



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

February 11, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Clinton National Bank  
Charter Number: 994

235 Sixth Avenue, South  
Clinton, IA 52732

Office of the Comptroller of the Currency

North Central Illinois & 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

**Clinton National Bank (“CNB”) is rated Satisfactory.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

- CNB’s distribution of loans reflects a reasonable penetration among businesses of different sizes and to individuals of different income levels (including low- and moderate-income).
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas (“AA”), including moderate-income census tracts (“CT”).
- CNB’s community development performance demonstrates a more than reasonable responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.
- A substantial majority of the loans originated by CNB are to customers from within its AA.
- CNB’s average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs.

### Scope of Examination

This Performance Evaluation assesses CNB’s record of meeting the credit needs of the communities in which it operates. We evaluated CNB under the Intermediate Small Bank performance criterion, which includes a lending test and a community development test. The lending test evaluates a bank’s record of helping to meet the credit needs of its assessment area through its lending activities. The community development test evaluates a bank’s community development lending, qualified investments, and community development services activities.

- The evaluation period covers loans originated or purchased from February 22, 2005 through January 31, 2008.
- CNB has two AAs, generating a majority of the bank’s loans and deposits. The Clinton/Jackson AA will receive a full-scope review, while the Carroll/Whiteside AA will receive a limited-scope review. Over 90% of loan originations are from the Clinton/Jackson AA. The lending test is based on CNB’s primary loan products.
- Conclusions regarding the bank’s lending performance are based on residential related mortgages and commercial loans originated or purchased from January 1, 2006 through January 31, 2008, utilizing 2000 census data.

- CNB is not located in a Metropolitan Statistical Area, is not subject to the requirements of the Home Mortgage Disclosure Act (“HMDA”) and is not required to maintain CRA data on small business lending outside of the individual credit files. However, CNB utilizes a software program to maintain data on all loan customers outside of the individual credit files.
- We conducted Data Integrity reviews on the residential related and the commercial loan data by comparing information from the bank’s loan software system to actual loan files. We found the data to be accurate and reliable for use in this examination on the residential related loans. However, we found the error ratio to be above the level of tolerance on the commercial loans on gross revenues and on census tracts within the Clinton/Jackson AA. Thus, we relied upon a sample of twenty-five commercial loans from each AA to perform the geographic distribution and the lending to businesses of different sizes tests.

## Description of Institution

CNB is a community bank headquartered in Clinton, Iowa, which is located on U.S. Highways 67 and 30 along the Mississippi River in Clinton County in East Central Iowa. CNB is an intrastate financial institution with nine offices in Clinton and Jackson Counties in Iowa. All offices are equipped with drive-up facilities and ATMs. CNB has fifteen ATMs located throughout the AA, with multiple locations in Camanche and Clinton.

Customers may also access their accounts through telephone banking or by the Internet. Internet and telephone banking services include transfers between CNB accounts, review of account balances or transactions, access loan account information, and bill-paying capability for the Internet banking product. The bank also offers debit cards providing customers with additional access to their accounts at point of sale or ATM locations.

The bank is a wholly owned subsidiary of W. J. Young and Co., a one-bank holding company headquartered in Clinton, Iowa. As of December 31, 2007, the holding company had total assets of \$ 330 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community.

In February 2007, CNB acquired five branch offices in the Iowa counties of Clinton and Jackson. The acquired offices in Clinton County are located in Delmar and Andover, while the acquired offices in Jackson County are located in Preston, Miles, and Sabula. This acquisition enlarged the bank’s AA, as Delmar, Iowa is located in census tract #11, which was not previously a part of CNB’s AA. CNB did not open any new or close any existing branch offices since the last CRA evaluation. CNB’s strategy of offering a traditional style of banking, with quality products and services, active community involvement, and providing responsive, personal service to all customers, while incorporating new technologies, has not changed.

