



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pekin National Bank
Charter No. 15511
329 Court Street
Pekin, Illinois 61554**

**Office of the Comptroller of the Currency
111 West Washington Street, Suite 300
Peoria, Illinois 61611**

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 **Pekin National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 9, 1996**. This evaluation is based on information from the last CRA examination dated **February 9, 1993** to the current examination dated **December 9, 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 Pekin National Bank's (PNB's) loan originations are located within their assessment area. The bank's distribution of lending in geographies of different income levels, including low- and moderate-income geographies, is good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	PEKIN NATIONAL BANK 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 INSTITUTION

PNB is a \$23 million bank located in Pekin, Illinois. The bank serves customers with two facilities, a main bank and a branch office. Both facilities are equipped with a drive-up and Automated Teller Machine (ATM). The main bank is a full-service facility while the branch office provides basic teller transaction services. The main bank is located in a moderate-income Census Tract (CT) and the branch is located in a middle-income CT. PNB offers traditional banking services and lending products. The loan portfolio mix is as follows: residential real estate 41%, commercial 25%, agriculture 1%, and loans to individuals 33%. Thirty-five percent of the bank's total assets are represented by net loans. 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.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Tazewell County, one of the three counties in the Peoria/Pekin Metropolitan Statistical Area (MSA). Pekin, with a population of approximately 32,000, is the largest city in the assessment area. Tazewell County consists of 31 Census Tracts. Of these, six are moderate-income, twenty are middle-income, and five are upper-income. This assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The median family income for Tazewell County is \$36,951. According to the 1990 census, the total population of the bank's assessment area is 123,692. Within the assessment area, 19% of the families are low-income, 18% are moderate-income, 25% are middle-income, and 38% are upper-income. There are 49,315 total housing units in the assessment area of which 69% are owner-occupied, 27% are rental-occupied, and 4% are vacant units.

The economy of the assessment area is based on manufacturing and agriculture. Major employers include Caterpillar, Inc., Pekin Insurance, Pekin Hospital, and the Federal prison. The local economy has continued to grow slightly with a fair amount of commercial and residential development. Unemployment in the assessment area is 3%.

The large number of banks, thrift institutions, and credit unions in Pekin and the surrounding area provide a high level of competition in the financial services market. Bank management identified four institutions within the assessment area which they feel are primary competitors given their size and business focus.

Community contacts made with local housing and business organizations indicated that area financial institutions do a favorable job of meeting the credit needs of the assessment area. The contacts did not identify any significant unmet credit needs in the community. Bank management feels that with the population of Pekin growing older, there is less demand for residential loans. They believe the only real demand stems in consumer loans (i.e. automobile, personal expenses).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio for the 13 quarters ending 9/30/96 equals 37.54%, somewhat below their similarly-situated primary competitors' average of 54.06%. During these thirteen quarters, the loan-to-deposit ratio of PNB and its peers has experienced small seasonal fluctuations, but the overall trend of the ratio is increasing. Management feels that two factors mitigate their low loan-to-deposit ratio:

- * A large portion of the bank's customer base is older and/or retired and therefore do not present the demand for housing loans that a younger customer base would.
- * The majority of the bank's loan demand is for small dollar personal loans. Residential and Commercial loans are often made for small dollar amounts also. Forty-one percent of consumer loans originated since 1994 were less than \$5,000. Eighty-three percent and 96% of residential and commercial loans, respectively, originated since 1994 were less than \$50,000.

LENDING IN THE ASSESSMENT AREA

A majority of loans are originated within the bank's assessment area as detailed in the following chart. Our analysis, performed using bank trials and Home Mortgage Disclosure (HMDA) data, included all residential real estate, consumer, agriculture, and commercial loans originated in 1994, 1995, and year-to-date 1996.

PEKIN NATIONAL BANK'S RECORD OF LENDING WITHIN ASSESSMENT AREA

1994, 1995, AND YEAR-TO-DATE 1996	WITHIN AA	PERCENT IN AA	OUTSIDE AA	PERCENT OUTSIDE AA
RESIDENTIAL REAL ESTATE	\$2,107,000	78%	\$590,000	22%
	69	84%	13	16%
CONSUMER	\$3,908,599	66%		34%
	444	73%	167	27%
COMMERCIAL	\$3,092,198	90%	\$345,767	10%
	215	90%	24	10%

AA = Assessment Area

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

The distribution of lending reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. Our analysis of residential real estate lending was based on data from HMDA reports. Following is the distribution of residential real estate loans originated among borrowers of different income levels:

DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS AMONG BORROWERS OF DIFFERENT INCOME LEVELS

1994, 1995 AND YEAR-TO-DATE 1996	# OF LOANS	PERCENT	\$ OF LOANS	PERCENT
LOW-INCOME	10	15%	\$174,000	8%
MODERATE-INCOME	8	12%	\$132,000	7%
MIDDLE-INCOME	18	26%	\$488,000	23%
UPPER-INCOME	33	47%	\$1,313,000	62%

The majority of consumer and commercial loans originated by the bank are for smaller dollar amounts. Ninety-six percent of the commercial loans originated during the evaluation period were less than \$50,000, while 41% of the consumer loans originated were less than \$5,000.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of residential real estate loans is good based upon the demographics of the assessment area. PNB's lending patterns reflect a high level of lending in the moderate-income tracts. Our analysis was based on HMDA data from 1994, 1995, and year-to-date 1996.

**DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS
AMONG GEOGRAPHIES OF DIFFERENT INCOME LEVELS**

1994, 1995 AND YEAR-TO-DATE 1996	# OF LOANS	PERCENT	\$ OF LOANS	PERCENT
LOW-INCOME	There are no low-income tracts in the AA.			
MODERATE-INCOME	24	35%	\$578,000	27%
MIDDLE-INCOME	44	65%	\$1,529,000	73%
UPPER-INCOME	No loans were originated in upper-income tracts.			

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

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