



PUBLIC DISCLOSURE

April 14, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Pinckneyville
Charter Number 13975

210 South Main Street
Pinckneyville, IL 62274

Office of the Comptroller of the Currency

500 N. 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 Satisfactory

First National Bank of Pinckneyville’s (FNB) lending performance reflects a satisfactory response to community credit needs. The conclusion is based on the following results from our review:

- The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area (AA) credit needs.
- The bank originated a majority of loans inside its AA.
- Lending activities represent a reasonable penetration among individuals of different income levels.
- Geographic distribution of loans represents a reasonable dispersion.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of the record of FNB in meeting the credit needs of the communities in which it operates. FNB was evaluated under the Small Bank performance criteria, which includes only the lending test. The lending test evaluates the bank’s record of helping to meet the credit needs of its AA through its lending activities. The scope of the CRA evaluation period is August 24, 2007 through April 14, 2014. The lending test analysis includes loans originated from January 1, 2012 through December 31, 2012.

We reviewed the bank’s loan originations in 2012 and 2013 to determine the primary product for the AA. We determined the bank’s primary product to be residential loans. See the following table for this determination.

Loan Originations by Loan Type from January 1, 2012 through December 31, 2013				
Loan Category	Dollars (000s)	% of Dollars	Number of Loans	% of Number of Loans
Residential Loans	\$26,501	85%	330	39%
Commercial Loans	\$272	1%	13	1%
Consumer Loans	\$3,693	12%	461	55%
Farm Loans	\$441	1%	23	3%
Other	\$291	1%	16	2%
Total Originations	\$31,198	100%	843	100%

FNB is not required to maintain Home Mortgage Disclosure Act (HMDA) data on its home mortgage loans. Thus, the loans we sampled included 20 residential real estate loans originated in 2012 and 2013.

DESCRIPTION OF INSTITUTION

First National Bank of Pinckneyville (FNB) is an intrastate bank headquartered in Pinckneyville, Illinois. As of December 31, 2013, FNB had total assets of over \$76 million and Tier One capital of \$12 million. FNB is wholly owned by First Perry Bancorp, Inc., a one-bank holding company located in Pinckneyville, IL. In addition to FNB, First Perry Bancorp, Inc. owns an FNB affiliate, First National Insurance Services, Inc., also located in Pinckneyville, IL.

The bank does not have any branches at this time. FNB has two automated teller machines (ATMs), one located at the main office and the other located in the insurance office. Both are cash-dispensing-only ATMs. There have been no changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination.

FNB offers traditional bank services and loan products normally associated with a community bank. In addition, the bank uses a product developed by the Federal Home Loan Bank and Illinois League of Financial Institutions called "Down Payment Plus," which provides qualified borrowers, particularly those in the low- to moderate-income levels, with a forgivable grant, up to a certain dollar amount, that can go towards a down payment.

As of December 31, 2013, the bank reported \$30 million in outstanding loans and had a net loans and leases to total assets ratio of 40%. The loan portfolio consists of the following:

Loan Portfolio Summary by Loan Product December 31, 2013		
Loan Category	\$(000)	%
Commercial Loans	\$ 3,846	13%
Residential Loans	\$17,657	59%
Farm Loans	\$ 1,888	6%
Consumer Loans	\$ 6,805	22%
Total Loans	\$30,196	100%

Source: Call Report December 31, 2013

There are no legal or financial impediments to FNB's ability to meet the credit and community development needs in its AA. The bank was rated Satisfactory at its last CRA examination dated August 24, 2007.

DESCRIPTION OF ASSESSMENT AREA

Bank management has designated western Perry County in southwestern Illinois as its AA. The AA is comprised of four census tracts (CTs), i.e., CTs 301, 302, 303, and 304. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2013 FFIEC Updated MSA Median Family Income of the AA is \$56,200 for the 3,508 families in the AA. Based on the 2010 Census Median Family Income of \$54,549, CTs 301, 302, and 303 are classified as middle-income and CT 304 is considered a moderate-income CT.

The western portion of CT 304 mostly consists of strip-cut lakes left behind from above-ground mining, separating FNB Pinckneyville's only office from the population within that moderate-income CT. On the eastern half of CT 304 and in the CTs bordering that eastern half are three other banking institutions, making lending in this CT difficult for FNB Pinckneyville. CTs 301, 302, and 303 make up most of the bank's lending area.

