



## **PUBLIC DISCLOSURE**

September 06, 2016

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

National Bank  
Charter Number 14510  
  
230 South Main Street  
Hillsboro, IL 62049

Office of the Comptroller of the Currency  
  
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.**

**The Lending Test is rated: satisfactory.**

**The Community Development Test is rated: satisfactory.**

National Bank's (NB) overall rating is a blend of its two assessment areas (AAs). The major factors supporting this rating are:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA's credit needs.
- The bank originated a majority of loans inside its AAs.
- The distribution of loans to individuals of different income levels as well as to businesses and farms of different sizes reflects reasonable penetration in the AAs.
- The geographic distribution of loans reflects reasonable dispersion within the census tracts (CTs) in the AAs.
- Community development activities reflect adequate responsiveness to the community needs in the AAs.

## **Scope of Examination**

This Performance Evaluation is an assessment of the record of NB in meeting the credit needs of the communities in which it operates. We evaluated NB under the Intermediate Small Bank performance criteria, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of helping to meet the credit needs of its AAs through its lending activities. The CD test evaluates the bank's lending, qualified investments, and CD services activities for responsiveness to the community needs.

The scope of the CRA evaluation period is April 10, 2013 through September 6, 2016. NB has two AAs: the Non-Metropolitan Statistical Area (Non-MSA) AA and the St. Louis Metropolitan Statistical Area (MSA) AA. The Non-MSA AA received a full-scope review and the St. Louis MSA AA received a limited-scope review. We weighted the Non-MSA AA most heavily in the determination of the overall conclusions, as the bank's largest market share for loans and deposits is in the Non-MSA AA.

The lending test analysis includes loans originated from January 1, 2014 through December 31, 2015. Conclusions regarding the bank's lending performance are based on NB's primary loan products: residential real estate (RRE) and business (non-agricultural) loans for both AAs and agricultural loans in the Non-MSA AA. We conducted a data integrity review of the RRE loans reported under the Home Mortgage

Disclosure Act (HMDA) prior to this evaluation. We found the HMDA data to be accurate and reliable. In reviewing RRE, we determined that home improvement lending was not significant enough to perform a meaningful analysis, so it is not included in this evaluation. We placed more weight on purchase loans than on refinance loans based on the volume of lending during the analysis period. We analyzed loans originated or purchased compared to the 2010 census information. The loan data we analyzed included all HMDA loans and a sample of business loans from both the Non-MSA AA and the St. Louis MSA AA originated or purchased during the evaluation period. In addition, for the Non-MSA AA only, we analyzed a sample of agricultural loans originated or purchased during the evaluation period.

## Description of Institution

NB is an intrastate bank headquartered in Hillsboro, Illinois. NB is wholly owned by Country Bancorp, Inc., a one-bank holding company located in Hillsboro, Illinois. The bank has 12 offices within the state of Illinois. In addition, NB has 11 automated teller machines (ATMs). None of the ATMs accepts deposits. As of June 30, 2016, NB had total assets of \$330 million, tier 1 capital of \$33 million, and a loan-to-deposit ratio of 78 percent. There have been no changes in the corporate structure, including merger or acquisition activities, since the last CRA evaluation.

NB provides its customers with a full range of banking products and services. The bank’s lending focus is on small businesses, small farms, and residential lending. As of June 30, 2016, NB reported \$235 million in outstanding loans and had a net loans and leases to total assets ratio of 70 percent. The loan portfolio consists of the following:

<b>Loan Portfolio Summary by Loan Product June 30, 2016</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$ 117,870	50%
Farm Loans	\$ 65,325	28%
Residential Loans	\$ 50,024	21%
Consumer Loans	\$ 1,643	1%
<b>Total Loans</b>	<b>\$ 234,862</b>	<b>100%</b>

*Source: Call Report June 30, 2016*

There are no legal or financial impediments to NB’s ability to meet the credit needs in its AAs. NB was rated “Satisfactory” at its last CRA evaluation, dated April 9, 2013.

## Description of Assessment Areas

NB has designated two AAs: One AA is a Non-MSA AA in central Illinois; the other AA includes the eastern portion of the St. Louis MO-IL MSA in Illinois (MSA AA). The AAs meet the requirements of the regulations and do not arbitrarily exclude any low- or moderate-income geographies.

### Non-MSA AA

The bank's Non-MSA AA is comprised of all of Montgomery, Fayette, and Effingham Counties, and a portion of Christian and Shelby Counties. As of June 30, 2015, NB's deposits in the AA totaled \$189 million. The bank has six branches located in this AA.

