



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 29, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**The First National Bank Of McHenry
Charter Number 15765**

**3814 West Elm Street
McHenry, IL 60050**

**Comptroller of the Currency
ADC - Chicago-North
85 West Algonquin Road, 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 The First National Bank Of McHenry, McHenry, IL as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 29, 2001. 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 loan to deposit ratio is reasonable given the composition of the bank's assessment area, penetration among borrowers of different income levels, distribution within the assessment area, and local economic demographics.
- A majority of the loans are made in the assessment area.
- Distribution of credit among borrowers of different income levels is good.
- There have been no CRA complaints against the bank.
- The bank's assessment area is adequate and does not arbitrarily exclude low- or moderate-income census tracts.

Description of Institution

The First National Bank of McHenry is a community bank headquartered in McHenry, IL. It is wholly owned by First McHenry Corp., a one-bank holding company. The bank has three branches located in south McHenry, Island Lake, and South Prairie. As of 9/30/2000 average assets are \$108MM. Loans represent 44% of total assets, Available For Sale Securities represent 47% of total assets, and 4% of total assets are cash equivalents. The bank's loan portfolio is comprised mainly of real estate loans (87% of total loans). Commercial loans represent 8% of total loans, and consumer loans represent 4% of total loans.

The bank was last examined under CRA November 24th, 1997 and received a Satisfactory record of meeting community credit needs.

Description of the Assessment Area

The bank has one assessment area that falls within one state (Illinois). The assessment area contains 17 census tracts located in MSA 1600 (Chicago Metropolitan Area). The area is roughly square in shape and is generally bounded by the Wisconsin state line to the north, all of Grant and Wauconda Township and part of Antioch Township (Route 83) on the east, Crystal Lake Avenue on the south, and Wonder Lake Road on the west. Of the 17 census tracts, 15 are considered Middle income census tracts and 2 are Upper income census tracts. The bank does not have any low- or moderate-income census tracts in its defined assessment area. However, approximately 16% of households in the assessment area are low-income and 14% are moderate-income. The bank's assessment area is adequate and does not arbitrarily exclude low- or moderate-income census tracts.

The weighted average median family income for the bank's assessment area is \$45,588. Using 1990 Census Data there are 107,481 individuals and 29,286 families in the assessment area. There are 41,629 housing units, of which 74% are owner occupied. The median housing value is \$103,255. Approximately 86% of companies in the assessment area are small businesses. Construction (15%), Retail Trade (17%) and Services (35%) represent the largest industry concentrations in the assessment area.

Conclusions with Respect to Performance Criteria:

Loan to Deposit Ratio

Overall the bank's average loan to deposit ratio is reasonable when using CRA Lending Test Performance Criteria. Our conclusion is based on the composition of the bank's assessment area, penetration among borrowers of different income levels, and distribution within the assessment area. The bank's average loan-to-deposit ratio since the last CRA examination is 44.8%. The bank's average loan-to-deposit ratio is low when compared to both national and local peer groups. The average loan-to-deposit for FNB McHenry's national peer group is 77.4%, while the bank's local peer average is 75.18%. The local peer group average was calculated by using three similarly situated banks. FNB McHenry, historically, has had a low loan-to-deposit ratio. Competition has hampered the bank's lending opportunities to some extent. Several bank and non-bank institutions compete in the bank's local trade area.

Lending to Borrowers of Different Income Levels

The bank's record of originating loans among borrowers of different income levels is proportionate with the demographics of low- and moderate-income families in the assessment area. The tables below show the bank's lending performance among borrowers of different income levels. Distribution of FNB McHenry's Consumer loans among low- and moderate-income borrowers is good. Distribution of HMDA loans among borrowers of different income levels is reasonable.

Assessment area demographic information. MSA 1600 represents Chicago Metropolitan Area.

1990 Income Households Summary	Low Income Households		Moderate Income Households		Middle Income Households		Upper Income Households		Households below poverty	
	#	%	#	%	#	%	#	%	#	%
Assessment Area	6,290	16.5%	5,459	14.3%	9,216	24.1%	17,217	45.1%	1,761	4.6%
MSA: 1600	621,533	23.3%	423,715	15.9%	554,125	20.8%	1,067,809	40%	278,773	10.5%
State: IL	99,507	23.8%	670,614	16%	848,373	20.2%	1,679,226	40%	481,483	11.5%

Random Sample of 20 non-HMDA reportable consumer loans from 1998 thru 2000. Consumer loans include home equities, vehicle loans, and personal loans. Table represents loan penetration among borrowers of different income levels in A.A.

1998 - 2000	#	%	\$ Volume	%
Low	3	18%	\$34,538	15%
Moderate	3	18%	\$31,448	14%

Middle	4	24%	\$38,027	17%
Upper	7	41%	\$123,074	54%
Total	17	100%	\$227,087	100%

All HMDA loans from 1998 thru 2000. Table represents loan penetration among borrowers of different income levels in A.A.

1998 - 2000	# of loans	% of total in A.A.	\$ Volume (000)	% of total in A.A.
Low	11	7%	\$394	3%
Moderate	20	12%	\$981	8%
Middle	33	20%	\$2,355	18%
Upper	99	61%	\$9,189	71%
Total	163	100%	\$12,919	100%

Lending in the Assessment Area

The majority of the bank's loans are originated in the assessment area. A review of all HMDA loans from 1998 thru 2000 and 20 non-HMDA reportable Consumer loans was performed to determine the bank's distribution of credit in and out of the assessment area.

All HMDA loans from 1998 thru 2000 and sample of 20 Consumer loans from 1998 thru 2000. Consumer loans include home equities, car loans, and personal loans. Table below represents distribution of credit in vs out of assessment area

Loan Type	\$ Volume Inside A.A.	% of Total Loans	# of loans inside A.A.	% of Total Loans
HMDA	\$12,919,000	78%	163	82%
Consumer	\$227,087	89%	17	85%

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not meaningful. There are no low- or moderate-income census tracts in the bank's assessment area.

Compliance with Anti-discrimination Laws

No violations of Anti-discrimination laws or regulations were identified during the course of the examination.

Community Reinvestment Act Complaints

No complaints have been made against the bank's compliance with the Community Reinvestment Act.