



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 30, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Catlin
Charter Number 7276

202 South Sandusky Street
Catlin, IL 61817

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 Outstanding.

The primary factors supporting the bank's rating include:

- The distribution of loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes, given the demographics of the AA.
- The geographic distribution of loans indicates excellent penetration in geographies of different income levels, given the demographics of the AA.
- A substantial majority of loans, by both number and dollar amount, originated to borrowers inside the bank's assessment area (AA).
- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition and AA credit needs.

SCOPE OF EXAMINATION

We evaluated the bank under the small bank performance standards. As shown in the table below, using bank generated reports of all loan originations for the period January 1, 2010 through December 31, 2011, we determined the bank's primary credit products by dollar and number to be residential real estate loans and commercial loans. For this analysis, we used the 2010 and 2011 Home Mortgage Disclosure Act (HMDA) data for residential real estate refinances, purchase money mortgages, and home improvement loans, and a random sample of twenty loans originated in 2010 and 2011 for commercial loans. To assess the accuracy of the HMDA data, we conducted an independent test of the home mortgage loan data. We found the reported data to be accurate and reliable for this evaluation. We also used deposit information, reported annually to the Federal Deposit Insurance Corporation (FDIC), to determine the bank's market share and market presence in the AA. The most recent deposit information available is as of June 30, 2012. There is no affiliate activity considered in this evaluation.

Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollar of Loans Originated/Purchased during evaluation period
Home Mortgages	37%	63%
Commercial Loans	31%	30%
Consumer Loans	29%	3%
Agricultural Loans	2%	3%
Other	1%	1%
Totals	100%	100%

DESCRIPTION OF INSTITUTION

The First National Bank of Catlin (FNBC) is a \$48 million intrastate financial institution located in Catlin, Illinois. Catlin is located in East Central Illinois, approximately six miles southwest of Danville, the Vermilion County seat. The bank is a wholly owned subsidiary of Butler Point, Inc., a one-bank holding company located in Catlin, Illinois.

The bank is a full service banking institution and operates three banking offices in Vermilion County, including the main bank office and a drive-up facility in Catlin and a full service branch in Georgetown, Illinois. Cash dispensing automated teller machines (ATMs) are available at the drive-up facility in Catlin and the branch in Georgetown. The bank has not opened or closed any branches during the evaluation period. FNBC offers a full range of retail and commercial banking products and services normally associated with a community bank. Gross loans total \$23.4 million on September 30, 2012, representing 49 percent of total assets and 55 percent of deposits. The following represents the bank's loan and lease portfolio mix as of September 30, 2012: 64 percent residential real estate loans, 30 percent commercial loans, 3 percent consumer loans, and 3 percent agricultural loans. Tier 1 capital is \$3.7 million as of September 30, 2012.

FNBC's business strategy during the evaluation period has been to focus on home mortgages, construction loans, and commercial lending. The bank became a direct seller/servicer for Fannie Mae in the fourth quarter of 2011. The bank is also an authorized FHA and USDA Rural Development lender. Additionally, the bank is a Small Business Association (SBA) lender and a participant in the SBA's 504 Program.

FNBC's legal and financial circumstances have not impeded its ability to meet the credit needs of the AA. The bank received a Satisfactory rating on its last CRA performance evaluation dated September 25, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area (AA) consists of 25 contiguous census tracts in Vermilion County, which is the Danville Metropolitan Statistical Area (MSA). This AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geography. The AA includes no low-income, four moderate-income (16 percent), fifteen middle-income (60 percent), and six upper-income (24 percent) census tracts. The moderate-income census tracts are located in the center of Danville. The bank's AA has changed and expanded since the last CRA examination in September 2007. At that time, the bank's AA consisted of 23 of the 25 census tracts in Vermilion County. The two tracts not included were tract numbers 101 and 102, which sit on the north edge of the county.

