



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**October 1, 2006**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Paxton  
Charter Number 13809**

**106 North Market Street  
Paxton, Illinois 60957**

**Comptroller of the Currency  
Central Illinois & Central Indiana  
3001 Research Road Suite E2  
Champaign, IL 61822**

**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.**

- **A majority of the loans are originated within the bank's assessment area.**
- **The distribution of loans reflects reasonable penetration among businesses and farms of different sizes and households of different income levels (including low- and moderate-income), given the demographics of the assessment area.**
- **The bank's loan-to-deposit ratio is 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 capacity to help meet the credit needs of the communities in which it operates. A Small Bank is subject to a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities.

Conclusions regarding the bank's lending performance are based on commercial loans, agricultural loans, and consumer loans originated or purchased from January 1, 2004 through June 30, 2006. Commercial loans, agricultural, and consumer loans are the bank's primary products based on a review of the number and dollar of originations during this period.

Demographic data is based on 2000 census data.

## **DESCRIPTION OF INSTITUTION**

First National Bank in Paxton (FNB) is a \$64 million intrastate institution located 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 \$114 million, as of December 31, 2005. FNB's affiliate bank, Cissna Park State Bank, has assets of approximately \$45 million.

FNB operates one branch facility located in Paxton, IL, which is one block from the main office in downtown Paxton. The bank also operates two cash dispensing teller machines. One of the machines is located at a general store in Paxton, IL and the other machine is located at a gas station in Paxton, IL. The bank also offers banking by internet and telephone banking. FNB has not closed any branches during this evaluation period.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans totaled \$29 million on December 31, 2005, representing 45% of total assets. The following represents the bank's loan and lease portfolio mix as of December 31, 2005:

Residential Real Estate Loans	\$ 11 million	38%
Agricultural Loans	\$ 10 million	34%
Commercial Loans	\$ 6 million	21%
Consumer Loans	\$ 2 million	7%

During the years of 2004, 2005, and 2006, the bank originated 1,159 loans totaling \$50 million. According to bank reports, 279 of these loans were commercial loans, (\$24 million), 221 were agricultural loans (\$13 million), 145 were 1-4 family residential real estate loans, (\$10 million), and 513 were consumer loans (\$3 million).

Tier one capital totals \$8 million as of December 31, 2005. 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 December 4, 2000.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The bank has one assessment area (AA) that consists of four census tracts (#9617, #9618, #9619, and #9620) in Ford County, which is located in the Champaign-Urbana, IL, Metropolitan Statistical Area (MSA). Ford County was included in the revised boundaries of the Champaign-Urbana MSA in 2004. The census tracts in Ford County are all designated as middle-income. Prior to 2004, the bank had one combined assessment area, which consisted of two census tracts in Ford County (#9617 and 9618) and one census tract in Iroquois County (#9507). All census tracts from the previous assessment area were also designated as middle-income.

These assessment areas conform to the regulation and do not arbitrarily exclude low- or moderate-income areas. The following demographic information for the assessment area is based on 2000 census data:

<b>Demographic Information for Assessment Area</b>	<b>Ford County MSA</b>
Population:	12,212

Housing Stock: <i>1-4 family housing units</i>	95%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	71%, 22%, 7%
Home Values: <i>Median home value</i>	\$69,395
Age of Homes: <i>Median year of homes built</i>	1951
Income: <i>Updated Median family income</i>	\$59,550
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	20%, 26%, 28%, 26%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	18%, 17%, 22%, 43%
	<b>2005 Business Data</b>
Farms: <i>% of small farms in the assessment area</i>	99%
Businesses: <i>% of small businesses in the assessment area</i>	63%
<i>Percent of farms not reporting revenue figures</i>	0%
<i>Percent of businesses not reporting revenue figures</i>	32%

*Note: MSA 2005 represents four census tracts in Ford County.*

The local economy is stable and driven by agriculture, small business, and light industry. Some of the major employers in the area are the local school districts, and three local nursing homes in Paxton. Eastern Illini Electric Co-op, Baltimore Air Coil and HI Concrete Technology are also large area employers. The December 2005 unemployment rate for Ford County was 4.4% compared to the state unemployment rate of 5.5%, and the national rate of 4.9%.

