

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tuscola National Bank
Charter #14434**

**900 South Progress Boulevard
Tuscola, Illinois 61953**

**Office of the Comptroller of the Currency
Champaign Field Office
2009 Fox Drive, Suite B
Champaign, IL 61820**

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 **Tuscola National Bank** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 1, 1999. Our assessment of the bank's performance covers the period since January 16, 1996. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs". The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING

This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

This rating is based on analyses of the bank's lending performance from January 16, 1996 - December 31, 1998. The lending performance test includes analysis of the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, the distribution of credit to borrowers of different incomes and to businesses of different sizes, and the bank's level of compliance with Fair Lending laws and regulations.

The bank's Satisfactory Record of Meeting Community Credit Needs rating is supported by the following:

- C The bank's loan-to-deposit ratio is reasonable.
- C The bank's level of lending inside the assessment area is satisfactory.
- C The distribution of loans inside the assessment area to small farms and businesses is reasonable. The distribution of real estate and installment loans to individuals of different income levels is satisfactory.

DESCRIPTION OF INSTITUTION

Tuscola National Bank is a \$99 million institution in Tuscola, Illinois. Tuscola, the county seat of Douglas County, is located in East Central Illinois on Interstate 57, approximately 25 miles south of Champaign, Illinois. Tuscola has a population of 4,155 residents. The bank has two branch facilities which are also located in Tuscola. The institution is owned by TNB Bancorp, Inc., a one-bank holding company.

Loans have been growing since the last CRA examination. On December 31, 1995, gross loans totaled \$53.9 million. As of December 31, 1998, gross loans totaled \$57.2 million. The real estate and commercial loan portfolios are the areas where growth has been the most significant.

As shown in the *Table 1*, loan originations have primarily been spread between commercial, real estate, and consumer loans. The table shows the breakdown of loan originations made from January 16, 1996 through December 31, 1998. A total of 1,787 loans were made, with the dollar volume being approximately \$56.4 million.

Total Originations Since January 16, 1996		
Table 1		
Type of Loans	Number Made	Dollar Amount Made
Residential Real Estate	232	\$15,469,694
Consumer	1106	\$11,741,429
Agricultural	242	\$9,371,237
Commercial	207	\$19,772,812
Total	1,787	\$56,355,172

Source: Detailed origination reports provided by the bank. Numbers exclude loans that were originated since 1/16/96 and have been repaid prior to 12/31/98.

Discussions with a local government official and a real estate agent support that extensive local banking services and credit accessibility are available. According to these contacts, the local area's credit needs are centered in startup loans for new businesses. Tuscola National Bank serves these credit needs by offering both secured and unsecured commercial loans, and by participating in local government programs.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes Block Numbering Areas (BNAs) # 9520, #9521, #9522, #9523 and #9524 in Douglas County. The population of the assessment area is 19,464. Based on 1990 census data, all five BNAs are designated middle-income. The following demographic information for the assessment area is based on 1990 census data:

Housing Stock:	87% of the housing units are 1-4 family.
Occupancy:	70% are owner occupied, 25% are renter occupied, and 5% are vacant. va
Home Values:	Median home value is \$44,162.
Age of Homes:	Median year of homes built is 1956.
Income:	Median family income is \$39,500.
Income Levels:	19% of families are designated low-income, 15% are moderate-income, 20% are middle-income, and 46% are upper-income.

The economic condition of Douglas County has been growing over the last few years, and the local unemployment rate is below the state and national rates.

Competition for banking services is provided by five other financial institutions in Douglas County, as well as banks located in Monticello, Mattoon, and Champaign, Illinois.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

Tuscola National Bank's loan-to-deposit ratio is reasonable. During the assessment period, the bank's net loan-to-deposit ratio ranged from 59% to 70%, and averaged 65.59%. This average ratio is comparable to the 61% average net loan-to-deposit ratio of five competing banks located in Douglas County, with total assets between \$5 million and \$101 million. Tuscola National Bank is the second largest financial institution headquartered in Douglas County.

LENDING IN THE ASSESSMENT AREA

The bank's lending inside the assessment area is satisfactory with a majority of the number and dollar amount of loans being made to customers within the bank's assessment area. As illustrated in *Table 2*, the bank's detailed analysis of loans originated between January 16, 1996 and December 31, 1998

revealed that 77% of the number and 66% of the dollar amount of loans were made inside the bank's assessment area.

