



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 5, 2006**

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

**The Farmers National Bank of Prophetstown  
Charter Number 6375**

**114 West Third Street  
Prophetstown, IL 61277**

**Comptroller of the Currency  
Assistant Deputy Comptroller – Chicago-South Field Office  
7600 County Line Road, Suite 3  
Burr Ridge, IL 60527**

**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.**

# TABLE OF CONTENTS

<b>GENERAL INFORMATION.....</b>	<b>2</b>
<b>INSTITUTION'S CRA RATING.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>3</b>
<b>DESCRIPTION OF ASSESSMENT AREA .....</b>	<b>3</b>
<b>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</b>	<b>5</b>

## 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 CRA performance of the **Farmers National Bank of Prophetstown (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 10, 2006. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since August 20, 2001, the date of the last CRA examination, when the bank was rated "**Satisfactory Record of Meeting Community Credit Needs.**" The current evaluation reflects lending performance from January 1, 2004 through December 31, 2005.

## INSTITUTION'S CRA RATING

**INSTITUTION'S OVERALL CRA RATING:** This institution is rated **Satisfactory Record of Meeting Community Credit Needs.**

The major factors that support FNB's overall rating include:

- The bank's loan to deposit ratio is reasonable.
- The bank's lending activity in the assessment area (AA) is reasonable.
- The borrower distribution of loans to small farms is reasonable.
- The geographic distribution of loans to small farms is reasonable.
- 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.

## DESCRIPTION OF INSTITUTION

FNB is based in Prophetstown, Illinois, approximately 120 miles west of Chicago, Illinois. FNB is a wholly owned subsidiary of Prophetstown Banking Corp (PBC). Neither FNB nor PBC have any additional subsidiaries. FNB is a \$267 million intrastate financial institution with two facilities; the main office in Prophetstown, Illinois and an additional branch in Geneseo, Illinois. FNB has served the Prophetstown community for over 100 years.

The bank operates two full service offices. Both bank locations have drive-up services with extended hours on Fridays and automated teller machines (ATM). The bank's locations offer a full range of traditional banking products and trust services.

As of March 31, 2006, the loan portfolio represents 56 percent of the bank's total assets. The table below illustrates the composition of the loan portfolio.

<b>Loan Category</b>	<b>\$(000)</b>	<b>Percent</b>
<b>Agricultural Loans</b>	\$101,160	71.06%
<b>Residential Loans</b>	\$18,413	12.93%
<b>Commercial Loans</b>	\$18,162	12.76%
<b>Consumer Loans</b>	\$3,424	2.41%
<b>Other</b>	\$1,197	0.84%
<b>Total</b>	<b>\$142,356</b>	<b>100.00%</b>

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's assessment area. There has been no change in the bank's corporate structure since the last CRA examination. The bank's last CRA evaluation was August 20, 2001, at which the bank received a "Satisfactory record of meeting the community credit needs."

## DESCRIPTION OF ASSESSMENT AREA

FNB has one assessment area (AA) encompassing 31 geographies within Henry and Whiteside Counties. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Competition in the bank's AA is very strong. There are a total of 245 financial institutions providing loans and/or deposit services in Henry and Whiteside Counties.

The total population of the AA is 111,673 based on 2000 census data. The current AA, based on 2000 census data, consists of 31 geographies. None (0 percent) are low-income, 4 (13 percent) are moderate-income, 22 (71 percent) are middle-income, and 5 (16 percent) are upper-income geographies.

### Henry County

The Henry County AA meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Henry County has a total of 13 geographies. Two (15 percent) geographies are considered moderate-income, nine (69 percent) are middle-income, and

two (14 percent) geographies are considered upper-income. There are no low-income geographies within this County.

Major towns in the County are Geneseo and Kewanee. Based on 2000 census data, the total population of the county is 51,020 while the median family income is \$48,777. The County consists of eighteen percent low-income, twenty percent moderate-income, twenty-six percent middle-income and thirty-five percent upper-income families. Ninety-two percent of the housing in the AA is 1-4 family units with seventy four percent being owner-occupied units. The median home value is approximately \$77,304.

Major employers include the Geneseo School District, Springfield Armory and Hammond-Henry Hospital. The 2005 unadjusted seasonal unemployment rate for the County was 4.6 percent. The vast majority of the businesses and farms are considered small businesses and small farms with 84 percent of the businesses employing less than fifty people.

