



## **PUBLIC DISCLOSURE**

March 06, 2017

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

First National Bank in Paxton  
Charter Number 13809

106 Market  
Paxton, IL 60957

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 in Paxton's (FNB's) rating include:**

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

## **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 1, 2012 to March 6, 2017.

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 product for this evaluation period to be commercial loans. Commercial loans was the only section of the portfolio with at least ten percent of the dollar and number of total originations. As loan originations for 2015 and 2016 are representative of the evaluation period, our analysis utilized a sample of commercial loans originated between January 1, 2015, and December 31, 2016.

The bank is located in a Metropolitan Statistical Area (MSA) and is subject to the requirements of the Home Mortgage Disclosure Act. However, this data was not utilized in this evaluation, as home loans are not a primary loan product. Based on its asset size, FNB is not required to maintain revenue information on commercial loans. The bank does track whether loans are located within the AA or not. We reviewed the bank's records to verify the accuracy of this information. We concluded the bank identified loans in and out of its AA with accuracy. Therefore, for our in/out of the AA analysis, we utilized 100 percent of commercial loans originated during our loan sample period. For our borrower distribution analysis and our geographic analysis, we reviewed a sample of 20 commercial loans made within the AA. In addition to our loan sample,

we utilized 2010 U.S. Census data, 2015 Dun & Bradstreet Business Geodemographic Data, and FDIC deposit market share data, as of June 30, 2016, in our analysis.

**DESCRIPTION OF INSTITUTION**

FNB is an \$82 million intrastate financial institution located in Paxton, Illinois (Ford County). Paxton is located on Highway 57 in east central Illinois, approximately 25 miles north of Champaign, Illinois. In addition to the main office, FNB operates one drive-up/walk-up facility located one block from the main office in Paxton, IL. The bank has a contract with the owners of an ATM located in a local Casey’s general store, in order to provide ATM services to their customers. FNB does not own any ATMs. Management has not opened or closed any branches during this evaluation period.

FNB is wholly owned by Agricultural Banking Corporation, a two-bank holding company located in Paxton, IL. Holding Company assets total approximately \$18 million (unconsolidated) as of December 31, 2016. FNB’s affiliate bank, Cissna Park State Bank, has assets of approximately \$63 million for the same time period. The bank’s business strategy is to provide services to the local market area focusing on growing loans (commercial, agriculture, and mortgage loans) and bringing in younger clientele through electronic banking services including online and mobile banking.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans total \$35 million on December 31, 2016, representing 43 percent of total assets.

In addition to originating home mortgage loans, FNB takes applications and assists Illini Bank in originating home mortgage loans to be sold into the secondary market.

The following represents the bank's loan and lease portfolio mix as of December 31, 2016:

<b>Loan Portfolio Summary by Loan Product, as of December 31, 2016</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	37%
Ag Loans	33%
Commercial Loans	25%
Consumer Loans	4%
Other Loans	1%

Source: December 31, 2016 Call Report Data

Tier one capital totals \$7.8 million as of December 31, 2016. 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 February 28, 2012.

**DESCRIPTION OF ASSESSMENT AREA**

The AA consists of five census tracts (#9616 - #9620) in Ford County and one census tract (#9507) in Iroquois County. The Ford County census tracts include four middle-income designations and one moderate-income designation. The Iroquois County census tract is a moderate-income census tract. Census tract #9507 in Iroquois County is in the same school district as the census tracts in Ford County and is considered to be part of the bank’s overall market area. Additionally, this census tract is contiguous with census tracts #9616, 9617, and 9618 in Ford County. This AA conforms to the regulation, as the AA does not substantially extend beyond the metropolitan statistical area (MSA) and does not arbitrarily exclude low- or moderate-income areas.

Ford County is one of three counties located in the Champaign-Urbana IL MMSA #16580. The bank is located on the southern end of Ford County and on the northern end of the MSA. It would be difficult for a bank of this size to serve all three counties in the Champaign-Urbana MSA.

The following demographic information for the AA is based on 2015 Business Geodemographic Data from Dun and Bradstreet:

Demographic Information for the AA					
Businesses: % of small businesses in the AA		74.14%	Percent of businesses not reporting revenue figures		21.35%
	#	% Low	% Mod	% Middle	% Upper
Businesses by Census Tract	1,021	0.00%	9.60%	90.40%	0.00%

**Economic Data**

The local economy and that of the surrounding area is stable. The economy is driven by services, agriculture, and retail trade.

