



## **PUBLIC DISCLOSURE**

March 02, 2015

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

The First National Bank of Sullivan  
Charter Number 7692

1 South Main Street  
Sullivan, IL 61951

Office of the Comptroller of the Currency

Harris Center  
3001 Research Road  
Champaign, IL 61822-1089

**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 Outstanding.**

**The major factors that support First National Bank of Sullivan's (FNB Sullivan) rating include:**

- **FNB Sullivan's distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes, given the demographics of the assessment area (AA).**
- **The bank originated a substantial majority of the loans within the AA.**
- **The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and competition.**

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB Sullivan's record of meeting the credit needs of the communities in which it operates. We evaluated the bank under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period for this review is from June 3, 2008, to March 2, 2015.

The lending test is based on the bank's primary loan products. An analysis of the number and dollar volume of loan origination information supplied by the bank identified the bank's primary loan products for this evaluation period to be residential real estate and business loans. As loan originations for 2013 and 2014 are representative of the evaluation period, our analysis utilized a sample of residential real estate and business loans originated between January 1, 2013, and December 31, 2014. Changes in census tracts since the last examination based on 2010 census data did not affect our loan sample. In both 2013 and 2014, the AA had the same four census tracts designated as middle-income, with no low- or moderate-income census tracts in Moultrie County. Therefore, we performed only one analysis for 2013 and 2014 combined data.

The bank is not located in a Metropolitan Statistical Area (MSA) and is not subject to the requirements of the Home Mortgage Disclosure Act. Based on its asset size, the bank is not required to collect Home Mortgage Disclosure Act (HMDA) data on residential real estate loans or to maintain revenue information on commercial loans. The bank does collect census tract data on all loans. We reviewed the bank's records to verify the accuracy of census track information. We concluded that the bank identified loans in and out of the AA with accuracy. Therefore, for our lending in the AA analysis, we utilized 100 percent of loans originated during our loan sample period. For our borrower distribution analysis, we reviewed a sample of 20 residential real estate loans and 20 business loans made within the AA. We did not perform a geographic distribution analysis during this evaluation because all census tracts in Moultrie County are middle-income and an analysis would not be meaningful. In addition to our loan sample, we

utilized 2010 U.S. Census data, updated FFIEC Median Family Income, 2014 Dun & Bradstreet Business Geo-demographic Data, and FDIC deposit market share data as of June 30, 2014, in assessing the bank's lending performance. There is no affiliate activity considered in this evaluation.

**DESCRIPTION OF INSTITUTION**

FNB Sullivan is a \$60 million intrastate financial institution located in Sullivan, Illinois (Moultrie County). Sullivan, which is located approximately 28 miles Southeast of Decatur, Illinois, along Illinois Route 121, is the county seat of Moultrie County. The bank has one full-service branch located at 503 South Hamilton in Sullivan, Illinois. The bank has two non-deposit taking automatic teller machines (ATMs), one each located at the main office and the branch. Management closed one non-deposit taking ATM on May 2, 2011, which was located at a local factory (Hydro Gear). Management has not opened any branches during this evaluation period.

The bank is wholly owned by Sullivan Bancshares, Inc., a one-bank holding company. The bank's business strategy is to concentrate on providing banking services to the residents of Moultrie County.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. This includes commercial, mortgage, agricultural, and consumer loans, as well as deposit accounts, savings accounts, and certificates of deposit. Gross loans were \$42 million as of December 31, 2014, and equaled 71 percent of total assets. The following represents the bank's loan and lease portfolio mix as of the December 31, 2014:

<b>Loan Portfolio Summary by Loan Product, as of December 31, 2014</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	52%
Commercial Loans	22%
Ag Loans	17%
Consumer Loans	8%
Other Loans	1%

*Source: December 31, 2014 Call Report Data*

Tier one capital totals \$5.8 million as of December 31, 2014. There are no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its AA. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. The bank was rated "Outstanding" at its last CRA examination on June 2, 2008.

**DESCRIPTION OF ASSESSMENT AREA(S)**

The AA consists of four census tracts (#9769 - 9772) in Moultrie County. The Moultrie County census tracts include four middle-income designations. Moultrie County is not

located in an MSA. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

FNB Sullivan’s AA was not impacted by 2014 MSA changes. Therefore, we used the information in the following table in our borrower distribution analysis for both 2013 and 2014. The following demographic information for the AA is based on 2010 census data:

<b>Demographic Information for the AA</b>					
	#	% Low	% Mod	% Middle	% Upper
Families by Income Level	4,019	14.23%	19.93%	24.53%	41.31%
Households by Income Level – (owner occupied)	5,627	17.20%	18.98%	21.24%	42.58%
Census Median Family Income (MFI)		\$55,239	Median Housing Value		\$91,811
			Weighted Average of Median Year Built		1962
FFIEC Updated MSA MFI:		2014 \$58,600 2013 \$56,200	Households Below the Poverty Level		7.89%
			<b>2010 Business Data</b>		
Businesses: % of small businesses in the AA		68.58%	Percent of businesses not reporting revenue figures		24.86%

**Economic Data:**

The local economy and that of the surrounding area is stable. The local economy, which is driven by agriculture, experienced a very good year in 2013.

