



PUBLIC DISCLOSURE

October 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Dwight
Charter Number 8044

122 W Main St.
Dwight, IL 60420

Office of the Comptroller of the Currency
2001 Butterfield Road
Suite 400
Downers Grove, IL 60515

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

First National Bank of Dwight's (FNBD) lending is satisfactory and addresses the credit needs of its local community. The rating is based on:

- FNBD's average quarterly loan-to-deposit (LTD) ratio for the period since the previous Community Reinvestment Act (CRA) evaluation is reasonable given the bank's size, financial condition, local economic conditions, and assessment area (AA) credit needs.
- FNBD originates a majority of their primary loan products inside the bank's AA.
- FNBD's distribution of loans reflects a reasonable penetration among individuals of different income levels. The bank's distribution of loans also reflects a reasonable penetration among businesses and farms of different sizes, given the bank's product offerings and local economic conditions.
- There are no adverse complaints regarding the bank's CRA performance.

SCOPE OF EXAMINATION

This CRA performance evaluation is an assessment of FNBD's ability to meet the credit needs of its community. Using the small savings associations' criteria to evaluate FNBD's CRA performance, we assessed the following performance standards during this examination:

- LTD ratio;
- Percentage of lending activity in the AA;
- Lending to borrowers of different income levels and businesses of different sizes; and,
- The bank's record of taking action in response to written complaints about its CRA performance.

The evaluation period is February 18, 2009, through October 6, 2014. The review period for the lending test is January 1, 2012, through September 30, 2014. We identified FNBD's primary loan products as small farm loans, small business loans, and consumer loans. As such, conclusions relative to lending criteria are based on a random sample of 20 of each of these loan products that originated during the review period for the lending test. We used demographic data from the 2010 U.S. Census during the evaluation.

DESCRIPTION OF INSTITUTION

FNBD is a full service commercial bank headquartered in Dwight, Illinois, with total assets of \$129 million as of June 30, 2014. FNBD is a wholly owned subsidiary of First Dwight Corporation, a one-bank holding company. FNBD is an intrastate bank with one full service banking office and two off-premises automated teller machine (ATM) locations in Dwight. There have been no office openings or closings since the prior evaluation.

The bank's business strategy is to provide its customers with a full range of deposit and lending products and services consistent with the community needs. FNBD is able to meet changing community needs through diverse product and service lines. As of June 30, 2014, the primary loan products by dollar amount and number of loans are small farm loans, small business loans, and consumer loans. Farm loans have the largest dollar amount of loans originated or purchased during the evaluation period at 49 percent, and consumer loans have the largest number of loans originated or purchased during the evaluation period at 39 percent.

Loan Origination by Loan Type		
Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	19%	13%
Consumer Loans	6%	39%
Business Loans*	25%	26%
Farm Loans	49%	22%
Total	100%	100%

Source: Bank records on all new loans originated during the review period.

**Includes Small business loans secured by Nonfarm Residential Real Estate*

FNBD has no financial or legal constraints that prevent the bank from meeting the credit needs of its AA. FNBD was rated "Satisfactory" at the previous CRA evaluation dated February 17, 2009.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's AA has not changed since the prior CRA evaluation. FNBD identified three AAs, the Livingston/LaSalle County AA, the Grundy County AA, and the Kankakee County AA. We combined these AAs into one AA because FNBD is not located within a metropolitan statistical area. The combined Dwight AA consists of four geographies (9601, 9602, 9603, and 9609) in Livingston County, one geography (9637) in LaSalle County, two geographies (6 and 9) in Grundy County, and one geography (103) in Kankakee County. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas. FNBD's is located centrally within the AA in the Village of Dwight in Livingston County.

According to the 2010 Census, the AA has a total population of 30,945 and 8,034 families. All of the geographies in the AA are middle income. Of all families in the AA, 14.61 percent are low income, 17.16 percent are moderate income, 23.85 percent are middle income, and 44.37 percent are upper income. Approximately 8.8 percent of households are below the poverty level.

Local banking competition is moderate and consists of community banks, branches of large national banks, regional banks, and credit unions. According to the June 30, 2014, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report for Grundy, Kankakee, LaSalle, and Livingston counties, FNBD has a deposit market share of 1.67 percent and ranks 23rd out of 59 institutions in the market. In the Village of Dwight, FNBD has three direct competitors.

The local economy has lagged behind the state and national economic recoveries. According to the Bureau of Labor Statistics, the August 2014 unemployment rates for Grundy, Kankakee, LaSalle, and Livingston counties are 6.3 percent, 9.0 percent, 8.8 percent, and 7.0 percent, respectively. The state of Illinois unemployment rate is 6.7 percent and the national unemployment rate is 6.1 percent. School enrollments continue to decline and homes for sale remain elevated. The Dwight Correctional Center, one of the largest employers in Livingston County, closed in March 2013. A representative of a local economic development organization stated the village, local banks, and nonprofits have since begun to work together more to entice the formation of local businesses. Major local industries are agriculture, services, and manufacturing.

