



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 08, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank
Charter Number 4994

432 West Gallatin Street
Vandalia, IL 62471

Office of the Comptroller of the Currency

St. Louis Field Office
2350 Market Street, Room 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 criteria meet or exceed the standards for satisfactory performance. The major factors that support this rating are:

- A significant majority of loans by number (90%) and by dollar volume (96%) are made in the bank's assessment areas (AAs).
- The bank's distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- The geographic distribution of the bank's loans throughout the AAs meets the standard for satisfactory performance in all products sampled.
- The bank's loan-to-deposit (LTD) ratio is reasonable. The bank's average quarterly LTD ratio since the last examination is 64%.

SCOPE OF EXAMINATION

This Performance Evaluation of The First National Bank, Vandalia, Illinois (FNB) assesses FNB's 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 covers loans originated or purchased from January 1, 2007 through October 31, 2009. Conclusions regarding the bank's lending performance are based on FNB's primary loan products, which include business loans, residential real estate loans, and small farm loans.

FNB's primary AA is a non-Metropolitan Statistical Area (non-MSA) in rural central Illinois. In October 2008, FNB acquired two branches in the St. Louis Metropolitan Statistical Area (MSA); this became the secondary AA. Both AAs received a full-scope review. For our evaluation, we reviewed a sample of 40 business loans (20 in each AA) and 20 small farm loans made to borrowers from January 1, 2007 through October 31, 2009. We also sampled 20 residential real estate loans made from January 1, 2007 through December 31, 2008 for the primary AA. With its entry in the St. Louis MSA, the bank started reporting Home Mortgage Disclosure Act (HMDA) information for 2009. Therefore, we conducted a data integrity review of the residential real estate loans reported under the HMDA for 2009. We compared information from the bank's loan application register to the loan files. We found the HMDA data to be accurate and reliable for use in this examination.

The bank's overall rating is a blend of the conclusions for both AAs, but we placed more weight on the conclusions for the bank's primary (non-MSA) AA because the bank has 78% of its total deposits and 86% of its total loans in this AA. Also, the evaluation period for the non-MSA AA is longer.

Based on the dollar volume of lending in each AA, as shown in the following table, we determined the primary products for each AA.

Product	Non-MSA AA (% of \$)	MSA AA (% of \$)
Business loans	37%	34%
Farm loans	31%	8%
Residential Real Estate loans	24%	43%
Consumer loans	8%	15%

The bank's primary products for the non-MSA AA are business, farm, and residential real estate loans. The primary products for the MSA AA are business and residential real estate loans.

DESCRIPTION OF INSTITUTION

The First National Bank is an intrastate bank in Illinois and is 100% owned by First Vandalia Corporation, a one-bank holding company located in Vandalia, Illinois. As of June 30, 2009, FNB had total assets of \$251 million, net loans of \$136 million, total deposits of \$222 million, and total risk-based capital of \$22 million.

Since the last CRA evaluation, FNB acquired two branches located in Greenville and Mulberry Grove (October 2008) and added a branch in Vandalia (May 2009). The bank now has seven offices. The main office is located in Vandalia, Illinois. The bank has two more full-service branches in Vandalia and one each in Ramsey, Patoka, Greenville, and Mulberry Grove, Illinois. In addition, FNB operates eleven automated teller machines (ATMs). FNB has one ATM at five of the seven offices: the three Vandalia offices, the Ramsey office, and the Greenville office. The bank has six ATMs located at the following locations: the Amoco Station in Vandalia, the Mach 1 Food Stop in Vandalia, Harmon's IGA in Vandalia, Stop n Go Mart in Patoka, Jumpin Jimmy's in Mulberry Grove, and a stand-alone ATM in Greenville. The deposit-taking ATMs are all located in Illinois at the three Vandalia offices and at offices in Ramsey, Patoka, Mulberry Grove, and Greenville. Additionally, the Amoco Station in Vandalia has a deposit-taking ATM.

