



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 17, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Beardstown
Charter Number 3640

300 Washington Street
Beardstown, IL 62618

Office of the Comptroller of the Currency

North Central Illinois & Eastern Iowa Field Office
111 West Washington Street, Suite 300
East Peoria, IL 61611-2532

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

The First National Bank of Beardstown (“FNB”) is rated satisfactory.

The major factors that support FNB’s rating include:

- FNB’s distribution of loans to borrowers of different income levels and to farms of different sizes is reasonable.
- The geographic distribution of consumer and residential loans reflects reasonable dispersion throughout the assessment area (“AA”).
- A majority of the loans originated by FNB are to customers from within its AA.
- FNB’s quarterly average loan-to-deposit ratio of eighty-one percent over the evaluation period is more than reasonable, given the bank’s size, financial condition, and AA credit needs.

SCOPE OF EXAMINATION

This Performance Evaluation assesses FNB’s record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion, which includes a lending test. The lending test evaluates a bank’s record of helping to meet the credit needs of its AA through its lending activities.

- The evaluation period covers loans originated or purchased from July 21, 2003, through December 31, 2008.
- FNB has one AA, generating a majority of the bank’s loans and deposits. The lending test is based on FNB’s primary loan products.
- Conclusions regarding the bank’s lending performance are based on agricultural, residential, and consumer loans originated or purchased from January 1, 2007, through December 31, 2008, utilizing 2000 census data.
- The bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act.
- FNB is not required to maintain revenue or income information on agricultural, residential, and consumer loans outside of the individual credit files. Thus, a sample of 25 agricultural loans originated during the evaluation period was used to assess the level of lending to farms of different sizes. We used a sample of 25 residential loans and 25 consumer loans originated during the evaluation period to assess the range of distribution of families of different incomes, and in assessing the range of distribution by households of different incomes.

DESCRIPTION OF INSTITUTION

FNB is a \$54 million intrastate financial institution located on U.S. Highway 67 along the Illinois River in Cass County in west Central Illinois, approximately 45 miles northwest of Springfield, Illinois. FNB has one office in downtown Beardstown, including a drive-up facility and one ATM, located on the southern side of Beardstown at the intersection of highways U.S. 67, Illinois 100 and Illinois 125.

FNB provides customers additional access to their accounts through telephone banking and the Internet. These services offer customers the ability to conduct transfers between FNB accounts, review account balances and transactions, access loan account information, and on-line bill-paying capability through the Internet banking product. FNB also offers debit cards providing customers with additional access to their accounts at point of sale and ATM locations.

The bank is a wholly owned subsidiary of Mascouten Bancorp, Inc., a one-bank holding company. As of December 31, 2008, the holding company had total assets of \$54 million. The holding company does not own any additional subsidiaries and it does not negatively impact the bank's ability to meet the credit needs of the community. FNB's business strategy of providing personal, friendly service to meet their customer's banking needs, has not changed.

FNB has three primary lending products; consumer, agricultural, and residential loans. Consumer, agricultural, and residential lending account for 87 percent of the amount of all loan originations during the evaluation period and make up 89 percent of the outstanding loan balances as December 31, 2008. Commercial lending is not a primary loan product, accounting for 13 percent of the amount and 4 percent of the number of loan originations during the evaluation period, and 11 percent of the outstanding loan balances as of December 31, 2008.

Table 1 – Loan Originations by Loan Type from January 1, 2007 through December 31, 2008				
Loan Category	\$ (000)	%	#	%
Consumer Loans	\$ 13,355	32%	2,090	83%
Agricultural Loans	\$ 11,532	28%	80	3%
Residential Loans	\$ 11,279	27%	237	10%
Commercial Loans	\$ 5,395	13%	107	4%
Total Originations	\$ 41,561	100%	2,514	100%

Source: Bank Records from January 1, 2007 – December 31, 2008

As of December 31, 2008, the bank reported \$37 million in outstanding loans and had a net loans and leases to total assets ratio of 69 percent. The loan portfolio consists of the following:

Table 2 – Loan Portfolio Summary by Loan Type December 31, 2008		
Loan Category	\$(000)	%
Consumer Loans	\$ 9,891	26%
Agricultural Loans	\$ 11,392	31%
Residential Loans	\$ 11,785	32%
Commercial Loans	\$ 4,137	11%
Total Loans	\$ 37,205	100%

