



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 30, 2010**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Pana  
Charter Number 13478

306 South Locust Street  
Pana, IL 62557-0000

Office of the Comptroller of the Currency

CENTRAL ILLINOIS & CENTRAL IND Field Office  
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**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 FNB's rating include:**

- **The borrower distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms of different sizes, given the demographics of the assessment area.**
- **The geographic distribution of loans reflects reasonable dispersion in all income levels of census tracts located in the bank's assessment area.**
- **A majority of the loans are originated within the bank's assessment area.**
- **The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, assessment area'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 assessment area (AA) through its lending activities.

- FNB has one AA that 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 designation. Both census tracts in Shelby County are designated as middle-income.
- The evaluation period covers loans originated or purchased from January 1, 2008 through March 31, 2010.
- The lending test is based on FNB's primary loan products. Primary loan products were ascertained from the bank's record of loans originated during the evaluation period. They include residential real estate loans and agricultural loans.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act. Therefore, FNB is not required to maintain revenue information on agricultural loans or income information on residential real estate loans outside of the individual credit files. The bank does collect census tract data on all loans. We verified the accuracy of this data for the In the Assessment Area lending review and the Geographical Distribution review. We then selected a sample of twenty residential real estate loans and twenty agricultural loans from within the AA to conduct the borrower distribution review.

- Census data for the year 2000, 2008 Updated HUD Family Income Data, and 2009 Dun & Bradstreet Business Geo-demographic Data were also utilized in assessing FNB's lending performance.

## DESCRIPTION OF INSTITUTION

First National Bank of Pana (FNB) is a \$129 million intrastate financial institution located in Pana, Illinois (Christian County) on State Highways 51 and 16. Pana is approximately thirty miles southeast of Decatur, Illinois and seventeen miles southeast of Taylorville, Illinois, which is the Christian County seat. FNB has two branch facilities 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 deposit taking ATM's and drive up facilities, which have extended hours that are similar.

FNB is a closely held bank, with the bank's four largest stockholders owning approximately 41% 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 \$96 million on December 31, 2009, representing seventy-five percent of total assets. The following represents the bank's loan and lease portfolio mix as of December 31, 2009:

|                               |               |     |
|-------------------------------|---------------|-----|
| Residential Real Estate Loans | \$ 36 million | 37% |
| Agricultural Loans            | \$ 27 million | 28% |
| Commercial Loans              | \$ 26 million | 28% |
| Consumer Loans                | \$ 6 million  | 6%  |
| Other Loans                   | \$ 1 million  | 1%  |

From January 1, 2008 through March 31, 2009, the bank originated 1,925 loans totaling \$97 million. According to bank reports, 301 of these loans were residential real estate loans (\$33 million), 227 were agricultural loans (\$31 million), 259 were commercial loans (\$25 million), and 1,138 were consumer loans (\$8 million). Based on these numbers, the bank has two primary lending products: Residential real estate loans and Agricultural loans. These loans account for sixty-six percent of the total dollar of all loans originated during the evaluation period.

Tier one capital totals \$14.6 million as of December 31, 2009. 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 February 3, 2005.

## DESCRIPTION OF ASSESSMENT AREA(S)

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:   | 41,838                    |
| Housing Stock: <i>1-4 family housing units</i>                          | 87%                       |
| Occupancy: <i>owner-occupied, renter-occupied, vacant</i>               | 66%, 19%, 7%              |
| Home Values: <i>Median home value</i>                                   | \$60,657                  |
| Age of Homes: <i>Median year of homes built</i>                         | 1955                      |
| Income: <i>Median family income</i>                                     | \$43,352                  |
| Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i> | 16%, 20%, 27%, 37%        |
| Income: <i>HUD Updated MSA Median Family Income</i>                     | \$54,400                  |
|   | <b>2008 Business Data</b> |
| Farms: <i>% of small farms in the assessment area</i>                   | 99%                       |
| Businesses: <i>% of small businesses in the assessment area</i>         | 53%                       |
| <i>Percent of farms not reporting revenue figures</i>                   | <1%                       |
| <i>Percent of businesses not reporting revenue figures</i>              | 44%                       |

### Economic Data

The local economy and that of the surrounding area shows deteriorating trends; however, it remains relatively stable in spite of a turbulent economic environment. This is due to the fact that the economy is largely driven by agriculture, which experienced good years in 2008 and 2009.

