



Comptroller of the Currency
Administrator of National Banks

Fairview Heights Field Office
13 Executive Dr., Suite 7
Fairview Heights, IL 62208

PUBLIC DISCLOSURE

September 25, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Kinmundy
Charter Number 6143
201 South Madison Street
Kinmundy, Illinois 62854**

**Comptroller of the Currency
Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208**

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 Kinmundy (FNBK)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 25, 1997. 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.**”

This report evaluates CRA performance with respect to loan originations for calendar years 1995, 1996, and year-to-date 1997.

We rated the FNBK “Satisfactory” because:

- o The bank has shown a strong responsiveness to its community credit needs and made a majority of its loans in its assessment area;
- o The bank has displayed good performance in lending to businesses and farms of different sizes and to individuals of different income levels;
- o The bank had a reasonable average quarterly loan-to-deposit ratio; and
- o The geographic distribution of the bank’s loans reflected adequate dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

FNBK is a \$23 million financial institution located in Kinmundy, Illinois, a rural south-central Illinois agricultural community. The bank is the only financial institution in the town of Kinmundy. The bank does not have any branches. There is no controlling ownership. Board members own or control 77% of the total outstanding stock. The bank has no legal or financial impediment which precludes it from fulfilling its obligation under the CRA. The bank received a "satisfactory" rating for the CRA examination dated December 14, 1994.

The bank's primary lending focus is agriculture. The bank offers a wide variety of other loan products including commercial, real estate, and consumer loans. It also participates in government-guaranteed programs. Net loans represent 55% of total assets. FNBK's loan portfolio consists of 42% agricultural and farmland, 14% commercial and commercial real estate, 24% residential real estate, and 20% consumer loans.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies or political subdivisions. FNBK's AA includes portions of Fayette and Marion counties. This is a rural non-metropolitan area of the state. The area consists of 3 contiguous Block Numbering Areas (BNAs), 1 in Fayette County and 2 in Marion County.

The AA has 3 middle-income BNAs. The 1997 state-wide non-metropolitan median family income is \$37,600. The 1990 Census reveals that the family income distribution is 22% low-, 20% moderate-, 26% middle-, and 32% upper-income. The total population of the AA is 9,512 according to the 1990 Census with 16% of the households living below the poverty level.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBK's loan-to-deposit ratio is reasonable and in line with other financial institutions in surrounding counties (Fayette, Marion, Clay, and Effingham). The loan-to-deposit ratio has fluctuated between 60% and 68% depending on the seasonal agricultural lending cycle. The bank's average quarterly loan-to-deposit ratio for the last 11 quarters is 63.5%. The average loan-to-deposit ratio of the 21 banks in the surrounding counties is 66.9% as of June 30, 1997, comparable to the bank's current ratio of 65.6%. The loan-to-deposit ratios of these banks range from 47% to 95%.

Lending in the Assessment Area

FNBK originated a majority of its loans within the assessment area. Based on a review of all business, agricultural, and residential mortgage related loans originated from January 1, 1995, through August 30, 1997, 73.7% of the number and 66.8% of the dollar amount of loans were made in the AA. This is displayed in the following table.

Loan Originations since January 1, 1995 in the AA				
Loan Type	#	% in AA	\$ 000's	% in AA
Agricultural	688	75.9%	\$ 6,149	67.1%
Business	448	71.8%	\$ 3,317	68.1%
Residential	131	69.7%	\$ 2,368	64.3%
Total	1,267	73.7%	\$11,834	66.8%

Lending to Borrowers of Different Income Levels

FNBK has a very good record of lending to businesses and farms of different sizes. The bank originated 1,531 agricultural and business related loans since January 1, 1995. Of these, 1,524 or 99.5% were loans under \$100,000. Out of a sample of 20 of the largest borrowers, 18 or 90% had revenues under \$1 million. This is consistent with the make-up of the community. Of those businesses and farms reporting sales data in the 1990 Census, 87% have revenues under \$1 million. No farms reported income over \$1 million.

Lending to low- and moderate-income borrowers is strong. Of all the bank's residential mortgage and mobile home loan originations in the AA since January 1, 1995, 65.7% were to low- and moderate-income families. The 1990 Census indicates that 42.12% of the families in the AA have low- or moderate-incomes. The following table shows the bank's thorough penetration into each income category.

Mortgage and Mobile Home Originations since January 1, 1995 in AA				
Income Level of Borrowers	#	%	\$ 000's	%
Low	46	25.8%	\$ 411	15.4%
Moderate	71	39.9%	\$1,050	39.3%
Middle	31	17.4%	\$ 559	20.9%
Upper	30	16.9%	\$ 652	24.4%
Total	178	100.0%	\$2,672	100.0%

An analysis was also done on a random sample of 200 or approximately 10% of the personal and miscellaneous installment loans originating in the same time period. These two loan types were chosen because they represent 46% of the bank's number of originations. The average loan amount from this sample was less than \$2,500. The analysis showed 83% of the number of loans and 64% of the dollar amount were made to low- and moderate-income families. The following table displays this information.

Sample of Personal and Miscellaneous Originations since January 1, 1995, in AA				
Income Level of Borrowers	#	%	\$ 000's	%
Low	108	54.0%	\$183,455	40.1%
Moderate	58	29.0%	\$109,324	23.9%
Middle	20	10.0%	\$39,488	8.7%
Upper	14	7.0%	\$124,763	27.3%
Total	200	100.0%	\$457,030	100.0%

Geographic Distribution of Loans

An analysis of the loan penetration throughout the 3 BNAs in the AA would not be representative of the bank's performance in this category. Each BNA covers a large area, over 100 square miles, with the population of 9,512 spread out between many small towns. Also, each BNA in the AA is made up of mostly farmland and is designated a middle-income tract. Through the analysis of loan originations made inside the AA, we determined these originations have had an adequate level of dispersion throughout the AA.

Compliance with Anti-Discrimination Laws

FNBK is in compliance with the substantive provisions of antidiscrimination laws and regulations. The bank solicits applications from all segments of the AA.