

Public Disclosure

August 11, 1999

Community Reinvestment Act Performance Evaluation

**Marseilles National Bank
Charter No. 14524**

**100 East Bluff Street
Marseilles, Illinois 61341**

**Comptroller of the Currency
One Financial Place, Suite 2700
440 S. LaSalle Street
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.

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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 **Marseilles National Bank**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **August 11, 1999**. The OCC 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**.

- **Marseilles Bank, N.A.'s loan to deposit ratio is reasonable.**
- **A substantial majority of loans are made in the bank's assessment area.**
- **Marseilles Bank, N.A. originates loans to individuals of different income levels and businesses of different sizes.**

The following table indicates the performance level of Marseilles Bank, N.A. with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Marseilles Bank, 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

Marseilles Bank, N.A. is a \$23 million financial institution located in Marseilles, Illinois. Marseilles is located in LaSalle County, approximately 90 miles northeast of Peoria. The bank has one full service office and one limited service drive-up facility with an automated teller machine (ATM). Marseilles Bancorp, Inc. , a one-bank holding company, wholly owns the bank.

At March 31, 1999, Marseilles Bank, N.A. had total assets of \$23 million, net income of \$135 thousand and a loan to deposit ratio of 60.48%. Loans represent 57% of total assets. Residential real estate lending represents 67%, loans to individuals represents 18% and commercial lending represents 5% of gross loans. The volume of lending has remained stable, increasing 4% between March 31, 1998 and March 31, 1999.

The Bank's primary focus is on retail lending and it offers many retail loan products including real estate, personal, consumer, automobile, home equity loans and home equity lines of credit. The bank's business lending is limited because of its retail focused strategy.

There are no financial or legal impediments that would impact Marseilles's ability to meet the credit needs of its community.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area is comprised of five block-numbering areas (BNA's) encompassing a six-mile radius around the bank's main office in Marseilles, IL. It is located in LaSalle County, Illinois and borders on the city of Ottawa to the West and the town of Seneca to the East. There are no low- or moderate-income geographies within the assessment area. Of the five BNA's in the assessment area, three (60%) are middle-income and two (40%) are upper-income geographies. The assessment area includes the geography where the bank has its office, drive-up facility and ATM. It meets the requirements of the regulation and does not arbitrarily exclude low-and moderate-income areas.

The total population of the assessment area is 19,316. There are 5,150 families within the bank's assessment area. Fourteen percent of the families are low-income, 15 % are moderate-income, 22% are middle-income and 49% are upper income. The 1997 median family income for the assessment area is \$39,500. Twenty-eight percent of the households receive social security and 16% are retirement households. Ten percent of the households are below the poverty level. Of the available housing units, 71% are owner occupied, 23% are rental and 6% are vacant units. The weighted average of median housing cost is \$56,501.

Ninety-four percent of the businesses in the bank's assessment area are non-farm businesses and 70% have less than \$500,000 in annual sales volume.

The city of Marseilles, population 5,100, has a small industrial base, with local employers consisting of a cardboard box manufacturer, General Electric plastics plant, Commonwealth Edison nuclear power plant, grade school district and automated brick manufacturer. Many local workers commute to Caterpillar plants in Joliet, Aurora and Pontiac, IL. The local economy is stable. Ninety-five percent of the businesses in the bank's assessment area are small businesses, with less than 50 employees and 71% have less than 5 employees. The majority (60%) of the businesses are service and retail trade. Demand for commercial loans is low, as Marseilles has not been able to attract new businesses.

The local market for financial services is competitive, given the close proximity to Ottawa and the significant number of financial institutions in the immediate area. Major competitors include Twin Oaks Savings Bank, the only other institution in Marseilles, Financial Plus Credit Union, First Midwest Bank of Seneca, Union Bank in Ottawa and the First National Bank of Ottawa. These banks vary significantly by size and business focus, and are considered to be similarly situated to Marseilles Bank, only by their close proximity.

CONCLUSION WITH RESPECT TO PERFORMANCE CRITERIA

Marseilles Bank, N.A. meets the community credit needs in a manner consistent with its size and resources.

Loan to Deposit Ratio:

The bank's loan to deposit ratio is reasonable. As of March 31, 1999, the loan to deposit ratio was 61.9%. It is slightly higher than the national peer, which is 60.2%. The bank's quarterly average loan to deposit ratio for the period 6/30/96 to 3/31/99 was 63.3%. It ranged from a low of 58.0% at 6/30/96 to a high of 65.7% at 12/31/98.

Lending within the Assessment Area:

The bank makes a substantial majority of its loans inside its assessment area. As of July 31, 1999, approximately 94% of Marseilles Bank's outstanding mortgage, installment, home equity and commercial loans were located within its assessment area. By dollar volume 92% of the loans outstanding are in the assessment area.

Geographic Distribution of Loans:

There are no low-or moderate-income BNA's in the bank's assessment area. A geographic distribution analysis would not be meaningful.

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

The bank lends to borrowers of different income levels and businesses of different sizes. A sample of installment and mortgage loans revealed that 17.5% were made to low income borrowers, 22.5% to moderate income borrowers, 27.5% to middle income borrowers and 32.5% to upper income borrowers. This generally reflects the family income demographics of 13.8%, 15.1%, 22.4% and 48.7% for low, moderate, middle and upper income respectively.

The bank's strategic focus is retail lending, however it does make some small business loans. A review of 72 commercial loans with total outstanding balances of \$1.3 million as of 8/6/99 revealed that 18% had balances greater than \$25,000, while 82% had balances less than \$25,000. This would be consistent with the business demographics for the assessment area, where 70% of the businesses are small businesses that have less than \$500,000 in annual sales volume.

Response to Complaints:

No consumer complaints have been filed regarding the bank's performance with the CRA since the last CRA evaluation.

Compliance with Fair Lending Laws and Regulations:

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 a sample of ten new consumer loans extended during 1998 and 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.