



## **PUBLIC DISCLOSURE**

March 08, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Columbia National Bank  
Charter Number 16593

700 Columbia Centre  
Columbia, IL 62236

Office of the Comptroller of the Currency

St. Louis Field Office  
500 N. Broadway, Suite 1700  
St. Louis, MO 63102

**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.**

Columbia National Bank's (CNB) lending performance reflects a Satisfactory response to the community credit needs. The conclusion is based on the following results from our review:

- The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of loans inside its AA.
- Lending activities represent a reasonable penetration among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans represents reasonable dispersion.

**SCOPE OF EXAMINATION**

This Performance Evaluation is an assessment of the record of CNB in meeting the credit needs of the communities in which it operates. CNB was evaluated under the Small Bank performance criteria, which includes only the lending test. The lending test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The scope of the CRA evaluation period is August 18, 2009 through March 8, 2016.

We reviewed the bank's loan originations and purchases in 2014 and 2015 to determine the primary products for the AA. We concluded the bank's primary products are residential real estate loans and commercial loans. See the following table for this determination.

<b>Loan Originations by Loan Type from January 1, 2014 through December 31, 2015</b>				
<b>Loan Category</b>	<b>Dollars (000s)</b>	<b>% of Dollars</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>
Residential Loans	\$ 7,780	46%	139	41%
Commercial Loans	\$ 7,360	43%	73	22%
Consumer Loans	\$ 1,208	7%	116	34%
Farm Loans	\$ 597	4%	11	3%
Total Originations	\$16,945	100%	339	100%

To perform the lending test, we included all residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) for 2014 and 2015. To ascertain the data integrity of the reported HMDA loans, we sampled 60 loans for each year (2014 and 2015) and concluded that the publicly filed data was accurate and reliable. For commercial loans, we utilized a sample of 20 loans originated within the AA in 2014 and 2015.

## DESCRIPTION OF INSTITUTION

Columbia National Bank is an intrastate bank headquartered in Columbia, Illinois. CNB is wholly owned by Columbia Bancshares, Inc., a one-bank holding company also located in Columbia, Illinois. The bank has only one office and one deposit-taking automated-teller machine (ATM) onsite. In 2012, the bank closed the only other ATM, also deposit-taking, located at the shopping center just behind the bank. Management determined it was not financially feasible to maintain two ATMs located in such close proximity. As of December 31, 2015, CNB had total assets of \$48 million, total deposits of \$40 million, and Tier One capital of \$5.6 million. There have been no changes in the corporate structure, including merger or acquisition activities, since the last CRA evaluation.

CNB offers traditional bank services and loan products typically associated with a community bank. As of December 31, 2015, the bank reported over \$27 million in outstanding loans and had a net loans and leases to total assets ratio of 59%. The loan portfolio consists of the following:

<b>Loan Portfolio Summary by Loan Product December 31, 2015</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$11,407	42%
Residential Loans	\$11,831	43%
Farm Loans	\$ 1,352	5%
Consumer Loans	\$ 2,721	10%
<b>Total Loans</b>	<b>\$27,311</b>	<b>100%</b>

*Source: Call Report December 31, 2015*

There are no legal or financial impediments to CNB's ability to meet the credit needs in its AA. The bank was rated Satisfactory at its last CRA evaluation dated August 18, 2009.

## DESCRIPTION OF ASSESSMENT AREA

Management designated all of Monroe County and the southwestern edge of St. Clair County in southwestern Illinois as its AA. The AA is part of the St. Louis MO-IL Metropolitan Statistical Area # 41180. The AA is comprised of twelve census tracts (CTs) with half of them in Monroe County and half in St. Clair County. The bank included the St. Clair County CTs because Columbia is partially located in that county. Based on the 2010 Census Median Family Income of \$66,798, the AA has one low-income CT (5026.03), two moderate-income CTs (5023 and 5026.02), two-middle-income CTs (5031 and 5032.02), and one upper-income CT (5032.03) in St. Clair County. Monroe County has two middle-income CTs (6004.01 and 6005.02) and four upper-income CTs (6001.01, 6001.02, 6004.02, and 6005.01). The AA meets the

requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2015 FFIEC Updated MSA Median Income of the AA is \$72,200 for the 19,303 families in the AA. The census data concludes 12.80% of the population was over the age of 65, 19.22% of households were in retirement, and 9.31% of families lived below the poverty level. The median housing value for the AA was \$150,314 and the median age of the housing stock was only 39 years. Local housing for the AA was 86.96% 1-4 family units, with 70.57% owner-occupied and 8.08% vacant.

As of December 2015, Monroe County's unemployment rate was 4.4%, below both the State of Illinois rate of 6.0% and the national rate of 5.0%; St. Clair County's rate was the highest at 6.5%. Major employers for the southwestern Illinois area, which encompasses Monroe and St. Clair Counties, include Scott Air Force Base, Memorial Hospital, Southern Illinois University-Edwardsville, Schnucks Markets, Inc., and Southwestern Illinois College. Scott Air Force Base employs over 13,000 people, far exceeding the next largest employer, Memorial Hospital, with 2,131 employees. For Columbia, Illinois, specifically, the school district remains the largest employer.

