

PUBLIC DISCLOSURE

June 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Illinois National Bank
Charter #11443**

**109 South Main Street
Fairmount, Illinois 61841**

**Office of the Comptroller of the Currency
Champaign Field Office
3001 Research Road, Suite E-2
Champaign, IL 61822**

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 **Illinois National Bank** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 28, 1999. Our assessment of the bank's performance covers the period since March 28, 1996. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs". The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING

This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

This rating is based on analyses of the bank's lending performance from March 28, 1996 through May 31, 1999. The lending performance test includes analysis of the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, the distribution of credit to borrowers of different incomes and to farms of different sizes, and the bank's level of compliance with Fair Lending laws and regulations.

Illinois National Bank's Satisfactory Record of Meeting Community Credit Needs rating is supported by the following:

- < The bank makes a substantial majority of its loans within its assessment area.
- < The origination of loans inside the assessment area to small farms is good. The distribution of housing loans to individuals of different income levels is satisfactory.
- < The bank's loan-to-deposit ratio is reasonable, given the bank's size and the assessment area's credit needs.
- < The bank is in compliance with Fair Lending laws and regulations.

DESCRIPTION OF INSTITUTION

During the evaluation period, Illinois National Bank was a \$10 million institution in Fairmount, Illinois, and did business as First National Bank of Fairmount. Fairmount is located in East Central Illinois in Vermilion County, approximately 30 miles east of Champaign, Illinois. Fairmount has a population of 650 residents. The institution is owned by Illinois National Bancorp, Inc., a one-bank holding company. Illinois National Bancorp, Inc. acquired the First National Bank of Fairmount on June 7, 1999, renamed it Illinois National bank, and contributed \$10 million of capital to the bank. Illinois National Bank opened a branch in Springfield, Illinois on June 21, 1999, one week before this evaluation, and the bank has since grown to \$25 million in total assets. Most of the bank's emphasis on future lending and asset growth will be centered in the Springfield area going forward. However, for purposes of this evaluation, only the lending activity in the Fairmount Assessment Area was considered.

The bank offers a variety of loan products, including agricultural, real estate (including housing), consumer, and commercial loans. Loan volume has been increasing since the last CRA examination. On March 31, 1996, gross loans totaled \$2.7 million. As of March 31, 1999, gross loans totaled \$3.8 million. The agriculture and real estate loan portfolios are the areas where growth has been the most significant. *Table 1* shows the breakdown of net loan growth from March 31, 1996 through March 31, 1999.

Changes in Total Loans Since March 31, 1996			
Table 1			
Type of Loans	March 31, 1996	March 31, 1999	Change
Real Estate	\$578,000	\$798,000	\$220,000
Consumer	\$740,000	\$784,000	\$44,000
Agricultural	\$1,377,000	\$2,162,000	\$785,000
Commercial & Other	\$51,000	\$21,000	(\$30,000)
Total	\$2,746,000	\$3,765,000	\$1,019,000

Source: Call Report information for March 31, 1996 and March 31, 1999. These numbers reveal net changes only and are not indicative of total originations during the period. The numbers exclude loans that were originated since March 31, 1996 and have been repaid prior to March 31, 1999. Information on loan originations was not available.

Discussions with a local area business owner revealed that adequate local banking services and credit accessibility are available. According to this contact, the local area's credit needs are centered in agricultural and installment loans. Illinois National Bank serves these credit needs by offering these types of loans.

The bank has no financial impediments that restrict it from meeting the credit needs of its local community. Statutory lending limitations may have inhibited the bank from meeting the credit needs of some of the larger farms or businesses in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area for this evaluation period includes three Block Numbering Areas (BNAs) in Vermilion County, Illinois. Based on 1990 census data, two of the BNAs are designated middle-income, and one BNA is designated as upper-income. The population of the assessment area is 10,035. The following demographic information for the assessment area is based on 1990 census data:

Housing Stock:	85% of the housing units are 1-4 family.
Occupancy:	76% are owner occupied, 18% are renter occupied, and 7% are vacant. va
Home Values:	Median home value is \$42,163.
Age of Homes:	Median year of homes built is 1956.
Income:	Median family income is \$34,405.
Income Levels:	14% of families are designated low-income, 17% are moderate-income, 22% are middle-income, and 47% are upper-income.

The economic condition of Vermilion County has been growing over the last few years, and the local unemployment rate is below the state and national rates. Housing costs are very reasonable, with only 6% of owners and 2.5% of renters paying more than 30% of their monthly income in housing costs.

Most employers in the bank's assessment area are relatively small. Agriculture is the main source of local employment. Many residents not employed in agriculture commute to employment in either Champaign or Danville, Illinois.

With the opening of the Springfield branch mentioned above, the bank will add an additional assessment area which will include all of Sangamon County. Sangamon County contains the Springfield MSA, and will include low- and moderate-income census tracts.

