



PUBLIC DISCLOSURE

September 12, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of St. Anne
Charter Number 14617

158 W. Station Street
St. Anne, IL 60964

Office of the Comptroller of the Currency

2001 Butterfield Road
Suite 400
Downers Grove, IL 60515

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 quarterly average loan-to-deposit ratio over the evaluation period is more than reasonable.
- A majority of the loans originated are to customers from within its AA.
- The distribution of loans reflects a reasonable penetration among individuals of different income levels given the bank's product offerings, assessment area (AA) demographics, and current economic conditions.
- The distribution of loans to farms of different revenue sizes reflects reasonable penetration given the bank's product offerings and local economic conditions.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including low- and moderate-income geographies, given the bank's product offerings and local economic conditions.

SCOPE OF EXAMINATION

National Bank of St. Anne (NBSA) was evaluated under the Small Bank examination procedures, which consist of a lending test that evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for this examination is from January 1, 2010 through August 31, 2013. NBSA's two primary lending products are residential and agricultural loans. The bank reports residential lending data under the requirements of the Home Mortgage Disclosure Act (HMDA). HMDA data was tested and found to be reliable for use in our residential real estate lending analysis. NBSA is not required to maintain CRA data on agricultural or small business lending. Thus, we reviewed a sample of 26 agricultural loans originated during 2012 and 2013 to evaluate lending to farms of different sizes.

DESCRIPTION OF INSTITUTION

NBSA is a \$51 million financial institution, which is headquartered in St. Anne, Illinois, a small rural community in east central Illinois. NBSA is a stand-alone financial institution and is wholly owned by St. Anne Bancorp Incorporated, a one-bank holding company. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

NBSA is an intrastate financial institution serving all of Kankakee and portions of Iroquois Counties. NBSA has one location, the main office located at 158 West Station Street, St. Anne, Illinois. NBSA has one automated teller machine (ATM) which is located in St. Anne, Illinois.

There are no legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of its AA. There has been no change in the bank’s corporate structure since the last CRA evaluation. At the last CRA evaluation, dated March 1, 2010, NBSA received a “Needs to Improve” rating for meeting community credit needs.

NBSA’s business strategy is to provide a full range of traditional banking services to individuals and businesses, including personal, commercial, retail, and Internet banking, while providing high quality customer service. We contacted a local government official to gain insight on the community and the performance of local institutions in meeting community credit needs. The official indicated that economic conditions in the area are stabilizing, and in some instances are starting to improve. Community organizations depend on the banks and businesses in the area for expertise, and donations. NBSA has supported the Village of St. Anne and community projects.

The volume of loan originations over the evaluation period was evenly distributed among agricultural, residential, and commercial loans. However, NBSA’s two primary lending products are residential real estate and agricultural loans. Residential real estate lending was selected because poor performance in this area was the basis of the “Needs to Improve” rating at last examination, and it was also identified as a community credit need by the community contact. The residential real estate lending category accounts for 31 percent of the number of all loan originations during the evaluation period and represents 23 percent of the outstanding loan balances as of December 31, 2012. Agricultural lending was selected because they made up the largest volume of loan originations and was identified as a community credit need by the community contact. Agricultural lending accounts for 32 percent of the number of all loan originations during the evaluation period and represents 29 percent of the outstanding loan balances as of December 31, 2012.

The table below illustrates the composition of loan originations made from January 1, 2010 through August 31, 2013.

Loan Originations by Loan Type from January 1, 2010 through August 31, 2013				
Loan Category	\$ (000)	%	#	%
Agricultural Loans	12,734	32	136	19
Residential Loans	12,195	31	107	15
Commercial Loans	10,538	27	143	19
Consumer Loans	3,841	10	342	47
Total Originations	39,308	100	728	100

Source: Internal (Bank) Origination Reports

DESCRIPTION OF ASSESSMENT AREA(S)

NBSA has one AA encompassing 29 geographies, all located in the Kankakee-Bradley, IL Metropolitan Statistical Area (MSA). Following the results of the prior CRA evaluation, the board approved the expansion of the bank's AA from 3 geographies to better respond to the credit needs of their market area. There are three low- and six moderate-income geographies in the AA. The AA is consistent with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The bank has also done a considerable volume of lending in Iroquois County, which is a non-MSA. Although the bank does not have a separate presence in this non-MSA, some rural portions of St. Anne are located in Iroquois County. Therefore, management and the Board view it as part of their local market and have historically and consistently loaned in this area. For these reasons, we will give this lending positive consideration if the bank has adequately addressed the credit needs of borrowers within its AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NBSA's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. NBSA's quarterly average loan-to-deposit ratio for the period January 1, 2010 to June 30, 2013, was 66 percent, with a high of 78 percent and a low of 53 percent. The quarterly average loan-to-deposit ratio for 12 other similarly situated financial institutions averaged 59 percent over the same period, with NBSA's ranking third highest. The similarly situated banks utilized for comparison purposes are community banks, ranging in asset size from \$19 million to \$221 million, located in the bank's market area.

