



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 19, 2008**

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

The Old Exchange National Bank of Okawville  
Charter Number 11780

110 E. Walnut Street  
Okawville, IL 62271-0000

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**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.**

All the lending performance criteria meet the standards for a satisfactory rating. The major factors that support this rating are:

- The bank's residential real estate lending to moderate-income borrowers (28%) exceeds the ratio of moderate-income families (17%) in the assessment area (AA).
- The distribution of the bank's loans to small farms in the AA is reasonable.
- A majority of the bank's loans originated during this evaluation period, 88% by number and 93% by dollar volume, were made in the AA.
- The bank's quarterly average loan-to-deposit ratio, at 69%, compares favorably to four similarly situated area banks.

**SCOPE OF EXAMINATION**

We used small bank procedures to evaluate the performance of The Old Exchange National Bank of Okawville (OENB) under the Community Reinvestment Act. We sampled residential real estate and farm loans originated between January 1, 2006 and August 29, 2008 for our analysis of the bank's lending activity.

**DESCRIPTION OF INSTITUTION**

OENB had assets of approximately \$47 million at September 30, 2008. OENB is wholly owned by Okawville Bancshares, Inc., a one-bank holding company located in Okawville, Illinois. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates one office with a deposit-taking ATM in downtown Okawville, Illinois. Management has neither opened nor closed any branches.

OENB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is agriculture. As of September 30, 2008, net loans totaled approximately \$26 million or 55% of total assets, total deposits were \$41 million, and Tier 1 Capital was \$4.2 million. The composition of the loan portfolio consisted of 69% agriculture, 17% residential real estate, 10% commercial, and 4% consumer loans.

There are no known constraints placed on the bank's ability to meet the community credit needs. The type and amount of CRA activities are consistent with the bank's size, financial capacity and local economic conditions. OENB's last CRA evaluation was July 29, 2002, and rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Bank management designated its AA as Washington County, which includes Census Tracts (CTs) 9501, 9502, 9503, and 9504. This is a contiguous area and meets the criteria of the regulation. Washington County is a non-Metropolitan Statistical Area (non-MSA) located approximately 40 miles southeast of St. Louis, Missouri. Based on the non-MSA median family income in 2000, all CTs are middle-income.

The 2000 census demographic data showed the population in the bank's AA totaled 15,148, which included 4,305 families. Seventeen percent of the households were in retirement and 7% of households lived below the poverty level. The median housing value was \$73,932 and the median age of the housing stock was 47 years. Owner-occupied units represented 74% of the housing stock.

As of the 2000 census, 13% of the families are classified low-income, 17% are classified moderate-income, 25% are classified middle-income, and 45% are classified upper-income. The Department of Housing and Urban Development (HUD) 2008 updated median family income of \$51,900 was used in our analysis to determine borrower income levels.

Farm data as of 2008 shows 331 farms in Washington County: 325 (98.2%) have revenues less than \$1 million and 4 (1.2%) have revenues over \$1 million. Revenues were not reported on 2 (.6%).

The local economy is primarily supported by agriculture and by some service-related businesses and retail stores. Okawville is considered a bedroom community, with many local residents commuting to the larger cities for employment. Major employers in Washington County are AgriPride FS, Inc., Ligma Corporation, Nascote Industries, Inc., West Washington County School District #10, Nashville Community Consolidated School District #49, and Top Ag Cooperative, Inc.

The local economy is currently stable. The September 2008 unemployment rate for Washington County is 5.8%. This ratio compares favorably to the state rate of 6.5% and is in line with the national rate of 6.0%.

Competition is moderate. OENB is one of two banks in Okawville. Of the eight other banks competing for financial services in the county, one is an interstate bank and seven are local competitors. Other competition is provided by several credit unions, mortgage companies, farm services and insurance company offices in the AA.

To further our understanding of the community's credit needs, we contacted a local community group. Our contact did not identify any unmet credit needs and advised that local banks are involved in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

OENB's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income people, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

### Loan-to-Deposit Ratio

OENB's loan-to-deposit (LTD) ratio is reasonable. As of September 30, 2008, the bank's LTD ratio is 64%. The quarterly LTD for this bank ranged from 60% to 75% over the 25 quarters since the last examination. OENB's quarterly average LTD over this period is 69%. This percentage is in line with two similarly situated area banks and higher than two other similarly situated area banks, whose average quarterly LTD ratios ranged from 51% to 69%.

### Lending in Assessment Area

OENB's lending in the AA is satisfactory. Based on our sample of a combination of 20 residential real estate (RE) and 20 farm loans, a majority of the bank's loans originated from 2006 through August 2008 were made in Washington County. We established that 88% by number and 93% by dollar volume were made in the AA.

Lending in Washington County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential RE	17	85%	3	15%	20	955	91%	94	9%	1,049
Farm	18	90%	2	10%	20	1,457	95%	78	5%	1,535
Total	35	88%	5	12%	40	2,412	93%	172	7%	2,584

Source: Sample of 40 loans.

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

The bank's lending to borrowers of different incomes and to farms of different sizes is reasonable. Residential RE lending reflects satisfactory responsiveness to the credit needs of the AA. Farm lending reflects adequate responsiveness to the credit needs of the AA.

#### Residential Real Estate Lending

OENB's lending to moderate-income borrowers (28%) exceeds the ratio of moderate-income families in the AA (17%). The bank's residential RE lending to low-income borrowers (4%) is lower than the percentage of low-income families in the AA (13%).

<b>Borrower Distribution of Residential Real Estate Loans in Washington County</b>								
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 Re	13%	4%	17%	28%	25%	36%	45%	32%

Source: Sample of 25 residential real estate loans, 2008 HUD updated median family income, and 2000 U.S. Census data.

**Small Farm Lending**

The distribution of the bank’s loans to small farms is reasonable. Based on our sample of 20 farm loans, the percentage of loans to farms with revenues of less than \$1 million (90% by number and 80% by dollar volume) is lower than the ratio of small farms in the AA (98%).

<b>Borrower Distribution of Loans to Farms in Washington County</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.2%	1.2%	0.6%	100%
% of Bank Loans in AA by #	90%	10%	NA	100%
% of Bank Loans in AA by \$	80%	20%	NA	100%

Source: Sample of 20 farm loans, and 2008 Business Geodemographic data.

**Geographic Distribution of Loans**

All CTs in this AA are middle-income. As such, an analysis of the geographic distribution of loans within this AA would not provide meaningful information.

**Responses to Complaints**

No CRA-related complaints have been received since the prior CRA evaluation.

**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.