



PUBLIC DISCLOSURE

March 20, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Sandoval
Charter Number 9786

302 N. Main Street
Sandoval, IL 62882

Office of the Comptroller of the Currency

St. Louis Field Office
500 N. 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 supporting the institution's rating are:

- The bank's distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The bank's geographic distribution of loans reflects reasonable dispersion.
- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable.
- The bank originated or purchased a majority of loans within its assessment area (AA).

SCOPE OF EVALUATION

This Performance Evaluation of the First National Bank of Sandoval (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.

The evaluation period is from February 19, 2008 through March 20, 2014. Conclusions regarding FNB's lending performance are based on their primary loan products consisting of business (non-agricultural loans) and consumer loans. FNB originated or purchased more consumer loans than business loans, by number and dollar, during the sampling period. Therefore, we placed more weight on consumer loans for the borrower and geographic distribution loan analyses. Our review was based on a sample of twenty business loans and twenty consumer loans that FNB originated or purchased from January 1, 2012 through December 31, 2013.

DESCRIPTION OF INSTITUTION

FNB is a nationally chartered, intrastate bank located in Sandoval, Illinois. First Sandoval Bancorp, Inc., a one-bank holding company, wholly owns FNB. FNB is located in a middle-income geography and does not have any branches. The bank has two cash-withdrawal-only automated teller machines (ATMs), one on the premises and one in Odin, Illinois. There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of the AA it serves.

As of December 31, 2013, FNB reported total assets of \$47 million and Net Tier One Capital of \$5 million. FNB's business strategy focuses on the origination of consumer and business loans. As of December 31, 2013, net loans and leases represented 45% of total assets and consisted of residential real estate loans (58%), consumer loans (25%), commercial and commercial real estate loans (10%), and other loans (7%).

FNB was rated "Satisfactory" at its last CRA evaluation dated February 19, 2008.

DESCRIPTION OF ASSESSMENT AREA

FNB's AA consists of the western portion of Marion County and is comprised of two moderate- (9526 and 9527) and six middle-income geographies (9517, 9518, 9519, 9523, 9524, and 9525). The two moderate-income geographies are located in Central City and Centralia, IL, approximately four to six miles from FNB. FNB's opportunity to make consumer and business loans in the two moderate-income geographies is affected by local competition. There are nine financial institutions closer to these two geographies than FNB, with five located in geography 9526 and one in 9527. This competition also affects FNB's opportunities to make loans to moderate-income borrowers, as more moderate-income borrowers reside in these two geographies when compared to other geographies within FNB's AA. The AA conforms to regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies.

FNB's deposits totaled \$43 million as of June 30, 2013. FNB is the seventh largest deposit-taking institution in Marion County with a 6% market share based upon FDIC deposit data. Competition for financial services is strong with twelve other financial institutions located in the county. The three largest financial institutions consist of Peoples National Bank, N.A., Marion County Savings Bank, and Regions Bank.

The 2013 Federal Financial Institutions Examination Council (FFIEC) estimated statewide non-metropolitan area median family income for the AA is \$56,200. Twenty-eight percent and 17% of households are low- and moderate-income, respectively. The median housing value for the AA based on 2010 census data is \$67,743. The following is additional demographic data for the AA.

DEMOGRAPHIC DATA FOR FNB'S 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	23,952	0.00	24.68	75.32	0.00
Owner-Occupied Housing by Geography	7,508	0.00	18.99	81.01	0.00
Business by Geography	1,599	0.00	36.65	63.35	0.00
Farms by Geography	139	0.00	5.04	94.96	0.00
Family Distribution by Income Level	6,837	23.56	19.22	22.38	34.84
Household Distribution by Income Level	10,018	28.18	17.25	17.09	37.48
Distribution of Low and Moderate Income Families throughout AA Geographies	2,925	0.00	28.62	71.38	0.00
Median Family Income		54,549	Median Housing Value		67,743
FFIEC Estimated Median Family Income for 2013		56,200	Unemployment Rate		11%
Households Below Poverty Level		16%	(December 2013)		

Source: 2010 US Census and 2013 FFIEC updated MFI

In Marion County, non-agricultural wage and salaried employment decreased from 18,284 in February 2008 to 17,195 in December 2013, a decrease of 6%. The unemployment rate increased from 8% to 11% during the same period. The state of Illinois unemployment rate was 9% as of December 2013. Major industries consist of healthcare, followed by manufacturing. Major employers include Gilster Mary Lee Corporation (a private label food manufacturer), St. Mary’s Hospital, Bryan Manor (assisted living facility), and Fireside House of Centralia (skilled nursing facility). Sixteen percent of households in the AA live below the poverty level based upon 2010 census data.

