



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

May 18, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank
Charter Number 7379**

**102 North Maple Street, Box 367
Mulberry Grove, Illinois 62262**

Office of the Comptroller of the Currency

**Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208**

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**, Mulberry Grove, Illinois, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 18, 1998. This assessment covers the time periods from May 6, 1996, to May 18, 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 Record of Meeting Community Credit Needs.

- The distribution of borrowers reflects an adequate penetration among individuals of different income levels, including low and moderate income, and businesses and farms of different sizes.
- A majority of the loans are within the bank's assessment area.
- The bank's loan to deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank, located in Mulberry Grove, Illinois, is owned by MGB Bancshares, Inc., a one-bank holding company. As of March 31, 1998, the bank's assets totaled \$30 million. The bank operates a branch office in Greenville, Illinois, in addition to two automatic teller machines, one at the Greenville facility and a proprietary machine at a service station in Pocahontas, Illinois. The primary business focus is in loans to individuals, real estate loans, and business and agriculture-related loans. As of March 31, 1998, consumer loans totaled 29% of the loan portfolio, 1-4 family residential real estate loans totaled 25%, nonresidential real estate loans totaled 17%, business and agriculture-related loans totaled 26%, and various other loans totaled 3%.

There are no known constraints placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated May 6, 1996, was Satisfactory Record of Meeting Community Credit Needs.

DESCRIPTION OF ASSESSMENT AREA

The First National Bank designated its assessment area as all of Bond County, containing four Block Numbering Areas (BNAs), and the western section of Fayette County containing BNAs 9507, 9508, 9509, and 9510.

Bond and Fayette Counties are non-Metropolitan Statistical Areas (MSA) located in southern Illinois approximately 45 miles northeast of St. Louis, Missouri. Based on the non-MSA median family income for Illinois in 1990 of \$29,694, each BNA within the bank's assessment area is middle-income. The Mulberry Grove office is located in BNA 9512 and the Greenville office is in BNA 9513; both locations are in Bond County.

Economic conditions in Bond County are stable. Economic conditions in Fayette County are moderate. As of March 31, 1998, the seasonally unadjusted unemployment rate is 5.9% in Bond County and 7.8% in Fayette County. These rates exceed the state rate of 4.8% and the national rate of 5% for the same period. The unemployment rates in both counties are improving. County unemployment rates have declined since January 1998 when the seasonally unadjusted rates for Bond and Fayette Counties were 7% and 9%, respectively.

Major employers in the assessment area are the Federal Correctional Institution, the Illinois Department of Corrections, Utlaut Memorial Hospital, Carlisle Syntec Systems, and Nevco Scoreboard. Approximately 9% of the households in the assessment area are involved in farming. Additionally, a sizable number of individuals commute outside the assessment area to surrounding counties and to the St. Louis metropolitan area for employment.

The population of this assessment area as of the 1990 census was 26,585. Census information on family incomes aggregated for this assessment area shows that 21% are low-, 20% are moderate-, 25% are middle-, and 34% are upper-income families.

For 1998, the State of Illinois non-MSA median family income is \$39,500. For the analysis contained in this report, low income is defined as income that is less than 50% of the non-MSA median family income. Moderate income is defined as income that is at least 50% but less than 80% of the 1998 non-MSA median family income. Middle income is at least 80% but less than 120% of the 1998 non-MSA median family income. Upper income is defined as income that is 120% or more of the 1998 non-MSA median family income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to borrowers of different income levels and businesses and farms of different sizes:

The distribution of borrowers reflects an adequate penetration among individuals of different income levels, including low and moderate income, and businesses and farms of different sizes. A sample of thirty-one consumer and home purchase loans and nine small farm and small business loans was analyzed to determine the distribution of credit within the assessment area by borrower income and business revenue. The percentage of 1-4 family residential real estate loans is not commensurate with the percentage of low- and moderate-income families in the assessment area. However, the bank does make many consumer loans to low- and moderate-income families. Our sample of consumer loans found strong penetration in both the low- and moderate-income family categories.

Loan Dispersion by Income Level

Income Levels	% of Population in Assessment Area	1-4 Family Residential Real Estate Loans		Consumer Loans	
		% by # of loans	% by \$ of loans	% by # of loans	% by \$ of loans
<i>Low-income</i>	21%	7%	2%	31%	23%
<i>Moderate-income</i>	20%	7%	6%	25%	34%
<i>Middle-income</i>	25%	33%	24%	13%	6%
<i>Upper-income</i>	34%	53%	68%	31%	37%

Our sample of loans to businesses revealed that all are to small business and small farms with revenues under \$1 million; 90% of these loans had original amounts of \$250,000 or less. Credit extensions to both small businesses and small farms reflect a responsiveness to commercial credit needs.

Percentage of loans in the assessment area:

A majority of the loans are within the bank's assessment area. A sampling of loans originated in 1997 and 1998 found that 78% of the number of loans and 91% of the dollar amount of loans are in the bank's assessment area.

Loan to deposit ratio:

The bank's loan to deposit ratio is reasonable. The bank's average loan to deposit ratio for the eight quarters between June 30, 1996, and March 31, 1998, is 70%. This ratio has remained stable over the past eight quarters. The average loan to deposit ratio among similarly situated financial institutions ranges between 60% and 74% for the same period. As of March 31, 1998, the bank's loan to deposit ratio is 69%.

Geographic distribution of the bank's loans:

All BNAs in the bank's assessment area are middle income. Consequently, an analysis of the geographic distribution of loans would not provide meaningful results.

Response to complaints:

No complaints were received by the bank since the prior CRA examination.

Compliance with antidiscrimination laws:

In conjunction with the CRA evaluation, we performed a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.