



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 10, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Staunton
Charter Number: 14310

115 South Elm Street
Staunton, IL 62088

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.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's distribution of loans to individuals of different income levels and to businesses of different sizes is excellent. The percentage of refinance and home purchase loans made to moderate-income borrowers (26% and 23%, respectively) is above the percentage of moderate-income families in the assessment area (AA) (21%).
- The geographic distribution of loans reflects reasonable dispersion throughout the census tracts (CTs) in the AA. The percentage of small business loans made in moderate-income CTs (20%) is below the level of businesses located in the moderate-income CTs (31%). The percentage of home refinance and home purchase loans made to borrowers in moderate-income CTs (33% and 31%, respectively) is slightly higher than the percentage of owner-occupied units in the AA located in moderate-income CTs (29%).
- Community development (CD) performance demonstrates adequate responsiveness to the needs of the AA through loans, qualified investments, and services. The bank has twelve qualifying CD loans, totaling \$723,350, that were originated during the evaluation period. The bank has made a total of \$3.65 million in qualified investments and \$5,350 in donations to CD organizations assisting low- and moderate-income individuals and families within the AA. During this evaluation period, bank employees participated in four organizations that meet the definition of CD.

Scope of Examination

This Performance Evaluation of The First National Bank in Staunton (FNB) assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Intermediate Small Bank performance criteria, which include a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The CD test evaluates a bank's CD lending, qualified investments, and CD services.

The evaluation period covers loans originated or purchased and CD activities from August 10, 2001 through September 30, 2007.

FNB has one AA which includes Madison and Macoupin Counties in South Central Illinois. This AA will receive a full scope review.

Conclusions regarding the bank's lending performance are based on FNB's primary loan products, which include residential mortgage and commercial loans. We

conducted a data integrity review of the residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2005, 2006 and 2007. 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.

FNB was not required to maintain CRA data on small business lending in 2006 outside of the individual credit files. Thus, we reviewed a sample of 34 commercial loans originated during 2005, 2006 and 2007.

Description of Institution

The First National Bank in Staunton has assets of approximately \$411 million as of September 30, 2007. The bank is wholly owned by First Staunton Bancshares, Inc., which is a one-bank holding company located in Staunton, Illinois. FNB’s assets represent substantially all of the holding company’s assets. FNB is an intrastate bank that operates primarily in Madison and Macoupin Counties; it has an operating subsidiary, 1st BancFinancial, which sells annuities, debt and equity securities, and mutual funds. There have been no changes in the bank’s corporate structure since the last CRA evaluation.

The bank’s ten offices, including the main office in Staunton and full-service branches in Hamel, Mt. Olive, Bethalto, Livingston, Worden, Benld, Edwardsville, Maryville and Troy, are all located in Illinois. FNB has automated teller machines (ATMs) at each of the ten offices, plus four standalone ATMs at separate locations in Bethalto, Hamel, Troy, and Mt. Clare. All ATMs are cash dispensing only, with the exception of the ATMs in Staunton and Bethalto, which are also taking deposits. The Maryville and Hamel branch locations were acquired in 2002. The Mt. Olive branch was opened in 2005. The Mt. Clare branch was acquired in 2005 but was closed in December 2005 after expansion of the Benld facility. These two facilities were less than a mile apart, so they serviced the same area.

FNB is a community bank that offers a typical array of deposit and loan products. FNB is primarily a residential real estate lender, even though its commercial real estate portfolio has grown substantially since the last CRA examination. Refer to the loan mix displayed in the table below. As of September 30, 2007, net loans total approximately \$257 million, or about 63% of total assets.

Loan Category	Approximate Dollar Volume	Percentage of Net Loans
Residential Real Estate	\$100,805,000	39%
Commercial Real Estate	\$ 71,523,000	27%
Construction & Land Development	\$ 28,106,000	11%
Commercial and Industrial Loans	\$ 21,302,000	8%
Loans to Individuals	\$ 17,541,000	7%
Farm Real Estate	\$ 10,004,000	4%
Other	\$ 8,453,000	3%
Farm	\$ 3,426,000	1%

Tier One Capital as of September 30, 2007 is \$36.3 million.