The following demographic information is based on 2000 census data:

Population:	83,919
Housing Stock: <i>1-4 family housing units</i>	91%
Occupancy: <i>Owner-occupied, renter-occupied, vacant</i>	66%, 26%, 8%
Home Values: <i>Median home value</i>	\$55,018
Age of Homes: <i>Median year of homes built</i>	1955
Income: <i>Updated median family income</i>	\$52,500
Family Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	18%, 19%, 24%, 39%
Vacant Housing by Income Level of Tract: <i>Low-, moderate-, middle-, upper-income</i>	0%, 23%, 63%, 14%
Farms:	548
Farms: <i>Percent of small farms in the assessment area</i>	100%
Farms: <i>Percent not reporting revenue figures</i>	0%
Businesses:	5,980
Businesses: <i>Percent of small businesses in the assessment area</i>	66%
Businesses: <i>Percent not reporting revenue figures</i>	31%
Business Data by Income of Tract: <i>Low-, moderate-, middle-, and upper-income</i>	0%, 14%, 67%, 19%
Business Data by Income of Tract with Revenues < \$1 Million: <i>Low-, moderate-, middle-, and upper-income</i>	0%, 13%, 68%, 19%

The local economy has stabilized and area economics are improving with 60 percent to 70 percent of businesses consistently hiring and reporting steady to rapid growth. The top employers in Vermilion County, which represents a diverse work force, include: Veterans Affairs Illiana Health Care; Vermilion County Public Schools; Danville School District; McLane Midwest Distribution; Vermilion County Government; Quaker Oats Manufacturing; Provena Health Care; Genpact Financial Services; Blue Cross/Blue Shield Insurance Agency; and KIK Custom Products (aerosol – Canada).

Since 2010, Vermilion County has experienced a changing and expanding retail base. In early 2013, construction will be completed on Kohl's department store, TJ Maxx retail store, and Meijer food store. Additional newly developed retailers include: Covington Foods, Ross Dress for Less, and Dunham Sports. From 2010 - 2012 two major employer's closed their doors (Bunge PACE Soybean Operation and ConAgra). Conversely, two new manufacturing companies (Ecofit and HRW, Inc.) and one new office (Genpact) opened.

The October 2012 unemployment rate for the Danville MSA was 9.9 percent compared to the state and national rates of 8.4 percent and 7.5 percent respectively. The October 2011 unemployment rate for the Danville MSA was 10.9 percent. The bank faces strong competition from several other financial institutions in the AA, including some significantly larger regional and national institutions.

During this examination, we made one community contact with a representative of a local Economic Development Corporation. Our contact stated that both local and larger regional banks have been involved with the Corporation (i.e. Executive Officer and Board membership). However, the contact stated the smaller local banks are more engaged in the community and more willing to support the local community through donations. Top level/professional housing, particularly rental, was cited as a major need in the area due to growth in the manufacturing and retail sectors. The contact stated that there is an over-abundance of low- to moderate-income housing (Section 8).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is outstanding.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's loan-to-deposit ratio averaged fifty percent (50%) over twenty-four quarters between October 2006 and September 2012, ranging from a low of thirty-two percent (32%) to a high of sixty percent (60%). This ratio is comparable to the average loan-to-deposit ratio for similarly situated banks in the AA. The similarly situated banks include four banks in Vermilion County with assets less than \$85 million. The combined loan-to deposit ratio for the similarly situated banks was fifty-five percent (55%), ranging from a low of twenty-eight percent (28%) to a high of eighty-two percent (82%), for the same time period. The bank's deposit market share in the Danville MSA of four percent (4%) is better than three of the four similarly situated banks. Strong competition exists from eleven other financial institutions in the AA, including several larger regional and national financial institutions. FNBC originated and sold 95 loans totaling \$10 million in 2010 and 2011. These loans are not reflected in the above analysis. Consideration of these loans, however, further substantiates the reasonableness of the bank's loan-to-deposit ratio.

