



PUBLIC DISCLOSURE

December 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Pana
Charter Number 13478

306 South Locust Street
Pana, IL 62557

Office of the Comptroller of the Currency

Harris Center
3001 Research Road
Champaign, IL 61822-1089

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.

The major factors that support First National Bank of Pana's (FNB) rating include:

- **The borrower distribution of loans reflects reasonable penetration among businesses and farms of different sizes, given the demographics of the assessment area (AA).**
- **The geographic distribution of loans reflects reasonable dispersion in all income levels of census tracts located in the bank's AA.**
- **The bank originated a majority of the loans within the AA.**
- **The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and competition.**

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period for this review is from March 31, 2010, to December 18, 2014.

The lending test is based on FNB's primary loan products. An analysis of the number and dollar volume of loan origination information supplied by the bank identified the bank's primary loan products for this evaluation period as commercial and agricultural loans. As loan originations for 2012 and 2013 are representative of the evaluation period, our analysis utilized a sample of commercial and agricultural loans originated between January 1, 2012, and December 31, 2013.

The bank is not located in a Metropolitan Statistical Area (MSA) and is not subject to the requirements of the Home Mortgage Disclosure Act. Based on their asset size, FNB is not required to maintain revenue information on commercial or agricultural loans. The bank does collect census tract data on all loans. We reviewed the bank's records to verify the accuracy of census track information. We concluded that the bank identified loans in and out of their AA with accuracy. Therefore, for our lending in the AA analysis, we utilized 100 percent of loans originated during our loan sample period. However, the coding for some census tracks within the AA was not reliable on the internal reports for farm loans secured by real estate. Therefore, for our borrower distribution analysis and our geographic distribution analysis, we reviewed a sample of 20 commercial loans and 20 agricultural loans made within the AA. We also utilized 2010 U.S. Census data, updated FFIEC Median Family Income, 2013 Dun & Bradstreet Business Geo-demographic Data, and FDIC deposit market share data as of June 30, 2014, in our analysis.

DESCRIPTION OF INSTITUTION

First National Bank of Pana (FNB) is a \$144 million intrastate financial institution located in Pana, Illinois (Christian County) on State Highways 51 and 16. Pana is approximately 30 miles south of Decatur, Illinois and 17 miles southeast of Taylorville, Illinois, which is the Christian County seat. FNB has two branch facilities, one each located in Assumption and Taylorville, Illinois. Management has not opened or closed any branches during this evaluation period. All of the bank’s locations have non-deposit taking ATMs and drive up facilities, which have extended hours. Hours at each location are similar.

FNB is a closely held bank, with the bank’s four largest stockholders owning approximately 41 percent of the bank stock. The bank’s business strategy is to attract deposits from local sources to meet loan demand, and to further economic growth in a rural agricultural community.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans total \$101 million on September 30, 2014, representing 81 percent of total assets. The following represents the bank's loan and lease portfolio mix as of September 30, 2014:

Commercial Loans	\$ 36 million	36%
Residential Real Estate Loans	\$ 31 million	31%
Agricultural Loans	\$ 30 million	30%
Consumer Loans	\$ 3 million	3%

Tier one capital totals \$18.3 million as of September 30, 2014. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its AA. 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 March 30, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

The AA consists of ten census tracts (#9581 – 9590) in Christian County and two census tracts (#9592 and #9596) in Shelby County. The Christian County census tracts include one moderate-income and nine middle-income designations. Both census tracts in Shelby County are designated as middle-income. Neither Christian County nor Shelby County is located in a MSA. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. It should be noted that the bank has two branches located on the eastern edge of Christian County, which are approximately three miles from the western edge of Shelby County. Therefore, it would not be feasible for the bank to service Shelby County as a whole. The following demographic information for the AA is based on 2010 census data:

Population:	41,379
Housing Stock: <i>1-4 family housing units</i>	88%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	68%, 21%, 10%
Home Values: <i>Median home value</i>	\$87,760
Age of Homes: <i>Median year of homes built</i>	1960
Poverty Level: <i>Households Below Poverty Level</i>	15%
Income: <i>FFIEC Updated MSA Median Family Income</i>	\$56,200
	2010 Business Data
Farms: <i>% and # of small farms in the assessment area</i>	99% (506)
Businesses: <i>% and # of small businesses in the assessment area</i>	73% (1,767)
<i>Percent of farms not reporting revenue figures</i>	<1%
<i>Percent of businesses not reporting revenue figures</i>	24%

Economic Data

The local economy and that of the surrounding area is stable. The local economy, which is largely driven by agriculture, experienced very good years in 2012 and 2013.

Many of the local residents commute to Springfield, Decatur, and Shelbyville for employment with the State of Illinois and manufacturers, including Caterpillar, ADM, and Staley's. Ahlstrom Filtration Inc, Macon Metals Products, Wal-Mart, Grain Systems Inc., International Paper, Assumption Co-Op Grain Elevator, and the local schools and hospitals are the largest area employers in Christian and Shelby Counties. The September 2014 unemployment rate for Christian County was 6.7 percent and Shelby County was 6.2 percent. The state unemployment rate was 6.2 percent, compared to the national rate of 5.9 percent.

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 21 financial institutions located in Christian and Shelby Counties, including 15 banks, two savings and loan associations, and four large regional banks. As of June 30, 2014, FNB Pana's deposit market share was approximately 11 percent and the fourth largest in the two counties.

