



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 04, 2010**

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

The First National Bank of Dieterich  
Charter Number 9582

101 South Main  
Dieterich, IL 62424

Office of the Comptroller of the Currency

CENTRAL ILLINOIS & CENTRAL IND Field Office  
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 Satisfactory.**

The primary factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are originated to borrowers inside the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes, given the demographics of the AA.

**SCOPE OF EXAMINATION**

We evaluated the bank under the small bank performance standards. Using bank generated reports of all loan originations for the period January 1, 2008 through April 30, 2010; we determined the bank's primary credit products by dollar and number to be commercial and residential real estate loans. For this analysis, we used a sample of twenty business loans and sixty residential real estate loans. We also used deposit information, reported annually to the Federal Deposit Insurance Corporation, to determine the bank's market share and market presence in the AA. The most recent deposit information available is as of June 30, 2009. There is no affiliate activity considered in this evaluation.

**DESCRIPTION OF INSTITUTION**

First National Bank of Dieterich (FNBD) is a \$260 million intrastate financial institution located in Dieterich, Illinois. Dieterich is located in eastern Effingham County, approximately 14 miles southeast of Effingham, Illinois. The bank is a wholly owned subsidiary of Prime Banc Corporation, a one-bank holding company located in Dieterich, Illinois.

The bank is a full service banking institution and operates five banking offices in Effingham and Jasper Counties, including the main bank office in Dieterich and branch facilities in Effingham (3) and Newton (1), Illinois. Automated teller machines (ATMs) are available at eight locations, including the branches in Effingham and Newton, the Effingham County Courthouse, Steven's Industries in Effingham, a food mart in Dieterich, and a bowling alley in Newton. Only one of the ATMs located at the food mart in Dieterich accepts deposits, but transfers between accounts can be completed. The bank also offers Internet and telephone banking. The bank has not closed any branches during the evaluation period. One branch in Effingham was opened in May 2008, and another branch in Effingham was relocated from a convenience store to a stand-alone facility within one mile of the previous location in December 2009.

The bank offers a full range of retail and commercial banking products and services normally associated with a community bank. Gross loans totaled \$153 million on December 31, 2009, representing 55% of total assets and 61% of deposits. The following represents the bank’s loan portfolio mix as of December 31, 2009: 53% commercial business loans, 21% residential real estate loans, 20% agricultural loans, and 6% consumer loans. Tier 1 capital is \$26.3 million as of December 31, 2009. The bank’s business strategy during the evaluation period has been to grow through origination of business and farm loans inside and outside the AA. Since the last CRA examination, the bank has also made seventeen loans totaling \$5.8 million to local governments, schools, park districts, fire departments, and a water company for infrastructure improvements and to purchase equipment. The bank’s legal and financial circumstances do not impede its ability to meet the credit needs of the AA. The bank received a Satisfactory rating on its last CRA performance evaluation dated January 10, 2005.

## DESCRIPTION OF ASSESSMENT AREA(S)

The bank’s assessment area (AA) consists of six census tracts in Effingham County (census tracts #9501, #9502, #9505, #9506, #9507, and #9508) and all three census tracts in Jasper County. This AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geography. The AA includes no low- or moderate-income, eight middle-income (90%), and one upper-income (10%) census tracts.

The following demographic information is based on 2000 census data:

Population:	36,449
Population by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 0%, 89%, 11%
Housing Stock: <i>1-4 family housing units</i>	84%
Occupancy: <i>Owner-occupied, renter-occupied, vacant</i>	65%, 20%, 7%
Home Values: <i>Median home value</i>	\$81,577
Age of Homes: <i>Median year of homes built</i>	1969
Income: <i>Updated median family income for 2009</i>	\$54,400
Family Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	15%, 18%, 25%, 42%
	<b>2008 Business Data</b>
Farms:	505
Farms: <i>Percent of small farms in the assessment area</i>	99%
Farms: <i>Percent not reporting revenue figures</i>	0%
Businesses:	3,311
Businesses: <i>Percent of small businesses in the assessment area</i>	55%
Businesses: <i>Percent not reporting revenue figures</i>	40%

The local economy is stagnant and has been weakened by the recent general economic decline. Both Effingham and Jasper Counties are designated as distressed middle-income nonmetropolitan areas due to population loss. The December 2009 unemployment rate for Effingham County was 9% and Jasper County was 10%, compared to the state and national rates of 11% and 10% respectively. The bank faces

strong competition from several other financial institutions in the AA, including larger regional and national banks. The bank has the second largest deposit market share (15%) in Effingham and Jasper Counties combined as of June 30, 2009.

