

PUBLIC DISCLOSURE

February 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter # 7712
Front Street, P.O. Box 285
Grand Tower, Illinois 62942

Comptroller of the Currency
Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

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 First National Bank, Grand Tower, Illinois, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 8, 1999. This evaluation is based on information since the last CRA examination dated May 22, 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 **Satisfactory**.

- The level of lending to low- and moderate-income individuals of different sizes shows good penetration based upon the demographics of the area and credit needs of the assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank=s loan-to-deposit ratio exceeds the loan-to-deposit ratios of similarly situated area banks.
- A majority of loans are extended in the bank=s assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is a \$10 million bank which is wholly owned by Shawnee Bancshares, Inc., a one-bank holding company. The bank operates out of one office in downtown Grand Tower, Illinois. FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is 1-4 family residential real estate loans.

As of December 31, 1998, the loan portfolio represented 78% of total assets. At that time, the composition of the loan portfolio was 49% residential real estate, 23% consumer, 18% commercial, and 10% agriculture-related.

No financial or legal constraints impede the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area.

The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions.

The bank's prior CRA rating, dated May 22, 1996, was ASatisfactory Record of Meeting Community Credit Needs.@

DESCRIPTION OF ASSESSMENT AREA

FNB has designated portions of Jackson and Union Counties as its assessment area (AA). The AA includes BNAs 103, 104, 106, and 107 in Jackson County and BNA 9502 in Union County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. Jackson and Union Counties are non-Metropolitan Statistical Areas (non-MSA). Based on the non-MSA median family income for the AA in 1990, BNA 107 is moderate income and the remaining four BNAs are middle income.

The AA population was 20,320 as of the 1990 census. The updated non-MSA median family income in Illinois for 1999 is \$39,500. Census information on family incomes aggregated for the AA shows that 26% of the families are in low-, 19% are in moderate-, 24% are in middle-, and 31% are in upper-income levels.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1999 statewide non-MSA median family income. Moderate income is at least 50% but

less than 80% of the 1999 statewide non-MSA median family income. Middle income is at least 80% but less than 120% of the 1999 statewide non-MSA median family income. Upper income is 120% or more of the 1999 statewide non-MSA median family income.

The 1990 census demographic data for the AA shows that 16% of the population is age 65 and over, 16% of the households are in retirement, and 19% of the households are below the poverty level. Median housing value is \$38,442 and the median age of the housing stock is 39 years. Owner-occupied units represent 65% of the housing stock, with 76% being 1-4 family units.

The three largest employers in the area are Central Illinois Power, Union County School District 84, and Ensign-Bickford, Inc. Many local residents are Mississippi River workers. Others commute to nearby towns for employment. Economic conditions in Jackson County are good. The November 1998 unemployment rate for Jackson County was 4.4%. However, the Union County unemployment rate of 7.3% is one of the highest in the state. The closing of two of Union County's largest manufacturing facilities in the early 1990's resulted in the loss of several hundred jobs. The county has not completely recovered from the impact caused by the closing of these factories. The November 1998 state and national unemployment rates were both 4.1%.

Moderate competition comes primarily from larger financial institutions located in nearby Murphysboro, Carbondale, Anna, and Jonesboro. The bank's business strategy is to remain competitive with the other financial institutions in the AA and serve the community's loan needs.

To further our understanding of the community's credit needs, we interviewed an area clergy person during this examination. This contact, and others previously contacted, indicated that the primary credit needs of the assessment area are residential real estate loans and personal loans. The contact stated that the local financial institutions are serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

Residential Real Estate Loans - The bank's primary product line is 1-4 family residential real estate lending for purchase, home improvement, and refinancing. Residential real estate loans comprise the largest portion of the loan portfolio on a dollar basis. FNB's distribution to borrowers demonstrates good penetration to borrowers of all income levels. The bank's distribution to low- and moderate-income level individuals exceeds the demographic data for the assessment area.

We sampled 30 residential real estate loans with loan originations between May 22, 1996, and January 31, 1999. Total loan originations to these borrowers were \$766,000.

The following table illustrates the distribution of loan originations for 1-4 family residential real estate borrowers of different income levels within the assessment area.

