



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 31, 2009**

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

Community National Bank in Monmouth  
Charter Number 15389

311 North Main Street  
Monmouth, IL 61462-1742

Office of the Comptroller of the Currency

North Central Illinois and Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2532

**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**

### **Community National Bank in Monmouth (CNB) is rated satisfactory.**

- CNB's distribution of loans to borrowers of different income levels and to farms of different sizes is reasonable.
- CNB's distribution of loans to businesses of different sizes is excellent.
- A substantial majority of CNB's loan originations are to customers from within its assessment area (AA).

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses CNB's record of meeting the credit needs of the community in which it operates. We evaluated CNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities.

The evaluation period for this examination is from January 26, 2004, through August 31, 2009. We evaluated loans originated or purchased from January 1, 2007, through June 30, 2009. The lending test is based on CNB's primary loan products (small business, agricultural, and consumer loans).

The bank is not located in a Metropolitan Statistical Area; therefore, it is not subject to the requirements of the Home Mortgage Disclosure Act. CNB is not required to maintain revenue information on agricultural, commercial, and consumer loans outside of the individual credit files. Therefore, we sampled 20 agricultural loans, 20 business loans, and 20 consumer loans, all originated during the evaluation period, as part of the lending test.

## **DESCRIPTION OF INSTITUTION**

CNB is a \$49 million financial institution located in Monmouth, Illinois. Monmouth is located in Western Illinois on U.S. Highway 34 between Burlington, Iowa and Galesburg, Illinois. Monmouth is the county seat of Warren County. The bank has no branches. The banking office and drive-in facility are located in Monmouth, and the deposit gathering ATM is located at the banking facility.

Customers may also access their accounts through telephone banking or by the Internet. Internet and telephone banking services include transfers between CNB accounts, review of account balances or transactions, and access to loan account information. Customers utilizing Internet banking also have bill paying capabilities. In addition, customer can take advantage of bank debit cards to access funds.

CNB is not a subsidiary of a holding company and does not have any affiliates. The bank has not opened or closed any facilities since the previous CRA examination. CNB's strategy of providing friendly and personalized services to the people and businesses of their AA has not changed.

CNB has three primary lending products, agricultural, commercial, and consumer loans, all of which were used during the examination. These three categories account for 87 percent of the number of loans originated from January 1, 2007 to June 30, 2009, and make up 79 percent of the total dollar amount of loans originated during the period.

| <b>Loan Originations by Loan Type</b> |                 |             |            |             |
|---------------------------------------|-----------------|-------------|------------|-------------|
| <b>Loan Category</b>                  | <b>\$ (000)</b> | <b>%</b>    | <b>#</b>   | <b>%</b>    |
| Agricultural Loans                    | \$4,195         | 29%         | 36         | 6%          |
| Commercial Loans                      | \$3,526         | 25%         | 54         | 9%          |
| Consumer Loans                        | \$3,559         | 25%         | 441        | 72%         |
| Residential Loans                     | \$3,089         | 21%         | 77         | 13%         |
| <b>Total Originations</b>             | <b>\$14,369</b> | <b>100%</b> | <b>608</b> | <b>100%</b> |

Source: Bank records from January 1, 2007 to June 30, 2009.

As of June 30, 2009, the bank reported \$19 million in outstanding loans and had a net loans and leases to total assets ratio of 44 percent. The loan portfolio consists of the following:

| <b>Loan Portfolio Summary by Loan Type<br/>June 30, 2009</b> |                 |             |
|--|-----------------|-------------|
| <b>Loan Category</b>   | <b>\$ (000)</b> | <b>%</b>    |
| Agricultural Loans   | \$5,267         | 28%         |
| Commercial Loans   | \$2,801         | 15%         |
| Consumer Loans   | \$3,437         | 18%         |
| Residential Loans  | \$7,449         | 39%         |
| Other  | \$ 1            | 0%          |
| <b>Total Originations</b>                                    | <b>\$18,955</b> | <b>100%</b> |

Source: Call Report June 30, 2009

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within the AA. Tier 1 capital was reported at \$6 million as of June 30, 2009. The bank's previous CRA rating as of January 24, 2006 was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

CNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate- income areas. The AA includes five census tracts (CT's) in Warren County, which represents no change from the prior evaluation. The 2000 U.S. Census data indicates this AA does not contain any low-, moderate-, or upper- income CT's. All CT's in the AA are designated as middle-income.

