



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 28, 2012**

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

First National Bank in Paxton  
Charter Number 13809

106 North Market Street  
Paxton, IL 60957

Office of the Comptroller of the Currency

ADC-CHAMPAIGN Field Office  
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 supporting this rating include:

- First National Bank in Paxton's (FNB's) loan-to-deposit ratio is reasonable.
- A majority of loans originated by FNB are within the assessment area (AA).
- FNB's distribution of loans represents excellent penetration to businesses and farms of different sizes and borrowers of different income levels.

**SCOPE OF EXAMINATION**

FNB was evaluated under the small bank examination procedures, which evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for this review is from October 1, 2006 through December 31, 2011.

To evaluate the bank's lending performance, we utilized loans originated by FNB from January 1, 2010, through December 31, 2011. The loan sampling period is representative of the evaluation period as the bank's strategic plan has not changed significantly. Based on both number and dollar volume of loan origination information supplied by the bank, FNB's primary loan products are business loans, agricultural loans, and residential real estate loans.

The bank has a report for loans originated within the AA. We tested this report and found it to be reliable. This report was utilized for commercial and agricultural loans. To evaluate the bank's lending to borrowers of different income levels and businesses and farms of different sizes, we selected a sample of business and agricultural loans made during this time period. Additionally, we utilized the bank's 2010 and 2011 Home Mortgage Loan Data (HMDA) information submitted by FNB. This data was reviewed and found to be reliable prior to this examination.

**DESCRIPTION OF INSTITUTION**

FNB is a \$72 million intrastate institution headquartered in Paxton, Illinois. Paxton is located in Ford County on Interstate Highway 57 in east central Illinois, approximately 25 miles north of Champaign, Illinois. Paxton is the county seat of Ford County. The bank is a wholly owned subsidiary of Agricultural Banking Corporation, a two-bank holding company located in Paxton, IL. Holding Company assets total approximately \$130 million as of December 31, 2011. FNB's affiliate bank, Cissna Park State Bank, has assets of approximately \$53 million.

In addition to the main location, FNB operates one drive-up/walk-up facility located one block from the main office in Paxton, IL. FNB has not closed or opened any branches during this evaluation period. The bank offers one cash-dispensing ATM within the AA. This ATM is located in the Ford County Courthouse.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary lending focus is on commercial and agricultural loans. As of December 31, 2011, net loans were \$29 million, or 40 percent of total assets, while Tier 1 Capital was \$8 million. The following represents the institution's loan and lease portfolio mix as of December 31, 2011:

<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	76%
Agricultural Loans	10%
Commercial Loans	7%
Consumer Loans	7%
Other Loans	0%

Source: December 31, 2011 C all Report data

During the evaluation period (January 1, 2010, through December 31, 2011), the bank originated 866 loans (46 percent consumer, 21 percent commercial, 17 percent real estate, and 16 percent agricultural) totaling \$41 million (34 percent real estate, 21 percent commercial, 27 percent agricultural, and 8 percent consumer). The bank also generated 73 home loans totaling \$8.8 million that were sold into the secondary market. Based on a random sample of 20 of the 73 loans, 90 percent of these loans were generated within the bank's assessment area. Ten percent were to low-income borrowers and 30 percent were to moderate-income borrowers.

There are no financial, legal, or other impediments hindering the bank's ability to meet the credit needs of its assessment area. Bank activities are consistent with its size, local economic conditions, and credit needs of its community. The bank was rated Satisfactory at its last CRA examination, October 1, 2006.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB has one Assessment Area (AA) that is comprised of four of the five census tracts (#9617, #9618, #9619, and #9620) in Ford County, which is located in the Champaign-Urbana, IL Metropolitan Statistical Area (MSA #16580). All four census tracts are designated middle-income. The bank's AA does not include census tract #9616, which is also a middle-income census tract. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The bank's assessment area is reasonable, based on the bank's location. The bank is located on the southern end of Ford County and on the northern end of the MSA. Individuals living on the northern side of Ford County (census tract #9616) would have to travel approximately twenty miles to get to FNB, while two other banks located in that census tract are closer and available to meet their banking needs. Additionally, it would be difficult for a bank of this size to serve all three counties in the Champaign-Urbana MSA.

