

PUBLIC DISCLOSURE

January 8, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Teutopolis State Bank
RSSD #134848**

P.O. Box 242, Teutopolis, IL 62467

Federal Reserve Bank of St. Louis

P.O. Box 442

St. Louis, Missouri 63166-0442

NOTE:

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 Reserve System concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Teutopolis State Bank** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of January 8, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

Teutopolis State Bank meets the standards for a satisfactory CRA performance rating. The bank extends a substantial majority of loans within its assessment area, and in doing so it lends to borrowers with differing income levels. In addition, its loans are reasonably dispersed throughout the assessment area. The bank's loan to deposit ratio is reasonable when examined in the context of its operating environment.

The following table indicates the performance level of Teutopolis State Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	TEUTOPOLIS STATE BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Standards	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Teutopolis State Bank is owned by Teutopolis Holding Company. It has one main office with automated teller machine (ATM) access, but has no branches. As of September 30, 1995 the bank reported \$79 million in assets. It is the only bank in the town of Teutopolis, Illinois, which is located in the upper eastern corner of Effingham County. Primary loan products include agricultural loans, commercial loans, consumer loans and residential loans. Competition for the bank originates from the surrounding areas, such as Effingham and Dieterich, Illinois. Six Effingham institutions vary in size, ranging from \$42 million to \$403 million. The bank in Dieterich has \$58 million in assets as of September 1995.

DESCRIPTION OF EFFINGHAM COUNTY

The bank's assessment area is Effingham County. The county consists of eight block numbering areas (BNAs), all of which are middle income geographies. In 1990, the county had a population of 31,704, with a low minority population. Primary industries include retail and wholesale trade, manufacturing, construction, government and farming. Teutopolis, with a population of 1,400, is located three miles from the rapidly growing city of Effingham, Illinois (population 12,000).

Effingham's close proximity provides advantages for residents of Teutopolis, including sources of employment, entertainment, shopping, and other amenities. Effingham's recent growth, due to its location near two highways and two railroads, benefits Teutopolis and other surrounding towns as well. The city of Effingham continues to seek new industries by offering an Enterprise Zone, which allows tax and other advantages for new businesses. Teutopolis also has some employment opportunities, including businesses such as Three Z Printing, Stephens Inc., and Siemer Milling Company.

The unemployment rate in Effingham County was 3.7 percent in October 1995, which is a decrease from 5.8 percent in 1994. The per capita county income in 1993 was \$17,980. State median household income was \$32,252 in 1990, as compared with the county's \$27,247. Approximately 31 percent of county households were considered low- and moderate-income households. Housing is in demand in the city of Effingham, and demand is increasing slightly in surrounding areas due to Effingham's growth. The median housing value for the county was \$54,561 in 1990, but has most likely increased due to the recent increased demand for housing.

The town of Teutopolis is very conservative. This provides a unique environment for the bank because residents tend to save money rather than borrow money for purchases. As part of this examination, contacts were made with the community. These contacts confirmed the community's conservative nature, and provided other information about the assessment area. This information was used to provide a context in which to evaluate the bank's performance.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of its assessment area. The evaluation considered the nature of the bank's operating environment, the location of the bank, and the overall growth in the ratio over time.

Teutopolis State Bank's net loan-to-deposit ratio was 50.52 percent as of September, 1995. Excluding the largest institutions, competitors' loan-to-deposit ratios ranged from 61.5 percent to 85.0 percent. The bank's average of quarter-end ratios since the previous examination reflects an average loan-to-deposit ratio of 48.5 percent. The quarter-end ratios show an increasing trend since the last exam.

The bank's loan-to-deposit ratio is lower than its competition's, due in part to Teutopolis' conservative operating environment. Area residents tend to be conservative borrowers and include higher proportions of net bank depositors, which lowers the overall loan-to-deposit ratio. This is reflected in the bank's April 1995 zip code analysis, which shows that the bank's loan-to-deposit ratio for Teutopolis, at 37 percent, is much lower than its 62 percent ratio in the city of Effingham.

Approximately 52 percent of the bank's deposits are from Teutopolis, while 24 percent are from Effingham.

The bank's location affects its lending performance as well. Located three miles from Effingham, the bank must overcome the barrier of distance to obtain customers in Effingham. The city of Effingham accounts for approximately 30 percent of the bank's loans.

The net loan-to-deposit ratio has increased over the past four years, from 42.5 percent in 1992 to 50.52 percent as of September 1995. The increase in loans demonstrates management's efforts to lend to its community.

Lending in Assessment Area

The bank's percentage of loans extended within the assessment area exceeds the satisfactory standard. Overall, 79 percent of the loans sampled were within the assessment area, which is a substantial majority of the bank's loans.

Number and Percent of Loans by Location

Type	Sample Size	Inside	Percent	Outside	Percent
Consumer Auto Loans	106	85	80%	21	20%
Farm Loans	96	67	70%	29	30%
Business Loans	61	57	93%	4	7%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's extensions of credit reflect reasonable penetration among different income levels of individuals and among businesses of different sizes. A sample of applicant incomes was compared to the state median household income for consumer and farm loans. A sample of business loans was compared using net income due to the unavailability of gross revenue information. No categories of low penetration were noted in the sample.

Number of Loans by Percent of State Median Income

Type	0<50%	50%<80%	80%<120%	>120%
Consumer Auto	17	10	10	10
Farm Loans	4	14	19	17

The bank extended 57 percent of the consumer auto loans to low- and moderate-income borrowers, as compared to the 38 percent low- and moderate-income households present in the state of Illinois. Of the farm loans, 33 percent were extended to low- and moderate-income borrowers.

Distribution of Business Loans by Net Income

0<\$20M	\$20M<\$50M	\$50M<\$90M	\$90M<\$150M	>\$150M
17	10	7	3	10

As shown in the above tables, the bank's lending penetrated all income levels. Even though the county's block numbering areas are all considered moderate- to middle-income, the bank extended loans to low- and high-income applicants.

Geographic Distribution of Loans

The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As a proxy for geographic distribution by street address, the bank's zip code analysis was used to determine where the loans were located within the county.

April, 1995 Summary of Loans by Selected Zip Codes

Community	# Loans	Percent	Loans in \$000's	Percent
Teutopolis	634	36.52	12,037	38.55
Effingham	491	28.28	9,392	30.08
Montrose	130	7.49	2,076	6.65
Dieterich	100	5.76	2,046	6.55
Watson	32	1.84	447	1.43
Mason	27	1.56	209	0.67
Altamont	26	1.50	330	1.06
Shumway	20	1.15	204	0.65

Based on the above table, there is reasonable dispersion throughout the bank's assessment area. While there is a concentration of loans in the Teutopolis and Effingham zip codes, this is reasonable considering Teutopolis State Bank's location in relation to these two communities, and the relative size of Effingham in comparison to the other communities.

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The percent of loans by dollar and volume will not sum to 100 percent because only selected zip codes within the county of Effingham are detailed in the table. Total loans at this date totaled \$31,223,438, consisting of 1,736 loans.

Review of Complaints

There were no complaints related to the Community Reinvestment Act available to review.

Record of Compliance with Anti-discrimination Laws

The examination included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these laws and regulations were identified.