



PUBLIC DISCLOSURE

August 29, 2016

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The First National Bank of Carmi
Charter Number 4934

201 East Main Street
Carmi, IL 62821

Office of the Comptroller of the Currency
8777 Purdue Road
Indianapolis, IN 46268

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF INSTITUTION	3
SELECTION OF AREAS FOR FULL-SCOPE REVIEW	3
RATINGS	3
LOAN-TO-DEPOSIT RATIO	4
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	4
STATE RATING	5
STATE OF ILLINOIS	5
STATE RATING	11
STATE OF INDIANA.....	11
APPENDIX A: SCOPE OF EXAMINATION	A-1
APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS	B-1

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The bank's overall rating is a blend of the State of Illinois (IL) rating and the State of Indiana (IN) rating. The major factors that support this rating of Satisfactory are as follows:

- The distribution of loans to individuals of different income levels and to farms and businesses of different sizes reflects reasonable penetration in the assessment areas (AAs).
- The geographic distribution of loans reflects reasonable dispersion in the AAs.
- A majority of the bank's loans were made within the AAs.
- The loan-to-deposit (LTD) ratio is reasonable give the institution's size, its financial condition, and AA credit needs.
- The bank's community development performance demonstrates adequate responsiveness to the needs of its AAs.

Scope of Examination

The purpose of this performance evaluation is to assess First National Bank of Carmi's (FNB) record of meeting the credit needs of the communities in which it operates. Our evaluation was based on the Intermediate Small Bank CRA performance criteria. This criteria includes both a Lending Test and a Community Development (CD) test. The Lending Test evaluates the bank's record of meeting the credit needs in the bank's AAs. The CD test evaluates the bank's activity in lending, investment, and services aimed at community development.

This performance evaluation is based on bank activity from April 9, 2013 until August 29, 2016. The Lending Test includes loans originated or purchased between January 1, 2014 and June 30, 2016. Conclusions regarding the bank's lending performance are based on FNB's primary loan products: residential real estate (RRE) and farm loans in the Illinois AA, and RRE and business (non-farm) loans in the Indiana AA. The CD test covered the entire evaluation period.

Prior to this evaluation, we conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. The loan data we analyzed included all HMDA loans that were originated or purchased in 2014, 2015 and year-to-date June 30, 2016. We also sampled 20 farm loans in the Illinois AA and 20 commercial loans in the Evansville IN-KY MA #21780 (Evansville) MSA AA originated or purchased during the same period. We compared the HMDA data and our sample of loans against data from the 2010 US Census to evaluate lending activity.

Description of Institution

FNB is a full-service interstate bank headquartered in Carmi, IL. The bank is wholly owned by Southern Illinois Bancorp, a one-bank holding. As of June 30, 2016, FNB reported assets of \$394 million, net loans of \$277 million, and deposits of \$356 million. The bank has three offices within the State of Illinois and six offices in the State of Indiana. Three offices are located in upper-income census tracts (CTs), five offices in middle-income CTs, and one office in a moderate-income CT.

FNB's main office and three branches with 24-hour, full-service ATMs are located in the Illinois AA. Since the last CRA evaluation, FNB closed the Albion, Illinois branch in July 2013, however the full service ATM remains open at the location. Albion is in Edwards County within the Illinois AA. In the Indiana AA, the bank has six branches with 24-hour, full-service ATMs.

The bank provides its customers with a full range of banking products and services. The bank's overall business strategy focuses on lending products including RRE, commercial, commercial real estate, and consumer loans. As of June 30, 2016, the loan portfolio consists of commercial (55 percent), farm (26 percent), 1-4 family residential (15 percent), consumer loans (2 percent) and other (2 percent).

FNB was rated "Satisfactory" at the last CRA Performance Evaluation dated April 8, 2013. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of its AAs.

Selection of Areas for Full-Scope Review

In each state where the bank has a branch, one AA was selected for a full-scope review. If the bank had more than one AA in a state, the number of branches in the AA, the volume of lending during the evaluation period, and the amount of deposits in the AA were considered when determining which AAs would receive full-scope reviews and which would receive limited-scope reviews.