Competition for banking services is provided by five other financial institutions in Vermilion and neighboring Champaign County. Going forward, competition will also be provided from financial institutions located in the Springfield area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

Illinois National Bank's loan-to-deposit ratio is reasonable, given the bank's size and the assessment area's credit needs. During the assessment period, the bank's net loan-to-deposit ratio ranged from 36% to 50%, and averaged 44%. This average ratio is less than the 55% average net loan-to-deposit ratio of twelve similarly situated banks located in Vermilion and Champaign Counties, with total assets between \$10 million and \$31 million. During the evaluation period, Illinois National Bank was the smallest financial institution headquartered in either county. Because of the bank's size and legal lending limit restrictions during the evaluation period, it sold portions of loans to an affiliated bank in order to meet the credit needs of the larger businesses and farms in the assessment area. Including the current volume of loans sold of \$634,000 in the loan-to-deposit ratio would increase that ratio from the 44% average to 52%.

LENDING IN THE ASSESSMENT AREA

Illinois National Bank's lending inside the assessment area is excellent with a substantial majority of the number and dollar amount of loans being made to customers within the bank's assessment area. As illustrated in *Table 2*, a sample of loans originated between March 28, 1996 and May 31, 1999 revealed that 95% of the number and dollar amount of loans were made inside the bank's assessment area.

LOAN PENETRATION ANALYSIS				
Table 2				
Type of Loan	Within Assessment Area		Outside Assessment Area	
Residential Real Estate	10	100%	0	0%
	\$293,200	10%	\$0	0%
Agricultural Loans	25	93%	2	7%
	\$1,649,000	94%	\$100,000	6%
Total	35	95%	2	5%
	\$1,942,200	95%	\$100,000	5%

Source: Detailed loan reports which covered the time period of March 28, 1996 through May 31, 1999.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Illinois National Bank's record of lending to borrowers of all income levels and to small businesses and farms within the Fairmount assessment area is good. Fourteen percent of the families of the bank's assessment area are considered low-income, with an additional 17% classified as moderate-income. Income levels used in our analysis are based on the 1996, 1997, and 1998 nonmetropolitan median family incomes for Illinois, which were \$36,000, \$37,600, and \$39,500 respectively.

Residential Loan Analysis

Illinois National Bank originates real estate loans to individuals of different income levels in reasonable proportion to the area's income characteristics. As illustrated in *Table 3*, the origination of real estate loans made to low- and moderate-income borrowers was satisfactory. Our analysis indicates that 30% of the number, and 25% of the dollar amount, of real estate loans we reviewed were made to low- and moderate-income borrowers. This is reasonable as compared to the assessment area's ratio of 31% of families in the low- and moderate-income categories.

REAL ESTATE LOANS Distribution of Borrowers' Income Levels Table 3					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
Low - Income Less than 50% of Median	1	10%	\$34,500	12%	14%
Moderate - Income 50% - 79% of Median	2	20%	\$37,700	13%	17%
Middle - Income 80%-119% of Median	3	30%	\$59,000	20%	22%
Upper - Income 120% or more of Median	4	40%	\$162,000	55%	47%
Totals	10	100%	\$293,200	100%	100%

Source: This table is an analysis based on a sample of 10 residential real estate loans (\$293,200) that were made in the bank's assessment area between March 28, 1996 through May 31, 1999.

Agricultural Loan Analysis

As illustrated in *Table 4*, the bank's distribution of lending to small farms within the assessment area is excellent. Our sample of 25 agricultural loans in the assessment area showed 88% of the number, and 89% of the dollar amount, of these loans were made to small farms. Small farms are defined as a farm with annual gross revenues below \$500,000.

AGRICULTURAL LOANS				
Distribution to Various Farms by Revenue Size				
Table 4				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	3	12%	\$195,000	12%
\$100,000 - 250,000	4	16%	\$241,000	15%
\$250,000 - 500,000	15	60%	\$1,028,000	62%
More than \$500,000	3	12%	\$185,000	11%
Totals	25	100%	\$1,649,000	100%

Source: This table is an analysis based on a sample of 25 loans (\$1,649,000) made to farms located inside the bank's assessment area between March 28, 1996 and May 31, 1999.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the geographic distribution of loans was not necessary, due to the fact that all of the BNAs in the Fairmount assessment area are either middle- or upper-income.

COMPLIANCE WITH FAIR LENDING LAWS

A comparative file analysis was not performed at this evaluation. A sample of 10 loans was reviewed representing a variety of consumer installment and real estate loan products for compliance with substantive consumer protections under the Equal Credit Opportunity Act. No evidence was found to indicate that the bank was not complying with the substantive provisions of the anti-discriminatory laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area.

WRITTEN COMPLAINTS

Illinois National Bank has not received any written complaints about its performance in helping to meet the credit needs within its assessment area.