



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 2, 2008**

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

The First National Bank of Sullivan  
Charter Number 7692

1 South Main Street  
Sullivan, IL 61951

Office of the Comptroller of the Currency

Champaign Field Office  
3001 Research Road Suite E2  
Champaign, IL 61822

**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.**

The major factors that support this rating include:

- The First National Bank in Sullivan's (FNBS) distribution of loans represents excellent penetration among individuals of different income levels and businesses of different sizes.
- FNBS's loan-to-deposit ratio is more than reasonable.
- A substantial majority of FNBS's primary loan products were made within the bank's assessment areas.

**SCOPE OF EXAMINATION**

The First National Bank of Sullivan was evaluated using full-scope Small Bank examination procedures. The small bank examination evaluates the bank's record of meeting the credit needs of the community through its lending activities. The evaluation period is from January 1, 2006 through May 28, 2008. The review concentrated on the bank's primary loan products, based on originations during the period. The bank's primary products include residential real estate loans, commercial loans, and consumer installment loans.

The bank tracks census tract information on loans. We tested and verified the reliability of these reports. These internal bank reports were utilized in the lending in the assessment area portion of the examination. For the borrower distribution, we selected a sample of each of the primary loan products originated within the assessment area during the evaluation period.

**DESCRIPTION OF INSTITUTION**

The First National Bank in Sullivan (FNBS) is an intrastate bank operated from the main office located at 1 South Main Street in Sullivan, Illinois. As of March 31, 2008, FNBS had total assets of \$77 million. FNBS is wholly owned by Sullivan Bancshares, Inc., a one-bank holding company. The bank has one full-service branch located at 503 South Hamilton in Sullivan, Illinois. The bank has three non-deposit taking Automated Teller Machines (ATMs) located at the main office, the branch, and at Hydrogear, a local factory. No branches have been opened or closed since the last CRA examination. There have been no significant changes to FNBS's corporate structure since the last CRA examination.

FNBS offers a full range of products and services. At March 31, 2008, total loans are \$53.3 million, which is sixty nine percent (69%) of total assets. The loan portfolio composition is as follows:

<b>Table 1: Loan Portfolio Summary by Loan Product March 31, 2008</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Residential Real Estate Loans	36.99%
Commercial Loans	29.67%
Agricultural Loans	18.83%
Consumer Loans	14.09%
Other	0.42%

Source: March 31, 2008 Call Report

The bank does not have any financial or legal impediments restricting it from meeting the credit needs of its assessment area. The bank was rated Satisfactory at its last CRA examination dated September 9, 2003.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank’s assessment area (AA) consists of the four census tracts that make up Moultrie County (#9769, #9770, #9771, and #9772). All of the census tracts are located in middle-income geographies. There are no low- or moderate-income geographies in the AA. This AA conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas.

Summary of some demographic information on the bank’s AA based on 2000 census data:

Population	14,287
Housing	96.7% of housing units are 1-4 family
Occupancy	74% owner occupied; 20% renter occupied; 6% vacant
Home Values	Median home value \$74,806
Age of Homes	Median year built is 1960
Income	Census median family income \$43,531 Census median household income \$39,602
Income Levels	12% of families are low-income, 20% moderate-income 26% middle-income, and 42% upper-income.
Non-farm businesses	852; 500 businesses have revenue of <= \$1 million, 45 with Revenue >\$1 million, and 307 with revenue not reported.

The median family income (MFI) is updated annually by HUD. The MFI for 2006, 2007, and 2008 is \$52,200, \$50,600, and \$51,900, respectively.

The number of retirement households is 18% with 8% of households below poverty level.

The local economy in Moultrie County is generally stable. There are two major employers in the area, Hydrogear and Agrifab, which employ approximately 1,300 people. Many residents in the community commute to Mattoon and Decatur for employment. Unemployment is lower than state and national averages in Moultrie

County. In April 2008, the unemployment rate for Moultrie County was 4.2%. While the state unemployment rate is 5.4% and the national rate is 5% during the same time period.

FNBS faces competition from six other community banks that operate in locations in Moultrie County. Other competition stems from financial institutions in Mattoon and Decatur, Illinois, due to residents commuting to these locations for employment.

A local government official was contacted during this examination. Current needs of the community include affordable housing for low-to-moderate income families and small business loans. Overall, the contact stated that local financial institutions are meeting community credit needs.

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

FNBS's performance of meeting the community credit needs is outstanding. This review concentrated on the bank's primary loan products, which include residential real estate loans, commercial loans, and consumer loans. Residential real estate loans and commercial loans were weighed heavier than consumer loans, as affordable housing and small business loans are identified community credit needs. The borrower distribution portion of the test received the majority of the weight in our evaluation.

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

FNBS's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the AA's credit needs. The bank's net loan-to-deposit ratio averaged 82.3% over the 18 quarters since the last CRA examination. This ratio ranged from a quarterly low of 76.8% to a quarterly high of 86.87%.

