



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 26, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pontiac National Bank
Charter No. 14260
223 N. Mill Street
Pontiac, IL 61764**

**Office of the Comptroller of the Currency
440 South LaSalle St., Suite 2700
Chicago, IL 60605**

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 Community Reinvestment Act (CRA) performance of **Pontiac National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 26, 1996**. This evaluation is based on information from the last CRA examination dated **April 30, 1993** to the current examination dated **March 31, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

A majority of the loans originated by Pontiac National Bank are within the assessment area. Loans are originated in all census tracts and block numbering areas throughout the assessment area. The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.

The following table indicates the performance level of Pontiac National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PONTIAC NATIONAL BANK'S PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF PONTIAC NATIONAL BANK

Pontiac National Bank is a \$133 million community bank with the main bank and two branches located in Pontiac, Illinois and one branch in Bloomington, Illinois. The Bloomington branch opened August 1, 1995. The bank also serves customers through nine automatic teller machines (ATMs). PNB is 100% owned by PNB Holding Co, a two-bank holding company. The bank offers traditional banking services and basic lending products. The loan portfolio mix is as follows: residential real estate 32%, commercial and ag real estate 36%, agricultural 11%, commercial 11%, and instalment 10%. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area. The bank received a "Satisfactory" rating at the April 30, 1993 CRA examination.

DESCRIPTION OF ASSESSMENT AREAS:

The bank's assessment areas are defined as Livingston and McLean Counties. The assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

LIVINGSTON COUNTY

Livingston County is comprised of 5 middle-income Block Numbering Areas (BNAs) and 5 upper-income BNAs. Fourteen percent of the population in the county is low-income, 15% is moderate-income, 23% is middle-income, and 48% is upper-income. The 1996 non-MSA statewide median family income equals \$36,000. Approximately 67% of housing units within the county are owner-occupied with the median age of housing at 44 years.

The economy within Livingston County is stable. The city of Pontiac has had limited commercial and residential development during the past few years. Major employers include Caterpillar, Pontiac Correctional Center, RR Donnelley, Interlake, and St. James Hospital. The unemployment rate for Livingston County is low at 2%.

The bank's primary competition for financial services is the Bank of Pontiac. Secondary competition is a First of America branch in Pontiac and the Citizen's Equity Federal Credit Union. There are 11 other banks throughout Livingston County, 2 of which are considered similarly-situated based on asset size.

A community contact was made with an individual at a local housing authority. The contact was very complimentary towards all of the local financial institutions. He especially commended their effort to work together to identify and help meet the credit needs of low- or moderate-income individuals. The contact believes the primary credit needs of low-income individuals in Livingston County are small dollar loans, such as automobile and furniture loans. These types of credit are available at local institutions.

MCLEAN COUNTY

McLean County is a Metropolitan Statistical Area (MSA) with 31 census tracts (CTs). Two of the CTs are low-income, 6 are moderate-income, 18 are middle-income, and 5 are upper-income. The low- and moderate-income tracts are all located in the cities and/or townships of Bloomington-Normal. Approximately 60% of housing units within the county are owner-occupied with the median age of housing at 34 years. None of the bank's branches or ATMs are located in the low- or moderate-income geographies.

The median family income for the MSA is \$51,100. Fourteen percent of the population within McLean County is low-income, 15% is moderate-income, 23% is middle-income, and 48% is upper-income.

The majority of employment is centered in services, retail trade, and finance/insurance. Major employers include State Farm Insurance, Mitsubishi Motors Manufacturing of America, Illinois State University, BroMenn Healthcare, and Country Companies Insurance. The economy is good with a significant amount of residential and commercial development in the cities of Bloomington and Normal during the past few years. The unemployment rate is low at 2%.

Competition for residential and commercial lending in the Bloomington area primarily stems from Heartland Bank and Trust Company, a First of America branch, Commerce Bank, and a Magna Bank branch. There are 9 other banks located throughout McLean County.

A community contact was not made in McLean County because several contacts by other regulatory agencies have been made during the past year. The contacts reported the primary credit needs in the Bloomington-Normal area are downpayment assistance programs, home improvement loans, and 1-4 family housing rehabilitation loans. All of these types of credit are available at local institutions.

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio for the prior 12 quarters equals 66.74%, slightly below the local peer average ratio of 67.09%. However, the bank's quarterly loan-to-deposit ratio has been on an increasing trend and has significantly surpassed the local peer ratio during the past year. The bank's ratio has increased from 54.06% to 78.56% since 6/30/93. The local peer bank's ratio has increased from 61.51% to 69.6% during the same period. In addition, the March 31, 1996 loan-to-deposit ratio would increase from 78.56% to 91.44% if all loans sold to the Federal Home Loan Mortgage Corporation since the last CRA exam are included.