The population of the AA is 12,212. Ninety-five percent of the housing stock is 1-4 family units and 71 percent of the housing stock is owner occupied housing. The following demographic information for the AA is based on 2000 census data:

Demographic Information	MSA Assessment Area			
Family Distribution by Income Level (low-, moderate-, middle-, upper-income)	19.52%	25.98%	28.31%	26.19%
Families below poverty level	5.46%			
2011 Updated Median Family Income (MFI)	\$67,100			
Median Year of Homes Built / Median Home Value	1951 / \$69,395			
Total Businesses	1,129			
Businesses with Rev < \$1 Mil, Rev > \$1 Mil, Unreported	777 (68.82%)	34 (3.01%)	318 (28.17%)	
Total Farms	224			
Farms with Rev < \$1 Mil, Rev > \$1 Mil, Unreported	222 (99.11%)	2 (0.89%)	0 (0%)	

Source: 2000 U.S. Census Data and 2010 - 2011 HUD data

The local economy is generally stable and driven by services, agriculture, and small businesses. Small businesses and small farms are defined as those with annual gross revenues of \$1 million or less. Within the AA, the largest employers include Gibson Area Health Services, Ford County, Eastern Illini Electric Co-op, the local school district, and three local nursing homes. The AA's largest factory, Baltimore Air, closed in June 2009 and 200 jobs were lost. This loss was partially offset by the addition of Colmac Coil, which employs approximately 70 individuals. Some residents from the AA commute to Champaign-Urbana, IL for employment.

The December 2011 unemployment rate for Ford County was 10.4 percent. The state unemployment rate for the same time period was 9.6 percent, while the national rate was 8.5 percent.

FNB faces competition from numerous community banks located within its AA, and from larger regional and national competition, including a local Farm Credit service. There are 38 financial institutions with offices located within the Champaign-Urbana MSA. Six of these financial institutions are located in Ford County. FNB ranks eighteenth in the MSA with a deposit market share of 1.38 percent and third in Ford County with a market share of 15.78 percent.

We reviewed one community contact made in November 2011 with an economic development organization. Overall, the contact stated that local financial institutions are meeting the financial needs of the community and are more than willing to provide funding to qualified borrowers for small business and home loans. The contact also noted that local banks also participate in providing assistance to businesses who qualify for loans under the economic development corporation's revolving loan fund. We also performed one community contact with a local municipality during this evaluation period. The contact stated that local banks; including FNB Paxton, have participated in funding city projects in the past and are always willing to assist in any way they can. The contact stated that no complaints related to the local banks have been received by the municipality. Additionally, the contact noted the need for a revolving loan fund

to aid small businesses in obtaining small loans (less than \$10,000), but stated that the needs of low- and moderate-income individuals/families are being met by the local banks.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB’s performance of meeting community credit needs is reasonable. This review concentrated on the bank’s primary loan products, which include business, agricultural, and residential real estate loans. Approximately 46 percent of AA families are low- or moderate-income. Also, a majority of the businesses and farms in the AA are small businesses and small farms.

FNB has a reasonable loan-to-deposit ratio and a majority of the loans originated are within the AA. FNB has excellent penetration among businesses and farms of different sizes and borrowers of different income levels.

All criteria of the lending test are documented below:

**Loan-to-Deposit Ratio**

FNB’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, AA’s credit needs, and local competition.

The bank’s net loan-to-deposit ratio averaged 51 percent over the 24 quarters since the last CRA examination. This ratio ranged from a quarterly low of 42 percent to a quarterly high of 62 percent during the time period. The average quarterly net loan-to-deposit ratio for three other similarly situated financial institutions headquartered in Ford and Iroquois Counties, with total assets between \$69 million and \$107 million, was 61 percent over the same time period. These average quarterly ratios ranged from a low of 58 percent to a high of 66 percent.

The bank’s performance context indicates that the bank generated and sold \$8.8 million home loans into the secondary market. This data further supports the reasonableness of the bank’s loan-to-deposit ratio.

**Lending in Assessment Area**

A majority of FNB’s loans (71 percent of the number) are originated within the bank’s assessment area. The following table shows the bank’s lending inside and outside of the assessment area by primary product type. We placed more emphasis on the number of loans versus the dollar amount of loans, as the dollar amount for commercial loans is skewed by ten commercial loan participations (\$7.6 million) that are outside of the bank’s assessment area, and the dollar amount of home loan refinances is skewed by one larger loan for a home in Florida (\$750 thousand), and some additional loans to long time customers who live just outside of the bank’s assessment area.

