



Comptroller of the Currency
Administrator of National Banks

Central District Office
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440 South LaSalle Street
Chicago, Illinois 60605

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

May 20, 1996

AMCORE Bank N.A., Rock River Valley
Charter Number: 14366

101 West First Street
Dixon, IL 61021

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of AMCORE Bank N.A., Rock River Valley, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 20, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: “Satisfactory Record of Meeting Community Credit Needs.”

Community Profile

The bank's main office is located in Dixon, Illinois, the county seat of Lee county. The bank's trade area includes the cities of Dixon, Sterling, and Rock Falls, Illinois which are located approximately 110 miles west of Chicago and about 60 miles southwest of Rockford, Illinois.

The local economy is stable, with the unemployment rate slightly below state and national averages. As of March 1996, unemployment rates are as follows: the national, 5.8%; State of Illinois, 5.4%; Lee county, 5.2%; Whiteside county, 4.5%; and, the Rockford Metropolitan Statistical Area (MSA), which includes Winnebago, Boone and Ogle counties, 4.9%. Lee, Whiteside and Ogle counties are beginning to experience an increase in population, with a majority of the residents coming from the Chicago suburban area. The local trade area consists of agriculture, manufacturing, and service industries. Major area employers include: Northwestern Steel & Wire Co., National Manufacturing Co., Raynor Garage Doors, CGH Hospital, Whal Manufacturing, and Kable News, Inc.

Bank Profile

AMCORE Bank N.A., Rock River Valley (ABRRV) is a \$552 million bank operating seven facilities in Lee, Whiteside, and Ogle counties. In February 1995, AMCORE Bank N.A., located in Dixon, IL, merged with an affiliated bank, AMCORE Bank N.A., Rock River Valley located in Sterling IL, resulting in ABRRV, headquartered in Dixon, IL. As of March 31, 1996, the bank had a loan-to-deposit ratio of 76%. The following table depicts the composition of the bank's loan portfolio:

Loans Outstanding as of March 31, 1996	
Loans Secured by Real Estate:	Dollar (in 000s)
Construction/Land Development	\$ 6,052
Farmland	13,690
1-4 Family Residential	61,915
Multi-family Housing	4,499
Other	57,478
Agriculture Loans	27,322
Commercial Loans	56,479
Consumer	46,366
Other	261
TOTAL	\$274,062

The bank is owned by AMCORE Financial, Inc. (AFI), a \$2.6 billion holding company, which owns eight subsidiary banks and seven financial service operating subsidiaries. There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

Reasonableness of Delineated Community

- ▶ The delineated community is reasonable and does not arbitrarily exclude LMI areas.

The bank's delineated community includes the towns of Dixon in Lee county, Sterling and Rock Falls in Whiteside county, and Mt. Morris in Ogle county, Illinois, along with the farm communities surrounding each town. The population for those areas of the counties included in the delineated community are as follows: Lee county, population 24,435; Whiteside county, population 35,039; and Ogle county, population 18,903. The population of the entire delineated community is about 78,400. The bank uses the effective lending territory method, which analyzes the distribution of loans, to determine its delineated community. The delineated community meets the requirements of the CRA regulation.

The delineated community consists of 18 middle-income Block Numbering Areas (BNAs) and 2 upper-income BNAs. The delineation contains no low- or moderate-income BNAs. BNA income characteristics are derived using the 1990 census median family income for the delineated community.

The following discussion covers the period since the last CRA examinations dated November 23, 1992 and November 17, 1993 for AMCORE Bank N.A., Rock River Valley, located in Sterling and AMCORE Bank N.A., Dixon located in Dixon, IL, respectively.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- ▶ ABRRV maintains regular contact with community groups and leaders to ascertain the credit needs of the community.

Bank directors, officers and employees regularly contact businesses, community groups, and local government officials to ascertain the credit needs of the community. Directors, officers, and employees are highly involved with a broad spectrum of community and public organizations. The bank uses an informal officer call program as well as community involvement to maintain regular contact with these groups.

As a result of these ascertainment efforts, the following credit needs were identified: affordable housing, low cost home improvement and small business financing, and credit education seminars.

The bank has adopted, or made the public more aware of, flexible lending products in response to identified needs. For example, the bank continues to work with the Dixon Main Street Program to provide a pool of money for small businesses wanting to expand or improve

their businesses.

