

PUBLIC DISCLOSURE

January 8, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State Bank of Colusa
Certificate #9634**

**2544 North County Road 1750
P.O. Box 10
Colusa, Illinois 62329**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Chicago Regional Office
500 West Monroe, Suite 3500
Chicago, Illinois 60661**

NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **State Bank of Colusa** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 8, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

State Bank of Colusa continues to demonstrate a satisfactory level of helping to meet the credit needs of its assessment area. This rating is based upon an analysis of the bank's home mortgage and agricultural lending activity; the primary business focus of this institution. The bank's performance in lending to borrowers of different income levels and to farms of different revenue sizes was most heavily weighted in reaching the overall composite CRA Rating.

The following is a summary of the evaluation findings:

- The bank's average loan-to-deposit ratio is comparable to other banks that operate in the assessment area and is acceptable.
- A majority of originated loans are within the assessment area.
- The bank has a good record of lending to smaller-sized farms within its assessment area.
- Home mortgage loans have been reasonably extended to all income groups within the assessment area, including low- and moderate-income borrowers.
- The assessment area is comprised of four middle-income geographies; therefore, very little weight was given to the geographic distribution of loans made in the assessment area.
- The bank has not received any CRA-related complaints since the prior evaluation.

DESCRIPTION OF INSTITUTION

State Bank of Colusa is a \$16 million financial institution located in Colusa, Illinois (population 100). The bank's stock is widely held and no holding company relationship currently exists. The bank operates from one office situated in the village of Colusa in northwestern Hancock County. The bank is located in tract 9539, which is designated as a middle-income tract in Hancock County.

The bank offers a variety of products and services in an attempt to meet the credit and deposit needs of the local area it serves. Loan types include consumer loans (for personal, household and family purposes), real estate loans (for residential, business, and agricultural purposes), commercial loans, and agricultural loans. Deposit products offered include checking, savings, certificates of deposit, and money market accounts. The bank's primary lending focus is agricultural loans. There are no legal or financial impediments that would hinder the bank's ability to meet the needs of its assessment area. The bank was rated "Satisfactory" at the last

CRA Public Evaluation conducted on February 11, 1999. At the time of the last evaluation, the assessment area contained one moderate-income tract. At the current evaluation, this moderate-income tract has changed to a middle-income tract according to new census information.

As of September 30, 2003, the bank had \$15,940,000 in total assets, \$13,011,000 in total deposits, and \$6,267,000 in total loans. The bank’s loan portfolio was distributed as shown in Table 1 below.

<i>Table 1 – Loan Distribution as of September 30, 2003</i>		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans</i>
<i>Secured by Farmland</i>	\$1,338	21%
<i>1-4 Family Residential</i>	\$1,950	31%
<i>Commercial</i>	\$162	3%
<i>Total Real Estate Loans</i>	<i>\$3,450</i>	<i>55%</i>
<i>Agricultural</i>	\$1,540	24%
<i>Commercial and Industrial</i>	\$354	6%
<i>Consumer</i>	\$854	14%
<i>Other</i>	\$69	1%
<i>Less: Unearned Income</i>	< \$0 >	< 0 >
<i>Total Loans & Leases</i>	<i>\$6,267</i>	<i>100%</i>
<i>Less: Allowance for Loan Loss</i>	\$32	
<i>Net Loans</i>	<i>\$6,235</i>	

Source: Consolidated Report of Condition and Income

As shown above, the largest component of the loan portfolio is centered in agricultural-related loans at 45 percent. Farm loans are the bank’s main business focus. One-to-four family residential loans represent 31 percent and consumer and other loans represent 15 percent of the loan portfolio. The remaining portfolio is made up of commercial loans (9 percent).

DESCRIPTION OF INSTITUTION'S ASSESSMENT AREA

HANCOCK COUNTY TRACTS: 9537, 9539 and 9540 HENDERSON COUNTY TRACT: 9735

The bank's assessment area consists of four separate geographies encompassing the southwestern corner of Henderson County and the northern half of Hancock County. The assessment area is entirely rural. The area consists only of whole geographies, includes the tract where the institution's main office is located, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. For purposes of this evaluation, the bank's assessment area will be compared to other non-metropolitan geographies of Illinois (Non-MSA).

