



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 25, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Catlin
Charter Number: 7276

202 South Sandusky Street
Catlin, IL 61817

Office of the Comptroller of the Currency

Central Illinois & Central Indiana
3001 Research Road, Suite E2
Champaign, IL 61822

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: This institution is rated Satisfactory.

The primary factors supporting the bank's rating include:

- A majority of loans, by both number and dollar amount, originated to borrowers inside the bank's assessment area (AA).
- The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, given the demographics of the AA.
- The geographic distribution of loans indicates reasonable penetration in geographies of different income levels, given the demographics of the AA.
- The bank's loan-to-deposit ratio is less than reasonable given the institution's size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

We evaluated the bank under the small bank performance standards. Using bank generated reports of all loan originations for the period January 1, 2005 through June 30, 2007, we determined the bank's primary credit products by dollar and number to be residential real estate construction, purchase, and refinance mortgages, and consumer loans. For this analysis, we used the Home Mortgage Disclosure Act (HMDA) data for residential real estate purchase and refinance loans and a sample of twenty each for residential construction and consumer loans. To assess the accuracy of the HMDA data, we conducted an independent test of the home mortgage loan data. We found the reported data to be accurate and reliable for this evaluation. We also used deposit information, reported annually to the Federal Deposit Insurance Corporation (FDIC), to determine the bank's market share and market presence in the AA. The most recent deposit information available is as of June 30, 2006. There is no affiliate activity considered in this evaluation.

DESCRIPTION OF INSTITUTION

The First National Bank of Catlin (FNBC) is a \$40 million intrastate financial institution located in Catlin, Illinois. Catlin is located in East Central Illinois, approximately six miles southwest of Danville, the Vermilion County seat. The bank is a wholly owned subsidiary of Butler Point, Inc., a one-bank holding company located in Catlin, Illinois.

The bank is a full service banking institution and operates three banking offices in Vermilion County, including the main bank office and a drive-up facility in Catlin and a full service branch in Georgetown, Illinois. Automated teller machines (ATMs) are available at the drive-up facility in Catlin and the branch in Georgetown. The bank has not opened or closed any branches during the evaluation period. Between March 2004 and August 2006 the bank also operated a loan production office in Danville, Illinois.

The bank offers a full range of retail and commercial banking products and services normally associated with a community bank. Gross loans total \$12.7 million on June 30, 2007, representing 32% of total assets and 36% of deposits. The following represents the bank's loan and lease portfolio mix as of June 30, 2007: 64 percent residential real estate loans, 20 percent commercial loans, 11 percent consumer loans, and 5 percent agricultural loans. Tier 1 capital is \$3.7 million as of June 30, 2007. The bank's business strategy during the evaluation period has been to grow through origination of short-term construction lending for manufactured homes inside and outside the AA. The bank's legal and financial circumstances have impeded its ability to meet the credit needs of the AA. The bank received a Satisfactory rating on its last CRA performance evaluation dated March 19, 2001.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area (AA) consists of 23 out of 25 contiguous census tracts in Vermilion County, except census tracts number 101 and 102 on the north edge of the county. The AA is located within the Danville Metropolitan Statistical Area (MSA), which was established in 2004. This AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geography. The AA includes no low-income, four moderate-income (17%), thirteen middle-income (57%), and six upper-income (26%) census tracts. The moderate-income census tracts are located in the center of Danville. The bank's AA has changed since the last CRA examination in 2001. Prior to August 2007, the bank's AA consisted of six census tracts in the southern half of Vermilion County.

The following demographic information is based on 2000 census data:

Population:	74,422
Population by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 17%, 57%, 26%
Housing Stock: <i>1-4 family housing units</i>	91%
Occupancy: <i>Owner-occupied, renter-occupied, vacant</i>	66%, 26%, 8%
Home Values: <i>Median home value</i>	\$55,354
Age of Homes: <i>Median year of homes built</i>	1956
Income: <i>Updated median family income for 2006</i>	\$49,800
Family Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	18%, 19%, 23%, 40%
Income: <i>Weighted Average median household income</i>	\$35,001
Household Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	24%, 17%, 20%, 39%
	2006 Business Data
Farms:	369
Farms: <i>Percent of small farms in the assessment area</i>	98%
Farms: <i>Percent not reporting revenue figures</i>	1%
Farms by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 1%, 86%, 13%
Businesses:	3,426
Businesses: <i>Percent of small businesses in the assessment area</i>	58%
Businesses: <i>Percent not reporting revenue figures</i>	37%
Businesses by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 21%, 59%, 20%

