



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 14, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Carlinville National Bank
Charter Number 4299

West Side Square
Carlinville, IL 62626

Office of the Comptroller of the Currency

St. Louis Field Office
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.

All of the lending performance criteria meet or exceed the standards for satisfactory performance. The major factors that support the Satisfactory rating are:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable. The bank's average quarterly LTD ratio since the last examination is 80%, higher than five comparable banks.
- The geographic distribution of the bank's small business and residential real estate loans in Macoupin County exceeds the standard for satisfactory performance.
- CNB's lending distribution to borrowers of different income levels and to farms and businesses of different sizes meets the standards for satisfactory performance. The borrower distribution of the bank's loans to small businesses in Macoupin County is excellent.

SCOPE OF EXAMINATION

This Performance Evaluation of The Carlinville National Bank (CNB) assesses CNB's record of meeting the credit needs of the communities in which it operates. We evaluated CNB under the Small Bank performance criteria. The evaluation period covers loans originated or purchased from January 1, 2007 through June 30, 2009. Conclusions regarding the bank's lending performance are based on CNB's primary loan products, which include agricultural loans, commercial loans, and residential real estate loans. We reviewed a sample of 40 agricultural loans and 20 commercial loans for our evaluation. We also conducted a data integrity review of the residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2007, 2008 and year-to-date 2009; we compared information from the bank's loan application register to the loan files. We found the HMDA data to be accurate and reliable for use in this examination.

Two assessment areas (AAs), Macoupin County and Montgomery County, received a full-scope review. The bank's overall rating is a blend of the conclusions for both AAs, but we placed more weight on the conclusions for Macoupin County because a substantial majority of the bank's deposits (83%) are from this area.

In 2009, the bank acquired three more branches, expanding into Pike and Morgan Counties, Illinois, and into St. Louis County, Missouri. Because no meaningful data was available yet for the expanded AA, no analysis was performed on these additional counties.

DESCRIPTION OF INSTITUTION

The Carlinville National Bank is a wholly owned subsidiary of Carlinville National Bank Shares, Inc., a four-bank holding company headquartered in Carlinville, Illinois. The four banks also own a mortgage banking affiliate, SCIL Mortgage, LLC, located in Chatham, Illinois. As of June 30, 2009, CNB had total assets of \$291 million. The bank's main office is located in Carlinville, Illinois, with a branch in Hillsboro, Illinois. On February 13, 2009, the bank acquired three additional branches from the former Corn Belt Bank and Trust Company, located in Pittsfield and Jacksonville, Illinois, and Clayton, Missouri. Due to this acquisition, the bank transitioned from an intrastate bank to an interstate bank. CNB has one depository automated teller machine (ATM) at the main office in Carlinville. Seventeen other cash-dispensing ATMs throughout the bank's and its affiliates' trade area are accessible through the MATEY Network.

CNB offers a full range of retail and commercial banking products normally associated with a community bank. As of June 30, 2009, net loans total \$183 million, or about 63% of total assets. The composition of the loan portfolio is 43% agriculture-related, 35% commercial, 10% residential real estate, and 12% consumer loans. Total Risk Based Capital as of June 30, 2009 is \$23 million.

There are no legal or financial impediments to the bank's ability to meet the credit needs of the AA. CNB was rated Satisfactory at its last CRA evaluation dated April 7, 2003.

DESCRIPTION OF ASSESSMENT AREAS

Macoupin County

Bank management identified Macoupin County as its primary AA. This AA is within the northeastern boundary of the St. Louis MO-IL Metropolitan Statistical Area (STL MSA). Based on the 2000 Census median family income of \$53,435, Macoupin County consists of 6 moderate- and 7 middle-income CTs. This is a contiguous area and meets the requirements of the regulation. The Carlinville office is located within a moderate-income CT (CT 9564).

