



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 20, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Manhattan
Charter Number 8713**

**230 South State Street
Manhattan, Illinois 60442**

**Comptroller of the Currency
ADC – Chicago-South Field Office
7600 Country Line Road, Suite 3
Burr Ridge, Illinois 60527**

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.

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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 **First National Bank of Manhattan (FNB Manhattan)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 20, 2004. 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 November 23, 1998, the date of the last CRA examination when the bank was rated "**Satisfactory Record of Meeting Community Credit Needs.**"

INSTITUTION'S CRA RATING

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

The major factors that support FNB Manhattan's overall rating include:

- The bank's loan to deposit ratio is reasonable.
- The bank's lending activity in the assessment area (AA) is reasonable.
- The bank's record of extending credit to individuals of different income levels is reasonable.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within their AA during this evaluation period.

DESCRIPTION OF INSTITUTION

FNB Manhattan is headquartered in Manhattan, Illinois, approximately 40 miles southwest of Chicago, Illinois. Manhattan Bancshares wholly owns FNB Manhattan. Manhattan Bancshares is located in Manhattan, Illinois.

The bank operates one full service office and one branch office. The main office, located in Manhattan, has a drive-up facility, and one automated teller machine (ATM). The branch office is also located in Manhattan, Illinois and includes ATM services. The bank's main office is a full-service facility and offers a full range of traditional banking products. The branch facility offers only depository services.

The bank has total assets of \$94 million as of June 30, 2004. The loan portfolio represents 42 percent of total assets. The table below illustrates the composition of the loan portfolio. As of year-end 2003, the bank had annual asset growth of 3 percent and loan growth of 5 percent.

Loan Category	\$(000)	Percent
Residential Loans	\$ 17,092	43.96%
Commercial Loans	\$ 15,193	39.07%
Agricultural Loans	\$5,199	13.37%
Individual Loans	\$1,372	3.53%
Other	\$ 27	0.07%
Total	\$38,883	100%

Significant competition exists in the bank's market area. Many of the bank's competitors are large regional institutions, credit card banks, and mortgage brokers; thus, competition for lending opportunities is strong. The bank is primarily a residential real estate lender.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's AA. There has been no change in the bank's corporate structure since the last CRA examination. The institution's prior CRA rating was "**Satisfactory Record of Meeting Community Credit Needs**" as detailed in the Performance Evaluation dated November 23, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNB Manhattan has one AA that is comprised of a small portion of the Chicago metropolitan area (MA) 1600. The AA is within Cook and Will Counties. The AA consists primarily of the Village of Manhattan as well as Elwood, and Peotone. Also included are the unincorporated townships of Florence, Green Garden, Jackson, Manhattan, Wilton, Peotone, and Will. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The 2000 census slightly changed the boundaries of two of the three geographies however; the income levels of the geographies did not change. The evaluation period included loans originated from January 1, 2001 through December 31, 2002. These loans were analyzed using 1990 census

data. Loans originated from January 1, 2003 through December 31, 2003 were analyzed using 2000 census data. The results of these analyses were combined to obtain an overall rating.

The total population of the AA is 18,670 based on 2000 census data. Per the 1990 census data the total population of the AA was 14,718. The AA based on both 2000 and 1990 census data, consists of 3 geographies. The three geographies are middle-income geographies. There were no low- or moderate- income geographies within the bank's AA during either census period.

The median annual family income in the bank's AA, based on 2000 census data, is \$69 thousand, compared to \$75 thousand for 1990. This is a 9 percent decrease from 1990 census data. This decrease is attributed to different methods used to arrive at median annual family income during the two census periods. The 1990 census data used an estimated figure, and the 2000 census data uses actual figures, causing what appears to be a declining trend in median annual family income. Per the 2000 census, ninety-three percent of the housing in the AA is 1-4 family units with 82 percent of the units owner-occupied. The median home value, based on 2000 census data, was approximately \$172 thousand. This is a 43 percent increase from the 1990 census where the median home value was approximately \$97 thousand.

Major employers in the area include the local school district and Starcon International. The local economy is strong with several new large subdivisions coming into the immediate area. The 2003 unadjusted seasonal unemployment rate for the AA was 6.9 percent. This is above the 2003 State of Illinois and National average unemployment rate of 6.0 percent.

We contacted a local community representative. The contact indicated that the performance of local financial institutions has been good. The credit and financial service needs are very diverse with the local community and range from the simplest to the most sophisticated needs for services and products. The local financial institutions are meeting the needs of the local community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. As of June 30, 2004, FNB Manhattan's quarterly average loan-to-deposit ratio for the period from December 31, 1998 to June 30, 2004 was 50.36 percent. The most recent loan-to-deposit ratio (June 2004) is 46.14 percent. Banks of various sizes in the AA range from an average of 69 percent to 74 percent in the loan-to-deposit ratio. There is significant competition that exists within FNB Manhattan's AA. Many of the bank's competitors are large regional institutions, credit card banks, and mortgage brokers; thus, competition for lending opportunities is strong.