The local economy is stable, but weak. The area has suffered from a continued

decrease in manufacturing and other employment over the past thirty years. Housing values are depressed and housing stock in Danville is deteriorating. While housing is “affordable” with surplus supply, the market demand is weak due to the lack of qualified buyers. Employment is driven by light industry and agriculture. Major employers in the AA include the school district, two medical facilities, Walgreen’s Accounting Office, and McClane Midwest (a distributor for convenience stores). The June 2006 unemployment rate for the Danville MSA was 6.3% compared to the state and national rates of 5.4% and 4.6% respectively. The bank faces strong competition from several other financial institutions in the AA, including some significantly larger regional and national institutions.

During this examination, we made one community contact with a representative of a not-for-profit organization that provides social services in Vermilion County. The majority of their clients qualify as low- and moderate-income individuals. He did not identify any specific unmet credit needs in the community. The organization wants to develop a more comprehensive financial literacy program for its clients, and would welcome financial contributions and leadership participation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the Lending Test is satisfactory.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is less than reasonable given the institution’s size, financial condition, and AA credit needs. Legal and financial constraints on lending during the evaluation period had some impact on loan origination. The bank’s loan-to-deposit ratio averaged forty percent (40%) over twenty-six quarters between March 2001 and June 2007, ranging from a low of 25% to a high of 52%. The bank’s loan-to-deposit ratio was 36% on June 30, 2007. This ratio is below the average loan-to-deposit ratio for similarly situated banks in the AA. The similarly situated banks include four banks in Vermilion County with assets less than \$60 million. The combined loan-to-deposit ratio for the similarly situated banks was 60%, ranging from 47% to 72%, for the same time period. The bank’s deposit market share in the Danville MSA of 3.61% is comparable to or better than the similarly situated banks. Only two of the four similarly situated banks have deposit sources outside the Danville MSA, and all have three or fewer branch locations. Strong competition exists from fifteen other banks and six credit unions in the AA, including several larger regional and national financial institutions.

During the evaluation period, the bank’s business strategy has focused on a program to finance short-term construction loans for manufactured and modular homes inside and outside the AA. Until recently, term financing for matured construction loans has been provided by other financial institutions. Bank management stated that they plan to increase the volume of residential real estate loans retained in the loan portfolio by financing more of the termed-out completed construction loans. They have recently increased loan department staff to facilitate more residential real estate originations that also meet secondary market standards. The bank also plans to place a loan originator

at the Georgetown branch in the near future. The effect of the bank’s low loan-to-deposit ratio on the overall CRA rating is mitigated by the bank’s performance in the other factors.

Lending in Assessment Area

The bank originated a substantial majority of loans within the AA. Eighty-one percent of the number and seventy-two percent of the dollar volume of loans originated to borrowers within the bank’s AA. By product type, residential real estate purchase and refinance loans and consumer loans all show a strong majority of loans originated within the AA at eighty, ninety-three, and ninety-five percent respectively. Residential construction loans only show twenty-five percent of loans sampled were originated within the AA. This finding is consistent with the bank’s internal analysis that shows twenty-two out of seventy-three construction loans (thirty percent) originated during the evaluation period are within the AA.

The residential construction loans are primarily comprised by a specialty loan program to finance construction of manufactured and modular homes. The bank receives loan referrals from nine dealers in Illinois and seven dealers in Indiana. Only three dealers are located within the bank’s AA. The majority of referrals have come from the Indiana dealers, which accounts for the majority of the loans originated being located outside the AA. Until recently, term financing for matured construction loans has been provided by other financial institutions. Going forward, the bank is planning to originate the end mortgage loans and sell some of those loans into the secondary market to Freddie Mac and GMAC. The bank is also an authorized FHA and USDA Rural Development lender. These programs provide guarantees for mortgage loans to low- and moderate-income families and individuals.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	41	80%	10	20%	51	\$2,614	82%	\$562	18%	\$3,176
RE – Home Refinance	67	93%	5	7%	72	\$3,008	87%	\$445	13%	\$3,453
RE - Construction	5	25%	15	75%	20	\$432	24%	\$1,404	76%	\$1,836
Consumer Loans	19	95%	1	5%	20	\$146	99%	\$2	1%	\$148
Totals	132	81%	31	19%	163	\$6,200	72%	\$2,414	28%	\$8,614

