

PUBLIC DISCLOSURE

December 14, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Sumner
Charter Number 6907
P.O. Box 145
101 N. Christy Avenue
Sumner, Illinois 62466**

**Office of the Comptroller of the Currency
Evansville Field Office
P.O. Box 20130
Evansville, Indiana 47708**

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 of Sumner (Sumner) for the time period of March 27, 1996 through December 14, 1998. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. 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."

Sumner has a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes. The bank's loan- to- deposit ratio exceeds similarly situated banks in the area. A majority of the bank's loans are to customers living within the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Sumner (Sumner) is an independent full-service bank located in Sumner, Illinois. On September 30, 1998, Sumner had total assets of \$58 million. Earnings as of this date were \$843,000 representing a 1.94 percent return on assets.

Sumner is a full-service lender focusing locally on small business, small farm, and residential real estate lending. The bank also lends to out of area borrowers in the collector car, vessel, and automobile rental markets. There are no financial or legal impediments which would hamper the bank's ability to meet the credit needs of the community. Sumner has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Table 1			
Balance Sheet as of September 30, 1998			
Total Loans	\$46,914,000	Total Deposits	\$50,696,000
Investments	\$1,126,000	Other Liabilities	\$454,000
Other Assets	\$9,972,000	Total Liabilities	\$51,150,000
		Total Equity Capital	\$ 6,862,000
Total Assets	\$58,012,000	Total Liabilities & Capital	\$58,012,000

Source: Report of Condition.

As of September 30, 1998, the loan portfolio consisted of 72% commercial loans, 16% real estate loans, 8% consumer loans and 4% agricultural loans.

Sumner has one branch in its assessment area. The most commonly offered banking hours are Monday through Wednesday from 9:00 A.M. to 3:00 P.M., Thursday 9:00 A.M. to 12:00 P.M., and Friday from 9:00 A.M. to 6:00 P.M. Saturday hours from 9:00 A.M. to 12:00 P.M. are also offered.

The bank has not opened or closed any branch offices during the period.

DESCRIPTION OF ASSESSMENT AREA

Sumner, Illinois has a population of 1,200 and is located in western Lawrence County. Sumner's assessment area includes all of Lawrence County, Illinois, with a population of 15,800. The assessment area contains five Block Numbering Areas (BNAs). Three BNAs are designated as moderate-income and two are middle-income areas. Income levels of the BNAs are based on the statewide non-Metropolitan Statistical Area median family income. The income categories are defined as low-, moderate-, middle-, and upper-, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of the non-MSA median family income of \$39,500 for 1998. The assessment area is consistent with the guidelines of the regulation.

The area surrounding Sumner is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is highly dependent on agriculture, oil and gas production, and other small businesses. The largest employers in Lawrence County are Midwest Transit and Red Hill Health Care. The current unemployment rate is 6.6%. The statewide unemployment rate for Illinois is 4.2%. Competition among local financial institutions is moderate.

Table 2 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 26% of the families have low-incomes and 24% have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

Table 2 Number and Percentage of Families in Each Income Level				
Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Total
1,186 26%	1,108 24%	949 21%	1,311 29%	4,554 100%

Source: 1990 U.S. Census Bureau Data.

Table 3 depicts the geographic distribution by number and percentage of the owner occupied housing units by income level of the geography throughout the assessment area. The table indicates that none of the owner occupied housing units are located in low-income geographies with 52% located in moderate-income and 48% located in middle-income geographies. This information was used to determine the lending opportunities for residential real estate loans in the assessment area.

Table 3 Geographic Distribution of Owner Occupied Units in the Assessment Area				
Low-Income Geographies	Moderate-Income Geographies	Middle-Income Geographies	Upper-Income Geographies	Total
0 0%	2,515 52%	2,319 48%	0 0%	4,834 100%

Source: 1990 U.S. Census Bureau Data.

Table 4 depicts the number and percentage of small businesses and farms within the bank's assessment area. Small businesses and small farms are defined as those with annual revenues of less than \$1,000,000. The table reveals that the majority of businesses in the assessment area are small. This information was used to determine the lending opportunities for small business and small farm loans in the assessment area.

