SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 18, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Columbia National Bank
Charter Number 16593

700 Columbia Centre
Columbia, IL 62236

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 the lending performance criteria meet the standards for satisfactory performance. The major factors that support this rating are as follows:

- The bank's distribution of loans to individuals of different income levels and to businesses of different sizes is reasonable. The percentage of total residential real estate loans made to moderate-income borrowers (21%) exceeds the percentage of moderate-income families in the assessment area (AA) (18%).

- The bank's geographic distribution of loans is reasonable. We placed more weight on residential real estate loans than on business loans because they represented a greater percentage of loans originated or purchased during the evaluation period.

- A substantial majority of the bank's loans, 78% by number and 85% by dollar volume, is made in the AA.

- The bank's level of lending is reasonable with an average quarterly loan-to-deposit ratio of 76%.

SCOPE OF EXAMINATION

This Performance Evaluation of Columbia 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 to June 29, 2009.

CNB has designated Monroe County and the southwestern edge of St. Clair County as its AA. This AA received a full-scope review.

Conclusions regarding the bank's lending performance are based on CNB's primary loan products, residential real estate and small business loans. We conducted a data integrity review of the residential real estate loans reported under the Home Mortgage Disclosure Act (HMDA) for 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. We also reviewed a sample of 20 business loans originated from January 1, 2007 to June 29, 2009.

DESCRIPTION OF INSTITUTION

CNB is wholly owned by Columbia Bancshares, Inc., a one-bank holding company located in the City of Columbia, Illinois. Columbia is located at the northern tip of Monroe County in southwestern Illinois about 15 miles from downtown St. Louis, Missouri.

CNB is one of the smallest financial institutions in the St. Louis Metropolitan Statistical Area (St. Louis MSA). As of March 31, 2009, CNB had total assets of $40 million, net loans of $26 million, total deposits of $35 million, and total risk-based capital of $5 million. There are no subsidiaries or affiliates. On January 1, 2008, the bank became an S-Corporation. No other changes were noted with the bank's corporate structure since the last CRA evaluation.

CNB is primarily a residential real estate lender that operates one office and two depository automated teller machines (ATMs) in Columbia, Illinois. The Columbia office and the ATM machines are located in upper-income Census Tract (CT) 6001. One ATM is located at the bank and the other is in the Marketplace Shopping Center. Management has neither opened nor closed any branches during this evaluation period.

CNB offers traditional bank services and loan products associated with a small community bank. As of March 31, 2009, net loans totaled $26 million, representing 65% of total assets. The loan portfolio consisted of 55% real estate, 29% commercial real estate/business, 7% consumer, 6% farm, and 3% other loans. Residential real estate represents the highest percentage of the loans originated during this evaluation period.

There are no legal or financial constraints placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

CNB's last CRA evaluation was August 26, 2003, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Management designated all of Monroe County and the southwestern edge of St. Clair County in southwestern Illinois as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

The AA is comprised of three CTs in Monroe County (6001, 6002, and 6003) and six CTs in St. Clair County (5023, 5026.02, 5026.03, 5031, 5032.02, and 5032.03). Monroe and St. Clair Counties are part of the St. Louis MSA. Based on the 2000 MSA median family income, one CT or 11% is classified as low-income, two CTs or 22% as moderate-income, five CTs or 56% as middle-income, and one CT or 11% as upper-income.

As of the 2000 Census, the population in the AA was 64,552. Nine percent (9%) live below the poverty level and 19% are in retirement. The median housing value was $90,559 and the average age of the housing stock was over 40 years. Owner-occupied units represent 71% of the housing stock. Five percent (5%) of the owner-occupied housing units are situated within the low-income CT, and 17% are situated within the moderate-income CTs.

The 2000 Census demographic data indicates 17,723 families live in the AA. The 2000 MSA median family income was $53,435. Based on that income figure, 3,486 or 20% of the families were classified as low-income, 3,229 or 18% as moderate-income, 4,347 or 25% as middle-income, and 6,661 or 38% as upper-income. For our analysis of lending to borrowers of different incomes, we used the Department of Housing and Urban Development (HUD) 2009 updated MSA median family income of $67,900.

Economic conditions in Monroe and St. Clair Counties are stable. The April 2009 seasonally unadjusted unemployment rates for Monroe and St. Clair Counties are 5.7% and 8%, respectively. These rates are lower than unemployment rates for Illinois (9.3%) and the nation (8.6%). The 7.7% unemployment rate for all Illinois counties within the St. Louis MO-IL MSA falls between these two counties' rates. Since April 2008, the local unemployment rates have increased about 2%, while the state and national averages have increased almost 4%.

Major Illinois employers include Scott Air Force Base, Memorial Hospital, St. Elizabeth's Hospital, Southern Illinois Healthcare Foundation, Luhr Brothers Construction, Casino Queen, Best Buy Co., Cerro Flow Production, St. Clair County, Monroe County Nursing, Harrisonville Telephone Co., Philip Environmental Services, Budnick Converting, MAR Graphics, and the Columbia and Waterloo School Districts. Many local residents commute to the larger St. Louis metropolitan area for work.

