



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 15, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bradford National Bank of Greenville
Charter Number 9734

100 East College Avenue
Greenville, IL 62246

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 Outstanding.

Major factors supporting this rating are:

- The bank's distribution of home mortgage loans reflects excellent penetration to borrowers of different income levels.
- The geographic distribution of home mortgage and business loans reflects excellent dispersion to geographies of different income levels within the assessment area (AA).
- A substantial majority of loans extended during the evaluation period (84%) were originated within the bank's AA.

SCOPE OF EXAMINATION

We used small bank procedures to evaluate the performance of the Bradford National Bank of Greenville (BNB) under the Community Reinvestment Act (CRA). BNB is primarily a residential real estate (RRE) and commercial lender. These products also represent the highest percentages of loans originated during this evaluation period by dollar value. Accordingly, we focused our performance evaluation on these two primary loan products.

The evaluation period for the performance evaluation is January 23, 2006 to August 15, 2012. For our analysis of the bank's lending activity, we incorporated all RRE loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2010 and 2011 and a sample of 20 commercial loans originated or purchased from January 1, 2010 through December 31, 2011. To ascertain the data integrity of the reported HMDA loans, we reviewed a sample and concluded that the bank's publicly filed data was accurate and reliable.

Of the total RRE loans originated in 2010 and 2011, home purchase loans accounted for 34% and home refinance loans accounted for 65%. Because BNB made only two home improvement loans (1% of the total RRE loans originated), we placed no weight on that category in our analysis.

The bank has one AA, which received a full-scope review. Please see the "Description of Assessment Area" for more information.

DESCRIPTION OF INSTITUTION

The Bradford National Bank of Greenville (BNB) is an intrastate bank wholly owned by Bradford Bancorp, Inc., a one-bank holding company located in the city of Greenville, Illinois. As of June 30, 2012, BNB had total assets of \$239 million, net loans of \$124 million, total deposits of \$201 million, and total risk-based capital of \$22 million.

The assets of BNB represent substantially all of the holding company's assets. There have been no changes in the bank's corporate structure since the last CRA evaluation.

BNB operates four offices and six automated teller machines (ATMs). The main office and one branch are located in Greenville (Bond County). The two other offices are in Highland (Madison County) and Marine (Madison County), Illinois. Two ATMs are located at the Greenville offices, two are accessible at local Greenville stores, and two are at the branch locations in Highland and Marine. Management has not opened or closed any branches during this evaluation period.

BNB offers traditional bank services and loan products associated with a rural community bank. As of June 30, 2012, net loans totaled \$124 million, representing 53% of total assets. The loan portfolio consisted of 45% residential real estate loans, 31% commercial loans, 20% agriculture-related loans, and 4% loans to individuals.

We found no legal or financial barriers to the bank's ability to help meet community credit needs; the bank has adequate resources to provide for the credit needs of its AA. The type and level of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the communities the bank serves.

BNB's last CRA evaluation was January 23, 2006 and rated the bank's CRA performance Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Management has designated Bond County and east Madison County as the bank's 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 part of the St. Louis MO-IL Metropolitan Statistical Area (MSA). The AA contains eight Census Tracts (CTs): 9512, 9513, 9514, 9515 in Bond County; and 4036.01, 4036.02, 4037, and 4038.02 in Madison County. Based on 2000 U.S. Census data, only CT 9515 in Bond County is classified as moderate-income (12.5%) and the other seven CTs (87.5%) are classified as middle-income. There are no low-income or upper-income CTs in this AA. BNB's Greenville offices and ATMs are located in a middle-income CT (CT 9513), adjacent to the lone moderate-income CT in Bond County.

Per the 2000 Census, the total population in the AA was 41,089 and included 10,867 families. Of these families, 1,880 (17.3%) were classified as low-income, 2,288 (21.05%) as moderate-income, 2,731 (25.13%) as middle-income, and 3,968 (36.51%) as upper-income. The MSA statewide median family income as of the 2000 Census was \$53,435. The Department of Housing and Urban Development's 2011 updated figure, adjusted for inflation, is \$69,500.

Based on the 2000 Census data for the MSA AA, 14.85% of the population was over age 65, 18% of households were in retirement, and 5% of families lived below the poverty level. Local housing was 85% 1-4 family units, with 76% of housing units owner-occupied and 6% of the housing stock vacant. Of the owner-occupied housing units, 12% are situated in the moderate-income CT.

Business data for 2011 shows there are 3,930 businesses in the AA: 71% are small businesses with revenues of \$1 million or less, 2% reported revenues greater than \$1 million, and 27% did not report revenues. Almost 9% of the businesses are located in the moderate-income CT.

The nationwide recession has also affected economic conditions in the AA. The May 2012 unemployment rate for both Bond and Madison Counties is 8.2%, comparable to the national and State of Illinois unemployment rates of 7.9% and 8.4%, respectively. While the national and state unemployment rates improved since May 2011, from 8.7% and 9.4%, respectively; the local unemployment rates did not: the May 2011 rate was 8% in Bond County and 7.8% in Madison County.

The local economy still has a strong agricultural base, complemented by service, retail and construction industries. Roughly 70% of the businesses in the AA had only 1-4 employees. Major employers in the area include the local school districts, Greenville College, a Federal correctional facility, Carlisle Syn-tec Systems, DeMoulin Brothers & Co., Greenville Regional and St. Joseph's hospitals, Cooper B-Line, Basler Electric, and Wal-Mart.

