



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Danville
Charter Number 113**

**One Towne Centre
Danville, IL 61832**

**Comptroller of the Currency
Champaign Field Office
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- **The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.**
- **The bank's loan to deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.**
- **A substantial majority of loans are in the bank's assessment area.**
- **The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.**

DESCRIPTION OF INSTITUTION

The First National Bank of Danville (FNBD) is a \$161 million intrastate bank situated and operated from a main office located at One Towne Centre, Danville, Vermilion County, Illinois. Danville is located on Interstate 74 approximately 40 miles east of Champaign, Illinois and 90 miles west of Indianapolis, Indiana. The population of Danville is approximately 34,000. This includes the annexation of the Danville Correctional Center, which houses 1,800 inmates. Danville is also the county seat for Vermilion County.

Founder's Group, a two-bank holding company located in Worth, Illinois, owns FNBD. Founder's Group also owns Founder's Bank, an affiliate of FNBD. Total holding company assets as of December 31, 2002, were approximately \$760 million. FNBD has four branch offices within 14 miles of the main office. Three of the branches are located in Danville, IL and one is located in Westville, IL. Bank lobby and drive through services are provided at most branches Monday through Thursday from 8:30 a.m. to 5:00 p.m., Fridays from 8:30 a.m. to 6:00 p.m., and on Saturdays from 9:00 a.m. to 1:00 p.m. The bank also has two ATM machines located in Danville for customer convenience. Both ATMs accept customer deposits.

FNBD offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary focus is to promote economic development in its assessment area through lending programs. FNBD's primary lending products include commercial loans and residential real estate loans. Total loans as of December 31, 2002 amounted to \$73.9 million, which comprised forty six percent (46%) of total assets. The following represents this institution's loan and lease portfolio mix as of December 31, 2002:

| | | |
|-------------------------------|----------|-----|
| Commercial Loans | \$44,340 | 60% |
| Residential Real Estate Loans | \$23,935 | 32% |
| Consumer Loans | \$ 3,490 | 5% |

| | | |
|--------------------|----------|------|
| Agricultural Loans | \$ 2,158 | 3% |
| Total | \$73,923 | 100% |

Tier one capital totals \$10.4 million as of December 31, 2002. The bank does not have any financial or legal impediments restricting it from meeting the credit needs of its local community. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capability, local economic conditions, and credit needs of the community. FNBD's last CRA examination was January 13, 1998, and the rating was "Satisfactory".

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area (AA) is comprised of Vermilion County, Illinois, a Non-MSA. Vermilion County has a population of 83,919. Vermilion County consists of twenty-five block-numbering areas (BNAs). Five (20%) of these BNAs are moderate-income geographies. Fourteen (56%) of the BNAs are middle-income geographies, and the remaining six (24%) BNAs are upper-income geographies. There are no low-income geographies in the AA. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

The following demographic information on the bank's AA is based on 1990 census data:

| | |
|----------------|---|
| Population | 88,257 people live in the assessment area. |
| Housing Stock | 82% of the housing units are 1-4 family. |
| Occupancy | 65% owner occupied; 26% renter occupied; 8% vacant. |
| Home Values | The median home value is \$39,418. |
| Age of Homes | The median year of homes built is 1953. |
| Income | Median family income of the assessment area is \$30,329. |
| Income Levels | 20% of the families are low income, 18% are moderate income, 22% are middle income, and 40% are upper income. |
| Updated Income | 2002 HUD Non-MSA Illinois median family income is \$46,700. |

Many of the communities in the county are growing retirement areas, with 18% of the number of households headed by residents over 65 years of age. Fifteen percent of the households are below poverty level. Vermilion County is 82% farmland.

The local economy is stable with modest growth over the last two years. The announcement by NACCO of its assembly plant closure has a potential adverse impact to the area's economy and will put about 800 people out of work. Retail stores such as Ames, JoAnn Fabrics, J.C. Penny, Jewel Grocery Store, and Schlotzky's Deli closed in 2002. The area's economy is driven by service manufacturing and distribution industries. The largest employers include Danville School District 118, United Samaritan's Medical Center, Veteran's Administration Hospital, McLane Midwest, and Quaker Oats. In December of 2002, the unemployment rate for Vermilion County was 7.0%. The state unemployment rate was 6.3%, compared to the national rate of 5.7%.

FNBD faces strong competition from branches of larger banks, rural community banks, savings

and loan institutions, and credit unions located around its branch offices and throughout the assessment area. The bank's major competition consists of First Midwest Bank, Old National Bank, and Iroquois Federal Savings and Loan Association.

