



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 01, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of St. Anne
Charter Number 14617

158 West Station Street
St. Anne, IL 60964

Office of the Comptroller of the Currency

Chicago South Field Office
2001 Butterfield Road, Suite 400
Downers Grove, IL 60515

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 Needs to Improve.

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area. National Bank of St. Anne's lending reflects poor responsiveness to its assessment area credit needs. The major factors that support National Bank of St. Anne's overall rating include:

- The bank's loan-to-deposit ratio is reasonable and meets standards.
- The bank's lending activity in the assessment area (AA) does not meet standards due to the bank's expansion in home mortgage purchases. A substantial majority of the bank's lending-related activities are located outside the AA.
- The bank's record of extending credit to individual's of different income levels is adequate and meets standards.
- The bank's geographic distribution of loans is very poor and needs to improve.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within their AA during this evaluation period.

SCOPE OF EXAMINATION

National Bank of St. Anne (NBSA) was evaluated under the Small Bank examination procedures, which consist of a lending test that evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period includes all residential real estate loans originated and purchased during 2008 and 2009. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA) and that data was tested and found to be reliable and was used in our home mortgage lending analysis.

DESCRIPTION OF INSTITUTION

NBSA is a \$46 million financial institution which is headquartered in St. Anne, Illinois, a small rural community in east central Illinois. NBSA is a stand-alone financial institution and is wholly owned by St. Anne Bancorp Incorporated, a one bank holding company. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

NBSA has one location, the main office located at 158 West Station Street, St. Anne, Illinois. NBSA has one automated teller machine (ATM) which is located in St. Anne, Illinois.

NBSA offers a full range of deposit and loan products and services. As of December 31, 2009, the bank reported approximately \$25.5 million in outstanding loans and had a net loans and leases to assets ratio of 54.49 percent. Tier 1 capital as of December 31, 2009, was reported at \$6.15 million.

During the 2008 and 2009 evaluation period, the primary lending focus of the bank was residential mortgages. The bank’s emphasis on that product type was further magnified in early 2009 with the implementation of a home mortgage purchase operation. As a result, the bank’s primary loan product is residential mortgages, with a significant majority of the loan originations and purchases in the evaluation period by dollar volume and by number of loans.

The table that follows illustrates the dollar volume and percentage of loan originations and purchases made during 2008 and 2009.

| Loan Originations and Purchases by Dollar and Loan Type for 2008-2009 | | |
|--|---------|------------|
| Loan Category | \$(000) | Percentage |
| Residential Loans | 145,784 | 87.75% |
| Commercial Loans | 6,457 | 3.89% |
| Consumer Loans | 4,410 | 2.66% |
| Agriculture Loans | 9,477 | 5.70% |
| Total | 166,128 | 100% |

Source: 2008 and 2009 HMDA data.

There are no financial circumstances, legal constraints, or other factors that would hinder NBSA’s ability to meet the credit needs of the assessment area. Ownership of the bank has changed since the last CRA examination. The Federal Reserve approved the holding company, St. Anne Bancorp, Incorporated, which became operational on June 30, 2007. The institution’s prior CRA rating was “**Satisfactory Record of Meeting Community Credit Needs**” as detailed in the Performance Evaluation dated October 19, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

NBSA has one assessment area (AA) encompassing three geographies in the southeast corner of the Kankakee-Bradley Metropolitan Statistical Area (MSA). The geographies are designated moderate-, middle- and upper-income. There are no low-income geographies in the AA. The bank is located approximately 18 miles southeast of the City of Kankakee. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2000 Census data, population in the AA is 6,962 persons. In the bank’s AA, 28.03 percent are low-income families, 20.98 percent are moderate-income families, 16.07 are middle-income families and 34.91 percent are upper-income families. The Department of Housing and Urban Development calculates the 2009 updated median family income for the Kankakee-Bradley MSA as \$61,700.

The 2000 US Census data shows that in the AA, 33.93 percent of owner-occupied housing is in moderate-income geographies, 30.47 percent of owner-occupied housing is in middle-income geographies, and 35.60 percent of owner-occupied housing is in upper-income geographies. The updated weighted average median housing value in the AA is \$84,090.

Based on discussions with bank management and a community contact, demand for low income housing in the AA has increased due to poor economic conditions and the current state of the

housing market. During the evaluation, we conducted one community contact interview with a local government official. The contact indicated there were two major credit needs of the community: agricultural loans and consumer loans for small household repairs and personal needs. The contact indicated that banks were doing a good job of meeting the credit needs in the area. Based on discussions with the community contract, major economic activities are service, educational, and agricultural related. The largest employers in the AA include area farms, education facilities, and businesses in the textile and healthcare industries.

