



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 7, 2009**

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

The First National Bank in Carlyle  
Charter Number 14268

891 Fairfax Street  
Carlyle, IL 62231

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**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.**

All the lending performance criteria meet the standards for satisfactory performance. The major factors that support this rating are as follows:

- The bank's distribution of loans to individuals of different income levels and to farms of different sizes is reasonable. The percentage of total residential real estate loans made to moderate-income borrowers (17%) is near the percentage of moderate-income families in the assessment area (AA) (21%).
- The geographic distribution of the bank's loans reflects a reasonable dispersion throughout the AA for residential real estate and farm loans.
- A substantial majority of the bank's loans, 80% by number, are made in the AA.
- The level of lending is reasonable with an average quarterly loan-to-deposit ratio at 59%.

**SCOPE OF EXAMINATION**

This Performance Evaluation of the First National Bank in Carlyle (FNB) assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria.

The evaluation period covers loans originated or purchased from January 1, 2006 to December 31, 2008.

FNB has one AA, which includes Clinton County in Southern Illinois. This AA will receive a full scope review.

Conclusions regarding the bank's lending performance are based on FNB's primary loan products, which include residential real estate and agricultural loans. We conducted a data integrity review of the residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2006, 2007, and 2008. We compared information from the bank's loan application register to the loan files. We found the HMDA data to be accurate and reliable for use in this examination.

We also reviewed a sample of 30 agricultural loans originated from January 1, 2006 to December 31, 2008.

**DESCRIPTION OF INSTITUTION**

The First National Bank in Carlyle is wholly owned by First National Bancorporation, a one-bank holding company located in the city of Carlyle, Illinois. As of December 31,

2008, FNB had total assets of \$143 million, net loans of \$72 million, total deposits of \$108 million, and total risk-based capital of \$17 million. FNB's assets represent substantially all of the holding company's assets; there are no subsidiaries or affiliates. There have been no changes in the bank's corporate structure since the last CRA evaluation.

FNB is primarily an agricultural and residential real estate lender that operates three offices and three non-depository automated teller machines (ATMs), all located in Clinton County. The main office is located in downtown Carlyle, IL; the branch is located at the north edge of town. These Carlyle offices are located in middle-income Census Tract (CT) 9004. FNB opened a branch in Aviston, IL in January 2007. This office is located in middle-income CT 9001. It is a full service facility featuring a non-depository ATM, new accounts/customer service, and a loan department.

FNB offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2008, net loans totaled \$72 million, representing 51% of total assets. The loan portfolio consisted of 38% farm real estate/agricultural production, 28% commercial real estate/business, 26% residential real estate, and 4% consumer loans. Agricultural, commercial, and residential real estate loans represent the substantial majority of the loans originated during this evaluation period.

There are no legal or financial constraints placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

FNB's last CRA evaluation was August 4, 2003, and we rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management designated Clinton County as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Clinton County, Illinois, is on the eastern edge of the St. Louis MO-IL Metropolitan Statistical Area (MSA) and is comprised of six CTs: 9001, 9002, 9003, 9004, 9005, and 9006. Based on the 2000 MSA median family income, the AA has five CTs or 83% classified as middle-income and one CT or 17% classified as moderate-income (CT 9005). There are no low- or upper-income CTs in Clinton County.

As of the 2000 census, the population in Clinton County was 35,535. Seven percent (7%) live below the poverty level and 21% are in retirement. The median housing value was \$79,290 and the average age of the housing stock was 40 years. Owner-occupied units represent 74% of the housing stock. Sixteen percent (16%) of the owner-occupied housing units are within the moderate-income CT.

Based on the 2000 Census demographic data, 9,318 families live in Clinton County. The 2000 MSA median family income was \$53,435. Of these families, 1,537 or 16% were classified as low-income, 1,932 or 21% as moderate-income, 2,570 or 28% as middle-income, and 3,279 or 35% as upper-income. For our analysis of lending to borrowers of different incomes, we used the Department of Housing and Urban Development (HUD) 2008 updated MSA median family income of \$65,000.

Business data as of 2008 indicates there are 361 farms in Clinton County. Only 3 or 1% of these farms had revenues over \$1 million, 356 or 98.5% reported revenues of \$1 million or less, and 2 or .5% did not report income. Eleven percent (11%) or 41 of the farms are located in the moderate-income CT.

Economic conditions in Clinton County are stable. The December 2008 seasonally unadjusted unemployment rate for Clinton County is 7.4% and equals that of the State of Illinois. Clinton County's rate is lower than the St. Louis MO-IL MSA rate of 8.3%, but slightly higher than the national unemployment rate of 7.1%. Since December 2007, the local unemployment, state and national averages all increased slightly over 2%. Major employers in Clinton County are St. Joseph's Hospital in Breese, IL, Arrow Group Industries, Scott Air Force Base, and the Correctional Center in Centralia, IL.

