



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**January 10, 2005**

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

**The First National Bank of Dieterich  
Charter Number 9582**

**101 South Main  
Dieterich, IL 62424**

**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 distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes.
- A substantial majority of the loans are originated within the bank's assessment area.
- The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and assessment area's credit needs.

## DESCRIPTION OF INSTITUTION

The First National Bank of Dieterich (FNB) is a \$153 million intrastate institution headquartered in Dieterich, Illinois. Dieterich is located in the Eastern Effingham County in Central Illinois. This institution is owned by Prime Banc Corporation, a one-bank holding company.

FNB operates two branch facilities in Effingham and one in Newton. FNB has five ATM locations. Three are located at the branch locations. In addition, two ATM's are located on convenience store properties in the bank's assessment area. The Lake Sara (Effingham) branch was opened shortly after the last CRA examination in November 1999. FNB has not closed a branch since the prior examination.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. Net loans were \$99 million on September 30, 2004, or 65% of total assets. The following represents this institution's loan and lease portfolio mix as of September 30, 2004:

Commercial	\$40.4 million	41%
Agricultural related	\$23.0 million	23%
Residential Real Estate	\$28.1 million	28%
Consumer Installment	\$ 8.2 million	8%

During 2003 and 2004, the bank originated 3,171 loans, as noted below.

Commercial	\$37.7 million	460 loans
Agricultural related	\$10.6 million	324 loans
Residential Real Estate	\$50.5 million	684 loans
Consumer Installment	\$12.0 million	1,703 loans

The bank offers standard loan products to the community. Additional loan products that the bank offers include Small Business Administration (SBA) loans, Rural Development Loans (USDA guaranteed), and the following State of Illinois programs: Illinois Farm Development, Ag Production Loan Deposit Program, Operation Protect and Provide Program, and Our Own Home.

Tier one capital totals \$13 million. There were no financial, legal, or other impediments that

would hinder the bank’s ability to help meet the credit needs of its assessment area. Bank activities are consistent with the bank’s size, its financial capability, local economic conditions, and credit needs of the community. The bank was rated “Satisfactory” at its last CRA examination on October 25, 1999.

## DESCRIPTION OF THE ASSESSMENT AREAS

FNB’s assessment area (AA) includes all three census tracts in Jasper County and six census tracts in Effingham County (which make up the eastern and northern sections of the county). The AA is not located in a Metropolitan Statistical Area (MSA). According to the 2000 census data, 8 of the AA’s 9 census tracts are middle-income areas. The northeastern corner of Effingham County is an upper-income census tract. The AA conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the combined assessment areas is based on census data:

<b>Table 1 – Demographic Information for Assessment Area (AA)</b>	
	<b>2000 Census Data</b>
Population:	36,449
Housing Stock: <i>1-4 family housing units</i>	83%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	71%, 22%, 7%
Home Values: <i>Median home value</i>	\$81,577
Age of Homes: <i>Median year of homes built</i>	1969
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	15%, 18%, 25%, 42%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	20%, 16%, 19%, 45%

The local economy has declined over the past few years as major employers left the area. Effingham County (7.5%) and Jasper county (9.3%) unemployment rates for November 2004 are less than favorable when compared to the State of Illinois (6.0%) and the national (5.4%) averages. Major employers in the AA include Quebecor World Petty Company, St. Anthony Memorial Hospital, Stevens Industries, Wal-Mart, and Three Z Printing. Smaller manufacturers, local governments, and school systems are other employers in the assessment area. The area’s economy is also heavily agricultural related.

FNB faces competition from community banks, two larger regional and national banks, insurance companies, and Farm Credit Services. Fifteen financial institutions, with a total of 22 locations, are located within the bank’s assessment area.

A local executive that works with businesses was contacted during this examination. According to the contact, local community banks are meeting community credit needs and are supportive of community projects. This executive also noted that economic growth may occur in the near future, as several local businesses are looking at expanding and two new companies may locate in the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank's primary loan products, which based on origination information provided by the bank, included consumer, residential, and commercial loans. We utilized 2003 and 2004 originations to evaluate the bank's performance. Census data (2000) was utilized for evaluating residential and consumer loans originated.

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

The overall 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.

### **Commercial Loans**

The bank's performance of lending to businesses of different sizes is reasonable compared to the area's demographics. Sixty percent of the number of business loans (59% of the dollars) originated in the assessment area during 2003 and 2004 were made to small businesses. Demographic data shows that 64% of the businesses in the assessment area are small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. The following table shows the distribution of originated commercial loans among businesses of different sizes within the assessment area:

Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	64.22%	7.21%	28.57%	100.00%
% of Bank Loans in AA by #	60.00%	25.00%	15.00%	100.00%
% of Bank Loans in AA by \$	58.87%	38.72%	2.41%	100.00%

### **Residential Refinance Loan Originations**

Given the demographics of the assessment area, the distribution of residential refinance loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income), despite less than favorable numbers. Due to high unemployment in the area, the fact that over ten percent of residential refinance loans originated were made each to low- and moderate-income individuals is reasonable.

The bank's refinancing of residential real estate loans to low-income families and moderate-income families is less than favorable compared to demographic data. The following table shows the distribution of residential refinance real estate loan originations among borrowers of different income levels within the assessment area:

Table 3 - Borrower Distribution of Residential Refinance Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Sample	15.14%	10.53%	17.97%	10.53%	24.66%	42.11%	42.22%	36.84%

### Consumer Loan Originations

The distribution of consumer loans reflects, given the demographics of the assessment area, reasonable penetration for originating consumer loans to individuals of different income levels (including low- and moderate-income).

The bank's performance in originating consumer loans to low- income borrowers is significantly favorable compared to demographic data. The bank's performance of originating consumer loans to moderate-income borrowers is less than favorable compared to demographic data. The following table shows the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

Table 4 - 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
Sample	19.93%	29.41%	15.88%	5.88%	19.05%	23.53%	45.13%	41.18%

### **Lending in Assessment Area**

A substantial majority of the loans are originated within the bank's assessment area. Based on a sample of twenty loans from each of the three main products originated in 2003 and 2004, 78% of the loans were made in the assessment area. See the following table for more information.

<b>Table 5 - Lending in AA</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family Refinance Mortgage Loans	17	85.00%	3	15.00%	20	\$1,274	85.33%	\$219	14.67%	\$1,493
Consumer Loans	16	80.00%	4	20.00%	20	\$168	79.62%	\$43	20.38%	\$211
Commercial Loans	14	70.00%	6	30.00%	20	\$3,481	77.70%	\$999	22.30%	\$4,480
<b>Totals</b>	<b>47</b>	<b>78.33%</b>	<b>13</b>	<b>21.67%</b>	<b>60</b>	<b>\$4,923</b>	<b>79.61%</b>	<b>\$1,261</b>	<b>20.39%</b>	<b>\$6,184</b>

**Loan-to-Deposit Ratio**

The bank’s loan-to-deposit ratio is reasonable based on the institution’s size, financial condition, and assessment area’s credit needs. During the past twenty-one quarters, FNB’s loan-to-deposit ratio has averaged 70%. This average ratio is similar to a peer bank’s quarterly average of 72%. Peer banks are three banks headquartered in Effingham and Jasper Counties, with total assets between \$85 million and \$210 million.

**Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as FNB’s AA does not contain any low-income or moderate-income census tracts.

**Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.