Competition within the Kankakee-Bradley MSA includes 17 financial institutions, with NBSA representing 1.89% of the deposit market share as of June 30, 2009, pursuant to the FDIC Deposit Market Share Report. NBSA is the only financial institution within the bank’s designated AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NBSA’s average loan-to-deposit (LTD) ratio relative to its peer group and banks of similar asset size is reasonable given the bank's size, financial condition, and AA credit needs. NBSA’s quarterly average LTD ratio for the period of December 31, 2004, to December 31, 2009, was 56.81 percent. During this period, the ratio had a quarterly high of 72.74 percent and a quarterly low of 45.77 percent. The bank's LTD ratio for December 31, 2009, was 67.70 percent. The bank’s peer group average during this same time was 61.51 percent.

Lending in Assessment Area

NBSA’s loan origination of their primary loan product inside the bank’s assessment area does not meet standards. A substantial majority of the bank’s lending-related activities are located outside the AA. This is primarily due to the residential real estate loan purchases. In 2009, the bank embarked on a strategic initiative to expand its line of business for home mortgage loans with the implementation of the mortgage purchase operation with QR Lending Inc (QR). The bank purchases nearly 100 percent of their home mortgage loans from QR. Out of 996 total loan originations and purchases of residential real estate mortgages during the evaluation period, the bank originated or purchased only 3 percent of the number and 1 percent of the dollar amount of loans within the its AA.

The following table displays details on the bank’s primary loan product by number and dollar amount of loans originated or purchased during the evaluation period.

| Lending in NBSA AA | | | | | | | | | | |
|--------------------|-----------------|---|---------|----|-------|--------------------------|---|---------|----|---------|
| Loan Type | Number of Loans | | | | | Dollars of Loans \$(000) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | \$ |
| Residential RE | 27 | 3 | 969 | 97 | 996 | 875 | 1 | 144,909 | 99 | 145,784 |

Source: 2008 and 2009 HMDA data.

Lending to Borrowers of Different Incomes

Loan distribution to borrowers of different income levels is adequate and meets standards. The poverty level and unemployment rate are barriers that may have a negative affect on home ownership. Opportunity to make home purchase, home improvement, and refinance loans to low-income borrowers is limited due to the high poverty level and the high unemployment rate within the bank’s AA. The percentage of low-income families within the AA is 28.03 percent according to the 2000 US Census. There are limited opportunities to make home mortgage loans to low-income borrowers considering 15.79 percent of the families in the bank’s AA are below the poverty level according to 2000 US Census data. According to the US Department of Labor, the current state unemployment rate is 11.5 percent and the average unemployment rate in 2009 for the bank’s AA was 12.1 percent.

Home Mortgage Loans

The borrower distribution of home purchase loans is adequate. NBSA made no loans to low-income borrowers but home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

The borrower distribution of home improvement loans is adequate. Home improvement loans to low-income borrowers is lower than the percentage of low-income borrowers within the AA. Home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

The borrower distribution of home refinance loans is good. Home refinance loans made to low-income borrowers is somewhat lower than the percentage of low-income families within the AA. Home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

The following table shows the distribution of home mortgage loans among borrowers of different income levels in the AA.

| Borrower Distribution of Residential Real Estate Loans in MSA | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % 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 |
| Home Purchase | 28.03 | 0 | 20.98 | 55.56 | 16.07 | 22.22 | 34.91 | 22.22 |
| Home Improvement | 28.03 | 8.33 | 20.98 | 25.00 | 16.07 | 41.67 | 34.91 | 25.00 |
| Home Refinance | 28.03 | 23.08 | 20.98 | 23.08 | 16.07 | 23.08 | 34.91 | 30.77 |

Source: 2008 and 2009 HMDA data.

Geographic Distribution of Loans

The geographic distribution of loans in the AA is very poor and needs to improve. There are no low-income geographies in the bank’s AA’s and one moderate-income geography in the AA. Geographic distribution of loans in the AA reflects inadequate penetration throughout the AA. The bank did not make any home purchase, home improvement, or home mortgage refinance loans in the moderate-income geography during the evaluation period. Based on the 2000 US Census, owner-occupied units in the bank’s AA total 1,851, of which 628 units, or 33.93%, are in the moderate-income geography. As a result, there are opportunities to make home mortgage loans in the moderate-income geography. The bank ranks 2 out of 47 HMDA reporters originating and purchasing loans within the bank’s AA based on 2008 reported HMDA data. This represents a 4.64% market share.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

| Geographic Distribution of Home Mortgage Loans in the MSA AA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan type | % 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 |
| Home Purchase | 0 | 0 | 33.93 | 0 | 30.47 | 100.00 | 35.60 | 0 |
| Home Improvement | 0 | 0 | 33.93 | 0 | 30.47 | 100.00 | 35.60 | 0 |
| Home Refinance | 0 | 0 | 33.93 | 0 | 30.47 | 92.31 | 35.60 | 7.69 |

Source: 2008 and 2009 HMDA data.

Responses to Complaints

NBSA did not receive any consumer complaints about its record of lending within the community.

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.