
Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Washington, DC 20219

PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**101 South Main Street
Dieterich, Illinois 62424**

Office of the Comptroller of the Currency

**3001 Research Road Suite E-2
Champaign, IL 61822**

NOTE: 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.

General information

The community reinvestment act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the First National Bank prepared by the office of the comptroller of the currency, the institution's supervisory agency, as of September 30, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix a to 12 CFR part 25.

Institution's CRA Rating:

This institution is rated satisfactory record of meeting community credit needs.

This rating is based on analyses of the bank's lending performance from October 30, 1996 to September 30, 1999. The First National Bank of Dieterich (FNB) received a satisfactory rating at its last CRA examination, dated October 30, 1996. The lending performance test includes analyses of the distribution of credit to borrowers of different incomes and businesses of different sizes, the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, and the bank's level of compliance with fair lending laws and regulations.

The bank's satisfactory rating is supported by the following:

- FNB's loan distribution to borrowers of different incomes and farms and businesses of different sizes is reasonable.
- The geographic distribution of home mortgage and small farm and small business loans reflects a reasonable level of lending in low- and moderate- income census tracts/BNAAs inside the assessment area.
- A majority of loans originated during the evaluation period were extended within the bank's assessment area.
- FNB's average loan-to-deposit ratio is satisfactory.
- FNB is in compliance with fair lending laws and regulations.

Description of Institution

First National Bank of Dieterich is a \$98 million institution located in Dieterich, IL. Prime Banc Corporation, a one-bank holding company, wholly owns the bank. Dieterich, with a population of approximately 550, is a central Illinois community located ten miles east of Effingham, IL, in Effingham County. The bank's main office is in Dieterich, IL. Two other branches complement this office, one located in Teutopolis, IL, and the other located in Newton, IL. The bank currently has four ATMs. Two ATMs are located in Newton, one ATM is located in Dieterich, and one ATM is located in Teutopolis. The ATMs in Dieterich and Newton are located in convenient stores. The ATM in Teutopolis is located in the National Trail Drive-up.

No branches or ATMs have been closed since the last examination. However, the opening of a new branch in Lake Sara, Effingham, IL is pending, and expected to be completed by the end of the fourth quarter. The new branch will be a full-service branch with hours and products comparable to those offered at the other locations. There are no financial or legal impediments restricting FNB's ability to continue to meet the credit needs of the community.

The bank is a community bank. Its primary business focus is agriculture and small business lending with a secondary focus on real estate lending. Based on September 30, 1999 financial data, the bank's loan portfolio was comprised of the following: commercial/industrial 37%, residential real estate 28%; agricultural 23%; and consumer 12%. Net loans represented approximately 60% of total assets and 71% of deposits on that date. The overall volume of lending activity during the evaluation period (October 30, 1996 to September 30, 1999) was noted as follows. These numbers do not reflect loans originated and paid off prior to September 30, 1997.

Type	Number	Dollar
Residential Home Purchase	159	\$6,502,870
Residential Refinance	68	\$3,362,489
Business	420	\$11,791,973
Farm	595	\$6,440,941
Consumer	3,291	\$17,124,678
Total	4,533	\$45,222,951

Description of Assessment Area

FNB has designated its assessment area as the eastern portion of Effingham County, Illinois, and all of Jasper County, Illinois. Most of the assessment area is rural and consists of six block numbering areas (BNAs). Based on 1990 U.S. Census Data, the assessment area is composed

of one moderate-, four middle- and one upper-income geography.

The bank's assessment area includes 28 small farms of which approximately one-third are located in moderate- income tracts. The bank's assessment area also includes 377 small businesses, 163 of which are located in moderate-income tracts.

The 1990 median family income (MFI) of Effingham and Jasper counties was \$32,019. The Bank's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 census data, the population of the bank's assessment area is 23,088. There are 6,454 families residing in the assessment area with the breakdown of families by income category is as follows: 17% low-income, 18% moderate-income, 24% middle-income, and 41% upper-income.

The condition of the local economy is good. The prosperity of the assessment area depends on both the economic health of Effingham and Teutopolis, and the local agricultural program. The area enjoys a wide diversity of employers located in Effingham and Teutopolis. They include: Cross Roads Press, St. Anthony Hospital, Fetter's Corporation, Steven's Industries, and Three Z Printing. According to the U.S. Department of Labor, Bureau of Labor Statistics, the unemployment rate for Effingham County as of September 1999 was 4.4%. This compares to the Illinois unemployment rate of 4.6%, and the U.S. rate of 4.2%. The unemployment rate for Jasper County during the same period was considerably higher at 8.2%.

According to recent demographic information, the median year built for housing stock in the county is 1965. The median home value is \$50,889. There are 8,615 housing units in the assessment area, with 79% being owner occupied and 17% rental. Only 6% of the units are vacant.

Although FNB is the only financial institution in Dieterich, strong competition is provided by ten other financial institutions located in Teutopolis, Newton, and Effingham. Five of these institutions are similar in size to FNB.