According to 2000 census data, the assessment area contains a population of 10,304 individuals and 2,970 households that are families. When compared to the 1990 census data, the population has decreased by about 700 individuals but is considered relatively stable. The current census data also designates all four of the geographies as middle-income areas (80-119% of the Statewide Non-MSA median family income).

State Bank of Colusa operates within an economy dependent primarily on agricultural-related activities. Economically, the assessment area is relatively stable. The assessment area contains over 500 non-farm businesses of various sizes and maturity levels. The area's largest employers were analyzed by size according to *Dun & Bradstreet* data as of August 13, 2003. In Hancock County, the area's largest employers are an automobile components factory, Methode Electronics, Inc. with 1,500 employees and Memorial Hospital in Carthage, with 123 employees. In Henderson County, the largest employers are Biggsville Elementary School, in Biggsville (80 employees); Henderson County Retirement Center, Stronghurst (77 employees); Southern Community Unit District 120, Stronghurst, (75 employees); and Oak Lane Nursing and Rehabilitation Corporation, Stronghurst (75 employees).

As of September 2003, the Bureau of Labor Statistics reports the unemployment rate for Hancock County at a high 7.7 percent and Henderson County at 5.7 percent. Overall, unemployment in the assessment area is slightly higher than the State of Illinois at 6.6 percent and above the National average of 6.0 percent reported. These figures have fluctuated over the past twelve months.

Table 2 on the following page outlines the demographic and economic characteristics of the assessment area as compared to other non-metropolitan geographies in Illinois.

A community contact interview was performed during the examination. The contact did not have any negative comments regarding State Bank of Colusa and indicated that the financial institution was perceived as a community-minded institution within the local area.

**Table 2 - Demographic & Economic Characteristics of the Assessment Area
And the Non-Metropolitan Geographies in Illinois**

	Assessment Area		Non-Metropolitan Geographies in Illinois	
<u>Population by Area:</u>	10,304		1,877,585	
<u>Statewide non-MSA Median Family Income:</u>			\$43,314	
2000 Median Family Income			\$48,200	
2003 Estimated Median Family Income(*)				
<u>Families by Income Level:</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Low-Income	406	14%	88,584	18%
Moderate-Income	686	23%	96,333	19%
Middle-Income	797	27%	122,350	24%
Upper-Income	1,081	36%	194,532	39%
Total	2,970	100%	501,799	100%
<u>Housing Units:</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1-4 Family Residential	3,940	88%	678,704	84%
Multi-Family	66	1%	46,118	6%
Mobile Homes or Other	486	11%	82,811	10%
Total	4,492	100%	807,633	100%
Owner-Occupied Housing Units	3,281	73%	550,311	68%
Rental Housing Units	790	18%	185,729	23%
Vacant Housing Units	421	9%	72,569	9%
Total	4,492	100%	808,609	100%
<u>Median Housing Characteristics:</u>				
Median Age in Years	47 years		42 years	
Median Home Value	\$58,100		\$66,000	
Median Gross Rent	\$358		\$407	

*This figure is based on estimates from the Department of Housing and Urban Development (HUD).

The median family income (MFI) according to the 2000 census for non-metropolitan geographies in Illinois was \$43,314. The U.S. Department of Housing and Urban Development (HUD) annually adjusts the estimated MFI for inflation. The HUD adjusted level was \$44,900 for year 2001; \$46,700 for 2002; and \$48,200 for 2003. HUD estimated MFI for non-metropolitan geographies in Illinois, based upon the year in which the loan was originated, was used for stratifying the income levels of the bank's borrowers located in the bank's assessment area in Non-MSA areas. Table 3 describes the percentage of MFI used in this evaluation to determine the income ranges for each of the four income levels. The HUD adjusted level for 2003 was used for the range displayed in the table.