The NonMSA AA in Illinois and the Evansville MSA AA in Indiana were selected for full-scope reviews during this evaluation. Refer to the Scope of Evaluation section under each state rating for details regarding how the areas were selected.

Ratings

The bank's overall rating is a blend of the State of Illinois rating and the State of Indiana rating. We placed more weight on the State of Illinois rating because a majority of the bank's deposits (69 percent) are from this area. See the respective sections for a full description of each AA.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable given the institution's size, its financial condition, and AA credit needs.

As of June 30, 2016, FNB's LTD ratio was 78 percent. The bank's average LTD ratio over 14 consecutive quarters since the last CRA evaluation was 73 percent. The ratio ranged from a high of 78 percent at June 30, 2016 to a low of 69 percent at March 31, 2014. The bank's average ratio is higher than two comparable banks and lower than five others. Comparable banks include those with up to \$400 million in assets with branches in one of the bank's AAs. The average LTD ratio of these banks ranged from 42 percent to 88 percent for the same time period.

Lending in Assessment Area

The bank originated a majority of its loans to borrowers located inside its designated AAs. Based on all RRE loans originated during 2014, 2015, and year-to-date 2016, and our sample of business and farm loans, 83 percent by number and 72 percent by dollar volume of the loans were made within the bank's AAs.

Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RRE	487	82.96%	100	17.04%	587	\$51,684	74.71%	\$17,495	25.29%	\$69,179
Business	15	75.00%	5	25.00%	20	\$8,437	59.45%	\$5,754	40.55%	\$14,191
Farm	17	85.00%	3	15.00%	20	\$1,807	81.10%	\$421	18.90%	\$2,228
Totals	519	82.78%	108	17.22%	627	\$61,928	72.35%	\$23,670	27.65%	\$85,598

Source: 2014- June 30, 2016 HMDA loan data, sample of 20 business loans and a sample of 20 farm loans originated in 2014- June 30, 2016.

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.

State Rating

State of Illinois

CRA Rating for State of Illinois: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

The major factors that support this rating include:

- The distribution of loans among borrowers of different income levels and farms of different sizes reflects reasonable penetration.
- The geographic distribution of loans among geographies reflects reasonable dispersion.
- CD activities reflect adequate responsiveness to the community needs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

FNB's Illinois AA consists of three entire counties (Edwards, Wabash, and White). FNB has four offices located in the cities of Carmi, Grayville, and Mt. Carmel, each with a full-service ATM and two full-service ATMs in Albion and Enfield. There are no low-income geographies in this AA. Pursuant to 2010 Census information, only one moderate-income CT was located within the AA. The main office in Carmi is located in the moderate-income CT. Edwards County has three CTs that are designated as Underserved Middle-Income Nonmetropolitan Tracts. Starting in 2014, Wabash County has four CTs that were also designated as Underserved Middle-Income Nonmetropolitan Tracts.

Based on FDIC deposit market share data as of June 30, 2015, FNB's deposits in this AA total \$266 million, which represents 69 percent of the bank's total deposits. FNB is the largest deposit-taking institution in the AA with a 30 percent market share as of June 30, 2015. Major competitors include Old National Bank, Citizens National Bank of Albion, and The First National Bank of Allendale.

Major industries in the AA consist of agriculture and oil and gas production. The largest employers include local school districts, Wabash County Hospital, Champion Laboratories, Inc., and Martin and Bayley, Inc. One of White County's larger employers, Pattiki Coal Mine, recently announced it will close by year end 2016 leaving hundreds potentially unemployed. Many residents of the AA commute to the Evansville, IN area for employment. The local economy has stabilized over the last few years but unemployment rates remain higher than the national unemployment rate. The June 2016 unemployment rates were 5.1 percent for Edwards County, 6.2 percent for Wabash County, and 6.6 percent for White County, and the state of Illinois unemployment rate of 6.2 percent. The national unemployment rate was 4.9 percent. Based on 2010 Census data, 9.16 percent of families live below the poverty level in the AA.

The 2016 FFIEC adjusted median family income for the AA is \$58,000. The 2010 median housing value for the AA is \$68,111. Below is demographic data for the AA.