Many of the local residents commute to Springfield, Decatur, and Shelbyville for employment with the State of Illinois, hospitals, universities, and manufacturers including Caterpillar, ADM, and Staley's. 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 February 2010 unemployment rate for Christian County was 12.6% and Shelby County was 13.6%. The state unemployment rate was 12.0%, compared to the national rate of 10.4%.

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 twenty-two financial institutions located in Christian and Shelby Counties, including seventeen banks, two savings and loan associations, and three large regional banks. As of June 30, 2009, FNB Pana owned approximately eleven percent of the deposit market share, compared to these twenty-two financial institutions.

A local affordable housing organization, which also acts as a non-profit housing developer, was contacted during the evaluation period. Needs identified by this organization include funding for their homeownership counseling program, more affordable mortgage products, and board representation from local financial institutions. It was noted that FNB Pana helped sponsor a 24-unit LIHTC project through the FHLB, which resulted in a \$120,000 AHP subsidy. FNB Pana was also the participating bank and provided financing for the development of an independent living facility in Shelby County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the lending test is Satisfactory.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, assessment area's credit needs, and local competition. FNB’s quarterly average loan-to-deposit ratio for the period October 1, 2004 through December 31, 2009 was eighty-four percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-two percent to eighty-seven percent. FNB’s average loan-to-deposit ratio is higher than seven of the eight similarly situated banks, which range in asset size from \$79 million to \$220 million. The similarly situated banks utilized for comparison purposes are all community banks located in Christian, Shelby, and Montgomery Counties.

### Lending in Assessment Area

A majority of FNB’s loans are originated within the bank’s AA. Based on one hundred percent of the bank’s residential real estate loans and agricultural loans, originated from January 1, 2008 through March 31, 2010, seventy-six percent of the number of loans and sixty-two percent of the dollar of loans were made within the bank’s assessment area. The following table illustrates loans made inside and outside of the bank’s AA during the evaluation period:

| <b>Lending in the Assessment Area</b> |                 |     |         |     |       |                          |     |          |     |          |
|---------------------------------------|-----------------|-----|---------|-----|-------|--------------------------|-----|----------|-----|----------|
| Loan Type                             | Number of Loans |     |         |     |       | Dollars of Loans (000's) |     |          |     |          |
|                                       | Inside          |     | Outside |     | Total | Inside                   |     | Outside  |     | Total    |
|                                       | #               | %   | #       | %   |       | \$                       | %   | \$       | %   |          |
| Residential Real Estate Loans         | 246             | 82% | 55      | 18% | 301   | \$18,773                 | 57% | \$14,208 | 43% | \$32,981 |
| Agricultural Loans                    | 157             | 69% | 70      | 31% | 227   | \$21,015                 | 68% | \$9,732  | 32% | \$30,747 |
| Totals                                | 403             | 76% | 125     | 24% | 528   | \$39,788                 | 62% | \$23,940 | 38% | \$63,728 |

*Source: Bank internally generated reports of all residential real estate and agricultural loans originated from January 1, 2008 through March 31, 2010.*

**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 farms of different sizes, given the demographics of the assessment area.

Residential Real Estate Loans

The distribution of residential real estate loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income), given the demographics of the AA. Based on our loan sample, loans made to low-income borrowers (fifteen percent), is close to the percent of low-income families (sixteen percent) within the AA. Loans made to moderate-income borrowers (twenty percent), is equal to the percent of moderate-income families within the AA. The following table shows the distribution of residential real estate loan originations among borrowers of different income levels within the AA:

| <b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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   | 16.11%           | 15.00%               | 19.78%           | 20.00%               | 26.65%           | 40.00%               | 37.46%           | 25.00%               |

*Source: Sample of 20 residential real estate loans originated in the AA, from January 1, 2008 through March 31, 2010 and 2000 U.S. Census data.*