Lending in Assessment Area

The bank originated a substantial majority of loans within the AA. Eighty percent (80%) of the number of loans originated to borrowers within the bank's AA.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	22	71%	9	29%	31	\$1,306	76%	\$416	24%	\$1,722
RE – Home Refinance	81	80%	20	20%	101	\$4,793	72%	\$1,878	28%	\$6,671
Home Improvement	3	75%	1	25%	4	\$67	41%	\$98	59%	\$165
Commercial Loans	19	95%	1	5%	20	\$1,003	97%	\$36	3%	\$1,039
Totals	125	80%	31	20%	156	\$7,169	75%	\$2,428	25%	\$9,597

Source: HMDA data for January 1, 2010 – December 31, 2011 for residential home purchase, home refinances, and home improvement loans and a sample of 20 commercial loans from the AA that were originated between January 1, 2010 and December 31, 2011.

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

The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.

Residential Real Estate Loans

The distribution of residential real estate loans to borrowers of different income levels is excellent. Performance among moderate-income borrowers is excellent and above the demographic comparator for home refinance and home purchase loans. Although the percentage of loans to low-income borrowers is below the demographic comparator for home refinances and home purchases, performance is considered adequate, given the high family poverty rate of ten percent (10%) and above average unemployment rate in the Danville MSA AA. With income below the poverty level, it is difficult to afford home ownership. Thirty-four percent (34%) of the population is on social security, and four percent (4%) is on public assistance.

An analysis of home improvement loans was not performed. Only three home improvement loans were originated in the AA during the evaluation period; therefore, an analysis would not be meaningful.

Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Refinance	18%	9%	19%	22%	24%	26%	39%	43%
Home Purchase	18%	5%	19%	30%	24%	15%	39%	50%
Home Improvement	18%	0%	19%	67%	24%	0%	39%	33%

Source: HMDA data January 1, 2010 – December 31, 2011 for residential refinance, home purchase, and home improvement loans and 2000 Census Data

Commercial Loans

The borrower distribution of commercial loans to businesses of different sizes, in the AA, is excellent. One hundred percent (100%) of the number and dollar of loans made were to small businesses. Small businesses are those with annual gross revenues of less than \$1 million dollars.

Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66%	3%	31%	100%
% of Bank Loans in AA by #	100%	0	0	100%
% of Bank Loans in AA by \$	100%	0	0	100%

Sample of 20 commercial loans originated in the AA between January 1, 2010 and December 31, 2011 and 2000 Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration in geographies of different income levels, given the demographics of the AA. Based on the bank's loan origination data for 2010 and 2011, mortgage loans comprised the largest volume by both number and dollar. The real estate analysis covers 100 percent of the loans originated and reported on the HMDA LAR during the review time period, while the commercial loans analysis is based on a sample of 20 loans. For this reason, mortgage loans received the most weight in our analysis. Our geographic distribution analysis did not identify any unexplained conspicuous lending gaps in the AA.

Residential Real Estate Loans

The geographic distribution of residential real estate loans is excellent. Performance in moderate-income tracts is excellent and above the demographics for home refinance and home purchase loans. The vacant housing rate in the moderate-income tracts of twenty-three percent (23%) is nearly triple the rate for the entire Danville MSA AA of eight percent (8%).

An analysis of home improvement loans was not performed. Only three home improvement loans originated during the evaluation period; therefore, an analysis would not be meaningful.

Geographic Distribution of Residential Real Estate Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Refinance	0%	0%	8%	9%	70%	76%	22%	15%
Home Purchase	0%	0%	8%	10%	70%	57%	22%	33%
Home Improvement	0%	0%	8%	0%	70%	100%	22%	0%

Source: HMDA data January 1, 2010 – December 31, 2011 for residential refinances, home purchase, and home improvement loans and 2000 U.S. Census data.

Commercial Loans

The geographic distribution of loans to businesses is reasonable. The percentage of the number of loans made in moderate-income census tracts (10%) is close to the percentage of businesses and small businesses located in those tracts, fourteen percent (14%) and thirteen percent (13%) respectively. Small businesses are those with annual gross revenues of less than \$1 million.

Geographic Distribution of Loans to Businesses in the AA								
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
Commercial	0	0	14%	10%	67%	75%	19%	15%

Source: Sample of 20 commercial loans originated from January 1, 2010 through December 31, 2011 and 2000 Census data.

Responses to Complaints

The bank has not received any CRA related complaints.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 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. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.