Competition for financial services within the AA is primarily from a few state banks that

serve the same community and have a similar business focus. Another competitor is a large national bank with a branch in the community.

The following is demographic information for the AA:

| Demographic Characteristics  | #      | Low % of #             | Moderate % of #      | Middle % of # | Upper % of # |
|--|--------|------------------------|----------------------|---------------|--------------|
| Geographies (Census Tracts/BNAs)   | 5      | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Population by Geography  | 18,735 | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Owner-Occupied Housing by Geography  | 5,334  | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Business by Geography  | 1,319  | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Farms by Geography   | 335    | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Family Distribution by Income Level  | 5,013  | 17.04                  | 21.46                | 24.90         | 36.60        |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 1,930  | 0.00                   | 0.00                 | 100.00        | 0.00         |
| Median Family Income<br>HUD Adjusted Median Family Income for 2009<br>Households Below Poverty Level |        | 43,613<br>54,400<br>9% | Median Housing Value |               | 60,135       |

Source: 2000 US Census and 2009 HUD updated MFI

### Economic Data

As a result of the national economic environment, Warren County has seen a slight change within the local community. As of June 2009, the Warren County unemployment rate was 7.2 percent, compared to 6.7 percent in June 2008. Warren County unemployment rates continue to compare favorably to the State of Illinois rate of 10.4 percent and the 9.7 percent national unemployment rate. Major employers in Warren County continue to be Farmland Industries, Monmouth College and the Monmouth School District.

We contacted a community representative during the examination. The representative indicated there have been a small number of lay-offs due to the current economic environment; however, the community has not been affected as severely as other communities have been affected. The community continues to grow with several stores being built including a Walgreens, Dollar General Store, and small strip mall. The contact felt CNB as well as the other financial institutions continue to meet the credit needs of the community, including low and moderate income individuals and families, through appropriate products and services.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels and to farms and businesses of different sizes is satisfactory.

- A substantial majority of the loans originated by CNB are to customers from within the AA.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES**

- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income), and to farms of different sizes.
- The distribution of borrowers reflects an excellent penetration among businesses of different sizes.

#### **Agricultural Loans**

CNB's performance of lending to farms of different sizes is reasonable. Based on our sample, 90 percent of the number of loans is made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that 99 percent of the farms reporting revenue data in the AA have revenues equal to or less than one million dollars.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA:

| <b>Borrower Distribution of Loans to Farms of Different Sizes</b> |                 |             |               |                  |             |
|---|-----------------|-------------|---------------|------------------|-------------|
| Farm Revenues   | Number of Loans |             | % Farms in AA | Dollars of Loans |             |
|   | #               | %           |               | \$(000)          | %           |
| ≤\$1,000,000  | 18              | 90%         | 99%           | \$ 918           | 37%         |
| >\$1,000,000  | 2               | 10%         | 1%            | \$ 1,550         | 63%         |
| <b>Total</b>  | <b>20</b>       | <b>100%</b> | <b>100%</b>   | <b>\$ 2,468</b>  | <b>100%</b> |

Source: Bank records on new loans originated from January 1, 2007 to June 30, 2009 and 2000 U.S. Census Data.

