



PUBLIC DISCLOSURE

August 17, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Kinmundy
Charter Number 6143

21 South Madison Street
Kinmundy, IL 62854

Office of the Comptroller of the Currency

500 North Broadway
Suite 1700
St. Louis, MO 63102

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.

First National Bank of Kinmundy's (FNB) lending performance reflects an excellent response to community credit needs. This conclusion is based on the following:

- The distribution of loans to borrowers of different income levels and farms of different sizes reflects excellent penetration in the assessment area (AA).
- The quarterly average loan-to-deposit ratio is more than reasonable.
- A substantial majority of the bank's loans were made within the AA.

SCOPE OF EVALUATION

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under Small Bank performance criteria, which includes a lending test. FNB has only one AA, and this AA received a full-scope review.

The evaluation period covers February 10, 2009 through August 17, 2015. We reviewed FNB's loan originations since 2013 and determined that residential real estate (RRE) loans, consumer loans, and agricultural loans are the primary loan products for this bank. We sampled 20 residential real estate loans, 20 consumer loans, and 20 agricultural loans originated from January 1, 2013 through June 30, 2015 to develop our conclusions.

DESCRIPTION OF INSTITUTION

FNB is a nationally chartered intrastate bank in Kinmundy, Illinois. Kinmundy is a small town near Interstate 57 in Marion County in south central Illinois. FNB is wholly owned by South Central Bancorp Inc., a one-bank holding company headquartered in Kinmundy. There have been no changes to the bank's corporate structure since the last CRA evaluation. The bank operates one office with a non-depository automated teller machine in downtown Kinmundy. No branches were opened or closed during the evaluation period.

As of June 30, 2015, FNB has total assets of \$41.3 million, total deposits of \$34.9 million, and Tier One capital of \$4.0 million. Net loans and leases represent 71% of average assets and consist of real estate loans (62%), consumer loans (24%), commercial loans (8%), and agricultural loans (6%). FNB offers a full range of retail and commercial banking products normally associated with a small rural community bank. There are no legal, financial or other factors impeding FNB's ability to help meet the credit needs of the AA it serves.

FNB received a 'Satisfactory' rating at its last CRA evaluation dated February 9, 2009.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of five middle-income census tracts (CTs) within rural south central Illinois, spread over three counties: CTs 9503 and 9504 in Effingham County, CT 9511 in Fayette County, and CTs 9516 and 9517 in Marion County. This is a contiguous area centered around the Interstate 57 corridor, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Census data from 2010 indicates that 17,188 people live in the AA and make up 6,854 households. The median household income for the AA in 2010 was \$47,731. Based on this income figure, 22% of the households are classified as low-income, 16% as moderate-income, 17% as middle-income, and 45% as upper-income. Nearly 11% of the households in this AA live below the poverty level.

The 2010 Census counted 5,035 families within the AA. Based on the median family income of \$54,499 in 2010, 20% of these families are classified as low-income, 15% as moderate-income, 26% as middle-income, and 39% as upper-income. Nearly 8% of all families live below the poverty level. Every year, the Federal Financial Institutions Examination Council (FFIEC) estimates the median family income (MFI) for that year. For 2013, the FFIEC-adjusted MFI was \$56,200; for 2014, it was \$58,600; and for 2015, it was \$60,100.

Farm data as of 2014 shows 251 farms in the AA; all farms reported revenues less than \$1 million and are classified as small farms.

Local competition is strong in the three counties that are part of the AA. It comes mainly from banks with offices in the larger cities near the AA. Per June 30, 2014 FDIC deposit information, 13 banks compete for local deposits totaling \$737 million in Marion County alone. Eleven of these are community banks, and two are larger regional banks. FNB's deposit market share within Marion County is 4.65% and ranks 10th among the 13 banks.

The local economy is primarily supported by agriculture and manufacturing-related businesses. Local residents commute to larger cities, for employment. Major employers include the South Central Community Unit School District #401, Brown Produce Company, North American Lighting, Inc., and Radiac Abrasives.

Since the height of the recession in 2010, unemployment rates have steadily declined in the AA. The May 2015 unemployment rates for Marion County (5.7%) and Fayette County (5.5%) are near the Illinois statewide rate (5.6%). Effingham County's unemployment rate (4.1%) compares favorably to the statewide rate.

We contacted a grassroots community group to determine community credit needs and how financial institutions are meeting those needs. The contact noted the economy is weak, but stable. Our contact identified housing rehabilitation as an unmet credit need

in the AA. Our contact stated local financial institutions are responsive to the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB’s performance is more than reasonable in meeting the credit needs of its AA, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

FNB’s loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, current competition, and the credit needs of the AAs.

As of June 30, 2015, FNB’s LTD ratio is 85.31%. The quarterly average of FNB’s LTD ratios over the 27 quarters since the last CRA evaluation is 78.43%. This ratio is higher than that of four similarly situated institutions and lower than one. The quarterly average LTD for these comparable institutions, which are local banks with assets under \$50 million, ranged from 39.51% to 82.87%.

Lending in Assessment Area

FNB originated a substantial majority of loans inside its AA. Based on our sample, 83% by number and 90% by dollar were made within the AA.

Lending in South Central Illinois										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	17	85%	3	15%	20	\$768	85%	\$140	15%	\$908
Consumer	15	75%	5	25%	20	\$100	83%	\$20	17%	\$120
Farm	18	90%	2	10%	20	\$703	98%	\$15	2%	\$718
Totals	50	83%	10	17%	60	\$1,571	90%	\$175	10%	\$1,746

Source: Sample of 60 loans.

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

FNB’s distribution of loans to borrowers of different incomes and to farms of different sizes reflects excellent penetration.

Residential Real Estate Loans

The borrower distribution of residential real estate (RRE) loans exceeds the standard. We sampled 20 loans originated between January 2013 and June 2015. The percentage of RRE loans made to moderate-income borrowers (35%) is much higher than the percentage of moderate-income families in the AA (15%). The percentage of RRE loans made to low-income borrowers (50%) is also much higher than the percentage of low-income families in the AA (19%).

Borrower Distribution of Residential Real Estate Loans in South Central Illinois								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	19%	50%	15%	35%	26%	15%	40%	0%

Source: Sample of 20 RRE loans; 2010 U.S. Census data; and yearly FFIEC-adjusted median family income (2013-2015).

Consumer Loans

The borrower distribution of consumer loans exceeds the standard. The percentage of loans to moderate-income borrowers (50%) is much higher than the percentage of moderate-income households in the AA (16%). The percentage of loans to low-income borrowers (35%) also exceeds the percentage of low-income households in the AA (22%).

Borrower Distribution of Consumer Loans in South Central Illinois								
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	22%	35%	16%	50%	17%	15%	45%	0%

Source: Sample of 20 consumer loans; 2010 U.S. Census data.

Farm Loans

The borrower distribution of loans to small farms is reasonable. The percentage of loans to farms with revenues of less than \$1 million (100% of our sample) meets the ratio of small farms in the AA (also 100%).

Borrower Distribution of Loans to Farms in South Central Illinois				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of 20 farm loans and 2014 Business Geodemographic data.

Geographic Distribution of Loans

The AA does not have low- or moderate-income geographies; therefore, a geographic analysis would not result in a meaningful conclusion. The bank lends in all geographies in the AA.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings associations (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance

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