



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank
Charter Number 7379**

**P. O. Box 340
Mulberry Grove, IL 62262**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All of the lending performance components meet the standards for satisfactory performance. The major factors that support this rating follow.

- The bank's lending distribution to borrowers of different income levels and businesses of different sizes is reasonable.
- Loans are reasonably distributed by geography classification.
- The level of lending is good. The bank's average loan-to-deposit ratio was 67% during the evaluation period.
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's assessment area (AA).

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is wholly owned by MGB Bancshares, a one-bank holding company located in the city of Mulberry Grove, Illinois. As of December 31, 2002, FNB had total assets of \$82 million, net loans of \$47 million, total deposits of \$72 million, and total risk based capital of \$5 million. FNB assets represent substantially all of the holding company's assets; there are no subsidiaries or affiliates. There have been no changes in the bank's corporate structure since the last CRA evaluation.

FNB operates four full service offices. Of the bank's eight ATMs, three are depository ATMs in the AA, four are non-depository ATMs in the AA, and one ATM is a non-depository ATM located outside the AA. The main office is located in downtown Mulberry Grove, Illinois. Two branches are located in Mattoon and one in Greenville. The bank also has a trust department in Mattoon. Both facilities in Mattoon were opened during this evaluation period and no branches have been closed.

FNB offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2002, net loans represented 52% of total assets. Bank management also indicated that during 2000, 2001 and 2002 ninety-eight fixed-rate residential real estate loans totaling \$8 million were referred to and originated by another institution for sale in the secondary market. Primary loan product types were identified based on outstanding balances, discussions with bank management, and loan origination reports. As illustrated in the following charts, the bank's primary product types during the evaluation period in the Mulberry Grove AA were commercial, residential real estate, and consumer loans. In the Mattoon AA, the primary products during the evaluation period were commercial and residential real estate loans. We did not segregate home mortgage loans by purpose (purchase, refinance, home improvement), as the

data was not readily available from bank reports.

Mulberry Grove AA Loans Outstanding

Loan Type	% by Dollars Outstanding	% by Number Outstanding
Residential	30%	13%
Consumer	20%	69%
Commercial	44%	15%
Farm	6%	3%
Other	0%	0%
Total	100%	100%

Mulberry Grove AA Loan Originations 2000 - 2002

Loan Type	Number	Amount
Residential	174	\$9,477,615
Commercial	186	\$8,734,721
Consumer	1,067	\$9,585,274

Mattoon AA Loans Outstanding

Loan Type	% by Dollars Outstanding	% by Number Outstanding
Residential	20%	10%
Consumer	9%	49%
Commercial	69%	40%
Farm	1%	1%
Other	1%	0%
Total	100%	100%

Mattoon AA Loan Originations 2000 – 2002

Loan Type	Number	Amount
Residential	74	\$ 5,874,220
Commercial	276	\$20,500,078
Consumer	356	\$ 3,472,939

To further our understanding of the community’s credit needs, we performed a community contact with a businessperson knowledgeable about Bond County; that person confirmed the need for residential real estate loans.

There are no legal or financial 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 AA. The type and amount of CRA activities are consistent with the bank’s size, its financial capacity, local economic conditions, and the credit needs of the community.

FNB’s last CRA evaluation was May 18, 1998, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

Description of Mulberry Grove Assessment Area

Management designated Bond County and portions of Fayette County as one of the bank's two assessment areas. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

The AA is in a non-Metropolitan Statistical Area (non-MSA) and is comprised of eight Block Numbering Areas (BNA): 9507, 9508, 9509, 9510, 9512, 9513, 9514, and 9515. Based on the 1990 Census, all BNAs are classified as middle-income. Total AA population is 26,585, which included 7,319 families. Of these families, 1,515 or 21% were classified as low-income, 1,466 or 20% as moderate-income, 1,864 or 25% as middle-income, and 2,474 or 34% as upper-income. The non-MSA median family income as of the 1990 Census was \$29,693. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. We used the 2002 updated figure in our analysis to determine the borrower income levels.

