



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

June 15, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE National Bank  
Charter Number 24555

2040 1st Street A  
Moline, IL 61265

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE  
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**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.

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

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

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

The major factors that support this rating are:<sup>1</sup>

- The overall distribution of loans to borrowers of different income levels is reasonable in the Davenport-Moline-Rock Island Multistate Metropolitan Area (MMA) and excellent in the Northern Illinois Assessment Area (AA).
- The overall dispersion of loans to geographies of different income levels is reasonable in the Davenport MMA. Geographic distributions are poor in the Northern Illinois AA, but performance is much stronger in limited scope areas.
- The loan-to-deposit ratio evidences a reasonable volume of lending activity.
- A majority of bank loans are inside its AA's.
- Responsiveness to community development needs is excellent in relation to the bank's capacity and area opportunities.
- Management appropriately responds to consumer complaints.

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<sup>1</sup> The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to states, and multistate metropolitan areas.

## **Scope of Examination**

The lending test analysis is based on the bank's primary loan products for the period January 1, 2007, through March 31, 2009. Business and home mortgage loans are primary credit products in all bank AA's. Farm lending is also significant in the bank's non-metropolitan AA's (Northern Illinois and Southern Illinois). Primary product determinations are based on public data reported under the Home Mortgage Disclosure Act (HMDA) and internally-collected business and farm loan production information.

We used a combination of HMDA data and loan samples to analyze lending test performance. Examiners tested the accuracy of HMDA data and did not identify any material errors. Loan samples from the same period were used to assess business lending distributions, farm lending distributions, and the distribution of loans inside the bank's AA's.

Geographic distribution analysis was not meaningful in the Southern Illinois AA, but was performed in other areas. The Southern Illinois AA is entirely comprised of middle-income geographies.

The community development test considers qualified loans, investments, and services for the period January 4, 2006, through June 15, 2009. Examiners reviewed all of the bank's community development activities. Only those activities that qualified are presented and considered in this evaluation.

THE National Bank did not request consideration of any affiliate activities in this performance review.

## **Description of Institution**

THE National Bank (TNB) is an interstate community bank, headquartered in Moline, Illinois. The bank is a wholly-owned subsidiary of National Bancshares, Inc., a bank holding company headquartered in Bettendorf, Iowa. TNB's business strategy is to remain an independent, locally-owned, community bank with growth achieved both internally and through acquisition activities.

TNB (charter #24171) opened as a three branch bank headquartered in Bettendorf, IA, through the purchase of a failing institution and recapitalization in January 2001. In April 2005, TNB-Edina opened a separate de novo charter in Edina, MN as a one branch bank (charter #24555). In January 2006, TNB merged charter #24171 into the de novo charter #24555 and moved the charter office from Edina, MN to Moline, IL. TNB subsequently acquired Metrobank in Davenport, IA, in July 2006. In February 2007, TNB divested of five Northern Iowa branches acquired in the Metrobank acquisition. In 2008, TNB divested of its sole Minnesota branch, and established new branches in Elgin and Yorkville, IL. TNB also acquired First Wisconsin Bank & Trust in

Brookfield, WI, at year-end 2008. The resulting TNB has assets of \$1.2 billion and Tier 1 Capital of \$97 million as of December 31, 2008.

The January 3, 2006, Community Reinvestment Act (CRA) performance evaluation for the Bettendorf charter (#24555) was issued under the surviving TNB charter (#24555). The Bettendorf charter provided a substantial portion of the surviving charter's operations at the time of the merger (>90% of bank assets, deposits, and branches). Bank performance was rated "Satisfactory" using Intermediate Small Bank Evaluation tests.

TNB is a full-service financial institution that offers a wide variety of retail and commercial banking products and services. As of December 31, 2008, the bank's net loans and leases totaled \$809 million, representing 66% of total assets and 85% of bank deposits. The loan portfolio is comprised of commercial and commercial real estate loans (43%), construction and land development loans (20%), residential real estate loans (12%), loans to individuals (12%), agricultural loans (9%) and other loans (4%).

There are no legal, financial, or other factors that impede the bank's ability to help meet credit needs in its assessment areas. TNB has no affiliates aside from its parent holding company.

## **Selection of Areas for Full-Scope Review**

TNB currently has operations in the Davenport MMA and the State of Illinois. The bank also recently established a presence in the State of Wisconsin.

Examiners performed a full-scope review of the Davenport MMA because the bank has branch facilities in both the Iowa and Illinois portions of the MMA. The Davenport MMA accounts for most bank deposits - \$572 million (or 69%) of total bank deposits as of June 30, 2008.

To assess performance in the State of Illinois, examiners also performed a full-scope review of the Northern Illinois AA. The Northern Illinois AA has the second-most deposits - \$174 million, representing 21% of total bank deposits and 68% of all Illinois assessment area deposits as of June 30, 2008.

We did not evaluate performance in the State of Wisconsin as the bank had less than six months performance at the time of this evaluation. TNB established its sole Wisconsin assessment area with the aforementioned acquisition of First Wisconsin Bank & Trust on December 31, 2008.

