



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 27, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

National Bank
Charter # 14510

212 S. Main Street
Hillsboro, IL 62049

Comptroller of the Currency

Fairview Heights Duty Station
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **National Bank Hillsboro, Illinois**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 27, 1996. This evaluation is based on performance since the last CRA examination dated December 3, 1992. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- ▶ The bank's loan to deposit ratio is reasonable with an average ratio of 66% over the past ten quarters.
- ▶ A substantial majority of the loans sampled, 90%, were within the assessment area.
- ▶ The bank's level of lending to borrowers of different income levels is reasonable with 11% of the number of loans sampled made to low-income borrowers and 27% of the number of loans sampled made to moderate-income borrowers.

The following table indicates the performance level of National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination		

DESCRIPTION OF INSTITUTION

National Bank is wholly owned by Country Bancorp, Inc., a one bank holding company. As of June 30, 1996, bank assets totaled \$114,000,000. The bank's main office, in Hillsboro, Illinois, is complemented by eight banking facilities located in the Illinois towns of Hillsboro, Vandalia, Greenville, Mt. Olive, Alhambra, Livingston, and Mt. Clare. The bank has four automated teller machines in operation. Three more will be operational by year-end 1996. As of June 30, 1996, loans secured by 1-4 family residential properties represented 40% of the loan portfolio, farm loans 24%, commercial loans 17%, loans to individuals 16%, and other loans 3%.

There are no financial or legal impediments to the bank's ability to meet the community credit needs of its designated assessment area. National Bank received a *Satisfactory Record of Meeting Community Credit Needs* at its last CRA examination, dated December 3, 1992.

DESCRIPTION OF ASSESSMENT AREA

National Bank's assessment area covers a total of 25 block numbering areas (BNAs) and census tracts (CTs) in five Illinois counties. The assessment area includes all BNAs of Montgomery and Bond counties. It also includes the southeast portion of Macoupin County containing BNAs 9568, 9569, 9570, 9571 and 9572; the northeast portion of Madison County containing CTs 4038.01 and 4038.02; and all of Fayette County except BNA 9505. The CTs in Madison County are located in the northeast fringe of the St. Louis, Missouri, Metropolitan Statistical Area (MSA). Of the 25 BNAs and CTs, all are middle-income geographies except BNA 9506 in Fayette County. This is a moderate-income area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The population of this assessment area as of the 1990 census was 89,649. The 1996 Illinois statewide non-MSA median family income is \$36,000. The corresponding St. Louis MSA median family income is \$46,900. Census family income information aggregated for all BNAs and CTs of the assessment area indicates that 5,100 families or 21% are considered low income, 4,738 families or 19% are considered moderate income, 6,322 families or 26% are considered middle income, and 8,355 families or 34% are considered upper income.

The overall economic condition of the assessment area is good. Some areas are enjoying prosperity from growth in numerous small manufacturing and light industry companies while others remain stable. The welfare of the assessment area depends upon both the economic health of these small companies and local agricultural production. The area does enjoy a wide variety of employers. Several of the major employers are the Hillsboro Community Unit School District, St. Francis Hospital, Hillsboro Glass Company, Hydraulics Inc., Schutt Manufacturing, Tru-Weld Grating, Inc., Central Illinois Power Company, Graham Correctional Center and the Georgia Pacific corrugated box plant. October 1996

unemployment figures for Bond County were 5.5%, Fayette County 6.0%, Macoupin County 5.9%, Madison County 5.0%, and

Montgomery County 7.5%. This compares to the Illinois unemployment rate of 4.7% and the national rate of 4.9% for the same period.

Competitive pressures are strong. The bank's broad assessment area exposes them to numerous competitors, including many nonbank financial product service companies. Bank competitors range from small independent community banks to branches of Missouri and Indiana based regional banks.

To further our understanding of the community's credit needs, we performed one community contact during this examination and referenced three previously prepared community contacts. Based on information from these contacts, the ongoing credit needs of the community include financing for low-cost housing (rental or 1-4 family home purchase) and for downtown business development and improvements. Local financial institutions are dedicated to meeting these needs as demonstrated by their participation with other community members on the Hillsboro Planning Commission, Hillsboro Chamber of Commerce, the 2000 and Beyond Committee, and the city's Industrial Development Commission.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio: The bank's loan to deposit ratio is reasonable. The bank's average loan to deposit ratio was 66% for the ten quarters from March 31, 1994 to June 30, 1996. This ratio has remained relatively stable over this time. As of June 30, 1996, the ratio was 65%. Five similarly situated area institutions, with total assets between \$67 million and \$132 million, have current loan to deposit ratios ranging from 62% to 73% and average ratios for the period ranging from 53% to 73%.

Lending in the Assessment Area: A substantial majority of the bank's loans are within its assessment area. During the examination, we reviewed all loans secured by 1-4 family residences that were made between May 1, 1996 and October 10, 1996. This category of loans was selected as it represents the bank's largest dollar volume of a consumer-oriented credit. Using the bank's assigned geographic designations, this analysis disclosed that 90% of the number of loans and 88% of the dollar amount of these extensions of credit were made to borrowers located within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes: The distribution of loans to borrowers of different income levels reflects a reasonable penetration among families of different income levels and businesses and farms of different sizes.

Based on a sample of the 1-4 family residential loans described above, we determined the distribution of credit within the assessment area by borrower income level. The findings of this analysis are presented in the following table.

Income Levels	% By # of Loans	% By \$ of Loans	% of Population
Low	11%	4%	21%
Moderate	27%	22%	19%
Middle	24%	23%	26%
Upper	38%	51%	34%

The percentage of loans to low-income families is not proportionate with the percentage of low-income families in the assessment area. However, low-income families are more likely to occupy rental units than be homeowners. Therefore, fewer low-income families are likely to apply for this type of credit. In order to meet the credit needs of low-income families, the bank does offer and provide loans to low-income borrowers which are not secured by 1-4 family residences.

As of November 25, 1996, bank-generated reports showed 879 commercial loans outstanding. Of these loans, 95% had original amounts less than \$100,000 and 3% had original amounts from \$100,00 to \$250,000. Only one commercial loan was for more than \$1 million. As of the same date, the bank had 622 farm loans outstanding. Of these loans, 88% had original amounts less than \$100,000 and 8% had original amounts from \$100,000 to \$250,000. Only one farm loan had an original amount for more than \$1 million. Only three of the commercial and farm loans were to businesses or farms with annual gross revenues greater than \$1 million.

Geographic Distribution of the Bank's Loans: The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. This conclusion is based on the sample of 1-4 family residential loans described above. No groups of geographies, by income category, could be identified as having a lack of penetration. However, 5 of the 25 geographies do not contain loans from our sample. One of these is the moderate-income tract, 9506. The other four are middle-income tracts. Based on a geographic review of these locations, we found that all but one of these tracts are on the edge of the assessment area and all are well served by other banks located in or much closer to those geographies. Concern regarding the lack of penetration in BNA 9506 is further mitigated by the small population of that BNA. The population of BNA 9506 represents only 4% of the bank's assessment area.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of these antidiscrimination laws and regulations were identified.