Based on loans originated during the assessment period, the primary products in the Macoupin County AA are commercial, farm, and residential real estate loans. Using only loans made within the AA, we reviewed all Home Mortgage Disclosure Act (HMDA) reportable loans originated and purchased from January 1, 2007 through June 30, 2009.

Competition for financial services in Macoupin County is strong, with 29 branches of 17 institutions in the AA competing for market share. FDIC deposit market share data as of June 30, 2008 indicates CNB had deposits of \$127 million in Macoupin County, ranking it second out of these 17 banks, with a 16% market share in this AA.

Economic conditions in the AA are affected by the nationwide recession. The unemployment rate in Macoupin County increased from 7.5% in August 2008 to 10.1% in August 2009. This trend roughly follows the unemployment rate for the state of Illinois, which increased to 9.9% as of August 2009, and the national unemployment rate, which increased to 9.6% as of August 2009. Major employers in the AA are Monterey Coal Co., Freeman Coal Mining, the Carlinville School District, and the Carlinville Area Hospital.

As of the 2000 Census, the population in Macoupin County totaled 49,019, with 22,083 people (45%) living in the moderate-income CTs. Owner-occupied housing in the AA matches this percentage: 46% of owner-occupied housing is situated in the moderate-income CTs. The median housing value in 2000 was \$67,907, and the median age of the housing stock was 43 years. Owner-occupied units represented 72% of the housing stock.

The 2000 Census data indicates 7% of families in this AA live below the poverty level. The same data also shows that 24% of the families were classified as low-income, 25% as moderate-income, 26% as middle-income, and 25% as upper-income. We used the Department of Housing and Urban Development (HUD) 2009 updated median family income of \$67,900 for our analysis of residential real estate loans.

Farm data as of 2009 indicates there are 429 farms in Macoupin County: 428 (99.8%) have revenues of \$1 million or less. Of these farms, 158 (37%) are located in the moderate-income CTs.

Business data as of 2009 shows 3,164 businesses in Macoupin County: 2,493 (79%) have revenues of \$1 million or less, 127 (4%) have revenues over \$1 million, and 544 (17%) did not report revenues. Of these businesses, 52% are located in the moderate-income CTs.

To further our understanding of the county's credit needs, we contacted a community action agency. Based on information provided, the ongoing credit needs of the community include financing for low-cost housing.

Montgomery County

Bank management identified the second AA as all of Montgomery County in central Illinois. Montgomery County is a non-Metropolitan Statistical Area (non-MSA). Based on the 2000 Census median family income of \$43,613, this AA consists of 1 moderate- and 7 middle-income CTs. This AA is a contiguous area and meets the requirements of the regulation. The Hillsboro office is located in a middle-income CT (CT 9579), located about 10 miles from the only moderate-income CT in the AA.

Based on loans originated during the assessment period, the primary product in the Montgomery County AA is farm loans.

Competition for financial services in Montgomery County is also strong, with 24 branches of 13 institutions in the AA competing for market share. Several institutions have a strong presence in Litchfield, a town that encompasses the only moderate-income CT in the AA. FDIC deposit market share data as of June 30, 2008 indicates CNB had deposits of \$26 million in Montgomery County, ranking it ninth out of the 13 banks in this AA, with a 4% market share.

The nationwide economic downturn has also impacted Montgomery County as its unemployment rate increased from 9.2% in August 2008 to 11.4% in August 2009. The unemployment rate in this rural county has traditionally been higher than the state and national averages; this trend continues. Major employers in Montgomery County are Affinia, Wal-Mart, Graham Correctional Center, Hillsboro Area Hospital, St. Francis Hospital, Litchfield Community School District, Schutt Sports Group, and the CIPS Coffeen Power Station.

As of the 2000 Census, the population in Montgomery County totaled 30,652, with 3,566 people (12%) living in the moderate-income CT. The median housing value in 2000 was \$55,915, and the median age of the housing stock was 47 years. Owner-occupied units represented 72% of the housing stock.

