



## **PUBLIC DISCLOSURE**

January 08, 2014

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

The First National Bank  
Charter Number 4994

432 West Gallatin Street  
Vandalia, IL 62471

Office of the Comptroller of the Currency

500 North Boulevard, 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.**

The major factors that support this rating of Satisfactory are as follows:

- A substantial majority of the bank's loans by number were made within the assessment areas (AAs).
- The distribution of loans to individuals of different income levels and to farms of different sizes reflects reasonable penetration in the AAs.
- The geographic distribution of loans reflects reasonable dispersion in the AAs.
- The average quarterly loan-to-deposit ratio since the last CRA evaluation is reasonable at 61%.

**SCOPE OF EXAMINATION**

This Performance Evaluation of The First National Bank of Vandalia (FNB) assesses its record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria, which consist of a Lending Test. The Lending Test evaluates a bank's record of helping to meet the credit needs of its AAs through its lending activities.

The evaluation period covers December 8, 2009 through January 7, 2014. The Lending Test analyzed loans originated or purchased from January 1, 2012 through December 31, 2013. Conclusions regarding the bank's lending performance are based on FNB's primary loan products: residential real estate (RRE) loans, business loans, and agricultural loans. For our evaluation, we reviewed a sample of 40 business loans (20 in each AA) and 40 farm loans (20 in each AA). 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 from 2012 and 2013. We analyzed the loan data against the 2010 Census information.

**DESCRIPTION OF INSTITUTION**

FNB is a nationally chartered bank located in Vandalia, Illinois, and is 100% owned by First Vandalia Corporation, a one-bank holding company located in Vandalia, Illinois. The bank's business strategy focuses on business, agricultural and RRE loans. As of September 30, 2013, FNB had total assets of \$296 million, total deposits of \$256 million, and net Tier One Capital of \$29 million. As of September 30, 2013, net loans and leases represented 53% of total assets and consisted of RRE loans (33%), commercial loans (31%), agricultural loans (31%), consumer loans (3%), and other loans (2%).

FNB is an intrastate bank with four offices in Fayette County (three in Vandalia and one in Ramsey, IL), two offices in Bond County (Greenville and Mulberry Grove, IL), and one office in Marion County (Patoka, IL). All offices are located in middle-income geographies. FNB operates ten automated teller machines (ATMs): one ATM at each of the six offices, excluding Patoka. Other ATM locations include the Vandalia BP store, County Market in Vandalia, Patoka's Stop'n Go Store, and a stand-alone ATM in Greenville. All of the ATMs located at the bank offices and the County Market are deposit-taking, while the remaining ATMs are cash-dispensing only.

FNB has not opened or closed any branches since the last CRA examination. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AAs it serves.

To help meet the community's credit needs, FNB is an approved lender for the USDA Rural Development Guaranteed Housing Program. This program enables qualified low- or moderate-income families to become homeowners. Under the program guidelines, FNB made loans totaling \$821,900 in 2011, \$1,049,250 in 2012 and \$377,900 as of September 30, 2013.

FNB was rated "Satisfactory" at its last CRA evaluation dated December 8, 2009.

## **DESCRIPTION OF ASSESSMENT AREAS**

FNB's primary assessment area (AA) is a non-Metropolitan Statistical Area (Non-MSA) in rural central Illinois. FNB also designated part of the St. Louis MO-IL MSA #41180 as a secondary AA. Both AAs received a full-scope review. FNB's overall rating is a blend of the conclusions for both AAs, but we placed more weight on the conclusion for the bank's primary (Non-MSA) AA because the majority of deposits (81%) are located in this AA. The AAs conform to regulatory requirements and do not arbitrarily exclude low- and moderate-income geographies.

### **Fayette County and Northwest Marion County (Non-MSA AA)**

Management has designated all of Fayette County and Census Tract (CT) 9517 in Marion County as its primary AA. This rural Illinois AA is located adjacent to the St. Louis MO-IL MSA #41180. Based on 2010 U.S. Census data, this AA has two moderate- and six middle-income CTs.

The 2013 Department of Housing and Urban Development (HUD) adjusted median family income for the AA is \$56,200. AA families are 20% low- and 17% moderate-income. The following table provides additional demographic information on the AA:

Demographic Information for Full Scope Area: Vandalia FNB - NonMSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	8	0.00	25.00	75.00	0.00
Population by Geography	24,749	0.00	20.68	79.32	0.00
Owner-Occupied Housing by Geography	7,447	0.00	22.05	77.95	0.00
Business by Geography	1,715	0.00	15.10	84.90	0.00
Farms by Geography	273	0.00	21.98	78.02	0.00
Family Distribution by Income Level	6,382	20.39	17.02	23.97	38.62
Distribution of Low and Moderate Income Families throughout AA Geographies	2,387	0.00	21.37	78.63	0.00
Median Family Income		54,549	Median Housing Value		75,908
HUD Adjusted Median Family Income (MFI) for 2013		56,200	Unemployment Rate (2010 US Census)		3.34%
Households Below Poverty Level		14%			

Source: 2010 US Census and 2013 HUD updated MFI

In Fayette and Marion Counties, non-agricultural wage and salaried employment decreased from 20,602 in December 2009 to 18,902 in September 2013, a decrease of 8%. The unemployment rate decreased from 13% to 9% during the same period. The state of Illinois unemployment rate was 9% as of August 2013. Major employers include Fayette County Hospital, Vandalia Correctional Center, Van Seal Corporation, and Fayco Enterprises, Inc.

