



## PUBLIC DISCLOSURE

August 5, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Clover Leaf Bank  
Charter Number: 705174

6814 Goshen Road  
Edwardsville, IL 62025

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.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is more than reasonable.
- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The distribution of loans among geographies reflects reasonable dispersion.
- A substantial majority of loans are originated or purchased within the bank's AA.
- Community development activities demonstrate adequate responsiveness to the needs of the AA.

## **Scope of Examination**

First Clover Leaf Bank (FCLB) was evaluated under the Intermediate Small Bank performance criteria, which include a lending test and a community development (CD) test. The lending test evaluates FCLB's record of helping to meet the credit needs of its AA through its lending activities. The CD test evaluates FCLB's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

FCLB has one AA, which includes all of Madison County in South Central Illinois. This AA is part of the St. Louis MO-IL Metropolitan Statistical Area (MSA). This AA received a full-scope review.

The evaluation period is from June 23, 2008 through August 5, 2013. Conclusions regarding the bank's lending performance are based on FCLB's primary loan products: residential real estate (RRE) and business (non-agricultural) loans. Equal weight was placed on each loan product. We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. We analyzed all HMDA loans and a sample of business loans that FCLB originated or purchased from January 1, 2011 through December 31, 2012, and CD activities from June 23, 2008 through August 5, 2013. Loans originated or purchased in 2011 were analyzed using 2000 census information and 2011 aggregate peer data. Loans originated or purchased in 2012 were analyzed using 2010 census information and 2012 aggregate peer data.

## **Description of Institution**

FCLB is a federal-charter stock bank with five offices in Madison County, IL. FCLB is wholly owned by First Clover Leaf Financial Corporation, a one-bank holding company located in Edwardsville, IL. FCLB's assets represent substantially all of the holding company's assets. FCLB acquired Partners Financial Holdings and Partners Bank in October 2008. This facility remained open as a bank office in Glen Carbon, IL through November 15, 2008, when it was closed; this office was in close proximity to FCLB's main office. FCLB opened a new Lending Production Office (LPO) in Highland, IL on June 1, 2011. The LPO became a full-service branch in October 2013. FCLB has an operating subsidiary, Clover Leaf Financial Services, Inc., which sells credit life and credit disability insurance.

FCLB's main office and two other offices are in Edwardsville, IL. There is an office in Wood River and an office in Highland. FCLB has automated teller machines (ATMs) at each of the offices in Edwardsville and Wood River. There is also one standalone ATM at a separate location in Edwardsville.

FCLB offers a full range of loan and deposit products and services to its customers. As of June 30, 2013, FCLB has total assets of \$597 million, total deposits of \$470 million, net loans of \$367 million, and a net Tier 1 Capital of \$66 million. Net loans represent 61% of total assets.

FCLB's strategy is focused on small businesses and residential lending. The loan portfolio is comprised of commercial loans (63%) and residential real estate loans (37%).

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The bank received a satisfactory rating at its last CRA examination dated June 23, 2008.

## **Description of Assessment Area**

FCLB's AA consists of Madison County in Illinois. The AA is a portion of the St. Louis MO-IL Metropolitan Statistical Area (MSA # 41180). FCLB has five branches, all located in Madison County, IL. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

FCLB's AA did not change during the evaluation period; however, the census information changed the demographics of the AA. Low-income CTs in the AA increased from 3.39% per the 2000 Census to 6.56% per the 2010 Census, but moderate-income CTs decreased from 35.59% to 26.23%.

Below is some key 2000 and 2010 Census information for the AA:

Demographic Information for Full Scope Area : FCLB Madison County, IL AA - 2000 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	59	3.39	35.59	47.46	13.56
Population by Geography	258,941	1.00	28.23	53.10	17.68
Owner-Occupied Housing by Geography	75,235	0.60	25.21	55.63	18.56
Business by Geography	21,230	0.51	23.89	53.30	22.31
Farms by Geography	932	0.11	8.91	75.21	15.77
Family Distribution by Income Level	70,314	20.44	19.98	24.33	35.25
Distribution of Low and Moderate Income Families throughout AA Geographies	28,420	1.67	38.46	49.40	10.48
Median Family Income (MFI)		53,435	Median Housing Value		78,775
HUD Adjusted Median Family Income for 2011		69,500	Unemployment Rate (2000 US Census)		2.68%
Households Below Poverty Level		10%			

