



SMALL BANK

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

PUBLIC DISCLOSURE

February 03, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pana
Charter Number 13478**

**306 South Locust Street
Pana, IL 62557**

**Comptroller of the Currency
Central Illinois & Central Indiana
3001 Research Road Suite E2
Champaign, IL 61822**

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.

- **A substantial majority of the loans are originated within the bank's assessment area.**
- **The distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes, given the demographics of the assessment area.**
- **The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, assessment area's credit needs, and competition.**

DESCRIPTION OF INSTITUTION

First National Bank of Pana (FNB) is a \$93 million intrastate institution located in Pana, Illinois. Pana is located in Christian County on State Highways 51 and 16 in central Illinois, approximately 30 miles from Decatur, Illinois. The bank's two largest shareholders own 13% and 15% of bank stock. FNB has branch facilities located in Assumption and Taylorville, Illinois. All three banking facilities have an ATM. FNB has not closed any branches during this evaluation period. The Taylorville branch was opened in July 2001.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans total \$63 million on September 30, 2004, representing 69% of total assets. The following represents the bank's loan and lease portfolio mix as of September 30, 2004:

| | | |
|-------------------------------|---------------|-----|
| Residential Real Estate Loans | \$ 25 million | 39% |
| Commercial Loans | \$ 22 million | 35% |
| Agricultural Loans | \$ 10 million | 16% |
| Consumer Loans | \$ 6 million | 10% |

During the years of 2003 and 2004, the bank originated 2,264 loans totaling \$63.0 million. According to bank reports, 445 of these loans were commercial (\$21 million), 294 were 1-4 family residential real estate (\$22 million), 1,346 were consumer (\$9 million), and 179 were agricultural (\$11 million).

The bank offers standard loan products to the community. Farm Services Administration (FSA) guaranteed loans are also offered, and currently total \$404,000 to two farm borrowers. The bank also has two loans to local municipalities totaling \$411,000.

Tier one capital totals \$11.7 million. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. The bank was rated "Satisfactory" at its last CRA

examination on September 28, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area (AA) consists of all nine census tracts (#9582, #9583, #9584, #9585, #9586, #9587, #9588, #9589 and #9590) in Christian County and two census tracts (#9592 and #9596) in Shelby County. The Christian County census tracts include one moderate-income, seven middle-income, and one upper-income designations. Both census tracts in Shelby County are designated as middle-income. Neither Christian County nor Shelby County is located in a Metropolitan Statistical Area (MSA). This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. The following demographic information for the assessment area is based on 2000 census data:

| | |
|---|---------------------------|
| Population: | 38,786 |
| Housing Stock: <i>1-4 family housing units</i> | 86% |
| Occupancy: <i>owner-occupied, renter-occupied, vacant</i> | 71%, 21%, 8% |
| Home Values: <i>Median home value</i> | \$59,909 |
| Age of Homes: <i>Median year of homes built</i> | 1955 |
| Income: <i>Median family income</i> | \$49,000 |
| Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i> | 17%, 20%, 26%, 37% |
| Household Income Levels(%): <i>Low-, moderate-, middle-, upper-income</i> | 21%, 17%, 21%, 41% |
| | 2004 Business Data |
| Farms: <i>% of small farms in the assessment area</i> | 98% |
| Businesses: <i>% of small businesses in the assessment area</i> | 68% |
| <i>Percent of farms not reporting revenue figures</i> | 1% |
| <i>Percent of businesses not reporting revenue figures</i> | 28% |

The local economy is stable and driven by agriculture. Many of the residents commute to Springfield, Decatur, and Shelbyville for employment with the State of Illinois government, hospitals, universities, and manufacturers including Caterpillar, ADM, Staley's, Mueller's, and Continental Bond Ware. Some of the major employers in the area are the local school districts, hospitals, city governments, and a State of Illinois correctional center. Dominion Power Plant, Ahlstrom Filtration Inc, Macon Metals Products, Wal-Mart, Grain Systems Inc, and the Assumption Co-Op Grain Elevator are also large area employers. The November 2004 unemployment rate for Christian County was 5.7% and Shelby County was 6.1%. The state unemployment rate was 6.0%, compared to the national rate of 5.4%.