FNB offers traditional bank services and loan products normally associated with a community bank. As of June 30, 2009, net loans total \$136 million, representing 54% of total assets. The loan portfolio consists of 38% business, 32% residential real estate, 24% agriculture-related, and 6% consumer loans.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. No branches were closed during the evaluation period.

FNB's last CRA evaluation was May 7, 2004, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

The First National Bank has two AAs, as described below. Both AAs are contiguous areas, meet the requirements of the regulation, and do not arbitrarily exclude low- or moderate-income geographies.

Fayette County and Northwest Marion County (Non-MSA AA)

Management has designated all of Fayette County and Census Tract (CT) 9517 in Marion County as its primary AA. This rural Illinois AA is outside the St. Louis MSA. Based on 2000 U.S. Census data, this AA has two moderate-income CTs and six middle-income CTs. The bank's main office is located in moderate-income CT 9509. The other moderate-income geography is CT 9506, also in Fayette County.

Based on the 2000 Census, the population in the AA is 24,634, 13% of households live below the poverty level, and 17% are in retirement. The median housing value for the AA is \$59,126 and the median age of the housing stock is 35 years. Owner-occupied units represent 61% of the housing stock. Nineteen percent (19%) of the owner-occupied housing units are situated within the moderate-income CT.

The 2000 Census demographic data indicates 6,518 families live in the AA. The 2000 MSA median family income was \$43,613. Based on that income figure, 1,344 or 21% of the families were classified as low-income, 1,514 or 23% as moderate-income, 1,518 or 23% as middle-income, and 2,142 or 33% as upper-income. For our analysis of lending to borrowers of different incomes, we used the Department of Housing and Urban Development (HUD) 2009 updated MSA median family income of \$54,400.

Of the 1,733 businesses in this AA as of 2009, 1,085 (63%) have revenues of \$1 million or less. Only 409 (24%) of them are situated in the moderate-income geographies. There are 232 farms in this AA as of 2009, 231 (99.5%) have revenues of \$1 million or less, and only 31 (13%) are located in moderate-income geographies.

Economic conditions in the AA are unfavorable due to the national recession. The September 2009 seasonally unadjusted unemployment rates for Fayette and Marion Counties are 11.6% and 11.9%, respectively. These rates are higher than unemployment rates for Illinois (10.2%) and the nation (9.5%). Since September 2008, the local unemployment rates have increased 4% (Fayette) and 3% (Marion), which is in line with the state and national average increase.

The economy is primarily based on agriculture, with some service-related and retail businesses. Major employers in the AA include Vandalia Correctional Center, Fayette County Hospital, Greenville Regional Hospital, and school districts in the AA.

Competition for financial services in Fayette and Marion Counties is strong and primarily comes from sixteen banks: ten local banks, four large regional banks, and two large

national banks. Altogether, these competitors have twenty-three branches in Fayette and Marion Counties. According to FDIC data as of June 30, 2009, FNB had deposits of \$173 million in Fayette and Marion Counties, ranking it first, with an 18% market share in this AA.

To further our understanding of the community's credit needs, we made two community contacts for this AA, who identified the following needs and opportunities. The first contact stated that affordable housing is still a major need for citizens, and there is a large gap between the need and availability of public housing. The second contact did not list any additional opportunities or needs that the bank was not already supporting; the contact stated that FNB was very active with their group and well regarded in the community.

Bond County (MSA AA)

Management has designated Bond County as its second AA. This is a new AA for the bank, as FNB acquired two branches, Mulberry Grove and Greenville, in Bond County in October 2008. Based on 2000 U.S. Census data, Bond County has one moderate-income CT (CT 9515) and three middle-income CTs. Both branches are located in middle-income CTs.

Based on the 2000 Census, the population in the AA is 17,633, 10% of households live below the poverty level, and 17% are in retirement. The median housing value is \$68,805 and the median age of the housing stock is 33 years. Owner-occupied units represent 62% of the housing stock. Twenty-nine percent (29%) of the owner-occupied housing units are situated within the moderate-income CT.