We also did not evaluate performance in the State of Minnesota as TNB divested of its sole Minnesota branch early in 2008 and its operations in this state have always been limited.

## **Ratings**

The bank's overall rating is a blend of the Davenport MMA and the State of Illinois ratings. The Davenport MMA received the most weight in our assessment, as it accounts for 69% of TNB deposits by dollar as of June 30, 2008. MMA ratings and state ratings are based primarily on those areas that received full-scope reviews.

## Conclusions with Respect to Performance Criteria

### Loan-to-Deposit Ratio

TNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. TNB's quarterly loan-to deposit ratio averaged 74% over 13 quarters from March 31, 2006, to March 31, 2009, with a low of 62% and a high of 88%. TNB ranks seventh among nine similarly situated banks (institutions with deposits of at least \$200 million in the bank's assessment areas that are not subject to large bank CRA). Similarly situated banks had average loan-to-deposit ratios ranging between 58% and 117% over the same period, with an overall group average of 86%.

### Lending in Assessment Area

A majority of the bank's home mortgage, business and farm lending is inside its assessment areas. The following table details bank performance by product type.

Lending in Assessment Areas										
Loan Type	Numbers of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Home Purchase	534	79%	138	21%	672	\$58,950	69%	\$25,978	31%	\$84,928
Home Improvement	449	84%	85	16%	534	\$10,050	77%	\$3,051	23%	\$13,101
Home Refinance	760	80%	187	20%	947	\$102,265	66%	\$52,362	34%	\$154,627
<b>Total Home Loans</b>	1,743	<b>81%</b>	410	19%	2,153	\$171,265	<b>68%</b>	\$81,391	32%	\$252,656
Business	15	<b>75%</b>	5	25%	20	\$2,253	<b>61%</b>	\$1,448	39%	\$3,701
Farm	16	<b>80%</b>	4	20%	20	\$1,929	<b>86%</b>	\$302	14%	\$2,231

*Source: Bank HMDA data and the results from samples of business and farm loan originations covering the period 2007, 2008 and first quarter 2009.*

## 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.

## **Multistate Metropolitan Area (MMA) Rating Davenport-Moline-Rock Island IA-IL MMA #19340**

**CRA Rating for the Davenport-Moline-Rock Island IA-IL MMA<sup>2</sup>: Outstanding.**

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

**The Community development test is rated: Outstanding.**

The major factors that support this rating include:

- The distribution of loans by borrower income level is reasonable overall. Performance is reasonable for home mortgage loans and excellent for business loans.
- The overall dispersion of loans to geographies of different income levels is reasonable. Geographic distributions are reasonable for home mortgage loans and excellent for business loans.
- Community development activities reflect excellent responsiveness to community needs.
- Management appropriately responds to consumer complaints.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DAVENPORT MULTISTATE METROPOLITAN AREA**

TNB has one assessment area in the Davenport IA-IL MMA. The area accounts for 13 (or 57%) of the bank's branches, 27 (or 61%) of its ATMs, and \$572 million (or 69%) of total bank deposits.

The bank's primary credit products in the Davenport MMA are business and home mortgage loans. Farm credit is not a significant product for the bank in this market based on publicly available HMDA data and the bank's internal business/farm lending information.

Refer to Appendix A for more detailed information regarding the bank's AA in this MMA.

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<sup>2</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.



## **SCOPE OF EVALUATION IN THE DAVENPORT MULTISTATE METROPOLITAN AREA**

We performed a full-scope review of the bank's Davenport AA and rated MMA performance entirely on this assessment.

We conducted one community contact (with an economic development organization) and utilized other available contact information, press reports, and published information to identify community development needs and opportunities in the Davenport MMA. Refer to Appendix C for detailed demographics and other performance context information related to this assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DAVENPORT MULTISTATE METROPOLITAN AREA**

### **LENDING TEST**

The bank's performance under the lending test in Davenport MMA is rated **Satisfactory**. The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable. The distribution of loans to geographies of different income levels is also reasonable. TNB management appropriately responds to consumer complaints.

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

The overall distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable in the Davenport MMA. Borrower distributions are reasonable for home mortgage loans and excellent for business loans. Our assessment gives more weight to home mortgage loans as they represent a larger percentage of bank production in this market based on publicly available HMDA data and business loan data the bank internally collects.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to borrowers of different income levels is reasonable overall. Our assessment gives slightly more weight to performance in the low-income sector as it accounts for more families in the area.

Performance in the moderate-income sector is excellent. The percentage of bank loans to moderate-income borrowers consistently exceeds the demographic comparator in all mortgage products.

Performance in the low-income sector is reasonable overall. The percentage of home purchase loans to low-income borrowers is near the demographic comparator, which is strong performance considering the percentage of area families that live below poverty level (7%). Performance is not as strong in other mortgage products (where loan percentages are less than the demographic comparator), but bank performance is still considered reasonable for home improvement loans in light of the aforementioned family poverty rate – and for refinance loans, considering that fixed refinancing costs can be an impediment to low-income borrowers (takes longer to recoup costs through interest savings on smaller loans).

