



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 20, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pekin National Bank
Charter Number 15511**

**329 Court Street
Pekin, IL 61554**

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.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

The major factors that support PNB's rating include

- **The majority of the bank's loans are made within their AA.**
- **PNB's lending to borrowers of different income levels within the bank's assessment area (AA) is reasonable.**
- **PNB has an excellent geographic distribution of loans within the AA.**

DESCRIPTION OF INSTITUTION

Pekin National Bank (PNB) is a \$21 million intrastate financial institution located in Pekin, Illinois. PNB's assessment area (AA) consists of Tazewell County. The bank has two offices and one drive up facility. The main office is located on Court Street. There is a drive up facility located nearby on Margaret Street. The branch, located on Sheridan, has a drive up facility and an ATM. The main bank is a full service facility while the branch office provides basic teller transactions. PNB provides traditional banking services and lending products. The bank's business focus is both commercial and residential real estate lending.

As of March 31, 2002, the bank reported approximately nine million in outstanding loans and had a net loans and leases to total deposits ratio of 53.50%. Tier 1 capital was reported at \$3 million. The loan portfolio consists of the following:

Loan Category	\$(000)	%
Residential Loans	\$ 4,354	48.55
Commercial Loans	\$ 3,182	35.48
Consumer Loans	\$ 1,432	15.97
Total	\$ 8,968	100.00

Source: Call Report 3/31/2002

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of its community. The bank's previous CRA rating as of December 9, 1996 was Satisfactory.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area (AA) is Tazewell County, one of three counties in the Peoria/Pekin Metropolitan Statistical Area (MSA). Since the entire MSA is too large for this bank to serve, the designated AA is the county in which the bank's offices are located. The AA meets the requirements of the regulation.

Tazewell County consists of 33 census tracts (CTs). Based on the 1990 census median family income of 36,406, six of the CTs are considered moderate-income, 20 are considered middle-income, and five are considered upper-income. There are no low-income CTs and the remaining two CTs are not designated by income level.

Based on 1990 census data, the AA has a population of 123,692. The 2001 HUD adjusted median family income for the AA is \$55,000. There are 35,128 families in the AA, of which 18.43% are considered low-income, 17.86% are considered moderate-income, 25.36% are considered middle-income, and 38.36% are considered upper-income. The 1990 Census indicates that 9.52% of the families in this AA are living below the poverty level.

Based on 2001 business demographic data, there were 4,415 businesses in the AA. Of these, 3,867 (87.59%) had revenues of less than \$1 million, 340 (7.70%) had revenues of more than \$1 million, and 208 (4.71%) did not report revenue information. There were 881 businesses (20%) in moderate-income geographies, 2,875 businesses (65%) in middle-income geographies and 659 businesses (15%) in the upper-income geographies. There were no low-income geographies.

The affordable housing demand is strong. The 1990 US Census data shows that there are 49,315 housing units within the bank's AA. Of these, 68% are owner-occupied units, 27% are rental-occupied units, and approximately 4% are vacant housing units. A large majority of the owner-occupied units are in the moderate-income geographies (68.48%) with 13.89% in the moderate-income geographies and the remaining 17.63% in the upper-income geographies.

There are 47,234 households in the AA. Again, the majority are located in the moderate-income geographies (68.64%) with 22.66% in the moderate-income tracts and 8.7% in the upper-income tracts. Based on income level, the households are distributed as follows: 22.4% low-, 15.8% moderate-, 19.4% middle- and 42.4% upper-income.

The local economy is considered stable. The 2002 Local Area Unemployment Statistics show the Pekin/Peoria MSA unemployment rate as 4.8% which compares favorably with the state of Illinois unemployment rate of 6.3%. The national unemployment statistic average is also 4.8%.