Agricultural Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. Sixty percent of the number of agricultural loans sampled in the assessment area was made to small farms, as compared to ninety-nine percent of small farms located in the AA. Small farms are farms with annual gross revenues of less than one million dollars. Because seven of the twenty loans sampled did not have revenue information, we also performed an analysis of agricultural loans by proxy (loan size). This analysis assumes that smaller farms would request smaller loans. Based on loan size, eighty percent of the number of loans made was less than \$100 thousand, as compared to ninety-nine percent of small farms located in the AA. The following tables illustrate the borrower distribution of agricultural loan originations in the AA by revenues and by loan size:

| <b>Borrower Distribution of Loans to Farms in the Assessment Area</b> |              |              |             |       |
|---|--------------|--------------|-------------|-------|
| Farm Revenues (or Sales)  | ≤\$1,000,000 | >\$1,000,000 | Unavailable | Total |
| % of AA Farms*  | 99.36%       | .22%         | .42%        | 100%  |
| % of Bank Loans in AA by #  | 60.00%       | 5.00%        | 35.00%      | 100%  |
| % of Bank Loans in AA by \$   | 50.83%       | 31.70%       | 17.47%      | 100%  |

*Source: Random sample of 20 agricultural loans from the AA that were originated from January 1, 2008 through March 31, 2010 and 2008 Business Geo-demographic Data. Seven loans totaling \$405,467 in the sample did not*

have revenue information in the file.

| <b>Borrower Distribution of Loans to Farms by Loan Size in the Assessment Area</b> |                    |                      |                           |                          |
|--|--------------------|----------------------|---------------------------|--------------------------|
| Loan Size<br>(000's)   | Number of<br>Loans | Percent of<br>Number | Dollar Volume of<br>Loans | Percent of Dollar Volume |
| \$0 - \$100,000  | 16                 | 80.00%               | \$711,265                 | 30.64%                   |
| \$100,001 - \$250,000  | 1                  | 5.00%                | \$109,147                 | 4.71%                    |
| \$250,001 - \$500,000  | 2                  | 10.00%               | \$765,000                 | 32.95%                   |
| Over \$500,000   | 1                  | 5.00%                | \$736,000                 | 31.70%                   |

Source: Random sample of 20 agricultural loans from the AA that were originated from January 1, 2008 through March 1, 201 and 2008 Business Geo-demographic Data.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion in all levels of census tracts, including low- and moderate-income census tracts.

#### Residential Real Estate Loans

The geographic distribution of residential real estate loans reflects reasonable dispersion as compared to the percentage of owner-occupied housing units located in each income level part of the AA, including low- and moderate-income levels. Three percent of the total residential real estate loans originated from January 1, 2008 through March 31, 2010 was originated to individuals who reside in moderate-income census tracts, as compared to approximately five percent of owner occupied housing units located in those same tracts. The bank's AA has no low-income census tracts. The following table illustrates the bank's geographic distribution of residential real estate loans originated within each census tract income level as compared to the percent of owner-occupied housing units located within each census tract:

| <b>Geographic Distribution of Residential Real Estate Loans in the Assessment Area</b> |   |                            |   |                            |   |                            |   |                            |
|--|---|----------------------------|---|----------------------------|---|----------------------------|---|----------------------------|
| Census Tract<br>Income Level   | Low                                     |                            | Moderate                                |                            | Middle                                  |                            | Upper                                   |                            |
|  | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Number<br>of Loans | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Number<br>of Loans | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Number<br>of Loans | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Number of<br>Loans |
| Residential Real<br>Estate Loans   | 0%                                      | 0%                         | 5.12%                                   | 3.00%                      | 89.03%                                  | 95%                        | 5.85%                                   | 2%                         |

Source: Bank internally generated reports of one hundred percent of residential real estate loans originated from January 1, 2008 through March 31, 2009 and 2000 U.S. Census data.

#### Agricultural Loans

The geographic distribution of agricultural loans reflects reasonable dispersion as compared to the percentage of farms located in each income level part of the AA, including low- and moderate-income census tracts. The bank made no agricultural loans in low- or moderate-income census tracts; however, this is considered to be reasonable, as the bank's AA has no low-income census tracts, and because there are only four farms in the bank's one moderate-income

census tract. The following table illustrates 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:

| <b>Geographic Distribution of Loans to Farms in the Assessment Area</b> |               |                      |               |                      |               |                      |               |                      |
|---|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| 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%                   | .85%          | 0%                   | 85.35%        | 94.00%               | 13.80%        | 6.00%                |

*Source: Bank’s internally generated reports of one hundred percent of agricultural loans originated from January 1, 2008 through March 31, 2010 and 2008 Business Geo-demographic data.*

### **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 inconsistent with helping to meet community credit needs.