



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 13, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Lacon  
Charter Number 347

111 South Broad Street  
Lacon, IL 61540-1401

Office of the Comptroller of the Currency

North Central Illinois and Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2559

**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 COMMUNITY REINVESTMENT ACT (CRA) RATING:**

**This institution is rated Satisfactory.**

- First National Bank of Lacon's (FNB) lending to farms and commercial borrowers of different income levels is satisfactory.
- FNB's quarterly average loan-to-deposit ratio of 71 percent is reasonable, given the bank's size, financial condition, and Assessment Area (AA) credit needs.
- A majority of FNB's loan originations are to customers within the AA.

## **SCOPE OF EXAMINATION**

The Performance Evaluation assesses FNB's record of meeting the credit needs of the community in which it operates. We evaluated FNB under the Small Bank Community Reinvestment Act examination procedures, which include a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities.

The evaluation period for this examination is from May 10, 2004, through October 13, 2009. The lending test is based on FNB's primary loan products. To determine the primary loan products, we reviewed both originated and purchased loan volumes from January 1, 2007, through June 30, 2009. During that timeframe, by dollar volume, agricultural loans represented 43 percent of all loan originations or purchases and commercial loans represented 33 percent. We used a sample of 20 of each of these loan products in our analysis.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$54 million intrastate financial institution located on the Illinois River at the intersection of Illinois Highways 26 and 17 in Marshall County, approximately 30 miles north of Peoria, Illinois. FNB has one office in downtown Lacon, with drive-up facilities and an ATM. The bank is a wholly owned subsidiary of First Lacon Corporation, a one-bank holding company.

FNB has not opened or closed any facilities since the previous CRA examination. FNB continues to operate under the strategy of responsible lending, investing in the community and its citizens, and forming relationships with customers to help identify their needs and capabilities.

FNB's two primary lending products are agricultural and commercial loans. These two products account for 76 percent of the number of all loans originated from January 1, 2007 through June 30, 2009. These two products were used for the analysis of this

evaluation. As of June 30, 2009, the bank reported \$37 million in outstanding loans and had a net loans and leases to total assets ratio of 62 percent.

There are no financial conditions, legal constraints, or other factors that would hinder the bank’s ability to meet the credit and community needs of its AA. The bank’s previous CRA rating as of May 10, 2004, was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA(S)**

FNB’s AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA includes Marshall County, which represents no change from the prior evaluation. The 2000 U.S. Census data indicates this AA does not contain any low-, moderate-, or upper-income census tracts (CTs). All CTs in the AA are designated as middle-income.

Competition for financial services within the AA includes four banks. All banks have a similar business focus. Per the Federal Deposit Insurance Corporation (FDIC) market share report dated June 30, 2008, FNB ranks second and serves 20 percent of the market share.

The following is demographic information for the AA:

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	100.00	0.00
Population by Geography	13,180	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	4,188	0.00	0.00	100.00	0.00
Business by Geography	893	0.00	0.00	100.00	0.00
Farms by Geography	167	0.00	0.00	100.00	0.00
Family Distribution by Income Level	3,771	18.03	23.12	28.94	29.91
Distribution of Low and Moderate Income Families throughout AA Geographies	1,552	0.00	0.00	100.0	0.00
Median Family Income		52,122	Median Housing Value		77,337
HUD Adjusted Median Family Income for 2009		65,800			
Households Below Poverty Level		6%	Unemployment Rate		1.93%

*\*2000 US Census Data*

**Economic Data**

As a result of the national economic environment, Marshall County has seen a change within the local economy. The unemployment rate has climbed from 5 percent in 2008 to 10.6 percent in 2009. The unemployment rate remains in line with the State of Illinois unemployment rate of 11 percent.

We contacted a community representative during the examination. The representative indicated there were no direct credit needs not being met by banks in the community. The contact felt FNB and other financial institutions continue to actively meet the credit needs of the community, including low- and moderate- income individuals and families through appropriate products and services.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average LTD ratio for the time-period from January 1, 2004, through June 30, 2009, is 71 percent. The quarterly average LTD ratio for other similarly situated financial institutions ranged from 50 percent to 69 percent. Total assets for these institutions range from \$14 million to \$82 million.

### Lending in Assessment Area

FNB originates a majority of its loans to borrowers located in the AA. The following table details the bank's lending within the AA by the number of loan originations and dollar volume during the evaluation period.

Loans Originated within the AA										
Loan Type	Number of Loans					Dollar of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Agricultural	18	90%	2	10%	20	\$1,609	93%	\$ 125	7%	\$1,734
Commercial	14	70%	6	30%	20	\$1,871	79%	\$ 489	21%	\$2,360
Totals	32	80%	8	20%	40	\$3,480	85%	\$ 614	15%	\$4,094

Source: Bank records, loans sampled from January 1, 2007 through June 30, 2009.

### Lending to Farms and to Businesses of Different Sizes

The distribution of loans reflects satisfactory dispersion among farms of different income levels and businesses of different sizes.

### Agricultural Loans

FNB's performance of lending to farms of different sizes is excellent. Based on our sample, 100 percent of the number of loans were 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 100% of the farms reporting revenue data in the AA have revenues equal to or less than one million dollars.

<b>Borrower Distribution of Loans to Farms of Different Sizes</b>					
Farm Revenues	Number of Loans		% Farms in AA	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	20	100%	100%	\$1,609	100%
>\$1,000,000	0	0%	0%	\$ 0	0%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>100%</b>	<b>\$1,609</b>	<b>100%</b>

Source: Bank records on loan originated or purchased from January 1, 2007 to June 30, 2009; 2000 U.S. Census Data

**Commercial Loans**

FNB’s lending to businesses of different sizes is satisfactory. The following table shows the distribution of commercial loans among businesses of different sizes within the AA.

<b>Borrower Distribution of Loans to Businesses of Different Sizes</b>					
Business Revenues	Number of Loans		% of Businesses in AA*	Dollars of Loans	
	#	%		\$(000)	%
≤ \$1,000,000	16	80%	56%	\$1,135	41%
> \$1,000,000	4	20%	4%	\$1,648	59%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>60%</b>	<b>\$2,783</b>	<b>100%</b>

Source: Bank records on loans originated or purchased from January 1, 2007 to June 30, 2009; 2000 U.S. Census Data; \*\*40 percent of AA businesses did not report revenue data.

**Geographic Distribution of Loans**

A geographic distribution of loans is not applicable to this institution since all geographies are middle-income.

**Responses to Complaints**

FNB has not received any complaints regarding performance in helping to meet the credit needs within the 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.