



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 06, 2012

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, Room 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.

- Lending to individuals with different income levels is reasonable. Lending to businesses of different sizes is more than reasonable.
- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The distribution of loans among geographies reflects reasonable dispersion.
- A substantial majority of loans are originated or purchased within the bank's AA.
- Community development activities demonstrate adequate responsiveness to the needs of the AA.

Scope of Examination

We assessed The First National Bank in Staunton's (FNB) 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 and a community development (CD) 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.

FNB has one AA which includes all of Madison and Macoupin Counties in South Central Illinois. This AA is part of the St. Louis MO-IL Metropolitan Statistical Area (MSA). This AA received a full-scope review.

The evaluation period is from December 10, 2007 through January 6, 2012. Conclusions regarding the bank's lending performance are based on FNB's primary loan products: residential real estate (RRE) and business (non-agricultural) loans. Equal weight was placed on each loan product. Within the RRE loans, we placed most weight on home refinance loans as they made up 74% of home mortgage loans. We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. We analyzed all HMDA loans and a sample of business loans that FNB originated or purchased from January 1, 2009 through December 22, 2011, and CD activities from December 10, 2007 through January 6, 2012.

Description of Institution

FNB is an intrastate bank with ten locations in Illinois. The bank is wholly owned by First Staunton Bancshares, Inc., a one-bank holding company located in Staunton, Illinois. FNB's assets represent substantially all of the holding company's assets. FNB has an operating subsidiary, 1st BankFinancial, 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.

FNB's main office in Staunton and branches in Benld and Mt. Olive serve Macoupin County. The other locations (Bethalto, Edwardsville, Hamel, Livingston, Maryville, Troy, and Worden) are located in Madison County. Two of the ten offices are in moderate-income geographies (Benld and Mt. Olive). Three other offices are adjacent to several moderate-income geographies (Livingston, Staunton and Holiday Shores). 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 that also take deposits. The bank did not open or close any locations during this evaluation period.

As of December 31, 2011, FNB has total assets of \$480 million, total deposits of \$396 million, net loans of \$290 million, and a net Tier 1 Capital of \$46 million. FNB's net loans are 60.5% of total assets.

FNB offers a typical array of deposit and loan products. The bank's lending focus is on residential lending and small businesses. The loan portfolio is comprised of commercial loans (45%), residential real estate loans (40%), agricultural loans (6%), loans to individuals (5%), and municipal loans (4%).

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the communities it serves. The bank received a satisfactory rating at its last CRA examination dated December 10, 2007.

Description of Assessment Area

Management designated Macoupin and Madison Counties as the bank's AA. These two counties are contiguous and within the St. Louis MO-IL MSA. FNB's 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. Of the 84,008 families in the AA, 21% were classified as low-income, 21% as moderate-income, 25% as middle-income, and 33% as upper-income. About 7% of these families lived below the poverty level. The Department of Housing and Urban Development (HUD) updates the median family income every year. For 2011, the HUD-updated median family income was \$69,500.

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.

Based on 2011 business data, there are 25,094 businesses in the AA: 69% are small businesses with revenues of \$1 million or less, 3% have revenues greater than \$1 million, and 28% did not report revenues. Only 0.50% of the businesses are located in low-income CTs, 29% in moderate-income CTs, 55% in middle-income CTs, and 15.50% in upper-income CTs.

Major employers in Madison County include Southern Illinois University Edwardsville with 2,450 employees, four manufacturing companies (U.S. Steel, Olin Brass, DuCoa Company, and American Steel Foundries) with a combined total of 5,760 employees, three health care organizations (Gateway Regional Medical Center, Southwestern Illinois Health Facilities Inc., and St. Anthony's Health Center) with nearly 3,000 employees, and county government with 1,130 employees. Major employers in Macoupin County include a manufacturer (Prairie Farms Dairy Inc.) with 500 employees, a utility company (Exxon Mobil Corp.) with 300 employees, and several local school districts with 150-250 employees each.

The unemployment rate in November 2011 was 9.7% for Macoupin County and 8.7% for Madison County. The Illinois unemployment rate of 9.4% fell between the county rates, while the national unemployment rate of 8.2% was lower overall. The national unemployment rate dropped a full percentage point from 9.3% at November 2010, but the state and local unemployment rates remained high.

Competition is intense in the AA. As of June 30, 2011, 37 financial institutions operate 128 offices in this AA. Four large banks and five regional banks compete with 28 smaller community banks. FNB ranks 6th, with a 7.14% deposit market share in the AA. The AA is also serviced by multiple credit unions, mortgage companies, insurance offices and other businesses that offer lending services.

