



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank - Employee Owned
Charter Number: 12870**

**485 Lake Street
Antioch, Illinois 60002**

**Comptroller of the Currency
Chicago-North Field Office
85 W. Algonquin, Suite 340
Arlington Heights, Illinois 60005**

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 the 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 **First National Bank - Employee Owned** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of December 18, 1997. 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: Satisfactory record of meeting community credit needs.

First National Bank - Employee Owned has a strong loan to deposit ratio which exceeds that of similarly situated banks. A majority of the bank's loans originated in 1996 and 1997 have been originated to borrowers inside the assessment area. The distribution of borrowers indicates a good penetration of loans to low- and moderate-income borrowers, particularly in the area of consumer lending. The bank's commercial lending is reasonable with the majority of loans made within their assessment area to small businesses for low dollar amounts. There have been no CRA complaints against the bank.

DESCRIPTION OF INSTITUTION

First National Bank - Employee Owned is a community bank headquartered in Antioch, Illinois. It is wholly owned by Antioch Bancshares, Inc., a one bank holding company. The bank's head office is located in rural northwest Lake County which is approximately sixty miles northwest of Chicago, Illinois. The bank has one full service branch located in suburban Gurnee, Illinois. There have been no branch openings or closings during this assessment period. As of September 30, 1997, the bank had total assets of \$100.6 million. The bank's asset mix is cash equivalents 4%, loans 69%, investments 23%, and fixed assets 4%. The loan portfolio mix is 57% real estate, 27% commercial, and 16% consumer.

First National Bank - Employee Owned offers a full range of loan products including mortgage, consumer, and commercial loans. Mortgage loans are originated for the purchase, construction and refinance of residential real estate on a fixed or adjustable rate basis. Consumer loans are offered for automobiles, boats, other consumer goods as well as home equity and unsecured loans for personal purposes. The bank purchases a significant amount of instalment loan paper from local auto dealers. Commercial loans are made to small business directly or through the SBA for various business purposes, including loans for purchase, construction, development, and refinance of real property as well as loans for purchasing machinery and equipment.

DESCRIPTION OF THE ASSESSMENT AREA

First National Bank - Employee Owned has defined its assessment area (AA) as twelve contiguous census tracts (CT) which includes three census tracts in Kenosha County in Wisconsin and nine census tracts in Lake County Illinois. Communities within the AA include Salem and Bristol in Wisconsin, the Chain-O-Lakes recreational area, Lake Villa, Lindenhurst and Warren Township as well as the city of Antioch. The AA is generally bounded by the McHenry County line to the west, Rollins Road to the south, and Interstate 94 on the east. The three census tracts in Wisconsin also define the northern boundary of the AA. The census tracts are included in the Chicago 1600 and Kenosha 3800 Metropolitan Statistical Area (MSA). There are no low- or moderate-income census tracts within the AA. There are eleven middle income census tracts and one upper income census tract. The weighted average family income for the AA is \$44,670 according to 1990 census data. Median family income, which is updated annually by the Department of Housing and Urban Development, is \$52,975 for 1997.

Within the AA, 12 % of families are low income (income less than 50% CT median income) and 17% are moderate income (income is 50-80% of the CT median). There are 63,779 persons, 17,522 families and 22,879 households living within the AA. There are 26,286 housing units, 68% of which are owner occupied. The median housing value is \$92,226.

The bank's AA ranges from rural to the north to suburban to the east. The area has much vacant land which is rapidly evolving into a suburban context as single family development is widespread.

A community contact familiar with housing issues indicated that community credit needs are being met within the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

o Loan-To-Deposit Ratio

The bank's loan to deposit is very good. Since the last CRA evaluation, the bank's loan to deposit ratio has averaged 73% which exceeds the local seven bank peer group average of 66%. The national peer group loan to deposit ratio at 9/30/97 is 70%. The loan to deposit ratio has ranged from a high of 79% at 3/31/96 to a low of 69% at 9/30/96. The bank's loan to deposit is understated as the bank is an active seller of real estate mortgages. If the bank had not sold the mortgages that were made since the last examination, the average loan to deposit ratio would be 83%. The bank currently services \$30,097,000 in mortgages that have been sold on the secondary market.

o Lending To Borrowers of Different Income Levels

First National Bank - Employee Owned lending activities exhibit a strong record of lending to borrowers of different income levels (including low- and moderate-income borrowers). This conclusion is based on 1996 and year to date (9/30/97) HMDA data, a sample of consumer loans made in 1996 and 1997, and a sample of loans to businesses made in 1996 and 1997. Mortgage lending to low income individuals is better than other lenders within the assessment area. Management believes that this is due to the significant amount of loan demand for loans on new construction which is prevalent in the assessment area as well as the high median housing value.