We performed one community contact with a local economic development corporation located in the AA during the evaluation period. Needs identified by this organization include financing for new businesses and participation on the council through board and committee membership. Monetary contributions are also a need. It was noted that FNB Pana participates on the board and aids with monetary contributions to the economic development corporation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the lending test is Satisfactory. The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. FNB originates a majority of loans within the bank's AA. The overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes, given the demographics of the AA. The geographic distribution of loans reflects

reasonable dispersion in all levels of census tracts, including low- and moderate-income census tracts.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable based on a review of the institution's size, financial condition, AA's credit needs, and local competition. FNB's quarterly average loan-to-deposit ratio for the period March 31, 2010, through September 30, 2014, was 79 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period averaged 57 percent and ranged from 48 percent to 80 percent. FNB's average loan-to-deposit ratio is higher than eight of the nine similarly situated banks, which range in asset size from \$20 million to \$319 million. The similarly situated banks utilized for comparison purposes are all community banks located in Christian and Shelby Counties.

Lending in Assessment Area

The bank originated a majority of loans within the AA. Based on 100 percent of the commercial loans and agricultural loans originated from January 1, 2012, through December 31, 2013, the bank made 77 percent of the number of loans and 65 percent of the dollar of loans within the bank's AA. The following table illustrates loans made inside and outside of the bank's AA during the loan sample evaluation period:

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	145	76%	46	24%	191	\$8,289	56%	\$6,576	44%	\$14,865
Agricultural Loans	93	77%	27	23%	120	\$17,252	71%	\$6,977	29%	\$24,229
Totals	238	77%	73	23%	311	\$25,541	65%	\$13,553	35%	\$39,094

Source: Bank internally generated reports of all commercial and agricultural loans originated from January 1, 2012 through December 31, 2013.

Lending to Businesses and Farms of Different Sizes

The overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes, given the demographics of the AA.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank originated 80 percent of the number of business loans and 70 percent of the dollar of business loans in the AA to small businesses, which compares favorably to the demographic data that shows 73 percent of businesses located in the AA are small businesses. It is important to recognize that 24 percent of businesses in the AA that did not report revenue information are likely also small businesses. Small businesses are businesses with annual gross

revenues of less than one million dollars. The following table illustrates our sample of the borrower distribution of business loan originations in the AA by revenues and by loan size:

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*	72.57%	3.41%	24.02%	100%
% of Bank Loans in AA by #	80.00%	20.00%	0%	100%
% of Bank Loans in AA by \$	70.02%	29.98%	0%	100%

Source: Random sample of 20 business loans from the AA that were originated from January 1, 2012 through December 31, 2013 and 2013 Business Geo-demographic Data.

Agricultural Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. The bank originated 80 percent of the number of agricultural loans and 78 percent of the dollar of agricultural loans sampled in the AA to small farms, as compared to the demographic data that shows 99 percent of farms located in the AA are small farms. Two farms (0.39%) in the AA did not report revenue information. Small farms are farms with annual gross revenues of less than one million dollars. Revenue information was not available for one farm loan in our sample. The following table illustrates the borrower distribution of agricultural loan originations in the AA by revenues and by loan size:

Borrower Distribution of Loans to Farms in the Assessment Area				
Farm Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms*	99.61%	0%	.39%	100%
% of Bank Loans in AA by #	80.00%	15.00%	5.00%	100%
% of Bank Loans in AA by \$	77.78%	21.40%	.82%	100%

Source: Random sample of 20 agricultural loans from the AA that were originated from January 1, 2012 through December 31, 2013 and 2013 Business Geo-demographic Data. One loan totaling \$25,000 in the sample did not have revenue information in the file.

Geographic Distribution of Loans

The overall geographic distribution of commercial and agricultural loans reflects reasonable dispersion in all income levels of census tracts, including the moderate-income census tract. There are no conspicuous gaps in lending within the AA.

Business Loans

The geographic distribution of business loans reflects reasonable dispersion as compared to the percentage of businesses located in census tracts of different income levels in the AA, including the moderate-income census tract. The bank has no low-income census tracts in its AA and only one moderate-income census tract. Based on our sample, the bank had no business loans originated in the moderate-income census tract. This is below the demographic comparator of five percent for AA businesses located in the moderate-income census tract. The bank's internal reports indicate that 5.52 percent of business loans made in the AA in 2012 and 2013 were to businesses located in the moderate-income census tract. This performance compares with the demographic comparator. The following table illustrates our sample of the bank's business loan

originations within the various census tracts by income levels as compared to the percentage of businesses within each income level of census tracts:

Geographic Distribution of Loans to Businesses in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	4.93%	0%	95.07%	100%	0%	0%

Source: Random sample of 20 business loans from the AA that were originated from January 1, 2012 through December 31, 2013 and 2013 Business Geo-demographic Data

Agricultural Loans

The geographic distribution of agricultural loans reflects excellent dispersion as compared to the percentage of farms located in census tracts of different income levels in the AA, including the moderate-income census tract. The bank made 10 percent of agricultural loans sampled in the moderate-income census tract. This is considered excellent as the bank’s AA has only two percent of farms (nine farms) located in the moderate-income census tract. The following table illustrates our sample of the bank’s agricultural loan originations within the various census tracts by income levels as compared to the percentage of farms within each income level of census tracts:

Geographic Distribution of Loans to Farms in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural Loans	0%	0%	1.77%	10%	98.23%	90%	0%	0%

Source: Random sample of 20 agricultural loans from the AA that were originated from January 1, 2012 through December 31, 2013 and 2013 Business Geo-demographic Data.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.