



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 18, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Carmi
Charter Number: 4934

201 East Main Street
Carmi, IL 62821

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.

State Name: Illinois Rating: Satisfactory

State Name: Indiana Rating: Satisfactory

The bank's overall rating is a blend of the state ratings for Illinois (IL) and Indiana (IN). The major factors that support the rating of Satisfactory are as follows.

- The distribution of loans to individuals of different income levels and to farms of different sizes is reasonable for both the state of IL and the state of IN.
- The geographic distribution of loans is more than reasonable for the state of IL. No geographic distribution analysis was performed for the state of IN since there are no low- or moderate-income geographies within this assessment area (AA).
- A substantial majority of the bank's loans were made within the AAs.
- The level of lending is reasonable based on the average of quarterly loan-to-deposit ratios since the last CRA evaluation.

Scope of Examination

This Performance Evaluation of the First National Bank of Carmi (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, 2007 through March 31, 2009. Conclusions regarding the bank's lending performance are based on FNB's primary loan products consisting of residential real estate (RRE) and agricultural loans. We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. The loan data we analyzed included all HMDA loans and twenty agricultural loans from both the state of IL and the state of IN that were originated or purchased during the evaluation period.

The bank's overall rating is a blend of the state ratings for the state of IL and state of IN. We placed more weight on the state of IL rating because a substantial majority (92%) of the bank's deposits is from this area. Both of the bank's AAs, consisting of Edwards, Wabash, and White Counties in IL, and Posey County in IN, received full-scope reviews.

Description of Institution

FNB is wholly owned by Southern Illinois Bancorp, a one-bank holding company located in Carmi, IL. As of March 31, 2009, FNB reported total assets of \$264 million and Net Tier One Capital of \$18.6 million.

FNB's business strategy focuses on agricultural and residential real estate loans. Loan products offered include one-to-four family residential real estate loans, agricultural loans, commercial loans, and consumer loans. As of March 31, 2009, net loans represented 60% of total assets and consisted of commercial and commercial real estate loans (39%), residential real estate loans (24%), agricultural and agricultural real estate loans (23%), consumer loans (9%), and other loans (5%).

FNB is an interstate bank with nine branch offices located in Illinois (6) and Indiana (3). There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AAs it serves. Since the last CRA evaluation, FNB added Gibson and Posey Counties, IN as AAs when they opened branch offices in these counties in August 2005 and October 2008, respectively. We did not consider FNB's performance in Gibson County in this evaluation, since less than six months of loan data was available for analysis since Gibson County became part of this AA.

FNB was rated "Satisfactory" at its last CRA evaluation dated June 17, 2003.

Conclusions with Respect to Performance Criteria

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 March 31, 2009, FNB's LTD ratio was 66%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 68%. This ratio is higher than one comparable bank and lower than two others. The average LTD ratio of these banks, which are comparable in size and location, ranges from 58% to 77% for the same time period.

Lending in Assessment Area

A substantial majority (85%) of loans were made within FNB's two AAs. FNB originated or purchased 84%, 88%, and 87% of home purchase, home improvement, and home mortgage refinance loans, respectively, within its AAs. Based on our sample of agricultural loans, 83% were originated or purchased within the bank's AAs.

| Lending in Edwards, Wabash, and White Counties, IL and Posey County, IN | | | | | | | | | | |
|--|-----------------|-----|---------|-----|-------|--------------------------|-----|---------|-----|------------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (000's) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total (\$) |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 165 | 84% | 32 | 16% | 197 | \$10,884 | 80% | \$2,674 | 20% | \$13,558 |
| Home Improvement | 43 | 88% | 6 | 12% | 49 | 1,741 | 88% | 234 | 12% | 1,975 |
| Home Mortgage Refinance | 109 | 87% | 16 | 13% | 125 | 10,597 | 75% | 3,573 | 25% | 14,170 |
| Agricultural | 33 | 83% | 7 | 17% | 40 | 5,295 | 81% | 1,251 | 19% | 6,546 |
| Totals | 350 | 85% | 61 | 15% | 411 | \$28,517 | 79% | \$7,732 | 21% | \$36,249 |

Source: RRE loan data reported under HMDA for the period 2007 through March 31, 2009, and a sample of 40 agricultural loans.

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.

