



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

April 09, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank
Charter Number 14510

212 South Main Street
Hillsboro, IL 62049

Office of the Comptroller of the Currency

2350 Market Street, Room 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.

The Lending Test is rated: satisfactory.

The Community Development Test is rated: satisfactory.

The bank's overall rating is a blend of National Bank's two assessment areas (AAs). The major factors that support this rating are:

- The distribution of loans to individuals of different income levels and to businesses 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.
- A majority of loans were originated or purchased inside the bank's two AAs.
- The bank's quarterly average loan-to-deposit ratio is reasonable.

Scope of Examination

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

The Non-Metropolitan Statistical Area (Non-MSA) AA received a full-scope review and the St. Louis Metropolitan Statistical Area (MSA) AA received a limited-scope review. The Non-MSA AA was weighted most heavily in arriving at the overall conclusions as the bank's largest market share for loans and deposits is in the Non-MSA AA.

The evaluation period covers January 4, 2008 through April 8, 2013. The lending test sampled loans originated or purchased from January 1, 2011 through December 31, 2012. Conclusions regarding the bank's lending performance are based on National Bank's primary loan products: residential real estate (RRE) and business (non-agricultural) loans. 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 refinance loans than on purchase loans based on the volume of lending during the analysis period. Loans originated or purchased in 2011 were analyzed against the 2000 census information, and loans originated or purchased in 2012 were analyzed against 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 that were originated or purchased during the evaluation period.

Description of Institution

National Bank is a \$326 million intrastate bank headquartered in Hillsboro, Illinois. The bank is owned by Country Bancorp, Inc, a one-bank holding company. The bank has 12 offices within the State of Illinois. The bank provides its customers with a full range of banking products and services.

The bank's lending focus is on small businesses and residential lending. As of December 31, 2012, the bank's loan-to-deposit ratio was 71.9% and Tier 1 Capital totaled \$27 million. Loans as a percent of average assets were 65%. The loan portfolio is comprised of 1-4 family residential (81%), commercial (12%), agricultural (6%), individual (1%), and other (<1%) loans. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves.

National Bank was rated "Satisfactory" at its most recent CRA examination, dated January 3, 2008.

Description of Assessment Areas

The bank 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 regulation 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, 2012, National Bank's deposits in the AA totaled \$174 million. The bank has six branches located in this AA.

The median family income according to 2000 census data for the non-metropolitan areas of the State of Illinois is \$43,613. There are no low-income CTs in the AA. The AA has three moderate-income CTs (10%), 25 middle-income CTs (86%), and one upper-income CT (4%).

The median family income according to 2010 census data is \$54,549. The FFIEC updated median family income for 2012 is \$57,400. There are no low-income CTs in the AA. The AA has three moderate-income CTs (10%), 22 middle-income CTs (76%), and four upper-income CTs (14%).

Seven CTs in Effingham County (population loss 2008-2011); five CTs in Fayette County (poverty 2011); and seven CTs in Montgomery County (unemployment 2009) were listed as Distressed Middle-Income Nonmetropolitan Tracts within the AA during this evaluation period.

Both the 2000 and 2010 census data report the majority of the housing within the AA is owner-occupied (71%). The Median Housing Value increased from \$65,802 based on 2000 census data to \$88,820 based on 2010 census data.

According to December 2012 statistics compiled by the Illinois Department of Economic Development, the unemployment rate for the AA ranged from 7% in Effingham County to 11.6% in Montgomery County. The rate was comparable to the 2012 annual average unemployment rate of 8.9% in Illinois and the United States rate of 8.1%. Major employers in the AA include three State Correctional Centers, five hospitals, school districts, a coal mine, an electrical power plant, a wide variety of small businesses, and agricultural production.

A comparison of 2000 census data to 2010 census data shows a small decrease (108,369 to 107,974) in population and a small decrease (6,413 to 6,220) in non-farm businesses with annual revenues of \$1 million or less. Small businesses are a large segment of the local economy.