FNB faces competition from several community banks with locations in Paxton, Gibson City, Buckley, Loda, Roberts, Onarga, Cropsey, and Cissna Park, and from larger regional and national competition located in Champaign and Bloomington, Illinois. A local business official was contacted during the examination. The contact indicated that the area's financial institutions are meeting the community's credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The overall distribution of loans reflects reasonable penetration among businesses and farms of different sizes and households of different income levels (including low- and moderate-income), given the demographics of the assessment area.

#### Commercial Loans

The bank's performance of lending to businesses of different sizes is more than reasonable compared to the area's demographics. Eighty percent of the number of business loans sampled in the Ford County MSA AA was made to small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. Demographic data for the AA shows that sixty-three percent of the businesses in the Ford County MSA AA have revenues equal to or less than one million dollars. The bank's performance in lending to small businesses exceeds the assessment areas' demographic characteristics.

<b>Borrower Distribution of Loans to Businesses in the Ford County MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses*	63%	5%	32%	100%
% of Bank Loans in AA by #	80%	5%	15%	100%
% of Bank Loans in AA by \$	78%	7%	15%	100%

Source: This table is based on 20 commercial loans from the AA that were originated in 2004, 2005, and 2006 and 2000 U.S. Census data.

### Agricultural Loans

The bank's performance of lending to farms of different sizes is reasonable. While only eighty percent of the numbers of farm loans sampled in the Ford County MSA AA were made to small farms, ninety-eight percent of the dollar amounts of loans sampled in the Ford County MSA AA were made to small farms. Small farms are farms with annual gross revenues of less than one million dollars. Demographic data shows that 99% of the farms in the Ford County MSA AA have revenues equal to or less than one million dollars. The bank's performance in lending to small farms is close to the assessment area's demographic characteristics.

<b>Borrower Distribution of Loans to Farms in the Ford County MSA AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms*	99%	1%	0%	100%
% of Bank Loans in AA by #	80%	0%	20%	100%
% of Bank Loans in AA by \$	98%	0%	2%	100%

Source: This table is based on 20 agricultural loans from the AA that were originated in 2004, 2005, and 2006, and 2000 U.S. Census data.

### Consumer Loans

The bank's performance of lending to households of different income levels is reasonable. The percentage of the number of consumer loans made to low-income households (37%) exceeds the percentage of low-income households in the Ford County MSA AA (18%). The number of consumer loans extended to moderate-income households (11%) is lower than the percentage of moderate-income households in the Ford County MSA AA (17%).

<b>Borrower Distribution of Consumer Loans in the Ford County MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	18%	37%	17%	11%	22%	37%	43%	15%

Source: This table is based on 20 consumer loans from the AA that were originated in 2004, 2005, and 2006, and 2000 U.S. Census data.

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as all the census tracts in the Ford County MSA AA are designated middle-income. The assessment area does not include any low- or moderate-income census tracts.

### **Lending in Assessment Area**

A majority of loans (71% of the number) are originated within the bank's assessment area. Since the bank tracks their loans in and out of their assessment area, we utilized 100% of the bank's loans (1,159) originated in 2004, 2005, and 2006 for this analysis. To determine the reliability of the data, we tested a random sample of 60 loans. We determined the bank's data to be reliable.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, assessment area's credit needs, and local competition. The average loan-to-deposit ratio for twenty-three quarters ending March 31, 2006 was 50%, ranging from a low of 45% to a high of 53%. While this ratio is below the average loan-to-deposit ratio of similarly situated banks, the ratio shows improvement over a ratio of 44%, noted during the previous examination ending September 30, 2000. The similarly situated banks are four banks in Ford County with assets ranging from \$46 million to \$93 million. The combined average loan-to-deposit ratio for these banks was 57% for the same twenty-three quarters. Individual averages of the similarly situated banks ranged from a low of 51% to a high of 66%.

### **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet assessment area credit 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.