We contacted a local economic development organization. The contact stated that small business loans to businesses that are starting up or expanding their operations and job growth are primary credit needs for Macoupin County. Opportunities for CD activities include investing in the Macoupin County Community Development Corporation, sponsoring business planning workshops, purchasing Tax Increment Financing bonds, and participating in the Advantage Illinois Programs.

Conclusions with Respect to Performance Tests

LENDING TEST

FNB's performance under the lending test is rated Satisfactory.

Loan-to-Deposit Ratio

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

As of December 31, 2011, the bank's LTD ratio is 73%. The quarterly average LTD ratio since the last examination is 74%. This ratio is above two and below two banks comparable in size and location. The average quarterly LTD for these similarly situated banks ranges from 64% to 89% for the same period.

Lending in Assessment Area

A substantial majority of loans are originated in FNB's AA. Based on all HMDA data and a sample of small business loans made from 2009 to 2011, 93% by number and 92% by dollar amount are made within the bank's AA.

Lending in Macoupin and Madison Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	354	87.41%	51	12.59%	405	32,395	82.97%	6,648	17.03%	39,043
Home Improvement	287	92.88%	22	7.12%	309	12,511	91.17%	1,212	8.83%	13,723
Home Refinancing	1,842	94.17%	114	5.83%	1,956	206,079	93.43%	14,498	6.57%	220,577
Small Business	15	75.00%	5	15.00%	20	1,850	65.78%	962	34.22%	2,812
Totals	2,498	92.86%	192	7.14%	2,690	252,835	91.56%	23,320	8.44%	276,155

Source: 2009- 2011 data reported under HMDA and sample of 20 small business loans.

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

Residential Real Estate Loans

The overall borrower distribution of RRE loans meets the standard for satisfactory performance. We also considered the bank's positive market share results to make this determination.

The borrower distribution for home refinance loans meets the standard for satisfactory performance. The percentage of home refinance loans made to moderate-income borrowers (20%) is near the percentage of moderate-income families in the AA (21%). The percentage of home refinance loans made to low-income borrowers (9%) is well

below the percentage of low-income families in the AA (21%); this poor penetration to low-income borrowers is somewhat mitigated by the number of families living below the poverty level (7%).

The borrower distribution for home purchase loans meets the standard for satisfactory performance. The percentage of home purchase loans made to moderate-income borrowers (21%) meets the percentage of moderate-income families in the AA (21%). The percentage of home purchase loans made to low-income borrowers (17%) is lower than the percentage of low-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 moderate-income borrowers (23%) is higher than the percentage of moderate-income families in the AA (21%). The percentage of home improvement loans made to low-income borrowers (18%) is below the percentage of low-income families in the AA (21%).

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						
Home Purchase	21%	17%	21%	21%	25%	27%	33%	35%
Home Improvement	21%	18%	21%	23%	25%	26%	33%	33%
Refinancing	21%	9%	21%	20%	25%	28%	33%	43%

Source: 2009- 2011 data reported under HMDA; 2000 U.S. Census data.

FNB's 2010 market share of RRE loans originated to low- and moderate-income borrowers in the AA is above its overall market share. FNB's market share of home improvement and home refinance loans to low- and moderate-income borrowers is also higher than the AA market share for these products. Only FNB's share of home purchase loans extended to low- and moderate-income borrowers is lower than its market share in the AA.

Market Share	In the AA	To Low-Income Borrowers	To Moderate-Income Borrowers
Overall	5.90%	6.16%	6.81%
Home Purchase	2.77%	2.08%	2.35%
Home Improvement	18.07%	28.41%	22.29%
Home Refinancing	6.25%	7.59%	8.03%

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 \$1 million or less exceeds the market demographic (69%) by number (76%) and dollar amount (89%) of loans extended to businesses in the AA.

Borrower Distribution of Loans to Businesses in Macoupin and Madison Counties				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69%	3%	28%	100%
% of Bank Loans in AA by #	76%	11%	13%	100%
% of Bank Loans in AA by \$	89%	8%	3%	100%

Source: Sample of 45 business loans; 2011 Business Demographic Data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Both RRE loans and business loans meet the standard for satisfactory performance. FNB lends in most geographies within its AA; no conspicuous gaps were noted.

Residential Real Estate Loans

The overall geographic distribution of RRE loans reflects reasonable dispersion throughout the AA. The 2010 market share data provides additional support for our assessment.

The geographic distribution for home refinance loans meets 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 housing units in the low-income CTs (0.50%). The percentage of home refinance loans made to borrowers in moderate-income CTs (21%) is below the percentage of owner-occupied housing units in the moderate-income CTs (29%).

