



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 03, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Havana National Bank
Charter Number 2242

112 South Orange Street
Havana, IL 62644

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE
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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

The Havana National Bank (HNB) is rated satisfactory.

The major factors that support HNB's rating include:

- HNB's distribution of loans to businesses and farms of different sizes is satisfactory.
- A majority of the loans originated by HNB are to customers from within its assessment area (AA).
- HNB's quarterly average loan-to-deposit ratio of seventy-eight percent over the evaluation period is reasonable, given the bank's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses HNB's record of meeting the credit needs of the communities in which it operates. We evaluated HNB 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 assessment area through its lending activities.

- The evaluation period covers loans originated or purchased from April 21, 2003 through December 31, 2008.
- HNB has two AA's, generating a majority of the bank's loans and deposits. HNB's presence in the Tazewell County AA is limited and the volume of loans and deposits generated is much less than the other AA, thus it will only receive a limited-scope review. The Fulton/Logan/Mason County AA will receive a full-scope review. The lending test is based on HNB's primary loan products.
- Conclusions regarding the bank's lending performance are based on agricultural and commercial loans originated or purchased from January 1, 2007 through December 31, 2008, utilizing 2000 census data.
- HNB voluntarily maintains Census Tract (CT) information on agricultural and commercial loans. We conducted Data Integrity and found the data to be accurate and reliable for use in this examination.
- HNB is not required to maintain income information on agricultural and commercial loans outside of the individual credit files. Thus we reviewed a sample of 30 agricultural and 30 commercial loans originated during the evaluation period in assessing the range of loan distribution to businesses and farms of different sizes.

DESCRIPTION OF INSTITUTION

HNB is a community bank headquartered in Havana, Illinois, which is located along the Illinois River approximately 50 miles southwest of Peoria in West Central Illinois. As of December 31, 2008, HNB reported total assets of \$157 million. HNB has four locations serving portions of Fulton, Logan, Mason, and Tazewell Counties. The bank has seven Automated Teller Machines (ATMs) throughout both AA's.

Customers may also access their accounts through the Internet. Internet banking services include transfers between HNB accounts, review of account balances or transactions, accessing loan account information, and automated bill-paying capabilities. The bank also offers debit cards, providing customers with additional access to their accounts at point of sale or ATM locations.

HNB is a wholly-owned subsidiary of Community Investment Group, Ltd., a single bank holding company located in Havana, Illinois. As of December 31, 2008, the holding company had total assets of \$157 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community.

Since the previous CRA evaluation, HNB acquired two branch offices in San Jose and Green Valley, Illinois (2005) and opened a new branch office in Manito, Illinois (2006). HNB did not close any branch offices. HNB's strategy of providing banking products and services through traditional methods and with new technologies, while remaining committed to the customer with prompt responsive service and locally based decision-making, has not changed.

HNB has two primary lending products: agricultural and commercial loans. Agricultural and commercial lending account for 83 percent of the amount of all loan originations during the evaluation period and make up 73 percent of the outstanding loan balances as December 31, 2008. Consumer and residential real estate are not primary loan products, only accounting for 5 percent and 12 percent of the amount of loan originations, respectively. Consumer and residential real estate loans were not included in the sampling or used for the analysis of this evaluation as of December 31, 2008.

Table 1 – Loan Originations by Loan Type from January 1, 2007 through December 31, 2008				
Loan Category	\$ (000)	%	#	%
Agricultural Loans	\$ 56,880	59%	531	32%
Commercial Loans	\$ 23,793	24%	211	13%
Residential Loans	\$ 11,315	12%	168	10%
Consumer Loans	\$ 5,283	5%	730	45%
Total Originations	\$ 97,271	100%	1,640	100%

Source: Bank Records from January 1, 2007 – December 31, 2008

As of December 31, 2008, the bank reported \$98 million in outstanding loans and had a net loans and leases to total assets ratio of 62 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type December 31, 2008		
Loan Category	\$(000)	%
Agriculture Loans	\$ 49,214	50%
Commercial Loans	\$ 21,894	23%
Residential Loans	\$ 22,527	23%
Consumer Loans	\$ 4,059	4%
Total Loans	\$ 97,694	100%

Source: Call Report December 31, 2008

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 the communities within its AA. Tier 1 capital was reported at \$12 million as of December 31, 2008. The bank's previous CRA rating as of April 21, 2003, was Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

HNB's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. HNB has two AA's: the Fulton/Logan/Mason County AA and the Tazewell County AA. Since the previous evaluation, the AA of HNB expanded to include portions of Logan and Tazewell Counties and increased the number of CT's in Mason County. The expansion of the AA was due to the new branches added in Green Valley, Manito, and San Jose. Based upon the low level of activity, five CT's within Cass, Schuyler, and Tazewell County were removed from the bank's AA.

Competition for financial services within the AA remains strong. There are numerous banks, thrifts, and credit unions with facilities in Fulton, Logan, Mason and Tazewell Counties.

Fulton/Logan/Mason County AA

The Fulton/Logan/Mason County AA covers eighteen CT's not located in an MSA. The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CT's as all CT's are designated as middle-income.