Competitive pressures are strong with 37 different financial institutions operating in the AA.

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

- Purchase money and purchase money-rehab mortgages for single-family rentals;
- Funds to help distressed homeowners remain in their homes;
- Revolving loan funds to help absorb risk in small business loans; and
- Loans for construction of affordable housing projects.

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, 2012, National Bank's deposits in the AA totaled \$118 million. The bank has six branches located in the AA.

The median family income according to 2000 census data for the entire MSA is \$53,435. There are no low-income CTs in the AA. The AA has five moderate-income CTs (16%), 20 middle-income CTs (62%), and seven upper-income CTs (22%).

The median family income according to 2010 census data is \$67,013. The FFIEC updated median family income for 2012 is \$70,400. There are no low-income CTs in the AA. The AA has five moderate-income CTs (14%), 22 middle-income CTs (61%), and nine upper-income CTs (25%).

Both the 2000 and 2010 census data report the majority of the housing within the AA is owner-occupied (72% and 71%, respectively). The Median Housing Value increased from \$89,792 based on 2000 census data to \$147,557 based on 2010 census data.

According to December 2012 statistics compiled by the Illinois Department of Economic Development, the unemployment rate for the AA ranged from 7% in Clinton County to 8.8% in Macoupin County. The rate was comparable to the 2012 annual average unemployment rate of 8.9% in Illinois and the United States rate of 8.1%. Major employers in the AA include a Federal Correctional Center, hospitals, Greenville College, various school districts, an electrical cooperative, a wide variety of small businesses, and agricultural production.

A comparison of 2000 census data to 2010 census data shows an increase of nearly 10% in the population and a small decrease (10,453 to 10,380) in non-farm businesses with annual revenues of \$1 million or less. Small businesses are a large segment of the local economy.

Competitive pressures are strong with 45 different financial institutions operating in the AA.

Contacts with community organizations serving the MSA AA indicate home purchase mortgages, and the referral of low-income borrowers to available direct loan programs, are opportunities for the financial institutions to meet community needs.

Conclusions with Respect to Performance Tests

LENDING TEST

National Bank'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

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The average LTD ratio for the twenty quarters since the last CRA evaluation and ending December 31, 2012 was 70.86%. The quarterly average LTD ratio for similarly situated banks within the AA ranged from a low of 52.87% to a high of 74.06%. National Bank has the second highest quarterly average LTD ratio for the six banks in the AA with total assets between \$250 million and \$350 million.

Lending in Assessment Area

A majority of the loans are originated inside the bank's AAs. Based on 946 home mortgage loans and our sample of small business loans originated by the bank from January 1, 2011 through December 31, 2012, 79% of the number of loans were to borrowers located in the AAs.

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 businesses of different sizes.

Non-MSA AA

The distribution of loans to borrowers of different incomes and to businesses 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 level and the barriers this may have on home ownership. According to the 2000 census, 8.08% of families lived below the poverty level in this AA; the percentage increased to 10.11% per 2010 census information.

Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Families	% of Number of Loans						
Home Purchase	18.01%	17.44%	20.51%	30.23%	25.14%	20.93%	36.34%	31.40%
Home Mortgage Refinance	18.01%	2.56%	20.51%	18.81%	25.14%	21.37%	36.34%	57.26%

Source: RRE loan data reported under HMDA for the period January 1, 2011 through December 31, 2011; and 2000 U.S. Census Data.

Borrower Distribution of Residential Real Estate Loans in the Non-MSA AA 2012								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Families	% of Number of Loans						
Home Purchase	19.78%	14.94%	16.18%	11.49%	23.40%	27.59%	40.64%	45.98%
Home Mortgage Refinance	19.78%	5.99%	16.18%	14.37%	23.40%	21.56%	40.64%	58.08%

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2012; and 2010 U.S. Census Data.