Competition for financial services in the AA is strong and primarily comes from seven local banks and three large regional banks, which have branches in Clinton County. Altogether, the competitors have seventeen branches located in Clinton County.

During this examination, we made one contact with a local city government agency located in Carlyle, IL. Our contact identified no unmet credit needs in the AA. FNB is responsive to the needs of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB's performance is satisfactory in meeting the credit needs of its AA, including those of low- and moderate-income borrowers, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and AA credit needs.

As of December 31, 2008, the bank's LTD ratio is 67%. The quarterly average LTD ratio since the last evaluation is 59%. This ratio is higher than one comparable bank and below two other banks in the AA. The average LTD ratio of the other banks, which are comparable in size and location, ranges from 55% to 90% for the same time period.

## Lending in Assessment Area

A substantial majority of loans are in the institution's AA. Based on HMDA data and a sample of farm loans made from 2006 to 2008, 80% by number and 83% by dollar volume were originated within the bank's AA.

Lending in Clinton County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	75	73%	28	27%	103	8,055	76%	2,608	24%	10,663
Home Improvement	37	82%	8	18%	45	1,398	78%	388	22%	1,786
Refinancing	87	92%	8	8%	95	12,692	91%	1,203	9%	13,895
Agricultural	20	67%	10	33%	30	917	62%	557	38%	1,474
Total	219	80%	54	20%	273	23,062	83%	4,756	17%	27,818

Source: Residential real estate loan data reported under HMDA for the years 2006-2008, and a sample of 30 farm loans.

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

The bank's lending distribution to borrowers of different income levels and farms of different sizes is reasonable.

### Residential Real Estate

The borrower distribution of residential real estate loans made in 2006, 2007, and 2008 meets the standard for satisfactory performance. The percentage of total residential real estate loans made to moderate-income borrowers (17%) is near the percentage of moderate-income families in the AA (21%). The percentage of residential real estate loans made to low-income borrowers (7%) is low compared to the percentage of low-income families in the AA (16%). However, it is deemed reasonable because the 7% poverty rate in Clinton County is considered a mitigating factor.

Borrower Distribution of Residential Real Estate Loans in Clinton County								
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
Home Purchase	16%	11%	21%	17%	28%	28%	35%	44%
Home Improvement *	16%	11%	21%	14%	28%	46%	35%	24%
Refinancing *	16%	2%	21%	19%	28%	35%	35%	44%
Total	16%	7%	21%	17%	28%	34%	35%	40%

Source: Residential real estate loan data reported under HMDA for the years 2006-2008; 2000 U.S. Census data.

\* Based on the HMDA data provided, two Home Improvement loans (5%) and one Home Refinance loan (1%) did not have borrower income available.

## Farm Loans

FNB is responsive to the credit needs of small farms in its AA. During this evaluation period, the bank originated 361 farm-related loans. Based on the sample of 20 farm-related loans, the distribution of the bank's loans to farms in the AA is reasonable. The ratio of the bank's loans to farms with revenues of less than \$1 million, 95% by number and 87% by dollar volume, is near the ratio of small farms in the AA (98.5%).

<b>Borrower Distribution of Loans to Farms in Clinton County</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98.5%	1%	0.5%	100%
% of Bank Loans in AA by #	95%	5%	N/A	100%
% of Bank Loans in AA by \$	87%	13%	N/A	100%

*Source: 2008 Business Geodemographic Data; sample of 20 agricultural loans.*

## **Geographic Distribution of Loans**

The geographic distribution of the bank's loans reflects a reasonable dispersion throughout the AA for residential real estate and farm loans. There were no conspicuous gaps noted in the lending area.

### Residential Real Estate

The geographic distribution of residential real estate loans made in the AA reflects reasonable dispersion throughout the CTs in the AA. The percentage of residential real estate loans made in the moderate-income CT (4%) is lower than the ratio of owner-occupied housing in this CT (16%). However, this moderate-income CT has a correctional center where 22% of the population is housed, limiting the opportunities for lending in this area.

<b>Geographic Distribution of Residential Real Estate Loans in Clinton County</b>								
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
Home Purchase	NA	NA	16%	7%	84%	93%	NA	NA
Home Improvement	NA	NA	16%	3%	84%	97%	NA	NA
Refinancing	NA	NA	16%	2%	84%	98%	NA	NA
Total	NA	NA	16%	4%	84%	96%	NA	NA

*Source: Residential real estate loan data reported under HMDA for the years 2006-2008; 2000 U.S. Census data.*

## Farm Loans

The geographic distribution of farm loans made in the AA exceeds the standards for satisfactory performance. The ratio of farm loans made in the moderate-income CT (15%) exceeds the ratio of farms located in the CT (11%).

<b>Geographic Distribution of Loans to Farms in Clinton County</b>								
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
Agricultural	NA	NA	11%	15%	89%	85%	NA	NA

*Source: 2008 Business Geodemographic Data; sample of 20 agricultural loans.*

## **Responses to Complaints**

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

## **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.