Demographic Information for Full Scope Area: Carmi FNB - Illinois AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00%	8.33%	91.67%	0.00%	0.00%
Population by Geography	33,333	0.00%	7.76%	92.24%	0.00%	0.00%
Owner-Occupied Housing by Geography	11,244	0.00%	6.86%	93.14%	0.00%	0.00%
Business by Geography	1,663	0.00%	8.42%	91.58%	0.00%	0.00%
Farms by Geography	245	0.00%	2.86%	97.14%	0.00%	0.00%
Family Distribution by Income Level	9,651	21.22%	18.87%	22.87%	37.04%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	3,869	0.00%	11.99%	88.01%	0.00%	0.00%
Median Family Income		\$53,377	Median Housing Value			\$68,111
FFIEC Updated Median Family Income for 2016		\$58,000	Unemployment Rate (2010 US Census)			4.33%
Households Below Poverty Level		12.76%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census; June 2016 Dunn & Bradstreet; and 2016 FFIEC updated MFI.

We conducted one community contact with a local organization to better understand the AA’s credit, investment, and financial service needs. The organization provides services and tools to low-income citizens to help them become self-sufficient. The contact did not identify any unmet credit needs for their organization and noted that local banks are involved in the community. The contact did note a lack of state funding for lending programs and first time homebuyer grants.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank’s performance under the lending test in the State of Illinois is rated “Satisfactory”.

Within the Illinois AA, RRE and farm lending are the primary products. We weighted RRE loans and farm loans equally. Within the RRE analysis, we placed more weight on home purchase loans (43 percent of all RRE lending) and home refinance loans (40 percent of all RRE lending). The total of home improvement loans (17 percent of all RRE lending) during the evaluation period was nominal.

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

FNB’s lending distribution to borrowers of different income levels and farms of different sizes reflect reasonable penetration.

Residential Real Estate Loans

The borrower distribution of residential real estate loans originated or purchased during the evaluation period is reasonable based on lending to borrowers of different income levels. Lending to low-income borrowers in this AA is poor compared to the percentage of low-income families; however, lending to moderate-income borrowers is excellent compared to the percentage of moderate-income families. In evaluating the borrower distribution, we considered the elevated unemployment levels and the lack of state funding assistance for low-income borrowers. The bank’s performance is shown in the following table:

Borrower Distribution of Residential Real Estate Loans in Illinois AA								
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
Home Purchase	21.22%	2.97%	18.87%	21.78%	22.87%	22.77%	37.04%	44.55%
Home Improvement	21.22%	2.44%	18.87%	2.44%	22.87%	29.27%	37.04%	60.98%
Home Mortgage Refinance	21.22%	9.57%	18.87%	20.21%	22.87%	23.40%	37.04%	36.17%

Source: HMDA data reported from January 1, 2014 – June 30, 2016; 2010 U.S. Census

Farm Loans

The distribution of loans to farms of different sizes is reasonable. The percentage of loans extended to farms by number with gross annual revenues of \$1 million or less is lower than the percentage of small farms within the AA. The bank’s performance is shown in the following table:

Borrower Distribution of Loans to Farms in the Illinois AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	98.37%	0.82%	0.82%	100.00%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100.00%
% of Bank Loans in AA by \$	58.92%	41.08%	0.00%	100.00%

Source: Sample of 20 farm loans; Dunn & Bradstreet as of June 2016

Geographic Distribution of Loans

The geographic distribution of loans originated or purchased during the evaluation period reflects reasonable dispersion. There is one moderate-income geography and there are no low-income geographies. The bank lends in all CTs of the AA.

Residential Real Estate Loans

The geographic distribution of RRE loans is excellent. The bank’s performance is shown in the following table:

Geographic Distribution of Residential Real Estate Loans in the Illinois AA								
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 Purchase	NA	NA	6.86%	8.91%	93.14%	91.09%	NA	NA
Home Improvement	NA	NA	6.86%	2.44%	93.14%	97.56%	NA	NA
Home Mortgage Refinance	NA	NA	6.86%	9.57%	93.14%	90.43%	NA	NA

Source: HMDA data reported from January 1, 2014 – June 30, 2016; 2010 U.S. Census

Farm Loans

The geographic distribution of farm loans is reasonable. Lending to farms in the moderate-income CTs is reasonable given the small number of farms (seven) located in the moderate-income CTs. The bank’s performance is shown in the following table:

