



PUBLIC DISCLOSURE

August 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Havana National Bank
Charter Number: 2242

112 South Orange Street
Havana, Illinois 62644

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, Illinois 61602

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 Lending Test is rated: Satisfactory

- The quarterly average loan-to-deposit ratio over the evaluation period is reasonable.
- A majority of loans originated or purchased are to customers from inside the assessment areas (AA).
- The distribution of loans to farms of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects excellent dispersion.

SCOPE OF EXAMINATION

This Performance Evaluation assesses The Havana National Bank's (Havana NB's or bank's) record of meeting the credit needs of the communities in which it operates. We evaluated Havana NB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates Havana NB's record of helping to meet the credit needs of its assessment areas through its lending activities.

The evaluation covers the period from the date of the previous Community Reinvestment Act Performance Evaluation (CRA PE) of February 3, 2009, through August 18, 2014. The rating of the previous CRA PE was satisfactory.

Havana NB conducts business in Central Illinois within two AAs. The Fulton-Mason-Logan AA received a full-scope review as it accounts for the majority of lending and branch activity. The Tazewell AA received a limited-scope review as it accounts for a minority of lending activity and has only one branch.

We based the lending test on the primary loan products for the AAs, based on volume of loan originations and purchases from January 1, 2012 through December 31, 2013.

We based our conclusion regarding the lending performance on agriculture loans originated or purchased from January 1, 2012 through December 31, 2013, utilizing 2010 U.S. Census data.

Havana NB is not required to maintain income information on agriculture loans outside of the individual credit files. Thus, we reviewed a sample of originated or purchased loans during the evaluation period in assessing the range of loan distribution to farms of different sizes.

DESCRIPTION OF INSTITUTION

Havana NB is a community bank headquartered in Havana, Illinois, with assets of \$217 million, as of June 30, 2014. Havana NB has branches in Green Valley, Lewistown, Manito, and San Jose, Illinois. The main office and branch locations are equipped with automated teller machines. Havana NB has a network of 11 publicly available automated teller machines. There were no branch closures during the evaluation period.

While Havana NB's lending strategy is heavily centered in agriculture, the bank also offers a wide range of lending products that include agriculture, commercial, residential, and consumer loans.

Havana NB's primary loan product is agriculture lending. Agriculture lending accounted for 76 percent of the lending activity by dollar volume and 33 percent by number of loans from January 1, 2012, through December 31, 2013. The bank reported \$138 million in outstanding loans as of June 30, 2014. The loan portfolio consists of the following:

Loan Category	\$(000)	%
Agriculture Loans	\$ 85,204	61.75%
Commercial Loans	\$ 22,985	16.66%
Residential Loans	\$ 22,623	16.40%
Consumer Loans	\$ 7,172	5.20 %
Total Loans	\$ 137,984	100%

Source: Call Report June 30, 2014

Havana NB is a wholly-owned subsidiary of Community Investment Group Ltd., a single bank holding company headquartered in Havana, Illinois. Community Investment Group Ltd. does not negatively affect Havana NB's ability to meet the credit needs of the community.

There are no legal or financial circumstances impeding the bank's ability to meet the credit needs of its AAs.

DESCRIPTION OF ASSESSMENT AREAS

The Fulton-Logan-Mason AA includes all six census tracts (CTs) in Mason County, 11 CTs in Fulton County, and one CT in Logan County; the AA is not located in a metropolitan statistical area (MSA). Using 2010 U.S. Census data, the six CTs in Mason County include two moderate-income CTs and four middle-income CTs. The 11 CTs in Fulton County include one moderate-income CT and 10 middle-income CTs. The one CT in Logan County is an upper-income CT. The Fulton-Logan-Mason AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The following tables provide additional demographic information for the full scope review of the Fulton-Logan-Mason AA:

Table 2 – 2013 Demographic Information for Fulton-Logan-Mason AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	18	0.00	16.67	77.78	5.56
Population by Geography	51,611	0.00	15.13	79.85	5.02
Owner-Occupied Housing by Geography	16,518	0.00	14.14	81.35	4.51
Business by Geography	2,937	0.00	24.62	70.58	4.80
Farms by Geography	702	0.00	6.55	79.34	14.10
Family Distribution by Income Level	14,065	20.58	21.18	21.66	36.58
Distribution of Low and Moderate Income Families throughout AA Geographies	5,873	0.00	19.63	76.81	3.56
Median Family Income HUD Adjusted Median Family Income for 2013 Families Living Below Poverty Level		54,549 56,200 10.78%	Median Housing Value Unemployment Rates: Mason County Fulton County Logan County		80,805 8.9% 8.4% 6.9%

Source: 2010 US Census and 2013 HUD updated MFI; Unemployment information from Bureau of Labor Statistics, June 30, 2014.