The following is demographic information for the assessment area:

Table 3 - Demographic Information for the Fulton/Logan/Mason County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	18	0%	0%	100%	0%
Population by Geography	54,146	0%	0%	100%	0%
Owner-Occupied Housing by Geography	16,109	0%	0%	100%	0%
Businesses by Geography	3,151	0%	0%	100%	0%
Farms by Geography	616	0%	0%	100%	0%
Family Distribution by Census Tract	14,968	0%	0%	100%	0%
Family Distribution by Income Level	14,968	18%	22%	24%	36%
Household Distribution by Income Level	21,190	22%	17%	21%	40%
Median Family Income	\$41,899	Median Housing Value		\$59,873	
Median Household Income	\$34,901	Median Year Built		1951	
2008 HUD Adjusted Median Family Income for Illinois Non-MSA	\$51,900	Average Monthly Gross Rent		\$ 405	
Families Below the Poverty Level	8%	Households Below the Poverty Level		10%	

Source: 2000 U.S. Census Data

Tazewell County AA

The Tazewell County AA covers two CT's located in the Tazewell County MSA. The 2000 U.S. Census data shows this AA does not contain any low- or moderate-income CT's, as all CT's are designated as middle-income.

The following is demographic information for the assessment area:

Table 4 - Demographic Information for the Tazewell County Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	2	0%	0%	100%	0%
Population by Geography	7,182	0%	0%	100%	0%
Owner-Occupied Housing by Geography	2,264	0%	0%	100%	0%
Businesses by Geography	311	0%	0%	100%	0%
Farms by Geography	108	0%	0%	100%	0%
Family Distribution by Census Tract	2,105	0%	0%	100%	0%
Family Distribution by Income Level	2,105	13%	19%	26%	42%
Household Distribution by Income Level	2,654	15%	18%	18%	49%
Median Family Income	\$55,956	Median Housing Value		\$84,820	
Median Household Income	\$50,357	Median Year Built		1963	
2008 HUD Adjusted Median Family Income for Illinois Non-MSA	\$62,400	Average Monthly Gross Rent		\$ 411	
Families Below the Poverty Level	2.28%	Households Below the Poverty Level		4.41%	

Source: 2000 U.S. Census Data

Economic Data

The local economy shows a slight decline. The December 2008 unemployment rate for one of the four counties within the AA compares favorably to the national average of 7.2 percent and two of the four counties compare favorably to the State of Illinois average of 7.6 percent. The December 2008 unemployment rates for each county are: 6.2 percent Tazewell, 7.5 percent Logan, 7.7 percent Fulton, and 9.4 percent for Mason. The economy of the AA is concentrated in agriculture, manufacturing and services. Major employers in the area include: Havana School District, Mason County, Mason District Hospital, and Sulberg USA, Inc.

We contacted a local public official during the examination. The contact indicated the primary credit needs in the assessment area are agricultural, general consumer, real estate and small business loans. He felt HNB is actively meeting the credit needs of the area. The contact stated the economy in the assessment area is fairing well in an

unstable economic environment. The contact indicated there are not any credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

HNB meets the standards for satisfactory performance.

- The distribution of loans to farms and businesses of different sizes is satisfactory.
- A majority of the loans originated by HNB are to customers from within its AA.
- HNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

LENDING TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The distribution of loans reflects a reasonable penetration among farms and businesses of different sizes.

Agricultural Loans

HNB's performance of lending to farm related businesses of different sizes is reasonable. Based on our sample, ninety percent of the loans were made to small farms, while seventy-nine percent of the dollar amounts were loans made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that ninety-nine percent of the businesses reporting revenue data in the AA have revenues equal to or less than one million dollars.

The following table shows the distribution of agriculture loans among businesses of different sizes within the AA:

Table 5 – Borrower Distribution of Loans to Farms of Different Sizes					
Farm Revenues	Number of Loans		% Farms in AA	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	27	90%	99%	\$ 2,340	79%
>\$1,000,000	3	10%	1%	\$ 628	21%
Total	30	100%	100%	\$ 2,968	100%

Source: Bank records on new loans originated from January 1, 2007 to December 31, 2008; 2000 Census Data.

Commercial Loans

HNB's performance of lending to businesses of different sizes is reasonable. Based on our sample, eighty-seven percent of the loans were made to small businesses, while seventy-six percent of the dollar amounts were loans made to small businesses. Small businesses are businesses with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that fifty-six percent of the businesses reporting revenue data in the AA have revenues equal to or less than one million

dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA:

Table 6 – Borrower Distribution of Loans to Businesses of Different Sizes					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	26	87%	56%	\$2,164	76%
>\$1,000,000	4	13%	3%	\$692	24%
Total	30	100%	59%	\$2,856	100%

Source: Bank records on new loans originated from January 1, 2007 to December 31, 2008; 2000 Census Data. ** 41 percent of AA businesses did not report revenue data.

LENDING IN THE ASSESSMENT AREA

A majority of the loans originated by HNB are to customers within its AA. HNB's lending to customers within the AA for all loan types is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Table 7 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agricultural	455	86%	76	14%	531	\$ 45,373	80%	\$11,506	20%	\$ 56,879
Commercial	174	82%	37	18%	211	\$ 17,607	74%	\$ 6,187	26%	\$ 23,794
Totals	629	85%	113	15%	742	\$ 62,980	78%	\$17,693	22%	\$ 80,673

Source: Bank records on new loans originated in 2007, and 2008.

LOAN-TO-DEPOSIT RATIO

HNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. HNB's quarterly average loan-to-deposit ratio for the period April 1, 2003, to September 30, 2008, was seventy-eight percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from seventy-two percent to eighty-four percent. HNB's average loan-to-deposit ratio is comparable with five similarly situated banks, which range in asset size from \$77 million to \$190 million. The similarly situated banks utilized for comparison purposes are community banks located in Fulton, Logan, and Tazewell Counties.

GEOGRAPHIC DISTRIBUTION OF LOANS

A geographic distribution of loans was not performed at this examination. All the geographies are middle-income CT's, thus, the analysis would not be meaningful.

RESPONSES TO COMPLAINTS

HNB has not received any complaints about its performance in helping to meet the credit needs within its AA 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.