

Public Disclosure

April 12, 1999

Community Reinvestment Act Performance Evaluation

**Illinois One Bank, N.A.
Charter Number 14265
P.O. Box 279
Lincoln Boulevard
Shawneetown, IL 62984**

**Office of the Comptroller of the Currency
Evansville Field Office
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Evansville, Indiana 47708**

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 Illinois One Bank, N.A. (Illinois One) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 12, 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."

The rating of *Satisfactory* is supported by Illinois One's performance, which reflects:

- a majority of loans made to customers living within the assessment area;
- a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes; and,
- the good geographic distribution of loans throughout the assessment area.

DESCRIPTION OF INSTITUTION

Illinois One Bank, N.A. (Illinois One) is a full-service bank located in Shawneetown, Illinois. The bank is a subsidiary of National City Bancshares, Inc. of Evansville, Indiana. On March 31, 1999, Illinois One had total assets of \$136 million. Earnings as of this date were \$581,000 representing a 1.71 percent return on assets.

Illinois One is a full-service lender focusing locally on residential real estate, small business, and small farm lending. There are no financial or legal impediments that would hamper the bank's ability to meet the credit needs of the community. Illinois One has a satisfactory capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Table 1 Balance Sheet as of March 31, 1999			
Total Loans	\$78,556,000	Total Deposits	\$121,634,000
Investments	\$31,278,000	Other Liabilities	\$1,413,000
Other Assets	\$26,347,000	Total Liabilities	\$123,047,000
		Total Equity Capital	\$ 13,134,000
Total Assets	\$136,181,000	Total Liabilities & Capital	\$136,181,000

Source: Illinois One Bank, N.A. Financial Reports.

As of February 28, 1999, the loan portfolio consisted of 40% real estate loans, 35% commercial loans, 14% agricultural loans, and 12% consumer loans.

Illinois One has five offices in its assessment area. The main office is in Shawneetown and branches are in Elizabethtown, Golconda, Vienna, and Brookport, Illinois. ATM services are available at all branch locations except Brookport. Banking hours are Monday through Thursday from 9:00 A.M. to 3:00 P.M. and Friday 9:00 A.M. to 5:00 P.M. Drive-up services are Monday through Thursday from 8:00 A.M. to 4:00 P.M., Friday 8:00 to 5:00 P.M., and Saturday from 8:00 A.M. to 12:00 P.M. The bank has not opened or closed any branch offices during the period.

The last CRA Performance Evaluation was as of October 10, 1995. The bank received a 'Satisfactory' rating.

DESCRIPTION OF ASSESSMENT AREAS

Illinois One has two assessment areas. The Illinois assessment area includes the Illinois counties of Gallatin, Hardin, Pope, Johnson, and Massac. This five-county area includes four moderate- and nine middle-income Block Numbering Areas (BNAs). The Kentucky assessment area includes BNA

number 9502 in central Union County. Although the bank does not have an office in Union County, this area is in the bank's immediate trade area. During 1998, the bank originated many loans in this BNA. Income levels of BNAs are based on the statewide non-MSA median family income. The income categories are defined as low-, moderate-, middle-, and upper-, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of the non-MSA median family income (for 1998 the Illinois figure was \$39,500 and Kentucky was \$29,800). The assessment area is consistent with the guidelines of the regulation.

The area surrounding Shawneetown and other branch offices is rural. Hardin and Pope County are the state's two least populated counties. The southern Illinois counties that make up the assessment area are among the most economically depressed in the state. They are characterized by low population density, an aging population, high unemployment, and a substantial portion of families below the poverty level. Table 2 reflects the county unemployment rates compared to the state and national average.

Table 2 Unemployment Percentages September 1998						
Gallatin	Hardin	Pope	Johnson	Massac	Illinois	U.S.
8.5%	9.4%	9.3%	7.4%	5.5%	4.3%	4.5%

Source: Illinois Department of Commerce.

Competition from other financial institutions is moderate. The primary competitors include branches of regional banks.