There are no legal or financial impediments to the bank's ability to meet the credit needs of the AA. The last CRA examination was dated August 13, 2001. The bank received a Satisfactory rating.

Description of Assessment Area

Management designated Macoupin and Madison Counties as the bank's AA. These two counties are part of the St. Louis Missouri Metropolitan Statistical Area (MSA) and can be analyzed together. This AA meets the requirements of the regulation. Based on the 2000 census median family income of \$53,435, the AA contains 2 low-income CTs, (3% of the area), 27 moderate-income CTs (37%), 35 middle-income CTs (49%), and 8 upper-income CTs (11%).

As of the 2000 census, the AA population was 307,960, which included 84,008 families. Based on the 2007 HUD updated median family income of \$63,300, 21% of the families were classified as low-income, 21% as moderate-income, 25% as middle-income, and 33% as upper-income. About 10% of households live below the poverty level.

There are 90,447 (69%) owner-occupied units, 30,759 (24%) rental occupied units, and 8,833 (7%) vacant housing units in the AA. Less than 1% of the owner-occupied units are located in low-income CTs, 29% are in moderate-income CTs, 55% are in middle-income CTs, and 15% are in upper-income CTs. The weighted average monthly gross rent is \$477. The weighted average median year for houses built is 1962. The weighted average median housing price is \$77,012.

Economic conditions in the AA are stable. Agriculture, coal mining, and manufacturing are still major employers, although there has been some shift into service sectors, such as healthcare and education. Major employers in Madison County include three manufacturing companies (Olin Brass Co., US Steel Corp, and American Steel Foundries), three healthcare companies (Anderson Hospital, Gateway Regional Hospital, and St. Anthony's Health Center), and one educational entity (SIU Edwardsville). In Macoupin County, the major employers include two mining companies (Monterey Coal Co., and Freeman Coal Mining), one healthcare company (Carlin Area Hospital), and one educational entity (Carlinville School District). The unemployment rate in July 2007 was 5.4% for Macoupin County and 5.3% for Madison County. This is comparable to the State of Illinois unemployment rate of 5.4% in July 2007. The national unemployment rate was 4.9% in July 2007.

Of the businesses in the AA, 65% are small businesses, 5% had revenues greater than \$1 million, and 30% had revenues that were not reported. Less than 1% of the businesses are located in low-income CTs, 31% are in moderate-income CTs, 51% are in middle-income CTs, and 17% are in upper-income CTs.

Competition is intense with 124 offices of 39 different financial institutions operating in the AA; four are large banks, five are banks with a regional presence, and thirty are smaller community banks. These numbers do not include multiple credit unions, mortgage companies, insurance offices that now offer lending services, retailer-based lending (e.g., John Deere, GMAC), or national business lenders (e.g., American Express). FNB has a 9.59% deposit market share in the AA. FNB's deposits are all from within the market area.

We made one contact with an economic development agency, Madison County Community Development (MCCD), which works to promote affordable housing and economic development in Madison County, Illinois. Specifically, MCCD has programs for: Homebuyer Assistance, Housing Development, Housing Rehab Program, Community Services, Economic Development, Energy Assistance Program, Weatherization Program, and other Continuum of Care programs. FNB participates in the Homebuyer Assistance program. Although community needs differ throughout the county, affordable housing, financing for low-cost housing, and small business lending are common needs.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB meets the standards for satisfactory performance for lending in its AA.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, its financial condition, and AA credit needs.

As of September 30, 2007, the bank's LTD ratio is 75%. The quarterly average LTD ratio since the last examination is 69%. This ratio is higher than two comparable banks, the same as one other bank, and below two other banks in the AA. The average LTD ratio of the other banks, which are comparable in size and location, ranges from 66% to 88% for the same time period.

Lending in Assessment Area

A substantial majority of loans and other lending activities are in the institution's AA. Based on HMDA data and a sample of small business loans made from 2005 to 2007, 93% by number and 92% by dollar amount of loans were made within the bank's AA.

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

The bank's lending to borrowers of different incomes and to businesses of different sizes is excellent. The bank's performance of lending to borrowers of different incomes,

particularly to low- and moderate-income borrowers, and to small businesses is more than reasonable.