Source: HMDA data for January 1, 2005 – June 30, 2007 for residential purchase and refinance loans, and a sample of 20 residential construction and 20 consumer loans from the AA that were originated between January 1, 2005 and June 30, 2007.

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

The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income.

Residential Real Estate Loans

The distribution of residential real estate loans to borrowers of different income levels is reasonable. Performance among low- and moderate-income borrowers is excellent and above the demographic comparator for refinance loans. Performance with moderate-income borrowers is near to the demographic comparator for purchase and construction loans. Although the percentage of loans to low-income borrowers is below the demographic comparator for purchase and construction loans, performance is considered reasonable given the high family poverty rate of thirteen percent (13%) and above average unemployment rate in the Danville MSA AA. With income below the poverty level, it is difficult to afford home ownership. Thirty-four percent (34%) of the population is on social security, and four percent is on public assistance.

Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	18%	10%	19%	15%	23%	22%	40%	46%
Refinance	18%	21%	19%	21%	23%	26%	40%	31%
Construction	18%	5%	19%	15%	23%	30%	40%	50%

Source: HMDA data January 1, 2005 – June 30, 2007 for residential purchase and refinance loans, a sample of 20 residential construction loans from the AA that were originated between January 1, 2005 and June 30, 2007, and 2000 U.S. Census data. Three purchase loans (7%), and one refinance (1%) did not have income information available.

Consumer Loans

The distribution of consumer loans to borrowers of different income levels is reasonable. Performance with moderate-income borrowers is near to the demographic comparator. Performance among low-income borrowers is weaker than the demographic comparator. The effect of this on the bank’s overall CRA rating is mitigated by the high family poverty rate of thirteen percent (13%) and above average unemployment rate in the Danville MSA AA. Thirty-four percent (34%) of the population is on social security, and four percent receive public assistance.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24%	5%	17%	15%	20%	50%	39%	30%

Source: Sample of 20 consumer loans originated in the AA between January 1, 2005 and June 30, 2007, and 2000 U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable penetration in geographies of different income levels, given the demographics of the AA. Our geographic distribution analysis did not identify any unexplained conspicuous lending gaps in the AA.

Residential Real Estate Loans

The geographic distribution of residential real estate loans is reasonable. Performance in moderate-income tracts is excellent and above the demographics for construction loans and near to the demographics for purchase and refinance loans. The vacant housing rate in the moderate-income tracts of fifteen percent (15%) is nearly double the rate for the entire Danville MSA AA.

Geographic Distribution of Residential Real Estate Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0%	0%	9%	7%	66%	68%	25%	25%
Refinance	0%	0%	9%	8%	66%	64%	25%	28%
Construction	0%	0%	9%	10%	66%	55%	25%	35%

Source: HMDA data January 1, 2005 – June 30, 2007 for residential purchase and refinance loans, a sample of 20 residential construction loans from the AA that were originated between January 1, 2005 and June 30, 2007, and 2000 U.S. Census data.

Consumer Loans

The geographic distribution of consumer loans is reasonable. While the percentage of consumer loans in moderate-income tracts is less than the demographics, performance is reasonable given that twenty-five percent (25%) of the population in the moderate-income tracts has income below poverty level. This is nearly double the poverty rate for the entire Danville MSA AA. Thirty percent (30%) of the population in the moderate-income tracts is on social security. Twelve percent (12%) of the population in the moderate-income tracts is on public assistance, which is triple the rate for the entire

Danville MSA AA.

Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	13%	5%	65%	70%	23%	25%

Source: Sample of 20 consumer loans originated in the AA between January 1, 2005 and June 30, 2007, and 2000 U.S. Census data.

Responses to Complaints

The bank has not received any CRA related complaints.

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.