



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Old Exchange National Bank of Okawville
Charter Number 11780**

**110 East Walnut Street
Okawville, IL 62271**

**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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF WASHINGTON COUNTY</u>	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	3

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All the lending performance components meet the standards for satisfactory performance.

- Loans are reasonably distributed to borrowers of different income levels.
- The bank's level of lending is reasonable. The bank's average loan-to-deposit ratio is 72%, which is comparable to similarly situated area banks.
- A majority of the bank's loans are in the assessment area.

DESCRIPTION OF INSTITUTION

The Old Exchange National Bank (OENB) had assets of approximately \$36 million at March 31, 2002. OENB is wholly owned by Okawville Bancshares, Inc., a one-bank holding company located in Okawville, Illinois. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates one office, which has an ATM, in downtown Okawville, Illinois. Management has neither opened nor closed any branches.

OENB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is agriculture. As of March 31, 2002, net loans totaled approximately \$22 million, representing 63% of total assets. The composition of the loan portfolio included 55% agriculture, 25% residential real estate, 17% commercial, and 3% consumer loans.

There are no known constraints placed on the bank's ability to meet the community credit needs. 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 February 10, 1997, and rated the bank Satisfactory.

DESCRIPTION OF WASHINGTON COUNTY

Bank management designated its assessment area (AA) as Washington County, which includes Block Numbering Areas (BNAs) 9501, 9502, 9503, and 9504. This is a contiguous area and meets the criteria of the regulation. Washington County is a non-Metropolitan Statistical Area (non-MSA) located approximately 40 miles southeast of St. Louis, Missouri. Based on the non-MSA median family income in 1990, all BNAs are middle-income.

As of the 1990 census, the population in the bank's AA totaled 14,965, which included 4,161 families. Of these families, 15% were classified low-income, 20% were classified moderate-income, 25% were classified middle-income, and 40% were classified upper-income.

The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2002 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$46,000. We used the 2002 adjusted figure in our analysis to determine borrower income levels.

The 1990 census demographic data for the AA indicated that 19% of the population is age 65 and over, 15% of households are in retirement, and 11% of households live below the poverty level. The median housing value is \$44,873 and the median age of the housing stock is 44 years.

The unemployment rate for Washington County as of May 2002 was 3.5%. Economic conditions are good and remain stable. The state and national unemployment rates in May 2002 were 6.0% and 5.5%, respectively. Major employers in the AA include AgriPride FS, Inc., Ligma Corporation, Nascote Industries, Inc., West Washington County School District #10, Nashville Community Consolidated School District #49, and the Okawville Farmers Elevator. Small farm operations and some small businesses provide employment in the AA. Many residents commute to larger nearby communities for employment.

Competition is moderate. There are approximately 10 offices of 7 different banks operating in Washington County. This number does not include the sundry credit unions, mortgage companies, farm services, and insurance company offices that now offer loan products.

Bank management indicated the primary credit needs of the community are agriculture loans and residential real estate loans. To further our understanding of community credit needs, we contacted two local businesspeople. Our contacts confirmed bank management's thoughts regarding the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

OENB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income individuals.

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

The bank's lending distribution to borrowers of different income levels and to farms of different revenue sizes is reasonable. Agriculture-related loans comprise the largest portion of the loan portfolio on a dollar basis and a number basis. Using only loans made in the bank's AA, we sampled 20 agriculture loans originated from January 1, 2000, through June 28, 2002. We also sampled a secondary product type, one-to-four family residential real estate loans. This sample included 20 loans originated from January 1, 2000, through June 28, 2002. The findings from these samples are presented in the following tables.

Distribution by Farm Gross Revenue Size

	Under \$100M		\$100M-\$250M		\$250M-\$500M		\$500M-\$1MM		Over \$1MM	
#	4	20%	3	15%	11	55%	2	10%	0	0%
\$ (000's)	221	9%	370	15%	1,599	66%	231	10%	0	0%

Based on 1990 business demographic data, 97% of all farms within the AA have gross revenues of less than \$1 million.

The bank's efforts to assist small farmers include the origination of low interest rate loans through the State of Illinois Operating Loan Program and the Farmers Home Administration Guaranteed Loan Program. Additionally, since the prior CRA examination, OENB has purchased \$302,570 in Illinois Farm Development Authority Bonds to assist with the financing needs of beginning farmers.

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	2	10%	71	5%	15%
<i>Moderate Income</i>	1	5%	79	5%	20%
<i>Middle Income</i>	4	20%	205	13%	25%
<i>Upper Income</i>	13	65%	1,167	77%	40%

Loan-to-Deposit Ratio

OENB's loan-to-deposit ratio is reasonable. As of March 31, 2002, the bank's quarterly average loan-to-deposit ratio since the 1997 CRA examination was 72%. This is comparable to four similar banks in the area whose quarterly average ratios ranged from 59% to 78%. Bank management identified these four banks and felt they were similarly situated due to their product mix, size, and location.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's loans originated since the last CRA evaluation were made in the AA. A sample of 20 agriculture loans made since the last CRA evaluation found that 85% by number and 92% by dollar were made within the bank's AA.

Geographic Distribution of Loans

Analysis of the geographic distribution of the bank's loans in its AA would not be meaningful. The bank's AA consists of four BNAs, which are all classified as middle-income.

Responses to Complaints

No CRA-related complaints have been received since the prior CRA evaluation.

Fair Lending Review

An analysis of 5 years' public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.