

Public Disclosure

August 9, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Xenia
Charter Number 12096
Front Street Box 4
Xenia, IL 62899**

**Office of the Comptroller of the Currency
Evansville Field Office
Post Office Box 20130
Evansville, Indiana 47708**

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 CRA performance of The First National Bank of Xenia (Xenia), prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 8, 1999. 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 *Satisfactory* rating is supported by Xenia's performance, which reflects:

- a substantial majority of loans made to customers living within the assessment area;
- a satisfactory record of lending to borrowers of all income levels; and
- a reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

The First National Bank of Xenia (Xenia) is a full-service bank in Xenia, Illinois. The bank is an independent bank with no holding company affiliation. On June 30, 1999, Xenia had total assets of \$21 million. The ratio of net loans to total assets on this date was 51%.

Xenia is a full-service lender focusing locally on residential real estate, consumer, and loans for agricultural purposes. There are no financial or legal impediments that would hamper the bank's ability to meet the credit needs of the community. Xenia has a satisfactory capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Table 1 Balance Sheet as of June 30, 1999			
Total Loans	\$10,985,000	Total Deposits	\$17,283,000
Investments	\$9,479,000	Other Liabilities	\$882,000
Other Assets	\$940,000	Total Liabilities	\$18,165,000
		Total Equity Capital	\$3,239,000
Total Assets	\$21,404,000	Total Liabilities & Capital	\$21,404,000

Source: Consolidated Reports of Condition

The loan portfolio consists of 42% residential real estate loans, 17% consumer loans, 10% commercial loans, and 18% agricultural loans. This is the percent of total loans by dollars outstanding for each type.

Xenia operates from the main office in Xenia, Illinois and a branch in nearby Flora, Illinois (Flora). Banking hours at the Xenia, location are Monday through Thursday 9:00 A.M. to 3:00 P.M., Friday 9:00 A.M. to 4:30 P.M. and Saturday 9:00 A.M. to 12 Noon. Drive-up hours are Monday through Thursday 8:30 A.M. to 3:30 P.M., Friday 9:00 A.M. to 4:30 P.M., and Saturday 8:30 A.M. to 12 Noon. Banking hours at the Flora, branch are Monday through Thursday 9:00 A.M. to 4:00 P.M., Friday 9:00 A.M. to 5:00 P.M., and Saturday 9:00 A.M. to 12 Noon. Drive-up hours are Monday through Thursday 9:00 A.M. to 5:00 P.M., Friday 8:00 A.M. to 7:00 P.M., and Saturday 8:00 A.M. to 12 Noon. A full service 24 hour automated teller machine (ATM) is also provided at the Flora branch. The Flora branch was opened January 13, 1997.

The evaluation period for this review is January 1, 1997 to August 9, 1999. The last CRA Performance Evaluation was dated December 18, 1996. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

Xenia's assessment area includes Block Numbering Areas (BNAs) in Clay, Marion, and Wayne Counties in Illinois. The assessment area is comprised of BNAs 9720, 9721, 9722, and 9723 in Clay County, BNAs 9516, 9520, 9521, and 9522 in Marion County, and BNA 9550 in Wayne County. The assessment area BNA income level distribution is seven middle- income BNAs and two moderate-income BNAs. Low- or moderate- income areas are not arbitrarily excluded from the assessment area. The assessment area is consistent with the guidelines of the regulation.

Income levels of BNAs are based on the statewide non-Metropolitan Statistical Area (MSA) median family income. The income categories are defined as low-, moderate-, middle-, and upper-, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, of the non-MSA median family income. The current non-MSA median family income for Illinois is \$41,500.

Clay, Marion, and Wayne counties have total populations of 14,460, 41,561, and 17,241 respectively, according to the 1990 Census information. Total population in the BNAs in the assessment area is 28,755 with 8,824 families. There are 3,368 families in the BNAs in Clay County, 4,173 in the BNAs in Marion County, and 1,283 in the BNA in Wayne County.

