



## **PUBLIC DISCLOSURE**

July 08, 2015

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

The Litchfield National Bank  
Charter Number 10079

316 North State Street  
Litchfield, IL 62056

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.**

Litchfield National Bank's (LNB) lending performance reflects a satisfactory response to community credit needs. This conclusion is based on the following:

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

**SCOPE OF EVALUATION**

This Performance Evaluation assesses LNB's record of meeting the credit needs of the communities in which it operates. We evaluated LNB under Small Bank performance criteria, which includes a lending test. LNB's primary lending area is southwestern Montgomery County, Illinois.

The evaluation period covers December 4, 2008 through July 8, 2015. We reviewed LNB's loan originations since 2013 and determined that residential real estate (RRE) loans, consumer loans, and agricultural loans are the primary loan products for this bank. We sampled 20 RRE, 20 consumer loans, and 20 agricultural loans originated from January 1, 2013 through June 30, 2015 to develop our conclusions.

**DESCRIPTION OF INSTITUTION**

LNB is a nationally chartered intrastate bank in Litchfield, Illinois (IL). LNB is wholly owned by Litchfield Bancshares Company, a one-bank holding company headquartered in Litchfield, IL. Litchfield is situated on Interstate 55, roughly halfway between St. Louis, Missouri and Springfield, IL. There have been no changes to the bank's corporate structure since the last CRA evaluation.

The bank operates three offices in Litchfield, all of which are located within the AA. There is one depository ATM at the drive-in facility. On June 30, 2015, management closed a branch located inside Walmart and is replacing it with a new free-standing branch located on nearby Union Avenue. The projected opening date for the new location is August 31, 2015. A cash-dispensing ATM is already operational at the new branch.

As of March 31, 2015, LNB has total assets of \$77.8 million, total deposits of \$69.6 million, and Tier One capital of \$7.7 million. Net loans and leases represent 75% of average assets and consist of real estate loans (75%), agricultural loans (13%), consumer loans (8%), and commercial loans (4%). LNB offers traditional services and

loan products normally associated with a community bank. There are no legal, financial or other factors impeding LNB's ability to help the credit needs of the AA it serves.

LNB received a 'Satisfactory' rating at its last CRA evaluation dated December 4, 2008.

## **DESCRIPTION OF ASSESSMENT AREA**

LNB's AA consists of three census tracts (CTs) within the southwest (SW) corner of Montgomery County, IL. The AA consists of two middle-income CTs (9577 and 9578) and one upper-income CT (9576). This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. Montgomery County is a non-Metropolitan Statistical Area (non-MSA).

Census data from 2010 indicates that 10,008 people live in the AA and make up 3,988 households. The median household income for the AA in 2010 was \$42,742. Based on this income figure, 24% of the households are classified as low-income, 18% as moderate-income, 18% as middle-income, and 40% as upper-income.

The 2010 Census counted 2,710 families within the AA, with 21% classified as low-income, 14% as moderate-income, 23% as middle-income, and 42% as upper-income. Nearly 13% of all families live below the poverty level.

Farm data as of 2014 shows 110 farms in the AA; all (100%) have revenues less than \$1 million.

Local competition in Montgomery County is strong. There are 13 banks within the county with local deposits totaling \$757 million. Twelve of these are community banks, and one is a larger regional bank. As of June 30, 2014, LNB's deposit market share within Montgomery County is 9.83% and ranks 4<sup>th</sup> among the 13 banks. Bank & Trust Company, National Bank, and The First National Bank of Litchfield hold a higher deposit market share in the county.

The local economy is currently weak. At various times throughout this evaluation period (2008-2015), the middle-income CTs in Montgomery County have been designated distressed due to high unemployment. As of December 31, 2014, the unemployment rate for Montgomery County is 7.5%. This ratio compares unfavorably to the statewide Illinois rate of 5.8% for the same period.

The local economy is primarily supported by service-related businesses, retail stores, and local government. Major employers in Montgomery County are St. Francis Hospital, Litchfield Community School District, Graham Correctional Center, and Coffeen Power Station.

We contacted a representative from a local government agency to determine community credit needs and how financial institutions are meeting those needs. The contact noted the economy is weak but stable. Our contact identified no unmet credit

needs in the AA, and stated local financial institutions are responsive to the needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LNB does a reasonable job of meeting the credit needs of its AA, given the demographics, economic factors, and competitive pressures faced by the bank.

### Loan-to-Deposit Ratio

LNB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its current competition, its financial condition, and the credit needs of the AA.

As of March 31, 2015, LNB's LTD ratio is 82.77%. The quarterly average of LNB's LTD ratios over the 26 quarters since the last CRA evaluation is 68.09%. This ratio is higher than that of three similarly situated institutions and lower than five. The quarterly average for these comparable institutions ranged from 90.82% to 62.62%.

### Lending in Assessment Area

LNB originated a majority of loans inside its AA. Based on our sample of 60 loans, 70% by number and 63% by dollar were made within the AA.

Lending in SW Montgomery County										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	15	75%	5	25%	20	\$869	60%	\$584	40%	\$1,453
Consumer	15	75%	5	25%	20	\$148	69%	\$66	31%	\$214
Farm	12	60%	8	40%	20	\$990	65%	\$540	35%	\$1,530
Totals	42	70%	18	30%	60	\$2,007	63%	\$1,190	37%	\$3,197

Source: Sample of 60 loans.

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

LNB's distribution of loans to borrowers of different incomes and to farms of different sizes reflects reasonable penetration.

#### Residential Real Estate Loans

The borrower distribution of residential real estate loans meets the standard. We sampled 20 loans originated between 2013 and 2015. The percentage of RRE loans made to moderate-income borrowers (30%) is much higher than the percentage of moderate-income families in the AA (14%). The percentage of RRE loans made to low-income borrowers (10%) is lower than the percentage of low-income families in the AA (21%); nevertheless, it is a reasonable percentage given that 12.6% of families live below the poverty level.

Borrower Distribution of Residential Real Estate Loans in SW Montgomery County								
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
Residential RE Loans	21%	10%	14%	30%	23%	30%	42%	30%

Source: Sample of 20 RRE loans; 2010 U.S. Census data.

**Consumer Loans**

The borrower distribution of consumer loans meets the standard. The percentage of loans to moderate-income borrowers (30%) is much higher than the percentage of moderate-income households in the AA (18%). The percentage of loans to low-income borrowers (30%) also exceeds the percentage of low-income households in the AA (24%).

Borrower Distribution of Consumer Loans in SW Montgomery County								
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
Consumer Loans	24%	30%	18%	30%	18%	15%	40%	25%

Source: Sample of 20 consumer loans; 2010 U.S. Census data.

**Farm Loans**

The borrower distribution of loans to small farms is excellent. The percentage of loans to farms with revenues of less than \$1 million (100% of our sample) meets the ratio of small farms in the AA (also 100%).

Borrower Distribution of Loans to Farms in SW Montgomery County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of 20 farm loans and 2014 Business Geodemographic data.

**Geographic Distribution of Loans**

The AA does not have low- or moderate-income geographies; therefore, a geographic analysis would not result in a meaningful conclusion.

## **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. 195.28(c), in determining a national bank's (bank) or Federal savings associations (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.