State Rating

State of Illinois

CRA Rating for Illinois: Satisfactory

Description of Assessment Area

FNB's Illinois AA consists of Edwards, Wabash, and White Counties located in southeastern IL. FNB has six branch offices, five full-service ATMs, and deposits totaling \$198 million in this AA. FNB is the largest deposit-taking institution in the AA with a 29% market share, based on FDIC deposit market share data as of June 30, 2008. Competition for financial services is strong, as nine other financial institutions have a presence in the AA.

Major industries consist of retail trade, followed by services, and public administration. In the AA, non-agricultural wage and salaried employment decreased 9%, from 16,824 in January 2000 to 15,278 in April 2009. During the same time period, the unemployment rate increased from 5.9% to 8.1%. The state of IL's unemployment rate was 9.3% as of April 2009. Based on 2000 Census data, 9% of families live below the poverty level. The 2009 Department of Housing and Urban Development (HUD) adjusted statewide non-metropolitan area median family income for the AA is \$51,900. Based on 2000 Census data, 20% and 23% of families are low- and moderate-income, respectively.

One community contact was made to a social services agency that operates a number of programs including a food bank, head start, emergency food and shelter, dislocated workers, home rehabilitation, weatherization, and a homebuyers program. The contact indicated their organization needs additional bank participation in funding their homebuyers and emergency shelter programs.

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

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

Residential Real Estate

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families (9%) who live below the poverty level and the barriers this may have on home ownership.

The portion of home purchase loans to low-income borrowers was significantly lower than the portion of AA families who are low-income. However, the portion of home purchase loans to moderate-income borrowers was near the portion of AA families who

are moderate-income. The portion of home improvement loans to low-income borrowers was significantly lower than the portion of AA families who are low-income. However, the portion of home improvement loans to moderate-income borrowers exceeded the portion of AA families who are moderate-income. The portion of home mortgage refinance loans to low-income borrowers was significantly lower than the portion of AA families who are low-income. The portion of home mortgage refinance loans to moderate-income borrowers was lower than the portion of AA families who are moderate-income.

| Borrower Distribution of Residential Real Estate Loans in Edwards, Wabash, and White Counties, IL | | | | | | | | |
|--|---------------------|----------------------------|---------------------|----------------------------|---------------------|----------------------------|---------------------|----------------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Families | % of Number of Loans |
| Home Purchase | 20.4% | 9.5% | 22.9% | 21.8% | 25.9% | 31.3% | 30.8% | 37.4% |
| Home Improvement | 20.4% | 11.4% | 22.9% | 25.7% | 25.9% | 22.9% | 30.8% | 40.0% |
| Home Mortgage Refinance | 20.4% | 3.4% | 22.9% | 20.2% | 25.9% | 24.7% | 30.8% | 51.7% |

Source: RRE loan data reported under HMDA for the period 2007 through March 31, 2009; 2000 U.S. Census Data.

Agricultural Loans

The distribution of agricultural loans to farms of different sizes is reasonable based on a sample of 20 agricultural loans originated or purchased during the evaluation period.

The portion of loans extended to farms with revenues of \$1 million or less was near the portion of area farms that had revenues of \$1 million or less.

| Borrower Distribution of Loans to Farms in Edwards, Wabash, and White Counties, IL | | | | |
|---|--------------|--------------|-------------------------|-------|
| Farm Revenues | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Farms | 99% | < 1% | 1% | 100% |
| % of Bank Loans in AA by # | 95% | 0% | 5% | 100% |
| % of Bank Loans in AA by \$ | 99% | 0% | 1% | 100% |

Source: Sample of 20 agricultural loans; 2009 Dunn and Bradstreet Data.

Geographic Distribution of Loans

The geographic distribution of RRE and agricultural loans originated or purchased during the evaluation period is more than reasonable. There are no low-income geographies in this AA.

Residential Real Estate

The geographic distribution of RRE loans is more than reasonable. The portions of home purchase, home improvement, and home mortgage refinance loans originated or purchased in moderate-income geographies each exceeded the portion of owner-occupied housing units within those geographies.

| Geographic Distribution of Residential Real Estate Loans in Edwards, Wabash, and White Counties, IL | | | | | | | | |
|--|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| 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 | 0.0% | 0.0% | 14.9% | 19.2% | 76.8% | 75.5% | 8.3% | 5.3% |
| Home Improvement | 0.0% | 0.0% | 14.9% | 15.8% | 76.8% | 73.7% | 8.3% | 10.5% |
| Home Mortgage Refinance | 0.0% | 0.0% | 14.9% | 16.5% | 76.8% | 67.0% | 8.3% | 16.5% |

Source: RRE loan data reported under HMDA for the period 2007 through March 31, 2009; 2000 U.S. Census Data.