Source: Call Report December 31, 2008

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability in helping to meet the credit needs of the communities within its AA. Tier 1 capital was reported at \$9.6 million as December 31, 2008. The bank's previous CRA rating as of July 21, 2003, was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FNB has one AA, no change from the prior evaluation, consisting of portions of Cass and Schuyler Counties. The AA includes four census tracts ("CTs"), three in Cass County and one in Schuyler County. The 2000 U.S. Census data shows this AA contains one moderate-income CT and three middle-income CTs, there are no low- or upper-income CTs. The moderate-income CT consists of approximately the northern half of the city of Beardstown.

Competition for financial services within the AA is primarily from several state banks and thrifts that serve the same communities and have a similar business focus. Other competitors consist of larger banks in the Jacksonville and Springfield areas.

The following is demographic information for the assessment area:

Table 3 - Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	4	0%	25%	75%	0%
Population by Geography	10,148	0%	24%	76%	0%
Owner-Occupied Housing by Geography	2,929	0%	22%	78%	0%
Businesses by Geography	522	0%	32%	68%	0%
Farms by Geography	80	0%	4%	96%	0%
Family Distribution by Census Tract	2,759	0%	21%	79%	0%
Family Distribution by Income Level	2,759	22%	23%	23%	32%
Household Distribution by Income Level	3,912	24%	17%	21%	38%
Median Family Income	\$38,659	Median Housing Value			\$53,140
Median Household Income	\$33,499	Median Year Built			1956
2008 HUD Adjusted Median Family Income for Illinois Non-MSA	\$51,900	Average Monthly Gross Rent			\$ 407
Families Below the Poverty Level	11%	Households Below the Poverty Level			13%

Source: 2000 U.S. Census Data

Economic Data

The local economy is dominated by agriculture and is reasonably stable. Agriculture has experienced several good years in a row and remains healthy. Commodity prices have declined recently while input prices have remained high, thus the outlook for 2009 is cautious. The December 2008 unemployment rate of 5.6 percent for Cass and Schuyler County is well below the national average of 7.2 percent and the State of Illinois average of 7.6 percent. Major employers in the AA include: Cargill Meat Solutions Corporation, Ameren CIPS, Burlington Northern Railroad, the local school district and the local governmental entities.

We contacted a local business organization during the examination. The contact indicated the primary credit needs in the AA are agriculture, residential and general consumer loans. They felt FNB, along with other financial institutions, are actively meeting the credit needs of the area. The contact stated the economy in the area is relatively stable. There may be a slight slow down due to the national recession, but the agricultural base has experienced several good years. In fact, the largest employer, a

meat processing plant, is continuing to hire people. The contact indicated FNB remains supportive of the community and a number of the employees are actively involved with many charity events and community organizations. The contact did not know of any credit needs or banking services not met or provided for by the local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB meets the standards for satisfactory performance.

- The distribution of loans to individuals of different income levels and to farms of different sizes is reasonable.
- The geographic distribution of consumer and residential loans reflects reasonable dispersion throughout the AA.
- A majority of the loans originated by FNB are to customers from within its AA.
- FNB's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO FARMS AND BUSINESSES OF DIFFERENT SIZES

The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms of different sizes.

Consumer Loans

FNB's lending to borrowers of different income levels regarding consumer loans is reasonable. Based on our sample, lending to moderate-income borrowers is significantly above the percentage of moderate-income households in the AA. Although the lending to low-income borrowers is below the percentage of low-income households in the AA, this is reasonable given 13 percent of the households in the AA are below the poverty level.

Table 4 – Borrower Distribution of Consumer Loans in the AA								
Household Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer	24%	12%	17%	36%	21%	16%	38%	36%

Source: Bank records on loans originated or purchased from January 1, 2007 to December 31, 2008; 2000 Census Data.