FNB's deposits in this AA total \$208 million as of June 30, 2013. FNB is the largest deposit-taking institution in Fayette and Marion Counties with a 19% market share based upon FDIC deposit data. Competition for financial services is strong with sixteen other financial institutions located in this AA. The top three competitors include National Bank, Peoples National Bank, and Midland States Bank.

We contacted an individual from the economic development corporation in Fayette County. The contact indicated their organization needs additional bank participation in financial education to the unbanked and underbanked individuals in the community and to the corporation's homebuyers counseling program. We also contacted an individual with the affordable housing authority in Bond County. The contact identified low closing cost home mortgages as the primary credit need for affordable homeownership in the community and did not identify any unmet consumer credit needs.

**Bond County (MSA AA)**

Bond County is FNB’s secondary AA. This AA is one of eight Illinois counties in the St. Louis MO-IL MSA #41180 and is adjacent to FNB’s primary AA. Based on 2010 Census data, Bond County has four middle-income geographies.

The 2013 HUD adjusted median family income for the AA is \$69,200. AA families are 19% low- and 18% moderate-income. The following table provides additional demographic information on the AA:

Demographic Information for Full Scope Area: Vandalia FNB - Bond County IL					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	4	0.00	0.00	100.00	0.00
Population by Geography	17,768	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	5,078	0.00	0.00	100.00	0.00
Business by Geography	1,388	0.00	0.00	100.00	0.00
Farms by Geography	181	0.00	0.00	100.00	0.00
Family Distribution by Income Level	4,457	19.43	17.77	25.87	36.93
Distribution of Low and Moderate Income Families throughout AA Geographies	1,658	0.00	0.00	100.00	0.00
Median Family Income		67,013	Median Housing Value		111,286
HUD Adjusted Median Family Income for 2013		69,200	Unemployment Rate (2010 US Census)		5.51%
Households Below Poverty Level		11%			

*Source: 2010 US Census and 2013 HUD updated MFI*

In Bond County, non-agricultural wage and salaried employment decreased from 8,486 in December 2009 to 7,950 in September 2013, a decrease of 6%. The unemployment rate decreased from 11% to 7% during the same period. Major employers in Bond County include Greenville College, Greenville Regional Hospital, U.S. Bureau of Prisons, Carlisle Syntec, Demoulin Bros. & Co., and United Stationers.

FNB’s deposits in this AA total \$49 million as of June 30, 2013. FNB is the second largest deposit taking institution in Bond County with a 17% market share based upon FDIC deposit data. Competition for financial services is moderate with five other financial institutions located in this AA. The top three competitors include The Bradford National Bank of Greenville, Midland States Bank, and National Bank.

We contacted an individual with the affordable housing authority in Marion County. 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 AAs given the demographics, economic factors, competitive pressures, credit needs of the community, and other lending-related activity.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable. As of September 30, 2013, FNB's LTD was 62%. The bank's quarterly average of LTD ratios since the last CRA evaluation was 61%. This ratio is higher than five and lower than three comparable financial institutions. The quarterly average LTD ratio of these banks, with assets between \$34 million and \$300 million and located within FNB's AAs, ranges from 39% to 79% for the same period.

### Lending in Assessment Area

A substantial majority of loans by number (88%) and by dollar volume (85%) were made within FNB's AAs.

<b>Lending in Bond, Fayette, and Marion Counties</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Business	37	93%	3	7%	40	2,798	98%	51	2%	2,849
Farm	36	90%	4	10%	40	2,748	90%	296	10%	3,044
RRE	375	87%	56	13%	431	29,696	83%	6,064	17%	35,760
Totals	448	88%	63	12%	511	35,242	85%	6,411	15%	41,653

*Source: RRE loan data reported under 2012-2013 HMDA, sample of 40 commercial and 40 farm loans originated between January 1, 2012 and December 31, 2013.*

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

FNB's lending distribution to borrowers of different income levels and to businesses and farms of different sizes reflects reasonable penetration. We placed more weight on the Fayette County and Northwest Marion County AA because most of the bank's deposits (81% as of June 30, 2013) are from this area.

#### Fayette County and Northwest Marion County (Non-MSA AA)

The bank's lending distribution to borrowers of different income levels and to farms and businesses of different sizes in this AA reflects 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 (10.3%) and the barriers this may have on home ownership.

