



SMALL BANK

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

PUBLIC DISCLOSURE

September 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Assumption
Charter Number 5316**

**141 North Chestnut Street
Assumption, IL 62510**

**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 good 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 Assumption (FNB) is a \$19 million intrastate institution located in Assumption, Illinois. Assumption is located in the northeastern corner of Christian County on State Highway 51 in central Illinois, approximately 25 miles from Decatur, Illinois and 45 miles from Springfield, Illinois, the state's Capitol. The bank is 100% owned by the Hall and Corzine families. FNB has no branch facilities or ATMs. FNB has not opened or closed any branches during this evaluation period.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans total \$7.4 million on December 31, 2003, representing 38% of total assets. The following represents the bank's loan and lease portfolio mix as of December 31, 2003:

| | | |
|-------------------------------|---------------|-----|
| Residential Real Estate Loans | \$3.2 million | 43% |
| Agricultural Loans | \$1.5 million | 21% |
| Commercial Loans | \$1.4 million | 18% |
| Consumer Loans | \$1.3 million | 18% |

During the years of 2002 and 2003, the bank originated 371 loans totaling \$7.0 million. According to bank reports, 274 of these loans were consumer (\$1.8 million), 33 were agricultural (\$2.5 million), 41 were commercial (\$1.2 million), and 23 were 1-4 family residential real estate (\$1.5 million).

The bank offers standard loan products to the community. Additional loan products that the bank offers include Farm Services Administration (FSA) guaranteed loans. The bank has made commercial loans to two businesses that participated in the City of Assumption's Revolving Loan Fund. The bank also makes loans to local municipalities, including the school district.

Tier one capital totals \$2.4 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 January 5, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area consists of four census tracts (#9586, #9587, #9588, and #9589) in Christian County and two census tracts (#9591 and #9592) in Shelby County. Only census tract #9586 in Christian County is designated as upper-income, the other five census tracts 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 census data:

| Table 1 – Demographic Information for Assessment Area (AA) | | |
|--|---------------------------|---------------------------|
| | 1990 Census Data | 2000 Census Data |
| Population: | 19,167 | 19,710 |
| Housing Stock: <i>1-4 family housing units</i> | 86% | 88% |
| Occupancy: <i>owner-occupied, renter-occupied, vacant</i> | 69%, 22%, 9% | 71%, 20%, 9% |
| Home Values: <i>Median home value</i> | \$35,646 | \$59,753 |
| Age of Homes: <i>Median year of homes built</i> | 1953 | 1952 |
| Income: <i>Median family income</i> | \$29,670 | \$43,421 |
| Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i> | 18%, 19%, 26%, 37% | 16%, 21%, 25%, 38% |
| Household Income Levels(%): <i>Low-, moderate-, middle-, upper-income</i> | 25%, 15%, 17%, 43% | 21%, 16%, 22%, 41% |
| Updated Income: <i>2002 HUD Non-MSA Illinois median family income was \$46,700. 2003 HUD Non-MSA Illinois median family income was \$48,200.</i> | | |
| | 2002 Business Data | 2003 Business Data |
| Farms: <i>% of small farms in the assessment area</i> | 99% | 98% |
| Businesses: <i>% of small businesses in the assessment area</i> | 81% | 69% |
| <i>Percent of farms not reporting revenue figures</i> | 1% | 1% |
| <i>Percent of businesses not reporting revenue figures</i> | 14% | 26% |

The local economy is stable and driven by agriculture. Many of the residents commute to Decatur for employment with heavy manufacturers including Caterpillar, ADM, Staley's, and Mueller's. Some of the major employers in the area are the local school districts, Grain Systems Inc, and the Assumption Co-Op Grain Elevator. The December 2003 unemployment rate for Christian County was 5.8% and Shelby County was 6.7%. The state unemployment rate was 6.4%, compared to the national rate of 5.7%.