Commercial Lending

National Bank’s distribution of loans to businesses of different sizes is reasonable based on a sample of 20 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 above (2011) or slightly lower (2012) than the percentage of area businesses that had gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in the Non-MSA AA 2011				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	67%	3%	30%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	27%	79%	0%	100%

Source: Sample of 20 business loans originated between January 1, 2011 and December 31, 2011; and 2011 Business Geodemographic Data

Borrower Distribution of Loans to Businesses in the Non-MSA AA 2012				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	71%	4%	25%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	37%	63%	0%	100%

Source: Sample of 20 business loans originated between January 1, 2012 and December 31, 2012; and 2012 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. Per the 2000 census, 4.80% of families lived below the poverty level in this AA; this percentage increased to 6.10% according to 2010 census information.

Borrower Distribution of Residential Real Estate Loans in the MSA AA 2011								
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	15.81%	16.22%	19.45%	32.43%	24.92%	29.73%	39.82%	21.62%
Home Mortgage Refinance	15.81%	7.95%	19.45%	22.73%	24.92%	26.14%	39.82%	43.18%

Source: RRE loan data reported under HMDA for the period January 1, 2011 through December 31, 2011; and 2000 U.S. Census Data.

Borrower Distribution of Residential Real Estate Loans in the MSA AA 2012								
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	16.83%	3.33%	16.09%	16.67%	23.61%	26.67%	43.47%	53.33%
Home Mortgage Refinance	16.83%	7.14%	16.09%	19.48%	23.61%	28.57%	43.47%	44.81%

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2012; and 2010 U.S. Census Data.

Commercial Lending

The distribution of loans to businesses of different sizes is reasonable based on a sample of 20 loans originated or purchased in 2011. The percentage of loans extended to businesses with gross annual revenues of \$1 million or less was somewhat lower than the percentage of area businesses that had gross annual revenues of \$1 million or less.

Because commercial lending was not a primary product for the MSA AA in 2012, the 2012 data was not evaluated for this analysis.

Borrower Distribution of Loans to Businesses in the MSA AA 2011				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	70%	3%	27%	100%
% of Bank Loans in AA by #	60%	40%	0%	100%
% of Bank Loans in AA by \$	46%	54%	0%	100%

Source: Sample of 20 business loans originated between January 1, 2011 and December 31, 2011; and 2011 Business Geodemographic Data

Geographic Distribution of Loans

The geographic distribution of RRE and business loans originated or purchased during the evaluation period reflects reasonable dispersion. The analysis of data reflects National Bank 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 and business 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 excellent. The percentage of home purchase and home mortgage refinance loans in moderate-income geographies exceeds the percentage of owner-occupied housing units within those geographies.

Geographic Distribution of Residential Real Estate Loans in the Non-MSA AA 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	NA	NA	7.62%	8.14%	88.97%	88.37%	3.41%	3.49%
Home Mortgage Refinance	NA	NA	7.62%	11.02%	88.97%	88.13%	3.41%	0.85%

Source: RRE loan data reported under HMDA for the period January 1, 2011 through December 31, 2011; and 2000 U.S. Census Data.

Geographic Distribution of Residential Real Estate Loans in the Non-MSA AA 2012								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	NA	NA	7.30%	13.79%	74.00%	74.72%	18.70%	11.49%
Home Mortgage Refinance	NA	NA	7.30%	14.37%	74.00%	69.46%	18.70%	16.17%

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2012; and 2010 U.S. Census Data.

Commercial Lending

National Bank’s distribution of commercial lending reflects a reasonable level of penetration in CTs of different income levels. Based on our sample, the percentage of commercial loans originated in moderate-income CTs is near (2011) or below (2012) the level of commercial businesses located in the moderate-income CTs.

