



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 10, 2007

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

St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103

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.

All of the lending performance components meet the standards for satisfactory performance. The factors supporting this rating are:

- The bank's lending levels are satisfactory based on an average loan-to-deposit ratio of 56%, which is comparable to similar competing banks.
- Lending within the bank's assessment area (AA) is satisfactory. Of the bank's loans sampled, 65% were made to borrowers in the AA.
- The bank's lending to borrowers of different incomes exceeds standards. Of the bank's loans sampled, 30% were made to moderate-income borrowers; moderate-income families only accounted for 21% of the families in the AA.
- The bank's distribution of loans to small businesses exceeds standards. Based on a sample of commercial loans in the bank's AA, 85% of commercial loans were made to businesses with an annual income of less than \$1 million; only 59% of the businesses in the AA reported having revenues less than \$1 million.

SCOPE OF EXAMINATION

The examination was conducted using full-scope procedures. We reviewed data on residential real estate and small business loans originated between January 1, 2005 and August 30, 2007.

DESCRIPTION OF INSTITUTION

The First National Bank of Sparta (FNB) is an intrastate bank with assets of approximately \$64 million at September 30, 2007. The bank operates one office, which has an ATM, in downtown Sparta, Illinois. Management has neither opened nor closed any branches.

FNB is wholly owned by First Bancorp 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 examination period.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is one- to four-family residential real estate. As of September 30, 2007, net loans totaled approximately \$32 million, representing 50% of total assets. The composition of the loan portfolio

included 48% residential real estate, 25% commercial, 18% individual, 7% agriculture, and 2% construction loans. Net Tier One Capital totaled approximately \$8 million.

There are no legal, financial or other known factors impeding the bank's ability to help meet the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. FNB's last CRA evaluation was May 14, 2002, and the bank was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's designated AA encompasses census tracts 9505, 9506 and 9507 of Randolph County, which is a non-Metropolitan Statistical Area (non-MSA). All of these tracts are designated as middle-income based on the 2000 census weighted average non-MSA median family income of \$43,531. Although this AA is smaller than an entire county, it is reasonable based on the bank's size. This is a contiguous area and meets the criteria of the regulation.

The 2000 census indicated the AA population was 13,247 and included 2,779 families. The HUD adjusted weighted average median family income for 2007 was \$50,600. Based on this income figure, 21% of these families were low-income, 21% were moderate-income, 27% were middle-income, and 31% were upper-income. Approximately 13% of all households were living below poverty.

The 2000 census data indicated that there were 4,489 total housing units in the AA. Owner-occupied units totaled 3,097 or 69%, renter-occupied units totaled 895 or 20%, and vacant units totaled 497 or 11%. The median age of housing was 44 years old and the median price was \$53,693.

The AA had 719 businesses in 2007. Of the total number of businesses, 424 or 59% reported annual revenues of less than \$1 million, 22 or 3% reported annual revenues greater than \$1 million, and 273 or 38% did not report revenue. The unemployment rate in Randolph County was 5.8% as of July 2007 compared to a nationwide rate of 4.9% and a statewide rate of 5.4%.

Competition within the AA is strong with ten banking institutions in Randolph County. Of the ten banks, two are large bank branches and the other eight are small community banks. Four of these banks, including FNB, have branches in Sparta.

We contacted two community groups to further our understanding of the community's credit needs. Our contacts did not identify any unmet credit needs and advised that local banks are involved in the community.

Major employers include Ameren IP's Baldwin Generating Plant, CTS Telecommunications Service, Gilster Mary Lee Corporation, Medstar Ambulance, Powdered Coatings, Sparta Community Hospital, and Spartan Light Metal Products, Inc.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB does a more than reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income families and small businesses, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is satisfactory. As of September 30, 2007, FNB's LTD ratio was 59%. Its quarterly average LTD ratio since the 2002 CRA examination was 56%. This was comparable to the ratios of four competing banks whose quarterly averages ranged from 37% to 72%. FNB's LTD ratio was higher than two and lower than two of these banks. These four competing banks are similarly situated based on size and location.

Lending in Assessment Area

Lending in the AA is satisfactory. The majority of the bank's loans originated since the last CRA examination were made in the AA. Out of 20 loans sampled, 65% by number and 82% by dollar were made within the AA.

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

The bank's lending to borrowers of different incomes and to businesses of different sizes exceeds standards.

The overall distribution of home mortgage loans exceeds standards. The bank's lending to moderate-income borrowers exceeds the percentage of families in the moderate-income category in the AA. The bank's lending to low-income borrowers is lower than the percentage of families in the AA; however, the AA's poverty level is 13%. The data used to evaluate FNB's lending activity is presented below. Income information was not available for one borrower (5%) in our sample.

Borrower Distribution of Residential Real Estate Loans in Randolph County								
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 Mortgage	21%	10%	21%	30%	27%	10%	31%	45%

Source: Sample of 20 loans originated in the AA between January 1, 2005 and August 30, 2007; and 2007 HUD updated median family income.

The bank’s distribution of loans to small businesses exceeds standards. The percentage of loans to businesses with revenues less than \$1 million (85%) is significantly higher than the 59% of businesses in the AA that report this level of revenues; however, 38% of the businesses in the AA have unknown revenues. Data used to evaluate FNB’s business lending is presented in the following table.

Borrower Distribution of Loans to Businesses in Randolph County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59%	3%	38%	100%
% of Bank Loans in AA by #	85%	5%	10%	100%
% of Bank Loans in AA by \$	52%	44%	4%	100%

Source: Sample of 20 business loans originated between January 1, 2005 and August 30, 2007; and 2007 Dun and Bradstreet 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.

Response to Complaints

Neither the bank nor the OCC has received any CRA-related complaints since the last CRA examination.

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.