



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Carmi
Charter Number 4934**

**201 E. Main Street
Carmi, IL 62821**

**Comptroller of the Currency
Evansville Field Office
101 NW 1st Street, Suite 207
Evansville, IN 47708**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Carmi's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance as compared to similarly situated banks in the area.
- The ratio of loans made within the bank's assessment area is reasonable.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans is reasonably dispersed throughout the assessment area and meets the standards for satisfactory performance.
- There are no complaints regarding the bank's CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Carmi (First Bank) is a full-service bank located in Carmi, Illinois. Southern Illinois Bancorp, Inc. owns First Bank with the following sister corporations: First Insurance Agency of White County, Inc.; Southern Illinois Title Services, Inc.; and Southern Illinois Bancorp Capital Trust. On December 31, 2002, First Bank had total assets of \$194 million, net loans of \$116 million, total deposits of \$175 million, and total equity capital of \$18 million.

As of December 31, 2002, net loans of \$116 million represent 60% of total assets. First Bank, a full-service lender, emphasizes real estate lending. The loan portfolio consists of \$61 million or 52% real estate loans, \$26 million or 22% commercial loans, \$22 million or 20% consumer loans, and \$7 million or 6% agricultural loans. We chose 1-4 family residential real estate loans and consumer loans as the primary product focus.

In addition to the corporate office, there are branch locations in Carmi (called the West Carmi Branch), Grayville, Enfield, Mt. Carmel, and Albion. During July 2002, the bank opened the branch offices in Mt. Carmel and Albion. After opening these two branches, First Bank expanded its assessment area and we provide a definition in the *Description of Assessment Area* of this Public Evaluation. A branch located at 800 Oak Street in Carmi was opened temporarily on November 21, 2001 and then closed on August 1, 2002.

At all branch locations, First Bank provides a night depository for deposits made after business hours. Automated Teller Machines (ATMs) are located at the main office in Carmi and at the Grayville, Mt. Carmel, and Albion branches. Cash Dispenser machines are available at the Enfield branch, Borowiak's IGA in Grayville, and Maier's Grocery in Crossville, IL.

There are no legal or financial circumstances impeding the bank's ability to meet credit needs within the assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, local economic conditions, and the credit needs of the community.

First Bank's previous CRA evaluation is dated November 25, 1997, with a *Satisfactory* rating.

DESCRIPTION OF ASSESSMENT AREA

Management defines its assessment area (AA) as White County, Edwards County, and Wabash County. First Bank most recently revised this assessment area as of August 23, 2002, to include the areas serviced by the Mt. Carmel and Albion branches. The assessment area consists of twelve Block Numbering Areas (BNAs). One BNA is designated as moderate-income, one is designated as upper-income, and the remaining ten are designated middle-income. There are no low-income geographies in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. Both the main office and one branch are located in the moderate-income area.

The income levels of geographies are based on the statewide Metropolitan Statistical Area (MSA) median family income. Of the statewide median family income, the income categories are defined as low (less than 50%), moderate (50% to 80%), middle (80% to 120%), and upper (over 120%). The 2002 updated Department of Housing and Urban Development (HUD) weighted-average of MSA/Non-MSA median family income (MFI) for the assessment area is \$46,700.

Carmi, centrally located in White County (population 16,522), Illinois is approximately 125 miles east of St. Louis, Missouri and 50 miles west of Evansville, Indiana. Mt. Carmel, located in Wabash County (population 13,111), Illinois is approximately 55 miles north of Evansville, Indiana. Albion and Grayville are located in Edwards County (population 7,440), Illinois, approximately 50 miles west of Evansville, Indiana. The total population for the assessment area is 37,073.

White, Edwards, and Wabash Counties are rural and the businesses in the small surrounding towns offer moderate employment and economic support. The economy is dependent upon farming, coal mining, and oil and gas production. The employment base is centered in the following sectors: manufacturing, service, and retail. Major employers in White County include Martin & Bayley, White County Coal Corporation, and Cornerstone Health Care of Illinois. The major employer in Edwards County is Champion Filters. For Wabash County, the major employers are Snap On Tools, Pacific Shear & Press, and Wabash County Hospital. For each of these counties, the public school systems also provide a significant source of employment.