The major employers in the community are Pekin Memorial Hospital (725 employees), Pekin Insurance (650 employees), Midwest Generation (400 employees), Midwest Grain Products (200 employees), PAL Health Technologies (185 employees), and Williams Bio-Energy Company (185 employees). Pekin's educational facilities (elementary, junior high, high school, technical & trade, and colleges/universities) employees 1,421 employees aggregate.

PNB's major competitors within its assessment area include; Morton Community Bank with assets of \$624 million, The Herget National Bank of Pekin with assets of \$199 million, Farmers national Bank of Minier with assets of \$72 million, The First National Bank of Tremont with assets of 68 million, First Security Bank located in Mackinaw with assets of \$41 million, Washington State Bank with assets of \$40 million, and Community Bank of Hopedale with assets of \$13 million. Citizens Equity Federal Credit Union (CEFCU) is a major competitor for all the financial institutions in the area.

We conducted one community contact interview during our examination. We contacted the Economic/Industrial Development Director for the City of Pekin. The contact specified some of the major needs to be better paying jobs. The contact indicated the performance of local financial institutions has been excellent, and they are actively involved in the community. Pekin offers many different economic incentives and tools to new and expanding businesses. These include a Pekin Area Enterprise Zone, two Tax Increment Financing districts (TIFs), Build Illinois Loan Program, EDFAP Loans, and Riverway Business (Industrial) Park.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. PNB's quarterly average loan-to-deposit ratio for the period January 1, 1997 to December 31, 2001 was 45.26%. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions located within the AA range from 47.44% to 84.82%.

PNB's net loan-to-deposit ratio has been steadily increasing over the past two years, as the bank's focus has been to generate more commercial loans. PNB's loan-to-deposit ratio has grown from 35.64% in 1997. Large portions of the bank's existing customer base are senior citizens and many are retired. Therefore they do not present the demand for residential real estate and consumer loans that a younger customer base would. As a result of these factors, PNB's loan-to-deposit ratio was the lowest of the similarly situated institutions in the AA with assets in the range of \$21-72 million in Tazewell County, Illinois.

Lending in Assessment Area

The substantial majority of the bank's loans are made within its AA. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated in Assessment Area						
Loan Type	# in AA	\$ in AA (000)	Total #	Total \$ (000)	% # in AA	% \$ in AA
Residential Real Estate	53	2,869	59	3,248	90	88
Commercial/Business	195	3,623	217	4,572	90	79
Consumer	306	3,106	367	4,004	83	78

Source: Bank Records (Loans originated in 1997, 1998, 1999, 2000, 2001, and year-to-date 2002)

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

Lending to borrowers of different incomes and to businesses of different sizes is reasonable. The bank's record of extending credit to individuals of different income levels reflects adequate lending to low- and moderate-income people within the AA. The bank's record of lending to businesses with revenues less than one million dollars reflects an excellent level of lending to small businesses.

Residential Real Estate Loan Originations

The borrower distribution of residential real estate loan originations is reasonable. The percentage of residential real estate loan originations made to low-income borrowers (30%) is excellent and exceeded the percentage of low-income families (18.43%) within the AA. The percentage of residential real estate loan originations made to moderate-income borrowers (5%) is less than the percentage of moderate-income families (17.86%) within the AA.

Residential Real Estate Loans					
Census Tract Income Level	# of loans	\$ of loans	Percentage of # loans	Percentage of \$ of loans	Percentage of Families in AA
Low	6	218,800	30%	20%	18.43%
Moderate	1	50,000	5%	5%	17.86%
Middle	8	337,900	40%	31%	25.36%
Upper	5	482,100	25%	44%	38.36%

Source: A sample of 20 loans (Loans originated in 2000, 2001, and year-to-date 2002 per bank records).

Commercial Loan Originations

The distribution of loans to small businesses is excellent. The percentage of loans made to businesses with annual revenues of less than \$1 million (100%) is higher than the percentage of businesses with annual revenues of less than \$1 million (87.59%) within the AA. All of the 20 loans in our sample, totaling \$450 thousand were made to businesses with annual revenues of less than \$1 million.