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	4	13%	31	4%	26%
<i>Moderate Income</i>	11	37%	214	28%	19%
<i>Middle Income</i>	8	27%	268	35%	24%
<i>Upper Income</i>	7	23%	253	33%	31%

Used Auto and Truck Loans - Consumer instalment loans comprise the largest portion of the loan portfolio on a number basis. We further defined our review to used auto and truck loans, as they comprise the majority of the consumer instalment loan portfolio. FNB-s distribution to borrowers demonstrates good penetration to borrowers of all income levels. The bank-s distribution to low- and moderate-income level individuals significantly exceeds the demographic data for the AA.

We sampled 30 used auto and truck loans with loan originations between May 22, 1996, and January 31, 1999. Total loan originations to these borrowers were \$263,000.

The following table illustrates the distribution of loan originations for used auto and truck loans by borrowers of different income levels within the AA.

**Distribution by Borrower Income Level
Used Auto and Truck Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	11	37%	100	38%	26%
<i>Moderate Income</i>	10	33%	92	35%	19%
<i>Middle Income</i>	5	17%	35	13%	24%
<i>Upper Income</i>	4	13%	36	14%	31%

Geographic Distribution of Loans:

The geographic distribution of loans is satisfactory. Our review of all residential real estate and used auto/truck loans on the bank's books as of February 8, 1999, revealed the distribution of loans reflects reasonable dispersion throughout the assessment area. It should be noted that the bank's only moderate income BNA is one of three BNAs located in the town of Murphysboro.

A summary of these findings is presented in the following tables.

**Geographic Distribution
Residential Real Estate Loans**

Income Characteristic of BNAs	Number of Loans	Percentage of Loans #	Dollar Amount of Loans (000's)	Percentage of Loans \$	% of Owner Occupied Units Per Tract
Low Income (a)	0	0%	\$ 0	0%	0%
Moderate Income (b)	7	8%	\$ 164	7%	16%
Middle Income (c)	81	92%	\$2,235	93%	84%
Upper Income (d)	0	0%	\$ 0	0%	0%
Total	88	100%	\$2,399	100%	100%

**Geographic Distribution
Used Auto and Truck Loans**

Income Characteristic of BNAs	Number of Loans	Percentage of Loans #	Dollar Amount of Loans (000's)	Percentage of Loans \$	% of Families by Income Level of Tract
Low Income (a)	0	0%	\$ 0	0%	0%
Moderate Income (b)	4	6%	\$ 32	8%	17%
Middle Income	68	94%	\$348	92%	83%

Income Characteristic of BNAs	Number of Loans	Percentage of Loans #	Dollar Amount of Loans (000's)	Percentage of Loans \$	% of Families by Income Level of Tract
(c)					
Upper Income (d)	0	0%	\$ 0	0%	0%
Total	72	100%	\$380	100%	100%

(a) No low-income BNAs in assessment area
 (b) 1 moderate-income BNA assessment area

(c) 4 middle-income BNAs in assessment area
 (d) No upper-income BNAs in assessment area

Loan-to-Deposit Ratio:

FNB Grand Tower's loan-to-deposit ratio significantly exceeds its competition. The bank's loan-to-deposit ratio as of September 30, 1998, was 105%. The bank's average loan-to-deposit ratio for the ten quarters since the previous CRA evaluation was 91%. The loan-to-deposit ratios of four competitor banks ranged from 33% to 81% as of September 30, 1998, and average ratios for the period ranged from 31% to 81%.

Lending in the Assessment Area:

Lending in the assessment area is satisfactory. A majority of the bank's residential real estate and used auto/truck loans are extended within its AA. This conclusion is based on our sample of those types of loans.

The following tables represent the results of our review of all residential real estate and used auto/truck loans on the bank's books as of February 8, 1999.

Loans by Number and Dollar Amount Within AA

Loan Type	# Of Loans On Books	% of Loans Within AA (#)	\$ Amount of Loans On Books (000's)	% of Loans Within AA (\$)
Residential RE	130	68%	\$3,485	69%
Used Auto/Truck	107	67%	\$ 673	56%
Totals	237	68%	\$4,158	67%

Response to Complaints:

No complaints were received since the prior CRA evaluation.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank=s compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of these antidiscrimination laws and regulations were identified.