Demographic Information for FNBD's AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	8	0%	0%	100%	0%
Population by Geography	30,945	0%	0%	100%	0%
Owner-Occupied Housing by Geography	9,027	0%	0%	100%	0%
Businesses by Geography	2,443	0%	0%	100%	0%
Farms by Geography	535	0%	0%	100%	0%
Family Distribution by Income Level	8,034	14.61%	17.16%	23.85%	44.37%
Distribution of Low and Moderate Income Families throughout AA Geographies	2,553	0%	0%	100%	0%
Median Family Income (MFI)		\$64,155	Median Housing Value		\$130,031
FFIEC Adjusted MFI for 2013		\$61,100	Households Below the Poverty Level		9%
FFIEC Adjusted MFI for 2012		\$63,363			

Source: 2010 U.S. Census and the 2012 and 2013 Federal Financial Institutions Examination Council (FFIEC) updated MFI.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBD's average LTD ratio is reasonable given the bank's size, financial condition, local economic conditions, and the credit needs of its AA. FNBD's quarterly average LTD ratio for the 20 quarters ending September 30, 2014, was 43.82 percent. During this period, the ratio had a quarterly high of 60.32 percent and a quarterly low of 31.17 percent. The bank's LTD ratio for September 30, 2014, is 33.69 percent. The LTD ratios, as of June 30, 2014, for three other similarly situated institutions were 92.51 percent, 66.35 percent, and 56.42 percent. These institutions have asset sizes ranging from \$146 million to \$215 million and operate in the same AA as FNBD. However, given the economic condition of the Village of Dwight, lending opportunities are limited. In addition, the bank retains servicing rights for loans sold. Factoring in these loans, FNBD's average LTD ratio is 56.42 percent, which is more consistent with similarly situated banks.

Lending in the Assessment Area

FNBD originates a majority of their primary loan products inside the bank's AA. Therefore, the bank meets the standard for satisfactory performance under this criterion. Of our 60 loan sample, the bank originated 82 percent of the number and 85 percent of the dollar amount of loans within the FNBD's AA. The following table displays details on both categories of primary loan products by number and dollar amount of loans originated during the evaluation period.

Lending in FNBD's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Sm. Bus. Loans	18	90%	2	10%	20	\$1,259,463	88%	\$170,000	12%	\$1,429,463
Consumer Loans	14	70%	6	30%	20	\$120,562	52%	\$113,531	48%	\$234,093
Small Farm	17	85%	3	15%	20	\$3,663,907	86%	\$580,000	14%	\$4,243,907
Totals	49	82%	11	18%	60	\$5,043,932	85%	\$863,531	15%	\$5,907,463

Source: Sample of 20 loans originated during the review period from each of the three primary product types.

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

FNBD's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's product offerings and local economic conditions. The bank actively helps meet three main identified credit needs of the community, including consumer loans, small business loans, and small farm loans.

Consumer Loans

The distribution of consumer loans to borrowers reflects a reasonable penetration among borrowers of different income levels. We used a random sample of 20

consumer loans from 2012, 2013, and 2014 to determine the income distribution of borrowers. Consumer loans represent 39 percent of all loans originated during the evaluation period. The level of loans made to low- and moderate-income borrowers exceeded the percent of low- and moderate-income households in the AA.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

Borrower Distribution of Consumer Loans in FNBD's 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	18.48%	20%	14.96%	20%	18.55%	30%	48.01%	30%

Source: CRA Wiz using updated median family income and a sample of consumer loans originated by the bank since 2012.

Small Business Loans

The bank's small business lending performance reflects a reasonable penetration among businesses of different sizes. Of the 20 small business loans that we sampled, 50 percent were made to small businesses with revenues of less than \$1 million within the bank's AA. Per the 2013 Business Demographics Summary (BDS) for FNBD's AA, 70 percent of small businesses have revenues of \$1 million or less. Although the bank's penetration percentage is somewhat lower than the demographic comparator, it meets the criterion for satisfactory performance. Many of the bank's borrowers have multiple loans and are larger entities. This had an impact on our analysis.

The following table shows the distribution of small business loans among businesses of different sizes within the AA.

Borrower Distribution of Loans to Businesses of Different Sizes in the AA					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	10	50%	70.11%	\$272	10.27%
>\$1,000,000	10	50%	4.25%	\$2,376	89.73%
Revenue Not Reported	0	0.0%	25.64%	\$0	0.0%
Total	20	100%	100%	\$2,648	100%

Source: Based on a sample of 20 loans originated in the AA during the review period and the 2010 U.S. Census.

Our sample of 20 business loans included 14 loans (60 percent) that had amounts of \$100,000 or less. None of the loans in our sample were in excess of \$500,000. Small businesses generally have credit needs for small dollar amount loans.

Small Farm Loans

The bank's small farm lending performance reflects a reasonable penetration among farms of different sizes. Of the 20 farm loans that we sampled, 85 percent were made to farms with revenues of less than \$1 million within the bank's AA. Per the 2013 BDS for FNBD's AA, 99 percent of farms have revenues of \$1 million or less. Although the bank's penetration percentage is somewhat lower than the demographic comparator, it meets the criterion for satisfactory performance.

The following table shows the distribution of loans among farms of different sizes within the AA.

Borrower Distribution of Loans to Farms of Different Sizes in the AA					
Farm Revenues	Number of Loans		% Farms in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	17	85%	99.48%	\$2,998	77.91%
>\$1,000,000	3	15%	0.35%	\$850	22.09%
Revenue Not Reported	0	0.0%	0.17%	\$0	0.0%
Total	20	100%	100%	\$3,848	100%

Source: Based on a sample of 20 loans originated during the review period in the AA and the 2010 U.S. Census.

Geographic Distribution of Loans

A geographic distribution of loans analysis is not meaningful due to a lack of low- or moderate- income geographies within the bank's AA. All geographies within the bank's AA are middle-income geographies.

Responses to Complaints

FNBD received no consumer complaints relating to CRA performance since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.