



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 15, 2008

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Steeleville  
Charter Number 14437

319 West Broadway  
Steeleville, IL 62288

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 or exceed the standards for satisfactory performance. The major factors supporting this rating are:

- The bank's lending levels are reasonable based on an average loan-to-deposit ratio of 59%, which is comparable to similar competing banks.
- A substantial majority of the bank's loans, 85% by number, were made to borrowers in the AA.
- Residential real estate lending to borrowers of different incomes exceeds standards. Residential real estate loans made to low- and moderate-income borrowers totaled 45% of the bank's loans sampled.
- Consumer lending to borrowers of different incomes is reasonable. Consumer loans made to low- and moderate-income borrowers totaled 55% of the bank's loans sampled.
- The bank's lending to small businesses meets standards. Commercial loans made to businesses with annual revenues of less than \$1 million totaled 85% of the bank's loans sampled.

## **SCOPE OF EXAMINATION**

The examination was conducted using full-scope procedures for small banks. We reviewed data on commercial, consumer and residential real estate loans originated between January 1, 2006 and March 14, 2008.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Steeleville (FNB), located in Steeleville, Illinois, is an intrastate bank with assets of approximately \$157 million at December 31, 2007. The bank also operates full-service branches in Percy, Illinois, and Sparta, Illinois, as well as a depository automated teller machine (ATM) in Steeleville and a non-depository ATM in Sparta. Management has neither opened nor closed any branches since the last CRA evaluation.

FNB is wholly owned by Steeleville Bancshares, Inc., a one-bank holding company. The bank began operations as an S-Corporation on January 1, 2007. This was the only change to its 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 small community bank. FNB is primarily a commercial, consumer and residential real estate lender. As of December 31, 2007, net loans totaled approximately \$82 million, representing 52% of total assets. The composition of the loan portfolio included 35% nonresidential real estate, 34% residential real estate, 13% commercial, 13% consumer, and 5% agricultural loans. Net Tier One Capital totaled approximately \$18 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 November 6, 2002, and the bank was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's designated AA encompasses eastern Randolph County, including census tracts 9505, 9506, 9507, 9510, and 9511; southwest Perry County, including census tract 0303; and northwest Jackson County, including census tract 0101. This is a contiguous area located in a non-Metropolitan Statistical Area (non-MSA). These tracts were designated as middle-income based on the 2000 census weighted average of non-MSA median family income of \$43,531. The AA meets the criteria of the regulation.

The 2000 census indicated the AA population was 25,504 and included 6,187 families. The HUD-adjusted weighted average median family income for 2007 was \$50,600. Based on this income figure, 18% of these families were low-income, 21% were moderate-income, 28% were middle-income, and 33% were upper-income. Approximately 11% of all households were living below poverty.

The 2000 census data indicated there were 9,639 total housing units in the AA. Owner-occupied units totaled 7,061 (73%), renter-occupied units totaled 1,686 (17%) and vacant units totaled 892 (9%). The median age of housing was 42 years old and the median price was \$57,948.

The AA had 1,428 businesses in 2007. Of the total number of businesses, 784 (55%) reported annual revenues of less than \$1 million, 48 (3%) reported annual revenues of over \$1 million, and 596 (42%) did not report revenue. The unemployment rates in Randolph, Perry and Jackson Counties were 6.9%, 10.2% and 6.2%, respectively, compared to a nationwide rate of 5.4% and a statewide rate of 6.2% in January 2008.

Competition within the AA is strong with approximately 14 competing financial institutions, all of which are small community banks. Two of these banks, including FNB, have branches in Steepleville.

We contacted two community groups to further our understanding of the community's credit needs. One contact (an affordable housing agency) did not identify any unmet credit needs and advised that local banks are involved in the community. The other

contact (a business development agency) stated that imaginative and flexible local bankers would be beneficial for economic growth in the area. This same contact advised that FNB recently financed a small business under a SBA 504 loan program.

Major employers in the AA include Gilster-Mary Lee Corporation, Spartan Light Metals, American Device Manufacturing Company, the State of Illinois, and local coal companies.

## **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 ratio (LTD) is reasonable. As of December 31, 2007, FNB's LTD ratio was 74%. Its quarterly average LTD ratio since the 2002 CRA examination was 59%. This was comparable to the ratios of four competing banks whose quarterly average ranged from 38% to 60%. FNB's LTD ratio was higher than three and lower than one of these banks. These four competing banks are similarly situated based on size and location.

### **Lending in Assessment Area**

Lending in the AA is good. A substantial majority of the bank's loans originated since the last CRA examination were made within the AA. Out of 20 loans sampled, 85% by number and 91% 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 businesses of different sizes meets standards.

The overall distribution of residential real estate loans exceeds standards. Based on our sample, the bank's lending to low-income borrowers (25%) exceeds the percentage of low-income families in the AA (18%). Lending to moderate-income borrowers (20%) was comparable to the percentage of middle-income families (21%) in the AA. Data used to evaluate FNB's lending activity is presented below.

<b>Borrower Distribution of Residential Real Estate Loans in the FNB Steeleville AA</b>								
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
Residential Real Estate	18%	25%	21%	20%	28%	20%	33%	35%

Source: Sample of 20 residential real estate loans originated in the AA between January 1, 2006 and March 14, 2008; 2000 census data and 2007 HUD updated median family income.

The overall distribution of consumer loans meets standards. Lending to low- (25%) and moderate-income (30%) borrowers exceeds the percentage of households (21% and 17%) in each respective income category of the AA. The data used to evaluate FNB's lending activity is presented below.

<b>Borrower Distribution of Consumer Loans in FNB Steeleville AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	21%	25%	17%	30%	22%	20%	39%	20%

Source: Sample of 20 consumer loans originated between January 1, 2006 and March 14, 2008 and 2000 U.S. Census data.

The overall distribution of commercial loans meets standards. The percentage of loans to businesses with revenues less than \$1 million (85%) is higher than the 55% of businesses in the AA that report this level of revenues; however, 42% of the businesses within the AA have unknown revenues. Data used to evaluate FNB's business lending is presented below.

<b>Borrower Distribution of Loans to Businesses in the FNB Steeleville AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	55%	3%	42%	100%
% of Bank Loans in AA by #	85%	5%	10%	100%
% of Bank Loans in AA by \$	76%	6%	18%	100%

Source: Sample of 20 business loans originated between January 1, 2006 and March 14, 2008 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.

### **Responses 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.