Borrower Distribution of Home Loans in Davenport MMA #19340								
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 (458 loans)	18.97%	15.15%	18.70%	28.90%	24.11%	23.78%	38.22%	32.17%
Home Improvement (334 loans)		10.66%		21.00%		28.84%		39.50%
Home Refinance (558 loans)		10.04%		21.81%		23.94%		44.21%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data. Borrower income information was not available for 6.74% of home purchase, 5.06% of home improvement, and 7.50% of home refinance loans.

### Business Loans

The distribution of business loans to businesses of different sizes in the Davenport MMA is excellent. As the following table illustrates, the bank's percentage of loans to small businesses (those with revenues of \$1 million or less) exceeds the demographic comparator.

Borrower Distribution of Businesses Loans in Davenport MMA #19340				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60%	5%	35%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	22%	78%	0%	100%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Geographic Distribution of Loans

The overall distribution of loans to geographies of different income levels is reasonable in the Davenport MMA. Geographic distributions are reasonable for home mortgage loans and excellent for business loans. Our assessment gives more weight to home mortgage loans as they represent a larger percentage of bank production in this market based on publicly available HMDA data and business loan data the bank internally collects.

### Home Mortgage Loans

The distribution of home mortgage loans to geographies of different income levels is reasonable overall. Our assessment gives more weight to the moderate-income sector as it accounts for significantly more owner occupied housing units in the area.

Performance in the moderate-income sector is reasonable. The percentages of home purchase and refinance loans in moderate-income geographies are near the demographic comparator. Performance is stronger in the home improvement product, where the percentage of loans in moderate-income geographies exceeds the demographic comparator.

Performance in the low-income geographies is excellent. The percentages of home purchase and refinance loans in low-income geographies exceed the demographic comparator. Performance is weaker in the home improvement product, where the percentage of loans in low-income geographies is significantly lower than the demographic comparator.

<b>Geographic Distribution of Home Loans in Davenport MMA #19340</b>								
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 (458 loans)		<b>1.74%</b>		<b>11.74%</b>		56.96%		29.56%
Home Improvement (334 loans)	1.20%	<b>0.30%</b>	13.91%	<b>16.96%</b>	61.81%	65.77%	23.08%	16.97%
Home Refinance (558 loans)		<b>1.25%</b>		<b>11.96%</b>		51.07%		35.72%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data.

## **Business Loans**

The distribution of business loans to geographies of different income levels is excellent overall. Our assessment gives more weight to the moderate-income sector as it accounts for significantly more businesses in the area.

Performance in the moderate-income sector is excellent. The percentage of business loans in moderate-income geographies exceeds the demographic comparator.

Performance in the low-income sector is reasonable. The percentage of business loans in low-income geographies is near the demographic comparator.

<b>Geographic Distribution of Business Loans in Davenport MMA #19340</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
Business	6%	5%	18%	20%	52%	50%	24%	25%

*Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.*

## **Responses to Complaints**

TNB received one complaint during the evaluation period alleging discrimination on a mortgage loan application in the Davenport MMA. The complaint remains unresolved at the time of this evaluation; but based on our analysis of application information, the underwriting decision, and the bank's HMDA data for the year 2008, it appears unfounded. Management has appropriately responded to requests from the Davenport Civil Rights Commission, on behalf of the complainant, to work toward resolution of this matter.

## COMMUNITY DEVELOPMENT TEST

Bank performance under the community development test in Davenport MMA is rated **Outstanding**. Overall performance is excellent in relation to the bank's capacity and assessment area opportunities. TNB provided \$19.2 million in qualified loans, \$4.4 million in qualified investments, and 51 qualified service activities over the evaluation period.

### Number and Amount of Community Development Loans

TNB originated seven qualifying loans in the Davenport MMA totaling \$19.2 million, consisting of:

- Two loans totaling \$8.4 million to redevelop the former Shopko-Joevans site in the City of Bettendorf. The shopping center development is adjacent to a moderate-income geography and is expected to create 200 additional new jobs at an average hourly wage of \$10.
- A \$7.1 million loan to construct a convention/events center in Bettendorf. The center is adjacent to moderate-income geographies and is part of the City of Bettendorf's economic development and revitalization plan for the downtown riverfront area. The project is also estimated to create 125 permanent jobs.
- Three loans totaling \$3.2 million to construct a medical facility and a supporting nurse training facility. The medical facility is to be leased to Community Healthcare, an organization that provides medical and dental care to homeless persons and others who cannot access healthcare elsewhere. The buildings are part of a downtown Moline development project that borders the Floricente Neighborhood – a LMI area with 63% Hispanic population and per capital income less than \$19 thousand per year.
- A \$500 thousand loan to renovate an abandoned building in a Rock Island low-income census tract for residential living and high-tech commercial use. The project created employer-assisted housing for 17 families to live affordably in the community where they work, a priority in Illinois comprehensive housing plans since 2005.