Based on the 1990 Census data for the AA, 18% of the population is age 65 or older, 17% of households are in retirement, and 14% of households live below the poverty level. In 1990, the median housing value for the AA was \$37,460 and the median age of the housing stock was 45 years. The median housing value increased 76% between the 1990 and 2000 Census. However, non-MSA median family income, as noted above, did not keep pace with this significant increase in housing values. Local housing for the AA was 81% 1-4 family units, with only 69% owner-occupied and 8% vacant.

Economic conditions are reported as stable. Unemployment in Bond County at December 31, 2002 was 5.6% compared to the state average of 6.4% and the national average of 5.7%. Fayette County unemployment was 7.7%. Major employers include federal and state correctional facilities, Greenville College, DeMoulin Bros. & Co., Ultaut Memorial Hospital, United Stationers Supply, and Carlisle Syntec Systems.

Description of Mattoon Assessment Area

Management designated Coles County as its second AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

The AA is in a non-MSA and is comprised of 12 BNAs: 0001, 0002, 0003, 0004, 0005, 0006, 0007, 0008, 0009, 0010, 0011, and 0012. Based on the 1990 non-MSA median family income, there are no BNAs classified as low-income; one BNA, or 8%, is classified as moderate-income; eight BNAs, or 67%, are classified as middle-income; and three BNAs, or 25%, are classified as upper-income. Total AA population is 51,644, which includes 11,996 families. Of these families, 2,158, or 18%, are classified as low-income; 1,897, or 16%, as moderate-income; 2,715, or 23%, as middle-income; and 5,226, or 44%, as upper-income. The non-MSA median family income as of the 1990 census was \$29,693. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. We used the 2002

updated figure in our analysis to determine the borrower income levels.

Based on the 1990 Census data for the AA, 14% of the population is age 65 or older, 13% of households are in retirement, and 16% of households live below the poverty level. In 1990, the median housing value for the AA was \$46,021 and the median age of the housing stock was 47 years. Local housing for the AA was 78% 1-4 family units, with only 60% owner-occupied and 6% vacant.

The bank's Mattoon Community Banking Center on Broadway Avenue is located in BNA 0004, which is the moderate-income BNA. This facility also has a non-depository ATM. The population of this BNA of 2,733 represents only 5% of the entire AA. Of the 721 families in this BNA, 34% were classified as low-income, 22% as moderate-income, 24% as middle-income and 20% as upper-income. Twenty-four percent of households in the BNA live below the poverty level, 14% are retired, and 45% receive social security. Only 52% of housing units are owner-occupied with 41% rental units.

Economic conditions in Coles County are reported as stable with an unemployment rate of 5.9% at December 31, 2002. This compares to the state average of 6.4% and the national average of 5.7%. Major employers include Eastern Illinois University, Kal Kan Foods, Sara Bush Lincoln Health Center, Lender's Bagel Bakery, and Lake Land College.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's lending reflects adequate dispersion among borrowers and geographies of different income levels and businesses of different sizes. Please refer to the "Description of Institution" and "Description of Assessment Areas" section of this evaluation for details on factors which impact the bank's performance.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 65%. FNB's quarterly average LTD ratio since May 18, 1998 was 67%. This is comparable to four similarly situated banks in the area whose quarterly average LTD ratios ranged from 58% to 78%, with an average ratio of 69%. These banks are considered similarly situated because of their size, lending opportunities, and location.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's commercial loans originated during the evaluation period were made in the AA. A sample of 20 commercial loans found that 95% by number were made within the bank's AA.

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

The borrower distribution of FNB’s home mortgage and commercial loans reflects adequate dispersion among borrowers of different income levels and businesses of different sizes in both AAs. FNB’s consumer loans in the Mulberry Grove AA also reflects adequate dispersion. In the evaluation of borrower distribution, we gave consideration to the poverty level within each AA (14% in the Mulberry Grove AA and 16% in the Mattoon AA). Due to reasons of affordability, it is unlikely that those with incomes below the poverty level would be involved in home mortgage financing. Accordingly, we considered this in evaluating the bank’s lending distribution to low-income borrowers.

