SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 22, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Clinton National Bank
Charter Number 994

235 Sixth Avenue, South
Clinton, IA 52732

Comptroller of the Currency
North Central Illinois and Eastern Iowa Field Office
111 West Washington Street, Suite 300
East Peoria, IL 61611

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.

All the lending performance components meet or exceed the standards for satisfactory performance. The major factors that support this rating are:

- The bank's record of lending to low- and moderate-income individuals for the Iowa assessment area (AA) is more than reasonable. The number of loans to low-income families (15 percent) is close to the percentage of low-income families (17 percent). The number of loans to moderate-income families (33 percent) exceeds the percentage of moderate-income families (19 percent). The bank's record of lending to low- and moderate-income families is reasonably close to the percentage of low- and moderate-income families in the AA.

- The geographic distribution of loans is good.

- The level of lending is good. The bank's average loan-to-deposit ratio is 62 percent and exceeds the similarly situated banks in the AA.

- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's AA.

- The bank is viewed as a leader in the community in terms of participation in community development efforts.

DESCRIPTION OF INSTITUTION

The Clinton National Bank (CNB) is an intrastate bank wholly owned by W.J. Young and Co., a one-bank holding company, located in the city of Clinton, Iowa.

The CRA evaluation period is from January 1, 2003, through December 31, 2004. As of December 31, 2004, CNB had total assets of $258 million, net loans of $133 million, total deposits of $213 million, and total risk based capital of $33 million. CNB assets represent substantially all of the holding company's assets. There are no active subsidiaries or affiliates.

CNB is primarily a residential and commercial real estate lender that operates five offices. The main office is located in Clinton, IA. Management has not closed any branches during this evaluation period. The main bank and one branch are located in moderate-income CTs. However, since they are downtown, there are limited opportunities for residential real estate lending, and few people actually reside downtown.

CNB offers traditional bank services and loan products normally associated with a small community bank. As of December 31, 2004, net loans totaled $131 million, representing 51% of total assets.

The loan portfolio consisted of:

Portfolio Composition at 12/31/04	
Residential Real Estate	29%
Commercial Real Estate	31%
Commercial Credit	24%
Consumer Credit	7%
Farm R/E & Production	9%
Total	

To help meet the community's credit needs, CNB participates in all of the housing initiatives in the FNMA program for low- and moderate-income homebuyers. As of January 31, 2005, the bank had 89 loans totaling $5.3 million under the "My Community" program, which offers 100 percent financing to low- and moderate-income families. It made two loans totaling $99,000 under the FNMA Rural Housing Program, which offers 100 percent financing for low- and moderate-income rural residents in communities with 20,000 or less in population. It had made 118 loans totaling $7.9 million under the Expanded Approval/Timely Pay Reward program, which provides 97 percent financing.

We evaluated CNB's mortgage, business, and consumer lending using bank-generated reports. Residential real estate loans (17 percent) and business-related loans (70 percent) represent the highest percentages of loans originated during this evaluation period by dollar value. When considering the number of loans originated during the period, residential real estate loans (22%) and consumer loans (49 percent) are the bank's largest product categories. Due to CNB's business focus, we gave the greatest weight to residential real estate loans.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

CNB's last CRA evaluation was October 21, 1997, and we rated the bank Outstanding.

DESCRIPTION OF ASSESSMENT AREA

Management designated Clinton and Jackson Counties in Iowa and Carroll and Whiteside Counties in Illinois as its AAs. The AAs meet the requirements of the regulation, and do not arbitrarily exclude low- or moderate-income geographies.

Clinton County

The AA is a non-Metropolitan Statistical Area (non-MSA) and is comprised of 10 Census Tracts (CTs):

Low-income – none
Moderate-income – 1.00, 2.00
Middle-income – 3.00, 4.00, 6.00, 7.00, 8.00, 12.00
Upper-income – 5.00, 9.00

Jackson County

The AA is a non-MSA and is comprised of one CT:

Lower-income – none
Moderate-income – none
Middle-income – 9503
Upper-income – none

Carroll County

The AA is a non-MSA and is comprised of four CTs

Lower-income – none
Moderate-income – none
Middle-income – 9602, 9603, 9604, 9606
Upper-income – none

Whiteside County

The AA is a non-MSA and is comprised of six CTs

Lower-income – none
Moderate-income – none
Middle-income – 3.00, 4.00, 5.00, 6.00, 7.00
Upper-income – 2.00

Iowa Counties:

Based on the 2000 State of Iowa non-MSA median family income, two CTs or 11 percent are classified as moderate-income, 14 CTs or 78 percent are middle-income and two CTs or 11 percent are classified as upper-income.

