



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 09, 2009**

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

The First National Bank of Kinmundy  
Charter Number 6143

Corner of Second and Madison Streets  
Kinmundy, IL 62854

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:

- The bank's lending distribution to borrowers of different income levels and to farms of different revenue sizes is reasonable.
- The bank's level of lending is reasonable. The bank's average loan-to-deposit ratio is 62% and is comparable to similarly situated area banks.
- Lending in the assessment area (AA) is satisfactory. Based on our sample of 60 loans, a majority of loans by number (77%) and by dollar volume (82%) are made in the AA.

**SCOPE OF EXAMINATION**

We used small bank procedures to evaluate the performance of The First National Bank of Kinmundy (FNB) under the Community Reinvestment Act (CRA). We sampled residential real estate, agricultural, and consumer loans originated between January 1, 2007 and January 12, 2009 for our analysis of the bank's lending activity.

**DESCRIPTION OF INSTITUTION**

FNB is an intrastate bank located in Kinmundy, Illinois, a small rural south-central Illinois town in Marion County. In March 2008, FNB's corporate structure changed as the South Central Bancorp, Inc. holding company was formed. FNB is wholly owned by South Central Bancorp, Inc., a one-bank holding company located in Kinmundy. FNB's assets, \$31 million as of December 31, 2008, represent substantially all of the holding company's assets. No branches were opened or closed. The bank operates one office with a non-depository automated teller machine in downtown Kinmundy, Illinois. This office is located in a middle-income census tract (CT), CT 9516.

FNB offers a full range of retail and commercial banking products normally associated with a small rural community bank. The bank had a 3% deposit market share in Marion and Fayette Counties as of June 30, 2008, which placed it eleventh out of seventeen banks with offices in these counties. FNB is primarily a residential real estate, agricultural, and consumer lender. As of December 31, 2008, net loans totaled \$20 million or 65% of total assets, total deposits were \$27 million, and Tier 1 Capital was \$1.8 million. The loan portfolio consists of 39% residential real estate, 33% farm-related, 19% consumer, and 9% commercial loans.

There are no legal or financial impediments to the bank's ability to meet 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 May 20, 2002, and its performance was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated portions of Marion and Fayette Counties as its AA. The AA includes CTs 9516 and 9517 in Marion County and CT 9511 in Fayette County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The bank is located in CT 9516.

Marion and Fayette Counties are non-Metropolitan Statistical Areas (non-MSA). Based on the non-MSA median family income of \$43,531 in 2000, all three CTs or 100% are classified middle-income.

As of the 2000 census, the population in the bank's AA totaled 9,363, which included 2,709 families. Of these families, 19% were classified as low-income, 24% as moderate-income, 24% as middle-income, and 33% as upper-income. For the 3,683 households in the AA, 22% were classified as low-income, 18% as moderate-income, 22% as middle-income, and 38% as upper-income. The Department of Housing and Urban Development (HUD) 2007 and 2008 updated median family income of \$50,600 and \$51,900 was used in our analysis to determine borrower income levels.

The 2000 census demographic data for the AA shows that 15% of the households are in retirement and 11% of households live below the poverty level. The median housing value in 2000 was \$56,309, and the median age of the housing stock is 42 years. Owner-occupied housing represented 78% of the housing stock, with 99% being 1-4 family units.

Farm data as of 2008 shows 170 farms in the AA; all (100%) have revenues less than \$1 million.

The local economy is primarily supported by agriculture and also by service-related businesses and retail stores. Kinmundy is considered a bedroom community, with local residents commuting to the larger cities for employment. Major employers include the South Central Community Unit School District #401, Brown Produce Company, North American Lighting, Inc., Radiac Abrasives, and Schutt Sports, Inc.

The local economy is weak. The November 2008 unemployment rates for Marion and Fayette Counties are 10.6% and 10.5%, respectively. These ratios compare unfavorably to the state rate of 6.9% and the national rate of 6.5%. In 2005 and 2006, the three middle-income CTs were designated Distressed due to high unemployment.

Competitive pressures are strong and come primarily from larger financial institutions located in communities surrounding the bank's AA. FNB is the only financial institution in the town of Kinmundy, Illinois. Of the seventeen other banks competing for financial services in Marion and Fayette Counties, four are interstate banks, one is a larger community bank, and twelve are small community banks. Other competition is provided by credit unions, mortgage companies, farm services, and insurance company offices in the area.

To further our understanding of the community's credit needs, we contacted the local housing authority in Marion County. Our contact did not identify any unmet credit needs. Two other recent contacts made with local community action agencies indicated there is a need for low-cost housing loans and small business loans. Based on our analysis, FNB is meeting these credit needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB’s performance is reasonable 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. FNB’s quarterly average LTD ratio for the last 26 quarters was 62%; the bank’s lowest LTD ratio during that period was 53% and the highest 72%. The bank’s quarterly average LTD ratio is above three and below two similarly situated community banks. Competitors’ quarterly average ratios ranged from 48% to 85%.

**Lending in Assessment Area**

Lending in the AA is satisfactory. Based on our sample of 60 loans, a majority of loans by number (77%) and by dollar volume (82%) are made in the AA.

<b>Lending in Kinmundy AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	13	65%	7	35%	20	466,526	65%	256,777	35%	723,303
Consumer	14	70%	6	30%	20	60,796	55%	49,165	45%	109,961
Farm	19	95%	1	5%	20	892,695	99%	10,040	1%	902,735
Totals	46	77%	14	23%	60	1,420,017	82%	315,982	18%	1,735,999

*Source: Sample of 20 loans for each of our sampled products.*

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

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

### Residential Real Estate Loans

Based on our sample, the borrower distribution of residential real estate (RE) loans in the AA meets the standards for satisfactory performance. The percentage of RE loans made to moderate-income borrowers (25%) mirrors the percentage of moderate-income families in the AA (24%). The percentage of RE loans made to low-income borrowers (10%) is lower than the percentage of low-income families in the AA (19%); nevertheless, it is a reasonable percentage given that the local unemployment rate is high and 11% of households live below the poverty level.

Borrower Distribution of Residential Real Estate Loans in Kinmundy 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
Residential RE	19%	10%	24%	25%	24%	35%	33%	30%

Source: Sample of 20 Residential Real Estate loans, 2000 U.S. Census data, and updated HUD median family income.

### Consumer Loans

Based on our sample, the borrower distribution of consumer loans in the AA meets the standard for satisfactory performance. The percentage of consumer loans made to moderate-income borrowers (20%) just exceeds the percentage of moderate-income households in the AA (18%). The percentage of consumer loans made to low-income borrowers (35%) exceeds the percentage of low-income households in the AA (22%).

Borrower Distribution of Consumer Loans in Kinmundy 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	22%	35%	18%	20%	22%	35%	38%	10%

Source: Sample of 20 Consumer loans, 2000 U.S. Census data, and updated HUD median family income.

### Farm Loans

The distribution of the bank's loans to small farms is reasonable. The ratio of bank loans to farms with revenues of less than \$1 million (100% of our sample) meets the ratio of small farms in the AA (100%).

<b>Borrower Distribution of Loans to Farms in Kinmundy AA</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: Sample of 20 Farm loans, and 2008 Business Demographic data.*

### **Geographic Distribution of Loans**

An analysis of the bank's distribution of loans in the AA would not be meaningful as all CTs are middle-income. The bank lends in all CTs.

### **Responses to Complaints**

No CRA-related complaints have been received 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.