CNB's two primary lending products are commercial and residential real estate loans. These two loan types account for 87 percent of the amount of all loan originations during the evaluation period and make up 76 percent of the outstanding loan balances as of December 31, 2007. Thus, these two lending products were used for the analysis of this evaluation. Agricultural and consumer lending are not primary loan products accounting for 13 percent of the amount of loan originations, and the remaining 24 percent of the outstanding loan balances as of December 31, 2007.

<b>Table 1 – Loan Originations by Loan Type from January 1, 2006 through January 31, 2008</b>				
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Commercial Loans	\$ 213,961	70%	617	20%
Residential Loans	\$ 53,705	17%	802	27%
Agricultural Loans	\$ 28,644	9%	342	11%
Consumer Loans	\$ 11,635	4%	1,259	42%
<b>Total Originations</b>	<b>\$307,945</b>	<b>100%</b>	<b>3,020</b>	<b>100%</b>

Source: Bank Records from January 1, 2006 – January 31, 2008

As of December 31, 2007, the bank reported \$211 million in outstanding loans and had a net loans and leases to total assets ratio of 63 percent. The loan portfolio consists of the following:

<b>Table 2 – Loan Portfolio Summary by Loan Type December 31, 2007</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$106,771	51%
Residential Loans	\$ 53,634	25%
Agricultural Loans	\$ 40,788	19%
Consumer Loans	\$ 10,027	5%
<b>Total Loans</b>	<b>\$211,220</b>	<b>100%</b>

Source: Call Report December 31, 2007

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its AA.

Tier 1 capital was reported at \$36 million as December 31, 2007. The bank's previous CRA rating as of February 22, 2005, was Outstanding.

## **Description of Assessment Areas**

CNB's assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. CNB has two AAs: the Clinton/Jackson County AA and the Carroll/Whiteside County AA. Since the previous evaluation, the Clinton/Jackson AA expanded by one CT due to the acquisition of the branch office in Delmar from THE National Bank.

**Clinton/Jackson County AA**

The Clinton/Jackson County AA is not located in an MSA and consists of twelve CTs; eleven CTs in Clinton County and one CT in Jackson County. One CT in Clinton County is designated moderate-income (8%), while the remaining eleven CTs in the AA are designated as middle- or upper-income (92%). The one moderate-income CT is located in Clinton and primarily consists of the downtown area. The following is demographic information for the assessment area:

<b>Table 3 - Demographic Information for the Clinton/Jackson AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	12	0%	8%	75%	17%
Population by Geography	49,625	0%	6%	72%	22%
Owner-Occupied Housing by Geography	21,529	0%	5%	74%	21%
Businesses by Geography	3,688	0%	13%	63%	24%
Farms by Geography	529	0%	1%	85%	14%
Family Distribution by Census Tract	13,596	0%	6%	73%	21%
Family Distribution by Income Level	13,596	16%	18%	25%	41%
Median Family Income	\$46,637	Median Housing Value		\$71,555	
2007 HUD Adjusted Median Family Income for Iowa non-MSA	\$53,100	Median Year Built		1951	
Families Below the Poverty Level	8%	Average Monthly Gross Rent		\$ 395	

Source: 2000 U.S. Census Data

**Carroll/Whiteside County AA**

The Carroll/Whiteside County AA is not located in an MSA and consists of ten CTs; four CTs in Carroll County and six CTs in Whiteside County. There are no low- or moderate-income CTs in the AA. All four CTs in Carroll County are designated middle-income, while there are five middle-income CTs and one upper-income CT in Whiteside County.

