



## **PUBLIC DISCLOSURE**

August 11, 2014

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

Anna-Jonesboro National Bank  
Charter Number 5525

201 S. Main  
Anna, IL 62906

Office of the Comptroller of the Currency

500 North 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 major factors that support this rating of Satisfactory are as follows:

- A substantial majority of the bank's loans by number were made within the assessment area (AA).
- The distribution of loans to individuals of different income levels and to businesses of different sizes reflects reasonable penetration in the AA.
- The geographic distribution of loans reflects excellent dispersion in the AA.
- The average quarterly loan-to-deposit ratio since the last CRA evaluation is reasonable at 62%.

**SCOPE OF EXAMINATION**

This Performance Evaluation of Anna-Jonesboro National Bank (AJNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated AJNB under the Small Bank performance criteria, which consist of 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 covers March 11, 2009 through August 11, 2014. The Lending Test analyzed loans originated or purchased from January 1, 2012 through December 31, 2013. Conclusions regarding the bank's lending performance are based on AJNB's primary loan products: residential real estate (RRE) loans, business loans, and consumer loans. For the evaluation, we reviewed a sample of 20 RRE loans, 20 business loans and 20 consumer loans.

**DESCRIPTION OF INSTITUTION**

AJNB is a nationally chartered bank located in Anna, Illinois, and is wholly owned by Union County Bancshares, a one-bank holding company. The bank's business strategy focuses on RRE, business, and consumer loans. As of June 30, 2014, AJNB had total assets of \$229 million, total deposits of \$198 million, and net tier one capital of \$29 million. Net loans and leases represented 51% of total assets and consisted of RRE loans (54%), commercial loans (27%), consumer loans (13%), and agricultural loans (6%).

AJNB has four locations: the main office and a drive-up facility are in downtown Anna, one branch is located on the east side of Anna, and one branch is situated in nearby Jonesboro, a few miles west of Anna. All locations have deposit-taking automated teller machines (ATMs) onsite. No branches were opened or closed since the last evaluation.

All banking facilities are in moderate-income census tracts (CTs) according to 2010 Census data. The Anna offices are located in CT 9504 and the Jonesboro office is in CT 9503.

There are no legal, financial, or other factors impeding AJNB's ability to help meet the credit needs of the AA it serves. The bank's last CRA evaluation was March 10, 2009, when its performance was rated Satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

AJNB has designated Union County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Union County is a non-Metropolitan Statistical Area (non-MSA). Based on the 2010 Census data, Union County has two moderate-income CTs (9503 and 9504), which encompass downtown Anna and Jonesboro, and three middle-income CTs (9501, 9502, and 9505). The three middle-income CTs are designated as Distressed Middle-Income Nonmetropolitan Tracts due to high unemployment. There are no low- or upper-income CTs in Union County.

The 2013 median family income for the AA, as adjusted by the Federal Financial Institutions Examination Council (FFIEC), is \$56,200. About 13% of the families in Union County live below the poverty level. The following table provides additional demographic information on the AA.

Demographic Information for Full Scope Area: Union County IL					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	5	0.00	40.00	60.00	0.00
Population by Geography	17,808	0.00	40.36	59.64	0.00
Owner-Occupied Housing by Geography	5,355	0.00	36.77	63.23	0.00
Business by Geography	1,141	0.00	49.87	50.13	0.00
Farms by Geography	176	0.00	17.05	82.95	0.00
Family Distribution by Income Level	5,060	25.91	18.42	22.25	33.42
Distribution of Low and Moderate Income Families throughout AA Geographies	2,243	0.00	42.71	57.29	0.00
Median Family Income		48,492	Median Housing Value		85,110
Median Household Income		40,735	Unemployment Rate (April 2014)		8.8%
FFIEC Adjusted Median Family Income for 2013		56,200			
Households Below Poverty Level		17%			

Source: 2010 US Census, 2013 FFIEC updated MFI and 2013 Business Geodemographic Data

As of the 2010 U.S. Census, the AA counted 7,062 households, with 28% considered low-income, 17% moderate-income, another 17% middle-income, and 38% upper-income.

Business data as of 2013 shows 1,141 businesses in Union County, with 73% reporting revenues of \$1 million or less, 4% reporting revenues over \$1 million, and 23% not reporting income. Roughly half of the businesses are located in the moderate-income CTs.

The area surrounding Anna and Jonesboro is rural. Major employers in the area include Choate Mental Health Facility, Union County Hospital, Wabash Corporation, Southern Illinois University – Carbondale, Shawnee College, and federal and state correctional facilities. Economic conditions in the AA remain poor but stable since the last evaluation. The seasonally unadjusted unemployment rate in Union County, 8.8% as of April 2014, is higher than the state rate of 7.2% and the national rate of 6.3%.

Competition for financial services in the AA is strong. Six FDIC-insured institutions operate nine banking offices in Union County. Besides AJNB, there are four other community banks and one large interstate bank. As of June 30, 2013, AJNB had the largest deposit market share in Union County, 63%. Several community banks in surrounding counties add competitive pressure. Various credit unions, mortgage companies, farm services and insurance agencies also offer loan products.