The Tazewell AA is part of the Peoria, Illinois, MSA. The Tazewell AA consists of two CTs in Tazewell County. Using 2010 U.S. Census data, the two CTs in the Tazewell AA are middle-income CTs. The Tazewell AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The following tables provide additional demographic information for the limited scope review of the Tazewell AA:

Table 3 – 2013 Demographic Information for Tazewell AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	2	0.00	0.00	100.00	0.00
Population by Geography	6,828	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	2,362	0.00	0.00	100.00	0.00
Business by Geography	345	0.00	0.00	100.00	0.00
Farms by Geography	121	0.00	0.00	100.00	0.00
Family Distribution by Income Level	2,146	13.00	18.31	27.87	40.82
Distribution of Low and Moderate Income Families throughout AA Geographies	672	0.00	0.00	100.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2013 Families Living Below Poverty Level		66,038 66,600 4.15%	Median Housing Value Unemployment Rates: Tazewell County		119,017 9.24%

Source: 2010 US Census and 2013 HUD updated MFI; Unemployment information from Bureau of Labor Statistics, June 30, 2014.

Major employment sectors in the AAs are concentrated in agriculture, manufacturing, and service industries.

Competition for financial services within the AAs is strong and comes primarily from local community banks, state-chartered banks, and branches of large national banks. Havana NB held a 9.24 percent deposit market share in the Fulton, Mason, Logan counties while its deposit market share in Tazewell County was 0.34 percent, at of June 30, 2013.

We contacted a local elected official in Havana, IL. The official mentioned the local economy relies on agriculture, which at its base, is family farms. These operations, however, do not provide many jobs outside the families who own them. Local grain elevators provide additional jobs, as do the hospital and school district. The official identified the leading credit needs as commercial loans to businesses that can bring middle-income jobs to the area. The official had a positive opinion of Havana NB, mentioning the bank is known as a stable and locally owned financial institution.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Havana NB meets the standards for Satisfactory performance.

Loan-to-Deposit Ratio

Havana NB's loan-to-deposit (LTD) ratio is reasonable given the asset size, financial condition, and credit needs of the AAs. Havana NB's quarterly LTD ratio averaged 71 percent over 22 quarters available from March 31, 2009 to June 30, 2014, with a low of 66 percent, and a high of 77 percent. Havana National Bank ranks fourth among 11 other similarly situated institutions, which had an average LTD ratio of 59 percent, an average low of 33 percent, and an average high of 85 percent.

Lending in Assessment Area

The majority of loans originated or purchased by Havana NB, by both dollar and number, were to customers inside the AAs during the evaluation period.

Table 4 - Lending in Havana National Bank Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	46	76.67	14	23.33	60	7,167	78.17	2,001	21.83	9,168

Source: Agriculture loan sample

Lending to Farms of Different Sizes

The lending performance to farms of different sizes reflects reasonable penetration.

Conclusions for full scope AA:

Havana NB's distribution of loans to small farms in the Fulton-Mason-Logan AA reflects reasonable penetration among farms of different sizes.

Table 5 - Borrower Distribution of Loans to Farms in Fulton-Mason-Logan AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.15%	00.14%	0.71%	100%
% of Bank Loans in AA by #	85.25%	14.75%	0.00%	100%
% of Bank Loans in AA by \$	68.87%	31.13%	0.00%	100%

Source: Agriculture loan sample; 2013 Geodemographic business data

Conclusions for limited scope AA:

The performance in the Tazewell AA is consistent with the full-scope review, as the distribution of loans to farms of different sizes reflects reasonable penetration.

Geographic Distribution of Loans

Havana NB’s geographic distribution of loans reflects excellent dispersion.

Conclusions for full scope AA:

The geographic distribution of loans to farms in the Fulton-Logan-Mason AA reflects excellent dispersion, including moderate-income CTs. There are no low-income CTs in the AA.

Table 6 - Geographic Distribution of Loans to Farms in Fulton-Mason-Logan AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agriculture Loans	0.00	0.00	6.55	6.56	79.34	91.80	14.10	1.64

Source: Agriculture loan sample; 2013 Geodemographic business data

Conclusions for limited scope AA:

An analysis was not performed, as there are no low- or moderate-income CTs in the Tazewell AA.

Responses to Complaints

Havana NB did not receive any complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.