The following is demographic information for the assessment area:

<b>Table 4 - Demographic Information for the Carroll/Whiteside AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	10	0%	0%	90%	10%
Population by Geography	31,210	0%	0%	90%	10%
Owner-Occupied Housing by Geography	13,477	0%	0%	89%	11%
Businesses by Geography	2,055	0%	0%	91%	9%
Farms by Geography	357	0%	0%	82%	18%
Family Distribution by Census Tract	8,823	0%	0%	90%	10%
Family Distribution by Income Level	8,823	14%	18%	27%	41%
Median Family Income	\$46,160	Median Housing Value			\$75,960
2007 HUD Adjusted Median Family Income for Illinois non-MSA	\$50,600	Median Year Built			1952
Families Below the Poverty Level	6%	Average Monthly Gross Rent			\$ 412

Source: 2000 U.S. Census Data

### **Economic Data**

The local economy is considered stable. The December 2007 unemployment rates for one of the four counties within the AA compares favorably to the 5.0% national average. The December 2007 unemployment rate for Clinton County is 4.4% and for Jackson County is 5.5%, both above the State of Iowa average of 4.0%. Meanwhile, the unemployment rate for Carroll and Whiteside Counties is the same at 6.1%, both above the State of Illinois average of 5.5%. The economy of the AA is concentrated in the healthcare, education, manufacturing, and retail industries. Major employers include; Archer-Daniels-Midland Corporation, Lyondell Chemical Company, Bemis Clysar, Inc., Nestle-Purina PetCare Company, Custom-Pak, Inc., Ashford University, Mercy Medical Center, and the local school districts, and the city and county governments.

We contacted a local government official from the Clinton/Jackson AA during the evaluation. This community contact said the local economy is improving. The primary credit needs in the area are mortgage related products that are in line with the customer's income level. The community contact felt the banks in the area are very good at meeting the credit needs of the area. He said there are not many low- or moderate-income areas and he was unaware of any community development opportunities for low- and moderate-income families.

The contact said there were no credit needs or banking services not being met or provided for by the local financial institutions. He said CNB and their employees are actively involved in the communities they serve and are often in leadership roles.

## Conclusions with Respect to Performance Tests

### LENDING TEST

CNB meets the standards for satisfactory performance. In making this determination, we weighed the performance of lending in the Clinton/Jackson AA more heavily as a substantial majority of loan originations are from this AA. Also, within the specific lending tests, we weighed the commercial lending performance more heavily as a substantial majority of the loans originated during the evaluation period were commercial loans.

- The distribution of loans reflects a reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The geographic distribution of loans reflects a reasonable penetration among the census tracts in the Clinton/Jackson AA, including the moderate-income CT.
- A substantial majority of the loans originated by CNB are to customers from within its AA.
- CNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of loans reflects a reasonable penetration among businesses of different sizes and to individuals of different income levels (including low- and moderate-income). We weighed the performance of commercial lending more heavily than residential related lending and the performance in the Clinton/Jackson AA more heavily than in the Carroll/Whiteside AA. Commercial lending accounted for 70% of the loan amounts originated and over 90% of all loan originations within the AAs, is from the Clinton/Jackson AA.

#### **Commercial Loans**

The distribution of loans to businesses reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes. Based on the number of commercial loan originations from our sample, eighty-four percent of the loans in the Clinton/Jackson AA and sixty-four percent of the loans in the Carroll/Whiteside AA were originated to small businesses. Meanwhile fifty-nine percent of the dollar amount in the Clinton/Jackson AA and thirty-five percent of the dollar amount in the Carroll/Whiteside AA were loans originated to small businesses. Small businesses are businesses with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows fifty-six percent of the businesses in the Clinton/Jackson AA and fifty-nine percent of the businesses in the Carroll/Whiteside AA reporting revenue data in the AA have annual gross revenues equal to or less than one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA:

**Table 5 – Borrower Distribution of Loans to Businesses of Different Sizes in the Clinton/Jackson AA**

Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	21	84%	56%	\$ 624	59%
>\$1,000,000	4	16%	4%	\$ 435	41%
Total	25	100%	60%	\$1,059	100%

Source: Bank records on new loans originated from January 1, 2006 to January 31, 2008; 2000 Census Data.

\*\* 40 percent of AA businesses did not report revenue data.