The 2000 Census data indicates almost 11% of families in this AA live below the poverty level. The same data also shows that 21% of the families were classified as low-income, 21% as moderate-income, 25% as middle-income, and 33% as upper-income. The Department of Housing and Urban Development (HUD) 2009 updated non-MSA median family income is \$54,400.

Farm data as of 2009 shows 409 farms in Montgomery County: 407 (99.5%) have revenues of \$1 million or less, none reported revenues over \$1 million, and 2 (0.5%) did not report revenues. Of these farms, only 7 (2%) are located in the moderate-income CTs.

To further our understanding of the county's credit needs, we contacted an economic development organization. Our contact indicated there is a gap between the need and availability of public housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB'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

CNB's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, its financial condition, and the needs of the AA. As of June 30, 2009, the bank's LTD ratio is 73%. The average quarterly LTD ratio since the last examination is 80%. This ratio

is above that of five comparable banks, based on size and location. Competitors' average quarterly LTD ratios range from 66% to 75% for the same time period.

Lending in Assessment Area

Lending in the AA meets the standards for satisfactory performance. A majority of farm and business loans were made within CNB's two AAs. Based on our sample of 20 small farm and 20 small business loans made in 2007, 2008 and 2009, 82.50% by number and 67.50% by dollar amount were made within the bank's AA.

For residential real estate (RRE) loans covered by HMDA, however, a majority of the loans originated or purchased during the same period were outside the bank's AA, 68% by number and 63% by dollar volume. RRE loans only make up 10% of the bank's total loan portfolio. A further evaluation of these RRE loans also shows that during this timeframe CNB has made over 200 loans on manufactured homes through Triad Financial Services Inc., which operates nationwide. Excluding these Triad loans, 83% of RRE loans by number and 79% by dollar amount were made within the bank's AA.

Lending in Macoupin and Montgomery Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
	Farm Loans	16	80.00%	4	20.00%	20	\$883	60.31%	\$581	39.69%
Business Loans	17	85.00%	3	15.00%	20	\$706	79.32%	\$184	20.68%	\$890
Subtotal	33	82.50%	7	17.50%	40	\$1,589	67.50%	\$765	32.50%	\$2,354
RRE – All	116	31.87%	248	68.13%	364	\$6,767	37.35%	\$11,353	62.65%	\$18,120
RRE excluding Triad loans	115	82.73%	24	17.27%	139	\$6,698	78.59%	\$1,825	21.41%	\$8,523

Source: Sample of 20 small farm and 20 small business loans, and 2007-YTD 2009 data reported under HMDA.

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

CNB's lending distribution to borrowers of different income levels and to farms and businesses of different sizes meets the standard for satisfactory performance.

Macoupin County

CNB's lending distribution to borrowers of different income levels and business of different sizes in this AA is reasonable.

Small Farm Loans

The distribution of the bank's loans to small farms in this AA is reasonable. The percentage of loans to farms with revenues of \$1 million or less is near the market demographics for number and dollar amount of loans.

Borrower Distribution of Loans to Farms in Macoupin County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.77%	0.00%	0.23%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	97.19%	2.81%	0.00%	100%

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Small Business Loans

The distribution of the bank’s loans to small businesses is more than reasonable. The percentage of loans to businesses with revenues of \$1 million or less exceeds the market demographic by number and dollar amount of loans extended to businesses in the AA.

Borrower Distribution of Loans to Businesses in Macoupin County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.79%	4.01%	17.19%	100%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100%
% of Bank Loans in AA by \$	98.79%	1.21%	0.00%	100%

Source: Sample of 20 small business loans; Dunn and Bradstreet data.

Residential Real Estate Loans

The overall borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable.

The borrower distribution for home purchase loans exceeds the standards for satisfactory performance. The percentage of home purchase loans made to low-income borrowers exceeds the percentage of low-income families in the AA. The percentage of home purchase loans made to moderate-income borrowers meets the percentage of moderate-income families in the AA.