Lending in Assessment Area

FNB Manhattan's primary loan types are home mortgages (home purchase, home refinance, and home improvement). These loan types constitute a significant volume of the bank's lending mix. Residential loans comprise 63 percent of FNB Manhattan's entire portfolio and have historically been FNB Manhattan's primary loan product.

FNB Manhattan's lending within the AA is reasonable. Loans inside FNB Manhattan's AA represents 76 percent of the number of loans and 72 percent of the dollars of loans. As part of our evaluation we performed a data integrity review. We found HMDA data to be accurate. The following table details the bank's lending within the AA by the number of loans originated and dollar volume for the last three current full years since the last CRA evaluation.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase*	18	58.06%	13	41.94%	31	\$1,602	52.35%	\$1,458	47.65%	\$3,060
Home Refinance*	98	80.99%	23	19.01%	121	\$10,193	75.86%	\$3,243	24.14%	\$13,436
Home Improve*	4	66.67%	2	33.33%	6	\$28	29.47%	\$67	70.53%	\$95
Multifamily*	1	100.00%	0	0.00%	1	\$220	100.00%	\$0	0.00%	\$220
Total HMDA*	121	76.10%	38	23.90%	159	\$12,043	71.64%	\$4,768	28.36%	\$16,811

* Represents loans originated between January 1, 2001 and December 31, 2003 as reported under the Home Mortgage Disclosure Act.

Lending to Borrowers of Different Incomes

The bank's lending to borrowers of different income levels is satisfactory.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level (3.2 percent), the unemployment rate for Cook County (7.3 percent), Will County (6.9 percent), National average (6.0 percent) and the high cost of housing. The average median housing cost for 1990 census was \$97 thousand and in the 2000 census it increased to \$172 thousand. The poverty level, the unemployment rate and high cost of housing are barriers that may have a negative affect on home ownership. There is also significant competition that exists within FNB Manhattan's AA with larger regional institutions, credit card banks, and mortgage brokers; thus, competition for lending opportunities is strong.

HMDA Loan Originations (January 1, 2001 – December 31, 2002)

The borrower distribution of home purchase loans is excellent. Home purchase loans made to low-income borrowers exceed the percentage of low-income families within the AA. Home purchase loans made to moderate-income borrowers significantly exceed the percentage of moderate income-families within the AA.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low-income borrowers significantly exceed the percentage of low-income families within the AA. Home improvement loans made to moderate-income borrowers also significantly exceed the percentage of moderate-income families within the AA.

The borrower distribution of home refinance loans is satisfactory. Home refinance loans made to low-income borrowers are below the percentage of low-income families within the AA. Home refinance loans made to moderate-income borrowers exceed the percentage of moderate-income

families within the AA. Opportunity to make home refinance loans to low- and moderate-income borrowers is limited due to the poverty level, high unemployment and the high housing cost.

Borrower Distribution of Residential Real Estate Loans (2001 – 2002)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase*	12.14	12.50	18.03	31.25	32.52	50.00	37.30	6.25
Home Improvement*	12.14	50.00	18.03	50.00	32.52	0.00	37.30	0.00
Home Refinance*	12.14	6.67	18.03	20.00	32.52	45.00	37.30	28.33

*Represents loans originated between January 1, 2001 and December 31, 2002 as reported under the Home Mortgage Disclosure Act.

HMDA Loan Originations (2003)

The borrower distribution of home purchase loans is adequate. The bank did not make any home purchase loans to low-income or moderate-income borrowers. Opportunity to make home purchase loans to low income borrowers is limited (poverty level is 3.2 percent), and the average median housing cost using 2000 census is \$172 thousand, therefore limiting opportunities for low income borrowers for home ownership. There is also significant competition from larger institutions that exists within the bank's AA.

The borrower distribution of home improvement loans is adequate. The bank did not make any home improvement loans to low-income or moderate-income borrowers. Opportunities for home improvement loans to low- or moderate-income borrowers are limited due to high unemployment rates and poverty level.

The borrower distribution of home refinance loans is satisfactory. Home refinance loans made to low-income borrowers is below the percentage of low-income families. Home refinance loans made to moderate-income borrowers significantly exceed the percentage of moderate-income families. 3.2 percent of low-income borrowers are below poverty level. Unemployment and cost of housing is high.

Borrower Distribution of Residential Real Estate Loans (2003)				
Borrower Income Level	Low	Moderate	Middle	Upper

Loan Type	% 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
Home Purchase*	11.13	0.00	12.81	0.00	29.22	100.00	46.84	0.00
Home Improvement*	11.13	0.00	12.81	0.00	29.22	100.00	46.84	0.00
Home Refinance*	11.13	2.63	12.81	31.58	29.22	36.84	46.84	28.95

* Represents loans originated in 2003 as reported under the Home Mortgage Disclosure Act.

Geographic Distribution of Loans

There are no low- or moderate-income census tracts in FNB Manhattan's AA. Therefore, an analysis of the geographic distribution of loans was not performed, as it would not be meaningful.

Responses to Complaints

FNB Manhattan has no outstanding complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending Review

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