Table 3 details the number and percentage of owner occupied units that are located in the moderate-, middle- and upper-income geographies in Illinois One's assessment areas. The table reveals that 23%, 63%, and 14% respectively, of the owner occupied units are located in the moderate-, middle- and upper-income geographies. This information is used to determine the bank's lending opportunities for home purchase, refinance, and home improvement loans.

Table 3 Number of Owner Occupied Units Based Upon Geographic Type				
Assessment Areas	Moderate	Middle	Upper	Total
Illinois	3,408 27.0%	9,234 73.0%	NA	12,642 86.3%
Kentucky	NA	NA	2,007 100%	2,007 13.7%
Total	3,408 23.3%	9,234 63.0%	2,007 13.7%	14,649 100%

Source: Local Demographic Data

Table 4 depicts the number and percentage of families within the bank's assessment areas based upon income level. The table reveals that 26% of the families have low- and 18% have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

Table 4						
Distribution of Families by Family Income and BNA Income Level						
Income level of BNA (#of BNAs's)		Family Income Level				
		Low	Moderate	Middle	Upper	Total
Moderate (4)	IL	1,077 33.7%	684 21.4%	652 20.4%	782 24.5%	3,195 100%
	KY	NA	NA	NA	NA	NA
Middle (9)	IL	2,270 26.5%	1,605 18.8%	1,870 21.9%	2,805 32.8%	8,550 100%
	KY	NA	NA	NA	NA	NA
Upper (1)	IL	NA	NA	NA	NA	NA
	KY	280 13.5%	229 11.0%	417 20.1%	1,152 55.4%	2,078 100%
Total	IL	3,347 28.5%	2,289 19.5%	2,522 21.5%	3,587 30.5%	11,745 100%
	KY	280 13.5%	229 11.0%	417 20.1%	1,152 55.4%	2,078 100%
	All Areas	3,627 26.2%	2,518 18.2%	2,939 21.3%	4,739 34.3%	13,823 100%

Source: Local Demographic Data

The 1998 non-MSA median family income for Illinois is \$39,500, while in Kentucky it is \$29,800. Income categories are defined as: less than 50% - low; 50% to 80% - moderate; 80% to 120% - middle; and >120% - upper.

Table 5 provides information on the number and percentage of businesses and farms with revenues of less than \$1 million. This table reveals that there are 742 businesses and 32 farms within the bank’s assessment areas that have revenues of less than \$1 million. There were also 90 businesses with annual revenues greater than \$1 million in the Illinois and Kentucky assessment areas. There was one farm in the Illinois assessment area with annual revenues greater than \$1 million. The table also provides information on the number and percentage of companies that are located in the various geographies. This information was used in analysis of the bank’s lending opportunities and performance in lending to small businesses and small farms.

Table 5 Number and Percentage of Businesses and Farms With Annual Revenues of Less than \$1 Million Based Upon Geographic Type									
Assessment Areas		Moderate		Middle		Upper		Total	
		Business	Farm	Business	Farm	Business	Farm	Business	Farm
Illinois		127	7	447	14	NA	NA	574	21
Kentucky		NA	NA	NA	NA	168	11	168	11
Total	#	127	7	447	14	168	11	742	32
	%	17.1%	21.9%	60.2%	43.8%	22.6%	34.4%	100%	100%

Source: Local Demographic Data

No unmet lending needs were identified through a contact with a community member. The community contact was a representative from the local public transportation agency. The primary lending needs identified through the community contact include loans for residential real estate, consumers, and small businesses. Illinois One is helping to meet these needs. Examples of this performance include the “In and Out of Assessment Area” lending ratio with 83% of the number and 75% of the dollar amount of Illinois One’s loan originations in the bank’s assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed bank compiled data of all types of loans originated from January 1997 through April 1999. This was done to evaluate the bank's volume of lending inside the assessment area, to borrowers of different income levels, and geographic distribution. The accuracy of information compiled by the bank was verified by sampling forty-eight residential real estate loans from this period.

Lending inside assessment area:

Illinois One's record of lending activity indicates that a majority of the bank's loans are originated within the assessment area.

Table 6 Ratio of Loans Inside the Assessment Area January 1997 to April 1999	
	Originations of all loan Types
# of Loans Inside the AAs	4,210
Total # of Loans	5,067
% of Loans Inside by #	83.1%
\$ of Loans Inside the AAs	\$66,556,000
Total \$ of Loans	\$89,145,000
% of Loans Inside by \$	74.7%

Source: OCC's review of all loan type originations.