LOAN PENETRATION ANALYSIS				
Table 2				
<i>Type of Loan</i>	<i>Within Assessment Area</i>		<i>Outside Assessment Area</i>	
Residential Real Estate	\$10,304,537	67%	\$5,165,157	33%
	179	77%	53	23%
Commercial Loans	\$11,856,278	60%	\$7,916,534	40%
	169	82%	38	18%
Agricultural Loans	\$7,537,372	80%	\$1,833,865	20%
	200	83%	42	17%
Installment Loans	\$7,730,445	66%	\$4,010,984	34%
	831	75%	275	25%
Total	\$37,428,632	66%	\$18,926,540	34%
	1,379	77%	408	23%

Source: Detailed loan origination reports which covered the time period of 1/16/96 - 12/31/98. Numbers exclude loans originated since 1/16/96, but were repaid prior to 12/31/98.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Tuscola National Bank's record of lending to borrowers of all income levels and to small businesses and farms within its assessment area is satisfactory. Nineteen percent of the population of the bank's assessment area is considered low-income, with an additional fifteen percent classified as moderate-income. Income levels used in our analysis are based on the 1996, 1997, and 1998 nonmetropolitan median family incomes for Illinois, which were \$36,000, \$37,600, and \$39,500 respectively.

Consumer Loan Analysis

Tuscola National Bank originates real estate and installment loans to individuals of different income levels in reasonable proportion to the area's income characteristics. As illustrated in *Table 3*, the amount of real estate and installment loans made to low- and moderate-income borrowers was satisfactory. Our proforma analysis indicates that 53% of the number and 27% of the dollar amount of

real estate and installment loans sampled were made to low- and moderate-income borrowers. This compares favorably to the assessment area's ratio of 34% of families in the low- and moderate-income categories.

REAL ESTATE AND INSTALLMENT LOANS					
Proforma Distribution of Borrowers' Income Levels					
Table 3					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
Low - Income Less than 50% of Median	9	15%	\$82,041	4%	19%
Moderate - Income 50% - 79% of Median	23	38%	\$458,642	23%	15%
Middle - Income 80%-119% of Median	12	20%	\$437,650	22%	20%
Upper - Income 120% or more of Median	16	27%	\$1,027,775	51%	46%
Actual Totals	60	100%	\$2,006,108	100%	100%

Source: This table is a proforma analysis based on a sample of 30 consumer installment (\$263,519) and 30 residential real estate loans (\$1,742,589) that were made in the bank's assessment area between 1/16/96 and 12/31/98.

Commercial Loan Analysis

As shown on *Tables 4 & 5*, the bank's distribution of lending to small businesses and small farms within the assessment area is reasonable. Our sample of sixty commercial and agricultural loans in the assessment area showed 80% of the number and 44% of the dollar amount of these loans were made to businesses and farms with gross revenues of less than \$500,000. Small businesses are defined as a business with annual gross revenues below \$1 million. Small farms are defined as a farm with annual gross revenues below \$500,000. *Table 5* shows that 80% of the number of loans sampled were small dollar amounts of \$100,000 or less.

COMMERCIAL LOANS				
Proforma Distribution to Various Businesses and Farms by Revenue Size				
Table 4				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	16	27%	\$571,683	8%
\$100,000 - 250,000	21	35%	\$1,409,950	20%
\$250,000 - 500,000	11	18%	\$1,113,500	16%
\$500,000 - 1,000,000	6	10%	\$594,000	9%
More than \$1,000,000	6	10%	\$3,287,950	47%
Totals	60	100%	\$6,977,083	100%

Source: This table is a proforma analysis based on a sample of 60 loans made to businesses and farms located inside the bank's assessment area between 1/16/96 and 12/31/98.

COMMERCIAL LOANS				
Proforma Distribution to Various Businesses and Farms by Loan Size				
Table 5				
<i>Loan Size</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$25,000	15	25%	\$209,722	3%
\$25,000 - 100,000	33	55%	\$1,731,861	25%
\$100,000 - 500,000	9	15%	\$1,683,500	24%
More than \$500,000	3	5%	\$3,352,000	48%
Actual Totals	60	100%	\$6,977,083	100%

Source: This table is a proforma analysis based on a sample of 60 loans made to businesses and farms located inside the bank's assessment area between 1/16/96 and 12/31/98.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the geographic distribution of loans was not necessary, due to the fact that all five BNAs in the assessment area are middle-income.

COMPLIANCE WITH FAIR LENDING LAWS

Tuscola National Bank is in compliance with the substantive provisions of the anti-discriminatory laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area.

WRITTEN COMPLAINTS

Tuscola National Bank has not received any written complaints about its performance in helping to meet the credit needs within its assessment area.