The geographic distribution for home purchase loans meets 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 housing units in the low-income CTs (0.50%). The percentage of home purchase loans made to borrowers in moderate-income CTs (25%) is below the percentage of owner-occupied housing units in the moderate-income CTs (29%).

The geographic distribution for home improvement loans meets 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 housing units in the low-income CTs (0.50%). The percentage of home improvement loans made to borrowers in moderate-income CTs (27%) is near the percentage of owner-occupied housing units in the 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						
Home Purchase	0.50%	0.00%	29%	25%	55%	64%	15.50%	11%
Home Improvement	0.50%	0.00%	29%	27%	55%	69%	15.50%	5%
Refinancing	0.50%	0.00%	29%	21%	55%	69%	15.50%	10%

Source: 2009- 2011 data reported under HMDA; 2000 U.S. Census data.

FNB's 2010 market share of RRE loans originated in the AA's moderate-income CTs is above its overall market share in the AA. FNB's market share for each of the loan products (home purchase, home improvement and home refinancing) in the moderate-income CTs is also higher than the respective market share in the AA. The 2010 market share data revealed that only two loans were extended by all lenders in the low-income CTs, mitigating the fact that FNB did not make any loans in the low-income geographies.

Market Share	In the AA	In Moderate-Income CTs
Overall	5.90%	7.61%
Home Purchase	2.77%	2.96%
Home Improvement	18.07%	21.24%
Home Refinancing	6.25%	8.87%

Small 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 low-income CTs (0.50%). The percentage of business loans made to borrowers in moderate-income CTs (18%) is below the percentage of businesses in the moderate-income CTs (28%).

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						
Small Business Loans	0.50%	0.00%	28%	18%	53%	69%	18.50%	13%

Source: Sample of 45 business loans and 2011 Business Demographic Data.

Responses to Complaints

No CRA-related complaints have been received by FNB or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

FNB's performance under the community development test is rated Satisfactory. We considered the bank's capacity, business strategy, the needs of the community, and the number and type of opportunities for CD activities in making this determination. Through its origination of CD loans and by providing CD services, FNB demonstrated adequate responsiveness to the AA's CD needs during the evaluation period.

Number and Amount of Community Development Loans

FNB's CD lending demonstrates adequate responsiveness to the AA's needs. During the evaluation period, the bank originated twelve CD loans for a total of \$6.7 million. These included five loans totaling \$4.0 million to small businesses that helped to create or retain 102 jobs for low- and moderate-income residents. The bank originated two loans totaling \$1.7 million that supported neighborhood revitalization and stabilization. The bank originated one loan for \$750,000 to fund an affordable housing development for low-income residents, and 4 loans totaling \$280,732 that provided down payment and closing cost assistance to participants in a local community development homebuyer assistance program.

Particularly noteworthy for its responsiveness to AA needs is the bank's \$750,000 loan to a local housing authority. The loan was used to finance a 30-unit subsidized multifamily rental housing complex for low-income residents in the AA. One unique aspect of the project is that it includes onsite counseling and substance abuse treatment and other psychiatric services to residents.

Number and Amount of Qualified Investments

During the evaluation period, FNB did not make any qualifying CD investments. However, the bank demonstrated adequate responsiveness to the AA's CD needs and opportunities through its lending and service activity.

Extent to Which the Bank Provides Community Development Services

FNB's CD services reflect reasonable responsiveness to the needs and opportunities in the AA. FNB's service delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has ten full-service branch offices and 14 automated teller machines (ATMs) in the AA. Two branch offices or 20% are located in moderate-income CTs. Moderate-income CTs contain 21% of the AA's population. Branch hours are comparable to other deposit-taking institutions in the AA. All branch

locations maintain standard banking hours Monday through Friday with extended hours on Friday and Saturday. Additionally, FNB offers telephone banking and internet banking.

The bank provides an adequate level of CD services in the AA. Throughout the evaluation period, management and employees shared their technical expertise with several local organizations that provide qualified CD services to the AA. These organizations focus on fostering economic development, neighborhood revitalization, small business development, and financial literacy.

Responsiveness to Community Development Needs

FNB's CD activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in its AA. Financing for small businesses and job growth are the primary identified needs in the AA. Opportunities for CD lending are primarily in small business lending, particularly Small Business Administration Guaranteed (SBA) lending. The bank's level of CD services is also adequate. Through volunteer efforts, bank management and employees provided a number of services to community groups and organizations that deliver CD services to the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.