Agricultural Loans

The geographic distribution of agricultural loans is more than reasonable based on a sample of 20 loans originated or purchased during the evaluation period. The portion of agricultural loans originated or purchased in moderate-income geographies exceeded the portion of farms within those geographies.

| Geographic Distribution of Loans to Farms in Edwards, Wabash, and White Counties, IL | | | | | | | | |
|---|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan Type | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans |
| Agricultural | 0.0% | 0.0% | 5.0% | 10.0% | 89.6% | 85.0% | 5.4% | 5.0% |

Source: Sample of 20 agricultural loans; 2009 Dunn and Bradstreet Data.

Responses to Complaints

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

State Rating

State of Indiana

CRA Rating for Indiana: Satisfactory

Description of Assessment Area

FNB's Indiana AA consists of Posey County, one of the six counties that comprise the Evansville-Henderson IN-KY MA # 21780 located in Southwest IN. FNB has two branch offices, two full-service ATMs, and deposits totaling \$18 million in this AA. FNB is the fifth largest-deposit taking institution in the AA with a 5% market share, based on FDIC deposit market share data as of June 30, 2008. Competition for financial services is strong as five other financial institutions have a presence in the AA.

Major industries consist of retail trade, followed by services, and public administration. In the AA, non-agricultural wage and salaried employment decreased 10%, from 13,411 in January 2000 to 12,111 in April 2009. During the same time period, the unemployment rate increased from 3.4% to 8.2%. The state of IN's unemployment rate was 9.9% as of April 2009. Based on 2000 Census data, 6% of families live below the poverty level. The 2009 HUD adjusted median family income for the AA is \$59,800. Based on 2000 Census data, 16% of families are low-income and another 16% are moderate-income.

One community contact was made to an affordable housing agency. The contact indicated community needs consist of temporary housing for the homeless, affordable mortgage loans for rehabilitation and home purchase, and affordable rental units.

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

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

Residential Real Estate

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families (6%) who live below the poverty level and the barriers this may have on home ownership. The number of home improvement loans (5) originated or purchased during the evaluation period within this AA is not significant enough to perform a meaningful analysis.

The portion of home purchase loans to low-income borrowers was near the portion of AA families who are low-income. However, the portion of home purchase loans to moderate-income borrowers significantly exceeded the portion of AA families who are moderate-income. The portion of home mortgage refinance loans to low-income borrowers was significantly lower than the portion of AA families who are low-income.

The portion of home mortgage refinance loans to moderate-income borrowers was lower than the portion of AA families who are moderate-income.

| Borrower Distribution of Residential Real Estate Loans in Posey County, IN | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 | 15.9% | 15.4% | 16.3% | 38.4% | 23.2% | 15.4% | 44.6% | 30.8% |
| Home Improvement | 15.9% | 0.0% | 16.3% | 0.0% | 23.2% | 60.0% | 44.6% | 40.0% |
| Home Mortgage Refinance | 15.9% | 5.9% | 16.3% | 11.8% | 23.2% | 52.9% | 44.6% | 29.4% |

Source: RRE loan data reported under HMDA for the period 2007 through March 31, 2009; 2000 U.S. Census Data.

Agricultural Loans

The distribution of agricultural loans to farms of different sizes is reasonable based on a sample of 20 agricultural loans originated or purchased during the evaluation period.

The portion of loans (based on the number) extended to farms with revenues of \$1 million or less was lower than the portion of area farms that had revenues of \$1 million or less.

| Borrower Distribution of Loans to Farms in Posey County, IN | | | | |
|--|--------------|--------------|-------------------------|-------|
| Farm Revenues | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Farms | 98% | 1% | 1% | 100% |
| % of Bank Loans in AA by # | 90% | 0% | 10% | 100% |
| % of Bank Loans in AA by \$ | 98% | 0% | 2% | 100% |

Source: Sample of 20 agricultural loans; 2009 Dunn and Bradstreet Data.

Geographic Distribution of Loans

No analysis was performed since there are no low- or moderate-income geographies within this AA.

Responses to Complaints

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