The bank's net loan-to-deposit ratio compares favorably with other financial institutions in the area of similar size, location, and product offerings. Eight banks in Moultrie and adjacent counties, with asset size of \$25MM to \$100MM were used for comparison. FNBS ranks first among the eight similarly situated banks. The average net loan-to-deposit ratios for the other banks over the same 18 quarters ranged from 25.34% to 81.95%.

### **Lending in Assessment Area**

A substantial majority of FNBS's primary loan products were made within the bank's assessment area. The following table details the bank's lending within the AA by number and dollar amount of loans. The data used includes all primary loan product loan originations from January 1, 2006 through May 28, 2008. Seventy-eight percent of the number and seventy-six percent of the dollar amount of the loans were made within the bank's assessment area.

<b>Table 2 - Lending in Moultrie County AA by Number and Dollar Volume</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	205	80.08	51	19.92	256	17,523,109	83.60	3,438,727	16.40	20,961,836
Commercial Loans	219	81.72	49	18.28	268	17,675,544	70.51	7,392,692	29.49	25,068,236
Consumer Loans	910	77.32	267	22.68	1,177	9,113,862	75.81	2,907,338	24.19	12,021,200
<b>Totals</b>	<b>1,334</b>	<b>78.42</b>	<b>367</b>	<b>21.58</b>	<b>1,701</b>	<b>44,312,515</b>	<b>76.33</b>	<b>13,738,757</b>	<b>23.67</b>	<b>58,051,272</b>

Source: Internal bank reports from January 1, 2006 to May 28, 2008.

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

The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes. The excellent penetration is attributed to FNBS's performance in making home loans to low- and moderate-income individuals and business loans to small businesses. Both affordable housing and small business loans were identified as community credit needs.

#### Residential Real Estate Loans

The distribution of residential real estate loans to borrowers reflects excellent penetration among borrowers of different income levels. Affordable housing was identified as a need for this area. The bank has an excellent penetration among low-income borrowers. Thirty-five percent of the loans sampled were made to low-income families. This is very favorable to demographic data that shows only 12% of the AA families are low-income. It is also important to note that eight percent of the population is below poverty level. There is reasonable penetration among moderate-income borrowers. Ten percent of the loans were made to moderate-income borrowers, which is lower than the demographic comparator.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in Moultrie County AA</b>								
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
% of Total	12.20	35.00	19.94	10.00	25.82	25.00	42.04	30.00

This table is based on a sample of 20 residential real estate loans originated from January 1, 2006 to May 28, 2008.

#### Commercial Loans

The distribution of commercial loans reflects excellent penetration among loans to businesses by loan size. One of the credit needs identified was small business. Due to fifty-five percent of the loans sampled not having business revenue information available, this conclusion is based primarily on proxy by loan size. A majority of these loans were less than \$25,000. Typically, it would be small businesses that borrow smaller loan amounts.

**Table 5 - Borrower Distribution of Loans to Businesses by Loan Size in Moultrie County AA**

Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollars
\$25,000 and below	10	50.00%	148,977	10.94%
\$26,000-\$50,000	7	35.00%	271,163	19.91%
\$51,000-\$100,000	1	5.00%	75,100	5.51%
\$101,000-\$250,000	0	0.00%	0	0.00%
\$251,000-\$500,000	2	10.00%	866,988	63.64%
\$501,000-\$1,000,000	0	0.00%	0	0.00%
\$1,000,001 and above	0	0.00%	0	0.00%
Total	20	100.00%	1,362,228	100.00%

This table is based on a sample of 20 commercial loans originated January 1, 2006 through May 28, 2008.

The following table is the distribution of loans based on business revenues. As previously mentioned, fifty-five percent of the loans did not contain revenue information. However, eight out of the nine loans with revenue information were small businesses. Small businesses are defined as business with annual gross revenues of \$1 million or less.

**Table 6 - Borrower Distribution of Loans to Businesses in Moultrie County AA**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	58.69	5.28	36.03	100%
% of Bank Loans in AA by #	40.00	5.00	55.00	100%
% of Bank Loans in AA by \$	35.94	36.70	27.35	100%

This table is based on a sample of 20 commercial loans originated from January 1, 2006 through May 28, 2008.

**Consumer Loans**

The distribution of consumer loans to borrowers reflects acceptable penetration among borrowers of different income levels. However, both loans to low-income borrowers and loans to moderate-income borrowers fall below demographic data. Sixteen percent of the AA’s households are low-income, yet only ten percent of the loans sampled were made to low-income borrowers. The comparison is similar for moderate-income borrowers. The following table shows the distribution of consumer loans among borrowers of different income levels.

**Table 4 - Borrower Distribution of Consumer Loans in Moultrie County AA**

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
% of Total	16.20	10.00	14.96	10.00	22.09	30.00	46.75	50.00

The table is based on a sample of 20 consumer loans originated from January 1, 2006 through May 28, 2008.

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed. There are no low- to moderate-income census tracts in the bank's assessment area.

### **Responses to Complaints**

FNBS has not received any complaints about its performance in helping to meet the assessment area needs during this evaluation period.

### **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.