Lending in Assessment Area

NBSA's loan origination of their primary loan products inside the bank's assessment area meets standards. A majority of the bank's lending-related activities are located inside the AA. NBSA's lending to customers within the AA for all loan types is satisfactory. In a strategic move, management discontinued the QR Lending initiative in November 2011. As a result, lending in the bank's AA has improved significantly from the prior evaluation period. Lending inside the AA is 63 percent by number and 67 percent by dollar amount.

The following table details the bank's lending within the AA based on the number and dollar volume of loan originations during the evaluation period.

2010- 2011- 2012 and YTD 2013 Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential RE	79	74	28	26	107	8,800	72	3,395	28	12,195
Agricultural	75	55	61	45	136	7,830	61	4,903	39	12,734
Totals	154	63	89	37	243	16,630	67	8,298	33	24,929

Source: HMDA data and bank records for loans originated in 2010, 2011, 2012, through 8/31/13.

LENDING TEST

Lending to Borrowers of Different Incomes and to Farms of Different Sizes

The distribution of loans reflects reasonable penetration among borrowers of different incomes and farms of different sizes in the AA. In determining this, we considered the bank’s ability to meet the credit needs of their AA. NBSA’s lending in its AA’s is reasonable; therefore, we gave positive consideration of agricultural related loans originated or purchased during 2012 through August 2013 in the non-MSA geographies that are directly adjacent to the bank’s AA.

Residential Real Estate Loans

NBSA’s loan distribution to borrowers of different income levels shows reasonable penetration of the AA. Considering the median housing value, a high unemployment rate, and a moderate level of households that are below the poverty level, it is difficult for low- and moderate-income individuals to qualify for residential real estate loans. In addition, the market in the bank’s AA is competitive as the majority of financial institutions are large regional institutions. Although there are limited opportunities to make loans in the AA, the bank is committed to working with low- and moderate-income borrowers whose borrowing needs may not fit into any special lending programs. NBSA has been able to identify and provide lending to low- and moderate-income individuals.

Borrower Distribution - Residential Real Estate Loans - 2010 - 2011

Overall, borrower distribution is reasonable during this period. According to the 2000 Census data, the median home value was \$97 thousand with ten percent of households below the poverty level and area unemployment at 11 percent. This demographic data presents a challenge to the bank’s ability to meet AA credit needs as fewer low- and moderate-income borrowers may qualify for a residential real estate loan. Despite

these challenges, NBSA’s lending distribution to moderate-income borrowers exceeds standards and mitigates the penetration to low-income borrowers.

Home purchase and home improvement loans to moderate-income borrowers exceed the percentage of moderate-income families. Home refinance loans to moderate-income borrowers is near the percentage of moderate-income families. Home purchase and home refinance loans to low-income borrowers is below the percentage of low-income families. Home improvement loans to moderate-income borrowers exceed the percentage of moderate-income families and there were no home improvement loans to low-income borrowers. Refer to the Table below for details.

2010 – 2011 Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	19.07	10.00	18.85	20.00	23.04	50.00	39.04	20.00
Home Improvement	19.07	0	18.85	20.00	23.04	0	39.04	80.00
Home Refinance	19.07	5.88	18.85	17.65	23.04	41.18	39.04	35.29

Source: HMDA data from 2010 and 2011

Borrower Distribution - Residential Real Estate Loans - 2012 – 2013

Although the challenges to lending performance were greater during this period, borrower distribution remains reasonable. NBSA’s lending distribution to low- and moderate-income borrowers meets standards.

According to the 2010 census data, families below the poverty level increased to 12 percent, area unemployment remains high at 11 percent, and the median housing value has increased 41 percent from the 2000 census data to \$135 thousand. Competition in the bank’s AA is strong. Per the 2011 Peer Data Loan Market Share report, 181 financial institutions in the bank’s AA originated loans during the evaluation period, the majority of which are large regional institutions. Of the lenders in the AA, NBSA ranks 23rd among those who extended residential real estate loans to moderate-income individuals.

Home purchase loans to moderate-income borrowers exceed the percentage of moderate-income families; and home purchase loans to low-income borrowers are near the percentage of low-income families. The one home improvement loan made during this period was to a low-income borrower, which exceeds the percentage of low-income families, but there were no home improvement loans to moderate-income borrowers. Home refinance loans to moderate-income individuals is below the percentage of

moderate-income families and there were no home refinance loans to low-income borrowers during 2012.

