



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 9, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Hannibal National Bank
Charter # 6635
100 N. Main
Hannibal, Missouri 63401

Comptroller of the Currency
St. Louis Field Office
12312 Olive Boulevard, Suite 650
St. Louis, Missouri 63141

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 **The Hannibal National Bank**, Hannibal, Missouri, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **December 9, 1997**. This evaluation is based on information since the last CRA examination, dated January 30, 1995. 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 level of lending to borrowers of different income levels is reasonable based on our sample of home mortgage lending activities.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's loan-to-deposit ratio is comparable to that of competitor banks. The loan-to-deposit ratio as of September 30, 1997, is 60%.
- A good majority of the loans sampled are extended in the bank's assessment area.

DESCRIPTION OF INSTITUTION

The Hannibal National Bank is a \$101 million bank that is wholly owned by HNB Bancorp, Inc., Hannibal, Missouri, a one-bank holding company. The main office is located in downtown Hannibal and operates two branches. One branch is located in the northwest edge of town and the other is located in Palmyra, Missouri, approximately 12 miles north of Hannibal. The bank's primary business focus is in real estate lending, small business, and small farm loans. As of September 30, 1997, the loan portfolio consists of 76% real estate loans, 13% business and agricultural production loans, and 11% consumer loans.

No financial or legal constraints impede the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated January 30, 1995, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Marion County Block Numbering Areas (BNAs) are 9601 through 9609; and Ralls County BNAs are 9701 through 9703. This is a contiguous area and meets the criteria of the regulation.

Marion and Ralls Counties are non-Metropolitan Statistical Areas (MSAs) located approximately 117 miles northwest of St. Louis, Missouri. Based on the non-MSA median family income for Missouri in 1990, the bank's assessment area in Marion County has one moderate-income BNA, six middle-income BNAs, and two upper-income BNAs. The three BNAs in Ralls County are all middle income. Marion and Ralls Counties have unemployment rates of 4.2% as of July 31, 1997, compared with a state rate of 3.9% and a national rate of 5.0%. Economic conditions have remained stable. The bank has not arbitrarily excluded any low- or moderate-income areas by designating only a portion of these counties within its assessment area.

The combined population of Marion and Ralls County BNAs in the bank's assessment area as of the 1990 census was 36,158. The median family income was \$26,212. The median household income was \$21,994. The updated non-MSA median family income for Missouri for 1997 is \$31,900. Census information on family incomes aggregated for this assessment area indicated that 19% were considered low, 15% moderate, 22% middle, and 44% upper income.

Major employers in this assessment area include Pillsbury Inc, packaged foods; Watlow Industries, electric equipment; American Cyanamid Co., a producer of agricultural chemicals; and Hannibal Regional Hospital.

Community contacts performed by our Office and other regulatory agencies in recent months indicate that all local financial institutions are serving the needs of low- and moderate-income families. Bank management's strategy is to actively market residential real estate and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

The bank meets the standards. There is a reasonable distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. Our review of residential real estate loans originated in 1996 and 1997 reveals that loans are extended to borrowers of all income levels, including low- and moderate-income borrowers.

The loan distribution shown below is somewhat misleading due to a relatively higher percentage of rental housing as opposed to owner-occupied units. Also, there is a low turnover of low-income housing because the demographic information shows a high percentage of rental housing as opposed to owner-occupied units. According to 1990 census data, 27% of the housing type is rental units. However, since the flood of 1993 rental units have increased substantially. Numerous housing units were built in the assessment area to accommodate the elderly and the low- and moderate-income families. Also, a local real estate broker stated that most of the retired community population do not seek financing for home purchases. The 1990 census information indicates that 18% of the population of the assessment area are persons over the age of 65.

We sampled 177 or 60% of the number of residential real estate loans extended in 1996 and 1997.

The following table shows the distribution of residential real estate loan originations among borrowers of different income levels within the assessment area:

	# of Loans	% of Loans #	Loan \$	% of Loans \$	Family Breakdown by Income
<i>Low Income</i>	7	4.14%	87,364	1.22%	18.66%
<i>Moderate Income</i>	24	14.20%	676,259	9.47%	15.55%
<i>Middle Income</i>	34	20.12%	1,238,710	17.35%	22.25%
<i>Upper Income</i>	104	61.54%	5,138,543	71.96%	43.54%

The bank extends loans to small businesses and small farms. The following table was produced using bank reports for small business and small farm loans extended in 1997.

Size of Loans to Small Businesses and Small Farms

	Under \$100M		\$100M-\$250M		\$250M-\$500M		Over \$500M	
#	154	94%	9	5%	0	0%	1	1%

Geographic Distribution of Loans:

The geographic distribution of loans meets the standards. The distribution of loans reflects reasonable dispersion throughout the assessment area. Residential real estate lending was noted in all BNA tracts within the bank’s assessment area.

Geographic Dispersion of Residential Real Estate Loans Throughout the Assessment Area

Income Characteristic of BNAs	Geographies by Income Level	Number of Loans	Percentage of Loans #	Dollar Amount of Loans	Percentage of Loans \$
Low Income (a)	0%	0	0%	0	0%
Moderate Income (b)	8%	9	5%	302,028	4%
Middle Income (c)	75%	103	61%	4,162,448	58%
Upper Income (d)	17%	57	34%	2,676,400	38%
Total	100%	169	100%	6,408,889	100%

- (a) No low-income BNAs in assessment area
- (b) 1 moderate-income BNA in assessment area
- (c) 9 middle-income BNAs in assessment area
- (d) 2 upper-income BNAs in assessment area

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio meets the standards. The loan-to-deposit ratio was 60% as of September 30, 1997. The bank's average loan-to-deposit ratio for the eleven quarters since the previous CRA evaluation is 57%. The loan-to-deposit ratios of four competitor banks were compared with the bank's ratio. The loan-to-deposit ratios for these banks ranged from 56% to 85% as of September 30, 1997.

Lending in the Assessment Area:

Lending in the assessment area exceeds the standards. A good majority of the bank's residential loans are within its assessment area. This conclusion is based on a sampling of residential real estate loans originated in 1996 and 1997.

Percentage of Real Estate Loans by Number and Dollar Amount Within Assessment Area

Number of Loans Sampled	Percentage of Loans (#)	Percentage of Loans (\$)
177	95%	97%

Response to Complaints:

No complaints were received since the prior CRA evaluation.

Compliance with Antidiscrimination Laws:

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