



PUBLIC DISCLOSURE

January 4, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The First National Bank
Charter # 4994
432 West Gallatin Street
Vandalia, Illinois 62471

Comptroller of the Currency
Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

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 financial supervisory agency 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 the **The First National Bank**, Vandalia, Illinois, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **January 4, 1999**. This evaluation is based on information since the last CRA examination dated September 20, 1995. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- The level of lending to borrowers of different income levels is reasonable based on our sample of 1-4 family residential lending activities.
- The bank lends to businesses of all different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank's loan-to-deposit ratio is above most competing banks at 70% as of September 30, 1998. The bank's average loan-to-deposit ratio for the last thirteen quarters is 68%.
- A substantial majority of the loans are extended within the bank's assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank (FNB) is a \$127 million bank which is owned by First Vandalia Corporation, a one-bank holding company located in Vandalia, Illinois. The main office is in the downtown area of Vandalia. FNB operates two branches located in Ramsey and Patoka, Illinois. The main office and the branches operate drive-up facilities. Automated Teller Machines offer services at the main office, the Ramsey branch, an Amoco Service Station, and a Ponderosa Restaurant in Vandalia. FNB offers a full range of retail and commercial banking products. Net loans represent 60% of total assets as of September 30, 1998. The bank's primary business focus is in business and residential real estate lending. As of September 30, 1998, 1-4 family residential real estate loans comprise 33% of the loan portfolio; business loans, 30%; agriculture-related loans, 22%; consumer loans, 13%; and all other loans, 2%.

No financial or legal constraints impede the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated September 20, 1995, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The assessment area (AA) consists of all of Fayette County and the northwestern section of Marion County. The AA includes Block Numbering Areas (BNAs) 9505 through 9511 in Fayette County and BNA 9517 in Marion County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Fayette and Marion Counties are non-Metropolitan Statistical Areas (MSA). Based on the non-MSA median family income for the entire assessment area in 1990, seven BNAs (88%) are middle income and BNA 9506 (12%) in Fayette County is moderate income. The economy is primarily based on agriculture, with some manufacturing and other service-related businesses and retail stores. Major employers are state and county government, with the correctional institution being the largest employer. Also, Owens-Brockway, Inc., Forsheida, Inc., Orgil Corporation, and a hospital provide significant employment. Economic conditions have remained relatively stable; however, low grain and livestock prices may adversely impact the AA. As of November 30, 1998, the unemployment rate is 8.1% for Fayette County, 7.1% for Marion County, and 4.1% for the State of Illinois; the national average is 4.4%.

The AA population was 23,612, as of the 1990 census. The updated non-MSA median family income in Illinois for 1998 is \$39,500. Census information on family incomes aggregated for this AA indicated that 22% of families were considered low-, 21% moderate-, 26% middle-, and

31% upper-income. This census demographic data for the AA shows that 18% of the population is age 65 and over, 16% of the households are in retirement, and 15% of the households are below the poverty level.

The census information indicates the weighted average of median housing value is \$33,066 and the weighted average of median year of construction is 1958. Owner-occupied units represent 70% of the housing stock, with 80% being 1-4 family units.

FNB's competition is strong. It comes from four other banks in FNB's AA and from three branch offices in Vandalia of other financial institutions located outside of FNB's AA. Competitor banks in the AA range from \$15 million to \$28 million in total assets as of September 30, 1998. The bank's business strategy is to remain competitive and serve the local credit needs with emphasis being placed on business, real estate, and agriculture-related loans.

A community contact was performed with an area real estate agency during the evaluation. The contact indicated that the local financial institutions are serving the credit needs of the community. The contact stated the financial institutions are providing residential real estate loans for affordable housing for low- and moderate-income families, with some programs having as little as 0% down payment; however, there is a shortage of lower priced housing in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

The bank's primary product lines are business loans and residential real estate lending. Lending to borrowers of different income levels and to businesses of different sizes is satisfactory.

To reach our conclusions, we sampled 1-4 family residential real estate loans and business loans originated in 1997 and 1998. These types of loans represented approximately 24% and 43%, respectively, of all originations during that period. Also, FNB originated 14 fixed rate residential real estate loans for \$1,041,000 in 1997 and 1998. These credits were sold on the secondary market.

