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Comptroller of the Currency  
Administrator of National Banks

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PUBLIC DISCLOSURE

May 22, 1996

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 Duty Station  
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 of Grand Tower prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 22, 1996. This evaluation is based on information since the last CRA examination dated September 24, 1993. 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 First National Bank of Grand Tower has demonstrated a satisfactory level of performance in meeting the credit needs of its assessment area. The bank's loan-to-deposit ratio is higher than most other financial institutions that serve the bank's assessment area. A majority of the bank's loans are within the assessment area. The bank's level of lending to individuals and businesses of different income levels is reasonable.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF GRAND TOWER 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

First National Bank (FNB) operates from one main office located in Grand Tower, Illinois. The bank is a wholly owned subsidiary of Shawnee Bancshares, Inc., a one-bank holding company. As of March 31, 1996, the bank's assets totaled \$9,275,000. The bank's primary focus is in 1-4 family residential real estate loans and loans to individuals. As of March 31, 1996, the loan portfolio consists of 44% residential real estate, 28% consumer, 22% commercial and 6% agricultural. No offices of the bank have been opened or closed since the last CRA examination.

There are no financial constraints to the bank's ability to meet community credit needs. However, the community of Grand Tower was suspended from the National Flood Insurance Program in 1991. FNB's board of directors decided to continue to make loans secured by improved property in the community of Grand Tower. This decision was made even though borrowers in Grand Tower could not obtain federal flood insurance. 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. FNB's prior CRA rating was a "Satisfactory Record of Meeting Community Credit Needs."

## DESCRIPTION OF ASSESSMENT AREA

FNB has designated its assessment area as Block Numbering Area (BNA) 103 in Jackson County, Illinois and BNAs 9502, 9503, and 9504 in Union County, Illinois. BNAs 103, 9502, and 9504 are middle-income geographies; and BNA 9503 is a moderate-income geography. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank is located in BNA 103, a middle-income geography. FNB is the only financial institution in Grand Tower. However, there are three other financial institutions in the Union County portion of the bank's assessment area.

Jackson and Union Counties are in a Non-Metropolitan Statistical Area (MSA). As of 1990, the population of the bank's assessment area was 14,580 and the population of Grand Tower was 800. In 1990, the median family income was \$25,288. The 1996 non-MSA median family income for Illinois is \$36,000. Family incomes aggregated for the four BNAs indicated that 987 families or 24% were in low-, 950 or 24% were in moderate-, 926 or 23% were in middle-, and 1173 or 29% were in upper-income categories.

Economic conditions in Jackson County are good. The March 1996 seasonally unadjusted unemployment rate for Jackson County was 5.3%. However, the Union County unemployment rate of 10.7% 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 state and national unemployment rates were 5.4% and 5.8%. Major employers in the

assessment area include Central Illinois Power, Ensign-Bickford, Inc., and Union County School District 84. Bank management stated the primary credit needs of the assessment area are residential, agricultural, and consumer loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan to Deposit Ratio:

As of March 31, 1996, FNB had the highest loan-to-deposit ratio of financial institutions in Jackson County and the second highest loan-to-deposit ratio in Union County. FNB's average loan-to-deposit ratio for the eleven quarters between September 30, 1993 and March 31, 1996 was 75%. The March 31, 1996 loan-to-deposit ratio among the community banks in Jackson and Union Counties ranges between 31% and 80%.

### Lending in the Assessment Area:

A majority of the bank's loans are within its assessment area. A bank-prepared analysis of loan originations since the October 1993 CRA examination shows that 69% of the number of loans were located in the bank's assessment area. During our review of the bank's CRA performance, the OCC analyzed all home purchase and home refinancing loans made between May 1995 and April 1996. We determined that 60% of the loans made during that period were within the bank's assessment area.

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

FNB has a satisfactory record of lending to borrowers of different income levels, including low- and moderate-income individuals.

The home purchase and home refinancing loan sample was used to evaluate the bank's record of making loans to individuals of different income levels within the bank's assessment area. The distribution by income category was: 1 loan or 8% to low-, 4 loans or 33% to moderate-, 5 loans or 42% to middle-, and 2 loans or 17% to upper-income individuals.

All of the commercial and farm loans originated by FNB meet the definition of a small business or small farm loan based on the dollar amount of the loan. Bank management estimates that substantially all of its commercial and agriculture loans outstanding are to businesses or farmers with gross revenues under one million dollars. We reviewed a sample

of fifteen farm and business loans originated in 1995 and 1996. Our review of these loans substantiated the bank's estimate, as we identified only one business loan to a borrower with gross revenues exceeding one million dollars. Additionally, all the loans had original amounts of less than \$150,000.

#### Geographic Distribution of Loans:

The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. We used the bank's analysis of loan originations since October 1993 to determine the geographic distribution of loans. The analysis reflected that 94% of the loans originated in the assessment area were in the three middle-income BNAs and 6% of the loans were in the moderate-income BNA. The level of lending in the moderate-income BNA is considered reasonable, as the BNA is geographically the most distant BNA from the bank and there is one other financial institution in that BNA.

#### Compliance with antidiscrimination laws:

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