

PUBLIC DISCLOSURE

September 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pana
Charter #13478**

**309 South Locust Street
Pana, Illinois 62557**

**Office of the Comptroller of the Currency
Champaign Field Office
3001 Research Road, Suite E-2
Champaign, Illinois 61822**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank of Pana** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 28, 1999. Our assessment of the bank's performance covers the period since July 12, 1996. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs". The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING

This institution's CRA rating is **Satisfactory**.

This rating is based on analyses of the bank's lending performance from July 12, 1996 through September 28, 1999. The lending performance test includes analysis of the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, the distribution of credit to borrowers of different incomes and to businesses and farms of different sizes, the distribution of credit to different geographies within the assessment area, and the bank's level of compliance with Fair Lending laws and regulations.

First National Bank of Pana's Satisfactory Record of Meeting Community Credit Needs rating is supported by the following:

- < The bank's average loan-to-deposit ratio is reasonable.
- < The bank's level of lending inside the assessment area is satisfactory.
- < The distribution of loans inside the assessment area to small farms and businesses is reasonable. The distribution of real estate loans inside the assessment area to individuals of different income levels is satisfactory.
- < The distribution of loans throughout the assessment area is reasonable, including lending in low- and moderate-income geographies.
- < The bank is in substantial compliance with Fair Lending laws and regulations.

DESCRIPTION OF INSTITUTION

First National Bank of Pana is a \$74 million institution in Pana, Illinois. Pana is located in Christian County, in central Illinois, approximately 30 miles south of Decatur, Illinois. Pana has a population of 5,650 residents. The bank has one branch facility which is located in Assumption, approximately nine miles north of Pana. The bank has two ATMs, which are located at each banking facility.

Loans have been growing since the last CRA examination. On June 30, 1996, gross loans totaled \$36.1 million. As of June 30, 1999, gross loans totaled \$45.7 million, or an increase of \$9.6 million. The residential and commercial real estate portfolios are the areas where growth has been most significant, with a net \$7.1 million increase. The commercial and agricultural loan portfolios have also seen growth, with net increases of \$2 million and \$1.1 million, respectively. Overall, residential real estate loans comprise 38% of the loan portfolio, with commercial loans representing 26% and agricultural loans 21% of gross loans.

A more revealing indicator of the bank's lending activity than the net growth figures discussed above is the total volume of originations during the examination period. *Table 1* shows the breakdown of residential real estate, agricultural, and commercial loan originations made from July 12, 1996 through September 28, 1999. A total of 1,196 of these loans were made, with the dollar volume being approximately \$47.7 million.

Total Originations Since July 12, 1996		
Table 1		
Type of Loans	Number Made	Dollar Amount Made
Residential Real Estate	403	\$17,070,231
Agricultural	355	\$13,685,672
Commercial	438	\$16,947,126
Total	1,196	\$47,703,029

Source: Detailed origination reports provided by the bank. Numbers may exclude certain loans that were originated since 7/12/96 and have been repaid prior to 9/28/99. These numbers do not include consumer loan originations.

Discussions with local government officials revealed that extensive banking services and credit accessibility are available in the assessment area. According to these contacts, the local area's credit needs are loans for small businesses, residential housing, agricultural needs, and consumer purposes. First National Bank of Pana serves these credit needs by offering all of these types of loans.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes Block Numbering Areas (BNAs) #9586, #9587, #9588, and #9589 in southeast Christian County and BNAs #9592 and #9596 in southwest Shelby County. Based on 1990 census data, the population of the assessment area is 18,618. Two of the BNAs in the assessment area (#9589 and #9596) are considered moderate-income, with the remaining four classified as middle-income. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The following demographic information for the assessment area is based on 1990 census data, with information for the moderate-income BNAs noted where appropriate:

Housing Stock:	84% of the housing units are 1-4 family.
Occupancy:	70% are owner occupied, 21% are renter occupied, and 9% are vacant. va
Home Values:	Median home value is \$33,105 (\$27,122 in moderate-income BNAs).
Age of Homes:	Median year of homes built is 1954.
Income:	Median family income is \$27,655 (\$21,471 in moderate-income BNAs).
Income Levels:	21% of families are designated low-income, 20% are moderate-income, 26% are middle-income, and 33% are upper-income. In moderate-income BNAs, 32% of families are designated low-income, and 22% of families are moderate-income.

Economic conditions in Christian County have generally been stable over the last few years, but have been affected by the closure of several businesses in recent years. The most recent closure occurred in July 1998, and resulted in the loss of 84 jobs. The local unemployment rate is above the state and national rates, and has been increasing during the past year. Population trends are stable, with a slight decline noted over the past ten years. Housing costs are generally reasonable, with 6.6% of owners and 4.8% of renters paying more than 30% of their monthly income in housing costs. However, in the moderate-income BNAs, 9.5% of owners and 5.4% of renters pay more than 30% of their monthly income in housing costs.