The 2000 census data shows that the total population in the Iowa counties was 70,445, which included 19,396 families. Of these families, 17 percent were classified as low-income, 19 percent as moderate-income, 25 percent as middle-income and 39 percent as upper-income. The non-MSA statewide median family income as of the 2000 Census was $43,887. The 2004 updated figure, adjusted for inflation by the Department of Housing and Urban Development, was $50,800. We used the 2004 updated figure in our analysis to determine the borrower income levels.

Based on the 2000 census data for the AA, 16 percent of the population was age 65 and older, 17 percent of households were in retirement, and 10 percent of households lived below the poverty level. In 2000, the median housing value for the AA was $74,547 and the median age of the housing stock was 48 years. Local housing for the AA was 87 percent 1-4 family units, with 68 percent being owner-occupied and 8 percent vacant.

Unemployment is low at 2.36 percent.

Major employers are ADM, Custom-Pak, Inc., Drives, Inc., IPSCO Tubulars, Inc., DuPont, International Paper, Millenium, and health care facilities.

Illinois Counties:

Based on the 2000 State of Iowa non-MSA median family income, two CTs or eight percent are classified as moderate-income, 19 or 79 percent as middle-income and three CTs or 13 percent are classified as moderate-income.

The 2000 census data shows that the total population in the Illinois counties was 77,327, which included 21,650 families. Of these families, 14 percent were classified as low-income, 19 percent as moderate-income, 25 percent as middle-income and 42 percent as upper-income. The non-MSA statewide median family income as of the 2000 Census was $43,531. The 2004 updated figure, adjusted for inflation by the Department of Housing and Urban Development, was $49,000. We used the 2004 updated figure in our analysis to determine the borrower income levels.

Based on the 2000 census data for the AA, 17 percent of the population was age 65 and older, 21 percent of households were in retirement, and eight percent of households lived below the poverty level. In 2000, the median housing value for the AA was $76,422 and the median age of the housing stock was 50 years. Local housing for the AA was 90 percent 1-4 family units, with 69 percent being owner-occupied and 8 percent vacant.

Unemployment is low at 2.63 percent.

Competitive pressures are strong and primarily come from local and regional banks in the four counties. In addition, credit unions, mortgage companies, investment services, farm services and insurance company offices that offer loan products also provide competition.

Management indicated the primary credit need of the AA is residential real estate loans, specifically long-term fixed rate and affordable housing loans, consumer personal and auto loans, and small business-related loans. To further our understanding of the community's credit needs, we performed a community contact with a local individual knowledgeable about the community. Our contact was highly complimentary of the bank's participation in the community both in social services and in meeting credit needs. Our contact did not identify any unmet credit needs and knows of no community development or other credit-related projects available for participation by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CNB does a good job of meeting the credit needs of its AA, including those of low- and moderate-income individuals and small businesses, given the demographics, economic factors and competitive pressures faced by the bank. Please refer to the "Description of Institution" and "Description of Assessment Area" sections of this evaluation for details on these performance context factors.

During this evaluation period, CNB's primary loan products are residential real estate loans and consumer loans by number, and residential real estate loans and business-related loans by dollar.

Loan Type	% by Dollars of Loans Originated/Purchased	% by Number of Loans Originated/Purchased
Home Loans	**17%**	**22%**
Consumer Loans	8%	**51%**
Business Loans	**69%**	23%
Farm Loans	6%	4%
Total	100%	100%

Source: Bank MIS

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

The bank's lending reflects a good dispersion to borrowers of different income levels and an adequate dispersion to businesses of different revenue sizes. Lending levels, as shown by the volume of all loans generated, reflect good responsiveness to the credit needs of the AA.

During this evaluation period, CNB's primary loan products are residential real estate loans and business-related loans by dollar, and consumer loans and residential real estate loans by number. Using only loans made in the AA, we sampled 20 residential real estate loans, 20 consumer loans, and 20 business-related loans originated from January 1, 2000, through December 31, 2002. Residential real estate loans were not differentiated by type, i.e., home purchase, refinancing, and home improvement, because that information was not readily available.

Residential Real Estate Loans

The borrower distribution of residential real estate loans is good. In evaluating the borrower distribution of residential real estate loans, we considered the large number of households that live below the poverty level (ten percent of households) and the barriers this might have on home ownership. Many of the sampled loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate CNB's residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in Assessment Area								
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
Iowa AA	17%	22%	19%	39%	25%	28%	39%	11%
Illinois AA	14%	0%	19%	100%	25%	0%	42%	0%

Sources: Examiner-selected judgmental loan sample and 2000 U. S. Census Data. The updated 2004 statewide non-MSA median family income for the Iowa counties is $50,800, and for the Illinois counties is $49,000. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of $50,800 and $49,000, respectively.