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

TNB purchased 21 securities totaling \$4.1 million, and provided 63 monetary donations and five in-kind donations totaling \$345 thousand, in the Davenport MMA over the evaluation period. Community development investments consist of:

- 19 school district bonds totaling \$2.4 million. A majority of students in these districts are from LMI families.
- A mortgage-backed security totaling \$1.6 million. All underlying mortgage loans involve LMI borrowers.
- 63 monetary donations to 37 different community organizations totaling \$314 thousand. Approximately 59% of these organizations provide social services to LMI persons; another 30% support economic development and revitalization initiatives, and 11% promote affordable housing for LMI families.
- Five in-kind donations totaling \$31 thousand to two community organizations – one of which promotes revitalization and development in East Moline and the other which provides technical assistance to small businesses.
- A \$17 thousand stock purchase in a local community development corporation.

TNB also has six qualified investments totaling \$939 thousand that remain outstanding from prior evaluation periods. Five investments totaling \$877 thousand relate to a revitalization project for LMI areas in downtown Davenport. The other represents a \$62 thousand stock investment in a local community development corporation.

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

Delivery systems are reasonably accessible to individuals of different income levels. TNB operates 13 full-service offices, 19 deposit-taking automated teller machines (ATMs) and 8 cash-dispensing ATMs in the Davenport MMA.

Branch facilities generally provide similar hours of operations, with extended hours available through drive-up facilities. Two (or 15%) of the bank office facilities, and six (or 22%) of its ATMs, are located in moderate-income geographies. Another two office facilities are located in middle-income areas that are adjacent to moderate-income tracts. TNB also provides limited services at three retirement facilities in the area.

There are no significant differences in the availability of products and services between bank branches. TNB continues to offer several products/services designed to target the needs of LMI and unbanked persons. These products/services include the following:

- Providing a Spanish-speaking option on TNB's Telephone Bank system.
- Making bank brochures available in Spanish translation.
- Offering an FDIC-promoted loan product to finance the costs of applying for U.S. Citizenship (New American's Loan Program).
- Providing low-cost remittance services to Mexico.
- Serving as an Acceptance Agent of the Internal Revenue Service to help alien individuals and other foreign persons obtain Individual Taxpayer Identification Numbers.

TNB employees also provided 51 service activities, involving 20 different organizations, during the evaluation period. Bank personnel frequently share their financial expertise by serving as Board members and officers for organizations that promote revitalization, economic development, affordable housing, and social services targeted to LMI persons.

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

Community development activities reflect excellent responsiveness to identified needs in the area, particularly in relation to the revitalization and economic development needs of the area, and the social and financial service needs of the LMI population.

# State Rating

## State of Illinois

**CRA Rating for the State of Illinois:<sup>3</sup> Outstanding.**

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

**The Community development test is rated: Outstanding.**

The major factors that support this rating include:

- The distribution of loans by borrower income level is excellent overall in the Northern Illinois AA. Performance is excellent for both farm and business loans and reasonable for home mortgage loans.
- The overall dispersion of loans to geographies of different income levels is poor in the Northern Illinois AA. Geographic distributions are reasonable for farm loans, but poor for home mortgage and business loans.
- Lending test performance in limited scope assessment areas is not inconsistent with the “Satisfactory” rating for the State of Illinois.
- Community development activities reflect excellent responsiveness to community needs in the Northern Illinois AA.
- Community development performance in limited scope assessment areas is not inconsistent with the “Outstanding” rating for the State of Illinois.

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE STATE OF ILLINOIS

TNB has four assessment areas in the State of Illinois – two are non-metropolitan areas (one in Northern Illinois and the other in Southern Illinois) and two represent portions of the Chicago MSA (combined for analysis). As of June 30, 2008, these assessment areas collectively account for 10 (or 43%) of the bank’s branches, 17 (or 39%) of the bank’s automated teller machines (ATMs), and \$254 million (or 31%) of its deposit base. The Northern Illinois AA has the most deposits at \$174 million, representing 68% of all Illinois assessment area deposits and 21% of total bank deposits. Refer to Appendix A for a more detailed listing of the bank’s Illinois assessment areas.

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<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution’s performance in that area.



## SCOPE OF EVALUATION IN THE STATE OF ILLINOIS

We performed a full-scope review of the Northern Illinois AA. Other assessment areas received limited scope reviews. State ratings are primarily based on performance in the areas receiving full-scope review.

The OCC conducted one community contact in the Northern Illinois AA. The contact represented an organization involved with small business development and financing. Refer to Appendix C for detailed demographics and other performance context information related to the Northern Illinois AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF ILLINOIS

### LENDING TEST

Lending test performance in the State of Illinois is rated **Satisfactory**. Performance in the full scope Northern Illinois AA reflects excellent borrower distributions, but poor geographic distributions overall. Performance in limited scope assessment areas is not inconsistent with the state's Satisfactory lending test rating. TNB has not received any CRA performance or fair lending-related consumer complaints in its Illinois assessment areas over the evaluation period.