The 2000 Census demographic data indicates 4,348 families live in the AA. The 2000 MSA median family income was \$53,435. Based on that income figure, 893 or 21% of families were classified as low-income, 1,115 or 26% as moderate-income, 1,095 or 25% as middle-income, and 1,245 or 28% as upper-income. For our analysis of lending to borrowers of different incomes, we used the HUD 2009 updated MSA median family income of \$67,900.

Of the 1,214 business in this AA as of 2009, 933 (77%) have revenues of \$1 million or less, 27 (2%) have revenues over \$1 million, and 254 (21%) did not report revenues. One-fifth of these businesses (266 or 22%) are situated in the moderate-income CT.

Economic conditions in the MSA AA are unfavorable due to the national recession. The September 2009 seasonally unadjusted unemployment rate for Bond County is 9.3%. This rate is slightly lower than unemployment rates for Illinois (10.2%) and the nation (9.5%). Since September 2008, the local unemployment rates have increased 3%, which is below the state and national average increase.

Major employers in Bond County include DeMoulin Brothers and Company, United Stationers Supply, Greenville Regional Hospital, USFCI Greenville, Carlisle Syntec Systems, and Greenville College.

Competition for financial services in Bond County is moderate and primarily comes from five banks: four local banks and one large regional bank. Altogether, these competitors have seven branches in Bond County. According to FDIC data as of June 30, 2009, FNB had deposits of \$50 million in Bond County, ranking it second, with an 18% market share in this AA.

To further our understanding of the community's credit needs, we contacted the local community development office. Our community contact identified the following credit needs and opportunities: affordable housing for families and seniors, financing for small village projects, small business financing, and financing for alternative agriculture production. This contact also stated that FNB has been involved in community projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance is satisfactory in meeting the credit needs of its AA, including those of low- and moderate-income borrowers, 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 reasonable. As of June 30, 2009, the bank's LTD is 61%. FNB's quarterly average LTD ratio since the 2004 CRA examination is 64%. FNB was compared to seven other banks based on location. FNB ranked higher than five and lower than two. FNB is the largest in terms of asset size (\$251 million); others ranged in size from \$19 million to \$195 million. Competitors' average quarterly LTD ratios range from 48% to 88% for the same time period.

Lending in Assessment Area

Lending in the bank's AAs is excellent. A substantial majority of residential real estate (RRE), business, and farm loans (90% by number and 96% by dollar amount) were made within the bank's two AAs. We based our analysis on all HMDA-reportable RRE loans made in 2009, categorized as home purchase, home refinance, or home improvement loans; we also included a sample of 20 RRE loans originated in 2007 and 2008, and a sample of 20 business loans and 20 farm loans made since January 1, 2007.

Lending in Bond, Fayette, and Marion Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Purchase	71	87%	11	13%	82	4,915	87%	759	13%	5,674
Home Refinance	185	90%	20	10%	205	15,290	88%	2,092	12%	17,382
Home Improvement	45	100%	0	0%	45	1,851	100%	0	0%	1,851
Residential RE 2007-2008	18	90%	2	10%	20	692,855	92%	60,855	8%	753,710
Business	16	80%	4	20%	20	1,262,195	97%	45,555	3%	1,307,750
Farm	18	90%	2	20%	20	857,395	99%	6,500	1%	863,895
Totals	353	90%	39	10%	392	2,834,501	96%	115,761	4%	2,950,262

Source: RRE loan data under HMDA for 2009, 20 RRE loans for 2007-2008, and 20 business and 20 small farm loans for 2007-2009.

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

The bank's lending reflects reasonable dispersion among borrowers of different income levels and businesses and farms of different sizes.

Fayette County and Northwest Marion County (Non-MSA AA)

FNB's lending distribution to borrowers of different income levels and to businesses of different sizes in this AA is reasonable.

Residential Real Estate Loans

The overall borrower distribution of RRE loans made in 2007, 2008, and 2009 meets the standard for satisfactory performance. We placed more weight on the analysis of HMDA loan data available for 2009 as this considered all RRE loans (247 total) year-to-date; our sample for RRE for 2007-2008 only used 20 loans.