Two community contacts were made during this examination, one of which was with a community action agency and the other, an economic development corporation/area chamber. The main community need, according to the contacts, is start up funding for small minority owned businesses. According to the contacts, area banks are doing a good job of investing in community development. It was noted that FNBD is particularly involved in the community, knows its customers, and provides personnel banking services to meet the needs of those customers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank's primary loan products. Based upon the bank's portfolio mix as of December 31, 2002, commercial loans and residential real estate loans were the primary loan products. In addition, considering that fixed rate loans are sold into the secondary market, originations of residential real estate loans are considered a primary loan type. In 2001 57-purchase money mortgages totaling \$4.3 million were originated, while 311 refinance mortgages were made totaling \$13.4 million. In 2002, 108 purchase money mortgages totaling \$7.5 million were originated, while 316 refinance mortgages were made totaling \$18.6 million. Based upon this information, the samples used to evaluate the lending performance components were commercial loans, residential real estate loan originations and residential real estate refinances.

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

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income).

Commercial Loans

Within the bank's assessment area, one hundred percent of the number and one hundred percent of the dollar of nineteen commercial loans sampled were to small businesses. A small business is defined as those businesses with annual gross revenues of less than one million dollars. This activity exceeds the number of businesses located in the assessment area (82%) that have revenues equal to, or less than, one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the assessment area:

| Table 1 - Borrower Distribution of Loans to Businesses in the Vermilion County AA | | |
|--|--------------|--------------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 |

| | | |
|-----------------------------|-------------|----|
| % of AA Businesses* | 82% | 6% |
| % of Bank Loans in AA by # | 19 | 0 |
| % of Bank Loans in AA by \$ | \$1,176,916 | 0 |

Source: This table is based on a sample of 19 commercial loans that were originated in 2001 and 2001 and 2002 Business Demographic data. 12% of businesses did not report revenue data.

Residential Real Estate Loan Originations and Refinances

The bank's performance with low-income borrowers for residential real estate loan originations is less than favorable compared to the demographic data from the 1990 census, which shows that low-income families comprise 20% of the assessment area's population. It is important to note, however, that 15% of the assessment area's population is below poverty level, making it difficult to own a home. Additionally, it should also be noted that 24% of the total low-income families in the assessment area live in moderate-income BNAs, of which 44% of the total housing units are rental. Therefore, opportunity to own a home in the moderate-income BNAs is limited.

The bank's performance with moderate- and middle-income borrowers for both residential real estate loan originations and refinances is good. The 1990 census data shows that 18% of the assessment area is made up of moderate-income families and 22% of the assessment area is made up of middle-income families. The bank's performance with upper-income borrowers for both residential real estate loan originations and refinances is reasonable. Four percent of the assessment area is made up of upper-income families.

The following tables show the distribution of residential real estate loan originations and refinances among borrowers of different income levels within the assessment area:

| Table 2 - Borrower Distribution of Residential Real Estate Loans in the Vermilion County AA by Number Volume | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 |
| RE Originations | 20% | 5% 1 | 18% | 30% 6 | 22% | 40% 8 | 40% | 25% 5 |
| RE Refinances | 20% | 20% 4 | 18% | 25% 5 | 22% | 20% 4 | 40% | 35% 7 |
| | | | | | | | | |

Source: This table is based on a sample of 20 residential real estate loans that were refinanced in 2001 and 2002 and U.S. Census data.

Table 3 - Borrower Distribution of Residential Real Estate Loans in the Vermilion County AA by Dollar Volume

| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
|-----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| | % of AA Families | % of Dollar of Loans | % of AA Families | % of Dollar of Loans | % of AA Families | % of Dollar of Loans | % of AA Families | % of Dollar of Loans |
| RE Originations | 20% | 1% \$17,460 | 18% | 21% \$244,650 | 22% | 32% \$370,550 | 40% | 46% \$528,570 |
| RE Refinances | 20% | 9% \$100,081 | 18% | 19% \$220,600 | 22% | 27% \$311,466 | 40% | 45% \$512,839 |
| | | | | | | | | |

Source: This table is based on a sample of 20 residential real estate loans that were refinanced in 2001 and 2002 and U.S. Census data.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable based on the institution's size and assessment area's credit needs. During the past 23 calendar quarters, FNBD's loan-to-deposit ratio has averaged 50.24%. Three bank's with asset size of \$108 million to \$168 million and having at least one office in an assessment area with demographics similar to the bank's assessment area, were also reviewed. The average loan-to-deposit ratios of these four banks ranged from 38.05% to 89.93%. It should be noted that FNBD's ratio does not represent a significant volume of residential loans the bank has funded and sold to the secondary market, where more advantageous loan terms can be obtained. Since 1998, the bank has originated 879 real estate loans in excess of \$49.1 million, which have been sold. Also, in the third quarter of 2002, FNBD's deposits increased in excess of \$19 million as a result of successful bids for deposit accounts from a local school district, an area college, and a local community action agency. The estimated impact of these transactions on the bank's loan-to-deposit ratio would reflect a loan-to-deposit ratio of 81.17% as of December 31, 2002.

