



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 13, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank
Charter Number 7379

511 Lake Land Boulevard
Mattoon, IL 61938-0000

Office of the Comptroller of the Currency

CENTRAL ILLINOIS & CENTRAL IND Field Office
3001 Research Road Suite E2
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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 Outstanding.

The major factors that support this rating include:

- The First National Bank's (FNB) distribution of loans represents excellent penetration among businesses and farms of different sizes.
- FNB's loan to deposit ratio is more than reasonable.
- A majority of FNB's primary loan products are made within the bank's assessment area.
- The distribution of loans reflects a reasonable dispersion throughout the different geographies within the bank's assessment area (AA).

SCOPE OF EXAMINATION

FNB was evaluated under the Small Bank examination procedures, which evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period is from January 12, 2004 to July 13, 2009.

To evaluate the bank's lending performance, we utilized loans originated by FNB from January 1, 2007 to July 13, 2009. The current year, plus the prior two years were used, as the primary products did not change throughout the evaluation period. Based on both number and dollar volume of loan origination information supplied by the bank, FNB's primary loan products are business loans and residential real estate mortgages. To evaluate the bank's lending performance within these primary products, we selected a sample of business and residential loans made during this time period. Our sample excluded loans sold with the sale of the Mulberry Grove and Greenville offices.

DESCRIPTION OF INSTITUTION

FNB is an intrastate bank headquartered in Mattoon, Illinois. Mattoon is a community of approximately 18,000 located in Coles County. Mattoon is located on Interstate 57, approximately 184 miles south of Chicago and 130 northeast of St. Louis, Missouri.

As of March 31, 2009, FNB had total assets of \$55 million and tier one capital of \$7 million. FNB is fully owned by MGB Bancshares, Incorporated, a one-bank holding company. In addition to the main office, FNB operates a branch located in east Mattoon. Of the bank's four ATMs, one is a depository ATM located at the main facility, 2 are non-depository ATMS in the AA and one ATM is a non-depository ATM located outside the AA.

FNB was formerly headquartered in Mulberry Grove, IL. The charter was moved to Mattoon, IL at the close of business on September 28, 2008. On October 3, 2008, the bank sold the Mulberry Grove and Greenville locations, and three ATMs, to The First

National Bank, located in Vandalia, IL. The sale included \$30 million in loans that had been originated by FNB.

The bank offers a range of deposit and loan products and services. The bank also operates a trust department. Net loans were \$31 million as of March 31, 2009, and equaled fifty-eight percent of total assets. While primary products did not change, the portfolio mix did shift with the sale of branches, as consumer loans made up a larger portion of the portfolio within those two locations sold. Below is the current portfolio mix:

Loan Portfolio Summary by Loan Product, as of March 31, 2009	
Loan Category	% of Outstanding Dollars
Business Loans	64.66%
Home Loans	26.89%
Farm Loans	2.31%
Consumer Loans	5.78%
Other Loans	.36%

Source: March 31, 2009 Call Report Data

There are no legal or financial impediments to FNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated January 12, 2004.

DESCRIPTION OF ASSESSMENT AREA(S)

The AA is comprised by Coles County. Coles County is not located within a metropolitan statistical area. Ten of the twelve tracts included in the AA are middle-income tracts, one tract is an upper-income tract and the remaining tract is a moderate-income tract. Both of the moderate-income and upper-income tracts are located in Charleston, IL. The moderate-income census tract is primarily made up of Eastern Illinois University campus and very few owner occupied housing units or businesses are located within this tract.

Population of the AA is 53,196. Eighty-three percent of the housing stock is 1-4 family units and fifty-seven percent is owner occupied housing. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Here is a summary of some demographic information for this AA:

Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Families by Income Level	12,237	17%	18%	23%	42%
Households by Income Level	21,049	28%	16%	18%	38%
Census Median Family Income (MFI)	\$43,531	Median Housing Value		\$71,857	
HUD- Adjusted MFI: 2009	\$54,400	Families Below the Poverty		7.5%	
HUD- Adjusted MFI: 2008	\$51,900	Unemployment Rate		7.5%	
HUD- Adjusted MFI: 2007	\$50,600				

Source: 2000 U.S. Census Data; Unemployment Information is from the Department of Labor as of May 2009; Adjusted MFI is from HUD. (MFI used is for statewide non- MSA areas.)

The current economy in the AA is characterized as stable. The local economy is heavily influenced by agriculture. The strong agriculture economy is helping the local economy respond to the decline in the national economy. A majority of the farms and business are considered small based on revenue size.

The local economy is also helped by the diversification of industries represented by the areas major employers. Major employers include Eastern Illinois University; R.R. Donnelley & Sons Co.; Sarah Bush Lincoln Health Center; Mattoon Community Unity School District #2; Consolidated Communications; Pinnacle Foods; Ampad Corporation; Charleston Community Unity School District #1; General Electric Lamp Plant; and Lake Land College. Average unemployment for the area at 7.5 percent is lower than the state average of 9.9 percent and national average of 9.7 percent, as of May 2009.

Despite the current stable local economy, there are indications that the local poverty rate has increased dramatically in the past decade. According to U.S. Census estimates, thirteen percent of Coles County's population was below poverty levels in 2000. The most recent estimates for the year 2007 has twenty percent of Coles County's population below poverty levels. Earlier this year, Coles County was placed on the 2009 Poverty Warning List by Heartland Alliance's Mid-America Institute on Poverty.