Geographic Distribution of Farm Loans in the Illinois AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	NA	NA	2.86%	0.00%	97.14%	100.00%	NA	NA

Source: Sample of 20 farm loans; Dunn & Bradstreet as of June 2016

Responses to Complaints

No CRA related complaints have been received by FNB or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the CD Test in the State of Illinois is rated “Satisfactory”. FNB’s

CD performance demonstrates adequate responsiveness to the needs of its AA through loans, qualified investments, and services. Bank management works with city and county government officials and other community representatives in the areas where the bank has offices. Officers and employees of the bank are involved in several community service organizations.

Number and Amount of Community Development Loans

Community development lending in this AA reflects adequate responsiveness. FNB originated three CD loans totaling \$3 million. Information regarding these loans is summarized below.

- FNB originated a loan to an entity located in an underserved county in the AA. The loan proceeds funded the expansion of the business and created jobs to perform the expansion.
- FNB originated a line of credit to one community school district within the AA. The line proceeds funded the school district's day-to-day activities because of state funding issues. The school district is located adjacent to the moderate-income CT and the primary and middle schools primarily serve students from low- and moderate-income households.
- FNB originated a line of credit to another community school district within the AA. The line proceeds funded the school district's day-to-day activities because of state funding issues. The school district is located in an underserved community and the schools primarily serve students from low- and moderate-income households.

Number and Amount of Qualified Investments

Community development investments in this AA reflects adequate responsiveness. FNB made qualified investments (QI) totaling \$2.4 million during the evaluation period. Two prior period investments with a balance of \$2.6 million remains on the books. Information regarding these investments is summarized below.

- FNB purchased ten obligations of the City of Mount Carmel, Wabash County, IL. The funds financed the acquisition and installation of energy conservation measures and improvements to city buildings in underserved areas.
- FNB purchased five obligations of the White County Illinois Community School District in Carmi. The funds financed federal and state mandated building requirements and improvements to the high school. The high school is located adjacent to the moderate-income CT and primarily serves students from low- and moderate-income households.
- FNB purchased five obligations of the Wabash General Hospital. The hospital is located in Wabash County and is adjacent to Edwards County. The facility is the only hospital in the area and provides services to both counties, including the underserved CTs. The bank invested \$1.8 million in bonds during a prior period and has a \$1.5 million balance remaining.

- FNB donated to sixteen organizations that have a CD purpose and serve low- and moderate-income individuals inside the AA.

Extent to Which the Bank Provides Community Development Services

Community development services in this AA reflects adequate responsiveness. Bank employees are involved with thirteen different CD organizations in this AA. Twelve of these organizations provide community services targeted to low- and moderate-income individuals. One organization focuses on affordable housing for low- and moderate-income individuals. The employees are involved in community development by participating as board members and members of organizations providing services targeted to low- and moderate-income individuals, providing financial oversight assistance to homeless shelters and food banks, and delivering financial training through savings and credit presentations at schools. Some examples of the CD services provided in this AA are detailed below.

- Two bank employees serve as elected school district board members. One employee has served for 16 years. As part of his duties, he is on the budget committee and provides advice on the school's business plans. The other employee was elected in 2016 and is involved in the development of the district's strategic business planning. The majority of the students in the district are eligible for the free or reduced rate lunch programs.
- A bank employee participates on the board and serves on the building and finance committees for an affordable housing organization that provides federally subsidized housing for low-income elderly and/or disabled people. It is adjacent to the moderate-income CT of the AA.

Delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has four offices and six full service ATMs within the NonMSA AA. The main office is located in the moderate-income CT, one of the branches is adjacent to the moderate-income CT, and a branch is located in an underserved county. Extended hours are available at all locations, most offices are open on Saturdays, and drive-up locations are open longer on weekdays and on Saturdays. All of the bank's loan and deposit products are available at all branch locations. FNB offers alternative methods (online banking and mobile banking) to supplement its branch network and to reach customers without access to a branch location.

Responsiveness to Community Development Needs

FNB's overall community development performance reflects adequate responsiveness to the needs and opportunities of the AA through CD loans, investments, volunteer efforts and community services.

