



## **PUBLIC DISCLOSURE**

May 4, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Old Exchange National Bank of Okawville  
Charter Number 11780

110 E. Walnut Street  
Okawville, IL 62271

Office of the Comptroller of the Currency

500 North Broadway, Suite 1700  
St. Louis, MO 63102

**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 major factors that support this rating of Satisfactory are:

- A majority of the bank's loans were made within the assessment area (AA).
- The average quarterly loan-to-deposit ratio since the last CRA evaluation is reasonable.
- The distribution of loans to families of different income levels and to farms of different sizes reflects reasonable penetration in the AA.

**SCOPE OF EXAMINATION**

This Performance Evaluation of The Old Exchange National Bank of Okawville (OENB) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated OENB under the Small Bank performance criteria, which consists of a Lending Test. The Lending Test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities.

The evaluation period covers November 20, 2008 through May 4, 2015. Conclusions regarding the bank's lending performance are based on OENB's primary loan products: residential real estate (RRE) and farm loans. After our initial sampling to analyze the bank's lending inside its AA, we used only loans made in the AA to evaluate the other Lending Test factors. Our sample of loans inside the AA included 20 RRE and 20 farm loans. We analyzed 2013, 2014 and year-to-date (YTD) 2015 loans against the 2010 Census information.

**DESCRIPTION OF INSTITUTION**

As of March 31, 2015, OENB had total assets of approximately \$62 million, total deposits of approximately \$55 million, and Tier One capital of \$6 million. The bank is wholly owned by Okawville Bancshares, Inc., a one-bank holding company located in Okawville, Illinois. OENB has one full-service automated teller machine (ATM) located at its only location of 110 East Walnut Street, Okawville, Illinois. There have been no location changes since the last CRA evaluation.

OENB offers a full range of retail and commercial products normally associated with a community bank. The bank's primary business focuses on RRE and farm loans. As of March 31, 2015, net loans totaled approximately \$30 million, or 51% of total assets. The composition of the loan portfolio consisted of 77% farm, 16% RRE, 5% commercial and 2% consumer loans.

There are no legal, financial, or other factors impeding OENB’s ability to help meet the credit needs of the AA it serves. The type and amount of CRA activities are consistent with the bank’s size, financial capacity and local economic conditions. OENB’s last CRA evaluation was November 19, 2008, and rated the bank Satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

OENB has designated its AA as Washington County, which includes Census Tracts (CTs) 9501, 9502, 9503 and 9504. Washington County is a non-Metropolitan Statistical Area (non-MSA) located approximately 40 miles southeast of St. Louis, Missouri.

As of the 2010 U.S. Census, the AA counted 4,273 families, with 14% considered low-income, 16% moderate-income, 21% middle-income, and 49% upper-income. Based on the non-MSA 2010 median family income, CTs are middle- to upper-income. There are no low- or moderate-income tracts within the AA. The following table provides additional demographic information on the AA.

Demographic Information for Old Exchange National Bank Okawville’s AA - 2010 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	50.00	50.00
Population by Geography	14,716	0.00	0.00	45.46	54.54
Owner-Occupied Housing by Geography	6,544	0.00	0.00	43.37	56.63
Business by Geography	945	0.00	0.00	53.76	46.24
Farms by Geography	356	0.00	0.00	37.08	62.92
Family Distribution by Income Level	4,273	13.97	15.61	21.65	48.77
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,264	0.00	0.00	46.20	53.80
Median Family Income (MFI) for 2010		54,549	Median Housing Value		104,028
Median Household Income		51,475	Unemployment Rate-Washington Cnty (January 2015)		4.5%
FFIEC Adjusted Median Family Income for 2014		58,600			
Households Below Poverty Level		9%			

Source: 2010 US Census, 2014 Federal Financial Institutions Examination Council (FFIEC) updated MFI and June 2013 Dunn and Bradstreet Data

Business data as of June 2013 shows 945 businesses in the AA, with 68% reporting revenues of \$1 million or less, 5% reporting revenues over \$1 million, and 26% not reporting income. Farm data as of June 2013 reflects 356 farms in the AA, with 99% reporting revenues of \$1 million or less, 1% reporting revenues over \$1 million, and 0% not reporting income.

As of January 2015, Washington County’s unemployment rate of 4.5% is below the State of Illinois rate of 6.9% and the national rate of 5.7%. Okawville does not have any major employers. Residents commute to the St. Louis metro-east area for work.

Okawville is primarily an agricultural community with the local economy largely affected by the prosperity of the local farmers.

Competition is moderate. OENB is one of two banks in Okawville. Other major competitors include a mix of community banks and branches of regional banks including: Farmers and Merchants Bank of Nashville, First National Bank of Okawville, Nashville Savings Bank, Community Trust Bank, Regions Bank, Oakdale State Bank, and Farmers State Bank of Hoffman.

To further our understanding of the community’s credit needs, we referenced a community contact completed on a community service organization knowledgeable about the areas served by the bank. Based on the information provided, the credit needs of the community include financing for low-cost housing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

OENB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income people, given the demographics, economic factors, and competitive pressures faced by the bank.

### Loan-to-Deposit Ratio

OENB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. As of December 31, 2014, the bank’s LTD is 58%. The bank’s quarterly LTD ratio averaged 52% over the 25 quarters since the last CRA examination, ranging from a quarterly low of 44% to a quarterly high of 62%. OENB ranks fifth among six similarly situated institutions under \$180 million in total assets. The other five institutions had quarterly LTD ratios ranging from 45% to 69%.

### Lending in Assessment Area

A majority of the primary loan products originated by OENB are to borrowers inside the bank’s AA. We sampled 40 loans in total, 20 of each of the bank’s two primary loan products, farm and RRE loans. Based on our sample, 75% by number and 67% by dollar amount were made within the bank’s AA.

Lending in AA										
Loan Type	Number of Loans					Dollar Amount of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Farm	13	65%	7	35%	20	698	55%	578	45%	1,276
RRE	17	85%	3	15%	20	1,691	73%	624	27%	2,315
Total	30	75%	10	25%	40	2,389	67%	1,202	33%	3,591

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

OENB’s lending distribution to borrowers of different income levels and farms of different sizes reflect reasonable penetration.

Farm Loans

The distribution of loans to small farms is reasonable, based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of loans extended to farms with revenues less than \$1 million was lower than the percentage of small farms in the AA.

<b>Borrower Distribution of Loans to Farms</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	86%	14%	0%	100%

Source: Sample of 20 farm loans originated in 2013, 2014 and YTD 2015; 2014 Business Demographic data

Residential Real Estate Loans

The borrower distribution of RRE loans is reasonable, based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of RRE loans made to low-income borrowers (10%) is below the percentage of low-income families in the AA (14%). The percentage of such loans made to moderate-income borrowers (30%) is well above the percentage of moderate-income families in the AA (16%). In evaluating the borrower distribution, we considered the 9% poverty level in the AA.

<b>Borrower Distribution of RRE Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
RRE Loans	14%	10%	16%	30%	21%	30%	49%	30%

Source: Sample of 20 RRE loans originated in 2013, 2014 and YTD 2015; 2010 U.S. Census data. Income categories are defined as: less than 50% (Low), 50% to 80% (Moderate), 80% to 120% (Middle), and over 120% (Upper) of the median family income for that year.

**Geographic Distribution of Loans**

There were no low- or moderate-income geographies in the bank’s current AA using 2010 census data. Therefore, an analysis would not be meaningful. The bank lends in all CTs of the AA.

### **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**

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.