To help meet the community's credit needs, AJNB originates and sells long-term fixed rate residential real estate loans to the State Bank of Lincoln. AJNB participates in the Affordable Housing Grant Program. The program enables qualified low- or moderate-income families to become homeowners by providing funding for down payment and closing costs. AJNB funded \$356,720 in 2012 and 2013 under the program guidelines.

To further our understanding of the community's credit needs, we contacted a community action agency that serves the AA. Our contact did not identify any unmet credit needs and advised that AJNB is involved in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

AJNB does a reasonable job of meeting the credit needs of its AA given the demographics, economic factors, competitive pressures, credit needs of the community, and other lending-related activity.

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

AJNB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and AA credit needs. As of June 30, 2014, AJNB's LTD ratio is 59.50%. The bank's quarterly average of LTD ratios since the last CRA evaluation is 62%. This ratio is higher than seven and lower than seven comparable banks. The average LTD ratios of these fourteen banks, which are comparable in size and location, range from 52% to 85% for the same time period.

### Lending in Assessment Area

Lending in the AA is excellent. Based on our sample of 60 loans, a substantial majority of loans by number (85%) and by dollar volume (94%) are made inside the AA.

Lending in Union County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential RE	19	95%	1	5%	20	\$ 1,897	95%	\$ 92	5%	\$1,989
Commercial	16	80%	4	20%	20	\$ 2,661	93%	\$ 187	7%	\$2,848
Consumer	16	80%	4	20%	20	\$ 76	83%	\$ 16	17%	\$ 92
<b>Total</b>	<b>51</b>	<b>85%</b>	<b>9</b>	<b>15%</b>	<b>60</b>	<b>\$4,634</b>	<b>94%</b>	<b>\$ 295</b>	<b>6%</b>	<b>\$4,929</b>

Source: Sample of 60 loans.

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

The bank’s lending distribution to borrowers of different income levels and businesses of different sizes reflects reasonable penetration in the AA.

#### Residential Real Estate Loans

The borrower distribution of RRE loans is reasonable, based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of residential real estate loans made to moderate-income borrowers (25%) is higher than the percentage of moderate-income families in the AA (18%). The percentage of residential real estate loans made to low-income borrowers (5%) is below the percentage of low-income families in the AA (26%); however, the 17% poverty rate in Union County and the high unemployment rate are considered mitigating factors.

Borrower Distribution of Residential Real Estate Loans in Union County								
Borrower 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
Residential RE	26%	5%	18%	25%	22%	15%	34%	55%

Source: Sample of 20 RRE loans, 2010 U.S. Census information, and FFIEC-updated non-MSA median family income for the appropriate year. Income categories are defined as: less than 50% (Low), 50% to 80% (Moderate), 80% to 120% (Middle), and over 120% (Upper) of the median family income for that year.

#### Business Loans

The distribution of the bank’s loans to businesses in the AA is reasonable. The ratio of bank loans to businesses with revenues of less than \$1 million, 70% by number, is near the ratio of small businesses in the AA (73%).

<b>Borrower Distribution of Loans to Businesses in Union County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73%	4%	23%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	40%	60%	0%	100%

Source: Sample of 20 commercial loans, and 2013 Business Geodemographic Data.

### Consumer Loans

The borrower distribution of consumer loans is reasonable. The percentage of consumer loans made to moderate-income borrowers (35%) exceeds the percentage of moderate-income households in the AA (17%). The percentage of such loans made to low-income borrowers (20%) is below the percentage of low-income households in the AA (28%).

<b>Borrower Distribution of Consumer Loans in Union County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	28%	20%	17%	35%	17%	30%	38%	15%

Source: Sample of 20 consumer loans, 2010 median household income, and 2010 U.S. Census data.

### **Geographic Distribution of Loans**

The geographic distribution of the bank’s loans reflects excellent dispersion throughout the AA. The bank lends in all CTs in the AA.

### Residential Real Estate Loans

The geographic distribution of residential real estate loans made in the AA is excellent. The ratio of residential RE loans made in the moderate-income CTs (45%) exceeds the ratio of owner-occupied housing in these CTs (37%).

<b>Geographic Distribution of Residential Real Estate Loans in Union County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential RE	NA	NA	37%	45%	63%	55%	NA	NA

Source: Sample of 20 RRE loans and 2010 U.S. Census information.

**Business Loans**

The geographic distribution of business loans made in the AA is excellent. The ratio of business loans made in the moderate-income CTs (55%) exceeds the ratio of businesses located in these CTs (50%).

<b>Geographic Distribution of Loans to Businesses in Union County</b>								
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
Commercial Loans	NA	NA	50%	55%	50%	45%	NA	NA

*Source: Sample of 20 commercial loans, and 2013 Business Geodemographic Data.*

**Consumer Loans**

The geographic distribution of consumer loans made in the AA is reasonable. Based on our sample, the percentage of consumer loans made in moderate-income CTs (30%) is lower than the percentage of households in these CTs (41%). We considered the percentage of households (17%) who live below the poverty level and the stressed local economy, as reflected in the high unemployment rate in the AA.

<b>Geographic Distribution of Consumer Loans in Union County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	NA	NA	41%	30%	59%	70%	NA	NA

*Source: Sample of 20 consumer loans, and 2010 U.S. Census Data.*

**Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

**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.