The median family income, according to 2010 census data for the non-metropolitan areas of the state of Illinois, is \$54,499. The FFIEC updated median family income for 2015 is 60,100. There are no low-income CTs in the AA. The AA has three moderate-income CTs (10 percent), 22 middle-income CTs (76 percent), and four upper-income CT (14 percent).

There were seven CTs in Montgomery County (unemployment 2014-2015) listed as Distressed Middle-Income Nonmetropolitan Tracts within the AA during this evaluation period.

The 2010 census data reports the majority of the housing within the AA is owner-occupied (71 percent), and the Median Housing Value is \$88,820.

According to December 2015 statistics compiled by the United States Bureau of Labor Statistics, the unemployment rate for the AA ranged from 5.1 percent in Effingham County to 8.8 percent in Montgomery County. The rate was comparable to the 2015 annual average unemployment rate of 5.9 percent in Illinois and the United States rate of 5.3 percent. Major employers in the AA include three state correctional centers, five hospitals, multiple school districts, an electrical power plant, a wide variety of small businesses, and agricultural production.

As of December 2015, there are 6,156 non-farm businesses in the AA; 72.76 percent are considered small businesses, i.e., businesses with annual gross revenues of less than or equal to one million dollars. There are 1,116 farm businesses in the AA; 99.19 percent are considered small farms, i.e., farms with annual gross revenues of less than or equal to one million dollars. The most prominent type of business in the AA is services, making up 38.33 percent of all businesses, with agriculture, forestry, and fishing next at 15.35 percent.

Per FDIC deposit data as of June 30, 2015; there are 42 financial institutions with 93 offices within the counties of the AA. Major competitors include a mix of community banks and branches of regional banks. NB holds \$189 million in deposits, which

amounts to a 5 percent deposit market share within the counties of the AA. The largest market share belongs to Midland States Bank at 15 percent.

Contacts with community organizations serving the Non-MSA AA indicate there are opportunities for local financial institutions to serve the community. Contacts identified the following needs:

- Down-payment assistance;
- Funds to help distressed homeowners remain in their homes;
- Revolving loan funds to help small businesses; and
- Loans for construction of affordable housing projects.
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### **MSA AA**

The bank's MSA AA is comprised of an eastern portion of the St. Louis MO-IL MSA, namely, all of Bond, the northern portion of Clinton, the eastern portion of Madison, and the southeastern portion of Macoupin Counties in Illinois. As of June 30, 2015, NB's deposits in the AA totaled \$129 million. The bank has six branches located in the AA.

The median family income according to 2010 census data for the MSA AA is \$66,798. The FFIEC updated median family income for 2015 is \$72,200. There are no low-income CTs in the AA. The AA has five moderate-income CTs (14 percent), 22 middle-income CTs (61 percent), and nine upper-income CTs (25 percent).

The 2010 census data reports the majority of the housing within the AA is owner-occupied (71 percent) and the Median Housing Value is \$147,557.

According to December 2015 statistics compiled by the United States Bureau of Labor Statistics, the unemployment rate for the AA ranged from 4.8 percent in Clinton County to 6.8 percent in Macoupin County. The rate was comparable to the 2015 annual average unemployment rate of 5.9 percent in Illinois and the United States rate of 5.3 percent. Major employers in the AA include a Federal Correctional Center, multiple hospitals, Greenville College, several school districts, an electrical cooperative, a wide variety of small businesses, and agricultural production.

As of December 2015, there are 9,990 non-farm businesses in the AA; 78.7 percent are considered small businesses, i.e., businesses with annual gross revenues of less than or equal to one million dollars. There are 1,047 farm businesses in the AA; 98.76 percent are considered small farms, i.e., farms with annual gross revenues of less than or equal to one million dollars. The most prominent type of business in the AA is services, making up 47.59 percent of all businesses, with retail trade next at 13.17 percent.

Per FDIC deposit data as of June 30, 2015; there are 46 financial institutions with 152 offices within the counties of the AA. Major competitors include a mix of community

banks and branches of regional banks. NB held \$129 million in deposits, which amounts to a two percent deposit market share within the counties of the AA. The largest market share belongs to The Bank of Edwardsville at 17 percent.

Contacts with community organizations serving the MSA AA indicate there are opportunities for local financial institutions to serve the community. Contacts identified the following needs:

- Support for rent and utility payments for families of public housing;
- Down-payment Assistance; and
- Loans for construction of affordable housing projects.

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

### **LENDING TEST**

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

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

NB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the AAs. NB's quarterly LTD ratio averaged 71.31 percent over the 13 quarters since the last CRA evaluation, with a low of 65.95 percent and a high of 78.32 percent.

