



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 01, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Pontiac National Bank
Charter Number 14260**

**223 N. Mill Street
Pontiac, IL 61764**

**Comptroller of the Currency
ADC-North Central Illinois & Eastern Iowa
111 West Washington Street Suite 300
East Peoria, IL 61611**

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'S CRA RATING

This institution is rated “Satisfactory”.

- The bank’s record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- The number and dollar volume of loans originated to small farms and small business within the Assessment Area satisfactorily demonstrate the bank’s commitment to the community.

DESCRIPTION OF INSTITUTION

- The Pontiac National Bank (PNB) is in Pontiac, Illinois, located off Interstate 55 between Bloomington and Chicago. Branches are:

West Branch – Rte 66 and 116, Pontiac
Madison Branch – 519 W. Madison, Pontiac
Peoples Bank – 1218 Towanda Ave., Bloomington
Peoples Bank – 1 Brickyard Drive, Bloomington
Peoples Bank – 325 Center Street, Gridley

Since the previous examination, the bank opened the Gridley and Brickyard branches. It sold a facility in Piper City to a Paxton, Illinois, bank.

- Deposit gathering ATMs are located at the Madison Branch, West Branch, Towanda Ave. Branch and the Brickyard Branch. The bank also has eight cash dispensing ATMs.
- The bank’s asset size is \$230 million as of September 30, 2003.
- The bank is a subsidiary of PNB Holding Co., a two-bank holding company.
- No merger or acquisition activity affected the scope of the bank's operations during the evaluation period.
- Other:
 - Loans represent 61 percent of total assets.
 - The bank has no foreign deposits.

- The loan portfolio consists of the following types of loans, consistent with the bank’s strategy:

Residential Real Estate	29%
Commercial Credit	12%
Consumer Credit	4%
Commercial Real Estate	34%
Agricultural Production	9%
Farmland	12%
	100%

Source: Bank Call Report Data

- PNB offers a full range of services, including; commercial, agricultural and consumer loans and deposit products, including all traditional bank products.
- There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its Assessment Area (AA).
- The date of the last CRA examination was August 24, 1998, and the rating was “Satisfactory”.

DESCRIPTION OF PNB ASSESSMENT AREAS

- Pontiac is the county seat for Livingston County, with a population of approximately 39,000. Bloomington is in a Metropolitan Statistical Area (MSA) with a population of approximately 39,000. Gridley is in Livingston County. Surrounding real estate is principally farmland.
- The bank’s AA includes the following Block Numbering Areas (BNAs) in Livingston County and Census Tracts (CTs) in McLean County. All of the BNAs or CTs in each county are included in the bank’s AA.

Livingston Co.:

Middle-income – 9603, 9604, 9605, 9606, 9609

Upper-income – 9601, 9602, 9607, 9608, 9610

McLean MSA:

Low-income – 1.01, 16

Moderate-income – 1.03, 13.03, 14, 15, 17, 20

Middle-income – 1.02, 2, 3.01, 4, 5.01, 5.03, 11.01, 13.01, 13.02, 19, 21, 51, 52, 53, 54, 55, 56, 57

Upper-income – 3.02, 5.02, 11.02, 12, 18

Livingston County:

- According to 1990 Census data, the 2002 non- Metropolitan Statistical Area (MSA) statewide median family income for Illinois is \$46,700. Potential borrowers earning less than 50 percent of the non-MSA statewide median family income are designated as low-income; those earning 51-80 percent are moderate-income; those earning 81-120 percent are middle-income and those earning more than 120 percent are upper-income. Within the AA, 14 percent of families are low-income; 15 percent are moderate income; 23 percent are middle-income, and 48 percent are upper-income.
- There are 14,365 housing units in the AA, of which 68 percent are owner-occupied, 28 percent are rentals and four percent are vacant. The median age of homes in the AA is 53 years, while the median housing price is \$46,253.

McLean MSA:

- Per the 1990 Census, the population of the AA is 129,180. Within the AA, 17 percent of families are low-income; 19 percent are moderate-income, 27 percent are middle-income and 37 percent are upper-income. The weighted average of MSA/non-MSA Updated Median Family Income is \$69,300.
- There are 49,164 housing units in the AA, of which 60 percent are owner-occupied, 35 percent are rentals and five percent are vacant.
- Economic conditions in the combined AA are stable. The local economy includes manufacturing, government and agricultural employers including State Farm Insurance, Mitsubishi Motors and Illinois State University in Bloomington, and OSF St. James Hospital, R.H. Donnelley & Sons, Caterpillar, Inc., Interlake Steel and the Pontiac Correctional Facility in Pontiac. Due to Pontiac's proximity to Bloomington-Normal, there is significant competition from other financial institutions. Unemployment is low at two percent.
- The AAs meets the requirements of the regulation.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- The loan-to-deposit ratio is reasonable, and meets the standard for satisfactory performance.
- PNB's loan-to-deposit ratio at, 77 percent, compares satisfactorily to similarly situated banks in the area. The average ratio for the past eight quarters is 75 percent.
- Over the past five years, the bank's quarterly average loan-to-deposit ratio has ranged from 70 percent to 83 percent.