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

The overall distribution of loans to borrowers of different income levels and businesses of different sizes is excellent in the Northern Illinois AA. Borrower distributions are excellent for farm and business loans, and reasonable for home mortgage loans. Home mortgage lending received the least weight in our assessment as it accounts for just 26% of bank loan production in this market (by number of loans) based on publicly available HMDA data and business/farm lending data the bank internally collects.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to borrowers of different income levels is reasonable overall. Our assessment gives slightly more weight to performance in the moderate-income sector as it accounts for more families in the area.

Performance in the moderate-income sector is reasonable overall. The percentage of bank loans to moderate-income borrowers exceeds the demographic comparator for home purchase and home improvement loans, but is lower than the demographic comparator for home refinance loans. The refinance product carries the most weight in our assessment as it accounts for the largest percentage of home mortgage loans.

Performance in the low-income sector is excellent. While the percentage of loans to low-income borrowers is lower than the demographic comparator for both home purchase and home improvement loans, this is strong performance given the percentage of area families that live below poverty level (6%). Performance is also strong in the refinance product where the percentage of bank loans is near the demographic comparator even though the fixed costs of refinancing can be an impediment to low-income borrowers (takes longer to recoup costs through interest savings on smaller loans).

Borrower Distribution of Home Loans in the Northern Illinois AA								
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 (30 loans)	14.20%	10.00%	18.81%	36.67%	25.28%	20.00%	41.70%	33.33%
Home Improvement (89 loans)		10.47%		27.91%		37.21%		24.42%
Home Refinance (114 loans)		13.73%		14.71%		21.57%		50.00%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data. Borrower income information was not available for 3.36% of home improvement loans, and 12.06% of home refinance loans.

## Business Loans

The distribution of business loans to businesses of different sizes in the Northern IL AA is excellent. As the following table illustrates, the bank's percentage of loans to small businesses (those with revenues of \$1 million or less) exceeds the demographic comparator.

Borrower Distribution of Businesses Loans in the Northern Illinois AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59%	4%	37%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	82%	18%	0%	100%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Farm Loans

The distribution of farm loans to farms of different sizes in the Northern IL AA is excellent. As the following table illustrates, the bank's percentage of loans to small farms (those with revenues of \$1 million or less) exceeds the demographic comparator.

Borrower Distribution of Farm Loans in the Northern Illinois AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	0%	1%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Results from a sample of farm loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Borrower Distribution Conclusions for Areas Receiving Limited-Scope Review

Based on limited scope reviews, borrower distribution performance in the Chicago AA and the Southern Illinois AA is weaker than the excellent performance level in the full-scope Northern Illinois AA. Borrower distributions are most notably weaker for business loans in the Chicago AA and farm loans in the Southern Illinois AA. Refer to the following tables for the facts and data that support these conclusions.

### Chicago Assessment Areas:

Borrower Distribution of Home Loans in the Chicago AAs								
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 (26 loans)	11.65%	0.00%	15.07%	17.65%	25.33%	17.65%	47.95%	64.71%
Home Improvement (0 loans)		NA		NA		NA		
Home Refinance (34 loans)		6.90%		13.79%		6.90%		72.41%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data. Borrower income was not available for 34.61% of home purchase loans and 14.72% of home refinance loans.

Borrower Distribution of Businesses Loans in the Chicago AAs				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	6%	26%	100%
% of Bank Loans in AA by #	55%	45%	0%	100%
% of Bank Loans in AA by \$	55%	45%	0%	100%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

**Southern Illinois Assessment Area:**

<b>Borrower Distribution of Home Loans in the Southern Illinois 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
Home Purchase (20 loans)	18.17%	20.00%	21.64%	25.00%	24.33%	20.00%	35.86%	35.00%
Home Improvement (26 loans)		34.62%		7.69%		26.92%		30.77%
Home Refinance (53 loans)		10.00%		16.00%		32.00%		42.00%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data. Borrower income was not available for 5.67% of home refinance loans.

<b>Borrower Distribution of Businesses Loans in the Southern Illinois AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	57%	3%	40%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

<b>Borrower Distribution of Farm Loans in the Southern Illinois AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99%	0%	1%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	66%	34%	0%	100%

Source: Results from a sample of farm loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

**Geographic Distribution of Loans**

The overall dispersion of loans to geographies of different income levels is poor in the Northern Illinois AA. Geographic distributions are reasonable for farm loans, but poor for business and home mortgage loans. Farm loans received the least weight in our assessment because farm lending opportunities are very limited in the area’s moderate-income tracts.

## Home Mortgage Loans

The geographic distribution of home mortgage loans is poor. As illustrated in the following table, the percentage of bank loans in moderate-income geographies is significantly less than the demographic comparator for all mortgage products.

Geographic Distribution of Home Loans in the Northern Illinois AA								
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 (30 loans)	N/A	N/A	7.17%	0.00%	82.01%	80.00%	10.82%	20.00%
Home Improvement (89 loans)		N/A		2.25%		89.89%		7.87%
Home Refinance (114 loans)		N/A		1.72%		90.52%		7.76%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data.

