



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank in Monmouth
Charter Number 15389
311 North Main Street
PO Box 675
Monmouth, IL 61462**

**Office of the Comptroller of the Currency
440 South LaSalle Street, Suite 2700
Chicago, Illinois 60605**

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 **Community National Bank in Monmouth (CNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 7, 1999**. This evaluation is based on information from the last CRA examination dated January 1, 1996 to the current examination dated March 31, 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.”

CNB’s loan originations to small farms and small businesses is good, and its loan to deposit ratio is comparable to competitors in the market. A majority of loan originations are located within the bank’s assessment area. The bank’s distribution of lending to individuals with different income levels and areas, including to low- and moderate-income people, and in moderate-income geographies, is reasonable.

DESCRIPTION OF INSTITUTION

CNB is a \$33 million bank in Monmouth, Illinois, located between Galesburg, Illinois, and Burlington, Iowa, along Illinois Highway 34. CNB's banking office, drive-in facility and Automated Teller Machine (ATM) are located immediately north of downtown Monmouth.

CNB is not associated with a holding company or other affiliate. The bank offers traditional banking services and lending products. The primary business focus is agricultural and residential real estate lending. The loan portfolio mix is as follows: Farm real estate/agricultural production - 19%, residential real estate - 32%, consumer - 36%, and commercial real estate/business loans - 13%.

There are no financial conditions, legal constraints or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA). A "Satisfactory" rating was received during the April 17, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREAS:

The bank's assessment area consists of all Block Numbering Areas (BNAs) in Warren and Henderson Counties in Illinois. One of the BNAs in the AA, in south Monmouth, is designated as moderate-income, with the rest identified as middle-income.

According to 1990 census data, the total population of the bank's AA is 27,277. The updated non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$41,500. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120%, and more than 120% are designated as moderate-, middle-, and upper-income, respectively. Within the AA, 21% of the families are low-income, 22% are moderate-income, and 57% are middle- and upper-income.

There are 12,318 total housing units in the AA, of which 62% are owner-occupied, 25% are rental-occupied and 14% are vacant. The median age of homes in the AA is 46 years, while the median housing price is \$33,094.

Economic conditions in the AA are stable and influenced by agriculture and other local employers involved in manufacturing, meat processing and services. Principal employers in the bank's AA are Farmland Industries, Monmouth College and the Monmouth School District. Many of the bank's customers also commute to nearby Galesburg for employment including a state correctional facility, two colleges and the Burlington Northern Santa Fe railroad. The unemployment rate for the AA is low at 3.22%. A large number of banks in Monmouth, Galesburg and other communities provide a significant level of competition in the financial services market.

A community contact was made with a local community official. The contact indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in

the community. He indicated the local economy is characterized by an aging infrastructure which may hinder further development. The population is declining, and is aging.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank’s loan-to-deposit ratio meets the standards for satisfactory performance. CNB’s average loan-to-deposit ratio for the 13 quarters ending March 31, 1999 totaled 55.56%, and the trend is up. CNB’s current loan-to-deposit ratio of 65.37 compares to a range of 31.56% to 80.46% for the five other Warren and Henderson County locally-chartered banks. Information is not available on the loan activity of the larger banks with branch locations in the AA.

LENDING IN ASSESSMENT AREA

The bank’s record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank’s lending within and outside the AA by dollar volume and number of loan originations during the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$3,767,323	\$604,946	118	15
	86%	14%	89%	11%
Business	\$1,657,947	\$673,842	43	8
	71%	29%	84%	16%
Agricultural	\$3,616,791	\$708,967	57	9
	84%	16%	86%	14%
TOTAL	\$10,106,741	\$1,987,755	218	32
	84%	16%	87%	13%

Source: Bank Records (1/1/96 to 3/31/99)

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

The distribution of residential real estate lending reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals. Based on our review of all residential real estate loans originated within the AA during the evaluation period, 33% by dollar and 47% by number were originated to low- and moderate-income borrowers. This is reasonably comparable to the bank's demographic statistics which indicate that 43% of all families are designated as low- or moderate-income:

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	21%	\$461,197	12%	24	20%
Moderate-income	22%	\$836,422	21%	33	27%
Middle-Upper income	57%	\$2,728,105	67%	66	53%
TOTAL	100%	\$4,025,724	100%	123	100%

Source: Bank Records (1/1/96 to 3/31/99)

Virtually the entire commercial and agricultural customer base of the bank generates annual revenues of less than \$1 million. Using loan size as a proxy for business and farm revenues, the bank's record of lending to small businesses and farms is good. As detailed in the following table, 50% of loans originated during the evaluation period to small businesses and farms originated for less than \$25,000.

**DISTRIBUTION OF SMALL BUSINESS AND AG LOAN SAMPLE
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	31	55%	28	45%
\$25,000 - 49,999	9	16%	10	16%
\$50,000 - \$99,999	11	20%	11	18%
Over \$100,000	5	9%	13	21%
TOTAL	56	100%	62	100%

Source: Bank Records (3/31/99)

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of residential real estate lending reflects reasonable penetration among BNAs of different income levels including the one moderate-income BNA in the AA. Based on our review of all residential real estate loans originated within the AA during the evaluation period, 34% by dollar and 44% by number were originated in moderate-income BNAs. This is favorably comparable to the bank's demographic statistics which indicate that 13% of all BNAs are designated as moderate-income:

RESIDENTIAL REAL ESTATE LENDING TO BNAs OF DIFFERENT INCOME LEVELS

INCOME LEVEL OF BNA	% OF BNAs	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	0%	NA	NA	NA	NA
Moderate-income	13%	\$1,499,552	34%	58	44%
Middle-Upper income	87%	\$2,872,717	66%	75	56%
TOTAL	100%	\$4,372,269	100%	133	100%

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under the CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify violations of any substantive provisions of the antidiscrimination laws and regulations during our examination.

INVESTMENTS AND SERVICES

The bank's activity in investments and services is limited due to the unavailability of opportunities to purchase municipal investments or provide services which directly benefit low- or moderate-income individuals. The branch offers a full line of products and services and includes an ATM for convenience. No branch openings or closings have occurred since the last CRA examination.