Major industry in Moultrie County is represented by two large manufacturing companies (Hydro-Gear and Agri-Fab), who contribute substantially in keeping unemployment low. Several mid-size firms such as Peterson Health Care and Mid State Tank and small businesses such as CF&H Insurance and Lucky’s Restaurant support employment opportunities in the area. Many of the local residents commute to Decatur and Mattoon for employment with Caterpillar, ADM, Staley’s, Consolidated Communications, RR Donnelly, Sarah Bush Lincoln Health Center, and Kal Kan. The December 2014 unemployment rate for Moultrie County was 4.4 percent, compared to the state unemployment rate of 5.7 percent, and the national unemployment rate of 5.6 percent for the same time-period.

FNB Sullivan faces competition from seven community banks in Moultrie County and from larger regional and national competition located in Decatur and Mattoon, Illinois. As of June 30, 2014, the bank owned approximately 14 percent of the market share, which represents the fourth largest in the county.

We performed one community contact, during the evaluation period, with a local economic opportunity corporation located in Effingham County. This corporation serves seven Illinois counties, including Moultrie. Needs identified by this organization include free or low cost banking services for the economically disadvantaged, providing affordable housing, and providing financial empowerment through education and outreach. Our contact stated that Moultrie County needs a housing development authority.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance under the lending test is excellent. The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. The bank originated a substantial majority of primary loan products within the bank's AA. The distribution of loans reflects excellent penetration among borrowers of different income levels and businesses of different sizes.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, AA's credit needs, and local competition. FNB Sullivan's quarterly average loan-to-deposit ratio for the period June 30, 2008, through December 31, 2014, was 78.09 percent, with a low of 66.82 percent and a high of 90.61 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time-period was 53.11 percent with a range from 17.13 percent to 82.36 percent. FNB Sullivan's average loan-to-deposit ratio is higher than ten of the eleven similarly situated banks, which range in asset size from \$24 million to \$113 million. The similarly situated banks utilized for comparison purposes are all community banks located in Moultrie, Shelby, Coles, and Douglas Counties up to \$113 million in total assets. FNB Sullivan's assets at December 31, 2014, were \$72 million.

### **Lending in Assessment Area**

The bank originated a substantial majority of loans within the AA. Based on 100 percent of the bank's residential real estate and commercial loans originated from January 1, 2013, through December 31, 2014, the bank originated 84 percent of the number of loans and 80 percent of the dollar of loans are made within the AA. The following table illustrates loans made inside and outside of the bank's AA during the loan sample evaluation period:

<b>Lending in the AA</b>										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Res. Real Estate	129	84.31%	24	15.69%	153	7,694	74.90%	2,578	25.10%	10,272
Business	120	83.92%	23	16.08%	143	9,028	84.61%	1,642	15.39%	10,670
Totals	249	84.12%	47	15.88%	296	16,722	79.85%	4,220	20.15%	20,942

Source: Bank internally generated reports of all residential real estate and commercial loans originated from January 1, 2013, through December 31, 2014.

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

The overall distribution of loans reflects excellent penetration among borrowers of different income levels and businesses of different sizes, given the demographics of the AA. The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. The distribution of business loans reflects reasonable penetration among businesses of different sizes. Affordable housing is identified as a community credit need. FNB Sullivan participates in a “First Time Homebuyers” program, which allows families to qualify for a home mortgage with a down payment of only 10 percent.

#### Residential Real Estate Loans

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels. FNB Sullivan made 20 percent of the loans sampled to low-income borrowers and an additional 25 percent of loans sampled to moderate-income borrowers. This compares favorably to the percent of low-income families (14 percent) and moderate-income families (20 percent) in the AA. The following table illustrates the percentage of residential real estate loan originations in the AA by borrower income level as compared to the percent of AA families by income level:

<b>Borrower Distribution of Residential Real Estate Loans within AA</b>								
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	14.23%	20.00%	19.93%	25.00%	24.53%	30.00%	41.31%	25.00%

Sources: Sample of 20 residential real estate loans originated from January 1, 2013, through December 31, 2014 made within the AA and 2010 U.S. Census data.

**Business Loans**

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated 70 percent of the number of business loans sampled and 53 percent of the dollars of business loans sampled in the AA to small businesses, as compared to 69 percent of small businesses located in the AA. Small businesses are businesses with gross annual revenues of one million dollars or less. It is important to recognize that some of the businesses that did not report revenues in the demographic data are likely also small businesses. The following table illustrates the borrower distribution of business loan originations in the AA by revenues and by loan size:

<b>Borrower Distribution of Loans to Businesses within AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	68.58%	6.56%	24.86%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0.00%	100%
% of Bank Loans in AA by \$	53.38%	46.62%	0.00%	100%

*Sources: Sample of 20 business loans originated from January 1, 2013, through December 31, 2014 made within the AA, 2010 census data, and 2014 Business Geo-demographic Data*

**Geographic Distribution of Loans**

We did not perform a geographic distribution analysis during this examination, as there are no low- to moderate-income census tracts in the bank's AA; therefore, an analysis would not be meaningful.

**Responses to Complaints**

FNB Sullivan has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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 AA 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.