Based on our analysis of all HMDA loan data available for 2009, the percentage of home purchase loans made to moderate-income borrowers (32%) exceeds the percentage of moderate-income families in the AA (23%). The percentage of home purchase loans made to low-income borrowers (21%) is in line with the percentage of low-income families in the AA (21%).

The percentages of home improvement loans made to both low- and moderate-income families are below the percentages of low- and moderate-income families in the AA.

The percentage of home refinancing loans made to moderate-income borrowers (23%) is in line with the percentage of moderate-income families in the AA (23%). The percentage of home refinancing loans made to low-income borrowers (9%) is below the percentage of low-income families in the AA (21%).

Based on our sample of 20 RRE loans made in 2007 and 2008, the percentage of RRE loans made to moderate-income borrowers (20%) is near the percentage of moderate-income families in the AA (23%); however, the percentage of RRE loans made to low-income borrowers is well below the percentage of low-income families in the AA. However, opportunities to make loans to low-income borrowers are limited because 13% of households live below the poverty level.

Borrower Distribution of Residential Real Estate Loans in Fayette County and Northwest Marion County								
Census Tract 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 Purchase	21%	21%	23%	32%	23%	24%	33%	23%
Home Improvement *	21%	14%	23%	19%	23%	19%	33%	45%
Home Refinance *	21%	9%	23%	23%	23%	22%	33%	44%
2007-2008 Residential RE	21%	0%	23%	20%	23%	30%	33%	50%

Source: Data reported under HMDA for 2009, sample of 20 RRE loans from 2007-2008, US Census data, and updated HUD Median Family Income information.

(*) One Home Improvement loan (3%) and three Home Refinance loans (2%) did not have income information available.

Business Loans

FNB is responsive to the credit needs of small businesses in its AA. Based on our sample of 20 business loans, the distribution of the bank’s loans to businesses exceeds standards. The percentage of the bank’s loans to businesses with revenues of less than \$1 million, 95% by number and 91% by dollar volume, exceeds the percentage of small businesses in the AA (63%).

Borrower Distribution of Loans to Businesses in Fayette County and Northwest Marion County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63%	3%	34%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	91%	9%	0%	100%

Source: 2009 Dunn and Bradstreet Data; sample of 20 business loans.

Farm Loans

FNB is responsive to the credit needs of small farms in its AA. Based on our sample of 20 farm loans, the distribution of the bank’s loans to farms meets the standards. The percentage of the bank’s loans to farms with revenues of less than \$1 million, 100% by number and 100% by dollar volume, mirrors the percentage of small farms in the AA (99.5%).

Borrower Distribution of Loans to Farms in Fayette County and Northwest Marion County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99.5%	0.5%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2009 Dunn and Bradstreet Data; sample of 20 farm loans.

Bond County (MSA AA)

FNB’s lending distribution to borrowers of different income levels and to businesses of different sizes in this AA is satisfactory.

Residential Real Estate (RRE) Loans

Based on our analysis of HMDA loan data available for 2009, the overall borrower distribution of RRE loans made in 2009 meets the standard for satisfactory performance. As there were only three home improvement loans made in 2009, we did not include this category in our analysis.

The percentage of total RRE loans made to moderate-income borrowers (20%) is below the percentage of moderate-income families in the AA (26%). The percentage of RRE loans made to low-income borrowers (16%) is also lower than the percentage of low-income families (21%) in the AA. However, consideration was given to weak economic conditions during the evaluation period and the high number of households (10%) that live below the poverty level.

Borrower Distribution of Residential Real Estate Loans in Bond County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Purchase	21%	21%	26%	21%	25%	21%	28%	36%
Home Refinance	21%	14%	26%	19%	25%	43%	28%	24%
Totals	21%	16%	26%	20%	25%	37%	28%	27%

Source: Data reported under HMDA for 2009; 2000 US Census data.

Business Loans

FNB is responsive to the credit needs of small businesses in its AA. Based on our sample of 20 business loans, the distribution of the bank’s loans to small businesses meets the standards. The ratio of the bank’s loans to businesses with revenues of less than \$1 million by number (80%) exceeds the percentage of small businesses in the AA (77%). However, by dollar volume (45%) it is lower than the percentage of small businesses in the AA.