Based on the 2010 census data for the AA, 13.95% of the population was age 65 and older, 21.52% of households were in retirement, and 12.23% of families lived below the poverty level. The median housing value for the AA was \$74,760 and the median age of the housing stock was 51 years. Local housing for the AA was 79.75% 1-4 family units, with 85.75% owner-occupied and 14.25% vacant.

Economic conditions in Perry County are depressed. Pinckneyville is struggling from the economic downturn in recent years and is slow to recover. Large retailers in nearby towns continue to add competitive pressure on Pinckneyville's smaller retail operators. Employment in high-paying jobs and the general economy in the area have declined due to the lack of opportunities and the retirement of many residents. During this evaluation period, there were no major new businesses opened. Technicolor closed their CD/DVD manufacturing facility in Pinckneyville and relocated to Tennessee and Mexico. Approximately 50 employees retained jobs with the company by relocating, leaving the other 450-500 employees out of work. Pinckneyville Community Hospital broke ground on a replacement facility in October 2013 anticipating completion within one year. The City of Pinckneyville Economic Development Department indicates that the new facility is in a better location and will provide additional services and growth to the community.

As of December 31, 2013, Perry County's seasonally unadjusted unemployment rate of 12% significantly exceeded the State of Illinois rate of 8.6% and the national rate of 6.7%. Major employers in the area are Pinckneyville Correctional Center, Perry County, Pinckneyville Community Hospital, and School District 204.

Including FNB, there are five financial institutions with offices in the AA. Major competitors include a mix of community banks and branches of regional banks: Banterra Bank, Du Quoin State Bank, Murphy-Wall State Bank and Trust Company, and

Regions Bank. As of June 30, 2013, the bank’s total deposits inside the market are \$63.6 million, which amounts to a 21.81% market share and is the third highest within Perry County. Du Quoin State Bank has the highest market share with \$80.1 million or 27.48%.

To further our understanding of the community’s credit needs, we contacted a local city official who was knowledgeable about the areas served by the bank. Our contact did not identify any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income people, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

FNB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. The bank’s quarterly LTD ratio averaged 53.83% over the 27 quarters since the last CRA examination, with a low of 40.38% and a high of 63.19%.

The bank’s LTD ratio is comparable to other community banks of similar size, location, and product offerings. FNB ranks third out of three similarly situated institutions within Perry County. The other two banks had quarterly LTD ratios averaging 58.95% and ranging from 54.17% to 63.76% over the 27 quarters since the last CRA examination.

Lending in Assessment Area

A majority of the primary loan products originated by FNB are to consumers within its AA. The following table details the bank’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

Lending in AA (in \$000)										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	15	75%	5	25%	20	\$766	88%	\$108	12%	\$874

Source: loan sample

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels, given the bank’s product offerings and local economic conditions.

Residential Mortgage Loans

The distribution of home loans to borrowers of reflects reasonable penetration among borrowers of different income levels, with poor responsiveness to low-income borrowers and excellent responsiveness to moderate-income borrowers.

We reviewed 20 home loans originated in 2012 and 2013. Only two of these loans, or 10%, were extended to low-income borrowers, well below the percentage of low-income families in the AA (22%). The bank’s lending to low-income borrowers is poor, but this assessment is mitigated by the high unemployment rate and the number of families within the AA that live below the poverty level.

Five of the 20 loans, or 25%, were extended to moderate-income borrowers. This reflects an excellent responsiveness to moderate-income borrowers compared to the percentage of moderate-income families in the AA (20%).

Borrower Distribution of Residential Real Estate Loans								
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	21.86%	10%	20.01%	25%	24.80%	25%	33.33%	40%

Source: loan sample; 2010 U.S. Census data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank’s AA. Our analysis reflects lending in all tracts within the AA.

Residential Mortgage Loans

The distribution of home loans reflects a reasonable dispersion throughout the CTs of different income levels, including the moderate-income CT. There are no low-income CTs in the bank’s AA.

Lending in the moderate-income CT is reasonable, given the competition and geographical barriers of the moderate-income CT within the bank’s AA. Five percent of originated loans in the sample were made within the moderate-income CT, with 15.29% of the housing in that area being owner-occupied. The bank’s ability to lend in the moderate-income CT is hindered due to strip-cut lakes left behind from above-ground mining, separating the institution from the majority of the population located in CT 304. In addition, on the eastern half of the CT, closer to the populated area, are three other banking institutions.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	NA	NA	15.29%	5%	84.71%	95%	NA	NA

Source: loan sample; 2010 U.S. Census data

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (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.