**Table 6 – Borrower Distribution of Loans to Businesses of Different Sizes in the Carroll/Whiteside AA**

Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	16	64%	59%	\$ 961	35%
>\$1,000,000	9	36%	4%	\$ 1,822	65%
Total	25	100%	63%	\$ 2,783	100%

Source: Bank records on new loans originated from January 1, 2006 to January 31, 2008; 2000 Census Data.

\*\* 37 percent of AA businesses did not report revenue data.

### **Residential Real Estate Loans**

The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among individuals of different income levels. In making this determination, we weighed the performance in the Clinton/Jackson AA more heavily because ninety-two percent of the originations during the evaluation period were from the Clinton/Jackson AA. The distribution of residential related loans based on the bank's loan data is excellent in the Clinton/Jackson AA and reasonable in the Carroll/Whiteside AA.

In the Clinton/Jackson AA, CNB's lending to low- and moderate-income borrowers is excellent and exceeds the percentage of low- and moderate-income families. CNB's origination of residential related loans to low-income borrowers at 17% is excellent when compared to 16% of the families in the AA are low-income and half of those families, 8%, are below the poverty level. This coupled with the origination of residential related loans to moderate-income borrowers exceeding the percentage of moderate-income families, leads to the overall conclusion of lending to low- and moderate-income borrowers is excellent.



In the Carroll/Whiteside AA, CNB’s lending to moderate-income borrowers is reasonable and exceeds the percentage of moderate-income families in the AA. Lending to low-income borrowers is poor as CNB did not originate any residential related loans to a low-income borrower in the Carroll/Whiteside AA. The lending to low- and moderate-income borrowers in the Carroll/Whiteside AA is reasonable as the lending to moderate-income borrowers exceeded the percentage of moderate-income families and six percent of families in the AA are below the poverty level.

<b>Table 7 – Borrower Distribution of Residential Real Estate Loans in the Clinton/Jackson AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential related R/E	16%	17%	18%	21%	25%	28%	41%	34%

Source: Bank records on loans originated or purchased from January 1, 2006 to January 31, 2008; 2000 Census Data.

<b>Table 8 – Borrower Distribution of Residential Real Estate Loans in the Carroll/Whiteside AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential related R/E	14%	0%	18%	20%	27%	37%	41%	43%

Source: Bank records on loans originated or purchased from January 1, 2006 to January 31, 2008; 2000 Census Data.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans reflects reasonable dispersion throughout the Clinton/Jackson AA. Both the commercial and residential loan originations within the moderate-income CT were similar to the number of businesses and the number of owner-occupied housing within the moderate-income CT. A geographic distribution of loans was not performed for the Carroll/Whiteside AA. The analysis would not be meaningful as all the geographies in the Carroll/Whiteside AA are middle- or upper-income.

**Commercial Loans**

CNB’s geographic distribution of commercial lending reflects a reasonable dispersion in census tracts of different income levels, including the moderate-income census tract. Based on the commercial loans originated in the evaluation period, the percentage of commercial loans originated in the moderate-income CT is similar the level of commercial businesses located in the moderate-income CT.

**Table 9 – Geographic Distribution of Loans to Businesses in the Clinton/Jackson AA**

CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Commercial	0%	0%	13%	12%	63%	80%	24%	8%

Source: Bank records on new loans originated during 2006 through January 31, 2008; 2000 Census Data.

**Residential Real Estate Loans**

CNB’s geographic distribution of residential lending reflects a reasonable dispersion throughout the census tracts of different income levels, including the moderate-income CT. The percentage of residential loans originated in the moderate-income CT is similar to the level of owner occupied housing located in that moderate-income CT.

**Table 10 – Geographic Distribution of Residential Real Estate Loans in the Clinton/Jackson AA**

CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential	0%	0%	5%	4%	74%	78%	21%	18%

Source: Bank records on loans originated or purchased from January 1, 2006 to January 31, 2008; 2000 Census Data.

**LENDING IN THE ASSESSMENT AREA**

A substantial majority of the loans originated by CNB are to customers within its AA.