The bank was instrumental in raising public funds which helped the City of Sterling to obtain a grant to improve homes in parts of Sterling.

Two seminars promoting the availability of credit products aimed at low- and moderate-income (LMI) individuals as well as discussions regarding the credit process were conducted for lower income community groups. See Assessment Factor B for more details.

Small business and home improvement loans are available in the regular course of business. See Assessment factors I, J, and H for loans made under these programs.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- ▶ The board of directors fully support and regularly monitor the bank's performance with respect to their CRA Plan.

The board annually reviews and approves the CRA Statement, CRA Plan, and CRA Self-assessment. The CRA Plan outlines goals and responsibilities of the CRA Officer, members of the CRA committee, and bank employees. The CRA committee meets quarterly to discuss current and planned efforts under the CRA program. These activities are then discussed quarterly at board meetings. The board reviews the geographic distribution of its loans annually.

The board fully supports CRA training. The board, officers and employees receive CRA training annually.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- ▶ ABRRV's marketing program adequately informs the community of available credit products and services.

The bank's marketing program is reviewed and approved by the board of directors. The bank primarily uses the newspaper to promote its products and services. Television and radio advertising are coordinated at the holding company level. The advertisements are generally image-oriented but occasionally promote credit products.

Local subscription newspapers, such as The Daily Gazette, The Telegraph, The Sauk Valley Sunday, and Sauk Valley Report are used to periodically advertise the bank's credit products and deposit services. Specific products advertised include: home equity, student, and residential real estate loans. Two agribusiness seminars, one first-time home buyer seminar, and one student service seminar were conducted by the bank and also promoted in these publications. The bank has placed ads, translated in Spanish, in local newspapers which promote the Credit Start program and the availability of bilingual employees. Brochures explaining credit and deposit products and services are available in Spanish.

Bank employees are readily available to discuss credit products and services with any group or organization.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- ▶ The bank's origination of housing-related, small business, and small farm loans indicates the bank is responsive to community credit needs.

At December 31, 1995, ABRRV's loan-to-deposit ratio was 69.9%. This is above other financial institutions located in Lee, Whiteside, and Ogle counties who at the same time have an average ratio of 57.5%.

The bank offers a wide variety of loan products to meet the needs of the community. As depicted below, the bank is responsive to the needs of homeowners, small businesses and farms.

Loans Originated in 1995 and January 1 through March 31, 1996 (dollars in 000s)				
Loan Type	1995		January 1 to March 31, 1996	
	Number	Dollar	Number	Dollar
Home Purchase	153	\$7,465	17	\$842
Home Refinance	88	\$4,529	30	\$1,275
Home Improvement	24	\$292	10	\$146
Small Business	606	\$38,121	160	\$9,851
Small Farm	611	\$25,651	246	\$20,468
TOTAL	1482	\$76,058	463	\$32,582

Mortgage loan products offered include fixed and adjustable rate mortgage loans. A small business loan is defined as a loan with an original balance of \$1 million or less. A small farm loan is defined as a loan with an original balance of \$500,000 or less.

The bank is able to offer long-term fixed and adjustable rate mortgage loans through its affiliated mortgage company, AMCORE Mortgage, Inc. (AMI). In addition to the above totals, AMI originated 132 residential real estate loans totaling \$9.5 million in 1995 and 50 residential real estate loans totaling \$3.3 million, January 1, through March 31, 1996. These loans are to individuals living within ABRRV's delineated community.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- ▶ ABRRV is aware of government-related loan programs and participates, when

appropriate.

The bank participates in the following governmentally-insured or subsidized loan programs: Small Business Administration (SBA), Farmers Home Administration (FmHA), Illinois Farm Development Association (IFDA), and the Illinois Housing Development Authority (IHDA). The following table reflects the number and dollar amount of government-guaranteed or subsidized loans as of March 31, 1996:

ABRRV's Participation in Government-Guaranteed or Subsidized Loan Programs as of March 31, 1996		
Loan Type	Number Outstanding	Dollar Outstanding (000s)
SBA	3	\$928
Purchased SBA Loans	6	\$1,154
FmHA	6	\$486
IFDA	3	\$346
TOTAL	18	\$2,914

Of the government-guaranteed loans outstanding, all but five loans were originated since the last examination.

Small business loans guaranteed by the SBA have an 85% guarantee and enable small, start-up businesses to obtain financing with flexible loan terms.