Based on the sample of loans selected, the bank's residential lending to low-income borrowers is comparable to the Iowa AA families, but lags the among the Illinois families. Loans to moderate-income borrowers exceed the percentage of Iowa and Illinois families.

Consumer Loans

The borrower distribution of consumer loans is good. Again, opportunities to make loans to low-income borrowers are limited by the high percentage of people living below the poverty level (ten percent of households). The data used to evaluate CNB's consumer lending activity is presented in the following table.

Borrower Distribution of Consumer Loans in Assessment Area								
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
Iowa AA	17%	20%	19%	20%	25%	35%	39%	25%
Illinois AA	14%	30%	19%	10%	25%	30%	42%	30%

Sources: Examiner-selected judgmental loan sample and 2000 U. S. Census Data.

Based on the sample of loans selected, the bank's consumer lending to low-income borrowers exceeds the percentage of low-income households in the AA. Consumer lending to moderate-income borrowers is approximately equal to the percentage of moderate-income households, but lags the percentage of moderate-income households.

Business Loans

The bank's lending distribution to businesses of different revenue sizes is adequate. The data used to evaluate CNB's business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in Bank's AA				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of Iowa AA Businesses	65%	4%	31%	100%
% of Bank Loans in AA by #	99%	1%	None	100%
% of Bank Loans in AA by $	28%	72%	None	100%
% of Illinois AA Businesses	66%	6%	28%	100%
% of Bank Loans in AA by #	90%	10%	None	100%
% of Bank Loans in AA by $	54%	46%	None	100%

Sources: Examiner-selected judgmental loan sample.

Based on the sample of loans selected, CNB's business lending to Iowa and Illinois small businesses with revenues of $1 million or less exceeds the percentage of small businesses that reported their revenues in the AA.

Geographic Distribution of Loans

The bank's lending reflects a good dispersion among geographies of different income levels. Our conclusion was based on the sample of residential real estate loans, consumer loans, and business-related loans discussed above.

Bank-generated reports detailing CNB's lending activity over the evaluation period for residential real estate loans, consumer loans, and business loans were reviewed to identify gaps in the geographic distribution of those loans. No conspicuous gaps were identified.

Residential Real Estate Loans

The geographic distribution of residential real estate loans is good. The data used to evaluate CNB's residential lending activity is presented in the following table.

Geographic Distribution of Residential Real Estate Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Iowa AA	N/A	0%	7%	10%	78%	65%	15%	25%
Illinois AA	N/A	0%	8%	0%	80%	95%	12%	5%

Sources: Examiner-selected judgmental loan sample and 2000 U. S. Census data.

Based on the sample of loans selected, the percentage of the bank's residential real estate loans made in the moderate-income geographies exceeds the percentage of owner-occupied housing units in Iowa, but lags the percentage of owner-occupied housing in Illinois.

Consumer Loans

The geographic distribution of consumer loans is adequate. The data used to evaluate CNB's consumer lending activity is presented in the following table.

Geographic Distribution of Consumer Loans in Assessment Area								
Census Tract 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
Iowa AA	17%	0%	19%	2%	25%	73%	39%	25%
Illinois AA	14%	0%	19%	0%	25%	95%	42%	5%

Sources: Examiner-selected judgmental loan sample and 2000 U.S. Census data.

Based on the sample of loans selected, the percentage of the bank's consumer loans made in the low- and moderate-income geographies lags the percentage of households living in the geographies.

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2004, the bank's LTD ratio was 62 percent. CNB's quarterly average LTD ratio since the 1997 CRA examination was 55 percent. This ratio compares well to the 18 similarly situated banks in the area whose quarterly average LTD ratios ranged from 55 percent to 93 percent, with an average ratio of 83 percent. These banks are considered similarly situated because of their size, location, and lending opportunities.

It should be noted that since January 1999, the bank has originated and sold about $90 million long-term fixed-rate residential loans in the secondary market, for which the bank retains servicing.

Lending in Assessment Area

Lending in the AA is more than reasonable. A substantial majority of the bank's loans originated since the last CRA evaluation were made in the AA. We analyzed bank-generated reports to review residential real estate loans, consumer loans, and business loans originated from 2003 through 2004. The data shows that 92 percent of the 1,604 loans originated were made within the bank's AA. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geographies.

The bank has expanded into the Quad Cities market for purchase of commercial loan participations to increase the loan-to-deposit ratio and interest income due to limited commercial loan demand in the immediate vicinity. This obviously affects the "in-out" ratio since the loans purchased tend to be large.

Responses to Complaints

CNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.