



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 23, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Clinton National Bank  
Charter Number: 994

235 Sixth Avenue, South  
Clinton, Iowa 52732

Office of the Comptroller of the Currency

Des Moines Field Office  
5550 Wild Rose Lane Suite 400  
West Des Moines, Iowa 50266

**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 Clinton National Bank (CNB) originates a substantial majority of its loans in its assessment area (AA).
- The loan-to-deposit ratio is lower than peer. However, this is reasonable considering the competitive local lending environment and CNB's sales of loans on the secondary market.
- The bank has a satisfactory record of lending to businesses of different sizes and in different geographies.
- Community development (CD) investments and services demonstrate an adequate responsiveness to the needs of the AA.

**Scope of Examination**

CNB has one AA, which received a full-scope review. Home, business, consumer, and farm loans originated between January 1, 2010 and December 31, 2011 were reviewed to evaluate CNB's performance under the Community Reinvestment Act (CRA). The bank's loan-to-deposit ratio was reviewed and compared to other similarly situated institutions in the AA. We determined the bank's primary product is business loans based on dollar volume and number of loans originated during the evaluation period.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
<b>Business Loans</b>	<b>54%</b>	<b>16%</b>
Consumer Loans	6%	56%
Farm Loans	28%	16%
Home Loans	12%	11%
Total	100%	100%

A sample of 20 business loans was reviewed to determine the bank's lending performance within its AA. Additionally, reviews of borrower distribution and geographic distribution among business borrowers were also performed and compared to demographic characteristics. CRA-related complaints were also reviewed.

CNB's CD activities completed since the last performance evaluation (PE) were also reviewed. The number and amount of CD loans and investments, and the extent of CD

services were evaluated. The responsiveness of these activities to the needs of the community was taken into account.

## **Description of Institution**

CNB is wholly owned by W.J. Young and Co., a one-bank holding company, located in the city of Clinton, Iowa. CNB has been in business since 1865 and has a major market share of local deposits. There are 12 other banks in the market with over 30 offices. Credit unions in the market also compete for local deposits.

CNB offers traditional banking services and loan products normally associated with a community bank. CNB is primarily a commercial and agricultural real estate lender. CNB has nine branches, including its main office, and 20 ATMs located mostly in the Clinton area. No branches were opened or closed during the evaluation period. Customers may also access their accounts through telephone or Internet banking, or debit cards.

In response to community credit needs, CNB conducts interviews with community leaders to ascertain credit needs. CNB uses these interviews to determine the role the bank may play in meeting the needs of low- and moderate-income individuals in the AA.

As of December 31, 2011, the bank had total assets of \$370 million. Net loans totaled \$176 million, representing 48 percent of total assets. Equity capital was reported at \$48.8 million. The bank's previous CRA rating as of February 11, 2008 was Satisfactory.

Additional information is available in the bank's public file.

## **Description of Assessment Area**

CNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts (CTs). The Clinton/Jackson AA consists of 12 contiguous CTs. It is not located in an MSA. Eleven CTs are in Clinton County and one CT is in Jackson County. One CT in Clinton County is designated moderate-income, while the remaining 11 CTs are designated as middle- or upper-income. The moderate-income CT consists primarily of the downtown Clinton area. Of the 20,083 total assessment area households, 7 percent are in moderate CTs, 71 percent in middle CTs, and 22 percent in upper CTs.

The 2010 Census disclosed that 32 percent of households received some social security income, 10 percent are below the poverty level, and 3 percent received some form of public assistance. The 2010 Census also disclosed that 29 percent of the available housing units were rentals and 9 percent were multifamily units. The HUD Weighted Average Median Housing Cost is \$71,555. The Weighted Average of HUD

Updated Median Family Income for 2010 and 2011 are \$54,200 and \$56,200, respectively.

The local economy is stable. Clinton has one of the busiest ports on the upper Mississippi River, with a number of products shipped from manufacturing facilities located along the river. The town has a well diversified industrial base. The largest employers include Mercy Hospital, ADM, Lyondell, Nestle-Purina, and the Clinton School District. The regional medical center serves small communities in Illinois and communities to the west of Clinton, Iowa. The city unemployment rate is high at over 7.1 percent, but recently improved from 7.7 percent. This rate is higher than the state-wide rate of 6.0 percent. Many Clinton residents commute to work in the Quad Cities area to the south.

The riverfront industrial park was recently renovated into a park space, removing a number of old vacant buildings along the river. ADM recently expanded, building a facility that produces biodegradable plastic. ADM bought and demolished a number of old housing units, reducing the quantity of low- and moderate-income housing.

We interviewed representatives from two local community organizations. These contacts indicated there have been no complaints about the local banks not meeting credit needs. Both contacts highlighted the most significant community credit needs as affordable housing and financial education. One contact also indicated that CNB had been especially accommodating to low- and moderate-income bank customers. The contacts also appreciated the outreach activities performed by CNB, which provided a forum to discuss credit and banking needs with a financial institution.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

CNB meets the standard for satisfactory performance under the Lending Test. The loan-to-deposit ratio is reasonable, and the bank originates a substantial majority of its loans in the AA. More weight was placed on the bank's performance relating to borrower and geographic distribution. Under both the Borrower and Geographic Distribution Tests, CNB's performance was reasonable and meets the standard for satisfactory performance.

