

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 operations 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 **Camp Grove State Bank, Camp Grove, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **January 27, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Satisfactory.

Camp Grove State Bank is primarily an agricultural lender in a rural area populated with many small farms. The bank supports economic growth in its assessment area primarily through the origination of farm-related loans for operations, equipment purchases, and land acquisition to these small farmers. The majority of the bank's loans benefit the assessment area, but the bank's conservative lending philosophy causes the bank's loan-to-deposit ratio to be low and less than its local competitors' ratios. There are no low- or moderate-income geographies within the bank's assessment area and no CRA-related complaints have been received by the institution since the previous examination. The examination revealed no patterns or practices intended to discriminate or discourage applications from any member of a protected class.

The following table indicates the performance level of **Camp Grove State Bank, Camp Grove, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CAMP GROVE STATE BANK 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	No low- or moderate-income geographies are present within the assessment area.		
Response to Complaints	No CRA-related complaints have been received by the bank.		

DESCRIPTION OF INSTITUTION

Camp Grove State Bank, with assets of \$17.3 million as of September 30, 1996, is a wholly-owned subsidiary of Camp Grove Bancorp., Inc., a one-bank holding company. The bank maintains one facility in Camp Grove, which has a drive-up teller window. The bank does not own or operate an automated teller machine (ATM).

The bank's primary focus is agricultural lending. As of September 30, 1996, 83.7% of the loan portfolio was concentrated in operating and equipment loans to farmers (60.9%) and loans secured by farmland (22.8%). Consumer loans (9.0%), commercial/industrial loans (2.6%), and other loans (4.7%) comprise the balance of the loan portfolio at that date. The bank offers agricultural loans under two government-assistance programs: the Farmers Home Administration (FmHA) and the Illinois Farm Development Authority. Residential mortgage loans are not offered by the bank.

All financial institutions serving the area offer agricultural loans, but the bank's most significant competitors for these loans include Henry State Bank (Henry), State Bank of Toulon (Toulon), State Bank of Speer (Speer), and Citizens First National Bank of Princeton (branch in Henry). Other competing lenders within the bank's assessment area include Wyoming Bank & Trust Co. (Wyoming), Princeville State Bank (branch in Wyoming), Peoples National Bank of Kewanee (branch in Bradford), and Citizens Equity Federal Credit Union (Peoria).

DESCRIPTION OF CAMP GROVE STATE BANK ASSESSMENT AREA

Camp Grove, with an estimated population of 92, is located approximately 30 miles north of Peoria, on the western edge of Marshall County. The bank defines its assessment area to include block numbering area (BNA) 9613 in Marshall County and BNAs 9514 and 9515 in Stark County. The largest municipalities in the assessment area (population shown parenthetically) include Wyoming (1,462), Toulon (1,328), and Bradford (678).

According to 1990 U.S. Census data, the assessment area has a total population of 9,030, of which 162 or 1.8% are minorities. The three BNAs that comprise the assessment area have an average median family income of \$30,487, which compares with \$29,694 for all non-metropolitan areas in Illinois. Although these numbers identify the three BNAs as middle-income geographies, low-income and moderate-income families comprise 17.3% and 19.2%, respectively, of the total families in the assessment area.

Within the assessment area, there are 3,666 housing units having a median value and age of \$35,408 and 51, respectively, with 53.4% of the units being built before 1950. The majority (91.6%) of these properties are 1-4 family units; 68.4% of all housing units are owner-occupied, 24.4% are rental units, and 7.2% are vacant.

The principal crops grown within the assessment area are corn and soybeans. Corn and soybean yields increased by 20.3% and 3.8%, respectively, in 1996 compared to 1995. Corn prices climbed to record highs during the summer of 1996, and soybean prices hit an eight-year high in September, 1996. These increased yields and generally higher prices indicate that 1996 was a good year economically for Illinois farmers.

Because of the area's heavy reliance on agriculture, non-farm employment opportunities are limited. Within the assessment area, the largest employers include Bryton Technology, Inc. (Toulon) with 57 employees and Bradford Industries, Inc. (Bradford) with 50 employees. Due to these limited opportunities, residents of the assessment area obtain employment in nearby communities. The most significant employment opportunities exist in the Peoria area, where many major employers exist, including Caterpillar, Inc. with 4,600 employees and Methodist Medical Center with 2,500 employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank was examined for compliance with fair lending laws and regulations. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive portions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

The bank's quarterly loan-to-deposit ratios reflect the seasonal lending patterns of an agricultural bank. The ratio is highest at June 30 and September 30, when farmers borrow funds for operations and have less money on deposit; the ratio is lowest at December 31 and March 31, after the crops have been harvested and sold, with the proceeds being used to pay down operating loans and to increase bank deposits.

