



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

August 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pontiac National Bank
Charter Number 14260
223 North Mill Street
Pontiac, IL 61764**

**Office of the Comptroller of the Currency
440 South LaSalle Street, Suite 2700
Chicago, Illinois 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 (PNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 24, 1998**. This evaluation is based on information from the last CRA examination dated June 26, 1996, to the current examination dated August 24, 1998. 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."

- o A majority of PNB's loan originations are located within the bank's assessment area.
- o The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- o PNB's record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION

PNB is a \$169 million bank in Pontiac, Illinois, county seat of Livingston County in northern Illinois. It was founded in 1934.

The bank's main office and two branches are in Pontiac, and another branch is located in Bloomington, in McLean County, Illinois. It has five automated teller machines (ATMs) and nine cash dispensers located in Pontiac, Bloomington, Normal and Piper City. The main bank is located in a middle-income Block Numbering Area (BNA). Pontiac branches are located in one middle-income and one upper-income BNA. The Bloomington branch is in an upper-income Census Tract (CT). ATMs are located in the following CTs/BNAs: one (7%) in low-income; one (7%) moderate-income; nine (65%) in middle-income, and three (21%) in upper-income tracts.

PNB is 100% owned by PNB Holding Co., a two bank holding company. The bank offers traditional banking services and lending products. The loan portfolio mix is as follows: commercial 45%, residential real estate 38%, agricultural 9%, and consumer 8%.

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 (AA). A "Satisfactory" rating was received during the June 26, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREA:

The bank's AA is comprised of 10 BNAs in Livingston County, and 31CTs in Metropolitan Statistical Area (MSA) 1040 in McLean County (the counties are contiguous). The AA includes five middle-income and five upper-income BNAs in Livingston County. McLean County has two low-income, six moderate-income, 18 middle-income and five upper-income CTs.

According to 1990 census data, the total population of the bank's AA is 168,481 (39,901 in Livingston County and 129,180 in McLean County).

The weighted average of MSA/non-MSA updated median family income is \$54,017. For MSA 1040, the updated median family income is \$58,700. The Illinois non-MSA statewide median is \$39,500. Potential borrowers earning less than 50% of the MSA or non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120%, and more than 120% are designated as moderate-, middle-, and upper-income, respectively:

	Low-income	Moderate-income	Middle-income	Upper-income
Combined AA	16%	18%	26%	40%
Livingston Co.	14%	15%	23%	48%
McLean Co.	17%	19%	27%	37%

There are 60,634 housing units in the AA:

	Livingston County	McLean County
Owner-occupied	69%	62%
Rental-occupied	27%	34%
Vacant	4%	4%
Median age of housing	39 years	29 years
Median value of housing	\$46,253	\$65,135

Economic conditions in the AA are stable and strong. The local economy includes manufacturing and agricultural industries. Major employers in Pontiac include R.H. Donnelley & Sons; Caterpillar, Inc.; Interlake Steel; Pontiac Correctional Facility and OSF Saint James Hospital. In Bloomington, major employers are State Farm Insurance Company, which employs more than 10% of the population; Diamond-Star (Mitsubishi), and Illinois State University. The unemployment rate for the AA is low at 2%.

The large number of banks, thrift institutions, and credit unions in both counties provides a high level of competition in the financial services market. One similarly situated institution within the AA was identified based on asset size and/or business focus.

A community contact was made and others were reviewed during the examination. The contacts indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The average loan-to-deposit ratio for the nine quarters ending June 30, 1998 equals 91% compared to 64% for the local similarly situated bank. During this period, PNB's loan-to-deposit ratio has ranged from 88% on June 30, 1996 to 85% on June 30, 1998, with a high of 97% at June 30, 1997.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending within and outside of the AA by dollar volume and number of loan originations between April 1, 1996 and July 17, 1998:

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$40,377	\$8,709	833	159
	82%	18%	84%	16%
Business	\$14,394	\$3,946	280	48
	78%	22%	85%	15%
Agricultural	\$9,057	\$3,696	221	42
	71%	29%	84%	16%
Consumer Instalment	\$5,744	\$1,354	802	166
	81%	19%	83%	17%
TOTAL SAMPLE	\$69,572	\$17,706	2,136	415
	80%	20%	84%	16%

Source: Bank records compiled by Attus Group and tested against trial (\$000)

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

The distribution of residential real estate lending reflects adequate penetration among individuals of different income levels including low- and moderate-income individuals and is generally comparable to the income distribution of families within the AA.

