



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 3, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Sandoval
Charter Number 9786**

**302 N. Main Street
Sandoval, IL 62882**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The level of lending to low- and moderate-income individuals shows very good penetration based on the demographics of the community and credit needs of the assessment area.
- The geographic distribution of loans reflects a good dispersion throughout the assessment area.
- The bank's level of lending is reasonable. The bank's average loan-to-deposit ratio is 52% and is comparable to similarly situated area banks.
- A substantial majority of the bank's loans were made in the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Sandoval (FNB) had assets of approximately \$43 million at December 31, 2001. FNB is wholly owned by First Sandoval Bancorp, Inc., a one-bank holding company located in Sandoval, Illinois. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates one office with a non-depository automated teller machine in downtown Sandoval. Management has neither opened nor closed any branches.

FNB offers a full range of retail and commercial banking products normally associated with a small community bank. FNB is primarily a residential real estate and consumer lender. As of December 31, 2001, net loans totaled approximately \$16 million, representing 39% of total assets. The composition of the loan portfolio included 43% residential real estate, 10% agriculture, 25% consumer, and 22% commercial loans.

There are no legal or financial impediments to 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, local economic conditions, and the credit needs of the community. FNB's last CRA evaluation was April 26, 1999, and we rated the bank Needs to Improve.

DESCRIPTION OF ASSESSMENT AREA

Management designated the eastern portion of Marion County as its assessment area (AA). The AA includes Block Numbering Areas (BNAs) 9517, 9518, 9519, 9523, 9524, 9525, 9526, and 9527 in Marion County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The bank is located in

moderate income BNA 9518.

Marion County is a non-Metropolitan Statistical Area (non-MSA). Based on the non-MSA median family income in 1990, one BNA or 12.5% is classified as upper income, four BNAs or 50% are classified as middle income, and three BNAs or 37.5% are classified as moderate income.

As of the 1990 census, the population in the bank's AA totaled 26,245, which included 7,354 families. Of these families, 25% were classified as low income, 17% as moderate income, 21% as middle income, and 37% as upper income. The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2001 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$44,900. We used the 2001 updated figure in our analysis to determine the borrower income levels.

The 1990 census demographic data for the AA shows that 17% of the population is age 65 and over, 16% of households are in retirement, and 17% of households live below the poverty level. The median housing value is \$34,262 and the median age of the housing stock is 43 years. Owner-occupied units represent 67% of the housing stock, with 78% being 1-4 family units.

Primarily manufacturing, service-related businesses, and retail stores support the local economy. Sandoval is considered a "bedroom" community, as many of the local residents commute to the larger cities for employment. Major employers include Meridian, North American Lighting, St. Mary's Hospital, Gilster Mary Lee, and the Centralia Corrections Center.

The local economy is depressed. The annual average unemployment rate in 2001 for Marion County was 10.8%. Since the beginning of 2001, there have been numerous manufacturing layoffs due to plant workforce reductions and plant closings. The unemployment trend is improving, but the steady decline in manufacturing jobs continues to be a major concern. The April 2002 unemployment rate for Marion County is 9.8%. This ratio compares unfavorably to the state rate of 6.1% and the national rate of 5.7%.

Competitive pressures are strong and come primarily from larger financial institutions located in communities surrounding the bank's AA. FNB is the only financial institution in the town of Sandoval, Illinois. There are approximately 19 offices of 12 different banks operating in Marion County. This number does not include the sundry credit unions, mortgage companies, farm services, and insurance company offices that now offer loan products.

To further our understanding of the community's credit needs, we performed one community contact with a local government official. Our contact identified that residential real estate loans are the primary credit need of the community. The community contact feels that FNB and one other financial institution located in close proximity to the bank are very dedicated to meeting these needs. Our contact did not identify any unmet credit needs and knows of no community development or other credit-related projects available for participation by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB does a good job of meeting the credit needs of its AA, including those of low- and moderate-income people.

Lending to Borrowers of Different Incomes

The bank's lending distribution to borrowers of different income levels is very good.

FNB's primary loan products are residential real estate loans and consumer loans. Residential real estate loans comprise the largest portion of the loan portfolio by dollar, and consumer loans comprise the largest portion of the loan portfolio by number.

Using only loans made in the AA, we sampled 20 residential real estate loans and 20 consumer loans originated from January 1, 2000, through May 31, 2002. The facts and data used to evaluate FNB's lending activity are presented in the following tables.

Distribution by Borrower Income Level 1-4 Family Residential Real Estate Loans

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	6	30%	110	26%	25%
<i>Moderate Income</i>	7	35%	170	39%	17%
<i>Middle Income</i>	3	15%	36	8%	21%
<i>Upper Income</i>	4	20%	116	27%	37%

Distribution by Borrower Income Level Consumer Loans

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Household Income
<i>Low Income</i>	14	70%	68	50%	27%
<i>Moderate Income</i>	2	10%	24	18%	17%
<i>Middle Income</i>	2	10%	22	16%	17%
<i>Upper Income</i>	2	10%	22	16%	39%

Geographic Distribution of Loans

The geographic distribution of loans is good. Our conclusion was based on the sample of

residential real estate and consumer loans discussed above. The findings of these analyses are presented in the following tables.

1-4 Family Residential Real Estate Loans

BNA Income Level	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	% Owner Occupied Housing Units
<i>Low Income (a)</i>	0	0%	0	0%	0%
<i>Moderate Income (b)</i>	10	50%	187	43%	37%
<i>Middle Income (c)</i>	10	50%	245	57%	47%
<i>Upper Income (d)</i>	0	0%	0	0%	16%

Consumer Loans

BNA Income Level	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	% of Households
<i>Low Income (a)</i>	0	0%	0	0%	0%
<i>Moderate Income (b)</i>	13	65%	101	74%	41%
<i>Middle Income (c)</i>	7	35%	35	26%	45%
<i>Upper Income (d)</i>	0	0%	0	0%	14%

- (a) 0 low-income BNAs in AA
- (b) 3 moderate-income BNAs in AA
- (c) 4 middle-income BNAs in AA
- (d) 1 upper-income BNA in AA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable. As of March 31, 2002, the bank's loan-to-deposit ratio was 57%. FNB's quarterly average loan-to-deposit ratio since the 1999 CRA evaluation was

52%. This compared satisfactorily to five competing banks in the area whose quarterly average ratios ranged from 43% to 66%. Bank management identified these five competing banks and felt they were similarly situated due to their size and because they had no branching networks.

Lending in Assessment Area

Lending in the AA is satisfactory. A substantial majority of the bank's loans originated since the last CRA evaluation were made in the AA. A sample of 20 residential real estate loans made since the last CRA evaluation found that 100% by number and 100% by dollar were made within the bank's AA. A sample of 20 consumer loans made since the last CRA evaluation found that 85% by number and 96% by dollar were made within the bank's AA.

Responses to Complaints

No CRA-related complaints have been received since the prior CRA evaluation.

Fair Lending Review

We analyzed three years of public comments and consumer complaint information according to the OCC's risk-based fair lending approach. Based on our analysis of the information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1999.