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

CNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA examination was 70 percent, compared to an average of 86 percent for the two similarly situated institutions in the bank's AA. The bank's loan-to-deposit ratio is lower than these peer institutions, but reasonable considering the competitive local lending environment and volume of loans sold by the bank on the secondary market. The bank

generally sells long-term, fixed rate residential loans. Since the last CRA examination, the bank sold \$76 million in home loans. If these loans were considered in this ratio analysis, the average quarterly loan-to-deposit ratio would exceed 75 percent.

**Lending in Assessment Area**

The bank originated a substantial majority of its business loans in the AA and exceeds the standard for satisfactory performance. A random sample of 20 business loans showed 85 percent by number and 84 percent by dollar amount were located within CNB's AA.

<b>Table 1 - Lending in Clinton/Jackson Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	17	85	3	15	20	2,097,921	84	413,000	16	2,510,921
Totals	17	85	3	15	20	2,097,921	84	413,000	16	2,510,921

Source: HMDA data & sampled farm loan data 2010-2011

**Lending to Businesses of Different Sizes**

CNB’s lending to businesses of different sizes reflects reasonable penetration and meets the standard for satisfactory performance. The bank’s distribution of loans to businesses with revenues less than \$1 million was less than the demographic comparator by dollar but exceeded the comparator by number. The demographic comparator of 74 percent indicates that a majority of the businesses in the AA have revenues less than \$1 million. Table 2 shows 85 percent of the number of loans and 56 percent of the dollar amount of loans in our sample were to businesses with revenues less than \$1 million. It should be noted that a number of loans in our sample were smaller dollar loans to businesses with revenues of less than \$1 million. Considering this factor, the bank’s performance by number is more representative of the bank’s performance under this criterion.

As shown in Table 2, 24 percent of AA businesses have unavailable or unknown revenues. In evaluating the bank’s performance in lending to business of different sizes, the bank’s willingness to make loans to small businesses was considered. CNB is assisting small businesses in obtaining financing by participating in the Small Business Administration loan program. Reviews of CNB’s performance context also found the credit needs of businesses are being met.

<b>Table 2 - Borrower Distribution of Loans to Business in Clinton/Jackson AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	73.86	2.21	23.93	100.00
% of Bank Loans in AA by #	85.00	10.00	5.00	100.00
% of Bank Loans in AA by \$	55.99	43.84	0.17	100.00

Source: Business loan data sampled from 2010-2011 and U.S. Census Data

**Geographic Distribution of Loans**

CNB's geographic distribution of business loans reflects a reasonable dispersion of lending and meets the standard for satisfactory performance. The bank's performance for business loans meets the demographic comparator for businesses in the moderate-income CT. Lending to business in the middle-income geographies meets the comparator for the combined volume of businesses in the middle- and upper-income CTs.

**Table 3 - Geographic Distribution of Loans to Businesses in Clinton/Jackson AA**

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
Business	0.00	0.00	10.22	10.00	65.54	90.00	24.24	0.00

*Source: Business loan data sampled from 2010-2011 and U.S. Census Data*

**Responses to Complaints**

The bank has not received any complaints regarding its CRA performance.

**COMMUNITY DEVELOPMENT TEST**

CNB's performance under the Community Development Test meets the standard for satisfactory performance. CD activities were concentrated in investments and services addressing community service and economic development needs. CNB's activities demonstrate an adequate responsiveness to community needs, but performance context findings indicated affordable housing and financial education remain significant needs in the community.

**Number and Amount of Community Development Loans**

CNB did not originate any CD loans during the evaluation period.

**Number and Amount of Qualified Investments**

CNB made a total of \$58,707 in cash contributions and donations to CD organizations providing community services and creating jobs for low- and moderate- income individuals.

- \$37,500 to Quality Jobs 4A Strong Future, a joint project of the Clinton Area Chamber of Commerce and the Clinton Area Development Corporation designed to retain and attract employers that provide quality employment opportunities. Quality Jobs 4A Strong Future is located in a moderate-income CT in the Clinton/Jackson AA.

- \$21,207 to United Way.

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

CNB provides CD services through a product offering that serves the banking and credit needs of low- and moderate-income individuals, small businesses, and small farms. The bank also has one location that ensures banking services reach a moderate-income area.

- CNB offers a free checking account with no required minimum balance and no cost when using a debit card. This product was created during the evaluation period and offered in response to community outreach meetings in which the bank learned low- and moderate-income banking customers needed a checking account without fees.
- Small Business Administration (SBA) - 13 loans - \$5.2 million.

This federal government agency provides financing and counsel to small businesses. SBA loans are frequently provided to entrepreneurs to start or grow small businesses.

- Farm Service Agency (FSA) - 14 loans - \$1.6 million.

This federal government agency provides direct and guaranteed loans to farmers and ranchers who cannot obtain commercial credit from a bank or other lender. FSA loans are often provided to beginning farmers who cannot qualify for conventional loans because they have insufficient financial resources. FSA also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

- Delivery systems are accessible to individuals of different income levels. CNB's main bank location is located in a moderate-income CT. There is a drive up facility across the street from this location. Both locations are open six days per week with similar hours to other bank offices. CNB's complete line of loan and deposit products is available at the main bank location.

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

CNB demonstrates an adequate responsiveness to the needs in the community. While the bank did not make any CD loans, it is evident from reviewing the CD services that CNB is meeting the needs of small farms and businesses. SBA loans increased significantly from the previous evaluation's total of five loans and \$259 thousand. FSA lending declined since the previous PE but overall lending in the SBA and FSA programs remains above totals from the previous PE. CNB also demonstrated responsiveness to community needs by developing a free checking account in response

to community outreach meetings. CNB's CD investments and services addressed community service needs and economic development. However, affordable housing and financial education remain significant needs in the AA.

## **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.