We made one contact (a local school official) within the community to discuss the community's credit needs. It was noted that the bank is meeting the credit needs of the community. This includes providing home loan and small business financing. Additionally, it was noted that the bank assists the Deiterich Community Development Corporation in providing economic development in the area. The bank also provides clerical and technical assistance to the Dieterich Community Improvement Foundation, whose main purpose is to provide no cost financing for personal property improvement.

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

FNB has a reasonable distribution of loans to borrowers of different incomes and to farms and businesses of different sizes. We reviewed a sample of 16 residential real estate loans, 10 farm loans, and 7 commercial loans that were originated in the bank's assessment area during our evaluation period. For residential real estate loans, income levels used in our analysis are based on the 1999 non-metropolitan median family income (MFI) for Illinois of \$41,500, the 1998 non-metropolitan MFI of \$39,500, and the 1997 non-metropolitan MFI of \$37,600. Our loan sample included loans from 1997, 1998, and through September 30, 1999. The applicable year's MFI was used in our analysis.

Mortgage Loan Analysis

FNB originates real estate loans to individuals of different income levels in reasonable proportion to the area's income characteristics. As illustrated in Table 1, the origination of real estate loans made to low- and moderate-income borrowers was satisfactory. Our analysis indicates that 13% of the number (2) and 4% of the dollar amount (\$25,000), of real estate loans we reviewed were made to low-income borrowers. This number is lower than the assessment area's ratio of 17% of families in low-income categories. However, demographics indicate that 11% of the assessment area's population is below poverty level. Additionally, 31% of the number (5) and 38% of the dollar amount (\$239,000) of real estate loans we reviewed were made to moderate-income borrowers. This compares favorably to the assessment area's ratio of 18% of families in moderate-income categories.

Table 1
Home Loan Distribution

Borrower type	# of loans	%	\$ of loans (\$000s)	%	% aa population
Low-income 0-49% of MFI	2	13%	25	4%	17%
Moderate-income 50-79% of MFI	5	31%	239	38%	18%
Middle-income 80-119 % of MFI	2	13%	41	6%	24%
Upper-income Over 120% of MFI	7	43%	333	52%	41%
Totals	16	100%	638	100%	100%

Source: This table is a pro forma analysis based on a sample of 16 real estate loans originated in the bank's assessment area between 10/30/96 and 9/30/99.

Agricultural and Commercial Loan Analysis

Agricultural Loans

The bank's record of lending to small farms within the assessment area is good. We base this statement on information as noted in Table 2. Among the ten loans sampled having revenue information, all borrowers had farm revenue less than \$500,000. A small farm is defined as a farm with annual gross revenues of \$1 million.

Table 2 Agricultural loans Distribution of Credit Within the Assessment Area By Revenue Levels				
Revenue Levels	# loans	%	\$ loans	%
Less than \$100,000	3	30%	49	17%
\$100,001-\$250,000	6	60%	217	75%
\$250,001-\$500,000	1	10%	23	8%
\$500,000 - \$1,000,000	0	0%	0	0%
Totals	10	100%	289	100%

Source: This table is a pro forma analysis of 10 farm loans extended within FNB's assessment area during our evaluation period. Five additional sampled loans inside the assessment area did not have revenue information on file.

Commercial Loans

The bank's record of lending to small businesses is good. Of the seven sampled loans having revenue information, as shown in Table 3, five of the seven loans had revenues less than \$1 million. A small business is defined as a business having annual gross revenues of less than \$1 million.

Table 3
Commercial Loans
Distribution of Credit Within the Assessment Area
by Revenue Levels

Revenue Levels	# of loans	%	\$ of loans (000's)	%
Less than \$100,000	1	14%	47	19%
\$100,001 - \$250,000	2	29%	35	14%
\$250,001 - 500,000	1	14%	75	30%
\$500,001 - \$1,000,000	1	14%	14	6%
Over \$1,000,000	2	29%	76	31%
Totals	7	100%	247	100%

Source: This table is a pro forma analysis of 7 commercial loans extended within FNB's assessment area during our evaluation period. Six additionally sampled loans inside the assessment area did not have revenue information available.

Geographic Distribution of Loans by Income Level

The geographic distribution of home mortgage and small farm and small business loans reflects a reasonable level of lending in low- and moderate-income census tracts/BNAs inside the assessment area (AA). This conclusion is based on the sample of 16 residential real estate, 15 farm, and 13 business loans. Refer to Table 4 for the facts and data used to evaluate the geographic distribution of the bank's home mortgage originations. Refer to Table 5 for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations and to Table 6 for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

Real Estate Loans - The geographic distribution of home purchase loans reflects a good level of lending in the moderate-income BNA. Table 4 indicates that from 10/30/96 through 9/30/99, the bank originated eleven home purchase loans (69% of the number) totaling \$352,000 (59% of the dollar amount) in the moderate-income BNA. There is not a low-income BNA in this assessment area. This distribution is better than the number of owner-occupied units in the assessment area (AA) that are located in the moderate-income BNA, which is 13%.