<b>Lending in the AA</b>	
Number of Loans	Dollar of Loans (000’s)

Type of Loans	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
	Commercial	158	87.29%	23		12.71%	181	\$4,045	36.77%	
Agricultural	78	56.12%	61	43.88%	139	\$5,299	51.54%	\$6,038	48.46%	\$11,337
Home Purchase	22	64.71%	12	35.29%	34	\$1,194	55.61%	\$953	44.39%	\$2,147
Home Refinances	8	38.10%	13	61.90%	21	\$591	21.30%	\$2,183	78.70%	\$2,774
Home Improvement	13	65.00%	7	35.00%	20	\$612	59.24%	\$421	40.76%	\$1,033
Totals	279	70.63%	116	29.37%	395	\$11,741	38.77%	\$18,541	61.23%	\$30,282

Source: Bank loan origination reports from 1/1/2010 through 12/31/2011 for commercial and agricultural loans and 2010 and 2011 HMDA LAR for residential loans.

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

FNB’s distribution of loans to businesses and farms of different sizes and borrowers of different incomes is excellent.

#### Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Ninety-five percent of the bank’s loans to businesses originated in the evaluation period were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million dollars or less. The bank’s rate of small business loan originations is greater than demographic data, which shows that approximately 69 percent of businesses in the AA are small businesses.

<b>Borrower Distribution for Business Loans within AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA businesses	68.82%	3.01%	28.17%	100.00%
% of bank loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of bank loans in AA by \$	94.68%	5.32%	0.00%	100.00%

Source: Sample of 20 business loans originated between 1/1/2010 and 12/31/2011 made within the AA and 2000 Dunn & Bradstreet data.

#### Agricultural Loans

The distribution of loans to farms reflects excellent penetration among farms of different sizes. One hundred percent of the bank’s loans to farms originated in the evaluation period were made to small farms. Small farms are farms with gross annual revenues of \$1 million dollars or less. The bank’s rate of small farm loan originations is greater than demographic data, which shows that approximately ninety-nine percent of farms in the AA are small farms.

<b>Borrower Distribution for Agricultural Loans within AA</b>
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Farm Revenues (or Sales)	< = \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA farms	99.11%	0.89%	0.00%	100.00%
% of bank loans in AA by #	100%	0.00%	0.00%	100.00%
% of bank loans in AA by \$	100%	0.00%	0.00%	100.00%

Source: Sample of 20 farm loans originated between 1/1/2010 and 12/31/2011 made within the AA and 2000 Dunn & Bradstreet data.

**Residential Real Estate Loans**

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. The distributions of home purchase, home improvement, and home refinances among low- and moderate-income borrowers compare favorably to demographic data.

As more home purchase loans were made, when compared to home improvement loans and home refinances, home purchase loans carried significant weight in arriving at these conclusions.

**Home Purchase**

The distribution of home purchase loans reflects excellent penetration among borrowers of different income levels. The borrower distribution to low-income borrowers (28.57 percent) and moderate-income borrowers (42.85 percent) exceeds the percentage of low-income families (19.52 percent) and moderate-income families (25.98 percent) in the AA.

Taking into consideration loans sold into the secondary market, we found that the distribution of home purchase loans reflects reasonable penetration to low-income borrowers (10 percent), when compared to the percentage of low-income families in the AA (19.52 percent) and excellent penetration to moderate-income borrowers (30 percent), when compared to the percentage of moderate-income families in the AA (25.98 percent). This is based on a random sample of 20 of the 73 loans generated.

**Home Improvement**

The distribution of home improvement loans reflects excellent penetration among borrowers of different income levels. The borrower distribution to low- and moderate-income borrowers (25.00 percent and 37.50 percent) exceeds the percentage of low- and moderate-income families in the AA (19.52 percent and 25.98 percent).

**Home Refinance**

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. No loans for home refinance were made to low-income borrowers. However, the borrower distribution to moderate-income borrowers (33.33 percent) exceeds the demographic data (25.98 percent).

**Borrower Distribution for Home Loans in the AA**

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
Home Purchase	19.52%	28.57%	25.98%	42.85%	28.30%	4.55%	26.20%	4.56%
Home Refinance	19.52%	0.00%	25.98%	33.33%	28.30%	37.50%	26.20%	12.50%
Home Improvement	19.52%	25.00%	25.98%	37.50%	28.30%	7.69%	26.20%	15.39%

Source: 2010 and 2011 HMDA Data and 2000 US Census Data Note: 68.18 percent of the number of home purchase loans originated (15) , 25.00 percent of the number of home refinance loans (2), and 38.46 percent of the number of home improvement loans (5) had no income information available. These were loans for multi-family student housing and other 1-4 family investment properties that are not owner-occupied homes. Adjustments to the percentages of loans originated, were made in the table due to these numbers.

### Geographic Distribution of Loans

A geographic distribution analysis was not performed, as it would not be meaningful in this AA. FNB's AA has no low- or moderate-income geographies. All of the census tracts within the AA are middle-income.

### Responses to Complaints

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

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.