Largest employers within the AA include: Gibson Area Health Services; Ford County; Eastern Illini Electric Co-op; Colmac Coil; the local school district, and three local nursing homes. Many of the local residents commute to Champaign-Urbana for employment.

The December 2016 unemployment rate for Ford County was 5.7 percent, compared to the state unemployment rate of 5.9 percent, and the national unemployment rate of 4.7 percent for the same time-period.

FNB faces competition from numerous community banks located within its AA, and from larger regional and national competition. There are 34 financial institutions with offices located within the Champaign-Urbana MSA. Nineteen of these financial institutions are located in the bank's AA. As of June 30, 2016, FNB ranked eighteenth in deposit market share in the Champaign-Urbana MSA with approximately 1 percent of the market. As of the same date, FNB ranked fifth in deposit market share in the bank's AA with 6 percent of the market share.

We performed one community contact during the evaluation period, with a local community organization. Our contact stated that local banks do a good job of meeting the needs of the community and are involved in community activities. Potential future needs might include funding for a local recreation project, start-up monies for new businesses, and assistance with housing development.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank’s performance under the lending test is satisfactory. The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, the AA's credit needs, and local competition. FNB originated a majority of its commercial loans within the bank’s AA. The distribution of loans reflects excellent penetration among businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion in census tracts of all income levels, including moderate-income census tracts.

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable based on 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, 2012, through December 31, 2016, was 43.56 percent, with a low of 36.54 percent and a high of 49.69 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time-period was 50.13 percent, with an individual institution average range from 37.11 percent to 71.03 percent. FNB’s average loan-to-deposit ratio is higher than two of the six similarly situated banks, which range in asset size from \$62 million to \$115 million. The similarly situated banks utilized for comparison purposes are all community banks located in Ford and Iroquois Counties. FNB’s assets at December 31, 2016 were \$82 million

It should be noted that FNB assists customers with obtaining fixed rate loans sold into the secondary market through Illini Bank. From January 1, 2015 through December 31, 2016, FNB assisted with 78 loans totaling approximately \$11 million. This is further support for a reasonable loan-to-deposit ratio.

**Lending in Assessment Area**

FNB originated a majority of primary product loans within the bank’s AA. Based on 100 percent of the bank’s commercial loans originated from January 1, 2015, through December 31, 2016, 81 percent of the number of loans were made 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:

<b>Lending in the AA</b>										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	128	81.01%	30	18.99%	158	4,878	46.00%	5,724	54.00%	10,602
Totals	128	81.01%	30	18.99%	158	4,878	46.00%	5,724	54.00%	10,602

Source: Bank internally generated reports of all commercial loans originated from January 1, 2015 through December 31, 2016.

**Lending to Businesses of Different Sizes**

The overall distribution of loans reflects excellent penetration among businesses 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. One hundred percent of the number of business loans and one hundred percent of the dollars of business loans in the AA were made to small businesses, as compared to 74 percent of small businesses located in the AA. Small businesses are businesses with gross annual revenues of less than one million dollars. The following table illustrates the borrower distribution of business loan originations in the AA by revenues and by loan size:

<b>Borrower Distribution of Loans to Businesses within AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	74.14%	4.51%	21.35%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

*Sources: Sample of 20 business loans originated from January 1, 2015 through December 31, 2016 made within the AA, and 2015 Dun and Bradstreet Business Geodemographic Data*

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion in census tracts of all income levels, including moderate-income census tracts. The AA has no low-income census tracts and only one moderate-income census tract. No unexplained conspicuous lending gaps were noted.

Business Loans

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels, including moderate-income census tracts. Although FNB made no loans to businesses in the one moderate-income census tract located in the bank’s AA, it is reasonable due to branch location and competition. This census tract, which is on the northern side of Ford County, is twenty miles from the bank’s office. It is reasonable that business owners living in the moderate-income census tract would seek banking services from two other banks located in that tract that are readily available to meet their banking needs. The following table illustrates 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 for Business Loans within 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
Business	0%	0%	9.60%	0%	90.40%	100%	0%	0%

Sources: Sample of 20 business loans originated from January 1, 2015, through December 31, 2016  
 Originated within the AA and 2015 Dun and Bradstreet Business Geodemographic 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.