



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 7, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers National Bank of Prophetstown
Charter Number 6375**

**114 West Third Street
Prophetstown, Illinois 61277**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 Farmers National Bank of Prophetstown** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

This Evaluation covers the period since September 30, 1993, the date of the last CRA examination when the bank was rated “Satisfactory Record of Meeting Community Credit Needs.”

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.

The Farmers National Bank (FNB) has a reasonable loan-to-deposit ratio. FNB lends to a variety of borrowers, including agricultural borrowers and small business owners. A majority of lending is to borrowers located within the bank’s defined assessment area.

The following table indicates the performance level of The Farmers National Bank of Prophetstown with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Farmers National Bank of Prophetstown</u> 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

The Farmers National Bank (FNB) is located in Prophetstown, Illinois. Currently, FNB operates no branches. FNB offers additional services with one automated teller machine (ATM) located on the premises. As of September 30, 1996 FNB's assets totaled \$114 million with \$66 million (58%) in loans. FNB's loan portfolio consists of real estate loans (57%), agricultural loans (31%), commercial loans (8%) and consumer loans (4%). FNB is a wholly owned bank subsidiary of Prophetstown Banking Corporation (PBC), a one bank holding company. There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

DESCRIPTION OF THE ASSESSMENT AREA - WHITESIDE COUNTY

FNB's assessment area is the entire Whiteside County. Whiteside County is not part of a metropolitan statistical area. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The following demographic data describes Whiteside County and is compiled from the U. S. Bureau of Labor census data.

Whiteside County consists of 18 block numbering areas (BNAs). Of the 18 BNAs, 16 (89%) are considered middle-income and two (11%) are considered upper-income. There are no low- or moderate-income BNAs within the county. The county's population is most concentrated in Sterling (15,132) and Rock Falls (9,654) which are located approximately 20 miles northeast of Prophetstown. The population of Prophetstown is 1,749 with a county population of 60,186.

Whiteside County is represented by 16,964 families and 22,935 households. A family consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. A household includes all the persons who occupy separate living quarters. Not all households contain families since a household may consist of unrelated persons (for example, apartment household units) or one person living alone.

The median family income of Whiteside County is \$36,000. Family incomes represent 15%, 17%, 26% and 42% of low-, moderate-, middle- and upper-income families, respectively. The numbers of families within the middle- and upper-income BNAs are 15,212 (90%) and 1,752 (10%), respectively.

Major employers in the county include Northwestern Steel and Wahl Clipper. Both companies are located in Sterling. Industrial manufacturing and retail trade establishments are the primary employers throughout the county. Of the 22,935 households, 17,154 (74%) represent wage and salary income and 2,359 (10%) represent self-employed nonfarm incomes. In addition, 7,022 (30%) receive some type of social security payments and 3,862

(16%) of the households receive retirement income. The local economy is reported as strong with only 3.4% unemployment as of September 1996.

FNB effectively competes in their market area by centering their lending activities in the agricultural industry and providing banking services to the local area. Banks and savings institutions located in neighboring communities and the Farm Credit Bureau compete with FNB. Regional bank offices located in Sterling and Rock Falls are an additional source of competition.

Based on discussions with FNB officers during our examination and community contacts made by regulatory agencies in the last three years, the community's credit needs are identified as agricultural, residential real estate, small business and consumer loans. The major credit needs are tied to agricultural business within the Prophetstown rural area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (L/D) Ratio:

On September 30, 1996, the L/D ratio was reasonable at 77%, higher than the L/D ratio of surrounding community financial institutions. Seven other communities' financial institutions' L/D ratios averaged 27% to 68% over the three-year period covering September 1993 through September 1996. FNB's quarterly L/D ratio averaged 76% during this same time period.

Lending in Assessment Area:

The majority of FNB's lending is within Whiteside County. To determine the extent of FNB's lending within the county, we reviewed the loan data of 297 agricultural loans totaling \$12,038,791. These 297 loans originated during March 1996 through September 1996. Our review revealed that 72% of the number of loans and 60% of the dollar amount of loans were made within the assessment area. We also reviewed mortgage lending reports to determine the extent of FNB's mortgage lending within the assessment area. The following table shows FNB's residential mortgage originations during 1994, 1995 and year-to-date 1996.

Table one Residential Mortgage Lending						
Year	Total Loan Volume		Loans Originated within Whiteside County			
	#	\$	#	%	\$	%
1994	46	\$1,733,175	41	89	\$1,328,300	77
1995	36	\$1,578,350	35	97	\$1,473,350	93

1996 ^a	38	\$1,698,193	35	92	\$1,487,193	88
Total	120	\$5,009,718	111	93	\$4,288,843	86

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes:

FNB’s lending to borrowers of different income levels and farms of different sizes is satisfactory and is comparable to Whiteside County characteristics. We reviewed the agricultural loan data noted above to determine FNB’s lending to farms of different sizes. We noted that 95% of the number of loans and 67% of the dollar amount of the loans were made to small farms. Small farms are defined as those farms with annual gross revenues of less than \$500,000. We also reviewed the data of seventy-five mortgage loans originated from January 1994 through September 1996. The following table reflects FNB’s residential mortgage lending distribution to borrowers of different income levels.

Table Two Residential Mortgage Lending to Borrowers of Different Income Levels				
Income Level	#	%	\$	%
Low Income (15% of families in Whiteside County)	12	16.00	\$2,262,400	8.77
Moderate Income (17% of families in Whiteside County)	19	25.33	\$4,883,200	18.94
Middle Income (26% of families in Whiteside County)	19	25.33	\$5,971,944	23.16
Upper Income (42% of families in Whiteside County)	25	33.34	\$12,666,624	49.13
Total	75	100.00	\$25,784,168	100.00

Geographic Distribution of Loans:

The geographic distribution of loans is reasonable. FNB adequately serves the borrowers in middle- and upper-income BNAs when compared to the characteristics of the assessment area. There are no low- and moderate-income BNAs within Whiteside County.

Compliance with Fair Lending Laws and Regulations:

^aThrough September 30, 1996

We also conducted a fair lending examination as part of our review. We sampled 20 loans originated between January 1996 and September 1996 to assess FNB's compliance with fair lending laws and regulations. Based upon our sample review, we did not detect any illegal discriminatory lending policies or practices.