

PUBLIC DISCLOSURE

November 25, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank of Metropolis
Charter Number 3156
522 Market Street
Metropolis, Illinois 62960**

**Office of the Comptroller of the Currency
Evansville Field Office
P.O. Box 20130
Evansville, Indiana 47708**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Community National Bank of Metropolis (ComBank) for the time period of May 6, 1996 through November 25, 1998. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”.

ComBank has a reasonable record of lending to borrowers of all income levels and to businesses and farms of all sizes. A substantial majority of the bank’s loans are to customers living within the assessment areas.

Information regarding ComBank’s lending performance in the Kentucky assessment area did not have a significant impact on the overall rating. ComBank has an insignificant market share percentage in the McCracken County, Kentucky market. Demographics on this assessment area are provided for informational purposes. Loan origination information is not presented independently due to the low volume of lending. The bank’s office in this assessment area is a loan production office and not a deposit taking facility. The majority of the loans originated from this office are commercial.

DESCRIPTION OF INSTITUTION

Community National Bank of Metropolis (ComBank) is a full-service bank located in Metropolis, Illinois. ComBank is a wholly owned subsidiary of ComBank, Inc., a one bank holding company located in Galatia, Illinois. On September 30, 1998, ComBank had total assets of \$107 million. Earnings as of this date were \$780,000, representing a .97 percent return on assets.

ComBank is a full-service lender focusing on residential real estate, commercial, and consumer loans. There are no financial or legal impediments which would hamper the ComBank's ability to meet the credit needs of the community. ComBank's capacity to help meet the community's credit needs is satisfactory. Table 1 depicts several key balance sheet figures:

| Table 1 Balance Sheet as of September 30, 1998 | | | |
|---|---------------|-----------------------------|---------------|
| Net Loans | \$69,790,000 | Total Deposits | \$93,999,000 |
| Investments | \$30,548,000 | Other Liabilities | \$3,526,000 |
| Other Assets | \$6,347,000 | Total Liabilities | \$97,525,000 |
| | | Total Equity Capital | \$ 9,160,000 |
| Total Assets | \$106,685,000 | Total Liabilities & Capital | \$106,685,000 |

Source: Report of Condition.

As of September 30, 1998, the loan portfolio consisted of 51% commercial loans, 33% residential real estate loans, 11% consumer loans, and 5% agriculture loans.

ComBank has five branch offices in addition to the main office in southern Illinois and a loan production office in Paducah, Kentucky. ComBank also has full-service automated teller machines (ATM's) at the Galatia, Harrisburg, and Benton branches and at the main office in Metropolis to augment the service hours of the branches. Core banking hours are Monday through Thursday from 8:00 A.M. to 3:30 P.M., Friday 8:30 A.M. to 5:00 P.M., and Saturday hours are also offered from 8:30 A.M. to 12 Noon at each office. The bank opened a new branch in Benton, Illinois since the last examination. No branches have been closed.

DESCRIPTION OF ASSESSMENT AREAS

ComBank has two assessment areas, hereafter referred to as Illinois and Kentucky. Income levels of Block Numbering Areas (BNAs) are based on the statewide non-Metropolitan Statistical Area (MSA) median family income. The income categories are defined as low, moderate, middle, and upper, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of the non-MSA median family income of \$39,500 in Illinois and \$29,800 in Kentucky.

The Illinois assessment area includes the counties of Massac, Saline, Pulaski, Franklin and Alexander. This assessment area contains twenty eight Block Numbering Areas (BNAs). Eleven BNAs are classified moderate-income and seventeen tracts are classified middle-income. There are no low- or upper-income BNAs in the Illinois assessment area.

The Kentucky assessment area includes all BNAs in McCracken county except 0312, 0315, and 0316. There are thirteen BNAs in this assessment area. Five BNAs are classified as moderate-income, four are middle-income, and four are upper-income. There are no low-income BNAs in this assessment area. The assessment areas are consistent with the guidelines of the regulation.

