



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 02, 2008**

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

The First National Bank of Okawville  
Charter Number 11754

203 East Walnut Street  
Okawville, IL 62271

Office of the 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

All of the lending performance components meet or exceed the standards for satisfactory performance. The major factors supporting this rating are:

- The bank's average quarterly loan-to-deposit ratio, at 70%, compares favorably to similarly situated area banks.
- A substantial majority of the bank's loans, 90% by number and 88% by dollar, were made within the bank's assessment area.
- The bank's distribution of loans to borrowers of different income levels and to small farms is reasonable.

**SCOPE OF EXAMINATION**

We used small bank procedures to evaluate the performance of the First National Bank of Okawville (FNB) under the Community Reinvestment Act. We sampled agricultural, residential real estate, and consumer loans originated between January 1, 2006 and March 31, 2008 for our analysis of the bank's lending activity. We included consumer loans in our sample because of the large number of loans made to individuals, even though the total dollar volume is small.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Okawville (FNB) is an intrastate bank located in Okawville, which is in Washington County, Illinois. FNB has assets of \$41 million as of December 31, 2007. The bank operates its only office, which has an ATM, in Okawville, about 40 miles southeast of St. Louis, Missouri. No branches were opened or closed since the last CRA examination.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary focus is on agricultural, commercial, and residential real estate loans. As of December 31, 2007, net loans total \$24.5 million, or 60% of total assets. Total deposits are \$34.5 million, and Tier 1 Capital is \$6 million. The composition of the loan portfolio includes 38% agriculture, 30% residential real estate, 28% commercial, and 4% consumer.

There are no legal or financial impediments to the bank's ability to meet the community's credit needs. The type and amount of CRA activities are consistent with the bank's size, financial capacity and local economic conditions. FNB's last CRA evaluation was July 8, 2002, and rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area (AA) consists of census tract (CT) 9502 in Washington County, Illinois, a non-Metropolitan Statistical Area (non-MSA). This CT is designated middle-income, based on the 2000 census weighted average median family income of \$43,531.

Although the AA is smaller than an entire county, it is reasonable based on the bank's size. The AA is a contiguous area and meets the criteria of the regulation.

The 2000 census indicated the AA's population was 3,861 and included 1,119 families. The HUD adjusted weighted average median family income for 2007 was \$50,600. Based on this income figure, 15% of the families were low-income, 16% were moderate-income, 24% were middle-income, and 45% were upper-income.

The 2000 census also indicated the AA had 1,506 households, of which 19% were low-income, 15% were moderate-income, 18% were middle-income, and 48% were upper-income. Approximately 7% of all households were living below the poverty level.

The 2000 census data showed there were 1,622 total housing units in FNB's AA: 1,233 owner-occupied units (76%), 267 renter-occupied units (16%), and 122 vacant units (8%). The median age of housing was 47 years and the median price was \$81,100.

FNB's AA had 96 farms; ninety-five (99%) of these reported gross annual revenues of less than \$1 million and one (1%) reported gross annual revenues greater than \$1 million.

The AA does not contain any significant employers, and many area residents commute to larger nearby communities, including the St. Louis metropolitan area, for employment. Within the AA, the Okawville School District and numerous farm operations and small businesses provide employment. The unemployment rate in Washington County was 6.1% as of January 2008 compared to a nationwide rate of 5.4% and a statewide rate of 6.2%.

Competition within the AA is moderate with 8 banking institutions in Washington County. Two of these banks, including FNB, are located in Okawville. Of the 8 banks, one is a large bank branch and the other seven are small community banks.

We contacted two community groups to further our understanding of the community's credit needs. Our contacts did not identify any unmet credit needs and advised that local banks are involved in the community.

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

FNB's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income people and small farms, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

**Loan-to-Deposit Ratio**

FNB’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-two quarters ending December 31, 2007 was 69.89%. Five similarly-situated banks ranged from a low of 49.98% to a high of 69.91%. FNB’s ratio was higher than four and lower than one of these banks. These five competing banks are similarly situated based on size and location.

**Lending in Assessment Area**

Lending in the AA is good. A substantial majority of the bank's loans originated since 2006 were made in the AA. Our analysis of originations of 20 loans, a mix of residential real estate, consumer and farm loans made in 2006, 2007 and year-to-date found that 90% by number and 88% by dollar amount were made within the bank's AA.

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

The bank's lending to borrowers of different incomes and to farms of different sizes is reasonable. Residential real estate lending reflects an adequate responsiveness to the credit needs of the AA, small farm lending mirrors market demographics, and consumer lending activity shows a reasonable distribution amongst households with different incomes.

Residential Real Estate Lending

Based on our sample, the overall distribution of residential real estate loans is reasonable, considering that 15% of households are in retirement and the poverty level in the AA is 7%. The bank’s lending to low- and moderate-income borrowers, at 5% and 10%, respectively, is lower than the percentage of low- and moderate-income families in the AA, 15% and 16%, respectively.

<b>Borrower Distribution of Residential Real Estate Loans in the AA</b>								
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
Residential RE	15%	5%	16%	10%	24%	35%	45%	50%

*Source: Sample of 20 residential real estate loans originated between January 1, 2006 and March 31, 2008, and 2007 HUD updated median family income.*

Agricultural Lending

The bank’s distribution of loans made to small farms meets standards. The distribution of loans to farms with revenues of less than \$1 million (100%) matches the number of farms in the AA that report this level of revenues (99%).

<b>Borrower Distribution of Loans to Farms in the AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: Sample of 20 farm loans originated between January 1, 2006 and March 31, 2008; and 2007 Dun and Bradstreet data.*

**Consumer Lending**

Based on our sample, the overall distribution of consumer loans is reasonable. The bank’s lending to low-income borrowers (50%) significantly exceeds the percentage of low-income households (19%) in the AA. The bank’s lending to moderate-income borrowers (10%) is somewhat lower than the percentage of moderate-income households (15%) in the AA.

<b>Borrower Distribution of Consumer Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA House- holds	% of Number of Loans						
Consumer Loans	19%	50%	15%	10%	18%	20%	48%	20%

*Source: Sample of 20 consumer loans originated between January 1, 2006 and March 31, 2008, and 2007 HUD updated median family income.*

**Geographic Distribution of Loans**

The AA consists of a single middle-income CT. As such, an analysis of the geographic distribution of loans with the AA would not provide meaningful information.

**Responses to Complaints**

No CRA-related complaints have been received 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.