### **Whiteside County**

The Whiteside County AA meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The County consists of eighteen geographies. Two (11 percent) geographies are considered moderate-income, thirteen (72 percent) geographies are considered middle-income and three (17 percent) are considered upper-income. There are no low-income geographies within the County.

Major towns in the County are Sterling and Rock Falls. Based on 2000 census data, the total population of the county is 60,653 while the median family income was \$47,253. The County consists of fourteen percent low-income, eighteen percent moderate-income, twenty-five percent middle-income and forty-three percent are upper-income families. Eighty-nine percent of the housing in the County is 1-4 family units with seventy percent being owner-occupied. The median home value is approximately \$77,641.

The major employers include CGH Medical Center, Sterling Steel and the Wal-Mart Distribution Center. The 2005 unadjusted seasonal unemployment rate for the County was 5.8 percent. The vast majority of the businesses and farms are considered small businesses and small farms with 84 percent of the businesses employing less than fifty people.

### **Community Contacts**

#### **Henry County**

We contacted a local government official for our review. The representative indicated that the performance and presence of local financial institutions is strong. The credit and financial service needs are primarily affordable housing in the area for low- and moderate-income families. There are a number of projects in process within the community that are expected to increase the financial stability of the community. The overall economy of this County is good.

## Whiteside County

We contacted a local representative of a community development organization. The credit and financial service needs are primarily affordable housing in the area for low- and moderate-income families. The area went through difficult economic times with the closing of one of its major employers; Northwestern Steel and Wire. However, economically, conditions are better as new companies have moved into the area. The Wal-Mart Distribution Center provided approximately 700 jobs, while Sterling Steel generated between 400 and 500 jobs. Overall, the area is stable.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and AA credit needs. The bank's LTD ratio as of March 31, 2006 is 84 percent. The quarterly average LTD ratio for the period from September 30, 2001 through March 31, 2006 is 76 percent. The bank has identified five financial institutions in the immediate area that they consider their biggest competitors. The bank's identified competitors range in asset size from \$150 million to \$637 million and have LTD ratios from 60 percent to 91 percent.

### Lending in Assessment Area

FNB's primary loan type is agricultural loans. Agricultural loans constitute 71 percent of FNB's loan portfolio.

FNB's lending within the AA is reasonable. Based on a sample of 20 loans, loans inside FNB's AA represent 75 percent of the number of loans originated and 84.16 percent of the dollar amount. The following table details the bank's lending within the AA illustrated by the number of loans originated and dollar volume from January 1, 2004 through December 31, 2005.

Lending In/Out Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural*	15	75.00%	5	25.00%	20	\$5,455	84.16%	\$1,027	15.84%	\$6,482

*\*The bank is not a small farm reporter therefore; the analysis is based solely on a sample of 20 loans.*

### Lending to Farms of Different Sizes

#### **Borrower Distribution of Farm Loans**

The borrower distribution of loans to small farms is reasonable. Eighty percent of farm loans are made to small farms with annual gross revenues of less than \$1 million. All loans sampled were in the bank's assessment area.

<b>Borrower Distribution of Loans to Farms in the bank's AA (2004 - 2005)</b>		
<b>Farm Revenues</b>	<b>&lt; or = \$1,000,000</b>	<b>&gt; \$1,000,000</b>
<b>% of AA Farms</b>	97.48%	2.52%
<b>% of Bank Loans in AA by #*</b>	80.00% or 16	20.00% or 4
<b>% of Bank Loans in AA by \$*</b>	39.00% or \$5,017,067	61.00% or \$7,984,764

*\*The bank is not a small farm reporter therefore; the analysis is based solely on a sample of 20 loans.*

## **Geographic Distribution of Loans**

### Geographic Distribution of Small Farm Loans

The geographic distribution of loans to small farms is reasonable. The bank does not have any low-income geographies within their AA. The bank did not originate any loans to farms in moderate-income geographies due to strong competition from larger financial institutions and the small number of farms in the moderate-income geographies (2.39 percent or 27 out of 1130 farms).

<b>Geographic Distribution of Loans to Farms in the bank's AA (2004 &amp; 2005)</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Farms</b>	<b>% of Number of Loans</b>	<b>% of AA Farms</b>	<b>% of Number of Loans</b>
<b>Agricultural*</b>	0.00%	0.00%	2.39%	0.00%	79.91%	90.00%	17.70%	10.00%

*\*The bank is not a small farm reporter therefore; this analysis is based solely on a sample size of 20 loans.*

## **Responses to Complaints**

FNB has no outstanding complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.