Table 2 depicts the number and percentage of families within the bank's assessment areas based upon income level. The table reveals that 25% of the families have low-incomes and 17% of the families have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

| Table 2 Number and Percentage of Families in Each Income Level | | | | | |
|---|---------------------|--------------------------|------------------------|-----------------------|----------------|
| Assessment Area | Low-Income Families | Moderate-Income Families | Middle-Income Families | Upper-Income Families | Total |
| Illinois | 7,577 30% | 4,784 19% | 5,217 20% | 8,024 31% | 25,602 100% |
| Kentucky | 2,474 17% | 2,020 14% | 2,667 18% | 7,564 51% | 14,725 100% |
| Total | 10,051 25% | 6,804 17% | 7,884 19% | 15,588 39% | 40,327 100% |

Source: 1990 U.S. Census Bureau Data.

The area surrounding Metropolis is rural. Businesses in Metropolis and nearby communities with ComBank branches offer moderate employment and economic support. The largest employers in each county of the assessment areas are as follows; Allied Signal (350) and Electric Energy, Inc. (290) in Massac, American Coal (550) and Harrisburg Medical Center (370) in Saline, Bombardier Motor Works (700) and Mariah Boats (300) in Franklin, Southern Seven Health Department (229) and Meridian School District (160) in Pulaski, Illinois Department of Corrections (421) and Bunge Corporation (93) in Alexander, and in McCracken, Lockheed Martin (1,800) and Western Baptist Hospital (1,700). The unemployment rate by county in the assessment areas is as follows; Massac 5.1%, Saline 9.9%, Franklin 10.2%, Pulaski 11.1%, and Franklin 10.2% compared to the State of Illinois average of 4.2% as of September 30, 1998. The unemployment percentage in McCracken County, Kentucky is 4.1% compared to the State of Kentucky average of 3.9%.

Competition is provided by financial institutions affiliated with Evansville, Indiana bank holding companies, large holding company affiliates in Paducah, Kentucky, and independent community banks.

Table 3 depicts the number and percentage of small businesses and farms within the bank’s assessment area. Small businesses and small farms are defined as those with annual revenues of less than \$1,000,000. The table reveals that the majority of businesses in ComBank’s assessment areas are small.

| Table 3 Number of Businesses and Farms in ComBank’s Assessment Areas | | | | | |
|---|----------|---|-----|---|-----|
| | | Annual Revenues of less than \$1,000,000 | | Annual Revenues of \$1,000,000 or more | |
| | | # | % | # | % |
| Businesses | Kentucky | 1,848 | 88% | 254 | 12% |
| | Illinois | 1,875 | 92% | 153 | 8% |
| | Total | 3,723 | 90% | 407 | 10% |
| Farms | Kentucky | 34 | 97% | 1 | 3% |
| | Illinois | 60 | 98% | 1 | 2% |
| | Total | 94 | 98% | 2 | 2% |

Source: Business Demographic Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

We reviewed samples of ComBank’s loan originations during 1998 to evaluate the bank’s lending performance. A sample of 60 residential real estate loans were reviewed to evaluate the bank’s volume of lending inside the assessment area, lending to borrowers of different income levels, and the geographic distribution of residential real estate loan originations. We also sampled 75 small business and small farm loans using loan size as a proxy for the size of the business to evaluate ComBank’s record of lending to small businesses and small farms.

Lending inside assessment area:

The residential real estate loan activity shows that a substantial majority of the bank’s loans are secured by property located within the assessment area. Table 4 illustrates ComBank’s residential real estate lending activity in and out of the bank’s assessment areas:

| Table 4 Loans Originated Inside the Assessment Areas | | | | |
|---|-----------------|-----|------------------------|-----|
| | Number of Loans | | Dollar Volume of Loans | |
| | # | % | \$000s | % |
| Inside the Assessment Areas | 46 | 76% | 1,902 | 72% |
| Outside the Assessment Areas | 14 | 24% | 706 | 28% |

Source: OCC’s review of real estate loan originations. Dollar amounts are in thousands.