The loan distribution shown below for residential real estate lending is somewhat misleading due to a relatively high population of persons over the age of 65, the number of households in retirement, and the number of households below the poverty level. The 1990 census demographic data for the AA shows that 18% of the population is age 65 and over, 16% of the households are in retirement, and 15% of the households are below the poverty level. Also, the unemployment statistics for Fayette and Marion Counties are relatively high compared to state and national averages. The above-mentioned population consists generally of low- or moderate-income households who rarely seek residential real estate financing.

The following table shows the distribution of loan originations for 1-4 family residential real estate borrowers of different income levels within the AA:

Income Levels	# of Loans	% of Loans #	Loan \$ (000's)	% of Loans \$	Assessment Area Family Income
<i>Low Income</i>	2	7%	78	6%	22%
<i>Moderate Income</i>	8	26%	218	15%	21%
<i>Middle Income</i>	11	37%	588	41%	26%
<i>Upper Income</i>	9	30%	536	38%	31%

FNB extends credit to businesses of all sizes. The following table reflect the distribution of business-related loan originations by size of annual revenues.

Distribution by Business Gross Revenue

	Under \$100M		\$100M-\$250M		\$250M-\$500M		\$500M-\$1MM		Over \$1MM	
#	10	31%	5	16%	6	19%	3	9%	8	25%
\$ (000's)	139	8%	124	7%	356	22%	112	7%	924	56%

Based on 1990 business demographic data, 92% of nonfarm-related businesses have total revenues of less than \$1,000,000.

Geographic Distribution of Loans:

The geographic distribution of sampled loan originations in 1997 and 1998 reflects adequate penetration throughout the assessment area. There are no low- or upper-income BNAs identified in FNB's AA. Residential lending was provided in most BNAs. Our sample revealed that only one residential real estate was extended in the moderate-income BNA; however, this area is primarily being serviced by the First National Bank of Brownstown. Also, according to the 1990 census, only 10% of the 1-4 family housing units were located in a moderate-income BNA. The following tables illustrates the geographic distribution of residential real estate loan originations sampled.

Distribution of Home Mortgage Loan Originations in 1997 and 1998 Within Assessment Area By Income Level of BNAs								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
Assessment Area Data	#	%	#	%	#	%	#	%
BNAs	0	0%	1	12%	7	88%	0	0%
1-4 Family Units in AA	n/a	0%	1,002	10%	8,766	90%	n/a	0%
Loan Product	#	%	#	%	#	%	#	%
Sample of Mortgage Loans	n/a	0%	1	3%	29	97%	n/a	0%

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio is satisfactory. The loan-to-deposit ratio as of September 30, 1998, was 70%. The bank's average loan-to-deposit ratio for the thirteen quarters since the previous CRA evaluation was 68%. FNB's loan-to-deposit ratio grew during that period from 67%. The loan-to-deposit ratios of four separately chartered competitor banks ranged from 52% to 90% as of September 30, 1998. Only one competitor bank exceeded FNB's loan-to-deposit ratio as of June 30, 1998. The competitor banks are considered similarly situated institutions as they are all community banks in rural communities, where agriculture is an important part of the economy.

Lending in the Assessment Area:

Lending in the assessment area is satisfactory. Based on our sample of residential real estate and business loans, a majority of the bank's loans are within its assessment area. The following tables represent the results of our sample of loans.

Percentage of Real Estate Loans by Number and Dollar Amount Within Assessment Area

Total Number of Loans Sampled	% of Loans Within AA (#)	Total \$ Amount of Loans Sampled (000's)	% of Loans Within AA (\$)
37	81%	\$1,818	78%

Percentage of Business Loans by Number and Dollar Amount Within Assessment Area

Total Number of Loans Sampled	% of Loans Within AA (#)	Total \$ Amount of Loans Sampled (000's)	% of Loans Within AA (\$)
32	88%	\$1,655	82%

Response to Complaints:

No complaints were received since the prior CRA evaluation.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of these antidiscrimination laws and regulations were identified.