LENDING IN ASSESSMENT AREA

The bank's record of lending to borrowers within the assessment area is good. The following table details the bank's lending within and outside of the AA by dollar volume and number of loans based on originations between April 30, 1993 and March 31, 1996. The calculations exclude all loans reported on the loan trials with a zero origination amount because funds were not advanced on the loan origination date. These are eliminated from the sample so the correlation between the dollar and number of loan originations is not skewed. All loans to large farm and business borrowers are also excluded. Large farm and business loans are defined as those loans to borrowers with annual farm or business revenues of \$1,000,000 or greater.

	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$29,937,491	\$2,890,364	733	76
	91.20%	8.80%	90.61%	9.39%
Small Business	\$12,982,794	\$3,587,557	312	29
	78.35%	21.65%	91.50%	8.50%
Small Farm	\$14,777,848	\$4,231,841	505	102
	77.74%	22.26%	83.20%	16.80%
Instalment	\$5,789,611	\$1,096,527	1,161	146
	84.08%	15.92%	88.83%	11.17%
TOTAL	\$63,487,744	\$11,806,289	2,711	353
	84.32%	15.68%	88.48%	11.52%

Source: Examiner prepared from the bank's loan trials.

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

The bank’s record of lending to borrowers of different incomes and businesses of different sizes is good. Following is the bank’s residential real estate lending record to borrowers of different incomes in each of the bank’s assessment areas based on a sample of 196 loans originated between April 30, 1993 and March 31, 1996, or 24% of the real estate loan sample for evaluating lending within and outside the AA.

**RESIDENTIAL REAL ESTATE LENDING
WITHIN LIVINGSTON COUNTY (NON-MSA)
TO BORROWERS OF DIFFERENT INCOMES**

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	\$282,128	4.84%	8	5.33%
Moderate-income	\$546,317	9.37%	19	12.67%
Middle-income	\$1,133,222	19.43%	33	22.00%
Upper-income	\$3,869,390	66.36%	90	60.00%
TOTAL SAMPLE	\$5,831,057	100%	150	100%

Source: Examiner prepared from the bank’s loan trials.

**RESIDENTIAL REAL ESTATE LENDING
WITHIN MCLEAN COUNTY (MSA)
TO BORROWERS OF DIFFERENT INCOMES**

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	\$290,000	9.90%	11	23.91%
Moderate-income	\$305,125	10.42%	7	15.22%
Middle-income	\$746,001	25.47%	16	34.78%
Upper-income	\$929,627	31.74%	12	26.09%
TOTAL SAMPLE	\$2,270,753	100%	46	100%

Source: Examiner prepared from the bank's loan trials.

All numbers quoted in the following statements are for loans originated from April 30, 1993 to March 31, 1996.

- Based on a sample of 1,161 consumer instalment loans within the AA, 50% of the loans originated for \$2,500 or less.
- Residential real estate loans originated for \$25,000 or less account for 43%, or 318 of the residential real estate loans within the AA.
- Loans to large farms account for only 6.8%, or 9 out of 773 loans originated in the agricultural loan portfolio.
- The bank originated 420 small business loans which equates to 83% of the commercial loans originated during this time period.
- The bank's record of lending to small businesses of different sizes is good. Following is the distribution of a sample of small business loans within the AA by loan size: 281 (90%) loans originated for less than \$100,000; 23 (7%) loans originated for \$100,000 - 250,000; 7 (2%) loans originated for \$250,000 - 500,000; and, 1 (1%) loan originated for \$500,000 - 1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank has a good penetration of loans in all census tracts and BNAs within its assessment area. The bank's lending history within McLean County is relatively short since the Bloomington branch did not open until August 1, 1995. Bloomington-Normal contains all of the low- and moderate-income geographies within the assessment area. One of the low-income CTs is adjacent to Illinois State University and one of the moderate-income CTs is adjacent to Illinois Wesleyan University. Both tracts are mainly comprised of student housing.

The following tables show the bank's geographic distribution of loans in both of its assessment areas. The tables are based on information in the Pontiac National Bank Geo-Analysis Report prepared by The Attus Group, Inc., based out of Cincinnati, Ohio. The following numbers include all loans in the bank's portfolio approved between January 1, 1995 and March 31, 1996 with the exception of large commercial loans (loans to borrowers with annual revenues greater than \$1,000,000).

TOTAL LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs IN LIVINGSTON COUNTY				
	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	There are no low-income BNAs in Livingston County.			
Moderate-income	There are no moderate-income BNAs in Livingston County.			
Middle-income	\$6,769,749	43.14%	839	46.23%
Upper-income	\$8,923,876	56.86%	976	53.77%
Total	\$15,693,625	100%	1,815	100%

TOTAL LOAN ORIGINATIONS BY INCOME LEVEL OF CENSUS TRACTS IN MCLEAN COUNTY				
	\$ OF ORIGINATIONS	% OF ORIGINATIONS	# OF ORIGINATIONS	% OF ORIGINATIONS
Low-income	\$350,673	1.99%	10	1.57%
Moderate-income	\$2,970,011	16.90%	136	21.42%
Middle-income	\$8,889,914	50.57%	353	55.59%
Upper-income	\$5,368,486	30.54%	136	21.42%
Total	\$17,579,084	100%	635	100%

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during our examination.