



PUBLIC DISCLOSURE

December 8, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank in Monmouth
Charter Number: 15389

311 North Main Street
Monmouth, IL 61462

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, IL 61602

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 primary factors supporting Community National Bank in Monmouth's (CNB, or bank) rating include:

- The distribution of loans to borrowers of different income levels and businesses and farms of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion among census tracts within the bank's assessment area.
- A majority of the loans originated by CNB are to borrowers inside its assessment area.

SCOPE OF EXAMINATION

We evaluated CNB under the Small Bank CRA criterion, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

The evaluation period is from the previous CRA evaluation, August 31, 2009, through December 8, 2014. The lending test for CNB covers its performance from January 1, 2012 through December 31, 2013.

CNB has one AA comprised of Warren and Henderson Counties in Illinois. The bank generates the majority of its loans and deposits with the AA. CNB's primary loan products are agricultural, commercial, and consumer loans. CNB is not located in a Metropolitan Statistical Area; therefore, it is not subject to the requirements of the Home Mortgage Disclosure Act (HMDA). CNB is not required to maintain revenue information on agricultural, commercial, or consumer loans outside of the individual credit files. Thus, we sampled agricultural loans, business loans, and consumer loans, all originated during 2012 and 2013, to perform the lending test.

DESCRIPTION OF INSTITUTION

CNB is a \$49 million financial institution located in Monmouth, Illinois. Monmouth is located in western Illinois on U.S. Highway 34 between Burlington, Iowa, and Galesburg, Illinois. Monmouth is the county seat of Warren County. The bank has no branches. The banking office and drive-in facility are located in Monmouth, and they have one deposit gathering ATM, which is located at the banking facility.

Customers may also access their accounts through telephone, internet, or mobile banking applications. As of September 30, 2014, the bank reported \$27 million in outstanding loans representing 55 percent of total assets. Tier one capital was \$6.5

million as of the same date.

CNB is not a subsidiary of a holding company and does not have any affiliates. The bank has not opened or closed any facilities since the previous CRA evaluation. CNB's strategy of providing friendly and personalized services to the people and businesses of their AA has not changed.

CNB has three primary lending products, agricultural, commercial, and consumer loans, all of which we reviewed during the evaluation. These three loan categories account for 92 percent of the number of loans originated from January 1, 2012 to December 31, 2013, and comprise 84 percent of the total dollar amount of loans originated during the same period. Residential lending is not a primary loan product, accounting for 14 percent of all loans originated and purchased during the lending test period.

The table below illustrates the composition of loan originations made from January 1, 2012 through December 31, 2013:

| Table 1 – Loan Originations by Loan Type from January 1, 2012 through December 31, 2013 | | | | |
|--|------------------|-------------|--------------|-------------|
| Loan Category | \$ (000) | % | # | % |
| Commercial Loans | \$ 13,317 | 26.74% | 85 | 7.60% |
| Agricultural Loans | \$ 21,960 | 44.10% | 74 | 6.62% |
| Residential Loans | \$ 7,767 | 15.60% | 89 | 7.96% |
| Consumer Loans | \$ 6,752 | 13.56% | 870 | 77.82% |
| Total Originations | \$ 49,796 | 100% | 1,118 | 100% |

Source: Bank Records from January 1, 2012 through December 31, 2013

As of September 30, 2014, CNB reported net loans of \$27 million. The loan portfolio composition is as follows:

| Table 2 – Loan Portfolio Summary by Loan Type September 30, 2014 | | |
|---|----------------------------------|---------------------------------|
| Loan Category | Dollars Outstanding (000) | % of Outstanding Dollars |
| Commercial Loans | \$ 6,657 | 24.21% |
| Agricultural Loans | \$10,026 | 36.47% |
| Residential Loans | \$ 6,495 | 23.63% |
| Consumer Loans | \$ 4,312 | 15.69% |
| Total Originations | \$ 27,490 | 100% |

Source: September 30, 2014 Call Report

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's assessment area. The bank's previous CRA rating was Satisfactory, as detailed in the performance evaluation dated August 31, 2009.