Geographic Distribution of Loans to Businesses in the Non-MSA AA 2011								
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
Small Business	NA	NA	10.34%	10%	86.21%	90%	3.45%	0%

Source: Sample of 20 business loans originated between January 1, 2011 and December 31, 2011; and 2011 Business Geodemographic Data

Geographic Distribution of Loans to Businesses in the Non-MSA AA 2012								
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
Small Business	NA	NA	10.34%	5%	75.87%	80%	13.79%	15%

Source: Sample of 20 business loans originated between January 1, 2012 and December 31, 2012; and 2012 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 reasonable dispersion.

Mortgage Lending

The geographic distribution of RRE loans is reasonable for loans originated and purchased in 2011, but it is poor for 2012. The percentage of home mortgage refinance loans in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units within those geographies. However, the percentage of home purchase loans in moderate-income geographies in 2011 exceeded the percentage of owner-occupied housing units within those geographies.

Geographic Distribution of Residential Real Estate Loans in the MSA AA 2011								
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	11.75%	13.51%	61.05%	70.27%	27.20%	16.22%
Home Mortgage Refinance	NA	NA	11.75%	4.55%	61.05%	89.77%	27.20%	5.68%

Source: RRE loan data reported under HMDA for the period January 1, 2011 through December 31, 2011; and 2000 U.S. Census Data.

Geographic Distribution of Residential Real Estate Loans in the MSA AA 2012								
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%	0.00%	59.42%	73.33%	30.68%	26.67%
Home Mortgage Refinance	NA	NA	9.90%	3.23%	59.42%	76.12%	30.68%	20.65%

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2012; and 2010 U.S. Census Data.

Commercial Lending

National Bank’s distribution of commercial lending reflects a reasonable level of penetration in CTs of different income levels. Based on our 2011 sample, the percentage of commercial loans originated in moderate-income CTs is slightly below the level of commercial businesses in the moderate-income CTs within the MSA AA.

Because commercial lending was not a primary product for the MSA AA in 2012, the 2012 data was not evaluated for this analysis.

Geographic Distribution of Loans to Businesses in the MSA AA 2011								
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
Small Business	NA	NA	15.63%	15%	62.50%	65%	21.87%	20%

Source: RRE loan data reported under HMDA for the period January 1, 2011 through December 31, 2011; and 2000 U.S. Census Data.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank’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. Many of these activities were complex as they involved several entities and funding sources, took significant time and resources to bring the projects to fruition, and provided significant impact to the local communities.

Number and Amount of Community Development Loans

Conclusion for Non-MSA AA full-scope review

National Bank’s CD lending is adequate in the Non-MSA AA. National Bank originated seven CD loans totaling \$1.1 million that directly benefited the Non-MSA AA. The loans include partial funding of the construction of affordable housing units for senior citizens; water and sewer projects for one city and two villages; and operating funds for a facility providing skilled nursing, senior living apartments, a day care, and jobs which are essential to the distressed middle-income CT.

Conclusion for MSA AA limited-scope review

National Bank’s CD lending is adequate in the MSA AA. National Bank originated one CD loan totaling \$1 million that directly benefited the MSA AA. National Bank participated in a loan for Hospital Revenue Bonds specifically designated to finance the

costs of a health care facility, providing health care and jobs within the MSA AA and the adjoining poverty distressed middle-income CTs of the bank's Non-MSA AA.

Number and Amount of Qualified Investments

National Bank did not provide us with any Qualified Investments to review.

Extent to Which the Bank Provides Community Development Services

Two National Bank branches were situated in moderate-income CTs as determined by the 2000 census; these CTs were reclassified as middle-income in the 2010 census. During this evaluation period, several non-MSA middle-income CTs were designated distressed due to high unemployment, poverty, or population loss. National Bank has five branch locations within the affected middle-income CTs. National Bank did not provide us with any specific CD Services to review.

Responsiveness to Community Development Needs

National Bank's CD activities demonstrated satisfactory 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 National Bank's financial capacity.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 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.