NB ranks seventh out of 12 similarly situated institutions. The other 11 banks had quarterly LTD ratios averaging 72.95 percent and ranged from 55.47 percent to 102.78 percent over the 13 quarters since the last CRA evaluation. Competitor's assets ranged from \$275 million to \$500 million.

#### **Lending in Assessment Area**

NB originates a majority of its primary lending products to borrowers within its AAs (81 percent by number and 70 percent by dollar). The following table details NB's lending inside and outside the AAs by number and dollar amount of loans originated during the evaluation period.

Lending in AAs (in \$000)										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	289	70%	62	30%	351	\$37,369	73%	\$13,722	27%	\$51,091
Commercial	29	73%	11	27%	40	\$8,992	68%	\$4,318	32%	\$13,310
Agricultural	16	80%	4	20%	20	\$1,980	72%	\$760	28%	\$2,740
<b>Total</b>	<b>333</b>	<b>81%</b>	<b>78</b>	<b>19%</b>	<b>411</b>	<b>\$48,341</b>	<b>72%</b>	<b>\$18,800</b>	<b>28%</b>	<b>\$67,141</b>

Source: Sample of 351 home mortgage loans, 40 commercial loans (20 from each AA), and 20 agricultural loans originated from 1/1/14 to 12/31/15

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

The distribution of loans reflects reasonable penetration among individuals of different income levels and to businesses and farms of different sizes.

### Non-MSA AA

The distribution of loans to borrowers of different incomes and to businesses/farms of different sizes within the Non-MSA AA is reasonable.

### Mortgage Lending

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families who live below the poverty and the barriers this may have to home ownership. According to the 2010 census, 10.11 percent of families lived below the poverty level in this AA.

Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	19.75%	6.80%	16.18%	24.27%	23.39%	22.33%	40.69%	46.60%
Home Mortgage Refinance	19.75%	1.92%	16.18%	17.31%	23.39%	25.00%	40.69%	55.77%

Source: RRE loan data reported under HMDA for the period January 1, 2014 through December 31, 2015; and 2010 U.S. Census Data.

Commercial Lending

NB's distribution of loans to businesses of different sizes is reasonable based on a sample of 40 loans originated or purchased during the evaluation period. The percentage of loans extended to businesses with gross annual revenues of \$1 million or less is slightly lower than the percentage of area businesses that had gross annual revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in the Non-MSA AA 2014-2015</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	73%	6%	21%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	27%	73%	0%	100%

Source: Sample of 40 business loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

Agricultural Lending

NB's distribution of loans to farms of different sizes is reasonable based on a sample of 40 loans originated or purchased during the evaluation period. The percentage of loans extended to farms with gross revenues of \$1 million or less was somewhat lower than the percentage of area farms that had gross annual revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Farms in the Non-MSA AA 2014-2015</b>				
Farm Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	73%	27%	0%	100%
% of Bank Loans in AA by \$	76%	24%	0%	100%

Source: Sample of 40 farm loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

**MSA AA**

The distribution of loans to borrowers of different incomes and to businesses of different sizes within the MSA AA is reasonable.

Mortgage Lending

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families who live below the poverty level and the barriers this may have on home ownership. According to the 2010 census, 6.10 percent of families lived below the poverty level in this AA.



Borrower Distribution of Residential Real Estate Loans in the MSA AA 2014-2015								
Census Tract 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	16.76%	3.33%	16.00%	11.67%	23.59%	25.00%	43.65%	60.00%
Home Mortgage Refinance	16.76%	3.33%	16.00%	20.00%	23.59%	30.00%	43.65%	46.67%

Source: RRE loan data reported under HMDA for the period January 1, 2014 through December 31, 2015; and 2010 U.S. Census Data.

### Commercial Lending

The distribution of loans to businesses of different sizes is reasonable based on a sample of 40 loans originated or purchased during the evaluation period. The percentage of loans extended to businesses with gross annual revenues of \$1 million or less was slightly lower than the percentage of area businesses that had gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in the MSA AA 2014-2015				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	79%	4%	17%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	73%	27%	0%	100%

Source: Sample of 40 business loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

### **Geographic Distribution of Loans**

The geographic distribution of RRE, business, and farm loans originated or purchased during the evaluation period reflects reasonable dispersion. The analysis of data reflects NB lends in most geographies within its AAs; there were no conspicuous gaps in the bank's lending patterns.

### **Non-MSA AA**

The geographic distribution of RRE, business, and farm loans originated or purchased during the evaluation period in the Non-MSA AA reflects reasonable dispersion.

Mortgage Lending

The geographic distribution of RRE loans is reasonable. The percentage of home purchase and home mortgage refinance loans in moderate-income geographies is slightly lower than the percentage of owner-occupied housing units within those geographies.