Table 4
Real Estate Loans
Geographic Distribution by BNAs and Income Tracts

BNA and Census Tract Characteristics	# of loans	%	\$ of loans (000's)	%	Owner Occupancy By Income Level of Tract
Moderate	11	69%	352	59%	13%
Middle	5	31%	240	41%	67%
Upper	0	0%	0	0%	20%
Totals	16	100%	592	100%	100%

Small Farm Loans - During the assessment period, FNB's geographic distribution of small farm loans reflects a low, but reasonable, distribution of lending to farms in the moderate-income BNA. Table 5 shows that the bank originated 1 small farm loan (7% of the number) totaling \$4,000 (1% of the dollar amount) in the moderate-income BNA. Thirty-two percent of small farms (9 farms) within the bank's assessment area are in moderate-income BNAs. This moderate-income BNA is the city of Newton. The bank's Newton Branch concentrates primarily on real estate loans.

Table 5
Small Farm Loans
Geographic Distribution by BNAs and Income Tracts

BNA and Census Tract Characteristics	# of loans	%	\$ of loans (000's)	%	% Within Assessment Area
Moderate	1	7%	4	1%	32%
Middle	12	80%	367	91%	50%
Upper	2	13%	34	8%	18%
Totals	15	100%	405	100%	100%

Small Business Loans - The geographic distribution of small business loans reflects a reasonable level of lending in the moderate-income BNA. As noted from Table 6, between 10/30/96 and 9/30/99, the

bank originated five small business loans (38% of the number) totaling \$132,000 (33% of the dollar amount) in the moderate-income BNA. This distribution is only slightly lower in comparison with the number of small businesses within the assessment area that are in moderate-income BNAs, which is 43%.

Table 6
Small Business Loans
Geographic Distribution by BNAs and Income Tracts

BNA and Census Tract Characteristics	# of loans	%	\$ of loans (000's)	%	% Within Assessment Area
Moderate	5	38%	132	33%	43%
Middle	7	54%	244	62%	42%
Upper	1	8%	20	5%	15%
Totals	13	100%	396	100%	100%

Lending Gap Analysis

There were no unexplained conspicuous gaps in the bank's lending performance. The bank lends in all of their assessment area BNAs/tracts. A breakout of lending gaps by loan product follows:

Real Estate Loans - Two lending gaps were noted in this category which were BNA #9773 (middle-income tract) and BNB #9598 (upper-income tract). BNA #9773 is located in the northern rural portion of Jasper County. The bank has one branch in Jasper County in the city of Newton, IL. Real estate lending has been concentrated in the city of Newton. The bank has only recently expanded their efforts into the rural portions of the county. BNA #9598 is located in the city of Effingham, Effingham County. FNB competes with five other banks located in the city of Effingham. Local competition has limited the bank's ability to obtain real estate loans in this area.

Small Farm Loans - No gaps were noted in this category. Loans were made in all six of the bank's BNAs located within their assessment area.

Small Business Loans - Two gaps were noted in this category which were BNA #9773 and BNA #9775. Both of these BNAs are located in rural Jasper County. The bank has one branch in Jasper County located in BNA #9774 , which is in the city of Newton. The bank has concentrated most of its efforts with the city of Newton and has only recently expanded into the rural areas. Only 16% of the

AA's small businesses are located in these two BNAs.

Conclusions with Respect to Performance Criteria:

Lending in the Assessment Area

The majority of FNB's lending is within its assessment area. We base this evaluation upon the review of the bank's lending report of loans made from October 30, 1996 to September 30, 1999. The report indicated that 83% (973) of the number of loans and 78% (\$16.6 million) of the dollar of loans made during that period were originated within the Bank's assessment area. To substantiate the report, we sampled 20 residential mortgage loans, 20 agricultural loans, and 20 commercial loans. Specifically, as noted in Table 7, we found that 73% (44) of the number of loans tested and 69% (\$1.4 million) of the dollar of loans tested were originated within the bank's assessment area. These numbers were found to be consistent with those reported by the bank.

Table 7
Credit Extended Inside the Assessment Area by Type

Type	# of Loans inside AA	%	\$ of Loans inside AA (000)	%	# of Total Loans \$ of Total Loans (000)
Mortgage Loans	16	80%	638	75%	20 851
Agricultural Loans	15	75%	405	81%	20 501
Commercial Loans	13	65%	396	53%	20 742
Totals	44	73%	1,439	69%	2,094

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is satisfactory compared to its local peer banks. We used loan-to-deposit information for each quarter between December 31, 1996 and June 30, 1999 and compared FNB to all banks in the assessment area with total assets under \$100 million. FNB's average loan-to-deposit ratio ranked fourth of seven peer banks. FNB's average loan-to-

deposit ratio for this evaluation period was 69% compared to the six banks' average of 69.45%. Average loan-to-deposit ratios for the six banks ranged from 16.66% to 91.73%.

Compliance with Fair Lending Laws

FNB of Dieterich is in compliance with the substantive provisions of the anti-discriminatory laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The Bank generally solicits credit applications from all segments of its assessment area.

We base these conclusions on a review 19 loan files, five of which were denied. This sample represented a variety of consumer and residential real estate loans.

Response to Complaints

FNB has not received any complaints regarding CRA performance during this evaluation period.