Competitive pressure by other financial institutions is strong in the overall AA. In Bond County, BNB has two offices and the largest deposit market share (48%). Two community banks and three large regional banks operate seven additional offices in this county. In Madison County, however, BNB only holds a 1.35% deposit market share in a very competitive market. Twenty-six institutions operate 101 offices in this county. These competitors range from small community banks to large multi-state banks.

To better understand the credit needs of the AA, we made two community contacts familiar with local needs. Our contacts identified home mortgage, consumer, and small business lending as primary credit needs in the community. Our contacts did not identify any unmet home mortgage or consumer credit needs and stated BNB assists low- and moderate-income (LMI) individuals or families in the community. BNB assists LMI people through their partnership with the U.S. Department of Agriculture (USDA). BNB allows the USDA repair loan program to open a "counter-sign account" to deposit funds for work that requires more than one contractor. BNB also provides in-kind staff to teach home counseling modules to affordable housing and social service organization clients.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

BNB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, the needs of the AA, and local economic conditions. As of March 31, 2012, the bank's LTD ratio was 60%. The bank's quarterly average LTD ratio since the 2006 CRA examination was 61%. This ratio is lower than that of four similarly situated banks, whose quarterly average LTD ratios ranged from 64% to 75%, with an average ratio of 68%. These banks are considered similarly situated because of their size, location, and lending opportunities.

Lending in Assessment Area

A substantial majority of loans extended during the evaluation period (2010 and 2011) were originated within BNB's AA. Based on all reported HMDA loans and our sample of 20 business loans, 84% of the loans by number and 79% by dollar volume were extended within the AA.

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

The bank's lending reflects an excellent penetration to borrowers of different incomes and satisfactory penetration to businesses of different revenue sizes.

Residential Real Estate Loans

The borrower distribution of RRE loans is excellent in the bank's AA. This assessment is supported by BNB's market share of loans extended in the AA. The 2011 HMDA peer data shows BNB is ranked third with a 7% overall market share of loans originated in the AA; however, the bank ranks first with a 14% market share for loans made to low-income borrowers, and second with an 8.5% market share to moderate-income borrowers.

The borrower distribution for home purchase loans is excellent. The percentage of home purchase loans made to low-income borrowers (20%) is above the percentage of low-income families (17%) in the AA. The percentage of home purchase loans made to moderate-income borrowers (30%) also exceeds the percentage of moderate-income families (21%) in the AA.

The borrower distribution for home refinance loans is reasonable. The percentage of refinance loans (11%) made to low-income borrowers is below the percentage of low-income families (17%) in the AA. The percentage of refinance loans made to moderate-income borrowers (17%) is slightly below the percentage (21%) of moderate-income families in the AA. It is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing.

Borrower Distribution of Residential Real Estate Loans in BNB's Assessment Area								
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	17%	20%	21%	30%	25%	29%	37%	21%
Home Refinance	17%	11%	21%	17%	25%	30%	37%	42%

Source: 2010-2011 data reported under HMDA; 2000 U.S. Census data.

Business Loans

The bank's distribution of loans to businesses of different revenue sizes in the AA is satisfactory. BNB's lending to small businesses (i.e., with revenues of \$1 million or less) by number of loans (85%) is above the percentage of small businesses (71%) in the AA. However, 27% of businesses in the AA did not report their revenues. Approximately 70% of businesses in the AA had 1-4 employees; therefore, it is likely the businesses with unavailable/unknown revenues have revenues under \$1 million and the percentage of small businesses is closer to 98%.

Borrower Distribution of Loans to Businesses in BNB's Assessment Area				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71%	2%	27%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	61%	39%	0%	100%

Source: Sample of 20 business loans originated in 2010 and 2011; and 2011 Business data.

Geographic Distribution of Loans

The geographic distribution of loans made by the bank during the evaluation period reflects excellent dispersion within the AA. The AA has one moderate-income CT (12.5%) and seven middle-income CTs (87.5%). BNB lends in all geographies within the AA.

Residential Real Estate Loans

The geographic distribution of RRE loans is excellent. The 2011 HMDA peer data shows BNB is ranked third with a 7% overall market share of loans originated in the AA; but BNB ranks first in the moderate-income CT, with a 14% market share.

The geographic distribution of home purchase loans is excellent. The percentage of home purchase loans made within the moderate-income CT (13%) meets the percentage of owner-occupied housing in the moderate-income CT (12.5%).

The geographic distribution of home refinancing is also excellent. The percentage of home refinancings extended within the moderate-income CT (16%) exceeds the percentage of owner-occupied housing in the moderate-income CT (12.5%).

Geographic Distribution of Residential Real Estate Loans in BNB's Assessment Area								
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	N/A	N/A	12.5%	13%	87.5%	87%	N/A	N/A
Home Refinance	N/A	N/A	12.5%	16%	87.5%	85%	N/A	N/A

Source: 2010-2011 data reported under HMDA; 2000 U.S. Census data.

Business Loans

The geographic distribution of business loans reflects an excellent dispersion within the AA. BNB's percentage of loans extended to businesses in the moderate-income CT (20%) significantly exceeds the percentage of businesses within that CT (9%).

Geographic Distribution of Loans to Businesses in BNB's Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	N/A	N/A	9%	20%	91%	80%	N/A	N/A

Source: Sample of 20 business loans originated in 2010 and 2011; and 2011 Business data.

Responses to Complaints

Since the prior CRA evaluation, neither the OCC nor BNB received any complaints about the bank's performance in helping to meet community credits needs.

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.