FNB faces competition from several community banks with locations in Pana, Taylorville, and Assumption, and from larger regional and national competition located in Decatur and Springfield. There are thirteen other banks, one savings and loan association, two credit unions, and a finance company with locations in Christian County; three banks are in Shelby County. A local government official was contacted during the examination. The contact indicated that the area's financial institutions are meeting the community's credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank’s primary loan products for the years 2003 and 2004, which based on origination information provided by the bank, was primarily commercial and consumer loans. We also reviewed residential real estate loans due to the dollar volume of loans generated during this time period. We utilized 2000 census data.

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

The overall distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes, given the demographics of the assessment area.

Commercial Loans

The bank's performance of lending to businesses of different sizes is reasonable. Sixty percent of the number of business loans sampled in the assessment area was made to small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. Five loans in the sample (25%) for amounts ranging between \$12,000 and \$60,000 did not contain financial information. Demographic data for the AA shows that sixty-eight percent of the businesses in the assessment area have revenues equal to or less than one million dollars.

| Borrower Distribution of Loans to Businesses in the Assessment Area | | | | |
|--|--------------|--------------|-------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable | Total |
| % of AA Businesses* | 68% | 4% | 28% | 100% |
| % of Bank Loans in AA by # | 60% | 15% | 25% | 100% |
| % of Bank Loans in AA by \$ | 50% | 37% | 13% | 100% |

Source: This table is based on 20 commercial loans from the AA that were originated in 2003 and 2004. Five small loans totaling \$146,528 in the sample did not have revenue information in the file.

Consumer Loan Originations

The distribution of loans reflects, given the demographics of the assessment area, reasonable overall penetration for consumer originations among individuals of different income levels (including low- and moderate-income). While the bank’s performance in originating consumer loans to low-income borrowers is less than favorable compared to demographic data, loans to moderate-income borrowers are significantly more favorable compared to the demographic data. Other factors impacting consumer lending include higher than average unemployment in the assessment area, with 7% of the population having incomes below poverty level. The following table shows the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

| Borrower Distribution of Consumer Loans in the Assessment Area | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Sample | 21% | 10% | 17% | 50% | 21% | 25% | 41% | 10% |

Source: Sample of 20 consumer loans originated in the AA for 2003 and 2004 and 2000 U.S. Census data. One loan in the sample did not have income information available.

Residential Real Estate Loans

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration overall for residential real estate loans among individuals of different income levels (including low- and moderate-income). Based on our loan sample, the bank's performance in originating residential real estate loans to both low- and moderate-income borrowers is less than favorable compared to the demographic data. However, bank reports show that 16% of all residential real estate loans originated within the assessment area in 2003 and 2004 were made to low-income borrowers, and 22% were made to moderate-income borrowers. This supports that the bank's performance is favorable compared to the demographic data. Other factors impacting residential real estate lending include higher than average unemployment in the assessment area, with 7% of the population having incomes below poverty level. With incomes that low, it is difficult to own a home. The following table shows the distribution of residential real estate loan originations among borrowers of different income levels within the assessment area:

| Borrower Distribution of Residential Real Estate Loans in the Assessment Area | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 |
| Sample | 16% | 10% | 20% | 15% | 26% | 35% | 38% | 40% |

Source: Sample of 20 residential real estate loans originated in the AA for 2003 and 2004 and 2000 U.S. Census data.

Geographic Distribution of Loans

A geographic distribution analysis was not performed, as the 2000 census only identified one moderate-income census tract in the assessment area. The assessment area does not include any low-income census tracts.

Lending in Assessment Area

A substantial majority of loans are originated within the bank's assessment areas. Based on a sample of sixty loans originated in 2003 and 2004, 92% of the number and 89% of the dollar amount were made within the bank's assessment area.

Community Development Lending

The bank has provided two community development loans for \$3.56 million since the previous evaluation. These loans financed construction of low-income housing in Pana, Illinois, including eight homes and an extended living facility with forty-six apartments.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, assessment area's credit needs, and local competition. During the past twenty-one quarters through September 30, 2004, FNB's loan-to-deposit ratio has averaged 75%. This average ratio is favorable compared to the 72% quarterly average for five similarly situated banks, with total assets between \$74 million and \$112 million, headquartered in Christian and Montgomery Counties.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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