The borrower distribution for home improvement loans meets the standards for satisfactory performance. The percentage of home improvement loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

The borrower distribution for home refinancing loans meets the standards for satisfactory performance. The percentage of home refinancing loans made to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home refinancing loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans in Macoupin County								
Borrower 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	24.16%	27.28%	25.51%	25.00%	25.56%	19.44%	24.78%	25.00%
Home Improvement	24.16%	15.38%	25.51%	46.15%	25.56%	15.38%	24.78%	15.38%
Home Refinancing	24.16%	12.50%	25.51%	33.33%	25.56%	25.00%	24.78%	29.17%

Source: 2007-YTD 2009 data reported under HMDA; U.S. Census data.

Note: One home purchase loan (3%) and one home improvement loan (8%) did not have income available.

Montgomery County

CNB’s lending distribution to borrowers of different income levels and businesses of different sizes in this AA is reasonable based on farm loans, the primary product type of the AA. No weight was placed on RRE given the bank’s very limited lending in this market.

Small Farm Loans

The distribution of the bank’s loans to small farms is reasonable. The percentage of loans made to farms with revenues of \$1 million or less meets the market demographic data by number as well as dollar volume.

Borrower Distribution of Loans to Farms in Montgomery County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.51%	0.00%	0.49%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of the bank’s loans is more than reasonable. There are no low-income geographies in either AA. We placed more weight on the findings in Macoupin County, because a large majority of deposits as well as loans come from this AA.

Macoupin County

The geographic distribution of the bank’s loans in this AA exceeds the standard for satisfactory performance. There were no conspicuous gaps noted in the bank’s lending in this AA.

Small Farm Loans

The geographic distribution of farm loans is reasonable. The percentage of farm loans made to borrowers in moderate-income CTs is lower than the percentage of farms in the AA located in moderate-income CTs.

Geographic Distribution of Loans to Farms in Macoupin County								
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
Farm Loans	NA	NA	36.83%	25%	63.17%	75%	NA	NA

Source: Sample of 20 small farm loans; Dunn and Bradstreet data.

Small Business Loans

The geographic distribution of business loans exceeds the standard for satisfactory performance. The percentage of business loans made to borrowers in moderate-income CTs exceeds the percentage of businesses in the AA located in moderate-income CTs.

Geographic Distribution of Loans to Businesses in Macoupin County								
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 Loans	NA	NA	51.55%	60%	48.45%	40%	NA	NA

Source: Sample of 20 small business loans; Dunn and Bradstreet data.

Residential Real Estate Loans

The overall geographic distribution of RRE loans originated or purchased during the evaluation period is more than reasonable. The percentage of home purchase loans made to borrowers in moderate-income CTs is well above the percentage of owner-occupied units located in moderate-income CTs. The percentage of home improvement and home refinancing loans made to borrowers in moderate-income CTs is also above the percentage of owner-occupied units located in moderate-income CTs.

Geographic Distribution of Residential Real Estate Loans in Macoupin County								
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	45.88%	72.22%	54.12%	27.78%	NA	NA
Home Improvement	NA	NA	45.88%	53.85%	54.12%	46.15%	NA	NA
Home Refinancing	NA	NA	45.88%	56.25%	54.12%	43.75%	NA	NA

Source: 2007-YTD 2009 data reported under HMDA; U.S. Census data.

Montgomery County

The geographic distribution of loans reflects reasonable dispersion throughout the AA when taking into account the strong competition specifically within the city of Litchfield, where the only moderate-income geography is located.

Small Farm Loans

The geographic distribution of farm loans meets the standard for satisfactory performance. Only seven farms are located in the moderate-income CT in this AA, limiting the opportunity to extend loans in this geography.

Geographic Distribution of Loans to Farms in Montgomery County								
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
Farm Loans	NA	NA	1.71%	0%	98.29%	100%	NA	NA

Source: Sample of 20 small farm loans; Dunn and Bradstreet 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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.