, 2015. We obtained the gross revenues of businesses, as well as geocoding data for each individual loan in our sample.

## **Description of Institution**

INB is a community bank headquartered in downtown Springfield, Illinois, with total assets of \$825 million as of March 31, 2016. INB predominately offers residential and business loan products in addition to agriculture and consumer loans to its customers through its 12 branches located throughout central Illinois. Branches are equipped with drive-up facilities, with the exception of the Fairmount and Bloomington branches. The Bloomington loan production office was converted to a branch facility in January 2014. INB has a network of 16 bank-owned ATMs available to the general public with a nonbank-owned ATM in a Fairmount Casey's General Store that is available to bank customers at no charge.

INB's mission is to partner with people and technology to provide diversified financial services within the community. Their vision is to help their customers minimize financial pressures and live better lives.

INB is a wholly owned subsidiary of Illinois National Bancorp, Inc. (INBI), a holding company with assets of \$825 million, as of March 31, 2016, and headquartered in Springfield, Illinois. INBI does not negatively affect INB's ability to meet the credit needs of the community.

INBI also owns INB Park, LLC, which owns and operates a parking garage across from the main branch in downtown Springfield, and BORE LLC, which serves as an operating entity for any foreclosed properties with on-going operations. The wholly owned subsidiaries do not negatively affect INB's ability to meet the credit needs of the community.

There are no legal or financial circumstances that impede INB's ability to meet the credit needs of its AAs.

## Description of Assessment Areas

The Springfield, Peoria, Bloomington, and Logan AAs are located in central Illinois and the Danville AA is located in east-central Illinois along the Illinois-Indiana border. The Springfield AA is comprised of all census tracts (CT) in Sangamon County, which is part of the Springfield metropolitan statistical area (MSA), and has eight branch locations. The Peoria AA includes CTs in the counties of Peoria, Tazewell, and Woodford, which are part of the Peoria MSA, and has one branch location. The Bloomington AA includes all CTs located in McLean County and DeWitt County, which is part of the Bloomington MSA, and has one branch. The Logan AA includes two CTs in the southern portion of Logan County and has one branch location. The Danville AA includes all CTs in Vermillion County, which is part of the Danville MSA, and has one branch location.

The following table provides demographic information for the full scope review of the Springfield AA:

<b>Table 1 – Demographic Information for Full Scope – Springfield Assessment Area</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	53	16.98	20.75	35.85	24.53	1.89
Population by Geography	197,465	11.39	18.64	37.54	31.92	0.52
Owner-Occupied Housing by Geography	57,820	6.44	17.47	40.46	35.63	0.00
Business by Geography	13,492	11.24	21.39	31.86	31.49	4.02
Farms by Geography	768	2.73	8.72	52.34	36.07	0.13
Family Distribution by Income Level	51,150	22.31	15.92	21.83	39.94	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	19,556	19.36	27.10	36.12	17.39	0.03
Median Family Income FFIEC Adjusted Median Family Income for 2015		\$66,823 \$69,600		Median Housing Value	\$116,203	
Poverty Levels: Households Below Poverty Level Families Below Poverty Level		11.92% 9.95%		Unemployment Rate: Sangamon County Springfield MSA State of Illinois	5.9% 6.0% 6.8%	

Source: 2010 US Census and 2015 FFIEC updated MFI. Unemployment Information from Bureau of Labor Statistics, March 31, 2016. (\*) The NA category consists of geographies that have not been assigned an income classification.

### Performance Context

The local economy of the Springfield AA is concentrated in state government and healthcare. The economies of the limited scope AAs range from agriculture, manufacturing, education, insurance services, and healthcare. Unemployment in the Springfield MSA (6 percent), Bloomington MSA (6 percent), and Logan County (6.4 percent) compare favorably to the State of Illinois unemployment rate of 6.8 percent while the Peoria MSA and Danville MSA compare unfavorably at 7.7 and 8.4 percent, respectively at March 31, 2016.

Competition among financial institutions in the AAs for residential and business loans and deposits is high. INB held a second position in deposit market share of 11 percent in the Springfield AA among 28 FDIC insured financial institutions, as of June 30, 2015. In limited scope AAs, INB held a less than 1 percent deposit market share in the Peoria and Bloomington AAs while having a deposit market share of 2 percent in the Logan AA and 5 percent in the Danville AA.

The Springfield AA includes nine low-income CTs and 11 moderate-income CTs. The areas of central downtown include government and medical facilities and business offices. Housing data for low-income CTs show 20 percent as renter-occupied and 28 percent as vacant units. Moderate-income CTs show 28 percent as renter-occupied units and 29 percent as vacant units. These factors reduce the lending opportunities for owner-occupied housing in low- and moderate-income CTs.