FNB has been a long-time U.S. Small Business Administration (SBA) lender, offering loans using the SBA 7(a) Loan Program and the Certified Development Company/SBA 504 Loan Program.

State Rating

State of Indiana

CRA Rating for Indiana: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated Satisfactory.

The major factors that support this rating include:

- The distribution of loans among borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans among geographies reflects reasonable dispersion.
- CD activities reflect adequate responsiveness to the community needs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN INDIANA

First Bank has identified two AAs in Indiana. The Evansville MSA AA and the Indiana (IN) NonMSA AA. The AAs are further detailed below.

Evansville MSA AA

The Evansville MSA AA consists of 56 CTs encompassing all of Posey County and Vanderburgh County in Indiana. The 2010 census data reports seven low-income, seventeen moderate-income and one CT not assigned an income classification within this AA. FNB has five offices in the AA, each with a deposit-taking ATM: one in the cities of Mt. Vernon and Poseyville, and three offices in Evansville. The City of Evansville is situated within Vanderburgh County.

As of June 30, 2016, one branch was located in a moderate-income geography and two branches were located adjacent to a moderate-income geography. The majority of the low-income geographies are not adjacent or close to the geographies in which FNB's branches are located. The AA met the requirements of the regulation and did not arbitrarily exclude any low-income or moderate-income CTs.

FNB's deposits in the Evansville MSA AA total \$88 million as of June 30, 2015 based on FDIC deposit market share data. This represents 25 percent of the bank's total deposits. FNB is the eighth largest deposit-taking institution in the AA with a 2 percent market share. Major competitors include Old National Bank, Fifth Third Bank, and German American Bancorp, as well as several smaller, local banks.

Economic conditions in the area improved since the last performance evaluation and stabilized in 2016. As of June 2016, the unemployment rate for Posey County (4.2 percent) and Vanderburgh County (4.5 percent) is slightly lower than the State of Indiana average (4.6 percent) and the national average (4.9 percent). Major industries consist of manufacturing, followed by education and health services, retail trade, and government. Manufacturing’s employment concentration is nearly double the national average in this AA. Major employers include Toyota Motor Corporation, Deaconess Health Systems, St. Mary’s Medical Center, Evansville-Vanderburgh Public Schools, University of Southern Indiana, Berry Plastics, and SKANSKA/ Industrial Contractors.

Based on 2010 Census data, 10.0 percent of families lived below the poverty level in the Evansville MSA AA. The following table shows additional key demographic data for the AA.

Demographic Information for Full Scope Area: Carmi FNB - Evansville MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	56	12.50%	30.36%	33.93%	21.43%	1.79%
Population by Geography	205,613	6.42%	28.06%	34.85%	30.66%	0.00%
Owner-Occupied Housing by Geography	56,640	4.43%	24.00%	36.84%	34.73%	0.00%
Business by Geography	11,507	6.34%	31.09%	38.16%	24.39%	0.01%
Farms by Geography	480	0.21%	15.21%	42.50%	42.08%	0.00%
Family Distribution by Income Level	53,011	22.68%	17.47%	22.46%	37.39%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	21,284	11.70%	41.25%	29.97%	17.08%	0.00%
Median Family Income		\$60,964	Median Housing Value		\$111,989	
FFIEC Updated Median Family Income for 2016		\$61,400	Unemployment Rate (2010 US Census)		4.08%	
Households Below Poverty Level		14.19%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census; June 2016 Dunn & Bradstreet; and 2016 FFIEC updated MFI.

We determined the community’s needs by contacting a representative from one organization offering a continuum of programs from social services to housing. We identified the following credit and non-credit related needs in this AA:

- Affordable rental units for the very low-income renters, including HUD Section 8 subsidized housing.
- Affordable mortgage loans targeted to low- and moderate-income individuals.
- Social services to low- and moderate-income families including child care, health and dental care, affordable in-home care for the elderly, employment and job training, nutrition, and financial literacy services.
- Workforce development for higher skilled health care, service, and manufacturing jobs.
- Permanent Supportive Housing & Transitional Housing.