Table #1

These tables illustrate that the bank is originating real estate loans to low- and moderate-income borrowers in proportions that exceed that of other lenders within the assessment area. The bank's originations to moderate income borrowers improved in 1997. Market information is not available for 1997.

1996 HMDA Loans Originated in AA compared to all lenders.

	# Loans Orig. By Bank	#Market Loans Orig.	<i>FNB-EO Share of Market</i>	\$ Loans Orig. By Bank (000)	\$ Market Loans Orig. (000)	<i>FNB-EO Share of Market</i>
Low Income	12	188	6.4%	360	9,504	3.8%
Mod Income	13	710	1.8%	614	52,130	1.2%
Middle Income	36	1,435	2.5%	2,424	133,783	1.8%
Upper Income	45	2,114	2.1%	3,548	271,126	1.3%
Total	106	4,447	2.4%	6,946	466,543	1.5%

Source: 1997 HMDA

Table #2

This table illustrates that the bank's origination of consumer loans to low- and moderate-income borrowers significantly exceeds the population income demographics.

Sample of 50 Consumer Loans Originated 1/1/96 through 9/30/97

Income Level	AA Family Income	# Loans Within AA	% Loans Within AA	\$ Loans Within AA (000)	% of Loans Within AA
Low	12%	8	29%	89	25%
Moderate	17%	9	32%	112	32%
Middle	28%	6	21%	88	25%
Upper	43%	5	18%	65	18%
Total	100%	28	100%	354	100%

Table #3

This table represents business loans originated in the assessment area. A significant majority of commercial loans are made in amounts under \$100,000.

1996 & 1997 Data	Number & Dollar Amount of Loans (sample of 25 loans)			
Loan Amount Categories	#	% of Tot.	\$ (000s)	% of Tot.
0-99,999	15	84%	409	46%
100,000-249,999	3	16%	496	54%
250,000 & Up	0	0	0	0
Totals	18	100%	905	100%

o Lending in the Assessment Area

HMDA loans and a sample of consumer loans were analyzed for 1996 and 1997. A majority of loans were originated to borrowers within the assessment area. Mortgage lending within the assessment area has declined in 1997. Management has not yet analyzed this data to determine the exact reason for the decline, however, the bank did extend two large HMDA loans just outside the AA, one of which was for low income multi-family housing.

Tables #4-1, 4-2, 4-3

These tables illustrate 1996 and year to date 1997 HMDA loans made within the AA compared to all HMDA loans.

Table 4-1 - 1996 HMDA Loans Originated Within the Assessment Area

	# Loans Within Assessment Area	% of Total Loans Made	\$ Loans Within Assessment Area (000)	% of Total Loans Made
Purchase	26	65%	\$2,494	60%
Refinance	42	75%	\$3,495	77%
Home Improvement	38	79%	957	64%
Multi Family	0	0	0	0

Source: 1996 HMDA

Table 4-2 - 1997 HMDA Loans Originated Within the Assessment Area

	# Loans Within Assessment Area	% of Total Loans Made	\$ Loans Within Assessment Area (000)	% of Total Loans Made
Purchase	23	59%	\$2,272	57%
Refinance	27	51%	\$1,976	42%
Home Improvement	17	68%	493	44%
Multi Family	1	33%	324	33%

Source: 1997 Bank Prepared HMDA-LAR

Table 4-3 - Sample of 50 Consumer Loans Originated Within Assessment Area 1/1/96 through 9/30/97

Loan Type	# Loans Made Within AA	% Loans Made Within AA	\$ Loans Made Within AA (000)	% of Loans Made Within AA
Auto Loans	22	55%	247	53%
Other Loans	6	60%	107	51%
Total	28	56%	354	52%

o Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful as there are no low- or moderate-income census tracts in the bank's assessment area.

o Compliance With Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during this evaluation.

o Community Reinvestment Act Complaints

No complaints have been received relating to the Community Reinvestment Act.

o Investment Test

The bank has made one qualified investment to the Lake County Integrated Financing Program For Small Businesses which offers "micro-loans" to new and expanding small businesses. A total of \$17,500 has been committed to fund both the loan pool and operating costs of the program over the next three years. As this program has started operating in August, no loans have been made within the bank's assessment area. Seventeen banks which operate in Lake County are participating in this program and have made nearly \$338,000 in loan pool and operating fund contributions.

In December 1996, the bank purchased a \$555,000 municipal bond benefiting Antioch's downtown business area. As part of Antioch's Downtown Development Plan, the bond's purpose is to help small businesses on Main Street by making the area more attractive for shopping. According to the village administrator, improvements include expanding parking areas, improving lighting, planting trees, repairing sidewalks, and fixing the street. Part of the funds would also be used for facade improvements for small businesses along the street.

o Service Test

The bank operates one full service branch in Gurnee, Illinois. Both the branch and head office have an ATM. The bank's products are advertised on the Internet. No branches have been opened or closed since the last examination.