



PUBLIC DISCLOSURE

October 19, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Havana National Bank
Charter Number 2242
120 South Orange
Havana, IL 62644**

**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 Community Reinvestment Act (CRA) performance of **The Havana National Bank (HNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 19, 1998**. This evaluation is based on information from the last CRA examination dated October 11, 1995, to the current examination dated October 19, 1998. 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."

A majority of HNB's loan originations are located within the bank's assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable. HNB's record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION

HNB is an \$85 million bank in Havana, Illinois, located in West Central Illinois. HNB has one office in downtown Havana, with a drive-up and Automated Teller Machine (ATM) at that location. The bank's three ATM's are all located in Havana, a moderate-income area.

HNB has no holding company affiliation. The bank offers traditional banking services and lending products. Its primary business focus is agricultural, commercial, and residential real estate lending. The loan portfolio mix is as follows: agricultural 53%, commercial 20%, residential real estate 19%, and instalment 8%.

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 October 11, 1995, CRA examination.

DESCRIPTION OF ASSESSMENT AREA:

This AA is comprised of two moderate-income and eight middle-income Block Numbering Areas (BNAs). There are no low- or upper-income BNAs in the AA.

The location of the BNAs by income level is as follows:

- Moderate-income: 9539 in Fulton County
9565 in Mason County

- Middle-income: 9603 in Cass County
9537 & 9538 in Fulton County
9563, 9564, 9566, 9567 in Mason County
9703 in Schuyler County

According to 1990 census data, the total population of the bank's AA is 28,944. The 1997 non-Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$39,500. 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, 25% of the families are low-income, 20% are moderate-income, 22% are middle-income, and 33% are upper-income.

There are 13,213 total housing units in the AA, of which 63% are owner-occupied, 21% are rental-occupied, and 15% are vacant. The median age of homes in the AA is 43 years, while the median housing price is \$32,168.

Economic conditions in the AA are stable. The local economy includes agricultural and manufacturing industries. Major employers include Mason District Hospital, Internet, McLean Forge, Illinois Power, and the school district.

The unemployment rate for the AA is 4%. The large number of banks, thrift institutions, Farm Credit Services, and CEFCU provide a high level of competition in the financial services market. Two similarly situated institutions within the AA were identified based on asset size and/or business focus.

A community contact was made with one local Realtor during the examination. The contact indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The average loan-to-deposit ratio for the twelve quarters ending June 30, 1998 equals 64.77% compared to 55.70% for local similarly situated banks. During these twelve quarters, HNB's loan-to-deposit ratio has increased from 57.11% on June 30, 1995 to 70.67% on June 30, 1998.

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 of the AA by dollar volume and number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$6,324,112	\$752,550	154	15
	89%	11%	91%	9%
Business	\$7,101,661	\$4,446,176	129	52
	62%	38%	71%	29%
Agricultural	\$29,923,133	\$8,011,199	481	71
	79%	21%	87%	13%
Consumer Instalment	\$1,117,902	\$275,712	108	25
	80%	20%	81%	19%
TOTAL SAMPLE	\$44,466,808	\$13,485,637	872	163
	77%	23%	84%	16%

Source: Bank Records (1/1/96 to 10/22/98)

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

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels including low- and moderate-income individuals. Based on a sample of 77% of the residential real estate loans originated within the AA during the evaluation period, 31% were originated to low- and moderate-income borrowers.

HNB accommodates low- and moderate-income individuals by granting small dollar personal and real estate loans. Thirty-eight percent of the real estate loans originated for less than \$25,000, 36% originated for \$25,000 to \$49,999, 21% originated for \$50,000 to \$99,999, and 5% originated for more than \$100,000 in the AA.

The following table summarizes the bank’s distribution of loan originations among borrowers of different income levels:

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

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	\$324,193	7%	14	12%
Moderate-income	\$506,819	11%	22	19%
Middle-income	\$1,427,325	30%	40	34%
Upper-income	\$2,412,875	52%	42	35%
TOTAL SAMPLE	\$4,671,212	100%	118	100%

Source: Bank Records (1/1/96 to 10/22/98)

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, a substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$50,000.

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

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$50,000	92	71%	296	61%
\$50,000 - \$99,999	17	13%	95	20%
\$100,000 - \$249,999	14	11%	71	15%
\$250,000 - \$999,999	5	4%	19	4%
>\$1,000,000	1	1%	0	0%
TOTAL SAMPLE	129	100%	481	100%

Source: Bank Records.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of residential real estate loans exceeds standards for satisfactory performance based upon the demographics of the assessment area. The following table reflects the geographic distribution of residential real estate originations between January 1, 1996 and October 22, 1998. Our analysis is based on residential real estate loans originated in the evaluation period.

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA				
INCOME LEVEL OF BNA	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	There are no low-income BNAs in the assessment area.			
Moderate-income	\$4,679,664	74%	122	79%
Middle-income	\$1,644, 448	26%	32	21%
Upper-income	There are no upper-income BNAs in the assessment area.			
TOTAL SAMPLE	\$6,324,112	100%	154	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.