



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 06, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Millstadt
Charter Number 8425**

**3 East Washington Street
Millstadt, IL 62260**

**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 is reasonable. The bank's average loan-to-deposit ratio is 57% and is comparable to similarly situated area banks.
- Loans are reasonably distributed by geography classification, to borrowers of different income levels.
- A majority of the bank's loans are in the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Millstadt (FNB) had assets of approximately \$81 million as of December 31, 2001. FNB is wholly owned by Millstadt Bancshares, Inc., which is a one-bank holding company located in Millstadt, Illinois. FNB assets represent substantially all of the holding company's assets. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates one office with a proprietary automated teller machine in downtown Millstadt. 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. The bank's primary business focus is residential real estate loans. As of December 31, 2001, net loans total approximately \$40 million, or about 50% of total assets. The composition of the loan portfolio was 89% residential real estate, 6% consumer, and 5% commercial.

There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, and local economic conditions. FNB's last CRA evaluation was October 21, 1996, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Management designated the southwest portion of St. Clair County and all of Monroe County as its assessment area (AA). This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. FNB Millstadt is located in St. Clair County.

St. Clair and Monroe Counties are in the St. Louis Metropolitan Statistical Area (MSA) 7040. FNB's assessment area consists of eleven census tracts (CTs). The St. Clair County CTs are

5016.03, 5031.01, 5031.02, 5032.02, 5032.03, 5033.04, 5039, and 5040.01. The Monroe County CTs are 6001, 6002, and 6003.

Based on the MSA median family income in 1990, ten CTs or 91% are classified as middle income and one CT or 9% is classified as moderate income. Similarly, the demographic data in 1990 shows that 91% of the population is in the middle-income CTs and 9% of the population is in the moderate-income CT.

As of the 1990 census, the population of the assessment area was 68,018, which included 18,792 families. Of these families, 17% were classified as low income, 20% were classified as moderate income, 29% were classified as middle income, and 34% were classified as upper income. The MSA statewide median family income as of the 1990 census was \$37,995, and the most recent updated figure is \$60,400.

The 1990 census demographic data for the county shows that 13% of the population is age 65 and over, 17% of the households are in retirement, and 7% of the households are below the poverty level. The median housing value is \$64,541 and the median age of the housing stock is 39 years. Owner-occupied units represent 71% of the housing stock, with 82% being 1-4 family units.

The local economy is stable. The largest local employer is Millstadt Consolidated School District #160, which employs 89 people. Millstadt is considered a "bedroom" community, as many of the local residents commute to the city of St. Louis for employment. The March 2002 unemployment rates for Monroe County and St. Clair County are 4.3% and 6.3%, respectively. When considered together, these ratios compare favorably to the state rate of 6.4% and the national rate of 6.1%.

There is strong competition in the assessment area in the financial services industry. Approximately 49 offices of 17 different banks operate in the assessment area. This number does not include the sundry of 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 during this examination with a local small business owner. Residential real estate loans are the primary credit need of the community. The community contact felt that FNB is very dedicated to meeting this need.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable. As of December 31, 2001, the bank's quarterly average ratio calculated since the 1996 CRA evaluation was 56.75%. This compares with ratios ranging from 69.44% to 88.39% for FNB's four self-identified competitors. The competitor banks are considered similarly situated institutions because they are community banks with comparable assets sizes, limited branching networks, and a close proximity to St. Louis, Missouri. It should be noted that since October 7, 1996, FNB has sold \$14,766,983 in residential real estate loans to Federal National Mortgage Association (FNMA). Because these loans have been sold, they are not reflected in the bank's loan-to-deposit ratio. However, the significant number of these FNMA loans originated since the prior CRA examination is indicative of the bank's willingness to meet community credit needs.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's loans originated from October 21, 1996 through March 31, 2002 are in the AA. A geographic distribution analysis of Home Mortgage Disclosure Act (HMDA) reportable real estate loans originated throughout the evaluation period shows that 75% of the number and 72% of the dollar volume were in the AA. A sample of 20 used auto loans taken from loans originated throughout the evaluation period shows that 85% of the number and 90% of the dollar volume were in the AA.

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

The bank's lending distribution to borrowers of different income is reasonable.

FNB's primary product lines are residential real estate loans and used auto/truck loans. Residential real estate loans comprise the largest portion of the loan portfolio on a dollar basis, and used auto/truck loans comprise the largest portion of the loan portfolio on a number basis. Using only loans from within the AA, we reviewed all HMDA reportable residential real estate loans originated from January 1, 1997, through December 31, 2001, and a sample of 20 used auto/truck loans originated from January 1, 2000, through March 31, 2002. The findings of these analyses 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>	19	6%	737	3%	17%
<i>Moderate Income</i>	52	17%	2,668	12%	20%
<i>Middle Income</i>	82	28%	5,916	25%	29%
<i>Upper Income</i>	146	49%	13,979	60%	34%

**Distribution by Borrower Income Level
Used Auto and Truck Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Household Income
<i>Low Income</i>	2	10%	10	5%	21%
<i>Moderate Income</i>	6	30%	33	17%	17%
<i>Middle Income</i>	9	45%	132	67%	22%
<i>Upper Income</i>	3	15%	22	11%	40%

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Our conclusion was based on the sample of residential real estate and used auto/truck loans discussed above. The findings of these analyses are presented in the following tables.

1-4 Family Residential Real Estate Loans

CT 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>	19	6%	943	4%	9%
<i>Middle Income (c)</i>	286	94%	22,947	96%	91%
<i>Upper Income (d)</i>	0	0%	0	0%	0%

Used Auto and Truck Loans

CT 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>	1	5%	11	6%	9%
<i>Middle Income (c)</i>	19	95%	187	94%	91%
<i>Upper Income (d)</i>	0	0%	0	0%	0%

(a) 0 low-income CTs in AA

(b) 1 moderate-income CT in AA

(c) 10 middle-income CTs in AA

(d) 0 upper-income CTs in AA

Responses to Complaints

No complaints were received since the prior CRA evaluation.

Fair Lending Review

We analyzed four 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 2000.