DESCRIPTION OF ASSESSMENT AREA

CNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The assessment area has changed since the previous evaluation and includes all of Warren County and all of Henderson County, with eight census tracts total. Previously, the bank’s assessment area only consisted of Warren County. Warren County is comprised of five census tracts, two are designated as moderate-income tracts and the remaining three are designated as middle-income tracts. This is a change from the previous evaluation when all five census tracts were designated as middle-income tracts. Henderson County is comprised of three census tracts, two are designated as middle-income tracts and one is designated as an upper-income tract. The bank’s AA does not include any low-income census tracts.

The following table includes demographic information for the assessment area:

| Table 3 - Demographic Information for Warren/Henderson County AA | | | | | |
|---|----------|----------------------------|--------------------|------------------|-----------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| Geographies (Census Tracts) | 8 | 0% | 25% | 62.50% | 12.50% |
| Population by Geography | 25,038 | 0% | 29% | 63% | 8% |
| Owner-Occupied Housing by Geography | 7,530 | 0% | 25% | 65% | 10% |
| Businesses by Geography | 1,580 | 0% | 31% | 62% | 7% |
| Farms by Geography | 468 | 0% | 22% | 71% | 7% |
| Family Distribution by Income Level | 6,605 | 0% | 26% | 66% | 8% |
| 2013 HUD Adjusted Median Family Income | \$56,200 | Median Housing Value | | | \$79,381 |
| Households Below the Poverty Level | 14.77% | Average Monthly Gross Rent | | | \$523 |

Source: 2010 Census Data

Economic Data

The economy of the bank’s AA is stable and improved over the past year. The unemployment rate of Warren County was 6.4 percent as of October 2014, which has improved from 7.8 percent since October 2013. The unemployment rate of Henderson County has also improved, declining from 8.1 percent to 5.4 percent over the same period. The unemployment rate in Warren County is comparable to, but slightly higher

than the unemployment rate of the State of Illinois at 6.2 percent, while Henderson County compares favorably.

The local economy relies heavily on the agriculture industry. Although grain prices have experienced some recent decline, farmland continues to be valued at record high prices. The largest employers in Warren County include Farmland Foods, Monmouth College, Monmouth Roseville School District, and OSF Holy Family Medical Center. Farmland Foods is a food processing company and is in the process of constructing a cold storage facility in Monmouth that will add 50 to 60 jobs in the coming year. Monmouth is also in the process of reviving the downtown district with new shops.

The amount of competition for financial services within the AA is high. The majority of the competition comes from four state chartered banks and one nationally chartered bank. The combined deposits for these five institutions account for 83 percent of the total deposit market share within the AA, as of June 30, 2014. CNB's deposit market share represents 6.5 percent of deposits within the AA.

We contacted the director of a local business association as part of our evaluation. The contact stated that the area is a large agricultural community and that operating lines are a primary need. The contact was not aware of any credit needs or banking services not being met by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB meets the standards for satisfactory performance for the lending test.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA needs. CNB's quarterly average loan-to-deposit ratio for the period August 30, 2009 to December 8, 2014, was fifty percent, with a high of sixty-four percent and a low of forty-two percent.

The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same period ranged from twenty-six percent to seventy-two percent. CNB ranks second lowest among five other similarly situated banks, which range in asset size from \$78 million to \$177 million. The similarly situated banks utilized for comparison purposes are community banks located in Western Illinois.

Lending in Assessment Area

A majority of the loans originated by CNB are to borrowers inside its AA. CNB's lending to customers within the AA for primary loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the lending test period:

| Table 4 - Lending in Assessment Area | | | | | | | | | | |
|---|-----------------|---------------|-----------|---------------|-----------|------------------|---------------|--------------|---------------|--------------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$(000) | % | \$(000) | % | \$(000) |
| Commercial | 28 | 93.33% | 2 | 6.67% | 30 | 2,445 | 98.70% | 32 | 1.30% | 2,478 |
| Agricultural | 21 | 75.00% | 7 | 25.00% | 28 | 3,400 | 75.59% | 1,098 | 24.41% | 4,498 |
| Consumer | 35 | 92.11% | 3 | 7.89% | 38 | 364 | 91.08% | 36 | 8.92% | 400 |
| Totals | 84 | 87.50% | 12 | 12.50% | 96 | 6,210 | 84.19% | 1,166 | 15.81% | 7,376 |

Source: Bank records on commercial, agricultural, and consumer loans originated during 2012 and 2013

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

CNB’s lending reflects reasonable penetration among borrowers of different income levels and businesses and farms of different sizes, given the demographics of the AA.