CNB's lending to customers within the AA for commercial and residential real estate loans is more than reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

<b>Table 11 – Loans Originated within the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	526	85%	91	15%	617	\$123,674	58%	\$ 90,287	42%	\$213,961
Residential	756	94%	46	6%	802	\$ 46,922	87%	\$ 6,783	13%	\$ 53,705
Totals	1,282	90%	137	10%	1,419	\$170,596	64%	\$ 97,070	36%	\$267,666

Source: Bank records on new loans originated from January 1, 2006 through January 31, 2008.

## LOAN-TO-DEPOSIT RATIO

CNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. CNB's quarterly average loan-to-deposit ratio for the period January 1, 2005, to September 30, 2007, was sixty-nine percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from eighty-two percent to ninety-six percent. CNB's average loan-to-deposit ratio is comparable with the other four similarly situated banks, which range in asset size from \$195 million to \$322 million. The similarly situated banks utilized for comparison purposes are community banks located in Whiteside County in Illinois, and Clinton and Jackson Counties in Iowa.

## 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.

## COMMUNITY DEVELOPMENT TEST

CNB's community development performance demonstrates a more than reasonable responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.

### Number and Amount of Community Development Loans

CNB has three qualifying loans totaling \$2.5 million originated during the evaluation period.

- CNB originated a \$1.4 million construction line of credit to convert a former warehouse into apartments for low- and moderate-income people. The project

qualified for federal low-income housing tax credits. Qualified tenants have incomes of 60% or less of the area median gross income. The rents charged are well below the average monthly rents for the Clinton/Jackson AA.

- CNB originated a \$1.05 million construction line of credit to build a twenty-six unit housing project (seven duplexes and three fourplexes) for persons with disabilities. This project qualified and received \$1.92 million in low income housing tax credits from the State of Iowa.
- CNB originated a \$50,000 loan to replace the existing roof on an apartment building for low- and moderate-income people. Rents charged are below the average monthly rent for the Clinton/Jackson AA and tenants have incomes of 60% or less of the area median gross income.

### **Number and Amount of Qualified Investments**

CNB has made a total of \$94,500 in cash contributions and donations to community development organizations assisting low- and moderate-income individuals and families within the assessment area. Two of the notable qualifying grants and donations are as follows:

- \$75,000 to Quality Jobs 4A Strong Future; a joint project of the Clinton Area Chamber of Commerce and the Clinton Area Development Corporation designed to retain and attract employers that provide quality employment opportunities. Quality Jobs 4A Strong Future is located in a moderate-income census tract in the Clinton/Jackson AA.
- \$17,850 to United Way.

### **Extent to Which the Bank Provides Community Development Services**

Delivery systems are reasonably accessible to individuals of different income levels. CNB operates nine full-service offices and fifteen ATM's in the AA. The Main Bank located at 235 6<sup>th</sup> Avenue South in Clinton, Iowa, is located in a moderate-income census tract. All other branch locations are in middle-income census tracts. Extended hours are available at most locations. All nine locations are open on Saturdays, and most drive up locations are open longer than lobby hours on weekdays and on Saturdays. CNB's loan and deposit products are available at all branch locations.

CNB offers a satisfactory level of community development services based on the capacity of the bank, and the need and availability of opportunities in the AA.

- Farm Service Agency (FSA) – 27 loans - \$4.1MM

This federal government agency provides direct and guaranteed loans to farmers and ranchers who can not obtain commercial credit from a bank or other lender. FSA loans are often provided to beginning farmers who cannot qualify for conventional loans

because they have insufficient financial resources. FSA also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

- United States Small Business Administration (SBA) — 5 loans - \$259M

This federal government agency provides financing and counsel to small businesses. SBA loans are frequently provided to entrepreneurs to start or grow small businesses.

### **Responsiveness to Community Development Needs**

CNB continues to be responsive to the needs of the community. The bank works with the City and County governments and corporations where they have offices on loan projects. The officers and employees of the bank are heavily involved in a large number of community service organizations, such as United Way and The Chamber of Commerce.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.