Significant employers in the area include: Pana School District (176 employees), Heritage Manor (155), Pana Community Hospital (127), City Government (119), Prairie Rose (90), and Wal-Mart (65). The wholesale and retail trade industries provide most employment opportunities within Christian and Shelby Counties, followed by services, government, agriculture, and construction/manufacturing. According to Dun & Bradstreet Business Demographic Data for 1998, there are 306 farms and 623 businesses located within the assessment area. Most farms and businesses employ fewer than 50 employees each.

Competition for banking services is provided by eight other financial institutions in Christian, Shelby, and Montgomery Counties.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

First National Bank of Pana's loan-to-deposit ratio is reasonable. During the assessment period, the bank's net loan-to-deposit ratio ranged from 64% to 71%, and averaged 68.34%. This average ratio is better than the 61.92% average net loan-to-deposit ratio of eight competing banks located in Christian, Shelby, and Montgomery Counties, with total assets between \$18 million and \$124 million. First National Bank of Pana is the third largest financial institution headquartered in Christian County.

LENDING IN THE ASSESSMENT AREA

The bank's lending inside the assessment area is satisfactory with a majority of the number and dollar amount of loans being made to customers within the bank's assessment area. As illustrated in *Table 2*, the bank's detailed analysis of 1196 loans originated between July 12, 1996 and September 28, 1999 revealed that 79% of the number and 76% of the dollar amount of loans were extended inside the bank's assessment area.

LOAN PENETRATION ANALYSIS				
Table 2				
Type of Loan	Within Assessment Area		Outside Assessment Area	
Residential Real Estate	\$14,568,722	85%	\$2,501,509	15%
	340	84%	63	16%
Commercial Loans	\$13,647,002	81%	\$3,300,124	19%
	346	79%	92	21%
Agricultural Loans	\$8,160,145	60%	\$5,525,527	40%
	255	72%	100	28%
Total	\$36,375,869	76%	11,327,160	24%
	941	79%	255	21%

Source: Detailed loan origination reports which covered the time period of 7/12/96 - 9/28/99. Numbers may exclude certain loans that were originated since 7/12/96 and have been repaid prior to 9/28/99.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

First National Bank of Pana's record of lending to borrowers of all income levels and to small businesses and farms within its assessment area is satisfactory. Twenty-one percent of the population of the bank's assessment area is considered low-income, with an additional twenty percent classified as moderate-income. Income levels used in our analysis are based on the updated 1996, 1997, 1998, and 1999 nonmetropolitan median family incomes for Illinois, which were \$36,000, \$37,600, \$39,500, and \$41,500, respectively.

Residential Real Estate Loan Analysis

First National Bank of Pana originates real estate loans to individuals of different income levels in reasonable proportion to the area's income characteristics. Our analysis, illustrated in *Table 3*, reveals that 20% of the number and 13% of the dollar amount of real estate loans sampled were made to low- and moderate-income borrowers. The sample results indicate that the amount of real estate loans made to low- and moderate-income borrowers is considerably lower than the percent of families in those income categories. However, an analysis performed by the bank of total residential real estate originations, both within and outside the assessment area, indicates that between 40%-50% percent of these loans are made to low- and moderate-income borrowers. This income analysis performed by the bank could not be geocoded to determine the distribution of these loans among borrowers of different income levels within the assessment area alone. However, the bank's performance indicated by this overall level of lending is considered satisfactory.

RESIDENTIAL REAL ESTATE LOANS Distribution of Borrowers' Income Levels Table 3					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
Low - Income Less than 50% of Median	2	10%	\$73,763	6%	21%
Moderate - Income 50% - 79% of Median	2	10%	\$94,870	7%	20%
Middle - Income 80%-119% of Median	6	30%	\$390,689	30%	26%
Upper - Income 120% or more of Median	10	50%	\$738,010	57%	33%
Totals	20	100%	\$1,297,332	100%	100%

Source: This table is an analysis based on a sample of 20 residential real estate loans that were made in the bank's assessment area between 7/12/96 and 9/28/99.

Commercial Loan Analysis

First National Bank of Pana's distribution of lending to small businesses and small farms within the assessment area is reasonable. Small businesses are defined as a business with annual gross revenues below \$1 million. Small farms are defined as a farm with annual gross revenues below \$500 thousand. As shown in *Table 4* below, our sample of commercial loans in the assessment area revealed that 80% of the number and 57% of the dollar amount of these loans were made to businesses with gross revenues of less than \$1 million.

COMMERCIAL LOANS				
Distribution to Businesses by Revenue Amount				
Table 4				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	1	6%	\$35,626	1%
\$100,000 - 250,000	7	47%	\$830,862	32%
\$250,000 - 500,000	0	0%	\$0	0%
\$500,000 - 1,000,000	4	27%	\$628,000	24%
More than \$1,000,000	3	20%	\$1,134,698	43%
Totals	15	100%	\$2,629,186	100%

Source: This table is an analysis based on a sample of 15 loans made to businesses located inside the bank's assessment area between 7/12/96 and 9/28/99.