Table 4 Number of Businesses and Farms in Sumner's Assessment Area				
	Annual Revenues of less than \$1,000,000		Annual Revenues of \$1,000,000 or more	
	#	%	#	%
Businesses	347	95%	19	5%
Farms	30	100%	0	0%

Source: Dunn & Bradstreet, Inc.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed bank compiled data of all real estate loans originated from January through October 31, 1998. This was done to evaluate the bank's volume of lending inside the assessment area and to borrowers of different income levels. The accuracy of information compiled by the bank was verified by sampling five residential real estate loans from this period.

Lending inside assessment area:

Sumner's record of lending activity indicates that a reasonable amount of the bank's loans are originated within the assessment area.

Table 5 Ratio of Loans Inside the Assessment Area January 1 to October 31, 1998	
	Residential Real Estate
# of Loans Inside the AAs	51
Total # of Loans	68
% of Loans Inside by #	75%
\$ of Loans Inside the AAs	\$895,000
Total \$ of Loans	\$1,238,000
% of Loans Inside by \$	72%

Source: OCC's review of residential real estate loan originations.

The bank's record of lending shows that 75% of the number and 72% of the dollar volume of real estate loans were secured by property located inside the bank's assessment area. Sumner's record of lending to borrowers in the assessment area is satisfactory.

HOME MORTGAGE LOANS

To determine Sumner's record of extending home loans to individuals of different income levels in the assessment area, we reviewed the annual income of the borrowers selected in the residential real estate sample. Table 6 reveals that the number of home mortgage loans to low-income and moderate-income borrowers is 18% and 16% respectively. The dollar volume is 28% and 36% of the loans originated. This compares reasonably to the number of low-income families (26%) and moderate-income families (24%) in the assessment area as illustrated in Table 2.

Table 6 Mortgage Loans Originated by Borrower Income				
Borrower Income *	Number of Loans		Dollar Volume	
	#	%	\$000's	%
Low-income	18	35%	\$246	28%
Moderate-income	16	31%	\$322	36%
Middle-income	12	24%	\$198	22%
Upper-income	5	10%	\$129	14%
TOTAL	51	100%	\$895	100%

Source: OCC's review of residential real estate loan originations. Dollar amounts are in thousands. * The MSA's updated median family income is \$39,500. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and 120%, respectively, of \$39,500.

SMALL BUSINESS AND SMALL FARM LOANS

The demographic data contained in Table 4 indicates that 95% of all businesses and 100% of all farms in Sumner's assessment area have annual incomes of less than \$1,000,000. To verify the bank's record of extending loans to businesses and farms of different sizes, we reviewed a sample of nine business and farm loans. Table 7 shows the small business and small farm loans originated in the assessment area by loan amount. The table illustrates that the bank has a good record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that 100% of the sample was for small business and small farm loans and were in amounts less than \$250,000. The bank's penetration of loans to small businesses and small farms is good.

Table 7 Small Business and Small Farm Loans By Loan Amount at Origination				
Loan Amount at Origination	#	%	\$	%
\$0 - \$100,000	4	44%	\$174,141	14%
\$100,001 - \$250,000	5	56%	\$1,066,694	86%
\$250,001 - \$1,000,000	0	%	\$0	%
More than \$1,000,000	0	0%	\$0	0%
TOTAL	9	100%	\$1,240,835	100%

Source: OCC's review of small business and small farm data.

Geographic distribution of loans:

We performed an analysis of the bank's residential real estate loan originations by geographical area. The bank's assessment area includes two middle-income and three moderate-income BNAs. Table 8 depicts the number and percentage of residential real estate loans originated from January to October 1998. The table shows that 51% and 49% of residential real estate loans were originated in the moderate- and middle-income geographies, respectively. This is reasonable considering the percentage of owner occupied units located in these geographies is 52% and 48%, respectively.

Table 8 Geographic Distribution of Residential Real Estate Loans						
Income Level of Geography	January to October 1998 Loan Originations				% of Families	% of Owner Occupied Units
	#	%	\$	%		
Low-Income	n/a	n/a	n/a	n/a	26%	0%
Moderate-Income	26	51%	379,000	47%	24%	52%
Middle-Income	25	49%	433,000	53%	21%	48%
Upper-Income	n/a	n/a	n/a	n/a	29%	0%
Total	51	100%	812,000	100%	100%	100%

Source: OCC's review of residential real estate loan originations.

Loan-to-deposit ratio:

Sumner's loan-to-deposit ratio for the last ten quarters averages 97%. This is more than reasonable for a bank of their size and condition in this area. The ratios for competitor banks in the market area are typically in the sixty percent range.

Response to complaints:

Sumner has not received any complaint letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.