The bank's record of lending shows that 83% of the number and nearly 75% of the dollar volume of all loans were originated inside the bank's assessment area. Illinois One's record of lending to borrowers in the assessment area is satisfactory.

Lending to borrowers of different incomes and to businesses of different sizes:

HOME MORTGAGE LOANS

Illinois One’s level of originations in its assessment areas to low- and moderate-income borrowers is consistent with lending opportunities and the bank’s abilities to help meet the credit needs of the assessment areas. Table 7 details the number of residential real estate loan originations to borrowers of different income levels in the assessment areas. Demographic data reveals that 53% of the low-income families in the Illinois assessment area and 81% in the Kentucky assessment area have incomes below the poverty level. Affordable housing opportunities are limited for families below the poverty level given housing prices in the area.

Table 7 Borrower Distribution of Residential Real Estate Loans					
Income Level of Borrower	Number of Loans		Dollar Volume		Total Families in the AA’s
	#	%	\$000's	%	%
Low-income	3	7%	\$60	3%	26.2%
Moderate-income	9	21%	\$318	17%	18.2%
Middle-income	13	31%	\$544	29%	21.3%
Upper-income	17	41%	\$966	51%	34.3%
TOTAL	42	100%	\$1,888	100%	100%

Source: OCC’s review of residential real estate loan originations. Dollar amounts are in thousands. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of the states non-MSA median family income.

SMALL BUSINESS AND SMALL FARM LOANS

Illinois One's record of extending loans to small businesses and small farms is satisfactory. The demographic data used to compile Table 5 shows that over 70% of all businesses and nearly 90% of all farms in Illinois One's assessment areas have annual incomes of less than \$1,000,000. To verify the bank's record of extending loans to businesses and farms of different sizes, we reviewed a sample of forty business and farm loans. Using loan size as a proxy for business size shows that the majority of business and farm loans made by Illinois One are to small businesses and farms. Table 8 shows the average loan size for business and farm loans is below \$100,000. The table illustrates that the bank has a satisfactory record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that the average business loan is \$88,850 and the average farm loan is \$62,750.

Table 8 Small Business and Small Farm Loans Average Loan Size at Origination			
Loan Amount at Origination	#	\$(000s)	Average Loan Size
Business Loans	20	\$1,777	\$88,850
Farm Loans	20	\$1,255	\$62,750
TOTAL	40	\$3,032	\$75,800

Source: OCC's sample of business and agriculture loan origination.

Geographic distribution of loans:

We performed an analysis of the bank's residential real estate loan originations by geographical area. The bank's assessment areas include four moderate-, nine middle-, and one upper-income BNAs. Table 9 depicts the number and percentage of residential real estate loans originated in each geography. The table shows that 74% of residential real estate loans were originated in the moderate-income geographies. This reflects excellent dispersion throughout the assessment area considering the percentage of owner occupied units located in these geographies is 23%.

Table 9 Geographic Distribution of Residential Real Estate Loans						
Income Level of Geography	Sample of Loan Originations in 1998				% of Families	% of Owner Occupied Units
	#	%	\$	%		
Moderate-Income	31	74%	1,393,000	74%	23%	23%
Middle-Income	5	12%	148,000	8%	62%	63%
Upper-Income	6	14%	347,000	18%	15%	14%
Total	42	100%	1,888,000	100%	100%	100%

Source: OCC's review of residential real estate loan originations.

Loan-to-deposit ratio:

Illinois One's quarterly average loan-to-deposit ratio from March 1996, to September 1998, is 65%. This is reasonable for a bank of their size and condition in this area. The ratios for competitor banks in the market area range from 60% to 80%.

Response to complaints:

Illinois One has not received any complaint letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We performed a review for gender discrimination by reviewing residential mortgage applications received during 1998. Our sample consisted of approved applications to females and approved applications to males. We did not identify any violations of the substantive provisions of the anti-discrimination laws or regulations. Illinois One's fair lending policies and procedures are satisfactory.