Non-farm businesses make up 89.88% of total businesses. Of those non-farm businesses, 78.37% are considered small businesses, i.e., businesses with annual gross revenues of one million dollars or less. The most prominent type of business in the AA is services, making up 43.83% of all businesses, with retail trade a far second at 12.65%.

Per FDIC deposit data as of June 30, 2015, there are 31 financial institutions with 108 offices within St. Clair and Monroe Counties. Including CNB, 10 of those institutions operate in Monroe County. Major competitors include a mix of community banks and branches of regional banks: First National Bank of Waterloo, State Bank of Waterloo, First Bank, Regions Bank, Midland States Bank, Commerce Bank, Associated Bank, N.A., Reliance Bank, and U.S. Bank National Association. The same data shows CNB's total deposits were \$42.6 million, which amounts to 5.55% of the market share for Monroe County but only 0.91% for Monroe and St. Clair Counties combined. First National Bank of Waterloo has the largest market share in Monroe County at 36.88%, and Regions Bank has the largest market share in the combined counties at 19.01%.

To further our understanding of the community's credit needs, we interviewed an economic development organization representative knowledgeable about the areas served by the bank. Our contact did not identify any unmet credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income people, given the demographics, economic factors, and competitive pressures faced by the bank.

### Loan-to-Deposit Ratio

CNB's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly LTD ratio averaged 66.87% over the 27 quarters since the last CRA evaluation, with a low of 59.02% and a high of 80.10%.

The bank's LTD ratio is comparable to other community banks of similar size, location, and product offerings. CNB ranks sixth highest out of nine similarly situated institutions within Monroe and St. Clair Counties, Illinois. The other eight banks had quarterly LTD ratios averaging 60.47% and ranging from 15.71% to 86.02% over the 27 quarters since the last CRA evaluation.

### Lending in Assessment Area

A majority of the bank's primary products were originated to borrowers within the bank's AA (66% by number and 70% by dollar). The following table details the bank's lending inside and outside the AA by number and dollar amount of loans originated during the evaluation period.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	91	65%	48	35%	139	\$5,535	71%	\$2,245	29%	\$7,780
Business	14	70%	6	30%	20	\$2,395	68%	\$1,133	32%	\$3,528
Total	105	66%	54	34%	159	\$7,930	70%	\$3,378	30%	\$11,308

Source: Columbia National Bank's 2014-2015 HMDA data and 20 business loans originated in 2014 and 2015

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

The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

#### Residential Real Estate Loans

The distribution of home loans reflects reasonable penetration among borrowers of different income levels, with reasonable responsiveness to low-income borrowers and excellent responsiveness to moderate-income borrowers.

Based on the HMDA data for 2014 and 2015, the 10.96% of loans extended to low-income borrowers is well below the 20.74% of low-income families within the AA. This assessment is mitigated by the high volume of families living below the poverty level (9.31%) within the AA, who may have difficulty qualifying for a home loan. The data reflects excellent responsiveness to moderate-income borrowers with 17.81% of loans extended to moderate-income borrowers compared to the percentage of moderate-income families in the AA (17.90%).

Borrower Distribution of Residential Real Estate Loans								
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
Residential	20.74%	10.96%	17.90%	17.81%	21.25%	28.77%	40.11%	42.47%

Source: Columbia National Bank's 2014-2015 HMDA data; 2010 U.S. Census Data

### Business Loans

The distribution of business loans reflects excellent penetration among businesses of different sizes. Ninety percent of the bank's business loans originated and purchased during the loan-sampling period were made to small businesses. The demographic data shows 78% of the businesses in the bank's AA have gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.37%	5.26%	16.37%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	94%	6%	0%	100%

Source: 20 business loans originated in 2014 and 2015; 2015 Geo-Demographic Business data

### **Geographic Distribution of Loans**

The geographical distribution of loans reflects reasonable dispersion throughout the bank's AA. Our analysis reflects lending in most CTs with no conspicuous gaps in lending noted.

### Residential Real Estate Loans

The distribution of home loans reflects more than reasonable dispersion throughout the CTs of different income levels, including the low- and moderate-income CTs.

Lending in the low-income CT is excellent with 10.99% of loans extended in low-income CTs compared to 3.96% of owner-occupied housing within the AA. Lending in the moderate-income CTs is also excellent at 19.78% compared to 13.22% of owner-occupied housing.

Geographic Distribution of Residential Real Estate Loans								
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
Home Loans	3.96%	10.99%	13.22%	19.78%	37.36%	20.88%	45.46%	48.35%

Source: Columbia National Bank's 2014-2015 HMDA data; 2010 U.S. Census Data

**Business Loans**

The distribution of business loans reflects reasonable dispersion in CTs of different income levels, including low- and moderate-income CTs.

Lending in the low-income CT is reasonable despite the fact the bank did not make any loans in that CT given the low level of businesses at 3.90%. The bank's lending in the moderate-income CTs is also reasonable with lending at 10% compared to 12.10% of businesses within these CTs.

Geographic Distribution of Business Loans								
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 Loans	3.90%	0%	12.10%	10%	34.11%	5%	49.90%	85%

Source: 20 business loans originated in 2014 and 2015; 2015 Geo-Demographic Business data

**Responses to Complaints**

Neither the OCC nor CNB received any complaints about CNB's performance in helping to meet the community credit needs since the last CRA evaluation.

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

Pursuant of 12 C.F.R. 25.28(c), or 12 C.F.R. 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.