Lending in Assessment Area

- A substantial majority of the loans, by dollar volume and number, are to borrowers within the bank's AA. This exceeds the standard for satisfactory performance.

Lending in Livingston & McLean County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	2,321	93%	176	7%	2,497	\$16,032,364	92%	\$1,349,591	8%	\$17,381,955
Construction	188	86%	31	14%	219	\$18,893,017	80%	\$4,714,385	20%	\$23,607,402
Commercial Credit	609	91%	58	9%	667	\$15,044,443	92%	\$1,363,503	8%	\$16,407,946
Farmland	143	88%	19	12%	162	\$18,148,319	89%	\$2,183,913	11%	\$20,332,232
Agricultural Production	733	94%	50	6%	783	\$18,220,876	90%	\$1,986,600	10%	\$20,207,476
1-4 Family Refinance	1,371	89%	177	11%	1,548	\$124,109,821	89%	\$15,081,638	11%	\$139,191,459
Rural Development	83	92%	7	8%	90	\$4,796,642	93%	\$363,064	7%	\$5,159,706
Commercial Real Estate	326	84%	63	16%	389	\$39,050,569	82%	\$8,706,249	18%	\$47,756,818
Residential Second REM	649	91%	61	9%	710	\$10,164,570	93%	\$753,883	7%	\$10,918,453
1-4 Family Purchase	601	89%	73	11%	674	\$56,343,393	89%	\$7,346,347	11%	\$63,689,740
Totals	7,024	91%	715	9%	7,739	\$320,804,014	88%	\$43,849,173	12%	\$364,653,187

Source: Bank MIS

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

- The bank's performance under this criterion meets the standard for satisfactory performance. In addition to providing real estate financing for low- and moderate-income individuals, the bank originates small dollar personal loans.
- Of 674 purchase money real estate-secured loans originated from 1999-2003, nine percent were for less than \$25,000; 31 percent were between \$25-50,000; 47 percent were between \$50-100,000, and 13 percent were greater than \$100,000.
- To determine how the bank's lending relates to the income levels of families within the AA, we sampled HMDA data.

Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Mortgage Loans	26%	14%	31%	15%	19%	23%	18%	48%

Source: Bank MIS, U.S. Census data.

We used loan size as a proxy to demonstrate the bank’s effectiveness in meeting the credit needs of small businesses and small farms. PNB originates commercial and agricultural loans for working capital, equipment and inventory; FSA and other government guaranteed loans for agricultural production, and loans on commercial and farm real estate.

Distribution of Loans to Businesses by Loan Size in Combined Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$24,999	652	51%	\$9,770,200	11%
\$25,000 - \$49,999	160	13%	\$10,299,908	11%
\$50,000 - \$99,999	186	15%	\$15,979,916	17%
\$100,000 – \$149,999	104	8%	\$19,891,344	21%
\$150,000 - \$249,900	104	8%	\$13,072,529	14%
\$250,000 - \$499,900	49	4%	\$13,727,564	15%
\$500,000 - \$999,999	15	1%	\$5,909,354	6%
\$1,000,000 and up	6	<1%	\$4,763,127	5%
Total	1,276	100%	\$93,413,942	100%

Source: Bank MIS – Commercial Originations

Distribution of Loans to Farms by Loan Size in Combined Assessment Area				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$24,999	581	62%	\$4,022,239	10%
\$25,000 - \$49,999	161	17%	\$6,114,319	15%
\$50,000 - \$99,999	99	10%	\$7,161,505	18%
\$100,000 - \$149,999	43	5%	\$5,490,011	14%
\$150,000 - \$249,999	36	4%	\$7,009,175	18%
\$250,000 - \$499,999	18	2%	\$6,098,500	15%
\$500,000 and up	6	<1%	\$4,137,959	10%
Total	944	100%	\$40,033,708	100%

Source: Bank MIS – Ag Originations

Geographic Distribution of Loans

Geographic Distribution is reasonable and meets the standard for satisfactory performance.

Bloomington/Normal (McLean County) has two low-income CTs and six moderate-income CTs. Of note, the two low-income CTs are located in university neighborhoods where residential lending opportunities are limited. Livingston County has no low- or moderate-income areas, so analysis of geographic distribution in that county is not meaningful.

Distribution of Residential Real Estate Loans in McLean County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA CTs	% of Number	% of AA CTs	% of Number	% of AA CT	% of Number	% of AA CTs
Mortgage Loans	3%	7%	26%	19%	60%	58%	11%	16%
Refinancings	1%	7%	11%	19%	67%	58%	21%	16%
Home Impr.	0%	7%	0%	19%	100%	58%	0%	16%

Source: 2002 Bank MIS, U.S. Census data.

Responses to Complaints

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

Fair Lending Review

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.