Commercial Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes during 2012 and 2013. CNB originated 93 percent of commercial loans to small businesses in the AA. Small businesses are businesses with gross annual revenues of one million dollars or less. This is excellent compared to demographic data that shows 70 percent of the businesses in the AA are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses within the AA originated during 2012 and 2013:

| Table 5 - Borrower Distribution of Loans to Businesses of Different Sizes | | | | |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 69.87% | 3.35% | 26.78% | 100% |
| % of Bank Loans in AA by # | 92.86% | 7.14% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 71.36% | 28.64% | 0.00% | 100% |

Source: Commercial loan data sampled for January 1, 2012 to December 31, 2013; 2013 Geodemographic Data

Agricultural Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. The bank originated 86 percent of agricultural loans to small farms during 2012 and 2013. Small farms are farms with gross annual revenues of one million dollars or less. This is reasonable compared to demographic data that shows 99 percent of farms in the AA are considered small farms. The following table shows the distribution of agricultural loans among different sized farms within the AA originated during 2012 and 2013:

| Table 6 - Borrower Distribution of Loans to Farms of Different Sizes | | | | |
|---|--------------|--------------|-------------------------|-------|
| Farm Revenues | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Farm | 99.36% | 0.21% | 0.43% | 100% |
| % of Bank Loans in AA by # | 85.71% | 14.29% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 65.42% | 34.58% | 0.00% | 100% |

Source: Agricultural loan data sampled for 2012 and 2013; 2013 Business Geodemographic Data

Consumer Loans

The distribution of consumer loans to borrowers of different income levels during 2012 and 2013 reflects reasonable penetration. CNB exceeds the demographic comparator for lending to both low- and moderate-income households within the AA. The table below shows the distribution of consumer loans among households of different income levels within the AA originated during 2012 and 2013:

| Table 7 - Borrower Distribution of Consumer Loans | | | | | | | | |
|--|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer | 25.78% | 34.28% | 16.18% | 20.00% | 18.14% | 22.86% | 39.90% | 22.86% |

Source: Consumer loan data sampled for 2012 and 2013; 2010 Census Data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion among the census tracts of the AA. Dispersion of agricultural loans is poor; however, the location of moderate-income census tracts is the reason for the lower volume of lending in those areas. Dispersion of commercial and consumer loans within the AA is excellent. The analysis reflects lending in all census tracts.

Commercial Loans

The geographic distribution of commercial loans reflects excellent dispersion during 2012 and 2013. CNB significantly exceeds the demographic comparator for lending to businesses located in moderate-income census tracts within the AA. The following table shows the geographic distribution of commercial loans to businesses during 2012 and 2013:

| Table 8 - Geographic Distribution of Loans to Businesses | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Commercial | N/A | N/A | 31.08% | 60.72% | 61.65% | 32.14% | 7.27% | 7.14% |

Source: Commercial loan data sampled for 2012 and 2013; 2013 Businesses Geodemographic Data

Agricultural Loans

The geographic distribution of agricultural loans reflects poor dispersion during 2012 and 2013. CNB is below the demographic comparator for lending to farms located in moderate-income census tracts within the AA; however, the AA is comprised of two moderate-income census tracts, one of which is located in the City of Monmouth, which would not include farmland. The following table shows the geographic distribution of agricultural loans to farms during 2012 and 2013:

| Table 9 - Geographic Distribution of Loans to Farms | | | | | | | | |
|--|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| 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 |
| Agricultural | N/A | N/A | 22.01% | 14.29% | 71.15% | 52.38% | 6.84% | 33.33% |

Source: Agricultural loan data sampled for 2012 and 2013; 2013 Businesses Geodemographic Data

Consumer Loans

The geographic distribution of consumer loans reflects excellent dispersion during 2012 and 2013. CNB significantly exceeds the demographic comparator for lending to households located in moderate-income census tracts within the AA. The following table shows the geographic distribution of consumer loans to households during 2012 and 2013:

| Table 10 - Geographic Distribution of Consumer Loans | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan type | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer | N/A | N/A | 26.37% | 42.86% | 65.71% | 57.14% | 7.92% | 0.00% |

Source: Consumer loan data sampled 2012 and 2013; 2010 Census Data

Responses to Complaints

CNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

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.