First Bank competes directly with such regional banks as Old National Bank, Fifth Third Bank, and Union Planters Bank. Collectively, they create a very competitive rate environment for both loans and deposits in Carmi. First Bank also faces competition from community banks in nearby towns.

In order to gather more current information on the nature of the community and potential lending

opportunities in the assessment area, we reviewed our database of recently contacted local business leaders. Our search identified four contacts and we performed one interview during the examination. This contact indicated financial institutions are responsive to community credit needs. No salient or unaddressed community credit needs were identified during this contact.

The following table depicts the demographic information used to determine the lending opportunities for residential real estate loans in the assessment area.

Demographic Information: First Bank's Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	12	0.00	8.33	83.33	8.33	0.00
Population by Geography	37,073	0.00	8.26	83.19	8.54	0.00
Owner-Occupied Housing by Geography	11,384	0.00	7.70	84.36	7.93	0.00
Business by Geography	1,992	0.00	9.09	81.98	8.94	0.00
Farms by Geography	366	0.00	1.09	87.70	11.20	0.00
Family Distribution by Income Level	10,643	23.32	17.90	24.05	34.73	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,387	0.00	11.72	83.66	4.63	0.00
Median Family Income (MFI)		29,693	Median Housing Value		36,533	
HUD Adjusted Median Family Income for 2002		46,700	Unemployment Rate (1990 US Census)		3.65%	
Households Below Poverty Level		16.27%				

Source: 1990 US Census and HUD updated MFI

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Considering demographics, economic factors, competition, and community credit needs, First Bank satisfactorily meets the credit needs of its assessment area.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio meets the standard for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA examination is 75%, ranging from a low of 64% as of September 30, 2002 to a high of 88% as of March 31, 1998. Our analysis of four independent banks in nearby communities revealed their loan-to-deposit ratios ranged from 56% to 75%. We base our definition of similarly situated financial institutions upon management's identification of primary competitors and the total asset size of competitor banks.

Lending in Assessment Area

The bank's record of lending within the assessment area meets the standard for satisfactory performance. This conclusion is based upon our sample of sixty residential real estate loans totaling \$2,041,624, which includes home purchases, refinance and home improvement, and our sample of twenty consumer loans totaling \$223,276.

A majority of the residential real estate loans and the consumer loan sample were originated in

the assessment area. For example, our sample of residential real estate loans showed 93% of the number and also 93% of the dollar volume of loans are secured by properties inside the assessment area. The sample of consumer loans during the same evaluation period showed 90% of the number and also 90% of the dollar volume of loans are made within the assessment area.

Lending to Borrowers of Different Incomes

First Bank meets the standards for satisfactory performance for loans made to individuals with different income levels. Based upon our sample of sixty residential real estate loans and home improvement loans and twenty consumer loans, First Bank’s distribution for these primary loan products reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals.

Home Mortgage Loans

First Bank’s borrower distribution of home mortgage loans reflects good dispersion among borrowers of different income levels throughout the assessment area and meets the standards for satisfactory performance. The following table shows the borrower distribution of home purchase, refinance, and home improvement loans made within the assessment area.

Borrower Distribution of Home Purchase, Refinance, and Home Improvement Loans									
Income Level		LOW		MODERATE		MIDDLE		UPPER	
AA % Families **		23.32		17.90		24.05		34.73	
	Total Loans by # / \$ (000s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase *	20 / 549	15.0	10.1	55.0	49.2	25.0	33.6	5.0	7.0
Refinance *	20 / 796	20.0	10.5	25.0	20.8	15.0	12.8	40.0	55.9
Home Improvement *	20 / 666	10.0	5.7	10.0	4.2	50.0	47.2	30.0	42.9

*OCC’s review of bank records for a sample of 20 home purchase, refinance and home improvement loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

Home Purchase Loans

First Bank has done a good job of addressing the low- and moderate-income borrower credit needs for home purchase loans. The portion of home purchase loans to low-income borrowers (15.0%) is lower than the portion of assessment area families that are low-income (23.32%), but adequate. The portion of home purchase loans to moderate-income borrowers (55.0%) significantly exceeds the portion of assessment area families that are moderate-income (17.90%).

