



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 7, 2003**

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

**The Carlinville National Bank  
Charter Number 4299**

**West Side Square  
Carlinville, IL 62626**

**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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

- The level of lending to low- and moderate-income individuals, and to businesses and farms of different revenue sizes is reasonable based on area demographics.
- A substantial majority of the bank's loans are in the assessment area (AA).
- The bank's level of lending is reasonable. The bank's loan-to-deposit ratio is comparable to that of similarly situated area banks.

## DESCRIPTION OF INSTITUTION

Carlinville National Bank (CNB) had total assets of \$175 million as of December 31, 2002. CNB is a wholly owned subsidiary of Carlinville National Bank Shares, Inc. (CNBS), a three-bank holding company headquartered in Carlinville, Illinois. As of December 31, 2002, CNBS had assets of approximately \$275 million. The bank's main office is located in Carlinville, Illinois, with a branch located in Hillsboro, Illinois. The bank operates two depository automated teller machines (ATMs) in Carlinville and one depository ATM in Hillsboro. There have been no changes in the bank's corporate structure since the last CRA evaluation.

CNB offers a full range of retail and commercial banking products normally associated with a community bank. CNB's primary loan products are commercial loans, agriculture-related loans and residential real estate loans. As of December 31, 2002, net loans totaled approximately \$99 million, representing 57% of total assets. The composition of the loan portfolio was 39% agriculture-related, 37% commercial, 17% residential real estate, and 7% consumer.

There are no legal or financial impediments to the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. CNB received a *Satisfactory Record of Meeting Community Credit Needs* at its last CRA examination, dated August 27, 1997.

## DESCRIPTION OF MACOUPIN AND MONTGOMERY COUNTIES

Management has designated Macoupin and Montgomery counties as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Macoupin and Montgomery counties are in a non-Metropolitan Statistical Area (non-MSA). Macoupin County consists of 13 Block Numbering Areas (BNAs) and Montgomery County consists of 8 BNAs. Based on the State of Illinois non-MSA median family income, the 21 BNAs are classified as middle-income.

As of the 1990 census, the population in the bank's AA totaled 78,407, which included 21,754 families. Of these families, 21% were classified as low-income, 18% as moderate-income, 24% as middle-income, and 37% as upper-income. The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2002 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$46,700.

The 1990 census demographic data for the AA shows that 18% of the population is age 65 and over, 17% of households are in retirement, and 14% of households live below the poverty level. The median housing value is \$38,667 and the median year built is 1952. Owner-occupied units represent 70% of the housing stock, with 86% being 1-4 family units.

Economic conditions in the AA are stable. The local economy is primarily supported by agriculture with some manufacturing and other service-related businesses and retail stores. Major employers include Monterey Coal Company, Karmak, Inc., Curry Ice and Coal, Graham Correctional Center, Schutt Manufacturing, Carlinville Area Hospital, and Prairie Farms Dairy, Inc. Farming is also a major occupation in the area. As of January 2003, the unemployment rates in Macoupin and Montgomery Counties were 7.2% and 9.4%, respectively. The state unemployment rate was 7.1% and the national unemployment rate was 6.5% for the same period.

There is strong competition in the AA in the financial services industry. In Macoupin County, there are 31 offices of 18 banks and thrifts. In Montgomery County, there are 25 offices of 13 banks and thrifts.

To further our understanding of the community's credit needs, we performed one community contact during this examination. Based on information from this contact, the ongoing credit needs of the community include financing for low-cost housing. The community contact indicated that the performance of local financial institutions has been good.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The level of lending to low- and moderate-income individuals, and to businesses and farms of different revenue sizes is reasonable based on area demographics.

CNB's primary loan products are agriculture-related, commercial and residential real estate loans. Using only loans made within the AA, we reviewed a sample of 20 residential real estate loans, 20 agricultural loans and 20 commercial loans originated between January 1, 2001, and December 31, 2002. The findings of these analyses are presented in the following tables.

#### **Residential Real Estate**

Demographic data shows that 21% of the families in the AA are considered low-income and 18% moderate-income. Our residential real estate sample reflected that 20% of loan originations by number and 14% by dollar volume were made to low-income families. Twenty percent of loan originations by number and 15% by dollar volume were made to moderate-income families.

#### **Distribution by Borrower Income Level**

### 1-4 Family Residential Real Estate Loans

Income Levels	# of Loans	% by # of Loans	Loan \$ (000's)	% by \$ of Loans	Percentage of Families in AA
<i>Low Income</i>	4	20%	148	14%	21%
<i>Moderate Income</i>	4	20%	152	15%	18%
<i>Middle Income</i>	6	30%	316	30%	24%
<i>Upper Income</i>	6	30%	431	41%	37%

### Agricultural Loans

Based on 1990 farm demographic data, 99% of all farms within the AA have gross annual revenues of less than \$1 million. Of the 20 agricultural loans sampled, 90% by number and 92% by dollar volume have revenues below \$1 million. The following table illustrates the distribution of agricultural loan originations by size of annual revenues within the AA.

#### Distribution by Farm Gross Revenue Size

	Under \$100M		\$100M-\$250M		\$250M-\$500M		\$500M-\$1MM		Over \$1MM	
#	2	10%	7	35%	7	35%	2	10%	2	10%
\$ (000's)	339	16%	687	31%	746	34%	240	11%	171	8%

### Commercial Loans

Based on 1990 business demographic data, 79% of all businesses within the AA have gross annual revenues of less than \$1 million. Of the 20 commercial loans sampled, 80% by number and 45% by dollar volume have revenues below \$1 million. The following table illustrates the distribution of commercial loan originations by size of annual revenues within the AA.

#### Distribution by Business Gross Revenue Size

	Under \$100M		\$100M-\$250M		\$250M-\$500M		\$500M-\$1MM		Over \$1MM	
#	1	5%	5	25%	5	25%	5	25%	4	20%
\$ (000's)	55	2%	765	20%	487	13%	390	10%	2,048	55%

### Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio is reasonable. As of December 31, 2002, the bank's average quarterly loan-to-deposit ratio since the 1997 CRA evaluation was 66%. This compares with ratios ranging from 70% to 82% for four competitors identified by CNB management.

### **Lending in Assessment Area**

A substantial majority of the bank's loans are originated in the AA. A sample of 20 residential real estate loans taken from loans originated throughout the evaluation period shows that 95% of the number and 94% of the dollar volume were in the AA.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of the bank's loans in its AA would not be meaningful. The bank's AA consists of 21 BNAs, which are all classified as middle-income geographies.

### **Responses to Complaints**

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

### **Fair Lending Review**

We analyzed five years of public comments and consumer complaint information according to the OCC's risk-based fair lending approach. Based on our analysis of the information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.