The Peoria AA includes nine low-income CTs and 15 moderate-income CTs. The low-income CTs are located in downtown Peoria along the Illinois River. The low-income CTs are primarily industrial and business zones. The low- and moderate-income CTs are located on the south end of Peoria, while the sole INB branch is located on the north end of Peoria.

The Bloomington AA contains one low-income CT and nine moderate-income CTs. The sole Bloomington branch is relatively new and located on the far southeast side of Bloomington.

There are no low- or moderate-income CTs in the Logan County AA and the Danville AA has one low-income CT and seven moderate-income CTs. The Logan and Danville AAs have limited residential and business lending activity.

We contacted a community development official with an economic development organization that seeks to promote the growth and revitalization of the Springfield, Illinois community. The contact identified the economic condition as stable to declining depending on the area of Springfield. The areas of west and south Springfield are more economically advantaged and prosperous, while the southeast side between downtown and the interstate is declining.

The budgetary uncertainty with the State of Illinois hurts the local economy. Business and property owners have been delayed payments for services provided, with some having gone for over a year without receiving payment, which has negatively affected their ability to obtain financing. The State of Illinois remains the largest employer and provides the largest impact to the Springfield economy; however, the medical field is the largest driver of new jobs and investment in Springfield. The medical district is located on the northern end of downtown Springfield. Downtown Springfield and the surrounding neighborhoods are located in low- and moderate-income CTs.

The contact state that opportunities for owner-occupied housing in low- and moderate-income CTs is challenging due to the deteriorating quality of the home inventory and the declining jobs and incomes in the area. State budgeting concerns have hurt programs aimed at helping low- and

moderate-income families with housing. These factors contribute to challenges in lending to low- and moderate-income families in low- and moderate-income CTs in Springfield AA.

The contact noted that there had previously been a need for small dollar lending to small businesses. However, a micro-loan program in which many banks in the Springfield area participate, in addition to SBA and other programs, helps to meet small dollar credit needs of small businesses.

The areas of growth and loan demand in Springfield include the south side of town near Interstate 72 between Springfield and Chatham. The area of Springfield west of Veterans Parkway is also experiencing growth in business and residential activity.

The contact had no negative perceptions of INB.

## Conclusions with Respect to Performance Tests

### LENDING TEST

INB meets the standards for Satisfactory performance. In making this determination, we gave more weight to the performance in the Springfield AA.

### Loan-to-Deposit Ratio

INB's average LTD ratio is reasonable given the size, financial condition, and lending opportunities available in the AAs. The quarterly LTD ratio averaged 77 percent over 11 quarters from March 31, 2013, through September 30, 2015, with a low of 66 percent and a high of 83 percent. The similarly situated financial institutions, which range in size from \$502 million to \$989 million, are community institutions that compete with INB for deposits in the AAs. The similarly situated institutions had an overall LTD ratio of 80 percent, with an average low of 68 percent and a high of 93 percent.

### Lending in Assessment Area

INB originated or purchased a majority of loans to customers within its AAs during the evaluation period, both by number and dollar volume.

<b>Table 2 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
HMDA	1,579	86.76	241	13.24	1,820	252,013	69.32	111,518	30.68	363,531
Businesses	49	81.67	11	18.33	60	41,602	83.67	8,119	16.33	49,721
Totals	1,628	86.60	252	13.40	1,880	293,615	71.05	119,637	28.95	413,252

Source: In/Out sample of commercial loans and data reported under HMDA between January 1, 2014 and December 31, 2015.

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

The borrower distribution of loans reflects reasonable penetration, given the performance context. In making this determination, we gave more weight to the Springfield AA and to HMDA lending in our analysis.

### HMDA Loans – Full Scope AAs

The distribution of borrowers reflects reasonable penetration among families of different income levels in the Springfield AA. Lending to low-income families is poor for purchase and reasonable for refinance considering families living below the poverty level is 10 percent. Lending to moderate-income families is excellent for purchase and refinance as the performance exceeds the standard.

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
Purchase	22.31	9.46	15.92	20.54	21.83	24.86	39.94	45.14
Refinance	22.31	10.99	15.92	17.02	21.83	30.50	39.94	41.49

*Source: Data reported under HMDA between January 1, 2014 and December 31, 2015; 2010 US Census data*

### HMDA Loans – Limited Scope AAs

HMDA loans are not a primary product in the Logan and Danville AAs. Lending in the Peoria AA is consistent with the full scope review as the performance reflects reasonable penetration. Lending in the Bloomington AA is inconsistent with the full scope review as the performance reflects excellent penetration to low- and moderate-income families.

### Business Loans – Full Scope AA

Lending to businesses reflects poor penetration among businesses of different sizes in the Springfield AA.

Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.91%	5.60%	25.49%	100%
% of Bank Loans in AA by #	45.65%	50.00%	4.35%	100%
% of Bank Loans in AA by \$	9.03%	87.96%	3.01%	100%

*Source: Business loan sample from January 1, 2014 through December 31, 2015; 2014 Business Geodemographic Data.*

Business Loans – Limited Scope AAs

Business loans are not a primary product in the Logan and Danville AAs. Lending in the Peoria and Bloomington AAs is consistent with the full scope review as the distribution of loans to businesses of different sizes reflects poor penetration.

**Geographic Distribution of Loans**

The geographic distribution reflects reasonable dispersion, given the performance context. In making this determination, we gave more weight to the Springfield AA and to HMDA lending in our analysis.

HMDA Loans – Full Scope AA

The geographic distribution of loans reflects reasonable dispersion. The performance in low-income CTs is poor for purchase and reasonable for refinance. Performance in moderate-income CTs is poor for purchase and reasonable for refinance.

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans in Springfield 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
Purchase	6.44	3.62	17.47	13.53	40.46	39.37	35.63	43.48
Refinance	6.44	6.15	17.47	16.62	40.46	40.62	35.63	36.62

*Source: Data reported under HMDA between January 1, 2014 and December 31, 2015; 2010 US Census Data*

HMDA Loans – Limited Scope AAs

HMDA loans are not a primary product in the Logan and Danville AAs. Lending in the Peoria AA is consistent with the full-scope review as the geographic distribution reflects reasonable dispersion. Lending in the Bloomington AA is inconsistent with the full scope review as the geographic distribution reflects poor dispersion.

Business Loans – Full Scope AA

The geographic distribution of loans to businesses reflects reasonable dispersion. The dispersion in low-income CTs is excellent as performance substantially exceeds the standard while performance in moderate-income CTs is poor.

<b>Table 6 - Geographic Distribution of Loans to Businesses in Springfield 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
Businesses	11.24	21.74	21.39	10.87	31.86	34.78	31.49	32.61

Source: Sample of business loans from January 1, 2014 to December 31, 2015. 2014 Business Geodemographic Data.

\*Geodemographic data shows 4.02 percent of businesses are located in a CT with an unassigned income level.

### Business Loans – Limited Scope AAs

Business loans are not a primary product in the Logan and Danville AA. Performance in the Peoria and Bloomington AAs is inconsistent with the full scope review. The Peoria AA reflects very poor dispersion while the Bloomington AA reflects excellent dispersion.

### **Responses to Complaints**

INB did not receive any comments or complaints regarding its performance in helping to meet the credit needs of its AA during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

INB’s community development performance demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. In making this determination, we gave more weight to the performance in the Springfield AA in our analysis.

### **Number and Amount of Community Development Loans**

INB has 23 qualifying loans, lines-of-credit, and letters-of-credit totaling \$13.9 million during the evaluation period. Notable CD loan activity include:

- INB originated a line of credit, two separate term loans, and provided funding on a credit card to meet the day-to-day operations of a non-profit that provides health care services to low- and moderate-income individuals in the Springfield AA.
- INB originated a line-of-credit, provided a letter-of-credit, and provided funding in the form of a credit card to meet the day-to-day operations of an organization that provides housing to low- and moderate-income individuals in the Springfield AA.
- INB originated a term loan to an organization that acts as a financial intermediary by providing small balance and micro loans to small businesses in the Springfield AA that cannot obtain financing through traditional methods. The financial intermediary used the

funds to originate eight loans to small businesses of which seven were originated in low- or moderate-income CTs in the Springfield AA.

There were no qualifying loans in limited scope AAs.

### **Number and Amount of Qualified Investments**

INB had 93 qualifying donations totaling \$45 thousand. The Springfield AA received the substantial majority of the dollar amount at \$43 thousand. The Peoria AA received \$2 thousand in donations. There were no qualifying investments or donations in the Bloomington, Logan, or Danville AAs.

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

INB's delivery systems are reasonably accessible to individuals of different incomes and business of different sizes. INB operates one ATM located in a low-income CT and two ATMs and one branch are located in moderate income CTs in the Springfield AA. Ten branches offer Saturday service through lobby or drive-thru access.

INB has eight qualifying community development services.

- Sixteen INB employees provided financial literacy education as part of an eight-week program in 2014 to an elementary school that serves children from primarily low- and moderate-income families.
- Bank staff served on five boards of various organizations that promote housing and health services to low- and moderate-income people to seeking to grow and revitalize downtown Springfield, which is comprised of low- and moderate-income CTs.
- INB participates in a lending program that helps to meet the needs of low- and moderate-income homebuyers with down payment and closing cost assistance. Service is available in all AAs.
- INB participates in lending programs with the Small Business Administration to help meet the credit needs of small businesses. Service is available in all AAs.

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

INB's responsiveness through development loans, investments, and services is adequate in the Springfield AA.

INB's responsiveness is poor in the Peoria AA and very poor in the Bloomington, Logan, and Danville AAs.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR. 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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