January 1, 2012 – August 31, 2013 Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	17.38	15.38	20.22	30.77	24.22	23.08	38.18	30.77
Home Improvement	17.38	100	20.22	0	24.22	0	38.18	0
Home Refinance	17.38	0	20.22	11.11	24.22	22.22	38.18	66.67

Source: HMDA data from 2012 through 8/31/2013

Agricultural Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. As indicated earlier, we only analyzed data for the period ranging from January 1, 2012 through August 31, 2013 because the bank’s business strategy changed during the evaluation period. Based on our sample of 14 agricultural loans originated within the AA, 93 percent were to small farms with revenues less than \$1 million. Farms with revenues under \$1 million generally have credit needs for smaller loans.

The 2010 business demographic data shows 98 percent of the farms in the AA have annual gross revenues equal to or less than one million dollars. The bank’s performance in the AA is consistent with that of the AA. The following table shows the distribution of agricultural loans among farms of different sizes within the AA:

Borrower Distribution of Loans to Farms of Different Sizes in the AA						
Farm Revenues	Number of Loans		% Farms in AA**		Dollars of Loans	
	#	%	#	%	\$(000)	%
≤\$1,000,000	13	93	1,076	98	1,207	75
>\$1,000,000	1	7	14	1	400	25
NA	0	0	9	1	0	0
Total	14	100	1,099	100	1,607	100

Source: Bank records on new loans originated during January 1, 2012 through August 31, 2013; 2010 Census Data

We also gave positive consideration to the agricultural loans made in the non-MSA geographies that abut the AA. The non-MSA is a rural established farming community. As stated earlier, management and the Board view the non-MSA as part of their local

market and have historically and consistently loaned in this area. We sampled 12 loans originated in 2012 – 2013 totaling \$987 thousand. NBSA's lending in its AA is reasonable; therefore, these loans were given favorable consideration. In making the final evaluation of the distribution of agricultural lending, we gave substantial weight to the performance of lending within the AA, which made up 78 percent of agricultural related loan originations.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of agricultural loans exceeds standards and the distribution of residential loans meets standards, given the bank's product offerings, local economic conditions, and competition. There are only three low-income geographies and six moderate-income geographies in the bank's AA.

Residential Real Estate Loans

The percentage of home purchase loans extended in the moderate-income geographies ranges from lower than (7 percent compared to 12 percent in 2010-2011) to near (8 percent compared to 10 percent in 2012-2013) the percentage of owner-occupied units in moderate-income geographies in the AA (12 percent, which meets standards). However, the bank did not make any home improvement or home refinance loans in the moderate-income geographies, or residential real estate loans in the low-income geographies. The opportunity to make residential real estate loans (purchase, refinance, home improvement) in the low-income geographies is very limited as the number (3 percent) of owner-occupied units is low and competition for loans is strong. A substantial majority of residential real estate lending in the low-income geographies are originated or purchased from large, regional financial institutions in the AA. According to the Peer Market Share Report, 100 percent of the residential real estate lending in the low-income geographies were made by large, regional financial institutions.

Agricultural Loans

NBSA's geographic distribution of agricultural lending reflects excellent dispersion in geographies of different income levels, primarily moderate-income geographies. There are no farms located in low-income geographies of the AA. Based on the sample of agriculture related loans, NBSA originated over 14 percent of agricultural loans in the moderate-income geographies, which compares favorably to the percentage of farms (4 percent).

2010 – 2011 Geographic Distribution								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Assessment Area	% of Units* / Farms	% of Bank Loans	% of Units / Farms	% of Bank Loans	% of Units / Farms	% of Bank Loans	% of Units / Farms	% of Bank Loans
Home Purchase	1.40	0.00	9.84	7.69	74.97	76.92	13.79	15.38
Home Improvement	1.40	0.00	9.84	0.00	74.97	100.00	13.79	0.00
Home Refinance	1.40	0.00	9.84	0.00	74.97	90.00	13.79	10.00
2012-2013 Geographic Distribution								
Home Purchase	3.21	0.00	12.30	7.14	63.12	78.57	21.37	14.29
Home Improvement	3.21	0.00	12.30	0.00	63.12	100.00	21.37	0.00
Home Refinance	3.21	0.00	12.30	0.00	63.12	77.78	21.37	22.12
Agricultural	0.00	0.00	4.19	14.29	89.63	71.43	6.19	14.29

Source: HMA data from 2010 through 8/31/2013. Note: * represents "owner-occupied" units

Responses to Complaints

NBSA did not receive any consumer complaints about its record of lending within the community.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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