Competition from other financial institutions is moderate. The bank's competitors include thirteen other banks with at least one location within the AA.

In conducting the assessment of the bank's performance, we performed one community contact with an economic development agency located within the AA. We also utilized another contact performed with a community action agency which serves the needs of low-income individuals and families in the nine Illinois counties, including the AA. The economic development contact was very complimentary of the bank and their support for the community, and did not identify any specific community development needs that were not being met. The community action agency stated that there is a need for affordable housing, namely affordable rental units. The community action agency contact also mentioned a need for first time mortgage programs, and formal foreclosure prevention programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance of meeting the community credit needs is outstanding. This review concentrated on the bank's primary loan products, which include business and residential real estate loans. FNB had a more than reasonable loan-to-deposit ratio and a majority of the loans originated were within the AA.

FNB has excellent distribution among businesses of different sizes and borrowers of different income levels. A majority of the businesses in the AA are small businesses and thirty-five percent of the AA families are low- or moderate-income. Borrower

distribution was considered significant for this review.

The bank has reasonable geographic distribution. The geographic distribution of the review received little weight, as very few businesses or owner-occupied housing units are located within the one moderate-income census tract.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio

FNB’s net loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, AA’s credit needs, and local competition.

The bank’s net loan-to-deposit ratio averaged 69 percent over the twenty-two quarters since the last CRA examination. This ratio ranged from a quarterly low of 56 percent to a quarterly high of 76 percent during the time period.

The bank’s net loan-to-deposit ratio is similar when compared with the other eight financial institutions, with total assets between \$25 million and \$125 million, located in Coles, Douglas, Shelby, and Moultrie Counties. The average quarterly net loan-to-deposit ratio for these peer banks was 63 percent over the same time period.

In addition, the bank issued a \$3.5 million letter of credit to back revenue bonds under the Illinois Housing Development Authority. These bonds were for the purpose of acquiring and rehabilitating an 81-unit low income, senior housing project located within the bank’s AA. FNB also serves as the issuing bank on this project. This letter of credit has a positive impact on the bank’s performance.

Lending in Assessment Area

A majority of FNB’s primary loan products are made within the bank’s assessment area. Seventy-eight percent of the loans sampled were made within the AA.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	15	75.00%	5	25.00%	20	\$1,675	70.41%	\$704	29.59%	\$2,379
Business	16	80.00%	4	20.00%	20	\$1,573	80.31%	\$386	19.69%	\$1,959
Totals	31	77.50%	9	22.50%	40	\$3,248	74.87%	\$1,090	25.13%	\$4,338

Source: Sample of 20 business and 20 real estate loans originated between 1/1/07 and 7/13/09.

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

The distribution of loans reflects excellent penetration among businesses of different sizes and borrowers of different incomes.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Seventy percent of the bank’s loans to businesses originated in the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This compares favorably to demographic data that shows sixty-two percent of the businesses located in the AA are small businesses. It is important to note that revenue data was not available for thirty-four percent of the AA businesses.

Borrower Distribution for Business Loans within AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA businesses	62.02%	3.84%	34.14%	100.00%
% of bank loans in AA by #	70.00%	20.00%	10.00%	100.00%
% of bank loans in AA by \$	55.27%	42.75%	1.98%	100.00%

Sources: Sample of 20 business loans originated between 1/1/07 and 7/13/09 made within the AA and 2008 Dun & Bradstreet data.

Residential Real Estate Loans

The distribution of residential real estate loans reflects excellent penetration among borrowers of different income levels, especially in light of the area’s high level of poverty. FNB has excellent distribution to moderate-income borrowers. FNB made twenty-five percent of their loans to moderate-income borrowers, which is favorable compared to demographic data. FNB’s distribution to low-income borrowers is reasonable, with ten percent of the bank’s residential real estate loans sampled originated to low-income borrowers. While this ratio is less than demographic data, it is important to note that eight percent of the AA families are below poverty level and would have difficulty qualifying for a home loan. This poverty ratio for AA families is from the 2000 U.S. Census data, and recent information suggests that this ratio is even higher.

Borrower Distribution for Residential Real Estate Loans within AA								
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
Residential RE Loans	17%	10%	18%	25%	23%	20%	42%	45%

Sources: Sample of 20 residential real estate loans originated between 1/1/07 and 7/13/09 made within the AA and 2000 U.S. Census data.

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the bank’s AA. There were no conspicuous gaps identified within FNB’s AA.

Business Loans

The bank’s geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. Five percent of the business loans originated are to businesses located in the one moderate-income census tract. Only two percent of the businesses in the AA are located within this census tract.

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution for Business Loans within 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	N/A	N/A	2.07%	5.00	92.39%	95.00	5.54	0.00

Sources: Sample of 20 business loans originated between 1/1/07 and 7/13/09 within the AA and 2008 Dun & Bradstreet data.

Residential Real Estate

The bank’s geographic distribution of residential real estate loans reflects reasonable dispersion throughout the census tracts of different income levels. While no loans were originated within the moderate-income census tract, this is considered reasonable as the opportunity to make loans within the census tract is limited as there are only 144 owner occupied units located in the moderate income census tract. Additionally neither bank branch is located near the moderate income tract.

Geographic Distribution for Residential Real Estate Loans within AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Real Estate Loans	NA	NA	1%	0%	90%	100%	9%	0%

Sources: Sample of 20 residential real estate loans originated between 1/1/07 and 7/13/09 made within the AA and 2000 U.S. Census data.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet the assessment area needs during this evaluation period.

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.