Residential Real Estate Loans

The overall borrower distribution of home mortgage loans exceeds the standard for satisfactory performance. We placed more emphasis on home refinance loans because the volume of these loans exceeds the volume of home purchase loans. Of the total home mortgage loans, home refinance loans accounted for 64% and home purchase loans accounted for 33%.

The data used to evaluate FNB’s residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in Macoupin and Madison Counties								
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
Home Purchase	21%	23%	21%	23%	25%	24%	33%	28%
Home Improvement	21%	23%	21%	32%	25%	23%	33%	19%
Refinancing	21%	14%	21%	26%	25%	28%	33%	29%

Source: 2005-2007 HMDA; 2000 U.S. Census data. Note: 2% of the home purchase, 3% of the home improvement, and 3% of the refinance loans did not have income information available.

The borrower distribution for home refinance loans exceeds the standard for satisfactory performance. The percentage of home refinance loans made to low-income borrowers (14%) is below the percentage of low-income families in the AA (21%). However, the percentage of home refinance loans made to moderate-income borrowers (26%) is above the percentage of moderate-income families in the AA (21%). Additionally, almost 10% of the households in the AA are living below the poverty level.

The borrower distribution for home purchase loans exceeds the standard for satisfactory performance. The percentage of home purchase loans made to low-income borrowers (23%) is slightly higher than the percentage of low-income families in the AA (21%). The percentage of home purchase loans made to moderate-income borrowers (23%) exceeds the percentage of moderate-income families in the AA (21%).

The borrower distribution for home improvement loans exceeds the standard for satisfactory performance. The percentage of home improvement loans made to low-income borrowers (23%) exceeds the percentage of low-income families in the AA (21%). The percentage of home improvement loans made to moderate-income borrowers (32%) is above the percentage of moderate-income families in the AA (21%).

Small Business Loans

The distribution of the bank’s loans to small businesses is more than reasonable. The percentage of loans to businesses with revenues of less than \$1 million is in line with the market demographic for number of loans, and slightly below the market demographic for dollar amount of loans. Loans to businesses with revenues less than \$1 million made up 65% of loans in our sample, matching the 65% of businesses in the AA that have revenues of less than \$1 million.

Borrower Distribution of Loans to Businesses in Macoupin and Madison Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65%	5%	30%	100%
% of Bank Loans in AA by #	65%	25%	10%	100%
% of Bank Loans in AA by \$	59%	41%	0%	100%

Source: Sample of 20 small business loans originated between January 1, 2005 and June 30, 2007; Dunn & Bradstreet Business Demographic data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The geographic distribution of residential real estate loans exceeds the standard for satisfactory performance. The geographic distribution of small business loans meets the standard for satisfactory performance. We placed equal weight on the geographic distribution of residential real estate loans and small business loans because they account for similar percentages of the bank's loan portfolio.

Residential Real Estate Loans

The geographic distribution for home refinance loans exceeds the standard for satisfactory performance. The percentage of home refinance loans made to borrowers in low-income CTs (0%) is in line with the percentage of owner-occupied units in the AA located in low-income CTs (less than 1%). The percentage of home refinance loans made to borrowers in moderate-income CTs (33%) is slightly higher than the percentage of owner-occupied units in the AA located in moderate-income CTs (29%).

The geographic distribution for home purchase loans exceeds the standard for satisfactory performance. The percentage of home purchase loans made to borrowers in low-income CTs (0%) is in line with the percentage of owner-occupied units in the AA located in low-income CTs (less than 1%). The percentage of home purchase loans made to borrowers in moderate-income CTs (31%) is slightly higher than the percentage of owner-occupied units in the AA located in moderate-income CTs (29%).

The geographic distribution for home improvement loans exceeds the standard for satisfactory performance. The percentage of home improvement loans made to borrowers in low-income CTs (0%) is in line with the percentage of owner-occupied units in the AA located in low-income CTs (less than 1%). The percentage of home improvement loans made to borrowers in moderate-income CTs (34%) is slightly higher

than the percentage of owner-occupied units in the AA located in moderate-income CTs (29%).