Source: 2000 US Census and 2011 HUD-updated MFI

Demographic Information for Full Scope Area: FCLB Madison County, IL AA – 2010 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	61	6.56	26.23	50.82	16.39
Population by Geography	269,282	3.83	23.17	51.21	21.79
Owner-Occupied Housing by Geography	79,569	2.79	22.27	53.36	21.59
Business by Geography	20,076	3.57	21.61	50.42	24.40
Farms by Geography	937	0.85	9.18	54.32	35.65
Family Distribution by Income Level	71,492	22.17	17.74	22.82	38.77
Distribution of Low and Moderate Income Families throughout AA Geographies	28,533	6.75	34.29	47.54	11.41
Median Family Income (MFI)		67,013	Median Housing Value		127,100
FFIEC Estimated Median Family Income for 2012		70,400	Unemployment Rate (2010 US Census)		3.67%
Households Below Poverty Level		12%			

Source: 2010 US Census and 2012 FFIEC-estimated MFI

Major employers in Madison County include Southern Illinois University Edwardsville with 2,450 employees, four manufacturing companies (U.S. Steel, Olin Brass, DuCoba Company, and American Steel Foundries) with a combined total of 5,760 employees, three health care organizations (Gateway Regional Medical Center, Southwestern Illinois Health Facilities Inc., and St. Anthony's Health Center) with nearly 3,000 employees, and county government with 1,130 employees.

The area economy is starting to improve. The unemployment rate in Madison County is lower than the state average and compares to the national average. The unemployment rate in May 2013 was 7.4% for Madison County, while the Illinois unemployment rate remained high at 8.7% and the national unemployment rate was

7.3%. The county unemployment rate dropped almost a full percentage point from 8.3% at May 2012, but the state and national rates remained relatively unchanged at 8.5% and 7.9%, respectively.

Bank competition is strong in the AA. As of June 30, 2013, 26 financial institutions operate 97 offices in the AA. FCLB ranks 3<sup>rd</sup>, with a 10% deposit market share in the AA. The AA is also serviced by multiple credit unions, mortgage companies, insurance offices and other businesses that offer lending services.

We contacted a local community development organization that serves Madison County. The contact did not identify any unmet credit needs. The contact stated that the local banks are active in assisting applicants with the homebuyer's program.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FCLB's performance under the lending test is rated Satisfactory.

#### Loan-to-Deposit Ratio

FCLB's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, its financial condition, and the credit needs of the AA.

The quarterly average LTD ratio since the last examination is 91%, with a quarterly low of 82% and a quarterly high of 110%. This ratio is well above seven banks and just below one bank comparable in size and location. The average quarterly LTD for these similarly situated banks ranges from 39% to 93% for the same period.

#### Lending in Assessment Area

FCLB originated a substantial majority of its loans inside the AA. Based on all HMDA data and a sample of small business loans made in 2011 and 2012, 90% by number and 84% by dollar amount are made within the bank's AA.

Lending in Madison County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	180	82.95%	37	17.05%	217	31,737	79.72%	8,075	20.28%	39,812
Home Improvement	42	93.33%	3	6.67%	45	3,265	91.07%	320	8.93%	3,585
Home Refinancing	612	92.73%	48	7.27%	660	106,345	84.36%	19,710	15.64%	126,055
Small Business	59	90.77%	6	9.23%	65	31,754	87.22%	4,653	12.78%	36,407
Totals	893	90.48%	94	9.52%	987	173,101	84.09%	32,758	15.91%	205,859

Source: FCLB's 2011 and 2012 HMDA data and a sample of 65 small business loans originated in 2011 and 2012.

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

Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is more than reasonable.

### Residential Real Estate Loans

The overall borrower distribution of RRE loans made in 2011 and 2012 meets the standard for satisfactory performance. In evaluating the borrower distribution of FCLB's RRE loans, we considered the large number of families that live below the poverty level (7% per the 2000 Census and 9% per the 2010 Census) and the barriers this may have on home ownership.

The percentage of 2011 RRE loans made to low-income borrowers (7%) is below the HMDA Peer (10%) and significantly lower than the percentage of low-income families in the AA (20%). The percentage of RRE loans made to moderate-income borrowers (16%) is near the HMDA Peer (18%) and somewhat lower than the percentage of moderate-income families in the AA (20%).

<b>2011 Borrower Distribution of Residential Real Estate Loans in Madison County</b>			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	7.31%	9.77%	20.44%
Moderate	16.28%	17.93%	19.98%
Middle	25.58%	21.00%	24.33%
Upper	50.83%	33.33%	35.25%
Unavailable	0.00%	17.97%	0.00%
Total	100.00%	100.00%	100.00%

*Source: 2011 HMDA FCLB's data; 2011 HMDA Peer data; and 2000 U.S. Census data.*

The percentage of 2012 RRE loans made to low-income borrowers (6%) is lower than the HMDA Peer (9%) and significantly lower than the percentage of low-income families in the AA (22%). The percentage of RRE loans made to moderate-income borrowers (16%) is near both the HMDA Peer (17%) and the percentage of moderate-income families in the AA (18%).