Agriculture Loans

FNB’s performance of lending to farms of different sizes is reasonable. Based on our sample, 76 percent of the number of loans and 60 percent of the dollar amounts were made to small farms. Small farms are farms with annual gross revenues equal to or less than one million dollars. The demographic data for the AA shows that 95 percent of the farms reporting revenue data in the AA have revenues equal to or less than one million dollars. With the increased commodity prices in 2007 and 2008, increasing yields, and further consolidation in farming, the number of farms generating over one million dollars in annual revenues has increased. The census data from 2000 indicates there are only two farms within the AA with annual revenues over one million, while FNB had six customers in the sample.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA:

Table 5 – Borrower Distribution of Loans to Farms of Different Sizes					
Farm Revenues	Number of Loans		% Farms in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	19	76%	95%	\$ 2,061	60%
>\$1,000,000	6	24%	3%	\$ 1,390	40%
Total	25	100%	98%	\$ 3,451	100%

Source: Bank records on new loans originated from January 1, 2007 to December 31, 2008; 2000 Census Data.

** 2 percent of AA farms did not report revenue data.

Residential Real Estate Loans

The distribution of borrowers, given the demographics of the AAs, reflects excellent penetration among individuals of different income levels. In making this determination, we weighed the performance with low- and moderate-income families.

FNB’s lending to low-income borrowers is excellent and exceeds the percentage of low-income families. The lending to moderate-income borrowers is reasonable and above the percentage of moderate-income families. The overall lending to low- and moderate-income borrowers is excellent, given 11 percent of the families in the AA are below the poverty level.

Table 6 – Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Real Estate	22%	24%	23%	24%	23%	28%	32%	24%

Source: Bank records on loans originated or purchased from January 1, 2007 to December 31, 2008; 2000 Census Data.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of consumer and residential loans reflects reasonable dispersion throughout the AA. A geographic distribution of agricultural loans was not performed at this examination. The moderate-income CT within the AA is, for the most part, the northern half of the city of Beardstown. The census data reports there are only three farms located within this CT, thus there is not a sufficient population for the analysis to be meaningful.

Consumer Loans

FNB’s geographic distribution of consumer lending reflects a satisfactory level of penetration in CTs of different income levels, including the one moderate-income CT. Based on the sample of consumer loans originated during the evaluation period, the percentage of consumer loans originated within the moderate-income CT is slightly below the number of households located in the moderate-income CT within the AA.

Table 7 – Geographic Distribution of Consumer Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number
Consumer Loans	0%	0%	24%	20%	76%	80%	0%	0%

Source: Bank records on new loans originated or purchased from January 1, 2007 to December 31, 2008; 2000 Census Data.

Residential Real Estate Loans

FNB’s geographic distribution of residential lending reflects a satisfactory level of penetration in census tracts of different income levels, including the one moderate-income CT. Based on the residential loans originated during the evaluation period, the percentage of residential loans originated within the moderate-income CT exceeds the level of owner occupied housing located in the moderate-income CT within the AA.

Table 8 – Geographic Distribution of Residential Real Estate Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential	0%	0%	22%	28%	78%	72%	0%	0%

Source: Bank records on new loans originated or purchased from January 1, 2007 to December 31, 2008; 2000 Census Data.

LENDING IN THE ASSESSMENT AREA

A majority of the loans originated by FNB are to customers within its AA. FNB’s lending to customers within the AA for all loan types is reasonable. The following table details the bank’s lending within the AA by number of loan originations and dollar volume during the evaluation period.

Table 9 – Loans Originated within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Consumer	1,623	78%	467	22%	2,090	\$10,243	75%	\$ 3,445	25%	\$13,689
Agriculture	62	77%	18	23%	80	\$ 8,919	77%	\$ 2,613	23%	\$11,531
Residential	178	75%	59	25%	237	\$ 8,028	71%	\$ 3,250	29%	\$11,279
Commercial	85	79%	22	21%	107	\$ 4,496	83%	\$ 900	17%	\$ 5,395
Totals	1,948	77%	204	23%	2,514	\$31,686	76%	\$10,208	24%	\$41,894

Source: Bank records on new loans originated in 2007 and in 2008.

LOAN-TO-DEPOSIT RATIO

FNB's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period July 1, 2003, to September 30, 2008, was 81 percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from 41 percent to 80 percent. FNB's average loan-to-deposit ratio is above the other six similarly situated banks, which range in asset size from \$49 million to \$169 million. The similarly situated banks utilized for comparison purposes are community banks located in Cass and Schuyler County.

RESPONSES TO COMPLAINTS

FNB has not received any complaints about its performance in helping to meet the credit needs within its AA 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.