Geographic Distribution of Residential Real Estate Loans in Macoupin and Madison Counties								
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	<1%	0%	29%	31%	55%	62%	15%	7%
Home Improvement	<1%	0%	29%	34%	55%	61%	15%	5%
Refinancing	<1%	0%	29%	33%	55%	60%	15%	7%

Source: 2005-2007 HMDA; 2000 U.S. Census data.

Business Loans

The geographic distribution of business loans meets the standard for satisfactory performance. The percentage of business loans made to borrowers in low-income CTs (0%) is in line with the percentage of businesses in the AA located in low-income CTs (less than 1%). The percentage of business loans made to borrowers in moderate-income CTs (20%) is below the percentage of businesses in the AA located in moderate-income CTs (31%).

Geographic Distribution of Loans to Businesses in Macoupin and Madison Counties								
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
Small Business Loans	<1%	0%	31%	20%	51%	80%	17%	0%

Source: Sample of 20 small business loans originated between January 1, 2005 and June 30, 2007; Dunn & Bradstreet Business Demographic data.

There were no conspicuous gaps noted in the bank’s lending.

Responses to Complaints

No CRA-related complaints have been received since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

FNB's community development performance demonstrates adequate responsiveness to the needs of the AA through loans, qualified investments, and services.

Community Development Loans

CD lending is adequate. FNB has 12 qualifying CD loans, totaling \$723,350, that were originated during the evaluation period.

- Madison County Community Development Homebuyer program. FNB had qualifying loans totaling \$141,800 in 2006 and \$204,500 in 2007. This program provides assistance toward down payment and closing costs, in the form of a five-year forgivable loan for \$3,000 or \$5,000. Eligibility depends on income level and ensuring that the home purchased complies with the HUD-defined rehabilitation standards before loan closing. This meets the definition of a CD loan and contributes to long-term revitalization prospects through the rehabilitation aspect.
- Macoupin County Housing Services. FNB contributed \$350,000 of a \$3.2 million participation loan with several other banks for the purpose of financing a new 46-unit assisted living facility in Carlinville, Illinois. The Macoupin County Housing Authority formed a non-profit corporation to construct and manage this new assisted living facility in Carlinville, which is located in a moderate-income CT.
- Down payment Plus Program – Chicago Federal Home Loan Bank. FNB had \$25,000 in qualifying loans under this program during 2007. The program provides down payment and closing cost assistance for low- and moderate-income home buyers. Home buyers must have total annual household income of 80% or less of the area median income, adjusted for family size. Eligible properties are owner-occupied one- and two-family dwelling units in urban and rural areas throughout Illinois. Purchasers must complete a homebuyer or homeowner counseling program prior to receiving the grant funds, and sign a certificate of eligibility that certifies their income.
- Disaster Relief Loans – Illinois State Treasurer's Office. This program provides below market, bridge loans for qualified borrowers in Madison, St. Clair, Jefferson, and Clinton Counties that were designated state emergency/disaster areas back in late 2005. The bank had one loan for \$2,050 in 2006.

The bank also participates in the Home Possible Loans Program through Freddie MAC (\$2,242,000) and in the Rural Development Housing Loans Program from the USDA (\$172,000), but these loans are counted in the HMDA loans discussed under the Lending Test.

Qualified Investments

Qualified investments and donations are adequate. FNB has made a total of \$3.65 million in qualified investments and \$6,350 in donations to CD organizations assisting low- and moderate-income individuals and families within the AA.

- The bank purchased General Obligation School bonds for school districts that serve low- and moderate-income individuals, totaling \$3.65 million during the assessment period. Qualifying school districts included the Livingston (CCSD #4) and Gillespie (CUSD #7) school districts. Gillespie is located in a moderate-income CT, while Livingston schools serve a substantial portion of low- and moderate-income individuals based on the percentage of students that qualify for free and reduced lunches.
- Donations were made to various organizations including several local area food pantries, a relief fund for Hurricane Katrina, the Growth Association of Southwest Illinois, area Lions Clubs for Thanksgiving and Christmas baskets for low-income residents, SCORE (Counselors to America's Small Business), Disabled American Veterans, Benld Senior Nutrition Center, and the Staunton Main Street USA organization.