<b>2012 Borrower Distribution of Residential Real Estate Loans in Madison County</b>			
Borrower Income Level	% of Number Loans	% Aggregate HMDA Peer	% of AA Families
Low	6.00%	9.27%	22.17%
Moderate	15.85%	17.45%	17.74%
Middle	24.84%	21.83%	22.82%
Upper	53.32%	37.04%	37.27%
Unavailable	0.00%	14.41%	0.00%
Total	100.00%	100.00%	100.00%

*Source: 2012 data reported under HMDA; 2012 HMDA Peer data; and 2010 U.S. Census data.*

## Small Business Loans

FCLB's overall distribution of loans to small businesses in 2011 and 2012 exceeds the standard for satisfactory performance.

The percentage of 2011 loans to businesses with revenues of \$1 million or less (67%) exceeds peer (48%) and is near the business demographic data (69%) by number of loans extended to businesses in the AA.

<b>2011 Borrower Distribution of Loans to Businesses in Madison County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Aggregate Peer	48%	NA	NA	NA
% of AA Businesses	69%	3%	28%	100%
% of Bank Loans in AA by #	67%	33%	0%	100%

*Source: Sample of 27 business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.*

The percentage of 2012 loans to businesses with revenues of \$1 million or less (78%) exceeds both peer (44%) and the business demographic data (72%) by number of loans extended to businesses in the AA.

<b>2012 Borrower Distribution of Loans to Businesses in Madison County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of Aggregate Peer	44%	NA	NA	NA
% of AA Businesses	72%	4%	24%	100%
% of Bank Loans in AA by #	78%	22%	0%	100%

*Source: Sample of 32 business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.*

## **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Both RRE loans and business loans meet the standard for satisfactory performance. FCLB lends in most geographies within its AA.

## Residential Real Estate Loans

FCLB's overall geographic distribution of 2011 and 2012 RRE loans reflects reasonable dispersion throughout the AA.

The percentage of 2011 RRE loans made to borrowers in low-income CTs (0%) is in line with both peer (0.04%) and the percentage of owner-occupied housing in the low-income CTs (0.60%). The percentage of 2011 RRE loans made to borrowers in

moderate-income CTs (8%) is below peer (13%) and significantly lower than the percentage of owner-occupied housing in the moderate-income CTs (25%).

<b>2011 Geographic Distribution of Residential Real Estate Loans in Madison County</b>			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	0.00%	0.04%	0.60%
Moderate	7.62%	13.11%	25.21%
Middle	52.44%	57.29%	55.63%
Upper	39.94%	29.56%	18.56%
Total	100.00%	100.00%	100.00%

*Source: 2011 FCLB's HMDA data; 2011 HMDA Peer; and 2000 U.S. Census data.*

The percentage of 2012 RRE loans made to borrowers in low-income CTs (0.20%) is in line with peer (0.78%) and lower than the percentage of owner-occupied housing in the low-income CTs (2.79%). The percentage of 2012 RRE loans made to borrowers in moderate-income CTs (2.57%) is significantly lower than both peer (12.25%) and the percentage of owner-occupied housing in the moderate-income CTs (22.27%).

<b>2012 Geographic Distribution of Residential Real Estate Loans in Madison County</b>			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Owner Occupied Housing
Low	0.20%	0.78%	2.79%
Moderate	2.57%	12.25%	22.27%
Middle	48.62%	54.20%	53.36%
Upper	48.61%	32.77%	21.58%
Total	100.00%	100.00%	100.00%

*Source: 2012 FCLB's HMDA data; 2012 HMDA Peer; and 2010 U.S. Census data.*

### Small Business Loans

FCLB's overall geographic distribution of loans to small businesses in 2011 and 2012 meets the standards for satisfactory performance.

The percentage of 2011 business loans made to borrowers in low-income CTs (0%) is in line with both the peer (0.22%) and the percentage of businesses in the low-income CTs (0.51%). The percentage of 2011 business loans made to borrowers in moderate-income CTs (18%) is near both the peer (22%) and the percentage of businesses in the moderate-income CTs (24%).

<b>2011 Geographic Distribution of Loans to Businesses in Madison County</b>			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	0.00%	0.22%	0.51%
Moderate	18.00%	22.11%	23.88%
Middle	41.00%	53.49%	53.30%
Upper	41.00%	24.18%	22.31%
Total	100.00%	100.00%	100.00%

*Source: Sample of 27 business loans originated in 2011; 2011 Business Demographic Data; and 2011 Business Peer Data by lenders reporting business loans.*

The percentage of 2012 business loans made to borrowers in low-income CTs (3%) is near both the peer (5%) and the percentage of businesses in the low-income CTs (4%). The percentage of 2012 business loans made to borrowers in moderate-income CTs (3%) is significantly lower than both the peer (17%) and the percentage of businesses in the moderate-income CTs (22%).