## Business Loans

The geographic distribution of business loans is also poor. In the sample of loans selected for review, there were no business loans in moderate-income geographies.

Geographic Distribution of Business Loans in the Northern Illinois AA								
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	N/A	N/A	5%	0%	85%	76%	10%	24%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Farm Loans

The geographic distribution of farm loans is reasonable despite the fact there were no farm loans in moderate-income tracts in the sample of loans reviewed. Moderate-income geographies are home to just 16 farms in this market, which significantly impedes farm lending opportunities.

Geographic Distribution of Farm Loans in the Northern Illinois AA								
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	N/A	N/A	1%	0%	87%	95%	12%	5%

Source: Results from a sample of farm loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Geographic Distribution Conclusions for Areas Receiving Limited-Scope Review

Based on a limited scope review, geographic distribution performance in the Chicago AA is stronger than the poor performance level in the full-scope Northern Illinois AA. Borrower distributions are stronger for both business and home mortgage loans in the Chicago AA. Geographic distribution is not a meaningful analysis in the Southern Illinois AA as it contains no low- or moderate-income tracts. Refer to the following tables for the facts and data that support these conclusions.

### Chicago Assessment Areas:

Geographic Distribution of Home Loans in the Chicago AAs								
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 (26 loans)	N/A	N/A	2.57%	11.54%	47.77%	42.31%	49.66%	46.15%
Home Improvement (0 loans)		N/A		NA		NA		NA
Home Refinance (34 loans)		N/A		8.82%		44.12%		47.06%

Source: Bank HMDA data for 2007, 2008, and first quarter 2009; 2000 U.S. Census Data.

Geographic Distribution of Business Loans in the Chicago AAs								
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	N/A	N/A	6%	<b>10%</b>	44%	40%	50%	50%

Source: Results from a sample of business loan originations during 1/1/07-3/31/09; Dunn and Bradstreet Data.

## Responses to Complaints

TNB has not received any CRA performance or fair lending-related consumer complaints in its Illinois assessment areas over the evaluation period.

## COMMUNITY DEVELOPMENT TEST

Community development performance in the State of Illinois is rated **Outstanding**. Performance in the full scope Northern Illinois AA is excellent in relation to bank capacity and assessment area opportunities. TNB provided \$2 million in qualified loans, \$601 thousand in qualified investments, and 7 qualified service activities over the evaluation period. Performance in limited scope assessment areas is not inconsistent with the state's Outstanding community development test rating.

### Number and Amount of Community Development Loans

TNB originated four qualifying loans in the Northern Illinois AA totaling \$2 million over the evaluation period. None of these loans were considered under the lending test. Community development loans consist of:

- A \$650 thousand line of credit to a small business located in a distressed middle-income geography helped the company to retain 75 employees (92% of which earn LMI wages). The credit line renewed twice annually during the evaluation period.
- A \$36 thousand loan to renovate a fire-ravaged building in the downtown historic district of Mt. Carroll. The project is part of a business incubator plan to revitalize downtown and is projected to create fifteen new LMI jobs (retail sales and food service).

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

TNB purchased 15 securities totaling \$600 thousand and provided 10 monetary donations totaling \$1 thousand in the Northern IL AA over the evaluation period. Investment securities involved bond issuances from a school district located in a distressed middle-income geography. Education is considered an essential infrastructure service necessary to attract and retain residents.

TNB also made 10 monetary donations to 9 different community organizations totaling \$1 thousand. Approximately 56% of these organizations support economic development initiatives and 44% provide social services to LMI persons.

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

Delivery systems are reasonably accessible to individuals of different income levels. TNB operates six full-service offices, five deposit-taking automated teller machines (ATMs) and six cash-dispensing ATMs in the Northern Illinois AA.

Branch facilities generally provide similar hours of operations, with extended hours available through drive-up facilities. While the bank does not have any office facilities in moderate-income geographies, it does have an ATM in a moderate-income tract and one branch in a middle-income area that is adjacent to a moderate-income tract.

There are no significant differences in the availability of products and services between bank branches. TNB offers the same several products/services designed to target the needs of LMI and unbanked persons as described in the Davenport MMA section.

TNB employees also provided seven service activities during the evaluation period to three different organizations that promote economic development. Bank personnel frequently share their financial expertise by serving as Board members and officers of these organizations.

## **Responsiveness to Community Development Needs**

Community development activities reflect excellent responsiveness to area needs for stabilization and economic development.

## ***Community Development Conclusions for Areas Receiving Limited-Scope Review***

Based on a limited scope review, community development performance in the Chicago AA and the Southern Illinois AA is consistent with the excellent performance level in the full-scope Northern Illinois AA. TNB provided \$1.1 million qualified loans, \$8 thousand qualified investments, and 5 qualified service activities in the Chicago AA – and \$1.3 million qualified loans, \$464 thousand qualified investments, and 6 qualified service activities in the Southern Illinois AA.



## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/2007 to 03/31/2009) Community Development Test: (01/04/1996 to 06/15/2009)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
THE National Bank (TNB), Moline, IL	Home Mortgage, Small Business, and Small Farm Loans; Community Development Loans, Investments and Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
No affiliate activity is considered in this evaluation.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area (AA)</b>	<b>Type of Exam</b>	<b>Other Information</b>
<i>Multi-State Metropolitan Areas:</i> Davenport-Moline-Rock Island IA-IL MMA#19340	Full Scope	Entire MMA#19340 consisting of three Illinois counties (Henry, Mercer & Rock Island) and one Iowa county (Scott).
<i>State of Illinois:</i> Northern Illinois AA	Full Scope	Carroll County, Whiteside County, and a portion of Jo Daviess County, Illinois.
Elgin AA – Part of Chicago MD#16974	Limited Scope	A portion of Kane County and a portion of Cook County, Illinois, which are part of the Chicago MD#16974.
Yorkville AA – Part of Chicago MD#16974	Limited Scope	Kendall County, Illinois, which is part of the Chicago MD#16974.
Southern Illinois AA	Limited Scope	Fulton and Mason Counties, Illinois.
<i>State of Wisconsin:</i> Brookfield AA – Part of the Milwaukee MSA#22240	Not Reviewed	A portion of Waukesha County, WI, which is part of the Milwaukee MSA#33340. AA established December 31, 2008 – insufficient time to evaluate.

## Appendix B: Summary of Multi-State Metropolitan Area and State Ratings

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<b>RATINGS – THE National Bank</b>			
	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall Bank/State/Multistate Rating</b>
<b><i>Overall Bank:</i></b>			
THE National Bank	Satisfactory	Outstanding	Outstanding
<b><i>Multi-State Metropolitan Area or State:</i></b>			
Davenport-Moline-Rock Island IA-IL MMA#19340	Satisfactory	Outstanding	Outstanding
State of Illinois	Satisfactory	Outstanding	Outstanding

## Appendix C: Market Profile Tables

### ***Davenport-Moline-Rock Island IA-IL MMA #19340***

<b>Demographic Information for Full-Scope Area: Davenport-Moline-Rock Island IA-IL MMA #19340</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	103	4.44	26.67	50.00	18.98	NA
Population by Geography	376,019	3.02	17.73	57.02	22.23	NA
Owner-Occupied Housing by Geography	107,334	1.41	14.22	60.30	24.07	NA
Businesses by Geography	26,120	7.43	20.12	47.16	25.28	NA
Farms by Geography	1,856	0.87	6.12	68.97	23.13	NA
Family Distribution by Income Level	100,777	19.12	18.41	23.77	38.70	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	37,965	5.36	24.25	56.76	13.63	NA
Median Family Income		Median Housing Value				
HUD Adjusted Median Family Income for 2009	= \$49,922	Unemployment Rate (September 2009, not seasonally adjusted)				= \$84,985
Households Below the Poverty Level	= \$61,600					= 8.4%
	= 10%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, 2009 HUD updated MFI, and the Bureau of Labor Statistics

The bank's assessment area consists of the entire Davenport-Moline-Rock Island Multistate Metropolitan Area (MMA). The Mississippi River flows through the heart of this MMA which consists of three counties in northwestern Illinois (Henry, Mercer and Rock Island) and one county in southeastern Iowa (Scott). The area is commonly referred to as the "Quad Cities," a name that is now technically a misnomer since the MMA is home to five cities with a population over 20,000 (Davenport IA, Moline IL, Rock Island IL, Bettendorf IA, and East Moline IL) as well as several other communities. The assessment area delineation meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Demographics for the MMA are reflected in the table above.

The banking environment is competitive. There are 41 banks with 158 offices in this MMA. As of June 30, 2008, TNB had 13 branches and \$572 million deposits in this area, representing a 9% market share and third place market rank. Other deposit market share leaders include Wells Fargo (15%), Blackhawk Bank & Trust (10%), Quad City Bank & Trust (8%) and American Bank & Trust (7%).

The local economy now has a relatively equal distribution among the manufacturing, wholesale and retail, and services sectors since the dramatic restructuring of the manufacturing economy in the 1970s and 1980s. The largest area employers are Rock Island Arsenal, Deere & Company, Genesis Health Systems, Trinity Regional Health System, Tyson Fresh Meats Inc., and Alcoa Inc.

While the area has been adversely impacted by the current national recession, economic diversity has softened the effects somewhat. The non-seasonally adjusted unemployment rate for the MMA is 8.4% as of September 2009, compared to 9.5% nationally. Job cutbacks have nonetheless occurred - and the region is growing only slowly over the long run.

We conducted one community contact (with an economic development organization) and utilized other available contact information, press reports and published information to identify community development needs and opportunities in the MMA. Area needs include:

- Revitalization and economic development of LMI areas.
- Financing (including long-term working capital loans) and technical assistance for small businesses.
- Homebuyer and financial education, particularly in the senior population segment where reverse mortgages are marketed and in LMI neighborhoods.
- Home improvement financing for mobile homes.
- Financial services for new immigrant populations, predominantly from Mexico and Central America, but also from Vietnam and Bosnia.
- "Credit Builder" products that can help individuals improve or simply establish credit.
- Flexible financing for nonprofit facilities in Iowa (Illinois has a statewide CDFI that specializes in this type of lending).
- Grants to nonprofit community development organizations.