Opportunities to make CD loans and provide CD services within the AA are abundant. The AA has numerous CD organizations, including non-profit housing and social service agencies that provide community services to low- and moderate-income individuals. Numerous agencies are involved in economic and business development. The opportunity to make qualified investments

other than donations does exist but is limited. These opportunities include low-income housing tax credits, new markets tax credits, mortgage-backed securities for affordable housing, and CRA Qualified Investment Funds. Competition for CD loans, qualified investments, and CD services is moderate to high and consists primarily of local financial institutions that have a presence within the AA.

Indiana NonMSA

The IN NonMSA AA is a single-county AA consisting of seven CTs encompassing all of Gibson County. The 2010 census data reports the AA consists of five middle-income CTs and two upper-income CTs. FNB has one branch with a deposit-taking ATM within the AA. The AA met the requirements of the regulation and did not arbitrarily exclude any low- or moderate-income CTs.

As of June 30, 2015, FNB’s deposits in the AA totaled \$18 million, or 4 percent of the total market share. This represents 6 percent of the bank’s total deposits. According to the FDIC Market Share Report, FNB ranked seventh in deposit market share out of the 25 institutions. Major competitors include Old National Bank, Fifth Third Bank, and German American Bancorp, as well as several smaller, local banks.

Economic conditions in the area improved since the last performance evaluation and stabilized in 2016. As of June 2016, the unemployment rate for Gibson County (3.9 percent) is lower than the State of Indiana average (4.6 percent) and the national average (4.9 percent). Major employers include Toyota Motor Corporation, Total Interior Systems American, Duke Energy, Hansen Corporation, and Gibson General Hospital.

Based on 2010 Census data, 7.6 percent of families lived below the poverty level. The following table shows additional key demographic data for the AA.

Demographic Information for Limited Scope Area: Carmi FNB - Indiana NonMSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00%	0.00%	71.43%	28.57%	0.00%
Population by Geography	33,503	0.00%	0.00%	62.80%	37.20%	0.00%
Owner-Occupied Housing by Geography	10,101	0.00%	0.00%	60.55%	39.45%	0.00%
Business by Geography	1,564	0.00%	0.00%	62.34%	37.66%	0.00%
Farms by Geography	160	0.00%	0.00%	53.75%	46.25%	0.00%
Family Distribution by Income Level	8,517	15.05%	15.18%	20.92%	48.84%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	2,575	0.00%	0.00%	74.17%	25.83%	0.00%
Median Family Income		\$61,178	Median Housing Value		\$100,097	
FFIEC Updated Median Family Income for 2016		\$57,100	Unemployment Rate (2010 US Census)		4.20%	
Households Below Poverty Level		12.99%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census; June 2016 Dunn & Bradstreet; and 2016 FFIEC updated MFI.

SCOPE OF EVALUATION IN INDIANA

The Evansville MSA AA received a full-scope review while the IN NonMSA AA received a limited-scope review. The Indiana state rating was based primarily on results of the area that received a full-scope review.

As of June 30, 2016, the Evansville MSA AA had the bank's largest market share for loans and deposits in the state. Of the bank's deposit activity in Indiana, 69 percent was generated out of the Evansville MSA AA. Similarly, of the bank's lending activity in Indiana, 89 percent of loans by dollar were originated within the Evansville MSA AA. The IN NonMSA AA comprised the remaining 31 percent of deposits and 11 percent of loans by dollar.

Within the Evansville MSA AA, RRE and commercial lending are the primary products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA

LENDING TEST

The bank's performance under the lending test in the State of Indiana is rated "Satisfactory".

We weighted RRE loans and commercial loans equally. Within the RRE analysis, we placed more weight on home purchase loans (56 percent of all RRE lending) and home refinance loans (36 percent of all RRE lending). The total of home improvement loans (8 percent of all RRE lending) during the evaluation period in the AA was nominal.

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

FNB's lending distribution to borrowers of different income levels and businesses of different sizes reflect reasonable penetration.

Residential Real Estate Loans

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families who live below the poverty level coupled with the high median housing value and the barriers this may have on home ownership and refinancing.