A review of the bank's quarterly Consolidated Reports of Condition and the Uniform Bank Performance Reports (UBPR) for the period September 30, 1995 through September 30, 1996 reveals that the highest and lowest loan-to-deposit ratios were 40.26% at September 30, 1996 and 30.30% at March 31, 1996, respectively. To adjust for seasonal fluctuations, the bank's loan-to-deposit ratio was averaged over a period of time. For the five quarters ending September 30, 1996, the bank's average loan-to-deposit ratio was 35.08%, which compares to 60.99% for the bank's nationwide peer group during the same period. Because the bank's average ratio is low in relation to its peer group, an analysis of the bank's competitors in the local market is appropriate to determine if local factors contribute to this. The following chart details these loan-to-deposit ratios.

Loan-to-Deposit Ratio of Camp Grove State Bank, Its Peer Group, and Other Financial Institutions in the Area (Ranked from Highest to Lowest Five-Quarter Average Loan-to-Deposit Ratio)							
	Assets at 9/30/96 (000)	Loan-to-Deposit Ratio					
		9/30/95	12/31/95	3/31/96	6/30/96	9/30/96	Average
Citizens First National Bank of Princeton	\$416,206	66.01%	66.76%	69.27%	68.12%	71.16%	68.26%
Princeville State Bank	\$30,500	66.42%	68.59%	67.79%	69.21%	66.69%	67.74%
State Bank of Speer	\$41,842	64.86%	61.29%	59.74%	60.72%	59.72%	61.27%
Nationwide Peer Group	N/A	62.95%	59.80%	58.30%	61.37%	62.53%	60.99%
Henry State Bank	\$62,124	59.01%	56.25%	60.46%	62.71%	66.32%	60.95%
State Bank of Toulon	\$81,315	54.28%	55.11%	51.08%	43.20%	44.85%	49.70%
Wyoming Bank & Trust Co.	\$17,817	38.62%	36.53%	34.54%	41.57%	45.81%	39.41%
Camp Grove State Bank	\$17,253	37.09 %	33.33%	30.30%	34.44%	40.26%	35.08%
Peoples National Bank of Kewanee	\$137,365	34.31%	31.05%	31.48%	31.65%	32.31%	32.16%

As the preceding chart illustrates, the bank's five-quarter average loan-to-deposit ratio is low compared to most of its local competition and its nationwide peer group. The State Bank of Speer, State Bank of Toulon, Wyoming Bank & Trust Co., and Henry State Bank are most similar to the bank in that they each serve part, or all, of the bank's assessment area from their main banking office, which is within reasonable proximity to Camp Grove. All four of these banks have higher and, in most cases, significantly higher average loan-to-deposit ratios than the bank.

The bank's low loan-to-deposit ratio is a result of bank management's conservative lending philosophy. Management has chosen to concentrate on farm loans; other types of loans are considered only on an accommodation basis because of limited expertise of these products. The bank's loan-to-deposit ratio is not reasonable and does not meet the standards for satisfactory performance.

Lending in Assessment Area

In order to evaluate the bank's lending performance within its assessment area, all active borrowing relationships as of the examination date were analyzed. Many of the bank's agricultural loans are established as annually renewable operating lines of credit, which may have no balances outstanding at the time of the examination. Therefore, an analysis of borrowing relationships with the bank is more meaningful than other available alternatives for evaluating the bank's lending performance within the assessment area. Bank management generated a computer report showing all such borrowing relationships. Management then indicated on the report if each relationship was located inside or outside the assessment area (a relationship was considered to be inside the assessment area if the loan proceeds were primarily used within the boundaries of the area). The following chart summarizes the results of this analysis.

Lending in the Assessment Area		
	Number	Percent
Borrowing relationships inside the lending area	65	73.00%
Borrowing relationships outside the lending area	24	27.00%
Total	89	100.00%

With 73.00% of the bank's borrowing relationships as of the examination date located within the assessment area, the bank is considered to meet the standards for satisfactory performance under this criterion.

Lending Analysis Based Upon Borrower Income and Size of Business

In evaluating the bank's performance under this criterion, only agricultural and business loans (totaling 53 borrowing relationships) were considered because together they comprise 86.3% of the bank's outstanding loan portfolio as of September 30, 1996. Consumer loans and other loans comprise only 9.0% and 4.7%, respectively, of the loan portfolio as of that date.

For purposes of this analysis, farms with gross annual revenues under \$500,000 and businesses with gross annual revenues under \$1,000,000 are defined as "small." Bank management stated that all but one of its agricultural borrowers and all of its business borrowers, or 98.1% (52 of 53), are small farms and small businesses under these definitions. This statement is consistent with the demographics of the area; two community representatives, contacted during the examination, noted that small farms dominate Marshall Counties.

The bank is doing an excellent job in meeting the credit needs of the small customer, indicating that the bank's performance under this criterion exceeds the standards for satisfactory

performance because it is doing an

Geographic Distribution of Loans

There are no low- or moderate-income geographies located within the bank's assessment area; therefore, this criterion is not rated.

Response to Complaints

No CRA-related complaints have been received by the institution concerning its CRA performance; therefore, this criterion is not rated.