Lending in Assessment Area

A substantial majority of the loans being originated are within the bank's assessment area. Based upon a sample of loans (20 commercial, 20 residential real estate loan originations and 20 residential real estate loan refinances) originated in 2001 and 2002, 97% of the number and 94% of the dollar amount of the loans were made within the bank's assessment area. The following tables show the dollar amount and the number of loans from our sample that fall within the assessment area and outside the assessment area:

| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
|----------------------------------|-----------------|------|---------|----|-------|------------------|------|-----------|-----|-------------|
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| # | % | # | % | \$ | | % | \$ | % | | |
| Commercial Loans | 19 | 95% | 1 | 5% | 20 | 826,916 | 90% | \$92,599 | 10% | \$919,515 |
| Residential RE Loan Originations | 20 | 100% | 0 | 0% | 20 | \$1,161,230 | 100% | 0 | 0% | \$1,161,230 |
| Residential RE Loans Refinances | 19 | 95% | 1 | 5% | 20 | \$1,1078,227 | 92% | \$90,000 | 8% | \$1,168,227 |
| Totals | 58 | 97 % | 2 | 3% | 100% | \$3,066,272 | 94% | \$182,599 | 6% | \$3,248,972 |

Source: This table is based on a sample of 20 commercial loans, 20 residential real estate loan originations and 20 residential real estate loan refinances originated in 2001 and 2002

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area in all BNAs. Of the owner-occupied housing units within the assessment area, 14% are located in the moderate-income BNAs, 66% are located in the middle-income BNAs, and 20% are located in the upper-income BNAs. Twenty percent of the number (152) and 15% of the dollar (\$7,897,208) of residential real estate loans were made in moderate-income BNAs. Forty-nine percent of the number (373) and 45% of the dollar (\$24,159,002) of residential real estate loans were made in middle-income BNAs. Thirty-one percent of the number (237) and 40% of the dollar (\$21,416,784) of residential real estate loans were made in upper-income BNAs. It should be noted that 33% of families living in moderate-income BNAs and 62% of families living in middle-income BNAs are below poverty level. This makes it difficult for these families to own a home. It should also be noted that during this evaluation period, the bank generated 433 residential real estate loans totaling \$28,229,660 that were sold into the secondary market. Of those loans, 7% of the number (32) and 5% of the dollar (\$1,293,859) were made in moderate-income BNAs, 50% of the number (216) and 41% of the dollar (\$11,173,121) were made in middle-income BNAs and 43% of the number (185) and 54% of the dollar (\$15,222,680) were made in upper-income BNAs.

This same information indicates that there are 3,196 businesses in the bank's assessment area. Of those businesses, 26% are located in moderate-income BNAs, 57% are located in middle-income BNAs and the remaining 17% are located in upper-income BNAs. Twelve percent of the businesses did not report revenue information. As shown by the following table, the geographic distribution of the bank's loans made between December 1, 2001 and December 31, 2002, is close to the geographical breakdown of businesses in the assessment area. Twenty-two percent of the number (104) and 34% of the dollar (\$7,004,876) of commercial loans were made to businesses located in moderate-income BNAs. Forty-nine percent of the number (239) and 34% of the dollar of loans (\$7,164,954) were made to businesses located in middle-income BNAs. Twenty-nine percent of the number (139) and thirty-two percent of the dollar (\$6,712,327) of loans were made to businesses located in upper-income BNAs.

| Table 5 Geographic Distribution of Residential Real Estate Loans in the Vermilion County AA | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Owner Occupied ⁴ | 0% | | 14% | | 66% | | 20% | |
| LOANS BY PRODUCT | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| Originations and Refinances | 0% | 0% | 20% | 14% | 40% | 45% | 31% | 40% |
| | | | | | | | | |
| | | | | | | | | |
| Totals | 0% | 0% | 20% | 14% | 40% | 45% | 31% | 40% |

Source: This table is based off of a report generated by the bank. This report contained all loans on the bank's books that had an origination date between December 1, 2001 and December 31, 2002. Also based on 1990 census demographic data.

| Table 6 Geographic Distribution of Business Loans in the Vermilion County AA | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Businesses ⁶ | 0% | | 26% | | 57% | | 17% | |
| LOANS BY PRODUCT | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| Commercial Loans | 0% | 0% | 22% | 34% | 49% | 34% | 29% | 32% |
| | | | | | | | | |
| Totals | 0% | 0% | 22% | 34% | 49% | 34% | 29% | 32% |

Source: This table is based off of a report generated by the bank. 2002 Business Demographic data was also utilized. This report contained all loans on the bank's books that had an origination date between December 1, 2001 and December 31, 2002. Note: 12% of businesses did not report revenue.

Responses to Complaints

The First National Bank of Danville has not received any complaints about its performance in helping to meet the assessment area needs during this evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.