As shown in *Table 5* below, our agricultural loan sample in the assessment area revealed that 87% of the number and 72% of the dollar amount of these loans were made to farms with gross revenues of less than \$500 thousand.

AGRICULTURAL LOANS				
Distribution to Farms by Revenue Amount				
Table 5				
<i>Loan Size</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$25,000	3	20%	\$304,000	26%
\$25,000 - 100,000	7	47%	\$262,812	23%
\$100,000 - 500,000	3	20%	\$271,000	23%
More than \$500,000	2	13%	\$326,000	28%

Totals	15	100%	\$1,163,812	100%
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Source: This table is an analysis based on a sample of 15 loans made to farms located inside the bank's assessment area between 7/12/96 and 9/28/99.

GEOGRAPHIC DISTRIBUTION OF LOANS

First National Bank of Pana's record of lending to borrowers throughout its assessment area is reasonable, and is in line with the distribution of the assessment area's population characteristics. Thirty-five percent of the assessment area's population is located in the two moderate-income BNAs, with the remaining 65% located in middle-income BNAs. The BNA income level designation is based on 1990 census data.

The bank's detailed analysis of 941 loans originated within the assessment area between July 12, 1996 and September 28, 1999 revealed that 36% of the number, and 32% of the dollar amount were made to borrowers living within moderate-income BNAs. The analysis reflects lending in most of the BNAs in the bank's assessment area. Lending levels in BNA #9586, a middle-income BNA, was found to be low. This BNA is located north of Assumption, where the bank's branch is located. The bank faces strong lending competition in this area from banks that are either headquartered in Assumption or located in nearby Taylorville. Overall, the bank's lending represents a reasonable penetration of all geographies within the bank's assessment area, including moderate-income geographies. The tables below reveal that the bank's penetration of moderate-income geographies was consistent across the three product lines reviewed.

As shown in *Table 6* below, our residential real estate loan sample in the assessment area revealed that 38% of the number and 34% of the dollar amount of these loans were made to borrowers in moderate-income BNAs.

RESIDENTIAL REAL ESTATE LOANS					
Geographic Distribution of Loans					
Table 6					
<i>Income Level of BNAs</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Total Owner Occupied Housing</i>
Low - Income <small>Less than 50% of Median</small>	0	0%	\$0	0%	0%
Moderate - Income <small>50% - 79% of Median</small>	128	38%	\$4,928,942	34%	35%
Middle - Income <small>80%-119% of Median</small>	212	62%	\$9,639,780	66%	65%
Upper - Income <small>120% or more of Median</small>	0	0%	\$0	0%	0%
Totals	340	100%	\$14,568,722	100%	100%

Source: This table is an analysis based on a sample of 340 residential real estate loans that were made in the bank's assessment area between 7/12/96 and 9/28/99.

As shown in *Table 7* on the following page, our commercial loan sample in the assessment area revealed that 32% of the number and 27% of the dollar amount of these loans were made to businesses in moderate-income BNAs.

COMMERCIAL LOANS					
Geographic Distribution of Loans					
Table 7					
<i>Income Level of BNAs</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Total Businesses in Each Category</i>
Low - Income Less than 50% of Median	0	0%	\$0	0%	0%
Moderate - Income 50% - 79% of Median	112	32%	\$3,738,074	27%	29%
Middle - Income 80%-119% of Median	234	68%	\$9,908,928	73%	71%
Upper - Income 120% or more of Median	0	0%	\$0	0%	0%
Totals	346	100%	\$13,647,002	100%	100%

Source: This table is an analysis based on a sample of 346 commercial loans that were made in the bank's assessment area between 7/12/96 and 9/28/99.

As shown in *Table 8* below, our agricultural loan sample in the assessment area revealed that 38% of the number, and 35% of the dollar amount, of these loans were made to farms in moderate-income BNAs.

AGRICULTURAL LOANS					
Geographic Distribution of Loans					
Table 8					
<i>Income Level of BNAs</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Total Farms in Each Category</i>
Low - Income Less than 50% of Median	0	0%	\$0	0%	0%
Moderate - Income 50% - 79% of Median	98	38%	\$2,824,134	35%	41%
Middle - Income 80%-119% of Median	157	62%	\$5,336,011	65%	59%
Upper - Income 120% or more of Median	0	0%	\$0	0%	0%
Totals	255	100%	\$8,160,145	100%	100%

Source: This table is an analysis based on a sample of 255 agricultural loans that were made in the bank's assessment area between 7/12/96 and 9/28/99.

COMPLIANCE WITH FAIR LENDING LAWS

First National Bank of Pana is in compliance with the substantive provisions of the anti-discriminatory laws and regulations. A fair lending review was performed during the CRA examination. Five denied unmarried joint applicants were compared to fifteen married joint applicants for real estate home purchase loans from April 1997 through September 28, 1999. The examination revealed that there is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area.

WRITTEN COMPLAINTS

First National Bank of Pana has not received any written complaints about its performance in helping to meet the credit needs within its assessment area.