The bank’s record of lending shows that 76% of the number and 72% of the dollar volume of real estate loans were secured by property located inside the bank’s assessment areas. ComBank’s record of lending to borrowers in the assessment areas is satisfactory.

Lending to borrowers of different incomes and to businesses of different sizes:

RESIDENTIAL REAL ESTATE LOANS

To determine ComBank's record of extending home loans to individuals of different income levels in the assessment areas, we reviewed the annual income of the borrowers selected in the residential real estate sample. Table 5 reveals that the number of home mortgage loans to low-income borrowers represents 6% of sampled originations and 19% of sampled originations to moderate-income borrowers. This level of lending is acceptable when compared to the number of low- and moderate-income families in the Illinois assessment area of 30% and 19% respectively, when you consider that 57% of the low-income families have incomes below the poverty level, which could make home ownership impractical.

| Table 5 Mortgage Loans Originated by Borrower Income | | | | |
|---|-----------------|------|---------------|------|
| Borrower Income * | Number of Loans | | Dollar Volume | |
| | # | % | \$000's | % |
| Low-income | 3 | 6% | 70 | 4% |
| Moderate-income | 9 | 19% | 346 | 18% |
| Middle-income | 15 | 31% | 582 | 30% |
| Upper-income | 21 | 44% | 944 | 48% |
| TOTAL | 48 | 100% | 1,942 | 100% |

Source: OCC's sample of residential real estate loans. Dollar amounts are in thousands.

* The MSA's updated median family income is \$39,500. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$39,500.

SMALL BUSINESS AND SMALL FARM LOANS

The demographic data contained in Table 3 indicates that 90% of all businesses and 98% of all farms in ComBank's assessment areas have annual incomes of less than \$1,000,000. A review of a sample of 75 of the bank's business and farm loan originations during 1998 using loan size as an indicator of business size, reflects that the majority of small business and small farm loans made by ComBank are to small businesses and farms. Table 6 shows the business and small farm loans originated in the assessment area, by loan amount:

| Table 6 Small Business and Small Farm Loans By Loan Amount at Origination | | | | |
|---|----|------|-------|------|
| Loan Amount at Origination | # | % | \$ | % |
| \$0 - \$100,000 | 46 | 61% | 1,182 | 12% |
| \$100,001 - \$250,000 | 14 | 19% | 2,459 | 25% |
| \$250,001 - \$1,000,000 | 15 | 20% | 6,353 | 63% |
| More than \$1,000,000 | NA | NA | NA | NA |
| TOTAL | 75 | 100% | 9,994 | 100% |

Source: OCC's review of loan origination data.

Table 6 illustrates that the bank has a satisfactory record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that 61% of the small business and small farm loans were originated in amounts less than \$100,000. The bank's penetration of loans to small businesses and small farms is satisfactory.

Geographic distribution of residential real estate loans:

| Table 7 Geographic Distribution of residential real estate loans | | | | | |
|---|--------------|--------|-------------|---------|---------------------------------|
| Geographic Type | (#) of Loans | % of # | \$ of Loans | % of \$ | % of Total Owner Occupied Units |
| Moderate-Income | 6 | 13% | 146 | 8% | 37% |
| Middle-Income | 42 | 87% | 1,796 | 92% | 63% |
| Total | 48 | 100% | 1,942 | 100% | 100% |

Source: Bank loan origination records for 1998

Table 7 illustrates ComBank's geographic distribution of residential real estate loans. The majority of owner occupied units in the Illinois assessment area are in middle income geographies. ComBank's lending performance is consistent with the distribution of owner occupied units. The

higher performance in middle-income geographies is due to the largest concentration of lending is in Massac County and near the main office in Metropolis. All BNA's in Massac County are middle-income.

Loan to deposit ratio:

ComBank's loan to deposit ratio since the last CRA examination averages 73%. This is reasonable for a bank of ComBank' size and condition in this area. The ratio for competitor banks in the market area ranges from 61% to 84%.

Response to complaints:

ComBank has not received letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.