<b>Borrower Distribution of Residential Real Estate Loans in Fayette County and NW Marion County</b>								
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	20.4%	13.6%	17.0%	18.2%	24.0%	21.8%	38.6%	46.4%
Home Improvement	20.4%	13.3%	17.0%	13.3%	24.0%	26.7%	38.6%	46.7%
Home Mortgage Refinance	20.4%	5.4%	17.0%	28.9%	24.0%	27.1%	38.6%	38.6%

Source: RRE loan data reported under 2012-13 HMDA and 2010 U.S. Census Data.

**Farm Loans**

The distribution of loans to farms of different sizes is more than reasonable. For 2012-2013, all loans were made to small farms within the AA.

<b>Borrower Distribution of Loans to Farms in Fayette County and NW Marion County</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100.00%	0.0%	0.0%	100%
% of Bank Loans in AA by #	100.00%	0.0%	0.0%	100%
% of Bank Loans in AA by \$	100.00%	0.0%	0.0%	100%

Source: Sample of 20 farm loans; 2012 Business Geodemographic Data

**Business Loans**

The distribution of loans to businesses of different sizes is reasonable based on a sample of 20 loans originated or purchased during 2012 and 2013. Small businesses are those businesses with gross annual revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in Fayette County and NW Marion County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.6%	3.5%	27.9%	100%
% of Bank Loans in AA by #	80.0%	20.0%	0%	100%
% of Bank Loans in AA by \$	65.6%	34.4%	0%	100%

Source: Sample of 20 business loans; 2012 Business Geodemographic Data.

**Bond County (MSA AA)**

The bank’s lending distribution to borrowers of different income levels and to farms and businesses of different sizes in this AA reflects excellent penetration.

**Residential Real Estate Loans**

The borrower distribution of RRE loans originated or purchased during the evaluation period is more than reasonable. In evaluating the borrower distribution, we considered the percentage of families who live below the poverty level (7.4%) and the barriers this may have on home ownership. Home improvement loans were not considered due to the low number of loans extended during the evaluation period (5).

<b>Borrower Distribution of Residential Real Estate Loans in Bond County</b>								
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	19.4%	23.1%	17.8%	19.2%	25.9%	15.4%	36.9%	42.3%
Home Improvement	19.4%	0.0%	17.8%	0.0%	24.0%	60.0%	38.6%	40.0%
Home Mortgage Refinance	19.4%	15.8%	17.8%	26.3%	24.0%	23.7%	38.6%	34.2%

Source: RRE loan data reported under 2012-13 HMDA and 2010 U.S. Census Data.

**Farm Loans**

The distribution of loans to farms of different sizes is reasonable in 2012-2013 given the number of farms (180) located in the CTs and the high competition for farm loans.

<b>Borrower Distribution of Loans to Farms in Bond County</b>				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.5%	0.0%	0.5%	100%
% of Bank Loans in AA by #	85.0%	15.0%	0.0%	100%
% of Bank Loans in AA by \$	90.0%	10.0%	0.0%	100%

Source: Sample of 20 farm loans; 2012 Business Geodemographic Data

**Business Loans**

The distribution of loans to businesses of different sizes is more than reasonable based on a sample of 20 loans originated or purchased during 2012 and 2013. Small businesses are those businesses with gross annual revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in Bond County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.0%	2.0%	25.0%	100%
% of Bank Loans in AA by #	95.0%	5.0%	0%	100%
% of Bank Loans in AA by \$	93.0%	7.0%	0%	100%

Source: Sample of 20 business loans; 2012 Business Geodemographic Data.



### Geographic Distribution of Loans

FNB’s geographic distribution of loans reflects reasonable dispersion within the AAs. This assessment is based solely on our analysis of Fayette County and Northwest Marion County (Non-MSA AA). The Bond County (MSA AA) had no low- or moderate-income geographies per the 2010 Census, so an analysis of that data would be meaningless. The bank lends in all CTs of the AAs.

#### Residential Real Estate Loans

The geographic distribution of RRE loans is reasonable for loans originated or purchased in 2012 and 2013.

<b>Geographic Distribution of Residential Real Estate Loans in Fayette County and NW Marion County</b>								
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	N/A	N/A	22.0%	16.5%	78.0%	83.5%	N/A	N/A
Home Improvement	N/A	N/A	22.0%	33.3%	78.0%	66.7%	N/A	N/A
Home Mortgage Refinance	N/A	N/A	22.0%	16.9%	78.0%	83.1%	N/A	N/A

Source: RRE loan data reported under 2012-2013 HMDA; 2010 U.S. Census Data.

#### Farm Loans

The geographic distribution of farm loans reflects reasonable dispersion.

<b>Geographic Distribution of Loans to Farms in Fayette County and NW Marion County</b>								
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 Loans	N/A	N/A	22%	20%	78%	80%	N/A	N/A

Source: Sample of 20 farm loans; 2012 Business Geodemographic Data

**Business Loans**

The geographic distribution of commercial loans reflects an excellent dispersion in the AA.

<b>Geographic Distribution of Commercial Loans in Fayette County and NW Marion County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	NA	NA	15%	20%	85%	80%	NA	NA

*Source: Sample of 20 commercial loans; 2012 Business Geodemographic Data*

**Responses to Complaints**

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