Table 3 – Income Levels Based on Median Family Income		
Income Levels	2003 HUD Estimates For Non-Metropolitan Geographies in Illinois	
	Percent of MFI	2003 Range
Low	Less than 50%	Less than \$24,100
Moderate	50% to less than 80%	\$24,100 to \$38,560
Middle	80% to less than 120%	\$38,560 to \$57,840
Upper	120% or More	\$57,840 or More

Source of Information: 2003 HUD adjusted median family income figures.

Table 4 outlines demographic information by tract income category within the bank’s assessment area. As shown below, the assessment area is comprised of four middle-income tracts.

Table 4 – Demographic Information by Geography in Assessment Area					
Demographic Characteristics	Total	Census Tract Income Category			
		Low	Moderate	Middle	Upper
Geographies (Census Tracts)	4	0%	0%	100%	0%
Population by Geography	10,304	0%	0%	100%	0%
Owner-Occupied Housing by Geography	3,281	0%	0%	100%	0%
Businesses by Geography	566*	0%	0%	100%	0%
Farms by Geography	273*	0%	0%	100%	0%
Distribution of Low and Moderate Income Families throughout AA Geographies	1,092	0%	0%	100%	0%

Source: 2000 U.S. Census and *2003 Dun & Bradstreet data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of the Evaluation

Data Sampled

An electronic file of the bank’s loan portfolio was used to determine the universe of loans to be analyzed during this evaluation. The universe consists of all agricultural-related and residential mortgage loans originated by the bank from January 1, 2003 through December 31, 2003. Agricultural and residential loans were reviewed since they comprise 76 percent of the bank’s lending activity and are the primary business focus of the institution. The entire universe was used to evaluate the bank’s lending within its assessment area. For lending to borrowers of different income categories and to farms of different revenue sizes, only residential and agricultural loans within the assessment area were analyzed.

The loans sampled for this evaluation are considered representative of the bank’s lending performance since the last public evaluation completed on February 11, 1999. Lending trends were reviewed from the quarterly Consolidated Reports of Condition and Income. Internal documents maintained by the bank regarding lending performance and community activities were also reviewed. Finally, an analysis of the bank’s previous year’s data (2001, 2002, and 2003) from the bank’s electronic download file revealed no anomalies and showed consistent lending performance. Therefore, the data for 2001 and 2002 was not separately sampled. Table 5 illustrates the universe and loans reviewed for this evaluation.

Table 5 – Loans Reviewed					
Loan Type	Universe			Loans Reviewed	
	#	\$(000)	#	\$(000)	
Agricultural 1/1 - 12/31/2003	51	\$2,204	51	\$2,204	
Residential 1/1 - 12/31/2003	17	\$670	17	\$670	
Total	68	\$2,874	68	\$2,874	

Source: Bank Records

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio has remained reasonable during the stated evaluation period. The average net loan-to-deposit ratio is 53 percent over the last 19 quarters from March 31, 1999 to September 30, 2003. Ten other area institutions (three within the assessment area and all others nearby) were analyzed with loan-to-deposit ratios ranging from 35 to 91 percent. Therefore, the bank’s loan-to-deposit ratio is deemed to be comparable to these other institutions.

Lending in the Assessment Area

State Bank of Colusa’s record of lending within the 4 geographies that comprise it’s assessment area is good. A majority of loans being granted within the designated assessment area by both number and dollar volume. Table 6 reflects the bank’s assessment area concentration for agricultural and residential mortgage lending.

Table 6 – Distribution of Loans Inside and Outside of the Bank’s Assessment Area										
Loan Category or Type	Number of Loans Reviewed					Dollar Volume of Loans Reviewed (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Agricultural 1/1-12/31/03	47	92%	4	8%	51	\$1,760	80%	\$444	20%	\$2,204
Residential 1/1-12/31/03	16	94%	1	6%	17	\$638	95%	\$32	5%	\$670
Total	63	93%	5	7%	68	\$2,398	83%	\$476	17%	\$2,874

Source: Bank Records.

Lending to Borrowers of Different Incomes and Farms of Different Sizes

State Bank of Colusa has demonstrated a good record of lending to smaller-sized farms and to borrowers of different income levels.