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS
LIVINGSTON COUNTY**

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	;%\$ Volume ORIGINATED	# Volume ORIGINATED	% # Volume ORIGINATED
Low-income	\$1,040	5%	27	6%
Moderate-income	\$3,129	14%	76	16%
Middle-income	\$7,609	33%	164	36%
Upper-income	\$11,099	48%	194	42%
TOTAL	\$22,877	100%	461	100%

Source: HMDA LAR (1/1/96 to 6/30/98 - \$000)

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS
MCLEAN COUNTY**

INCOME LEVEL OF BORROWER	\$ VOLUME ORIGINATED	;%\$ Volume ORIGINATED	# Volume ORIGINATED	% # Volume ORIGINATED
Low-income	\$4,069	14%	83	17%
Moderate-income	\$7,341	26%	138	29%
Middle-income	\$8,522	30%	155	32%
Upper-income	\$8,817	30%	107	22%
TOTAL	\$28,749	100%	483	100%

Source: HMDA LAR (1/1/96 to 6/30/98 - \$000)

PNB accommodates low- and moderate-income individuals by granting small dollar personal and real estate loans. Of real estate-secured loans originated from 1996 through year-to-date 1998, the distribution is as follows:

SIZE OF LOAN	1996	1997	1998
Less than \$25,000	23%	29%	13%
\$25,000-\$49,999	29%	22%	23%
\$50,000-\$99,999	36%	36%	49%
\$100,000 or more	12%	13%	15%

Source: Bank Records

Using loan size as a proxy for business and farm revenues, the bank's record of lending to small businesses and farms is good. As detailed in the following table, a substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$100,000.

**DISTRIBUTION OF SMALL BUSINESS AND AG LOAN SAMPLE
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
\$0 - \$99,999	286	87%	218	83%
\$100,000 - \$249,999	29	9%	37	14%
\$250,000 - \$999,999	12	4%	8	3%
>\$1,000,000	1	0%	0	0%
TOTAL SAMPLE	328	100%	263	100%

Source: Bank Records (4/1/96 to 7/17/98)

GEOGRAPHIC DISTRIBUTION OF LOANS

Of the CTs and BNAs in the AA, two (5%) are low-income; six (15%) are moderate-income; 23 (56%) are middle-income, and 10 (24%) are upper-income. The bank recorded the tract location of 94% of the residential real estate loans it originated. Its record of lending in the AA reasonably parallels the distribution of tracts:

RESIDENTIAL REAL ESTATE LENDING TO BORROWERS OF IN DIFFERENT CENSUS TRACTS AND BLOCK NUMBERING AREAS

INCOME LEVEL OF TRACT	\$ VOLUME ORIGINATED	;%\$ Volume ORIGINATED	# Volume ORIGINATED	% # Volume ORIGINATED
Low-income	\$239	1%	9	1%
Moderate-income	\$5,207	11%	109	12%
Middle-income	\$25,328	55%	526	56%
Upper-income	\$15,140	33%	289	31%
TOTAL SAMPLE	\$45,914	100%	933	100%

Source: Bank Records (4/1/96 to 7/17/98 \$000)

Of the two low-income CTs in the AA, CT 1.01 includes Illinois State University, and there is virtually no opportunity to lend for owner-occupied housing. CT 16 is near Illinois Wesleyan University and includes only 13% owner-occupied housing.

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify violations of any substantive provisions of the antidiscrimination laws and regulations during our examination.