We contacted a representative of the Marion County Housing Authority to identify AA credit needs. The representative stated the AA could benefit from flexible underwriting on consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given the institution’s size, current competition, its financial condition, AA credit needs, and its business strategy. FNB’s LTD ratio has declined due to deposits increasing without an increase in the loan portfolio. FNB ran a CD special in 2010 to attract new deposits with intent to increase the loan portfolio. However, loan demand has remained stable since that time.

As of December 31, 2013, FNB’s LTD ratio was 51%. The bank’s quarterly average of LTD ratios since the last CRA evaluation was 54%. This ratio is lower than the three comparable financial institutions. The average LTD ratios of these financial institutions, which are comparable in size, range from 69% to 82% for the same period. In evaluating FNB’s LTD ratio, we took into account that the comparable institutions are not located in Sandoval, but are located in cities with higher loan demand.

Lending in Assessment Area

FNB originated or purchased a majority of loans by number (80%) and dollar (78%) inside its AA. Based on our sample of business and consumer loans, 80% of each loan type was originated or purchased within its AA.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Business	16	80%	4	20%	20	\$404	82%	\$ 86	18%	\$490
Consumer	16	80%	4	20%	20	\$ 97	63%	\$ 56	37%	\$153
Totals	32	80%	8	20%	40	\$501	78%	\$142	22%	\$643

Source: Sample of 20 business and 20 consumer loans originated or purchased in 2012 and 2013..

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

FNB’s lending distribution of consumer loans to borrowers of different income levels and of loans to businesses of different sizes reflects reasonable penetration. As previously stated, we placed more weight on consumer loans than business loans. In analyzing the distribution of loans to borrowers of different incomes, we took into consideration that more moderate-income borrowers reside in the moderate-income geographies 9526 and 9527. See the Description of Assessment Area section for further information.

Consumer Loans

The borrower distribution of consumer loans is reasonable. The percentage of loans to low-income borrowers (30%) exceeds the percentage of AA households that are low-income (28%). The percentage of loans to moderate-income borrowers (5%) is lower than the percentage of AA households that are moderate-income (17%). As described above, FNB’s opportunity to make consumer loans to moderate-income borrowers is affected by local competition.

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	28%	30%	17%	5%	17%	20%	38%	45%

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

Business Loans

The borrower distribution of business loans is reasonable, due to the high percentage of businesses with unknown revenues (25%). The percentage of loans to businesses with revenues of \$1 million or less (95%) exceeds the percentage of AA businesses with revenues of \$1 million or less (71%).

Borrower Distribution of Commercial 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 #	95%	0%	5%	100%
% of Bank Loans in AA by \$	97%	0%	3%	100%

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

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion. As previously stated, we placed more weight on consumer loans than business loans. There are no low-income geographies in the AA. In evaluating the bank’s performance, we took into consideration that the two moderate-income geographies (9526 and 9527) are not in close proximity to FNB. Additionally, there are nine financial institutions closer to these geographies than FNB. See the Description of Assessment Area section for further information.

Consumer Loans

The geographic distribution of consumer loans is reasonable. The percentage of loans in moderate-income geographies (10%) is lower than the percentage of households in those geographies (25%). As stated above, FNB’s opportunity to make consumer loans in the two moderate-income geographies is affected by local competition.

Geographic Distribution of Consumer Loans in AA								
Census Tract 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	NA	NA	25%	10%	75%	90%	NA	NA

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

Business Loans

The geographic distribution of business loans is reasonable. The percentage of business loans made to borrowers in moderate-income geographies (25%) is lower than the percentage of businesses in moderate-income geographies (37%). As stated above, FNB’s opportunity to make business loans in the two moderate-income geographies is affected by local competition.

Geographic Distribution of Business Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	37%	25%	63%	75%	NA	NA

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

Responses to Complaints

No CRA-related complaints have been received by the bank 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.