The June 30, 1999 unemployment rates for the counties containing BNAs in Xenia's assessment area are depicted in Table 2 below, and are compared to the state and national averages. These contiguous counties of southern Illinois are among the more economically depressed in the state.

Table 2 Unemployment Percentages June 30, 1999				
Clay	Marion	Wayne	Illinois	U.S.
9.7%	7.7%	8.1%	4.7%	4.6%

Source: Illinois Department of Commerce

Competition from other financial institutions is moderate. Two state chartered banks in Flora, IL. two national banks in Olney, IL. and a state chartered bank in Iuka, IL. provide competition. Xenia is the smallest competitor in the local area market.

Table 3 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 22.7% of the families have low- and 21.0% have moderate-incomes. Of the low- income families, 1,009 or 50% of these families are below the poverty level. This information is used to compare the bank's lending patterns to borrowers of different income levels.

Income level of BNA (#of BNA's)	Table 3 Family Income Level				
	Low	Moderate	Middle	Upper	Total
Moderate- Income	559	452	509	455	1,975
Middle- Income	1,444	1,401	1,840	2,164	6,849
Total	2,003 22.7%	1,853 21.0%	2,349 26.6%	2,619 29.7%	8,824 100%

Source: Local Demographic Data

The 1999 non-MSA median family income for Illinois is \$41,500. Income categories are defined as: less than 50% or \$20,750 - low; 50% to 80% or \$33,200 - moderate; 80% to 120% or \$49,800 - middle; and >120% - upper.

Table 4 provides information on the number of businesses and farms with revenues of less than \$1 million. This table reveals that there are 764 (94%) businesses within the bank’s assessment area with revenues of less than \$1 million. All reported farms have revenues less than \$1 million. There are 53 businesses with annual revenues greater than \$1 million. The table also provides information on the number of companies that are located in the various geographies. This information was used in analysis of the bank’s lending opportunities and performance in lending to small businesses and small farms.

Table 4 Number of Businesses and Farms Annual Revenues of Less than \$1 Million				
BNA within Assessment Area	Moderate		Middle	
	Business	Farm	Business	Farm
9720			109	10
9721			159	2
9722	83	1		
9723			19	
9516			83	10
9520			81	4
9521			291	
9522			41	1
9550	43	14		
Total	126	15	783	27

Source: Local Demographic Data

No unmet lending needs were identified during the review. Information obtained through a community contact with the mayor of Xenia was used in the analysis. The primary lending needs identified include residential real estate loans, small dollar consumer loans, and loans for agricultural production related purposes. Xenia is helping to meet these needs. Examples of this performance include the “In and Out of Assessment Area” lending ratio with 88.7% of the number and 88.3% of the dollar amount of Xenia’s loan originations in the bank’s assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed bank-compiled data of all types of loans originated from January 1997 through June 1999. This was done to evaluate the bank's volume of lending inside the assessment area and to borrowers of different income levels. The accuracy of information compiled by the bank was verified by sampling 53 residential real estate, 8 small business, 19 small farm, and 22 consumer loans originated between January and June 1999. Real estate loan originations were sampled because this is the bank's major type of lending.

Lending inside assessment area:

Xenia's record of lending activity as depicted in Table 5 below indicates that a substantial majority of the bank's loans are originated within the assessment area.

Table 5 Ratio of Loans Inside the Assessment Area 1998 Originations	
Loan Type	Percent of # of Loans Inside the AA
Real Estate	88.7%
Business	87.5%
Agriculture	94.7%

Source: Bank records

The residential real estate loan sample originated in 1998 and through June 30, 1999 and depicted in Table 6 was reviewed to determine the accuracy of the bank's reported findings.