<b>2012 Geographic Distribution of Loans to Businesses in Madison County</b>			
Census Tract Income Level	% of Number of Loans	% of Aggregate Peer	% of AA Businesses
Low	3.00%	4.75%	3.57%
Moderate	3.00%	17.41%	21.61%
Middle	41.00%	51.28%	50.42%
Upper	53.00%	26.56%	24.40%
Total	100.00%	100.00%	100.00%

*Source: Sample of 32 business loans originated in 2012; 2012 Business Demographic Data; and 2012 Business Peer Data by lenders reporting business loans.*

## **Responses to Complaints**

FCLB has not received any complaints about its performance in helping to meet community credit needs since the last CRA evaluation.

## **COMMUNITY DEVELOPMENT TEST**

FCLB's performance under the community development test is rated Satisfactory. We considered the bank's capacity, business strategy, the needs of the community, and the number and type of opportunities for CD activities in making this determination. Through its origination of CD loans and by providing CD services, FCLB demonstrated adequate responsiveness to the AA's CD needs during the evaluation period.

## **Number and Amount of Community Development Loans**

FCLB's CD lending demonstrates adequate responsiveness to the AA's needs. During the evaluation period, the bank originated 12 business CD loans for a total of \$23.8 million. These included seven loans totaling \$4 million to small businesses that helped to create or retain many jobs for low- and moderate-income residents. The bank originated two loans totaling \$6.7 million that supported neighborhood revitalization and stabilization. The bank originated one loan for \$5 million to fund an affordable housing development for low-income students. The bank originated one loan for \$680,000 to provide funds for a day care where approximately 60% of the families qualify for state subsidies for use of the day care. The bank also originated one loan for \$7.4 million to build a self-contained community and a new elementary school in a tax increment financing area outside their AA in neighboring St. Clair County.

Particularly noteworthy for its responsiveness to AA needs is the bank's \$6 million loan to purchase the former Smurfit Stone building that had been vacant for two years. The loan helped to revitalize the moderate-income geography by bringing 200 jobs and stimulating growth in downtown Alton.

The bank also originated seven loans totaling \$533,775 that provided down payment and closing cost assistance for low- and moderate-income homebuyers through the Federal Home Loan Bank of Chicago and Madison County Community Development first time homebuyer assistance programs. FCLB also recently partnered with the State Bank of Lincoln to originate FHA, VA and other government loans.

## **Number and Amount of Qualified Investments**

During the evaluation period, FCLB did not make any qualifying CD investments. However, the bank demonstrated adequate responsiveness to the AA's CD needs and opportunities through its lending and service activity.

## **Extent to Which the Bank Provides Community Development Services**

FCLB's CD services reflect reasonable responsiveness to the needs and opportunities in the AA. FCLB's service delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has five full-service branch offices and five automated teller machines (ATMs) in the AA. Based on 2000 Census information, the branch office in Wood River (20% of the bank's offices) was located in a moderate-income CT. The 2010 Census information changed the demographics of the AA, and the Wood River branch office is now in a middle-income geography. Branch hours are comparable to other deposit-taking institutions in the AA. All branch locations maintain standard banking hours Monday through Friday with extended hours on Friday and Saturday. FCLB offers a free checking account with no minimum balance required and no monthly service charge. Additionally, FCLB offers telephone banking and internet banking.

The bank provides an adequate level of CD services in the AA. Through volunteer efforts, bank management and employees provided many services to community

groups and organizations that deliver CD services to the AA. FCLB established a Green Team, a management and employee volunteer community service group that volunteered nearly 1000 hours of community service in 2012. The Green Team delivers Meals on Wheels to seniors, collects coats for needy children, provides food at Thanksgiving and gifts at Christmas for needy families, cleans trash along local roads, and has a number of fundraising activities for charities. The Green Team has raised funds and contributed labor to help build a Boundless Playground, a play area where children with special needs can safely play with other children. One of the business bankers spoke at a workshop targeted to minority and women-owned businesses. The mortgage lenders participate with a local group, which provides home financing education for first time homebuyers. Another officer teaches three Junior Achievement classes a year.

### **Responsiveness to Community Development Needs**

FCLB's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in its AA. Financing for small businesses and job growth are the primary identified needs in the AA. Opportunities for CD lending are primarily in small business lending, particularly Small Business Administration (SBA) Guaranteed lending. The bank's level of CD services is also adequate. Throughout the evaluation period, management and employees shared their technical expertise with several local organizations that provide qualified CD services to the AA. These organizations focus on fostering economic development, neighborhood revitalization, small business development, and financial literacy.

### **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.