Residential Real Estate – Mulberry Grove and Mattoon AAs

The overall borrower distribution of residential real estate loans is adequate in both AAs. The percentage of residential real estate loans to low-income families is low but adequate considering the poverty level of each AA and the barriers that this may have on home ownership. The portion of residential real estate loans made to moderate-income families is good and approximates demographic data. The data used to evaluate FNB’s residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Mulberry Grove	21%	5%	20%	18%	25%	35%	34%	42%
Mattoon	18%	12%	16%	14%	23%	23%	43%	51%

Sources: Loan Sample (60 loans in Mulberry Grove AA and 35 loans in Mattoon AA) and 1990 U.S. Census Information. The updated 2002 non-MSA median family income is \$46,700. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$46,700.

Consumer Loans – Mulberry Grove AA

The borrower distribution of consumer loans in the Mulberry Grove AA is reasonable and approximates demographic data.

Borrower Distribution of Consumer Loans in Mulberry Grove AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26%	25%	16%	17%	19%	29%	39%	29%

Source: Loan sample (24 loans in AA) and 1990 U.S. Census data.

Business Loans – Mulberry Grove AA

The bank’s overall lending distribution to businesses of different sizes is adequate. The data

used to evaluate FNB’s business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in Mulberry Grove AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	78%	5%
% of Bank Loans in AA by #	70%	30%
% of Bank Loans in AA by \$	73%	27%

*Source: Loan Sample and Dunn and Bradstreet 2002 data. * 17% of AA businesses did not report revenue data*

Based on the sample of 20 loans selected, FNB’s business lending to small businesses (70% by number and 73% by dollar) with revenues of \$1 million or less approximates the percentage of small businesses (78%) in the AA.

Business Loans – Mattoon AA

The bank’s overall lending distribution to businesses of different sizes is adequate. The data used to evaluate FNB’s business lending activity is presented in the following table.

Borrower Distribution of Loans to Businesses in Mattoon AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	84%	7%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	67%	33%

*Source: Loan Sample and Dunn and Bradstreet 2002 data. * 9% of AA businesses did not report revenue data*

Based on the sample of 20 loans selected, FNB’s business lending to small businesses (75% by number and 67% by dollar) with revenues of \$1 million or less is below the percentage of small businesses (84%) in the AA. However, the difference is not considered significant and lending to small businesses in the Mattoon AA is adequate.

Geographic Distribution of Loans

Mulberry Grove AA

Analysis of the geographic distribution of the bank’s loans in the Mulberry Grove AA would not be meaningful. The Mulberry Grove AA consists of eight BNAs, which are all classified as middle-income.

Residential Real Estate Loans – Mattoon AA

Residential real estate loan geographic distribution is adequate. The data used to evaluate FNB’s residential lending activity is presented in the following table.

Geographic Distribution of Residential Real Estate Loans in Mattoon AA				
BNA Income Level	Low	Moderate	Middle	Upper

	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	0%	6%	5%	65%	65%	29%	30%

Sources: Loan Sample and 1990 US Census Information.

The percentage of the bank's residential real estate loans made in all geographies is comparable to the percentage of owner-occupied housing units in these geographies.

Business Loans – Mattoon AA

Business loan geographic distribution is adequate. The data used to evaluate FNB's business lending activity is presented in the following table.

Geographic Distribution of Loans to Businesses in Mattoon AA								
BNA Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	10%	5%	66%	75%	24%	20%

Source: Loan Sample and Dunn and Bradstreet 2002 data.

The percentage of the bank's business loans made in the moderate-income geography (5% or one of 20 loans sampled) is only slightly below the percentage of businesses (10%) in these geographies.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet community credit needs since the bank's inception.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.