



## **PUBLIC DISCLOSURE**

April 22, 2014

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

The First National Bank of Sparta  
Charter Number 7015

Broadway and Market Streets  
Sparta, IL 62286

Office of the Comptroller of the Currency

500 North Broadway, 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 are:

- Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is reasonable.
- A substantial majority of loans are originated within the assessment area (AA).
- The loan-to-deposit ratio is reasonable.

**SCOPE OF EXAMINATION**

This Performance Evaluation of The First National Bank of Sparta (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 FNB's record of helping to meet the credit needs of its AA through its lending activities.

FNB has one AA, part of Randolph County in Illinois. The AA received a full-scope review. The evaluation period is from December 10, 2007 through April 21, 2014. We based our conclusions regarding the bank's lending performance on FNB's primary loan products, consumer and business loans. An analysis of FNB's loan originations in 2012 and 2013 indicates consumer loans (85% by number and 30% by dollar) and business loans (9% by number and 46% by dollar) comprise the largest portion of the loans originated.

We selected a sample of 20 consumer and 20 business loans that FNB originated from January 1, 2012 through December 31, 2013 for analysis. We placed more weight on consumer loans because the number of consumer loans made (85%) significantly exceeded the number of business loans made (9%).

**DESCRIPTION OF INSTITUTION**

FNB is an intrastate bank with one office located in Sparta, Illinois, which has a deposit-taking automated teller machine (ATM) on the premises. This office is located in a middle-income census tract (CT 9506). There is also a standalone non-deposit taking ATM at a separate location in Sparta. Management has neither opened nor closed any branches since the prior evaluation.

FNB is wholly owned by First Bankcorp of Sparta, Ltd., a one-bank holding company located in Sparta. FNB's assets represent substantially all of the holding company's assets. There have been no changes in the bank's corporate structure since the last

CRA evaluation. FNB has no affiliates or subsidiaries, nor has there been any merger or acquisition activity during the evaluation period.

FNB offers a full range of loan and deposit products and services to its customers. FNB’s business focus during the sampling period was originating consumer and business loans. As of March 31, 2014, FNB has total assets of \$80 million, total deposits of \$71 million, net loans of \$35 million, and a net Tier 1 Capital of \$9 million. Net loans represent 44% of total assets. The outstanding loan portfolio consists of residential real estate loans (50%), business loans (27%), consumer loans (16%), and agricultural loans (7%).

There are no legal, financial, or other factors impeding FNB’s ability to help meet the credit needs of the AA it serves. FNB was rated “Satisfactory” at its last CRA evaluation dated December 10, 2007.

## DESCRIPTION OF ASSESSMENT AREA

FNB’s AA includes CTs 9505, 9506, and 9507 in northeast Randolph County, Illinois. This AA is a non-Metropolitan Statistical Area (non-MSA). All CTs in Randolph County are designated as middle-income geographies based on the 2010 census data. Randolph County is located along the Mississippi River in southern Illinois. Although FNB’s AA is smaller than the entire Randolph County, it is reasonable due to the bank’s size and its only office in Sparta, IL. Randolph County is generally rural. The AA meets the regulatory requirements and does not arbitrarily exclude any low- and moderate-income geographies.

Below is some key 2010 Census information for the AA:

Demographic Information for Full Scope Area: FNB’s AA – 2010 Census					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	3	0.00	0.00	100.00	0.00
Population by Geography	9,336	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	3,226	0.00	0.00	100.00	0.00
Business by Geography	660	0.00	0.00	100.00	0.00
Farms by Geography	75	0.00	0.00	100.00	0.00
Family Distribution by Income Level	2,697	15.90	24.25	24.51	35.34
Household Distribution by Income Level	4,157	23.45	16.19	22.90	37.45
Distribution of Low and Moderate Income Families throughout AA Geographies	1,083	0.00	0.00	100.00	0.00
Median Household Income		41,887	Median Housing Value		76,550
FFIEC Adjusted Median Family Income (MFI) for 2013		56,200	Unemployment Rate (April 2014)		6.2%
Households Below Poverty Level		13%			

Source: 2010 US Census and 2013 FFIEC updated MFI

Major employers include the Menard State Correctional Facility, Chester Mental Health Center, Spartan Light Metal Products, Baldwin Power Plant, Gilster-Mary Lee Corporation, CTS Technology Solutions, Inc., Sparta Community Hospital, Medstar Ambulance, Black Beauty Coal Company, and Knight Hawk Coal Company.

The area economy is starting to improve. As of April 2014, the unemployment rate in Randolph County is 6.2%, lower than the State of Illinois rate of 7.2%. In April 2010, at the height of the recession, the county and state unemployment rates were 8.9% and 10.7%, respectively. Unemployment rates are declining but remain above pre-recession levels.

Bank competition is strong. As of June 30, 2013, nine financial institutions operate 21 offices in Randolph County. FNB ranks 5<sup>th</sup>, with a 9.45% deposit market share.

We contacted a local city official who was knowledgeable about the areas served by the bank. 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 AA given the bank's small size, limited presence, product offerings, improving but poor economy, and strong competitive pressures.

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

FNB's loan-to-deposit (LTD) ratio is reasonable given its one office, the strong competition, and its business strategy. FNB's quarterly average LTD ratio since the last CRA evaluation is 54%. This is comparable to the ratios of four other community banks of similar size and location whose quarterly averages ranged from 48% to 68% for the same period. FNB's LTD ratio is higher than one and lower than three of these banks with assets between \$43 million and \$211 million.

### **Lending in Assessment Area**

FNB originated a substantial majority of its loans inside the AA. We sampled 20 loans each of the bank's two primary loan products, consumer loans and business loans. Based on our sample of 40 loans, 85% by number and 95% by dollar amount were made within the bank's AA.

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

FNB's lending distribution to borrowers of different income levels and to businesses of different sizes reflects reasonable penetration in the AA. We placed more weight on consumer loans because they represented the largest percentage of loans originated by the bank during this evaluation period.

**Consumer Loans**

The borrower distribution of consumer loans is reasonable. The percentage of loans made to low-income borrowers (30%) exceeds the percentage of AA households that are low-income (23%). The percentage of loans to moderate-income borrowers (25%) also exceeds the percentage of AA households that are moderate-income (16%).

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Consumer Loans	23%	30%	16%	25%	23%	25%	38%	20%

Source: Sample of 20 consumer loans originated in 2012 and 2013, and 2010 Census data.

**Business Loans**

The borrower distribution of business loans is reasonable. The percentage of loans to businesses with revenues of \$1 million or less (85%) exceeds the percentage of AA businesses with revenues of \$1 million or less (71%).

Borrower Distribution of Business Loans in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71%	4%	25%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	53%	47%	0%	100%

Source: Sample of 20 business loans originated in 2012 and 2013, and 2013 business data

**Geographic Distribution of Loans**

The geographic distribution of loans is not meaningful as the bank’s entire AA consists of middle-income census tracts.

**Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet community credit needs since the last 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.