Lending to moderate-income borrowers was excellent; however, lending to low-income borrowers was poor. We did note 9.4 percent of RRE loans were made to borrowers with a "NA" for borrower income level (10.8 percent home purchase loans, 5.9 percent home improvement loans, and 7.9 percent refinancing loans respectively). The bank's performance is shown in the following table:

Borrower Distribution of Residential Real Estate Loans in Evansville MSA								
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
Home Purchase	22.68%	10.83%	17.47%	14.17%	22.46%	15.83%	37.39%	48.33%
Home Improvement	22.68%	0.00%	17.47%	17.65%	22.46%	29.41%	37.39%	47.06%
Home Mortgage Refinancing	22.68%	3.95%	17.47%	18.42%	22.46%	25.00%	37.39%	44.74%

Source: HMDA data reported from January 1, 2014 – June 30, 2016; 2010 U.S. Census

Business Loans

The distribution of loans to businesses of different sizes is reasonable based on a sample of 20 loans originated or purchased. Small loans to businesses are those businesses with gross annual revenues of \$1 million or less. In evaluating the borrower distribution, we considered the bank’s business strategy of targeting small businesses and the high level of competition for small business loans in the AA. The bank’s performance is shown in the following table:

Borrower Distribution of Loans to Businesses in Evansville MSA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.75%	8.78%	15.48%	100.00%
% of Bank Loans in AA by #	55.00%	45.00%	0.00%	100.00%
% of Bank Loans in AA by \$	30.46%	69.54%	0.00%	100.00%

Source: Sample of 20 business loans; Dunn & Bradstreet as of June 2016

Geographic Distribution of Loans

The geographic distribution of RRE and business loans originated or purchased during the evaluation period reflects reasonable dispersion. The bank lends in all CTs of the AA.

Residential Real Estate Loans

The geographic distribution of RRE loans is reasonable for loans originated or purchased during the evaluation period. Lending in low-income geographies reflected reasonable dispersion; however, lending in moderate-income geographies was poor.

In determining the overall reasonableness of geographic distribution, we considered the percentage of families who live below the poverty level (34 percent in the low income tracts, 16 percent in the moderate income tracts) and the barriers this may have on home ownership and the

ability to refinance. We also considered FNB’s originations of non-owner occupied housing loans in the MSA AA (16 percent) given the need for affordable rental units in this AA. The bank’s performance is shown in the following table:

Geographic Distribution of Residential Real Estate Loans in Evansville MSA								
Borrower 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 Purchase	4.43%	3.33%	24.00%	10.00%	36.84%	46.67%	34.73%	40.00%
Home Improvement	4.43%	5.88%	24.00%	17.65%	36.84%	52.94%	34.73%	23.53%
Home Mortgage Refinancing	4.43%	0.00%	24.00%	3.95%	36.84%	39.47%	34.73%	56.69%

Source: HMDA data reported from January 1, 2014 – June 30, 2016; 2010 U.S. Census

Business Loans

The geographic distribution of business loans is reasonable for loans originated or purchased during the evaluation period. The bank’s performance is shown in the following table:

Geographic Distribution of Business Loans in Evansville MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	6.34%	0.00%	31.09%	25.00%	38.16%	35.00%	24.39%	40.00%

Source: Sample of 20 business loans; Dunn & Bradstreet as of June 2016

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank’s performance under the lending test in the IN NonMSA AA was not consistent with the bank’s overall satisfactory performance under the lending test in the Evansville MSA AA. There are no low-income or moderate-income CTs in the IN NonMSA AA. Therefore, performance in the NonMSA AA is based on lending distribution to borrowers of different income levels and businesses of different sizes. The bank’s lending distribution to borrowers of different income levels and businesses of different sizes in the IN NonMSA AA is weaker than the bank’s performance in the Evansville MSA AA.

Responses to Complaints

No CRA related complaints have been received by FNB or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in the State of Indiana is rated "Satisfactory".

First National Bank's CD performance demonstrates adequate responsiveness to the needs of its AA through CD loans, QI, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities. Bank management works with city and county government officials and other community representatives in the areas where they have offices. Officers and employees of the bank are involved in several community service organizations. The bank has taken reasonable steps to apply its CD resources strategically to meet the needs in this AA.