Geographic Distribution of Residential Real Estate Loans in the Non-MSA AA 2014-2015								
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 Purchase	NA	NA	7.30%	6.80%	74.00%	81.55%	18.70%	11.65%
Home Mortgage Refinance	NA	NA	7.30%	5.56%	74.00%	81.48%	18.70%	12.96%

Source: RRE loan data reported under HMDA for the period January 1, 2014 through December 31, 2015; and 2010 U.S. Census Data.

Commercial Lending

The geographic distribution of commercial loans is excellent. Based on our sample, the percentage of commercial loans originated in moderate-income CTs exceeds the level of commercial businesses located in the moderate-income CTs.

Geographic Distribution of Loans to Businesses in the Non-MSA AA 2014-2015								
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	NA	NA	5.77%	7.50%	74.87%	77.50%	19.36%	15.00%

Source: Sample of 40 business loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

Agricultural Lending

The geographic distribution of farm loans is excellent. Based on our sample, the percentage of farm loans originated in moderate-income CTs exceeds the level of farms located in the moderated-income CTs.

Geographic Distribution of Loans to Farms in the Non-MSA AA 2014-2015								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	NA	NA	5.02%	20.00%	73.21%	55.00%	21.77%	25.00%

Source: Sample of 40 agricultural loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

**MSA AA**

The geographic distribution of RRE and business loans originated or purchased during the evaluation period in the MSA AA reflects poor dispersion.

**Mortgage Lending**

The geographic distribution of RRE loans is poor for loans originated and purchased during the evaluation period. The percentage of home purchase loans and home mortgage refinance loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units within those geographies.

Geographic Distribution of Residential Real Estate Loans in the MSA AA 2014-2015								
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 Purchase	NA	NA	9.90%	1.67%	59.42%	66.67%	30.68%	31.67%
Home Mortgage Refinance	NA	NA	9.90%	3.03%	59.42%	66.67%	30.68%	30.30%

Source: RRE loan data reported under HMDA for the period January 1, 2014 through December 31, 2015; and 2010 U.S. Census Data.

**Commercial Lending**

The geographic distribution of commercial lending is poor for loans originated and purchased during the evaluation period. Based on our sample, the percentage of commercial loans originated in moderate-income CTs is significantly lower than the level of commercial businesses in the moderate-income CTs within the MSA AA.

Geographic Distribution of Loans to Businesses in the MSA AA 2014-2015								
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	NA	NA	8.85%	0.00%	56.42%	55.00%	34.73%	45.00%

Source: Sample of 40 business loans originated between January 1, 2014 and December 31, 2015; and 2015 Business Geodemographic Data

### Responses to Complaints

NB has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

NB’s performance under the CD test is rated “satisfactory.” The bank’s CD performance in the AAs reflects adequate responsiveness to the needs of the community.

### Number and Amount of Community Development Loans

#### Conclusion for Non-MSA AA limited-scope review

NB’s CD lending is adequate in the Non-MSA AA. NB originated two CD loans totaling \$166,000 that directly benefited the Non-MSA AA. The loans include funding for the real estate used to operate a non-profit thrift shop and apartments for low- and moderate-income families experiencing a temporary financial crisis and operating funds for a facility providing skilled nursing with a significant number of patients receiving Medicaid.

#### Conclusion for MSA AA limited-scope review

NB did not originate any CD loans directly benefiting the MSA AA.

### Number and Amount of Qualified Investments

#### Conclusion for Non-MSA AA full-scope review

NB’s qualified investments are adequate in the Non-MSA AA. NB purchased six general obligation school bonds totaling \$1.8 million that directly benefited the Non-MSA

AA. The investments include school districts with a majority of students that qualify to receive free and/or reduced-price meals through the National School Lunch Program.

### **Conclusion for MSA AA limited-scope review**

NB's qualified investments are adequate in the MSA AA. NB purchased one general obligation school bond totaling \$506,000 that directly benefited the MSA AA. The investment consists of a school district with a majority of students that qualify to receive free and/or reduced-price meals through the National School Lunch Program.

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

NB had one branch situated in a moderate-income CT as determined by the 2010 census. During this evaluation period, several Non-MSA AA middle-income CTs received the distressed designation due to high unemployment. NB has one branch located within the affected middle-income CTs. NB did not provide us with any specific CD services to review.

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

NB's CD activities demonstrated adequate responsiveness to community needs. They addressed the identified needs of affordable housing and small business financing. We also considered the volume of loans originated and NB's financial capacity.

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

Pursuant to 12 CFR 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 assessment area 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.