



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 11, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Monmouth
Charter No. 4400
100 E. Broadway
P.O. Box 440
Monmouth, Illinois 61462-0440**

**Office of the Comptroller of the Currency
111 W. Washington Street, Suite 300
East Peoria, Illinois 61611**

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.

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 the **National Bank of Monmouth** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 11, 1996**. This evaluation is based on information from the last CRA examination dated August 23, 1993 to the current examination dated September 11, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

A majority of loans originated by the National Bank of Monmouth are within the assessment area. Loans are originated to borrowers throughout the entire assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is good.

The following table indicates the performance level of National Bank of Monmouth with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NATIONAL BANK OF MONMOUTH</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The National Bank of Monmouth is a \$101 million bank headquartered in downtown Monmouth, Illinois. The bank is wholly owned by First Midwest Corporation of Delaware, a multi-bank holding company, based in Melrose Park, Illinois. The bank has 3 branches which are located in Galesburg, Kirkwood, and Oquawka, Illinois. The Midwest Bank of Oquawka was merged into the National Bank of Monmouth in September 1994 and the Galesburg branch opened August 1, 1996. In addition, the bank serves customers through 2 automated teller machines (ATMs) in Monmouth, one ATM in Oquawka, and one ATM in Galesburg. The main bank, branches, and ATMs are all located in middle-income Block Numbering Areas (BNAs).

The bank offers traditional banking services and lending products. Their primary business focus is commercial and ag lending. The loan portfolio mix is as follows: residential real estate 13%, commercial 34%, agricultural 29%, and instalment 24%.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to meet the credit needs of its assessment area (AA). The bank received a "Satisfactory" rating at the August 23, 1993 CRA examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as Henderson, Knox, and Warren Counties. The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA is comprised of 4 moderate-income, 18 middle-income, and 2 upper-income BNAs. There are no low-income BNAs in the AA. The location of the BNAs by income level is as follows:

- Moderate-income: 8, 9, and 11 in Knox County (within city limits of Galesburg and East Galesburg); 8705 in Warren County (includes southern half of the city of Monmouth)
- Middle-income: 9733, 9734, and 9735 in Henderson County; 1-3, 5-7, 10, and 13-18 in Knox County; 8701-8704 in Warren County
- Upper-income: 4 and 12 in Knox County (within Galesburg and East Galesburg city limits)

The 1996 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$36,000. According to 1990 census data, the total population of the bank's AA is 83,670. Within the AA, 19% of the families are low-income, 20% are moderate-income, 25% are middle-income, and 36% are upper-income. There are 36,040 total housing units in the AA of which 63% percent are owner-occupied, 27% are rental-occupied, and 10% are vacant. The median housing age is 47 years.

The economy of the AA is stable. The economic climate is primarily dependent upon small manufacturing, transportation, and agriculture. The unemployment rate for the AA is low at 3%. The market for financial services is competitive as there are three financial institutions in Monmouth and five in Galesburg which the bank considers to be similarly situated based on asset size and/or business focus. In addition, there are several smaller financial institutions in rural towns throughout the AA.

We did not meet with any community contacts during our examination because 2 contacts have been made by other regulatory agencies within the last 12 months. The contacts indicated that housing and farm lending were primary community credit needs. Both contacts indicated local financial institutions are responsive to community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN-TO-DEPOSIT RATIO

The bank’s average loan-to-deposit ratio is good. Their average loan-to-deposit ratio for the 12 quarters ending June 30, 1996 equals 66%, significantly above the average ratio of 54% for local similarly situated banks. During this time period, the bank’s ratio has steadily increased from 61% to 76% compared to an increase from 52% to 57% for the local similarly situated banks.

LENDING IN THE ASSESSMENT AREA

The bank’s record of lending within the assessment area is good. The following table details the bank’s lending within and outside of the AA by dollar volume and number of loans based on originations between January 1, 1994 and August 29, 1996. Our analysis includes all residential, business, farm, and 25% of instalment loans reported on the bank’s loan trials.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	6,226,362	755,916	237	26
	89%	11%	90%	10%
Business	24,223,217	12,573,775	388	58
	66%	34%	87%	13%
Farm	29,637,046	2,376,392	503	52
	93%	7%	91%	9%
Consumer Instalment	2,819,883	1,306,190	419	111
	68%	32%	79%	21%
TOTAL SAMPLE	62,906,508	17,012,273	1,547	247
	79%	21%	86%	14%

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

The bank's record of lending to borrowers of different incomes and businesses of different sizes is good. The real estate loan distribution approximates the income characteristics of the AA. The following table outlines the bank's residential real estate lending record to borrowers of different incomes based on a sample of 93 loans, or 39% of residential real estate loans originated within the AA between January 1, 1994 and August 29, 1996.

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	215,384	7%	11	12%
Moderate-income	426,493	15%	20	22%
Middle-income	1,059,192	36%	30	32%
Upper-income	1,235,778	42%	32	34%
TOTAL SAMPLE	2,936,847	100%	93	100%

The bank's record of lending to businesses and farms of different sizes is excellent. Using loan amount as a proxy for business and farm size, the following table details the distribution by loan size of business and farm loans originated within the AA between January 1, 1994 and August 29, 1996:

LOAN SIZE	BUSINESS LOANS		FARM LOANS	
< 50,000	275	71%	333	66%
50,000 - 99,999	56	14%	77	15%
100,000 - 249,999	34	9%	71	14%
250,000 - 999,999	18	5%	21	4%
> 1,000,000	5	1%	1	1%
TOTAL SAMPLE	388	100%	503	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank has a good penetration of loans in all BNAs within its assessment area. The bank's residential real estate lending history within Knox County is relatively short since the Galesburg Banking Center did not open until August 1, 1996. The lower percentage of residential real estate loans originated in the moderate- and upper-income BNAs is reasonable considering Knox County contains the two upper-income BNAs and three of the four moderate-income BNAs within the AA.

The bank's record of lending to businesses in moderate-income BNAs is excellent. All agricultural areas throughout the AA are located in middle-income BNAs. The following two tables reflect the geographic distribution of residential real estate and business loan originations between January 1, 1994 and August 29, 1996. Our analysis is based on a sample of 98% of the dollar volume of residential real estate and business loans reported on bank loan trials.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA				
INCOME LEVEL OF BNA	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	There are no low-income BNAs in the assessment area.			
Moderate-income	903,713	15%	30	13%
Middle-income	4,996,057	82%	193	86%
Upper-income	185,900	3%	2	1%
TOTAL SAMPLE	6,085,670	100%	225	100%

BUSINESS LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA				
INCOME LEVEL OF BNA	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	There are no low-income BNAs in the assessment area.			
Moderate-income	13,213,834	56%	138	37%
Middle-income	10,094,888	42%	232	62%
Upper-income	382,571	2%	4	1%

TOTAL SAMPLE	23,691,293	100%	374	100%
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COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

We did not identify violations of the substantive provisions of the anti-discrimination laws and regulations during our examination.