FNB faces competition from several community banks with locations in Taylorville, Pana, and Shelbyville, and from larger regional and national competition located in Springfield and Decatur. There are thirteen other banks, one savings and loan association, two credit unions, and a finance company with locations in Christian County and three more banks in Shelby County.

A local government official was contacted during the examination. The contact indicated that

the area 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 2002 and 2003, which based on origination information provided by the bank, was primarily agricultural and consumer loans. We utilized 1990 and 2000 census data for evaluating consumer loans originated in 2002 and 2003, respectively.

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

The overall distribution of loans reflects good 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.

Consumer Loan Originations

The distribution of loans reflects, given the demographics of the assessment area, more than reasonable penetration for consumer originations among individuals of different income levels (including low- and moderate-income).

The bank's 2002 and 2003 performance in originating consumer loans to both low- and moderate-income borrowers is favorable compared to demographic data. The following tables show the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

| Table 4 – Consumer Loans in the AA by Income Distribution | | | | | | |
|--|-------------------|--|-------------------|---------------|--------------------|----------------|
| <u>Income Level</u> | <u>Year</u> | <u>% of households in the AA</u> | <u># of Loans</u> | <u>% of #</u> | <u>\$ of Loans</u> | <u>% of \$</u> |
| Low-Income Less than 50% of Median | 2002 ¹ | 25% | 8 | 40% | \$16,152 | 13% |
| | 2003 ² | 20% | 5 | 25% | \$11,424 | 9% |
| Moderate-Income 50%-79% of Median | 2002 ¹ | 15% | 2 | 10% | \$15,686 | 12% |
| | 2003 ² | 16% | 6 | 30% | \$23,152 | 19% |
| Middle-Income 80%-119% of Median | 2002 ¹ | 17% | 7 | 35% | \$83,039 | 65% |
| | 2003 ² | 22% | 5 | 25% | \$27,171 | 22% |
| Upper-Income 120% or more of Median | 2002 ¹ | 43% | 1 | 5% | \$5,000 | 4% |
| | 2003 ² | 41% | 4 | 20% | \$59,400 | 49% |

Source: ¹ Sample of 20 consumer loans originated in the AA for 2002 and 1990 U.S. Census data. Two loans totaling \$6,990 in the 2002 sample did not have income information available. ² Sample of 20 loans in the AA originated in 2003 and 2000 U.S. Census data.

Agricultural Loans

The bank's performance of lending to farms of different sizes is reasonable. Eighty-eight percent of the dollar and eighty percent of the number of agricultural loans sampled in the assessment area were made to small farms. Small farms are farms with annual gross revenues of less than one million dollars. Three loans in the sample did not contain financial information.

Demographic data for the AA shows that ninety-nine percent of the farms in the assessment area have revenues equal to or less than one million dollars.

| Table 2 - Borrower Distribution of Loans to Farms in the AA | | |
|--|--------------|--------------|
| Gross Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Farms* | 98% | 1% |
| % of Bank Loans in AA by # | 80% | 5% |
| % of Bank Loans in AA by \$ | 88% | 6% |

Source: This table is based on 20 farm loans from the AA that were originated in 2002 and 2003.

Three loans totaling \$107,200 (15%) in the sample did not have revenue information in the file.

*1% of AA farms did not report revenue data.

Lending in Assessment Area

A substantial majority of the loans are originated within the bank's assessment areas. Based on a sample of forty loans originated in 2002 and 2003, 90% of the number and 90% of the dollar amount were made within the bank's assessment areas.

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 December 31, 2003, FNB's loan-to-deposit ratio has averaged 52%. This average ratio is lower compared to the 63% quarterly average for three similarly situated banks, with total assets between \$16 million and \$20 million headquartered, in Christian and Macon Counties. A large volume of public funds (\$6.5 million at December 31, 2003) impacts the bank's loan-to-deposit ratio.

Geographic Distribution of Loans

A geographic distribution analysis was not performed, as the assessment area does not include any low- or moderate-income census tracts.

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.