Agricultural Loans

The bank’s performance in providing agricultural-related loans to farm operations of different sizes was analyzed using loan amount. Loan amount was considered as a proxy for farm size. In general, small farms typically demand smaller dollar loans, as it is often difficult for such small farms to service larger dollar amounts of agricultural-related debt. Thus, the bank’s record of making agricultural-related loans, in smaller dollar sizes, is an indication of its performance in lending to small farms.

As reflected in Table 7 below, State Bank of Colusa has a good record in serving the assessment area through small agricultural-related loans. This lending performance is consistent with the information provided by the bank for the Consolidated Report of Condition and Income (Call Report) as of September 30, 2003. Under the definition used for CRA, small farm loans are defined as those whose original amounts are \$500,000 or less and were reported for the Call Report as either “Loans to finance agricultural production and other loans to farmers” or “Loans secured by farmland.”

All agricultural-related loans made by the bank within its assessment area were in amounts of \$500,000 or less. This performance exceeds the 2003 farm demographic data reported by Dun and Bradstreet which shows that 97 percent of the farms in the assessment area reported annual gross revenues of \$500,000 or less. Furthermore, 89 percent of the sampled loans (by number) were originated at less than \$100,000. This provides further support that the bank is making good efforts to meet the credit needs of the smallest-sized farms within its assessment area.

Table 7 – Distribution of Farm Loans by Loan Size				
Loan Size	Loans Originated From January 1 – December 31, 2003.			
	#	%	\$ (000)	%
Less than \$100,000	42	89%	\$1,009	57%
\$100,000 but less than \$250,000	5	11%	\$751	43%
\$250,000 but less than \$500,000	0	0%	\$0	0%
Greater than \$500,000	0	0%	\$0	0%
Total	47	100%	\$1,760	100%

Source: Bank Records

Residential Mortgage Loans

State Bank of Colusa’s record of home mortgage lending to all income groups, including low- and moderate-income individuals, is adequate. Based upon the 2000 Census, the percentage of low-income families residing in the bank’s assessment area was 20 percent. However, 10 percent of those families have annual incomes below the poverty level and may not be able to service a home mortgage loan. Therefore, only 10 percent of the low-income families can be considered

as potential home buyers. The percentage of home mortgage loans to low-income borrowers during the review period was 12.5 percent of the number and 6 percent of the dollar volume. This level of lending to low-income borrowers is reasonable and represents a good effort by the bank to meet the credit needs of low-income borrowers within its assessment area.

As for lending to moderate-income borrowers, the bank’s performance is also considered adequate. Moderate-income borrowers represent 21 percent of the total families residing in the bank’s assessment area. The percentage of home mortgage loans made to moderate-income borrowers during the review period was 12.5 percent of the number and 13 percent of the dollar volume. This level of lending reflects an average effort by the bank to meet the credit needs of moderate-income borrowers residing in its assessment area. Table 8 provides a complete distribution of the bank's home mortgage loans based on the number and the dollar volume of loans originated to all income groups.

Table 8 – Distribution of Residential Loans by Income Category of the Borrower					
Borrower Income Level	Percentage of Families	Loans Originated From January 1 – December 31, 2003.			
		#	%	\$ (000)	%
Low	10%	2	12.5%	\$37	6%
Moderate	21%	2	12.5%	\$83	13%
Middle	24%	9	56%	\$263	41%
Upper	35%	3	19%	\$255	40%
Total	90%*	16	100%	\$638	100%

Source: U.S. Census Data from 2000 and Bank Records
 *Total Percentage of Families excludes 10% below the poverty level.

Geographic Distribution of Lending

Given that there are no low- or moderate-income geographies in the bank’s assessment area, no analysis was performed and this performance criterion bears no weight in the overall rating.

Response to Complaints

The bank has not received any complaints regarding its Community Reinvestment Act performance since the last CRA evaluation on February 11, 1999.

Compliance with Anti-Discrimination Laws and Regulations:

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified during the current evaluation period.