Number and Amount of Community Development Loans

FNB's CD lending in the Evansville MSA AA reflects adequate responsiveness in the AA. During this evaluation period, FNB originated nine CD loans totaling \$8.1 million. Information regarding these loans is summarized below.

- FNB originated a loan to a non-profit organization providing community services and housing to at-risk youth in a moderate-income CT.
- FNB originated a loan to a minority-owned business located in a moderate-income CT in the AA. The entity works with primarily low- to moderate-income clients, placing them in temporary employment positions. The loan proceeds allowed the business to expand.
- FNB originated a loan to an entity for updates to 16 units of a 121 unit apartment complex. The building is located in a moderate CT and houses low- and moderate-income individuals.
- FNB originated a loan to an entity to purchase a 24-unit office complex located in a moderate-income CT. The office complex houses 21 small businesses.
- FNB originated a loan to an entity to purchase an 11-unit shopping complex located in a moderate-income CT. The office complex houses 10 small businesses including a grocery store, restaurant and chiropractic clinic.
- FNB originated a loan to an entity for the purchase and renovation of a 82 hotel room located in a moderate-income CT in the AA. The loan proceeds will created approximately seven jobs.

- FNB originated a Small Business Association loan to a new small business owner in a moderate-income CT. The loan proceeds funded the purchase of four delivery routes.
- FNB originated a Small Business Association loan to a new small business owner in a moderate-income CT. The loan proceeds funded the purchase a delivery trucking company.
- FNB originated a Small Business Association loan to a new small business owner. The loan proceeds funded the purchase of two overnight delivery routes.

Number and Amount of Qualified Investments

FNB's qualified investments (QI) reflects adequate responsiveness to AA needs. The bank's QIs total \$1.2 million during this evaluation period. Information regarding these investments is summarized below.

- FNB purchased a targeted Government National Mortgage Association (GNMA) mortgage-backed securities totaling \$1.1 million. The pool of mortgages backing the investments consisted of smaller loans which provided for affordable housing in LMI CTs or to LMI individuals within the Evansville MSA.
- FNB made donations totaling \$44,153 to fourteen qualifying CD organizations. The organizations have a CD purpose and serve low- and moderate-income individuals inside the AA.

Extent to Which the Bank Provides Community Development Services

FNB level of CD services is weak based on the capacity of the bank and the need and availability of opportunities in the AAs. The bank has provided CD services to three organizations during this evaluation period. The CD services the bank employees are active provide affordable housing, community services, or financial education in the AA.

Delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has five offices and full service ATMs within the Evansville MSA AA. One of the bank's branches is located in a moderate-income CTs and two branches are adjacent to moderate-income CTs. Extended hours are available at all locations, most offices are open on Saturdays, and drive-up locations are open longer on weekdays and on Saturdays. All of the bank's loan and deposit products are available at all branch locations. FNB offers alternative methods (online banking and mobile banking) to supplement its branch network and to reach customers without access to a branch location.

Responsiveness to Community Development Needs

FNB's CD activities demonstrated adequate responsiveness to community needs given the identified needs of affordable housing and small business financing of the Evansville MSA AA and FNB's small deposit market share of 2 percent in this AA.

Performance in Limited-Scope Assessment Area of the State of Indiana

Based on a limited-scope review, the bank's performance in the IN NonMSA AA was not consistent with the overall adequate performance in the Evansville MSA AA. Performance in the IN NonMSA AA was weaker than the overall performance in the Evansville MSA AA. The bank provided two community development services that promoted financial literacy to LMI individuals, economic development, and affordable housing. The bank originated one CD loan totaling \$2.9 million in the AA and made three donations totaling \$700.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: (01/01/14 to 06/30/16) Community Development Test: (04/09/13 to 08/29/16)	
Financial Institution	Products Reviewed	
First National Bank of Carmi, Carmi, IL	IL- Home Mortgage and Farms IN- Home Mortgage and Business	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Illinois	Full-Scope	99999
State of Indiana Evansville IN-KY MSA Indiana NonMSA	Full-Scope Limited-Scope	21780 99999

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
First National Bank of Carmi	Satisfactory	Satisfactory	Satisfactory
State of Illinois	Satisfactory	Satisfactory	Satisfactory
State of Indiana	Satisfactory	Satisfactory	Satisfactory