There is a good level of community development opportunity for banks. The location and focus of community development opportunities is influenced by the following area characteristics:

- Davenport and Rock Island have more low- and moderate-income (LMI) persons and more predominantly LMI neighborhoods than other municipalities in the MMA. LMI neighborhoods in these two cities cluster primarily in the vicinity of downtown.
- A significant differential exists between the cost to rehab a home and the eventual fair market value of that home in older neighborhoods. Redevelopment of LMI areas, therefore, requires continual subsidies. Additionally, the Federal rules concerning lead-based paint make it difficult to rehabilitate older homes.
- More new housing units, generally in subdivisions, are built on the Iowa side of the MMA than on the Illinois side because Rock Island and Moline are bounded by the Rock and Mississippi Rivers, land is more readily accessible adjacent to Davenport and Bettendorf, and development requirements are slightly less stringent in Iowa than in Illinois.
- The Hispanic population of the MMA is growing, and a number of African-Americans displaced by the destruction of public housing in Chicago have moved to this area.

Redevelopment efforts have focused largely on the downtown area. Gambling, entertainment, arts and tourism are common elements of all downtown redevelopment projects. Rock Island also focuses on housing development in older neighborhoods surrounding downtown, often using Low-Income Housing Tax Credits to successfully promote a mix of market-rate and affordable housing development in single-family and multi-family projects. Davenport and Rock Island also promote affordable housing development for LMI persons throughout the two cities.

Redevelopment is financed in a variety of ways. Public subsidies come from Community Development Block Grant and HOME funding, Tax Increment Financing districts, municipal bonds, and other sources. The private sector provides philanthropic contributions (often through local foundations) and direct investment in projects. Banks can participate in the redevelopment projects by extending credit, by purchasing Low-Income Housing Tax Credits, Historic Rehabilitation Tax Credits and New Markets Tax Credits, and by making equity equivalent investments in nonprofit Community Development Financial Institutions.

Compared with metropolitan areas of similar size, the MMA has a large number of active, successful, and sophisticated community development organizations. Banks can support these organizations by serving on boards of directors and other committees and by providing charitable grants and donations.

## State of Illinois - Northern Illinois Assessment Area

Demographic Information for Full-Scope Area: Northern Illinois AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	NA	7.69	80.77	11.54	NA
Population by Geography	85,331	NA	7.76	81.99	10.25	NA
Owner-Occupied Housing by Geography	25,457	NA	7.17	82.01	10.82	NA
Businesses by Geography	5,959	NA	4.85	84.73	10.42	NA
Farms by Geography	886	NA	1.47	86.46	12.08	NA
Family Distribution by Income Level	23,957	14.20	18.81	25.28	41.70	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,910	NA	11.73	80.67	7.60	NA
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$43,554 = \$54,400 = 8%	Median Housing Value = \$79,551 Unemployment Rates (September 2009, not seasonally adjusted): Carroll County: = 10.5% Whiteside County: = 10.6%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, 2009 HUD updated MFI, and Bureau of Labor Statistics

The bank's assessment area consists of Carroll County, Whiteside County, and two census tracts from Jo Daviess County, in the northwestern part of the State of Illinois. The assessment area delineation meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Demographics for the assessment area are reflected in the table above.

The banking environment is competitive. There are 22 banks with 43 offices in Carroll and Whiteside Counties. As of June 30, 2008, THE National Bank operates six branches and has \$174 million deposits in this area, representing a 10.7% market share and second place market rank. Other deposit market share leaders include Sterling Federal Bank FSB (11.6%), Sauk Valley Bank & Trust Co. (10.4%), Amcore Bank National Association (9.6%), and Farmers National Bank of Prophetstown (9.6%).

The local economy has been adversely impacted by the current national recession. The non-seasonally adjusted unemployment rate is 10.5% for Carroll County and 10.6% for Whiteside County as of September 2009 - compared to 9.5% nationally. Manufacturing provides the most area jobs, but diversification is provided by healthcare, retail and service, education and government sectors. Major area employers include Wahl Clipper Corporation, Drives Incorporated, Wal-Mart Distribution Center, as well as local hospitals, school districts and government.

There is an adequate level of opportunity for contributions and service work with nonprofit community development organizations. Our performance context research, community contact work, and a review of the CRA performance evaluations of competing banks, however, indicate there are more limited opportunities for community development equity investments, particularly at the local level. Carroll County was a designated “distressed middle-income area” for a portion of the evaluation period (June 1, 2006-2007) and the county has been a designated Illinois Enterprise Zone since December 8, 2006.

We contacted a local economic development representative during our review. The contact stated the area’s primary credit needs are for commercial real estate, construction, land development, and residential properties. The contact was complimentary of local banks’ lending activity and community involvement.