Table 6 Ratio of Loans Inside the Assessment Area January 1, 1998 to June 30, 1999	
	Real Estate Loan Originations
# of Loans Inside the AA	47
Total # of Loans Sampled	53
% of Loans Inside by #	88.7%
\$ of Loans Inside the AA	\$1,548,024
Total \$ of Loans	\$1,752,874
% of Loans Inside by \$	88.3%

Source: OCC's review of real estate loan originations.

The sample found 88.7% of the number and 88.3 % of the dollar volume of the real estate loans were originated inside the bank's assessment area. Xenia's record of lending to borrowers in the assessment area is satisfactory.

Lending to borrowers of different incomes and to businesses of different sizes:

HOME MORTGAGE LOANS

Xenia’s level of originations in the assessment area to low- and moderate-income borrowers is consistent with lending opportunities and the bank’s abilities to help meet the credit needs of the assessment area. Table 7 details the number of residential real estate loan originations to borrowers of different income levels in the assessment area. The table shows that 14.9% percent of the number of loans were made to low- and 25.5% were made to moderate-income borrowers. This level is consistent with the distribution of family income levels in Xenia’s assessment area. Fifty percent of the low-income families in the assessment area have incomes below the poverty level. Affordable housing opportunities may be limited for families below the poverty level.

Table 7 Borrower Distribution of Residential Real Estate Loans					
Income Level of Borrower	Number of Loans		Dollar Volume		Total Families in the AA’s
	#	%	\$	%	%
Low-income	7	14.9	169,100	10.9	22.7%
Moderate-income	12	25.5	356,519	23.0	21.0%
Middle-income	12	25.5	410,000	26.5	26.6%
Upper-income	16	34.1	612,405	39.6	29.7%
TOTAL	47	100%	1,548,024	100%	100%

Source: OCC’s review of residential real estate loan originations. Dollar amounts are in thousands. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of the states non-MSA median family income.

SMALL BUSINESS AND SMALL FARM LOANS

Xenia’s record of extending loans to small businesses and small farms is satisfactory. The demographic data used to compile Table 4 shows that 94 percent of all businesses and all farms in the assessment area have annual incomes of less than \$1,000,000. Using loan size as a proxy for business size shows that the majority of business and farm loans made by Xenia are to small businesses and farms. Table 8 indicates the average loan size for business and farm loans is below \$100,000. The table illustrates that the bank has a satisfactory record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that the average business loan is \$10,537 and the average farm loan is \$27,370.

Table 8 Small Business and Small Farm Loans Average Loan Size at Origination			
Loan Amount at Origination	#	\$	Average Loan Size
Business Loans	8	\$84,300	\$10,537
Farm Loans	19	\$520,040	\$27,370
TOTAL	27	\$604,340	\$22,383

Source: Compiled loan data from bank records

Geographic distribution of loans:

Table 9 reflects a satisfactory geographic distribution of Xenia’s residential real estate loan originations. Lending penetration in moderate- income geographies exceeds the percentage of owner occupied units.

Table 9 Geographic Distribution of Residential Real Estate Loans					
Income Level of Geography	Number of Loans		Dollar Volume		Owner Occupied Units in the AA
	#	%	\$	%	%
Moderate-income	19	40.4	553,250	35.7	21.9%
Middle-income	28	59.6	994,774	64.3	78.1%
TOTAL	47	100%	\$1,548,024	100%	100%

Source: OCC’s review of residential real estate loan originations. Dollar amounts are in thousands. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of the states non-MSA median family income.

Loan-to-deposit ratio:

Xenia’s quarterly average loan-to-deposit ratio since the last CRA evaluation is 59 percent. This is reasonable for a bank of their size and condition in this area. The ratios for competitor banks in the market area range from 62 to 69 percent. Xenia’s trend for the loan to deposit ratio has been upward since the last examination.

Response to complaints:

Xenia has not received any complaints during this evaluation period.

Compliance with antidiscrimination laws:

We performed a review of loan originations for illegal discrimination. We did not identify any violations of the substantive provisions of the anti-discrimination laws or regulations. Xenia’s fair lending policies and procedures are satisfactory.