Competition for financial services in the AA is strong and primarily comes from ten banks: three local banks, three large regional banks, and four national large banks. These competitors have a total of twenty-four branches located in Monroe and St. Clair Counties.

During this evaluation, we performed two community contacts with local city government entities in Monroe County. Our contacts did not identify any unmet credit needs in the AA. CNB is responsive to the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB's performance is satisfactory in meeting the credit needs of its AA, 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 reasonable given the institution's size, its financial condition, and AA credit needs.

As of March 31, 2009, the bank's LTD ratio is 74%. The quarterly average LTD ratio since the last evaluation is 76%. This ratio is higher than four comparable banks and lower than three other banks in the AA. The average LTD ratios of the other banks, which are comparable in size and location, range from 22% to 97% for the same time period.

Lending in Assessment Area

A substantial majority of loans are in the institution's AA. Based on HMDA data and a sample of small business loans made from 2007 through June 2009, 78% by number and 85% by dollar volume were originated within the bank's AA.

Lending in Monroe County and Southwest St. Clair County

	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
Loan Type	#	%	#	%		$	%	$	%	
Home Purchase	27	59%	19	41%	46	$ 2,785	72%	$1,075	28%	$ 3,860
Home Improvement	26	87%	4	13%	30	$ 834	89%	$ 107	11%	$ 941
Home Refinance	161	82%	36	18%	197	$16,688	87%	$2,392	13%	$19,080
Small Business	16	80%	4	20%	20	$ 1,649	88%	$ 233	12%	$ 1,882
Totals	220	78%	63	22%	283	$21,956	85%	$3,807	15%	$25,763

Source: Residential real estate loan data reported under HMDA for the years 2007-2009, and a sample of 20 small business loans.

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

The bank's lending distribution to borrowers of different income levels and small businesses of different sizes is reasonable.

<u>Residential Real Estate</u>

The borrower distribution of residential real estate loans made in 2007, 2008, and 2009 meets the standard for satisfactory performance. The percentage of total residential real estate loans made to moderate-income borrowers (21%) exceeds the percentage of moderate-income families in the AA (18%). The percentage of residential real estate loans made to low-income borrowers (6%) is significantly lower than the percentage of low-income families (20%) in the AA. In evaluating the borrower distribution, we considered the percentage of families (9%) that live below the poverty level and the barriers this may have on home ownership.

Borrower Distribution of Residential Real Estate Loans in Monroe County and Southwest St. Clair 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	20%	15%	18%	19%	25%	18%	37%	48%
Home Improvement	20%	15%	18%	39%	25%	15%	37%	31%
Home Refinance	20%	2%	18%	19%	25%	23%	37%	52%
Totals	20%	6%	18%	21%	25%	21%	37%	49%

Source: Data reported under HMDA; 2000 U.S. Census data. Seven home refinance loans (4%) did not have borrower income information and were not classified. These same loans make up the 3% of the Totals row that is not accounted for.

<u>Business Loans</u>

CNB is responsive to the credit needs of small businesses in its AA. During this evaluation period, the bank originated 60 business loans. Based on the sample of 20 business loans, the distribution of the bank's loans to small businesses in the AA is reasonable. The ratio of the bank's loans to businesses with revenues of less than $1 million, 75% by number and 71% by dollar volume, exceeds the ratio of small businesses in the AA (65%).

Borrower Distribution of Loans to Businesses in Monroe County and Southwest St. Clair County				
Business Revenues	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	4%	31%	100%
% of Bank Loans in AA by #	75%	25%	N/A	100%
% of Bank Loans in AA by $	71%	29%	N/A	100%

Source: 2008 Business Geodemographic Data; sample of 20 business loans.

Geographic Distribution of Loans

CNB's geographic distribution of loans is reasonable. We placed more weight on residential real estate loans than on business loans because residential real estate loans represented a greater percentage of loans originated or purchased during the evaluation period.

Residential Real Estate

The geographic distribution of residential real estate loans made in the AA reflects reasonable dispersion throughout the CTs in the AA. The percentage of residential real estate loans made in the moderate-income CTs (11%) is lower than the ratio of owner-occupied housing in these CTs (17%). The percentage of residential real estate loans made in the low-income CT (4%) is near the ratio of owner-occupied housing in this CT (5%).

Geographic Distribution of Residential Real Estate Loans in Monroe County and Southwest St. Clair 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	5%	4%	17%	11%	61%	44%	17%	41%
Home Improvement	5%	4%	17%	15%	61%	54%	17%	27%
Home Refinance	5%	4%	17%	10%	61%	39%	17%	47%
Totals	5%	4%	17%	11%	61%	42%	17%	43%

Source: Residential real estate loan data reported under HMDA for the years 2007-2009; 2000 U.S. Census data.

Business Loans

The geographic distribution of business loans made in the AA meets the standard for satisfactory performance. The ratio of business loans made in the moderate-income CTs (5%) is lower than the ratio of businesses located in the CTs (14%). The ratio of business loans made in the low-income CT (0%) is also lower than the ratio of businesses located in the CT (5%).

Geographic Distribution of Loans to Businesses in Monroe County and Southwest St. Clair 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
Small Business	5%	0%	14%	5%	59%	40%	22%	55%

Source: 2008 Business Geodemographic Data; sample of 20 business loans.

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.