#### **Commercial Loans**

CNB's lending to businesses of different sizes is excellent. The following table shows the distribution of commercial loans among businesses of different sizes within the AA.

| <b>Borrower Distribution of Loans to Businesses of Different Sizes</b> |                 |             |                        |                    |             |
|--|-----------------|-------------|------------------------|--------------------|-------------|
| Business Revenues  | Number of Loans |             | % of Businesses in AA* | Dollars of Loans   |             |
|  | #               | %           |                        | \$(000)            | %           |
| ≤ \$1,000,000  | 19              | 95%         | 54%                    | \$1,393,510        | 64%         |
| > \$1,000,000  | 1               | 5%          | 3%                     | \$800,000          | 36%         |
| <b>Total</b>   | <b>20</b>       | <b>100%</b> | <b>57%</b>             | <b>\$2,193,510</b> | <b>100%</b> |

Source: Bank records on new loans originated from January 1, 2007 to June 30, 2009 and 2000 U.S. Census Data. \*\* 43 percent of AA businesses did not report revenue data.

### **Consumer Loans**

CNB's lending to borrowers of different income levels regarding consumer loans is reasonable. Based on our sample, lending to low-income borrowers is well above the percentage of low-income households in the AA, while the lending to moderate-income borrowers is well below the percentage of moderate-income households in the AA. Although our sample of consumer loans indicates the lending to moderate-income borrowers is well below the percentage of moderate-income households in the AA, this is mitigated by the bank's lending to low-income households.

| <b>Borrower Distribution of Consumer Loans in the AA</b> |                    |             |                    |             |                    |             |                    |             |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Household Income Level                                   | Low                |             | Moderate           |             | Middle             |             | Upper              |             |
|  | % of AA Households | % of Number | % of AA Households | % of Number | % of AA Households | % of Number | % of AA Households | % of Number |
| Consumer   | 21%                | 50%         | 16%                | 5%          | 21%                | 40%         | 42%                | 5%          |

Source: Bank records on loans originated or purchased from January 1, 2005 to June 30, 2007; 2000 Census Data.

### **LENDING IN ASSESSMENT AREA**

CNB originates a substantial majority of its loans to borrowers located in the AA. CNB's lending to customers within the AA for agricultural, commercial, and consumer loans is adequate. The following table details the bank's lending within the AA by the number of loan originations and dollar volume during the evaluation period.

| Loan Type    | <b>Number of Loans</b> |      |         |     |       | <b>Dollar of Loans</b> |      |         |     |               |
|--------------|------------------------|------|---------|-----|-------|------------------------|------|---------|-----|---------------|
|              | Inside                 |      | Outside |     | Total | Inside                 |      | Outside |     | Total \$(000) |
|              | #                      | %    | #       | %   |       | \$(000)                | %    | \$(000) | %   |               |
| Agricultural | 17                     | 85%  | 3       | 15% | 20    | \$2,115                | 78%  | \$580   | 22% | \$2,695       |
| Commercial   | 20                     | 100% | 0       | 0%  | 20    | \$2,194                | 100% | \$0     | 0%  | \$2,194       |
| Consumer     | 19                     | 95%  | 1       | 5%  | 20    | \$141                  | 95%  | \$7     | 5%  | \$148         |
| Totals       | 56                     | 93%  | 4       | 7%  | 60    | \$4,450                | 88%  | \$587   | 12% | \$5,037       |

Source: Bank records, loans sampled from January 1, 2007 through June 30, 2009

### **Loan-to-Deposit Ratio (LTD)**

CNB's average LTD is less than reasonable given the bank's size, financial condition, and AA credit needs. CNB's quarterly average LTD for the evaluation period (January 1, 2004 through June 30, 2009) is 49 percent. The quarterly average LTD ratio for a similarly situated financial institution (closest in assets size), in Warren

County, over the same time period, was 79 percent. The asset size for this financial institution was \$155 million.

**Geographic Distribution of Loans**

A geographic distribution of loans is not applicable to this institution since all geographies are middle-income.

**Responses to Complaints**

CNB has not received any complaints regarding performance in helping to meet the credit needs within the AA during this evaluation period.

**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.