The FmHA provides the bank with a 90% guarantee for agriculture-related loans to small farmers. The interest rate is at current market rates.

The IFDA offers various loan programs for agricultural purposes. The programs offer reduced interest rates and a 85% guarantee of the loan's principal and interest for capital purchases and debt consolidation. Flexible terms are also offered.

In addition to the above loans, AMI originated two mortgage loans under the Illinois First-Time Homebuyer Program offered through the Illinois Housing Development Authority. The two loans were originated in 1995, and totaled \$103,000. This program is limited to first-time home buyers. Applicants are allowed to finance up to 95% of the cost of the home, with mortgage insurance required on amounts financed over 80%. The loan amount is dependent on county and targeted/nontargeted guidelines and the interest rate is set at the current market rate.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- ▶ The geographic distribution of loans indicates the bank reasonably penetrates all segments of the community. Real estate loans are made to borrowers of all income levels.

Loan distribution analyses concluded that a majority of the loans are within the delineated community.

Commercial loans outstanding are analyzed using zip code areas. New residential real estate and consumer loans are also analyzed using zip code areas. These analyses are presented to the CRA committee and board of directors to assess the bank's market penetration within the delineated community. Annually, ABRRV also analyzes the distribution of residential real estate loans by plotting them on a map.

The analysis of 1995 residential real estate loan originations indicate that approximately 86% of the number and 83% of the dollar were within the delineated community.

As of March 31, 1996, 69% of the number and 55% of the dollar of commercial loans outstanding were within the delineated community. Not included in the total are \$15 million in unfunded commitments, of which approximately \$6 million are for agriculture purposes. Management indicated that a majority of the bank's agri-businesses are located within the delineated community. The bank also purchased approximately \$25 million in loans from their affiliate, AMCORE Bank N.A., Rockford. These loans are primarily outside the bank's community and may distort the ratio.

Of consumer loans originated from January 1, 1995 through February 29, 1996, approximately 76% of the number and 77% of the dollar are within the delineated community. Management indicated that a majority of the consumer loan growth is in the indirect consumer market. This accounts for the lower number and dollar of loans in the community.

Distribution of Loans Based on Applicant Income

An analysis of residential real estate loans originated in 1995 and January 1 through March 31, 1996, by income levels, shows the bank makes loans to borrowers of all income levels. The following two tables summarize information derived from the 1995 and year-to-date 1996 Loan Application Registers required to be maintained under the Home Mortgage Disclosure Act:

Number Distribution of Mortgage Loans By Applicant Income				
Income Level	1995		January 1 to March 31, 1996	
	Number	% of Total	Number	% of Total
Low 1	9	7%	6	10%
Moderate 2	24	18%	10	16%
Middle 3	43	32%	18	29%
Upper 4	56	42%	25	40%
Not Applicable	1	1%	3	5%

Number Distribution of Mortgage Loans By Applicant Income				
TOTAL	133	100%	62	100%

Dollar Distribution of Mortgage Loans By Applicant Income (000s)				
Income Level	1995		January 1 to March 31, 1996	
	Dollar	% of Total	Dollar	% of Total
Low 1	\$126	2%	\$130	5%
Moderate 2	\$579	10%	\$247	10%
Middle 3	\$1,602	29%	\$729	29%
Upper 4	\$3,283	59%	\$1,303	52%
Not Applicable	\$15	-	\$107	4%
TOTAL	\$5,605	100%	\$2,516	100%

- (1) Individual income < 50% of the statewide nonmetropolitan median family income (\$34,900 in 1995; \$36,000 in 1996).
(2) Individual income \geq 50% but < 80% of the statewide nonmetropolitan median family income (\$34,900 in 1995; \$36,000 in 1996).
(3) Individual income \geq 80% but < 120% of the statewide nonmetropolitan median family income (\$34,900 in 1995; \$36,000 in 1996).
(4) Individual income \geq 120% of the statewide nonmetropolitan median family income (\$34,900 in 1995; \$36,000 in 1996).

Geographic Distribution by BNA Income Characteristics

The delineated community does not have any LMI BNAs. As a result, an analysis of loan distribution by BNA income characteristic would not be meaningful.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- ▶ ABRRV offers reasonable access to credit and deposit services in all segments of its delineated community.