Borrower Distribution of Loans to Businesses in Bond County				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77%	2%	21%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	45%	55%	0%	100%

Source: 2009 Dunn and Bradstreet Data; sample of 20 business loans.

Geographic Distribution of Loans

The geographic distribution of the bank’s loans is reasonable. There are no low-income geographies in either AA.

Fayette County and Northwest Marion County (Non-MSA AA)

The geographic distribution of the bank’s loans in this AA meets the standard for satisfactory performance.

Residential Real Estate Loans

The overall geographic distribution of RRE loans made in the AA reflects reasonable dispersion throughout the CTs in the AA. The percentage of home purchase loans made to moderate-income borrowers (19%) is in line with the percentage of owner-occupied housing in the moderate-income CTs (19%). The percentages of home improvement (12%) and home refinancing (15%) loans made to moderate-income borrowers are below the percentage of owner-occupied housing in the moderate-income CTs. The percentage of RRE loans made in 2007-2008 to moderate-income borrowers (10%) is also below the percentage of owner-occupied housing in the moderate-income CTs. However, one moderate-income CT has a state prison where 6% of the population is housed, limiting the opportunities for lending in this area.

Geographic Distribution of Residential Real Estate Loans in Fayette County and Northwest Marion County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	NA	NA	19%	19%	81%	81%	NA	NA
Home Improvement	NA	NA	19%	12%	81%	88%	NA	NA
Home Refinance	NA	NA	19%	15%	81%	85%	NA	NA
2007-2008 Residential RE	NA	NA	19%	10%	81%	90%	NA	NA

Source: Data reported under HMDA for 2009; 2000 US Census Data; Sample of 20 residential RE loans made in 2007-2008.

Business Loans

The geographic distribution of small business loans made in the AA meets the standards for satisfactory performance. The percentage of small business loans made to borrowers in the moderate-income CTs (20%) approximates the percentage of businesses located in the moderate-income CTs (24%).

Geographic Distribution of Loans to Businesses in Fayette County and Northwest Marion County								
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	NA	NA	24%	20%	76%	80%	NA	NA

Source: 2009 Dunn and Bradstreet Data; sample of 20 business loans.

Farm Loans

The geographic distribution of small farm loans is reasonable. The percentage of small farm loans made to borrowers in the moderate-income CTs (10%) approximates the percentage of farms located in the moderate-income CTs (13%).

Geographic Distribution of Loans to Farms in Fayette County and Northwest Marion County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	NA	NA	13%	10%	87%	90%	NA	NA

Source: 2009 Dunn and Bradstreet Data; sample of 20 farm loans.

Bond County (MSA AA)

The geographic distribution of the bank’s loans in this AA meets the standard for satisfactory performance.

Residential Real Estate Loans

The overall geographic distribution of RRE loans made in the AA reflects reasonable dispersion throughout the CTs in the AA. The total percentage of RRE loans made in the moderate-income CT (16%) is lower than the ratio of owner-occupied housing in this CT (29%). However, this moderate-income CT has a federal prison where 9% of the population is housed, limiting the opportunities for lending in this area.

Geographic Distribution of Residential Real Estate Loans in Bond County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	NA	NA	29%	21%	71%	29%	NA	NA
Home Refinance	NA	NA	29%	14%	71%	86%	NA	NA
Totals	NA	NA	29%	16%	71%	84%	NA	NA

Source: Data reported under HMDA for 2009; 2000 US Census Data.

Business Loans

The geographic distribution of small business loans in the AA meets the standards for satisfactory performance. The percentage of small business loans made to borrowers in the moderate-income CT (15%) is below the percentage of businesses located in the moderate-income CT (22%).

Geographic Distribution of Loans to Businesses in Bond County								
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	NA	NA	22%	15%	78%	85%	NA	NA

Source: 2009 Dunn and Bradstreet Data; sample of 20 business loans.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.