



Small Bank

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 22, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Illinois National Bank
Charter Number 13886**

**229 Main Street, Box B
Savanna, Illinois 61074**

Comptroller of the Currency

**Chicago West Field Office
85 W. Algonquin, Suite 340
Arlington Heights, IL 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 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 Illinois National Bank, Savanna, Illinois** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **March 22, 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.

First Illinois National Bank is committed to assessing the community's credit needs and is committed to meeting those needs. The banks' level of loans compared to deposits, along with the distribution of loans to individuals of all income levels and loans to small businesses, is evidence of their commitment.

DESCRIPTION OF INSTITUTION

First Illinois National Bank (FINB) is a \$95million institution with its main office in Savanna, Illinois. Savanna is located along the Mississippi River in Carroll County with a population of 3,800. The bank has two branches in the nearby town of Mount Carroll and two automatic teller machines, one in Savanna and one in Mount Carroll.

The bank is wholly owned by FINB Holding Corporation, a one-bank holding company, which is wholly owned by Second MidAmerica Bancshares Inc. The loan portfolio represents 73% of average assets. The loan portfolio consists of 51% real estate, 35% commercial, 8% agricultural, 4% loans to individuals and 2% municipal. Loan growth at year-end 1998 is 25%. The local market competition is strong with 2 banks, 2 credit unions and 1 savings bank serving the town of Savanna. There are no legal or financial impediments impacting the bank's ability to help meet the community's credit needs.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of seven Block Numbering Areas (BNAs) which includes the western two thirds of Carroll County, the southwest corner of JoDaviess County and a five mile strip of eastern Iowa, including Sabula, in Jackson County, Iowa. All census tracts are middle income. The updated non-MSA median family income for the assessment area is \$39,742. Using 1990 census data, total population of the assessment area is 22,008 persons. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income areas.

The economy is somewhat unstable and population continues to decline in the southeastern portions of the Carroll County area thus limiting opportunities in and around the community in which the banks main office is located. The Savanna Army Depot will be closed by end of year 2000 and management is concerned about the impact this is having on the local economy. A new prison is being planned for an area south of the bank and it is hoped that the staffing of the prison will replace what the closing of the Army Depot takes away. The economies are more stable and opportunities are greater in parts of Jo Daviess County, eastern Carroll County and parts of Jackson County, Iowa.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation period covers activity from April 2, 1996 through March 22, 1999. Overall, First Illinois National Bank meets the community's credit needs in a manner commensurate with its size, resources and capabilities.

- **The bank demonstrates a willingness to lend to borrowers of different income levels and businesses of different sizes.**

Using 1990 census data and the updated average median family income of \$39,742, the charts below demonstrate the bank's borrower distribution among different income levels and businesses of different sizes. Our analysis included a sample of 13 loans or 15% of the bank's new residential real estate loans from March 15, 1998 through March 16, 1999. The sample also included 16 or 10% of new business loans from March 15, 1998 through March 16, 1999. These two loan types were chosen for the evaluation because they comprise a large majority of the bank's loan portfolio.

Percentage of New Loans to Borrowers of Different Income Levels

Purpose	Low Income	Moderate Income	Middle Income	Upper Income	Total As a %
Residential Real Estate *	23%	15%	31%	31%	100%

*Includes Home Purchase, Home Improvement and Refinancing

Percentage of Total Families within each Income Level*

Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families	Total Families in the Assessment Area
16%	19%	27%	39%	100%

*Data is from 1990 US Census data.

Percentage of New Loans to Businesses of Different Sizes

Business Purpose Loans To Businesses of different size as a % of new loans	Businesses with annual revenues >\$1million	Businesses with annual revenues < than \$1million
	56%	44%

Percentage of each Business Size within the Assessment Area*

Businesses with Revenues >\$1 million	Businesses with Revenues <\$1 million
93%	7%

*Data is from 1990 US Census data.

- **Geographic distribution analysis of loans would not be meaningful.**

A geographic distribution analysis of loans extended is usually performed to measure the bank's distribution of loans within its assessment area by income level in low, moderate, middle and upper income census tracts. FINB's assessment area only has middle income census tracts so analysis would not be meaningful.

- **The bank's Loan to Deposit Ratio is reasonable and comparable to local competitors.**

The bank's loan to deposit ratio as of December 31, 1998 is 81% and is comparable to competitors who are similarly situated within FINB's assessment area. Competitor's loan to deposit ratios ranged from 70% to 91%. The average loan to deposit ratio since the bank's last evaluation in April of 1996 is 82% (a 25% increase). The loan to deposit ratio does not include loans sold to the secondary market.

- **Lending within the assessment area is not a majority but is acceptable.**

Loans inside the bank's assessment area are not a majority. We used our original loan sample of 13/86 new residential real estate loans and 16/159 new commercial loans to determine the bank's in and out ratio*. FINB's overall ratio of 41% is acceptable due to the unstable economic conditions within segments of the assessment area. This decline in the local economy and the migrating population has resulted in a lack of loan demand. Strong competition among local competitors for the remaining market has also had a negative effect on the bank's in and out ratio. Residential real estate loans have an in and out ratio of 54% and commercial loans have a 38% in and out ratio.

*A in and out ratio is the number and dollar amount of loans extended inside the bank's assessment area compared to the number and dollar amount extended outside of the bank's assessment area.

- **The bank did not receive any consumer complaints since our last evaluation.**

COMMUNITY CONTACT

Two local community organizations were contacted to find out what they perceive the credit needs of the community might be and whether or not local financial institutions are meeting those needs. Our contacts concurred that the economy has been deteriorating over the past 7 to 8 years but has recently been experiencing an upturn. The new prison being planned for just south of town has spurred some new housing starts in anticipation of the need for housing of the prison staff and their families.

Contacts felt that small business loans and residential real estate loans for new development and home improvement were the primary credit needs and are available from various institutions in the area. Our contacts spoke highly of First Illinois National Bank and their involvement with the community as a whole and especially with small business.

FAIR LENDING

- **The bank is in substantive compliance with anti-discrimination laws and regulations.**

We did not detect any discriminatory practices intended to discourage applicants for credit. During our evaluation, we reviewed 20 new installment loans extended during the 12-month period of March 15, 1998 through March 16, 1999. We tested loan rates and terms for discrimination on the basis of gender. We found that loan rates and terms were consistently applied to successful applicants.