Service Test

Retail Banking Services

FNB's delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the AA. FNB has 10 full-service branches in the AA, with 20% of those branches in moderate-income CTs. This compares favorably to the 21% of the population in moderate-income CTs. No branches are in low-income CTs, while 21% of the population lives in low-income CTs. Branch hours offer reasonable access and convenience. FNB has 14 ATMs, including four that are not connected to full-service branches. FNB's ATM network offers an alternative delivery system for providing retail banking services to low- and moderate-income individuals and in low- and moderate-income geographies. Extended hours are available with either the lobby or drive-up locations open on Saturdays and open longer on Fridays. All the bank's loan and deposit products are available at all branch locations.

In addition to the direct access that branches and ATMs provide to customers, we took into consideration indirect access that was available to customers, especially those located in low- and moderate-income CTs. For instance, the Benld branch is located in a moderate-income CT and is adjacent to two other moderate-income CTs. The Mt. Olive branch is located in a moderate-income CT and is adjacent to another moderate-income CT. The Livingston branch is adjacent to two moderate-income CTs. Both the Staunton branch and the Holiday Shores branch are adjacent to a moderate-income CT. The Mt. Clare ATM is located in a CT that is adjacent to two moderate-income CTs.

The bank offers 24-hour access for its customers through its telephone banking and Internet banking products. These free products allow customers to check balances, transfer funds, and make loan payments. Bill payment is also available at no cost for regular users. The bank does not track usage of these products by customers living in low- and moderate-income CTs, so we cannot give the bank any extra credit for these activities.

Community Development Services

FNB provides a reasonable level of CD services based on the capacity of the bank, as well as on the needs and availability of opportunities in the AA. During this evaluation period, bank employees participated in four organizations that qualify for CD purposes. Employees of the bank provided technical financial assistance to two organizations that meet the definition of CD. Another one of the organizations provides community services to low- and moderate-income individuals, while three of the organizations support economic development by providing services and financing to small businesses.

- The Growth Association of Southwestern Illinois. This organization is both the Chamber of Commerce and the Economic Development Organization for the communities of the River Bend. As a Chamber of Commerce, it actively promotes activities between member businesses. As an Economic Development Organization, it works closely with state, regional, county and local officials to develop new employment opportunities. Bank employees provide assistance to this organization by consulting on potential business opportunities, preparing budgets, and participating in the investment decision process.
- SCORE (Counselors to America's Small Business). SCORE's unpaid volunteers share their business experience and provide free business counseling to anyone who is operating a small business or thinking about starting one. The SCORE Association (Service Corps of Retired Executives) is a national non-profit association composed of retired and semi-retired executives and business owners. The Alton-Godfrey SCORE partners with the Growth Association of Southwestern Illinois, Lewis & Clark Community College, and the U.S. Small Business Administration, all of which help provide quality service. Alton-Godfrey SCORE conducts low-cost workshops on a variety of subjects such as Starting a Business, Loans, Taxes, Financing, Marketing, Accounting, and Planning.

FNB has a relationship with SCORE, showing that it welcomes the opportunity to provide specialized financial services to area businesses. SCORE has developed programs designed to enhance the interaction between the client and the chosen financial institution. FNB employees actively participate with SCORE to provide counseling and financing options to current and potential small business owners. The services are provided regardless of whether the client decides to apply for financing with a particular institution.

- Main Street USA Staunton. The organization's goal was to retain and revitalize businesses in downtown Staunton. One bank employee was on the board of

directors of this organization during part of the evaluation period and worked in conjunction with FNB to help businesses get low interest small business loans for projects aimed at revitalizing the downtown Staunton business district.

- High School Consumer Education. Two bank employees have given numerous talks to Staunton Area High School classes during the assessment period. Topics have ranged from basic financial education/literacy to banking fundamentals. They also participated in talks for Career Day and discussed their careers in the banking industry.

Fair Lending or Other Illegal Credit Practices Review

A Fair Lending examination was completed for The First National Bank in Staunton in July 2007. There were no adverse findings from this examination. We found no evidence of illegal discrimination or other illegal credit practices.