Consumer Loan Originations

The distribution of consumer loans to borrowers of different income levels is excellent. The percentage of consumer loan originations made to low-income borrowers (25%) is excellent and exceeded the percentage of low-income households (22.4%) within the AA. The percentage of consumer loan originations made to moderate-income borrowers (55%) is excellent and exceeded the percentage of moderate-income households (15.8%) within the AA.

Consumer Loan Originations					
Census Tract Income Level	# of loans	\$ of loans	Percentage of # loans	Percentage of \$ of loans	Percentage of Households in AA
Low	5	13,588	25%	12%	22.4%
Moderate	11	63,327	55%	54%	15.8%
Middle	3	34,715	15%	29%	19.4%
Upper	1	6,214	5%	5%	42.4%

Source: A sample of 20 loans (Loans originated in 2000, 2001, and year-to-date 2002 per bank records).

Geographic Distribution of Loans

The geographic distribution of the bank's residential real estate loan originations, commercial

loan originations and consumer loan originations reflects an excellent dispersion throughout the AA geographies.

Maps and reports detailing PNB's lending activity over the evaluation period for home mortgage loans, small loans to businesses, and consumer loans were reviewed to identify gaps in the geographic distribution of those loans. No unexplained gaps were identified.

Residential Real Estate Originations

The geographic distribution of residential real estate loan originations is excellent. The percentage of residential real estate loans made in the bank's moderate-income geographies (45%) far exceeds the percentage of owner-occupied units in those geographies (13.89%).

We selected a random sample of twenty loans to determine the dispersion of loans in the moderate-income geographies. The bank made nine loans totaling \$400,419 in the moderate-income geographies.

Residential Real Estate Loans					
Census Tract Income Level	# of loans	\$ of loans	Percentage of # loans	Percentage of \$ of loans	Percentage of owner occupied units by income level of tract
Moderate	9	400,419	45%	37%	13.89%
Middle	9	450,000	45%	41%	68.48%
Upper	2	244,000	10%	22%	17.63%

Source: A sample of 20 loans (Loans originated in 2000, 2001, and year-to-date 2002 per bank records).

Commercial Loan Originations

The geographic distribution of commercial loans is excellent. The percentage of commercial loans made to businesses in the moderate-income geographies (25%) exceeds the percentage of commercial businesses in those geographies (20%).

We selected a random sample of twenty loans to determine the dispersion of loans in the moderate-income geographies. The bank made five loans totaling \$65 thousand in the moderate-income geographies.

Census Tract Income Level	Percentage of Commercial Loans				Percentage of Businesses in Tract Category
	#	%	\$ (000s)	%	
Moderate	5	25%	65	15%	20%
Middle	13	65%	350	83%	65%
Upper	2	10%	8	2%	15%

Source: Bank Records of a sample of 20 commercial loans made within the bank's AA during 1999, 2000, 2001, and year-to-date 2002.

Consumer Loan Originations

The geographic distribution of consumer loan originations is excellent. The percentage of consumer loans made in the bank's moderate-income geographies (35%) far exceeds the percentage of households in those geographies (22.66%).

We selected a random sample of twenty loans to determine the dispersion of loans in the moderate-income geography. The bank made seven loans totaling \$46 thousand in the moderate-income geography.

Consumer Loan Originations					
Census Tract Income Level	# of loans	\$ of loans	Percentage of # loans	Percentage of \$ of loans	Percentage of households by income level of tract
Moderate	7	46,483	35%	33%	22.66%
Middle	13	93,180	65%	67%	68.64%
Upper	0	0	0%	0%	8.70%

Source: A sample of 20 loans (Loans originated in 2000, 2001, and year-to-date 2002 per bank records).

Responses to Complaints

PNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending Review

An analysis of recent public comments, consumer compliant information, and Home Mortgage Disclosure act (HMDA) lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed December 9, 1996.