Home Refinance Loans

First Bank has done an excellent job of addressing both the low-income and moderate-income

borrower credit needs for refinance loans. The portion of refinance loans to low-income borrowers (20.0%) is slightly lower than the portion of assessment area families that are low-income (23.32%). The portion of refinance loans to moderate-income borrowers (25.0%) is significantly higher than the portion of assessment area families that are moderate-income (17.90%).

Home Improvement Loans

An adequate distribution was made for low- and moderate-income individuals. Sampled home improvement loans were divided among middle- and upper-income borrowers in keeping with the portion of assessment area families that are middle- and upper-income (59.0%).

Consumer Loans

First Bank’s distribution of consumer loans reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals. The following table summarizes the borrower distribution of the twenty consumer loans made within the assessment area since the last examination.

Borrower Distribution of Consumer Loans									
Income Level	LOW		MODERATE		MIDDLE		UPPER		
% of AA Households **	28.25		15.63		17.29		38.83		
	Total Loans by # / \$ (000s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer Loans *	20 / 224	5.0	4.3	20.0	28.0	15.0	15.3	60.0	52.5

*OCC’s review of bank records for a sample of 20 consumer loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

The borrower distribution to low-income and moderate-income households is reasonable. Although the distribution of consumer loans to low-income families is lower than the characteristics of the assessment area, the distribution to moderate-income households (20.0%) is significantly higher (15.63%).

Geographic Distribution of Loans

Overall, the bank’s geographic distribution of loans throughout the assessment area is reasonable and meets the standards for satisfactory performance. Within the AA, we note twelve Block Numbering Areas (BNAs), which effectively includes the geographic distribution of the bank’s loans. Ten BNAs are classified middle-income, one BNA is classified moderate-income and one BNA is classified upper-income. The following tables and analysis illustrate the lending distribution of the sampled residential real estate loans and consumer loans originated within the AA since the last examination.

Home Mortgage Loans

First Bank’s geographic distribution of loans reflects reasonable dispersion throughout the

assessment area and meets the standards for satisfactory performance. This conclusion is based upon First Bank's geographic distribution of home purchase, refinance, and home improvement loans in moderate-income areas compared to the percentage of Owner Occupied Units within the AA. Our sample of home purchase and refinance loans in moderate-income geographies (45% and 25%) significantly exceeds the portion of Owner Occupied Units within those geographies (15.63%). The following table illustrates the lending distribution of home purchase, refinance, and home improvement loans made within the AA.

Geographic Distribution of Home Purchase, Refinance, and Home Improvement Loans									
Borrower Income Level By Geographies		LOW		MODERATE		MIDDLE		UPPER	
AA % Owner Occupied Units **		28.25		15.63		17.29		38.83	
	Total Loans by # / \$ (000s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase *	20 / 549	0.0	0.0	45.0	39.3	55.0	60.7	0.0	0.0
Refinance *	20 / 796	0.0	0.0	25.0	18.8	70.0	74.2	5.0	3.9
Home Improvement *	20 / 666	0.0	0.0	0.0	0.0	95.0	97.6	5.0	2.4

*OCC's review of bank records for a sample of 20 home purchase, refinance and home improvement loans made with AA during 2000/2001/2002.

**Source: 1990 US Census

Consumer Loans

First Bank's geographic distribution of consumer loans in the assessment area is reasonable and meets the standards for satisfactory performance. Less than 9% of the households live in moderate-income geographies and 5% of First Bank's consumer loans were made to borrowers in moderate-income geographies. The following table illustrates the lending distribution of the consumer loan sample of twenty loans originated within the AA since the previous public evaluation.

Geographic Distribution of Consumer Loans									
Borrower Income Level By Geographies		LOW		MODERATE		MIDDLE		UPPER	
% Of AA Households**		0.0		8.85		82.82		8.32	
	Total Loans by # / \$ (000s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer Loans *	20 / 224	0.0	0.0	5.0	6.7	95.0	93.3	0.0	0.0

*OCC's review of bank records for a sample of 20 consumer loans made within AA during 2000/2001/2002.

**Source: 1990 US Census.

Responses to Complaints

First Bank has not received any complaints about its performance in helping to meet community

credit needs since the last CRA evaluation.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.