The bank has not opened or closed any offices since the last CRA evaluation. The bank maintains a branch closing policy which considers the impact a branch closing would have on the delineated community.

Five full-service and two deposit-taking offices are located within the delineated community. Hours of operation were expanded in the Sterling and Rock Falls offices in response to customer needs. In addition, six full-service Automatic Teller Machines (ATMs) provide 24 hour access to customer accounts.

See the Additional Information Section for a listing of office locations.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- There is no evidence of practices to discourage individuals from applying for credit.

We identified no lending practices which would discourage applications for the types of credit offered. Management solicits credit applications from throughout the bank's trade area. The bank employs an informal second review process for all denied applicants which determines if policies and procedures are consistently applied. The Board uses a compliance review system to ensure that employees do not engage in illegal discriminatory practices.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- ABRRV is in compliance with substantive provisions of antidiscriminatory laws and regulations.

We reviewed the bank's lending practices and underwriting standards for the existence of illegal discrimination. A sample of home improvement applications was tested for illegal discrimination based on underwriting and loan terms. Based on the sample reviewed, we found no evidence of illegal discriminatory lending practices. Internal operating procedures and staff training adequately address antidiscriminatory statutes.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- ▶ ABRRV is informed of and involved in local community development and redevelopment projects or programs.

The bank was instrumental in helping the City of Sterling obtain a housing grant through the State of Illinois. The proceeds are being used to rehabilitate 24 homes in the west part of Sterling. The bank provided \$5,000, or half the private funds. ABRRV is also working with other local financial institutions to set up a pool of funds which would be available to families whose income exceeds guidelines for the grant program. This proposed pool would offer a favorable rate of interest, terms and loan qualifications as long as the applicant is a homeowner.

ABRRV is the only bank that committed \$250,000 to the Dixon Main Street Loan Program to be used towards the rehabilitation of downtown. Business owners may borrow up to \$25,000 for new or planned building improvements at a reduced rate. Seven loans totaling \$121,000 have been made under the program.

ABRRV is one of nine member banks with an investment in the Lee/Whiteside Community Development Corporation, a for-profit organization which provides gap financing to new and existing small businesses at current market rates. Gap financing is that portion of a loan request which is not provided by a financial institution or the business owner. The bank has extended one loan for \$640,000, out of five loans through this program.

In 1993, the bank provided \$1.5 million in construction/interim financing for a 72 unit, 3 building apartment complex. Of these units, 40% or more were to be rented to low- or moderate-income families with less than 60% of the county median household income.

ABRRV provided \$30,000 over a three year period to the Dixon Industrial Development Association of which the funds were used to promote economic development in the Dixon area.

The bank financed a \$55,000 model home in the west part of Sterling, an area where lower income families reside. No new housing has been built in this area in several years.

As of March 31, 1996, ABRRV had \$3.9 million in municipal bonds outstanding, the proceeds of which benefit the surrounding local communities.

The bank has also provided financing for numerous local community service groups.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- ▶ There are no significant limitations on the bank's ability to meet the community credit needs.

ABRRV has the ability to meet a variety of community credit needs based on its financial condition and size. Additional support is provided by the bank's holding company, AFI. Please refer to the "Community Profile and Bank Profile" sections on page 4 for further details.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- ▶ ABRRV has engaged in other activities which positively contribute to meeting the community's needs.

ABRRV made contributions, both monetary and human resources, to various local organizations which support a variety of educational, health and welfare programs.

In July of 1994, ABRRV committed to donate \$1,000 per year for the next five years to the Twin Cities Educational Scholarship, Inc. (TCES). The TCES is a charitable organization whose sole function is to raise voluntary funds for college level scholarships for Latino students.

ABRRV provides education loans through the Sallie Mae Student Loan program. As of March 31, 1996, the bank had 191 loans totaling \$1.3 million outstanding.

ADDITIONAL INFORMATION

OFFICE LOCATIONS:

Main Office
101 W. First Street
Dixon, IL 61021

Independence Court Office
1400 N. Galena Avenue
Dixon, IL 61021

Boyd Street Office
123 W. Boyd Street
Dixon, IL 61021

Sterling Office
302 First Avenue
Sterling, IL 61081

Rock Falls Office
941 First Avenue
Rock Falls, IL 61071

Mt. Morris Office
2 West Main Street
Mt. Morris, IL 61054

Leaf River Office
104 W. Second Street
Leaf River, IL 61047