Employment is driven by agriculture, service, and manufacturing industries. Major employers in the AA include St. Anthony's Memorial Hospital, Quebecor World Petty (printer), Stevens Industries (furniture manufacturer), Sherwin Williams (paint), Illinois Department of Transportation, Three Z Printing, and Wal-Mart in Effingham County, and GSI Group (grain bins) in Jasper County, as well as smaller manufacturers, local school districts, and city and county governments.

During this evaluation period, we made one community contact with a representative of an economic development organization. He did not identify any specific unmet credit needs in the community.

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

The bank's performance under the Lending Test is satisfactory.

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

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's loan-to-deposit ratio averaged seventy-one percent (71%) over twenty-one quarters between December 2004 and December 2009, ranging from a low of 59% to a high of 82%. The bank's loan-to-deposit ratio was 61% on December 31, 2009. This ratio is comparable with the average loan-to-deposit ratio for similarly situated banks in and near the AA. The similarly situated banks include four banks in Effingham and Jasper Counties with assets ranging between \$123 million and \$272 million. The combined loan-to deposit ratio for the similarly situated banks was seventy-three percent (73%), ranging from 56% to 85%, for the same time period. In addition, the bank sold \$46.1 million in residential real estate loans into the secondary market in 2008 and 2009, and sold participations in commercial loans of \$5.2 million. The bank's adjusted loan-to-deposit ratio would increase to 82% for December 31, 2009. The bank has experienced deposit growth of 54% in the past two years.

### **Lending in Assessment Area**

The bank originated a majority of loans within the AA. Seventy-eight percent (78%) of the number and sixty-four percent (64%) of the dollar amount of loans originated to borrowers within the bank's AA.

Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	13	65%	7	35%	20	\$1,684	49%	\$1,765	51%	\$3,449
Residential Real Estate Loans	18	90%	2	10%	20	\$1,909	89%	\$231	11%	\$2,140
Totals	31	78%	9	22%	40	\$3,593	64%	\$1,996	36%	\$5,589

Source: Sample of 20 business and 20 residential real estate loans from the AA that were originated between January 1, 2008 and April 30, 2010.

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

The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and business of different sizes, given the demographics of the AA.

#### Business Loans

The bank’s performance of lending to businesses of different sizes is more than reasonable. Sixty-five percent (65%) of the number of business loans sampled in the AA were made to small businesses. Small businesses are businesses with gross revenues equal to or less than \$1 million dollars. Four loans in the sample (20%) for \$409,922, did not have gross revenue information available. Demographic data for the AA shows that fifty-five percent (55%) of the businesses in the AA have revenues equal to or less than \$1 million dollars. A high percentage of businesses in the AA have unreported financial information available for analysis.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses*	55%	5%	40%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	64%	12%	24%	100%

Source: This table is based on 20 commercial loans from the AA that were originated between January 1, 2008 and April 30, 2010. Four loans totaling \$409,922 in the sample did not have revenue information in the file.

#### Residential Real Estate Loans

The distribution of consumer loans to borrowers of different income levels is reasonable. Performance with moderate-income borrowers exceeds the demographic comparator. Performance with low-income borrowers is weaker than the demographic comparator. The effect of this on the bank’s overall CRA rating is mitigated by the population poverty rate of nine percent (9%) and high unemployment rate in both Effingham and Jasper Counties in the AA. Thirty percent (30%) of the population is on social security, and two

percent (2%) is on public assistance. With high unemployment and income below the poverty level, it is difficult to afford home ownership.

<b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans						
Consumer Loans	15%	5%	18%	25%	25%	33%	42%	37%

*Source: Sample of 60 residential real estate loans originated in the AA between January 1, 2008 and April 30, 2010, and 2000 U.S. Census data.*

**Geographic Distribution of Loans**

A geographic distribution analysis was not meaningful to the evaluation. There are no low- or moderate-income census tracts in the AA.

**Responses to Complaints**

The bank has not received any CRA related complaints.

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

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